

**Testimony of
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Before the

**Subcommittee on Government Management,
Information and Technology**

of the

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Hearing on Streamlining Federal Field Structures

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Good morning. Mr. Chairman and members of the Subcommittee, I am Michael Huerta, Associate Deputy Secretary of the Department of Transportation and the Director of its Office of Intermodalism. With me are three administrators who direct DOT field offices in the Chicago area: Mr. Garrome Franklin, Regional Administrator, Federal Aviation Administration (FAA); Mr. Kenneth Perret, Acting Regional Administrator, Federal Highway Administration (FHWA), and Mr. Donald Gismondi, Deputy Regional Administrator, Federal Transit Administration (FTA). We'd like to thank you for the opportunity to participate in this hearing on streamlining Federal field offices. I would particularly like to thank the Subcommittee for allowing me to place this discussion within the context of DOT's proposal to undertake a fundamental reorganization that would consolidate ten operating administrations into just three.

Let me begin by noting the Chicago-area DOT offices not present at the hearing today. They include the regional offices of the National Highway Traffic Safety Administration (NHTSA), the Federal Railroad Administration (FRA), the Maritime Administration (MARAD), the Office of the Inspector General (OIG), the regional Hazardous Materials Enforcement office of the Research and Special Programs Administration (RSPA), and the Marine Safety Office and Lake Michigan facilities of the U.S. Coast Guard. That's a long list, and it reflects some important facts.

First, that Chicago is a key transportation hub for this nation, both for passengers and cargo. The intensity of Chicago's surface, air and water transportation activity speaks to the reality of a national transportation system. The smooth functioning of Chicago's transportation facilities is critically important for the reliable flow of transportation service in this country -- as almost any airline passenger or railroad shipper could tell you.

Second, that DOT performs many essential functions to ensure that this transportation system delivers the service our economy needs with the safety our citizens demand. These functions require a particularly extensive field structure. DOT's grantmaking, safety and national defense activities occur predominantly outside of Washington, D.C. About 71,000 civilian and military DOT employees -- more than 70 percent of the workforce -- work in air traffic control towers, onboard coastal patrol vessels, in field offices where they deliver programs to fund infrastructure and safety improvements, in harbors where they maintain military reserve cargo ships, or on-site where they perform pipeline, railroad and truck safety inspections.

Americans have moved farther, gone faster, and made more progress in our short history than any other country on earth, and DOT employees can be proud of their contribution to the world's best transportation system. By and large, we think we've done a good job, but that doesn't mean we can't do a lot better.

A primary force to improve DOT has been the challenge of the Vice President's National Performance Review -- to create a government that works better and costs less. Carrying forward the Administration's commitment to positive change, we've reduced our civilian work force by more than seven percent to date, saving more the \$260 million per year in personnel costs alone. At the same time, we improved customer service through automation, by streamlining procedures and regulations, and by focusing on what our customers really need.

It's been a good start, but only a start. Last December, to kick off the second phase of NPR, Secretary Peña joined President Clinton and Vice President Gore to announce a historic modernization of the Department of Transportation. On April 6, we sent to Congress the Department of Transportation Reorganization Act of 1995. It was introduced by request by Representative Mineta as H.R. 1440 and by Senator Hollins as S. 703. This legislative proposal would allow DOT to reformulate itself to address more directly the demands of a transportation system that continually grows busier, more complex and more interconnected.

Importance of Transportation

We begin with the premise that transportation affects each of us every day and all day long.

Americans are very demanding when it comes to personal mobility. According to DOT's Bureau of Transportation Statistics, one-sixth of the expenditures of a typical household are spent on transportation, second only to housing. On average, each American makes nearly a thousand trips per year, covering about 15,000 miles annually.

Although we are very demanding of transportation for our personal mobility, we are just as demanding, if not more so, when it comes to the movement of freight. To that end, the deregulation of the trucking and railroad industries in the 1980s has led to dramatic improvements in how freight is moved in the United States. Today, some of our most competitive companies operate factories that run on only 15 minutes of inventory, or utilize inventory and control systems based on cash register sales -- innovations that could never have occurred without reliable and efficient transportation. The marketplace is significantly shaping technological change, management innovation, and the characteristics of high quality door-to-door intermodal transportation.

Future Transportation Challenges

Safe and efficient transportation systems are critical to our economic security and our quality of life. Despite the advances we have made over the last few years, as we look to the future, we must acknowledge that transportation does have its problems.

