

Remarks prepared for
Deputy Secretary of Transportation Mortimer Downey
for Delivery during the

**7th Annual Conference on U.S.-Japan Cooperation
in Transportation**
***Breakthroughs in Logistics: Transforming the Transportation
Industry Through the Latest Information Technologies***
The Washington Monarch Hotel Ballroom I
Wednesday, December 5, 2000, 3 pm

Thank you, Mr. Doi (Katsuji Doi, President, Japan International
Transport Institute or JITI), for the gracious introduction.

Over the past several years the Department of Transportation has
been fortunate to work with the Japanese Ministry of Transport in a
number of ways, but particularly to encourage innovation and
technological advancement in the field of transportation.

Last February, Mr. Doi and a number of DOT representatives attended the 6th Plenary Meeting of U.S.-Japan Transportation Experts in Los Angeles. Following that meeting, we invited participants to join us in a three-day workshop on transportation accessibility, bus rapid transit and Intelligent Transportation Systems (ITS) in Honolulu, Hawaii, which I was privileged to attend.

While the beautiful weather was difficult to ignore, we learned a great deal from each other during those sessions and increased the scope of future U.S.-Japan cooperation. In addition to transit and rail technologies, we will be exchanging information in the areas of emergency response, earthquake disaster prevention and fuel cell applications.

We look forward to continuing our cooperation in transportation science and technology with Japan, which we believe will benefit the citizens of both nations.

Today's session will focus on how information technologies can be used to improve logistics and to "transform" the transportation industry.

Just a half century ago, the few large-scale computers in businesses performed back-office tasks like payrolls and accounting. Today computers of all sizes are the mainstay of almost all production and service industries. Most workers use a computer at work and are increasingly using them at home for on-line shopping and other transactions. Many industries are ordering machinery, raw materials and other goods on-line, using increasingly complex computer-based exchanges to manage the process.

The "Dotconomy" – based on real-time transactions and door-to-door overnight delivery – is now a driving force behind the prosperity -- both in the U.S. and globally. While the Internet has primarily been a positive -- particularly for the consumer -- it has also brought with it new coordination and logistics challenges for industry.

Companies – from toy marketers to automakers -- are expected to deliver the goods at “Web speed.” Carriers specializing in the delivery of goods ordered via the Internet should expect heavy volumes again this fall as e-commerce continues to surge. Analysts reporting in the new quarterly *e-Commerce Scorecard* expect consumers' total e-commerce expenditures to reach \$40 billion for the year.

Being able to deliver what the customer orders on time and intact is key, and carriers and shippers who understand this will be competitive in today's global marketplace. Companies can't simply put a product on the truck and not worry about it. As we've seen with some dot.com companies, you can't survive if you can't deliver. And you need to think through how the customer returns the shirt that doesn't fit or the book that wasn't what he or she expected.

As we move further into the digital age, there will likely be pressures for infrastructure investment to build more and larger runways or expand the highway network. But, a less expensive and time-consuming answer to the e-commerce boom is technology -- information technology integrated into Intelligent Transportation Technologies.

Technology-savvy transportation companies are using the Web to provide their customers with real-time rate quotes, order management, and shipment tracking information. We're seeing transportation and manufacturing companies forming joint ventures with companies across the globe to help them deliver the goods to customers faster and more efficiently.

For example, Ryder System, Inc., a global leader in logistics and transportation management, two weeks ago announced a joint venture with Toyota Tsusho America and its parent corporation in Japan. The venture will focus on Toyota and other Japanese auto companies at first, with plans to offer services in global transportation management, distribution management and supply chain logistics and design.

We're seeing more airline company alliances forming around e-commerce and cargo delivery. Ocean carriers are increasingly using web-based systems to streamline business transactions, including shipment tracing and self-service options.

Recent alliances, such as the proposal for linking FedEx and the USPS, take advantage of special abilities of each partner to serve elements of the total transportation network.

In the U.S. and Japan, we can build on the ITS systems we have to create more efficient logistics, including our respective enhanced Global Positioning Systems. In fact, the pervasiveness of the Web and of supply chain management systems has begun to draw upon the capabilities of ITS and Commercial Vehicle Operations technologies in new ways. Supply chain logistics and the Web have been integrated throughout our business sector. Market-driven progress toward integration of the wireless, PC, speech, voice and video into logistics operations has led to enhanced ITS and CVO capabilities.

Information technologies and the increasing use of GPS have dramatically improved U.S. transportation and logistics efficiency. Annual U.S. logistics costs are about \$800 billion. As a percentage of GDP, our logistics expenditures have been cut in half as a result of incorporating these technologies and business methods -- declining to 10.5% of GDP in 1996 from 20% of GDP in 1960. (Source: Volpe White Paper, September 2000)

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Japan has been a leader in the inventory control and logistics arena, and American companies adopted many of the inventory and logistics technologies and methods from Japan after studying their success in the auto industry.

With the continuing growth of e-commerce, the business community is taking positive steps to ensure that the logistics of moving goods is increasingly efficient and productive. The four-year-old Supply Chain Council -- with more than 700 member companies and headquartered in Pittsburgh, Pennsylvania -- wants to create a standard to improve supply chain processes among manufacturers, suppliers, distributors, and retailers. Its members include manufacturers, software vendors, logistics service providers, consultants, researchers, and universities. (Information on the council and its activities can be found at its Web site, www.supply-chain.org.)

How will this new electronic economy change the way we move goods, and what are the potential environmental impacts? What is government's underlying role with regard to the Internet and the digital economy? These are fundamental questions that deserve some exploration because the issues are so important to current and future generations.

Transportation is a key link in the E-commerce chain, and I believe that one of government's important roles is to gather data about potential impacts so that we can better prepare for future investment in and planning for public infrastructure.

The Future of Transportation Logistics

Many in the transportation community can envision a future in which information and other technology makes it possible for the customer to track products or goods from the point of origin, on the ship, to the dock, to the train or truck, and to the final destination. The research community has played and should continue to play an important role in achieving this vision.

The Department of Transportation is strongly encouraging the transportation industry to continue to find ways to make transportation intermodal and truly seamless as well as safer. We believe that together -- with technological and human innovation -- we can create a transportation system that will meet the demands of this new century.

