S. HRG. 107–395

Senate Hearings

Before the Committee on Appropriations

Department of Transportation and Related Agencies Appropriations

Fiscal Year 2002

107*th* CONGRESS, FIRST SESSION

H.R. 2299/S. 1178

DEPARTMENT OF TRANSPORTATION
GENERAL ACCOUNTING OFFICE
NATIONAL RAILROAD PASSENGER CORPORATION (Amtrak)
NONDEPARTMENTAL WITNESSES

Department of Transportation and Related Agencies Appropriations, 2002
(H.R. 2299/S. 1178)

S. Hrg. 107–395

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2002

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

ON

H.R. 2299/S. 1178

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2002, AND FOR OTHER PURPOSES

Department of Transportation
General Accounting Office
National Railroad Passenger Corporation (Amtrak)
Nondepartmental witnesses

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[1] Committee and subcommittee memberships—January 25, 2001 to June 6, 2001.

NOTE.—From January 3 to January 20, 2001 the Democrats held the majority, thanks to the deciding vote of outgoing Democratic Vice President Al Gore. Senator Thomas A. Daschle became majority leader at that time. Starting January 20, 2001, the incoming Republican Vice President Richard Cheney held the deciding vote, giving the majority to the Republicans. Senator Trent Lott resumed his position as majority leader. On May 24, 2001, Senator James Jeffords of Vermont announced his switch from Republican to Independent status, effective June 6, 2001. Jeffords announced that he would caucus with the Democrats, changing control of the evenly divided Senate from the Republicans to the Democrats. Senator Thomas A. Daschle became majority leader once again on June 6, 2001.

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2002

WEDNESDAY, FEBRUARY 14, 2001

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2 p.m., in room SD–124, Dirksen Senate Office Building, Hon. Richard C. Shelby (chairman) presiding.

Present: Senators Shelby and Murray.

DEPARTMENT OF TRANSPORTATION

STATEMENT OF HON. KENNETH M. MEAD, INSPECTOR GENERAL

GENERAL ACCOUNTING OFFICE

STATEMENT OF JOHN H. ANDERSON, MANAGING DIRECTOR, PHYSICAL INFRASTRUCTURE

OVERSIGHT HEARING ON DEPARTMENT OF TRANSPORTATION MANAGEMENT CHALLENGES

OPENING STATEMENT OF HON. RICHARD C. SHELBY

Senator SHELBY. The committee will come to order. This oversight hearing of the Subcommittee on Transportation Appropriations is now in session. Welcome to the first hearing held by the Subcommittee on Transportation in 2001.

This afternoon's hearing has a different focus than most hearings held by this committee. Normally, the Appropriations Committee responds to the administration's budget proposal with a series of hearings and submitted questions that are designed to get more information about the budget, to compare the new request to ongoing efforts by the administration and to justify new initiatives proposed by the President. This information helps the committee make informed decisions as it develops appropriations legislation.

However, there is another side to the responsibilities of the Appropriations Committee. This other responsibility is the oversight of the Federal agencies we fund. It is imperative to ensure that Federal taxpayer dollars are spent wisely and spent well. While we await the administration's fiscal year 2002 budget request, I thought it would be useful to assess how the Department is doing and where there is room for improvement.

Proper management of Federal funds cannot be taken for granted. That's the reason the Federal agencies have Inspectors General to audit and to investigate agency management and detect cases of fraud, waste, or abuse. The General Accounting Office, an investigative arm of the legislative branch, also performs audits and evaluations of Government programs and activities, often at the direction of Congress.

Today we are joined by John Anderson, Managing Director of Physical Infrastructure at the General Accounting Office, and by Ken Mead, Inspector General, the Department of Transportation. Both GAO and the IG have published recent reports on management issues at the Department of Transportation.

The January 18, 2001, Inspector General report titled, "Top 10 Management Challenges, Department of Transportation", sets out 10 top priority management issues. The report closely parallels prior reports, with only slight modifications to last year's list, and with the notable establishment of the Departmental business practices challenge that incorporates and broadens a range of administrative activities at the Department.

The last 2 years Congress has provided substantial supplemental funds to the U.S. Coast Guard for operations and for capital acquisitions. I am becoming more concerned about this practice. It seems to me to be a poor practice to get into the habit of always providing additional funds for operations through supplemental appropriations acts. This practice leads to expectations on the part of the Coast Guard that they will always get bailed out of funding shortfalls and provides a disincentive to management operations and personnel to adhere to the annually appropriated funding level.

In addition, it could actually encourage the Coast Guard to neglect those programs that provide the strongest case for supplemental funding. I am committed to funding Coast Guard operations, but I am increasingly troubled by how that funding is cobbled together during the course of the year. It is one thing to address an unanticipated funding shortfall, but the recent addiction to 0supplemental funding for routine operations, I believe, is not good for the Coast Guard.

No management challenge hearing would be complete without some reference to the financial condition of Amtrak. In November 1998 an independent assessment of Amtrak's financial requirements was published, as required by the Amtrak Reform and Accountability Act. The Inspector General's Office closely monitored the assessment process and probably has the clearest view of Amtrak's current financial condition, and of whether the projections on which the railroad has based its plan to reach self-sufficiency by 2002 are realistic and achievable.

The GAO has prepared many reports on Amtrak's financial and operating performance, including the May 1998 report on the financial performance of Amtrak's 40 routes Nation-wide. Which shows that only one route, the Metroliner, actually makes a profit and that, overall, Amtrak's expenses are almost twice as great as its revenues. This is a management issue, a labor issue, and a political issue, and it is an issue that has cost the American taxpayers to date over $23.7 billion.

Oversight is an important part of the Appropriation Committee's responsibilities. The committee allocates Federal funds based on informed decisionmaking. This requires a close examination of the administration's budget and oversight of how funds, once allocated, are managed. I hope that today's hearing will help us better perform this duty by exploring together some management challenges that have been raised by both the executive and legislative branch investigative bodies. In addition, I hope that an oversight hearing of this breadth helps our new subcommittee members and our ranking subcommittee member, Senator Murray of Washington State, who I understand will join me shortly, and it will give them a flavor for the scope of the focus of the subcommittee.

I would ask first that my entire statement be made a part of the record. Senator Durbin, one of our newest members to the subcommittee, could not be here today and has asked that his statement also be included in the record. Mr. Mead and Mr. Anderson, your entire statements will be made a part of the record as well. Without objection.

Would each of you take about 5 or 6 minutes, if you could, to hit on the high spots of the thrust of what you want to do, and then we will have time for questions and enter a dialogue.

[The statements follow:]

PREPARED STATEMENT OF SENATOR RICHARD C. SHELBY

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In addition, I hope that an oversight hearing of this breadth helps our new subcommittee members and our new ranking subcommittee member, Senator Murray of Washington State, get a flavor for the scope and focus of the subcommittee. Senator Murray, do you have an opening statement?

PREPARED STATEMENT OF SENATOR RICHARD J. DURBIN

MANAGEMENT CHALLENGES

Mr. Chairman, Senator Murray, thank you for holding this important hearing today on the various management challenges facing the U.S. Department of Transportation.

As you know, this is my first hearing as a member of this subcommittee. Some of my fondest memories from my days in the House of Representatives involve the House Transportation Appropriations Subcommittee. I'm happy to join this distinguished panel and look forward to working with you, Mr. Chairman, as well as Senator Murray and my subcommittee colleagues.

I represent the State of Illinois which includes O'Hare International Airport. Illinois has often been referred to as the transportation hub of the nation, and aviation issues, especially in the Chicagoland region, are page one news.

In fact, I'd suggest that we are at a cross roads in my home state when it comes to aviation. The issues revolve around ensuring that Downstate Illinois communities enjoy access to the Chicago and St. Louis markets, expanding O'Hare, building a third Chicago airport, and protecting the rights of consumers.

Mr. Mead, I noted in the materials that you provided to the Committee, a top ten list of sorts that details various management challenges. Prominent in that list are several aviation issues. Let me take a minute to detail a few.

As we all know, the proposed United/US Airways merger is currently under review by the U.S. Department of Justice. The American/TWA buyout is under the jurisdiction of a bankruptcy court. Both may have a major impact on O'Hare and Downstate air service. I prefer to let these authorities work through the details and pass final judgement.

However, I continue to be concerned about Downstate Illinois air service in a consolidated industry.

A number of downstate communities have struggled to gain or maintain access to Chicago O'Hare. This service is vital to community economic development and tourism. As we've faced concern over O'Hare access, the one constant has been St. Louis service for these communities. Obviously, the American/TWA buyout announcement has caused great concern in the eight downstate communities currently served by TWA/TWE. I will continue to watch these mergers to ensure that smaller communities are not left behind.

With regard to consumers, let me say that although the airlines have made strides toward more responsive customer service plans—ones that treat the traveling public with respect, provide timely information, and attempt to remedy problems as quickly and fairly as possible—there's still a long way to go. Your February 12 report—a one year analysis of voluntary customer service enhancements by 17 airlines—gives the airlines credit for some improvements but expresses disappointment that the progress has not been more substantial. I'm interested in your opinion as to whether legislation commonly referred to as a "passengers bill of rights"—is needed at this time. With or without legislation, I hope the airlines will continue to aggressively address the consumer challenges that still exist.

Mr. Mead, there are a number of other issues that I could raise, Amtrak self-sufficiency, Metro Link's Full Funding Grant Agreement amendment, and O'Hare's benchmark capacity. But, I will save those for another day and reserve the right to submit some written questions to you on those important topics.

I would like to mention one other issue. In your "Top Ten" list report, you mention rail-grade crossing safety. This is a topic of great concern in my home state and particularly in northeastern Illinois.

Illinois has the dubious distinction of being the site of more train related incidents than nearly every other state. The state ranks second nationally for the number of train wrecks and the number of people injured in collisions involving trains and automobiles. More people are killed in these accidents in Illinois than anywhere else.

A recent DePaul University study estimates one motorist violation occurs at the average northeastern Illinois crossing for every three trains. That adds up to between 15,000 and 26,000 preventable railroad crossing violations per day in that region alone.

Safety must be our number one priority. While we can and should make Illinois railroad crossings safer, though, we should do so while keeping in mind the needs of those who live with trains on a daily basis.

Railroad crossings must be made safer, but mandating the use of train whistles is not the only way to solve this problem. We need to focus on cooperative ways to make Illinois's crossings safer through enhanced educational outreach and stronger enforcement. We shouldn't wait for a federal rule to spur us into action.

I have been working with state officials, prosecutors, suburban mayors and residents to find alternatives to the use of train whistles at railroad crossings. This past summer, I hosted two roundtable discussions to bring all of these interests together. The plan I've developed with the help of the Illinois Congressional Delegation and the State of Illinois establishes a comprehensive strategy for improving the safety of railroad crossings through voluntary participation in education and enforcement initiatives. This program will increase awareness of and participation in crossing-safety efforts already in place. It is also intended to identify state and federal resources available to communities for improvements in crossing safety.

I hope that we can put together a national model in Illinois that improves rail-grade crossing through aggressive education and enforcement efforts and that the Department will work with us on it.

Mr. Chairman, thank you for the opportunity to raise these important issues today. I look forward to working with you this Congress.

STATEMENT OF KENNETH M. MEAD

Mr. MEAD. Thanks, Mr. Chairman. I just want to congratulate you on having a hearing on these top 10 management challenges and GAO's high risk and their management accountability work. These sometimes are not the flashiest of issues, but they go to the core of how we run the Transportation Department and areas in which we need to improve, so thank you for holding the hearing.

Senator SHELBY. Well, a lot of transportation issues are not flashy, but they are very important.

Mr. MEAD. Yes, sir. It is one of those areas where it affects each of us every day of our lives in a very immediate and direct way.

Sir, we have up here a list of the top 10 management challenges that we identified.

DOT-OIG Top Management Challenges

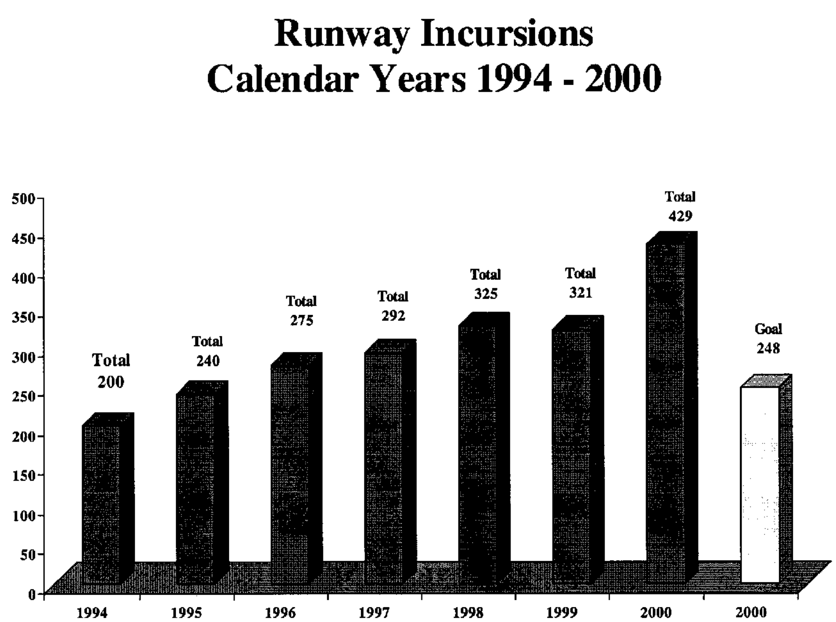
1. Aviation Safety
2. Surface Transportation Safety
3. Aviation System Capacity and Air Traffic Control Modernization
4. Surface and Airport Infrastructure
5. Coast Guard Capital Acquisition Budget
6. Transportation Security
7. Computer Security
8. Amtrak Financial Viability and Modernization
9. MARAD's Ship Disposal Program
10. Departmental Business Practices

Senator SHELBY. Are you going to run through them?

Mr. MEAD. I will run through the highlights, and I am going to combine them into four areas. One is on safety, the second is on the stewardship and oversight of Federal funds. In the third I wanted to highlight some immediate budget issues that are before the committee that are included in these top 10, and finally talk about the aviation system a bit, some of the capacity issues, the performance issues, and possibly touch on the report we issued yesterday on airline customer service.

TRANSPORTATION SAFETY

First, on transportation safety, the top issues we see there, especially in the aviation area, have to do with runway incursions. While everybody is talking about congestion and delays and so forth, and where we are going to put planes, especially when it gets on the ground. What this chart shows is that planes are coming too close together on the ground, and that this past year there was a record 429 runway incursions. That is where planes come too close together, and I know, Mr. Chairman, you will recall that the worst aviation disaster in civil aviation history was a runway incursion between two 747's.



Second, controller operational errors.

Senator SHELBY. Before you leave this, what is in your judgment the root cause of this, and what is the cure?

RUNWAY INCURSIONS

Mr. MEAD. Well, certainly one of the root causes for the spike is the increased traffic on runways. FAA has a plan for addressing runway incursions, and it is a good plan, and we have said it is a good plan for each of the last 3 or 4 years. The issue is their follow-through on the plan.

There are two distinct elements of that plan, sir. One is technology. The technology that FAA has been working on to deal with runway incursions so that it would alert the controllers to when one is about to occur has been delayed. It is not operational.

Senator SHELBY. Is that a question of communication, and is management involved in that?

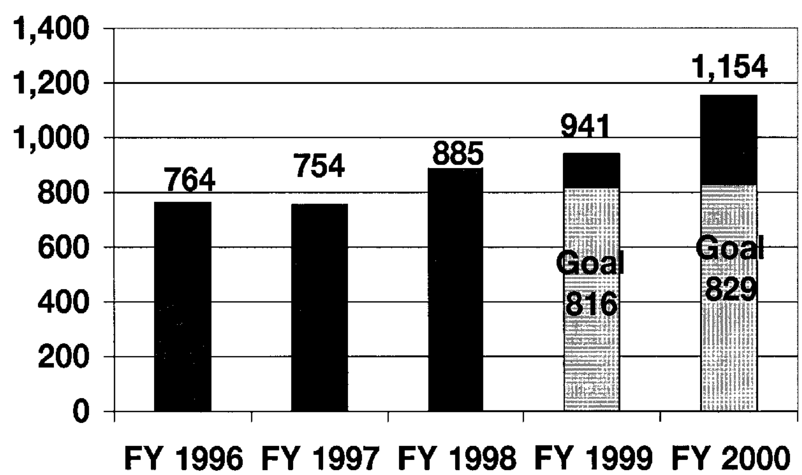
Mr. MEAD. Yes, and it is a question also of really false alarms, when the system says there is a runway incursion about to happen and one is not about to happen. The controller who sees the indication that there is one about to happen takes some countermeasure and there is just a false alarm, so they have to get those down.

The second area is runway incursions these are inherently local. You need regional and local action plans to deal with them, and there are regions and localities in the airports. They all need to be held accountable. This is not something that can be run from inside the beltway.

OPERATIONAL ERRORS

The next one is on operational errors. This is where planes are allowed to lose their separation, usually in the air. They, too, are on the increase, and you can see that the year 2000 was a record year for those as well, so when we talk about congestion and the efficiency of the system, we would recommend strongly that you keep those two indicators in mind. You often do not hear about them because people are focused on the delay and the inconvenience and so forth.

Operational Errors FY 1996 - FY 2000



Other top safety issues is NAFTA, Mexican trucks, and when the border should be opened, and what to do to make sure those are safe. We have found there is a real correlation between the provision of inspection staff at the border and the condition of the trucks, a very strong correlation.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

A third safety issue is implementing the Federal Motor Carrier Safety Administration, a new law passed a year ago. You need leadership, you need to get their new rulemakings out, and you need to take enforcement action when you run up against an egregious offender.

THREAD ACT

Implementing the THREAD Act, which also was a redress for the Firestone situation. There is a lot of activity that needs to take place this year on that. Most of it centers on the information that NHTSA uses to assess whether there is a defect or not. They have been relying heavily on consumer complaints coming over the transom.

PIPELINE SAFETY ISSUES

Finally, longstanding pipeline safety issues. There is a lot of business left undone, in my judgment, in the last Congress; and there is much to do, and for our part we intend to keep highlighting that.

Senator SHELBY. We have worked with you on that in this committee.

Mr. MEAD. The Senate cleared a bill just the other day. This is an issue where it is a very safe mode of transportation of cargo, but when there is a problem there is a big problem with terrible consequences. I have sat through hearings, as I know Senator Murray has, where you hear the families of the victims describe it. It is something that makes an impact on you for the rest of your life.

STEWARDSHIP OF TRANSPORTATION FUNDING

Stewardship of transportation funding. My message here is real simple. The past several years the Congress has authorized a major infusion of funds into highways, bridges, and airports—and I am going to go over just a bit.

Senator SHELBY. Go ahead.

Mr. MEAD. It is unprecedented infusion in absolute dollars, but the last time there was a proportionate infusion of funds like this was during the Eisenhower and Kennedy administrations. When they launched the interstate, and there were a lot of scandals and embezzlements and kickbacks that were occurring during that period. I am here to say, Mr. Chairman, that I think the Federal Highway Administration and the FAA should exercise a lot more vigilance over the funds.

You know, one aspect, or one side of my office follows the fraud. We are seeing the indicators creep up there. Particularly in the highway area, and you know last year what happened with the Central Artery, disclosures there. You tell me—well, I do not know, so you cannot tell me. How could somebody miss $4 billion? I think that was a fairly shocking——

Senator SHELBY. You would have to work at it, would you not?

Mr. MEAD. You sure would. Anyway, that is what happens, and so we are seeing this in the highway, bridge, and aviation area, and it is one I just wanted to call to the committee's attention.

FULL FUNDING GRANT AGREEMENTS FOR TRANSIT

Another point that you are going to face this year is on full funding grant agreements for transit. The fact is, there are so many full funding agreements out there, there is not enough money to really come clean on the commitments that were made. In addition to that, you overlaid that with more and more earmarks, and the people that have the full funding grant agreements are going to say, "Can we have our full payment?"

IMMEDIATE BUDGET ISSUES

Immediate budget issues. You have three big issues coming together this year all at once. It is like that book, The Perfect Storm. Amtrak, they usually come in for $500 or so million. This year you know the bond bill, where they were looking for $1 billion extra a year, that did not pass last Congress, and that is on the agenda again, so that is one big issue.

The second is the Coast Guard. The Coast Guard is going to be coming in for a fairly substantial plus-up. Depending upon what OMB proposes for what is called the Deepwater Acquisition, it is a near-total replacement of all Coast Guard afloat and in-the-air assets 50 miles out.

A third big issue is the FAA operations account. At some point it becomes an affordability issue—$5.9 billion in 2000, $6.5 billion in 2001, going up to about $7 billion for 2002, and another $½ billion for 2003. All that money has to come out of the general fund. It will not be coming out of a trust fund.

We see those issues coming together.

Senator SHELBY. Where is enough money going to come from? There is really not going to be enough, is there?

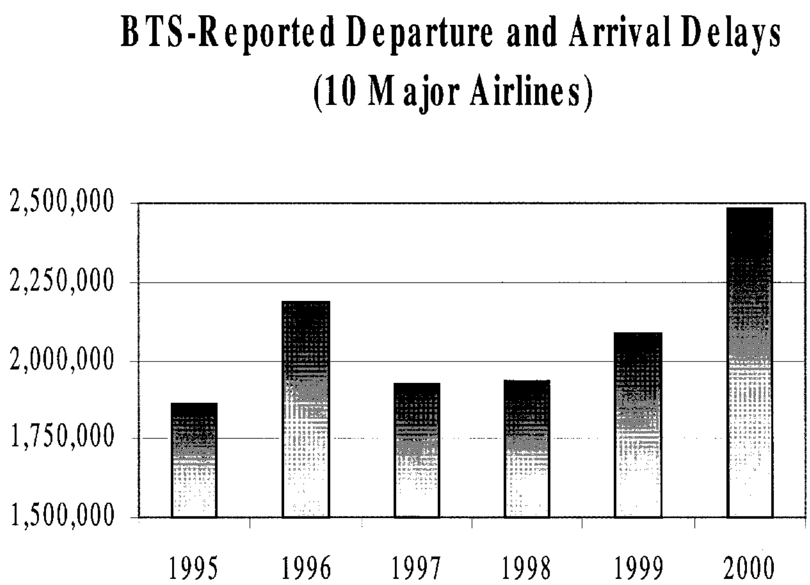
Mr. MEAD. No, not judging—usually you do not have this many things coming together at once with that type of request, but those are going to be big requests, unless one of them just goes away, and I do not see that happening.

Senator SHELBY. Maybe you can help us to steer it in a different direction, if not go away.

AVIATION SYSTEM PERFORMANCE

Mr. MEAD. On the aviation system performance, I will not dwell on that because I imagine you will have some questions on it. When we issued our report on customer service yesterday, people wanted to know, well, how did the airlines do on these 12 different commitments that they made. What we found is, on the commitments that they made that did not have anything to do with delays or cancellations they did very well on.

Things like offer the lowest fare, they were doing that at a remarkably good rate, and things like holding the nonrefundable reservations, answering complaints, increase the baggage liability limit, they did all those things and they are doing quite well at it.



