



TRANSPORTATION TRENDS

**REMARKS AS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
MITSUBISHI MOTOR MANUFACTURING MILLIONTH CAR
BLOOMINGTON, ILLINOIS
OCTOBER 11, 1995**

Thank you, Gary, for that introduction. I'd like to begin by bringing you congratulations from President Clinton and Secretary Peña. This facility's success shows that the promise of this Administration's economic and trade policies is being realized, and I'll speak more about that in a moment.

First, I'd like to congratulate our hosts: Dr. Nakamura, Mr. Ohinouye, Mr. Takeuchi, and the other Mitsubishi executives with us today. I want to acknowledge Mr. Nishimura, who is representing the Japanese government. This facility's success is a testament to the strong relations between our nations.

The State of Illinois has supported this facility since it was first proposed a decade ago, and I'm glad to see Lieutenant Governor Kustra here with us. Finally, Phil Hutchison, whose association has been so successful in helping to produce jobs here in America.

A moment ago I spoke about the President's policies. During the past couple of years the Clinton Administration has advocated policies promoting economic growth and free trade. The President has cut the deficit in half in just three years, on the way to balancing the budget, and that has freed up hundreds of billions of dollars to create new businesses and jobs.

We've seen the results: more than seven million new jobs, low unemployment and low inflation -- the lowest combined rate in 25 years, and the best productivity growth in a generation. That economic resurgence has boosted sales and helped the auto industry's recovery.

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Hand-in-hand with the President's domestic economic initiatives are policies that move this nation, and the entire world, towards the freer movement of goods, services, and investment. Those policies have been especially focused on the nations of the Americas and the Pacific Rim.

Let me make a point that's often overlooked. When we talk about the Pacific Rim, people sometimes take that literally and assume that the impacts of this growing trade are felt only in those areas -- like California -- that are right on the Pacific coast. That's wrong. The Pacific Rim begins at New York and Miami, and it certainly includes Bloomington-Normal, just as it includes Asian cities a thousand miles from any ocean. The benefits of free and open markets are shared everywhere in those nations that embrace them.

These increased opportunities for trade directly benefit Americans by expanding available markets and by increasing the opportunities for overseas investment, just as we've seen here. That means increased business and more jobs here in the U.S., sustaining the long-term growth that the President's economic plan began.

The basis of that prosperity is through multinational accords such as NAFTA and GATT, through bilateral agreements such as the U.S.-Japan automotive agreement and our efforts to create "open skies" for air travel, and through initiatives to create free trade throughout the Americas and the Pacific.

We're proud of those policies. We see their success here, where Mitsubishi and its workers have increased production by 65 percent in the last two years alone. Their commitment has created nearly 4,000 high-tech jobs, most of them high-wage union jobs, and more at Mitsubishi's 500 suppliers around the country.

We want that success to continue, and will ensure that by working with the Japanese government and our other partners to build strong trade links that will benefit all of our nations. Let me close today by again congratulating Mitsubishi and its workers. I look forward to returning to help you celebrate your ten millionth car, which, at the rate you're increasing production, won't be far off. Thank you.

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(In his remarks, Deputy Secretary Downey referred to Dr. Hirokazu Nakamura, Chairman, Mitsubishi Motor Corporation; Tsuneo Ohinouye, Chairman and Chief Executive Officer, Mitsubishi Motors Manufacturing of America; Tohei Takeuchi, President and Chief Executive Officer, Mitsubishi Motor Sales of America; Gary Shultz, Vice President for Public Affairs and General Counsel, Mitsubishi Motors Manufacturing of America; Mutuyoshi Nishimura, Consul General for the government of Japan; Bob Kustra, Lieutenant Governor of the State of Illinois; and Phil Hutchison, President, Association of International Automobile Manufacturers.)

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TALKING POINTS ON ILLINOIS RURAL TRANSPORTATION
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
BLOOMINGTON, ILLINOIS
OCTOBER 11, 1995

- * When we think of mass transit budget cuts, we often think of the service cuts and fare hikes they'll force in big cities. However, the biggest impacts -- proportionately -- will come in smaller cities and in rural America. Congress wants to slash funding for travel to jobs and to such vital lifeline services as health care -- cuts that would put Americans at risk.
- * These impacts are *real*. Here in Bloomington-Normal, the 1996 appropriations bills passed by both the House and the Senate would cut federal funding so much that a massive fare increase -- perhaps even 100 percent -- would be needed to make up the difference. The alternative would be service cutbacks or increased support from Bloomington and Normal.
- * Statewide in Illinois, aid to smaller cities would be slashed by nearly a third -- \$2.1 million. Rural transit funding would be cut by nearly 20 percent -- \$800,000. Transit aid for senior citizens and the disabled -- many of them in rural areas -- would be cut by over \$360,000. The small local providers who operate these services can't possibly make up the difference.
- * Cuts of that magnitude will force drastic fare hikes and service cutbacks. They may even cause some small carriers and paratransit providers to go out of business, stranding thousands of Americans.
- * Budget cuts are necessary, and we've proposed them in transportation -- but they should be reasonable and balanced -- and not unfairly harm working families and the most vulnerable Americans.