Businesses are increasingly using the Internet to improve efficiency, and this has, I believe, made our transportation sector more competitive and dynamic. Firms are moving their supply networks and sales channels on-line and participating in the on-line marketplaces. Freight companies are teaming up with software developers.

As more and more countries get connected, we'll see even more growth. Global electronic commerce could be worth \$7 trillion to the global economy by 2004. (Source: White House Website document, source quoted: Industry Standard, Feb. 21, 2000)

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Conclusion

The forces that elevated the Web to the center stage of the global commercial transactions have been enabled by powerful communication and information networks. We have only begun to understand the transportation and economic impacts of the immense capabilities offered by the new IT systems and the Web.

E-commerce growth and prosperity are closely tied to the viability of the global transportation network. Government's role is to develop a better understanding of how e-commerce is impacting transportation demand, highway capacity, urban bottlenecks, intermodal market share, and the environment.

Both the United States and Japan will continue to rely on technology – especially information technology – to make transportation safer and more efficient. Governments, in partnership with industry, will continue to have a role in making these systems -- information and transportation -- safe, efficient and accessible for citizens and visitors.

In the coming years, DOT plans to work with Japan on the development of information systems for intermodal transportation in port areas, on harmonizing port facility technical codes, and on many other transportation technology issues.

We believe that U.S.-Japan cooperation has been mutually beneficial and look forward to working with you to improve our transportation systems for a new century.

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While the beautiful weather was difficult to ignore, we learned a ^{great deal} lot from each other during those sessions and increased the scope of future U.S.-Japan cooperation. In addition to transit and rail technologies, we will be exchanging information in the areas of emergency response, earthquake disaster prevention and fuel cell applications.

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Most workers use a computer at work and are increasingly using them at home ^{for} ~~to shop~~ ^{shopping and other transactions} on-line. Many industries are ordering machinery, raw materials and other goods on-line, ^{using increasingly complex} computer based exchanges to manage the process.

The "Dotconomy" – based on real-time transactions and door-to-door overnight delivery – is now a driving force behind U.S. and global ^{economic prosperity – both in the} ~~economic~~ prosperity. While the Internet has primarily been a positive, particularly for the consumer, it has also brought with it new coordination and logistics challenges for industry. Companies – from toy marketers to automakers -- are expected to deliver the goods at "Web speed."

Carriers specializing in the delivery of goods ordered via the Internet should expect heavy volumes again this fall as e-commerce continues to surge. Analysts reporting in the new quarterly *e-Commerce Scorecard* expect consumers' total e-commerce expenditures to reach \$40 billion for the year.

Being able to deliver what the customer orders on time and in ^{fact} is key, and carriers and shippers who understand this will be competitive in today's global marketplace. Companies can't simply put a product on the truck and not worry about it. As we've seen with some dot.com

companies, you can't survive if you can't deliver. And you need to make sure that the customer returns the ~~same~~ stuff that don't fit or the ~~back~~ that wasn't what ~~the~~ expected. ^{he or she}

β (Draft #1, Nov. 28, 12 min.)

As we move further into the digital age, there will likely be pressures for infrastructure investment to build ^{and longer} more runways or expand the highway network. But, a less expensive and time-consuming answer to the e-commerce boom is technology -- information technology and Intelligent Transportation Technologies.

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make the
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I think the business community is taking positive steps to ensure that the logistics of moving e-commerce goods is increasingly efficient and productive. The four-year-old Supply Chain Council -- with more than 700 member companies and headquartered in Pittsburgh, Pennsylvania -- wants to create a standard to improve supply chain processes among manufacturers, suppliers, distributors, and retailers. Its members include manufacturers, software vendors, logistics service providers, consultants, researchers, and universities. (Information on the council and its activities can be found at its Web site, www.supply-chain.org.)

How will this new electronic economy change the way we move goods, and what are the potential environmental impacts? What is government's underlying role with regard to the Internet and the digital economy? These are ^{fundamental} all good questions that deserve some exploration because the issues are so important to current and future generations.

Transportation is a key link in the E-commerce chain, and I believe that one of government's important roles is to gather data about potential impacts so that we can better prepare for future investment in and planning for public infrastructure.

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Many in the transportation community can envision a future in which information and other technology makes it possible for the customer to track products or goods from the point of origin, on the ship, to the dock, to the train or truck, and to the final destination. The research community has played and should continue to play an important role in achieving this vision.

The Department of Transportation is strongly encouraging the transportation industry to continue to find ways to make transportation intermodal and truly seamless as well as safer. We believe that together -- with technological and human innovation -- we can create a transportation system that will meet the demands of this new century.

Businesses are increasingly using the Internet to improve efficiency, and this has, I believe, made our transportation sector more competitive and dynamic. Firms are moving their supply networks and sales channels on-line and participating in the on-line marketplaces. Freight companies are teaming up with software developers.

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E-commerce growth and prosperity are closely tied to the viability of the global transportation network. Government's role is to develop a better understanding of how e-commerce is impacting transportation demand, highway capacity, urban bottlenecks, intermodal market share, and the environment.

It's apparent that the United States will rely increasingly on technology -- including information technology -- to make transportation safer and more efficient. And government will continue to have a role in making these systems -- information and transportation -- safe, efficient and accessible for all Americans.

Thank you.

*Needs some more
US-Japan
cooperation talk
in the
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Other alliances, such as the proposed one between FedEx and the USPS, take advantage of special

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? Is this a comp. sector or total economy??

(transparency, warehousing, inventory, distribution, etc)

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half as a result of incorporating information technology -- declining to

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Can I see this paper so I understand just what it says?

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In the coming years, DOT plans to work with Japan on the development of information systems for intermodal transportation in port areas, on harmonizing port facility technical codes, and on many other transportation technology issues.

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**Journal of Commerce Newsmaker Series
Shipping Review and Outlook 2001**

*Perspectives of 21st Century Newsmakers . . . What's Next? –
Behind the Headlines: Catalysts of Change*

Loews New York Hotel
(General Session Ballroom)

569 Lexington Avenue

New York, NY

Thursday, December 7, 2000

9:30 am

Thank you, Bill (Ralph, President & Publisher, Journal of
Commerce Group), and good morning. It's an honor to be here to talk
~~with you~~ about how we can work together -- how your companies can
continue to deliver the goods -- from cars and electronics to energy and
food -- to the customer safely and efficiently in ^{what we all know to be an} our increasingly fast-
paced digital economy.