BUMPING

Bumping, I think there are some real improvements that are needed in the bumping practices. They need to be better on refunds.

But the basic area where things are falling short was on telling the customer what was happening with respect to a delay or cancellation. The airlines were all trying, but based on our observations they have a long way to go, plus taking care of people's essential needs when you get stuck on a plane for a long, on-board-aircraft delay. They also were doing reasonably well in returning luggage that did not show up when you arrived.

Senator SHELBY. But they have got a long way to go.

Mr. MEAD. Yes, they do. But I wanted to make a point though, that it is, of course, not just the airlines. We have a situation here where the capacity is just not enough for the demand, at least where the airlines want to fly. The capacity is just not up to meeting the demand, and you are going to have to require a combination of technology, air traffic control redesign, air traffic control procedures, and new runways. The process for getting a new runway approved can be rather tortuous.

I will conclude with that, sir. Thank you for the extra time.

[The statement follows:]

PREPARED STATEMENT OF KENNETH M. MEAD

MANAGEMENT OVERSIGHT ISSUES

Mr. Chairman and Members of the Subcommittee: As we begin the fiscal year fiscal 2002 appropriations cycle, we appreciate the opportunity to appear today. As you know, each year we issue a report on the major management challenges facing the Department of Transportation (DOT). We have discussed our report with Secretary Mineta and are pleased to note that in his confirmation hearing, Secretary Mineta stated that he would be keeping a copy of the Top 10 Management Challenges report on his desk and would be using it as a blueprint for addressing the management challenges facing DOT.

For purposes of our statement, I would like to take this opportunity to highlight some of the most pressing issues facing Congress and DOT. These issues need to be dealt with to support safe and reliable transportation service, to prepare for necessary budget decisions related to DOT programs, and to ensure that Federal transportation infrastructure dollars are well spent. Attached to our testimony is a summary of our recommendations in each of the top 10 management challenge areas.

SUMMARY OF IMMEDIATE ISSUES FACING DOT

The most important, immediate, core thematic issues confronting the new Administration and the new Congress, can be divided into four areas:

Transportation Safety:

—Reducing the record number of runway incursions (429 in the last calendar year) and controller operational errors (1,154 in the last fiscal year).

—Staffing the oversight of Mexican truck safety.

—Focusing the new Federal Motor Carrier Safety Administration (FMCSA).

—Implementing the TREAD Act to prevent future "Firestones."

—Addressing longstanding pipeline safety issues.

Stewardship of Transportation Funding:

—Streamlining process requirements, while respecting environmental protection laws.

—Fighting fraud.

—Implementing new infrastructure grant oversight requirements.

—Monitoring contract expenditures.

Immediate Budget Issues:

—Controlling FAA's operating costs.

—Implementing a cost accounting system at FAA.

—Managing multi-billion dollar FAA systems acquisitions.

—Justifying and reconciling Coast Guard capital investment requirements.

—Addressing Amtrak's financial viability.

Aviation System Performance:

—Making FAA accountable as a results-based organization.

—Developing a multifaceted approach to addressing capacity restraints.

—Improving aviation customer service.

Transportation Safety.—Safety is central to DOT's mission. Looking Department-wide, the most immediate safety issues are:

—*Reducing the Record Number of Runway Incursions (429 in the last calendar year) and Controller Operational Errors (1,154 in the last fiscal year).*—To reverse the upward trend in runway incursions, FAA must follow-through on its planned initiatives at the national and local levels. FAA had three good plans to reduce runway incursions since 1991, but they all lacked follow-through. FAA must ensure that local action plans are prepared to address airport-specific problems. Emerging technologies to reduce runway incursions must be identified and evaluated and advanced quickly to high-risk airports. Reducing runway incursions demands strong and consistent leadership, however, FAA has experienced significant turnover in the management of its Runway Safety Program. With the anticipated departure of the current program director this spring, this is the fifth turnover in that position in the last 5 years. To reduce operational errors, FAA must approach reducing operational errors with a sense of urgency. Strong national oversight is needed to ensure that efforts made to reduce operational errors at facilities with high numbers of operational errors are effective in correcting facility-specific problems.

—*Staffing the oversight of Mexican truck safety.*—Strengthening U.S. inspection capability at the southern border crossings can have a real world impact. Recent increases in Federal border inspectors correlated with a 4 percent reduction in Mexican trucks that were placed out of service for significant safety violations after inspections when entering the United States. While it is encouraging that a total of 60 inspectors are scheduled to be on board in 2001, in 1998 we estimated that 126 additional Federal inspectors were needed during port operating hours. On February 7, 2001, Senator Ernest F. Hollings and Congressman James L. Oberstar requested us to provide a status report on existing conditions and the conditions necessary to safely open the border to Mexican trucks. Specific areas to be addressed are staffing and inspections facilities, out-of-service rates, verification of registration information, and harmonization of safety regulations.

—*Focusing the New Federal Motor Carrier Safety Administration (FMCSA).*—DOT must fill key leadership positions in FMCSA and issue statutorily directed rulemakings. FMCSA also needs to take a multifaceted approach to enforcement such as issuing shut down orders. While education/outreach efforts can be effective with most carriers, strong enforcement is needed for the minority of carriers that are egregious offenders.

Similarly, FMSCA must employ a very firm hand with scams involving fraudulent Commercial Driver Licenses (CDL), which are occurring in an alarming number of States. For example, in the states of Florida and Illinois, 35 individuals have been found guilty of charges related to the issuance of fraudulent CDLs. Since November 1999, investigations of fraudulent CDLs have also resulted in multiple indictments in Georgia, Iowa, Mississippi, New York, North Carolina, Pennsylvania and South Carolina. Also, criminal investigations of fraudulent CDLs are ongoing in four other states.

—*Implementing the TREAD Act to Prevent Future "Firestones".*—The TREAD Act requires NHTSA to conduct 10 rulemakings in the areas of defect reporting by manufacturers, improving and updating tire standards, and vehicle rollover testing and evaluation. Six of the 10 rulemakings must be completed in 2001 or 2002. For example, by June 2002, NHTSA is required to complete a rulemaking establishing early warning reporting requirements for motor vehicle and equipment manufacturers. This will be important because it will include guidance for how and when manufacturers report data to NHTSA in incidents involving fatalities or serious injuries alleged or determined to be caused by a possible defect. Since we found that it takes DOT, on average, 3.8 years to complete a rule, significant management effort will be required to issue these rules in the time required by the Act.

Also, NHTSA currently relies on consumer complaints to determine whether potential defects warrant investigation and ultimately a recall. These data are too narrowly focused and are not comprehensive or reflective of the nature and extent of potential safety defects. Other NHTSA databases, such as the Fatality Analysis Reporting System (FARS) and the National Automotive Sampling System (NASS), as well as other sources of information, such as manufacturer warranty claims, and insurance claims data should be routinely analyzed.

—*Addressing Longstanding Pipeline Safety Issues.*—Recent tragic pipeline incidents have emphasized the need for RSPA to develop and implement a comprehensive, effective plan for pipeline safety oversight. RSPA has been working on various facets of pipeline safety, but needs to proceed expeditiously on several fronts.

—Originally due to Congress in the mid-1990s, RSPA issued two Congressionally-mandated pipeline safety rulemakings in December 2000. These two rulemakings are now being reviewed by the Bush Administration. Currently, these rulemakings are scheduled to become effective later this Spring (60 days from their original effective dates). These rulemakings (1) define high-density population areas and areas unusually sensitive to environmental damage, and (2) specify how operators of large hazardous liquid pipelines (large meaning 500 miles of pipeline or more) will report to RSPA on their plans to assess and monitor the integrity of their pipelines in these areas.

—RSPA is currently working with the natural gas pipeline industry to develop a rulemaking for integrity management plans for natural gas pipeline operators to be issued later this year.

—Further, RSPA needs to ensure that all pipeline operators continue to voluntarily submit pipeline location data to the National Pipeline Mapping System.

—RSPA should fund pipeline research and development to improve internal inspection devices, called "smart pigs," and develop inspection technologies for pipelines that cannot be pigged. RSPA must ensure its pipeline inspectors receive training in new inspection technologies and up-to-date information on the operators' integrity management plans.

—Finally, RSPA utilization of state inspectors may ease the strain on limited Federal inspection resources while increasing state and community awareness of the benefits and dangers that pipelines pose, thereby increasing the safety of the pipelines, and the public.

Stewardship of Transportation Funding.—Congress responded to the nation-wide problems of transportation congestion and capacity by passing TEA–21 and AIR–21, which provide an unprecedented infusion of funds for highway, transit, and airport infrastructure projects. To date, highway and transit funding have increased by over 40 percent and airport funds have increased 75 percent. TEA–21 provided $218 billion for highway and transit projects in fiscal years 1998 through 2003, while AIR–

21 made $12.4 billion available for airport infrastructure projects from fiscal year 2000 through fiscal year 2003.

—*Streamlining Process Requirements, while Respecting Environmental Protection Laws.*—The Department also needs to address concerns over process requirements and resulting project delays associated with environmental (including noise) clearances. All of the modes face this challenge. DOT has an opportunity here to provide leadership on how to move major infrastructure projects forward more expeditiously, while respecting the letter and intent of environmental laws.

—*Fighting Fraud.* The last comparable funding jump was during the Eisenhower and Kennedy Administrations, when inadequate protection and monitoring of funds used to build the interstate highway system led to scandal and widespread fraud schemes involving public corruption, bid rigging, and false claims. A repeat must be avoided.

The Office of Inspector General, with the support of American Association of State Highway and Transportation Officials, the Justice Department, and the Federal Bureau of Investigation, has a major proactive fraud initiative. In fiscal year 2000 alone, our efforts in the area of contract and grant fraud led to 54 indictments (a 54 percent increase over 1999), 36 convictions (a 24 percent increase over 1999), and over $10 million in fines, restitution and other monetary recoveries

DOT needs to greatly improve its stewardship and oversight of transportation funding across all the modes. In the last 2 years, several events served to reinforce the important lesson that DOT agencies must take their financial oversight responsibilities more seriously:

—an alarming lapse in FHWA's oversight of the Central Artery Project, despite our warnings, left FHWA unaware of mounting cost overruns and allowed the Department to be blindsided when the Project disclosed a $1.4 billion increase;

—a DOT OIG investigation that led to seven guilty pleas from individuals charged with Federal racketeering and false claims violations for their role in submitting inflated and bogus claims on federally funded highway construction projects in Illinois and $15 million in fines and restitutions from the two companies involved;

—an extensive investigation that resulted in five criminal prosecutions and two steel product suppliers recently agreeing to pay the United States and the State of Louisiana a total of $30 million to settle allegations that they supplied unapproved materials for federally funded highway projects;

—a 5 year prison term for a highway construction company owner who defrauded the Disadvantaged Business Enterprise (DBE) program on federally funded road projects in West Virginia;

—a case involving two FHWA Program Managers who accepted over $250,000 in bribes in exchange for awarding multi-million dollar intelligent transportation system research contracts: the Program Managers pled guilty, were ordered to make restitution, and were sentenced to 27 and 36 months' incarceration, respectively, and five contractors were prosecuted;

—a 2 year prison term and nearly $1 million in fines and restitution against a contractor for inflating the costs of aerial photography and ground surveys on federally funded highway construction projects in Virginia; and

—plea agreements and fines totaling over $2 million for two companies involved in a bid rigging and price fixing scheme. As subcontractors, the companies provided specialty construction in the areas of post tensioning, cable-stayed bridges, and mechanically stabilized earth. The former head of another company was also indicted. He fled the country and remains a fugitive.

—*Implementing new infrastructure grant oversight requirements.*—Improving financial oversight must begin with vigorous implementation of new mega-project finance plan requirements, as well as implementation of recent Task Force recommendations:

—FHWA must enforce the new guidance on mega project finance plans that it issued on May 23, 2000, perform independent analyses of the data reported in mega project finance plans, and perform ongoing oversight project management.

—All DOT agencies overseeing large projects must implement the recommendations of the Task Force on Oversight of Large Transportation Infrastructure Projects, which was adopted on December 29, 2000.

—FTA faces a special challenge in maintaining oversight of large infrastructure projects. At this time last year, FTA had 15 approved full funding grant agreements and 13 pending grant agreements. As of January 19, 2001, FTA had 28 approved and 6 pending full funding grant agreements.

—Because FTA's oversight is funded by a fixed percentage of New Starts appropriations, doubling the number of projects had the effect of decreasing the oversight on each individual project.

—Moreover, 9 of the 28 approved projects are not scheduled to receive appropriations in fiscal year 2002, so FTA receives no funding for overseeing those projects. Likewise, FTA also receives no funding for oversight of pending or proposed projects (absent appropriations). Nonetheless, they may still have oversight requirements, for such things as construction wind-up, finalizing outstanding claims, and grant close out.

—Finally, New Start transit projects require intensive oversight because many grantees are new to major capital construction projects for transit. This situation has resulted in oversight being severely stretched to cover all the approved, pending, and proposed grant agreements. Meanwhile, TEA–21 authorization levels for transit new starts have been exhausted and projects with full funding grant agreements have, over the past 4 years, not received the full funding they were supposed to receive under their grant agreements. Although FTA has made significant progress in project oversight in the last few years (so much so that it has been removed from the GAO High Risk List), to prevent slipping, back FTA must work with Congress to address anticipated shortfalls in FTA project oversight funds.

—*Monitoring Contract Expenditures.*—During the 5 years ended April 2000, DOT (excluding FAA) closed 864 cost-reimbursable contracts valued at $559 million. Since DOT internal agencies took over responsibility for contract audits, independent audits of DOT contracts by the Defense Contract Audit Agency have dropped from 397 in 1996 to 68 in 1999, resulting in minimal oversight over millions of dollars in contract costs. Cost-reimbursable contracts are generally more risky for the Government because contractors have little incentive to control costs. We found that most contracts (1) were closed without independent audits, (2) were not supported with annual certified contractor incurred cost proposals, (3) were not properly adjusted during contract performance for changes in billing rates, and (4) were awarded without determining whether the contractors' accounting systems were adequate to handle cost-reimbursable contracts. In short, we saw little evidence of review of the amounts billed by contractors. We also found DOT had more than 400 cost-reimbursable contracts with obligations of $232 million that were overdue for closure from 1 to 9 years.

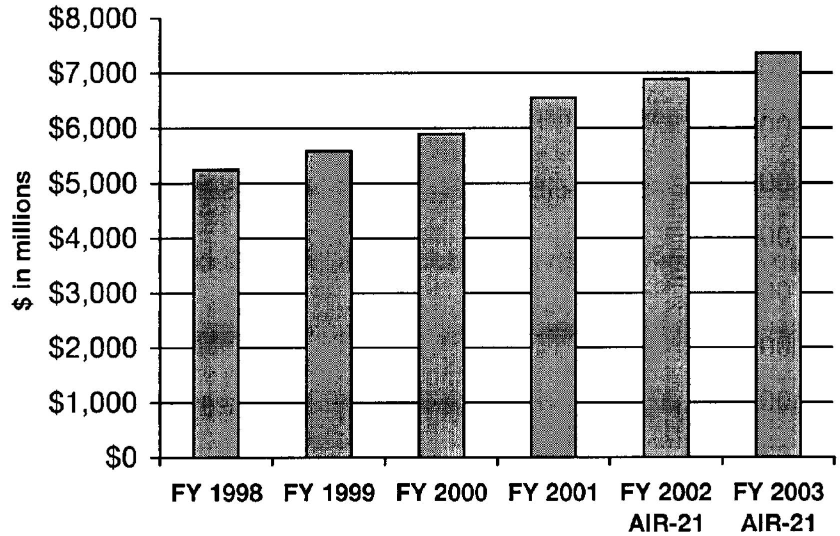
Our work on a diverse set of FAA acquisitions shows that FAA also needs to strengthen contract oversight. In some cases, we found that the contractor prepared Government cost estimates or estimates were not prepared at all. FAA needs to make greater use of earned value management techniques and cost controls (cost ceilings). In addition, FAA needs to analyze variances between agency and contractor cost estimates to ensure costs are fair and reasonable. Greater use of the Defense Contract Audit Agency for assessing costs is also needed to protect the Governments interest. FAA needs to use the procurement and personnel flexibility granted in 1996 to hold contractors and FAA staff more accountable.

Immediate Budget Issues.—There are several major budget issues that will have a profound impact on DOT's budget over the next decade.

—*Controlling FAA's Operating Costs.*—In past testimonies we have repeatedly cautioned that FAA's operations costs must be contained. AIR–21 provides a powerful incentive for this because the general framework calls for FAA's airport improvement program (AIP) and facilities and equipment (F&E) accounts to be funded at the authorized levels before allocating any Trust Fund revenue to FAA's Operations account. Barring a tax increase, Trust Fund receipts and interest will clearly be inadequate to fund all of FAA's operations costs.

As shown in the following chart, FAA's operations costs, which is primarily salary driven, have risen by over $1.2 billion, or 25 percent, from fiscal year 1998 to fiscal year 2001, and are expected to grow to about $7.4 billion by fiscal year 2003.

FAA's Operations Budget FY 1998 to FY 2003



New pay systems, developed as a result of FAA's personnel reform efforts, have fueled much of the increase. For example, FAA estimates the new pay system negotiated with the National Air Traffic Controllers Association (NATCA) will require nearly $1 billion in additional funding over the 5-year life of the agreement. Now, other FAA workforces want pay increases as well and these must be negotiated under FAA's personnel reform authority.

To offset the additional costs of the NATCA agreement and increase productivity, FAA and NATCA negotiated a series of workplace changes. The bottom-line is that workplace productivity changes are not yet in place system-wide—fiscal year 2001 and 2002 will be watched closely to determine to what extent they are implemented and quantified. Key elements include:

—increasing the use of controllers-in-charge and reducing the number of first line supervisors while mitigating potential safety implications;

—evaluating the controller staffing ceilings established in the collective bargaining agreement and addressing pressures from various groups to hire additional controllers over and beyond the cap; and

—assessing the viability of closely related factors that bear on system performance and controller productivity such as facility consolidation, the future of FAA's successful contract tower program, and delivery of Oceanic air control services.

—*Implementing a Cost Accounting System.*—Finally, to achieve meaningful cost control and give Congress and FAA management the information needed to make informed decisions on the FAA operations budget, FAA must have a cost accounting system, including a labor distribution component.

FAA also needs a cost accounting system to know what it costs to perform its various services and effectively manage its complex organization. The FAA cost accounting system must measure the overall costs of providing specific services, including operations cost and the cost of labor. With good cost accounting information, FAA could identify areas of low productivity and high cost. Conversely, high productivity and cost efficiency also would be highlighted.

FAA originally planned to have its cost accounting system fully operational by October 1, 1998. Now September 2002 is the planned date. However, even if FAA meets the September 2002 date, it will still be 9 months from implementing its labor distribution system, which if properly developed, will provide the information necessary to properly allocate labor costs to specific services. Labor accounts for more than half of FAA's total costs, but it is the labor distribution system that part FAA plans to develop last.

—*Managing Multi-Billion Dollar FAA Systems Acquisitions.*—Within the next 6 months, DOT will need to make "go forward, slow down, stop, or modify" decisions on major air traffic control systems acquisitions. The most important of these systems are:

  —WAAS—a $2.9 billion project in a watershed year. Over the years, WAAS has proven more difficult to develop and field than FAA anticipated. The key cost and schedule driver now focuses on integrity-the ability of WAAS to alert pilots when the signal should not be relied upon. Although an independent review board has concluded that WAAS is conceptually sound, a decision is needed in early 2001 on how FAA will proceed with this program—but, still unknown are how much WAAS will cost, how it will be certified as safe, and when the satellite-based system will be completed.

  —STARS—a $1.4 billion acquisition to replace controller displays and software, which has experienced cost and schedule difficulties. A major risk still remains to deploying all STAR's systems at FAA's 171 terminal radar approach control facilities with a combined installation of 119 Department of Defense facilities. Early this year, FAA must develop a realistic deployment schedule and identify additional funds that will be needed for deployment.

  —Oceanic Air Traffic Control—Currently estimated at $279 million, Oceanic services will have significant international ramifications for one of the worlds fastest growing aviation markets. FAA must avoid past problems with modernizing Oceanic facilities. As we testified in February 2000, if Congress should choose to make any major changes to FAA's structure or commercialize air traffic control services, Oceanic services could provide a test for this experience. Oceanic services also provide FAA a better opportunity for the collection of user fees as Congress has already approved the collection of over flight fees, and other countries collect user fees for Oceanic services.

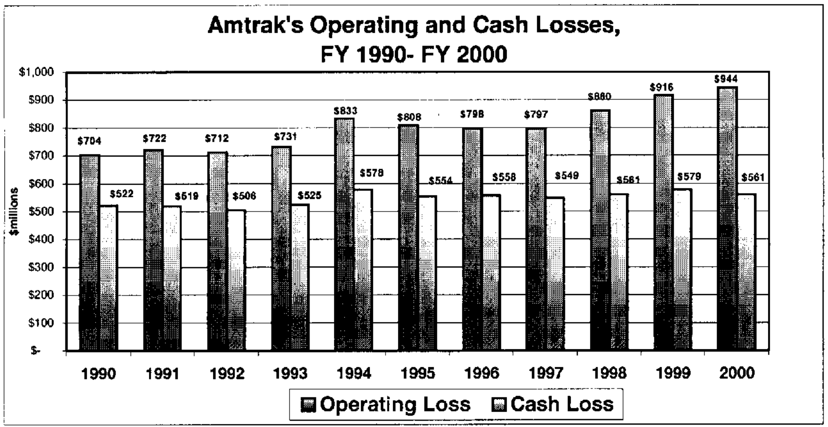
—*Justifying and Reconciling Coast Guard Capital Investments Requirements.*—Preliminary estimates indicate that capital improvement funding of $15 billion or more will be needed over the next 20 years to modernize assets that are critical to the Coast Guard's Marine Safety, Search and Rescue, Law Enforcement, and Marine Environmental Protection programs. To meet the Coast Guard's stated requirements, its capital acquisition budget will need to more than double from $400 million annually to at least $850 million annually on a sustained basis. However, the Office of Management and Budget (OMB) targets for the Coast Guard's acquisition budget range from $520 million to $552 million annually for fiscal year 2002 through fiscal year 2005. Immediate issues that the Coast Guard needs to address are:

  —*Reconciling Capital Investment Priorities and Budget Targets.*—Coast Guard's capital acquisition needs exceed OMB targets by more than $300 million per year for the foreseeable future. Coast Guard needs to establish capital investment priorities and continue working with OMB to reconcile their respective capital funding proposals and budget targets.

  —*Justifying the Fiscal Year 2002 Budget Request for Deepwater.*—The planning process for Deepwater has been endorsed and praised by many organizations. However, the Coast Guard wants to proceed with a budget request for this project even though the planning process is not complete and it has not selected an acquisition strategy. Given this, Coast Guard should be prepared for questions on which Deepwater assets need to be acquired or modernized, how this will be done, what it will cost, and when funding will be needed.

  —*Justifying the Fiscal Year 2002 Budget Request for the National Distress and Response System Modernization Project.*—Like Deepwater, Coast Guard plans to proceed with a procurement request for the Distress and Response System Project in fiscal year 2002 before completing its separate planning process. The major task for Coast Guard is to present a specific system modernization plan for this important search and rescue capability that details what assets need to be acquired or modernized, how it will be done, what it will cost, and when funding will be needed.

