



DEPARTMENTAL OVERVIEW

THE DEPARTMENT OF TRANSPORTATION

The United States (U.S.) Department of Transportation (DOT) is the Federal steward of the Nation's transportation system and speaks for transportation in the Federal Government. It was created in 1967 to develop transportation policies and programs that contribute to providing safe, fast, efficient, accessible and convenient transportation at the lowest cost—essentials to meet national objectives of economic growth and stability, security of the U.S., and the efficient use and conservation of resources.

Our Nation's transportation system is the largest in the world. It consists of about 4 million miles of public roads, almost 1.5 million miles of pipelines carrying natural gas and petroleum, over 5,000 public airports, 570 commercial harbors, 32,000 miles of navigable coastline, and 25,777 miles of inland waterways. Every day our roads carry over 6.6 billion vehicle miles of trucks and automobiles and over 2.5 billion ton-miles of goods. Every day our rails carry more than 56,000 people; our waterways carry 2.2 billion ton-miles of freight; our transit systems move 10 million passengers; and our airlines carry more than 1.5 million passengers domestically and overseas.

As we cross the bridge from the 20th to the 21st Century, we must be prepared to face global markets, environmental challenges, trans-national security threats, and a communication and information revolution.

As we look forward to the 21st Century, Secretary Rodney E. Slater has stretched our minds to ensure that we all believe transportation to be more than concrete, asphalt and steel. He reminds us that transportation is about providing opportunity for people, giving them mobility and choices. He envisions DOT offering a guiding light to enable safe transport of people and goods. Transportation ties our Nation together and ties America to the rest of the globe.

To keep our system strong, the Clinton Administration increased investment in transportation infrastructure by more than 20 percent during the first term over the previous 4 years. Spending for safety improvements increased by 61 percent. We have opened over 110 miles of new rail transit service since 1993. Our airlines are carrying 25 percent more passengers than they did in 1993. And, the condition and performance of our Nation's key bridges and highways has improved.

The Department continues to push forward in *Reinventing Government the common sense way*. Through streamlining, refocusing our efforts on our customers and on performance results, and using modern technologies, we are operating more efficiently and our work force is 11 percent smaller than it was in 1993.

DOT employs almost 100,000 civilian and military people located across the country and the world. It includes the following Operating Administrations (OAs):

DOT Operating Administrations

United States Coast Guard
(USCG)

Federal Aviation Administration
(FAA)

Federal Highway Administration
(FHWA)

Federal Railroad Administration
(FRA)

National Highway Traffic Safety Administration
(NHTSA)

Federal Transit Administration
(FTA)

Saint Lawrence Seaway
Development Corporation
(SLSDC)

Maritime Administration
(MARAD)

Research and Special
Programs Administration
(RSPA)

Bureau of Transportation Statistics
(BTS)

Surface Transportation Board
(STB)

Transportation Administrative Service Center
(TASC)

intermodal in form, intelligent in character and inclusive in service.

The ONE DOT management strategy was introduced in DOT's Strategic Plan to help us meet the challenges of a rapidly changing world by creating a balanced, integrated, and intermodal transportation system. This system will more closely reflect how people, communities and organizations function in the 21st Century. The ONE DOT concept builds on and emphasizes the collaborative work that is part of the history of the Department. This historical collaboration has resulted in: significant public initiatives such as the recently enacted Transportation Equity Act for the 21st Century; the leadership which DOT has assumed in welfare-to-work programs; rapid and effective responses to natural disasters; and other DOT efforts such as "Buckle Up America," "Safe Communities," "Moving Kids Safely," and the "Garrett A. Morgan Technology and Transportation Futures Program," to mention a few. The goal of the ONE DOT management strategy is to make collaboration as natural a part of our organizational behavior as our discrete modal activities.

Information about the progress of individual groups, success stories, messages from the Secretary and messages from our regions is shared throughout the Department and available on-line at www.dot.gov/onedot

**ONE DOT
MANAGEMENT STRATEGY**

These organizations within DOT, commonly referred to as Operating Administrations (OAs) are working together as ONE DOT. We aim to create the best transportation system for America. This transportation system is one that is *international in reach,*

OUR MISSION STATEMENT

Serve the United States by ensuring a safe, fast, efficient, accessible and convenient transportation system that meets our vital national interests and enhances the quality of life of the American people, today and into the future.

STRATEGIC GOALS

The 1997 DOT Strategic Plan is the product of the contributions of many. Representatives from the Office of the Secretary (OST) and all the Operating Administrations worked as an integrated team to build the plan. It recognizes President Clinton's priorities outlined in his State of the Union address; Vice President Gore's guidance emanating from the Blair House papers and the management strategies integral to performing our missions successfully; Secretary Slater's often stated personal priorities of safety, infrastructure investment and common sense government; the requirement to set performance goals and to identify measures to gauge progress; and the priorities and concerns of DOT partners in State and local government as well as industry.

It sets five strategic goals for DOT:

- **Safety:** Promote the public health and safety by working toward the elimination of transportation-related deaths, injuries, and property damage.
- **Mobility:** Shape America's future by ensuring a transportation system that is accessible, integrated and efficient, and offers flexibility of choices.
- **Economic Growth and Trade:** Advance America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.
- **Human and Natural Environment:** Protect and enhance the community and the natural environment affected by transportation.

- **National Security:** Advance the Nation's vital security interests in support of national strategies such as the National Security Strategy and National Drug Control Strategy by ensuring that the transportation system is secure and available for defense mobility and that our borders are safe from illegal intrusion.

PERFORMANCE GOALS

DOT's first annual Performance Plan was completed and was delivered to Congress with the President's Budget for FY 1999. The FY 1999 DOT Performance Plan serves as the top-level link between the program activities found in each Operating Administration's budget and the Department's overall mission and strategic goals. The Performance Plan presents 73 performance measures, which the Department will use to assess its progress in FY 1999 towards achieving its long range strategic goals. The Plan organizes the presentation of these annual performance goals into five sections--one for each strategic goal area. Within these five DOT strategic goal areas, program activities and their associated budget resources are grouped together according to the annual performance goals they support. In this manner a clear line can be drawn from the mission to the strategic goal, and finally to the performance goals, strategies, and requested resources.

The following performance goals aim to achieve specific and measurable improvements toward our strategic goals:

 **DOT Strategic Goal:
Safety**

target rate of 0.486 and 0.097,
respectively (page 17).

Highway

- ✓ Reduce the rate of highway-related injuries per 100 million vehicle-miles traveled, from 134 in 1997 to 127 in 1999 and 124 in 2000 (page 10).
- ✓ Reduce the rate of highway-related fatalities per 100 million vehicle-miles traveled, from 1.7 in 1997 to 1.6 in 1999 and 1.5 in 2000 (page 10).
- ✓ Reduce the percentage of highway fatalities that are alcohol-related from the 38.6 percent in 1997 to 36 percent in 1999 and less than 35 percent in 2000 (page 11).
- ✓ Increase the seat belt usage nationwide from 69 percent in 1997 to at least 80 percent by 1999 and 85 percent by 2000 (page 11).

Aviation

- ✓ Reduce the fatal aviation accident rate for commercial air carriers per 100,000 flight hours from the 1994-1996 baseline rate of 0.037 to 0.034 by 1999 and 0.033 by 2000 (page 16).
- ✓ Reduce the number of runway incursions to a level 15 percent below the 1997 baseline of 318 to at or below 270 incursions in 1999 and 2000 (page 17).
- ✓ Reduce the rate of operational errors and pilot deviations per 100,000 activities by 10 percent from 1994 baselines (0.54 errors and 0.11 deviations) to a 1999 target rate of 0.496 for errors and 0.099 for deviations and 2000

Maritime

- ✓ Rescue and save at least 93 percent of mariners reported in life-threatening danger (same as the 1996 baseline) (page 19).
- ✓ Reduce the number of recreational boating fatalities per 100 numbered (registered hours) from the 1997 baseline of 819 to 720 (or fewer) fatalities in 1999 and 2000 (page 20).

Rail

- ✓ Reduce the rate of rail-related fatalities per million train-miles from 1.71 in 1995 to 1.57 or less in 1999 and 1.54 or less in 2000 (page 21).
- ✓ Reduce the rate of rail-related crashes per million train-miles from 3.91 in 1995 to 3.44 or less in 1999 and 3.32 or less in 2000 (page 21).

Transit

- ✓ Reduce the transit injury rate per 100 million transit passenger miles from 127 in 1996 to 123.2 (or less) in 1999 and 122 in 2000 (page 23).
- ✓ Reduce the transit fatality rate per 100 million transit passenger miles from 0.52 in 1996 to 0.50 fatalities (or less) in 1999 and 2000 (page 23).

**DOT Strategic Goal:
Mobility**

sustaining or expanding service (page 35).

Highways and Bridges

- ✓ Reduce the percentage of bridges on the NHS that are deficient from 23.1 percent in 1998 to less than 22.8 percent in 1999 and 22.5 percent in 2000 (page 28).
- ✓ Increase the percentage of miles on the NHS that meet pavement performance standards for acceptable ride quality from 90.4 percent in 1996 to 91.5 percent in 1999 and 91.8 percent in 2000 (page 28).

Aviation

- ✓ Maintain in good or fair condition 93 percent of runway pavements at commercial service airports, reliever airports, as well as, selected general aviation airports in 1999 (same as the FY 1997 baseline) (page 29).
- ✓ Reduce the rate of air travel delays per 100,000 activities by 5.5 percent from 1992-1996 baselines of 181, to 171 in 2000 (page 30).

Transit

- ✓ Increase the percentage of key rail stations that are ADA-compliant from 19 percent in 1996 to 37 percent in 1999 and 47 percent in 2000; and for bus fleets, increase the percentage from 63 percent in 1996 to 73 percent in 1999 and 82 percent in 2000 (page 34).
- ✓ Reduce the average age of the motor bus fleets to 7.5 years or less, from a 1995 baseline of 8.1 years; and hold the average age of the rapid rail fleet at 22.6—while

**DOT Strategic Goal:
Economic Growth & Trade**

Aviation

- ✓ Increase the number of flight segments that aircrafts are able to fly off Air Traffic Control preferred routes from 75 percent in 1996 to 80 percent in 1999 and 2000 (page 37).

Rail

- ✓ Increase the percentage of Amtrak trains arriving on time, from 78.6 percent in 1998 to 87 percent in 1999 (page 39).

Transit

- ✓ Increase the total of transit vehicle hours of service (rail and non-rail) from 183 million revenue vehicle hours of service in 1995 to 209 million in 2002 (page 41).

**DOT Strategic Goal:
Human and Natural Environment**

Highway and Transit

Transit

- ✓ Increase the percentage of the urban population living within 0.25 miles of a public transit stop with service frequency of 15 minutes or less, from a CY 1996 baseline of 11.22 percent to 11.56 percent in CY 1999 and 11.68 in CY 2000 (page 44).
- ✓ Reduce on-road mobile source emissions by 2 percent from 1999, to a target of 62.7 million tons, from a 1996 baseline for 65.9 million tons (page 45).

Aviation

- ✓ Reduce the number of people in the U.S. exposed to significant aircraft noise by at least 64 percent from the 1995 baseline of 1.7 million to at or below 600,000 (page 46).

Maritime

- ✓ Reduce the rate of oil spilled into the water by marine sources from 1.37 gallons per million/gallons shipped in 1997, to 5.04 in 1999 and 4.83 in 2000 (page 47).

 **DOT Strategic Goal:
National Security**

Maritime

- ✓ Increase twenty-foot equivalent units (TEUs) capacity of ships or square feet of sealift capacity enrolled in the Maritime Security Program and Voluntary Intermodal Sealift Agreement from 160,852, or 13.6 million square feet in FY 1998 to 165,000 TEUs, or 14.5 million square feet in FY 1999 (page 50).
- ✓ Ensure that 100 percent of Ready Reserve Force non-notice activation meet assigned readiness activation, and that each ship is mission-capable for at least 99 percent of the days it is under DOD control in 1999 (page 52).
- ✓ Increase the percentage of mariners available compared to mariners needed to crew combined sealift and commercial fleets during national emergencies from 96.9 percent in 1997 to 100 percent in 1999 (page 53).
- ✓ Increase the seizure rate for illegal drugs, from 8.7 percent of the total amount shipped (the 1995-1997

average) to 12.5 percent in 1999 and 13 percent in 2000 (page 54).

- ✓ Restrain the flow of undocumented migrants by reducing the success rate from the FY 1995 of 23 percent to 13 percent or less over maritime routes in 1999 (page 54).



MAJOR PROGRAM PERFORMANCE

DOT STRATEGIC GOAL: SAFETY

Promotes the public health and safety by working toward the elimination of transportation-related deaths, injuries, and property damage.

The safety of America's transportation system is our top priority. Virtually all of our programs are designed to influence or encourage safety. DOT provides national leadership in transportation safety, integrating the efforts of all partners to advance our common goal – to minimize the cost to society of transportation-related fatalities, injuries and incidents.

HIGHWAY SAFETY

Through the efforts of NHTSA and FHWA, we administer safety programs, promote vehicle and highway infrastructure safety standards, test vehicle and equipment compliance, investigate defects, conduct research in technology and human factors relating to safety, maintain data on transportation incidents, injuries, and fatalities, and develop and enforce safety regulation on commercial motor vehicles. In addition, DOT conducts research and development programs to improve the tools we have to make the system safer.

NHTSA and FHWA also partner with States to promote education, legislation, enforcement programs, and infrastructure improvement through grants and technical assistance, while FRA joins them in addressing crashes at highway-rail grade crossings.

Highway Safety Programs

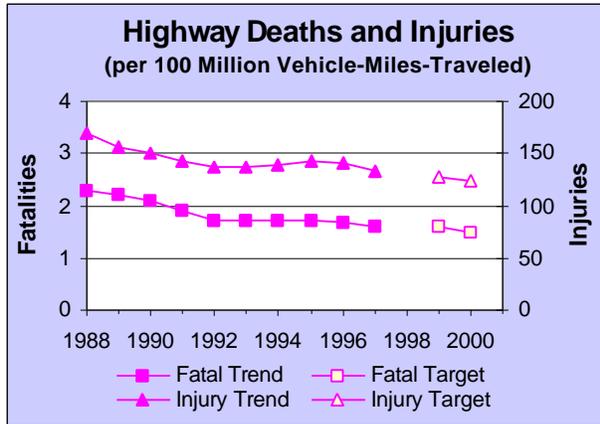
- *Traffic Safety Programs* administered by NHTSA encompass a range of program strategies to reduce crashes and their consequences. NHTSA administers the Safe Communities program which, through

the creation of partnerships, enables communities to identify, understand and address their traffic safety problems. Traffic safety programs also include highway safety research activities, education and outreach efforts, particularly relating to air bag and child safety.

Traffic fatalities account for more than 90 percent of all transportation-related fatalities each year and traffic injuries represent 99 percent of all transportation-related injuries. In 1997 alone, 41,967 Americans died and 3.4 million were injured in motor vehicle crashes. This takes a heavy toll on American families and costs more than \$150 billion in medical and other costs per year.

Vehicle-miles traveled (VMT) increased by 3.2 percent in 1997, a much higher increase than the Department had predicted. The average annual increase in VMT in recent years has been 2.2 percent. This 1997 change, coupled with a decrease in highway-related injuries, greatly reduced the injury rate from 141 in 1996 to 134 in 1997. The calendar year (CY) 1999 target has been changed to reflect an appropriate "stretch" in 1999 gains, and will be attributable mainly to ongoing NHTSA programs.

TEA-21 alcohol and seat belt incentive grants, and such programs as the "Buckle Up America" initiative will help DOT lower the injury rate at a greater pace, but their effects probably will not be seen until 1999.



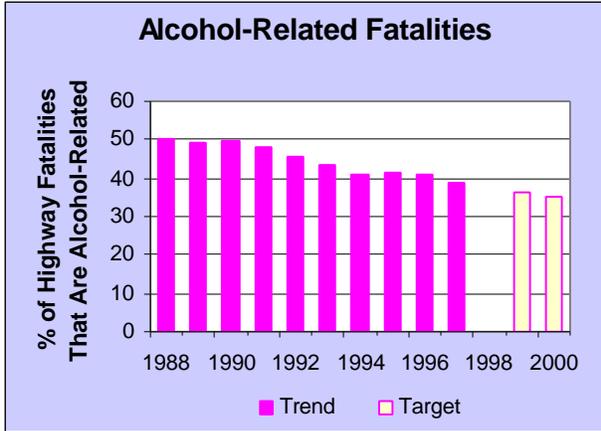
<p>Performance Indicator: Reduce the rate of highway-related injuries per 100 million vehicle miles traveled (VMT).</p>
<p>2000 Goal: 124</p> <p>1999 Goal: 127</p> <p>1997 Performance: 134</p> <p>1996 Baseline: 141</p>
<p>Performance Indicator: Reduce the rate of highway-related fatalities per 100 million vehicle miles traveled.</p>
<p>2000 Goal: 1.5</p> <p>1999 Goal: 1.6</p> <p>1997 Performance: 1.7</p> <p>1996 Performance: 1.7</p>

FHWA continues to work with NHTSA to advance the Speed Management Work Plan. They believe that a better understanding of speeding and its implications contributes to reducing the number of speed-related fatalities and injuries occurring on our highways. High priority safety problem areas and associated countermeasure plans are identified by the States.

Highway Safety Grants given to the States include Section 402 Formula Grants Program and Section 410 Alcohol-Impaired Driving Incentive Grants Program:

- Section 402 Formula Grants Program** is a performance-based formula program that provides the States with the opportunity to set their own highway safety goals and develop program strategies to meet them. State programs are focused on national priorities including occupant protection, impaired driving prevention, police traffic services, emergency medical service/trauma care, traffic records, pedestrian/bicycle safety, motorcycle safety, speed control and roadway safety. States can use funds to form Safe Communities partnerships to address highway safety problems. By September 30, 1998, over 425 Safe Community programs were underway.
- Section 410 Alcohol-Impaired Driving Incentive Grant Program** continues to provide effective incentives to motivate States to implement innovative strategies to reduce drunk and drugged driving. States can receive basic and supplemental grants based on specific actions, such as enactment of laws and implementation of programs to reduce impaired driving. A total of 38 States and the District of Columbia qualified for Section 410 grants in FY 1998.

This program encourages stricter laws and enforcement and better training and outreach to reduce driving that is impaired by drug and alcohol use. Alcohol-related fatalities dropped below 40 percent for the first time in 1997 to 38.6 percent. The 1999 and 2000 goals are to reduce the number of alcohol-related fatalities to 36 percent and 35 percent respectively.



Performance Indicator: Increase the seat belt usage nationwide.

2000 Goal: Increase seat belt use rate to 85 percent.

1999 Goal: Increase seat belt use rate to 80 percent.

1997 Performance: 69 percent.

1996 Performance: 68 percent.

Performance Indicator: Reduce the percentage of highway fatalities that are alcohol-related.

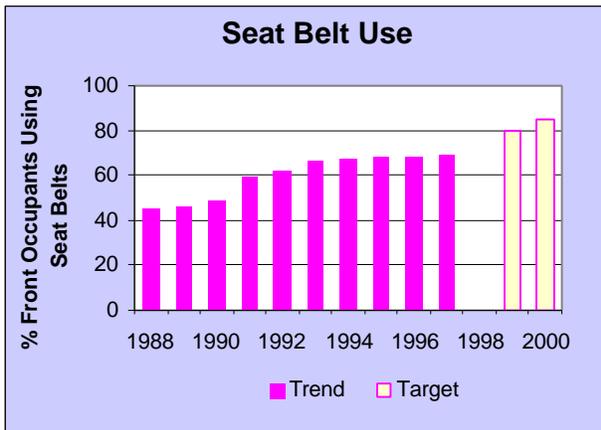
2000 Goal: Reduce the number of alcohol-related highway fatalities to less than 35 percent.

