STATEMENT OF
THE HONORABLE MARY E. PETERS
SECRETARY OF TRANSPORTATION
BEFORE THE
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
UNITED STATES SENATE

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Chairman Inouye, Vice Chairman Stevens and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Administration's Fiscal Year 2009 budget request for the U.S. Department of Transportation. With me today is Bobby Sturgell, the Acting Administrator of the Federal Aviation Administration (FAA).

President Bush is requesting $68.2 billion for America's transportation network in the next fiscal year, including funding for the Department's mandatory programs. We are working with the President to hold the line on spending, while giving travelers and taxpayers the best possible value for their transportation dollars by transforming the way our transportation system works and is funded. At the Department of Transportation, our focus is on finding real transportation solutions that make travel safer, improve the performance of our transportation systems so that they operate more efficiently and serve us better, and apply advanced technologies and contemporary approaches to today's transportation challenges.

Consistent with these priorities, nearly 31 percent of the funds requested for FY 2009 support safety programs and activities. The budget allows us to build on our successes in delivering safer transportation systems by focusing on problem areas like runway incursions, as well as motorcycle crashes and pedestrian injuries on the road. It is important that we continue a data-driven safety focus that allows us to target resources more effectively.

Just as the budget supports continued strong progress on the safety front, it also builds on our comprehensive efforts to identify new partners, new financing, and new approaches to reduce congestion. One example is the New York region where the Bush Administration has moved aggressively to alleviate congestion in the air and on the ground. The Administration recently announced short-term measures to bring passengers relief from chronic flight delays, and we have been supporting Mayor Bloomberg's efforts to reduce the crippling congestion on the streets of Manhattan. If last year's record traffic jams and flight delays taught us anything, it is that traditional financial approaches are not capable of producing the results we need to keep America's economy growing and America's families connected.

The President's budget includes $14.6 billion for the Federal Aviation Administration (FAA). In addition to critical new technology, the budget includes sufficient resources to hire and train an additional 306 air traffic controllers - people who are key to keeping the aviation system safe. The FY 2009 budget request would more than triple investment in the Next Generation Air Transportation System (NextGen), providing $688 million to implement enhancements such as Automatic Dependent Surveillance - Broadcast (ADS-B) and provide funding for key research and technologies to enable the transformation from radar-based to satellite-based navigation systems.

The FY 2009 budget once again provides the framework of the Next Generation Air Transportation System Financing Reform Act (S. 1076, H.R. 1356), the Administration's proposal sent to Congress last year that will make flying more convenient for millions of travelers. To accommodate anticipated demand by 2025, our aviation system requires a more reliable and responsive source of revenue to fund the modern technology required to manage this expanded capacity. The investment in NextGen will allow the FAA not only to handle 2 to 3 times more aircraft, but also to maintain and improve the already high level of safety, reduce flight delays, and reduce noise near airports.

The budget request assumes Congressional passage of the President's reauthorization proposal for FAA programs and revenue streams. This proposal would move from the current system of excise taxes to a hybrid cost-based system of taxes and user fees. It is increasingly clear that such a fundamentally different approach is needed to finance and manage our air traffic control system, as well as our increasingly congested airports. The current financing system is not designed to support the growing consumer demand for air travel.

The Administration's comprehensive proposal would modernize how we finance our Nation's air traffic control system. Many of the nations around the globe, including Canada, the U.K., Australia, and Germany, have implemented air traffic control systems in which the charges levied on users are tied to the actual costs of providing air traffic services. This rational approach accomplishes two major objectives simultaneously. First, what operators pay to use air traffic services will be closer to what it costs to provide those services. This will encourage each operator to use those air traffic services according to their perceived value. Because the existing system of taxes currently has no relationship to costs, in some cases operators are paying too much for the services they actually use, while in other cases they are using air traffic services for which they pay too little. This leads to inefficient provision and use of services and does not make economic sense.

On the other hand, a cost-based system makes more economic sense. We will be able to provide services for which the operators are willing to pay, while user fee revenues could be dedicated to modernizing an aging and strained air traffic control system that would dramatically expand the capacity of the system and lower unit operating costs over time.

Unfortunately, a divided user community has prevented this necessary proposal from moving forward, resulting in average American airline passengers paying higher prices and having fewer travel choices. In addition, our country's global aviation preeminence may not be sustainable as many countries have established air traffic control pricing models that will enable them to modernize as demand grows.

Notwithstanding the lack of progress on modernizing the national air traffic financing system, the Department of Transportation has taken several actions to ease congestion throughout the nation's airspace and allow market forces to allocate scarce airspace efficiently in the New York region. We have announced short-term caps for New York's John F. Kennedy International Airport and will soon issue an order to implement caps at Newark Liberty International Airport. Any additional capacity developed at these airports will be leased to the highest bidder.