~~Rich Carabee~~ - ~~et al~~ pleasure to follow
RADM Rich Carabee. Looking closely at my resume -
ex CG, 1st job at Port Newark - glad to see that Rich has
survived a transfer from DOT, + especially to learn that he
+ millions of other New Yorkers are
riding my subway.

As members of the transportation community, I'm sure most of us have envisioned what a future would be like in which technology makes it possible for the customer to track products or goods from the point of origin, on the ship, to the dock, to the train or truck, and to the final destination. *That's a shared vision of intermodal warehousing that we can all seek to attain.*

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We recognize, and we need to ask to make the public recognize, that
The maritime industry is vital to our nation's continued economic prosperity. *- not to mention high-value air cargo -* Waterborne cargo alone contributes more than \$742 billion to U.S. GDP (Gross Domestic Product) and creates employment for more than 13 million workers. Ports link our nation to global markets.

International trade has become the major economic indicator^{of success} for the United States, the world's largest marketplace. For that reason, the Clinton/Gore Administration has worked diligently to increase international trade and to open up markets worldwide. This year, the Administration was successful^{- against the expectations of some -} in getting Congress to grant China permanent trade status with the United States. Both countries^{- US + China -} can now work to improve trading relations and to increase our economic cooperation. Last month, Secretary Slater^{had} proposed^{proposed new route allocations to China, and at the same time} an expansion in U.S.-China air services, eventually leading to full liberalization, building on meetings among U.S. and Chinese carriers to increase cooperation. Secretary Slater^{had} traveled to Asia in February 2000 to promote transportation policies that foster President Clinton and Vice President Gore's goals of global prosperity, stability and democracy.

Our Maritime Administrator, Clyde Hart, met with Chinese officials this week and on several occasions over the past several years to encourage them to open more of their ports to U.S. goods. ~~He~~^I had similar conversations at one international symposium in fall.

In addition to international outreach to open markets for the long term, ^{we need to develop information systems to match our cargo handling systems.} the Administration has worked to modernize the Customs Service ^{under the leadership of a great fellow New Yorker, Ray Kelley,} through information technology, and DOT is working with them to ^{I know you will be hearing from Ray, assure you that we support his efforts. Customs is} accomplish that goal. ^{this is known, but let us} Specifically, ~~they~~ ^{Customs} are going to coordinate and simplify federal international trade and transportation processes at our nation's borders and ports. ^{Our shared} The goal is to create an integrated, federal system for the electronic collection, use and dissemination of international trade and transportation data.

We are now in the early stages, but when fully developed, the ^{Int'l Trade Data System} ~~ITDS~~ will be the central international trade data collector for all federal agencies that also will serve as the single point for accessing this information. In essence, it will be the public and inter-agency interface for all international trade and transportation transactions for the movement of cargo in and out of the United States. ^{DOT is committed to its success as a key element in moving international cargo.}

(Note to Mr. Downey: DOT has provided \$1 million for the ITDS work with Customs for FY 2001, but does not anticipate doing so for 2002 because Customs has asked OMB for Enterprise Funding for the multi-year Customs modernization. The ITDS effort will cost about \$150 million over several years. Customs modernization in total is estimated to cost more than \$1 billion over a number of years when completed.)

American Marine Transportation System – Status and Outlook

In this room there may not be much disagreement with the premise that
Today, America's Marine Transportation System (MTS) is an

efficient, effective, and dependable means for moving people and goods.

But, we cannot rest on ^{those} ~~our~~ laurels -- we need a plan for future growth,
^{proper, well-defined,}
and roles for each of us – government and private sector – in carrying
out that plan.

Highway connectors and rail links are essential for moving cargo
between maritime terminals and interior markets of the United States.

As a matter of history ^{as well as} and economic development, most major U.S.
ports are located in or near densely populated metro areas, ^{just} such as *they are in*
the New York region ~~and in New Orleans.~~

Among the landside infrastructure inadequacies faced by such
historic ports, two stand out:

- At least half of all ports, ~~and~~ ^{vital} nearly 2/3 of container ports, have growing traffic congestion on the truck routes that serve them; and,
- ^{ports tell us} Many ~~ports report~~ that rail lines serving their facilities have at-grade crossings on local streets, ^{which} ~~pose~~ ^{they} pose a safety hazard, impede efficient access of trains to port terminals, and tie up traffic on local streets.

*We will shortly transmit a
report to Congress on the
intended connections, to
inform the debate on future
terminations/realignments.*

When it comes to the broader maritime system

The good news is that we ^{do} have a plan -- a comprehensive assessment completed last year with strong participation from our private sector partners entitled, *An Assessment of the U.S. Marine Transportation System*. This effort is probably the most comprehensive look yet taken at waterborne commerce – its importance, its challenges, and its future. The entire Assessment is available on-line at ~~http://~~www.dot.gov/mts.

As foreign trade continues to grow, U.S. ports face three significant problems, according to the Assessment:

- Ports must seek new financial resources for expansion and deepening projects to accommodate the new generation of bigger, faster cargo ships;
- Environmental concerns about port expansion must be addressed;
- Maintenance and landside connections must be improved.

The U.S. Supreme Court's ruling that the Harbor Maintenance Tax ^{might have been welcome news to some, but it} is an unconstitutional tax on exports [^] has placed funding for port dredging in jeopardy. Proposals have been made for different tax structures or to return to the use of general appropriations for port projects. This is something both the private and public sectors need to consider ^{carefully} ~~because~~ ^{it} could have a major effect on the future of port expansion, deepening and maintenance projects. Debate to this point ^{tax had fallen behind the tree} has been more along the lines of "don't tax you, don't tax me" ^{as} as opposed to a serious look at how ^{future} the investment needs will be met.

~~The need to accommodate projected growth in domestic shipping provided the incentive to improve the nation's inland waterway system. The Department has made this goal a priority -- in fact it's one of our so-called Flagship Initiatives, which are projects we think need the most attention in the short term ^{and on an inter-modal basis.}~~

~~But it's a two-way street, and ^{continued} our maritime growth depends in great measure upon ^{the expectation of} continuing infrastructure improvements. Harbors need to be dredged ^{and} terminal loading equipment needs to be purchased, installed, repaired and ultimately replaced when obsolete.~~

Ports, in cooperation with other modes of transportation, must find innovative ways to move cargo to and from landside destinations.

