

**STATEMENT OF MORTIMER L. DOWNEY
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ON MANAGEMENT ISSUES IN THE DEPARTMENT OF TRANSPORTATION

**BEFORE THE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
UNITED STATES SENATE**

May 21, 1997

Mr. Chairman, Members of the Committee. Thank you for the opportunity to testify on management issues, challenges and accomplishments of the Department of Transportation.

Overview

In the 21st century, Americans will compete in a global marketplace. This marketplace is developing to be fiercely competitive, and our success as a Nation will be determined in part on how safely, reliably and cost-effectively we can move people, goods and information.

As we look to the future, we can see that our nation's transportation system is faced with a number of challenges.

- We face rapidly-growing travel demand. One measure of this demand is that the Federal Aviation Administration forecasts that, by the year 2002, the number of commercial aircraft operations will grow by over 12 percent. This growth will significantly increase the demands on the FAA's surveillance workforce, even as we seek to find added efficiencies and productivity improvements. Virtually every segment and activity in aviation will grow correspondingly, placing similar demands on FAA's safety and operational programs.

- Despite the progress we have already made, we see increasing needs for efficiency. For example, larger numbers of businesses seek to make our national transportation infrastructure part of their assembly lines with “just in time” inventory techniques.
- Our nation’s population continues to grow. The Bureau of the Census estimates that by 2020, less than 25 years away, 56 million more Americans -- and the goods needed to support them -- will be competing for space on our transportation systems.
- The populations most at risk for highway-related fatalities and injuries -- the number of new drivers and the older drivers -- are growing.

The Clinton Administration has made management of the Federal Government a top priority. In creating the National Performance Review (NPR) the Administration assured that all areas of management were critically examined and then took action to make change. We in DOT strive to be excellent managers of DOT's resources, ensuring that we deliver the Department's programs with maximum efficiency, and that we manage for results -- the mandate of the Government Performance and Results Act. The Department has been aggressively implementing that Act since 1994, first with four GPRA pilots -- two of which were cited by OMB as exemplars -- and then by providing support to program managers throughout the Department as we required them to identify performance measures for their programs. We are nearing completion of the first draft of our departmental strategic plan, on which we will begin consultations with Congress and our stakeholders next month. We are confident that this plan and our FY 1999 budget will show significant progress toward identification of the outcomes we seek to effect and of how we use our resources to achieve those outcomes.

The Department has aggressively implemented the recommendations of the NPR. As part of this Administration’s emphasis on good management, the NPR recommendations focused on putting customers first, cutting red tape and empowering employees. As an example of the

Department's NPR success the FAA, utilizing special authorities granted by the Congress, has cut hiring times for critical air traffic controllers and safety inspectors from seven months to six weeks and reduced 155,000 job descriptions at the FAA to fewer than 2,000. While the Department's structure emphasizes strong operating administrations with the Office of the Secretary providing oversight and coordination, the Department has also focused on improving management throughout the transportation system by encouraging intermodal solutions to problems. We put management of the Department front and center. Our nation's transportation system encompasses all the transportation modes, and so should the efforts of the Department.

In his confirmation testimony before this Committee last January, Secretary Slater set three priorities for the Department of Transportation: higher levels of safety, common-sense government and strategic investment in transportation infrastructure. By focusing on our management activities, this hearing touches on each of these priorities.

Safety

Transportation safety is, and should be, the Department's number one priority. Safe and efficient transportation systems are critical to our economic security and our quality of life. Although our transportation system is already the safest in the world, much of what we do is aimed at making it safer, as travel continues to grow. In managing a myriad of safety programs in conjunction with the states as well as directly through enforcement, we must constantly focus on strategies that will ensure that these programs are effective. We must leverage our resources to focus on outcomes. Following are descriptions of the efforts we are directing towards safety programs.

Highway Safety

A major focus of the management of our safety effort is reducing highway crashes, which account for more than nine out of every ten transportation fatalities. Last year nearly 42,000

Americans died and over 3.4 million were injured on our roads. Highway crashes are the leading cause of death for children, teenagers and young adults. In addition to the tragic toll on our families, crashes cost our economy \$150.5 billion annually, including \$17 billion in medical costs. Unless we begin again to lower the fatality *rate*, due to the growth in travel created by our expanding economy, the number of deaths will begin increasing. To cut the fatality rate, we must focus on all three components of the safety equation: safer roads, safer vehicles and safer drivers.

