

performance report

Our FY 2004 Results: A Reader's Guide

For each strategic and organizational goal, we present performance goals and measures that are also found in DOT's *FY 2004 Performance Plan*, along with our performance against them. For each performance goal we provide:

- a description of the challenge we face - the reason for action;
- the measure or measures we are using to judge success, and the FY 2004 targets for each;
- a discussion of other agencies who share in our efforts, or whose outcome goals we contribute to;
- the external factors that may present special challenges in achieving our goal;
- special management challenges (when related to the goal); and
- a performance forecast for FY 2005.

To present information meaningfully, we have relied on these general rules about data and data interpretation in preparing this report:

The Relationship between DOT's Activities and Observed Results:

The relationship between resources and results can be complex, and a mix of current and prior-year resources and activity almost always influences any performance result. For example, direct service program results such as FAA air traffic control operations are influenced both by external forces and prior-year acquisition activities. Other results, such as highway congestion or transit ridership, are predominately influenced by prior-year funding.

Summary Performance Report:

To help interpret single year results and historical trends, we have provided a tabular summary of long-term performance at the beginning of each strategic goal section.

Data Completeness

An exhaustive assessment of the completeness and reliability of our performance data and detailed information on the source, scope, and limitations for the performance data in this report are provided at <http://www.dot.gov>. In that Web site, we also provide information to resolve the inadequacies that exist in our performance data.

Preliminary vs. Final Results:

Reporting FY 2004 results by November 2004 has been challenging where we rely on third party reporting. Often we have only preliminary or estimated results based on partial-year data and must wait for final data to properly verify and validate our results. In some cases where data is provided solely as an annual value and is not available in time for this report, we rely on historical trend information and program expertise to generate a projected result. We have been careful to point out where we have assessed our performance on a preliminary or projected basis. Preliminary estimates or projected results will be adjusted after final compilation or verification and validation. In all cases where results have changed from last year's report, we indicate that by placing an "(r)" with the number, indicating a revision.

Single Year Results vs. Historical Trends: Federal and State programs rarely aim to influence simple things. We tackle complex national problems such as safety, pollution, and congestion. Sometimes we see progress overwhelmed by external factors, such as economic growth or recession, market shifts, or extreme weather, and sometimes we get a "helping hand" from those same factors. Always there is natural fluctuation year to year.

DOT sets annual performance targets for the outcomes it aims to influence. Targets set a mark so we can judge our progress. They also force us to think hard about what we can-and can't-do to get results. In this report, we focus on single-year results for FY 2004. There is no simple formula that ties the results in one year to the success or failure of programs. DOT's *FY 2004 Performance and Accountability Report* invites the reader to "look over our shoulder" as we improve transportation and make Americans' quality of life better.

Integrating FY 2004 Resource Expenditure Accounting With Achievement of Our Goals

A fundamental strength of DOT programs is that our activities affect multiple goal areas. By design, a dollar spent on transportation infrastructure cannot only advance mobility, but safety, National security, economic growth, and the mitigation of harmful environmental impacts. We strive for clearer linkages between expenditures and performance.

DOT Contributions to Common Governmental Outcomes

DOT's performance is aligned with its legislative mandates, but in some cases there are no "bright lines" separating DOT from other agencies. For instance, in DOT's National security strategic goal, we make very important contributions in accordance with our mandates and appropriations, but we do so alongside the Departments of Defense, Homeland Security, State, Justice, Commerce, and Energy. Similarly, other agencies make significant contributions to the Nation's transportation system.

Management Challenges

[The DOT Inspector General and the General Accounting Office publish reports describing a number of problems and challenges facing the Department. We take these issues seriously, and have folded our approach to meeting these challenges into our general efforts to achieve good performance outcomes. Where there is a DOT performance goal associated with a management challenge, we discuss the challenge as a part of our performance against that goal, and made it stand out visually by use of a text box. We also indicate where a Management Challenge relates to more than one performance goal.](#)

SAFETY STRATEGIC OBJECTIVE:

Promote the public health and safety by working toward the elimination of transportation-related deaths and injuries.

Strategic Outcomes:

- Reduce the number of transportation-related deaths.
- Reduce transportation-related injuries.

Safety is our most important strategic objective. We strive to improve the benefits of transportation while constantly reducing the risk to the health and well being of citizens. In FY 2004, DOT safety programs continued to reduce transportation-related fatalities and injuries.

Performance Summary:

	1998	1999	2000	2001	2002	2003	2004	2004 Target	Met	Not Met
Highway fatalities/100 million vehicle-miles traveled (VMT)	1.58	1.55	1.53	1.51	1.51 (r)	1.48 (r)	1.45**	1.38		X
Fatalities involving large trucks per 100 million truck VMT	2.70	2.70	2.60	2.45	2.30 (r)	2.29*	2.21#	2.07		X
U.S. commercial fatal aviation accidents/100,000 departures (Last 3 years' average)	0.046	0.051	0.037	0.037	0.026	0.024 (r)	0.021*	0.028	X	
Fatal general aviation accidents	396	364	341	359	348(r)	366(r)	340*	349	X	
Rail-related accidents and						18.88				

incidents per million train miles	24.17	23.55	23.40	22.61	19.77	(r)	17.42*	17.49	X	
Transit fatalities/100 million passenger-miles traveled	0.564	0.530	0.499	0.482	0.473	0.461 (r)	0.359*	0.487	X	
Number of incidents for natural gas and hazardous liquid pipelines	389	341	381	338	323	369(r)	298*	310	X	
Serious hazardous materials incidents in transportation	456	544	576	598	471(r)	485(r)	450*	509	X	
* Preliminary estimate; (r) Revised; # Projection from trends.										
**Early estimate based on a statistical forecasting model using historically fatality and vehicle-miles traveled data. This estimate will change when the early estimate of fatality and VMT data for 2004 are available in spring 2005										

Highway Safety:

Highway crashes cause 95 percent of all transportation-related fatalities and 99 percent of transportation injuries, and are the leading cause of death for Americans age two and every age four through 33. Alcohol is still the single biggest contributing factor to fatal crashes; in 2003 alone, an estimated 17,013 lives (equating to 40 percent of all crash-related fatalities) were lost in alcohol-related crashes. In 2002, about 11 percent of all people killed in motor vehicle incidents are involved in a crash with a large truck, yet trucks represent only four percent of registered vehicles and over eight percent of the vehicle-miles of travel. Twenty percent of Americans (or about 60 million people) still do not use safety belts all of the time when driving motor vehicles. The large number of crashes has placed a considerable burden on our Nation's health care system and has had significant economic effects. The cost to our economy of all motor vehicle crashes was approximately \$230 billion in 2000, or 2.3 percent of the U.S. gross domestic product.

Performance measures:

Fatalities per 100 million vehicle-miles of travel (VMT)				
	2001	2002	2003	2004
Target:	1.50	1.40	1.40	1.38
Actual:	1.51	1.51(r)	1.48(r)	1.45#
(r) Revised; * preliminary estimate; # projection from trends				

** Note on data:

FY 2004 fatality rates are based on fatality forecasted by a time series ARIMA model (see data details in the appendix for more information). Inputs were monthly fatality counts from the Fatality Analysis Reporting System from 1975 to 2003. Vehicle miles traveled data for 2003 are preliminary estimates provided by FHWA. The FY 2004 VMT projection assumes a 2.0 percent increase from 2003 VMT estimates. Final figures for these measures will be reported in next year's report.

Data and estimates of vehicle miles traveled (VMT) are provided by the Federal Highway Administration (FHWA) and can be viewed on the FHWA Web site at <http://www.fhwa.dot.gov>.

2004 Results:

DOT did not meet the highway fatality rate target, and although the truck-related fatality rate continues to decline, DOT did not meet its truck-related fatality rate target for 2004 based on preliminary projections from the statistical

trend. Meeting the DOT highway fatality goal depends on actions within the States, including legislatures, highway safety offices, and State, county and local law enforcement. However, as a direct result of DOT's programs, motor vehicle travel has become safer. The overall fatality rate declined from 3.35 in 1980 to an estimated 1.45 in FY 2004.

Deaths of passenger vehicle occupants decreased significantly (2.9 percent) in 2003. Occupant fatalities in passenger cars decreased by 5.4 percent, while occupant fatalities in light trucks and vans (LTVs), to include sport utility vehicles (SUVs), vans and pick up trucks increased by 1.4 percent. Occupant fatalities in SUVs increased by 10 percent. In 2003, the number of pedestrians, bicyclists, and others who were not occupants of moving motor vehicles killed in motor vehicle crashes declined by 2.1 percent. Fatalities for children 0 to 3 remained the same in 2003 with 494 deaths, still below 500 an all time low, while fatalities among children ages 4 to 7 continued to decline (1.7 percent). Fatalities for children 8 to 15 years old, however, increased 1.8 percent. Alcohol-related fatalities declined 2.9 percent, but still claimed over 17,000 lives. Motorcycle rider fatalities increased for the sixth year in a row, 73 percent since 1997.

Using a performance based management process, NHTSA made available \$152 million in State and community highway safety formula grants. States used this and their own funds to reduce speed-related fatalities, encourage proper use of occupant protection devices; reduce alcohol and drug impaired driving; reduce crashes between motorcycles and other vehicles; reduce school bus crashes; improve police traffic services; improve emergency medical services and trauma care systems; increase pedestrian and bicyclist safety; improve traffic record systems; and improve roadway safety. The grants also provided support for State data collection and reporting of traffic deaths and injuries.

Safety Belts

In the past four years, safety belt use has increased steadily from 71 percent in 2000 to 80 percent in 2004. The 80 percent safety belt usage will save 15,200 lives and \$50 billion in economic costs associated with traffic related crashes, injuries, and deaths every year. Belt use is statistically lower in States with secondary belt enforcement laws than in States with primary laws, and lower in rural areas than in urban and suburban areas. In FY 2004, States that allowed more stringent enforcement of their belt use laws reached a milestone of 84 percent belt use.

Most passenger vehicle occupants killed in motor vehicle crashes continue to be unrestrained-and many of these result in ejection of the unrestrained person from the vehicle during a rollover event. In 2003, passenger vehicle occupant fatalities in rollover crashes declined for passenger cars and pickup trucks, but increased for vans (3.6 percent) and SUVs (6.8 percent). Even as the total number of passenger vehicle occupants killed in rollover crashes declined, 59 percent of SUV occupant fatalities still occurred in rollover crashes.

In FY 2004, NHTSA conducted one National *Click It or Ticket* campaign while encouraging States to continue to conduct periodic high-visibility safety belt law enforcement mobilizations. In addition, the agency developed program strategies to assist States in implementing continuous high-visibility enforcement operations (24 hours a day, seven days a week). NHTSA began to implement initiatives included in the *2003 Occupant Protection Integrated Project Team* (IPT) report and continued demonstration projects designed to increase safety belt use among rural populations, pick-up truck drivers, teens and minorities as directed.

NHTSA made available over \$25 million in Occupant Protection Incentive Grants to 35 jurisdictions (31 States, the District of Columbia, Puerto Rico and two U.S. territories) that implemented specific occupant protection laws and programs such as a safety belt law providing for primary enforcement, or a law requiring safety belt use in each vehicle seat.

Impaired Drivers

Alcohol-related crashes and their related morbidity and mortality tolls continue to pose a significant public health challenge throughout the country. Alcohol-related fatalities per 100 million decreased slightly from 0.61 in 2002 to 0.59 in 2003 (the most current data). In 2003, NHTSA estimates that about seven percent of all police reported crashes were alcohol-involved, amounting to 40 percent of all fatal crashes, claiming 17,013 lives. Therefore, NHTSA continued to enhance its impaired driving program, by targeting high-risk populations (e.g., underage drinkers, 21-34 year olds, high blood alcohol concentration and repeat offenders).

NHTSA launched a *Strategic Evaluation States* (SES) initiative, involving 13 States with either high annual totals of alcohol-related fatalities or high alcohol-related fatality rates per 100 million vehicle -miles of travel. All 13 are

combining sustained impaired driving enforcement campaigns with periodic high-visibility enforcement efforts combined with media campaigns delivering the message "*You Drink and Drive, You Lose.*"

NHTSA collaborated with Federal partners and the States to promote alcohol screening and brief intervention, launching a major National impaired driving prevention initiative. Finally, NHTSA provided ideas to States for more effective anti-impaired driving implementation strategies that emerged from previous demonstration programs, including those on traffic records system improvement. States conducted impaired driving enforcement crackdowns during the Christmas/New Year's holidays and again around Labor Day 2004.

NHTSA made available more than \$31 million in *Alcohol-Impaired Driving Countermeasures Incentive Grants* to 36 States having alcohol-impaired driving countermeasure laws or programs, such as administrative license revocation laws and graduated licensing programs, or meet certain performance criteria based on their alcohol-related fatality rates. As of September 30, 2004, 49 States, the District of Columbia and Puerto Rico received \$80.6 million in incentive grants for lowering the legal threshold for impaired driving to 0.08 percent blood alcohol concentration (BAC). As of July 2004, all 50 States, the District of Columbia and Puerto Rico had enacted 0.08 BAC laws with the passage of legislation in Delaware; however, Minnesota's law does not become effective until August 2005. In addition, NHTSA provided discretionary grants to States to demonstrate the effectiveness of a comprehensive approach to reducing impaired driving and to identify areas requiring improvement in a State's impaired driving control system.

Safer Vehicles

To improve tire safety, NHTSA announced the release of ratings for tires used on most of the Nation's passenger vehicles to assist consumers in purchasing new vehicles or replacement tires. Likewise, NHTSA unveiled an enhanced scoring system to provide consumers with valuable new rollover information. Now, in addition to the star rating used to rank a vehicle's likelihood of rollover in a single-vehicle crash, NHTSA also now reports the percent chance of rollover and how the vehicle ranks in its class. NHTSA re-issued a warning to users of 15-passenger vans because of an increased rollover risk under certain conditions. Similar warnings were issued in CY 2001 and CY 2002. To improve side-impact crash protection, NHTSA proposed a major regulatory upgrade for all passenger vehicles.

NHTSA will maintain or enhance the five-year vehicle recall completion rate (72 percent) through initiating early investigations and ensuring that the average completion time for a defect investigation remains at 8 months or less.

The *Defects Investigation Program* collects information, analyzes, and conducts investigations of potential vehicle safety defects that can affect the occurrence and severity of crashes. NHTSA also monitors recalls conducted by manufacturers to determine whether notification to owners, scope of vehicles or equipment covered, and remedies performed are adequate. In 2003 (latest data available), there were 476 defect recalls involving 14.9 million vehicles and over 1.58 million items of motor vehicle equipment, including tires. With the routine submission of additional manufacturer data pursuant to the requirements of the *Transportation Recall Enhancement, Accountability, and Documentation* (TREAD) Act, NHTSA, through its safety defect information system, called the *Advanced Retrieval Tire, Equipment, Motor vehicles Information System* (ARTEMIS), the agency has access to a substantially increased amount of early warning data that can be analyzed to determine whether a potential safety-related problem exists.

Information on NHTSA's rollover ratings, five star crash tests, defect investigations, and safety recalls can be found on the agency's newly redesigned Web site, www.safercar.gov, which was reconstructed to be more consumer-friendly.

FMCSA and its State partners have reduced the fatalities rate in crashes involving large trucks and buses for six consecutive years. The fatality rate for crashes involving large trucks, which takes into account increased risk exposure due to yearly increases in Truck-Vehicle Miles Traveled (TVMT), has been reduced by 20 percent since 1996. FMCSA, together with its Federal and State partner safety programs have accounted for an estimated 1,248 lives saved in 2003.

Compliance and Enforcement

Setting regulatory standards are the cornerstones of FMCSA's compliance and enforcement mission. In FY 2004, the agency issued final rules concerning HAZMAT permitting, fuel tank design, driver training, and driver history. In addition to providing technical assistance to industry and the public, FMCSA established an electronic e-mail box for

submission of questions regarding *Federal Motor Carrier Safety Regulations* (FMCSRs). In FY 2004, FMCSA has responded to approximately 700 e-mail inquiries and has processed in excess of 3,500 phone calls concerning safety regulations.

During FY 2004, FMCSA continued to place a high priority on enforcement and compliance operational activities. FMCSA obligated \$166 million to States for motor carrier compliance and enforcement activities to compliment Federal operations. During the first nine months of FY 2004, Federal and State safety enforcement operations to ensure compliance with FMCSRs included:

- 1,288 border safety audits*
- 1,991 conditional carrier reviews*
- 18,604 new entrant safety audits*
- 8,321 safety compliance reviews*
- 232,927 border inspections*
- 2,157,933 roadside inspections*

In FY 2004, the number of States participating in the *Performance and Registration Information Safety Management System*, an initiative that links the safety records of motor carriers with their ability to register their vehicles, increased by three to a total of 35; and, enforcement operations resulted in FMCSA initiating 4,129* enforcement cases.

*Figures are for activities reported through June 30, 2004.

Education and Outreach

FMCSA provided commercial motor vehicle (CMV) safety training for over 4,040* State and local law enforcement personnel; 386 FMCSA employees, and 5,777* Federal, State and local law enforcement personnel received training in Commercial Motor Vehicle Criminal Interdiction.

FMCSA also launched a major initiative to promote the use of safety belts by CMV drivers. The program encompasses partnership opportunities, research, education, and outreach, together with law enforcement, to educate CMV drivers about the dangers of not wearing safety belts and to encourage their use. Additionally, FMCSA published and disseminated a report on best highway practices utilized by the safest commercial motor carriers and a brochure on safety management for motor carriers that focuses on the safety management practices of the industry's safety leaders.

* Figures are for activities reported through June 30, 2004.

Driver Identification and Qualification

In FY 2004, FMCSA issued rules covering the minimum training requirements for drivers of longer combination vehicles (LCV), minimum training for entry-level drivers, and safety performance history of new drivers.

Medical qualifications of CMV drivers remain an area of focus. During FY 2004, FMCSA completed a Drug Test Results Study required by the *Motor Carrier Safety Improvement Act* (MCSIA); reviewed 693* applications for vision exemptions and 99* applications for diabetes exemptions; and, amended medical standards by publishing new *Blood Pressure Guidelines*.

* Figures are for activities through June 30, 2004.

