TALKING POINTS FOR DEPUTY SECRETARY DOWNEY
PMC MEETING, MARCH 1, 1995

Issues to Consider When Making Field Restructuring Decisions

- One primary focus of our restructuring efforts needs to be improving customer service. We need to have more front line employees in the field working directly with our state and local partners and providing services directly to customers.

- Currently DOT has almost **1700** field facilities

- **1140** of these 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, and 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. These programs also are not prime candidates for relocation, although they are the kind of small offices that could benefit from some form of consolidated administrative services.

- This leaves around **300** DOT field facilities -- about half of which are regional and district offices for our grant programs, and half are technical and administrative support offices -- ripe for restructuring. In these areas, we are currently determining how to best move away from a hierarchical field structure and drastically reduce the numbers of managers, overseers, and checkers.

- We should focus our initial restructuring efforts in large metropolitan areas, since this is where the bigger payoffs from restructuring will come. The best place to begin restructuring is in major metropolitan areas with many large, multi-functional Federal offices.

- Metropolitan 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 best 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 Federal offices to be collocated with state and local governmental offices rather than with other Federal offices.

- We may also reap significant restructuring benefits by establishing operational hubs -- centers which house the operational portions of a variety of programs all dealing with the same or similar customers. For example:

  - Creating an operational hub to interact directly with state and local grantees under a variety of Federal programs

  - Establishing one office as a home base for Federal inspectors in a particular region. At this location, walk-in services would be providedand customer's questions or concerns could be quickly steered to the correct inspector.

DOT FIELD OFFICES

TOTAL	1,693
USCG	485
FAA	951
FHWA	139
FRA	54
NHTSA	10
FTA	10
MARAD	20
RSPA	10
IG	14

DOT FIELD OFFICES

OPERATIONS	1,140

USCG 340

- Small boat stations
- Aircraft stations
- Aids-to-navigation teams

FAA 800

- Air traffic control towers
- Flight service stations
- Route traffic control centers
- Terminal approach radar control facilities
- Air facility sector field offices
- Aircraft maintenance buildings
- Air route surveillance radar facilities
- Remote communication outlet facilities

DOT FIELD OFFICES

SAFETY	235
FAA	104
- Flight service district offices - Civil aviation security field offices - Aircraft certification offices - Manufacturers inspection district offices - Federal security management offices - Airway facilities sector offices - International field offices	
FHWA	77
- Motor carrier regional/field offices	
FRA	54
- Regional/field offices conducting railroad inspections	

DOT FIELD OFFICES

OTHER	167
USCG	135
- Support engineering, electronics, administrative training	
FAA	18
- Airport district offices	
OIG	14
- Audits/investigations	

DOT FIELD OFFICES

PROGRAM OFFICES	151
USCG	10
- District offices	
FAA	29
- Regional offices - Other administrative offices	
FHWA	62
- Federal aid regional/division offices providing technical assistance and services - Federal lands offices	
NHTSA	10
- Regional/field offices handling contracts/grants	
FTA	10
- Regional offices handling grants	
MARAD	20
- Regional/field offices handling RRF, maritime development, and training	
RSPA	10
- Pipeline safety, HAZMAT, R&D	

3.71

REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
FORUM ON FUTURE DIRECTIONS ON
TRANSPORTATION RESEARCH AND DEVELOPMENT:
WELCOME AND INTRODUCTORY REMARKS
WASHINGTON, D.C.
MARCH 6, 1995

Good morning. On behalf of the National Science and Technology Council, as well as Secretary Peña and the Department of Transportation, I'd like to welcome you to today's "Forum on Future Directions on Transportation Research and Development."

We view this conference as an important way of advancing the Clinton Administration's ongoing interagency review of federal research and development activities.

This review is far more comprehensive than examinations done by prior administrations, and reflects our belief in the critical significance of research, development, and deployment of new technologies.

Technology initiatives should play a key role in our efforts to create jobs today and strengthen American economic competitiveness tomorrow.

They are America's key competitive advantage, if we move effectively to realize their promise.

They also can help us to meet challenges in areas ranging from air quality to deteriorating infrastructure to mobility for senior citizens and citizens with disabilities.

We're concerned, however, that the federal government may not have been making the most of its investment in transportation technology -- an investment that this Administration has been increasing.

We want to make sure that we get real results for our dollars, that we are focused on the real issues, and that our investment meets real needs and takes advantage of real opportunities.

That's why the Clinton Administration created an Interagency Coordinating Committee on Transportation Research and Development as part of the National Science and Technology Council.

I have the responsibility of chairing that committee, and we've moved out on several fronts, with the combined resources of all the departments with related interests -- DOT, NASA, Energy, Commerce, EPA, and Defense, as well as several White House agencies.

First, we're trying to define a vision of this nation's future transportation system that will operate effectively and yet is consistent with realistic expectations about what we can invest.

Second, we're working to identify the technological breakthroughs that are going to be needed to make that vision a reality.

Third, we're developing a clear definition of just what exactly "transportation research" is -- and identifying what the federal government is doing in this area. Given the complexity of research and the intricate interrelationships among fields, this isn't as easy as it sounds, and we've uncovered both duplications of effort, and real opportunities to leverage results.

Fourth, we're designing an effective method for coordinating the federal research work we've identified, so that we make the most of the resources available to us -- both those from the public and the private sectors.

Fifth, this committee is designing an efficient way of getting outside review of plans and proposals for research projects -- so that we can have independent evaluations of their relevance and their promise.

All of this will let us feel relatively comfortable that we're making the best use of scarce resources -- funding that will be relatively limited even after the increases that the Clinton Administration has supported.

Today's and tomorrow's sessions of this group will give us an opportunity to hear from a broad cross-section of transportation technology providers and users.

It'll let us hear from you about what you have found useful in the past, what research needs you see, and what direction you believe federal transportation research should move in coming years.

We see that as critically important to the success of this initiative.

The transportation sector is unusual, if not unique, in its complex mix of public and private organizations, multiple levels of government jurisdiction, and different modes -- some complementary, some competitive.

That makes focusing research a real challenge, and one that we hope this forum can help us to meet.

Your participation is crucial. Early guidance from you about the priorities and relevance of work in a number of federal agencies can help us to direct our efforts much more effectively.

If this forum proves to be useful, we hope to follow it up with other sessions focused on specific research areas. Similar forums have been most useful in identifying national priorities in other fields.

I'll be speaking in greater detail later about our research efforts and how we're coordinating them, so I'd like to close now by challenging you to consider not only *what* we should do in the way of research -- but also *how* we should do it.

What are the types of arrangements and partnerships that will generate real results for transportation providers and customers -- and provide even stronger links with the research community?

I look forward to a productive two days.

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REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
FORUM ON FUTURE DIRECTIONS ON
TRANSPORTATION RESEARCH AND DEVELOPMENT:
THE FEDERAL RESEARCH AND DEVELOPMENT STRATEGY
WASHINGTON, D.C.
MARCH 6, 1995

Opening

This morning I'd like to talk about our interagency vision for transportation research and development -- our guiding principles -- and our priorities and objectives as we are developing them within the cooperative system Dr. Gibbons has outlined.

That will give you some of the broad background that may be helpful in the discussions of the next two days.

Challenges to our transportation system

I'd like to begin by emphasizing the obvious: as a continental-sized nation, separated by vast oceans from its trading partners, the United States owes much of its present prosperity to the flexibility, low cost, and efficiency of its transportation system.

When you take a moment to think about the daily tasks this system performs, it is truly amazing.

But that system faces unprecedented demands for renewal and improvement.

A fast-paced, information-intensive economy is changing the patterns of people's wants and needs to travel.

Modern production and management methods are radically reshaping the shipping needs of businesses.

At the same time, the nation's transportation system is being expected to meet increasingly-high standards in its reliability, cost, timeliness, safety, and environmental impacts.

Meeting these demanding expectations, ensuring the vitality of a key part of national infrastructure, and enhancing the competitiveness of this system needs the support of a vigorous research and development effort in which federal investment, coordination, and stimulation plays a critical role.

Transportation represents a significant element of our overall national assets and our annual expenditures. American households, businesses, and governments spend over a trillion dollars annually on transportation of people and goods -- a full sixth of our economy.

Importance of the federal role

The federal government has played a major role in supporting innovative transportation technologies.

While there *is* an important partnership with industry, the fact remains that government owns and is responsible for much of the nation's transportation infrastructure.

In addition, we all know that the benefits of investment in transportation systems can often be measured only over a period of several decades.

Government is best positioned to undertake or support this form of long-term investment.

In such a capital-intensive area, then, the risks of research investments can be very high, and the return can be so distant that private sector support is unlikely.

Since the public benefits of long-term research often can't be fully captured by private investors under these circumstances, federal research partnerships are essential for ensuring innovation.

The federal government also has a unique responsibility for protecting the public interest in areas such as environmental quality, passenger safety, and safety.

The objectives of both business and government can be achieved through well-designed research programs that optimize and leverage both governmental and private sector resources.

Often, the kinds of long-term research needed to achieve major gains in vehicle efficiency, emissions, or safety are precisely the kinds of research needed by companies to protect their competitive position in domestic and international markets.

Research leading to improved aircraft, ships, land vehicles, and other transportation technologies are often critical for national security.

In the past, we have seen these military technologies mature into civilian use. But now we see that many defense technology needs can be met at less cost when research is managed in a way that encourages technology that immediately supports both defense and civilian markets as a means of bringing down costs.

The Department of Defense can no longer afford to support research to sustain firms specializing *only* in defense markets. Enormous savings can be achieved if defense products can be purchased from commercial businesses.

As Dr. Gibbons has told us. addressing these challenges with respect to the federal role in science and technology is a first priority for the NSTC, and its

Committee on Transportation Research is charged with ensuring that federal investment in transportation research conducted by all agencies is...

...coordinated to ensure efficient use of federal funds aimed at this mission...

...focused on projects that have been verified by users, industry and other stakeholders as being the most critical to achieving success...

...and limited to areas where it's clear that major public benefits can *only* be achieved through cost-shared federal research.

The Committee's vision is one of a sustainable and seamless intermodal transportation system that effectively ties America together and links it to the world.

This system will help citizens and businesses meet their needs by providing efficient, safe, secure, and environmentally-friendly transportation of people and goods.

It will result from a strengthened partnership between government and the private sector that balances effective management and renewal of existing infrastructure, strategic deployment of new technologies and infrastructure, drawing upon research and development that supports that balanced approach.

NSTC transportation goals

The building blocks for achieving this vision are a sound physical infrastructure...

...a broad array of technological, design, and system management alternatives that enable the most effective use of the physical infrastructure...

...and a comprehensive understanding of the system and its operations.

Realizing this vision will require us to achieve the following goals:

First, the creation of a system of personal transportation that meets people's travel needs conveniently and with a minimum of cost and delay.

We want government and industry to work together to achieve the following transportation breakthroughs within a decade:

...the prototype of an affordable, attractive automobile capable of up to three times today's fuel economy and meeting future standards for safety and air pollution...

...a technology base that will enable the development of a new generation of safe subsonic and high-speed

civilian aircraft that far surpasses today's aircraft in affordability, efficiency, and environmental compatibility...

...a safer, more efficient, and more productive air traffic management system drawing on satellite-based technology...