1999 Goal: Reduce the number of alcohol-related highway fatalities to 36 percent.

1997 Performance: Reduced the number of alcohol-related highway fatalities to 38.6 percent.

1996 Performance: Reduced the number of alcohol-related highway fatalities to 40.9 percent.

- Occupant Protection Programs** support the goals outlined in the Presidential Initiative for Increasing Seat Belt Use nationwide to 85 percent by 2000. National safety belt usage is currently 69 percent. In FY 1998, “Buckle Up America” was initiated to help the Department achieve these goals.



NHTSA continues to implement awareness and education activities concerning safety belt and child safety seat use. NHTSA coordinates the efforts of national organizations to complement new public and private sector efforts to reduce the aggressivity problem of air bags.

- Other Safety Programs** work to increase the number of people educated about air bag safety, improve emergency medical services, and focus attention on pedestrians, bicyclists and older and younger drivers. As part of the President’s Initiative on Drugs, Driving and Youth, NHTSA establishes strategies to combat youth drug use. In the highway research area, NHTSA continues to investigate and demonstrate methods to control speeding, aggressive driving and other unsafe driving acts, as well as, improve pedestrian and bicyclist safety.

As a result of NHTSA’s programs, motor vehicle travel has become safer. Traffic fatalities have decreased from 51,091 in 1980 to 41,967 in 1997. The fatality rate per 100 million vehicle miles has fallen from 3.3 in 1980 to 1.7 in 1997. This has substantially increased the focus on providing technical assistance to the States in developing comprehensive strategies, targeting traffic law enforcement problems, and reducing the human loss and economic costs caused

by traffic crashes. Emerging traffic safety issues such as aggressive drivers, drugged drivers, non-belted drivers and passengers, and red light running drivers, combining with speed create new challenges that make progress more difficult and require innovative strategies and a strong Federal role. The Department's Strategic Plan developed in 1997 guides program priorities. NHTSA's activities tie directly to DOT's Safety strategic goal and make contributions to other Departmental strategic goals.

NHTSA's programs have proven to be cost-effective. A NHTSA analysis of the Department's highway safety programs showed that society receives a return of \$9 for each dollar spent on vehicle and highway safety. Programs administered by NHTSA are funded from the Highway Trust Fund and the General Fund. This funding supports research, highway safety and vehicle programs, and also provides grants to States and the National Driver Register.

Vehicles & Equipment Compliance Testing

- ***New Car Assessment Program*** provides consumers with relative crashworthiness information on passenger vehicles. NHTSA conducts frontal and side impact tests at 35 mph and 38.5 mph, respectively, to provide information to consumers for their purchasing decisions. This information also motivates vehicle manufacturers to provide higher levels of occupant protection through market forces. In FY 1998, 70 vehicles were crash tested. Fifty vehicles were tested and rated for frontal protection and 20 for side protection. NHTSA estimates that these tests, when combined with results valid from earlier model years, provided consumers with frontal safety information on 70 percent of model year 1998 vehicles sold in the U.S., and side

impact information on 72 percent of model year 1998 passenger cars. Other vehicle safety information provided to consumers through the ***Consumer Information Program***, includes the safety features available on new vehicles, child passenger safety guidelines, and the characteristics and proper use of anti-lock braking systems.

- ***Vehicle Safety Compliance*** ensures that all motor vehicles and motor vehicle equipment sold in the U.S. provide the safety benefits intended by Federal safety regulations or qualify for the appropriate exemptions. The compliance program administered by NHTSA incorporates the testing, inspection and investigation necessary to ensure compliance with the performance requirements of Federal Motor Vehicle Safety Standards.

Since the inception of the National Traffic and Motor Vehicle Safety Act in September 1966 through December 1997, 3,402 investigations for possible non-compliance were initiated of which 3,382 have been completed and closed. In addition, from September 1966 through December 1997, civil penalties collected for Safety Act violations totaled more than \$4 million.

- ***Auto Safety Hotline*** operated by NHTSA serves as the primary contact for consumers to report problems with motor vehicles or motor vehicle equipment that may warrant a safety defect investigation and also to provide consumers with timely information concerning motor vehicle safety such as recall information and general information to increase consumer understanding and awareness of highway safety. The Hotline (1-800-424-9393) received over 700,000 calls from consumers in 1998, seeking information on a wide variety of highway safety issues, from child seat installation, to recalls, to crash data on specific vehicles.

- Motor Carrier Safety Assistance Program (MCSAP)** is designed to improve safety of trucks and buses on the Nation’s highways, and, consistent with this goal, to reduce the number of accidents involving trucks. This is done through a combination of regulations on both the vehicle and driver, enforcement of such regulations, and grants to States for enforcement, all administered through the FHWA’s Office of Motor Carriers.

Regulations cover the full gamut of vehicle-related (e.g., truck size and weight, vehicle systems--such as brakes, maintenance activities, etc.) and driver-related (e.g., hours of service, physical condition, drugs and alcohol, training, etc.) functions.

Enforcement is performed with a combination of Federal and State personnel, including 300 Federal investigators. State enforcement is carried out by a range of State associated enforcement organizations, including State police, highway patrol, public service commissions, and public utility commissions (about 4,000 people).

FY 1998 Commercial Vehicle Safety Inspections			
	#Roadside Inspections	# Placed Out-of-Service	Out-of-Service Ratio
All Vehicles	2,073,666	431,470	.211
Non-Hazmat Vehicles	1,900,034	386,249	.234
Hazmat Vehicles	139,150	27,369	.179
Commercial Buses	34,482	3,852	.106
Drivers	2,073,666	161,530	.078

The MCSAP funds State enforcement of Federal truck and bus safety requirements or compatible State requirements. States may also use MCSAP funds for anti-drug and size and weight enforcement. Total

contract authority for MCSAP in 1998 was \$79 million. A portion of these funds are reserved for national priorities and border enforcement. The remaining funds are distributed to States by formula. Over 2 million different commercial motor vehicles have been inspected for safety in FY 1998. These safety inspections resulted in over 21 percent being taken out-of-service and over 161,000 drivers being placed out-of-service.

During October 1997, the system identified approximately 1500 “high-risk” motor carriers. The new system more effectively focuses FHWA compliance review resources toward “high-risk” motor carriers.

Safety Defect Investigations Program

- Safety Defect Investigations Program** collects, analyses, and acts on information related to safety defects that affect the occurrence and severity of crashes. Investigations are conducted to ensure that manufacturers remove defective vehicles and items of motor vehicle equipment from the Nation’s highways. NHTSA also analyzes recalls conducted by manufacturers to determine whether notification to owners, scope of vehicles or equipment covered and remedy performed are adequate. In 1998, there were 332 recalls involving more than 19 million vehicles, tires and pieces of equipment for safety problems. This is the highest number of vehicles recalled in a single year in NHTSA’s history. One-fifth of the recall campaigns, representing 70 percent of the vehicles recalled, were influenced by NHTSA investigations.

Research in Technology and Human Factors Relating to Safety

- **Research and Development Programs** provide the foundation for improvements in the safety of motor vehicles and driver behavior. One major emphasis of the research program is currently on air bag aggressivity. Airbag research was conducted by the National Transportation Biomechanics Research Center. Research was also conducted on international harmonization, crash avoidance and maintaining and improving the critical data programs administered by the National Center for Statistics and Analysis.

Biomechanics research is concerned with understanding the automotive injury process and developing methodologies capable of evaluating and effecting improvements in crash safety. Part of the research involves analyses conducted at trauma centers through Crash Injury Research and Engineering Network on the human consequences of real world crashes.

Crash Avoidance research is conducted on new conventional vehicle technologies, which are steadily being introduced into the market by vehicle manufacturers. The safety attributes of collision avoidance systems are also evaluated under the Intelligent Transportation Systems program funded in the FHWA budget and administered by the Joint Program Office. Also funded in the FHWA budget is NHTSA's National Advanced Driving Simulator which will be an invaluable tool for evaluating driver-vehicle interactions and advanced driver information technologies, when completed in 2000. In September 1993, President Clinton, Vice President Gore, and the Chief Executive Officers of Chrysler, Ford, and General Motors announced establishment of the Partnership for a New Generation

of Vehicles, which is aimed at strengthening U.S. competitiveness and protecting the environment. The NHTSA portion of the program will ensure that vehicles developed under the program meet existing and anticipated Federal vehicle safety standards.

- **John A. Volpe National Transportation Systems Center (Volpe Center)** provides Federal transportation and logistics expertise in research, analysis, development and deployment of transportation technologies for clients in DOT and other Federal agencies on a fee-for-service basis. The Volpe Center also serves as a bridge to industry, academia, and other government agencies to promote innovation in national and international transportation. In FY 1998, the Volpe Center obligated \$205 million on about 300 projects. These projects include an advanced navigation system plan to increase the capacity and safety of the Panama Canal; further enhancements to the Advanced Traffic Management System used by the FAA; improved guidelines of Human Factors engineering for the design and evaluation of cockpit avionics, air traffic control, and high speed rail; and development for DOT's Office of Motor Carrier's safety performance monitoring system called SAFESTAT.

Transportation Incidents, Injuries and Fatalities Data

The National Center for Statistics and Analysis collects data vital to the vehicle and behavioral programs of NHTSA, FHWA and other Department programs, State and local governments, as well as vehicle manufacturers, insurers and highway safety public interest groups.

- **Fatality Analysis Reporting System** contains data on a census of fatal traffic crashes within the 50 States, District of Columbia and Puerto Rico.
- **NHTSA General Estimates System (GES)** data are obtained from a nationally representative probability sample selected from all police-reported crashes. Although various sources suggest that about half the motor vehicle crashes in the country are not reported to police, the majority of these unreported crashes involve only minor property damage and no significant personal injury. By restricting attention to police-reported crashes, the GES concentrates on those crashes of greatest concern to the highway safety community and the general public.
- **National Driver Register (NDR)** provides a critical transportation safety function by allowing State motor vehicle administrators to communicate with other States to identify problem drivers. The NDR is a central repository of identification information on individuals whose license to operate a motor vehicle has been revoked, suspended, canceled or denied in any State and is used by other transportation-related organizations such as the FAA, FRA, USCG, air carriers and employers in making licensing or certification decisions.
- **Other Data Programs** report statistics on motor vehicle theft and insurance related data, issue rules regarding vehicle theft prevention, set Corporate Average Fuel Economy (CAFE) standards, and support rulemaking actions and consumer information on Uniform Tire Quality Grading.

Safety Regulations on Commercial Motor Vehicles

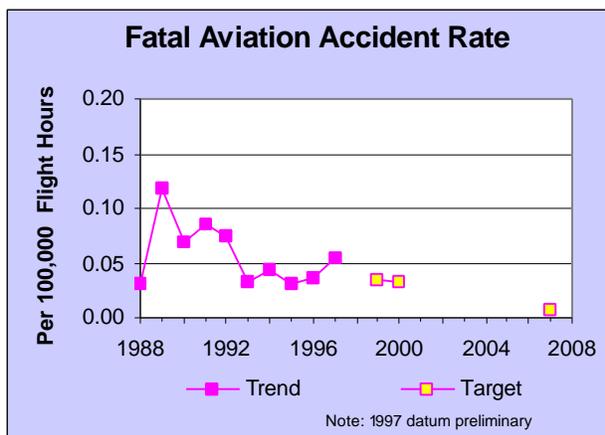
- **Odometer Fraud Programs** enforce Federal laws and provide funds to States/localities to help them reduce odometer fraud. From 1989 through 1997, States completed 627 investigations and recovered more than \$1.4 million in restitution.
- **Vehicle Safety Standards Program** seeks to improve the crash avoidance and crashworthiness performance of motor vehicles through regulatory and non-regulatory alternatives. The program responds to rulemaking petitions and uses real world crash data, testing information, and studies on the costs of vehicle safety systems to support the development of and amendments to Federal motor vehicle safety standards (FMVSS). Work continues on advanced air bag performance, the development of an offset frontal test standard, and harmonization of vehicle safety standards with those of other countries.

AVIATION SAFETY

The FAA provides a safe, secure, and efficient global aerospace system that contributes to national security and the promotion of U.S. aerospace safety. In fulfilling this mission, FAA manages and supports the operations, facilities, and equipment that provide the air traffic services of the National Airspace System (NAS). FAA also develops necessary regulations, and sets technical standards. FAA licenses and oversees commercial space launches and the operation of commercial and state-sponsored launch sites. In addition, FAA conducts research to improve aerospace system safety, and provides grants for airport development in safety related areas.

In its position on the front line of aviation safety, the FAA works with contractors, the air transportation industry, the academic community, other agencies at the Federal, State, and local level, and with its international counterparts to identify root causes of accidents, and intervenes to prevent potential causes of accidents. As a result, the fatal accident rate is very low. By 2007, the FAA aims to reduce the U.S. aviation fatal accident rate by 80 percent from the 1996 levels.

The goal of this wide-ranging collaboration is to provide a technically advanced airspace system that meets the highest attainable levels of safety.



Performance Indicator: Reduce the fatal aviation accident rate for commercial air carriers per 100,000 flight hours.			
2000 Goal:	Commercial Air Carriers		0.033
1999 Goal:	Commercial Air Carriers		0.034
1994-96 Baseline:	Commercial Air Carriers		0.037

Operations, Facilities, and Equipment

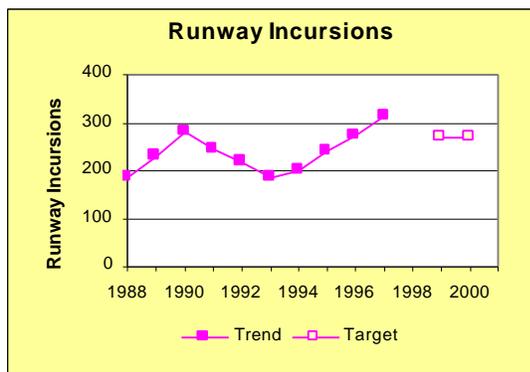
- *Air Traffic Services* employees provide an integrated set of services to ensure that each aircraft operation is safe from the time pilots begin pre-flight activities until

they shut down the aircraft at their destination. Air traffic controllers at local airports direct airplanes that are taking off, landing, or flying within the visual range of their tower – usually about 5 miles. Controllers in terminal radar control facilities handle aircraft for one or more airports in a large metropolitan area, generally within 30 to 40 miles of the area’s major airport. Controllers at 21 en route centers guide airplanes in flight from one city to another. Flight service stations (FSS) provide flight plan filing, weather data, and information briefings to pilots. These services are available to civil and military users, 24-hours a day, 365 days a year. A staff of highly skilled engineers and system specialists maintain and troubleshoot over 39,000 items of equipment, software, and hardware; assign and protect more than 40,000 aeronautical radio frequencies; and conduct some 11,000 flight inspections annually to ensure the safe operation of the Nation’s air traffic control systems.

On a typical day, FAA controllers handle approximately 174,000 takeoffs and landings, moving some 1.5 million passengers, and the number continues to grow. The FAA annual aviation forecast, released in March 1998, predicts that U.S. commercial air carrier passenger enplanements will grow from 595 million in 1997 to 924 million in 2009 – an annual growth rate of 3.5 percent over the next dozen years. During the same period, the number of aircraft operations handled is forecast to grow 1.5 percent annually, for a projected total of 75.4 million in 2009.

In FY 1998, FAA continued to test and phase in new automation products to assist controllers in meeting the growing demand for air traffic services safely and efficiently. These include tools to aid in sequencing aircraft, conflict detection, and collaborative decision making.

Reducing the number of runway incursions by 15 percent in 1999 is one of DOT's aviation safety goals. The 1997 baseline was 318 total. Growth in aviation operations has averaged over 1 percent per year. With an increased tempo of operations, the risk of incursions increases. Runway incursions are most likely to occur at complex, high volume airports. These airports are characterized by multiple parallel or intersecting runways; multiple taxiway/runway intersections; complex traffic patterns; and the need for traffic to cross active runways.

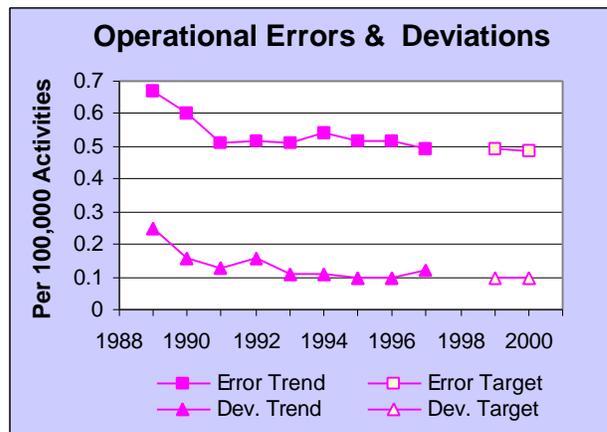


Performance Indicator: Reduce the number of runway incursions to a level of 15 percent below the 1997 baseline.
2000 Goal: At or below 270 incursions.
1999 Goal: At or below 270 incursions.
1997 Baseline: 318

DOT aims to reduce incursions by providing technologies that use multiple sensors including ground radars and automatic position reporting systems to detect the location of aircraft and vehicles, airport surface navigation aids, and enhanced software for detecting conflicts between aircraft on the runway and approaching aircraft, and signals at key points to warn pilots and ground equipment operators not to cross active runways.

Reducing the rate of operational errors and deviations to 0.496 or less and 0.099 or less, respectively, in 1999, is another aviation safety goal. The 1994 baseline was 0.54 (errors) and 0.11 (deviations). Operational errors and deviations are a result of human error. Studies have shown that five factors are significant: traffic management relationships, quality assurance programs, training, management involvement, and control room environment.

One of the major approaches to reducing operational errors and deviations is to provide a common level of understanding of procedures and policies among controllers and users. Training for controllers and pilots is central to this and will continue to be the focus of Air Traffic service safety strategy. Technological improvements such as deployment of modern displays, new software automation and decision tools, and improved communication systems will support better determination of aircraft location and resolution of potential conflicts between aircraft.



Performance Indicator: Reduce the rate of operational errors and pilot deviations per 100,000 activities by 10 percent from the 1994 baselines.
2000 Goal: Decrease the rates by 10% from 1994. Pilot Deviation Rate - 0.097 Operational Error Rate - 0.486
1999 Goal: Pilot Deviation Rate - 0.099 Operational Error Rate - 0.496
1994 Performance: Pilot Deviation Rate 0.11 Operational Error Rate 0.54

Regulations and Technical Standards for Equipment and People

As part of its safety oversight mission, the FAA certifies airports serving air carrier operations and inspects those airports for compliance with established safety standards. FAA oversees the safety of planes and the credentials and competency of pilots and mechanics, develops mandatory safety rules, and sets high standards for civil aviation. Each year, the FAA performs more than 347,000 inspections and investigations and takes approximately 12,000 enforcement actions, helping to make air travel among the safest modes of transportation. The FAA also evaluates foreign governments' oversight of their airlines serving U.S. airports. These results are published in FAA press releases so that the public can know which countries meet international safety standards.

Two new initiatives were announced during FY 1998 to raise the bar on safety. *Safer Skies*, a focused data-driven safety agenda, seeks out the root cause of accidents, then targets resources to find and apply the right interventions. As part of the Safer Skies agenda, the FAA, in July 1998, provided expanded guidance for passengers and airlines on carry-on baggage regulations. The agency also announced that, at the close of FY 1998, it had doubled the number of cabin safety inspectors, assigning, for the first time, one for each of the major carriers. Also, in July, the FAA proposed eight airworthiness directives that call for the industry to inspect engine parts more closely, using new methods developed through FAA and industry research. Early that month, the FAA proposed new measures to reduce potential ignition sources in Boeing 747 center wing tanks. And, in August 1998, the FAA announced a proposed rule that will require all airplanes with turbine engines and six or more passenger seats to carry a terrain awareness warning system. The *Air Transportation Oversight System (ATOS)*, announced on October 1, 1998, complements the Safer Skies agenda, and will change how the FAA oversees and inspects air carriers.