Safety Information, Research and Technology

FMCSAs Research and Technology (R&T) Programs provide advances and innovations to improve CMV safety. To focus and prioritize our R&T activities, FMCSA completed in FY 2004 a five-year R&T Strategic Plan (2005-2009). In addition, FMCSA completed pilot testing of fatigue management technologies; published two research reports on sleep apnea and an analysis of the motor coach industry hours of service and fatigue management techniques; initiated creation of a car-truck interaction database; began a field operational test that will collect real-world CMV driving data; completed field operational testing and began initial deployment planning for forward collision avoidance, rollover avoidance, and lane departure warning systems; continued study of driver fatigue management techniques

employed by safe CMV drivers; completed a best practices study of CMV training; issued a report on light vehicle-heavy vehicle interaction; issued a report on high risk CMV driver data; and continued to provide technical support to States to deploy *Commercial Motor Vehicle Information Systems and Networks (CVISN)*.

FMCSA continued the Large Truck Crash Causation Study in FY 2004, finishing data collection, completing 90 percent of crash case coding and beginning development of a data analysis plan. In addition, FMCSA completed the feasibility report for the Bus Causation Study and approved a data collection plan.

DOT/FMCSA efforts continue to implement the President's order to open the southern border to expanded commercial motor vehicle operations under NAFTA. In a unanimous decision, the United States Supreme Court helped to clear the way for implementation of three rules governing the operation of Mexico-domiciled commercial vehicles beyond the border commercial zones by reversing a January 2003 decision of the U.S. Court of Appeals for the Ninth Circuit and holding that FMCSA was not required to prepare an Environmental Impact Statement and Clean Air Act Conformity Analysis before promulgating the rules.

FMCSA continues to develop and sustain its programs by increasingly integrating the findings and recommendations of Government Accounting Office (GAO), DOT Inspector General (IG) and National Transportation Safety Board (NTSB) as integral components of the agency's safety strategy and operational procedures. In FY 2004, FMCSA closed five recommendations issued by the DOT IG concerning: maintaining readiness at the southern border, new entrant safety audits, training of Federal/State personnel for Mexican carriers, and two recommendations addressing data quality procedures and grants. In addition, FMCSA closed five NTSB recommendations related to: hours of service (HOS) regulations, issuing and implementing new standards for cargo tank rollover protection devices, the feasibility of regulating shippers and others who encourage HOS violations and compliance reviews on new entrant carriers.

Responding to Secretary Mineta's challenge to reduce fatalities, the FHWA gathered with State DOTs and other critical safety partners for a National safety summit in Kentucky and all participants committed to take action. As a result of DOT/FHWA leadership, over 30 States have initiated the development and implementation of a State Strategic Highway Safety Plan that includes the *4E's of Highway Safety* (engineering, education, enforcement, and emergency services).

The Association of State Highway Transportation Officials, Governor's Highway Safety Association, and American Association of Motor Vehicle Administrators joined Secretary Mineta by also adopting the DOT safety goal to reduce the fatality rate to 1.0 per 100 million vehicle miles of travel by 2008. To achieve this goal, the DOT/FHWA, with these and other safety partners, developed implementation guides that include strategies and countermeasures to address specific types of highway crashes. Over 35 States are developing and implementing action plans based on these guides.

The FHWA engaged lead States to develop strategic safety plans with strong crash data systems, a State-wide goal for reducing deaths within a set period of time, and stakeholder safety teams supporting the effort. Twenty-five States have now completed or drafted strategic safety plans and 20 additional States are actively developing plans.

Efforts continued to develop technology-based systems that could significantly reduce roadway departure, intersection, and pedestrian crashes. An intersection safety test facility was established at the FHWA Turner Fairbanks Highway Research Center.

FY 2005 Performance Plan Evaluation:

DOT does not anticipate meeting the targets in FY 2005.

Performance Assessment Rating Tool (PART) - Federal Motor Carrier Safety Administration (FMCSA) Grant Program - Moderately Effective

The FMCSA Grant program distributes block grants to States based on a formula. The Motor Carrier Safety Assistance Program reduces commercial motor vehicle (CMV) involved crashes, fatalities, and injuries through consistent, uniform, and effective state CMV safety programs and is in close alignment with the agency mission of saving lives and reducing injuries by preventing truck and bus crashes.

The Office of Management and Budget conducted a *Program Assessment Rating Tool* (PART) analysis and found the program moderately effective. Overall, the program is strong, but lacks State-wide commitment to work toward Federal annual or long-term goals of the program. In addition, Federal managers and program partners are not held accountable for cost, schedule and performance results.

OMB recommended that FMCSA:

- Commits partners to working toward same long-term/annual goals and link State and Federal program goals.
- Promotes accountability of Federal managers by holding them accountable for cost, schedule, and performance results.
- Utilizes SAFETEA reauthorization proposals to effectively distribute \$227 million in grants to States to reward them for implementing CMV safety measures and reduce State fatality rates.

To address these recommendations, FMCSA now requires its State Division Administrators to submit, each fiscal year, a safety plan to coordinate, focus and align State partners with FMCSA's long term strategic goal of reducing the rates of crashes, injuries and fatalities involving large trucks and buses. The safety plans identify large truck safety problems within each State and develop specific strategies and activities to measurably reduce their severity. The plans also include output and outcome goals to enable Federal managers and partners to gauge and assess their success.

FMCSA has also developed an index measure of how efficient agency operations are at saving lives. FMCSA's efficiency goal is to increase the number of lives saved as compared to the total resources expended to realize the safety benefits. The following *FMCSA Efficiency Index* table is a measure illustrating agency efficiency at saving lives for the period 1997-2003, as compared with a 1996 baseline (consistent with the agency's and DOT's CMV safety performance goal). The efficiency measure compares annual lives saved in large truck-related crashes with the FMCSA budget. This is accomplished by using the 1996 baseline fatality rate to project the fatalities that actually occurred for that year and then dividing the resultant projection by FMCSA's total budget. FY 2004 marks the sixth consecutive year that resource increases have yielded compounded safety benefits.

***FMCSA Efficiency
Index***

Year	Actual
1997	-0.13
1998	0.88
1999	1.99
2000	2.73
2001	2.70
2002	3.02
2003	3.42*
*Preliminary estimate	

Performance Assessment Rating Tool (PART) - National Highway Traffic Safety (NHTSA) Grant Program - Moderately Effective

The Highway Traffic Safety Grant program provides money to States, territories and Indian nations to fund a wide range of highway safety programs. State highway safety programs are funded with Occupant Protection Incentive Grants, Safety Incentive Grants for Primary Seat Belt Law, State Safety Data Grants, and Emergency Medical Services Grants, among others.

The PART assessment shows that the program is in close alignment with the agency mission of saving lives and reducing injuries by preventing vehicle crashes. OMB found that NHTSA was successful in meeting their performance goals to decrease the fatality rate and has a good relationship with States. This program received a rating of moderately effective.

OMB recommended that NHTSA:

- streamline grant programs to reduce complexity and increase grantee focus on safety performance;
- increase the direct appropriation of funds for the grant program; and
- create an accountability mechanism to link State performance and incentive grant awards.

To measure its efficiency, NHTSA will track the allocation of (U.S. Code Title 23) Section 402 formula grants within 45 days of enactment of appropriation.

NHTSA's SAFETEA proposal to Congress included a streamlined grants program to reduce complexity and increase focus on safety performance.

NHTSA is implementing procedures to increase review of State grant programs to insure greater accountability for use of grant funds to improve performance. NHTSA will perform a management review of each State every three years and will perform special management reviews when State performance in specific areas, such as impaired driving and occupant protection, is below National norms and is not improving.

Management Challenge - Highway Safety (IG)

In 2002, 42,815 people were killed and more than 2.9 million were injured in traffic crashes on the Nation's highways. Fatalities reached the highest level since 1990, increasing by 1.5 percent from 2001. Although fatalities involving large truck crashes have continued to decline, one out of nine traffic fatalities in 2002 resulted from crashes involving large trucks.

FMCSA must ensure that only drivers with the requisite skills obtain and retain commercial driver's licenses (CDLs) by: curbing CDL fraud through more rigorous oversight of state testing programs and promptly implementing revisions to the CDL program passed by Congress in 1999 that strengthen the regulatory framework of the program. FMCSA must also improve tools used to select high-risk motor carriers for compliance reviews by taking aggressive steps to obtain more complete and accurate data.

NHTSA has made significant progress implementing the TREAD Act and now must fully implement its new safety defect information system. NHTSA must ensure that its screeners and investigators are able to analyze the large volume of manufacturers' information expected and appropriately use that information to determine when to open and how to prioritize vehicle defect investigations.

DOT, NHTSA, and the states made impressive progress in FY 2003 on increasing the use of safety belts. This important initiative deserves continuing emphasis, as do programs to prevent driving under the influence of alcohol and drugs.

DOT Actions:

FMCSA FY 2004 activities and initiatives to curb CDL fraud, strengthen the regulatory framework passed by Congress in 1999 and improve the tools necessary to identify high-risk motor carriers for compliance reviews by improving the accuracy and completeness of data include:

CDL Improvement:

- Published final rules establishing the minimum training qualifications for entry-level drivers and for drivers of longer combination vehicles.
- Conducted 16 compliance reviews of State CDL programs.
- Allocated \$22 million of grant funding in support of States to address compliance, fraud and security issues.
- Implemented a major initiative to identify CDL fraud testing and licensing through enhanced compliance reviews, covert monitoring of State and third party examiners, and through Social Security Number verification.
- Strengthened oversight of annual State self-certification of CDL programs.

Data Quality Improvements:

- Continued Commercial Vehicle Analysis Reporting System (CVARS) grants, accounting for a 22 percent

increase in the number of eligible crashes reported.

- Implemented the DataQs system in all 50 States and the District of Columbia. The system improves data quality by providing an on-line capability for carriers to challenge State inspection and crash data used in FMCSA's database.
- Designed, developed, and implemented the State Safety Data Map, a new evaluation tool for assessing individual State data quality.
- Drafted a first-ever, comprehensive Agency-wide Data Quality Improvement Plan.
- Incorporated numerous refinements and enhancements in Motor Carrier Management Information System (MCMIS).

Pursuant to Section 12 of the TREAD Act, NHTSA published a final policy statement for Rollover Tests in November 2003. Improving defect investigations, the routine submission of additional manufacturer data pursuant to the requirements of the TREAD Act, allows NHTSA access to a substantially increased amount of early warning data that can be analyzed to determine whether a potential safety-related problem exists, giving the agency the ability to report any defects to the public in a more-timely manner. Safety belt use increased to 80 percent, an all time high in FY 2004, exceeding the 2004 target of 79 percent. To prevent drug impaired driving, NHTSA developed training programs for law enforcement and delivered public education materials on the consequences of drug impaired driving targeted to youth.

Aviation Safety:

Commercial aviation is one of the safest forms of transportation. While rare, aviation accidents can have catastrophic consequences with large loss of life. The public demands a high standard of safety and expects continued improvement. General Aviation (GA) is also an important element of the U.S. transportation system and the U.S. economy. However, the majority of aviation fatalities have occurred in this segment of aviation. Since 1988, there has been a gradual trend downward in the number of general aviation accidents, but progress has not been steady.

Performance measures:

Fatal aviation accidents (U.S. commercial air carriers) per 100,000 departures (reported by 3-year average).				
	2001	2002	2003	2004
Target:	.043	.038	.033	.028
Actual:	.037	.026	.024(r)	.021*
*Preliminary estimate; (r) Revised.				

Number of fatal general aviation accidents.				
	2001	2002	2003	2004
Target:	379	379	374	349
Actual:	359	348	360	340*
*Preliminary estimate				

2004 Results: DOT met the commercial aviation fatal accident rate and general aviation fatal accident rate targets.

Commercial Air Carrier Safety

In FY 2004, the FAA and the aviation industry recorded unprecedented success in preventing commercial air carrier fatal accidents, capping the lowest three-year accident rate in the history of U.S. civil aviation. FAA's focused safety agenda with its emphasis on using the latest technology to break the chain of events that lead to accidents, along with strong partnerships with industry, continue to keep the skies safe for commercial airspace passengers.

While maintaining its regulatory and enforcement role, FAA continues to partner with the aviation community in improving safety, which is reflected in three basic long-term strategies: (1) prevent accidents by addressing recurrent causes; (2) improve certification and surveillance; and (3) share safety data and information with aviation partners. These strategies are at the heart of most of FAA's significant and long-term safety programs.

FAA also worked in FY 2004 to increase aviation safety by preventing fuel tank explosions. In addition to more than 60 directives aimed at preventing ignition sources, FAA began work on a proposal to outfit certain large commercial jets with equipment that would virtually eliminate these accidents. The proposed systems replace oxygen in a jet's fuel tank with an inert gas, preventing the potential ignition of flammable vapors. FAA researchers have produced a lightweight system that contains no moving parts, with a cost that is relatively small compared to previous proposals.

FAA continued efforts to improve use of onboard technology that can enable pilots to navigate aircraft to any point in the world using only geographical coordinates. Required Navigation Performance (RNP) is an important step in moving the U.S. from an exclusively ground-based navigation system to one located within the aircraft itself. By providing pilots precise guidance to all runways, RNP can help prevent two major types of accidents, controlled flight into terrain and accidents that occur during the approach and landing phase of flight. In addition, RNP will enable pilots to land in weather conditions that would ordinarily require diversion to alternate airports.

In addition to these safety initiatives, FAA also engaged in hands-on preventative measures in FY 2004, such as increased security screening of cargo to root out fireworks and other hazardous materials. Those efforts aided in the detection of many undeclared hazardous materials, allowing FAA to safeguard airline passengers through increased investigation of violations of hazardous materials regulations.

General Aviation Safety

Although most people are familiar with FAA's role in commercial aviation, they may not be aware that it also oversees the safety of almost 300,000 general aviation aircraft in the United States. These aircraft include single-seat home-built airplanes, rotorcraft, balloons, and highly sophisticated extended-range turbojets. General aviation activities include student training, crop dusting, fire fighting, law enforcement, news coverage, sightseeing, industrial work, on-demand air taxi service, corporate transportation, as well as personal use and recreational flying.

FAA has continued to work proactively to meet its goal of reducing general aviation accidents. Because of the challenges weather and terrain present in Alaska and the broad use of general aviation as a means of transportation, FAA's Flight Plan focuses specifically on reducing general aviation accidents in Alaska. Two programs in particular, Circle of Safety and CAPSTONE, appear to be making a difference. Circle of Safety is a consumer education program that works with passengers and organizations to share responsibility and take a more active role in their own flight safety. CAPSTONE helps provide pilots information on their positions relative to terrain, as well as real-time weather information in the cockpit.

As another strategy for reducing fatal accidents in general aviation, FAA and industry have established the Joint Steering Committee, which brings together key people from the general aviation community and the agency. This group met for the second time in July 2004 and established a new focus: (1) analyzing recent accidents to identify emerging trends—for example, the shift in the use of aircraft more for transportation and less for recreational flying; (2) identifying specific new interventions addressing major accident cause areas, which include formal guidance measures (e.g., FAA Advisory Circulars), publishing instructional articles in magazines, and using Web-based materials and interactive training aids; and (3) achieving consensus on effective new strategies and interventions, regardless of whether the effort is carried out by the government or industry.

Runway Safety

A runway incursion is any occurrence at an airport involving an aircraft, vehicle, person, or object on the ground that creates a collision hazard or results in a loss of separation with an aircraft taking off, intending to take off, landing, or intending to land. Reducing runway incursions lessens the probability of accidents that potentially involve fatalities, injuries, and significant property damage.

The number of the most serious types of runway incursions is projected at 28, which is significantly lower than the FAA's performance limit of 40 for FY 2004. This continues a downward trend that began five years ago and achieves a 12.5 percent decrease from FY 2003.

FAA's Office of Runway Safety developed and coordinated efforts to improve runway safety including a variety of education and awareness materials focused on air traffic controllers, pilots, and airport drivers to help reduce the number of serious runway incursion incidents. Other tools, such as air traffic control memory aids, better airport surface markers, and public service announcements, have contributed to the reduction in incursions.

A new runway technology system was prepared for deployment in FY 2004 to curb the threat of runway collisions at major U.S. airports. Airport Surface Detection Equipment, Model X (ASDE-X) was first commissioned at General Mitchell International Airport in Milwaukee, Wisconsin. It is the first phase of equipment that will eventually incorporate safety data derived from multiple airport sensors to help controllers detect potential runway collisions. Enhancing the FAA's runway safety initiative, the ASDE-X equipment maps moving objects on the airport grounds or approaching by air. After its deployment in Milwaukee, FAA began preparing to place ASDE-X at 25 U.S. airports.

Operational Errors

One of the fundamental principles of aviation safety is separation, the need to maintain a safe distance from other aircraft, terrain, obstructions, and restricted airspace. Air traffic controllers employ rules and procedures that define separation standards for this environment. An operational error occurs when controllers fail to apply or follow these procedures that enforce separation and allow aircraft end up too close to each other or an obstruction.

FAA estimates that it will exceed the FY 2004 target of 629 for operational errors by approximately 10. To reduce operational errors, FAA is conducting a number of efforts designed to address the main known causes of the problem. FAA studies have shown that controller awareness is the largest contributor to operational errors, primarily from the inappropriate use of displayed data. The second largest factor is the lack of an adequate plan to ensure proper separation of aircraft. Other factors include miscommunication between controllers and pilots, and adverse weather that causes pilots to deviate from or be unable to accept controllers' instructions.

FAA has begun rolling out a training program called *National Air Traffic Professionalism* (NATPRO) which couples an awareness seminar component with computer skills training to enhance a controller's ability to concentrate. NATPRO utilizes an interactive computer program to build awareness skills and increase controller's awareness of cognitive skills affecting performance. NATPRO can serve as a means for improving safety and efficiency by enhancing perception skills and improving situational awareness.

FAA will also employ better management oversight as a key to reducing operational errors. FAA is working toward increasing its operational supervisors to a level of 1,715 as mandated by the Congress. Additional supervision can help deploy staffing resources appropriately to provide adequate plans to ensure proper separation and adjust to adverse weather that can cause pilots to deviate from or be unable to accept instruction from controllers.