The top priority to improve safety is simple -- seat belts and child safety seats work! A person is twice as likely to die or sustain a serious injury in a crash if unbelted. Today, seat belts save 9,500 lives annually. We can do better, however, and so on April 16th the President set a new national goal of achieving an 85 percent use rate by 2000 and a 90 percent use rate by 2005 and a goal of reducing child fatalities in motor vehicle crashes by 15 percent by 2000 and 25 percent by 2005. To help our state partners reach these goals, we have included in our National Economic Crossroads Transportation Efficiency Act (NEXTEA) proposal \$124 million over six years in financial incentives for state programs to increase seat belt use. In addition, NEXTEA allows the states to use the multi billion dollar Surface Transportation Program for any safety enforcement, education, or motor carrier safety initiatives they determine to be a priority to improve safety.

Ensuring safe motor carrier transportation is an important part of our overall efforts to improve highway safety. Healthy economic growth and logistical innovations like just-in-time delivery have spurred significant increases in truck travel and been a boon for the trucking industry. Despite growth in traffic, the number of large truck crash fatalities decreased almost 5 percent, from 5,144 in 1994 to 4,903 in 1995. But, despite these gains, the current level of truck-related fatalities is still unacceptable and there is concern that our safety gains may be leveling off.

Federal motor carrier safety programs must be more focused and strategic, and channel

resources to strategies that give us the highest payoff in reducing crashes. The Inspector General recommended that FHWA replace its system for prioritizing carriers with a system that defines problem carriers based upon on-the-road performance. In response, FHWA implemented what is known as SafeStat risk assessment criteria, a more results-oriented, performance-based algorithm for the identification of “high risk” motor carriers in order to get best results from on-site compliance reviews.

In NEXTEA we propose to continue to emphasize results, rather than the number of activities performed, to strengthen our basic motor carrier enforcement programs, which include roadside inspections, carrier reviews, enforcement, education and outreach. Under this performance-based approach, we will ask the states to identify their most significant safety problems, and we will create incentives for them to address these problems. In our reauthorization proposal, the Department is seeking \$100 million annually for the National Motor Carrier Safety Program. Also, we cannot identify our most significant safety problems and measure our progress without improving our information systems and analysis. In the past, fiscal support for these activities has been drawn from a variety of sources, but the Department is now seeking a separate, dedicated source of funding at \$17 million per year.

Aviation Safety

First of all, Mr. Chairman, we would like to emphasize the substantial benefit we will derive from the FAA authorization legislation that this Committee and the House Transportation and Infrastructure Committee developed with the Administration last fall. Its significant safety and security provisions, and the National Civil Aviation Review Commission mandate now being fulfilled, will do much to address the management and financing issues that confront us in aviation.

While our aviation system is safe, better management of the process can make it safer. That is one of the reasons that the Administration proposed to hire an additional 273 safety

inspectors and certification staffers -- bringing this workforce to over 4,100 people. This is 1,200 more than FAA had at the end of FY 1994. We have also established a new National Certification Team, which was the centerpiece of last summer's 90-day Safety Review. New entrant airlines will now have a heightened level of inspection for at least their first five years of operations. In addition, training of safety inspectors has been beefed-up so that training deficiencies identified by GAO are addressed; technical training of these safety personnel is critical and the FY 1998 budget includes a 70 percent increase in such training. We are also implementing the 90-day Safety Review recommendation to upgrade and accelerate the deployment of the On-line Aviation Safety Inspection System, which is an electronic performance system for aviation safety inspectors that facilitates field data collection, information management and provides on-line references. The FAA estimates that it takes less than five minutes to research regulatory questions on this system as compared to two to three days to research it manually.

In response to the White House Commission on Aviation Safety and Security's recommendation, the FAA is working in partnership with NASA in an endeavor to identify and implement strategies that can reduce the aviation fatal accident rate by a factor of five within ten years.