Commercial Space Launches

This program oversees the safety of commercial space launches and regulates the growing commercial space industry. The Office of Commercial Space Transportation licenses commercial space launches that take place in the U.S. or are conducted by U.S. citizens anywhere in the world. In January 1998, the FAA issued a space launch site operator's license to the Virginia Commercial Space Flight Authority to operate a commercial spaceport at NASA's Wallops Flight Facility at Wallops Island, Virginia. The FAA had previously issued similar licenses to facilities at Vandenberg Air Force Base, California, and Cape Canaveral Air Station, Florida. On September 8, 1998, the 100th U.S.-licensed commercial space launch occurred from Vandenberg Air Force Base, marking a milestone for what has become one of the fastest growing U.S. industries. The landmark launch was a Delta II launch vehicle which carried five satellites for the Iridium global wireless telephone system into low earth orbit.

Grants for Airport Development in Safety Related Areas

Airports, like the airlines, are vital links in the air transportation network. The FAA works in partnership with airport authorities, local units of government, metropolitan planning organizations, and States to revitalize and expand the Nation's airports.

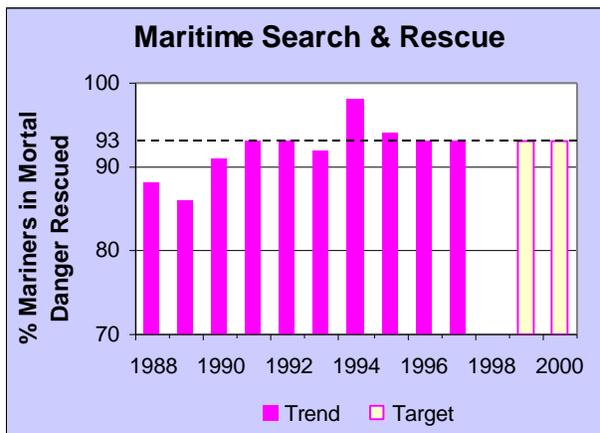
In FY 1998, airport planning personnel awarded an estimated \$1.7 billion in grants to eligible airports to enhance capacity, improve safety and security, and mitigate noise. The collection of passenger facilities charges (PFC) provides an additional source of funding for airport expansion and preservation. PFC's, which must be approved by the FAA, currently produce revenue for airports totaling approximately \$1.2 billion each year. In order to increase the investment options available to airports, the Clinton Administration has proposed raising the cap on PFC's from \$3 to \$5.

MARITIME SAFETY

The USCG responds to protect life and property at sea and provides technical and grant assistance for State programs in search and rescue and boating safety. The Coast Guard (CG) also maintains a volunteer force—the CG Auxiliary—to cost effectively advance recreational boating safety through courtesy examinations and training. The USCG also develops necessary safety regulations and standards; inspects for compliance; investigates incidents; licenses mariners; provides navigation systems; provides vessel traffic services (for select U.S. ports), and conducts research and development to advance maritime safety.

Search and Rescue Program

- *Search and Rescue Program* provides assistance to people or property in distress or in danger on the water. To accomplish this program, USCG employs vessels and aircraft to conduct searches and provide on-scene assistance. USCG has a policy of employing commercial search and rescue services, if available, where neither life nor property is in immediate danger. In 1997, the USCG saved 4,500 lives and nearly \$2 billion in property as a result of their notification.



Performance Indicator: Percentage of mariners reported in life-threatening danger that are rescued.

1999 Goal: Save 93 percent or more.

1996 Performance: Saved 93 percent.

The USCG Auxiliary is an active, civilian, and volunteer organization that was established in 1939. The approximately 50,000 members are experienced boaters, and amateur or licensed pilots using their own assets. The USCG Auxiliary is a cost-effective supplement to the search and rescue and boating safety missions.

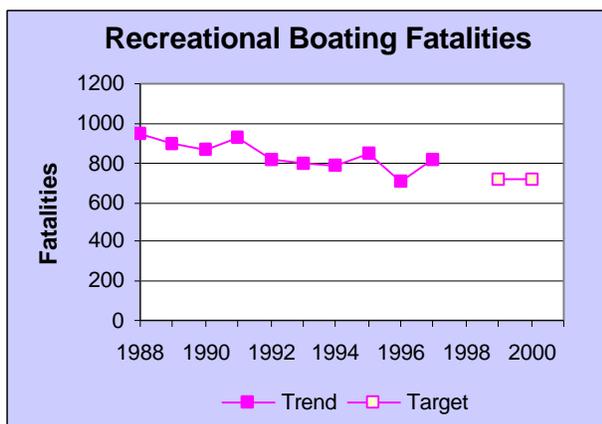
Marine Safety Program

- *Marine Safety Program* consists of two subprograms, the *Commercial Vessel Safety Subprogram* and the *Recreational Boating Safety Subprogram* (RBS). The goal of the Marine Safety Program is to minimize deaths, injuries, property loss and environmental damage by developing safety standards for the design, construction, maintenance, and operation of U.S. commercial ships and offshore facilities such as oil drill rigs and for making grants to States for support of education, outreach and law enforcement programs.
- *Commercial Vessel Safety Subprogram* includes merchant vessel licensing, inspections and review of plans for new ship construction. To accomplish this, the USCG conducts annual safety inspections of these vessels and facilities. The USCG also issues Certificates of Documentation (similar to car registrations) for these vessels and facilities.

Various laws, including the Omnibus Budget Reconciliation Act of 1990, authorized the USCG to charge user fees for various marine safety activities such as the inspection of vessels. USCG collected approximately \$26.4 million in FY 1998. This amount represented the total cost to the USCG for conducting these services. The amount of user fees collected over the last 6 years was approximately \$136.2 million.

- Recreational Boating Safety Subprogram** is designed to minimize fatalities, injuries, and property damage among the Nation's recreational boaters. The program is authorized to receive up to \$70 million per year of Federal gasoline taxes attributable to motor boat use. Half of the amount is authorized to offset a portion of the Coast Guard's operating expenses for RBS services to the public (There are over 20 million recreational boats in the U.S.). The remaining half is authorized for grants to assist participating States in developing and carrying out State RBS programs. For FY 1998, Congress appropriated only the \$35 million for grants to the States.

Under provisions of the Clean Vessel Act of 1992, the amount available for State RBS grants through appropriation from the Boat Safety Account was supplemented by a transfer of \$20 million from the Secretary of the Interior to the Secretary of Transportation.



Performance Indicators: Reduce the number of recreational boating fatalities per 100 numbered (registered boats).

2000 Goal: Reduce the number to 720 fatalities or less.

1999 Goal: Reduce the number to 720 fatalities or less

1997 Performance: 819 fatalities.

1996 Performance: 714 fatalities

The fatality rate has dropped from 28.7 per 100,000 estimated recreational boats when the program was created by the Federal Boat Safety Act of 1971. However, the number of fatalities reported to the USCG increased from 714 in 1996 (6.0 fatalities per 100,000 registered boats) to 819 (6.7 per 100,000 registered boats) in calendar year 1997.

RAIL SAFETY

FRA sets and enforces safety standards, investigates major train accidents, assists the rail industry in training its workforce on safety laws, and conducts research in technology and human factors (such as fatigue counter measures) relating to safety and promotes infrastructure improvements through grants to the AMTRAK. In addition, FRA joins with NHTSA and FHWA in saving lives through improved safety by educating the public on the dangers associated with highway-rail grade crossings.

Public Education on the Dangers Associated with Highway-Rail Grade Crossings

FRA pursues its safety programs through vigorous public outreach that makes people aware of the danger of highway-rail crossings as well as trespassing on railroad rights-of-way.

- School Bus Safety Alert** was released nationally in 1998, to educate bus drivers about safety at rail crossings. This alert also served as the base for an alert being created

for specific audiences such as truck drivers and drivers of vans and small buses used for transporting small groups. During FY 1998, FRA cooperated with the American Truckers Associations (ATA) to develop a Truck Driver Safety Alert. As with the School Bus Safety Alert, the Truckers Alert is a ONE DOT effort with the FHWA, NHTSA, and the FTA. The Truckers Alert was also used by FRA Region Four's crossing manager and the ATA to educate truck drivers about safety at rail crossings.

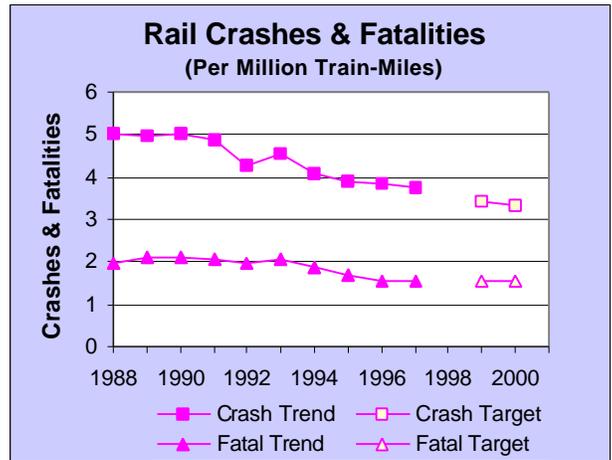
During FY 1998 FRA has continued to work with the Operation Lifesaver, Inc., (OLI) to promote outreach and public awareness of highway-rail crossing safety and trespass prevention programs and initiatives in order to reduce accidents and casualties. In FY 1998, grants to the OLI totaled \$102,800.

- FRA Sponsored Roundtable** chaired by the Secretary of Transportation was established to focus on developing best practices and a coordinated national campaign to reach professional drivers with life-saving messages. The roundtable consists of 30-40 key partners from other agencies and the railroad industry. The roundtable presents an excellent opportunity for DOT to partner with the National Transportation Safety Board (NTSB) and to work effectively as ONE DOT through the Safety Council.

Rail Safety Standards

- Railroad Safety Program** protects railroad employees and the public by ensuring the safe operation of passenger and freight trains. Program efforts are directed to the enhancement of railroad safety through various programs and activities. These activities include the issuance and enforcement of safety regulations, investigations of train accidents, training of industry workers on safety laws, educating the public on dangers associated with railroading, and research and other cooperative efforts with industry to advance safety. FRA's

Safety Office has established specific safety goals.



Performance Indicator: Reduce the rate of rail-related fatalities per million train-miles.

2000 Goal: Reduce the rate to 1.54 or less.

1999 Goal: Reduce the rate to 1.57 or less.

1995 Performance: 1.71

Performance Indicator: Reduce the rate of rail-related crashes per million train-miles.

2000 Goal: Reduce the rate to 3.32 or less.

1999 Goal: Reduce the rate to 3.44 or less.

1995 Performance: 3.91

During FY 1998, 638 railroads submitted accident and incident reports to FRA. These reports documented the railroad industry's accidents and incidents and are used by FRA to track the agency's performances.

Rail Industry Outreach

FRA's safety program includes 393 field safety inspectors and trainees. Inspectors and trainees are organized by five discipline areas -- motive power and equipment (MPE); operating practices; track; signal and train control; and

hazardous materials (Hazmat). Safety inspectors are directly involved in monitoring the railroads to ensure that they are complying with Federal safety rules and regulations. During FY 1998 safety inspectors submitted 38,121 inspection reports that identified over 122,772 safety defects.

High Speed Ground Transportation Safety

During FY 1998 FRA's Next Generation High-Speed Rail Program activities included developing, demonstrating, and validating cost effective high-speed (125-150 mph) passenger rail technology for existing infrastructures; reducing upgrade costs for high-speed tracks to \$2-3 million per mile; and making proven technology and methods available to States for high-speed rail implementation. Other goals involve three major areas:

Non-Electric Locomotive Area. FRA will demonstrate a self-contained locomotive unit with acceleration capabilities comparable to electric locomotives and without substantially increasing track forces, noise, or emission levels over conventional fossil fuel units.

Grade Crossing Hazards. FRA will demonstrate high-speed passenger operations on existing corridors on which grade crossings remain in place, but at safety levels equal to or better than present levels for conventional speeds.

Track Structure. FRA will demonstrate construction at 75 percent or less of present construction cost and track structures to withstand both heavy freight and high-speed passenger usage with cost no higher than what the present conventional practice permits.

Train Control Initiatives

Under the Nationwide Differential Global Positioning System (NDGPS) Program, FRA expects to reduce the frequency of train collisions and over-speed accidents by a factor

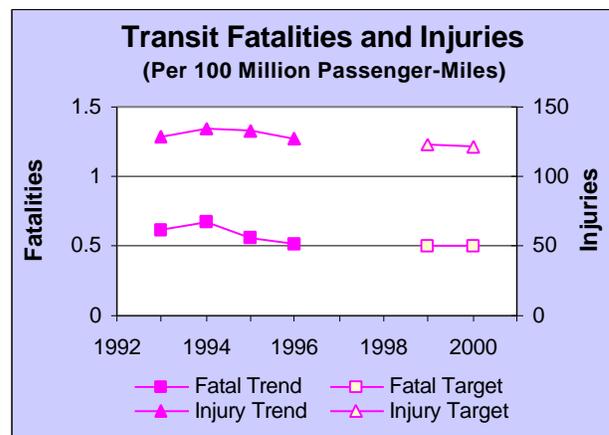
of 100 on lines where Positive Train Controls are installed. Specific outputs and outcomes are also being developed with the FHWA and the USCG. The USCG will serve as the lead agency for installing, operating, and maintaining the NDGPS network.

TRANSIT SAFETY

Safety Related Programs

The strategy for reducing the number of transit-related fatalities, injuries and incidents is to: implement policies and undertake activities (research, training, technical assistance, information dissemination, and oversight) that encourage transit decisions, practices, programs and operations which will have an impact on improving transit safety, improve and maintain the condition of the transit infrastructure (vehicles, tracks, and facilities) that has an impact on overall system safety and performance, and promote activities that increase the attractiveness of transit as a modal choice instead of other modes of transportation with higher accident and fatality rates.

FTA's goal is to reduce fatalities, injuries and incidents per 100 million transit passengers miles by one percent per year based on 1996 rates. As a result, in previous years, the rate of transit fatalities, injuries and incidents per 100 million passenger miles has declined.



<p>Performance Indicator: Reduce the transit injury rate per 100 million transit passenger miles.</p>
<p>2000 Goal: Reduce the rate of injuries to 122 per 100 million transit passengers miles.</p> <p>1999 Goal: Reduce the rate of injuries to 123.2 per 100 million transit passengers miles.</p> <p>1996 Performance: 127 transit related injuries.</p>
<p>Performance Indicator: Reduce the transit fatality rate per 100 million transit passenger miles.</p>
<p>2000 Goal: Reduce the rate to 0.50 fatalities or less per 100 million transit passenger miles.</p> <p>1999 Goal: Reduce the rate to 0.50 fatalities or less per 100 million transit passenger miles.</p> <p>1996 Performance: 0.52 fatalities per 100 million transit passenger miles.</p>

PIPELINE & HAZARDOUS MATERIALS TRANSPORTATION

Research and Special Programs Administration (RSPA) develops safety regulations and standards for the transportation of hazardous materials (classifying, handling, and packaging); maintains the Nation’s largest database of hazardous materials information and incidents; conducts compliance inspections; provides special permits and approvals to support shippers needs; conducts hazardous materials research; and provides training, technical and grant assistance for States, territories and Indian tribes to supplement programs in hazardous materials emergency preparedness. RSPA also develops safety regulations and standards for oil and natural gas pipelines. RSPA reviews operator incident response plans and exercises and provides technical and grant assistance to States to conduct inspections and improve pipeline safety.

Hazardous Materials Programs

- Hazardous Materials (HAZMAT) Safety Program* identifies hazardous materials and works with shippers and carriers who offer transportation or transport hazardous materials by highway, rail, water or air. In addition, RSPA coordinates its activities with national authorities through the United Nations Committee of Experts on the Transport of Dangerous Goods, especially with Canada and Mexico through the North American Free Trade Agreement, as well as with other Federal departments and agencies, State, and local government agencies. The scope of RSPA’s HAZMAT activities include materials classification, packaging, hazard communication, operating practices, response planning, and HAZMAT employee training. The HAZMAT safety program employs risk management concepts. The Hazardous Materials Regulations prescribe, to the maximum extent possible, performance standards that permit the use of long-proven materials and technologies, as well as advanced, state-of-the-art processes and materials developed by the regulated industries that maximize safety while minimizing the cost of compliance.

During FY 1998, RSPA continued its work to improve safety by developing a notice of proposed rulemaking to comprehensively address requirements for the new manufacture, permitted use, and periodic re-qualification of cylinders authorized for use in the transportation of compressed gases.

In September 1998, RSPA adapted its current internet communications capability to conduct an electronic public meeting on an advance notice of proposed rulemaking concerning requirements for the transportation of

infectious substances and genetically modified-microorganisms.

- **Hazardous Materials Information** focus primarily on customer service through its Hazardous Materials Information Center, which assists shippers, carriers, packaging manufacturers, enforcement personnel, and others in their understanding of requirements in order to maximize voluntary compliance. The Center also staffs the statutory mandated toll-free number (1-800-467-4922) to assist shippers, carriers, compliance enforcement officers, and other affected individuals, in their understanding of regulations under certain particular circumstances. In addition, it offers guidance to use when reporting possible violations of any regulation under the Federal Hazardous Material Transportation Law. Regulated hazardous materials include bulk shipments, like gasoline, anhydrous ammonia, and liquid nitrogen, as well as non-bulk shipments, like dynamite, radiopharmaceuticals, and a wide variety of hazardous chemicals used in industrial processes and consumer products.

Pipeline Safety Program

- **Pipeline Safety Program** ensures the safe, reliable, and environmentally sound operation of the Nation's pipeline transportation system. This national program regulates the design, construction, operation, maintenance, and emergency response procedures pertaining to natural gas and hazardous liquids, pipeline systems and liquefied natural gas (LNG) facilities. RSPA develops, issues, and enforces pipeline safety regulations.

During FY 1998, RSPA successfully applied the risk management program framework collaboratively developed with the pipeline industry, State agencies and public representatives. Office of

Pipeline Safety (OPS) is now working in partnership with participating companies, developing the foundations of company risk management programs that effectively identify and address the highest risks to safety, the environment, and service reliability. As OPS continues approving companies, more States and communities have the opportunity to participate in finding and addressing the kinds of risks that might have been missed in the past. OPS continues making timely reports on demonstration projects available to the public via its Internet-accessible information system, which receives approximately 450 hits per week from the general public.

During FY 1998, OPS designed the System Integrity Inspection (SII) Pilot Program, a more broad-based and comprehensive examination of an operators' safety and integrity program than our traditional inspections allow. OPS believes the SII approach can provide a more nationally uniform focus on pipeline safety issues and greater consistency in oversight of the nation's pipelines. It is designed to help OPS consider individual operators' safety and environmental performance system wide by creating a more flexible environment for information exchange. The SII approach will focus on the most significant and potentially high impact safety, environmental, and regulatory issues.

- **Pipeline Inspections** of natural gas totaled over 387 and 379 of hazardous liquid pipelines during FY 1998. Other efforts include: damage prevention regulation; and DOT and States efforts to improve damage prevention legislation; and emphasis in our State grant program on improving one-call systems, education and enforcement of existing laws. In August, following passage of One Call legislation within TEA-21, an internal study of damage prevention best practices was initiated to identify and

promote methods of reducing damage to all underground utilities. Pipeline operators, other underground utilities, highway departments, railroads, excavators, municipal governments, trade associations, and academia partner with us in this effort.



DOT STRATEGIC GOAL: MOBILITY

Shape America's future by ensuring a transportation system that is accessible, integrated, efficient, and offers flexibility of choices.

DOT's program activities impact our Nation's mobility through a number of common interventions and actions: direct operations (air traffic control or vessel traffic services), infrastructure investment (funding for the National Highway System, grants for transit improvement, and grants for airport improvement), rulemaking (where the adoption of new standards improves the efficiency of transportation), technology (fostering new materials and technologies to enhance mobility), and education (public awareness of transportation alternatives). Some of these interventions and actions reside entirely within the Federal Government, but most involve significant partnering with State and local authorities and with the transportation industry.