FAA continues to look for a better understanding of the causal factors of operational errors. FAA will continue to conduct evaluations of its 600+ air traffic control facilities in the coming years to look for specific procedural and operational situations that may be contributing to causal factors of operational errors. In addition, FAA is also developing and implementing JANUS, a tool designed specifically to identify causal factors in air traffic-related incidents. JANUS is a set of unique algorithms that accept data input from personnel were involved in an operational error. The model will then provide an evaluation of the probable causes of these specific errors. From this science, senior leadership will have better recommendations as to what system improvements need to be made to cause decrease the number of operational errors. While JANUS is still in the development phase, it has already shown itself to be useful in understanding the variety of factors involved in operational errors.

FY 2005 Performance Plan Evaluation:

DOT will meet the fatal aviation accident and general aviation accident performance targets in FY 2005.

Management Challenge - Aviation Safety (IG)

The U.S. aviation industry continues to be the safest in the world, with one commercial fatal accident occurring in FY 2004. However, FAA must adjust its safety oversight to emerging trends in the aviation industry and changing economic conditions. While air carriers have turned increasingly to outside, contracted repair stations, FAA continues to focus its inspection resources on air carrier's in-house maintenance work. The Inspector General recommended that FAA strengthen its oversight procedures of foreign aviation authorities conducting inspections on its behalf and outsourced aircraft maintenance. There was real progress in 2004 on runway incursions (potential collisions on the

ground), but operational errors (when air traffic controllers allow planes to come too close together in the air) continue to increase. Corrective actions are imperative to address this ongoing safety problem.

DOT Actions:

During FY 2004, DOT/FAA took several steps to address the aviation safety issues identified above.

Repair Stations

To address challenges at air carrier repair stations, FAA formed a Risk Assessment Work Group, which is developing a repair station prototype program. This program will bring together a team representing all the areas of expertise to oversee aviation certificate holders of large repair stations or companies that own multiple repair stations and satellite repair stations.

The FAA formed the Surveillance Requirement and International Surveillance work groups to develop a new process to oversee aviation article repairs from start to finish. These workgroups focus on researching, developing and selecting risk assessment and risk analysis tools that will improve oversight of repair stations by discovering root causes of violations in order to eliminate violations before they occur. Both work groups focus on tools for the domestic and international repair station environments respectively. Each group was formed from a variety of inspectors and other technical experts from FAA's Regulation and Certification Flight Standards Service.

FAA has developed a repair station Surveillance and Evaluation Program by revising the Surveillance and Evaluation Assessment Tool to target identified risks and incorporate the system safety approach into repair station oversight.

In FY 2005, FAA will conduct followup reviews with the three foreign aviation authorities conducting inspections on its behalf and develop a procedure to verify that the authorities place adequate emphasis on FAA regulations when conducting their inspections.

Runway Incursions/Operational Errors

The FAA educated pilots through ongoing Runway Safety Educational and Awareness Programs. The Office of Runway Safety and Operational Services completed and distributed the *Runway Safety - A Pilot's Guide to Safe Surface Operations* brochure for the pilot community. The brochure emphasizes five safety areas that pilots should concentrate on to avoid making the errors that lead to runway incursions. The safety areas are: planning surface operations, taxi procedures, aircraft lights, communications and airfield markings, and signs and lights.

The FAA has concluded, from the research and analysis conducted by the Chief Scientist for Human Factors, that the operational error severity classification system should not be changed unless additional objective measures can be developed that support the changes. The Severity Index system is based on predominantly objective facts with little room for subjective interpretation.

Performance Assessment Rating Tool (PART) - Federal Aviation Administration (FAA) Airport Improvement Program - Moderately Effective

The Airport Improvement Program (AIP) provides funding to airports for infrastructure improvements such as safety, security, and capacity projects.

The OMB PART assessment indicated the overall purpose of the program is clear and performance goals are clearly defined and achievable. The program is working to improve its overall cost effectiveness and efficiencies through greater use of automated systems and greater delegation to the regions. Dependence on the Federal Government's assistance varies based on the airports' location, size and financial resources. Large airports are less dependent on Federal funds because of their ability to access different revenue sources such as landing fees. The structure of the program combined with the statute can limit the program's ability to quickly respond to new situations and events.

OMB recommended that FAA:

- examine the grant formula to channel resources to airports most in need of Federal assistance;

- align the AIP Program's budget with FAA's and DOT's performance objectives;
- create a performance measure for efficient program delivery;
- create a mechanism that captures full program costs, to better support budget decisions.

In response to those recommendations, FAA proposed in FY 2004 formula changes to channel more AIP funding to small and medium airports. The enacted FAA reauthorization, Vision 100, did not incorporate these formula changes. As enacted, however, it did include other changes to the AIP that benefit small airports. Those airports will be allowed to carry over funding, share entitlements with other small airports, and use Federal funds for a greater range of projects. In addition, FAA has increased the Federal share of project costs from 90 to 95 percent at small hub and smaller airports through the end of FY 2007.

FAA also developed efficiency measures to track the number of labor hours spent in administration of each grant and the number of labor hours spent in administration of each \$1 million in grant awards for the program, which administers \$3 billion in total grant awards. Data collection through the Labor Distribution Reporting (LDR) system has been implemented and baselines for the measures will be developed in FY 2005.

Rail Safety:

In FY 2004, more than 50 percent of the rail fatalities were trespasser-related and 43 percent occurred at highway-rail grade crossings. To reduce rail fatalities, FRA is increasing safety partnerships with the rail industry, furthering its educational outreach, and rigorously emphasizing compliance with safety standards.

Performance measure:

Rail-related accidents and incidents per million train miles.				
	2001	2002	2003	2004
Target:	N/A	N/A	N/A	17.49
Actual:	22.61	19.77	18.88(r)	17.42*
(r) Revised; *Preliminary estimate				

The original goal in the FY 2004 performance plan tracked Rail accidents and Highway - Rail Grade crossing incidents. In retrospect, the Department realized that this only measured a subset of our safety performance. Therefore the goal has been expanded to include all rail-related accidents and rail related incidents.

2004 Results:

DOT met the performance target.

DOT met the performance target. FRA oversaw a rail industry that reduced rail-related accidents and incidents by 3.5 percent in FY 2004, while the number of train-miles and employee-hours increased (4.5 percent and 0.5 percent, respectively).

FY 2005 Performance Plan Evaluation:

DOT expects to meet the target in 2005.

Transit Safety:

Public transit provides a flexible alternative to automobile and highway travel, offering a higher degree of safety as well. Currently transit is one of the safest modes of travel per passenger mile traveled. According to the National Safety Council, riding the bus is 47 times safer than car travel. By train, customers are 23 times safer than by car. The challenge is to further reduce the rate of fatalities and injuries even as the total number of people using transit increases.

Performance measure:

Transit fatalities per 100 million passenger-miles traveled.				
	2001	2002	2003	2004
Target:	.497	.492	.492	.487
Actual:	.482	.473	.461(r)	.359*
(r) Revised; *Preliminary estimate. The FY 2004 target for transit fatalities was adjusted from 0.492 to reflect the downward trend in the actual fatalities data for CY 2001, 2002, and 2003.				

2004 Results:

DOT met the performance target. The preliminary estimates for the FY 2004 transit fatalities per 100 million miles traveled was calculated using the transit fatalities data from the National Transit Database (NTD) for the first half of 2004, and from the first quarter data from the Federal Railroad Administration (FRA) Rail Accident Reporting System (RAIRS).

In FY 2004, FTA's strategy for further reducing the low rate of transit fatalities included FTA's continued investments in new, safer bus and rail vehicles and improvements to track and transit facility conditions. For new projects, safety continued to be a design consideration from project inception. FTA planning and research funds assisted States, local transit authorities, and the transit industry by providing safety technical assistance, improving compliance with the Americans with Disabilities Act's safety requirements, and by improving technology and training programs. FTA supported the Transportation Safety Institute's (TSI) safety and security training program, which provided 29 safety and security training courses to over 4,900 transit employees. Additionally, through its Triennial Review program, FTA provided oversight of the States' programs for Safety Oversight of Rail Systems to ensure they are in compliance with the requirements of the State Safety Oversight Rule for Rail Fixed Guideway Systems. FTA also continued to conduct audits of alcohol and drug testing programs.

FY 2005 Performance Plan Evaluation:

DOT expects to meet the target in 2005.

Pipeline Safety:

A network of 2.3 million miles of pipelines transports natural gas to more than 52 million residential and commercial customers. While pipelines are among the safest modes for transporting liquids and gases, the nature of the cargo is inherently dangerous. Pipeline failures can pose an immediate threat to people and communities. On average, excavation damage causes 30 percent of pipeline failures for all types of pipelines. Corrosion also causes on average another 17.5 percent of all pipeline failures and natural forces such as earthquakes cause nine percent of failures. Incorrect operation, construction/material defects, equipment malfunction, failed pipe, and other miscellaneous causes account for the remaining 43.5 percent of pipeline failures.

Performance measure:

Number of incidents for natural gas and hazardous liquid pipelines.				
	2001	2002	2003	2004
Target:	N/A	344	327	310
Actual:	338	323	369(r)	298*
(r) Revised; *Preliminary estimate.				

2004 Results:

Based on projections, DOT met the performance target.

DOT previously focused on minimum mechanical and pipeline operating standards, but found that compliance-based pipeline safety programs can result in piecemeal risk management that can sometimes overlook subtle relationships among failure causes. DOT began to apply risk-based solutions to ensure that pipeline operators' resources are applied in priority order to those areas where an accident could have the highest consequences (e.g., populated or unusually sensitive environmental areas, or commercial waterways).

DOT's integrity management regulations require all owners or operators of hazardous liquid pipelines to take additional safeguards in populated areas, unusually environmentally sensitive areas, and commercially navigable waterways. These regulations establish rigorous new testing requirements using internal inspection, pressure testing, or other equivalent technology. Equally important, it requires operators to combine those test results with other information they have about their pipelines, and to use that information to identify and address any threats their pipelines could pose to the public or the environment. The integrity management program (IMP) regulations raise the bar for pipeline safety standards more than any other regulation in the past 30 years.

The number of natural gas and hazardous liquid pipeline incidents for 2003 was slightly higher than DOT's target. The trend line, however, continues a downward slope representing an improvement in safety performance. A higher than expected number of excavation damages to gas distribution pipelines was again the major cause of incidents this year. RSPA continues to work closely with the construction industry to heighten awareness of pipeline and underground utility safety.

FY 2005 Performance Plan Evaluation:

DOT expects to meet the target in 2005.

Hazardous Materials Safety:

Many of the materials used in manufacturing and many of the retail products people buy include hazardous materials (HAZMAT). There are over 800,000 HAZMAT shipments each day in the United States. These range from flammable materials and explosives to radioactive materials, poisons and corrosives. Release of these materials during transportation could result in serious injury or death, or harm to the environment.

Performance measure:

Number of serious hazardous materials incidents in transportation.				
	2001	2002	2003	2004
Target:	N/A	523	515	509
Actual:	600	471	485(r)	450*
(r) Revised; *Preliminary estimate.				

2004 Results:

Based on preliminary estimates, DOT met the performance target.

Road accidents leading to HAZMAT releases continue to dominate overall serious hazardous materials incident statistics, increasing from 85 percent of total serious incidents to 89 percent in FY 2004. Serious rail incidents accounted for approximately 14 percent of the total.

DOT has six long-term strategies for reducing serious hazardous materials transportation incidents:

- Develop and maintain National standards for the safe, secure transportation of hazardous materials;
- Obtain compliance with these standards through formal training, and by development and distribution of

education materials on specific Hazardous Materials Regulation (HMR) requirements to shippers, carriers, enforcement personnel and the public;

- Implement a National safety inspection and enforcement program to determine compliance with the HMR; with nearly 200,000 commercial motor vehicle (CMV) inspections per year;
- Provide funds to States for planning and training to minimize hazardous materials incident consequences;
- Publish and distribute the Emergency Response Guidebook, the principal source document used by State and local response personnel and industry to handle hazardous material incidents; and,
- Conduct R&D to analyze and monitor hazardous materials transportation safety issues.

During FY 2004, RSPA published the *Emergency Response Guidebook 2004* (ERG2004), a guide to aid first responders in quickly identifying the specific or generic classification of the hazardous material(s) involved in an incident on any mode of transportation, and protecting themselves and the general public during the initial response phase of the incident. The ERG2004 was developed jointly by the U.S. Department of Transportation, Transport Canada, and the Secretariat of Communications and Transportation of Mexico for use by firefighters, police, and other emergency services personnel who may be the first to arrive at the scene of a transportation incident involving a hazardous material. The ERG is updated every three to four years to accommodate new products and technology.

Approximately 1.7 million copies of the ERG2004 will be distributed in the U.S. to State and local first responders through cooperative efforts with state agencies. DOT's goal is to place a Guidebook in every emergency service vehicle Nation-wide (i.e., police cars, fire trucks, and Emergency Medical Technician vehicles). The Canadian government is distributing 85,000 copies of the Guidebook in English, and 25,000 copies in French. DOT is providing 10,000 copies in Spanish for distribution in Mexico.

FAA implemented a prioritized risk-based shipper inspection plan. This plan incorporates HAZMAT information electronically shared with other modal administrations and deployed as a searchable database for field agents.

The vast majority of serious hazardous material incidents that occur on our Nation's roads involve commercial motor vehicles (CMV). In 2003, FMCSA and its Federal and State partners reduced serious HAZMAT incidents involving CMVs to 376, exceeding its stated goal of 430 incidents.

Compliance with Regulations

In FY 2004, FMCSA issued a final rule on HAZMAT Permitting, establishing standards and procedures for carriers of high-hazard materials. Safety enforcement operations conducted in FY 2004 to ensure compliance with Federal Hazardous Materials Regulations (FMHRs) include:

- 46 cargo tank facility reviews*
- 191 hazardous materials shipper reviews*
- 1,409 hazardous materials compliance reviews*
- 5,120 hazardous materials package inspections*
- 128,109 hazardous materials vehicle inspections*

* Figures are for activities reported through June 30, 2004.

Safety Information and Technology

FMCSA has initiated development of a hazardous material shipper prioritization algorithm to identify high-risk HAZMAT carriers, and completed identification and analysis of factors affecting cargo tank stability.

FRA has continued work to increase safety in the area of HAZMAT shipments. In FY 2004, FRA has continued work on many initiatives in the HAZMAT area. This includes but is not limited to: focusing enforcement efforts, visiting shippers with the highest number of incidents over the six-year period, tracking Hazardous Materials Incident Reports, and tracking how many times FRA inspectors investigate an incident. FRA also partnered with TSA to address security vulnerabilities, and developed and implemented *Administrative Guidelines* to enhance inspection data quality and promote uniformity throughout all railroads. Additionally, FRA made modifications to the data collection system that enable more accurate data review by inspection personnel for the purpose of resource planning. FRA continues to investigate hazardous materials related tank car concerns, resulting in improved quality procedures at the impacted facilities, and perhaps leading to the recall of additional tank cars for further review.

FY 2005 Performance Plan Evaluation:

DOT will meet the target in FY 2005.

Management Challenge - Hazardous Materials Safety and Security

The Inspector General (IG) has noted that the dual role of ensuring the safety and security of HAZMAT shipments is an enormous challenge for DOT. More than 800,000 HAZMAT shipments are made daily by air, water, rail, or highway, with more than 94 percent of the shipments transported by highway.

The IG recommends DOT centralize its cross-modal HAZMAT inspection and enforcement activities. Coordinating these efforts among modal administrations will enable the Department to leverage its limited inspection resources, thus increasing both the effectiveness and number of HAZMAT shipment inspections. DOT also needs the capacity to identify and effectively marshal its resources when several of the Department's modes are experiencing problems with the same shipper or transporter of HAZMAT.

DOT actions:

The Policy Office was delegated responsibility for the Intermodal Hazardous Materials Program in August 2000 after the completion of the 1999 Hazardous Materials Program Evaluation (HMPE). The HMPE recommended improvement to the Department's hazardous material programs through Department-wide strategic planning and program coordination, more focused delivery, and better data. In addition, the OIG's report on DOT's Top Management Challenges for FY 2004 included better coordination of the Department's hazardous materials inspection and enforcement activities as one of the priority areas for DOT to address.

Within the Policy Office, the Office of Safety, Energy, and Environment (OSEE) serves as the focal point for intermodal and cross-modal HAZMAT issues and is working to achieve a Department-wide approach to implementing the Intermodal Hazardous Materials Program. OSEE is working with the executives of the operating administrations responsible for hazardous materials activities. Collectively, they have noted accomplishments, targeted priority areas that need to be addressed and initiated implementation through staff-level working groups. For example, intermodal working groups are: enhancing data collection and creating a unified HAZMAT inspection and enforcement database; examining DOT's HAZMAT training needs; determining the effectiveness of HAZMAT security measures; improving HAZMAT employee training standards in the regulations; determining the effectiveness of current packaging standards; and developing memorandums of understanding between modes for enforcement and policy interpretations.

Six of the twelve HMPE recommendations and two of the areas for further analysis have been completed. An action plan reflecting priority areas to be addressed is currently being implemented. This action plan includes several tasks to improve multimodal coordination in response to the HMPE and IG recommendations.

MOBILITY AND ECONOMIC GROWTH STRATEGIC OBJECTIVES:

1. *Shape an accessible, affordable, reliable transportation system for all people, goods, and regions.*
2. *Support a transportation system that sustains America's economic growth.*

Strategic Outcomes:

- Improve the physical condition of the transportation system.
- Reduce transportation time from origin to destination for the individual transportation user.
- Increase the reliability of trip times for the individual transportation user.
- Increase access to transportation systems for the individual user.
- Reduce the cost of transportation for the individual user.
- Reduce barriers to trade that are related to transportation.
- Improve the U.S. international competitive position in transportation goods and services.
- Improve the capacity of the transportation workforce.

Mobility as much as any other factor defines us as a Nation and is intertwined with the Nation's economic growth. It connects people with work, school, community services, markets, and other people. Supporting economic growth is one of the most basic purposes of our National transportation network, which carries over 4.6 trillion passenger-miles of travel and 3.9 trillion ton-miles of freight every year, generated by more than 276 million people and six million businesses.