In addition, we have proposed changes in our rates and charges policy to allow airports to charge more to aircraft using the airport during peak periods, providing an incentive for airlines to spread out their operations during the course of the day and maximize the use of limited airport and airway infrastructure. Finally, we are developing policies that would allow the expanded use of pricing for the very few airports where demand has outstripped supply.

Congestion triggered by over-scheduling can be addressed in one of three ways: (1) ignore it and eventually consumers will begin avoiding flights that rarely arrive on time; (2) impose a federal cap on operations and essentially limit access of anyone not already operating at the airport; or (3) allow market forces to grant airport access to those operators able to make the best use of it. Option 1 is clearly unacceptable to the public, Congress, and this Administration. On the other hand, while market forces under option 3 are in some ways unpredictable, history has demonstrated that they are the best tool to use to allocate a scarce resource.

FY 2009 is the final year of the current surface transportation authorization – the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The President's budget fulfills the President's commitment to provide the six-year, $286.4 billion investment authorized by SAFETEA-LU. For 2009, the Budget provides $51.7 billion for highways, highway safety, and public transportation.

To honor that commitment, even with an anticipated shortfall in the Highway Account balance of the Highway Trust Fund, the President is requesting temporary authority to allow "repayable advances" between the Highway Account and the Mass Transit Account in the Highway Trust Fund. This flexibility will get us through the current authorization without any impact on transit funding in 2009; however, unreliable Trust Fund revenues are another sign that we need to more aggressively begin moving away from our reliance on fuel taxes by partnering with State and local governments willing to develop more effective means to finance our surface transportation infrastructure.

Like aviation, technology must play an important role in relieving traffic on our Nation's highways. Through programs like our Urban Partnerships and Corridors of the Future initiatives, we have been aggressively pursuing effective new strategies to reverse the growing traffic congestion crisis. The interest around the country has proven quite strong – over 30 major U.S. cities responded to our call for innovative plans to actually reduce congestion, not simply to slow its growth.

The FY 2009 budget would encourage new approaches in fighting gridlock by proposing to use $175 million in inactive earmarks and 75 percent of certain discretionary highway and transit program funds to fight congestion, giving priority to projects that combine a mix of pricing, transit, and technology solutions. While State and local leaders across the country are aggressively moving forward, Congressional support and leadership is critical. These projects will help us find a new way forward as we approach reauthorization of our surface transportation programs.

Accessible and cost-effective transit projects also help fight congestion, and the President's budget includes over $10 billion for transit programs. The President's budget includes $6.2 billion to help meet the capital replacement, rehabilitation, and refurbishment needs of existing transit systems. Also included is $1.4 billion for major New Starts projects, which will provide full funding for fifteen commuter rail projects that are currently under construction, as well as proposing new funding for two additional projects. Another $200 million will be used to fund thirteen projects under the Small Starts program. All told, one of every seven dollars in the President's FY 2009 transportation budget is proposed for transit.

It is increasingly clear that America's transportation systems are at a crossroads. Even as we continue to make substantial investments in our Nation's transportation systems, we realize that a business-as-usual approach to funding transportation programs will not work much longer. Long-term, we need serious reform of our approaches to both financing and managing our transportation network to win the battle against congestion.

We also urge action on making needed reforms to the Nation's Intercity Passenger Rail system. The President's FY 2009 budget provides a total funding level of $900 million for intercity passenger rail. Included in this total is $100 million for a matching grant program that will enable State and local governments to direct capital investment towards their top rail priorities.

Our "safety first" priority includes ensuring the safe and dependable transport of hazardous materials throughout the transportation network. The President's budget request would increase funding for pipeline safety programs to over $93 million by funding eight new inspectors to increase oversight of poor performing pipeline operators and increasing state pipeline safety grants by $11.3 million.

We are also requesting $174 million to support a fleet of 60 vessels in the Maritime Security Program to assure the viability of a U.S.-flag merchant marine capable of maintaining a role in international commercial shipping and of meeting the sealift needs of the Department of Defense.

Finally, the President's budget includes $17.6 million to support the first year of a $165 million, 10-year asset renewal program for the Saint Lawrence Seaway Development Corporation. After 50 years of continuous U.S. Seaway operations, this Federally-owned and operated infrastructure is approaching the end of its original "design" life. Coordinated large scale capital reinvestment is now required to assure continuous, safe and efficient flow of maritime commerce.

The President's FY 2009 budget builds on the exciting things we are doing at the Department of Transportation to help America move forward on a new course – a course that delivers high levels of safety, takes advantage of modern technology and financing mechanisms, and mitigates congestion with efficient and reliable transportation systems.

Thank you for the opportunity to appear before you today. I look forward to working with Congress and the transportation community to ensure that America continues to have the best transportation system in the world.

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