DOT provides national leadership in mobility, integrating the efforts of all partners to advance our common goal of ensuring a transportation system that is accessible, integrated, efficient, and offers flexibility of choices.

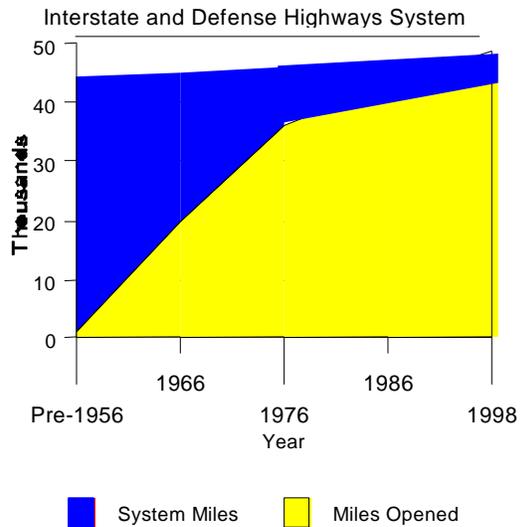
HIGHWAY MOBILITY

The program activity used to advance highway mobility reflects the efforts of FHWA. The Intelligent Transportation Systems (ITS) Joint Program Office, funded under FHWA, provides coordination across modal programs to enhance transportation efficiency. FHWA partners with State and other authorities to promote infrastructure development and improvement through direct funding, grants, and technical assistance. FHWA ensures efficient emergency response and restoration of damaged transportation infrastructure due to natural disasters or

catastrophic events. FHWA also provides infrastructure support on federal lands.

Federal-Aid Highways and the National Highway System (NHS)

- **Federal-Aid Highway (FAH) Program** is the principal program for distributing Federal funds to the States to build and rehabilitate major highways and bridges. The States are reimbursed for eligible work after the work is performed. Federal-aid funding accounts for 99 percent of FHWA's budget authority.



This program provides for construction and preservation of the approximately 42,800 mile National System of Interstate and Defense Highways, generally financed on a 90 percent Federal, 10 percent State basis. It also provides for the improvement of approximately 800,000 miles of other Federal-aid primary, secondary, and urban roads and streets, with financing generally on a 75 percent Federal to 25 percent State basis. The FAH program also funds relocation assistance to those displaced by highway construction; improving access for the handicapped; encouraging the joint use and development of highway corridors; acquiring real property for right-of-way; encouraging disadvantaged business enterprises to participate in highway construction; and preserving public parks and recreation lands, wildlife and waterfowl refuges, historic sites, and the natural beauty of the countryside along highways.

Funding is specified by category in the highway authorization Acts. The major programmatic categories are:

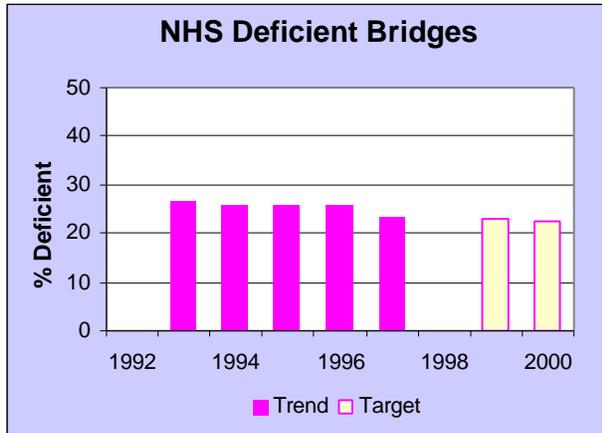
- **National Highway System (NHS)** funds construction or reconstruction on about 155,000 miles of the principal highways in the Nation.

The NHS was created by an Act of Congress in FY 1996. The 155,000 miles were designated in consultation with the States. In FY 1998, total obligations incurred by States for Federal-aid were \$3.731 billion and the apportionment of Federal-aid amounted to \$4.112 billion.

- **Surface Transportation Program (STP)** funds a flexible program that allows use of highway funds for a wide range of activities, including transit, safety and transportation enhancements which encompass numerous environmentally-

related activities, and bicycle-pedestrian accommodations.

- **Interstate Construction (IC)** funds completion of the Interstate Highway System. Currently, 40 States have opened all designated Interstate mileage to traffic. Nationwide, 42,775 miles or 99.9 percent of the 42,795 mile system is open to traffic.
- **Interstate Maintenance** funds rehabilitating, resurfacing, restoring and reconstructing older segments of the Interstate Highway.
- **Congestion Mitigation and Air Quality Improvement Act (CMAQ)** funds environmental mitigation measures in the Clean Air Act non-attainment areas and STP activities in other areas. It is intended to reduce congestion and improve air quality. From 1992, the initial year authorized, to 1998, authorizations have grown from \$340 million to over \$1.193 billion annually. The CMAQ program offers States flexibility to fund a wide range of projects--the largest share thus far is funding transit projects (46.8 percent), followed by traffic flow (30.9 percent).
- **Bridge Replacement and Rehabilitation (BRR)** funds construction or repair on any bridge. The bridge inventory system has disclosed that for FY 1998 of all the bridges inventoried which are not on the Federal-aid System, 22.3 percent are structurally deficient and 12.3 percent obsolete; on the National Highway System, 6.9 percent are structurally deficient and 16.2 percent are obsolete; and on all other Federal-aid systems, 12.4 percent are structurally deficient and 13.8 percent are obsolete.



Performance Indicator: Reduce the percentage of bridges on the NHS that are deficient.

2000 Goal: 22.5 percent

1999 Goal: Less than 22.8 percent

1998 Performance: 23.1 percent

1997 Performance: 23.4 percent

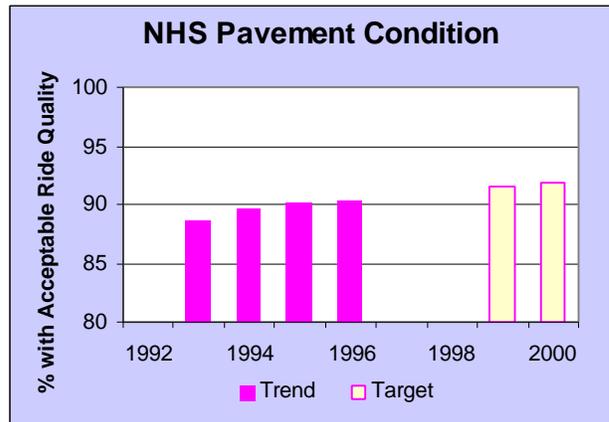
To ensure that the percent of structurally deficient and obsolete bridges grows no larger, it is estimated that \$5.2 billion of maintenance would be required each year for the next 15 years.

These six program categories account for about 79 percent (\$117.4 billion) of the \$142.5 billion for highways authorized by ISTEA and TEA-21 for 1992 through 1998. Much of the remainder of the authorized funding is for special interest projects (\$8.8 billion), special State allocations to balance the money flowing into and out of the HTF from each of the States (\$17.7 billion), and for several other miscellaneous categories.

America's mobility depends on the condition, service ability and structural integrity of the highway infrastructure, yet there is no national standard for measuring and reporting this information for highway pavement. In 1998, FHWA worked with American Association of State Highway and

Transportation Officials (AASHTO) to implement pavement condition protocols (developed in FY 1997) in at least 5 States. FHWA and AASHTO have developed the "AASHTO Provisional Standards for Pavement Condition Data Collection," a method for the States to collect data on pavement rutting, cracking, faulting and roughness.

In preserving and enhancing the infrastructure of Federal-Aid Highways, FHWA continues to work closely with its partners and customers within DOT, in other Federal Agencies, and at the State and local levels of government to carry out the following activities and initiatives.



Performance Indicator: Increase percentage of kilometers (miles) on the NHS that meet the pavement performance standards for acceptable ride quality.

2000 Goal: Increase the percentage to 91.8 percent

1999 Goal: Increase the percentage to 91.5 percent

1996 Performance: 90.4 percent

Pavement condition affects traffic speed, vehicle operating cost, and safety. Improved condition makes travel safer and more efficient. The goal for FY 1999 will be influenced by previous years' funding, and by the funding and activity of State and local authorities. Increasing vehicle miles traveled will accelerate the deterioration of pavement, making this goal a challenge to achieve.

Other Programs

- **Federal Lands Highway Program** provides Highway Trust Fund (HTF) financing of the construction and improvement of Indian reservation roads, parkways and park roads, and public lands highways, including forest highways and discretionary public land highway funding. FHWA provides the direct Federal resources to manage this program in conjunction with the Departments of Interior and Agriculture.

This program also provides direct construction management experience for persons in the FHWA engineering training program. In total, about \$3.1 billion was provided in ISTEA and TEA-21 for this program. FY 1998 authorization was \$536 million.

In general, projects to be funded each year are selected by the Federal agency with jurisdiction over the Federal lands involved (i.e., the National Park Service with respect to parkways and park roads, the Forest Service for forest highways, and the Bureau of Indian Affairs/Tribal Governments for Indian reservation roads).

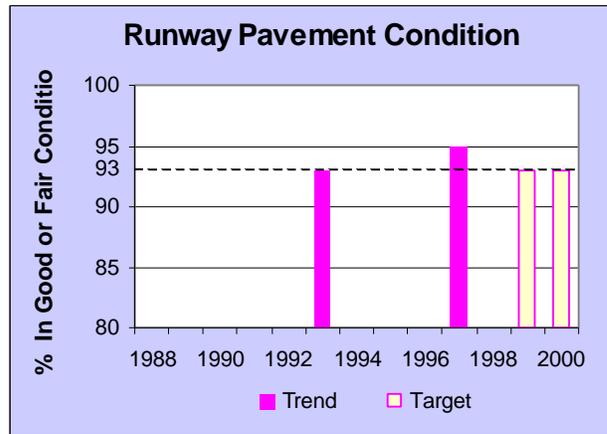
AVIATION MOBILITY

FAA seeks to improve the safe movement of people and goods through integrated processes. FAA manages and supports the operations, facilities, and equipment that provide the air traffic services of the NAS. FAA continues to provide the leadership and support necessary to plan, develop and maintain a system of airports in the U.S. to efficiently transport people and goods by air. FAA further develops and validates technologies, systems, designs, and procedures that directly support DOT's goal of improving mobility through an efficient, safe and broadly based aviation system.

Airport Improvement Program

Maintaining and rehabilitating runways costs less than total reconstruction of runways. Since FY 1995, Airport Improvement Program (AIP) grant recipients have been required to show evidence of an airport maintenance management program, including pavement maintenance.

Although runway rehabilitation is among the highest priorities of FAA's AIP, recipients of AIP grants may use those federal dollars for purposes other than runways. In addition, airports are reluctant to spend their own funds for runway maintenance, when grants are available to rehabilitate deteriorated runways.



Performance Indicator: Maintain in good or fair condition runway pavements at commercial service airports and reliever airports, as well as, selected general aviation airports.

1999 Goal: Maintain at least 93 percent of runway pavements in satisfactory condition.

1997 Performance: 93 percent.

Based on past years' averages, approximately 24 percent of available AIP grant funds will be directed toward runway construction projects. An AIP demonstration program is underway to fund crack sealing at non-primary airports.

Airport Accessibility

Developing aircraft approaches to runways requires accurate survey information for airport runway location and any obstacles near the flight path for approach. To use the approaches, aircraft will have to be equipped with Global Positioning System (GPS) receivers and pilots will require appropriate training. To maximize the benefits to aviation users, FAA will need to develop approaches for airports that have electronic aids and those that don't.

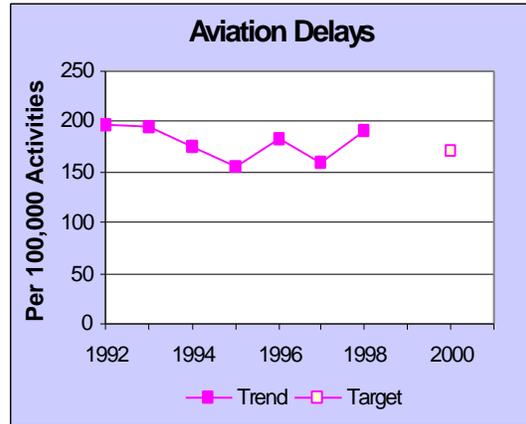
FAA is using automated tools to incorporate airport and obstruction data into the printed approach plates used by pilots. A large number of approaches is being developed each year to ensure that precision approach guidance can be used.

In 1998, 531 GPS procedures were developed, 528 were successfully flight inspected, and 516 were published for operational use, bringing the nationwide total to 1484 standard published instrument approach procedures (SIAPS).

The FAA has identified approximately 4,100 runway ends for which satellite-based approaches will be developed through a combination of GPS, wide area augmentation systems (WAAS), and local area augmentation systems (LAAS).

AIR TRAFFIC CONTROL (ATC) SERVICES

FAA manages and supports the operations, facilities and equipment that provide the air traffic services of the NAS. FAA also continues to provide the leadership and support necessary to plan, develop and maintain a system of airports in the U.S. that efficiently transports people and goods by air. FAA further develops and validates technologies, systems, designs, and procedures that directly support an efficient and safe aviation and space transportation system.



Performance Indicator: Reduce the rate air travel delays by 5.5 percent from 1992-1996 baselines.

2000 Goal: Reduce the number to 171 per 100,000 activities.

1992-96 Performance: 181 delays per 100,000 activities.

Capacity-related delays are most prevalent at large hub airports that have significant constraints on increasing runway capacity. Equipment failures, volume of air traffic, and runway closures are other significant causes of delays.

MARITIME MOBILITY

MARAD, USCG, FHWA, and FRA foster partnerships to identify and develop infrastructure improvements to move freight more efficiently, including improvements in navigation channels and landside access routes to ports and intermodal freight transport systems and partnering with industry and other government organizations reduce barriers to intermodal transportation through adoption of national/international standards.

The USCG provides navigation systems for U.S. waterways, maintains an Aids to Navigation servicing fleet and infrastructure to support a network of floating and fixed aids to navigation; operates and maintains radio-aids to navigation; and operates Vessel Traffic Services in 8 U.S. ports.

Additionally, the USCG regulates the construction, maintenance, and operation of railroad, road and highway bridges across navigational waters.

- **Aids to Navigation Program** operates and maintains 50,000 Aids to Navigation. These aids consist of both short range and long range aids. Short range aids to navigation such as buoys, signals and lights (including lighthouses) are established and maintained by a fleet of 37 seagoing and coastal buoy tenders. This fleet will be reduced to 30 during the next few years as a new generation of buoy tenders become operational.

The long range radio-navigation transmitters include Loran and the Differential Global Positioning System.

The Aids to Navigation Program measure bears on the level of mobility through navigable waterways. It is influenced by program effort, reliability of equipment, and personnel performance. The goal of 99.7 percent lies well above traditional levels of performance, which have ranged between approximately 98.2 percent and 99.2 percent for the last four years. Future measures may center more directly on movement of commerce, or accident prevention.

- **Ice Operations Program** uses large polar icebreakers to support the National Science Foundation and Department of Defense icebreaking requirements in the Arctic and Antarctic. Domestic icebreakers facilitate U.S. maritime transportation through ice-laden domestic waters.

The USCG is the lead Federal agency in managing and operating the Nation's icebreaker fleet.

RAIL MOBILITY

FRA supports National Railroad Passenger Corporation (AMTRAK) as it progresses towards operating self-sufficiency, develops technologies to support high-speed rail, and conducts research and development to support the safe expansion of capacity and improve the performance of the U.S. rail system. FRA is also engaged in the preparation of comprehensive Transportation Plans for the Northeast Corridor (NEC) with Amtrak, commuter operators, State Departments of Transportation and freight railroads. These Plans will continue to analyze capital investment options to insure that intercity passenger trains achieve trip-time goals established by legislation, while at the same time adding a capacity to allow for continued growth in commuter operations.

National Railroad Passenger Corporation (Amtrak)

- **Grants to the National Railroad Passenger Corporation (Amtrak) Program** will assist Amtrak's move toward financial stability and very high-quality passenger service. Amtrak was established in 1970 through the Rail Passenger Service Act and is operated and managed by members appointed by the Executive Branch of the Federal Government.

The Amtrak Board of Directors, led by the Department of Transportation, and the Corporation's managers are committed to reducing Amtrak's net operating loss to zero while maintaining a national passenger rail system. Achieving this goal will require Amtrak to continue its capital investments, improve operating efficiency, increase revenues, provide a higher quality of service, and operate a

system that reflects sound market and economic analysis.

As part of the program, FRA evaluates Amtrak’s quarterly and year-to-date financial and service performances and projected year-end progress toward attaining a goal of zero Federal operating subsidy by the year 2002. Operating Grants to Amtrak in 1998 totaled \$344,000,000 and are derived from general fund appropriations.

The FY 1998 funding is consistent with FRA and DOT’s commitments and is demonstrated by Amtrak’s efforts to improve performance. FRA has established performance goals that will measure Amtrak progress towards attaining their goals.

FRA tracks the findings of the regular scheduled Amtrak customer satisfaction surveys of Federal capital investment in passenger rail mobility – the index components include on-time performance, comfort, ride, quality, and equipment condition. These findings are expressed as a Customer Satisfaction Index (CSI). CSI provides a leading indicator of passenger demand and revenues, providing an indication of Amtrak’s progress towards operating self-sufficiency (a key desired outcome of Federal capital investment). From an index baseline of 76 percent in FY 1995, it is expected that the CSI will improve to 87 percent by FY 1999. The FY 1998 goal is 86 percent. The preliminary CSI for FY 1998 is 84 percent. Based on this preliminary data Amtrak is expected to reach its goal of 86 percent for the 1998 calendar year.

Amtrak FY 1998 Performance			
Measurements	FY 1998 Goals	FY 1998 Actuals*	Results
Service Quality:			
On-Time performance	84.8%	78.6%	-6.2%
Customer Satisfaction Index	86.0%	84.0%	-2.0%
Complaint Index	80.0%	79.0%	-1.0%
Injuries (reduce 15% per year)	1927	1810	117 fewer injuries
Financial:			
Passenger Miles (million)	5,384	5334	-0.9%
Passenger Revenues**/ (million)	\$1,025.8	\$1,001.0	-\$24.8
Total Revenues (million)	\$1,766.2	\$1,711.2	-\$54.4
Yield (cents)	18.4	17.8	-3.3%
Budget Results (million)	(\$98.5)	(\$104.0)	-\$5.5
Operating Results	1.48	1.48	0%

*/Represent Amtrak’s 12-months preliminary estimates

**/ Excludes 403(b) State payments for capital maintenance.

Northeast Corridor Improvement Program (NECIP)

- *Northeast Corridor Improvement Program (NECIP)* began as a \$2 billion program to upgrade Amtrak’s main line between Washington, DC and Boston, MA. Amtrak’s main line between Washington, DC and Boston, MA is divided into two segments-- Segment One: Washington, DC to New York City, NY and Segment Two: New York City, NY to Boston, MA. Upgrading the rail lines for these segments will help Amtrak improve trip-time and passenger capacity along the Northeast Corridor.

FRA’s current goal is to complete the NECIP by the year 2000 and ensure that it matches world standards. Part of the NECIP is to have Amtrak achieve its goal of a 3 hours trip-time between New York City, NY and Boston, MA by the year 2000. When this program is completed, rail passenger service along the entire 457 mile corridor

between Washington, DC and Boston, MA will rank among the premier rail service in the world.

An essential component of achieving 3-hour travel times between New York City, NY and Boston, MA is the introduction of tilting high-speed all-electric trainsets. Approximately 18 percent of fabrication work is completed and 99 percent of design work is completed. Full trainset testing will begin in January 1999.