DOT's aim is an affordable, reliable, and accessible transportation system. To achieve reliability and accessibility, our transportation system frequently relies on common public infrastructure that is maintained on limited National resources - our land, waterways, and airspace. DOT's objective is to optimize capital investment in these public systems and manage them to maximize the benefit to all Americans. In FY 2004, DOT mobility and economic growth programs improved condition, performance, and services provided by the Nation's transportation system.

Performance Summary:

	1998	1999	2000	2001	2002	2003	2004	2004 Target	Met	Not Met
Percentage of travel on the NHS meeting pavement performance standards for acceptable ride.	89.8	90.5	90.9	90.9	90.6	90.8#	90.8#	93.0		X
Percent of total annual urban-area travel occurring in congested conditions.	28.3	29.0	29.3	30.4	30.5 (r)	30.8	30.9#	32.3	X	
Average percent change in transit boardings per transit market (150 largest transit agencies), adjusted for changes in employment levels.	4.7	5.0	5.0	4.3	0.2	0.7(r)	0.7*	2.0		X
Percent of flights arriving on time.	76.8	76.0	74.9	76.2	82.2	82.3	79.02*	82.1		X
Percent of days in shipping season that the U.S. sectors of the St. Lawrence Seaway are available, including the two U.S. locks in Massena, N.Y.	97.6	98.9	99.2	98.3	98.7	98.9	99.1	99.0	X	
Percent of key rail stations ADA compliant.	29	49	52	67	77	82	82	89		X
Percent bus fleets ADA compliant.	72	77	80	85	90	93	95#	92	X	
Employment sites (000s) made accessible by Job Access and Reverse Commute transportation services.	N/A	1.7	17.0	28.4	52.1	92(r)*	92*	50.0	X	
Passengers (millions) in international markets with open skies aviation agreements.	43.0	49.4	56.8	56.4	57.0 (r)	58.7 (r)	63.1*	62.7	X	
<i>* Preliminary estimate; (r) Revised; # Projection from trends.</i>										

Highway Infrastructure Condition:

The Nation's transportation system serves major population centers, international border crossings, intermodal transportation facilities, and major travel destinations. The condition of this system can affect wear-and-tear on vehicles, fuel consumption, travel time, congestion, and comfort, as well as public safety. Improving pavement and bridge condition is also important to the long-term structural integrity and cost effectiveness of the transportation system. The National Highway System (NHS) represents just 4 percent of total highway miles, but carries one trillion,

or approximately 43 percent of, vehicle-miles traveled (VMT) annually. While steady progress has been made over the past decade, pavement condition on the NHS can still be improved. Drivers in the U.S. cross deficient bridges more than one billion times each day. While the 115,000 bridges in the NHS are in better condition than the total U.S. inventory of approximately 590,000 bridges, a significant number are either structurally deficient or functionally obsolete.

Performance measure:

Percentage of travel on the NHS meeting pavement performance standards for acceptable ride.				
	2001	2002	2003	2004
Target:	N/A	92.0	92.5	93.0
Actual:	90.9	90.6	90.8#	90.8#
# Projection from trends.				

2004 Results:

DOT did not meet the performance target.

The percent of pavement on the NHS with acceptable ride quality, according to an International Roughness Index (IRI) of 170 inches per mile or less, was 90.6 percent in CY 2002, primarily because a small number of States with significant total VMT reported deteriorating pavement conditions. Two of these States have reported significant and consistent deteriorating pavement conditions over the last four years. The goal is to reach a target of 95 percent of vehicle miles traveled on NHS pavements with acceptable ride quality by CY 2008. The travel on the NHS on facilities with a reported IRI of 95 inches per mile or less (good condition) increased from 49.3 percent in CY 2001 to 50.0 percent in CY 2002. This compares to 42.8 percent reported in CY 1998. FY 2003 results will be available later this year.

A series of pavement smoothness workshops were initiated focusing on the key States that most affect the pavement condition target. Site reviews of pavement production quality assurance systems were performed in four States. With the States, the FHWA also introduced a new Pavement Design Guide and conducted 19 additional workshops on various pavement and materials related technologies. Technical advisories on pavement surface texture, quality assurance, and asphalt and concrete materials design and testing were prepared. The FHWA asphalt and concrete mobile laboratory visited 15 States to offer technical assistance.

Research and development on advancing pavement materials testing, performance prediction, analysis, and recycling continued through cooperative agreements with eight universities. Under a partnership with the Foundation for Pavement Preservation and Michigan State University, the National Center for Pavement Preservation was created.

FHWA continued to implement the Accelerated Construction Technology Transfer (ACTT) program. The ACTT Program was initiated in FY 2003 to reduce excessive construction time, construction related delays, and encourage innovative asset management practices. During FY 2004, 9 ACTT workshops involving Federal, State and local transportation officials were conducted.

The FHWA Highways for LIFE team promoted this Department initiative by describing highway construction project success stories and available technologies at numerous AASHTO, industry, and FHWA meetings.

The percentage of deck area on deficient bridges on the NHS declined from 32.6 percent in CY 1998 to 30.2 percent in CY 2003. The FHWA made significant progress toward the implementation of high performance materials to ensure more durable bridges. Forty-two States are using high performance steel and 44 States are using high performance concrete in bridges. The FHWA helped States implement the load resistance and factor design, which provides a more reliable and uniform level of safety for bridges. At least 46 States have fully or partially implemented the Load and Resistance Factor Design (LRFD) specification for bridges, or are developing LRFD implementation plans.

The highway bridge and structure Research and ITS program activities focused on improved stewardship and management approaches, such as the development and testing of innovative technology for non-destructive evaluation and methodologies for bridge management. A systems approach to design, construction, inspection and maintenance to assure more reliable, durable bridges was emphasized. A wide variety of activities to assure bridge safety, reliability, and security continued with a particular emphasis on developing techniques to control structural corrosion and prevent other damage.

The FHWA continued to use innovative finance methods to leverage limited Federal funds and to expedite project completion. Notable success came from two Transportation Infrastructure Finance and Innovation Act (TIFIA) credit assistance recipients, the Alameda Corridor and the Cooper River Bridge Replacement, which took advantage of market conditions to refinance and retire their long-term Federal loans.

The Emergency Relief (ER) program demonstrated its value during the rapid reopening of I-95 following the catastrophic crash and fire involving a fuel tanker truck at an overpass in Bridgeport, Connecticut. Two million dollars in ER funding was made available immediately to assist the State in emergency recovery efforts. The FHWA also granted Connecticut early access to bridge construction funds that had been allocated for future projects.

FY 2005 Performance Plan Evaluation:

DOT will likely not meet the target in FY 2005.

**Performance Assessment Rating Tool (PART) - Federal Highway Administration (FHWA)
Federal Aid Highway Program - Moderately Effective**

FHWA's Highway Infrastructure program provides Federal financial and technical assistance to States to construct and maintain a National system of roads and bridges.

In the PART assessment, OMB found that the program has been generally successful in improving highway safety and maintaining mobility, but that it should also take steps to improve oversight of State management of Federal highway dollars. The program has made progress in achieving its long-term performance goals.

OMB recommends that FHWA:

- advocate amending the program's authorizing statute to establish an oversight program to monitor the effective and efficient use of funds;
- prepare a plan for improving program and project oversight of States;
- direct more resources to comprehensive evaluation activities, particularly at the State project level; and
- devise efficiency measures to show that program delivery is cost effective.

In response to those recommendations, FHWA has developed efficiency measures to track (1) the percentage of major Federally-funded infrastructure projects that meet schedule and cost estimates established in project or contract agreements, or miss them by less than 10%; and (2) the median time to complete environmental impact statements and environmental assessments for DOT-funded infrastructure projects.

FHWA has identified and implemented steps to mitigate the risks involved in a major, or mega, project by developing a comprehensive, standard oversight approach that includes monitoring project costs, schedule, and performance. Monthly cost, schedule, and status reports are prepared for all major projects. Periodic status meetings are held with the State Transportation Agency's project management team, the DOT modal administrations, and other agencies involved in the project to discuss project costs, schedules, and quality issues. These discussions are of sufficient detail to allow the involved parties to recognize significant issues and develop actions designed to mitigate any adverse impacts. As an example, FHWA managers and the Boston Central Artery Tunnel project managers met during the FY 2004 on a quarterly basis to discuss cost recovery issues on the project and how to achieve timely resolution to these issues.

FHWA has developed guidance for financial reporting on infrastructure projects with total costs greater than one billion dollars. Critical analysis of annual finance plans ensure that complete and consistent reporting of basic standardized financial data is being provided to the Department. The finance plans are useful in identifying emerging cost and funding shortfalls in projects. Project Management Plans that clearly define project roles, responsibilities,

processes, and activities are strongly encouraged. These practices increase the likelihood that a project will be completed on time; within budget; with the highest quality; in a safe manner; and in a manner in which public trust, support, and confidence is maintained. FHWA is engaged in a number of activities that are intended to improve major project management and oversight. Specific strategies are being deployed in four key areas: optimizing internal staffing, effective recruitment, maximizing training, and stewardship and oversight initiatives. These strategies will help FHWA achieve a multi-disciplinary approach to major project management and oversight and provide for a greater emphasis on oversight of higher-level management and financial issues.

Management Challenge - Intermodal Approach to Transportation Planning and Investment (GAO)

The Government Accountability Office (GAO) has stated that enhancing intermodal transportation planning and investment decisions resulting from that planning presents a major challenge to DOT. The GAO emphasizes that the projected growth in freight volume up to 70 percent in the next 20 years, and projected growth in passenger travel up to 25 percent by 2010, will lead to increased congestion and decreased mobility. GAO called on DOT to address this challenge through an increased emphasis on intermodalism, intermodal planning and investment, and faster, more efficient modal linkages.

DOT Actions:

DOT concurs with the need to enhance intermodal planning and investment decisions. During the past year, the Department has undertaken numerous initiatives to facilitate better intermodal decisionmaking.

The Department's proposed SAFETEA legislation proposes several items to address intermodal activities. DOT conducted several outreach sessions to all of the intermodal industry and included SAFETEA programs to: enhance an intermodal capacity building effort; launch a freight gateway and freight intermodal connector investment program through a two percent set-aside of funds; encourage Intelligent Transportation System intermodal investments; lower the threshold for TIFIA funding from \$100 million to \$50 million, thereby allowing for smaller intermodal project financing; create the Intermodal Passenger Facilities Grant Program (\$85M annually) to accelerate intermodal integration among North America's passenger transportation modes, and encourage the development of an integrated system of public transportation information.

DOT developed a Department-wide Freight Action Agenda, which involves all the modal administrations and focuses them and their major constituencies on taking an intermodal, integrated approach to facilitating the safe, secure and efficient movement of goods. The Action Plan contains eight initiatives. Its most important is the institution of an Intermodal Freight Project Facilitation process consisting of a Freight Project Liaison Officer and a project facilitation team that includes representation from the DOT offices with interests in the project. It also provides for the creation of Freight Data Task Force to help improve freight information for public policymakers and others.

The Department has also established an Intercity Bus Task Force to develop policy recommendations to improve the performance and interconnectivity our National intercity transportation network for passenger travel. The DOT task force brings a system-wide, multi-modal perspective to policy development. A particular focus is to capitalize on the intercity bus industry's potential to increase the interconnectivity of our national transportation network, and increasing public-private partnering with the industry.

The Office of the Secretary has initiated a study of *Intermodal Infrastructure and Its Economic Impacts*. In addition, OST, MARAD and FHWA have initiated a *Short-Sea Shipping Barriers & Opportunities Study*.

Highway Congestion:

Traffic congestion on our nation's highways has steadily increased over the past twenty years as the population of drivers, number of vehicles, and travel volume continue to increase at a faster rate than system capacity. According to the Texas Transportation Institute, drivers experience 3.5 billion hours of delay and waste about 5.7 billion gallons of fuel annually due to traffic congestion. The economic impact of congestion, including wasted fuel and time, was estimated to be about \$63 billion in CY 2002. Over 61.3 percent of the cost was experienced in the 10 metropolitan areas with the most congestion. Slowing the growth of congestion and delay aids urban travelers' mobility and productivity and curbs economic inefficiencies induced by congestion. Highly integrated Intelligent Transportation Systems (ITS) use electronic information and communications technology to extend the capacity of our existing infrastructure system, improving traffic flow and reducing bottlenecks.

Performance measure:

Percentage of total annual urban-area travel that occurs in congested conditions.				
	2001	2002	2003	2004
Target:	30.0	30.9	31.6	32.3
Actual:	30.4	30.5(r)	30.8#	30.9#
(r) Revised; # Projection from trends.				

2004 Results:

DOT met the performance target.

The estimate of percent of congested travel was 30.8 percent in CY 2003, a figure well below the anticipated increase to 31.8 percent. The estimated result was only 0.3 percent higher than in CY 2002 and below the anticipated increase for the second straight year. The results for the CY 2002-03 period suggest that the overall rate of growth in traffic congestion Nation-wide is slowing, and is much less than recently projected increases of 0.7 percent annually.

Sixty-two of the original 75 metropolitan areas targeted in 1996 for deploying Intelligent Transportation System (ITS) have achieved a *medium* or *high* level of integrated ITS deployment.

The FHWA supported the completion of 153 regional ITS architectures and an additional 125 regional architectures are currently under development.

The 511-travel telephone number information service is now accessible to about 25 percent of the Nation's population.

Forty-one States received Amber Alert planning grants designed to further include State and local transportation agencies into Amber Alert programs through which emergency alerts are issued to notify the public about abductions of children. In addition, sixteen States received Amber Alert implementation grants to install or enhance motorist information services to provide information about child abductions.

The FHWA continued to assist State Departments of Transportation in evaluating their work zone management practices, relative to state-of-the-art procedures. Selected metropolitan areas assessed their Traffic Incident Management (TIM) programs for program and institutional issues, on-scene operational issues, and communications and technology.

The FHWA began to develop a measure of travel times on significant freight corridors and border crossings to better understand and target efforts to keep freight moving as efficiently as possible in corridors and borders.

The Freight Analysis Framework (FAF) was used to develop the freight-related portions of the proposed SAFETEA legislation and explore options to re-route traffic on the transportation network in the event of the loss of major transportation infrastructure. The Maritime Administration used the FAF extensively to evaluate the potential modal diversion of freight from highway to proposed short sea shipping services.

In partnership with private organizations, the FHWA evaluated supply chains to the U.S. and found that information transfer of an intermodal freight exchange is an area where improvements in speed, accuracy and visibility could reap large rewards in supply chain management. The FHWA is exploring the feasibility of using a common Electronic Freight Manifest (EFM) to improve information flow efficiency and security.

The FHWA allocated funding to 108 projects under the National Corridor Planning and Development and Coordinated Border Infrastructure Grants Program to improve planning and project development in order to improve the flow of people and freight.

In coordination with the Federal Motor Carrier Safety Administration (FMCSA) Southern Border Improvement Grant funds were allocated to California, Arkansas, New Mexico, and Texas to improve commercial motor vehicle inspection facilities.

A Freight Professional Development (FPD) Program was established consisting of training, technical assistance tools, university-based programs, and a freight resource library.

The FHWA was instrumental in guiding two Latin America Trade and Transportation studies, involving 13 and 16 State agencies respectively, which address the transportation response of the U.S. to increased trade with Latin America

FY 2005 Performance Plan Evaluation:

DOT expects to meet the target in FY 2005.

Transit Ridership:

In CY 2003, people rode public transportation systems 9.0 billion times, traveling to and from work, school, and social events. Public transit offers many benefits. It is one of the safest ways of traveling, relieves road congestion, and reduces air pollution. But achieving these benefits depends upon ridership. Federal investment in transit combined with State and private sector funds make public transportation possible for millions of Americans every day.

Performance measures:

Average percent change in transit boardings per transit market (150 largest transit agencies), adjusted for changes in employment levels.				
	2001**	2002**	2003	2004
Target:	N/A	3.5	2.0	2.0
Actual:	4.3	0.2	0.7(r)	0.7*
(r) revised; *Preliminary estimate; ** Figures for 2001 and 2002 represent the average change in passenger miles and are not comparable to the CY 2003 and CY 2004 data. A new measure that uses data on transit "boardings" for the largest 150 transit operators was introduced in CY 2003. These 150 operators account for about 94 percent of all transit ridership.				

2004 Results:

DOT did not meet the performance target.

FTA adopted a new ridership measure in FY 2003 that allowed the agency to monitor progress on a monthly basis. Based on historical data for other ridership measures, FTA established a stretch goal of two percent per year.

To support this goal, FTA implemented several new initiatives to promote ridership, and recognized transit agencies that developed innovative and successful programs to increase ridership. Some of the FTA accomplishments include the following:

- Individual Marketing Demonstration Program. In April 2004, FTA selected four communities to receive grants in an innovative pilot program aimed at increasing public transit ridership through targeted, customized marketing methods. The results will be made available to communities nationwide.
- FTA worked with the National Transit Institute to develop a two-day course on *Market-Based Ridership Strategies* that was piloted at the Triangle Transit Authority in Durham, North Carolina in June 2004.
- FTA is working with the Transit Cooperative Research Program on a study entitled, *Determining the Elements Needed to Create High Ridership Transit Systems* that is expected to be completed by the end of 2005.
- FTA launched a new Web site page dedicated to innovative practices from the transit industry for increasing transit ridership. The site showcases innovative practices implemented by transit agencies that have resulted

in increased ridership.

- FTA included ridership as one of its executive core accountabilities used to measure performance.

FY 2005 Performance Plan Evaluation:

DOT may not meet the target in FY 2005.

Transportation Accessibility:

Transportation is vital in maintaining independence and mobility for people with disabilities, linking them to employment, health care, and participation in the community. The President's New Freedom initiative seeks to create a more accessible public transportation system for individuals with disabilities. The Personal Responsibility and Work Opportunity Reconciliation Act limits the time a person can receive welfare benefits, and generally requires recipients to participate in job and training activities. For many of these people, access to transportation is the key to making a transition from welfare to work.

Performance measures:

Percentage of bus fleets that are ADA-compliant.				
	2001	2002	2003	2004
Target:	83	86	89	92
Actual:	85	90	93	95*
* Preliminary estimate.				

Percentage of key rail stations that are ADA-compliant.**				
	2001	2002	2003	2004
Target:	58	68	79	89
Actual:	67	77	82	82
** Rail station measure does not reflect stations under a time extension as discussed below.				