—*Addressing Amtrak's Financial Viability.*—Amtrak's ability to achieve operational self-sufficiency by 2003, as required by law, depends substantially on closing a $737 million gap in projected but undefined savings and revenue gains and fully ramping up high-speed (Acela) rail service in the Northeast Corridor. Beginning in 2001, Amtrak's cash losses must drop by an average of nearly $100 million each year for Amtrak to reach operating self-sufficiency by 2003.



Amtrak initiated Acela Express revenue service on December 11, 2000. For the first 4 weeks of operations, Acela Express posted an overall on-time performance of 94 percent. Amtrak plans to phase in two additional Acela Express roundtrips in early March and fully implement all 20 high-speed trainsets by September 2001.

Even if Amtrak meets its operational self-sufficiency mandate, its long-term viability will still depend on continued, significant, funding for capital improvements, including recapitalization of the Northeast Corridor, life-safety needs in the tunnels approaching Penn Station, and development of new high-speed corridors. Amtrak estimates the annual price-tag for these investments to be about $1.5 billion, which it hopes to secure through some combination of a high-speed rail bond bill and annual appropriations from Congress.

Aviation System Performance.—Aviation system performance has become a front burner issue. Last year was the worst on record, with FAA reporting a 90 percent increase in delays compared to 5 years ago. Cancellations grew at an even faster pace during this time period, increasing 104 percent. Over 1 of every 4 flights was delayed, cancelled, or diverted in 2000, affecting approximately 163 million passengers, with the average arrival delay exceeding 52 minutes. Much of the delay time is spent on the runway, with the number of flights experiencing taxi-out times of 1 hour or more increasing. Addressing the ability of the aviation system to effectively meet soaring consumer demand will require concerted efforts on the part of FAA and the airlines in several areas—transitioning FAA into a results-oriented organization, developing a multifaceted approach to addressing capacity constraints, and improving customer service.

—*Making FAA Accountable as a Results-Based Organization.*—Proposals for FAA to operate as a results-based organization are not new. They go back to at least 1996 (when Congress exempted FAA from Federal procurement and personnel rules and directed the agency to implement a cost accounting system). In 1997, the National Civil Aviation Review Commission also recommended that FAA establish a cost accounting system to manage its resources in a businesslike manner. These proposals were reinforced by AIR–21, which significantly increased FAA's budget and directed various "structural" reforms within the agency. There are several preconditions that FAA must first address if the agency is to make the transition into a results-based organization.

—*Implementing Requirements of AIR–21.*—FAA is in the very early stages of implementing the various reforms directed by AIR–21, including forming the Management Advisory Council, and the Air Traffic Services Subcommittee (whose members were just named); however, a Chief Operating Officer has not yet been selected. While these measures have the potential to assist FAA in transitioning into a more results-oriented organization, it is much too early to tell if they will be successful.

—*Developing a Cost Accounting System.*—A credible cost accounting system is a necessary precondition to develop needed financial and cost data and thereby serve as the foundation for any results-based organization, public or private. With good cost accounting information, FAA could identify areas of low productivity and high cost. Conversely, high productivity and cost efficiency also would be highlighted. In 1996, Congress directed FAA to develop a cost accounting system, and FAA originally planned to have the system in place by October 1998. FAA's cost accounting system is long overdue.

—*Developing a Multifaceted Approach to Addressing Capacity Constraints.*—Effectively addressing constraints on capacity will require a multifaceted approach. First, FAA and DOT must establish and implement a uniform system for tracking delays, cancellations, and their causes. In the final months of the prior Administration, a Task Force made recommendations to accomplish this. Those recommendations still need to be implemented.

Second, FAA must also develop capacity benchmarks for the Nation's top 30 airports. This will provide a common framework for understanding what maximum arrival and departure rate can physically be accommodated by airport, by time of day under optimum conditions. A set of capacity benchmarks is essential in understanding the impact of air carrier scheduling practices and what relief can realistically be provided by new technology, revised air traffic control procedures, new runways, and related airport infrastructure.

Finally, FAA must develop a strategic plan for addressing capacity shortfalls in the immediate, intermediate, and long term. These three points in time are important because the new runways or airports or air traffic control technology that may be in place 2, 5, or 10 years from now holds promise for the future, but offer limited or no bottom-line relief in the immediate term. Actions that are necessary in the short term may become unnecessary in the longer term with the addition of, for example, new runways. An immediate issue is scheduling, at peak travel times, flights beyond the established physical capacity of the airport and air traffic control system under optimum conditions. The dilemma an individual Airline faces is if it takes action and reduces flights, would competitors then fill those slots, resulting in no change in the overall flight scheduling at the airport.

—*Improving Aviation Customer Service.*—Airline customer service took center stage in January 1999, when hundreds of passengers were stuck in planes on snowbound Detroit runways for up to 8½ hours. Following that incident, both the House and Senate conducted hearings on the air carriers' treatment of air travelers and considered whether to enact a "passenger bill of rights." Following hearings after the January 1999 incident, Congress, DOT, and the Air Transport Association (ATA) agreed that the air carriers should have an opportunity to improve their customer service without legislation. To demonstrate the Airlines' ongoing dedication to improving air travel, ATA and its member Airlines executed the Airline Customer Service Commitment on June 17, 1999. The Commitment covered 12 specific areas, including: offering the lowest fare available; notifying customers of known delays, cancellations, and diversions; and being more responsive to customer complaints. Each airline agreed to prepare a Customer Service Plan (Plan) implementing the twelve provisions of the agreement.

At the request of Senator John McCain, Chairman of the Senate Committee on Commerce, Science, and Transportation, we reviewed the Plans and evaluated the extent to which each Airline met all provisions under its Plan. On June 27, 2000, we issued an Interim Report on the 6-month progress of the Airlines in implementing their Plans, and on Monday February 12, 2001, we issued our final report on Airline Customer Service.

Overall, we found the Airlines[1] were making progress toward meeting their Customer Service Commitment and that the Commitment has been a plus for air travelers on a number of important fronts. The voluntary Commitment to customer service and the circumstances under which it was entered into are noteworthy because, based on our observations, it prompted the Airlines to take the matter of improving customer service more seriously. Also, the Airlines generally were responsive to suggestions made in our Interim Report. But, the Airlines, airports, the FAA and, most important, the traveling public know the aviation system is not working well—the road ahead is long, and aggressive progress will be required by the Airlines, airports, and FAA if consumer confidence is to be restored.

Notwithstanding progress by the Airlines toward meeting their Customer Service Commitment, we continue to find significant shortfalls in reliable and timely communication with passengers by the Airlines about flight delays and

[1] ATA signed the Commitment on behalf of 14 ATA member Airlines (Alaska Airlines, Aloha Airlines, American Airlines, American Trans Air, American West Airlines, Continental Airlines, Delta Air Lines, Hawaiian Airlines, Midwest Express Airlines, Northwest Airlines, Southwest Airlines, Trans World Airlines, United Airlines, and US Airways).

cancellations. Further, we find the Airlines' Commitment does not directly address the most deep-seated, underlying cause of customer dissatisfaction—flight delays and cancellations, and what the Airlines plan to do about them in the areas under their control in the immediate term. Action by the Airlines to reduce flight delays and cancellations is critical because major improvements in providing capacity to meet demand, such as new runways and the fielding of new air traffic control capacity enhancing technology, are not going to be in place for at least the next several years. Spring/summer 2001, when the next major crunch in air travel is likely to occur, is just around the corner.

Provisions for quoting lowest fare, holding nonrefundable reservations, timely responses to complaints, and higher pay-outs for lost baggage. In general, we found the areas where the provisions of the Commitment were working well and where the greatest progress was being made were not directly or necessarily associated with whether a flight is delayed or canceled. These areas were: quoting the lowest fare (compliance between 88 and 100 percent of the time for a fixed itinerary); holding nonrefundable reservations without penalty (compliance between 88 and 100 percent); timely responses to complaints (compliance between 61 to 100 percent, with 13 Airlines between 93 and 100 percent compliant); and larger pay-outs for lost luggage. Over the past year, we also have seen air carriers competing on the basis of customer service through such steps as more legroom between seats, size of overhead baggage compartments, and deployment of portable passenger check-in stations to reduce long lines-measures that go beyond actions required by the Commitment.

Provisions that trigger when there is a flight delay or cancellation. The progress made this past year is often obscured when the traveling public experiences widespread delays and cancellations. We found the customer service areas most in need of improvement are for those provisions that trigger when there are delays and cancellations. One such provision is to keep customers informed of delays and cancellations, another promises to meet customers' "essential" needs during "extended" on-aircraft delays, and another commits to making reasonable efforts to return delayed or mishandled checked baggage within 24 hours.

The evidence shows significant investment and progress by the Airlines toward meeting these commitments, and improvement is evident since our Interim Report. Still, there are persistent problems. We frequently found, among other matters, untimely, incomplete, or unreliable reports to passengers about flight status, delays and cancellations as follows.

—In 21 percent of our observations of nearly 550 flight delays nationwide, the flight information display system showed the flight as on time when, in fact, the flight had been delayed for more than 20 minutes; timely announcements about the status of the delay were made in the gate areas 66 percent of the time; when status announcements were made, the information provided about the delay or cancellation was adequate about 57 percent of the time. Performance varied by Airline and non-ATA airline, with Hubs generally performing better than non-Hub airports.

—Baggage that did not show up with the passenger was delivered within 24 hours 58 to 91 percent of the time. Again, performance among the Airlines and non-ATA airlines varied.

—All Airlines have taken steps to accommodate passengers' "essential" needs during "extended" on-aircraft delays. However, we found that the Airlines differ in what qualifies as "extended." The trigger thresholds for this provision vary from 45 minutes to 3 hours. We think it is unlikely that a passenger's definition of an "extended" on-aircraft delay will vary depending upon which air carrier they are flying.

We also found that the provisions within the Commitment do not directly address the root causes of customer dissatisfaction: extensive flight delays, flight cancellations, and baggage not showing up with the passenger. Since air travelers in 2000 stood a greater than 1 in 4 chance of their flight being delayed, canceled, or diverted, we believe the Airlines should go further and address steps they are taking on matters within their control to reduce over-scheduling, the number of chronically late or canceled flights, and the amount of checked baggage that does not show up with the passenger upon arrival.

According to the Bureau of Transportation Statistics (BTS), chronically delayed and/or canceled flights are those regularly scheduled flights [2] that, at least 80 percent of the time, arrived at least 15 minutes later than scheduled and/or were can-

[2] A regularly scheduled flight is a flight segment representing a city-pair (e.g., Chicago to Miami).

celed during a single calendar month. For example, according to BTS data, in December 2000, one Airline's flight with daily non-stop service between Chicago and Miami was delayed and/or canceled 27 of the 31 days it was scheduled to operate. In this case, the flight was delayed and/or canceled 87 percent of the time. Our analysis of BTS data found regularly scheduled flights that were at least 15 minutes late and/or canceled 80 percent of the time increased from 8,348 to 40,868 (390 percent) between 1999 and 2000.[3]

Using BTS data, we increased the amount of arrival delay to 30 minutes or more and identified all scheduled flights that, when grouped by individual flight number, were delayed and/or canceled at least 40 percent of the time during a single calendar month. Overall, for calendar year 2000, we identified over 240,000 regularly scheduled flights that met our criteria (representing over 10,300 individual flight numbers affecting approximately 25 million passengers). Currently, the Airlines are required to disclose on-time performance only upon request from the customer. Passengers should not have to ask when making a reservation if the flight is chronically delayed or canceled 40 percent of the time or more; the Airlines should notify the passenger of this information without being asked.

Airline mitigation measures in the above areas will not solve the delay and cancellation problem since it is caused by multiple factors, some outside the airlines' control, but the airlines should be doing their part. For both the short and long term, the Airlines' Commitment to customer service must be combined with comprehensive action to increase system capacity to meet demand. FAA's efforts to modernize air traffic control through new technology, satellite navigation at airports, airspace redesign and, importantly, new runways will be central elements in any successful effort to add capacity and avoid gridlock.

Provisions regarding fairness and consistency in "bumping" practices, and prompt refunds for tickets.—Regarding the provision for fairness and consistency in bumping practices on flights that are oversold, we found a need for improvement. Among other things, the rules about who gets bumped first varied among the Airlines, and the compensation limit for those who are involuntarily bumped is inadequate and has not been changed since 1978. In fact, we found that passengers who volunteer to be bumped stand a good chance of receiving greater compensation than passengers who are involuntarily bumped. As for the provision in the Commitment to provide prompt ticket refunds, which refers to Federal regulations in place for over 17 years, our tests at five Airlines showed excellent performance. However, four Airlines and two non-ATA airlines were clearly deficient in this area and need to improve their processing of ticket refunds.

Contract of Carriage.—In our Interim Report, we noted that the Airlines' Commitment, while conveying promises of customer service, was not necessarily legally enforceable by consumers unless these protections were also incorporated into an Airline's contract of carriage, which is a binding and legally enforceable contract. In fact, one Airline explicitly said as much in its Plan. We recommended that the Airlines ensure that their contracts of carriage are changed to fully reflect the benefits afforded by their Plans and the Airlines' Commitment to customer service. Our review of the 14 Airlines' contracts of carriage showed that all of the Airlines responded to this recommendation to some degree. For example:

—Eleven of the 14 Airlines incorporated the Commitment provision to inform the customer of delays, cancellations, and diversions into their contracts of carriage and eight of the Airlines incorporated the Commitment provision to meet customers' essential needs during extended on-aircraft delays.

—Eleven of the 14 Airlines incorporated the Commitment provision for quoting the lowest fare; and 12 Airlines incorporated the provisions for holding a nonrefundable reservation for 24 hours and for returning misrouted or delayed baggage within 24 hours.

—There were differences among the Airlines in exactly what they decided to incorporate, and we found instances where the contract of carriage placed limits on what appeared to be a more expansive provision in the Plan. For example, one Airline limited the provision to quote the lowest fare to only domestic travel whereas the others did not. Another Airline limited its baggage return provision to passengers not traveling on a reduced rate ticket. The Airlines also varied in what their contracts of carriage said about accommodating "essential" needs during "extended" on-aircraft delays, including the definition of what constituted an "extended" delay.

An area of particular concern is when an Airline will provide overnight accommodations occasioned by a delay or cancellation. Most of the Plans said generally

[3] Our intent is not to attribute the cause of the delays or cancellations associated with these flights to the Airlines, but to highlight the extent to which such flights are occurring.

that overnight accommodations would be provided if the passenger was required to stay overnight due to a delay or cancellation caused by the Airline's operations (as defined by the Airline). However, the contract of carriage for seven Airlines appeared to limit this to situations such as when a flight was diverted to an unscheduled destination or a flight delay exceeded 4 hours between the hours of 10:00 p.m.and 6:00 a.m. The circumstances in which overnight accommodations will be provided needs clarity so that passengers will know what to expect.

Consumer Protection by the Department of Transportation.—Oversight and enforcement of consumer protection and unfair competition laws and regulations are the responsibility of the DOT. We found the resources available to the Department to carry out these responsibilities to the traveling public are seriously inadequate-so much so that they had declined at the very time consumer complaints quadrupled and increased to record levels-from roughly 6,000 in 1995 to over 23,000 in 2000. Nearly 20 staff are assigned these functions today, down from 40 in 1985. The oversight and enforcement expectations for the Office of the Assistant General Counsel for Aviation Enforcement and Proceedings significantly exceed the Office's capacity to handle the workload in a responsive manner.

Recommendations.—As directed by AIR–21, in our final report we made over 25 recommendations for improving accountability, enforcement, and the protection afforded commercial air passengers. A full list of these recommendations can be found in our report, Final Report on Airline Customer Service Commitment, OIG Report Number AV–2001–020, issued February 12, 2001. The report is available on our website: www.oig.dot.gov.

Mr. Chairman, this concludes my statement. Thank you for inviting me to testify this morning. I would be happy to answer any questions the Subcommittee may have.

TOP 10 MANAGEMENT CHALLENGES REPORT

This attachment summarizes the key recommendations in our "Top 10 Management Challenges Report, issued January 18, 2001. Taken as a whole, this year's DOT top management challenges list encompasses programs that require continual attention to ensure ever safer transportation, programs on which there are significant economy and efficiency concerns, and programs with questionable success in achieving results.

The following table shows how we grouped the top management challenges in this year's DOT report, as compared to last year's report.

Items in Current Top 10 List	Items in Last Year's Top 12 List
• Aviation Safety	• Aviation Safety
• Surface Transportation Safety	• Surface Transportation Safety
• Aviation System Capacity and Air Traffic Control Modernization	• Air Traffic Control Modernization
• Surface and Airport Infrastructure	• Surface, Marine, and Airport Infrastructure
• Coast Guard Capital Acquisition Budget	• Coast Guard Deepwater Capability Replacement Project
• Transportation Security	• Transportation Security
• Computer Security	• Computer Security
• Amtrak Financial Viability and Modernization	• Amtrak Financial Viability and Modernization
• MARAD's Ship Disposal Program	• MARAD's Ship Disposal Program
• Departmental Business Practices - *Financial accountability;* - *Timeliness of rulemaking;* - *Human resources management;* - *Oversight of contract costs and closeouts;* - *Government Performance and Results Act (GPRA);* - *Space requirements for a new DOT Headquarters building* - *Transportation Administrative Service Center (TASC) role in providing administrative support.*	• Financial Accounting/Chief Financial Officers Act • FAA Financing and Reauthorization • Government Performance and Results Act

The key differences from last year's list are:

1. We expanded the Air Traffic Control Modernization area to include issues of aviation capacity—including runway and airport capacity—and the impact this is having on customer service, particularly cancellations and delays. Meeting the anticipated demand for air travel and reducing delays is an urgent issue because the National Airspace System is operating at the fringes of capacity. Over the last 2 years, DOT's Air Travel Consumer Report has ranked flight problems (delays, cancellations, and missed connections) as the number 1 complaint out of 11 complaint categories reported.

2. We created a new, comprehensive item on Departmental Business Practices by: (1) combining the Government Performance and Results Act, FAA Financing and Reauthorization, and Financial Accounting/Chief Financial Officers Act items; and (2) adding other key Department-wide concerns, including human resources management, the new DOT headquarters building, the appropriate role for TASC in providing Departmental headquarters administrative services, and the pace of Departmental rulemakings. This new combined item enables us to cover new or emerging issues. It also seemed logical to combine our previous business practice items—since FAA has been reauthorized, the Department achieved a clean opinion on its financial statements in fiscal year 1999, and the Department's GPRA reports are consistently rated among the best in the Government.

The following describes each of the top 10 management challenges identified by the DOT OIG and describes the key recommendations the OIG makes in each area.

1. Aviation Safety

Given the continued growth in demand for air travel and the limited capacity of the National Airspace System, FAA must be more aggressive in evaluating known risks and identifying and evaluating unknown risks that may cause future accidents. The aviation industry expects continued growth in air traffic as a result of increased demand and the emergence of new technologies may result in closer spacing between aircraft due to more precise, satellite-based tracking and navigation capabilities.

Our key recommendations in this area are to:

—Reduce the number of runway incursions and operational errors; two indicators of serious aviation safety risks. Record levels of runway incursions (429) and operational errors (1,154) are occurring amid increasing runway and airspace congestion.
—Reduce protracted delays in responding to identified safety issues. FAA's failure to sufficiently and timely repond to independent laboratory test results on fastener quality and FAA's year-long delay before informing air carriers of defective cables suggests a weaknesses in FAA's process for evaluating safety issues brought to the agency's attention.
—Train and certify the controllers-in-charge (CICs) FAA proposes to have replace non-union supervisors. Before FAA can begin a reduction in supervisors, it must provide increased training to these non-supervisory air traffic controllers on their new roles and responsibilities for ensuring safe air traffic operations. FAA is currently conducting this training.
  We found, however, that in a February 2000 memorandum the Director of Air Traffic Services essentially allowed all air traffic controllers to become CICs without going through the required CIC selection process. This contravenes FAA's established requirements and assurances that the CIC Program would not become an entitlement. The OIG has recommended FAA take action to correct this problem.
—Pursue productivity gains promised by the National Air Traffic Controllers Association (NATCA) agreement with FAA. The NATCA agreement includes a new pay system for controllers that will require $1 billion in additional funding over the 5-year life of the agreement. Between 1998 and 2001, FAA's operations costs have risen over $1.2 billion or 25 percent. The controller pay system has contributed to the rise in these operations costs. Now other FAA workforces want pay increases as well, which must be negotiated under FAA's personnel reform authority. Productivity gains are needed to offset the additional payroll costs of the new pay systems and free up a greater portion of FAA's overall budget for important safety measures.
—Develop an air traffic controller pipeline to backfill for retirements. FAA will have to increase its efforts in recruitment and training of air traffic controllers to backfill for retirements, while adhering to the NATCA agreement's staffing ceiling (15,000 controllers in fiscal year 1999, 15,300 in fiscal year 2002, and 15,606 in fiscal year 2003). FAA and NATCA should also weigh potential staffing and cost benefits of contracting out low level non-radar towers, limited consolidation of air traffic control facilities, and operating Oceanic air traffic control more like a business financed through user fees.
—Strengthen FAA's new Air Transportation Oversight System (ATOS) for inspecting air carriers. To benefit from ATOS, the agency must evaluate and correct problems such as obtaining management and workforce acceptance of ATOS, training inspectors on how to monitor an air carrier's operations using ATOS guides, and developing consistent, accurate safety data.
—Improve FAA procedures for reviewing air carriers' maintenance programs. FAA needs to follow up on the results of special safety inspections made at major carriers and change its inspection procedures to ensure that carriers have continuing analysis and surveillance programs in place that will adequately monitor the quality of the carriers' aircraft maintenance programs.
—Issue long delayed rulemakings affecting important aviation safety subjects such as pilot hours of service and rest periods, air tour safety, and repair stations and repairman certification standards. FAA also needs to resolve the concerns related to waiving inspection enforcement actions against air carriers, which are central to issuing the Flight Operations Quality Assurance (FOQA) rule and getting the air carriers to provide voluntarily the detailed safety data that would be available under FOQA. It is unlikely that FAA alone can make further progress in this area without the support of the Department of Justice and the Office of Management and Budget.

2. Surface Transportation Safety

Surface transportation—motor vehicle, large truck, railroad, and pipeline transportation—accidents in the United States continue to account for over 42,000 fatalities annually. In 1999, over 36,000 fatalities resulted from motor vehicle accidents not involving large trucks, over 5,000 resulted from crashes involving large trucks, and over 1,000 resulted from railroad, rail transit and pipeline accidents. While down from the over 46,000 fatalities a decade ago, the number of surface fatalities remains high, and the Department needs to continue its efforts on reducing fatalities.

Our key recommendations in this area include:

—Implement, as a matter of priority, the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act. DOT must quickly implement the TREAD early warning reporting requirements and improve NHTSA's ability to proactively identify potential safety related defects, so NHTSA can more quickly identify and work to eliminate safety risks such as the Firestone tread separations that led to several deaths across the United States before a recall was made.