The MTS Assessment describes the challenges facing our maritime industry and provides a blueprint that we are following to rebuild a marine transportation system for the 21st century. ^{and we hope others are doing so as well}

Our vision and goal -- as stated in the Assessment -- is that:

“*America’s MTS will be the “world’s most technologically advanced, safe, efficient, effective, accessible, globally competitive, dynamic and environmentally responsible system for moving goods and people.”*”

Let me review some of the key recommendations of the MTS Assessment ^{and what has happened with them.}

MTS Recommendations

First, stakeholders who participated in the early stages of the initiative -- industry, environmental groups and private citizens -- wanted a more direct voice in the decision making process.

As the MTS recommended, we have formed ^{an} the MTS National
Advisory Council, ^{It} which is working closely with ^a the federal interagency
committee to enhance ~~governmental~~ coordination on many maritime
issues. This council provides a structured approach for non-federal
stakeholders to provide input on national-level issues. The ^{council} MTSNAC is
composed of 30 senior-level representatives from the private sector and

state and local agencies, ^{and, believe me, getting down to 30 was a}
^{d. ff. cult task.}

^{I believe rightly} The Advisory Committee has already held two meetings and has,
^{plenary} identified public awareness as its top priority. The MTSNAC has also

established five Council teams: Awareness, Infrastructure, Safety and
Environment, Information Technology, and Research and Development.

Second, the initial MTS report suggests following a systematic
^{the critical issues of}
approach to MTS safety and environmental protection. Managers,
[^] operators and users of the waterways and facilities, the landside
transportation system, environmental interests and the public all ^{need to} must be

involved via local committees or planning groups. This is being done ^{all}
around the country using existing structures and relationships where

possible. ^{Your New York harbor safety committee is a great model}

Third, the report calls for establishing information management systems and infrastructure ^{that will be} supportive of the marine transportation system. Better waterway traffic management information for mariners and ports will speed both cargo and passengers safely and efficiently to their destinations -- such service is becoming essential in today's dotconomy.

To quicken the movement of people and cargo, we need to develop ^{not only a Customs system that works but also} a one-stop shop for federal inspection and reporting, a national cooperative MTS research program, more reliable traffic forecasting and improve ^{landside} access to ports.

Finally, we need better coordination and development of adequate financing mechanisms to ensure the growth of seaports, waterways and their intermodal links.

Industry and government at all levels must explore innovative funding mechanisms to leverage existing resources and make more effective use of existing funds. Pretending that ^{either} government—or industry—can and ^{by themselves} will fund all of the needs and dreams of any community is unrealistic.

MTS has not been an overnight panacea — but we did not expect that. It has begun a very important dialogue & we intend to recommend its continuation.

Port Investment to Meet Demand

Ports have begun to make ^{needed} infrastructure improvements now before the flood of goods chokes vital transportation hubs.

At the same time, as Rich said, ports have to move ahead.

U.S. ports will spend about \$8.3 billion on marine terminals, infrastructure and dredging between 2000 and 2004. The federal government needs to contribute as well. ^{As Rich reported,} ~~For example,~~ the Water Resources Development Act authorized funding for channel deepening projects, including \$1.9 billion for the ~~Port~~^{Ports} of New York-New Jersey and Los Angeles. We realize that many more ports need funding. Capital is also needed for maintenance dredging, to improve overpass clearances, ^{to} widen roadway access and ^{to} extend rail tracks directly onto port property.

Federal government officials from DOT, the Army Corps of Engineers and other agencies understand and value the enormous economic and national security role that ports play. That's why we back that interest with cost-sharing agreements. Each port is important, whether it's ^{one of} in the top 10 or striving to gain recognition in a niche market. The solutions for large and small ports are pretty similar:

- Intermodal connections are critical. Trucks need easy access and egress from ports;
- All ports must pay attention to the impact on the community of increased truck traffic as commerce grows.

Just as we need to invest in ports, we need to invest in other federal maritime needs. Last year, we submitted a master plan that over the next six years will address the facilities and personnel needs of our Merchant Marine Academy for the 21st century, and the Congress recognized this need and provided increased funds for a total of \$50 million for the Academy for FY 2001. Our Merchant Marine Academy is vital in preparing officers to operate and command America's commercial maritime vessels.

And in addition to these maritime needs, we must invest in the future of our premier maritime service, the U.S. Coast Guard. The services it provides to the nation's seagoing commerce can't be overstated.

The Coast Guard's Maritime Future

America's Coast Guard is an integral part of our MTS, with the mission of ensuring that safety, environmental and other laws are enforced at sea and, during wartime, that our national security is assured. This outstanding organization of men and women ^{is} also ~~is~~ in need of capital to upgrade its assets and equipment for a challenging new century.

The Clinton/Gore Administration ^{recently} completed a comprehensive review of the U.S. Coast Guard ^{services,} which took about 10 months. A Task Force was convened by executive order to provide a cross-government assessment of the future environment in which Coast Guard services will be required to operate over the next 20 years.

In the assessment, Task Force members considered whether missions or functions should be added, enhanced, reduced or eliminated as well as what tasks might be performed better in the private sector, by the states or perhaps another federal agency.

We analyzed the nation's maritime threats and challenges and heard thought-provoking testimony from non-governmental and governmental witnesses.

Two major conclusions from our review were:

- The United States will continue to need a flexible, adaptable Coast Guard to meet national maritime interests and requirements well into the next century; and
- The re-capitalization of the Coast Guard's Deepwater capability is a near-term national priority.

Deepwater Modernization – 21st Century Priority

The United States -- and the U.S. Coast Guard -- clearly face a variety of maritime challenges in the future. These challenges include: maritime security threats such as illegal migration and contraband smuggling; resource protection threats involving both living and non-living marine resources; weapons of mass destruction and terrorist activities; continued U.S. support of U.N. sponsored sanctions and security operations; and the security and resource protection implications of the U.N. Convention on the Law of the Sea.