...advanced, integrated transportation information systems that will monitor system performance and provide users with maximum flexibility and choice but minimum congestion and environmental impact...

...technologies that will result in bridges and highway surfaces capable of lasting years without frequent or major maintenance...

...a system of intermodal freight transportation that supports both traditional shipping needs and the new requirements of industries relying on fast, reliable, flexible deliveries.

...a civilian space launch industry capable of competing successfully in an unsubsidized international market...

...and a federal procurement system based on life-cycle costing and performance specifications that support innovation and meet ambitious safety and environmental goals efficiently and with a minimum of regulation.

Finally, we need to develop a governmental structure that supports wise and effective decisions, policies and legislation based on comprehensive private and public sector input...

...building on a solid fact base regarding the transportation system's condition, performance and operations...

...and effectively evaluating the impacts and implications of alternative choices and courses of action.

Guiding principles

This vision and its goals were crafted around several guiding principles:

...establishing research priorities in partnership with industry and state and local governments...

...ensuring sound federal support and effective interagency coordination for the key areas of basic and applied research that will enable us to meet our goals, including such topics as materials and systems analysis...

...using independent evaluators for project selection , so that merit will be rewarded...

...significant sharing of costs by industry in *all* applied research...

...giving priority to projects capable of achieving *both* business successes and meeting such social goals as environmental protection...

...and finally, working within federal budget limits without the expectation of new money.

No matter how well-designed it may be, federal research investment is only *one* element of a national strategy aimed at ensuring the continued safety and efficiency of our transportation system.

We must also promote a climate that rewards business investment in research as a principal source of innovation in transportation.

Although it may not be obvious, this also means reducing the federal deficit so that federal borrowing doesn't crowd out private investment, and trade policies that will ensure the widest possible world markets for reinvented American transportation products.

We also need a regulatory system that achieves environmental and other social objectives at the lowest possible cost and with the lowest possible business burden.

This means regulations that emphasize performance not prescription and administrative measures that cut red tape. In our research programs as well as our investments, we must remember that our goal is building bridges, not bureaucracies.

Finally, we've got to promote lifelong learning to ensure that Americans are equipped to build, operate, maintain and use tomorrow's sophisticated transportation systems.

We actively support a balanced national program in these areas.

Research priority categories

The committee I chair identified research needs and priorities by considering transportation systems in terms of four broad categories.

The first three categories include the visible elements of our transportation system:

...physical infrastructure such as roads, railways, ports, and airports...

...the information infrastructure, such as the sensors, computers, and communications facilities that increasingly will provide for enhanced traffic control and management...

...and the next-generation transportation vehicles for land, sea, air, and space.

Our fourth category captures the overall systems-level considerations of transportation system design, planning,

management, and operations -- in essence, the analysis of how the other three functions interrelate.

Our progress in each of these four areas is limited by many non-technological factors, but research and development can have a major -- and often critical -- impact on our success.

Since the provision of transportation services and equipment is largely a private sector activity, industry will generally have an important -- or even dominant -- role in many aspects of research and development.

However, federal participation can be critical in identifying needs and goals, determining concept feasibility, demonstrating and evaluating performance, and transferring technology to users.

Research objectives

We've developed a series of objectives for coordinated public and private research for each of the categories I've talked about.

For our physical infrastructure, we want to develop materials, design methods, and other technologies for low-cost, long-lasting highways, bridges, airports, and other structures.

For the information infrastructure, we want to apply the innovations available from the national information

infrastructure to develop and deploy an Intelligent Transportation System that will give us safety and efficiency in our transportation system's operation.

For the next generation of transportation vehicles, we have set objectives for each form of transportation.

In aeronautics, we want to maintain our world leadership in aircraft, engines, avionics, and air transportation management systems.

We want to ensure reliable and affordable access to space through a stronger American space launch capability that meets the needs of national security and the commercial sectors.

For cars and light trucks, we want to renew America's leadership in automotive technology through the development of a new generation of energy efficient, low-emitting vehicles. The government-industry Partnership for a New Generation of Vehicles is a landmark step in that direction.

For heavy-duty trucks and buses, we want to invest in improved materials, components, and design concepts to ensure American leadership and to meet our national goals for improved access, energy efficiency, and air quality.

For rail vehicles, we want to position American companies as world technology leaders, seeking export

markets by facilitating technological innovation in rail vehicle design and construction.

Lastly, we want to restore the competitiveness of American ship building, ship repair, ship design, and ship production through a variety of coordinated measures including the support of new technology.

The fourth and final category I discussed earlier is transportation system-level considerations -- the factors to evaluate the system's performance and to understand the human factors involved.

Here we need to develop the information required to make effective decisions about the safe operation of existing transportation systems as well as new investments.

And we cannot lose sight of the need to integrate how people actually function in our design of transportation systems.

Incorporating that understanding into our systems will yield tremendous benefits in safety and efficiency.

Closing

In this session, I've talked about our vision for research and development -- our guiding principles -- and our priorities and objectives.

I'd like to close by asking you to consider these closely in your deliberations over the next two days.

Your viewpoints, your knowledge, and your experience is going to be extremely helpful as we reach judgments about federal transportation research and development.

I look forward to hearing your views.

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TALKING POINTS
THE HONORABLE JOHN H. GIBBONS
FORUM ON FUTURE DIRECTIONS IN
TRANSPORTATION RESEARCH AND DEVELOPMENT:
INTRODUCTION OF SECRETARY PEÑA
MARCH 6, 1995
WASHINGTON, D.C.

* **Our speaker tonight is a man who has been described as a pragmatic visionary. As Mayor of Denver, he dared to imagine a great city, and now Denver has been transformed into a city for the future.**

* **His vision was shown again just last week, when Denver opened its new, world-class airport -- one that has state-of-the-art technological features that have to be seen to be believed. This is an airport for the ages -- one that will meet Denver's -- and the nation's -- needs well into the next century.**

* **He's shown the same vision as Secretary of Transportation. He's helped to sustain America's economy and national security by leading the revival of our aerospace, airline, and shipbuilding industries.**

* **He's worked to rebuild America's crumbling infrastructure through such initiatives such as the Partnership for Transportation Investment, which cuts red tape to speed up transportation projects.**

* **And he's fought for dramatically-increased investment in such new technologies as satellite-based Global Positioning Systems and Intelligent Transportation Systems, which will revolutionize transportation.**

* **In this town it's an all too common failing not to recognize vision until it's too late. That shouldn't happen in this case, so let me say that Secretary of Transportation Federico Peña is someone who has seen the future -- and is making it a reality. I'm very pleased -- and honored -- to introduce him to you tonight.** ***(Secretary Peña?)***

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TALKING POINTS FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION
MORTIMER DOWNEY
"FORUM ON FUTURE DIRECTIONS ON TRANSPORTATION RESEARCH AND DEVELOPMENT: IMPLICATIONS FOR FEDERAL R&D STRATEGY"
WASHINGTON, D.C.
MARCH 7, 1995

o I'd like to iterate my earlier thanks to everyone here for the time, energy, and thought you have all brought to this forum. As I said this morning, this is an important process that really will make a difference.

o Many interesting and valuable themes that will help us in shaping Federal transportation R&D have been expressed in the last day and a half. I won't try to go over them all -- that would take all afternoon! But, I would like to mention a few.

o The theme of partnership has permeated the discussions from the very beginning. Not only explicit partnerships, such as the PNGV effort or the Strategic Highway Research Program, but the broad concept that we must all work together--listening carefully to each other -- in defining vision and goals, shaping and implementing programs, and seeing that the results are both useful and used. Depending on

the endeavor, the roles of each party -- Federal and other levels of government, carriers, suppliers and manufacturers, societal stakeholders -- will vary greatly. But, the value and ultimate impact of what we do will depend very greatly on the insights, experience, perspectives, and needs of everyone. This forum symbolizes the kind of interaction that I see as necessary to a truly effective transportation research enterprise.

o Another continuing message has been the importance of performance measures. This covers a wide area, from assessing how well we are conducting research through evaluating R&D results to assessing the performance of the entire transportation system and its elements as a basis for ongoing investment and R&D decisions. I can assure you that we take this seriously, in spite of its difficulties.

o We've heard so much about listening to the user and customer that I don't think I need to dwell on it. However, I will note that it is often by no means a trivial process to go from perception of a transportation need or problem to definition of the specific research activities that will best address it.

o It seems to me that another message of many of you is that we must be particularly attentive not just to

the creation of technology, broadly defined, but also to its deployment. Bring new systems, technology, and operational strategies to reality depends on far more than the research itself. It must be communicated to the user in clear ways, in whatever way is necessary to make the process effective and "user-friendly." For agencies conducting research, this means that the job is not done when the final report is printed--the necessary follow-up must be part of the original project planning.

o I have been pleased to hear the broad support for the system assessment area of research that often gets overlooked. It includes what is traditionally called policy support, but is even broader. It covers a wide range of activities, including development of a wide range of data: analytical models, simulations, and decision support tools, cost-benefit analysis, risk assessment. Let me emphasize that this is needed as a resource base for everyone involved with the transportation enterprise, not just the Federal Government.

o As a last theme, since time is growing short, I note that many of you have emphasized the importance of including in our R&D strategy a strong role for university research, both as a performer and, perhaps more importantly, as the basic source of the

professionals who will design and operate the transportation systems of the future.

o I am glad to hear how strong the support is for intermodalism and research that cuts across all modes. That was a central thrust of ISTEA and has been an important force shaping our current effort to restructure and streamline the Department of Transportation. The path we are on will greatly facilitate coordination among modes and development of specific intermodal and cross-modal programs.

o In this connection, you might be interested to know that we will shortly be sending to Congress the second edition of the Surface Transportation R&D Plan required by ISTEA. This plan brings together in one place all the Department's surface-mode R&D, organized not by mode, but by functionally-oriented categories.

o I suspect many of you are still not too clear about the whole National Science and Technology Council process and how these two days we've spent together fit into it. So I'll close by spending a few minutes to place the work of this forum in context. NSTC itself represents a noteworthy coupling of the White House Office of Science and Technology Policy, headed by Dr. Gibbons who spoke yesterday, and the Office of

Management and Budget, which ultimately holds the purse strings. And as Congressman Mineta said, we're in a very tight-fisted environment, so its very important to have this direct linkage of R&D policy to the budget process. That makes the NSTC process especially important to ensure that the purposes and value of transportation R&D are well understood at the highest levels, and also to ensure a level of coordination across all agencies that focuses our efforts on the most critical needs, prevents duplication, and maximizes synergistic interactions.

o Operating under the auspices of the NSTC, the Interagency Coordinating Committee for Transportation R&D, has several Federal departments and agencies as members. It is divided into subcommittees that focus on particular topics, and also coordinates with other NSTC committees such as Civilian Industrial Technology and Environment and Natural Resources. To a large degree, each is concerned with one of the areas defined in our framework--physical infrastructure, information infrastructure, system assessment, etc. We are currently slightly restructuring the subcommittees to build on our first year's work, and will very much take to heart what you have said here in that process. As we move forward, I encourage you to contact the committee and subcommittees to extend and

elaborate on the thoughts already expressed here. As soon as the subcommittee chairs for 1995 are appointed, I will see that all of you are notified.