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**Testimony by Mortimer L. Downey
Deputy Secretary, Department of Transportation
Before the Subcommittee on Civil Service of the
House Committee on Government Reform and Oversight
Hearing on Civil Service Reform
October 12, 1995
Washington, D.C.**

Good morning. Mr. Chairman and members of the Subcommittee, I am Mortimer Downey, Deputy Secretary of the Department of Transportation.

I thank you for the opportunity to participate, along with my colleagues John Koskinen, Jim King, and Walter Broadnax, in this panel discussion on Civil Service Reform.

Let me put this issue in the context of DOT's vision of providing future generations with a transportation system that is safer and more efficient.

In support of this vision, we are utilizing a strategic plan and are making notable strides towards a leaner, more effective agency.

The Department has 7,000 fewer civilian employees than it had in 1993 and is well along its 5-year reduction target of 8,450 positions.

At the same time, we are empowering our employees to help reinvent and streamline our operations and to serve our customers better.

The Department is also currently making many changes to decrease regulatory and paperwork burdens, permit electronic filing, facilitate the use of new technology, and make a variety of other improvements.

For example, we will eliminate about 1,450 pages from the Code of Federal Regulations, about 13 percent of our total -- and are rewriting another 37 percent to make them easier to understand and more outcome-focused.

But, quite frankly, this effort struggles against a headwind of outmoded civil service requirements.

I will be citing several requirements that impede our ability to make changes in the work force, changes that are urgently needed if we are to serve the public better.

Before I do, it is important to consider the backdrop of the laws and regulations that currently affect us.

Our Federal Civil Service System has its roots in the post-Civil War era. Those roots were based on a philosophy that produced an exemplary merit system and brought the patronage system to an end.

The early merit system served the country well for several generations. In the post-World War II period, when the United States emerged as the predominant world leader, the system incorporated major and appropriate changes that stressed structured organizations.

A score of other laws reflected the management philosophy of the times.

Among them were the Classification Act of 1949, the Performance Rating Act of 1950, health and life insurance benefits laws, the Government Employees Training Act of 1958, and so forth.

Today, it is a new philosophy that impels us.

The successful organizations are those that have focused on becoming high-performance units.

They reward knowledge, judgment, teamwork, problem-solving, and accountability.

Organizations must be shaped, staffed, and managed to respond ably to rapidly changing forces in a world that is fiercely competitive.

Recent events at AT & T are excellent examples: they know that if they do not change, they will not survive.

The private sector has responded extremely well to the organizational impetus, attested to by surging productivity in recent years, the tax-paying public expects no less of government.

I would like to begin with the classification system.

As noted earlier, it is based on a 46-year-old law and it is a system based on an organizational approach to work which is no longer viable.

It was designed to match a hierarchical structure.

The law in effect linked pay to a very detailed schedule of grades and even spelled out general job requirements in ascending order of complexity.

Over time, it gave rise to hierarchical organizations, since an additional grade could be “earned” by being a supervisor.

Not surprisingly, a bulky, mid-level bulge (GS-13, 14, and 15) exists across government. It is exceedingly costly and does not always translate into better services for the public.

The current classification system is not consistent with our initiatives to streamline, flatten or delayer organizations.

As we streamline, many Federal government organizations are moving from hierarchical, command and control structures to flatter, team-based organizations.

For example, DOT recently reorganized its administrative functions by forming a new Transportation Administrative Services Bureau.

Many functions have been consolidated, and a flatter, more customer-focused, and team-oriented organization has been formed.

However, the current classification system does not provide the flexibility needed to change supervisory positions to less traditional team leader and facilitator positions without creating serious morale problems.

In many cases, team leader and facilitator positions are just as complex or difficult as supervisory positions, but rarely, is it possible to support the grades of these new jobs because the highest grades are based on supervisory work.

This often results in significant resistance among the employees to move to a flatter organization like the new Services Bureau.

We are making major strides to change the way we work to become more efficient and customer focused.

However, we need a classification system that both supports and is consistent with our restructuring objectives.

We are also working with OPM on a competency-based pay system for certain occupations within the Federal Aviation Administration's Airway Facilities organization.

In this area, it is important that we have incentives for employees to achieve additional competencies, especially as new technologies are introduced.

A competency-based system would allow pay of staff involved in installation and maintenance of air traffic control

equipment to increase with the achievement of specific, job-related competencies.

The outcome we seek through this proposed system is greater safety at a reasonable cost. This serves the public.

We worked closely and collaboratively with the appropriate employee unions. Without their involvement and support, we would not have been able to push forward on these ideas.

In order for us to move forward in our effort to make Government work better, we need a classification system that is fully integrated with other human resource systems, and one that is flexible enough to support change.

It is reasonable to assume that pay for some occupations should be driven by competencies and pay for other occupations should be driven by other factors such as complexity.

We recognize that pay flexibilities must be used in an accountable and responsible fashion.

However, it is unreasonable to assume that the pay for all occupations should be driven by the same system. Therefore, we believe that reform is necessary.

I would now like to address employee performance management.

The Department has recently redesigned its performance management system.

Instead of recognizing characteristics and behaviors, we will now reward our employees based on outcomes and results.

The desired outcomes must be based on the organization's goals and must improve organizational and individual performance.

We believe this is a more direct and simpler approach to improve employee performance and to realize the organization's goals. It is also a tool to help identify those employees who are not contributing in ways that benefit the organization.