Number of employment sites (000s) that are made accessible by Job Access and Reverse Commute (JARC) transportation services.				
	2001	2002	2003	2004
Target:	15.7	20.4	23.5	50.0
Actual:	28.4	52.1	92(r)*	92*
* Preliminary estimate				

2004 Results:

DOT met the bus target for compliance with the Americans with Disabilities Act (ADA). The bus fleet continues to become more accessible as older vehicles are replaced with those that are lift-equipped or have low floors. The overall rate of increase in bus accessibility has slowed somewhat since many of the buses replaced were already lift-equipped. While all new buses are lifted equipped or have low floors, it is difficult to reach 100 % compliance because many transit operators retain buses for more than twenty years.

DOT did not meet the key rail station target for compliance with the Americans with Disabilities Act (ADA). There are 685 key rail stations Nation-wide designated as such by the commuter authority or light/rapid rail operator, in cooperation with the local disability community. Of the 685 key stations, 547 were covered by a Voluntary Compliance Agreement, and are included in the stations that make up our goal. In addition, although the ADA required all key stations to be accessible by July 26, 1993, the DOT ADA regulation at 49 CFR 37.47 (c)(2), permits the FTA Administrator to grant an extension up to July 26, 2020, for stations requiring extraordinarily expensive structural modifications to bring them into compliance. Currently, there are 138 stations under FTA approved time extensions, and these stations are not included in the goal. Although transit operators have made significant progress in meeting the goal, the remaining stations tend to be those that require the most significant amount of work. Many of these operators are discovering that the scope of work that is needed exceeds their original projections. As a result, more time will be required to complete the necessary modifications. In recognition of these realities, FTA has lowered its projections for achieving full key station accessibility beyond FY 2004.

FTA continues efforts to encourage transit agencies to meet the accessibility goal for key rail stations. Since 1995, FTA has conducted more than 700 assessments or follow-up assessments to track progress towards ADA compliance taking on-site measurements, recording specific accessibility features at stations, and simultaneously providing technical assistance. Quarterly rail station status reports and key rail station assessments have significantly increased the number of key rail stations that have come into compliance. FTA is providing the necessary technical assistance to our grantees as we work together to achieve the goals.

DOT met the FY 2004 target for employment sites that are made accessible by Job Access and Reverse Commute (JARC) transportation services. In areas that receive JARC funds, the program successfully meets the transportation needs of low-income individuals seeking reliable transportation to employment and related support services. Grantees have used JARC funds for a wide variety of services, ranging from expansion of fixed route bus systems, and demand responsive services, to the provision of customer information. In each community that received a grant, JARC transportation services have reached new employment sites, making thousands of entry-level jobs and employers accessible for the program's target populations. New stops have also increased access to critical employment support sites, particularly childcare and job training facilities.

FY 2005 Performance Plan Evaluation:

DOT expects to meet the target in FY 2005.

Aviation Delay:

Commercial aviation delays cost airlines an estimated three billion per year. Passengers are directly affected by missed flight connections, missed meetings, and loss of personal time. Delays fell nearly 30 percent between FY 2000 and FY 2003, but increased nearly 40 percent between FY 2003 and FY 2004. FY 2004 delays are approximately seven percent above the level of FY 2000. Most of this increase in delay can be attributed to bad weather.

Performance measure:

Percent of on-time flights.				
	2001	2002	2003	2004
Target:	N/A	77.2	78.2	82.1
Actual:	76.5	82.2	82.3	79.02*
* Preliminary estimate				

2004 Results:

DOT did not meet the performance target.

As air traffic volume continued to return to pre-September 11 levels, delays have increased. To respond to this

increase in delays, FAA continued to focus on easing congestion in eight metropolitan areas; improving overall capacity at the Nation's top 35 airports, building new runways; enhancing access to reliever airports for general aviation operations; and increasing traffic coordination and communication by using new technologies.

FAA is dedicated to improving on-time arrival rates at O'Hare and throughout the country. As delays mounted across the system in FY 2004, FAA began negotiations in August with carriers serving O'Hare International Airport in Chicago, Illinois, to reduce the number of scheduled flights and improve on-time arrival rates. O'Hare is a connecting point for thousands of airline passengers every day, and increasing delays at the already congested airport can create delays in many of the Nation's other airports. In an effort to bring quick resolution to the problem, FAA has invoked authority provided within *Vision 100* allowing the agency to ask the commercial airlines to meet and discuss flight reductions at severely congested airports.

On-time arrival rates have long been a serious concern for FAA. As discussed in a FY 2003 report, in some FAA control towers, the equipment is more than 20 years old and is becoming increasingly difficult to maintain. In addition, the older equipment will have difficulty handling the increase in traffic projected for coming years. The *En Route Automation Modernization* (ERAM) program is the centerpiece of FAA's efforts to modernize the national air traffic system. ERAM will replace flight data processing and radar/surveillance data processing components of air traffic control software at all air route traffic control centers.

Finally, as part of implementing the Roadmap for Performance-Based Navigation (FY 2003-2020), FAA has begun developing criteria and guidance materials that will be used for new area navigation (RNAV) and required navigation procedures (RNP). Use of RNP permits greater flexibility and standardizes airspace performance requirements. By adopting RNAV and RNP and leveraging existing and emerging cockpit capabilities, the FAA in collaboration with the aviation community will be able to improve airspace and procedures design, leading to increased capacity and improved efficiency.

The airline industry and FAA's ability to keep flights on time is affected by the capacity of airports to accept flights for landing and the efficiency with which those flights can be handled.

Airport Daily Arrival Capacity

FAA exceeded its internal FY 2004 target of 51,332 arrival positions; preliminary data shows that arrival capacity at the 35 busiest airports was 51,587 landings per day.

Long-term capacity throughout the National Air Space was increased; FAA commissioned two major new runways in Houston, Texas and Orlando, Florida in FY 2004. The Operational Evolution Plan, FAA's long-range plan for expanding capacity in the National Air Space, identifies seven additional air carrier runways to be commissioned through 2014. Because constructing new runways is the most effective way to add ground capacity, particularly at the Nation's larger airports, FAA is also improving the criteria for assessing the capacity of our larger airports and their ability to meet projected demand. This information, in turn, will be used to target efforts to use pavement, procedures, and technology to add capacity at airports with the greatest need and with the most potential to reduce delays Nation-wide.

FAA will also continue to develop and deploy technology that enables aircraft to safely take off and land in adverse weather. FAA continues to focus on adding runways, new terminal technologies, and improved data collection to meet its future capacity performance targets.

Airport Arrival Efficiency Rate

FAA missed its internal airport arrival efficiency rate target of 95.67 by less than one percentage point. Over the course of the year, the top 35 airports operated at 95.03 percent arrival efficiency.

FY 2005 Performance Plan Evaluation:

DOT expects to meet the target for on-time flights in FY 2005.

Maritime navigation:

More than 2 billion tons of freight worth one trillion dollars moves annually through U.S. ports and on our waterways. The St. Lawrence Seaway is the international shipping gateway to the Great Lakes, offering access and competitive costs with other routes and modes to the interior of the country. Commercial trade on the Great Lakes Seaway System annually generates more than 150,000 U.S. jobs, \$4.3 billion in personal income, \$3.4 billion in transportation-related business revenue, and \$1.3 billion in Federal, State, and local taxes.

Performance measures:

Percentage of days in the shipping season that the U.S. portion of the St. Lawrence Seaway system is available.				
	2001	2002	2003	2004
Target:	99	99	99	99
Actual:	98.1	98.7	98.9	99.1

2004 Results:

For FY 2004, DOT's Saint Lawrence Seaway Development Corporation (SLSDC) met the performance target.

An analysis of system non-availability during FY 2004 indicates that the most common cause was weather (57 hours, 29 minutes of the total 63 hours, three minutes of delays or 91 percent). These weather delays usually occur at the beginning and end of each navigation season, and are caused by poor visibility, high winds, ice, blizzards, and dense fog. The only other factor that reduced system availability in FY 2004 was vessel incidents (five hours and 34 minutes, or nine percent). Vessel incidents involve ship operations, and are usually caused by human error on the part of a vessel's crew, but also include vessel breakdowns, which are caused by mechanical problems with a vessel.

While none of these factors is directly under the control of the SLSDC, the agency is taking steps to address these factors. For example, since 1997 the SLSDC has joined with its Canadian counterpart, the St. Lawrence Seaway Management Corporation, as well as the U.S. and Canadian Coast Guards, to institute a joint boarding program for the foreign vessels that use the Seaway. In FY 2004, the SLSDC continued this program by inspecting 100 percent of all ocean vessels in Montreal. This improved inspection regime has saved vessels, on average, four hours per transit and ensured that any safety, security, or environmental issues are addressed prior to entering U.S. waters. As a result, delays were reduced and ocean carriers using the Seaway saved more than \$500,000 in operating costs during FY 2004.

In addition, the U.S. and Canadian Seaway agencies began enforcing mandatory Automatic Identification System (AIS) use on commercial vessels entering the waterway beginning in FY 2004. AIS technology uses data from ship-to-ship, ship-to-shore, and shore-to-ship, thereby enabling a constant two-way communication between mariners and the three Seaway vessel traffic control centers. Originally developed primarily for safety reasons, AIS has become increasingly of interest to maritime security officials in the post 9/11 environment as it offers the ability for them to track with precision any vessel carrying the transponder.

Of the remaining factors that cause system non-availability, the Corporation has the most control over the proper functioning of lock equipment. During FY 2004, there were no instances of any downtime due to malfunctioning lock equipment.

FY 2005 Performance Plan Evaluation:

DOT expects to meet the target in FY 2005.

International Air Service:

Since the 1940's, international air transportation has been subject to restrictive bilateral agreements that raise prices and artificially suppresses aviation growth. DOT's policy is to negotiate bilateral agreements to open international air travel to market forces, thereby removing limitations on the freedom of U.S. and foreign airlines to increase service, lower fares, and promote economic growth. These agreements have made it possible for the airline industry to

provide better quality, lower priced, more competitive service for millions of passengers in thousands of international city-pair markets.

Performance measure:

Number of passengers (in millions) in international markets with open skies aviation agreements.				
	2001	2002	2003	2004
Target:	51.6	59.7	62.1	62.7
Actual:	56.4	57.0	58.7	63.1*
* Preliminary estimate				

2004 Results: DOT met the performance target with an estimated 63.1 million passengers for FY 2004. DOT reached open skies agreements with Madagascar, Gabon, and Indonesia to bring to 63 the number of countries with which the U.S. has open skies agreements. During FY 2004, DOT also concluded a landmark aviation agreement for expanded air services with China and negotiated the first ever comprehensive air services agreement with Vietnam. While the liberalized agreements with China and Vietnam are not open skies agreements, they represent enormous potential growth opportunities for the future. The pact with China will more than double the number of airlines permitted to fly between the two countries and will permit a nearly five-fold increase in air services over the next six years. This increase in air services means that more airlines, businesses and travelers can take advantage of the growing trade opportunities between the two large and rapidly expanding economies. Similarly, the agreement with Vietnam will allow the first direct air services between the two countries that will help to meet current market demand and stimulate future growth in tourism and other commercial activities.

FY 2005 Performance Plan Evaluation:

DOT expects to meet the target in FY 2005.

HUMAN AND NATURAL ENVIRONMENT STRATEGIC OBJECTIVE:

Protect and enhance communities and the natural environment affected by transportation.

Strategic Outcomes:

- Improve the sustainability and livability of communities
- Reduce the adverse effects of transportation on ecosystems and the natural environment.
- Improve the viability of ecosystems.
- Reduce the adverse effects of transportation facilities on the natural environment.
- Improve equity for low income and minority communities concerning the benefits and burdens of transportation facilities and services.
- Reduce the amount of pollution from transportation sources.

Transportation makes our communities more livable, enhancing the quality of our lives and our society. However, transportation generates undesired consequences too, such as pollution, noise, and the use of valuable land and degradation of fishery habitat. No matter how much is done to improve the capacity and efficiency of our transportation system, we cannot consider our programs to be successful unless we also manage the effects on our environment, and ultimately our quality of life.

DOT's objective is to advance the benefits of transportation while minimizing its negative environmental impacts. In FY 2004, DOT environmental programs prevented as much harm as possible from being done to the environment by transportation projects and operations.

Performance Summary:

	1998	1999	2000	2001	2002	2003	2004	2004 Target	Met	Not Met
Acres of wetlands replaced for every acre affected by Federal-aid highway projects.	2.2	2.3	3.8	2.1	2.7	2.7	2.1	1.5	X	
Percent DOT facilities needed no further remedial action under Superfund Amendments and Reauthorization Act.	78	90	90	91	91	94	93	92	X	
Monthly moving average number of area transportation emissions conformity lapses.	N/A	N/A	6.0	6.0	6.0	6.0	6.0	6.0	X	
Tons of hazardous liquid materials spilled per pipeline million ton-miles shipped.	.0119	.0229	.0131	.0201	.0202 (r)	.0129 (r)	.0102*	.0126	X	
Number of people in U.S. (in thousands) exposed to significant aircraft noise levels.	722	585	440	411	294	276 (r)	325*	400	X	
<i>* Preliminary estimate; (r) Revised.</i>										

Wetland Protection and Recovery:

Wetlands are an important natural resource. They provide natural filtration of pollutants, and they store and slow down the release of floodwaters, thereby reducing damage to downstream farms and communities. Wetlands also provide an essential habitat for biodiversity. But many of the Nation's wetlands have been lost to development over the years, before their value was fully recognized. Highways and transportation facilities can be a significant factor affecting these ecosystems.

Performance measure:

On a program-wide basis, acres of wetlands replaced for every acre affected by Federal-aid Highway projects (where impacts are unavoidable).				
	2001	2002	2003	2004
Target:	1.5	1.5	1.5	1.5
Actual:	2.1	2.7	2.7	2.1

2004 Results:

DOT met the performance target.

Federal-aid projects nationwide impacted 847 of wetlands and provided 1,761 acres of compensatory mitigation, or a ratio of 2.1 acres of compensatory wetland mitigation for each acre of impact. The FHWA coordinated wetlands programs and research initiatives with other Federal agencies including the Environmental Protection Agency (EPA) and the Department of the Interior. The FHWA, EPA, and the Army Corps of Engineers implemented guidance on how the *Transportation Equity Act for the 21st Century* (TEA-21) preference on the use of mitigation banks can be exercised under the Section 404, *Clean Water Act* permitting process, one of the first actions completed under the National Wetlands Mitigation Action Plan.

Based on criteria issued early in the year, the FHWA recognized seven new Exemplary Ecosystem Initiatives (EEI), exceeding the target of designating two additional initiatives and bringing the total number that FHWA has designated thus far to 15. An EEI is an exemplary or cutting-edge action or measure that will help sustain or restore natural systems and their functions and values, using an ecosystem or landscape context. Examples include mitigation projects that support wildlife movement and habitat connectivity, the development of watershed-based environmental assessment and mitigation approaches, the use of wetland banking, and the use of special measures to prevent invasive species along highway rights-of-way.

FY 2005 Performance Plan Evaluation:

DOT will meet the target in FY 2005.

Dot Facility Cleanup:

DOT has a special responsibility to ensure that its own facilities are compliant with environmental laws and regulations. Restoration activities involve identifying, investigating, and cleaning up contaminated sites. Compliance activities include the operation of facilities, equipment, and vessels in accordance with environmental requirements. Pollution prevention activities involve preventing future cleanup activities by avoiding the generation of pollutants in our operations or facilities.

MARAD is the U.S. Government's disposal agent for merchant type vessels displacing 1,500 gross tons or more, and is required by law to dispose of all obsolete ships in the National Defense Reserve Fleet by the end of FY 2006. Due to the presence of hazardous substances such as asbestos and solid and liquid polychlorinated biphenyls (PCBs) and concerns raised by the EPA about the export of PCBs, sales for overseas disposal were halted in 1995. Additional ships will be added to the inventory as other merchant-type Federal Government vessels become obsolete.

Performance measure:

Percentage of DOT facilities needing no further remedial action under the Superfund Amendments and Reauthorization Act (SARA).				
	2001	2002	2003	2004
Target:	91	91	92	92
Actual:	91	91	94	93

2004 Results:

DOT met the performance target.

Facility cleanup complies with the SARA process and with the National Oil and Hazardous Substances Pollution Contingency Plan. Working with States, local governments, and the EPA, DOT used a *worst first* prioritization system to attack the overall problem presented by DOT facilities where significant pollution problems present themselves.

FAA continued work under State agreements at several facilities and at the five facilities which EPA has identified as needing further evaluation, including the Jackson Homer Beacon Annex in Nebraska which was added to the Federal Facility Compliance Docket on July 19, 2004. A Preliminary Assessment will be conducted at the site to determine if it is actually contaminated. To reduce the likelihood of petroleum contamination from mission critical equipment, FAA meets current EPA requirements for fuel storage tanks; continues to replace outdated fuel storage tanks at the end of their normal life cycle to prevent leakage; tests in-service tanks; and will investigate, remove or clean tanks at decommissioned facilities.

FHWA continued work at the FHWA Materials Laboratory located at the Denver Federal Center in Colorado. The Corrective Measures Work Plan, which identifies the corrective measures for site remediation as well as a schedule for implementing those corrective measures, was submitted to the state on April 13, 2004. Ongoing activities include the preparation of a Corrective Measures Performance Monitoring Plan, to be submitted in February 2005, and a

voluntary evaluation of compressed gas remediation technology for source area contamination cleanup.

During FY 2004, 15 vessels were removed from the National Defense Reserve Fleet sites for disposal. All of these removals were the result of dismantling/recycling contracts with ship disposal companies. It takes several months to complete the dismantling after a ship arrives at a contractor's disposal site. As of September 2004, disposal has been completed on a total of six ships: one from a removal in FY 2003 and five from FY 2004 removals. MARAD also entered into additional ship disposal contracts that will result in the removal of another 13 vessels in subsequent years.

FY 2005 Performance Plan Evaluation:

DOT will meet the target in FY 2005.

Mobile Source Emissions:

The National Ambient Air Quality Standards (NAAQS) target six major pollutants as among the most serious airborne threats to human health. Transportation is a major contributor to some of the pollutants, particularly ozone, carbon monoxide and particulate matter. About two-thirds of transportation-related emissions come from on-road motor vehicles. The quality of our air is a public good, and the cost of these pollutants is not captured in the marketplace. For this reason, the Federal Government works to mitigate this negative impact.