Rail Safety

FRA has set a goal of zero accidents, injuries, and deaths resulting from railroad operations. It is an ambitious goal, but one that emphasizes that safety should be our first priority. To achieve this goal FRA has fundamentally transformed the railroad safety program -- focusing on root causes and solutions across entire railroad systems instead of only the traditional "one inspection at a time" approach. The new program, the Safety Assurance and Compliance Program (SACP), which FRA instituted in 1995, builds upon FRA's traditional safety inspection and enforcement program with a partnership approach including rail labor and management. SACP requires railroads to correct systemic safety issues through implementation

of a safety management plan developed with FRA in this partnership process. FRA's new approach also emphasizes site-based inspections as part of the safety audit process, followed by use of enforcement tools, as appropriate.

While the Inspector General identified in its 1996 audit a number of shortcomings in FRA's safety program, the Inspector General also acknowledged that the audit did not reflect FRA's new SACP process, which the IG noted has "the potential of becoming an effective railroad safety program." Accordingly, the IG noted that its recommendations were considered resolved, subject to routine follow-up action.

The Department believes that the new rail safety program represents an effective management tool as measured by actual safety performance. For example, between 1993 and 1996, rail-related fatalities decreased 20 percent; the train accident rate declined 16 percent; and, employ on-duty casualties dropped more than 40 percent. These numbers show that the SACP approach of partnerships focusing on systemic safety issues works.

In order to continue the necessary support for these efforts, in FY 1998 railroad safety spending as proposed in the President's budget would increase by 12 percent, to \$57 million. This additional rail safety funding would also support the FRA's efforts to transform its rulemaking process through its Railroad Safety Advisory Committee (RSAC) and support acquisition of a new automated track inspection vehicle. The RSAC uses partnerships with rail industry management, labor and other stakeholders to produce rules that are more fact-based, less intrusive, less adversarial and ultimately more effective in promoting safety.

Maritime Safety

Finally, we're proposing to increase maritime safety funding to \$797 million -- including Coast Guard programs to improve vessel and recreational boating safety. Coast Guard's Government Performance and Results Act pilot program shows the improvements that can be

made when we start thinking in a results-oriented manner. For example, the performance goal to “reduce worker fatalities from maritime accidents” prompted an analysis that revealed an inordinately high towing vessel fatality rate. The Coast Guard shared this information with industry and formed a partnership to determine the primary casualty causes, resulting in specific voluntary preventive actions on the part of industry and the Coast Guard. This effort contributed to a significant decline in the towing industry fatality rate, from 91 per 100,000 workers in 1990 to 36 per 100,000 workers in 1995. This effort has been cited by GAO and others as an example of what the GPRA process can achieve.

Aviation Security

This past year, consistent with the recommendations of the White House Commission and the FY 1997 appropriations, the FAA initiated planning for new measures to strengthen airport security, including the purchase of a significant number of explosive detection devices, upgraded x-ray equipment, and the hiring of 300 security personnel over two years. Let me review for you some accomplishments to date on the progress made by the Department and the FAA on the implementation of these strengthened security measures. Management of the implementation of these strengthened security measures involves partnership with industry, stepped up procurement, and close cooperation with other government agencies.

Airport consortia, the foundation of our new call to partnership, have been established at all of the 41 major airports where FAA security personnel are permanently deployed, and they have submitted action plans to the FAA for review. These will serve as a model for formalizing 152 additional consortia at airports nationwide.

Through its streamlined procurement system, the FAA ordered 54 certified explosives detection systems (EDS) and all of them should be deployed by early 1998, at the rate of two to three a month. As you know, units have already been deployed at airports in New York, Chicago, San Francisco and Atlanta.

The Screener Proficiency Evaluation and Reporting system, known as SPEARS, includes computer based, multi-media screener training, as well as on-line, threat image projection. Computer-based training for x-ray machines and the threat image projection component is now available and installed at the Seattle, Miami and Chicago O'Hare Airports.

Deployment of explosives trace detection devices began with the installation of two units in November 1996 in Atlanta and continues today at Chicago, New York and Washington area airports. Contracts have been awarded to purchase up to 190 trace explosives detection devices and additional contracts will be awarded for an additional 299 trace explosives detection devices, as well as 20 automated x-ray devices and several quadrupole resonance detection devices. All of the systems will be in place by December 31, 1997.