National policy for the Coast Guard, and today's capitalization decisions that are derived from that policy, must enable tomorrow's Coast Guard to adapt to future realities. A key means of essential and sustained Coast Guard performance -- one of the Task Force's major conclusions -- is modernization of the Coast Guard's Deepwater assets, and the Administrator's review, which I chaired, unanimously concluded that re-capitalizing ~~Coast~~ this capability is a near-term national priority.

The Coast Guard's Deepwater ships, aircraft, and ~~C4ISR (Command, Control, Communications, Computer, Information, Surveillance & Reconnaissance)~~ assets are all nearing the end of their economic service lives. Of the 41 comparably sized navy and coast guard fleets in the world, only two are older than our Coast Guard deepwater fleet. But more significant than their age is that our current assets simply do not provide the range of well-integrated capabilities ^{especially in the category of C4ISR} we need ^{that's used to} to perform our missions.

~~The Deepwater acquisition project is a sound approach to that end and the Interagency Task Force strongly endorsed its process and timeline.~~ The Clinton/Gore Administration has supported the Coast Guard's performance-oriented "requirements" approach to recapitalizing and modernizing its "Deepwater" assets. I'm glad to report that the Congress responded by funding the \$42 million we requested for Deepwater in 2001.

Conclusion

America's maritime future is bright despite undeniable challenges. The Marine Transportation System Flagship Initiative that Secretary Slater has championed for more than two years has provided a framework for meeting the Nation's maritime needs. Aging infrastructure, congested ports; increasing environmental interests, uniformity and enforcement of international standards—these and other issues are being worked on locally, regionally and nationally every day in a concerted effort through industry-government partnerships.

The invitation letter for this conference asks us to share DOT's transport legacy to a new Presidential Administration in 2001. While legacy is not a word ^{we have been using} ~~to be used lightly~~, I consider the groundbreaking work that our MTS Assessment and our Coast Guard Deepwater project has accomplished to date has set the right course to guide future Administrations. The order of the day in Washington is "housekeeping papers" but in these 2 critical areas the analytical work is done. What's needed is a national will to do what is in the national interest.

Following through on the recommendations laid out by MTS
and CG customers
stakeholders will be the guarantor of continued prosperity for our
children, helping ensure that this country remains economically vibrant
and ready to meet its national security needs in war or crisis.

Public and private sector transportation leaders must work together
in the coming years to meet the challenges that marine transportation
and international trade growth will bring. Continuing the public-private
partnership we've developed is vital to ensuring that America's
Marine Transportation System (MTS) remains safe, efficient and
world class for this new and challenging century.

Thank you, and I ^{would be happy} look forward to answering ^{any} your questions. *you might have.*

10-17

Remarks prepared for
Deputy Secretary of Transportation Mortimer L. Downey
for Delivery during the

Journal of Commerce Newsmaker Series
Shipping Review and Outlook 2001
Perspectives of 21st Century Newsmakers . . . What's Next? –
Behind the Headlines: Catalysts of Change
Loews New York Hotel
(General Session Ballroom)
569 Lexington Avenue
New York, NY
Thursday, December 7, 2000
9:30 am

Thank you, Bill (Ralph, President & Publisher, Journal of
Commerce Group), and good morning. It's an honor to be here to talk
with you about how your companies can continue to deliver the goods –
from cars and electronics to energy and food -- to the customer safely
and efficiently in our increasingly fast-paced digital economy.

As members of the transportation community, I'm sure most of us have envisioned what a future would be like in which technology makes it possible for the customer to track products or goods from the point of origin, on the ship, to the dock, to the train or truck, and to the final destination.

The Department of Transportation is strongly encouraging the transportation industry to continue to find ways to make transportation intermodal and truly seamless as well as safer. We believe that by working together -- ^{by} drawing on technological and human innovation -- we can create a transportation system that will meet the demands of this new century.

The maritime industry is vital to our nation's continued economic prosperity. Waterborne cargo alone contributes more than \$742 billion to U.S. GDP (Gross Domestic Product) and creates employment for more than 13 million workers. We need to remind ourselves and the public of these benefits. This vital system does a lot for us, including:

- Moves ^{ing} more than 2 billion tons of domestic and international freight;
- Handles ^{ing} 3.3 billion barrels worth of oil imports to meet growing U.S. energy needs;
- Serves ^{ing} 178 million recreational users;
- Hosts ^{ing} more than 5 million cruise ship passengers; and
- Supports ^{ing} 110,000 commercial fishing vessels and recreational fishing that contribute \$111 billion to state economies.

Today, America's Maritime Transportation System (MTS) is an efficient, effective, and dependable method for moving people and goods. But, we cannot rest on our laurels -- we need a plan for future growth, *and role for each of us - gov't + private sector - in carrying out that plan.*

Highway connectors and rail ^{links} lines are essential for moving cargo between maritime terminals and interior markets of the United States. As a matter of history and economic development, most major U.S. ports are located in or near densely populated metro areas, as they are in the New York region and in New Orleans.

Among the landside infrastructure inadequacies faced by such historic ports, two stand out:

- At least half of all ports, and nearly 2/3 of container ports, have growing traffic congestion on the truck routes that serve them; and,
- Many ports report that rail lines serving their facilities have at-grade crossings on local streets which pose a safety hazard, impede efficient access of trains to port terminals, and tie up traffic on local streets.

The good news is that we have a plan -- a comprehensive assessment completed last year with strong participation from our private sector partners entitled, *An Assessment of the U.S. Marine Transportation System*. This effort is probably the most comprehensive look yet taken at waterborne commerce – its importance, its challenges, and its future.

The entire Assessment is available on-line at <http://www.dot.gov/mts>.

The Assessment noted that as foreign trade continues to grow, U.S. ports face three significant problems,:

- Ports must seek new financial resources for expansion and deepening projects to accommodate the new generation of bigger, faster cargo ships;
- Environmental concerns about port expansion must be addressed;
- Maintenance and landside connections must be improved.

The U.S. Supreme Court's ruling that the Harbor Maintenance Tax is an unconstitutional tax on exports has placed funding for port dredging in jeopardy. Proposals have been made for different tax structures or to return to the use of general appropriations for port projects. This is something both the private and public sectors need to think about because it could have a major effect on the future of port expansion, deepening and maintenance projects.