Areas throughout the U.S. with a non-attainment or maintenance designation are required to meet transportation conformity requirements in the *Clean Air Act*. Transportation conformity ensures that emissions from planned transportation activities are consistent with clean air goals of the area, and will not create new violations of the NAAQS, increase the frequency or severity of existing violations, or delay the attainment of the NAAQS in designated non-attainment or maintenance areas.

Performance measure:

Monthly average number of area transportation emissions conformity lapses.				
	2001	2002	2003	2004
Target:	N/A	6	6	6
Actual:	6	6	6	6

2004 Results:

DOT met the performance target.

During FY 2004, the average number of areas in a conformity lapse at any given time was 6 out of a total of approximately 130 designated areas, less than 5 percent of the total.

In anticipation of the implementation of a new 8-hour Ozone and particulate matter (PM) 2.5 standard to reduce ground-level ozone and fine particulate matter, the FHWA worked with the EPA and FTA to provide timely regulations and guidance to assist newly designated nonattainment areas in meeting conformity requirements under the new standards. The FHWA conducted numerous outreach activities with conformity stakeholders for the implementation of the new conformity rule. In cooperation with the Association of Metropolitan Planning Organizations (AMPO), the FHWA supported the formation of an Air Quality Subcommittee to address specific conformity issues faced by MPOs, specifically on emissions modeling issues and emerging issues related to the implementation of the new air quality standards. The FHWA also initiated a number of research studies to advance the state of the practice in the air quality and conformity analysis.

FY 2005 Performance Plan Evaluation:

DOT will meet the target in FY 2005.

Pipeline Hazmat Spills:

Americans expect reliable delivery of the products that fuel our vibrant economy, enable their mobility and enhance their quality of life. The recently enacted *Pipeline Safety Act of 2002* will reinforce and strengthen initiatives and programs that RSPA already has in place to diminish risks of environmental harm from pipeline spills. Because of the volume of liquid hazardous materials moved by pipelines, any spill into the environment is potentially a significant one.

More than 617 billion ton-miles of petroleum and other hazardous liquids move across the country through about 161,000 miles of hazardous liquid pipelines. While this is usually the least costly way to transport these bulk cargoes, it also entails some risk. DOT's performance goal is to reduce pipeline product spilled by 30 percent by 2006, from the last five years' average spill rate (0.0162 per million ton-miles shipped).

Performance measures:

Tons of hazardous liquid materials spilled per million ton-miles shipped by pipelines.				
	2001	2002	2003	2004
Target:	.0151	.0142	.0134	.0126
Actual:	.0201	.0202	.0129(r)	.0102*
(r) Revised; *Preliminary estimate (inclusive of HVLs)				

2004 Results:

DOT met the performance target. Prevention and mitigation of pipeline spills requires improved site-specific knowledge of water and sensitive environmental areas to provide tailored actions to prevent leaks, and, if they do occur, assure that appropriate and timely response is undertaken.

DOT has begun rigorous oversight of new integrity management rules for hazardous liquid and natural gas transmission pipelines, designed to drive remaining integrity threats out of the Nation's pipeline system. In 2004, DOT extended the integrity management program oversight to gas transmission pipelines, and is working with State partners to ensure compliance with the integrity management program.

DOT plans to exclude all Highly Volatile Liquid (HVL) spills from this measure beginning in 2006, as HVLs are a small percentage of hazardous liquid materials. HVL spills vaporize without polluting land or water, and are primarily a safety, not an environmental, concern. If HVLs were excluded from the FY 2004 measure, the preliminary estimate of results would be .0007 tons, or 1.4 pounds, of hazardous liquid materials were spilled per million ton-miles shipped by pipelines.

FY 2005 Performance Plan Evaluation:

DOT will meet the target in FY 2005.

Aircraft Noise Exposure:

Public concern and sensitivity to aircraft noise around airports is high. In recent years, noise complaints have increased even while quieter aircraft technology has been introduced. Aircraft noise is an undesired by-product of our mobility, and the Federal Government acts to mitigate the public's exposure to unreasonable noise levels. In the past decade, the phase-out of noisier commercial aircraft was principally responsible for the reduction in the number of people exposed to high levels of aircraft noise. Those efforts were complemented by noise compatibility projects funded under the Airport Improvement Program (AIP). There is now a new international aircraft noise standard. While this new standard will encourage the introduction of quieter aircraft, AIP-funded noise compatibility projects will be the principal means employed by the Federal Government to mitigate significant aircraft noise exposure.

Performance measure:

Number of people in the U.S. (in thousands) who are exposed to significant aircraft noise levels (65 decibels or more).				
	2001	2002	2003	2004
Target:	440	440	437	400
Actual:	411	294	276(r)	325*
*Number of people in the U.S. (in thousands) who are exposed to significant aircraft noise levels (65 decibels or more). Preliminary estimate; (r) Revised.				

2004 Results:

DOT met the performance target.

DOT pursues a program of aircraft noise control in cooperation with the aviation community through noise reduction at the source (development and adoption of quieter aircraft), soundproofing and buyouts of buildings near airports, operational flight control measures, and land use planning strategies. The number of people exposed to significant noise levels was reduced by about 90 percent between CY 1975 and CY 2000. This is due primarily to the legislatively mandated transition of U.S. airplane fleets to newer generation aircraft that produce less noise. Most of the gains from quieter aircraft were achieved by FY 2000. The remaining problem must be addressed primarily through airport-specific noise compatibility programs, using measures such as soundproofing and relocation of residences. FAA is authorized to provide funds for these purposes, but each project must be locally sponsored and be part of a noise compatibility program prepared by the airport sponsor and approved by the FAA. This performance measure reflects noise exposure that is affected by changes in aircraft arrival and departure operations, changes in the aircraft fleet mix, and the number of people within the Day/Night Average Noise Level (DNL) 65 decibels contour.

The significant performance improvement over the targeted goals in noise reduction grew out of a confluence of a number of external factors: the economic downturn, the impact of September 11th on the industry, and the severe acute respiratory syndrome (SARS) outbreak. These factors produced a dramatic downturn in operations as well as a large-scale premature retirement of older Stage Three aircraft (B727s, DC-9s, and MD-80s). This combination of lower operations and the rapid reduction in the number of older, noisier aircraft produced the dramatic improvements in the noise exposure environment.

Assuming that the industry will recover over the next few years, the dramatic level of the improvements witnessed in FY 2004 is unlikely to persist.

FAA will continue to provide funds for noise reduction activities, develop noise research and assessment technologies, implement operational flight control measures to help reduce neighborhood exposure to aircraft noise, and examine and validate the methodologies used to assess aircraft noise exposure.

FAA is undertaking a multi-year process of updating its noise model, *MAGENTA* (Model for Assessing the Global Exposure of Noise because of Transport Airplanes). These changes result from a combination of improvements in data sources and acoustic algorithms in the model. This will significantly improve FAA's ability to measure the number of people exposed to significant noise levels around US airports. FAA will adopt a new performance metric report that uses percentage change in noise. The new performance metric will be expressed in the following manner: Reduce the number of people exposed to significant noise by 1 percent per year through FY 2008, as measured by a three-year moving average, from the three-year average for CY 2000-2002.

FY 2005 Performance Plan Evaluation:

DOT will meet the target in FY 2005.

NATIONAL SECURITY STRATEGIC OBJECTIVE:

Ensure the security of the transportation system for the movement of people and goods, and support the National Security Strategy.

Strategic Outcomes:

- Reduce the vulnerability of the transportation system and its users to crime and terrorism.
- Increase the capability of the transportation system to meet national defense needs.

Transportation security is equal in importance to transportation safety. DOT's objective is to contribute to National security by providing strategic mobility, and by working in tandem with the Department of Homeland Security (DHS) to minimize the vulnerability of our transportation system to disruption, damage, or exploitation through crime or terrorism. In FY 2004, DOT homeland and National security programs continued providing strategic mobility for the Department of Defense (DoD), and continued reducing the transportation system's vulnerability to crime and terrorism.

Performance Summary:

	1998	1999	2000	2001	2002	2003	2004	2004 Target	Met	Not Met
Percentage of DoD-required shipping capacity complete with crews available within mobilization timelines.	N/A	97	92	97	94	96	94	94	X	
Percentage of DoD-designated commercial ports available for military use within DoD established readiness timelines.	93	93	93	92	92	86	93	92	X	

Management Challenge - Aviation and Transportation Security (IG/GAO)

The IG and GAO have noted that challenges exist in effectively meeting National requirements for improving security in aviation and surface transportation. While the DHS has primary responsibility in the transportation security arena, DOT also plays a vital role. Therefore, DOT must establish an effective framework for working with the transportation industry and DHS on regulatory and programmatic security issues. A GAO report calls for a balance in implementing, regulating, funding, and overseeing programs that benefit the traveling public and highlights DOT's primary responsibility for the safe transport of hazardous materials.

DOT Actions:

DOT has taken several steps to establish and maintain effective interaction with the DHS. DOT actively participates on several critical DHS committees, such as: Commercial Operations Advisory Committee and its Maritime Transportation Security Subcommittee, the Operation Safe Commerce Executive Steering Committee, the Universal Electronic Freight Manifest Initiative, the Border Station Partnership Council, US/Mexico Bridges and Border Crossings Group, and the Trans Border Working Group. Several of the DOT *Operating Administrations* have provided technical advice and assistance to DHS on the effectiveness and impact of proposed security regulations, policies, or procedures from the perspective of owners and operators in the transportation industry. DOT collaborated with TSA and DHS in drafting the Transportation Sector portion of the National Infrastructure Protection Plan (NIPP) and participated in executive and operations level security exercises. FAA works closely with both airport owners and TSA representatives in identifying security requirements and discussing appropriate funding resources. DOT has collaborated with DHS to issue hazardous material and pipeline security advisories and to develop and implement consensus security guidance, including threat assessment, response and recovery, for the pipeline sector.

In September 2004, DOT and DHS signed a Memorandum of Agreement to develop procedures by which the two departments can continue to improve their cooperation and coordination in promoting the safe, secure, and efficient movement of people and goods throughout the transportation system.

DOT *Operating Administrations* continue to work closely with their stakeholders to address security concerns. The FHWA keeps the members of the American Association of State Highway and Transportation Officials (AASHTO), which represents the 52 State and territorial highway and transportation departments across the country, informed on DHS activities and programs that could have an impact on State and local transportation programs. FMCSA

continued its efforts to heighten the awareness of HAZMAT transporters to security threats. FMCSA conducts security sensitivity visits (SSVs) as part of its regular compliance reviews of HAZMAT carriers and instituted Enhanced Security Contacts which are now called Security Contact Reviews (SCRs) for carriers of the most lethal HAZMAT cargoes. In addition, FMCSA has instituted security outreach operations to alert HAZMAT carriers to potential security threats and raise their overall awareness of security hazards.

Management Challenge - Computer Security (Department-wide and FAA) (IG/GAO/OMB)

The IG, GAO, and OMB have identified information system security as a critical government-wide management challenge, and in particular, have identified FAA air traffic control information systems as needing special attention to harden them against malicious or criminal attack.

Computer security entails protection of all information technology (IT) assets as required by the Computer Security Act of 1987, the Government Information Security Reform Act (GISRA), OMB Circular A-130, and National Institute of Standards and Technology guidance.

DOT Actions:

DOT has certified and accredited over 96 percent of its IT systems and plans to complete these activities for the remaining 4 percent in FY 2005. The security certification and accreditation of these systems provides DOT management with an acceptable level of assurance that all systems either meet a minimum level of baseline requirements or have plans of action and milestones to mitigate any remaining risks. A continuous vulnerability scanning program has been implemented Department-wide.

FAA made significant progress toward improving security for all FAA information systems in FY 2004. Specific actions included: establishing a stable inventory of information systems; completing certification and authorization on 96 percent of information systems by July 1, 2004; increased monitoring of FAA's information systems through intrusion detection systems; holding regular meetings with senior executives and information systems security managers to address strategic and tactical issues; and completing a number of OIG and GAO recommendations from previous audits.

The DOT OIG removed the condition of material weakness from FY 2003 and OMB scored the DOT e-Government program, which includes information system security for all *Operating Administrations*, as *green*.

Strategic Mobility:

To maximize DoD's logistics capability and minimize its cost, defense sealift increasingly relies on the U.S. commercial sector. DoD's ability to respond to military contingencies requires adequate U.S. flag sealift resources, skilled U.S. maritime labor, and the associated maritime infrastructure. DOT helps provide for a seamless, time-phased transition from peacetime to wartime operations while balancing the defense and commercial elements of our transportation system. The Ready Reserve Force (RRF) is a key source of strategic sealift capacity to support the rapid deployment of U.S. military forces during the early stages of a military crisis. Merchant mariners employed on commercial vessels in the U.S. domestic and international trades provide the core job skills needed to crew the RRF. The Maritime Security Program (MSP) and the Voluntary Intermodal Sealift Agreement (VISA) program ensure that the active U.S.-flag fleet is available for sealift while continuing to carry commercial freight. Merchant mariners employed on these and other vessels in the U.S. domestic and international trades provide the crew to simultaneously operate both the RRF and the commercial fleet during wartime. DOT is responsible for establishing DoD's prioritized use of ports and related intermodal facilities during DoD mobilizations, when the smooth flow of military cargo through commercial ports is critical.

Performance measures:

Percentage of DoD-required shipping capacity complete with crews available within mobilization timelines.				
	2001	2002	2003	2004
Target:	N/A	93	94	94
Actual:	97	94	96	94

Percentage of DoD-designated commercial ports available for military use within DoD established readiness timelines.				
	2001	2002	2003	2004
Target:	93	92	92	92
Actual:	92	92	86	93

2004 Results:

DOT met the target for DoD-required shipping capacity and exceeded the target for DoD-designated commercial ports.

In FY 2004, DOT achieved a cumulative target of 94 percent availability for DoD-required shipping capacity and 93 percent availability among strategic ports, a seven percent increase in port availability over last year's performance. DoD, in conjunction with MARAD, negotiates a Port Planning Order with each strategic port, specifying what facilities will be needed to conduct a military deployment. The port is expected to be able to make these facilities available to the military within 48 hours of notification. If a port is unable to provide the specific facilities it will report that it is not available. In some cases the port cannot be available as quickly as required or it cannot provide the specific facilities that meet the military's requirements. Performance results are measured monthly, and the overall availability of ports varies throughout the year for a variety of reasons. Overall, we met the target for FY 2004.

DOT/MARAD provided sealift capacity to the Department of Defense in support of the war in Iraq using 21 Maritime Administration RRF vessels. In addition, DOT/MARAD managed port security training for over 200 port personnel throughout the Western Hemisphere through the MARAD/ Organization of American States-sponsored port security training program.

FY 2005 Performance Plan Evaluation:

DOT expects to meet the 2005 targets.

ORGANIZATIONAL EXCELLENCE STRATEGIC OBJECTIVE:

Advance the Department's ability to manage for results and innovation.

Secretary Mineta's central management strategy for achieving organizational improvement is full implementation of the President's Management Agenda (PMA). The PMA contains five mutually reinforcing goals that the DOT Team is integrating into its corporate culture in striving for continuous management improvement; strategic management of human capital; competitive sourcing; improved financial management; expanded e-Government; and budget and performance integration.

In implementing the President's Management Agenda in DOT, we aim to achieve the following organizational excellence outcomes:

- Improve organizational performance and productivity
- Improve customer and stakeholder satisfaction
- Improve employee satisfaction and effectiveness

In July 2004, DOT earned four *greens* on the President's Management Agenda goals.

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

President Bush's management agenda focuses on long-term management of the Federal workforce and fostering a

citizen-centered, results-based government, organized to be agile, lean, and capable of making timely decisions. As we determine our human capital requirements, DOT will thoughtfully restructure our organization.

COMPETITIVE SOURCING

DOT uses competitive sourcing as a key tool for efficiently getting commercial-type work done. By doing so, we can ensure that we are providing the highest quality and the most economical service to Americans.

IMPROVED FINANCIAL PERFORMANCE

Improved financial performance is a key aspect of improving the government's performance. Knowing the full cost of DOT's goods and services is a prerequisite to good program management. The General Accounting Office and the DOT Inspector General have also identified DOT financial management as requiring focused effort to make needed improvements. Good financial stewardship, excellent and efficient procurement and acquisition systems, and improved financial performance are cornerstones of excellent DOT management.

EXPANDED ELECTRONIC GOVERNMENT

President Bush has called for an expanded electronic government that improves service to individuals, businesses, and State and local government through the use of information technologies. DOT is committed to improving transportation through market-based policies that foster competition by using electronic government resources, and increasing the range of transportation choices available to travelers and shippers. DOT is also committed to making the U.S. transportation system as efficient as possible in order to enable maximum economic growth, more efficient use of information technology to create faster, easier, and more efficient ways for citizens to transact their business with DOT and to provide input on transportation policies and programs.

BUDGET AND PERFORMANCE INTEGRATION

Regular, systematic measurement and accountability for program performance compared to pre-established goals will be the means to improve DOT management. The President's Management Agenda stresses a change of direction in Federal management, that of changing yearly budgetary and resource management decision focus from the "increment" to the "base" and through accountability for programmatic results.

The five initiatives of the President's Management Agenda provide the general structure for this section of the report. Embedded in this structure are the management-related performance measures that DOT has tracked since FY 2002.

