



MANAGEMENT DISCUSSION AND ANALYSIS

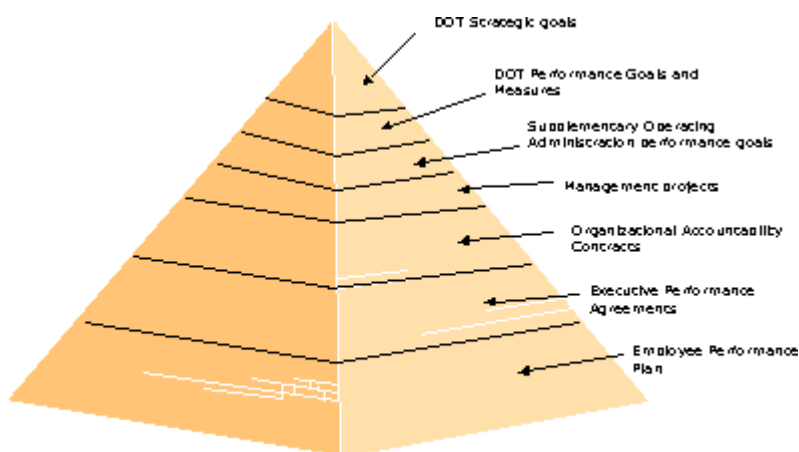
Introduction

The Department of Transportation (DOT) is committed to embodying the President's goals of a citizen-centered, results-based, market-oriented government. Transportation is a key element in our national economy - it helps maintain our standard of living, and supports our Nation's defense. Everything we do at DOT is aimed at making measurable improvements in our transportation system, the security of our Nation, and the quality of American life. In this second combined *Performance and Accountability Report*, we hold ourselves accountable to the public for effectively bringing to bear the Department's energy and resources in improving the Nation's transportation system. We use these results to improve our strategies and resource decisions.

DOT's management framework is as follows:

- The ***DOT Strategic Plan*** provides a comprehensive vision for improving the Nation's complex and vital transportation system. For the next several years, it puts forth broad objectives; targets specific outcomes we want to achieve, and identifies key challenges.
- The ***DOT Performance Plan*** operationalizes the Strategic Plan, and provides strong linkages to DOT's budget request. The Plan defines performance goals and measures used to manage progress toward our strategic objectives. It describes in detail one fiscal year's resources and programmatic effort within a strategic context.
- This ***DOT Performance and Accountability Report*** provides a public accounting of our FY 2003 performance results.
- ***Performance accountability*** for DOT organizations, executives, and employees embed the philosophy of managing for performance into the Department's culture and daily practices.

This graphic describes how DOT plans, measures, manages, and reports on performance:



How We Select Our Performance Goals and Measures

Performance *goals* articulated in the introductory paragraph of a goal page in the DOT Plan are aimed at

achieving one or more strategic outcomes, and convey a sense of how DOT creates value for the American public. Performance measures, however, are aimed at tangible effects created by DOT program activities.

We have tailored performance measures to how DOT gets our work done (described in the next section) for each performance goal. When considered along with external factors and information provided in program evaluations, these measurements give valuable insight into the performance of DOT programs, and are meant to broadly illustrate how DOT adds value to the Nation. The *FY 2003 Performance Plan* depicted a top-level, integrated system for managing for results within DOT, and was not an exhaustive treatment of all DOT programs and activities. This report must also be read with each DOT Operating Administrations' own performance results to gain a comprehensive picture of everything DOT accomplished in FY 2003.

Terminology

We will use the following terminology throughout the report:

Strategic Objective – statement from the DOT *Strategic Plan*, outlining the desired long-term end state.

Strategic Outcome – statement from the DOT *Strategic Plan*, outlining nearer-term objectives.

Performance Goal – a performance objective, connecting effects created by departmental activities and programs, and the resulting influence on strategic outcomes.

Performance Measure - a measurable indicator of progress toward a performance goal, with annual targets.

How DOT Works to Achieve Strategic and Organizational Goals

The Department achieves its goals through its leadership role in U.S. transportation policy, operations, investment, and research. To influence results, DOT programs rely on a number of common interventions and actions. These include:

- *Direct operations and investment in DOT capital assets that provide capability*, such as air traffic control and the St. Lawrence Seaway operations.
- *Infrastructure investments and other grants*, such as investment in highway, rail, transit, airport, and Amtrak capital infrastructure, and grants for safety, job access, or other important transportation programs.
- *Innovative financial tools and credit programs*, such as those provided for by the Transportation Infrastructure Finance and Innovation Act, and the Railroad Rehabilitation and Improvement Financing Program.
- *Rulemaking*, in areas such as equipment, vehicle or operator standards; for improving safety; and for fostering competition in the transportation sector of the U.S. economy.
- *Enforcement* to ensure compliance, including inspections, investigations, and penalty action.
- *Technology development and application*, such as fostering new materials and technologies in transportation, and transportation-related research.
- *Education and outreach*, such as consumer awareness, and campaigns to influence personal behavior.
- *Public Information*, such as that provided by the Bureau of Transportation Statistics, and each DOT operating administration, so that States, localities, regions, and private sector entities can

better plan their activities.

Some of these interventions and actions reside entirely within the Federal Government, but most involve significant partnering with State and local authorities and with the transportation industry. These are the broad areas of action that DOT – and State and local governments – commonly use to bring about desired results. Tax expenditures are also a significant tool by which the Federal Government encourages transportation investment, but do not represent a key tool of intervention by DOT.

The performance report focuses on DOT's five strategic goal areas and describes the results we saw in FY 2003. Some activities are internal ones – like financial management, procurement, and personnel -- without which the Department could not operate or hope to achieve its goals. The Organizational Excellence section of the report focuses on overall DOT efforts to achieve our part of the President's Management Agenda, ensuring that we are a citizen-centered, results-oriented Cabinet agency, depending on market-based transportation solutions.