Mr. MACKEY. Yes, sir.

Chairman PROXMIRE. I have here a letter from Mr. Turner in response to an inquiry of him, in which he says:

> Replying to your letter of February 9, the Bureau of Public Roads does not use discounting techniques in administering the Federal aid and direct Federal highway construction programs. In addition, we do not plan to use discounting techniques in the future.

How can you defend the U.S. Government policy of allocating this multibillion-dollar highway capital budget without recourse to such analysis?

Mr. MACKEY. I would not purport to defend it, Senator.

Chairman PROXMIRE. Well, what can we do about it? Would it not make sense for Congress to require its States and municipalities to initiate, at least to institute PPBS before they can qualify for Federal funds?

Mr. MACKEY. I think that would be one approach. It might be quite a reasonable one. I think there is certainly an alternative approach which I hope that we will be able to accomplish even in the absence of that kind of congressional action. We have just recently initiated a review of all of the discounting procedures within the Department. They vary widely, and I would hope that in a relatively short time we would have a far more consistent policy, and maybe some of the plans of some of our various components would change.

Chairman PROXMIRE. Well, I hope you can do this as soon as possible. Of course, the difficulty with our highway program is that it tends to be somewhat insulated from the discipline, even the relatively feeble discipline the Government can exercise, let alone the discipline that private corporations have to exercise in order to survive in that you have regular source of trust fund income, primarily from the gasoline tax. That does not, it seems to me, justify its exemption from the use of resources which, after all, are secured by taking money from the taxpayer which otherwise could be invested, would be invested to a considerable extent, either in consumption or an investment in the economy.

Mr. MACKEY. This is one of the main problems I was trying to get at in my discussion of the highway trust fund. I think you know, too, there have been a number of instances in the transportation field where the Congress itself has been considerably more reluctant than the executive branch to try to apply similar types of rational analysis. We are prepared to move as far as we can as rapidly as we can to apply this across the board.

Chairman PROXMIRE. You note in your statement that there are a number of other legal restraints which keep the Department of Transportation from instituting sound economic analysis. You mention section 7 of the Department of Transportation Act. Would you outline what some of these constraints are?

Mr. MACKEY. You mean under section 7?

Chairman PROXMIRE. Yes.

Mr. MACKEY. There are six items which are included in section 7 where we are not allowed to develop investment criteria. The two most important of those are the water resources area and grant-in-aid programs. Since the highway program and the Federal aid airport program are grant-in-aid programs it would seem that this applies. We do not have a definitive legal opinion as to the scope of section 7 in its