We would like for any change in legislation in this area to be compatible with our outcome-based system.

We also think the current hiring system needs an overhaul. Although, like many other Federal agencies, we are not in a hiring mode, periodically we are filling gaps and eventually we must start to build a pipeline for the future.

Managers want a system that produces quality people without a lot of red tape.

While we are aware of the necessary constraints inherent in a civil service system, there must be many fine examples of state and local government systems that work well, and that could be benchmarked and emulated.

That completes my statement. I would be glad to answer any questions.

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TALKING POINTS
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
INTRODUCTION TO BRIEFING ON NEW SENIOR EXECUTIVE
SERVICE PERFORMANCE APPRAISAL SYSTEM
OCTOBER 17, 1995
WASHINGTON, D.C.

- * You've already received a letter from Secretary Peña announcing the new Senior Executive Service Performance Appraisal System. This afternoon you're here to be fully briefed on the new system. I wanted to lead this session off to express support and enthusiasm for the new system.
- * The hallmark of this new system is a focus on bottom-line results, one which asks: *why are we doing what we do?* Clearly, this is what we should all be about. The President wants this approach, the Government Performance and Results Act mandates this approach, and, I think you'll all agree, it makes good sense.
- * Much of the work in developing objectives and desired impacts has already been done. Your Assistant Secretary's or Director's performance agreement with the Secretary has been written in an outcome-based format and, in many instances, lists the desired impact along with the objectives. Your performance plan should be directly linked to the agreements and your organization's desired outcomes -- it's *your* personal slice of the pie.
- * Thank you for coming this afternoon. After today's session, I encourage you to put serious effort into preparing your FY 1996 objectives and performance targets. I know I can count on you to make this new system help you and your organization meet its goals. Now, let's find out what this new system is all about.

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TRANSPORTATION TRENDS

**REMARKS AS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
AMERICAN ROAD AND TRANSPORTATION BUILDERS
ASSOCIATION'S 7TH ANNUAL PUBLIC-PRIVATE
VENTURES IN TRANSPORTATION CONFERENCE
WASHINGTON, D.C.
OCTOBER 18, 1995**

I'd like to begin by bringing you greetings from Secretary Peña. The Secretary placed infrastructure investment at the center of the Department of Transportation's agenda, and today I'd like to talk about what the Clinton Administration sees as a key strategy for meeting our transportation needs.

The necessity for infrastructure investment is clearly growing. We see a lack of capacity that causes traffic congestion costing us upwards of \$40 billion annually. We see poor connections between modes that slow travel and complicate services that need efficiency, such as the "just-in-time" deliveries that keep our factories operating on a daily basis.

We see changing patterns of commuting and goods movement that our existing system isn't designed to handle. And we see aging, crumbling infrastructure that causes disruption and delays.

Within the next several weeks we hope to submit to Congress our 1995 Surface Transportation Conditions and Performance report. That report will give us an updated, accurate picture of the state of our system, and I don't think I'm telling you anything you don't know when I say that it'll show that greater transportation investment would enhance national economic performance.

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Some of this need can be met through sound investment policy, making better use of existing alternatives: we can reduce the need for airport expansion by promoting the use of intercity rail, and we can reduce the need for new highway capacity by promoting ridesharing and transit.

We also can increase the operating efficiency of our transportation networks through new technologies. The work that we're doing on Intelligent Transportation Systems is an excellent example of this. Of course, even these alternatives usually involve some level of investment, often a considerable one.

Ultimately, there's no getting around the fact that a growing economy needs investment for new and expanded roads, bridges, transit systems, airports, and other facilities to ensure our transportation system's safety and efficiency.

It's hardly likely that government is going to be able to pay for all of this in the ways it has traditionally financed capital investment. Today, government at all levels is putting about \$40 billion a year in highway and transit capital.

Budget constraints at the federal level are going to limit future transportation spending as long as we are focused on achieving budget balance. State and local governments, which already face competing demands for funding to meet such vital needs as education, law enforcement, and health care, are likely to be under even more pressure as responsibility for public services devolves to them.

The answer, the *only* remaining answer, is to look to the private sector. Greater private investment in our transportation systems is necessary if we're going to avoid gridlock on our roads, our rails, and our runways. At the same time, we need to consider appropriate means of assuring that the network operates effectively.

We took the first big step towards involving the private sector this past January, when President Clinton and the Secretary announced the Partnership for Transportation Investment, better known as innovative financing.

Innovative financing is our umbrella term to cover a wide range of financial strategies. It stems from provisions in the Intermodal Surface Transportation Efficiency Act that allow us to experiment with different ways of financing capital projects. That's critical to success, because our current system of paying for projects through grant reimbursements is outdated. A process that worked adequately in the 1950s and '60s when the federal government had enormous amounts of money for infrastructure is simply too rigid and inflexible for the cash-short 1990s.

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In addition to adding red tape that slows projects and increases costs, our grant system makes it incredibly difficult for states and localities to involve private investors. The innovative financing program allows us to waive those existing restrictions or requirements in many cases, and give local decision-makers greater flexibility and authority, principles that we in fact expect to bring to all of our funding programs.

We've already had tangible success. For example, the Federal Railroad Administration has worked with the State of Ohio to add a third track to a Norfolk Southern right-of-way in Cincinnati, greatly reducing rail congestion and the consequent air quality problems. Using a ratified advanced construction approach, Norfolk Southern will provide the upfront money, including the federal share, and be reimbursed over time through the state.