(NOTE: These comments do not cover reports on points raised at today's breakout sessions)

o So, once again, I thank you for your participation in the forum, and look forward to working with you in the future to assuring a better and stronger transportation R&D program fully responsive to our national goals and needs.

o We have heard today about the importance of focusing on outcomes when trying to develop a framework for a research program. We must always remember that our research is not an end unto itself, it must, as Congressman Mineta reminded us yesterday in the eloquent words of Albert Einstein *" be a blessing and not a curse to mankind."* We must remember this diligently as we pursue our R&D program.

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OPENING STATEMENT OF MORTIMER L. DOWNEY
DEPUTY SECRETARY
DEPARTMENT OF TRANSPORTATION
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION
WASHINGTON, D.C.
MARCH 9, 1995

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you to address the FY 1996 budget request for the Office of the Secretary.

Before discussing the specifics of our FY 1996 Budget for the Office of the Secretary, I would like to bring you up to date on our reorganization and downsizing efforts and highlight some of our accomplishments of the past year.

Reorganization and Downsizing

As you know, we have announced plans and will be submitting legislation to consolidate 10 operating administrations into three; the Federal Aviation Administration, the U.S. Coast Guard and a new Intermodal Transportation Administration. The goal of this reorganization is to provide a more focused and coordinated approach to our key missions of investment, safety and national security. In particular, it will result in a consolidated planning and grant making procedure. It will also help us to achieve the balance of our downsizing targets by eliminating redundancies through consolidation.

The reorganization also affects the Office of the Secretary. We are looking at several changes. First, we propose that the Office of Commercial Space Transportation and the air taxi registration and airline insurance registration activities now performed in the Office of the Assistant Secretary for Aviation and International Affairs be shifted to the FAA. These are operational activities that are more appropriately located in an operating administration. The budget amendments we plan to submit, reflecting our reorganization, will include the OST proposals.

Second, we recognize the potential savings that could result from "shared" services, i.e., consolidating the provision of administrative services such as accounting. It does not make sense to have 10 separate functions, including OST, if we can all have similar services supplied from a single provider.

Third, we will be looking at the appropriate role for an Office of the Secretary in a reorganized DOT, recognizing the strengths that will exist in our three modal organizations.

Finally, OST is taking its share of FTE reductions. Our target is to reduce OST from 1,126 FTE in FY 1993 to 991 FTE in FY 1999 (excluding proposals for the transfer of ICC activities and the

full consolidation of civil rights functions). Without reflecting the reorganizations discussed above, our FY 1996 budget request supports 1,061 FTE. (The total is 1,236 with the consolidated civil rights office and the ICC transfer activities.) With the FY 1996 budget that is now before you, we will have achieved about a 6 percent FTE reduction since FY 1993. Critical to achieving these reductions is investment in new, automated systems which this budget request supports.

Infrastructure

From the very beginning of the Clinton Administration, we have stressed the importance of investing strategically in infrastructure because of the role transportation infrastructure has in supporting jobs and national and regional economies. That commitment continues. But we also realize that the commitment to deficit reduction requires that we not rely only on Federal funds for infrastructure investment.

We have taken the initiative over the last year to promote innovative financing opportunities. Our efforts to work with the modes and State and local governments to identify projects for innovative financing have paid off. On January 31, 1995, the Secretary announced 35 transportation projects in 21 states valued at nearly $2 billion that were advanced under this initiative. These projects use financing methods such as private funds to substitute for State matching funds, federal funds used as revolving loan funds, and credit enhancement which allows federal funds to be used as collateral for lines of credit to support bond issues.

We want to make sure that infrastructure investments are sound. We take seriously the President's Executive Order on Infrastructure Investment. OST, through the Assistant Secretary for Budget and Programs, coordinated the Department's compliance with the Order. We have shared with your staff the plans we developed pursuant to this Order. We are also working with FAA and FTA to strengthen the use of the Executive Order criteria in determining discretionary grant awards.

Research and Technology

Investing in research and development in order to accelerate technological advances and solutions to transportation problems is a Presidential priority. During his tenure the Secretary has elevated the role of RD&T in the Department. Technology development is a core element of the Strategic Plan. DOT participates in the National Science and Technology Council (NSTC), which is developing research and technology priorities, and chairs the transportation component to coordinate and stimulate more R&D activities governmentwide for transportation-related research.

Aviation Policy

We continue to stress open markets and competition in our aviation policy. On February 16, 1995, the United States and Canada initialed a new U.S.-Canada Air Transport Services Agreement. This agreement opens the largest bilateral aviation market in the world to free operations by airlines of both countries. The Secretary signed the new agreement in Ottawa on February 24, 1995, during President Clinton's visit, and the Department has already issued authority to U.S. airlines so that they can begin to exercise the new opportunities. This initial grant of authority will bring new non-stop services to 13 communities, and carriers have announced plans for a great number of additional services.

The Department has also begun the nine-country "open skies" initiative to achieve open market aviation agreements with Austria, Belgium, Denmark, Finland, Iceland, Luxembourg, Norway, Sweden, and Switzerland. The United States initialed the text of an open skies agreement with Switzerland on February 14, with Belgium on March 1, and with Iceland on March 3. We had negotiations with Austria this week. Negotiations are taking place today with Luxembourg. We expect negotiations with the Scandinavian countries and Finland later this month or in early April. These agreements will come into effect when negotiations with all the countries are completed.

FY 1996 Budget Request

To carry out our responsibilities in FY 1996, we are requesting appropriations totaling $97.3 million for the traditional OST accounts and appropriations of $476.4 million for Rental Payments to the General Services Administration and for acquisition of existing space or new space to house the DOT headquarters. Our request of $97.3 million is $15.1 million (13 percent) below the comparable FY 1995 enacted level. We are also requesting $104.4 million in obligation authority for the Working Capital Fund. Contingent on enactment of legislation to terminate the Interstate Commerce Commission, the OST Salaries and Expenses request also includes $4.7 million and 52 FTE associated with residual ICC activities proposed for transfer to DOT. Our request supports a total employment level of 1,236 FTE, including the ICC transfer.

I will briefly summarize each account.

SALARIES AND EXPENSES

The Salaries and Expenses appropriation request totals $57.5 million, a net decrease of $.2 million below FY 1995. The request supports 595 FTE, about the same as our current FY 1995 estimate. Our request would fund all current OST offices except the civil rights office, which we propose as a separate account. In addition, $4.7 million and 52 FTE are requested for programs

transferring from the Interstate Commerce Commission. We have housed this request in OST pending enactment of the ICC sunset legislation and further decisions about the appropriate DOT location for these functions.

We very much appreciate that the FY 1995 Act did not provide office-by-office appropriations for the Salaries and Expenses account. We ask your support to continue this approach in FY 1996. Given the budget constraints and staff reductions we face, we are better able to accommodate pay raise and other cost absorptions if we have the flexibility of a single appropriation, as in other salaries and expenses programs throughout this department and other cabinet agencies.

We are requesting an increase in Reception and Representation (R&R) funds to $60,000 which is the level Congress supported in the FY 1994 DOT appropriations act. The Department is judicious in the use of these funds, but they are particularly important in dealing with officials from foreign governments and with meetings with State and local government officials. As you know, R&R funds cannot be spent on Federal employees.

OFFICE OF CIVIL RIGHTS

The budget request for the Office of Civil Rights is $12.8 million (excluding $.8 million to be transferred from the Limitation on General Operating Expenses) and 149 FTE. The increase in this account reflects the full consolidation of all civil rights activities. In FY 1996, we propose to consolidate external civil rights responsibilities in this office as a part of the departmental restructuring. Offsetting resources were transferred from the modal budgets to reflect the consolidation.

In FY 1995, we have consolidated in OST civil rights activities related to internal DOT employee matters. The transfer took effect in November 1994. Our plan is to establish 10 regional offices and a headquarters staff. The headquarters staff will be responsible for policy and program development, preparation of manuals and other guidance for the regional staff and providing technical assistance and training. The regional offices will be responsible for conducting civil rights compliance operations.

OFFICE OF COMMERCIAL SPACE TRANSPORTATION

For the Office of Commercial Space Transportation (OCST), we request $6.5 million and 32 FTE to support licensing, inspections, vehicle design review, safety research and policy analysis activities. This is an increase of $.5 million and 4 FTE over FY 1995 levels. The FTE growth reflects annualization of positions approved for FY 1995. OCST is responsible for regulating U.S. private commercial space launches to protect public safety and national interests.

We want to ensure the safety of the U.S. commercial space industry while at the same time support its growth. Satellite communications is already a $6.5 billion international industry, of which over $580 million represents the U.S. commercial space launch industry. The industry has depended primarily on geostationary satellites above the equator. But new systems are developing that will add dimensions to the industry. The economic stakes are significant.

OCST must carry out its regulatory responsibilities to ensure the safety of new vehicles and launch infrastructure. OCST also supports the U.S. Trade Representative in negotiations and monitors compliance with space launch trade agreements with non-market economies. This is critical to ensure that the U.S. commercial space industry is not disadvantaged by those non-market economies. Unless the U.S. government helps to foster the competitiveness and safety of its own industry, it will not be in a position to capitalize on the demand for launch services that will arise in the future from new space applications, and thereby restore the commercial space launch industry as the world's leader.

PAYMENTS TO AIR CARRIERS

We propose to eliminate funding for the Payments to Air Carriers program, known as Essential Air Service (EAS). This program was intended only as a transition program during airline deregulation. It has been reauthorized since then and the reauthorization has expanded the level of service required to be provided. Our proposal to eliminate funding reflects the high per passenger subsidy levels under the EAS program and the fact that most communities receiving subsidized service are within reasonable driving distances of other airports or transportation services.

While we are sensitive to the needs of rural areas, budget constraints are such that we must cut back the operating subsidies we have traditionally provided. However, in the absence of Essential Air Service, we would allow States the option to use Unified Allocation Grants to pay for air service to designated communities in their State. As you may know, the EAS law currently allows for payments to air carriers from non-federal sources.

TRANSPORTATION PLANNING, RESEARCH AND DEVELOPMENT

Our request of $15.7 million for Transportation Planning, Research and Development (TPR&D) includes $3.6 million for intermodal studies in support of policy development and $12.1 million for development of departmentwide management systems.

Our request would support the trade advocacy process. We are requesting $250 thousand for trade promotion activities. The funds will be used to support trade missions and technical assistance where potential trade returns are high, as well as training foreign

officials on the use of U.S. equipment and procedures. We have found that these activities promote the export of U.S. goods and create jobs in our economy. Targeted product areas would include aircraft, air traffic control, railway locomotives and signaling equipment, engineering, consulting and construction management, as well as pollution control and cleanup technology, trucks, buses and port management.

Investment in information technology is the key to a streamlined, smaller department. The request for systems development will fund completion of the Department's Integrated Personnel and Payroll System and automated docket system, developing the automated procurement system and overhauling aviation data systems now operated by the Research and Special Programs Administration (RSPA). Completion of these systems will provide productivity savings. The automated procurement system will allow an electronic procurement process. The docket system will consolidate and automate DOT's nine separate paper-based dockets. The funds to overhaul the aviation information system, which RSPA now operates, are included in the OST budget given the focus on systems development and because the Assistant Secretary for Aviation and International Affairs, a prime user of these data, has a stake in the integrity of the data base.