—Work with the States to curb fraud, abuse and mismanagement in issuance of Commercial Drivers Licenses (CDLs). Investigations in Illinois and Florida led to 35 convictions and at least 9 deaths were attributed to drivers who illegally obtained CDLs in Illinois.

—Implement the Motor Carrier Safety Improvement Act of 1999. The Department must fill key leadership positions and expedite required rulemakings to realize the benefits of the many safety initiatives Congress provided in the Motor Carrier Safety Improvement Act. Stronger enforcement, including shut down orders, is needed for the minority of carriers that are egregious offenders and a risk to public safety.

—Review comments on the proposed hours-of-service regulation reducing the allowable driving time for commercial truck and bus drivers from 16 to 12 hours within a 24 hour period and requiring on-board electronic recorders to document hours of duty. FMCSA will need to address opposition to the regulation in the trucking and bus industries and concerns in the Congress, which has prohibited the Department from adopting a final rule in fiscal year 2001.

—Improve Mexican truck safety oversight in readiness for opening the southern border under the North American Free Trade Agreement. There are still shortfalls in Federal border inspection staffing and facilities. However, recent increases in the number of Federal border inspectors correlated with a reduction in the percent (down from 39 percent in fiscal year 1999 to 35 percent in fiscal year 2000) of Mexican trucks entering the United States that were inspected and placed out of service for significant safety violations.

—Issue overdue safety regulations and update inspector training for pipelines. RSPA needs to complete maps showing location of hazardous material pipelines; establish inspection frequencies for natural gas pipelines; train RSPA inspectors in advanced pipeline inspection technologies, and work with Congress on the pipeline program reauthorization.

—Improve cross-modal coordination on DOT's Hazardous Materials programs. DOT needs to improve deployment, training, and coordination of the Department's Hazardous Materials inspection and enforcement resources, which are dispersed in FAA, FRA, FMCSA, Coast Guard, and RSPA; and work with Congress on the Hazardous Materials program reauthorization.

—Ensure that Amtrak, the States of New York and New Jersey, and the Federal Government develop an action plan for addressing the nearly $900 million in unfunded fire and life safety projects in the jointly-used rail tunnels approaching Penn Station-New York.

3. Aviation System Capacity and Air Traffic Control Modernization

Against a backdrop of growing demand for air travel, there has been a rapid increase in flight delays and cancellations. Between 1995 and 2000, FAA reported a 90 percent increase in flight delays. Likewise, the Bureau of Transportation Statistics reported a 104 percent increase in cancellations. For 2000, over 1 in 4 domestic flights-affecting approximately 163 million passengers-were delayed, canceled, or diverted, with the average arrival delay exceeding 52 minutes.

In early 1999, Congress considered passing a "passenger bill of rights" but instead agreed to defer legislation and allow the airlines an opportunity to improve the situation on their own. On June 17, 1999, the airlines issued their Airline Customer Service Commitment.

In January 2000, Congress passed the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, more commonly known as "AIR–21". AIR–21 will provide FAA with nearly $8.6 billion to modernize the air traffic control system and almost $10 billion in airport improvement program funds from fiscal year 2001 through 2003.

Our recommendations for beginning to address the crisis in aviation capacity fall into four areas: developing strategies for addressing delays; establishing FAA's air traffic control services as a results based organization; managing FAA's efforts to use new technology to increase safety, efficiency, and capacity; and assessing FAA's role in planning for nationwide airport infrastructure needs.

—Develop Strategies for Addressing Delays.

Develop a strategic plan for addressing aviation capacity shortfalls, delays and cancellations in the short (1–2 years), intermediate (4–5 years), and long terms (8–10 years).

Develop and implement a uniform system for tracking delays, cancellations and their causes.

Develop "capacity benchmarks" for the Nation's top 30 airports describing the number of operations the airport can handle at various times of the day under various weather conditions. Such benchmarks are critical to understanding the true impact of airline scheduling practices and what relief can be expected from new technology and airport infrastructure enhancements.

—Establish FAA's Air Traffic Control Services as a Results-Based Organization.

Implement structural reforms directed in AIR–21, including an expanded role for the Management Advisory Council, the creation of an Air Traffic Services Subcommittee (whose members were just named), and the appointment of a Chief Operating Officer.

Establish a cost accounting system. FAA originally planned to have the cost accounting system in place by October 1998 but completion dates have slipped many times—FAA now anticipates completing the system at the end of fiscal year 2002.

—Manage FAA's efforts to use New Technology to Increase Safety, Efficiency, and Capacity.

Strengthen management oversight of multi-billion dollar software-intensive development contracts designed to modernize the air traffic control system and increase system capacity. FAA needs to use the procurement flexibilities Congress granted it in 1995 to hold contractors and FAA staff accountable for cost-effectiveness and reasonable adherence to established schedules. Key milestone decisions need to be made this year with several modernization efforts, including Wide Area Augmentation System (WAAS), Standard Terminal Automation Replacement System (STARS), and the Oceanic Replacement Program.

Define and implement plans for transitioning to satellite-based navigation and landing systems.

Provide modernized air traffic control services over the Pacific and the Atlantic Oceans to implement International Civil Aviation Organization (ICAO) delegations.

Move forward with airspace redesign efforts and linking them with plans for implementing free flight technologies.

—Assess FAA's Role in Planning for Nationwide Airport Infrastructure Needs.

Consider whether FAA should move from a passive role (distribution of grant funds) to a more active one of facilitating a strategic view of airport expansion, leveraging grant funds to capacity-constrained locations, and helping to resolve local opposition.

Address severely capacity-constrained airports with no realistic near-term hope for meeting demand. Options that will be debated run the gamut from "do nothing and let the market straighten things out," to peak hour or congestion pricing, authorizing airline scheduling discussions under antitrust supervision, and lotteries—another form of slot control.

4. Surface and Airport Infrastructure

The Transportation Equity Act for the 21st Century (TEA–21) and the Aviation Investment and Reform Act for the 21st Century (AIR–21) provided an unprecedented infusion of funds for highway, transit, and airport infrastructure projects. Highway and transit funding increased by over 40 percent and airport infrastructure funding by about 75 percent. TEA–21 provides $218 billion for highway and transit projects while AIR–21 makes $12.4 billion available for airport infrastructure projects.

The painful Boston Central Artery Project disclosures last year, several internal embezzlement/kickback cases, and the $14 million in fines and jail terms in the Palumbo Brothers/Monarch Construction cases illustrate the need for improved stewardship and oversight. While Federal agencies must take the lead role, the states also have an obligation as front line authorizers, to ensure stewardship and oversight of Federal funds.

The most pressing issues are ensuring that available funds are used as intended by (1) exercising stewardship and oversight to prevent fraud and mismanagement; and (2) expeditiously advancing projects to improve capacity, relieve congestion, and enhance safety while respecting the letter and intent of environmental laws.

Our key recommendations in this area are:

—Follow through on commitments to enhance DOT oversight capacity and practices in order to identify problems and mitigate risks on mega-projects (such as

Central Artery, Woodrow Wilson Bridge, and San Francisco Bay Area Rapid Transit (BART) Airport Extension).

—Ensure adequate oversight (including audits and investigations, where appropriate) for Federal funds to prevent fraud, waste and abuse and avoid scandal in administering TEA–21 and AIR–21.

—Advance projects to improve capacity, relieve congestion, and enhance safety while respecting the letter and intent of environmental laws.

—Mitigate risks on FTA projects with full funding grant agreements. When annual Federal appropriations are less than scheduled payments in grant agreements, grantees may need to find alternate funding sources or extend the construction schedules. In both instances, project costs may increase.

5. Coast Guard Capital Acquisition Budget

To meet the Coast Guard's goals, its capital acquisition budget would need to more than double from $400 million annually to at least $850 million annually on a sustained basis.

Preliminary estimates indicate that capital improvement funding of $15 billion or more will be needed over the next 20 years to modernize assets critical to the Coast Guard's Marine Safety, Search and Rescue, Law Enforcement, and Marine Environmental Protection programs. Although Coast Guard has not yet provided definitive cost estimates for all its planned acquisitions, it has reported that the Deepwater Capability Replacement Project will cost more than $10 billion, the National Distress and Response System Modernization Project will cost from $240 to $300 million, and the annual capital investment in shore facilities will increase from $61 million in fiscal year 2001 to $129 million in fiscal year 2005.

Not only are there competing demands within the acquisition budget, our ongoing audit of Coast Guard's search and rescue program is identifying additional management challenges. Specifically, we are finding the search and rescue program is understaffed and many staff are not fully qualified for their positions; the small boats used in search and rescue missions are aging and consistently failing to meet Coast Guard standards; and the search and rescue program budget has declined relative to other Coast Guard programs. Despite these long-standing problems, the Coast Guard is maintaining a relatively high level of program effectiveness. Nevertheless, Coast Guard faces a challenge in remedying these problems while trying to satisfy its capital acquisition requirements.

Our key recommendations in this area are:

—Work with OMB to reconcile differences between Coast Guard's capital acquisitions proposals (i.e., $760 million in fiscal year 2002) and budget targets (i.e., $520 million in fiscal year 2002).

—Complete the planning process for the estimated $10 to $15 billion Deepwater project in order to justify budget requests. Coast Guard needs to be able to justify what is to be purchased, at what cost, and in what time frame.

—Establish realistic budget and schedule estimates for the National Distress System—an important search and rescue safety capability first discussed in the early 1980s—that the Coast Guard plans to deploy between 2003 and 2006.

6. Transportation Security

The terrorist attacks against the U.S.S. Cole and U.S. embassies in Kenya and Tanzania highlight the global nature of terrorism. To oppose this threat and advance the Nation's vital interest, DOT must do all it can to identify and address risks in the massive U.S. transportation system. This includes not just the Nation's aviation industry (with over 5,000 public use airports), but all forms of U.S. surface transportation (including 3.9 million miles of public roads, 2.2 million miles of oil and natural gas pipelines, 123,000 miles of major railroads, and 508 transit operators in 316 urban areas) and U.S. marine transportation (with over 24,000 miles of commercially navigable waterways and 145 major ports on the coasts and inland waterways).

Our recommendations include:

—Maximize the effectiveness and usage of explosives detection equipment at airports.

—Complete pending rulemakings on certification of screening companies, airport access requirements and accounting for active airport identification cards.

—Implement the Airport Security Improvement Act of 2000, which will strengthen background investigation requirements for airport personnel.

—Finalize the draft DOT surface transportation security research strategy, based on recommendations from the National Research Council.

7. Computer Security

E-Government is becoming an important part of Government operations. Web sites are powerful tools for the Federal Government to improve the quality of its services. However, recent denial-of-service attacks on e-commerce sites and e-mail systems serve as "wake-up" calls for enhancing Internet security. In addition to managing unauthorized access or attacks by outsiders, agencies also need to enhance security over insiders, including employees, contractors, and grantees.

Our recommendations to DOT include:

—Complete the vulnerability assessments of infrastructure mission-critical systems.

—Evaluate the security impact of the proposed integration of National Airspace System air traffic control and FAA administrative systems.

—Complete background checks on contractor and DOT employees.

—Implement security measures against attacks on DOT computers and improve controls over passwords to prevent fraud.

8. Amtrak Financial Viability and Modernization

The 1997 Amtrak Reform and Accountability Act mandated that Amtrak develop a plan to eliminate its need for Federal operating support after fiscal year 2002. In fiscal year 2000, Amtrak's cash loss was $561 million ($120 million worse than projected), largely as a function of longer-than-projected delays in the Acela high-speed rail program. While revenues and ridership improved markedly in 2000, expense growth kept pace, preventing Amtrak from making significant progress on reducing its losses and achieving its glide path to operational self-sufficiency. Amtrak's progress along its glidepath will need to accelerate rapidly if it is to reach operational self-sufficiency by 2003. Beginning in 2001, Amtrak's cash losses will need to be reduced by nearly $100 million each year in order to meet the congressionally mandated deadline.

Even if Amtrak becomes operationally self-sufficient by 2003, it will continue to require significant and sustained capital funding for the foreseeable future. Amtrak estimates its needs to be in the neighborhood of $1.5 billion each year in order to bring the Northeast Corridor back to a state of good repair, invest in new corridor development, and address general capital needs across the entire system. Amtrak hopes to secure this funding through some combination of a high-speed rail bond bill and annual appropriations from Congress.

Our recommendations in this area include:

—Close the $737 million gap in projected cost savings and revenues, which Amtrak pledged to achieve through undefined management actions.

—Deliver and generate revenues from all 20 trainsets planned for high-speed service in the Northeast Corridor.

—Explore options for securing a significant and sustained long-term capital funding source.

9. MARAD's Ship Disposal Program

MARAD currently has 116 obsolete vessels in the National Defense Reserve Fleet (NDRF) awaiting disposal. These vessels are deteriorating and pose an immediate environmental threat in Virginia, Texas, and California. They contain hazardous substances such as fuel oil, asbestos, solid and liquid polychlorinated biphenyls, lead, radium, and chromates. Immediate state and Federal action would be required, should the hazardous materials escape into the water.

The approach of selling MARAD's vessels for domestic scrapping has not worked. Since 1995, only eight obsolete vessels have been scrapped. The number of vessels awaiting disposal has grown from 66 in 1997 to 116 today and is expected to reach 155 by the end of fiscal year 2001.

Congress has directed MARAD to work with the Navy and the Environmental Protection Agency to:

—Develop and implement an environmentally and financially responsible program to dispose of the 116 ships in the NDRF by the statutory deadline of September 30, 2006.

10. Departmental Business Practices

DOT has established corporate management strategies (departmental business practices) that cut across all organizational boundaries within DOT and are key to performing its missions efficiently and providing its customers with consistent and seamless transportation policy and services.

Our work has identified five areas of DOT business practices we think rise to the level of the agency's top management challenges. They are: ensuring financial accountability; improving the timeliness of DOT rulemakings; improving oversight of contract costs and closeouts; maintain and improve DOT's successful Government Performance and Results Act (GPRA) implementation; and administrative issues concerning space requirements for a new DOT headquarters building and the Transportation Administrative Service Center's (TASC) role in providing administrative support.

—Ensure Financial Accountability. Complete implementation of the new Department-wide financial system (Delphi), ensure the accuracy of FAA's multi-billion dollar property account, and develop a credible system for tracking FAA's property, in order to sustain a clean opinion on the financial statements covering DOT's $58 billion budget.

Develop and implement a Department-wide cost accounting system—particularly in FAA where its proposed cost accounting system has been under development for over 4 years. FAA will not be able to operate as a results-based organization or accurately account for the cost of air traffic control operations without a credible cost accounting system.

—Improve the timeliness of DOT rulemakings. For the significant rules completed in 1999, DOT took an average of 3.8 years to issue a final rule. Several important safety related rules are overdue (e.g., railroad grade crossings) and others (e.g., the rules implementing new motor carrier program safety enhancements) may not be done by their statutory due date. Although the previous Secretary committed the Department to a course of corrective action, the key to improving the rulemaking process is effective implementation, particularly the establishment of a Department-wide tracking and monitoring system.

—Improve oversight of contract costs, particularly through use of independent contract close-out audits. Some DOT contracting officers are closing out cost-reimbursable contracts without independent audits and with minimal oversight. We found little evidence of review on the amounts being billed by contractors.

—Maintain and improve the Department's highly rated Strategic Plan and combined Performance Report/Performance Plan under GPRA. A major factor that will impact DOT's ability to achieve its goals is the effective use of human resources.

—Resolve space requirements for the new DOT headquarters building.

—Resolve TASC's role in providing administrative support services for the Department's headquarters units.

STATEMENT OF JOHN H. ANDERSON

Senator SHELBY. Mr. Anderson, we are glad to have you with us from the General Accounting Office. As I said earlier, your complete statement will be made a part of the record. Proceed as you wish.

Mr. ANDERSON. Thank you very much. A lot of what I am going to say is going to echo some of the things Ken has said, and it would be surprising if we had a lot of different issues.

With nearly $60 billion in funding for fiscal year 2001, the Department of Transportation faces critical challenges. While it has achieved many successes over the years, major challenges remain. They are systemic and longstanding. It is not surprising that 2 years ago about this time Ken and I were here, and we were talking about many of the same issues.

I am going to cover three areas, surface transportation, aviation, and the Coast Guard. First, with surface, about 5,400 people died on our Nation's highways in 1999 in crashes involving large trucks. As the figure on page 4 of my statement shows, that number is largely unchanged over the last 10 years.

TRUCK SAFETY

To improve truck safety, Congress established and Ken made reference to this, the new Federal Motor Carrier Safety Administration, and that office has developed a truck safety action plan. However, the Office suffers from a lack of accurate, current data that is needed to identify the underlying causes of accidents so they can take the right corrective actions.

The Office I think also needs to prioritize its projects. It has identified, I believe, 47 major projects and there are questions whether or not it has resources to do all of them. But, of course, without the data it is a catch-22 situation, they do not know necessarily which projects are the most promising.

PIPELINE SAFETY

Concerning major pipeline accidents, Senator Murray, I do not have too say much about this for you, but they have claimed over 220 lives and injured over 1,000 people from 1989 to 1998, and as the figure on page 5 of my statement shows, the number of pipeline accidents has been increasing during this period 4 percent a year.

DOT's Office of Pipeline Safety's approach to comprehensively assess safety risk does hold some promise, but the Office needs to continue to use State inspectors wherever they can to augment their limited resources. It also needs to know whether or not its new practice of relying less on fines is working to improve the safety of the pipelines.

On the management side, in the surface transportation area we found that many large highway and transit projects have incurred huge cost increases and unscheduled delays, and while FTA and FHWA are doing a better job in this area, additional challenges remain.

We really think the main key here is to require good, sound financial plans that are closely reviewed by the overseers. They are required for new starts transit projects as a course of business under full funding grant agreements, but they really need to be a part of any major project, whether it be transit or highway.

AMTRAK

Turning to Amtrak, despite efforts to improve its overall financial condition, Amtrak has made relatively little progress. They are still going to need Federal operating subsidies, we believe. While revenues have increased, so have costs. As a result, they are unlikely to eliminate their need for Federal operating subsidies by the end of 2002, as required.

In addition, and Ken made reference to this, too, Amtrak has substantial capital needs. It estimates that Federal funds totalling $30 billion over the next 20 years are going to be needed to help meet these needs.

AVIATION CHALLENGES

In aviation, I will mention three major challenges. The first is air traffic control modernization. We have talked about this ad nauseam, but it is still there. It is still a problem. Over the last 19 years, this multibillion-dollar program has experienced cost overruns, delays, and performance shortfalls of very large proportions. While some progress has been made in this area, major projects continue to experience these problems and because of its size and complexity and cost, since 1995 we have designated it as a high-risk management problem.

With a modernized ATC system, FAA would be in a better position to help meet the growing demands for air service. The congestions and delays that Ken referred to make it critical that FAA meet its challenge in this area. Ken touched on this as well.

In addition, improving aviation safety and security are a must. As the table on page 8 of my statement shows, DOT did not meet any of its 1999 goals for improving aviation safety. They must improve the process for improving root causes of accidents, and they must correct the implementation problems that have plagued their new inspection system.

In addition, critical security weaknesses still exist in protecting the air traffic control computer systems from sabotage and reducing, or improving the detection rates for baggage screeners at major U.S. airports.

Another important aviation challenge, and this is a little different than the customer service area Ken was talking about but it is certainly related is improving airline competition. I talked about this a couple of years ago, and you have had some special hearings on this, Mr. Chairman.

When the Airline Deregulation Act was enacted in 1978 the hope was that all consumers were going to benefit with improved fares and service. However, a lack of effective competition in certain markets has contributed to higher air fares and reduced service in some communities.

The proposed mergers between United Airlines and U.S. Airways and American Airlines' proposed purchase of TWA have raised serious concerns about the impact on consumers. The reduction in the number of competitors in certain markets, the market share that the new combined airlines would command, and the potential domino effects, must be closely examined. The figure on page 11 of my statement refers to this issue.

COAST GUARD DEEPWATER PROJECT

Finally, I would like to mention something Ken alluded to as well, and that is the Coast Guard's Deepwater Project. This is a 20-year, $10 billion project under current estimates and the costs could increase. Its purpose is to replace or modernize the Coast Guard's fleet of deep water ships, aircraft, communications and radar equipment.

There is no question that the Coast Guard needs to make improvements, because they have got some assets that are aging. The biggest problem is, I think they need to upgrade their communication equipment and their sensors so they can do a better job there.

We have been monitoring and reporting on this project for several years, and for the most part the Coast Guard has been responsive to our concerns. Now, the project is about to enter a crucial stage, and we understand the Coast Guard plans to request $350 million this year to begin their procurement process for Deepwater.

However, there are major risks associated with it, including awarding a series of contracts to one contractor to oversee and acquire all the system components. Such an approach has never been used on a procurement of this size or complexity.

We are currently reviewing this effort and working with the Coast Guard to try to help mitigate the risks associated with this project so we can provide some real-time assistance as opposed to coming after the fact and saying, we told you so. We plan to report the results of our work this year in time for you to use in your appropriations deliberations.

In closing, I just want to say, sustained oversight like this hearing that you are having is going to help DOT keep focused on solving the problems that we and the IG have identified. Ultimately, the administration and the Congress must think and act in a manner that ensures that final decisions reflect an intermodal strategy that addresses the most pressing needs cost-effectively, and all this must be done within a framework that recognizes that there are large human capital issues looming that face DOT and the rest of the Federal Government.

That concludes my statement. I will be glad to answer questions.

[The statement follows:]

PREPARED STATEMENT OF JOHN H. ANDERSON, JR.

Mr. Chairman and Members of the Subcommittee: We are here today to discuss the critical challenges facing the Department of Transportation (DOT). My testimony is based on reports we issued in January as part of GAO's performance and accountability series on major management challenges and program risks facing federal agencies and the federal government as a whole.[1] With $58.5 billion in funding for fiscal year 2001, the Department faces critical challenges in achieving its goals of ensuring the safe and efficient movement of people and goods and in making cost-effective investments in the nation's transportation infrastructure.

The Department has achieved many successes in accomplishing its objectives and improving its operations. For example, it successfully addressed the Year 2000 computer challenge and improved the management of its transit grant programs so that they no longer are at high risk of fraud, waste, abuse, or mismanagement. However, major performance and management challenges remain. These problems are systemic and long-standing, and their resolution will require sustained attention by the Department. Therefore, it is not surprising that many of the challenges I am discussing today were also raised 2 years ago in our review of the Department's performance and accountability. I will summarize the challenges for surface transportation, aviation, the U.S. Coast Guard, and for the Department as a whole. Ultimately, the new administration and the Congress will need to address these issues in the broader context of an intermodal national transportation strategy.

—For surface transportation safety, DOT continues to face challenges in improving the safety of highways and pipelines. For example, in 1999, about 5,400 people died in crashes involving large trucks. While the Department appears to be making progress on some initiatives to reduce the number of large truck crashes, it needs to obtain high-quality, timely data on the causes of these crashes.