In Chicago, the Federal Transit Administration will help that city's transit authority save between \$35 and \$40 million through a Pickle Lease. The Chicago Transit Authority is selling to private investors, and then leasing back, 800 new and rebuilt rapid railcars. Even after the tax incentives included in this agreement, the federal government will realize a net revenue of about \$11 million over the length of the lease.

Because of this conference's emphasis, I'd like to focus on highway projects. The Federal Highway Administration has already approved more than 60 innovative financing projects with a total value of about \$5 billion. In its early efforts, the FHWA has focused on two major approaches to financing projects.

First, building more with fewer dollars using leveraging tools. These tools are designed to make more funds available to transportation agencies. That means strategies such as flexible matches, which let the private sector provide the match for federal grants in lieu of the state. It also includes extensive use of bond financing. All told, these provisions have already attracted \$1.5 billion in increased public and private investment above the level available through conventional cost-sharing ratios.

The second strategy is to get projects on the ground sooner through cash flow tools. These tools are intended to make federal funds available to states faster, and to allow federal and non-federal funds to work in a more complementary fashion. Concepts for more flexible use of grant funds, such as phased funding, advance construction and partial conversion, and match tapering all fall into this category. As a result of these tools, innovative financing projects will generally start construction as much as two years earlier than they would have under conventional financing.

That's critical, because it means we'll see reduced congestion and faster freight shipping, with the consequent economic benefits, years sooner. We'll also save the taxpayers money, because earlier construction will lower total costs by avoiding inflation and by

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reducing the interest burden on loans or bonds. These alone could produce savings of about 15 percent annually.

Let's look at a couple of outstanding examples of these projects. In Romulus, Michigan, the state DOT will build a new interchange on I-94 to reduce local congestion and to improve access to a nearby private industrial zone. The state match will be provided by the zone's owners, allowing this project to get underway faster and also freeing up state funds for other projects.

In Laredo, Texas, a new bridge to help alleviate congestion caused by the increased traffic resulting from the North American Free Trade Agreement will be paid for by toll revenues and rental income from the property.

And in Newark, New Jersey, a new viaduct on Routes 1 and 9 will be built using phased funding, instead of requiring that the full federal share be accumulated upfront. That will allow construction to begin a year early.

It's clear from these projects that we're doing something right. The question is not *whether* we should continue innovative financing, but *how* we can continue to do so.

Much of our authority under ISTEA is for experimentation, with projects being approved under temporary research authority. That means we need to secure authority from Congress if we want innovative financing to become a permanent tool. That's the next step, and we're working with Congress to make it happen. The National Highway System bill that's making its way through Congress now includes a series of improvements to the ISTEA legislation that will enable us to make these experimental ideas permanent.

The innovative financing concepts that the NHS bill would enshrine in law are only the beginning for us. We're exploring other avenues as well, including several that go so far beyond ISTEA that simple technical corrections won't be sufficient to make them a reality.

One that already has some momentum in Congress is the state infrastructure bank, or SIB. It's the product of a multi-departmental Clinton Administration effort. SIBs, like innovative financing, are an umbrella concept that offers states a mechanism to use a variety of tools, such as revolving loan funds, short-term construction loans, contingent lines of credit to attract private capital, and low-cost pre-construction capital for privately-developed projects.

They would be created and operated by the states using federal seed money, and would focus expressly on leveraging private and other public capital dollars. We included SIBs in the DOT fiscal 1996 budget that we submitted to Congress in February. The Senate has built

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upon our proposal in its transportation appropriations bill, although the concept may migrate over into the NHS bill.

The Senate version gives states the option of applying up to 10 percent of their regular allocation of funds to SIBs. It also leans to making this a limited pilot program, and to providing some incentive funding to participants. We hope that we can work with Congress in the next few weeks to develop a SIB model that meets the needs of the states.

Something else we're exploring is the application of credit reform to project guarantees. The Credit Reform Act of 1990 standardized the rules for how the federal government counts guarantees of project loans against the budget.

In the past, some federal agencies, such as Energy, charged the budget with the entire loan exposure. Others, such as the Department of Housing and Urban Development, assumed no exposure. Neither approach was realistic: one estimated too much, and unnecessarily reduced the funds available to make loans. The other charged too little, or nothing, and risked being unable to cover losses.

Now, the basis to be used is the actual risk associated with default, as calculated using standard actuarial principles. We want to bring this concept to supporting privately-developed transportation infrastructure.

Special legislation has allowed us to do one project in this manner, supporting a private toll road in California. There was concern among prospective lenders that use of the road wouldn't generate enough revenue to pay off the debt service during the first years. In order to provide the necessary security, we made available to the developers a \$120 million line of credit, counted against our budget as \$8 million.

This line of credit supported the developers in borrowing \$1.3 billion in construction loans. In short, our \$8 million secured \$1.3 billion. That's the type of impact we can have by cooperating with the private sector. Although we're still exploring this concept's viability, we may have a proposal ready as early as next year.

In the longer term, we're looking at a wide range of financial strategies. We're also examining how the innovative contracting procedures we're already implementing can be made to work with new financing strategies. One example is in Romulus, where final design and construction are taking place simultaneously, expediting the project's completion.