The FAA is expanding the K-9 program, the deployment of police officers with bomb-sniffing dogs at large airports. In cooperation with the Department of Defense, the first training class concluded March 25th and three more classes are now underway for students from three major airports.

Aviation Financing

Just as the Interstate highway system expanded the potential of our national economy in this century, so aviation is tying us to an expanded global economy as we enter the 21st century. Aviation has not only brought Americans closer to each other, it has brought us closer to the rest of the world. Our aviation system is vital to our domestic economy and to our nation's global economic competitiveness. I can assure you that the Department will use the leverage provided by access to the vast United States market to urge our aviation partners to adopt more open markets -- and to ensure expanded access to their markets for United States carriers.

Financing all of our aviation system's needs -- airports, airway facilities, security, and FAA operations -- is a critical priority for us and has been recognized by this Committee as a

problem that must be dealt with. We want to work with Congress to establish a reliable, *long-term* funding base so that the FAA can provide the services our aviation system needs. As you know, members have been appointed to the new National Civil Aviation Review Commission, and they are beginning their work to analyze FAA financing requirements and ways to fund them and to help reach a consensus on what course to take.

We have been proposing for some time to change the financing structure for FAA from aviation excise taxes to cost-based user fees. In the long run, we believe that is an effective way to promote efficiency in both the provision and consumption of FAA services and ensure that FAA will continue to receive the resources it needs to be able to provide the services that aviation users demand. In the Federal Aviation Reauthorization Act of 1996, Congress gave us specific new authority to charge for the air traffic services provided to those flying through our airspace but not taking off or landing at a U.S. airport and FAA has begun to charge these fees.

Just as we have pursued different financing mechanisms, we have also pursued financing efficiency. The 1996 Act permitted us to select ten airport development projects to demonstrate innovative financing techniques that were not otherwise permitted by statute. In response to its invitation, FAA has received 12 written expressions of interest that contained sufficient detail on which to base a preliminary concept decision. A panel with expertise in airport financing has reviewed the proposals and recommended that five be advanced to the next step. Five applicants will be invited to provide additional detail to support formal applications for Airport Improvement Program funds.

The proposed projects include construction of a safety-related building, new runways to provide additional airport capacity, and mitigation of airport noise impacts. In addition, each of the three innovative financing mechanisms authorized under the 1996 Act -- payment of interest, credit enhancement, and flexible non-Federal share -- would be tested by at least one of the proposals.

Air Traffic Control Modernization

While over the last 15 years FAA has replaced many of the large surveillance radars and built new terminal control facilities at four large hubs, clearly a good deal of the air traffic control modernization that FAA was planning for did not occur. Several lessons have been learned. Most projects were two to three years behind schedule and costs exceeded estimates on average by 20 percent. The Advanced Automation System had the biggest problems with a potential \$3 billion cost overrun and a four year schedule slip. Action was taken early in the life of this Administration to rectify the problems, and I am proud to say that the enroute and terminal automation programs that replaced the AAS have remained on schedule and within cost. This required sound application of management techniques.

The Acquisition Management System that was developed with procurement reform allows FAA to prequalify vendors and test potential equipment before awarding a contract. This minimizes the probability of inadequate performance, reduces the time it takes to award contracts, and saves the FAA and suppliers significant amounts of money in the process. Two internal steps have also been taken to improve the procurement process. One is a much tighter management of cost and schedule baselines. The second is increasing the purchase of commercial off-the-shelf equipment and software. The Standard Terminal Automation Program is an example of how this can work. Because FAA limited the scope of this procurement to existing terminal automation systems, they were able to award a contract in six months instead of 12-18 months, and first delivery is scheduled to occur in less than two years, compared to the four years under previous contracts for custom designed systems.