MINORITY BUSINESS RESOURCE CENTER

We are requesting $1.9 million, the same as current levels, for the short term lending program. This level of financing will support a loan program of $15 million. The program focuses on lending working capital to disadvantaged businesses, including women-owned businesses, for transportation-related projects in order to strengthen their competitive capabilities. This program is a small, but effective way to support jobs. We have seen the demand for this program grow from $1.3 million in approved loans in FY 1992 to $7.2 million approved in FY 1994 and $4.2 million approved to date in FY 1995 for 21 different businesses, with $8.6 million of renewals and new applications under review.

MINORITY BUSINESS RESOURCE CENTER OUTREACH

The budget includes $2.9 million for the Minority Business Resource Center Outreach program, including a clearinghouse for the national dissemination of information on transportation-related projects, grants to minority educational institutions, and agreements with minority chambers of commerce and trade associations. All of these activities are geared toward facilitating the participation of small, disadvantaged businesses, including women-owned businesses, in transportation contracts.

WORKING CAPITAL FUND

We are requesting obligation authority of $104.4 million for the Working Capital Fund (WCF) to fund common administrative services in the interest of economy and efficiency. This is an increase in the WCF ceiling of $11.4 million.

The increase is driven almost entirely by the operating cost of the new payroll and docket systems coming on line in FY 1996 and the management and operation of the extended local area network which supports most of the department's headquarters users.

NEW DOT HEADQUARTERS FACILITY

We are requesting $331 million for the acquisition of headquarters facilities. Leases for the Nassif building will expire in 2000 and for the Coast Guard building at Transpoint in 2003. We need to take action now to plan for space requirements when these leases expire.

We now occupy a total of 2.3 million occupiable square feet. With downsizing we will require about 1.9 million square feet, a 16 percent reduction. The Nassif Building has 1.1 million square feet and annual rent is $35.4 million. Our analyses indicate that, over time, it is clearly cost effective to own rather than lease. Soon we will be forwarding a prospectus to the authorizing committees for their approval to proceed with the project.

RENTAL PAYMENTS TO GSA

The budget includes $145.4 million for Rental Payments to GSA, a less than one percent increase over FY 1995 which together with $23.3 million budgeted separately for space needs of the Federal Highway Administration and the Maritime Administration will cover the department's GSA rent requirements. The request covers the cost of existing DOT-occupied GSA space at FY 1996 rates, and possible higher rates necessary to deal with expiring leases for USCG, FRA, NHTSA and FTA space, and FRA's forced move to another GSA space.

CLOSING REMARKS

We are committed to reinventing government, streamlining our operations, improving the quality of our work and strengthening our management oversight capabilities. We would appreciate the Subcommittee's support for the resources necessary to carry out our many responsibilities.

This concludes my statement. I would be pleased to answer the Subcommittee's questions.

REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
NATIONAL ACADEMY OF PUBLIC ADMINISTRATION
MARCH 10, 1995
WASHINGTON, D.C.

I always look forward to speaking to the people who *really* make government work: its career public administrators. You're interested in the substance of government -- and not in government as a spectator sport.

That's why I'm happy to be here today. The National Academy of Public Administration has earned a well-deserved reputation as a body of serious and thoughtful professionals committed to making government work.

And making government work -- and work *better* -- is my topic today.

From its earliest days, the Clinton Administration has recognized the importance of efficient transportation

systems to America's ability to compete in the global economy of the 21st century.

This Administration has also understood that the public sector *must* play a leading role in developing those systems.

Government leadership in this sector is hardly new.

From the colonial post roads to the transcontinental railroads to the Interstate Highways, America's prosperity has always been made possible by advances in transportation -- and government has played a continuing part in these successes.

But today we face new transportation challenges that are not only greater than, but in some ways very different from, those of the past. These future challenges are already taking shape.

Steadily-rising traffic strains the capacity of existing highways, airports, and railroads.

For example, 15 years ago only one in four Americans had traveled by air. Deregulation and lower costs allowed millions more to fly, and now three in four Americans have flown.

That improved access to air travel has had tremendous benefits, but there also has been a price.

23 U.S. airports now have over 20,000 hours of delays annually. Continued travel growth will push that number to 32 in a decade, unless we can increase either capacity or the system's efficiency.

We also face growing demands for efficiency. About half of all U.S. manufacturers rely on prompt deliveries for "just-in-time" operations, and workers facing long commutes need dependable transportation to get home at night.

We need efficient systems to reduce congestion and improve connections between different forms of transportation.

Finally, there will be less federal transportation funding than we would like as we seek to continue controlling the budget deficit and provide such critical initiatives as tax relief for middle-class Americans.

The Department of Transportation's 1996 budget is expected to be $2 billion less than this year's.

These conditions increase the demands on us at a time when it is estimated that we need over $360 billion just to repair or replace America's existing transportation infrastructure.

So we must find new ways to meet our transportation needs.

We're doing that through a restructuring of DOT that focuses us on our core missions of safety, investment, and national security -- and that positions us to build the transportation systems of the 21st century.

This restructuring is similar to those proposed by Secretaries of Transportation almost since DOT's inception in 1967.

They found that DOT was not created so much as an integrated unit but as a holding company, much like the giant business conglomerates of the 1960s.

Those dinosaurs were not nimble enough to cope with the drive for efficiency and customer service that swept corporate America during the 1980s.

Now, the federal government faces the same pressures in the 1990s.

We're meeting those pressures.

First, we've had continuing success at cutting costs while improving efficiency and customer service through Vice President Gore's National Performance Review.

And now, we've proposed the next logical step: a restructuring of DOT that focuses on the basic question of the federal government's role in transportation.

In essence, we want to decide what state and local governments and the private sector *can* do, and what the federal government *must* do to meet national transportation needs.

Answering that question will position us to meet today's pressures, and then move on to develop tomorrow's transportation systems.

That means integrated systems that unify *all* forms of transportation and that promote the best ways of moving people and goods.

Secretary Peña joined President Clinton and Vice President Gore in announcing the restructuring proposal last December 19.

This proposal focused on three core elements: consolidating DOT's organization, streamlining its funding programs, and downsizing its workforce.

The proposal would consolidate DOT from 10 operating administrations to three: a new Intermodal Transportation Administration, the Federal Aviation Administration, and the Coast Guard.

The Intermodal Transportation Administration would integrate all of our surface transportation and maritime functions as a way of cutting red tape and giving our customers one-stop shopping.

It also ends the artificial distinctions between modes that our current structure promotes, and that hinder coordinated planning and policy development.

The Federal Aviation Administration would maintain its safety, regulatory, and development functions -- everything but air traffic control, which will be transferred to a new government corporation.

This proposal would free our system from the cumbersome bureaucratic personnel, budget, and procurement restrictions that hinder the efficiency and the new technologies we need to safely keep pace with future travel growth.

Finally, the Coast Guard, which already is undergoing its own internal streamlining, would continue in its present role, serving the nation well as it has for two centuries.

Our new structure would ensure coordinated policy-making, and end the incompatibility that comes from having not two of everything, as on Noah's Ark, but *10* of everything.

The restructuring is not just about reorganization, but also about streamlining and simplifying DOT's funding programs.

DOT now has more than 50 different grant, loan, and subsidy programs, each with its own rules, applications, and criteria.

That places an unreasonable, unacceptable burden on our partners in business and state and local government.

It adds to their costs and discourages new investment from other sources.

Our proposal for a new Unified Transportation Infrastructure Investment Program, or UTIIP, will return flexibility and authority to state and local governments, attract new resources, and better target our investments.

The new sub-programs within UTIIP -- unified allocation grants, state infrastructure banks, and the federal discretionary fund -- will do that.

They're at the heart of our drive to revamp federal transportation funding.

Unified allocation grants will empower states and localities by letting them use funds to meet *their* needs, and not spend time and money meeting *our* requirements.

They, after all, are most directly accountable to the public and best know its needs.

State infrastructure banks will use federal seed money and innovative financing strategies to leverage additional investment from state and local governments and the private sector.

Finally, federal discretionary grants will directly fund projects of regional or national significance, such as high-

speed rail or freight corridors, that states cannot finance or coordinate by themselves.

The final element of the restructuring is downsizing of DOT's workforce.

This flows naturally from the reduced administrative requirements that will allow us to provide better service with fewer people.

In addition, the new government air traffic control corporation will allow the transfer of about 40,000 FAA employees from the federal payroll.

All told, DOT's civilian work force would be reduced by about half over the next five years.

These innovations are going to make us more effective and more efficient, and let us spend more time moving people and less time moving paper.

Much of what we're doing is new, but it's grounded in something that's been tested by time: the principles of the Intermodal Surface Transportation Efficiency Act of 1991, which authorized highway and transit spending through 1997.

ISTEA's goals -- giving states and localities more choice between forms of transportation, giving communities a greater voice in decision-making, linking transportation systems into a single, seamless web to better serve the nation -- remain our goals.

And now we're broadening them to encompass not only highways and transit, but *all* forms of transportation -- land, sea, and air -- to give us the integrated transportation system we need for the coming century.

America's public administrators at all levels of government -- federal, state, and local -- helped to build the finest transportation system in the world, and they

must be part of changing that system to meet the challenges of the future.

We look forward to working with them to fulfill that responsibility. After all, it is our responsibility, as the poet Wordsworth wrote, "to live, and act, and serve the future hour."

# # # # #

TALKING POINTS
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
APTA OLYMPIC BUS EVENT
WASHINGTON, D.C.
MARCH 14, 1995

(Introduction to be made by Secretary Peña)

* **Thank you, Mr. Secretary. As you said, I've been a long-time supporter of transit. Our experience in New York -- which frequently has to handle the transportation needs of big events -- shows how transit can help to make something like the Olympics a success for spectators and participants alike.**

* **The Department of Transportation's contributions to these Olympics go well beyond helping to fund these 2,000 buses -- as critical as they will be to the success of these Games.**

* **We have, through Federal Transit, funded improvements to MARTA's bus and subway systems.**

* **Federal Highways is helping to upgrade roads, bikeways, and pedestrian paths throughout the Atlanta area.**

* **The Federal Aviation Administration will be funding Hartsfield Airport and airport security improvements, while the Coast Guard helps with the sailing events to be held in Savannah.**

* **And we're all supporting the opportunity to showcase revolutionary new intelligent transportation systems, like computerized navigation systems in rental cars and readily-available transit and highway travel information throughout the region.**

* **All told, we're putting in place transportation funding and services worth $282 million, and these improvements will remain after the Olympics are over, continuing to serve the needs of the Atlanta region.**

* **We're proud of what we've already accomplished -- we're looking forward to doing our part to make the 1996 Olympics a success -- and we're looking forward to the opportunity to showcase American transportation technology and inventiveness to the world.**

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REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
ITS AMERICA
WASHINGTON, D.C.
MARCH 14, 1995

Opening

Good morning. I'm pleased to join you at this session to offer an overview of the federal role in ITS development.

Today, I'd like to talk about four things.

First, what we've accomplished on Intelligent Transportation Systems over the past couple of years.

Second, where we're going with ITS.

Third, what the next step is to getting there...

...and fourth, the role we see for DOT.