*Debate to this point has been
mostly along the lines of "don't tax
it, don't tax it" as opposed
to a serious look at how the
system needs to be
improved
we need
we need*

The need to accommodate projected growth in domestic shipping provided the incentive to improve the nation's inland waterway system which is continuing today. But it's a two-way street, and our maritime growth depends in great measure upon infrastructure improvements. Harbors need to be dredged, piers need to be built or renovated, and terminal loading equipment needs to be purchased, installed, repaired and ultimately replaced when obsolete.

Ports, in cooperation with other modes of transportation, must find innovative ways to move cargo to and from landside destinations.

The MTS Assessment describes the challenges facing our maritime industry and provides a blueprint that we are following to rebuild a marine transportation system for the 21st century. Our vision and goal -- as stated in the Assessment -- is that:

America's MTS will be the "world's most technologically advanced, safe, efficient, effective, accessible, globally competitive, dynamic and environmentally responsible system for moving goods and people."

Let me review some of the key recommendations of the MTS Assessment . . .

MTS Recommendations

First, stakeholders who participated in the early stages of the initiative -- industry, environmental groups and private citizens -- wanted a more direct voice in the decision making process.

As the MTS recommended, we have formed the MTS National Advisory Council, which is working closely with the federal interagency committee to enhance governmental coordination on many maritime issues. This council provides a structured approach for non-federal stakeholders to provide input on national-level issues.

Most importantly, the Council input is direct to the Secretary of Transportation, so both parties are fully attuned to the needs and desires of the other.

Second, the initial MTS report counsels following a systematic approach to MTS safety and environmental protection. Managers, operators and users of the waterways and facilities, the landside transportation system, environmental interests and the public all must be involved via local committees or planning groups.

Accomplishments?

As has to date?

*Why is his speech
+ this time different from
what we said last
year?*

Third, the report calls for establishing information management systems and infrastructure supportive of the marine transportation system. Better waterway traffic management information for mariners and ports will speed both cargo and passengers safely and efficiently to their destinations -- such service is becoming essential in today's dotconomy.

To quicken the movement of people and cargo, we need to develop a one-stop shop for federal inspection and reporting, a national cooperative MTS research program, more reliable traffic forecasting and improve landside access to ports.

Finally, we need better coordination and development of adequate financing mechanisms to ensure the growth of seaports, waterways and their intermodal links.

Industry and government at all levels must explore innovative funding mechanisms to leverage existing resources and make more effective use of existing funds. Pretending that government—or industry—can and will fund all of the needs and dreams of any community is unrealistic.

Port Investment to Meet Demand

Ports have begun to make infrastructure improvements now before the flood of goods chokes vital transportation hubs.

U.S. ports will spend about \$9 billion on marine terminals, infrastructure and dredging between 1999 and 2003.¹ The federal government is contributing as well. Congress authorized roughly \$4.5 billion for dredging projects in the Water Resources Development Act of 2000. Much of that money, as it is appropriated year by year, will go to nine major dredging projects.

This year significant funds are going to the Ports of Oakland and Baltimore and the New York-New Jersey Port Authority, but we realize there are many more ports that need funding. Capital is also needed for maintenance dredging, to improve overpass clearances, widen roadway access and extend rail tracks directly onto port property.

¹ JoC, 10/16/00, Bill Mongelluzzo, "Public Ports, private money" acc. To MARAD.

The federal government works cost share agreements with every state and port because each one is important whether it's in the top 10 or striving to gain recognition in a niche market. And, we see that the solutions for large and small ports are pretty similar:

- Intermodal connections are critical. Trucks need easy access and egress from ports;
- All ports must pay attention to the impact on the community of increased truck traffic as commerce grows.

Businesses are increasingly using the Internet to improve efficiency, and this has, I believe, made our transportation sector more competitive and dynamic. Firms are moving their supply networks and sales channels on-line and participating in the on-line marketplaces. Freight companies are teaming up with software developers.

As more and more countries and people worldwide get connected, we'll see even more growth in Internet-based commerce and, therefore, more joint ventures in transportation logistics.

The Coast Guard's Maritime Future

This year, we completed a comprehensive review of the U.S. Coast Guard, which took about 10 months.

Needs some
thing for a
transition -

Just as we need to
invest in ports, we need
to invest in other
federal ~~gov~~ maritime needs -

Need to be clear
needs of the Merchant Marine Academy
plus for customer services understanding

A Task Force was convened by executive order to provide a cross-government assessment of the future environment in which Coast Guard services will be required to operate over the next 20 years. This is another in a series of Coast Guard Roles and Missions assessments, including four since World War II.

In the assessment, Task Force members considered whether missions or functions should be added, enhanced, reduced or eliminated as well as what tasks might be performed better in the private sector, by the states or perhaps another federal agency.

We analyzed the nation's maritime threats and challenges and heard thought-provoking testimony from non-governmental and governmental witnesses. We visited many Coast Guard units, including a drop-in on the Cutter BEAR during her Mediterranean deployment with the Sixth Fleet and a fishing patrol deployment in the Bering Straits.

Two major conclusions from our review were:

- The United States will continue to need a flexible, adaptable Coast Guard to meet national maritime interests and requirements well into the next century; and,

- The re-capitalization of the Coast Guard's Deepwater capability is a near-term national priority.

Deepwater Modernization – 21st Century Priority

The United States -- and the U.S. Coast Guard -- clearly face a variety of maritime challenges in the future. These challenges include: maritime security threats such as illegal migration and contraband smuggling; resource protection threats involving both living and non-living marine resources; weapons of mass destruction and terrorist activities; continued U.S. support of U.N. sponsored sanctions and security operations; and the security, defense, and resource protection implications of the U.N. Convention on the Law of the Sea.

National policy for the Coast Guard, and today's capitalization decisions that are derived from that policy, must enable tomorrow's Coast Guard to adapt to future realities. A key means of essential and sustained Coast Guard performance -- one of the Task Force's major conclusions -- is modernization of the Coast Guard's Deepwater assets.