—For other surface transportation issues, DOT and the Congress face challenges in improving the oversight of large-dollar highway and transit projects, strengthening the financial condition of Amtrak, and enhancing freight rail competition. While the Federal Transit Administration (FTA) and Federal Highway Administration (FHWA) have improved their oversight of large projects, additional challenges exist. For example, FTA may not have the resources it needs after fiscal year 2001 to adequately oversee a significant number of new transit projects, and we recommended that the Department identify any funding shortfalls and take steps to address them. In addition, it is likely that Amtrak will not eliminate its need for federal operating subsidies by the end of 2002, as required by the Congress, which will require that fundamental decisions be made by the Congress about the continuation and scope of the nation's intercity passenger rail system.

—For aviation, the Federal Aviation Administration (FAA) continues to face considerable challenges in managing its multibillion-dollar air traffic control (ATC) modernization program, addressing shortcomings in its safety and security programs, and resolving long-standing weaknesses in its financial management.

[1] Major Management Challenges and Program Risks: Department of Transportation (GAO–01–253, Jan. 2001), Major Management Challenges and Program Risks: A Governmentwide Perspective (GAO–01–241, Jan. 2001) and High-Risk Series: An Update (GAO–01–263, Jan. 2001).

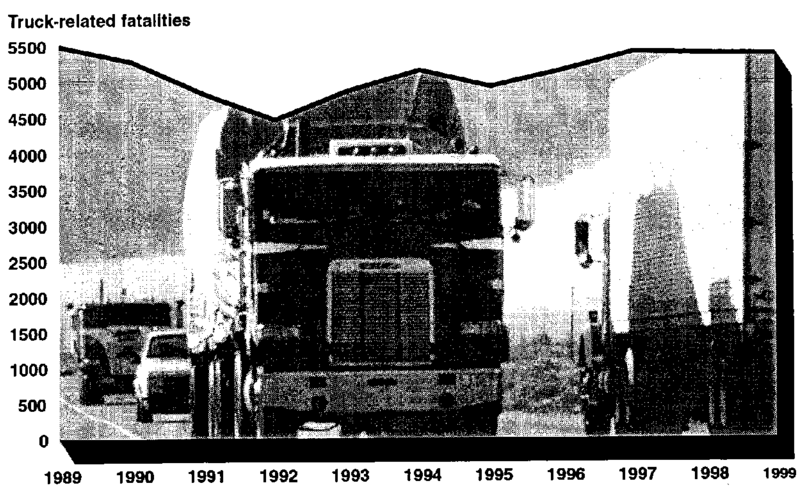
While the Department is making progress in addressing some of these issues, more remains to be done. We continued to list FAA's ATC modernization program as a high-risk information technology initiative because of its size, complexity, cost, and problem-plagued past. Congestion and record-level airline delays make it critical that FAA fully modernize the system so that it can meet the growing demands for air service. We have continued to designate FAA's financial management as a high-risk area because of the serious and long-standing nature of those weaknesses. An additional challenge is the lack of effective airline competition in certain markets, which has contributed to high fares and poor service for some communities. Possible further consolidation of the airline industry raises additional concerns about the impact on consumers.

—Improvements are needed in the Coast Guard's 20-year, $10 billion project to replace or modernize its fleet of deepwater ships and aircraft. While the agency has addressed many of our earlier recommendations about the project's justification, attention needs to be focused on reducing the risks in its contracting approach, fully developing its acquisition strategy, and ensuring the project's affordability.

—Finally, an overriding challenge facing DOT as well as the entire federal government is the lack of attention to strategic human capital management. In January 2001, we designated this as a governmentwide high-risk area. Inadequate attention to human capital issues has been a root cause of some of the performance challenges facing DOT, such as FAA's problems with its ATC program.

HIGHWAY AND PIPELINE SAFETY CHALLENGES

Of the more than 42,000 people who died on our nation's highways in 1999, about 5,400 died in crashes involving large trucks, a figure largely unchanged from a decade ago.[2]



Source: DOT.

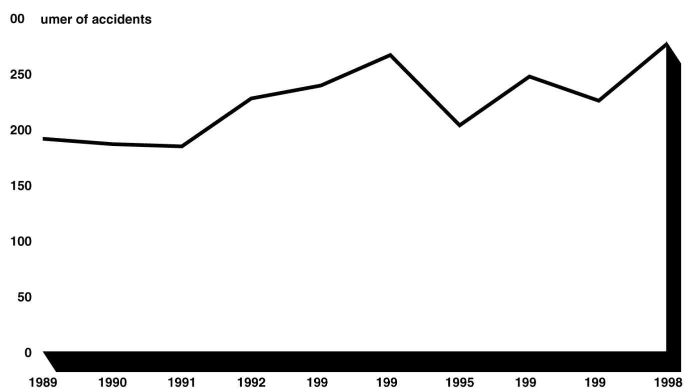
DOT has taken several steps to improve truck safety, including (1) establishing, at the direction of the Congress, a new organization—the Federal Motor Carrier Safety Administration—that is responsible for truck safety and (2) developing an overall strategy—called the Safety Action Plan—to improve the safety of commercial motor vehicles. Nonetheless, the Department must overcome significant barriers to make measurable progress in improving truck safety. For example, while the Department appears to be making progress on some initiatives in its Safety Action Plan, it lacks high-quality, up-to-date information on the causes of large truck crashes. Without such data, DOT cannot determine the degree to which its initiatives will reduce truck-related fatalities. In addition, the Department is just begin-

[2] Large trucks are those with a gross weight of more than 10,000 pounds.@

ning to determine whether it will have the resources to complete the activities in its plan.

In addition to highway safety challenges, major pipeline accidents have claimed about 22 lives per year.[3] From 1989 through 1998, the number of major pipeline accidents increased by about 4 percent annually see figure 2. DOT's Office of Pipeline Safety (OPS) has adopted several initiatives to improve pipeline safety, including moving toward inspecting entire pipelines rather than segments of pipelines to provide a more comprehensive assessment of safety risks. We have concerns, however, about OPS' actions, such as relying less on states to inspect those portions of interstate pipelines within their borders. States' familiarity with the pipeline segments in their jurisdictions could aid in identifying the very risks that OPS is hoping to mitigate through its new approach. Furthermore, a combined federal and state approach to overseeing pipeline safety could better leverage federal resources. In addition, OPS has changed its approach to enforcing compliance with its regulations by reducing its use of fines and, instead, working with pipelines operators to identify and correct safety problems. However, the office has not assessed whether its revised approach to enforcement is resulting in greater rates of compliance. We recommended that DOT determine whether the reduced use of fines has improved compliance with pipeline safety regulations.

Figure 2: Pipeline Accidents Resulting in Fatalities, Injuries, or Property Damage of $50,000 or More, 1989-98



Source: GAO's analysis of data from the Office of Pipeline Safety.

CHALLENGES FACING SURFACE TRANSPORTATION PROJECTS AND PASSENGER AND FREIGHT RAIL

Over the years, many large-dollar highway and transit projects have incurred cost increases and schedule delays. Under the Transportation Equity Act for the 21st Century (TEA–21), at least $198 billion will be provided for highway and transit projects from fiscal year 1998 through fiscal year 2003. Although FTA and FHWA have improved their oversight of large projects, additional challenges exist. FTA may not have the necessary level of resources after this fiscal year to adequately oversee a significant number of new transit projects. In September 2000, we recommended that DOT identify any funding shortfalls in its budget for fiscal year 2002 and proposed steps to address them. This recommendation was reinforced during the last appropriations process when the Congress directed DOT to develop a plan to address expected shortfalls and to include this information in its fiscal year 2002 budget submission. We also found that DOT is likely to exhaust its commitment authority for the construction of new transit systems or the extensions of existing systems before the end of the funding period for TEA–21. Therefore, we rec-

[3] Major pipeline accidents are those that result in a fatality, an injury, or property damage of $50,000 or more.

ommended that DOT prioritize eligible transit projects so that funds can be directed to those offering the best potential for cost-effective transportation improvements.

Despite efforts to improve its overall financial condition, the National Railroad Passenger Corporation (Amtrak) has made relatively little progress in reducing its need for federal operating subsidies. Since 1971, the federal government has provided Amtrak with over $23 billion in operating and capital assistance. In 1994, at the request of the administration and later at the direction of the Congress, Amtrak pledged to eliminate the need for federal operating subsidies by the end of 2002. However, in fiscal year 2000, Amtrak reduced its need for operating subsidies by only $5 million—substantially less than its planned reduction of $114 million. Over the last 6 years (1995–2000), Amtrak reduced its need for operating subsidies by only $83 million and must make $281 million in further reductions in 2001 and 2002 to become operationally self-sufficient. While revenues have increased, so have costs. As a result, it is unlikely that Amtrak will eliminate its need for federal operating subsidies as directed. If Amtrak does not meet the goal, plans for restructuring intercity passenger rail service and liquidating Amtrak are to be submitted to the Congress.

Even if Amtrak does attain operational self-sufficiency, it will require substantially more financial support to meet its capital needs. Amtrak estimates that it will need an average of $1.5 billion a year in federal funds to meet its identified capital needs over the next 20 years. Amtrak is also requesting authority to issue $12 billion in tax-exempt bonds to meet its capital needs. Bondholders would receive an income tax credit equal to the interest they would otherwise receive.

Continued consolidation in the railroad industry has raised concerns about poor service and high rates in certain markets. The Surface Transportation Board, which approves rail mergers and consolidations, has taken a number of actions to address rail rate, service, and merger issues. For example, shippers are now allowed to receive expedited temporary relief from inadequate rail service through service from an alternative carrier. However, the Board's actions may not fully satisfy many shippers who believe that increased competition in the rail industry is needed to improve service. Because of the divergent views of railroads and shippers, resolving service and competition issues will be difficult and may require congressional action.

AVIATION CHALLENGES

Over the past 19 years, FAA's multibillion-dollar ATC modernization program has experienced cost overruns, delays, and performance shortfalls of large proportions. FAA is making progress in addressing some of the causes of these problems, but its reforms are not complete, and major projects continue to face challenges in all three areas. To date, the Congress has appropriated over $32 billion for the program, and FAA estimates that the program will need an additional $13 billion through 2005. Because of its size, complexity, cost, and problem-plagued past, we first designated FAA's ATC modernization program as a high-risk information technology initiative in 1995. Since 1995, we have made over 30 recommendations to address the root causes of the program's problems, which include an ineffective investment management structure and inadequate cost-estimating and cost-accounting practices. While FAA has initiated activities in response to our recommendations in many areas, more must be done. For example, FAA has begun to improve its cost estimates, but it has not yet fully instituted rigorous cost-estimating practices. With a modernized ATC system, FAA will be in a better position to meet the growing demands for air service. The congestion and record-level airline delays facing the nation make it critical that FAA meet its challenge in this area.

In 1999, FAA did not meet any of the four performance goals it had established for improving aviation safety. (See table 1.) We have identified numerous shortcomings in FAA's safety and security programs. For example, we recommended that FAA improve the effectiveness of its Safer Skies program—a joint government and industry initiative to identify and address the root causes of aviation accidents—by developing better evaluation procedures. We also recommended that FAA clarify program guidance for and improve the usefulness of its Air Transportation Oversight System for targeting inspection resources more effectively.

TABLE 1.—DOT'S FISCAL YEAR 1999 PERFORMANCE MEASURES AND GOALS FOR AVIATION SAFETY

Performance measure	Fiscal year 1999		Goal achieve?
	Goal	Performance	
Number of fatal aviation accidents for U.S. commercial air carriers per 100,000 flight hours.	0.034 accidents per 100,000 flight hours.	0.04 accidents per 100,000 flight hours.	No.
Number of dangerous incidents on airport runways (runway incursions).	270 incidents	322 incidents	No.
Number of errors in maintaining safe separation between aircraft per 100,000 activities [1].	0.496 errors per 100,000 activities.	0.57 errors per 100,000 activities.	No.
Number of deviations-i.e. when an aircraft enters airspace without prior coordination—per 100,000 activities.	0.099 deviations per 100,000 activities.	0.18 deviations per 100,000 activities.	No.

[1] "Activities" are total FAA facility activities, as defined in Aviation System Indicators 1997 Annual Report. An example of an activity is an air traffic controller providing guidance to a pilot who needs to make an instrument landing.

Source: DOT.

Further improvements are needed in hiring and training personnel who operate security checkpoints at airports to screen passengers and carry-on baggage for dangerous objects. For instance, we have found that several factors continue to reduce airport screeners' effectiveness in detecting dangerous objects, most notably (1) the rapid turnover of screener personnel—often above 100 percent a year at large airports (see table 2)—and (2) the human factors associated with screening that have for years affected screeners' hiring, training, and working environment. Although FAA is pursuing efforts to improve the hiring, training, and testing of airport screeners, most of these efforts are behind schedule.

TABLE 2.—*Turnover Rates for Screeners at 19 Large Airports, May 1998-April 1999*

[In percent]

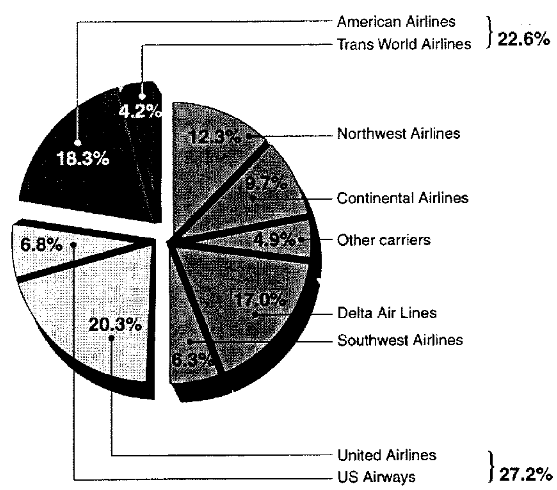
City (airport)	*Annual turnover rate*
St. Louis (Lambert St. Louis International)	416
Atlanta (Hartsfield Atlanta International)	375
Houston (Houston Intercontinental)	237
Boston (Logan International)	207
Chicago (Chicago-O'Hare International)	200
Denver (Denver International)	193
Dallas-Ft. Worth (Dallas/Ft. Worth International)	156
Baltimore (Baltimore-Washington International)	155
Seattle (Seattle-Tacoma International)	140
San Francisco (San Francisco International)	110
Orlando (Orlando International)	100
Washington (Washington-Dulles International)	90
Los Angeles (Los Angeles International)	88
Detroit (Detroit Metro Wayne County)	79
San Juan (Luis Munoz Marin International)	70
Miami (Miami International)	64
New York (John F. Kennedy International)	53
Washington (Ronald Reagan Washington National)	47
Honolulu (Honolulu International)	37
Average turnover rate	126

Source: FAA.

We also identified actions necessary to secure FAA's ATC computer systems to reduce the possibility of intrusions or attacks. We made 22 recommendations through May 2000 to address these problems. For example, we recommended that FAA tighten controls over contract employees by ensuring that appropriate background investigations are performed. While FAA has responded to these recommendations, progress in some areas has been slow. We made an additional 17 recommendations in December 2000 to address the continuing weaknesses.

We have reported that a lack of effective airline competition in certain markets has contributed to high airfares and reduced service in some communities. A number of communities have not benefited from increased aviation competition, largely because barriers inhibit the entry of new airlines and, as a result, pockets of high fares and poor service exist. These barriers include limited access to gates at certain airports and "slot" controls that limit the number of takeoffs and landings at certain congested airports. The Congress has begun to address some of these barriers, including requiring the phaseout of "slot" rules. However, the proposed merger between United Airlines and US Airways and American Airlines' proposed purchase of Trans World Airlines have raised questions about how such consolidation within the airline industry could affect competition in general and consumers in particular. If both proposals are approved, United would have the largest market share of any U.S. airline—over 27 percent—and American would have a 22.6 percent share. (See figure 3.)

Figure 3: Percentage of Total U.S. Domestic and International Passengers Carried by Major U.S. Airlines



Note: Percentages may not total because of rounding.

Source: GAO's analysis of data from DOT for the 12 months ending June 30, 2000.

The proposals raise a number of questions—such as how a consolidated industry might affect service to small communities and new airlines' ability to compete. The Congress, DOT, and the Department of Justice must closely evaluate these proposals to assess their impact.

In addition, major improvements are still needed in FAA's financial management systems. In January 1999, we designated FAA's financial management as a high-risk area because of serious and long-standing accounting and financial management weaknesses. FAA received its first-ever unqualified opinion on its fiscal year 1999 financial statements, but it did so only through herculean efforts. FAA has not yet proven it can sustain this outcome. Because FAA lacks an adequate system to account for its physical assets on an ongoing basis, the agency used labor-intensive methods to establish baseline and cost information for the financial statements. In addition, FAA lacks a cost-accounting system or an alternative means to meaningfully accumulate and report its costs. FAA has made significant progress in its long-term plan to remedy its financial management weaknesses. For example, it is developing a cost-accounting capability that is expected to provide detailed information about the costs of services that it provides to the public. In addition, it has begun implementing new systems to remedy its physical assets deficiencies. However, its core cost-accounting system is not expected to be fully in place until the end of fiscal year 2002 and its physical assets system will not be fully operational until fiscal year 2003. Until FAA has financial management systems and related procedures and controls that provide reliable information, it will continue to be at high risk of waste, fraud, abuse, and mismanagement.

COAST GUARD CHALLENGES

Improvements are needed in the Coast Guard's Deepwater Project—a 20-year, $10 billion project to replace or modernize its fleet of deepwater ships and aircraft and communications and radar equipment. The Coast Guard needs to focus attention on reducing the risks associated with its contracting approach, fully developing its acquisition strategy, and ensuring the project's affordability. Although the agency has addressed many of our earlier recommendations about the project's justification, numerous uncertainties still exist. For example, the Coast Guard does not expect to finish planning the Deepwater Project until July 2001, but we understand that DOT is planning to request $350 million for the project this spring. Asking for funds prior to completing the planning process and fully addressing the risks associated with this project raises uncertainties about whether the funds will be used effectively. A major risk is the Coast Guard's contracting approach—awarding a series of contracts to one system integrator for potentially 20 or more years. Such an approach has never been used on a procurement of this size or complexity. Because of the uniqueness of this approach, the large dollars involved, and the importance of the approach in shaping the future of the Coast Guard, the agency's planned contracting strategy requires a carefully thought-out and well-documented acquisition plan. We are currently reviewing the Coast Guard's efforts in this area and have been providing real-time advice to help mitigate the major risks associated with the program. We plan to report our results in time for the appropriations committees' deliberations on this year's funding requests for the project.

DEPARTMENTWIDE HUMAN CAPITAL CHALLENGES

This year, GAO designated human capital management as a new governmentwide high-risk area. Federal programs rely for their success on the performance of the federal government's people—its human capital. Workforce and succession planning are central elements of successful human capital management. These elements pose both short- and long-term challenges for DOT. According to the Office of Personnel Management's data, approximately 41 percent of DOT's fiscal year 1998 civilian workforce of 63,781 will be eligible to retire by the end of fiscal year 2006—however, actual retirements may not be that high. Responding to this human capital challenge, DOT's strategic plan for 2000–2005 envisions expanded workforce and succession planning for retirements in the next 10 years. According to a DOT official, as of December 2000, DOT offices had initiated pilot programs to identify future workforce needs for key occupations and DOT had drafted a Human Resources Action Plan to meet overall human capital planning needs.

Clearly, human capital challenges have contributed to the performance problems of some DOT programs. For example, a "stovepiped" culture at FAA has been one of several underlying causes of acquisition problems in the agency's ATC modernization program. As we have learned, organizational cultures can be barriers to high performance and make management improvement efforts more difficult.

In summary, many of the challenges we identified at DOT are long-standing and will require sustained attention by the new administration and the Congress. While the Department has initiatives under way to address the shortcomings in some of its programs, these activities have not been fully implemented. Their success will depend on a strong commitment from DOT's new leadership and a sustained effort to identify and address critical human capital issues. Finally, as they address the problems facing each of the individual components, given the myriad of demands for new resources, the new administration and the Congress must think and act so as to ensure that their transportation decisions reflect an intermodal transportation strategy that addresses the most pressing national needs in a cost-beneficial manner.

This concludes my prepared statement. I would be glad to answer any questions.

STATEMENT OF SENATOR PATTY MURRAY

Senator SHELBY. Senator Murray.

Senator MURRAY. Thank you very much, Mr. Chairman. Let me just begin by saying it is a pleasure to work with you on the Transportation Subcommittee, and I look forward to a number of hearings we will have with you in putting together a bill.

I think it is really appropriate that we begin hearings this year with a discussion of the management challenges facing the Department of Transportation, because our Nation's transportation needs are so great, and we are so far behind where we should be. In terms of investment, we need to make sure there is no waste and inefficiency in any of our programs. Our needs for transportation investment include all of our major infrastructure programs through which we construct and renovate highways, airports, and transit systems, but they also include critical safety programs through which we compensate the tens of thousands of rail inspectors, pipeline inspectors, truck inspectors, and air traffic controllers who work to protect our lives every day.

I have a longer statement that I will submit for the record, so I can get right to my questions.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATTY MURRAY

Mr. Chairman, this is the first hearing held by the Transportation Subcommittee this year. As the new Ranking Member of the Subcommittee, I want to take a moment to welcome the two newest Members of our Subcommittee, Senator Durbin and Senator Hutchison of Texas. I look forward to their input and contributions as we put together a Transportation Appropriations bill for the coming year.

It is most appropriate, Mr. Chairman, that we begin our hearings this year with a discussion of the management challenges facing the Department of Transportation. Waste and inefficiency are to be condemned wherever they are found in our government. Such waste and inefficiency are especially deplorable, however, when they are found in our federal transportation programs. That is because our nation's transportation needs are so great, and we are so far behind where we should be in terms of investment.

When I speak of the need for transportation investment, I do not speak only of our major infrastructure programs through which we construct and renovate highways, airports, and transit systems. I speak, also, of the critical safety programs through which we compensate the tens of thousands of rail inspectors, pipeline inspectors, truck inspectors, and air traffic controllers who work to protect our lives every day.

I've spent a great deal of time over the past two years working to improve pipeline safety. As you know, a liquid pipeline explosion in my state in June of 1999 claimed the lives of three children. More recently, a natural gas line in New Mexico killed 12 people.

Since June of 1999, I have worked with Senator McCain and others, members of my delegation, industry, state officials, and interest groups to pass comprehensive pipeline safety reform legislation.

I am proud to note that last Thursday we unanimously passed legislation in the Senate. This is the second year in a row the Senate has passed comprehensive legislation. That legislation addresses many of the concerns that I have about pipeline safety. To make pipelines safer, the bill:

—Improves the Qualification and Training of Pipeline Personnel
—Improves Pipeline Inspection and Prevention Practices
—Expands the Public's Right to Know about Pipeline Hazards
—Raises the Penalties for Safety Violators
—Enables States to Expand their Safety Efforts
—Invests in New Technology to Improve Safety
—Protects Whistle Blowers, and
—Increases Funding for Safety Efforts

But passing legislation is only one step. Over the years, Congress has required the Office of Pipeline Safety to implement and enforce strong safety rules. In many cases, it has failed to do so.

At my request, both the agencies testifying today—the GAO and the Office of Inspector General—issued reports over the course of the last year regarding the inadequacies at the Office of Pipeline Safety. I want to thank both Ken Mead and John Anderson personally for responding to my requests, and compliment them for their work. Both products were helpful in crafting the legislation that passed last week. I will be asking questions regarding their findings and soliciting their thoughts on what further measures can be taken in Congress to improve the oversight of pipelines.