The first high-speed trainset is due to begin limited revenue service in October 1999. Full revenue service over the entire Northeast Corridor is scheduled for July 2000. This schedule will permit the significant reduction of New York City, NY and Boston, MA trip-time, but achievement of the 3-hour performance goal will depend on factors beyond the trainset project.

Several construction projects have already been started along the corridor. These projects include track improvements, upgrades to control systems, fencing and grade crossing elimination, and improvement to service facilities and stations. Over 40 percent (New Haven to Boston segment) of the electrification needed to achieve 3-hour service between New York City, NY and Boston, MA is completed. Electrification of the total Northeast Corridor (New York to Boston segment) is on schedule to be completed during FY 1999. During FY 1998, FRA tracked Amtrak’s work-season performance towards completing the Northeast Corridor. Based on preliminary data Amtrak is expected to meet its 1998 goals.

NECIP Performance 1998 Work Season	
Goals	Work Season Performance*
Complete 14,000 Catenary Pole Foundations	12,498 Catenary Pole Foundations completed
Set 8000 Catenary Poles	6,611 Catenary Poles set
Set 5,700 Cantilever Arms	4,109 Cantilever Arms set
String 1,500,000 ft of Messenger & feeder Wire	1,239,217 ft of Messenger & Feeder Wire strung

*The FY 1998 work season includes data for the period January 1998 – July 1998.

TRANSIT MOBILITY

Transit investment improves the quality of life for over 80 million Americans who live in transit-intensive urbanized areas and many rural Americans who depend on transit for basic mobility. Ten million people rely on transit every day to get to jobs, schools, stores, and health care facilities. Another 25 million use transit less frequently, but on a regular basis. In many cases, the elderly, persons with disabilities, and the economically disadvantaged are the ones who most rely on transit for their basic mobility.

By providing basic mobility to millions of American workers, by contributing to the revitalization of urban neighborhoods, and by saving America approximately \$15 billion a year in costs associated with traffic congestion, transit is proving to be a wise investment with multiple benefits to society.

Accessibility

Eighty million Americans live in transit-intensive urban areas and benefit from transit. Among the Americans who use transit are the senior citizens who may be unable to drive automobiles. Americans who live below the poverty line also rely on transit as their

primary means of transportation. Nationally, only six percent of those on welfare own an automobile. Finally, transit is important to Americans with disabilities. Many of these individuals are unable to drive a car and need access to a dependable transit system.

- Americans With Disabilities Act (ADA).** Since the ADA enactment in 1990, FTA has been working to make public transit bus, rail and paratransit service accessible to persons with disabilities. One major goal in this effort is to make the national fixed-route bus system 100 percent lift- or ramp-equipped by 2003. Prior to enactment in 1990, approximately 35 percent of the buses in the active fleet of over 50,000 transit vehicles were lift-equipped, and many of the lifts did not work.

Since 1993, the percentage of accessible fleet buses has increased from 50 percent to 63 percent in 1996. By the end of 1999, nine years after enactment, the active fleet is projected to be approximately 73 percent lift or wheelchair ramp equipped. FTA will influence the goal through Federal transit infrastructure investments, which speeds the rate at which transit operators can transition to ADA compliant facilities and equipment.

Performance Indicator: Increase the percentage of bus fleet and key rail stations are compliant with the Americans with Disabilities Act.

2000 Goal: 82 percent of bus stations and 47 percent of key rail stations will be ADA compliant.

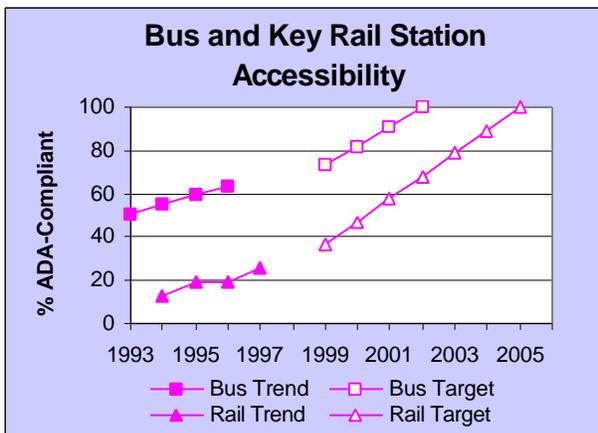
1999 Goal: 73 percent of buses will be accessible (lift or wheelchair- equipped) and 37 percent of key rail stations will be accessible.

1996 Performance: 63 percent of bus stations and 19 percent of key rail stations were ADA compliant.

Infrastructure Investment

- Average age of bus and rail fleets in years** is one indicator of the condition of the rolling stock and transit infrastructure in general. It has limitations, however, as the age of rolling stock is not necessarily a clear indicator of condition. FTA is working on data that more directly measure the condition of rolling stock and facilities.

For optimal performance, the average age of the bus and rail car fleets should be about 6 and 12.5 years, respectively. In 1996, the average ages of transit buses and rapid rail cars were 8.4 years and 20.1 years, respectively. Since there is a 2 to 4 year lag from the time an obligation is made to purchase a bus to its delivery to the transit operator, these figures indicate the increase in capital funding initiated in FY 1993 appears to be bringing down the average age of the bus fleet. Rail cars are replaced on a less consistent basis than buses due to the relative small size of the rapid rail fleet.



Performance Indicator: Reduce the average age of bus and railcar fleets in years.

2002: Achieve Motor Bus average age of 7.5 years or lower and maintain Rapid Rail Cars average at 22.6 years while sustaining or expanding service.

1996 Performance: 8.4 years was the average ages of Motor Buses and 20.1 years for Rapid Rail Cars.

1995 Performance: 8.1 years was the average averages of Motor Buses and 19.3 years was the age for Rapid Rail Cars.

Older transit vehicles provide less reliable service and comfort to passengers, and are less energy and pollution efficient. Older transit vehicles also have higher maintenance costs, so average age is a proxy for operating costs. The five-year trend line in age of rail fleet increased between 1991 and 1995; average age has been somewhat stable. DOT's goal is to maintain the average rail fleet age and achieve a lower average bus age.

Increased funding provided in TEA-21 will result in a slightly faster replacement of the motor bus fleet. However, because of a trend toward investing more heavily in bus facilities, we expect that additional funding will only have a modest effect on average fleet ages.



DOT STRATEGIC GOAL: ECONOMIC GROWTH AND TRADE

Advance American's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.

DOT's program activities impact our Nation's competitiveness and prosperity through a number of common interventions and actions: direct operations (such as efficient air traffic control or vessel traffic services), infrastructure investment (funding for the National Highway System), grants for transit improvement, grants for airport improvement, rulemaking (such as allocation of airport slots or the elimination of trade barriers), technology (fostering new materials and technologies to enhance the efficiency and flexibility of transportation operations); and transportation-related education and public awareness. Some of these interventions and actions reside entirely within the Federal Government, although most involve significant partnering with State and local authorities and with the transportation industry. DOT provides national leadership in guiding transportation's contribution to economic growth and trade, integrating the efforts of all partners to advance our common goal – advancing American's economic growth and competitiveness through efficient and flexible transportation.

INFRASTRUCTURE INVESTMENT

FHWA partners with States and other authorities to promote infrastructure development and improvement through direct funding, grants and technical assistance. The DOT Joint Program Office coordinates work on Intelligent Transportation Systems (ITS) and other cross-modal initiatives designed to reduce highway congestion and improve safety.

- **Intelligent Transportation Systems (ITS) Program** is designed to research, develop, and operationally test advanced vehicle and highway systems; develop an automated highway system; and promote such technology as a means to increase the efficiency of the Nation's highways.

The program funds States, local governments, and private entities to develop and test new technologies, processes, procedures, and other activities that have the potential to enhance the efficiency of transportation infrastructure (e.g., increase the capacity of an existing highway by increasing the average speed), or improve operations of the vehicle using the infrastructure. ISTEA and TEA-21 provided about \$730 million in contract authority for 1992 through 1998 (\$95 million was authorized in 1998 for ITS standards and research, and \$101 million for deployment).

Over the life of ISTEA and TEA-21 the ITS program has tested and proved the viability of numerous technologies and applications. Over 83 operational tests, 28 of which are completed, are demonstrating the viability of first generation ITS technologies and services. We are now seeing products and services refined by operational test program--such as Boston SmarTraveler's real-time travel information service or Help, Inc.'s Pre-Pass electronic clearance system for trucks--become self sufficient and competitive in the marketplace.

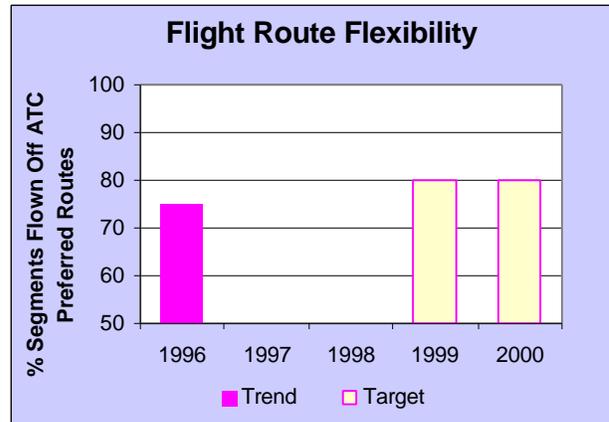
AIR TRAFFIC CONTROL (ATC) SERVICES

With Free Flight Phase I, FAA is aiming to improve the spacing of traffic streams into major airports and maximize the use of available capacity. FAA is also developing improved weather reporting.

Some of FAA’s current and ongoing activities include: (1) Bringing on-line and making operational air traffic control (ATC) equipment and aeronautical navigation equipment now being delivered as part of the modernization of the ATC system; (2) Replacing the aging computer equipment at all en route centers with the display system replacement (DSR), and in terminal facilities with the standard terminal automation replacement system (STARS). This new equipment will further reduce the number of outages, reduce delays, and allow optimum use of capacity to accommodate growth in operations; (3) Developing and exploiting Global Positioning System (GPS) satellite navigation; (4) Implementing, at various locations, new procedures that take advantage of additional runway and airport capacity increases; (5) Deploying prototype automation tools, such as the passive final approach spacing tool (pFAST), to aid in evaluating the final approach environment, provide sequencing of departures, and increase airport acceptance rates; (6) Replacing obsolete long range radar with an all solid-state system that offers enhanced range, extended coverage, and vastly improved weather detection; (7) Developing the integrated terminal weather system (ITWS) to link all relevant weather data available in the terminal area; and (8) Deploying improved weather systems, such as the terminal doppler weather radar (TDWR), automated surface observing system (AWOS), and the weather radar processor (WARP) to detect and mitigate the impacts of weather.

There are significant savings for longer routes, but the shorter routes are not as likely to benefit because of the limitations while

climbing from or descending to an airport. Growth in aviation increases the complexity of air traffic control and makes it more difficult to allow flights off the preferred routes.



Performance Indicator: Increase the number of flight segments that aircrafts are able to fly off ATC preferred routes.

2000 Goal: 80 percent
 1999 Goal: 80 percent
 1996 Performance: 75 percent

DOT is implementing the Free Flight Phase I program to allow greater use of direct routes. The enhanced software tools and the Conflict Probe software allows controllers to better project future flight paths and maintain separation for flights off the preferred routes.

Some of FAA’s current and ongoing activities include: (1) Implementing, by the year 2002, the core capabilities of Free Flight Phase I in partnership with the users and FAA labor organizations; (2) Beginning evaluation of two-way probe capability at both Indianapolis and Memphis centers; (3) Awarding the hardware procurement contract for the pFAST to aid controllers in making decisions more efficiently regarding the sequencing and runway assignment of terminal arrival aircraft; (4) Awarding the hardware procurement contracts for the traffic management advisor (TMA) to aid controllers in the sequencing

and spacing of en route arrival aircraft; and (5) Deploying the surface management advisor (SMA) at Detroit Metro and Philadelphia airports to facilitate the sharing of information to airlines and to enhance decision making regarding the surface movement of aircraft.

MARITIME VESSEL TRAFFIC SERVICES

The USCG conducts a domestic ice operations program to free vessels beset in ice, establish and maintain ice-free tracks, and escort commercial vessels through ice in the Great Lakes and the Northeast. This action speeds the movement of goods and improves the reliability of commerce – a major economic mission of the Coast Guard. Through icebreaking, certain vital industries are able to avoid more expensive transportation modes and costly overstocking of needed material to carry them through the ice season. The USCG also provides Aids to Navigation (see Maritime Mobility Section referenced on page 31), which improve the speed and reliability of vessel movement.

- ***Ice Operations Programs*** provide capability to support national defense, scientific research and other national interests in Polar Regions. Domestic icebreakers facilitate U.S. maritime transportation through ice-laden domestic waters. In 1997, this program provided services and assets to assure the safety operation of vessels that carried more than 95 percent of maritime traffic.

SHIPBUILDING COMPETITIVENESS GLOBALLY

MARAD's shipbuilding and trade strategic goal guides the agency in carrying out its mission by assisting U.S. shipyards in becoming more competitive in the world shipbuilding markets.

- ***Maritime Guaranteed Loan (Title XI) Program*** promotes the growth and

modernization of the U.S. merchant marine fleet and U.S. shipyards in support of MARAD's shipbuilding strategic goal. The program enables companies to obtain long-term financing from the private sector on terms and conditions and at interest rates that may otherwise be unavailable in the commercial market. Under the Title XI Program, the Federal Government guarantees full payment to the lender of the unpaid principal and interest in the event of default. Funds guaranteed under this program are obtained from the private sector to aid in U.S. shipyard construction and reconstruction of merchant vessels and U.S. shipyard modernization projects.

Beginning in FY 1992, the Credit Reform Act required MARAD to obtain appropriations to cover the estimated subsidy cost of new Title XI Loan Guarantees. Appropriations are also required to fund administrative expenses. An appropriation of \$32 million was approved for FY 1998 subsidy costs and \$3.725 million for administrative expenses. In FY 1998, approvals of \$734 million were issued for Title XI financing. As of September 30, 1998, Title XI loan guarantees in force totaled approximately \$2.89 billion, covering approximately 731 vessels. MARAD had one default in FY 1998.

MARAD's Title XI Program helps to improve the U.S. shipbuilding competitiveness globally and meets our national security needs. Since 1994, this program has issued approval for 366 ship construction projects and 6 shipyard modernization projects, together totaling over \$2.9 billion. Nearly 37 percent of the amount approved has been for eligible export vessels. Continued financing of shipyard modernization projects through the Title XI program will directly aid in furthering the transition of U.S.

shipyards from military to commercial shipbuilding.

INTERNATIONAL MARITIME TRADE

- Capital Construction Fund (CCF) Program** supports MARAD’s shipbuilding strategic goal by assisting operators to accumulate their own capital in order to build, acquire, and reconstruct vessels through the deferral of Federal income taxes on eligible deposits. Operators may defer taxes on funds deposited in the CCF and withdraw the money at a later date to build or acquire vessels. In general, the taxable income of the operator is reduced to the extent deposits of money are made into the fund. The outstanding fund balances amounted to \$1.1 billion at the end of FY 1998, with 142 fund holders. There have been cumulative deposits of \$6.5 billion since program inception to accomplish construction and acquisition programs.
- Ocean Freight Differential (OFD) Program** supports MARAD’s trade strategic goal to guide the agency in carrying out its mission to increase the U.S. maritime industry’s participation in foreign trade. In general, a portion of all exports of food and humanitarian assistance paid for by the Department of Agriculture and the Agency for International Development must be shipped on U.S. flag vessels.

The Government pays the differential between shipping costs on U.S. flag vessels and foreign flag vessels. P.L. 99-198 increased from 50 to 75 percent the amount of agricultural commodities under specified programs that must be carried on U.S. flag vessels. In general, the differential shipping costs are covered by the Federal agency shipping the goods, but MARAD is required to reimburse the Department of

Agriculture for ocean freight differential costs for the added tonnage above 50 percent but not exceeding the additional 25 percent. These reimbursements are funded through borrowing from the Treasury.

During the past eleven years, MARAD reimbursed the Department of Agriculture \$388 million for its OFD obligations. This resulted in just over 15 million metric tons of additional agricultural food aid cargo for U.S. flag carriers at an average OFD rate of \$26 per metric ton.

RAIL TECHNOLOGY

FRA will support the National Railroad Passenger Corporation (Amtrak) as it progresses towards operating self-sufficiency, and develop technologies to support high-speed rail. More specifically, FRA is engaged in the preparation of comprehensive Transportation Plans for the Northeast Corridor (NEC) with Amtrak, commuter operators, State Departments of Transportation and freight railroads. These Plans will insure that intercity passenger trains achieve trip-time goals established by legislation, while at the same time adding capacity to allow for continued growth in commuter operations.

<p>Performance Indicator: Increase the percentage (system wide) of Amtrak trains arriving on time.</p>
<p>1999 Goal: 87 percent</p>
<p>1998 Performance: 78.6 percent</p>

National Railroad Passenger Corporation (AMTRAK) Program

FRA’s financial assistance to railroads principally involves grants to the Amtrak for operating expenses, capital projects, and infrastructure improvements on the rail

corridor between Boston, MA and Washington, DC. Grants assist Amtrak's move toward financial stability and very high-quality passenger service.

Technologies to Support High-Speed Rail

As of July 1998, \$431 million has been spent (51 percent of cost baseline and 44 percent of current cost estimate). Approximately 18 percent of fabrication work is completed and 99 percent of design work is completed. Work at the Ivy City equipment maintenance facilities is ahead of schedule and car bodies are being assembled at Barre, VT. High horsepower locomotive tests will begin at the Pueblo, CO, Test Center where the equipment is 90 percent fabricated. Full trainset testing will begin January 1999.

The first high-speed trainset is due to begin limited revenue service in October 1999. Full revenue service over the entire Northeast Corridor is scheduled for July 2000. This schedule will permit the significant reduction of New York City, NY and Boston, MA trip-time, but achievement of the 3-hour performance goal will depend on factors beyond the trainset project.

Several construction projects have already been started along the corridor. These projects include track improvements, upgrades to control systems, fencing and grade crossing elimination, and improvement to service facilities and stations. During FY 1998, FRA tracked Amtrak's progress of the Northeast Corridor.

GRANTS FOR TRANSIT IMPROVEMENTS

FTA will provide investment in transportation infrastructure and technologies to address changes in travel demands, improve the reliability of equipment, reduce travel time, and reduce the real cost of transit. FTA will invest in infrastructure to improve intermodal connections and reduce delays due to

intermodal transfers. These actions will advance efficiency of transit and help support the economic growth in areas served.

Accessible, integrated, efficient, and flexible transportation is an enabler of economic growth and trade and is another way the DOT can influence the true economic cost of transportation.

Economic Growth and Competitiveness Domestically and Internationally

One of transit's most important benefits is its ability to move many people efficiently and to reduce the economic costs of congestion. Congestion annually costs more than \$40 billion in lost time and fuel in our major metropolitan areas. Without transit, the nationwide costs in these metropolitan areas would be \$15 billion higher. Transit takes drivers off the road and improves the commute times of transit riders and automobile users alike. Targeted investments in high-quality transit in strategic corridors can significantly improve overall door-to-door travel times for both transit and highway users.

FTA will provide investments in transportation infrastructure and technologies to address changing travel demands, improve the reliability of equipment, reduce travel time, and reduce the real cost of transit. FTA will invest in infrastructure to improve intermodal connections and reduce delays due to intermodal transfers. These actions will advance efficiency of transit and help support the economic growth in areas served.

FTA's ultimate goal is to increase the amount of transit service supplied Vehicle Revenue Hours one percent per year. As a measure of transit service supply, revenue vehicle hours are a reasonable indicator of the degree to which transit is generating mobility and accessibility benefits.