I. What we've accomplished

Over the past couple of years we've put in place three major building blocks for the deployment of the next generation of transportation systems in the United States.

First, we've learned what is deployable *now* -- with *today's* technology.

We've launched nearly 70 ITS operational tests over the past several years, and the early results from them have helped us to understand what can be deployed now...and what still needs further research and development work.

Second, we've completed Phase I of developing a national architecture for Intelligent Transportation Systems.

I like to think of this architecture as the equivalent of the human genetic system -- virtually a blue print for a full-system deployment of ITS.

The process of defining an architecture also has helped us to define a core ITS infrastructure of communications and information links -- something that's essential to even the most basic deployment of ITS services and products.

Our third building block is the course we've charted for an evolutionary deployment of ITS.

That path has been articulated in the National Program Plan that's just been published.

This plan -- which we developed in cooperation with ITS America -- is unprecedented in its scope and clarity, and it lays out in detail where we want to go.

Over the next year, many of the plan's elements will be coming to fruition.

For example, by 1996 75 metropolitan areas will have initiated or completed their ITS Early Deployment Plans.

In addition, by 1996 100 MCSAP -- Motor Carrier Safety Assistance Program -- sites will have completed the second phase of their multi-state commercial vehicle operations plans.

They'll have deployed computer systems that can access on-line commercial vehicle information on the road.

That's only the beginning: the next hundred MCSAP sites will be completed in 1997.

In addition, each of the Priority Corridor sites have completed their planning processes and are launching deployment of traffic management and traveler information services.

Finally, by 1996 we'll have an Internet-type data system for commercial vehicle information with an incredible variety of potential uses.

For example, truck regulators in Kansas would be able to access the records in Iowa of a truck registered there -- all in real-time.

The advantages of this will be tremendous. For example, it will serve to reduce -- and for many carriers even end -- the delays truckers face at state borders.

It also could streamline and speed up the state motor carrier regulatory enforcement process, letting states target their limited resources to other safety and law enforcement activities.

II. We know where we're going

The work we've done over the last two to three years has allowed us to understand the likely path that ITS deployment will take over the next several years.

We see this path as consisting of four distinct phases.

It will begin with the deployment of a core infrastructure comprised of communications and information systems.

That infrastructure will allow public agencies to manage traffic more aggressively, provide real-time information on transit, and reduce the staff needed to monitor truck safety, perform vehicle registrations, and collect fuel taxes.

That core infrastructure will enable a number of private products and services to come on to the market, or to increase the appeal of some that are already available.

For example, it will allow us to take advantage of private telecommunications infrastructures and stimulate private businesses that provide travel information.

These range from Mayday devices to in-vehicle navigation and travel information -- all things for which there will be a market.

It's important to remember that this core infrastructure is deployable *now*.

The second phase of ITS deployment extends over the next decade.

During that period we expect this core infrastructure and set of services to grow substantially -- both in the number of services and users and in their sophistication.

Some of the products we see coming to market over that period include the advanced adaptive traffic control systems that we are now developing in our labs.

We also will see intermodal "smart cards" that could make market-based measures such as congestion pricing and user fees a practical reality.

We also can expect to see expanded use of in-vehicle route guidance systems.

The third phase takes us to the first decade of the 21st century.

During that period, we'll see the introduction of sophisticated features to enhance driver performance to help prevent automobile crashes.

Products such as Intelligent Cruise Controls, assisted steering, and assisted braking are all things we expect to see by 2010.

The final phase will come during the following decade -- about 20 years from now.

At that point we'll begin to see the first deployments of our ultimate vision: the Automated Highway System.

Initially, this will be in special applications such as the Lincoln Tunnel in New York, or in those western states where the long distances make driver fatigue an issue.

In the longer term, we're looking towards the logical conclusion of this effort: a network of automated roads.

Over the coming years we'll examine the feasibility -- and the viability -- of such widespread deployment of automated facilities.

III. What the next step is to getting where we're going

Although the long-term must remain hazy, the next steps on ITS are clear.

Over the next two years we want to begin model deployments of ITS projects.

Some of these models, or trailblazers, are to be examples of full, complete systems of travel information and management.

Some will also use the national commercial vehicle information network for the electronic clearance of trucks.

These early examples will serve as beacons to other states and metropolitan areas in beginning the full deployment of the next generation of transportation systems in America.

Our 1996 budget request includes $100 million for these projects -- part of a total 1996 ITS request of $356 million.

That will provide discretionary incentive funding to a limited number of sites across the United States.

IV. The role we see for DOT

As we work to deploy ITS, we in the federal DOT must act to foster these technologies from conception and research to operational testing, deployment, and commercialization.

We see <u>three key roles for the federal government</u>:

The first is as a catalyst: a source of seed money and of expertise.

The ITS community benefits from rapidly-increasing direct federal funding -- $227 million this year, with $356 million proposed for 1996.

A second key role is that of standard setter.

We want to forge consensus on national, and even international, technological standards to create a stable, common ground that will encourage entrepreneurs to invest in these new technologies.

Consensus standards also will foster compatibility for consumers, companies, and the interstate movement of people and goods.

This will also promote rapid deployment of ITS by reducing the risk for vendor and customer alike.

It also will allow products from different vendors to work together -- and ensure a broad and consistent market for these products and services.

At the same time, the "open architectures" we support will allow these new technologies to stay flexible and accommodate further progress.

Establishing such standards is especially important for evolving information technologies such as ITS.

The third role we see for the federal government is as a facilitator and promotor of technology development.

That means building new alliances with American industry to advance projects that are in the national interest.

ITS America is an outstanding example of this effort, and a model for other industries. We're proud to be your partners.

Closing

We're at an exciting juncture in the development of ITS in the United States -- at the edge of making these systems a widespread reality that impacts the average person.

The successes we've had -- and the promise whose realization seems so near -- must not cause us to lose sight of one inescapable reality: we can't take continued success for granted.

As most of you know, the House Appropriations Subcommittee on Transportation recently voted to rescind more than $700 million from DOT's current, 1995 budget.

That includes $80 million for research and technology development, nearly $25 million of which was intended to support ITS projects.

And we face further cuts once Congress acts on our 1996 budget proposal.

We understand the need to reduce federal spending if we're going to continue to control the deficit and provide the tax relief that middle-class Americans need.

However, we've got to sustain our investment in the future -- in areas such as research and technology deployment. That's especially true in ITS, as we prepare to begin the broader deployment of these services.

Private sector ITS businesses have been underway for some time now -- often unprofitably -- awaiting the opening of viable markets. But they can't afford long-term losses.

The federal commitment to ITS signals them that there is a future here -- and that we're going to be their partners in making it a reality.

However, the proposed rescissions send the wrong signal -- that the federal government doesn't believe that ITS is a high priority, and that their investment is at risk.

It could cause many of them to cut their losses and leave the ITS business -- just at the time when federally-supported deployment is about to make a broad national market a reality.

That's why we believe it's so important for the federal government to continue its support of ITS.

And that's why it's critical to harness a high level of involvement by private sector...

...to implement the Trailblazer initiative...

...and to forge ahead with new public-private sector relationships in support of ITS deployment for the next generation and for the new century.

We need your help to do this, and I look forward to expanding the partnership we've developed over the past few years.

Thank you.

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TALKING POINTS
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
ITS AMERICA ANNUAL MEETING RECOGNITION LUNCHEON
WASHINGTON, D.C.
MARCH 16, 1995

* **Thank you, Jim. I'd like to express my appreciation to you and the ITS America Board for this honor.**

* **I'm proud to be involved in the work that ITS America is doing, and it has been my privilege to personally play a leadership role in federal ITS activities.**

* **However, the achievements that have been cited over the past couple of days are really those of the entire Department of Transportation.**

* **The creation of the Joint Program Office for ITS, the dramatic increases in funding for ITS research and development, and the expanded emphasis on deployment result from decisions made by Secretary Peña and supported by the full Department.**

* **They reflect the Clinton Administration's strong commitment to the development and deployment of advanced technologies that offer the promise of an increased quality of life and the potential of sustained contributions to our economic growth.**

* **Making the case for ITS is almost a "no-brainer": how better can we link America's transportation needs with the new promise of an information-based society?**

* **This effort is in the best American tradition. Opening up new frontiers for the benefit of all Americans has been the essence of national policy for two centuries.**

* **Although the other frontiers have been mastered, the frontier of science and technology remains. *It* can never truly be conquered -- but in seeking to do so, we bring benefits that will enrich *all* of our lives.**

* **Vannevar Bush, the noted scientist and inventor, wrote that fifty years ago, and it remains our best guide as we seek to make the promise of ITS a reality for *all* Americans.**

* **Thank you again for today's recognition of DOT's efforts in this partnership.**

# # # # #

U.S. Department
of Transportation

TRANSPORTATION TRENDS

REMARKS AS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES/
AIRPORTS COUNCIL INTERNATIONAL - NORTH AMERICA
LEGISLATIVE ISSUES CONFERENCE
WASHINGTON, D.C.
MARCH 27, 1995

It's a pleasure for me to join so many aviation leaders -- especially during what is truly a dynamic time for airports and aviation. I spoke to this group just about two years ago, and much has changed -- and for the better -- since then, and progress continues.

In just the past several weeks we've made major advances to bolster aviation -- at home and abroad.

Last month, during the President's trip to Canada, Secretary Peña signed a breakthrough agreement to liberate aviation services between the United States and our single largest trading partner -- a truly historic milestone on the road towards global free trade in aviation.

And just a few days later, Denver International Airport became the first major new airport to open in a generation. DIA is already improving the efficiency of our entire national aviation system by sharply reducing the backups that Stapleton caused across the country, setting records for the volume of flights it can handle.

These accomplishments didn't come about by coincidence.

They're part of our commitment to deliver on the most comprehensive aviation strategy since deregulation began under the Carter Administration.

(More)

U.S. Department of Transportation
Office of the Secretary, Public Affairs
(202) 366-4570

Today, I'd like to give you an overview of our effort to help restore the health of the aviation industry and of airports -- whose well-being is inextricably linked to that of the airlines.

Then I want to talk about strategies to continue the progress we've made:

First, our efforts to free up aviation services throughout the world, increasing service opportunities for the nation's airports.

Second, sensible regulatory reform to protect the public without unduly burdening business or other levels of government.

Finally, our proposal to restructure the Department of Transportation and what it means for airports if it is enacted -- or if it is not.

From its first days in office, this Administration has worked to assist the recovery of the American aviation industry from the severe financial losses of the late 1980s and early 1990s.

At the time we met two years ago, we were seeking to establish the Commission to Ensure a Strong and Competitive Airline Industry. We've already moved to implement more than 80 percent of its recommendations.

We've promoted airport improvement programs throughout the nation -- including the enactment of a multi-year authorization bill with some useful program improvements, and we've moved quickly to distribute funds when Congress has made them available.

We've led an industry-wide initiative to enhance airline safety -- with the goal of "*zero accidents.*" Just last Friday, Secretary Peña announced a requirement for a single level of safety for all airlines -- commuters and major carriers alike -- with the express goal of increasing public confidence in the system.

Of course, we understand that transportation initiatives alone are not enough to sustain this recovery. The aviation industry is vital to our nation, but it won't be healthy without a strong economy no matter what we do.