We're also thinking of introducing more results-oriented standards into our programs, such as increasing the use of concepts like value engineering and life-cycle costing. For instance, while we needed to get the Interstate Highways built quickly in order to connect the

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nation, we want to think about whether higher standards might hold down the long-term costs for maintenance and replacement. Higher standards might also reduce the losses caused by delays during rebuilding. The savings from reduced wear-and-tear and longer lifespans might be a form of innovative financing by themselves.

We in DOT look to use this innovation and cooperation with other levels of government and the private sector to help meet our national transportation infrastructure needs. The Clinton Administration views state and local governments and the private sector as full partners in the effort to build the highways and airports and high-tech rail lines which will carry us forward into the next century.

It's an approach implicit in the Vice President's National Performance Review, which emphasizes the need for better planning and the use of market incentives as we reinvent government to work better and cost less.

This is neither an abdication of public responsibility nor an ideological statement about government's value, but simply a recognition that the federal government can achieve better results through partnerships. We'll answer the challenge of meeting national infrastructure needs by expanding the spectrum of available resources and offering opportunities for creative involvement by new parties. We hope that other levels of government and the private sector will join with us in this critical effort. Thank you.

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**REMARKS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
CREDIT, TRAVEL, AND FRAUD CONFERENCE
ORLANDO, FLORIDA
OCTOBER 26, 1995**

*(Introduction to be made by Janet Koehler, Executive Director
for Consumer Affairs, AT&T Universal Card Services [conference hosts])*

Opening

Thank you, Janet, for that introduction. I'd like to bring all of you greetings from Secretary Peña, who has made consumer issues a top priority for his administration at the Department of Transportation.

Before I begin my remarks, I'd like to thank the U.S. Department of Consumer Affairs and the National Fraud Information Center for co-sponsoring this meeting with us. I'd also like to give special thanks to our hosts, AT&T Universal Card Services.

I'm pleased to join you here to promote cooperation among the federal government, state and local leaders, law enforcement, business, and the nation's consumer advocates. Today, I'd like to talk about three issues.

First, President Clinton's commitment to improving traveler safety and consumer protection -- and why it's so

important to maintain this focus at a time when the transportation industry is changing so rapidly.

Second, I want to review some of our achievements in these areas -- many of them made in partnership with you.

Third, I'd like to talk about the future of consumer protection in the transportation industry, and how this conference can help promote continued progress.

I. A commitment to putting people first

President Clinton came to office nearly three years ago with a mandate to put people first.

In transportation, that means ensuring people's right to travel safely and securely and their right to expect high-quality transportation and customer satisfaction.

Our emphasis on safety and consumer protection began the day that the Clinton Administration took office, and over the last couple of years we've taken a number of actions that have benefitted travelers and consumers.

These efforts have become increasingly necessary in recent years. America's transportation industry has expanded rapidly.

That's brought tremendous benefits to travelers and consumers -- lower prices and greater choices in products and services.

We welcome that. But we also recognize that such expansion can bring with it tremendous competition and rapid change.

While that dynamism is usually a positive force, it sometimes can lead to consumer frustration and confusion -- and can even bring some practices to the edge of deception -- or of risking safety.

Let me be clear: the vast majority of operating practices within the transport industry put safety and fair dealing first -- as they should.

They protect the traveler's interests, recognizing that such treatment is the way to satisfy customers, build loyalty, and grow successful businesses.

I know that's true of the businesses represented here today. You've built your reputations on service and reliability.

Responsible businesses know that *caveat emptor* -- "let the buyer beware" -- is no way to achieve success in the customer-focused world of the 1990s.

But we're disturbed by the abuses we've seen, and there are areas in which we need to strengthen consumer protection.

We especially need to ensure that competitive pressures *never* cause safety to be compromised.

Sustaining traveler confidence -- both with regard to safety and to consumer satisfaction -- is critical to the continued success of America's transportation industry.

II. Our accomplishments on safety and consumer protection

And that brings me to my second topic: what the Clinton Administration has done to sustain that confidence.

Over the past two years we've focused attention on safety at the highest levels -- bringing together transportation industry leaders, safety advocates, and government officials for safety summits in several areas -- pipelines, air travel, trucks and buses, railroads, and child safety. As a result, we've made tremendous progress.

On our highways, we've carried forward the work that has reduced the highway fatality rate by *two-thirds* since 1966 -- issuing new alcohol and drug testing rules for transportation professionals and sponsoring new initiatives to improve vehicle safety and fight drunk driving.

We're improving safety in other areas as well, such as rail, where we're supporting the development of positive train control systems that will prevent collisions and a new highway-rail grade-crossing initiative.

And we're acting on air travel, where we're going to set the same safety standards for *all* services, whether they're small commuter lines or major airlines. Airline customers deserves nothing less when they make their travel choices.

We've also greatly expanded DOT's consumer protection efforts because -- although the vast majority of travel and transportation industry members are responsible and conscientious -- there are still too many consumer complaints.

Earlier this year we strengthened the old DOT Office of Consumer Affairs -- merging it with the enforcement division of the General Counsel's office.

We renamed it the Office of Consumer Protection, and its mission is to aggressively monitor -- *and correct* -- questionable industry practices. We've already taken a number of steps.