Mr. Chairman, just yesterday, the Inspector General released his long awaited report on the poor quality of customer service endured by the nation's air travelers. As a frequent flier, I, like many of my colleagues, have my own strong views on this topic. I look forward to discussing the findings of this report today as well as addressing other critical issues such as Amtrak's future, the inadequate fiscal controls at the Coast Guard and the FAA, the need to modernize our air traffic control system, and the absence of competition in many aviation and rail markets.

Thank you, Mr. Chairman.

PIPELINE SAFETY

Senator MURRAY. As both of you know, I have spent a great deal of time on the pipeline safety issue after an accident that happened in my home State almost 2 years ago now that took the lives of three young children, and we all saw recently where another accident in New Mexico fatally injured 12 people.

I have been working with John McCain and others on this issue. As you mentioned in your testimony, we did pass legislation this past week out of the Senate. It has gone to the House, and I will be working with them to make improvements as that bill goes through the process. I do have a number of questions on that, Mr. Chairman, and I think I will start with that.

In 1996, the Office of Pipeline Safety started implementing a risk management demonstration program that emphasizes self-regulation and focuses safety efforts on their high-risk areas. Those changes were due in part to the resistance OPS was getting from the pipeline industry and the agency's overall lack of resources.

Considering that the Office of Pipeline Safety came out with a definition of these high-risk areas only within the last several months, how well do you think OPS is implementing its risk management approach?

Mr. ANDERSON. I will start. We issued a report last May and we had some concerns, quite frankly, with them going with a risk management approach without good evidence that the demonstration program that they based it on was working. They did not have good baseline information or performance goals.

In that regard, I have got to tell you that just on the surface a risk management approach seems to make sense. We have been encouraging FAA to do that with regard to its inspections of commercial carriers for a number of years, but I think it remains to be seen how well this is going to work.

I believe that regardless of what they do, they are going to continue to rely to the extent that they can on State inspectors. There are approximately 51 pipeline inspectors and I think that was one of the reasons they wanted to have the self-reporting.

The Office of Pipeline Safety has some real practical problems. I think it remains to be seen if they are going to get data, baseline information, and then hold these operators accountable. That will be the key.

PIPELINE INSPECTIONS

Senator MURRAY. I agree that there are fewer than 16 national inspectors to oversee 157,000 miles of hazardous liquid pipelines and more than 2.2 million miles of natural gas pipelines. Having fewer than 16 inspectors makes it almost virtually impossible to make sure that these pipelines are safe. Considering that, and as you mentioned, Mr. Anderson, in your testimony there is a need for a State role in this.

There is lack of money at the Federal level for inspection and for enforcement. There are a lot of States who are asking to have a larger role in this. Do you have any thoughts, either one of you, about increasing the State's role in the inspection of these pipelines?

Mr. MEAD. I never understood why the States did not have more of a robust role. This past year, the subcommittee has heard from a number of States that did. I think it is an excellent idea. The States appear willing, and I think it only makes good sense that we take advantage of that.

I know that there is an issue about, whether the States or the Federal Government should issue standards, or will there be some type of conflict. I do not think that is the central issue. I think the States just want a good, solid role, and we should really move forward aggressively on that front.

Secretary Mineta, when he was going over this top 10 report highlighted the State role issue.

Senator MURRAY. Mr. Anderson.

Mr. ANDERSON. The thing I would like to add is that it is one thing to think about working cooperatively in a partnership type of mode, but you need to have some basis to know whether or not that is working.

One of the things that concerned us in our report that we did last May was that they also changed their approach from using fines extensively, to trying to use the bully pulpit and cooperation, and I know one of the things that is in the legislation that you all passed is to require an examination of that.

I guess Ken is going to get to do that if it holds up in that same format, but I think that is real important, because they were assessing fines at the rate of 50 percent, and they reduced it to 4 percent, and sometimes you need a strong enticement to get cooperation.

Senator MURRAY. Mr. Mead, do you have any thoughts about the fines, versus just the compassionate approach?

Mr. MEAD. I think the compassionate approach is great where it works, but where it does not, there is no point in using it. There are clearly some situations where it does not. We find that in every mode of transportation.

I want to go on the record on the first part of your question. We need to get the mapping done for the hazardous liquid pipelines. There has been a lot of progress there. The National Pipeline Mapping System has received mapping data from approximately 85 percent of all hazardous liquid pipeline operators.

The regulations on the frequency of inspections of the hazardous liquid pipelines are now under review. You will remember these were issued in the last month of the Clinton administration, and they are now under review.

We do not want to lose sight of the natural gas pipeline issues. There are no regulations out there. In 1993, the Congress directed regulations be done by 1995 or 1996. We are still waiting for them.

So, we need the frequency regulations for natural gas plus the mapping on the gas. We are not nearly as far along as we are on liquid.

Senator SHELBY. What is the hold-up on the mapping?

Mr. MEAD. Congress saw this in 1993 and said, DOT, go issue regulations requiring it to be mapped. Until the accident last year, proper attention was not paid to it. The accident focused attention. The first one out of the box was the liquid pipelines. Now, we have to make sure the natural gas pipelines receive equal attention.

Senator MURRAY. And those regulations back in 1993 directed the Office of Pipeline Safety to do mapping both on natural gas and on liquid?

Mr. MEAD. Yes.

Senator MURRAY. But so far you are telling us only 85 percent of the liquid is done, and natural gas has not been done?

Mr. MEAD. I think it might be about 30 percent has been done on a voluntary basis.

Senator MURRAY. Is it a lack of funds, or lack of will?

Mr. MEAD. I think it is just a lack of direction saying that this will be done by a specific date.

Senator MURRAY. One of the things that I have learned a lot more than I ever thought I would know is, they do the inspection of pipelines from pigging to other methods. One of the things I think that concerns me greatly is, as we are requiring more inspections, which I believe we absolutely have to do, is the lack of good research and development to find better ways to inspect these pipes where the pigs cannot go detect all of the areas that we need to be looking at.

Do either of you have any thoughts on the state of technology in monitoring and inspecting pipelines you want to share with us?

PIPELINE TECHNOLOGY

Mr. ANDERSON. I do not have any specific knowledge on the state of the technology. I know as far back as in the early 1990's smart pig technology was available. Ken and I, when we worked together at GAO, were familiar with that, but I cannot agree with you more that there needs to be more R&D effort in this. That is one of the issues that I saw was covered in the legislation as well, so it is definitely a good move.

Mr. MEAD. John is right on the R&D front. Progress was made in the last Congress toward setting that in motion. Another area where concerns remain is that the Office of Pipeline Safety does not have people that know how to read pig reports.

Senator MURRAY. The Office of Pipeline Safety does not have people who know how to read pig reports?

Mr. MEAD. They are not skilled in pig technology, and how to inspect pipes through the pig technology. We pointed this out in the last Congress. There was Congressional direction that they get trained. There is now a pilot training program about to be launched, or maybe it was launched in the last several weeks. It was encouraging news. The overseers have to understand the inspection technique.

Senator MURRAY. I assume the inspectors out in the field know how to read those.

Mr. MEAD. I am not sure I would go that far.

Senator MURRAY. Well, it does not do them much good to require inspections if the people who are reading them do not know what they mean.

Mr. MEAD. I have my staff here that knows about the pipeline program. I do not think I can sit here and represent that they do know how to interpret reports.

Senator MURRAY. I assume what you are saying is, we need better technology, but we also need people who are doing the inspecting to understand the current technology.

Mr. MEAD. Absolutely, especially since the up-and-coming technology is pig technology. We are talking about smart pig technology, the instrumented pigs, not just the ones where they just throw a ball in and the pipeline ruptures if it sees a defect. It is where they can read the corrosion on the interior of the pipe. That is the type of pig technology that I am speaking of.

AGING PIPELINES

Senator MURRAY. Mr. Chairman, this is an area that really concerns me. I think that what we know is that the pipelines are aging. Some of them are 30, 40, 50 years old now, and obviously as a result of that there are more anomalies within them. I think the Office of Pipeline Safety has been able to get by on a shoestring in an era where we are cutting budgets. I do not believe this is an area where we want to cut budgets.

The number of accidents, I think, Mr. Anderson, you said were increasing 4 percent annually?

Mr. ANDERSON. Yes.

Senator MURRAY. And I would assume that you would concur with me that as these age we may see that rise if we do not do a better job.

Mr. ANDERSON. Absolutely. I see no evidence it is going to go the other way, and as they get older, the risk gets greater.

Senator MURRAY. As they get older the risk does get greater, so I would assume that is something that we really need to pay attention to and make sure that we have the dollars there for training and also for new R&D and to make sure that people who have these pipelines around them are safe. I mean, I will tell you this, in my State, where the pipelines were laid 30 or 40 years ago, there was not anybody there. Today there are homes and schools and businesses built around them, and I continue to believe this has to be a priority in terms of funding.

Mr. Chairman, I have a number of other questions, but I will let you go ahead.

DEEPWATER PROJECT

Senator SHELBY. Thank you. The Coast Guard's Deepwater Project. Mr. Anderson, you alluded to that.

Mr. ANDERSON. Yes, sir.

Senator SHELBY. Given the fact that this will be the Coast Guard's largest procurement for the foreseeable future, and that both of your organizations have looked at this concept extensively, would either of you, Mr. Anderson, or you, Mr. Mead, stake your credibility on the Coast Guard's ability to successfully execute and unprecedented acquisition strategy for a procurement of this size, of this magnitude?

Mr. ANDERSON. As part of the review we are doing right now we are assessing the Coast Guard's capability in this area. We are real concerned, because they have never done anything like that before. The report that we will be coming out with will give you information on that.

Senator SHELBY. Just for the record, give the audience here an idea—a lot of them are pros at this—what kind of magnitude we are talking about.

Mr. ANDERSON. We are talking about $10 to $15 billion over the next 20 to 25 years. That is more money than I can imagine. This is obviously the largest project the Coast Guard has ever undertaken, so there are issues associated with them having the in-house capacity to be able to manage and oversee this sort of thing, and that is one of the things we are looking at.

Senator SHELBY. Senator Murray, on another subcommittee several years ago, Senator Bob Kerrey and I were involved in the Treasury and Postal area, and we did oversight of the IRS modernization, which was a debacle.

You will recall they were going to do some of that in-house, or whatever they were doing, and it was above somebody's pay grade, including mine, and billions of dollars were misused or wasted. We came to the conclusion on this, and that just came to mind, and we cannot afford to lose that kind of money, or waste that kind of money.

Mr. ANDERSON. Absolutely not.

DEEPWATER CONTRACTING

Senator SHELBY. Isn't this what you are talking about?

Mr. ANDERSON. Yes, and what we are talking about here, I think the Coast Guard recognizes, and seriously, in the design of this project they have competing contractors coming up with different designs, so to their credit they are doing some of these things. But, like I mentioned in my statement, one of my major concerns right now and we are working with the Coast Guard to see what they can do to mitigate risks, is the contracting approach. Right now they anticipate using one contractor and awarding a contract to one contractor with renewable contracts every 5 years to basically oversee this entire project.

Well, you know that between now and 25 years from now the technology might change. Well, what if something changed with regard to the funding scenario? A very key part of this whole process is to have a stable, ready source of funding available. Well, what if the priorities change and that stable source of funding, for whatever reason, is not there? That could throw us into a state where there could be major cost increases that we would be liable to for the contractor to carry out.

Senator SHELBY. At a future date, Senator Murray, I think it would be our responsibility to get the Coast Guard up here, and we would probably want you, Mr. Anderson and Mr. Mead, up here at the same time, because that is a big-ticket item.

Mr. ANDERSON. Absolutely.

Senator SHELBY. Mr. Mead, your thoughts.

Mr. MEAD. I concur with Mr. Anderson, on this issue. I would only supplement that by saying this year, you will be getting a budget request. Congress has provided slightly over $100 million for the planning process on this Deepwater acquisition. That planning process is supposed to conclude this year. In June, they are planning to make an award for the whole thing. Yet, the planning process will not be complete before you get Coast Guard's budget request.

Senator SHELBY. That is kind of inconsistent, is it not?

Mr. MEAD. It sounds that way. The Coast Guard will tell you they know what they want for fiscal 2002, but it is important for the committee to keep in mind that this is launching at least a 15-year major acquisition. It is on the same scale, except it is more expensive, than the 1983 launch of FAA's national aerospace system plan.

Also, I am a little disturbed, that the cost estimates range from $10 billion to $15 billion.

Senator SHELBY. It is always at the high end, isn't it?

Mr. MEAD. Well, we have not seen what has come out of OMB yet, at least I have not.

AIRLINE CUSTOMER SERVICE

Senator SHELBY. It is sobering. We knew it was a big project there.

I want to shift into airline customer service. Mr. Mead, all of us are frustrated with the airlines. I know I am at times. Mr. Mead, in reviewing the customer service commitment report that was issued on Monday, and listening to your testimony before the Senate Commerce Committee, it seemed to me that what you were saying is, generally the airlines are looking up to their voluntary commitments, but the real problem is not addressed by the commitments.

In fact, the primary source of customer dissatisfaction is with delays and cancellation of flights, so while it may be popular or advisable to pursue customer service legislation, or passenger bill of rights legislation, is it fair to say that such legislation alone will not solve the underlying problem? That, in fact, what we need to do in addition to customer service legislation is to find ways to address what they call the overscheduling problem at congested airports, to squeeze out all the marginal capacity in the air traffic control system, and ultimately and most importantly to build more runways.

Is that a fair characterization of how you saw the issue and the challenge, or do you want to elaborate on that?

Mr. MEAD. Yes, sir. It was a very long question.

Senator SHELBY. Was that a fair characterization?

Mr. MEAD. Yes. I was trying to listen to the different elements of the question, and I think I can answer yes. I should say that the 12 commitments—and could you put up the 12 commitments for the airlines? The airlines were trying hard on all these commitments. Some they were meeting well and others not, but you will notice that none of the 12 go to the key underlying issue. There is no commitment to reduce delays and cancellations. Commitment number 2 says the airlines will notify passengers of delays, which is different than saying, the airlines will take whatever steps are within their control to reduce delays and cancellations.

On-time bags delivery really is misnamed, because what it refers to is not making sure that you get your bags on time when you show up, but that if the bags do not show up when you do, that they will make sure you get them within 24 hours of your arrival.

Senator SHELBY. Whether you need them or not.

Mr. MEAD. The other one, number 8, is to meet customers' essential needs during long, on-aircraft delays. That assumes a delay to begin with, otherwise you would not have the commitment. The idea is that if there is a medical emergency, a need for water, or access to the lavatory, a provision will be made for that on the airplane.

FLIGHT DELAYS AND CANCELLATIONS

On the scheduling issue we did some analysis, we identified 240,000 flights operating under 10,000 different flight numbers that were consistently delayed or canceled 40 percent of the time for at least 1 full month this past year. Those 10,000 flight numbers represent one-fifth of the total.

There is different stratifications you can do with that analysis. For example, I can point to 37,000 flights that are delayed 80 percent or more of the time. It seems to me that you can make a persuasive case that the airlines ought to be targeting the reduction of flights that are chronically late, even though the delay may not be the airlines' fault. When you call to book a flight, you should be told whether the flight you are about to book is late 40 percent of the time by over a one-half hour, or is canceled another 10 percent of the time. Because, if you have a tight commitment at the other end, you may think twice about booking on that flight. Right now, you have to be savvy enough to ask, and only if you ask, do the airlines provide the information.

Senator SHELBY. Repeat that figure again. That sort of startled me.

Mr. MEAD. We identified 240,000 flights operating under a little over 10,000 flight numbers that were late or canceled over 40 percent of the time for at least 1 month in 2000. Many of those were consistently late for 2, 3, 4 months, and that the 10,000 flight numbers represent a little less than one-fifth of the total flights in the United States, scheduled flights.

Senator SHELBY. We are glad you are here today.

Senator MURRAY. I am just curious if those flights all were around one time, or did you look at whether they are all evening flights, or the majority of them are at any particular time or any particular airports?

Mr. MEAD. Yes, we did. We have that type of analysis, and I can tell you the months on the table here. Right now, you are in good months. The load factors tend to be lower. March, April, and May get a little worse. June, July, August, and the first week in September are the heavy duty months, and that is when a majority of these chronically delayed flights.

Of the figures I quoted, United Airlines had the lion's share. At least some of those were caused by the labor disruption, and they tend to predominate in those 4 months. I think it is interesting, we had a hearing on airline customer service yesterday, and the question today on the scheduling, because spring and summer 2001 are right around the corner. There are probably some things we can do to make this spring/summer easier than last.

Senator MURRAY. Such as?

Mr. MEAD. I think it would go a long way if, when you make a reservation, you are told of chronic delays and cancellations.

Senator MURRAY. Right now, you can ask and they have the information?

Mr. MEAD. Yes.

Senator MURRAY. Do they have to tell you?

Mr. MEAD. Yes, if you ask, they have to tell you. They do not have to volunteer.

Senator SHELBY. Do they ever volunteer?

Mr. MEAD. Some of them do on the web sites. I think after yesterday's hearing, I would not be surprised if the airlines in their current environment might be prepared to do that on their own.

Senator MURRAY. Just as an aside, it seems to me it would be good for them to do that, because if they are overbooking, or they know the flights are going to be delayed, they might have customers moving to different times that would benefit them as well, so I hope they on their own begin to do that.

Mr. MEAD. I think your point is—there is a deep meaning on that point. People put a lot of faith in the market as a regulator. If people were told about flights they are about to book, it might help move the market.

TRUCKS FROM MEXICO

Senator MURRAY. Let me change the topic for a minute here. On the Mexican truck issue—and I noticed in the paper that the Bush administration is looking at reversing the position of the prior administration allowing Mexican trucks over the border to operate in the United States without regard to the serious safety deficiencies that have been found on many of those trucks. You mentioned it a little bit in your testimony.

The committee provided funding for 29 truck inspectors for the Mexican border last year. Maybe either of you could comment on whether you think this level of investment will be sufficient good enough now that we now are going to have an influx of trucks across the border.

Mr. ANDERSON. I know Ken and his folks have done the most recent work on the Mexican truck situation, so I will let Ken address that.

Mr. MEAD. It was good that the committee funded those extra inspector positions. Though, our opinion is not necessarily that of the Department of Transportation or the administration but the OIG believes that more inspectors are still needed.

We have seen clear evidence of a correlation between the condition of the trucks coming across the southern border and the presence of additional inspectors. The average out-of-service rate for Mexican trucks crossing the border has gone down modestly. I am sure we all want the out of service rate to go down more. We probably need at least 100 or 120 inspectors. We will give the committee a detailed analysis of that.

Senator MURRAY. How many are there currently?

Mr. MEAD. 60.

Senator MURRAY. You think that needs to be doubled?

Mr. MEAD. Yes, in 1998 we estimated that 126 additional Federal inspectors were needed during port operating hours. I think that is a cheap price to pay to prevent the carnage that could result from an unsafe truck.

Senator MURRAY. Well, Mr. Mead, you also pointed out in your report that there is a considerable problem with Mexico-domiciled truck companies that are operating illegally in the United States. Do you think we have done enough to put those operations out of business?

Mr. MEAD. We are looking at that as part of an ongoing audit, which we expect to issue this summer. I know at the time of our previous work there were a lot of assurances made that the regulatory authorities were going to take action. We will see what has happened.

Senator MURRAY. In your report also, Mr. Mead, you pointed out that roughly one out of every four trucks that are stopped for roadside inspection in the United States are put out of service for safety reasons. However, for the States bordering Mexico, that number is one out of three.

What do you think the safety ramifications of the decision to open the border to Mexico trucks will be, and do you think that has been adequately reviewed?

Mr. MEAD. We were just asked by Mr. Oberstar and Senator Hollings to update our past review. Obviously, we think motor carrier safety in general in the United States is an area that needs much more attention. So does Congress. They just passed a law creating a special agency for it.

There are 4,000 or 5,000 people killed on our highways each year in large truck accidents, and we do not need any more. I think when the border is opened, we want to make sure that the trucks coming in are properly inspected, and those that are not are turned around and sent home.

I would say there are any number of border crossings. The border crossing in California, which is staffed constantly, and reasonably well, by State of California officials had out-of-service rates comparable to the out-of-service rate in the interior United States.

For the other border crossings, that was not the case. They were not staffed well. The truckers knew they stood a good chance of not being inspected. When they are inspected at Otay Mesa, they get turned around and sent home.

Senator MURRAY. Just for our information, for what reason is a truck put out of service when it comes across?

Mr. MEAD. Serious safety violations either on the part of the driver or the truck. For example, the driver may not have a license, or has a fraudulent license. Or, frequently there is a mechanical problem with the truck.

Senator MURRAY. Like brakes that do not work?

Mr. MEAD. Yes. I have seen where you get in the cab and put down the air brake, and there is no air.

Mr. ANDERSON. I will just add to what Ken was saying about Otay Mesa. When GAO last looked at this issue was in the 1995–

1996–1997 time frame. It clearly was the best example out there, and I think the difference was they were putting the effort and the resources into it, and it was a classic difference comparing it to the other inspection points.

Senator MURRAY. So if we are going to open the border, we had better make sure we have inspectors and we are stopping those unsafe trucks, I assume you would agree.

Mr. ANDERSON. Absolutely.

Senator MURRAY. Thank you, Mr. Chairman.

TRANSIT PROJECTS

Senator SHELBY. Thank you. Transit new starts was talked about earlier. Within the past year, new start projects with full funding grant agreements increased from 15 to 29. Eight of these projects closed out in fiscal year 2001.

FTA anticipates executing two more funding grant agreements this year. If these two newest projects are added to the list, and if Congress honors the funding schedules outlined in the full funding grant agreements, there will be, and I repeat, no funding available for any new start transit projects that do not have a full funding grant agreement.

The purpose of a full funding grant agreement is twofold, to establish with a transit property a project scope of work and a Federal and local funding schedule that makes sense, and to limit the level of Federal funding. Congress is not bound by full funding grant agreements, though the appropriations history has generally been to honor these agreements unless there are dramatic changes in the cost, the scope, or the schedule.

Mr. Mead, you have done a lot of work in this area. I understand you are currently undertaking a review of several new start projects. I may have a couple to add to your list, or the staff would. The staff will get with you on that. In fact, I will count on both the IG and the GAO to assist this committee in identifying any major issues or problems with the current panel of full funding grant projects.

I think we have to do this, because it will totally be out of control will it not?

Mr. ANDERSON. Absolutely, and one of the effects, as we have seen, is there might not be enough funds. In fact, I believe they have asked for more funds, or are supposed to submit a plan so they can oversee these grants.

Mr. MEAD. We are starting to see it in L.A. and seeing it in other places around the country. When the project comes in for a full funding grant agreement, it is in phase 1, and then there is a phase 2, and then a phase 3. Each phase gets approved separately as a full funding grant agreement.

Senator SHELBY. Yet it is all part and parcel of the same, is it not?

Mr. MEAD. Yes, and you wonder should we be examining all phases at one time. The situation in L.A. was very interesting. I think you will recall that one. The thing got approved and then——

Senator SHELBY. We fenced money on that. We worked with you on that.