Amtrak Financing

As a private sector railroad, Amtrak has the opportunity to manage effectively -- what it needs is funding. We have proposed changes in the financing for Amtrak -- to provide more stability in its direct funding by requesting contract authority (beginning in FY 1999) and

funding from the Highway Trust Fund. Also we propose to permit states to help meet Amtrak's financial needs from state apportionments of National Highway System and Surface Transportation Program funds where state officials see Amtrak as a key part of their transportation systems. Amtrak is a key part of the Nation's intercity transportation system and that a combination of cost savings, revenue generation, and capital support is essential if Amtrak is to achieve eventual operating self-sufficiency. The total level of capital support for Amtrak in our NEXTEA proposal is directly tied to Amtrak's ability to reduce spending and increase revenues so as to reduce its reliance on Federal operating grants. The intent of this arrangement is to encourage Amtrak to operate in the most efficient and effective manner. Our NEXTEA proposal would also let states, for the first time, use their National Highway System and Surface Transportation Program funds for Amtrak infrastructure. We believe that is the right kind of expansion of the flexibility ISTEA provided six years ago. Each transportation mode is an important element in contributing to a seamless transportation system. Permitting state officials to use Federal funds in the most effective way to meet their needs will help ensure the full realization of this goal.

Common Sense Government

As we look to the challenges of the 21st Century we must focus our attention on what the Department can and should provide and how we can do that in the most efficient and effective way. We have developed a common sense approach to all that we do, which has six elements:

- We have developed a customer focus to provide the users of the system with services and outcomes which they need and want.
- We have used performance based goal setting to identify what we must accomplish and we have identified important management strategies to accomplish the work.

- We have invested in our workforce to make sure we have highly skilled and diverse employees capable of meeting the new challenges of the global society and information age.
- We have developed strong alliances and partnerships with other government agencies, the transportation related industries and the users of the system.
- We have streamlined our internal structures to ensure that the resources we have are meeting the needs of the American public.
- We have streamlined our processes to make them work better and harnessed new technologies to better serve us in our work.

DOT Organization Structure

One of the best examples anywhere of the new way of doing business is the reinvention of the United States Coast Guard. They are pursuing an aggressive streamlining plan to restructure headquarters and the major field commands. They have cut overhead expenses, a cumulative \$400 million by 1998, and are trimming their workforce by 3,500 people, even as they step up their efforts in safety, environment and drug enforcement.

The Department has been focusing on ways to best utilize its field structure so that we can continue to improve service delivery to our customers through a restructured field operation. One of our key objectives as we consider field office consolidation is how to enhance safety. A Co-Location Task Force with representatives of each operating administration will identify opportunities, via sensible space sharing, to improve customer service, reduce costs, and increase efficiency. The Task Force has identified potential co-locations for further review and analysis and is now in the process of conducting such analysis. Last summer as a result of this focus on field operations, FHWA and NHTSA decided to co-locate their offices in Baltimore. This co-

location provided space saving, savings in technology investments and best of all improved service to the customers and sharing of planning and safety information. The Task Force has recently worked with several modes and finalized plans for the co-location of offices in Kansas City. Approximately sixty other offices are under review for consolidation. Also, we have begun to open metropolitan offices in Los Angeles, New York, Philadelphia and Chicago to combine the resources of FHWA and FTA to meet specific local needs.

Another example of our efforts in this areas is the formation of the Transportation Administrative Service Center (TASC). In FY 1996, TASC was created as a business enterprise operating in the competitive marketplace to provide common administrative services for the DOT operating administrations and OST, and to serve as the locus for consolidation of administrative functions in the Department. TASC has used state-of-the-art technology to consolidate administrative services and provide the American public with easier access to important transportation information. For example, TASC has consolidated the Department's nine separate dockets operations into one fully automated TASC Dockets Management System. DOT rulemaking and adjudicatory information is electronically available to stakeholders, partners, customers and to the general public. This information will be available on the Internet later this year and in FY 1998 we will begin accepting public comments and filings via the Internet.

Process Improvements

As you know, the Department has been aggressive in implementing the recommendations of the National Performance Review. For just one example, we are delivering Federal assistance faster than in the past: FHWA and FTA are now offering the States and transit agencies "electronic signature" on grants, which can cut payment processing time from four days to one. And the Department has achieved its goals of eliminating over 1,000 pages -- 13 percent -- of DOT's external regulations and cutting our internal directives and orders by more than 50 percent. Just one example of this is that the FAA replaced a foot thick stack of personnel rules

with a 41-page booklet.