Performance Summary:

	1998	1999	2000	2001	2002	2003	2004	2004 Target	Met	Not Met
For major DOT acquisitions, percentage of cost and schedule goals established in acquisition project baselines that are met.	N/A	N/A	N/A	N/A	74	78	88	80	X	
Percent share of total dollar value of DOT direct contracts awarded to women-owned businesses.	3.7	4.1	4.5	3.7	3.8	4.2	3.9*	5.1		X
Percent share of total dollar value of DOT direct contracts awarded to small disadvantaged businesses.	17.0	17.9	17.7	17.4	16.2	15.8	14.5*	14.5	X	
For major Federally funded infrastructure projects, percentage that										

meet cost estimates established in project or contract agreements, or miss them by less than 10 percent.	N/A	N/A	N/A	N/A	85	88	95	95	X	
For major Federally funded infrastructure projects, percentage that meet schedule milestones established in project or contract agreements, or miss them by less than 10 percent.	N/A	N/A	N/A	N/A	85	88	74	95		X
Percentage of transit grants obligated within 60 days after submission of a completed application.	N/A	N/A	21	51	67	83	91	80	X	
Environmental justice cases unresolved after one year.	67	29	56	39	65	76	73	35		X
*Preliminary estimate										

Strategic Management of Human Capital

The DOT Human Capital Plan guides our efforts through FY 2005, and is fully aligned with the President's Management Agenda and the standards developed by the Office of Management and Budget, Office of Personnel Management, and the General Accounting Office: strategic alignment, workforce planning and deployment, leadership and knowledge management, performance culture, talent, and accountability. DOT's plan contains initiatives to help the Department recruit, develop, and retain the diverse talent needed now and in the future to perform our mission and achieve our strategic objectives.

Through continued support and commitment throughout the operating administrations, DOT achieved a "green" status score for this element of the President's Management Agenda. Following the blueprint established in FY 2002 in the *Human Capital Plan* the Department:

- linked the Strategic Plan with human capital strategies, including linking 89 percent of individual performance plans and performance awards;
- institutionalized annual workforce planning and analysis, integrating competitive sourcing;
- restructured functions and organizations to improve mission focus and effectiveness;
- improved the recruitment, selection, training and evaluation of agency leaders, instituted succession planning, and conducted knowledge management pilots;
- set up a framework that has increased management accountability for improved diversity and achieved measurable progress; and
- improved corporate recruitment in a way that integrates with other strategies.

As the Department addressed cross-cutting human capital issues, the *Operating Administrations* examined their own human capital challenges. Two of them, FAA and FHWA, face particular workforce challenges in the next several years. Between FY 2005 and FY 2013, approximately 7,000 of FAA's Air Traffic Controllers will be eligible for retirement. In the FHWA, two-thirds of its eligible senior leaders and managers will be eligible to retire in the next five years. Through strategic workforce planning, the FAA is developing a plan of action to ensure the agency has a sufficient number of qualified controllers to meet capacity and air traffic needs of the future. The agency is examining workforce demographics, hiring and training practices, and proposed age change for mandatory separation of its controller workforce. FAA is positioning itself to assure its customers a smooth, transparent, and successful transition as air traffic controllers begin to retire over the next decade. Likewise, the FHWA formed a Workforce Planning Advisory Committee to develop strategies and promote the use of a Workforce and Human Capital Planning process throughout the agency. Each office completed a unit workforce plan that assesses its future needs.

Management Challenge - Strategic Human Capital Planning (GAO/OMB)

GAO has stated that the entire Federal Government faces an impending wave of retirements of long-service, highly competent Federal employees. From this arises a large-scale strategic human resource planning issue. While this

exodus of talent will not happen overnight, DOT must plan now to maintain required levels of experience, competencies, and knowledge levels in the Department's civilian, military, and contract workforce. Succession planning as well as managing and maintaining adequate institutional knowledge will be crucial for DOT's ability to carry out its functions during this period of high workforce turnover.

The preceding discussion addressed this management challenge.

Competitive Sourcing

In FY 2004, DOT achieved *Green* status on the President's Management Agenda scorecard for competitive sourcing. DOT completed one standard and several streamlined competitions and publicly announced one of the largest, most complex competitions ever conducted under OMB Circular A-76 for FAA's automated flight service stations. FAA has already received proposals for this competition covering 2700 positions and expects to make a performance decision no later than March 2005. DOT also received OMB approval for its Green Plan which identified competitions and/or feasibility studies for over 400 positions through the end of FY 2005 and outlined plans to evaluate another 4000 positions through the end of FY 2009.

In FY 2004, DOT continued to emphasize the use of performance-based service acquisition (PBSA) in DOT. DOT emphasized the importance of PBSA both in its annual procurement performance reviews with each *Operating Administration* and at meetings of the Procurement Management Council. The Volpe Center restructured a major service contract into a performance based acquisition and the Maritime Administration issued a solicitation for its largest acquisition, the Ship Managers Program valued at two billion dollars over 10 years, as a performance based acquisition. In FY 2004, 71 percent of eligible service contracting dollars were awarded as performance-based service acquisitions.

Financial Performance

Acquisition Management -

Performance measures:

For major DOT systems, percentage of cost and schedule goals established in acquisition project baselines that are met.				
	2001	2002	2003	2004
Target:	N/A	90	80	80
Actual:	N/A	74	78	88

2004 Results:

DOT met the performance target.

DOT/FAA met the FY 2004 goal with 88 percent of major system acquisitions remaining within the cost and schedule performance goal. Overall, five out of 43 programs had schedule and/or cost variances beyond established thresholds. This resulted in the final 88 percent performance variance for the acquisition goal. The use of a disciplined automated monthly reporting process allowed all levels of management detailed visibility into cost and schedule performance. This enhanced the decision process and ensured critical acquisitions remained within the established 80 percent performance parameter. Technical issues and a budget increase were the primary reason five of the programs missed the FY 2004 performance goal.

FY 2005 Performance Plan Evaluation:

DOT expects to meet the target in FY 2005.

Management Challenge - Improve Fiscal Discipline at FAA (IG/GAO)

To abate growth in operating costs, FAA needs to have both its cost accounting and labor distribution systems in place and operating effectively and also needs to renegotiate those memorandums of understanding (MOUs) between FAA and its labor unions that have extensive cost implications.

The IG and the GAO recommended that FAA address fundamental problems in major acquisitions. It is critical that air traffic system modernization projects be fielded on time and on budget for continued progress to be made in reducing congestion in the Nation's air transportation system as demand for flights grows back to and beyond pre-9/11 levels. The IG noted positive signs that the FAA Administrator and the Chief Operating Officer are committed to making changes.

DOT Actions:

DOT/FAA has taken several steps to address the issues identified.

Labor Issues

The FAA is implementing a new process that places strict controls on the negotiation of union agreements, such as placing labor relations professionals in charge of negotiations and requiring a budget analysis for each negotiation. Reform continues in FY 2004 with the centralization of the Agency Labor Relations Management function in the Assistant Administrator for Human Resource Management and the design and implementation of a national Labor Relations Database. The newly-developed database provides an inventory of Memoranda of Understanding, ensuring better monitoring and management of agreements that have major cost implications for the agency.

Cost Accounting

The FAA did not meet the management challenge of having both its cost accounting and labor distribution systems fully in place for the entire FAA during the fiscal year. This goal required developing an interface from FAA's labor distribution system to *Delphi* and a subsequent interface from *Delphi* to the FAA's cost accounting system. FAA's cost accounting interface was delayed until the middle of the fiscal year and the labor distribution interface was delayed for the entire year.

The FAA cost accounting interface is now working and the FAA labor distribution interface is on target to be completed in FY 2005.

Major Acquisitions

The FAA has implemented a number of initiatives to mitigate fundamental problems in major acquisitions. They include changes in organizational structures and responsibilities, process changes, reporting capabilities and overall management discipline. Organizationally, the FAA consolidated three major FAA Lines of Business into the Air Traffic Organization (ATO). The flattening of management layers will improve productivity, decision making, and communications.

The FAA's is improving the Acquisition Management System (AMS) to incorporate OMB's Capital Programming Process. Essential information incorporated into OMB's Exhibit 300 will be used by Senior FAA management in the decision making-process. Programs will be segmented into smaller pieces with cost benefits identified. This process integration will result in better investment decisions and more effective management. The FAA is incorporating more stringent reporting, to include monthly and quarterly program variances, monthly performance goal status, and detailed cost expenditure reporting at all levels of management. These actions have proven effective in meeting the FY 2004 performance goals.

Small disadvantaged and women-owned business contracts -

<p>Percent share of the total dollar value of DOT direct contracts that are awarded to women-owned businesses.</p>

	2001	2002	2003	2004
Target:	5.1	5.1	5.1	5.1
Actual:	3.7	3.8	4.2	3.9*
* Preliminary estimate				

Percent share of the total dollar value of DOT direct contracts that are awarded to small disadvantaged businesses.				
	2001	2002	2003	2004
Target:	14.5	14.5	14.5	14.5
Actual:	17.4	16.2	15.8	14.5*
* Preliminary estimate				

2004 Results:

Preliminary data indicates that DOT met the target for small disadvantaged businesses (SDB) but did not meet the target for women-owned businesses.

The women-owned business goal continues to be a challenge to DOT as there is no set-aside authority under the Federal Acquisition Regulatory system. Furthermore, the loss of the Coast Guard in the DOT procurement base substantially reduced the pool of contracting opportunities. USCG was DOT's largest procurement agency representing more than 60 percent of our procurement base. FY 2004 was the first full fiscal year without the Coast Guard.

This drastic change in our procurement base necessitates a complete reevaluation of how we implement our small business programs. Since Congress has mandated a goal of five percent, DOT, through the Office of Small and Disadvantaged Business Utilization, will emphasize more hands-on involvement with its procuring agencies and place more emphasis on subcontracting a means of increasing opportunities for small businesses and particularly women-owned businesses. In addition, DOT is establishing a Women's Procurement Assistance Committee. The Committee will consist of at least one representative from each of the DOT Operating Administrations' Small Business Specialists Offices. The purpose of this Committee will be to promote, coordinate and monitor the plans and programs of the Department. It will also provide forums, workshops and best practices in order to contribute to the growth of women's procurement opportunities in the Department.

FY 2005 Performance Plan Evaluation:

DOT expects to meet both performance targets in FY 2005.

Management Challenge-Disadvantaged Business Enterprise Program (IG):

The Inspector General has noted that fraud involving the Disadvantaged Business Enterprise (DBE) Program has serious enforcement and compliance problems that are nationwide in scope.

This matter requires more attention and greater oversight efforts by the Department. The IG recommended the DBE program strengthen its regulations, establish terms for DBE firms, and strengthen its oversight of DBE contractors.

The Secretary's establishment of a senior level task force on DBE fraud was a good first step. However, it is important that the task force make tangible progress in strengthening the oversight of the DBE Program.

DOT Actions:

The Task Force has been actively involved in developing a comprehensive strategy to improve program delivery and oversight. A working group was created to conduct a comprehensive review of the DBE program, identify issues of concern and recommend a potential course of action. In FY 2004 the working group conducted weekly meetings, solicited input from program implementers, DOT recipients and DBE community organizations. As a result, DOT has developed a DBE Compliance Action Plan that includes a number of strategies for providing greater direction and technical assistance to its recipients.

DOT drafted new airport concession rules; some of the new provisions are a Personal Net Worth cap for DBE firm owners, requirements for DBE firms to file no change affidavits and report material changes in the firm, and requirements for airports to more actively monitor DBE businesses.

DOT also made it a priority to finalize the review and approval of state Unified Certification Program (UCP). UCPs are expected to strengthen and simplify DBE certifications by reducing the number of entities involved in the process. It is anticipated that more than 70 percent of state UCP will be approved before the end of the calendar year.

Each Operating Administration involved in the DBE program conducted an assessment of its program delivery and developed a plan of action to address the issue, such as triennial reviews of DBE programs, State management reviews, procurement system reviews, and civil rights reviews. In addition, DOT will increase the use of information technologies to improve program management and oversight.

The Task Force will issue its final report to the Secretary by November 30, 2004. The report will include a detailed list of other recommendations and policy actions.

Financial management - For the fourth year in a row, DOT received an unqualified audit opinion on its Financial Statements.

Management Challenge - DOT and FAA Financial Systems (IG/GAO/OMB)

The IG, GAO, and OMB have recognized that converting the remaining Operating Administrations to DOT's new, state-of-the-art, Web-enabled, commercial-off-the-shelf financial management system, called *Delphi*, has presented a significant management challenge. DOT also needs to develop more comprehensive cost accounting systems and labor distribution systems, and the FAA needs to enhance record keeping and valuation procedures for capitalizing property, plant, and equipment. This last requirement affects FAA's direct provision of services to the public, which depends on capital assets.

DOT Actions:

In FY 2004, the Department completed implementation of the Delphi financial management system for all remaining Operating Administrations. DOT is the first cabinet-level agency to have all its *Operating Administrations* converted from a legacy accounting system to a new, state-of-the-art, Web-enabled, Standard General Ledger-compliant, JFMIP-certified, commercial-off-the-shelf financial management system running on a single instance of the software. Operational issues with the Operating Administrations are still being resolved. Also in FY 2004, FAA established revised business processes, record keeping, and improved valuation procedures for capitalizing property, plant, and equipment.

Financial Stewardship-

Performance measures:

For major Federally funded infrastructure projects, percentage that meet schedule milestones established in project or contract agreements, or miss them by less than 10 percent.				
	2001	2002	2003	2004
Target:	N/A	95	95	95
Actual:	N/A	85	88	95

For major federally funded infrastructure projects, percentage that meet cost estimates established in project or contract agreements, or miss them by less than 10 percent.				
	2001	2002	2003	2004
Target:	N/A	95	95	95
Actual:	N/A	85	88	74

Percentage of transit grants obligated within 60 days after submission of a completed application.				
	2001	2002	2003	2004
Target:	N/A	60	80	80
Actual:	51	67	83	91

2004 Results:

DOT met its transit grant obligation timeliness and infrastructure schedule performance targets, but it did not meet the target for infrastructure project cost.

Major Infrastructure Projects

In FY 2004, FHWA approved financial plans or their annual updates for 14 major projects. FHWA also reviewed major projects reports on cost, schedule, and status and held periodic status meetings with the State Transportation Agency's project management team and other involved agencies. While scheduled milestones were met on all 12 major projects currently under construction, costs were exceeded in three the projects.

In FY 2004, FAA provided funding for three mega projects, which are projects whose total estimated funding exceeds \$1 billion. New runways are under construction at airports in Seattle, St. Louis, and Atlanta. All three runways are on schedule and the Seattle and St. Louis projects are within cost estimates. FAA's costs for the Atlanta project are on track, but the non-Federal portion of the project has exceeded estimated costs to date by more than 10 percent. Several factors have contributed to the overrun: unanticipated costs and delays in acquiring land, changes in the mix of funding resources that necessitated additional borrowing and associated borrowing costs; and unexpected increases in the costs of structural steel due to increased world-wide demand.

FTA has four mega projects: New Jersey Hudson-Bergen - MOS II Light Rail; San Juan Tren Urbano Heavy Rail; Denver Southeast Corridor Project; and Seattle Central Link Light Rail. Three of the projects are within 10 percent of the cost estimate of their current funding agreements. San Juan Tren Urbano, however, is 36 percent over the cost estimate. FTA has requested a recovery plan to address the cost to complete construction and the schedule. San Juan Tren Urbano has also amended its projected opening date.

Transit Grants

FTA obligated 91 percent of grants within 60 days, including some grant applications received in FY 2003 and obligated in FY 2004.

FTA continued to see marked improvements in processing time using several initiatives begun in FY 2003: improvements to the Transportation Electronic Award Management (TEAM) system used to make grants; an expedited notification of certification by the Department of Labor; and faster startup of the grant process at the beginning of the fiscal year. In addition, in FY 2004, FTA worked with the Department of Labor to develop a procedure for certifying grants in advance for the scope of the full funding anticipated in FY 2004 rather than certifying each grant amendment adding incremental funding.

FY 2005 Performance Plan Evaluation:

DOT expects to meet all three performance targets in FY 2005.

Management Challenge-Protecting Taxpayer Investments in Highway and Transit Infrastructure Projects (IG)

The Inspector General (IG) has stated that the Department's ability to achieve its strategic goals of increased mobility, improved safety, and sustained economic growth undoubtedly will be challenged in the face of the Federal deficit, numerous states bracing against financial crises, and declining Highway Trust Fund revenues. Aggressive oversight is needed to ensure that the Federal investment in highway and transit projects is well managed and protected from fraud. In addition to ensuring that funds are spent effectively, the Department must ensure that all tax dollars due to the Highway Trust Fund are received.

DOT Actions:

DOT has identified and implemented steps to mitigate the risks involved in a major, or mega, project by developing a comprehensive, standard oversight approach that includes monitoring project costs, schedule, and performance. Monthly cost, schedule, and status reports are prepared for all major projects. Periodic status meetings are held with the State Transportation Department's project management team, the DOT modal administrations, and other agencies involved in the project to discuss project costs, schedules, quality issues, and the status of other items. These discussions are of sufficient enough detail to allow the involved parties to recognize significant issues and develop actions designed to mitigate any adverse impacts. As an example, FHWA managers and the Central Artery Tunnel project managers met during the past year on a quarterly basis to discuss cost recovery issues on the project and how to achieve timely resolution to these issues. In addition, FHWA conducted a risk management workshop about the Woodrow Wilson Bridge that resulted in the formulation of a risk based Federal oversight performance plan for the project.

DOT has developed guidance for financial reporting on infrastructure projects with total costs greater than one billion dollars. Critical analysis of annual finance plans ensure that complete and consistent reporting of basic standardized financial data is being provided to the Department. The finance plans are useful in identifying emerging cost and funding shortfalls in projects. Project Management Plans that clearly define project roles, responsibilities, processes, and activities are strongly encouraged. These practices increase the likelihood that a project will be completed on time; within budget; with the highest quality; in a safe manner; and in a manner in which public trust, support, and confidence are maintained.

FHWA issued the Construction Program Management and Inspection Guide to all Division offices. This document provides guidance on performing construction oversight at the program and project level. The Guide focuses on construction inspection practices and techniques that can be used for ensuring effective oversight, and reflects current philosophy on construction program management and stewardship.

FHWA is engaged in a number of related activities to improve major project management and oversight. Specific strategies are being deployed in four key areas: optimizing internal staffing, effective recruitment, maximizing training, and stewardship and oversight initiatives. These strategies will help FHWA achieve a multi-disciplinary approach to major project management and oversight and provide for a greater emphasis on oversight of higher-level management and financial issues.

FTA developed and began using a quantitative risk assessment tool to ensure that New Starts transit projects meet cost, schedule and transportation benefit expectations. This tool is used to track the success of mitigation measures and assess trends with respect to project execution, so that any necessary intervention measures can be taken as early as possible.