Mr. MEAD. Remember, they backed off. They decided they did not have enough money to complete their end of the bargain, so part of the project was pared back, but I think we will probably be hearing from them again.

AMTRAK

Senator SHELBY. The Amtrak end game, the next couple of years I believe are pivotal for Amtrak. The 1997 Amtrak Reform and Accountability Act requires that the railroad be able to operate without using Federal funds to cover operating expenses by the end of fiscal year 2002.

Mr. Anderson, you have done some work in this area. If Amtrak is not able to cover its operating expenses out of its own revenues by then, the act, in other words the law, provides that Congress will consider a plan to reform or liquidate the railroad, Amtrak. The Amtrak Reform Council is charged with drawing up the reform plan and submitting it to Congress, right?

Mr. ANDERSON. That is correct.

Senator SHELBY. Amtrak is required to submit a liquidation plan if this goal has not been reached, is that correct?

Mr. ANDERSON. That is correct.

Senator SHELBY. It seems to me that over the past 30 years we have taken the approach of subsidizing Amtrak's operations and making selective capital investments while maintaining the illusion that Amtrak represents a viable national passenger rail system.

Is there any reason to believe that if we continue the same approach of the last 30 years we will see a substantially different result? In a general sense, what are the possible alternatives if Amtrak is unable to reach self-sufficiency in 2002?

Mr. Anderson, you first.

Mr. ANDERSON. I would just think that ultimately the Congress is going to have to make some basic decisions on what should be a national rail system.

Senator SHELBY. If we are going to have one.

Mr. ANDERSON. Absolutely, and I think that what you have put in motion with the laws that now exist, is going to require and force that decision, hopefully.

I agree, we have been subsidizing Amtrak since 1971 you mentioned almost to the tune of $24 billion. The only route that makes any money is the Metroliner route, and I think, and as best as we can tell—I mean, there are positive things happening with the Acela right now, but the bottom line is, that expenses are still outstripping revenue.

Then we are going to have to decide—I made mention in my oral statement about making intermodal decisions. This is part of what I am talking about. If we do not have the funds to do everything, then we have got to decide where passenger rail makes sense, where aviation is a better solution, and that sort of thing, and I think that is—the monkey is basically going to be put back on the Congress' back at that point in time.

The foreign countries subsidize their passenger rail systems extensively, and if that is a decision and a policy call that the Congress decides that we need to do, that is fine, but we need to make a decision one way or another, I believe.

Senator SHELBY. Yes. We cannot suffer under the illusion that we have been playing around with, can we?

Mr. ANDERSON. No. It seems to be piecemeal and everyone hopes it is going to get better, but it has not so far.

Senator SHELBY. Mr. Mead.

Mr. MEAD. This year is going to tell a lot about the course of Amtrak meeting its path to self-sufficiency.

AMTRAK'S NORTHEAST CORRIDOR

I think the dynamic of Amtrak is kind of instructive. You know, all the money that has been poured into the Northeast Corridor has taken the backing of the entire Congress. The dynamic that Amtrak operates in is that without a national network, there is not a huge constituency for Amtrak in the Congress. The Northeast Corridor is what it is today because other constituencies in the Congress have authorized money going into it.

Senator SHELBY. Pumped in the money into this area.

Mr. MEAD. Yes, they have, and I do not know what would happen to the Northeast Corridor if Amtrak stopped being Amtrak, or did not have a national network, because I think that holds it together. One concern I have over this bond bill is, that there are a lot of people who will be waiting to get part of that money. The amount of $10 billion does not go that far in the area of creating high-speed rail.

Senator SHELBY. The bond lawyers get their piece first, do they not?

Mr. MEAD. I would imagine. I suspect the capital issue for Amtrak needs to be addressed, and it needs to be addressed real soon.

Senator SHELBY. Mr. Anderson, have you seen any significant change in Amtrak's track record that would indicate that they have the potential to operate in the black?

Mr. ANDERSON. No, not yet. And, of course, we look at the hard bottom lines and still, even though the revenues have gone up, so have the expenses, so I will say that a Acela offers promise. Maybe this year might be the turning point. We would love to see that, but based upon what we have seen so far, no.

Mr. MEAD. In 1996, $558 million was the cash loss. In the year 2000, $561 million was the cash loss, so it is a kind of steady trend. When you get up to the $900 millions, that is where they count depreciation.

Senator SHELBY. Mr. Mead, in your review of Amtrak's business plan you identified a budget gap of $737 million, which Amtrak plans to close through undefined management initiatives. In the railroad's recently released plan update, Amtrak claims to have shrunk that gap to $125 million over the next 5 years through a cost management program. Have you reviewed this so-called cost management program and, if you have, what are the specific steps that Amtrak will take to close this budget gap. Are these steps realistic and practical steps that could be made, or are they playing games?

Mr. MEAD. You are right. As we reported very recently, and in the top 10 report, there was this gap of $750 million. Subsequent to this report, I think almost exactly a week-and-a-half ago, we received their new strategic plan that does purport to close the gap.

We have not gotten to the point where we can comment on that. I would caution, though, that having something in a plan and executing it are two different things.

Senator SHELBY. Mr. Anderson.

AMTRAK'S STRATEGIC PLAN

Mr. ANDERSON. We have just received the plan, too, and are just starting to look at it, but I can tell you from looking at past plans there have been lots of generalities but not a lot of specifics about how things were going to be accomplished. We will be looking very closely to see if there is any meat to back up any of these statements.

Senator SHELBY. Senator Murray.

Senator MURRAY. Thank you, Mr. Chairman. I know we have a vote on, so let me just ask whether you think Amtrak's lack of progress is due to poor management or just a reflection of the difficulty of the task.

Mr. ANDERSON. I think from what I have seen it is largely a reflection of undercapitalization in prior years and not catching up and having a system deteriorate, and then they have been trying to catch up, and I think not making some of the tough decisions because of the political pressures on some of the routes that just do not seem to make any sense to continue from a business perspective, but they are continued for a political perspective.

Mr. MEAD. I agree fully with that. Amtrak is always calling us. They ask for our views on things. They are responsive. At the senior levels they have pretty good management, but it is just as John says. You are dealing with a situation where Amtrak has been undercapitalized. In addition, I think there are some basic questions about how profitable one should expect rail to be.

Senator MURRAY. Do you think it would be in the national interest to liquidate Amtrak if it does not reach its goal by 2003?

Mr. MEAD. I do not know. I would have to think that one through. It is a very good question, but I would like to give you a more thoughtful response.

Senator MURRAY. Fair enough. Mr. Chairman, I will submit my other questions for the record.

ATC MODERNIZATION

Senator SHELBY. Mr. Mead and Mr. Anderson, I know we have a vote on the floor, but I would like to get this in.

It seems like every year we talk about the oceanic procurement program, and the answer seems always to be the same. I ask where the procurement is, and you answer that the FAA has a real opportunity but they keep dropping the ball. Where are we now, Mr. Mead?

Mr. MEAD. They are finally going to make an award or a decision this summer, June supposedly, for a modernization of oceanic air traffic control. The only point I would like to make is whether FAA should operate maybe a little more like a business, on commercial principles.

There is possibly an opportunity here in the oceanic environment where Congress might want to look for user fees. You do not have a lot of discount airlines out there. You do not have general aviation out there. You have airlines that are used to flying in a user fee environment. It is a different part of the air traffic control system.

But I do not think FAA wants to—my own sense is that there is a lot of internal resistance to looking at oceanic as an opportunity like that, just as there is to the successful contract tower program.

Senator SHELBY. How important is it?

Mr. MEAD. It is very important.

Senator SHELBY. Mr. Anderson.

Mr. ANDERSON. I would just echo what Ken said. In terms of the people issue, we have identified over the years some basic problems at the way they have approached air traffic control modernization, but clearly a culture issue exists at FAA.

Ken found it most recently when he looked at the WAAS program. You have got folks that are working at cross-purposes, and you need to get a handle on that and find a way to get these folks to cooperate, and that is going to be one of the major things that needs to be addressed. It is a real challenge, a human capital challenge.

Senator SHELBY. If you will bear with me, I will ask you these last questions, and the others we will ask for the record.

COAST GUARD PROCUREMENT

The promise of reduced operating expenses is typically given as a justification for a Coast Guard procurement program. The assumption is that a new and modern asset will be more efficient to operate, often requiring a smaller crew, and it will be easier to maintain than the equipment it replaces. We hear this all the time. Clearly, in order to justify the cost of new assets they should be more efficient and more capable.

The Deepwater procurement, as we learned earlier, is justified in large part upon estimated life cycle savings and the total ownership cost model put forward by the Coast Guard. This is an appealing concept, but I question anyone's ability to accurately—which we are getting into—figure operating costs 30 years down the road.

To Mr. Mead and Mr. Anderson, if the premise is to award to the team with the lowest total ownership cost, should we not assess how well the Coast Guard is evaluating and estimating, Mr. Anderson, downstream operational cost?

Mr. Mead, do you want to comment on that?

Mr. MEAD. I think the answer to that question is yes. We look out over a lot of agencies, and we see the operating expenses that are projected, and it is always good to scrub them very carefully.

Senator SHELBY. The committee would like for you to look into the Coast Guard's performance in achieving operational savings that were projected in recent major procurement programs. Is this something you can do, both of you?

Mr. ANDERSON. I think we can work it out.

Senator SHELBY. And can you report back to the committee. You have helped us a lot, and what you do gives us context and perspective and insight in our responsibilities.

Mr. MEAD. We will see if we can work out a joint effort.

ADDITIONAL COMMITTEE QUESTIONS

Senator SHELBY. We appreciate you being here today. We also appreciate your candor in approaching these issues. They are very important.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO THE OFFICE OF INSPECTOR GENERAL

QUESTIONS SUBMITTED BY SENATOR RICHARD C. SHELBY

MOST PRESSING CHALLENGES AT DOT

Question. The Office of Inspector General has identified many important challenges for the Department of Transportation. Which of them, in your opinion, are the most important for the new Secretary to act on first? Which require the most urgent Congressional attention?

Answer. As we did in our testimony before the Subcommittee, we would summarize our top concerns into four areas: Transportation Safety; Stewardship of Transportation Funding, Immediate Budget Issues, and Aviation System Performance. There are several safety issues which require close attention:

—FAA's implementation of its National Blueprint for Runway Safety, including whether: (1) the new nine full-time regional runway safety program managers conduct evaluations of 130 airports this year; and (2) the long delayed Airport Movement Area Safety System (AMASS) designed to alert controllers to potential collisions is implemented at the 34 largest airports.

—FAA's development (pledged for this spring) of a method to determine the severity of every operational error, and plans to tie follow-up on operational errors to the severity of the incidents.

—Strengthening motor vehicle inspections at the southern border. Given the correlation between increases in inspectors and decreases in Mexican trucks put out of service for safety violations, it is encouraging that 60 inspectors are scheduled to be onboard in 2001. However, in 1998 we estimated that 126 additional inspectors were needed.

—Promulgating statutorily required safety rulemakings, including rulemakings to: expand the data NHTSA looks at when determining if there is a vehicle defect requiring a recall; strengthen enforcement of the nation's motor carrier safety laws; and extend monitoring of the nation's pipelines.

FHWA, FTA, and FAA contract and grant oversight also requires attention. Congress authorized over $230 billion in funds for highways, bridges, and airports, from fiscal year 1998 to 2003. The last proportionate infusion of funds was during the Eisenhower and Kennedy administrations, when there was a great deal of scandal in overseeing those funds. We do not want to repeat this history. Yet, in fiscal year 2000 alone, OIG contract and grant fraud investigations led to 54 indictments (a 54 percent increase over 1999), 36 convictions (a 24 percent increase over 1999), and over $10 million in fines, restitutions, and other monetary recoveries. Already in fiscal year 2001, our investigations in these areas have resulted in 25 indictments, 10 convictions, and over $34 million in fines, restitution, and other monetary recoveries. The Department and the Congress are confronted by three budget issues this year.

—*FAA Needs to Control Operations Costs.*—FAA's operations costs, which are primarily salary driven, are projected to rise approximately half a billion every year through 2003 when they are expected to reach about $7.4 billion. Most of those funds come from the General Fund, not the Aviation Trust fund. Consequently, FAA's operations account must compete with other transportation modes, such as Amtrak and Coast Guard, for available funding. FAA needs to increase productivity and lower costs, as further operations account increases become affordability issues. Offsetting the rising costs of the agency's payroll will be key. The new pay system negotiated with controllers requires nearly $1 billion in additional funding alone over the 5-year life of the agreement. Other FAA workforces want similar increases, which FAA must negotiate under its personnel reform authority.

—*Justifying and Reconciling Coast Guard Capital Investments Requirements.*—Preliminary estimates indicate that capital improvement funding of $15 billion or more will be needed over the next 20 years to modernize assets that are critical to the Coast Guard's Marine Safety, Search and Rescue, Law Enforcement, and Marine Environmental Protection programs. The Coast Guard capital acquisition budget will need to more than double from $400 million annually to at least $850 million annually to meet its stated requirements. The budget plus up being sought by the Coast Guard is not just a fiscal year 2002 phenomenon. Once the Deepwater acquisition gets underway, sustaining it and meeting other acquisition needs will require a Coast Guard acquisition budget of at least $850 million annually for the foreseeable future.

—*Amtrak Operational Self-Sufficiency in Jeopardy if Short-Term Capital Funding Not Forthcoming.*—If Amtrak is to succeed in achieving its mandate without starving the basic minimum needs of the system, it will need additional capital funding in the short term. In the past few years, Amtrak has underspent on the kinds of projects that maintain the sustainable integrity of its infrastructure—namely operational reliability projects and life-safety needs—investing instead in capital projects designed to provide quick revenues or cost savings. Amtrak's ability to achieve operating self-sufficiency is contingent on Amtrak's ability to define and deliver on the $737 million plan in undefined management actions we identified in last year's business plan, fully implement high-speed rail in the Northeast Corridor, and aggressively pursue Mail and Express business initiatives. The challenges associated with these actions put Amtrak at risk for not achieving self-sufficiency; insufficient short-term capital funding will likely make failure a certainty.

Our final issue is aviation system performance. Our February 2001 report on the Airline Customer Service Commitment shows that, overall, the airlines are making progress toward meeting their Commitment. However, the Commitment does not directly address the root cause of customer dissatisfaction—that one in four flights are delayed, cancelled, or diverted. Airline actions to reduce flight delays and cancellations in the immediate term are critical because major capacity expansions, such as new runways and new air traffic control technologies are not going to be in place for the next several years.

Attention is needed on FAA efforts to: (1) establish and implement a uniform system for tracking delays, cancellations, and their causes; (2) develop capacity benchmarks for the Nation's top 30 airports: and (3) develop strategic plans for addressing capacity shortfalls in the immediate, intermediate, and long terms.

INFRASTRUCTURE INVESTMENT

Question. Both the Inspector General and GAO reports cite concerns with oversight and management of large-dollar highway, transit, and airport projects. TEA–21 requires that the Federal Transit Administration enter into a full funding grant agreement for new transit projects with a federal funding share above $25 million. The FFGA, as it's called, caps the federal share of the project, ensuring that even if the project goes over budget, the government will not bear additional costs. And the Federal Aviation Administration uses a somewhat similar mechanism, the Letter of Intent (LOI), to outline the federal share of an airport construction project. Do you believe that the Federal Highway Administration should have a similar tool—an FFGA or LOI—for high-dollar highway projects such as the Boston Central Artery, Woodrow Wilson Bridge, and the Cypress Freeway, capping the federal government's share?

Answer. We agree that the Federal Highway Administration should have the tools and the clear authority to limit the Federal exposure to cost growth on highway projects. There are several alternatives to protect against Federal exposure to cost overruns. First, Congress can set an absolute cap on a projects' cost, such as it did for the Central Artery. Second, limits could take the form of a sliding scale for Federal participation in costs above a high-dollar project's initially agreed upon price. Once a large project exceeds its original cost estimate, expenses could be reimbursed at decreasing rate until reaching a point above which further cost overruns would be ineligible for Federal reimbursement. This method would allow for limited Federal participation in some cost growth that may occur due to unforeseen circumstances, but would still provide a cap to safeguard against Federal exposure to rampant cost growth. Finally, by requiring a balanced statewide transportation plan as a condition for mega-project funding, Congress can help ensure that the state's formula funds are not all used for the mega projects' cost overruns in the event of cost growth.

In the Transportation Equity Act for the 21st Century, Congress directed that financial plans be prepared for all projects over $1 billion. Although FHWA approves the financial plans and any updates for highway projects, doubts about its role and reluctance to take limiting measures against state "partners" prevented FHWA from using the plans to effectively protect against Federal exposure to cost growth. As a result for example, Congress stepped in and imposed a cap on Federal participation in the Central Artery Project last year. Subsequently, a DOT Task Force on Oversight of Large Infrastructure Projects recommended in December 2000 that DOT agencies enter into written agreements with recipients of DOT financial assistance that would establish, among other things, the maximum amount of Federal assistance the project would receive. The former Secretary directed DOT agencies to implement those recommendations on December 29, 2000.

Finally, the recognition and inclusion of all planned and potential Federal contributions to a project are essential to ensure the effectiveness of safeguards against Federal exposure to cost growth. For example, FHWA sometimes approves "advance construction," which authorizes a state to carry out and pay for work in the current year and "convert" the cost to a Federal cost in a future year by paying itself back out of that future year apportionment. There is no time limit for converting an advance construction authorization. Costs that will be converted to Federal funding in future years should be recognized as such and all appropriate oversight requirements should be met. For example, FHWA did not initially acknowledge $545 million in advanced construction as a Federal contribution to the Central Artery. Therefore, the true cost of that project to the Federal government would not have been evident until years after the project's completion. For the cap it established on the Central Artery, Congress ensured the limits would not be circumvented, by specifically including advance construction authorizations in the cap.

Question. I understand that the Central Artery project is a 7-mile long road project that will cost in excess of $14 billion. Now, that's more than $2 billion per mile. Wouldn't you agree that we need to have some sort of cap to ensure that projects don't get out of hand and end up costing the taxpayers such an outrageous sum?

Answer. We agree with the action Congress took last year to cap Federal participation in the project at $8.549 billion. The events of last year (a $3.3 billion cost increase from $10.8 billion to $14.1 billion in the 9th year of construction) represents an expensive lesson in the need for Federal agencies to insist on accurate cost estimates, to closely monitor the financial performance of projects, and to take early action to limit the Federal exposure to cost growth.

Limiting the Federal exposure to cost growth on high-dollar highway projects can also promote better project planning. A central problem in transit projects as well as highway projects has been that the Federal Government's agreement to participate is made very early in the design phase. Cost estimates at this stage are notoriously incorrect because of the incomplete design and project sponsors sometimes understating costs to better their project's chances for approval. Establishing a cap at the time high-dollar projects are approved for Federal participation would spur project sponsors to be more diligent in ensuring accurate cost estimates.

Even with candid cost estimates and diligent management, some cost growth may occur. Therefore, for other projects, the Committee may wish to consider alternatives to an absolute cap. For example, the Committee could consider establishing a sliding scale for Federal participation in costs above a high-dollar project's initially agreed upon price. Once a large highway project exceeds its original cost estimate, expenses could be reimbursed at decreasing rate until reaching a point above which further cost overruns would be ineligible for reimbursement. This method would allow for limited Federal participation in some cost growth that may occur due to unforeseen circumstances, but would still provide a cap to safeguard against Federal exposure to rampant cost growth.

PIPELINE SAFETY

Question. On Thursday, February 8, the Senate passed S. 235, the Pipeline Safety reauthorization bill. This bill includes many specific requirements that will strengthen liquid and natural gas pipeline safety. Many of the provisions in the Senate bill are based on recommendations by the DOT Inspector General's office. How would you characterize the Office of Pipeline Safety's responsiveness to your recommendations over the course of the last year?

Answer. Our audit report contained six recommendations to the Research and Special Programs Administration (RSPA). RSPA has made progress on a number of our recommendations but more work remains.

Recommendation 1: Finalize actions required by the 1992 and 1996 Congressional mandates.

Status: (see table on next page)

Operator	Congressional Mandate	Status
Natural Gas Pipelines	Establish criteria to identify high-density population areas.	No regulatory action taken yet; however, OPS held a 2/12/01 public meeting to address a number of issues related to new integrity management rules being considered for gas transmission pipelines. The agenda included how to define high consequence areas for these pipelines.
	Inventory pipelines located in high-density population areas.	29 percent of all natural gas pipelines have submitted mapping data to the National Pipeline Mapping System (as of February 2001).
	Establish additional safety standards for periodic inspections in high-density population areas.	No regulatory action taken yet; however, at a 2/12/01 OPS public meeting to address new integrity management rules being considered for gas transmission pipelines, the agenda included a review of numerous Interstate Natural Gas Association of America and American Gas Association proposals and discussion of standards proposed for development and use in this rulemaking.
Hazardous Liquid Pipelines	Establish criteria to identify high-density population areas.	Issued Integrity Management final rule in December 2000 for large hazardous liquid operators, which contained the definition of high-density population areas. EFFECTIVE DATE (March 31, 2001) postponed 60 days for re-examination.
	Establish criteria to identify critical drinking water sources and ecological habitats as unusually sensitive areas to environmental damage.	Issued a rulemaking that establishes criteria for identifying unusually sensitive areas in December 2000. EFFECTIVE DATE (February 20, 2001) postponed 60 days for re-examination.
	Inventory pipelines located in high-density and unusually sensitive areas.	86 percent of all hazardous liquid pipeline operators have submitted mapping data to the National Pipeline Mapping System (as of February 2001).
	Establish additional safety standards for periodic inspections in high-density population areas and unusually sensitive areas.	Issued Integrity Management final rule in December 2000 for only large (500 miles of pipeline or more) hazardous liquid operators, which requires initial pipeline assessments within 7 years with up to 5 year intervals for periodic inspections. EFFECTIVE DATE (March 31, 2001) postponed 60 days for re-examination.

Recommendation 2: Expand the focus of Research and Special Programs Administration research and development programs to include (a) smart pigs that can detect material pipe defects and (b) alternative pipeline inspection and monitoring technologies for pipelines that cannot accommodate smart pigs.

Status: In fiscal year 2001 RSPA is funding investigation into smart pig technology that will help to better detect existing excavation-related damage, as well as stress corrosion cracking. RSPA has requested resources in research and development funding for fiscal year 2002 to develop real-time monitoring technologies, nondestructive testing methods, and advanced pipeline leak detection systems.

Recommendation 3: Design and implement a program to train Office of Pipeline Safety (OPS) inspectors on the use and capabilities of pipeline inspection technologies and the reading and interpreting of the results of inspections.

Status: RSPA used existing resources to design and conduct a pilot training program for Federal and state inspectors on internal inspection technologies and the analysis of data resulting from internal inspections during fiscal year 2001. RSPA is seeking resources in fiscal year 2002 to expand a final version of this training program during fiscal year 2002.

Recommendation 4: Implement revisions in the collection and processing of pipeline accident data to expand accident causal categories for more detailed trend analysis and to clarify accident form instructions so that operators will be more consistent and accurate in reporting accident causes.