<p>Performance Indicator: Increase the total transit revenue hours of service (rail and non-rail).</p>
<p>2002 Goal: At or about 209 million transit revenue vehicle hours.</p>
<p>1999 Goal: Increase by one percent per year the amount of transit service supplied.</p>
<p>1995 Performance: 183 million transit revenue vehicle hours.</p>

Investments in transit infrastructure ensure transit succeeds in meeting all of its strategic goals. Analysis of the 1995 National Transit Database (NTD) shows that the national transit infrastructure consists of 135,564 total transit vehicles, 9,582 miles of rail track, 2,620 rail stations, and 1,165 maintenance facilities.

FTA estimates that an investment of \$9.7 billion each year over the next 20 years will be required to maintain the Nation's transit facilities and equipment in their current state of repair and to meet projected increases in travel demand. To improve the condition and performance will require an annual investment of \$14.2 billion. Funding at this level would increase the comfort and frequency of transit service. Most rush hour riders would be guaranteed seats and would experience shorter waiting times for buses and trains. In FY 1997, FTA's programs funded the following major types of capital investment: \$762 million for 7,021 new buses and vans, \$820 million for bus facilities and equipment, \$352 million for new and renovated rail cars, \$1.66 billion for "older" fixed-guideway repair and rehabilitation, and \$922 million for the construction of new fixed-guideway systems.

In 1996, Federal funds accounted for 50 percent of total transit capital investment, with State and local sources providing the remainder.

- **Full Funding Grant Agreements (FFGAs)** were awarded valued at over \$2.7 billion for new fixed guideway

construction (four additional FFGAs). These projects include an aggregate local commitment of over \$700 million and an overmatch of \$200 million, indicating a strong, long-term local commitment to the provision of high-quality public transit service. Since January 1993, FTA has signed FFGAs for 21 projects totaling \$8.3 billion. When State and local funds are also considered, these projects will result in the investment of over \$14 billion in new mass transit infrastructure. Due to FTA's long term commitment to new starts, directional route miles on rail transit have grown from 5,761 miles in 1985 to 8,206 miles in 1995, a growth rate of 4.2 percent per year.

GARRET A. MORGAN TECHNOLOGY AND TRANSPORTATION FUTURES PROGRAM

Research and Special Programs Administration (RSPA) is the lead Operating Administration within DOT for Garret A. Morgan Technology and Transportation Futures Program, an education outreach program targeted at students of all ages. The program is accomplished through a broadreaching DOT effort that involves every Operating Administration and OST office. RSPA also oversees the University Grants Program, which provides funding grants for transportation-related studies across the Nation.

- **Garrett A. Morgan Technology and Transportation Futures Program** was built on partnerships with transportation and education communities. This program features four key components: improving student's math, science and technology skills; strengthening the links between the transportation sector and community colleges, junior colleges, and technical schools; expanding transportation programs at undergraduate and graduate institutions; and easing the transition from school to work in the transportation field. The

life-long learning component will stimulate collaborative partnerships to ensure the availability and accessibility of continuing education programs for transportation professionals. The Program was recognized in Colin Powell's America's Promise Report Card as one that will help fulfill its commitment by reaching 250,000 students.

Through this program, we intend to reach students of all ages through specific activities, such as internships, job shadowing, career days, video conferences, classroom visits, teacher externships and website visits that inform them of the opportunities available in the transportation field and ensure they have the skills and knowledge required for transportation jobs. We will develop a database to count the number of students participating in the program, using report forms submitted by our employees and our partners. By leveraging our resources with those of our partners in the transportation and education communities, our goal is to reach 350,000 in calendar year (CY) 1999 and 1 million by end of CY 2000.

SURFACE TRANSPORTATION BOARD (STB)

The STB promotes substantive and procedural regulatory reform in the economic regulation of surface transportation, and provides a forum for dispute resolution and facilitation of appropriate business transactions. In performing its mission, the STB will continue to streamline case processing and applicable regulations, to ensure that market-based transactions in the public interest are facilitated in a forum for efficient dispute resolution and application of legal and equitable principles, and to develop new opportunities for various sectors of the industry to work together to find creative

solutions to persistent industry and/or regulatory problems.

During FY 1998, STB took over 1200 actions, involving adjudications and rulemakings, resolving or otherwise acting upon matters such as rail consolidations, abandonments, and line constructions and sales; review of rail labor arbitral decisions; and rail rates and services. Some of these actions also related to motor carrier undercharge rate cases, intercity bus mergers and pooling matters, motor collective ratemaking, and non-rail rate matters, such as pipeline rate cases. In performance of its goals, the STB has issued several rulemakings streamlining regulations and the regulatory process including rail rate and exemption proceedings, expediting rail line abandonments and discontinuance proceedings, and exempting selected commodities and services from economic regulation.

With respect to rail restructuring, the STB issued a decision approving the control of Conrail by CSX and Norfolk Southern railroads, with various competitive, environmental, labor, and operational reporting and monitoring. The STB continued its annual oversight of the Union Pacific/Southern Pacific merger and initiated a proceeding focusing on rail transportation in the Houston area. The STB has continued its proceeding dealing with the rail service emergency in the West. With regard to rate complaints, the STB affirmed its decision in Arizona Public Services Company that certain rates for the movement of coal were unreasonably high, prescribing a rate that represents a 35 percent reduction from the rate earlier charged by Santa Fe railroad. The STB also issued a decision permitting Amtrak to transport express traffic over rail lines provided that this transportation is ancillary to genuine passenger service. The STB has established a joint task force with the Department of Agriculture to address shipper and railroad information needs relating to recurring seasonal problems affecting grain transportation.



DOT STRATEGIC GOAL: HUMAN AND NATURAL ENVIRONMENT

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

Transportation makes our communities more livable, enhancing the quality of our lives and environment. Transportation generates undesired consequences too, such as pollution, congestion, and the use of valuable land. DOT's objective is to advance the benefits of transportation while minimizing its negative impacts on our environment through a number of common interventions and actions: infrastructure investment (such as community focused transit development, investments in low-emissions transit vehicles, and the creation of meaningful alternatives to auto use, such as transit, walking paths and bikeways,) rulemaking (such as standards and regulations to reduce spills of transported material), compliance (enforcement and partnering to achieve standards), technology (fostering new materials and technologies to limit aircraft noise and lower vehicle emissions), and education (such as consumer awareness and campaigns to influence personal behavior). DOT programs can be aggregated into five major areas of environmental intervention and action: highway & transit, aviation, maritime (including pollution reduction and living marine resource protection), pipeline & hazardous materials.

HIGHWAY & TRANSIT

FHWA and FTA will partner with States, Metropolitan Planning Organizations, urban centers, and communities to strengthen the links between transit, highway, and communities, as reflected in sustainable transportation and land use decisions, improved options of transportation, and reduced environmental impacts. Livable Communities activities stress planned and

designed, community-oriented, and customer friendly transportation facilities and services. For FTA, a key supporting activity will be ongoing capital investment in transit infrastructure. FHWA implements and oversees the Congestion Mitigation and Air Quality (CMAQ) Improvement Program, which targets transportation investment to reduce mobile source emissions and to reduce congestion. FHWA supports research on transportation and air quality analysis, develops/provides information on effective approaches to improve air quality, and evaluates emissions impacts and cost-effectiveness of transportation. FHWA also works to mitigate the environmental impacts of highway siting and improve wetland habitats. NHTSA's Partnership for New Generation Vehicles (PNGV) initiative advances our understanding of the relationship between vehicle design characteristic, vehicle crash-worthiness, and occupant protection. This will ensure that the increased fuel efficiency and reduced emissions of PNGV-developed vehicles are achieved without compromising safety.

Livable Communities

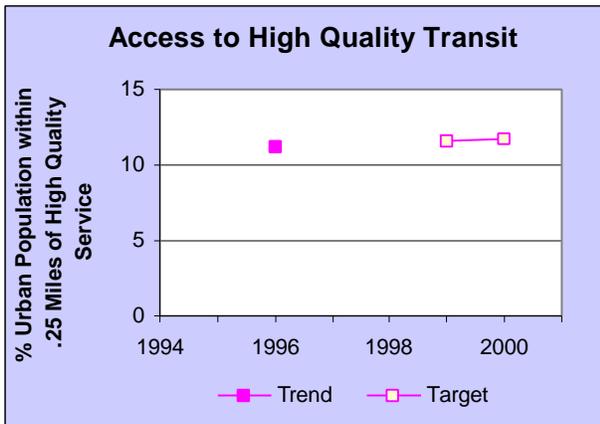
Transit's role in advancing our human and natural environment is strongest where pedestrian access to transit and other services reached by transit enable households and businesses to function with reduced use of the automobile (livable communities). Livable community benefits depend on transit's ability to serve as a desirable alternative to the automobile for a variety of trip purposes, particularly non-work trips, and to influence development patterns in a way that results in shorter trips and more walking trips.

- Livable Communities Initiative** works to improve the quality of life in communities through an active and participatory planning process which results in transit facilities that are customer-friendly and community-oriented, and which promote local land-use and transportation policies supportive of transit. At present there are projects in 21 communities totaling over \$51 million. Thirteen projects are within National Empowerment Zones/Enterprise Communities (EZ/ECs) with a total investment of over \$32 million. In addition, FTA continues to work with communities on transit-oriented development land use planning, sustainable transportation, and smart growth issues. The concepts embodied in the Livable Communities effort have been incorporated into the planning process that is part of all new starts projects.

Congestion Mitigation Air Quality (CMAQ) Improvement Program

FHWA implements and oversees the CMAQ Improvement Program, which targets transportation investment to reduce mobile source emissions and reduce congestion. FHWA supports research on transportation and air quality analysis, develops/provides information on effective approaches to improve air quality, and evaluates emissions impacts and cost-effectiveness of transportation.

- CMAQ Improvement Program** funds environmental mitigation measures in the Clean Air Act non-attainment areas and Surface Transportation Program (STP) activities in other areas. It is intended to reduce congestion and improve air quality. Since 1992, the initial year authorized, to 1998, obligations have grown from \$340 million to over \$1.192 billion annually. The CMAQ program offers States flexibility to fund a wide range of projects-- the largest share thus far is funding transit projects (46.8 percent), followed by traffic flow (30.9 percent).



Performance Indicator: Increase the percentage of the urban population living within .25 miles of a public transit stop with service frequency of 15 minutes or less (non rush hour).

2000 Goal: 11.68 percent

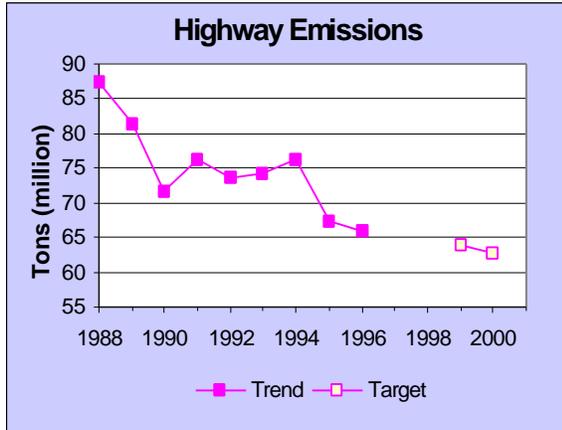
1999 Goal: 11.56 percent

1996 Performance: 11.22 percent

Other Highway Programs

A transportation/air quality public education campaign was implemented in 3 pilot sites across the country in September. In addition, preliminary studies were done to identify examples of Federal-aid highway projects involving efforts to characterize, protect, and restore important habitat and ecosystem linkages. The FHWA has identified a variety of activities carried out by our field offices and the State DOTs including the identification, documentation, and mitigation of impacts to significant wildlife habitats and wildlife travel corridors. Identification of these projects and activities indicate that the Federal-aid highway program has included, and continues to include measures to evaluate,

protect, restore and enhance ecosystems, particularly their values and functions.



Performance Indicator: Reduce on-road mobile source emissions.

2000: Reduce by 2 percent from 1999, to a target of 62.7 million tons.

1996 Performance: 65.9 million short tons of mobile source emissions (mobile source emissions of carbon monoxide, hydrocarbons, nitrogen oxides, and PM-10) as reported in the latest Trends Report (January 1998).

RAIL

During FY 1998, FRA also continued to work with other Federal agencies, the rail industry, and States to assure that reasonable air quality standards for locomotives are developed by Environmental Protection Agency (EPA). FRA has worked with the EPA to ensure that Amtrak and commuter railroads were not unduly burdened by regulations and final rules issued by the EPA. As a result of FRA's efforts, the EPA granted passenger rail service providers five additional years to comply with the emission standards; agreed to work with DOT and rail passenger service providers to ensure reasonable compliance cost; and agreed to develop a mechanism rewarding existing and continuing investments in electrification.

FUEL EFFICIENCY AND REDUCED EMISSIONS

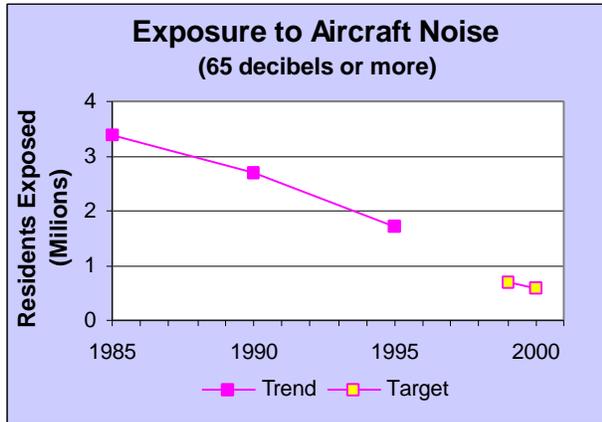
NHTSA's Partnership for New Generation Vehicles (PNGV) initiative advances our understanding of the relationship between vehicle design characteristic, vehicle crashworthiness, and occupant protection. This will ensure that the increased fuel efficiency and reduced emissions of PNGV-developed vehicles are achieved without compromising safety.

- Vehicle Safety Standards Program seeks to improve the crash avoidance and crashworthiness performance of motor vehicles through regulatory and non-regulatory alternatives. The program responds to rulemaking petitions and uses real world crash data, testing information, and studies on the costs of vehicle safety systems to support the development of and amendments to Federal motor vehicle safety standards (FMVSS).

AIRCRAFT NOISE

The FAA provides grants-in-aid for the mitigation of the noise impacts of aviation, such as soundproofing of residential and public buildings, and relocation assistance. The FAA also conducts research into the reduction of aviation noise.

The level of noise at the Nation's airports and surrounding areas continues to decline as airlines take older, noisier airplanes out of service. In a Report to Congress released in September 1998, the FAA reported that the proportion of quieter airplanes used by U.S. airlines increased from 75.5 percent to 79.8 percent. The improvement largely reflects compliance by the airlines with legislation passed in 1990 requiring that older, noisier airplanes be replaced by quieter airplanes by the year 2000.



Performance Indicator: Reduce the number of people in the U.S. exposed to significant aircraft noise (Decibel Noise Level of 65 dB or greater).

2000 Goal: Reduce by 64 percent

1999 Goal: Reduce by at least 60 percent from the 1995 baseline.

1995 Performance: Approximately 1.7 million.

MARITIME SPILLS

The USCG develops construction and operating standards for the waterborne shipment of goods that help prevent the accidental release of these goods into the environment; conducts over 50,000 inspections annually to ensure that U.S. and foreign vessels and waterside facilities are maintained and operated in a proper manner; and responds to oil and chemical spills to mitigate the environmental impact. The USCG also works to reduce the number of marine accidents through improved standards for commercial vessels and crew, and research to reduce the risk of maritime pollution.

- **Marine Environmental Protection Program** goal is to minimize damage from potential spills of oil and hazardous materials. As one of the program's responsibilities, the USCG

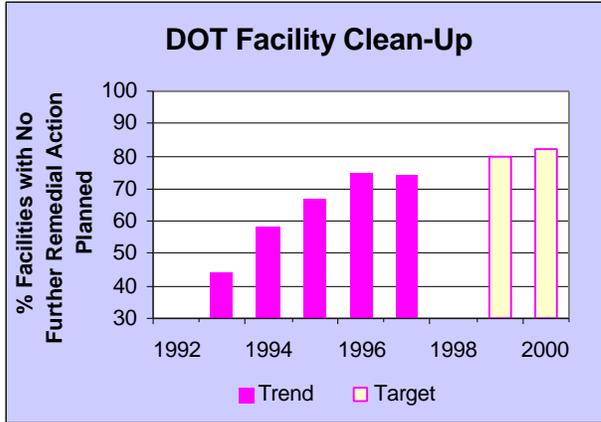
administers the Oil Spill Liability Trust Fund.

Oil Pollution Act of 1990 (OPA) specifies that the responsibility for cleaning up oil spills lies with the spiller; however, Congress appropriates \$50 million annually for emergency response to oil spills. This includes government costs for USCG or EPA responses when the spiller cannot be identified or does not respond. The balance of the \$1 billion in the Fund is available to adjudicate and pay claims for specific types of losses attributable to a spill.

The USCG also oversees the development and approval of industry plans for the cleanup of oil spills, as required by the OPA. It represents the Department of Transportation in the development of a multi-agency National Contingency Plan for responding to oil spills.

During FY 1998, the USCG managed over 1220 active cases, including many begun in prior years. FY 1998 commitments for removal efforts for these cases totaled \$50.7 million and another \$6.0 million was spent to adjudicate and pay claims.

A major responsibility of the USCG is the enforcement of the International Convention for the Prevention of Pollution from ships, known as MARPOL. Included in this enforcement mandate are oil pollution, noxious liquid pollution, and plastic garbage pollution.



Performance Indicator: Reduce the rate of oil spilled into the water by maritime sources.

2000 Goal: 4.83 gallons/million gallon shipped.

1999 Goal: 5.04 gallons/million gallons shipped.

1997 Performance: 1.37 gallons/million gallons shipped.

1996 Performance: 6.66 gallons/millions gallons shipped.



DOT STRATEGIC GOAL: NATIONAL SECURITY

Advance the Nation's vital security interests in support of national strategies such as the National Security Strategy and National Drug Control Strategy by ensuring that the transportation system is secure and available for defense mobility and that our borders are safe from illegal intrusion.

DOT programs impact national security through a number of common interventions and actions: direct operations (such as operating vessels and conducting law enforcement), infrastructure investment (such as more secure facilities design and materials), rulemaking (such as equipment or training standards), compliance (enforcement and partnering to achieve standards), technology (fostering new materials and technologies to enhance security), and education (such as consumer awareness, and campaigns to influence personal behavior). Some of these interventions and actions reside entirely within the Federal Government, but many involve partnering with State and local authorities and the transportation industry. DOT programs that are designed to impact our national security can be aggregated into three major areas of: highway, aviation, and maritime (including defense readiness and law enforcement).

HIGHWAY INFRASTRUCTURE INVESTMENT

The FHWA and the Military Traffic Management Command agreed to address a number of issues, which were mutually determined to be of highest priority in national defense mobility coordination. The measure of success for this goal is appropriately their level of satisfaction with the resolution of a number of factors which include the (1) Improvements of the capacity and operation of the highway system to support mobilization; (2) Increased level of

satisfaction of Department of Defense (DOD) partners with highway transportation services to support mobilization initiatives and; (3) Initiation of activities to update State Emergency Highway Traffic Regulation (EHTR) plans.

AVIATION TECHNOLOGY

FAA develops regulations, sets technical standards, inspects for compliance, investigates incidents, and provides intelligence analysis relating to aviation security. FAA also conducts airport vulnerability assessments and facility risk assessments, researches and develops aviation systems security technology, and provides enforcement activity.

The FAA works with local security, intelligence, and law enforcement agencies to protect passengers, personnel, aircraft, and critical national airspace facilities against terrorist and other criminal acts. Threats are monitored continuously and, when necessary, the FAA orders heightened precautions. As part of a massive overhaul of the U.S. aviation security system, the FAA has deployed nearly 400 trace detection devices and 62 certified explosive detection systems at airports nationwide. In addition, the number of canine teams, trained to search out hidden explosives, has grown from 87 teams at 26 airports in 1996 to 140 teams at 38 airports. In May 1998, the FAA announced that it is introducing a new computer-based tool to help airlines improve the selection and training of

employees who operate the X-ray screening checkpoints at the Nation’s busiest airports. The new system will be available in up to 79 airports by year-end 1998.