Management Challenge-Financial Accountability (IG/GAO):

The IG has noted progress in the last year in this area, but DOT still must strengthen three important financial management activities. First, DOT needs to free up millions in inactive obligations or idle funds, especially at the Federal Highway Administration. Second, improve oversight of cost-reimbursable contracts, which have few inherent protections against cost overruns. Third, complete implementation of the new *Delphi* financial management system, which will enable DOT to strengthen financial controls and generate reliable financial reports.

DOT Actions:

FHWA, in coordination with the OIG, met with State Department of Transportations' (SDOTs) Financial Managers and Auditors to identify actions that can be taken to ensure the timely closing of completed projects and corresponding de-obligation of any unused funds. As a result of this meeting, many suggested activities were identified which are currently under review by FHWA to identify those that can be accomplished in the most cost and resource efficient manner. FHWA also developed a financial oversight policy that will require Division offices to work with their State DOTs on an annual basis to review all projects where there has been no billing activity for 12 months and where there still exists funding of \$500,000 and greater. The goal is to review those projects and identify those that can be closed and funds released for other projects. This new financial oversight policy will be effective in FY 2005.

DOT began improvements in the management of reimbursable agreements and intra-governmental, including developing and implementing a Web portal for the Operating Administrations to exchange information about reimbursable agreements to support eliminations within DOT.

The Department completed implementation of Delphi Financial Management System in November 2003 and in the following year has worked to address remaining issues. DOT developed a new Financial Statement Solution (FSS) in Delphi that produces financial statements from the core financial system and completed the effort to reduce the month-end close process from 3 days to an overnight process.

Management Challenge-MARAD Loan Guarantee Program (IG):

As of October 31, 2003, the Maritime Administration's (MARAD) outstanding Title XI loan guarantee portfolio was \$3.8 billion. These loan guarantees are designed to assist private companies in obtaining financing for the construction of vessels or the modernization of U.S. shipyards, with the Federal Government holding a mortgage on the equipment or facilities financed. The IG has identified a number of areas where MARAD could improve its Title XI program administration, limit the risk of default, and reduce losses to the Federal Government. The IG recommends that MARAD obtain independent external review of Title XI loan guarantee applications; implement a more rigorous analysis of risks associated with modifications to financial requirements; improve monitoring of program participants' financial condition; and closely monitor the physical condition of guaranteed assets.

DOT Actions:

MARAD has developed procedures and policies to incorporate all the recommendations. These new procedures deal with several aspects of program administration including the initial review of projects as well as portfolio and asset management. MARAD will analyze all pending projects to determine what compensating controls are appropriate as consideration for modification or waiver of financial requirements. As part of this process MARAD developed a list of compensating controls that would be considered with respect to each modification or waiver request. In response to the recommendation that the agency establish an external review process, MARAD developed criteria for determining when an external review will be needed and issued a solicitation for advisors to perform the external reviews. To improve program monitoring, MARAD has developed a financial statement review form to highlight the information on the financial statements and developed criteria to determine if a company should be monitored more closely. If greater monitoring is necessary, MARAD completes a Credit Watch report for each company to provide data on the company's condition. MARAD will receive periodic reports from vessel custodians regarding the status of defaulted vessels under custodial care.

Citizen Centered Government**Performance measure:**

Percent of Environmental Justice cases unresolved after one year.				
	2001	2002	2003	2004
Target:	N/A	40	35	35
Actual:	39	65	76	73

2004 Results:

DOT did not meet the performance target.

Environmental justice complaints are very complex, and therefore time-consuming, compared to other external civil rights complaints. Several factors contribute to the complexity of the cases; for instance, environmental justice complaints always involve classes and not single individuals; complaints almost always involve controversies relating to unsettled areas of the law; and they often involve time-consuming and legally difficult jurisdictional determinations. Some of the complaints involve longstanding controversies in local land use and may result in serious and fundamental community debates. For many of these complaints, DOT is considering Alternative Dispute Resolution.

The Departmental Office of Civil Rights (DOCR) is working on two projects to help the Operating Administrations resolve complaints more effectively and expeditiously. First, staff is revamping the External Complaints Tracking System, the Department-wide database in which information about external complaints is stored. The new system, intended to be more comprehensive and user friendly, should help Operating Administrations better track the progress of environmental justice and other complaints. Second, DOCR is developing a Complaint Resolution Manual with input from Operating Administration representatives. The manual will outline the expected steps for processing, investigating, and resolving a discrimination complaint, with the goal of promoting a more uniform approach to complaints across the Department.

FY 2005 Performance Plan Evaluation:

DOT does not expect to meet the target in FY 2005.

Expanded Electronic Government**Customer Service Focus and E-Government -**

The Department continues to participate actively in many of the Administration's government-wide E-Government initiatives, such as online rulemaking, business gateway, e-Learning, e-Travel and others. The results allow the general public and the regulated community easier access to their government. For example, DOT:

- made all OMB-registered FAA forms available to citizens through an FAA consolidated web service and through the Business Gateway PMA e-Government web site;
- created an electronic database of policies and interpretations for the FHWA's Commercial Vehicle Size and Weight Program that is searchable through a Web site which enables State personnel to access information on-line;
- converted state reporting procedures for FHWA enforcement actions from paper to electronic media; and
- consolidated automated staffing functions, using QuickHire software.

Information and Technology Management

During FY 2004, the Department achieved a *green* rating in the e-Government portion of the President's Management Agenda, indicating DOT made significant improvement in capital planning, security and enterprise architecture issues. In FY 2004, over 96 percent of operational information technology (IT) systems were secured. In addition, 100 percent of DOT's FY 2005 business cases were determined by OMB to be acceptable. DOT also established a Modernization Blueprint that focuses IT investments and reduced cost/schedule/performance overruns and shortfalls for major projects to less than 10 percent.

To identify potential IT security weaknesses and opportunities for consolidation for more efficient operations, each of DOT's IT systems undergoes the rigorous security certification and accreditation process. During FY 2004, the Department certified and accredited (C&A) over 90 percent of our IT Systems including 100 percent of our mission critical/major systems. This is an improvement of over 40 percent from our FY 2003 effort and represents a significant improvement in the overall security of DOT's information technology infrastructure. Results of these certifications and accreditations are being used to identify weaknesses and remediation solutions. By implementing enterprise-wide solutions, the Department will gain consistency in its remediation efforts as well as provide cost-savings for IT security solutions. Certification and accreditation provides DOT management the assurance that IT assets are able to provide more secure services to the public.

In FY 2004, the Department's Investment Review Board (IRB) focused on management of the Department's information technology portfolio, DOT operating administration IT investment strategies, and project management practices. Through greater IRB involvement, senior managers from across the Department have assumed an expanded role in the oversight of high risk projects.

Management Challenge - Information Technology Management (IG):

DOT has one of the largest IT investment portfolios among civilian agencies. DOT IT systems support air traffic control and distribute billions of dollars in Federal grants for transportation improvements. Security breaches against these systems could have far-reaching effects on the Nation's transportation system and economy.

Securing Critical Computer Systems:

Recently, DOT made noteworthy improvements by enhancing its defense against Internet intrusions, appointing a Chief Information Officer (CIO) to lead major IT initiatives, and developing a more reliable inventory of systems. DOT, however, must further protect critical IT systems, (especially air traffic control systems) against attack and enhance contingency planning to ensure business continuity in an emergency.

DOT actions:

DOT has made significant progress. The DOT OIG recently cited DOT's progress in this area as sufficient to consider the problem as no longer a material weakness. The Department's Transportation Cyber Incident Response Center (TCIRC) serves as the focal point for monitoring and protecting the Department's critical IT assets. Using a wide variety of tools the TCIRC continuously monitors and scans the Department's IT infrastructure looking for vulnerabilities. The Office of the CIO has also established a robust continuity of operations plan that provides for the quick reconstitution of critical IT services in the event of a prolonged disruption.

The FAA made significant progress toward improving information systems security for all FAA systems in FY 2004. FAA completed certification and authorization of 96 percent of its information systems by July 1 and increased monitoring of its information systems through additional intrusion detection systems. FAA has committed to reviewing all operational traffic control systems at en route, approach control, and airport terminal facilities within three years. FAA has also agreed to implement a robust contingency plan to restore essential air service in the event of a prolonged disruption of service at an en route facility. In addition, FAA is implementing the use of smart card technologies to authenticate air traffic control system users.

Strengthen Departmental Oversight of IT Investment.

In FY 2003, DOT appointed a CIO and increased the CIO's influence over IT decisions by forming a departmental Investment Review Board (the Board). The Board, which is chaired by the Deputy Secretary, and consists of the CIO, the Chief Financial Officer, the General Counsel, and the Assistant Secretary for Administration, has the authority to approve, modify, or terminate major IT investments. To ensure that the Board can improve the cost-effectiveness of DOT's \$2.7 billion annual IT investment, it needs to: play a more proactive role in identifying high-risk modal administration IT projects for review; require the modal administrations to share more timely information on proposed IT projects; and perform more in-depth reviews of these data.

DOT Actions:

In FY 2004, DOT revised its Information Technology Capital Planning and Enterprise Architecture policies, which ensures that: DOT is in compliance with legal and OMB requirements; operating administrations manage their portfolios of investments in a like manner; there is a consistent approach in the development of a *federated* Enterprise Architecture; and, that, as a result of a consistent approach for enterprise architecture, DOT reduces redundant systems, promotes data sharing, component re-use, and collaborative efforts within DOT and with external partners.

DOT developed a revised Capital Planning and Investment Control Guide that clearly defines, through detailed criteria, how DOT will identify high-risk modal IT projects for review. The revised guidance also includes process changes, specific to earned value management, which DOT will use to identify high risk projects they exceed established variance levels.

DOT issued new, specific guidance on project cost, schedule and performance variance reporting. Project reports are provided to the CIO on a quarterly basis, but will include monthly data.

Because FAA's IT portfolio constitutes a significant portion of the entire DOT portfolio, it was critical to the Departmental effort that FAA also takes specific steps to strengthen its oversight of IT investment. Accordingly, in FY 2004, FAA:

- Created an IT Executive Board chaired by the FAA CIO to improve IT governance.
- Strengthened its Exhibit 300 training, development, and approval process, resulting in significant improvement to its scores over the past year, FY 2003.
- Implemented a process to monitor cost, schedule, and performance variances quarterly, and formalized the use of Corrective Action Plans for investments with variances greater than negative 10 percent.
- Achieved one of the highest scores of any agency on the GAO IT Investment Management scorecard, and adopted their recommendations to move the agency to level three compliance with their model.
- Instituted changes to the overall acquisition management system, including the use of Exhibit 300s as the core investment decision document.

Fostering Competition -

The Department continues to promote competitive conditions in the airline industry. One approach to achieving this goal is through the collection and dissemination of airline service-related data in order to provide an incentive for airlines to compete for customers on the basis of improvements in their service. To this end, the Office of Aviation Enforcement and Proceedings issues a monthly statistical report covering various aspects of airline service, including flight delays, mishandled baggage, and denied boarding.

Although DOT provides its views on competition issues to the Justice Department, which is responsible for determining whether mergers should be challenged on antitrust grounds, DOT also has its own antitrust authority independent of the Department of Justice. Accordingly, the Department continued to review joint venture agreements, such as codeshare and frequent flyer programs to ensure that they do not adversely affect competition. In FY 2004, the Department modified its review procedures to expedite the review process and reduce burdens on airports filing the competition plans. As a result, average time to complete plan reviews declined from six months to 62 days.

With regard to airport capacity matters, the Department continues to make significant progress in working to ensure fair and adequate access to airport facilities. The Department reviews competition plans filed by medium or large hub airports that are dominated by one or two carriers. The in-depth review process, which includes document reviews, telephone conferences, meetings, and site visits, result in airports modifying their business practices to achieve the goal of reducing gate hoarding and providing more opportunities for accommodation of new entrants. Airports achieve this goal by adopting practices such as: monitoring gate utilization; providing fair and uniform notification of gate availability; adopting fair and transparent protocols for gate assignment; and adopting procedures to ensure fair and timely dispute resolution about access, accommodation, subleasing and ground handling.

This commitment was also exemplified in the Department's issuance of a final rule on airline computer reservations systems (CRS). The rule ended twenty years of CRS regulation because changes in the CRS industry and the growth of the Internet for direct distribution to consumers made them unnecessary.

Management Challenge - Airline Consolidation and Service to Communities (GAO)

GAO has pointed out that airlines' restructuring and consolidation will significantly affect the industry's competitive landscape. Consumers will have fewer travel options and will generally face higher fares when carriers reduce the number of flights, reduce aircraft size, or drop markets altogether. Small communities in particular will face higher fares and reduced service as airlines continue to reduce their market presence. These actions will increase pressure on the primary Federal program that assists the smallest communities, the Essential Air Service (EAS) program. The number of communities that qualify for subsidized service under this program has grown recently and there are clear indications that this number and the program's costs will continue to grow.

DOT Actions:

It is clear that the EAS program must be reformed or the costs will continue to escalate. More and more regional carriers are increasing the size of their fleets to larger turboprops or even regional jets. While larger communities can

support these larger aircraft, smaller communities cannot generate sufficient traffic to make the service profitable rendering more and more communities reliant upon subsidized EAS. The spread of low-fare carriers has exacerbated the situation as passengers are increasingly bypassing local airport turboprop service for often lengthy drives to airports with low-fare service.

The Administration proposed major revisions to the EAS program for FY 2004 in order to administer the program more efficiently and add flexibility to better tailor the service to the needs of specific communities. With the proposed reforms, the Department would be able to ensure that the neediest small communities maintain access to the National air transportation system. These reforms are directed at responding to the desire of small communities to participate in a more direct and substantive way in their air service issues and to become architects to design their own solutions to their transportation needs.

Communities' eligibility for inclusion in the EAS program has never been based on individual needs, but, rather, based only on whether the community was receiving scheduled air service on October 24, 1978. The Administration's proposal provides for appropriate air or ground service to access the National air transportation system for the most isolated communities. In order to encourage each community to participate in supporting its subsidized service, the Administration's most recent aviation reauthorization proposal requires communities to contribute 10, 25 or 50 percent of the total subsidy required, depending on their degree of isolation. The most remote communities (those more than 210 miles from the nearest hub airport) would be required to provide 10 percent of the EAS subsidy; those within 100 miles of a large or medium hub or 75 miles of a small hub or 50 miles of jet service would be eligible for ground service by paying 50 percent; and the remaining communities would have to pay 25 percent. With these reforms, the Department would be able to maintain the EAS program within a \$50 million budget, as proposed by the Administration.

The Administration proposed similar reforms in its proposed FAA reauthorization act in the FY 2005 budget. Congress has not adopted any of the Department's reforms.

Management Challenge - Intercity Passenger Rail (IG/GAO)

The OIG and GAO have noted that intercity passenger rail plays a vital role in surface transportation and have called upon DOT to develop alternatives to preserve commuter and intercity services in the event of cessation of Amtrak service. GAO called for DOT to provide a framework for determining the role and level of investment for intercity passenger rail. The IG stated that DOT should continue to work with the Congress to realign the size, operations, and governance of the intercity passenger rail system to match the levels of funding available from all sources for Amtrak.

DOT Actions: Secretary of Transportation Norman Y. Mineta sent to Congress the Passenger Rail Investment Reform Act. It proposes to increase management accountability and encourage responsiveness to market forces. The bill seeks to implement five principles for change vital to the survival and growth of intercity passenger rail service:

- Create a system driven by sound economics;
- require that Amtrak transition to a true operating company;
- introduce carefully managed competition to provide higher quality rail services at reasonable prices;
- establish a long-term relationship between States and the Federal Government to support intercity passenger rail service and;
- create an effective partnership, after a reasonable transition, to manage the capital assets of the Northeast Corridor.

FRA and STB have developed contingency plans to permit STB to implement authority provided in section 150 of the General Provisions of the FY 2004 DOT Appropriations Act to direct that commuter and freight service be provided in the event that Amtrak were to cease operation.

The requirement beginning in FY 2003 that Amtrak receive its Federal subsidy through a normal grant process has significantly improved the fiscal discipline at Amtrak and has enhanced Federal oversight of Amtrak's financial performance and expenditures. Amtrak is required to submit to the Secretary of Transportation and the House and Senate Committees on Appropriations a supplemental report regarding the Corporation's business plan that describes the work completed to date, any changes to the business plan, and the reasons for such changes.

In addition, FRA staff provides oversight of Amtrak's financial performance from various daily, monthly and quarterly

reports. Daily cash balance reports and monthly cash forecasts through the end of each fiscal year alert FRA of any impending liquidity crisis. Financial statements and individual route performance provide a better view of the company's financial position. FRA uses monthly reports on passenger-trips and passenger-miles to assess the benefits achieved through Amtrak operations. Capital projects are monitored at an individual project level of detail on a monthly basis as to budget, schedule, and performance.

Budget and Performance Integration

Results-oriented decision-making - By clearly focusing on investments in programs that work, and by exerting efforts to make well-designed programs achieve their intended results, DOT will increase the value it creates for the American people. The chief means to accomplish our intended results is to hold executives and managers accountable for them. Accordingly, DOT has worked toward the integration of budget and performance planning.

Beginning with the FY 2004 budget cycle, DOT organized its OMB and Congressional budget submissions in such a way that the linkages between additional resources and improved performance would be more apparent. The linkages were further strengthened during the FY 2005 budget cycle when DOT restructured its budget instructions to produce performance-based budgets and to show the full costs of performance by strategic and performance goal.

For the FY 2006 budget cycle, DOT is taking performance budgeting to the next level by estimating the marginal cost of performance (i.e., what results can be achieved at different levels of funding) for selected programs. For instance, DOT will be able to estimate the reduction in rail-related accidents and incidents it expects to achieve with the increase in funds it requests. This improvement in performance links to DOT's Safety strategic objective.

Typically, a marginal cost of performance analysis would require the Department to have a fully functioning cost accounting system. While all DOT modes have implemented the Department-wide accounting system, it will be several years before cost accounting data systems are fully mature and include historical data that will allow DOT managers to integrate performance and accounting data. As a result, DOT has developed an alternative model that will enable the Department to tie resources to results and has selected several pilot programs that will be used to test this approach. The lessons learned from this initial effort will be incorporated into future budget guidance to be followed by all DOT Operating Administrations for all accounts.

As a result of these pilot programs and the development and use of performance-based budgets throughout the Department, DOT received a *green* rating for budget and performance integration from OMB.