- o We face rapidly-growing travel demand that's outstripping capacity, and will continue to do so -- for example, peak hour travel under congested conditions now exceeds 70 percent.
- o We see increasing needs for efficiency despite the progress we've already made -- for example, by larger numbers of businesses that literally seek to make our national transportation infrastructure part of their assembly line.
- o We continue as a nation to grow. The Bureau of the Census estimates that by 2020, only 25 years away, 60 million more Americans -- and the goods needed to support them -- will be competing for space on our transportation systems.

While we face these increasing demands on the transportation system, we also must confront the reality that Federal funding for transportation will most likely decline, as we in the Administration and the Congress continue our efforts to reduce the Nation's budget deficit. We cannot assume that funding will continue at current levels.

Seeing these challenges, the Administration has developed a program that looks *responsibly* at ways to reduce transportation expenditures, without reducing the Federal commitment to transportation. We propose to fundamentally restructure Federal transportation institutions to respond to the challenges we face. Just as private industry has had to restructure, downsize and provide higher levels of service, government must do the same.

Restructuring

Since January, I have chaired several agency task forces to design and implement a new DOT organization. We have worked to restructure the Department to focus on its core missions of infrastructure investment, safety and national defense. The resulting proposal -- H.R. 1440 -- would significantly unify and redefine DOT's existing operating administrations. This unification will drive subsequent field office organization.

When DOT was established in 1967, it was organized as a loose confederation of what has now become 10 distinct operating administrations. We now have multiple agencies with overlapping concerns. This old structure is costly to operate, and hinders our ability to develop creative partnerships, to make strategic transportation investments, and to fashion innovative financing mechanisms.

In order to cope with declining resources, DOT has to spend less money on running itself in order to maximize the dollars going to transportation. Our proposed reorganization would address that by consolidating DOT's 10 agencies into just three:

- a new Intermodal Transportation Administration that would integrate all of our surface transportation and civilian maritime functions,
- a revamped Federal Aviation Administration, and
- the U.S. Coast Guard.

Consolidating our operating agencies also enables us to streamline the Office of the Secretary of Transportation, to make it smaller and to focus it on strategic planning and policy. Through these steps, our proposal achieves three key results:

First, it repositions DOT to help develop the transportation system of the 21st century -- one that promotes intermodalism: using the most efficient form of transportation to move people and goods and to interconnect modes into a seamless transportation system. This is essential if we're going to make the most of our existing transportation infrastructure in an era of limited new construction. It is also, quite obviously, what people want: a focus on the total trip -- the door-to-door journey from, say, Massachusetts to Idaho, whether for an individual or a piece of cargo. The transportation segments may work well individually, but they work best when they work well together.

Second, it will help us to serve our customers better. Today, for instance, although we have a DOT office -- the Federal Highway Administration -- in every state capital, information about other DOT programs and agencies is not available at this location. A shipper concerned with intermodal freight issues might have to deal with up to six different DOT agencies. The public sponsor of a local, federally-funded transportation project may face different rules and procedures -- intended to accomplish the same goal -- depending on which DOT administration is providing the funds. This fragmentation and duplication creates inconsistencies and a lack of coordination that wastes time and frustrates our customers and our partners.

Under our reorganization proposal, the Intermodal Transportation Administration will implement DOT's research, safety and investment programs in all surface transportation areas -- highways, motor carriers, transit, railroads, pipelines and hazardous materials -- as well as DOT's civilian maritime and bridge administration programs. Our intent is not simply to combine existing modal administrations, but to reinvent the delivery of their essential federal programs to make a government that works better. Our customers will see greater consistency and responsiveness from DOT staff, more emphasis on technical assistance, less on administrative oversight.

Third, this reorganization helps us find the ways to responsibly and strategically reduce DOT's size -- to make it cost less. It eliminates the duplication and incompatibility that comes from having 10 separate agencies -- each with its own personnel office, its own procurement

department, etc. This will help us meet our commitment to reduce DOT's workforce 12 percent by Fiscal Year 1999 -- and achieve a 50 percent cut in back-office administrative staff -- while we maintain the necessary front-line work force to serve our customers. Over five years, the reorganization would save more than \$1.5 billion in personnel costs alone while improving service.

As you know, we've also submitted legislation for the creation of a new government corporation for air traffic control services. I understand the Subcommittee discussed this proposal at its June 6 hearing. We believe this proposal offers us the opportunity to bring an entrepreneurial spirit to an important government function -- without in any way compromising how the public is served and protected.

Along with our reorganization proposal, we submitted a set of principles for the reform of transportation funding programs. We propose to consolidate the more than 30 infrastructure funding programs, simplify their requirements, and increase the flexibility and authority for states and localities to determine which projects should receive federal funding. We think these principles should begin a dialogue that will ultimately lead to legislation.