And this Administration has, in fact, launched a genuine recovery of the American economy. By cutting the budget deficit by more than half a trillion dollars, this Administration has fostered a solid recovery -- a recovery that has already generated close to six million new jobs while keeping inflation low.

(More)

This recovery -- and the demand it creates for personal and business travel -- has been the single most powerful factor in assisting the American aviation industry's recovery.

Indeed, the International Air Transport Association recently reported that the *entire* global airline industry has returned to the black. We want this worldwide recovery to continue.

That's why we've worked so hard to sustain and to expand free market opportunities in aviation around the world.

We understand that expanded opportunities for travel between cities around the world can only benefit these cities and the airports that serve them.

That's why we've consistently defended the rights of our carriers under existing agreements, and why we're working cooperatively with our current partners to expand access for carriers around the world.

I say "around the world" because we're taking the lead in what is fast becoming a global movement toward fully-free aviation services.

This fits seamlessly with President Clinton's core principles of open trade and free markets. Our challenge is to carry these principles forward to world trade in aviation services -- and that's exactly what we are doing.

Our new International Aviation Policy -- the first in more than a decade -- addresses the changes in the industry -- from globalization, to airline cross-investment, to code-sharing -- and outlines a realistic strategy to work towards open skies policies worldwide.

Last month's aviation agreement with Canada exemplified these principles as it freed up the largest single bilateral aviation market in the world.

With this agreement, we've achieved precisely the goals we set forth in our new International Aviation Policy -- expanded, competitive air service and economic stimulus, with real gains for both nations.

The Canadian agreement will benefit airlines in both nations -- and prosperous airlines are clearly good for airports. But the agreement -- and open aviation generally -- will *directly* benefit cities and the airports that serve them.

(More)

American and Canadian cities, airports, and businesses realized how important access to competitive air services is for those who seek to compete in the new, global marketplace.

Because of this understanding, both Canada and the United States will see millions of visitors who might never have come -- billions of dollars of increased economic activity -- and hundreds of thousands of jobs that might never have been created.

Our efforts to free aviation services is hardly limited to Canada. We'd tried -- and failed -- to make progress on multilateral liberalization of commercial passenger and air cargo services with the European Union.

And so, at the time that the Secretary unveiled the new International Aviation Policy, he also announced that the U.S. was prepared to begin bilateral negotiations with nine European nations with the goal of achieving open skies with each of them.

We've made excellent progress since then -- completing talks with six nations, and proceeding toward discussions with the other three.

Although the European Union and its Commissioners have objected to these negotiations, we'll continue to work with these nine nations towards accords which will benefit all of our nations.

At the same time, we're ready to work with other European nations and with the European Union to free up air trade.

I'd like to turn now to my second topic: regulatory reform.

Over the last two years we've taken a number of actions to ensure Americans' rights to travel safely and securely and their rights to have quality transportation and customer satisfaction.

We've moved to set the same safety standards for *all* airlines...

...expanded DOT's consumer protection efforts to protect air travelers, ensuring greater "truth-in-ticketing," so that consumers get more information about connecting or code-shared flights...

...and protected international travelers by reaching agreements to ban smoking on many flights and requiring that airline passengers be notified in advance of insecticide spraying.

(More)

These actions -- and others like them -- directly benefit the aviation industry by increasing traveler confidence in the safety, security, and fairness of the system.

But continued progress on safety and consumer protection is threatened.

We're trying to achieve our goals in these areas through cooperation, not confrontation -- by relying on common-sense actions that can be justified in terms of their costs and benefits.

For example, when we issued a rule and policy statement on airport rates and charges last year, we received a number of complaints.

While I can't comment specifically on them because several cases are now before us, I *can* say that we're revisiting this issue -- and have extended the comment period on the policy statement so we can continue to get your input.

We want to bring that spirit of cooperation to other differences between industry and government -- and work together to reach reasonable solutions to complex issues in the public interest.

For example, the FAA has worked with its Aviation Rulemaking Advisory Committee to develop regulations through negotiation and consensus-building.

But our efforts to protect the public interest through sensible regulation and dialogue with other levels of government and industry are at risk -- because of legislation pending in Congress that would arbitrarily freeze federal regulations or create impossibly-complex tests as conditions of regulatory action.

Those types of actions are wrong -- <u>period</u>.

And I think that the American people agree. That's because they *want* common-sense protection of their safety and their rights as consumers.

***No one* is more dedicated to cutting red tape than the Clinton Administration.**

That's why the President signed the Unfunded Mandates Reform Act last week -- an initiative that's going to reduce the impact that these mandates have on state and local officials.

And that's why he ordered federal agency heads to review their regulations by June 1 -- with the goal of eliminating those that are redundant or unnecessary.

(More)

Common sense tells us to get rid of regulations that <u>don't</u> work...but getting rid of or blocking regulations that <u>do</u> work makes no sense.

It's like using an ax to prune your rose bushes.

The so-called "Regulatory Transition Act of 1995" recently passed by the House isn't just meant to get rid of bad regulations. *It's meant to cripple <u>all</u> regulations.*

And -- although aviation safety regulations are supposed to be exempt -- there are no guarantees of this provision making it into a final bill, and other transportation safety measures are not exempted.

Moreover, some DOT regulations -- such as those that protect the environment -- aren't explicitly about safety, but have safety implications. They might be compromised even with a provision exempting safety regulations.

There *are* reasonable ways of ensuring safety without burdening industry -- and we want to use them -- when they make sense -- to protect the public. And we want to work with Congress to -- for example -- draft a well-thought-out risk-assessment bill.

And so I hope that -- in the coming days -- Congress rebuffs this attempt to paralyze our ability to ensure the safety of the American people. Then we can work *with* Congress -- with state and local governments -- and with business to develop the types of initiatives that protect the American people without unnecessarily burdening industry *or* government.

My final topic today is the restructuring of the Department of Transportation that Secretary Peña and I proposed in December.

That restructuring is meant to position the Department to help states, localities, and private industry meet the challenges created by growing travel and by demands for increased efficiency in the expenditure of public funds.

It builds on Vice President Gore's National Performance Review, which has had tremendous success at cutting costs while improving customer service.

Not everyone agrees that this is the time to revisit --- and restructure -- our programs and our organization. I think that they've missed the point.

If we *don't* look at what we do in the context of today's demands, we will fall victim to mindless, across-the-board budget cutting.

(More)

Our proposal takes reinventing government to the next step by consolidating DOT from 10 separate operating administrations to three: a new Intermodal Transportation Administration, the Coast Guard, and the Federal Aviation Administration.

That will end the wasteful duplication *and* incompatibility of our Noah's Ark that's loaded not *two* of everything on board -- but *10*.

The Intermodal Transportation Administration would integrate all of our surface transportation and maritime functions -- reducing bureaucracy, cutting red tape, and giving our customers one-stop shopping.

The Coast Guard -- which already is undergoing its own internal streamlining -- would continue in its present role, serving the nation well as it has for two centuries.

Finally, the Federal Aviation Administration would maintain its safety, regulatory, and development functions -- everything but air traffic control, which will be transferred to a new government corporation.

I'd like to talk about that reinvention proposal more in a minute.

Of course, the restructuring isn't *just* about reorganization: it's also about streamlining and simplifying DOT's funding programs.

DOT now has *more than 50* different grant, loan, and subsidy programs -- each with its own rules, applications, and criteria.

That places an *unacceptable* burden on our partners in state and local government and in private industry. It adds to their overhead costs without increasing investment -- and discourages new investment from other sources.

We propose to reduce the number of federal infrastructure funding programs to three -- and cut requirements and red tape. That will return flexibility and authority to state and local governments and attract new resources.

I want to make clear that this consolidation isn't meant to allow aviation trust funds to be used for surface transportation projects -- or vice-versa.

Our proposal will maintain the integrity of each of these sources of funds. At the same time, we'll increase the flexibility that we provide to state and local officials.

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And we'll create opportunities for *new* partnerships. For example, our proposal for State Infrastructure Banks will give states the chance to use federal seed money to leverage private -- or increased state and local -- resources.

These funds could be used -- for example -- to subsidize both public and private infrastructure projects through low- or zero-interest loans, loan guarantees, and other credit enhancements.

The attraction for airports -- with their large capital needs and reliable revenue streams -- is obvious. These banks could help to make the difference for many proposed airport expansions or renovations.

State Infrastructure Banks recognize that -- while we need to sustain -- and increase -- infrastructure investment, we can't count on meeting the nation's needs wholly through public money.

Programs such as these will attract the private resources that can help us to fill America's infrastructure gap.

Another integral part of our departmental reinvention is the proposal to create an independent government corporation for air traffic control services.

You know the effects on capacity of air traffic controllers forced to use antiquated computers run by 1960s-vintage vacuum tubes -- when the rest of the world has moved on to the microchip.

And when the FAA's current procurement system *does* purchase new technology, it inevitably costs far more and comes on line far later than initially planned -- often after technological progress has moved on.

Technology isn't the only problem. The personnel system is -- in a word -- *ridiculous*. It prevents us from rewarding good work or efficiently staffing high-cost, busy airports.

The budget and financing system is one that simply doesn't allow for long-term planning or timely acquisition. And it doesn't give the passengers who pay for this system a reasonable return on their investment.

Together, these three problem areas -- procurement, personnel, and finance -- have created a system that's been held together by the skill and dedication of FAA employees.

(More)

But we can't expect them to continue handling the rate of growth we've seen in recent years -- much less the growth we expect to see in the future.

And -- since we'll *never* compromise on safety -- we run the risk of reducing system efficiency -- with delays, inconvenience, and higher costs.

We've *got* to do better, and that's what the air traffic control corporation will accomplish. Our proposal would establish a wholly-owned, not-for-profit government corporation, freed from federal budget, personnel, and procurement red tape.

The FAA still would regulate safety, so that we can continue to have the safest air traffic system in the world.

But the air traffic control proposal would free our system from the cumbersome bureaucratic personnel, budget, and procurement restrictions that hinder the efficiency and the new technologies we need to safely keep pace with future travel growth.

To be sure, our ATC system works *today*. We have the busiest, most complex -- and yet safest -- airspace in the world.

Some look at this and say, "if it ain't broke, don't fix it." Frankly, statements like that miss the point.

The FAA has been accused of reacting to problems instead of anticipating them. That's *precisely* what we're trying to change; we see a problem -- a *real* problem -- and are trying to address it before it becomes a critical bottleneck in the nation's economy.

All of the innovations in our organization and programs that I've described are in the same spirit.

They're going to make us more effective and more efficient -- and let us spend more time moving people and less time moving paper -- building bridges, not bureaucracy.

Our efforts in each of these areas -- open skies, regulatory reform, and restructuring of DOT -- are intended to continue the improvement of our nation's transportation system and its key aviation resources -- meeting challenges before they become unmanageable.

In the coming days and weeks, we'll continue our open skies negotiations -- especially in Europe -- as we seek to increase mutually-beneficial opportunities for carriers and cities of all nations.

(More)

We'll work with the Congress on regulatory reform bills, so that we can continue to take sensible action to protect the American people.

And we'll present our proposals to Congress for restructuring the Department and creating an independent air traffic services corporation.