We've fought to protect air travelers, ensuring greater "truth-in-ticketing," so that consumers get the facts about connecting or code-shared flights...

...acted to prevent rip-offs on charters to special events such as the Rose Bowl and Super Bowl...

...protected the health of international travelers by banning smoking on some flights and supporting a complete ban through international aviation authorities.

We've also proposed a rule requiring that airline passengers be notified in advance of insecticide spraying.

We've given car buyers important information by expanding the New Car Assessment Program and making it simpler and more accessible.

In each of these actions, we see ourselves as the first-line defenders of travelers' safety and consumers' rights.

III. Where we're going next

This brings me to my third topic: where we're going next on consumer safety and security.

We want to achieve our goals in these areas through cooperation, not confrontation -- by relying on common-sense actions that benefit *all* parties.

Where the safety of the public is at risk, or when deceptive practices violate the public trust, we will *never*

hesitate to take action -- to actively enforce existing laws and regulations, *or to take new regulatory action.*

However, we want to work *with* state and local governments -- with consumer and safety advocates -- and with business to change the culture of regulation.

We want to develop the types of initiatives -- both voluntary and regulatory -- that protect the American people without unnecessarily burdening business *or* government.

We also recognize that reputable businesses share our values and want to take the steps needed to protect their customers, to voluntarily recall or redesign products, and to police their industries.

We see public education as the single best way to achieve our goals, because an educated consumer is capable of protecting himself or herself without excessive government intervention. It was that principle which led to this conference.

Today's conference resulted directly from a pair of roundtables this past March. We met with representatives from the entire transportation and consumer community, and asked them to identify problems and propose solutions.

Among their top concerns were travel fraud and advertising scams, and certain airline advertising disclosures

related to things such as seat availability and two-for-one sales.

They also were concerned about the potential for fraud as the use of credit and electronic ticketing expands. Linking the information highway into the transportation system can be a tremendous boon to consumers, and we don't want to see it turned into a threat.

Let's face it: travel consumer fraud already costs Americans about \$12 billion a year. People like a bargain, and they like convenience, and that makes them vulnerable to unscrupulous promoters.

As more and more Americans begin to do business on the information highway, the risk is only going to increase in the future -- unless we take action.

Instead of Draconian measures that constrain legitimate entrepreneurs, our first line of attack has to be awareness and education, coupled with proper enforcement of existing laws.

We know that if people understand the risks of any activity and how to reduce those risks, they'll do so. A little over a decade ago, only one in 10 Americans used safety belts.

Now, after a decade of education, two in three do, and thousands of deaths and serious injuries are prevented every

year. Alcohol involvement has seen similar reductions through a strategy of education and enforcement.

The same can be true for consumer fraud. Effective strategies can be used by Americans to protect themselves *if* they know the dangers of fraud and what they can do to prevent being taken advantage of.

Closing

The people in this room are the ones with the answers. You know this industry, and you will benefit if its reputation is further enhanced. It's in your interest to help us raise the awareness of the traveling public against consumer fraud.

It's more important than ever that we work together to preserve the gains we've made -- and to continue to progress in the future.

Today, we're asking you for your ideas about how we can reach out to increase traveler awareness of consumer problems. We hope that -- with AT&T's help -- we can produce a set of model consumer messages and public service announcements that you'll be able to use in your hometowns.

Today's meeting is another step in this effort, and we plan to continue these discussions in other forums in the future.

I'd like to thank you in advance for your contributions, and I *am* looking forward to seeing your products.

In closing, let me say that we've made great strides on traveler and consumer protection over the past two-and-a-half years -- and that progress is only going to increase as our partnership expands. Thank you.

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TRANSPORTATION TRENDS

**REMARKS AS PREPARED FOR DELIVERY
DEPUTY SECRETARY OF TRANSPORTATION MORTIMER DOWNEY
CHALLENGES AND OPPORTUNITIES FOR GLOBAL
TRANSPORTATION IN THE 21ST CENTURY CONFERENCE
VOLPE NATIONAL TRANSPORTATION SYSTEMS CENTER
CAMBRIDGE, MASSACHUSETTS
OCTOBER 26, 1995**

Thank you, Dr. Sharma, for that introduction. Before I begin my remarks, I'd also like to thank Dr. John and the Volpe Center for hosting this conference. I'm proud that DOT is sponsoring these symposiums on the future of transportation.

The opportunity to take some time and think about what the future holds and how we can shape it is rare in Washington, where "long-term" usually means one week beyond the next election. Maybe the academic environment here in Boston encourages a longer view.

The short-sightedness typical of Washington is especially inappropriate for those of us concerned about transportation, both because our decisions take so many years to put in place and because our actions affect so many other parts of life.

Transportation already generates one-sixth of our Gross Domestic Product and employs millions of Americans. Transportation's role in the economy will only increase with time: 400,000 of the 7½ million jobs created since President Clinton took office are in transportation.

Transportation touches literally everyone's life in very direct ways. Indeed, it's so much a part of our daily lives that those outside of the profession rarely think about how it affects them, until they're stuck in traffic or their plane is stacked up over an airport.

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And yet a mere one percent decrease in our transportation system's efficiency, the type of decrease that can result from inadequate roads or insufficient airport capacity, will tax our economy \$10 billion in a year, a tax that's paid in lower wages, lower returns on investment, and higher prices.