We believe that our proposal makes it easier for our partners in transportation to manage the funding reductions included in the budget proposals before Congress. Simply stated, there is no way to achieve the savings that Congress would like to see without them. Without significant organizational streamlining, our customers will have to face wholesale reductions in grant and aid programs for transportation.

Planning to implement change

With H.R. 1440, the Department of Transportation has proposed fundamental changes that would unify many distinct operating administrations. As noted earlier, each administration has a separate and extensive field structure. However, to ensure a thoughtful and orderly restructuring process, our immediate focus is on working out transition issues at DOT headquarters. Assuming that Congress approves our reorganization plan, implementation of headquarters consolidation would begin next fiscal year. Details of the ITA field structure will be worked through during that time, and the transition to a revised field structure, as a natural outgrowth of the unification, would begin in Fiscal Year 1997.

Of course, we have some ideas for the results we'd like to see. One primary focus of our field restructuring efforts needs to be improving customer service. We need more front-line employees in the field working directly with our state and local partners and providing services directly to our customers. Our reorganization will combine the concepts of one-stop shopping and close proximity to our primary customers.

Currently, DOT has almost 1,700 field facilities. Of these, 1140 are operational offices such as air traffic control towers and Coast Guard search and rescue stations. These facilities are already located where the customer needs the service, so we do not anticipate a great deal of consolidation or relocation. Another 235 facilities are conducting customer-based safety activities such as highway and railroad safety inspections. Although these programs are not prime candidates for relocation, they are the kind of small offices that could benefit from consolidated administrative services as well as technology and telecommuting opportunities.

This leaves around 300 DOT field facilities -- about half of which are regional and state offices for our grant programs, and half are technical and administrative support offices -- ripe for restructuring. Our goal is to move away from a hierarchical field structure and drastically reduce the numbers of managers, supervisors, and checkers.

We intend to focus our initial restructuring efforts in large metropolitan areas with many large, multi-functional federal offices -- not just DOT offices -- since this is where the bigger payoffs will come. Metropolitan Federal Executive Boards (FEBs) can play a key role in this effort, and we need to make them an integral part of all our restructuring efforts. FEBs can be especially effective in planning how to leverage federal resources in a particular geographic location.

Since a major goal of restructuring is creating better partnerships with state and local organizations, it may make more sense for restructured field offices to be co-located with state and local government offices, rather than with other federal offices. For instance, FHWA's division offices are located in each state capital near the respective state departments of transportation.

We may also reap significant restructuring benefits by establishing operational hubs -- centers which house the operational portions of a variety of programs that deal with the same or similar customers. For example, we could establish an operational hub to interact directly with state and local grantees under a variety of federal programs -- just as a single bank provides loans for college, car or home improvement -- or establish an office as a home base for federal inspectors in a particular region.

Current field office initiatives

Restructuring field offices will also build upon innovations already undertaken by the different operating administrations. These efforts exemplify the NPR strategy for improving field structure, as described in a January 1995 President's Management Council report. The study outlines three concepts as guides for improving service and reducing costs: *horizontal streamlining*, grouping similar programs at single locations; *vertical streamlining*, minimizing management layers between headquarters and service delivery locations, and *optimum use of information technology*, such as computers, telephones, faxes, etc.

Many of the following initiatives exemplify extensive cooperation among different operating administrations. Efforts such as consolidating many of these organizations into an Intermodal Transportation Administration would accelerate greatly the pace of such improvements.

Horizontal streamlining.

Sharing staff resources. With division offices in each state supported by nine regional offices, the Federal Highway Administration has a significantly larger field presence than the Federal Transit Administration, which operates from 10 regional offices. Faced with staff constraints and extra distances, the FTA has occasionally utilized FHWA employees to oversee federally-funded projects. On behalf of FTA's Chicago-based regional office, FHWA division staff have performed construction inspections for FTA-funded bus maintenance facilities in Michigan and Wisconsin.

Streamlining environmental permits. In April 1994, FHWA's Chicago regional office signed a region-wide agreement with federal environmental resource agencies to merge NEPA, the environmental review process for a transportation project, with Section 404, the permit process required by the Army Corps of Engineers for any project that would dredge or fill a waterway. As a result, environmental reviews in Indiana, Michigan, Illinois, Ohio, Wisconsin and Minnesota will be more coordinated and projects will face fewer unnecessary delays. Such agreements are being implemented throughout the country.

Joint transportation planning. The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the Clean Air Act Amendments of 1990 (CAAA) require cooperation among the FHWA, FTA, and EPA. ISTEA established virtually identical planning and programming requirements for metropolitan highway and transit programs, which led the two DOT agencies to issue joint planning regulations, instead of separate sets of rules. In practice, more than half of field office planning activities involve direct coordination or joint action between FHWA and FTA.