The Coast Guard's Deepwater ships, aircraft, and C4ISR (Command, Control, Communications, Computer, Information, Surveillance & Reconnaissance) assets are all nearing the end of their economic service lives. Of the 41 comparably sized navy and coast guard fleets in the world, only two are older than our Coast Guard deepwater fleet. But more significant than their age is the consideration that our current assets simply do not provide the range of well-integrated capabilities we need to perform our missions. And they get more expensive to maintain and operate every year. Therefore, planning for and modernizing these capabilities must begin now.

The Deepwater acquisition project is a sound approach to that end and the Interagency Task Force strongly endorsed its process and timeline. The Clinton/Gore Administration has supported the Coast Guard's performance-oriented "requirements" approach to recapitalizing and modernizing its "Deepwater" assets.

And, today I'm asking for your support in that effort. Please let your ~~representatives in the Congress~~ know how important an effective ~~Coast Guard is to our nation's maritime future!~~ *An effective CG is an important part of national asset for commerce & maritime safety.*

anti-lobbying law

Conclusion

Public and private sector transportation leaders must work together in the coming years to meet the challenges that maritime growth and security will bring. Continuing the public-private partnership we've developed is vital to ensuring that America's Maritime Transportation System (MTS) remains safe, efficient and world class.

Achieving the goal of a safer, more efficient and world class MTS for the 21st century won't be easy, but it is achievable if we work together.

Thank you, and I look forward to taking your questions.

Remarks prepared for

Deputy Secretary of Transportation Mortimer L. Downey

for Delivery during the

**Journal of Commerce Newsmaker Series
Shipping Review and Outlook 2001**

*Perspectives of 21st Century Newsmakers . . . What's Next? –
Behind the Headlines: Catalysts of Change*

Loews New York Hotel
(General Session Ballroom)
569 Lexington Avenue
New York, NY

Thursday, December 7, 2000
9:30 am

See comments

- I Intro -- Multimodal challenges ahead for shipping and transport in an increasingly E-Commerce world.
- II DOT strategic plans for the future (MTS, Deepwater/CG).
- III DOT's transport legacy to a new Presidential administration in 2001? */ where's he?*
- IV. Conclusion: In addition to \$\$, technology, Coordination/collaboration will help us achieve an MTS that will meet the demands of a new and competitive century.

Thank you, Bill (Ralph, President & Publisher, Journal of Commerce Group), and good morning. It's an honor to be here to talk with you about how your companies can continue to deliver the goods – from cars and electronics to energy and food -- to the customer safely

and efficiently in an increasingly fast-paced digital economy.

As members of the transportation community, I'm sure most of us have envisioned ^{what a} a future ^{would be like} in which information and other technologies make it possible for the customer to track products or goods from the point of origin, on the ship, to the dock, to the train or truck, and to the final destination.

The Department of Transportation is strongly encouraging the transportation industry to continue to find ways to make transportation intermodal and truly seamless as well as safer. We believe ^{by working} that together, ^{drawing on} --with technological and human innovation -- we can create a transportation system that will meet the demands of this new century.

And, those demands will be great . . . Waterborne foreign trade has grown 65 percent by weight (short tons) since 1975. The MTS provides economic benefits and value through the efficient, effective, and dependable transportation for the movement of people and goods. ^{and we need to remind ourselves and the public of those benefits.}

Waterborne cargo alone contributes more than \$742 billion to U.S.

GDP (Gross Domestic Product) and creates employment for more than 13 million workers. Annually, the U.S. MTS is always part of our highly productive economy -- contributing to the unprecedented period of growth that we are enjoying. This vital system *does a lot for US!*

- Moves more than 2 billion tons of domestic and international freight;
- Handles 3.3 billion barrels worth of oil imports to meet growing U.S. energy needs;
- Serves 78 million recreational users;
- Hosts more than 5 million cruise ship passengers; and
- Supports 110,000 commercial fishing vessels and recreational fishing that contribute \$111 billion to state economies.

need to accommodate
The projected growth in domestic shipping *provided the incentive* led to improvement of the nation's inland waterway system which is continuing today. But it's a two-way street, and *provided* maritime growth depends in great measure upon infrastructure improvements.

Harbors need to be dredged, piers need to be built or renovated, and terminal loading equipment needs to be purchased, installed,

repaired and ultimately replaced when obsolete.

I would like to share with you what we at the U.S. Department of Transportation are doing to address maritime infrastructure requirements nationwide.

← we have it explained what it is?

The MTS initiative provides a blueprint that we are following to achieve our marine transportation system vision for tomorrow:

America's MTS will be the "world's most technologically advanced, safe, efficient, effective, accessible, globally competitive, dynamic and environmentally responsible system for moving goods and people."

This effort is probably the most comprehensive review of our MTS and waterborne commerce ever – it's importance, its challenges, and its future. Let me give you an example of the recommendations developed thus far by the MTS initiative . . .

MTS Recommendations

First, stakeholders who participated in the early stages of the initiative -- industry, environmental groups and private citizens -- wanted a more direct voice in the decision making process.

As the MTS recommended, we ^{have} formed the MTS National Advisory Council, which ^{is why} ~~will~~ work closely with the federal interagency committee to enhance governmental coordination on many maritime issues. This council provides a structured approach for non-federal stakeholders to provide input on national-level issues.

Most importantly, the Council input is direct to the Secretary of Transportation, so both parties are fully attuned to the needs and desires of the other.

Can use point to say
specific that has happened
since the council was formed

Second, the initial MTS report counsels following a systematic approach to MTS safety and environmental protection. Managers, operators and users of the waterways and facilities, the landside

transportation system, environmental interests and the public all must be involved via local committees or planning groups.

Third, the report calls for establishing information management systems and infrastructure supportive of the marine transportation system. Better waterway traffic management information for mariners and ports will speed both cargo and passengers safely and efficiently to their destinations -- such service is becoming essential in today's dotconomy.

To quicken the movement of people and cargo, we need to develop a one-stop shop for federal inspection and reporting, a national cooperative MTS research program, more reliable traffic forecasting and improve landside access to ports.

Finally, we need better coordination and development of adequate financing mechanisms to ensure the growth of seaports, waterways and their intermodal links.

Industry and government at all levels must explore innovative funding mechanisms to leverage existing resources and make more

effective use of existing funds. Pretending that government—or industry—can and will fund all of the needs and dreams of any community is unrealistic.