Along with these initiatives, the FAA has a cadre of 130 security inspectors who oversee the movement of hazardous materials by air. Trained both in hazardous materials regulations and cargo security procedures, these agents work to prevent the transportation of dangerous goods in a manner that could jeopardize flight safety.

MARITIME OPERATION OF VESSELS

The mission of Maritime Administration (MARAD) is to build on our maritime heritage and strengthen the maritime industry for the continued security and prosperity of the Nation. MARAD advances the capability of the maritime industry to provide total logistic support to military services during war or national emergencies by maintaining an inactive National Defense Reserve Fleet, including a surge component, the Ready Reserve Force, to support emergency and national security sealift needs, undertaking emergency planning and coordination, promoting port and intermodal development; administering war risk insurance; operating the U.S. Merchant Marine Academy; and providing support to six State/Region maritime colleges.

- Maritime Security Program (MSP)** provides funding to maintain a U.S. flag merchant fleet crewed by U.S. mariners to serve both the commercial and national security needs of the U.S. Payments are made to U.S. carriers for 47 dry cargo ships (\$2.1 million per ship per year) employed in U.S. international liner trades. This program is authorized through FY 2005, and is subject to annual appropriations. In exchange for the payment, the U.S. carrier agrees to provide Department of Defense (DOD) with “assured access” to

modern and efficient U.S. flag commercial liner ships and intermodal equipment and systems, including terminal facilities. The MSP also provides a base of experienced U.S. merchant mariners to transport DOD contingency and sustainment cargoes anywhere in the world.

**MSP FINANCIAL HISTORY¹
As of October 1, 1998**

FY	96	97	98	99	00	01 - 05
Requested	100	54	35.5	97.65	98.7	98.7/YR
Enacted	46	54	35.5	89.65	TBD	TBD
\$\$ Available	46	100	92.3	97.65	TBD	TBD
Payout	0	43.2	81.4	TBD	TBD	TBD
Carry Over	46	56.8	8*	TBD	TBD	0

The MSP was enacted into law in the first quarter of FY 1997. A carryover of \$46 million unobligated from FY 1996 combined with the FY 1997 appropriation of \$54 million became available to commence funding the MSP in FY 1997. For certain vessels, the commencement of MSP payments was dictated by the timing of reflagging to U.S. registry or the termination of existing Operating Differential Subsidy (ODS) contracts. Consequently, phase in of the MSP has been gradual. MARAD made MSP payments of \$81.4 million in FY 1998 and anticipates payment of \$98.3 million for FY 1999, assuming ODS transition schedules remain as anticipated. The estimated total of MSP outlays through FY 2005 will be approximately \$818 million, which is

¹ Total 10 Year Payout=Approximately \$818 million (18% under \$1.0 billion)

18 percent less than the 10 year authorized level of \$1 billion provided in the Maritime Security Act of 1996. The primary focus of the MSP is the achievement of MARAD's national security strategic goal. In addition, the mariners serving on board the MSP fleet help ensure a skilled American mariner workforce to crew U.S. ships in emergencies. MARAD is pursuing a two-pronged strategy to achieve its national security strategic goal which emphasizes provision of a relatively modest amount of Federal maritime support dollars to carefully selected carriers in order to retain "assured access" to a world-class U.S. flag intermodal sealift capability at the lowest possible cost.

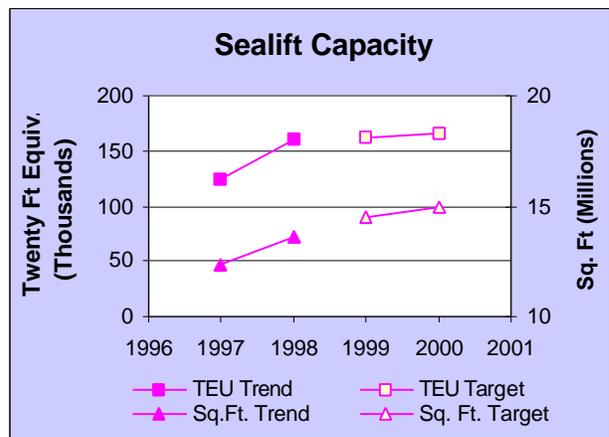
Without this capacity, the Nation's vital national military and economic interests would be compromised as it would be prohibitively expensive for the government to own sufficient shipping resources to sustain projected U.S. military operations in an emergency. In FY 1998, MARAD, in partnership with DOD's U.S. Transportation Command launched the Voluntary Intermodal Sealift Agreement (VISA) to provide a contractual mechanism for the U.S. Government to obtain assured access to commercial sealift resources during emergencies. These synergistic programs, combined with the U.S. Government's reserve sealift fleets, will ensure that sufficient resources will be available to meet DOD surge and sustainment requirements.

Performance Indicator: Increase the twenty-foot equivalent units (TEUs) capacity of ships or square feet of sealift capacity enrolled in the Maritime Security Program and Voluntary Intermodal Sealift Agreement.

1999 Goal: Capacity of 165,000 TEUs or 14.5 million square feet.

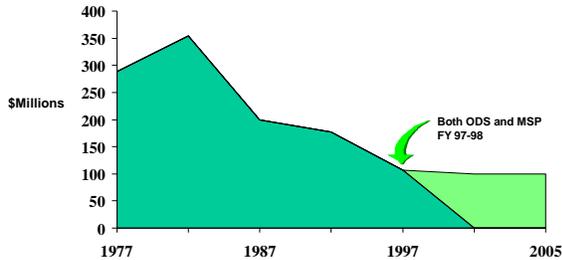
1998 Performance: Capacity of 160,852 TEUs of 13.6 million square feet.

1997 Performance: Capacity of 124,000 TEUs or 13.0 million square feet.



- Operating Differential Subsidy (ODS) Program** provides subsidies to U.S. ship operators to place U.S. flag vessels on a parity with those of foreign competitors. These are 20 year contracts between the Federal Government and subsidized vessel operators. Subsidy is provided for wages in all cases, and maintenance and repair and insurance costs in some cases. Appropriations are provided to liquidate contract authority. Payments were about \$37.7 million in FY 1998 and will continue at a declining level until FY 2003 as existing contracts expire and final accounting and contract reconciliation occur.

**U.S. LINER SUPPORT
ODS/MSP**
In Actual Dollars



Current law requires that most subsidized ships be built in U.S. shipyards. The statutory life of ODS ships is 25 years for dry cargo ships and 20 years for tankers. Currently there is 1 liner operator with 2 vessels and 3 bulk operators (7 vessels) under subsidy. The ODS program, which is the predecessor of the MSP, is being phased out as the MSP is implemented. The Federal Government’s level of direct financial support to the U.S.-flag liner industry is clearly being reduced from the expiring ODS program to the new MSP program, while maintaining a core U.S.-flag liner fleet and American seafarers serving in international trade.

**INACTIVE NATIONAL DEFENSE
RESERVE FLEET AND READY
RESERVE FORCE PROGRAMS**

- *National Defense Reserve Fleet (NDRF) and Ready Reserve Force (RRF) Programs*’ primary focus is on the achievement of MARAD’s national security strategic goal. NDRF retention ships, except the RRF component, are in a deep lay-up condition. The 220 ships in the NDRF can be activated to help meet U.S. shipping requirements during a national emergency above which the RRF and commercial fleets can satisfy. Of the 220 NDRF ships, 72 non-retention ships are being held, slated for disposal. NDRF ships are

preserved and maintained by MARAD. MARAD spends about \$287 million annually to maintain the NDRF, which is valued at \$894 million. The NDRF ships are primarily cargo ships and tankers.

- *Ready Reserve Force (RRF)* was established in 1976, as a subset of the NDRF. Of the 220 ships currently in the NDRF, 91 are RRF ships. RRF ships are upgraded and maintained to be fully operational and tendered to the DOD within 4 to 30 days after notification.

RRF	FY 1998 Actual	FY 1999 Goal
# of Sea Trials	57	62
# of Ships	91	91
Funding ¹	\$310	\$271.4

¹ (Dollars in Millions)

The RRF is composed of special types of cargo ships, not available on short notice from the commercial fleet. The RRF is structured to transport Army and Marine Corps unit equipment and initial resupply for armed forces deploying anywhere in the world during the critical initial period before adequate numbers of commercial ships can be obtained.

All RRF vessels must have both a high degree of military utility and a significant remaining useful life. MARAD contracts with commercial U.S. ship managers for maintenance and repair, activation, manning, and operation of the RRF. The readiness of the RRF program is tested regularly

through non-notice activation of randomly selected ships, or through scheduled activation for military cargo operations or exercises. The first large-scale activation of the RRF was to support Operation Desert Shield/Desert Storm. This activation led to renewed interest in the importance of the RRF program to the national military strategy and resulted in additional funding for maintenance and testing, as well as, for the use of Reduced Operating Status (ROS) merchant crews on high priority ships to further elevate their state of readiness.

The NDRF/RRF program is currently funded by DOD through the National Defense Sealift Trust Fund. MARAD and DOD have established excellent financial management relations to ensure DOD requirements are met at the best cost possible.

Performance Indicators: Provide reserve strategic sealift resources to meet DOD surge and other National security requirements by:

- (1) Percentage of Ready Reserve Force non-notice activations which meet assigned readiness activation, and
- (2) Percent of days each ship is mission-capable while under DOD control.

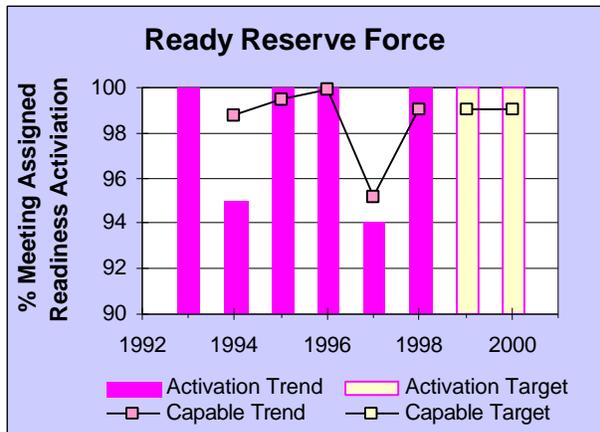
1999 Goal: (1) 100 percent
(2) 99 percent

1998 Performance: (1) 100 percent
(2) 98.8 percent

1996 Performance: (1) 100 percent
(2) 99.9 percent

USCG DEFENSE READINESS PROGRAM

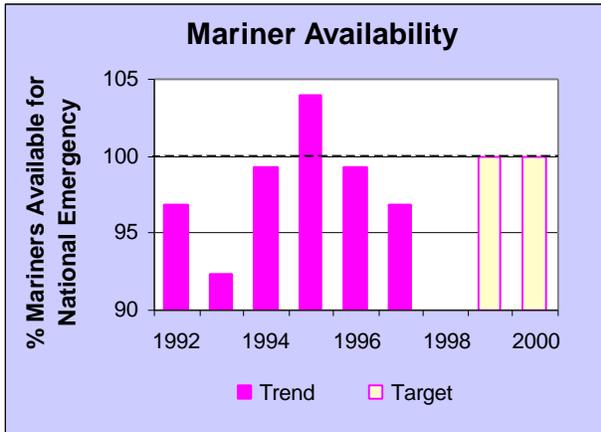
- **USCG Defense Readiness Program** provides unique capabilities for national defense that does not duplicate the other armed forces. By statute, the USCG may become a part of the Department of the Navy upon the declaration of war by the Congress. In FY 1997, the USCG received approximately \$300 million from the DOD budget for this mission. Activities include joint exercises with the Navy, port security, and training and assisting the Navy with overseas deployments such as the Gulf War.



USCG is a multi-missioned maritime service and one of the Nation's five Armed Forces. Unlike the other military services, the USCG does not concentrate primarily on the role of national defense. Drawing upon its other missions, the USCG must have operating units with the combat capability necessary to function as an armed force.

Maritime Education and Training

MARAD provides world-class maritime education and training at the U.S. Merchant Marine Academy at Kings Point, NY and provides Federal support for six State/Region maritime academies through direct payments to the schools, incentive payments to cadets and maintenance and repair of ships provided to the schools as primary training aids. Support for the education and training of U.S. citizen seafarers helps to meet MARAD’s national security strategic goal by ensuring that American mariners with appropriate skills are available to crew commercial and government-owned cargo ships in times of national emergencies.



Performance Indicator: Increase the percentage of mariners available compared to mariners needed to crew combined sealift and commercial fleets during national emergencies.

FY 1999 Goal: 100 percent

FY 1997 Performance: 96.9 percent

War Risk Insurance Fund (WRIF) Program

- War Risk Insurance Fund (WRIF) Program** encourages continued flow of U.S. foreign commerce during periods when commercial insurance cannot be obtained on reasonable terms and conditions to protect vessel operators and seamen against losses resulting from war. This program offers the advantage of avoiding the high rates charged by commercial insurers, which DOD or other Federal agencies would have to pay when chartering or hiring shipping into certain areas. During the Operation Desert Shield/Desert Storm of 1990-1991, MARAD’s Title XII War Risk Insurance Program saved the U.S. Government in excess of \$436 million in higher cost commercial insurance premiums. To provide higher readiness to meet emergency requirements, MARAD also administers a stand-by War Risk Insurance Fund Program. As of September 30, 1998, there were 267 binders on vessels and barges providing eligibility for hull protection and indemnity and Second Seamen’s war risk insurance. One new assured received six binders during FY 1998. The WRIF total available funding was approximately \$29.0 million. During FY 1998, \$1.4 million in investment income and had a total expense of about \$58 thousand.

Enforcement of Laws and Treaties Program

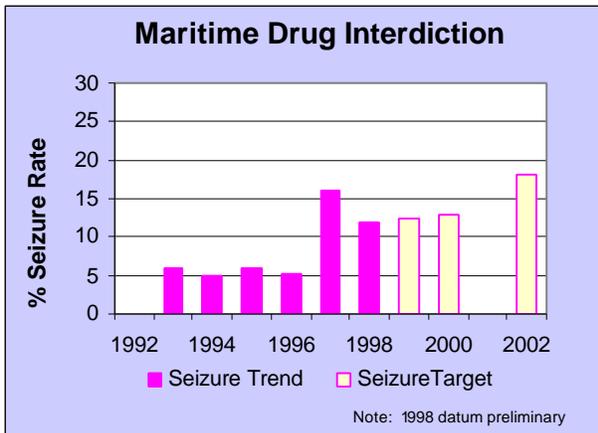
- Enforcement of Laws and Treaties Program** involves enforcement of all Federal laws on the highseas subject to U.S. jurisdiction and on U.S. flag vessels anywhere in the world. USCG vessels and aircraft interdict drug

smugglers and illegal immigrants and enforce U.S. fisheries regulations. In 1997 alone, the USCG intercepted 2,100 illegal migrants and interdicted 205,000 pounds of illegal drugs.

USCG DRUG SMUGGLERS INTERDICTIONS

The USCG works with other Federal departments and agencies, including the Departments of Commerce, Justice, Treasury and Defense in carrying out this program. Of particular interest are three bases in the Caribbean, which the USCG operates, with the Drug Enforcement Agency (DEA) and the Bahamian Government. These bases, jointly known as Operation Bahamas, Turks and Caicos (OPBAT), are manned by USCG personnel. The OPBAT mission is to capture and arrest drug smugglers.

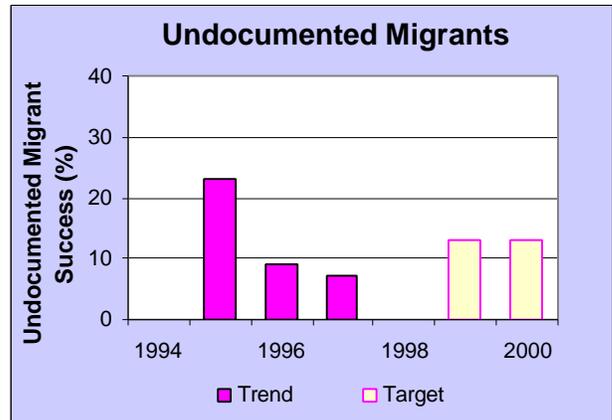
In FY 1998, the USCG and the other agencies involved in the war against drugs mounted two major operations: Operation Gulf Shield and Operation Border Shield. These two operations involved saturating two areas off the Texas and California shores with air, shore and surface assets. So far these operations proved to be extremely successful. Also, in August 1998, the USCG acting in concert with the Customs service seized 5,149 tons of cocaine from the Motor vessel ISANAR.



Performance Indicator: Increase the seizure rate for illegal drugs.
2002 Goal: 18 percent
2000 Goal: 13 percent
1999 Goal: 12.5 percent
1995-97 Performance: 8.7 percent

USCG ILLEGAL IMMIGRANTS INTERCEPTIONS

The USCG intercepts illegal immigrants off the U.S. coastal waters. In 1997 alone, they intercepted 2,100 illegal migrants. Undocumented migrant success rate is equal to the estimated number of illegal migrants entering the U.S. via maritime channels divided by the number of potentially bound for the U.S. via same channels.



Performance Indicators: Restrain the flow of undocumented migrants by reducing the success rate.
1999 Goal: 13 percent
1995 Performance: 23 percent



BUREAU OF TRANSPORTATION STATISTICS (BTS)

The Intermodal Surface Transportation Efficiency Act (ISTEA) established the Bureau of Transportation Statistics (BTS) in DOT. The mission of BTS is to compile, analyze, and make accessible information on the Nation's transportation systems; to collect information on intermodal transportation and other areas as needed; and to enhance the quality and effectiveness of the statistical programs of DOT through research, the development of guidelines, and the promotion of improvements in data acquisition and use. Key customers served by BTS are Federal, State, and local governments; transportation-related associations and the broader

transportation community; private business and industry; and consumers.

BTS develops and disseminates transportation knowledge to enable good decisions to be made quickly, while using appropriate data. Decisions made based on the transportation information provided impact areas such as transportation infrastructure investment, policies and planning, as well as economic policy, safety, national defense, and national welfare.



OFFICE OF INSPECTOR GENERAL (OIG)

The Inspector General (IG) Act of 1978, as amended, established the Office of the Inspector General (OIG) as an independent and objective unit within the Department. The OIG is committed to fulfilling its statutory mission and assisting the Secretary and senior department officials in achieving a visionary and vigilant DOT. As prescribed by the Inspector General Act, the OIG (1) conducts and supervises independent and objective audits and investigations relating to the programs and operations of the Department; (2) promotes economy, effectiveness, and efficiency within the Department; (3) prevents and detects fraud, waste, and abuse in Departmental programs and operations; (4) receives, and as appropriate, investigates complaints from any person or entity, including Congress; (5) reports violations of law to the U.S. Attorney General; (6) notifies the Secretary of Transportation and Congress of serious or flagrant problems in DOT or its programs; (7) reviews existing and proposed

legislation and regulations; (8) keeps the Congress and Secretary fully informed about problems and deficiencies and the necessity for and progress of corrective actions; (9) protects the identity of whistleblowers; and (10) prepares and submits semiannual reports to the Congress and Secretary.

In addition to fulfilling its statutory mission, the OIG is committed to advancing the Department's "ONE DOT" management strategy (see page 4). The OIG is fully supportive of the Secretary's three major priorities to: (1) improve safety; (2) enhance strategic investment in transportation infrastructure; and (3) achieve common sense government. The OIG designs its work to assist the Secretary in achieving these priorities as well as the five goals established in DOT's Strategic Plan.

Also, the OIG works closely with DOT officials to find solutions to problems,

identifies actions that will make DOT programs more efficient, and assists in overseeing the implementation of DOT regulations.