Safety management systems. ISTEA requires states to develop and implement a highway safety management system. In this region, FHWA and NHTSA field staff work cooperatively with each state to develop their systems. Employees of both operating administrations belong to the steering committees of each statewide effort.

Vertical streamlining.

Performance partnerships. Key to empowering field staff is the recognition that conditions can vary greatly between localities, i.e., one size does *not* fit all. Employees closest to the customer are best positioned to match federal program goals with the local particularities -- when given the chance. These federal goals are often pursued with a blunt instrument -- categorical requirements that a certain percentage of money will flow to a specific type of project or size of geographic area. This focus on categories, rather than need, can frustrate state and local partners who seek more flexibility to address their own priorities. Using our unified funding proposal as context, DOT staff has met with performance measurement experts and transportation customers to develop more refined ways to protect the federal interest. These would focus on outcomes, as measured against agreed-upon performance standards, rather than inputs such as dollars spent.

Redefining roles. Congress, via ISTEA and its predecessor, the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA), began to move the FHWA role away from direct and daily oversight of State transportation partners toward increased reliance on local assurances of meeting federal requirements. Taking its cue from the legislation, the FHWA field organization has evolved to where, today, the role of the regional office is dramatically different than it was ten years ago. Regional offices have become centers for technical expertise, program assistance and inter-agency coordination instead of an additional layer of project oversight between headquarters and the division offices. This has increased the program responsibilities of the division offices, who are closest to the customer -- the recipients of the federal aid programs.

Optimum use of information technology

Electronic Grants Management. Both the Federal Highway and Federal Transit Administrations have streamlined their grant programs using computer technology.

The FTA has established a pilot program to streamline its grant making and management process through paperless electronic transactions between the agency and its grantees. Utilizing a modem and a toll-free phone number, a local transit agency can submit grant applications and certifications from a local computer station directly to the FTA's mainframe computer. The FTA regional offices can review and approve grant applications -- from customers who may be located hundreds of miles away -- without the delays of handling paper documents.

Five of the six State DOTs in FHWA's Great Lakes region utilize the agency's electronic voucher system for reimbursements of expenditures associated with the federal grant programs. This enables a state DOT to electronically transmit payment requests and supporting information directly to FHWA. All approvals and disbursement of funds are handled electronically, without transferring paper documents. An electronic data interchange feature permits the state agency to review the status of outstanding payments.

Telecommuting. This tool allows employees to work one or more days per week at home or at a telecommuting facility -- an office with a shared work station more convenient to the employee's home. To ensure long-term success, a center requires a variety of users, whose employers provide the necessary financial support via fees. When telecommuting becomes an established practice among its employees, the employer finds cost savings from the decreased need for central office space. Instead, a smaller "virtual office" -- a suite of shared work stations -- can accommodate the intermittent needs of telecommuting employees on their days in the central office. Meanwhile, neighborhood-based telecommuting centers could provide increased convenience for customers seeking person-to-person contact.

The Federal Highway Administration has encouraged states to initiate or expand telecommuting programs. For instance, FHWA funded an initiative by the California Department of Transportation to establish neighborhood-based telecommuting centers. Federal agencies and workers themselves, however, are just beginning to realize the potential of telecommuting.

On a pilot basis, the General Services Administration has established telecommuting centers for federal employees in Washington, D.C., Los Angeles (in response to the Northridge earthquake), Seattle and, most recently, in Oklahoma City. DOT employees have been among the most active users of these facilities. Now, DOT and GSA are co-chairing a study to explore public/private telecommuting centers. DOT has established an internal multi-modal task force to assist this effort.

Information Technology Pilot. A pilot project proposed by the Federal Railroad Administration promises to increase the productivity of its safety inspectors, dramatically decrease their paperwork, and increase prospects for telecommuting. The project, to be implemented in one of FRA's eight regions, would test the use of new notebook computers to capture inspection and work measurement data. FRA inspectors would have immediate access to previous inspection data, as well as the ability to transmit reports electronically to regional and D.C. offices, thus avoiding the need to come into the office to complete and transmit paperwork. The project would allow safety inspectors to take full advantage of telecommuting opportunities. Indeed, FRA management will encourage all field safety inspectors to work out of their homes and eliminate the need for regional offices.

Conclusion

The goals of DOT field restructuring will be the same as for the organization overall: to promote intermodalism, to provide better services for all of our customers, and to save the taxpayers money. That concludes my prepared remarks. Together with my DOT colleagues, we would be pleased to answer any questions you might have.