The Department has completely revamped our procurement systems. We have established a Procurement Reinvention Lab to waive red tape and try new approaches to procurement, focusing on simplifying the system and giving line employees greater authority to make quick, sensible purchasing.

The Information Technology Omnibus Procurement (ITOP) program is a good example of this reinvention. ITOP is delivering a wide range of information technology services in record time and providing highly qualified, proven support to DOT and other federal agencies. ITOP has streamlined procurement by allowing the use of oral proposals, limiting source selection criteria, and reducing the amount of paperwork for technical proposals. ITOP is also creating a database of references to assist customers in evaluating contractors' past performance when making a decision on future contracts.

DOT's Financial Accounting

The Department is also continuing to implement improvements to its financial management systems through technological advances. For example, we are making innovative use of commercial-off-the-shelf software to implement a "paperless" travel management system that ties to our accounting system. We have automated accounting reports so that managers have current information. We have closed almost 600 imprest funds and reduced the amount of cash held outside Treasury by almost \$5 million.

We have made good progress in developing our financial statements as evidenced by the number of our financial statements certified by the OIG in FY 1995. The OIG has identified some problems that largely center around weaknesses associated with accounting for property and equipment and operating materials and supplies. Even though these problems are complex

in nature and long standing, we are addressing them. Although many assets have been in our possession for long periods of time, historical cost records are often incomplete or nonexistent.

The Department currently depends on a manual review processes and incompatible (or nonexistent) subsidiary systems to process transactions associated with both property and equipment (P&E) and operating materials and supplies (OM&S). Without modern systems, we are finding it difficult to properly classify (capitalize or expense) these assets at time of purchase. Our accounting system (DAFIS) depends on the data captured by these subsidiary asset management systems to generate asset balances for the financial statements.

We are taking a sound, comprehensive approach to correct all of these deficiencies. This approach requires us to work in a collaborative manner with Departmental program offices and accounting offices. The OIG is also playing an important consultative role in this process. Although some of our corrective actions will be completed within the next six months, resolving all of the deficiencies will require more time. Significant actions already underway relate to conducting physical inventories that will establish the basis for assigning proper values to the assets on hand. Concurrently, we will be reconciling this information to the General Ledger accounts contained in DAFIS. In July 1997, procedures will be in place to give better visibility to assets at the time of purchase to ensure that they are properly classified as either capital assets or expenses.

New systems will also be necessary to sustain the corrective actions outlined above. The Department is employing a coherent strategy with regard to acquiring and implementing these new systems. For example, we will use commercial-off-the-shelf (COTS) software that is able to integrate with other financial management system applications. These COTS applications will comply with the standards issued by applicable authorities.

Information Resources

In the Information Resources section of their report, GAO concludes that the Department's information resources and databases are not adequately managed and that this hinders efforts to achieve our mission. Examples cited include problems in FAA, Coast Guard, FHWA and NHTSA.

The problems cited by GAO are not new. In fact, the Clinger-Cohen Act was enacted to address these kinds of technology shortcomings. It recognized the importance for an integrated technology architecture and assigned the responsibility for its implementation to Departmental Chief Information Officer. We now have formalized the Chief Information Officer organization within the Department with a reporting link directly to Secretary Slater. The Department is conducting a search for a Departmental Chief Information Officer who will be part of the Department's senior management team. In addition to the Department's technology architecture, a priority of the CIO will be to establish processes to support effective technology investment decisions and to ensure we are achieving the performance we expect from those investments. I am very optimistic that through the CIO the Department will see stronger management of all aspects of the Department's information technology program.

GAO also was critical of our efforts to address the Year 2000 computer problem. I can assure you that the senior management of the Department is aware of the implications if we do not solve this problem. We are making progress addressing requirements in our automated systems, equipment with embedded microchips and with the industries we regulate. Certainly the most visible concern is with the air traffic control systems. FAA has a strong program in place and will complete an assessment of a portion of the air traffic control system in June.