Needed: Investment to Meet Demand

Cargo and passenger traffic is on the rise at historic levels, with projections of doubling and even commonplace and tripling in selected markets. Ports have begun to make infrastructure improvements now before the flood of goods chokes vital transportation hubs. ???

U.S. ports will spend about \$9 billion on marine terminals, infrastructure and dredging between 1999 and 2003.¹ The federal government is contributing as well. Congress ^{authorized} appropriated roughly \$4.5 billion for dredging projects in the Water Resources Development Act of 2000. Much of that money ^{as it is appropriated by year} will go to nine major dredging projects.

This year significant funds are going to the Ports of Oakland and Baltimore and the New York-New Jersey Port Authority, but we realize

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there are many more ports that need funding. Capital is also needed for maintenance dredging, to improve overpass clearances, widen roadway access and extend rail tracks directly onto port property.

The federal government works cost share agreements with every state and port because each one is important whether it's in the top 10 or striving to gain recognition in a niche market. And, we see that the solutions for large and small ports are pretty similar:

- Intermodal connections are critical. Trucks need easy access and egress from ports;
- All ports must pay attention to the impact on the community of increased truck traffic as commerce grows.

Businesses are increasingly using the Internet to improve efficiency, and this has, I believe, made our transportation sector more competitive and dynamic. Firms are moving their supply networks and sales channels on-line and participating in the on-line marketplaces. Freight companies are teaming up with software developers.

As more and more countries and people worldwide get connected, we'll see even more growth in Internet-based commerce and, therefore, more joint ventures in transportation logistics.

Critical Issues Facing the MTS

I could go on and on, but you, better than anyone else, already know how your industries contribute enormously to the nation. That's why this Administration has made preparing and upgrading our Marine Transportation System a national priority.

*What positive steps
can we put to??
If Congress hasn't responded
can we say so??*

Critical Issues Facing the MTS

Many factors will influence the scope and character of world transportation demand in the 21st century. Over the next 25 years, world population is projected to increase to 8.5 billion from its present 5.5 billion people.

Along with population, world trade is expected to increase dramatically. And one of the fastest growing U.S. exports are high-value agricultural products. U.S. agricultural exports, now valued at more than \$50 billion, and are expected to increase by about 45% to \$72.6 billion by 2008. The auto industry may drive the

maritime sector in this first decade of the new millennium. Ports that handle autos have reported record shipments for 1999 and the auto boom is expected to continue.

Given the increased capacity forecast for agriculture and raw materials as well as autos and other finished goods, the physical infrastructure and information systems that support the MTS are, in many ways, in need of an overhaul.

Today's new, larger vessels are more cost effective, but they also require deeper waterways. Overall, our country's dredging requirements can be expected to grow, but meeting those needs means we must solve environmental issues.

By the year 2000, more than 44% of the inland waterway locks and dams will be at least 50 years old. Many locks are undersized for modern commercial barges.

In order to achieve top performance, a transportation system must be intermodal. Waterways, ports and terminals are only part of the MTS. The system needs to reach out and assure that we have the inland rail, road and pipeline connections that support the success of the

overall enterprise.

Highway connectors and rail lines are essential for moving cargo between maritime terminals and interior markets of the United States.

As a matter of history and economic development, most major U.S.

ports are located in or near densely populated metro areas, such as

the New York *region* City and New Orleans.

Among the landside infrastructure inadequacies faced by such historic ports, two stand out:

- At least half of all ports, and nearly 2/3 of container ports, have growing traffic congestion on the truck routes that serve them; and,
- Many ports report that rail lines serving their facilities have at-grade crossings on local streets which pose a safety hazard, impede efficient access of trains to port terminals, and tie up traffic on local streets.

Conclusion

Public and private sector transportation leaders must work together in the coming years to meet the challenges that such growth will bring.

Continuing the public-private partnership we've developed is vital to ensuring that America's Maritime Transportation System (MTS) remains safe, efficient and world class.

Achieving the goal – a safe, efficient and world class MTS for the 21st century – won't be easy, but it is achievable if we work together.

Thank you, and I look forward to taking your questions.

Remarks Prepared for

Deputy Secretary of Transportation Mortimer L. Downey

for Delivery during a

Farewell Reception for Kelley S. Coyner

Room 10234

Wednesday, December 13, 2000, 2 pm

Thank you, Ed, and good afternoon everyone. It's both a happy and a sad day for me and ^{for all of U.S.} ~~everyone~~. Kelley Coyner ^{has} brought not only excellent leadership and management skills to her work in RSPA, but ^{we all} ~~I~~ know ^{how much she} that she ^{has} ~~literally~~ put ^{of herself} her heart and soul into work that she knows -- and we know -- was worthwhile. And the results will serve RSPA and the American people well for a long time to come.

(Could say something personal here about your working/personal relationship with Kelley)

Safety is -- and remains -- our highest priority. And, Kelley ^{has taken} ~~took~~ that mission seriously and worked diligently with her colleagues in RSPA and throughout DOT to improve safety.

Under Kelley's leadership, RSPA has achieved results that will improve public health and safety for the long term -- on our roads, at construction sites, in our natural gas pipeline network and throughout our environment.

^{Beyond the basic}
~~In addition to the nuts and bolts of governance (i.e. regulation,~~ ^{management}
^{has continually proven its value by playing}
~~appropriations), RSPA has played a key role in promoting and enriching~~
technological innovation and education in all areas of transportation.

^{that we all thank Kelley for taking on it}
One of the initiatives ~~closest to Kelley's heart~~ is the **Garret A.**

Morgan Technology and Transportation Futures Program. Established in 1997, Garrett Morgan is helping to build the nation's transportation infrastructure by ensuring that there is a trained and skilled transportation workforce in the future. The program involves mentoring, internships and many other programs to attract students to careers in transportation. To date the program has reached over 2 million students, ^{well beyond our original hopes and expectations}

While we will miss Kelley Coyner's spirit of enthusiasm, we wish her well in her next adventure in Paraguay with her husband, Tim, who serves our country at the Department of State, and their two beautiful daughters, Sarah and Claire. I wish them all the best!

Thank you, Kelley, for all of your hard work for DOT and for the country! (Could applaud and audience would follow – give podium back to MC.)