To assess the outcome and effectiveness of OIG performance in terms of meeting our statutory responsibilities, we have adopted all of the performance measures developed by the President’s Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). In addition to the PCIE performance measures, we expanded the Advisory Functions measure to track Freedom of Information Act requests, Congressional and other requests for information, proactive

initiatives, and Congressional testimony provided. We have also added a measure to track our annual performance agreement tasks and activities in support of DOT’s five strategic goals and six corporate management strategies. These measures assess the outcome and effectiveness of OIG performance in terms of meeting its statutory responsibilities and are focused on quantitative results. The OIG will continue to redefine and expand these measures in the future to capture OIG’s support of the Secretary’s goals, DOT’s Strategic Plan, and our success in preventing problems and acting proactively. The OIG’s current performance measures are listed below with FY 1998 results:

- ◆ **Statistics Defined by the IG Act and Related Performance Information** capture results from investigations and audits.

Investigative Results	FY 1998
Indictments	104
Convictions	120
Fines	\$5.5
Court Ordered Restitutions/Civil Judgments	\$6.5
Recoveries	\$9.8
Years Sentenced	119.5
Years Probation	220
Debarments and Other Administrative Actions	141

(Dollars in Millions)

Audit Results	FY 1998
Costs Questioned/Funds to be Put to Better Use	\$1,072.3
Management Decisions to Seek Recoveries	\$742.1
CFO Audit Adjustments	\$98,084.3

(Dollars in Millions)

- ◆ **Non-Monetary Program Improvements** measure implementation of the IG Act requirement to provide policy direction for Agency programs and operations.

Non-Monetary Program Improvements	FY 1998
Recommendations Issued	226
Recommendations Resolved	268

- ◆ **Performance Agreement Results** measure the implementation of our annual performance agreement tasks and activities in support of DOT's five strategic goals and six corporate management strategies.

Performance Agreement Results	FY 1998
Number of Performance Agreement Items	33
Number Initiated	33
Number Completed	23

- ◆ **OIG Advisory Functions** measure implementation of the IG Act requirement to keep the Secretary and Congress informed of problems and deficiencies, review existing and proposed legislation and regulations, as well as measuring requests for technical assistance by DOT agencies, participation in PCIE-initiated projects, Freedom of Information Act requests, Congressional and other requests for information, proactive initiatives, and Congressional testimony provided.

Advisory Functions	FY 1998
Proactive Functions Completed (PCIE Projects, Training DOT employees)	93
Congressional Testimony	14
Inquiries Received	446
Inquiries Completed	384
FOIA Requests Received	139
FOIA Requests Processed	200
Legislation Reviewed	61
Regulations Reviewed	67

- ◆ **Hotline Complaints** show the implementation of the IG Act requirement to receive and investigate complaints or information concerning possible violations of laws, rules or regulations, waste, abuse, or dangers to the public health and safety.

Hotline Results	FY 1998
Hotline Complaints Received	482
Reviewed by OIG	171
Referred to Operating Administrations or Other Agencies*	311

* OIG tracks the disposition of these complaints



FINANCIAL MANAGEMENT PERFORMANCE HIGHLIGHTS

DOT's budget is supported primarily by two types of revenue sources: (1) trust funds and direct receipts, and (2) general funds. Trust funds derive from revenue from special fees, such as motor fuel taxes and airline ticket taxes. More than two-thirds of the Department's funding is derived from trust funds and other fees. The two largest trust funds, the Highway Trust Fund and the Airport and Airways Trust Fund, account for most of DOT's funding and support the Department's programs for maintaining and improving transportation infrastructure. General revenue funds are obtained from the general taxes of the United States.

TRANSPORTATION EQUITY ACT FOR THE 21ST CENTURY (TEA-21)

On June 9, 1998, the President signed into law the Transportation Equity Act for the 21st Century (TEA-21) authorizing highway, highway safety, transit, and other surface transportation programs for the next 6 years. TEA-21 builds on the initiatives established in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). This new Act combines the continuation and improvement of current programs with new initiatives to meet the challenges of improving safety as traffic continues to increase at records levels, to protect and enhance communities and the natural environment while providing transportation, and to advance America's economic growth and competitiveness through efficient and flexible transportation.

Significant Features of TEA-21 include:

- ✓ Assurance of a guaranteed level of Federal funds for surface transportation through FY 2003.
- ✓ Extension of the Disadvantaged Business Enterprises program.
- ✓ Strengthening of safety programs across DOT.
- ✓ Continuation of the program structure established under the ISTEA legislation and addition of new programs.
- ✓ Investment in research and its application.
- ✓ Extension of the highway-user taxes through September 30, 2005, at the same rates in effect prior to TEA-21 enactment.

Significant Features of TEA-21 Financing Include:

- ✓ ***Guaranteed Spending Levels:*** Highway and transit discretionary programs are guaranteed a floor (a minimum level of spending) by new budget categories which effectively establish a budgetary "firewall" between each of those programs and all other domestic discretionary programs.
- ✓ ***Authorizations and Spending:*** The minimum level of spending for highways is keyed to the projected receipts of the Highway Account of the Highway Trust Fund and will be

adjusted as new receipt projections and actual receipts become available. The guaranteed funding for transit programs has a single component—the minimum level of spending amount—which is not keyed to Trust Fund receipts.

- ✓ ***Increases and Decreases:*** A portion of any increase in receipts to the Highway Account is reserved for the Federal-aid highway and highway safety construction programs allocated by the Secretary of Transportation—programs that are not apportioned by statutory formula. Should decreases be necessary, the reductions would be made in succeeding fiscal years and applied proportionally to all Federal-aid highway and highway safety construction programs except Emergency Relief.

- ✓ ***Obligation Limitations:*** Spending limitations are applied to most programs. However, obligation limitations set aside each year for certain programs do not expire if not used by the end of the fiscal year, but can be carried over to future years.

INNOVATIVE FINANCING

DOT continues to build on opportunities provided by transportation legislation by using innovative financing techniques that move construction projects ahead faster, cut red tape, and supplement Federal funds with private and non-Federal public investment. The Transportation Infrastructure Finance and Innovation Act (TIFIA) of TEA-21 will continue this practice by filling gaps in market funding and leveraging additional non-Federal resources. It will provide Federal assistance to major transportation projects of critical national importance, or which cross jurisdictions or traditional modal boundaries and sometimes have trouble getting funded despite their value. This will be done through direct Federal

loans, loan guarantees, and standby lines of credit. Project selection is based on the extent to which it generates economic benefits, leverages private capital, and promotes innovative technologies.

Another major innovative financing initiative is State Infrastructure Banks (SIBs). SIBs use Federal seed capital to leverage private investment through loans and credit enhancement assistance, and are meant to serve as ongoing, revolving loan funds. As projects are implemented, loans are repaid to the SIB, and the proceeds are used for new projects in a continuing cycle. Previously 35 States were authorized to capitalize SIBs. TEA-21 establishes a new SIB pilot program for 4 more States.

AUDITED FINANCIAL STATEMENTS

For FY 1997 DOT prepared its second audited consolidated financial statement which presented to the American public a comprehensive overview of DOT's major programs, overall financial position, and resulting benefits and services.

The separate Saint Lawrence Seaway Development Corporation financial statement, prepared per the requirements of the Government Corporation Control Act, received a clean opinion, as it has since its inception.

The separate Highway Trust Fund financial statement, which accounts for approximately 60 percent of the Department's current budgetary resources, received a qualified opinion from the OIG. It would have received an unqualified opinion for the second year in a row barring problems with Treasury records (outside the control of DOT) resulting in the OIG being unable to obtain independent verification or otherwise satisfy themselves as to the reasonableness of trust fund revenues at Treasury.

The separate Federal Aviation Administration (FAA) financial statement

received a disclaimer of opinion due primarily to weaknesses relating to supporting records for property, plant and equipment and operating materials and supplies. Similar problems exist with the Coast Guard, where problems were also noted with the actuarial liability for post-retirement health care benefits and military retirement pay.

The problems encountered in the separate DOT financial statements impacted the DOT consolidated financial statement as such that it received a disclaimer of opinion. DOT continues to take necessary corrective actions on identified findings to move towards unqualified audit opinions.

FY 1997 was the first year for which the OIG also reviewed DOT compliance with the provisions of the Federal Financial Management Improvement Act (FFMIA) of 1996. The OIG viewed DOT as not in substantial compliance with FFMIA, mainly due to unfinished work relating to FAA and Coast Guard property and inventory, weaknesses in Departmental Accounting and Financial Information System (DAFIS) support of financial statement balances, Coast Guard actuarial liability problems, and uncompleted Year 2000 assessments. Year 2000 assessments have now been reported to OMB as completed. Remedial plans for the remaining items have been developed and actions are in progress to bring DOT into compliance with FFMIA.

Financial Statement Progress						
	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96²</u>	<u>FY 97</u>
Financial Statements						
Prepared	9	9	9	8 ¹	4	4
Audited	4	5	9	8	4	4
Results of Audits						
Opinions: Unqualified	1	1	2	4	2	1
Qualified	--	1	2	3	--	1
Disclaimed	3	3	5	1	2	2

¹ Only eight FY 1995 statements were prepared and audited because, in FY 1994, Washington Metropolitan Area Transit Authority refinanced its debt eliminating any federal liability and reporting responsibility.

² Coverage of DOT accounts changed from FY 1995 to FY 1996 with the Government Management Reform Act requirement that financial statements, beginning with FY 1996, be prepared and audited for all DOT activities instead of trust, revolving, and commercial funds only. Except for three stand-alone statements, the FY 1996 consolidated financial statement replaced most individual statements reducing the number of statements from eight to four.

**FEDERAL MANAGERS’
FINANCIAL INTEGRITY ACT**

DOT has one outstanding material weakness reportable under the Federal Managers’ Financial Integrity Act of 1982 (FMFIA). DOT’s Intermodal Data Network which connects local area networks within DOT agencies was found vulnerable to unauthorized access. This material weakness was identified in FY 1996 and was considered on target for correction as of December 1998. Appropriate procedures have already been established, and all that remains is to finalize security directives and disaster recovery plans.

FMFIA Section 2: Material Weaknesses Pending
Intermodal Data Network vulnerability to unauthorized access.
FMFIA Section 4: Material Noncoformances Pending
None

We reported an additional material weakness for FY 1998 concerning FAA headquarters’ Property Management Program. Many improvements have been made in FAA’s property area. We conducted physical inventories and have been reconciling the property systems with the general ledger accounts in DAFIS. We are continuing to develop detailed support files for work-in-process, and have provided tools for FAA personnel to assist in the reconciliation of all property accounting systems.

The General Accounting Office, in a report entitled “Air Traffic Control: Weak Security Practices Jeopardize Flight Safety,” included

14 recommendations. Three of the recommendations pertained to the physical security of FAA facilities and most of the remaining 11 recommendations addressed information systems security for National Airspace Systems. We are working to ensure these weaknesses are corrected.

Additionally, certain physical security vulnerabilities at the FAA Logistics Center’s warehouse in Oklahoma City were identified during the past year. Structural and procedural changes have been effected to mitigate these vulnerabilities.

Finally, we have been working hard to set up and reinforce internal controls throughout the department to eliminate fraud. The FAA Central Region had an embezzlement of funds over an extended period, which a national review team determined was primarily due to deviation from the prescribed internal control systems and procedures that were adequate to safeguard Government assets. A plan was developed to rectify this situation, and an on-site evaluation in December 1997 ensured that procedures were being administered effectively.

YEAR 2000 (Y2K)

The Year 2000 program is a top priority in the Department. In January 1999, the Department reported 53 percent of its mission-critical systems were Year 2000 compliant. Of those systems requiring repair (307), 24 percent completed the implementation phase; 79 percent completed the validation phase; and 98 percent completed the renovation phase.

Due to the complex nature of various FAA systems, such as the National Airspace System, and the magnitude of the testing process, FAA does not project completion of validation activities for many of its systems until March 1999. Completion of implementation activities is expected in June

1999. FAA has accelerated schedules for 42 of its systems, and will continue to look for acceleration opportunities. Senior management in DOT and FAA continue to aggressively monitor progress in this area.

migrate the current system to take advantage of commercial off-the-shelf (COTS) software that is fully Year 2000 compliant--a process that is currently taking place in our DELPHI Program.

Over the past year, DOT-wide financial systems have made considerable progress in remedying their Year 2000 deficiencies. By the end of 1998, all four Department-wide financial applications, the Departmental Accounting and Financial Information System (DAFIS), the Consolidated Uniform Payroll System (CUPS), the Integrated Personnel and Payroll System (IPPS), and the Consolidated Personnel Management Information System (CPMIS), were fully renovated and became fully validated in January 1999. The latter resulted from an aggressive testing program of both simulated and forward date testing made possible by the installation of two Year 2000 test environments on ICEMAN, the United States Department of Agriculture- contracted computing platform on which the Department-wide financial applications operate. By the end of January 1999, ICEMAN moved to a Year 2000 production platform, and all the financial applications are now operating on that platform.

Costs to Address Year 2000 Issues

The Department's total estimated Year 2000 costs at the end of January 1999, were \$375.5 million with FAA estimating it needed \$304.6 million and USCG about \$42.6 million as indicated in the chart on page 64. Increasing Department Year 2000 cost estimates have been attributed to the following factors:

- C accelerating project schedules to comply with OMB milestones;
- C increasing independent verification and validation costs;
- C contingency plan development costs;
- C increases in personnel costs, including program management functions;
- C additional costs associated with outreach initiatives; and, unanticipated replacement of non-Year 2000 compliant hardware and software.

A necessary link for operational capability in a Year 2000 environment is telecommunications. All major DOT telecommunications systems that support the Department-wide, feeder, and extractor financial systems were upgraded for Year 2000 purposes during 1998. We continue to track the progress of the Government-wide telecommunications systems, i.e., FTS 2000, on which our DOT telecommunications systems rely.

Despite the considerable time, resources, talent, and energy in making these Department-wide financial applications Year 2000 ready, they will not be permanently "Year 2000 fixed." DAFIS, for example, employs a temporary fix called Windowing, for performing Year 2000 date calculations and comparisons. The ultimate solution is to

	1996	1997	1998	1999	2000	Total
DOT excluding FAA & USCG	\$0.0	\$3.9	\$7.9	\$15.0	\$1.5	\$28.3
USCG	\$0.4	\$1.1	\$8.2	\$32.2	\$0.7	\$42.6
FAA	<u>\$0.0</u>	<u>\$6.2</u>	<u>\$105.8</u>	<u>\$188.6</u>	<u>\$4.0</u>	<u>\$304.6</u>
All DOT	\$0.4	\$11.2	\$121.9	\$182.0	\$6.2	\$375.5

DOT Year 2000 Risks

The following issues have had some impact on DOT systems to date, and may have more severe impact in the near future:

- Lack of private sector progress in resolving Year 2000 problems, especially in the telecommunications industry, has the potential for government-wide, nationwide, and worldwide impact. It has been estimated that as much as 90 percent of the government's telecommunications traffic uses public telecommunications facilities. The maritime community also relies on the global communication network to move cargo around the world. Problems with telecommunications Year 2000 readiness could have a worldwide ripple effect on all users.
- Timely delivery of Y2K compliant commercial off-the shelf (COTS) products has been a complicating factor in the remediation efforts of some DOT OAs. Because DOT is a large user of Microsoft products, particularly the FAA and USCG, both organizations have met with Microsoft representatives to learn the status of compliant software products
- Lack of international progress in resolving transportation sector Year 2000 problems is a concern. It is believed that major aviation

countries are making progress with their Year 2000 remediation efforts, but lesser-developed countries are cause for more serious concern. There is insufficient information about foreign airports to confirm their Year 2000 readiness, and there are concerns about foreign commuter/charter carriers. In the maritime industry, 90 percent of ships that call in U.S. ports are of foreign flag, coming to the U.S. with cargo from overseas, yet there is little information available as to their Year 2000 readiness.

Business Continuity and Contingency Planning (BCCP)

Although each OA is responsible for addressing its specific contingency planning and continuity of core business function needs, the Chief Information Office distributed General Accounting Office's Year 2000 Computing Crisis: Business Continuity and Contingency Planning document to all OAs and discussed business continuity plans with them.

FAA completed its draft BCCP in December 1998, and is currently circulating it internally for review. The FAA BCCP will be finalized and released by June 30, 1999. Once published, the document will be supplemented with periodic updates as needed. For each high-level core business process within FAA, including the National Airspace System

(NAS), risk matrices identify a risk(s), business priority, mitigation strategy and milestones, and a contingency plan for each risk. Existing local facility contingency plans and emergency operations procedures are key to the NAS component of the FAA's BCCP. The FAA's BCCP will leverage to the greatest extent possible these existing contingency plans because they are regularly exercised. Finally, the FAA is preparing risk matrices for other core business processes such as finance and accounting, personnel and logistics.

The USCG launched a major BCCP initiative in September 1998. Planning guidance directed all units to develop local BCCPs by April 1, 1999. Model plans completed in January 1999, are making their way throughout the Service. These model plans contain a wide range of mission-related factors and a generic set of threats designed to alert Coast Guard units about the types of issues they should consider in their plans. In addition, planning assist teams are supporting units with field preparedness. Once the Coast Guard's BCCP is drafted and reviewed internally, it will be tested through one or more command post exercises by July 31, 1999. Ongoing maintenance and periodic updates to the plan will be made as necessary through the remainder of 1999.

BCCP requirements are also being addressed in the other OAs. The complexity of the process varies depending on the nature of the mission.

More detailed information on DOT's Year 2000 status and efforts can be obtained from DOT's quarterly report located on the DOT Y2K Transportation Sector website at www.y2ktransport.dot.gov.

DEBT COLLECTION

Oracle Financials™ Accounts Receivable Module is being implemented in the Coast Guard to provide users with easy-to-retrieve

information regarding amounts owed to the Coast Guard. This system will give users many features not available in the current system. These include management alerts (flags) which will inform the appropriate personnel when required actions should be taken regarding billing, collection, or referral to Treasury of specific receivables. In addition, it will allow for more accurate and faster billings and quicker collections through the use of electronic lockbox transmissions. Several improvements will be available to support interactions with customers, including customizable billing letters which can provide better explanations of charges; recording of customer calls into electronic files which should reduce misunderstandings; and the ability to service customers when the DAFIS system is offline.

The Debt Collection Improvement Act of 1996 provides for referral of debts over 180 days delinquent to Treasury for offset or collection (cross-servicing). DOT continues to work with Treasury of debts appropriate for cross-servicing. In addition, DOT has referred over \$89 million of delinquent debt to the Department of Justice as of September 30, 1998.

Debt Management Performance Highlights (\$ in Millions)		
	FY 1997	FY 1998
Direct Loans and Non-Credit Receivables	\$633	\$1,146
Collection of Receivables	247	152
Delinquent Debt	182	191
Write Offs	14	22
Tax Refund Offsets	.3	0
Referred to DOJ*	80	89

**Includes loan guarantee defaults*

CASH MANAGEMENT

The Debt Collection Improvement Act of 1996 requires electronic funds transfer (EFT) of all new payments made after July 25, 1996 and *all* payments made after January 1, 1999. DOT met the first requirement and established milestones for meeting the FY 1999 target. Good progress is being made. In the Federal Government Direct Deposit/EFT Program for employee payments, DOT's participation rate is well over 95 percent as of September 30, 1998. DOT recently created a one-stop sign up

program for new employees for direct deposit of salary, travel reimbursements, etc. Efforts continue on moving vendor and miscellaneous payments to EFT.

Payment Performance Highlights				
FY 1997			FY 1998	
	# of Transactions	% of Total	# of Transactions	% of Total
EFT:				
Salaries	2,335,000	95.1	2,642,000	96.8%
USCG Ret. Pay	350,000 est.	87.5	367,000	93.9%
Vendor & Misc.	374,000	39.0	555,000	55.0%
Prompt Pay:				
On Time	513,259	92.7	487,220	92.7%
Interest Penalties	30,765	5.6	31,708	6.0%