The IG has pointed out that the data in Coast Guard's Marine Safety Information System

(MSIS) is not current or reliable to identify vessels overdue for inspection and the Department agrees with the IG's assessment. Coast Guard's MSIS is technologically obsolete, difficult to maintain and unable to support Coast Guard missions. MSIS is currently being replaced by a new system, the Marine Information for Safety and Law Enforcement, that will not have the problems of the MSIS.

Compliance with Existing Requirements

Both the IG and the GAO have identified areas where the Department should have been more aggressive in its enforcement or requirements. One of these areas is suspected unapproved parts (SUPS) in aviation. I am glad to say that the FAA and OIG have come to recognize that success requires cooperation between FAA's regulatory and the OIG's law enforcement responsibilities. Because of this, the FAA has taken 178 regulatory enforcement actions against parts violators in the past five years and OIG criminal investigations have resulted in 173 indictments and almost \$50 million in fines, restitution and recoveries.

This Committee held a hearing on airport revenue diversion almost one year ago and I am pleased to report that the Department has taken steps on a number of issues to resolve revenue diversion matters. While there are still airport revenue diversion matters before the Department, the Department has focused efforts on high profile diversion matters in an effort to highlight the Department's commitment to enforcing prohibitions against revenue diversion. Actions taken by the Department since that hearing have resulted in the return of over \$95 million to airports, and the FAA has informed the OIG that it will request the return of an additional \$28 million to an airport from its sponsor. The Department is now focusing its efforts on finalizing a national airport revenue diversion policy to ensure that Congressional mandates are met.

Effective and Efficient Use of Surface Transportation Investment Funds

Strategic investment in the nation's transportation infrastructure is critical to this nation's economic prosperity and quality of life. We must make these investments strategically and smarter, as has been recommended by both GAO and the IG. As Secretary Slater discussed with you, working with the Congress, over the past four years (FY 1994-97) we have increased Federal investment in highways, transit systems, and other infrastructure to an average of \$25.5 billion, more than 20 percent higher than the average during the previous four years. Our investment is producing results, even with many of these projects still under construction. For example, the latest data on the National Highway System shows us that the condition of bridges and pavement has improved significantly. System performance -- as measured by peak hour congestion, which had been deteriorating -- has now stabilized.

The Department is committed to a long-term infrastructure investment program and has taken steps to bring the management of large dollar infrastructure projects under control.

At a cost of over \$1 billion per mile, the Central Artery/Tunnel project is the nation's largest and most expensive highway project. This project has received substantial attention largely due to concerns over the cost, project scheduling, State financing ability and project oversight. The Federal Highway Administration has continually adjusted its staffing locally to recognize the challenges in oversight of this project and currently has a staff of thirteen professionals including engineers and other program specialists dedicated exclusively to the project. Local upper management receive monthly management briefings on the project, with FHWA headquarter's management, including the Executive Director, participating in the briefings at least once every quarter. With the state's completion and FHWA's acceptance of an initial and updated financial plan for the project, cost, scheduling and other concerns are continuing to be addressed. FHWA and the Massachusetts Highway Department are currently developing plans for producing a technology sharing program that would share best practices or lessons learned on the Central Artery project in both technological and in management areas.

The areas of emphasis would be those that would promise a high payoff in cost or schedule control or in the avoidance of problems for other large and small projects throughout the nation.

Concern has also been raised about the management and costs of the Los Angeles Red Line transit project. The Federal Transit Administration has taken aggressive steps to deal with these concerns. FTA tasked an independent contractor to conduct a financial capacity analysis of the Los Angeles County Metropolitan Transportation Authority's (MTA) transportation program. This financial analysis, completed in April 1997, confirmed our concerns about the MTA's ability to finance the Red Line project within existing financing constraints. The FTA Administrator then wrote to the MTA Board Chairman and stressed the difficult, but inevitable, decisions the MTA Board must make in prioritizing its many projects to fit within a financially constrained long-range transportation plan. He questioned the optimistic financial assumptions of MTA's recovery plan, particularly in light of all of the commitments into which the MTA Board has entered -- the Red Line subway project, the Blue Line light rail project, the bus program, and the consent decree. On May 13-14, FTA officials met in Los Angeles with MTA officials to ensure that the MTA's revised recovery plan is based upon realistic revenue and expense assumptions and enhances their ability to manage this critical large-dollar construction project. FTA is in the process of restructuring the entire MOS-3 Red Line Full Funding Grant Agreement, and expects to have a restructured North Hollywood component executed within the next few weeks. Other segments are dependent on the MTA's final recovery plan.