Each of these efforts, we believe, is a necessary response to the environment as we see it -- a means to continue progress and respond to public demands for a less costly and more effective government.

In each of these efforts, we look to you for your support.

You've helped us to create the finest, safest air system in the world -- one that has sustained our economy for generations.

With your help, we will sustain the vision that created this system.

And we will keep American aviation as the world's leader into the next century.

Thank you.

# # # # #

REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
FHWA/FTA SOUTH AFRICAN MOU SIGNING CEREMONY
WASHINGTON, D.C.
MARCH 23, 1995

* **On behalf of Secretary Peña and the Department of Transportation, I'd like to welcome you to this afternoon's signing of the memorandum of understanding between the Republic of South Africa and our Federal Highway and Transit Administrations.**

* **Today's signing is a landmark in the relationship between our nations -- a relationship that is built on a common dedication to democracy and to economic opportunity for all of our peoples.**

* **Few things are as essential to sustaining that economic opportunity as transportation systems to move people, goods, and information efficiently. These systems have been the backbone of American economic growth from the colonial postal roads to the transcontinental railroads to the Interstate Highways of our own era.**

* **Competitive nations everywhere understand this link between transportation investment and long-term economic growth.**

* **The worldwide movement to create modern, efficient highways, ports, and railways presents every nation**

with a clear choice: improve your transportation systems -- or fall behind.

* **That's why the U.S. is committed to extensive new investment in our own infrastructure of roads, bridges, transit systems, and -- increasingly -- our communications systems -- the "information highways" of the future.**

* **We also strongly support improved transportation systems throughout the world. The reasons are simple, and in our national interest.**

* **First, long-term economic growth helps to sustain democracy. And, since democracies compete peacefully, the growth of freedom increases the security of all nations.**

* **Second, effective international transportation links benefit us in the United States by increasing the opportunities for trade.**

* **We strongly support the free flow of goods and services between nations -- believing that such trade benefits all nations.**

* **That's why we sponsor a wide range of transportation programs and cooperative arrangements with nations throughout the world.**

* **By helping these countries to improve their transportation systems, we serve to sustain our own national security and economic prosperity.**

* **Over the coming years, we look forward to strengthening the relationships between the United States and the Republic of South Africa. Many Americans are the sons and daughters of South Africa, and we have deep ties to your nation.**

* **All Americans who treasure their own freedom have dreamed of the birth of freedom and equality for all South Africans for more than a generation, and have worked for that goal in a variety of ways.**

* **Now that true democracy is a reality from Cape Town to the Transvaal, we look forward to cooperating with you to nurture and sustain it. Thank you.**

# # # # #

REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
ANDOVER ABBOT ASSOCIATION OF NEW ENGLAND
BOSTON, MASSACHUSETTS
MARCH 30, 1995

Opening

Good afternoon. I'm pleased to join you here this afternoon -- and to see so many familiar faces.

I'm also happy -- as always -- to return to New England.

Today, I'd like to talk about some of the work we at the Department of Transportation are doing to develop the national and local transportation systems we need to maintain America's economic competitiveness and its quality of life.

First, I want to outline the challenges we as a nation face in transportation.

Second, I want to talk about how restructuring DOT can help us to meet those challenges.

Third, I want to discuss in more detail part of that restructuring -- our proposal for an independent air traffic control corporation -- because it so clearly illustrates the principles underlying our strategy.

The reinvention imperative

Before I begin discussing these issues, I want to set the context for these initiatives: Vice President Gore's National Performance Review, better known as reinventing government.

We really began this effort two years ago, and we've had tremendous success at cutting costs to save taxpayer dollars.

Since the Clinton Administration took office, we've cut DOT's workforce by eight percent -- while increasing efficiency *and* improving customer service through automation and streamlined procedures.

But this first phase of reinventing government focused on *how* we do what we do -- and not the question of *what* we should do.

Now, we've moved into the second phase of reinventing government to look at this broader issue.

We began this effort last December, when the President and Vice President challenged us to revalidate why we're in business -- to determine who we're serving -- why we're serving them -- and whether we're doing the job in the best way -- or whether other levels of government or the private sector could do it better.

And for those functions which clearly are appropriate for the federal government, they asked us whether we were carrying out our mission in the most efficient way possible.

If we couldn't answer their questions, then we should have been prepared to go out of business.

Well, it's clear that we *haven't* gone out of business.

But this process was a healthy one, and it forced us to reexamine our fundamental assumptions.

New challenges

One assumption that remains clearly true is the importance of our transportation system to the health of our economic system.

Since the nation's founding, America's prosperity has depended on moving people and goods safely and efficiently.

I'm not sure that I learned *this* in American History, but the fact is that -- from the colonial post roads to the transcontinental railroads to the Interstate Highways -- progress has *always* been made possible by advances in transportation.

But today we face transportation challenges that are as great as, and in some ways more complex than, those of the past.

Steadily-rising traffic strains existing highways, airports, and railroads.

There are growing demands for efficiency -- from businesses relying on prompt deliveries for "just-in-time" manufacturing to commuters trying to preserve time for their families alongside demanding work lives.

And -- after a decade of neglect during the 1980s -- our system isn't up to the job of meeting these needs.

Indeed, the new Republican chair of the House transportation committee recently estimated that we need over *$360 billion* just to repair or replace America's *existing* transportation infrastructure[1].

Finally, federal transportation funding -- which has increased under the Clinton Administration -- isn't likely to continue growing as we work to further reduce the budget deficit.

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[1] *From February 8, 1995 House Committee on Transportation and Infrastructure press release on transportation trust funds: $212 billion for highways, $78 billion for bridges, $18 billion for transit, $50 billion for airports, $3 billion for inland waterways -- $361 billion total.*

Against this background, our challenge is to find *new* -- *more efficient* -- *and more cost-effective* -- ways to meet America's transportation needs.

Stepping up to the plate

We're meeting the challenge by focusing ourselves on our core missions of traveler safety, investment in our system's infrastructure, and national security.

We've proposed a complete restructuring of DOT that streamlines our organization to better carry out those missions.

This restructuring resembles those proposed by Secretaries of Transportation almost since DOT's creation in 1967 -- usually as they were leaving office[2].

Today, we find that DOT isn't really an integrated unit but a holding company, much like the giant business conglomerates of the 1960s and '70s.

It's a department with 10 separate operating administrations that resembles a Noah's Ark -- with not just two of everything -- but *10* -- *10* personnel offices, *10* procurement offices, and -- this being Washington -- *10* offices of lawyers.

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[2] *Sir: I'm not familiar with the Coleman-Adams meeting you referred to in your comments.*

And even as we have duplication, we also have incompatibility -- because each operating administration has its own policies and regulations -- *and even its own E-Mail system*, so that people in the same building can't communicate efficiently.

What's worse is that this fragmented system serves our customers poorly by sending them from office to office.

For example, three separate DOT administrations have some responsibility for regulating highway shipping of hazardous material -- and if you have a question, good luck in trying to get a consistent answer from all three.

Let's face it: the dinosaurs of the business world weren't nimble enough to cope with the drive for efficiency and customer service that swept corporate America during the 1980s -- and now the federal government faces the same pressures in the 1990s.

That's why we propose to consolidate DOT from 10 operating administrations to three: a new Intermodal Transportation Administration, the Federal Aviation Administration, and the Coast Guard.

The Intermodal Transportation Administration

The Intermodal Transportation Administration, or ITA, embodies the concept of intermodalism: integrating all forms of transportation -- or modes -- so that they

function as a unified system in which the best and cheapest mode is used to give the American people faster and safer transportation.

The new ITA would integrate all of our surface transportation and civilian maritime functions, reducing bureaucracy, cutting red tape, and giving our customers one-stop shopping.

It would include most of the functions currently carried out by the Federal Transit, Railroad, Maritime, and Highway Administrations, the National Highway Traffic Safety Administration, together with the safety-related responsibilities of the Research and Special Programs Administration.

The FAA and Coast Guard

Under our plan, the Federal Aviation Administration would continue to promote and develop our air travel system and ensure its safety.

However, its air traffic control function would be transferred to a new government corporation -- which I'll discuss in a moment.

Finally, the Coast Guard -- which is preparing recommendations for its own internal streamlining -- would continue in its present role, serving the nation well as it has for two centuries -- in everything from boating

safety to drug interdiction to special tasks such as rescuing Cuba and Haitian refugees last year.

The funding quagmire

Of course, fulfilling the mandate given us by the President and Vice President isn't *just* about reorganization: it's also about streamlining and simplifying DOT's funding programs.

DOT now has *more than 30* [3]different programs to fund infrastructure -- each with its own rules, applications, and criteria.

That places an *unacceptable* burden on our partners in state and local government and in private industry -- especially as they struggle to make the most of increasingly-limited public resources.

It adds to their costs as they waste time trying to shape projects to meet the rigid standards for federal funding.

For example, tourism is critical to Miami's economy, and the city wanted to build a light-rail line to connect the airport with cruise ship docks.

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[3] *Sir: Kathy Collins said that we shouldn't use the 50 to 3 comparison, since the former includes all types of funding, while the latter only includes infrastructure.*

That's a good idea, since the airport's access roads are clogged with traffic -- but Miami found it couldn't use its airport funds because the fragmented federal funding system limited their use to airport property.

After lengthy, costly delays, we finally came up with a complicated plan which transfers the rail right-of-way to the airport -- making the project eligible for airport funds.

Breaking down the barriers between funding programs will end such bureaucratic nonsense that delays -- or even derails -- good projects.

DOT's solution

Our proposal would reduce the number of federal infrastructure funding programs from more than 30 to three -- consolidating and simplifying them.

At the same time, we'll fulfill the President's mandate to return flexibility and authority to state and local governments -- who are most directly accountable to the public, and who best know its needs.

The new programs are at the heart of our drive to revamp federal transportation funding.

Most of these funds will be allocated by formula, with decisions on how to spend the money being made locally, with few limits.

That would empower states and localities by letting them use funds to meet *their* needs, and not spend time and money meeting *our* requirements.

Some things are best done at the federal level, so we'll have discretionary grants to directly fund projects of regional or national significance -- such as high-speed rail or freight corridors -- that individual states can't finance or coordinate by themselves.

Finally, we want to build on our existing partnerships with the states by promoting infrastructure "banks."

Just like private banks, they would be designed to spur investment -- in this case, of federal seed money that would leverage additional funds from state and local governments and the private sector -- extending taxpayer dollars.

In a time of limited federal funding, these new programs also would be designed to let states keep their costs low and to tap the resources of private businesses and local communities.

They'll be able to build on the innovative financing strategies that the Clinton Administration's new Partnership for Transportation Investment has pioneered.

That initiative cut red tape to let states jump-start $2 billion in new highway, rail, and transit projects -- without a single penny of new federal funds.

In total, these changes are going to make us more effective and more efficient -- and let us spend more time moving people and less time moving paper -- as Secretary Peña says, building bridges, not bureaucracy.

Air traffic control

Of all the ideas we're proposing, the one that may have the greatest impact on the public is our plan to create an independent government corporation for air traffic control services.

You may have heard the horror stories of air traffic controllers guiding planes using antiquated computers run by 1960s-vintage vacuum tubes -- when the rest of the world has moved on to the microchip.