We're already suffering from such costs: highway congestion in our largest cities costs us more than \$40 billion annually, and inefficiencies in our air traffic system that could be overcome by investment in new technology are costing airlines over \$3 billion a year -- and will cost even more in the future. The impacts of transportation go well beyond the economic costs caused by insufficient capacity and an aging, deteriorating infrastructure that lacks adequate investment.

We have increasing travel demand, combined with a need for greater efficiency and an expectation of greater mobility. For example, our teenagers, women, and senior citizens now play larger and more fulfilling roles in society than they did a generation ago, and each of these groups produces unique sets of transportation needs.

We have a global economy where reasonable growth could help bring about political and economic stability for generations to come -- but a world economy whose growth also could be choked off by inadequate transportation.

We have a natural environment at risk from the unintended consequences of growing transportation needs: air and water pollution and the loss of open space.

We have the increasingly-real phenomena of greenhouse gases, ozone depletion, and global warming -- and if anyone still doubts the reality of these issues, then this year's Nobel Prize in Chemistry should put those doubts to rest.

We have a transportation system which -- while it is extraordinarily safe by historical or international standards -- faces very real threats. The number of Americans killed in transportation incidents is on the upswing again in spite of improved protective technology, and may increase further if laws that foster safe behavior are repealed.

Transportation also faces unprecedented threats to security -- a train derailment in Arizona, bombs in Paris, poison gas in Tokyo. The very openness of our system that has meant such unprecedented mobility is at risk as we seek solutions to safeguard travelers.

Finally, the long era of cheap energy and consequent cheap transportation, which has contributed so greatly to national prosperity, could end during the 21st century if fuel prices increase dramatically and if the costs of building and operating transportation systems -- especially in urban areas -- continue to increase.

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I've tried to paint a broad picture of some of the challenges we'll face during the coming century -- and I hope your sessions over the next two days will get into both the detail of these challenges and the steps we should be taking to meet them.

That's because these challenges *must* be met. Our economic security and our quality of life depend on it. The question is not *whether*, but *how*, we develop the transportation systems we'll need through the next century -- and *how* we define the research and the technological development that will help us to get there.

As I see it, there are several things we must do. Some, such as increasing overall investment in transportation, are self-evident, and aren't the focus of this conference -- although we certainly would welcome any thoughts on how to meet such goals.

Others things we must do are less obvious, and need your careful attention. I think that it's increasingly vital for us to take a systems approach to transportation -- not looking at individual modes or components in isolation, but at the whole -- at transportation as a service that's focused on attaining specific societal goals, and as one that has specific costs and impacts.

Some in the private sector have already integrated a form of this approach into their operations. The concept of "just-in-time" manufacturing depends upon fully integrating every aspect of production, particularly the delivery of components and raw materials.

The design of new transportation products ranging from the Boeing Triple Seven to the revamped Ford Taurus is based upon a comprehensive, customer-driven approach that starts with certain goals and works towards them.

Intermodalism, integrated freight transportation systems that move a single container using the best form of transportation for each stage of the shipping process, is already common, and is based upon a systems perspective. It's also becoming the backbone of our global military readiness through a mix of defense assets and structured support and contracts with our U.S. air and shipping lines.

Applying these concepts of flexibility and information-based decision-making across modal boundaries to planning, research, and technology development requires an analogous approach. That's a new role for transportation professionals more accustomed to dealing with operational, regulatory, environmental, or other more precisely-defined issues defined in terms of specific modes.

We've already seen some successes in taking a systems approach. In Albuquerque, an FHWA study showed that a new light-rail line would *reduce* congestion -- but at the same time

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increase air pollution. That counter-intuitive result was explained by the application of a systems approach to analysis, which showed that the cars left behind by commuters using the light-rail line were now being driven by other household members -- perhaps those teenagers, women, and senior citizens I referred to earlier. This doesn't mean that the light-rail line is a mistake -- it still cuts congestion -- but it does mean that we can't also look at it as an air quality panacea.

This systems approach has increased in visibility recently, as part of the examination of federal research and development that the National Science and Technology Council has been conducting. The NSTC has been exploring the concept of system assessment -- that is, a range of activities focused on understanding how all elements of the transportation system interact, and how the overall system is working.

This effort is heavily dependent on improved data and analysis tools, and -- even more -- on defining an intermodal, interdisciplinary perspective on the real issues of the day.

This approach holds, for instance, that public investment decision-making must consider the full range of alternatives and determine the best from among them. This isn't a new concept, but it's one that we need to apply comprehensively.

We're already taking this approach as we work with states and localities to develop the National Transportation System concept. Indeed, a conference we're holding on NTS performance measurements during the first two days of November will touch on this systems approach. The NTS itself will be a set of tools that allows us to measure and analyze our nation's transportation system. It's going to emphasize a wide range of aggregate measures of whether our transportation system is helping us to meet critical national economic and mobility goals. That information will enable us and our partners to make sound service and investment decisions.

Doing such comprehensive analysis means asking how people will respond to new or altered systems or travel options, and developing sound models to predict those responses.

It means asking about the economic impacts, not just on a macro scale, but on regional and demographic subsets.

And it means thinking about key impacts on land use, the environment, and other critical factors.