In the past, the Federal Transit Administration's grant management was on both the GAO and OIG high risk list because, until 1993, those agencies found that FTA focused more on awarding grants than on ensuring their proper use. Oversight was found to be superficial and inconsistent. Since that time, FTA has made substantial improvements in its process to oversee its grants program, including organizational changes, increased oversight staff levels and better training. FTA has now gone from relying primarily on grantee certifications of compliance to an active approach to its grant management, oversight and enforcement responsibilities. FTA's philosophy is to assist grantees to identify and correct deficiencies or problems before they

become significant. In the major construction arena, for example, FTA has been sponsoring Construction Roundtables where the Chief Engineers/Administrative Officers of our largest grantees undertaking major new fixed guideway transit construction projects convene semi-annually. These Roundtables have been extremely successful forum for face to face exchange of technical information, and to establish a network for advice when problems develop.

In addition, our management of infrastructure investment must include new thinking and new techniques. President Clinton early on recognized that the only way to lay the foundation for renewed American prosperity is to spur both public and private investment. In response to the President's direction, the Department initiated the Partnership for Transportation Investment. Through that Partnership, we have supplemented our traditional surface transportation grant programs with innovative financing, stretching our transportation investments further. Our efforts, which have focused on public-private partnerships, have accelerated more than 74 projects with a total value exceeding \$4.5 billion.

State Infrastructure Banks, now being established in 10 pilot states, are beginning to offer new financing tools for a variety of transportation improvements -- such as toll roads and intermodal terminals. The FY 1997 Transportation Appropriations Act gave us authority to select additional states to participate in the SIBs. We have received 26 applications from 29 states, including two multi-state applications, for additional SIBs and expect to make announcements on those applications shortly. Since projects are just being initiated under the new SIBs, and experience is limited, some have suggested a potential for as much as a 4-to-1 leveraging factor from funds deposited in SIBs.

In addition to stretching our dollars further, the Department is also using technology to expand our transportation system. DOT has made substantial progress with Intelligent Transportation Systems (ITS) - applying computer technology to improve transportation system safety and throughput. DOT's program of ITS research, testing, and technology transfer is aimed at simultaneously solving congestion and safety problems, eliminating operating inefficiencies in

transit and commercial vehicles, and reducing the environmental impact of growing travel demand. Since 1991, the accomplishments of the ITS Program have included a long-term basic research program, tests of numerous technology applications, development of a national architecture and initiation of an unprecedented standards development program. We have already taken the first steps with model deployments of integrated travel management systems in four metropolitan areas, and commercial vehicle intelligent systems in eight states. We have established a baseline of deployment to date and will report progress in reaching this goal on an annual basis. We believe ITS infrastructure will provide for our surface modes, in many respects, what air traffic control has provided for aviation -- an ability to manage operations -- for improved safety, greater efficiency within the same infrastructure, less environmental impact, and greater predictability for the customer.

We are also actively promoting use of advanced materials to cut installation costs, reduce maintenance needs, and stretch infrastructure lifetimes. The first high performance concrete bridge -- the Louetta Road overpass in the Houston, Texas area -- is now being installed, and will serve as a showcase for this technology. High performance steel offers improved corrosion resistance, easier repair, and eliminates the need for repainting. Carbon-fiber column wrappings can be used to strengthen existing bridges, and improve their ability to survive earthquakes. We view technology as a key element in our strategy to assure infrastructure availability.

Conclusion

As I mentioned earlier, the Department's priorities are addressing the challenges and issues raised by the GAO and the IG. The Department has made good progress in making management a top priority as evidenced by the material previously discussed. We look forward to working with the GAO, the IG, this Committee and the Congress on these and other issues. The shape of transportation in this nation and the quality of life of all Americans depends upon our vigilance in this effort.