And we've found that when the FAA's procurement system *does* purchase new technology, it inevitably costs far more and comes on line far later than planned.

Technology procurement is hardly the only problem.

The personnel system is -- in a word -- *ridiculous*. It prevents us from properly rewarding good work or efficiently staffing busy airports.

And the federal finance system -- which relies on annual appropriations by Congress -- simply doesn't allow for long-term planning or timely purchase of new technologies.

Together, these three areas -- procurement, personnel, and finance -- have resulted in an air traffic system that *is* safe -- but only because of its dedicated employees.

But we can't expect this system to handle the rapid growth that's projected for the future.

And -- since we'll *never* compromise on safety -- we run the risk of reducing system efficiency -- with delays, inconvenience, and higher costs.

The air traffic services corporation

We've *got* to do better, and that's what the air traffic control corporation will do.

This would be an independent government corporation, freed from federal personnel, finance, and procurement red tape -- one that can safely handle future growth.

And that's the key: the future. Our ATC system works *today* -- even though we have the busiest, most complex system in the world.

Some look at this and say, "if it ain't broke, don't fix it." That misses the point.

The FAA has been accused of reacting to problems instead of anticipating them. That's *precisely* what we're

trying to avoid: we see a problem -- a *real* problem -- and are trying to address it before it becomes critical.

Closing

That -- in brief -- is what we plan to do as we reinvent -- and restructure -- the Department of Transportation to meet the transportation challenges of tomorrow.

The next step is to submit legislative proposals to Congress, since so much of what we're planning requires changes to existing laws. That's something we'll do in the next few days.

Once they're submitted, we want to work with Congress so that we can begin to make these ideas real.

I'm looking forward to this process, since I believe that we're doing something important -- something that's absolutely necessary if we're going to have the type of transportation system that will sustain our economy into the next century.

Thank you.

# # # # #

U.S. Department of Transportation

TRANSPORTATION TRENDS

REMARKS AS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
ANDOVER ABBOT ASSOCIATION OF NEW ENGLAND
BOSTON, MASSACHUSETTS
MARCH 30, 1995

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Second, I want to talk about how restructuring DOT can help us to meet those challenges.

Third, I want to discuss in more detail part of that restructuring -- our proposal for an independent air traffic control corporation -- because it so clearly illustrates the principles underlying our strategy.

Before I begin discussing these issues, I want to set the context for these initiatives: Vice President Gore's National Performance Review, better known as reinventing government.

We really began this effort two years ago, and we've had tremendous success at cutting costs to save taxpayer dollars.

U.S. Department of Transportation
Office of the Secretary, Public Affairs
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(More)

Since the Clinton Administration took office, we've cut DOT's workforce by more than seven percent -- while increasing efficiency *and* improving customer service through automation and streamlined procedures.

But this first phase of reinventing government focused on *how* we do what we do -- and not the question of *what* we should do.

Now, we've moved into the second phase of reinventing government to look at this broader issue.

We began this effort last December, when the President and Vice President challenged DOT and four other federal agencies to revalidate why we're in business -- to determine who we're serving -- why we're serving them -- and whether we're doing the job in the best way -- or whether other levels of government or the private sector could do it better.

And for those functions which clearly are appropriate for the federal government, they asked us whether we were carrying out our mission in the most efficient way possible.

If we couldn't answer these questions -- frankly, we should have been prepared to go out of business.

Well, it's clear that we *haven't* gone out of business.

But this process was a healthy one, and it forced us to reexamine our fundamental assumptions.

And, in fact, the rest of the Cabinet agencies are now going through this kind of review with the Vice President.

One assumption that remains clearly true for us is the importance of our transportation system to the health of our economic system.

Since the nation's founding, America's prosperity has depended on moving people and goods safely and efficiently.

I'm not sure that I learned *this* in American History, but the fact is that -- from the colonial post roads to the transcontinental railroads to the Interstate Highways -- progress has *always* been made possible by advances in transportation.

But today we face transportation challenges that are as great as, and in some ways more complex than, those of the past.

Steadily-rising traffic strains existing highways, airports, and railroads.

There are growing demands for efficiency -- from businesses relying on prompt deliveries for "just-in-time" manufacturing to commuters trying to preserve time for their families alongside demanding work lives.

And -- after a decade of neglect during the 1980s -- our system isn't up to the job of meeting these needs.

Indeed, the new Republican chair of the House transportation committee recently estimated that we need over *$360 billion* just to repair or replace America's *existing* transportation infrastructure -- although he didn't suggest where dollars of this magnitude might come from!

Finally, federal transportation funding -- which has increased under the Clinton Administration -- isn't likely to continue growing as we work to further reduce the budget deficit.

Against this background, our challenge is to find *new -- more efficient -- and more cost-effective* -- ways to meet America's transportation needs.

We're meeting the challenge by focusing ourselves on our core missions of traveler safety, investment in our system's infrastructure, and national security.

We've proposed a complete restructuring of DOT that streamlines our organization to better carry out those missions.

This restructuring resembles those proposed by Secretaries of Transportation almost since DOT's creation in 1967 -- usually as they were leaving office.

Today, we find that DOT isn't really an integrated unit but a holding company, much like the giant business conglomerates of the 1960s and '70s.

(More)

It's a department with 10 separate operating administrations that resembles a Noah's Ark -- with not just two of everything -- but *10* -- *10* personnel offices, *10* procurement offices, and -- this being Washington -- *10* offices of lawyers.

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What's worse is that this fragmented system serves our customers poorly by sending them from office to office.

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Let's face it: the dinosaurs of the business world weren't nimble enough to cope with the drive for efficiency and customer service that swept corporate America during the 1980s -- and now the federal government faces the same pressures in the 1990s.

That's why we propose to consolidate DOT from 10 operating administrations to three: a new Intermodal Transportation Administration, the Federal Aviation Administration, and the Coast Guard.

The Intermodal Transportation Administration, or ITA, embodies the concept of intermodalism: integrating all forms of transportation -- or modes -- so that they function as a unified system in which the best and cheapest mode is used to give the American people faster and safer transportation.

The new ITA would pull together all of our surface transportation and civilian maritime functions, reducing bureaucracy, cutting red tape, and giving our state, local, and industry customers one-stop shopping.

It would include most of the functions currently carried out by the Federal Transit, Railroad, Maritime, and Highway Administrations, the National Highway Traffic Safety Administration, together with the safety-related responsibilities of the Research and Special Programs Administration.

Under our plan, the Federal Aviation Administration would continue to promote and develop our air travel system and ensure its safety.

(More)

However, its air traffic control function would be transferred to a new government corporation -- which I'll discuss in a moment.

Finally, the Coast Guard -- which is preparing recommendations for its own internal streamlining -- would continue in its present role, serving the nation well as it has for two centuries -- in everything from boating safety to drug interdiction to special tasks such as rescuing Cuba and Haitian refugees last year.

Of course, fulfilling the mandate given us by the President and Vice President isn't *just* about reorganization: it's also about streamlining and simplifying DOT's funding programs.

DOT now has *more than 30* different programs to fund infrastructure -- each with its own rules, applications, and criteria.

That places an unnecessary burden on our partners in state and local government and in private industry -- especially as they struggle to make the most of increasingly-limited public resources.

It adds to their costs as they waste time trying to shape projects to meet the rigid standards for federal funding.

For example, tourism is critical to Miami's economy, and the city wanted to build a light-rail line to connect the airport with cruise ship docks.

That's a good idea, since the airport's access roads are clogged with traffic -- but Miami found it couldn't use its airport funds because the fragmented federal funding system limited their use to airport property.

After lengthy, costly delays, we finally came up with a complicated plan which transfers the rail right-of-way to the airport -- making the project eligible for airport funds.

Breaking down the barriers between funding programs will end such bureaucratic nonsense that delays -- or even derails -- good projects.

Our proposal would reduce the number of federal infrastructure funding programs from more than 30 to three -- consolidating and simplifying them.

At the same time, we'll fulfill the President's mandate to return flexibility and authority to state and local governments -- who are most directly accountable to the public, and who best know its needs.

The new programs are at the heart of our drive to revamp federal transportation funding.

Most of these funds will be allocated by formula, with decisions on how to spend the money being made locally, with few limits.

That would empower states and localities by letting them use funds to meet *their* needs, and not spend time and money meeting *our* requirements.

Some things are best done at the federal level, so we'll have discretionary grants to directly fund projects of regional or national significance -- such as high-speed rail or freight corridors -- that individual states can't finance or coordinate by themselves.

Finally, we want to build new partnerships with the states and the private sector by promoting infrastructure "banks."

Just like private banks, they would be designed to spur investment -- in this case, of federal seed money that would leverage additional funds from state and local governments and the private sector -- extending taxpayer dollars.

In a time of limited federal funding, these new programs also would be designed to let states keep their costs low and to tap the resources of private businesses and local communities.

They'll be able to build on the innovative financing strategies that the Clinton Administration's new Partnership for Transportation Investment has pioneered.

That initiative cut red tape to let states jump-start $2 billion in new highway, rail, and transit projects -- without a single penny of new federal funds.

In total, these changes are going to make us more effective and more efficient -- and let us spend more time moving people and less time moving paper -- as Secretary Peña says, building bridges, not bureaucracy.

Of all the ideas we're proposing, the one that may have the greatest impact on the public is our plan to create an independent government corporation for air traffic control services.

You may have heard the stories of air traffic controllers guiding planes using antiquated computers run by 1960s-vintage vacuum tubes -- when the rest of the world has moved on to the microchip.

And we've found that when the FAA's procurement system *does* purchase new technology, it inevitably costs far more and comes on line far later than planned.

Technology procurement is hardly the only problem.

The personnel system is equally inflexible. It prevents us from properly rewarding good work or efficiently staffing busy airports.

And the federal finance system -- which relies on annual reviews and appropriations by Congress -- simply doesn't allow for long-term planning or timely purchase of new technologies.

Together, these three areas -- procurement, personnel, and finance -- have resulted in an air traffic system that *is* safe -- but only because of its dedicated employees.

But we can't expect a system that's so constrained to be able to handle the rapid growth that's projected for the future.

And -- since we'll *never* compromise on safety -- we run the risk of reducing system efficiency -- with delays, inconvenience, and higher costs.

We've *got* to do better, and that's what the air traffic control corporation will do.

This would be an independent government corporation, freed from federal personnel, finance, and procurement red tape -- one that can safely handle future growth.

And that's the key: the future. Our ATC system works *today* -- even though we have the busiest, most complex system in the world.

Some look at this and say, "if it ain't broke, don't fix it." That misses the point.

The FAA has been accused of reacting to problems instead of anticipating them. That's *precisely* what we're trying to avoid: we see a problem -- a *real* problem -- and are trying to address it before it becomes critical.

That -- in brief -- is what we plan to do as we reinvent -- and restructure -- the Department of Transportation to meet the transportation challenges of tomorrow.

(More)

The next step is to submit legislative proposals to Congress, since so much of what we're planning requires changes to existing laws. That's something we'll do in the next few days.

Once they're submitted, we want to work with Congress so that we can begin to make these ideas real.

I'm looking forward to this process, since I believe that we're doing something important -- something that's absolutely necessary if we're going to have the type of transportation system that will sustain our economy into the next century.

Thank you.

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