These analyses are intended to supplement -- and not supplant -- what can be done in the marketplace. They're not intended to override the market through centralized federal planning, but only to ensure that a full range of factors and concerns are being taken into

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account. That's because traditional cost-benefit analyses often come up short in terms of real depth and thoughtful consideration of factors that may be difficult to put in terms of dollar values or even to quantify at all, such as the true life-cycle costs of investment decisions.

There's a good reason for that: it's tough to do. We lack the data, tools, and even the understanding needed to capture these effects in meaningful ways that can be used by elected or appointed decision-makers.

Take the example of intercity passenger transportation in a corridor such as Boston to Washington. There are several options -- air, rail, highway -- but striking a balance among them simply through individual studies of airway capacity, high-speed rail, and so on isn't enough. To be effective, these studies must be fully integrated into a consistent framework that incorporates the broadest possible set of alternatives. As many of you know, it's been a generation since anyone has really tried to do such regional-scale analysis.

This obviously is a complex process, and one that demands federal involvement. Although much decision-making is properly reserved to state and local governments, there are a few things that only the federal government can do.

First, only the federal government can take a truly national perspective, and ensure that the investment of federal dollars helps to achieve national goals as well as those of individual states or localities. Generally, those interests will overlap -- but not always, and when they don't they must be reconciled.

Second, only the federal government has the resources to develop the analytical tools that are needed for a true systems approach. We also have a responsibility to do so since many of the issues to be addressed are, in fact, federal concerns.

These issues I've raised are truly complex, and addressing them requires data collection techniques and analytical tools that are only now being developed. Most states and localities lack the incentive to generate them on their own, and, given competing demands for basic services, are also not likely to have the money to do so anytime soon.

The federal government -- while hardly flush in an age of budget constraints -- does have greater resources available to it, and we see it as our responsibility not only to develop the tools we need but to make them available and useful to our partners at other levels of government.

We're applying not only our technical resources and funding to this task, but also orienting our very organizational structure towards it. RSPA and the Volpe Center here in Cambridge, our Office of Intermodalism and Director of Technology Deployment within the

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Secretary's office, and the Bureau of Transportation Statistics all are doing their parts in ways consistent with this new perspective.

We're encouraging our partners in state and local government, in academia, and in the private sector to adopt it as well.

This conference will, I hope, also bring home the importance of the continued federal role in the research that can make working from these new perspectives a practical reality. If one thing is already clear, it's that we're not going to meet tomorrow's challenges with yesterday's strategies.

If we have to develop new ways of thinking and doing, we can't do it without investing in new analytical tools and new technologies. That's why the Clinton Administration has strongly supported increased attention in these areas, proposing to Congress that we invest \$1.1 billion dollars for transportation research and technology in this year's budget. We did this even as we've proposed spending reductions in other areas as we work to balance the budget.

Last Thursday the House and Senate conferees agreed on a report for our appropriations. While there are some positive elements in that bill, especially as it supports continued capital investment, it slashes federal transportation research -- not only failing to appropriate what we asked, but in many cases going well below last year's levels. The billion dollars-plus that we'd asked for will be reduced to about \$830 million. Let's look at some of the details.

The Trailblazer program -- a \$100 million project that would have jump-started national deployment of Intelligent Transportation Systems on a comprehensive basis -- was zeroed out, and the entire ITS program is budgeted at \$208 million instead of the \$356 million we proposed.

We expect to get just \$218 million of the \$301 million we'd requested for aviation research -- in a period when we're searching for new ways to safely manage growing air traffic.

Highway safety research was funded at \$74 million, below our \$84 million request in a period when highway deaths are climbing back up again.

High-speed rail, a key to handling travel in high-growth corridors, was set at \$24 million, *versus* the \$35 million we'd requested.

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The RSPA research budget was reduced to \$3.2 million from the \$7.6 million we proposed.

Transit planning and research for safer, less-polluting, and more efficient vehicles is to be funded at \$85 million instead of the requested \$100 million.

And DOT's contribution to the Partnership for a New Generation Vehicle, a program for ensuring its safety and the infrastructure to support it, was zeroed out.

These cuts are a terrible, short-sighted mistake, because the knowledge and technologies they're creating are absolutely essential to effective transportation in the 21st century. It seems inconceivable that a nation which is so dependent on transportation would be so penny-wise and pound-foolish in this area.

Imagine where we'd be as a nation if our government hadn't invested in lasers, or polymers, or the Internet, and think of how cutting research could limit our ability to adopt the broad, systematic approach to decision-making that I've outlined.

We believe that this intermodal, interdisciplinary analytical approach is the right way to go, I think that this conference will convince you both of that and of the importance of providing the resources necessary to make this approach a reality.

Over the next two days you'll be able to listen to key individuals from a broad range of disciplines share with us their insights and ideas, and, through your comments, help to frame a consensus as to where we're going.

I hope that you'll take the time to attend sessions and meet with experts from outside your own field, recognizing that, in an increasingly interrelated world, even specialists have to be generalists.

I trust that these will be a rewarding two days, and wish you good luck as you apply the conference's lessons to your own work. Thank you.

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(In his remarks Deputy Secretary Downey referred to Dr. Dharmendra K. Sharma, Administrator of the Research and Special Programs Administration, and to Dr. Richard R. John, Director of the Volpe National Transportation Systems Center.)