Status: RSPA submitted a proposed rule in January 2001 to the Office of Federal Register that would modify the pipeline accident form to require additional information on failure cause categories. However, this rule was subsequently withdrawn due to the moratorium imposed by the new Administration. The moratorium on this rule is now lifted and RSPA will issue the revised rule in March 2001.

RSPA is drafting regulations to implement this recommendation for both natural gas transmission and hazardous liquid pipeline operators.

In August 2000, RSPA officially proposed revisions to the incident and operator annual reports for natural gas transmission operators that will provide more detailed information on cause categories. RSPA anticipates finalizing this proposal in Spring 2001. In addition, in January 2001, RSPA submitted a rulemaking to the Federal Register that would lower the reporting threshold for hazardous liquid pipeline accidents from 50 barrels to 5 gallons.

Recommendation 5: Revise OPS regulations to establish an enforcement mechanism to ensure operators submit revised accident reports when required.

Status: Current OPS regulations provide for enforcement action when an operator does not comply with the regulatory requirements for submitting revised accident reports. OPS is increasing oversight of accident reporting by operators. As a result, OPS has internally reviewed and is changing procedures used to examine accident reports submitted by pipeline operators. These improvements include implementing a process that will insure that operators report complete information and that all cause and consequence information requested on the accident reports are known and reported. OPS is also implementing a new "open" and "closed" concept with the accident reports that will address erroneous and incomplete report information by keeping accident reports "open" until all information is finalized and complete. The new tracking procedures being implemented will identify which operators are noncompliant. OPS will pursue enforcement action on operators found to be non-compliant with reporting requirements.

Recommendation 6: Comply with DOT order by establishing timetables to implement open NTSB pipeline safety recommendations with which they agree and transmitting the timetables to NTSB.

Status: Closed. RSPA established timetables to implement open NTSB pipeline recommendations and transmitted the timetable in November 2000.

Question. The Senate authorization bill increases the authorized levels for Federal pipeline safety efforts, state grants, and research and development. Do you feel that the focus on research and development is appropriate? What are the specific challenges to be met in the research program?

Answer. Yes, we think the focus on research and development is appropriate. Our March 2000 audit report found that OPS has conducted research to improve the capability of smart pigs to detect corrosion and mechanical damage. However, we recommended OPS expand the focus of RSPA research and development programs to include (a) smart pigs that can detect pipe material defects, and (b) alternative pipeline inspection and monitoring technologies for pipelines that cannot accommodate smart pigs.

RSPA's current pipeline research and development program has resulted in beneficial technical data on internal inspection devices. The research concluded that smart pigs are reliable for detecting internal pipe corrosion, certain types of external mechanical damage, and pipe metal loss, but they have limited capabilities in pinpointing stress corrosion cracks, longitudinal mechanical damage, and defects in seam welds and pipe materials. OPS's program now needs to focus on three areas:

—Improving the capabilities of smart pigs to detect defects such as stress corrosion cracks, longitudinal mechanical damage, and defects in seam weld and pipe materials,

—Enhancing technologies to better characterize pipeline corrosion and its severity, and

—Developing technologies for internal inspection and monitoring of pipelines that cannot accommodate smart pigs.

AMTRAK FINANCIAL VIABILITY AND MODERNIZATION

Question. For fiscal year 2000, Amtrak reported that its ridership and ticket revenue reached record levels, yet your Top Ten report indicates that Amtrak is still experiencing heavy cash losses. Why is this happening?

Answer. Although ridership and revenue trends are positive, increases in labor costs and train operation expenses have fueled continued growth in operating expenses. Amtrak's fiscal year 2000 operating revenues grew by over 12 percent, to about $2.1 billion. In comparison, operating expenses increased by 9 percent over fiscal year 1999, to $3.0 billion (includes depreciation which is a non-cash expense). This resulted in a cash loss of over $560 million. Amtrak must reduce growth in expenses over the next 2½ years or it will not achieve operating self-sufficiency in 2003.

Question. Amtrak recently began its high-speed Acela Express service between Washington, DC, New York, and Boston—almost a year later than planned and projected. When does Amtrak expect to fully implement this high-speed service with the full fleet of 20 trainsets? How has the Acela delay affected Amtrak's revenues for fiscal year 2001 and beyond?

Answer. Amtrak plans to phase in the new Acela Express service throughout the year and fully implement the 20 high-speed trainsets by October 2001. Amtrak estimates that revenues in fiscal year 2001 will be reduced by approximately $83 million due to the delays. According to Amtrak, it will be able to offset this shortfall with funds from sale-leaseback transactions and other cost-cutting measures. Assuming the 20 high-speed trainsets are fully implemented by October 2001, Amtrak's 2002 revenues will not likely be affected by the delays, which will improve its financial outlook considerably in the out years.

Even if Amtrak meets this schedule, we still have concerns that Amtrak's revenue and ridership projections are overly optimistic. Assuming the same operating characteristics as Amtrak, in 2002 and 2003, we project $78 million and $79 million less, respectively, in net Northeast Corridor revenues than Amtrak. If our projections are accurate, Amtrak will need to develop fallback revenue or cost-savings actions to cover the shortfalls.

Question. In your assessment report on Amtrak's fiscal year 2000 Strategic Business Plan, you identified a gap of $737 million in undefined management initiatives in Amtrak's plan. Does Amtrak's new 2001 plan close this gap? Are these management initiatives well-defined and achievable? Are the savings associated with the management actions realistic?

Answer. We just received Amtrak's 2001 Strategic Business Plan. Amtrak has identified a number of initiatives to close the gap we identified in the 2000 plan, including reducing employee overtime, revamping management travel practices, and reducing administrative costs associated with benefits for employees no longer with Amtrak. We will evaluate these actions and verify the savings that Amtrak projects will result from these actions during the course of our 2001 assessment. These actions appear to close over half of the gap, but a cursory review of the full plan indicates that there are still over $300 million in initiatives that do not appear to be clearly defined. We will be looking closely at these as well as all other business plan initiatives as part of our assessment of Amtrak's 2001 business plan. It is not enough for Amtrak to simply define actions to fill the gap, it must make these actions deliver. A plan is good, but the proof will be in the financial results. In the next few months, we will be looking at Amtrak's projections related to future plans as well scrutinizing results from plans implemented in prior years. We will report our findings later this year.

PENNSYLVANIA STATION

Question. How is the work in the rail tunnels below the existing Penn Station related to the redevelopment of the Farley Post Office Building as a new intermodal transportation center?

Answer. The urgently needed fire and life safety work required in the tunnels is separate from the redevelopment project, which began in1992 but is still under design. The estimated cost of the redevelopment project is $817.5 million, while the current estimate to complete the needed safety work in the tunnels by 2010 is $898 million. Amtrak, the Long Island Railroad, and New Jersey Transit will jointly fund the life-safety work. The Penn Station redevelopment project will be funded through a variety of sources including Federal appropriations, a Federal TIFIA loan, state and local funds, and funds from the U.S. Postal Service. While the projects are in close physical proximity, the scope, oversight and funding of the projects are predominantly separate and distinct.

Question. Are the Federal Railroad Administration and the Pennsylvania Station Redevelopment Corporation observing Congressional intent that the appropriated funds provided in fiscal year 2001 and prior years be used for life/safety improvements?

Answer. We found that Federal funds used for the redevelopment project have, to date, been spent as directed in the funding legislation. In 2001, Congress appropriated $20 million for the redevelopment project, but stipulated that the funds could only be used for fire and life safety improvements. Funds appropriated for 2001 have not yet been committed.

RAIL SAFETY

Question. The Federal Railroad Administration instituted its Safety Assurance and Compliance Program 6 years ago as a new approach to partner with railroad management and labor to address systemic railroad safety issues This approach was intended to complement and coordinate with FRA's ongoing traditional inspections of railroad conditions. What are the Office of Inspector General's concerns about the Safety Assurance and Compliance Program? How effective has this new approach been in improving railroad safety?

Answer. The close partnerships with the railroads that had been developed under the Safety Assurance and Compliance Program (SACP) have been effective in improving communications between railroad management and labor on a wide range of safety issues. However, concerns with several of the railroads' inspection programs, and the compliance agreement that FRA entered into last year with CSXT to address systemwide track deficiencies, led us to institute a review of FRA's Safety Assurance and Compliance Program. Specifically, SACPs identified deficiences in CSXT track but were not effective in ensuring corrections were made. Track and human factors have consistently been the major two causes of railroad accidents, and the number and rate of train accidents has begun to increase in recent years, in spite of FRA's emphasis on partnering with railroads through SACP. We are currently reviewing how FRA uses information contained in its railroad safety inspection database to plan its inspections. We are also evaluating overall effectiveness of the Safety Assurance and Compliance Program. We expect to report on our findings this summer.

HAZARDOUS MATERIALS EVALUATION

Question. Regarding the March 2000 Hazardous Materials Program Evaluation Report, what progress has the Department made to implement recommendations to better coordinate hazardous materials resources to place a greater emphasis on shippers, to develop strategies to reduce human error as a cause of hazmat incidents, and to review and analyze existing databases to improve data quality?

Answer. In December 2000, the Office of Intermodalism filled a senior-level position and detailed staff from the Operating Administrations to implement the report's recommendations. Since then, staff has begun identifying cross-modal training for inspectors; is working on methods to identify undeclared hazardous materials prior to acceptance in commerce; and is assessing ways to improve data collection and quality.

FAA CONTRACT TOWER PROGRAM

Question. Presently, there are 199 airports participating in the FAA Contract Tower Program, which continues to enjoy bipartisan support from Congress as a cost-effective way to improve air traffic safety at smaller airports. The program also receives high marks from the National Transportation Safety Board, airports and aviation users. Your office issued a comprehensive report last year that supported the current contract tower program and recommended that FAA revise its draft study of expanding the program to the 71 remaining FAA-operated visual flight rule towers to give Congress a better perspective of the feasibility, costs, and benefits of including these facilities in the program. Can you please update the Committee on the status of this overdue study and what steps FAA or the Congress should consider to further enhance the contract tower program?

Answer. As of February 2001, FAA had not issued the revised study or announced a date of when they intend to issue it. In our review of the Contract Tower Program last year, we found that contract towers continue to provide cost-effective services that are comparable to the quality and safety of FAA-operated towers. Steps FAA and the Congress should consider in enhancing the Contract Tower Program include developing better methodology for determining which additional towers to contract out, updating estimated cost savings, and evaluating the benefits that controllers from contracted locations could provide in meeting projected growth in air traffic activity.

AIRLINE CUSTOMER SERVICE

Question. In discussions with the airlines, they have indicated that their goal in canceling or delaying flights is to inconvenience the fewest number of passengers—a notable goal. Unfortunately, cancellations and delays have become a normal part of every airlines' daily schedule and your own report shows that some flights are chronically delayed or regularly canceled. Accordingly, my sense is that airlines have too few aircraft available on any given day to fly their entire published schedule and accordingly they cancel or delay the flights with the lightest loads. Do you think a case can be made that airlines should not schedule more flights than what they can reasonably expect to fly under perfect conditions given their average equipment unavailability rate as evidenced by their incidence of chronic delays or cancellations?

Answer. Yes, airline scheduling is one of the factors that needs attention in reducing delays and cancellations but in order to truly to understand the impact that airline scheduling has on flight delays and cancellations three things need to happen: (1) DOT needs to establish a uniform system to track delays, cancellations, and their causes; (2) FAA needs to develop a set of capacity benchmarks for the Nation's top 30 airports; and (3) the airlines need to disclose to customers, at the time of booking and without being asked, those flights that are chronically delayed or cancelled.

We found DOT's ability to address delays and cancellations is significantly handicapped by the lack of a uniform system for tracking delays, cancellations, and their causes. This has led to misleading and inconsistent data. Without good causal data, it is difficult to determine the extent to which delays and cancellations are resulting from unavailable aircraft or flight crews. While individual airlines maintain some causal data relating to equipment and crew problems, DOT or FAA does not maintain similar data. Another important step in addressing the delay problem is a set of capacity benchmarks for the Nation's top 30 airports. Capacity benchmarks are defined as the maximum number of flights an airport can routinely handle in an hour. Establishing benchmarks is critical to understanding airline scheduling practices and what relief can be expected from technology and new runways. Over the last few months, FAA has made substantial progress in developing the benchmarks and anticipates issuing them later this month.

Lastly, the airlines need to disclose to passengers at the time of booking, without the passenger being required to ask, the prior month's on-time performance for those flights that have been chronically delayed (i.e., 30 minutes or greater) or canceled 40 percent or more of the time.

RUNWAY INCURSIONS

Question. Runway incursions continued to rise significantly in 2000 and reached a new high of 429 incidents. Why has the FAA not made progress in reducing runway incursions and what should they be doing to achieve a significant reduction on this serious safety issue?

Answer. The increasing number of runway incursions is an important safety matter. We attribute the lack of progress in reducing runway incursions to two reasons. First, we have seen three FAA plans since 1991, all with good initiatives, but FAA did not follow-through to ensure that initiatives were completed, evaluated, and the best ones spread to other airports where they could make a difference. We found that FAA had not implemented 50 percent of the initiatives in its 1998 Action Plan with scheduled milestones through April 2000. In addition, evaluations of two promising technologies, loops technology [1] and Runway Status Lights [2], have not been completed. FAA has reassessed the completion of its 1998 Action Plan initiatives and has incorporated these and new initiatives into the National Blueprint for Runway Safety issued in October 2000. Now FAA must ensure completion of its initiatives and determine whether they are effective in reducing runway incursions or whether other actions are needed.

Secondly, FAA needs to deploy technologies to assist controllers and pilots in reducing runway incursions and preventing accidents. After 9 years of development, FAA has still not deployed the Airport Movement Area Safety System (AMASS) to

[1] Loops technology uses sensor wires buried into runways and/or taxiways to sense the passing or presence of vehicles or aircraft (similar to roadway stoplight sensors).

[2] Runway status lights is a radar-based system comprised of a set of automatically controlled lights that indicate when a runway is unsafe to either enter or cross.

alert controllers of potential collisions at any of the 34 largest airports. FAA now plans to begin deploying AMASS in June.

FAA also has experienced significant turnover in the management of its Runway Safety Program. With the anticipated departure of the current program director this spring, this is the fifth turnover in that position in the last 5 years.

ATC OPERATIONAL ERRORS

Question. Operational errors, the errors made when air traffic controllers allow the distance between two aircraft to fall below FAA's minimum separation standards, have increased by 51 percent for 764 to 1,154 from fiscal year 1996 to fiscal year 2000. Why has the FAA been unable to reduce these incidents?

Answer. In our December 2000 report, we stated that FAA has not approached reducing operational errors with a sense of urgency and does not have strong national oversight to ensure that regional actions to reduce operational errors are effective.

We found that facilities with the most reported operational errors over the past 5 fiscal years have shown little progress at reducing operational errors. For example, four of the five facilities with the most operational errors have had no reduction in operational errors. We attribute the lack of progress in reducing operational errors to inadequate regional plans that were not based on assessments at facilities and did not include specific actions to reduce operational errors. We also found that, while operational errors can pose a serious safety risk, the true extent of the safety risk remains unknown because FAA does not determine the severity of every incident. We recommended, and FAA agreed, to strengthen its oversight of actions to reduce operational errors.

FAA AIR TRAFFIC CONTROLLERS COSTS

Question. I know you have been taking a look at whether the cost savings and productivity gain under the contract with the air traffic controllers have been realized. Can you update the subcommittee on whether the cost savings and productivity gains envisioned under the contract have been forthcoming? Is this contract one of the largest drivers in the FAA's operating cost growth or is it an insignificant issue in the overall FAA budget?

Answer. To offset the additional costs of the NATCA agreement and increase productivity, FAA and NATCA negotiated a series of workplace changes. However, nearly 2½ years into the 5-year contract, there has been no indication that the cost savings or productivity gains envisioned in the agreement with NATCA have been realized.

FAA issued a first year report on the NATCA Agreement but was unable to demonstrate any correlation between variances in the statistics measured (such as overtime expenditures) to the workplace changes in place. Other workplace changes that were intended to trigger reductions in staff and supervisory positions (such as expanding the Controller-In-Charge Program) are only now starting up. Actual cost savings or productivity gains, if any, will not be determined until fiscal year 2001 and fiscal year 2002.

Many factors have fueled the increase in FAA's operating costs. However, new pay systems, developed as a result of FAA's personnel reform efforts, have significantly contributed to the increase. FAA estimates the new agreement with NATCA will require nearly $1 billion in additional funding over the 5-year life of the agreement. Now, other FAA workforces want pay increases as well, which must be negotiated under FAA's personnel reform authority.

MEXICAN TRUCKS

Question. In light of the recent ruling from the dispute resolution panel regarding the Mexican border, what do you think needs to be done to ensure appropriate oversight of Mexican trucks?

Answer. First, FMCSA should have a comprehensive implementation strategy and plan that identifies specific actions with completion dates. This plan should identify all resources needed to reasonably ensure the safety of Mexican trucks and include provisions for ensuring safety not only upon entry to the United States but also as the commercial vehicles transverse the United States. It is reasonable to assume that the plan would include an assessment of the progress that Mexico has made in developing, enforcing and overseeing its own safety system and the compatibility of Mexico's system with the U.S. safety regulations. Secondly, FMCSA must place the resources needed at the southern border to perform the safety inspections of the commercial vehicles and drivers that enter the United States.

Question. Are you satisfied with the actions that the Department took in response to your recommendations to increase inspectors and facilities at the U.S.-Mexico border? Do you have any ongoing or planned work that will address implementing the cross-border trucking provisions of the North American Free Trade Agreement?

Answer. In our opinion, staffing is still inadequate. In 1998, we estimated that 126 additional Federal inspectors were needed during port operating hours. At that time there were 13 Federal inspectors. Since then, additional inspectors were added bringing the total to 60 inspectors as of January 2001, still only one-half of what we estimated were needed.

On February 7th Senator Ernest F. Hollings and Representative James L. Oberstar requested us to provide a status report on existing conditions and the conditions necessary to safely open the border to Mexican trucks. Specific areas to be addressed are staffing and inspection facilities, out-of-service rates, verification of registration information, and harmonization of safety regulations. We expect to provide a status report by Summer 2001.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

Question. The Top Ten report and your testimonies emphasized the need for strong leadership with a strong enforcement program as essentials for a successful Motor Carrier Safety Administration. During its first year of operation, what happened in these areas?

Answer. Key leadership positions remained unfilled during the year including the Administrator, the Associate Administrator for Enforcement and Program Delivery and the Associate Administrator for Policy and Program Development. These Associate Administrator positions were filled on December 31, 2000, by moving two Senior Executives within FMCSA. However, in February 2001 these Senior Executives were reassigned to different Associate Administrator positions in FMCSA. As for stronger enforcement in 2000, while enforcement activity, such as compliance reviews performed and enforcement cases initiated, increased, the number of carriers shut down remained relatively constant from prior years, 4 freight motor carriers and 34 hazardous material or passenger carriers. In February 2001, FMCSA announced the shut down of two carriers under the "unfit carrier" rule required in the June 1998 Transportation Equity Act for the 21st Century.

Question. Congress provided the Department with new and stronger motor carrier safety enforcement tools. Have these been implemented?

Answer. Not well enough. FMCSA implemented the Transportation Equity Act for the 21st Century provision requiring that unfit motor carriers not be allowed to operate commercial vehicles in interstate commerce. In February 2001, FMCSA announced the first shutdowns under the new regulation, "an unsatisfactory safety rating equals an unfit carrier". This enforcement tool is a huge leverage point. However, FMCSA needs to expedite rulemaking actions to realize the benefits of the many safety initiatives provided by the Motor Carrier Safety Improvement Act of 1999. These include enhancements to the Commercial Driver's License (CDL) Program and additional civil penalties and sanctions for noncompliance with safety regulations. FMCSA identified 29 rulemakings in the new Act, including 6 Congress mandated to be issued by December 9, 2000. Three of the six rules were completed by the deadline. Since we found it takes on average 3.8 years to complete a rule, significant management effort will be needed to ensure all of the rulemakings implementing safety initiatives are timely implemented. These include rules on including non-commercial vehicle offenses for CDL holders, establishing new motor carrier entrant requirements, and using certified safety auditors for all safety reviews.

Question. Articles about Commercial Driver's License scandals and scams continue. Does your office have any ongoing work addressing the testing and licensing of commercial drivers?

Answer. We have several ongoing criminal investigations related to the fraudulent testing and licensing of commercial drivers and an ongoing audit. In fiscal year 2000 investigations in this area led to over 21 Federal indictments in 6 states. The investigations range from corruption in third party testing facilities and state motor vehicle departments to fraudulent acts by individual interstate truck drivers. For example, a joint investigation with the FBI, Postal Inspection Service and IRS into the illegal sale of CDLs by Illinois Secretary of State (SOS) employees disclosed unqualified drivers made illegal payments through SOS employees ranging from $800 to $1,500 to fraudulently obtain a CDL. The investigation disclosed that between 750 and 1,000 CDLs were issued in Illinois and another 2,000 by two examiners in Florida who sold CDLs through the Florida state-licensing program. Thirty-seven individuals have been found guilty, including the former IG of the Illinois Secretary of

State who pled guilty to related obstruction of justice charges. Additional individuals and companies are still being investigated.

As a result of this investigation, a CDL Program Review Panel was formed by DOT and the State of Illinois to identify drivers that were issued fraudulent CDLs and to determine weaknesses in the CDL program. The Panel cited several vulnerabilities within the Illinois and Florida CDL programs and made recommendations on how to improve and protect the programs from abuse.

In another case, a U.S. District Court judge in St. Louis sentenced Dennis Auten, former driver for Speidel Transportation, to 1 month in jail, 36 months' supervised release and was prohibited from driving a commercial vehicle. Auten pled guilty in September 2000 to falsifying his medical history to fraudulently obtain a CDL. In 1998, Auten's tractor-trailer crashed into a passenger vehicle, killing its two occupants. Upon inquiry by the Georgia State Highway Patrol that Auten "blacked out," FMCSA asked OIG to investigate Auten's DOT medical certification. Our investigation determined Auten lied during his medical examination by hiding a pre-existing medical condition involving seizures, convulsions and fainting spells. These could preclude him from driving a commercial vehicle. Speidel Transportation has ceased all operations.

Also, Wayne D. McAllister was sentenced by a U.S. District Court judge in Florence, South Carolina to 6 months' house arrest for using a false social security number and forging a doctor's signature on medical and drug testing forms to illegally obtain a commercial drivers' license. McAllister knew that he was not medically eligible to drive a commercial truck. OIG investigated this case with the South Carolina Transport Police and FMCSA.

Our ongoing audit is focusing on the Federal Motor Carrier Safety Administration's oversight of how the states administer commercial driving tests, and on the controls in place to make sure commercial licenses are only issued to qualified applicants. During the audit, we are assessing the periodic reviews that the Federal government does of each states' CDL program. We are also examining the basis for annual certifications required from state officials that Federal standards in the program are being met. The periodic reviews and the annual certifications are the key mechanisms being used by the Department at this time to find and correct vulnerabilities in the commercial driver's license program. If these mechanisms are not effective, the potential increases for future fraud or abuse in the testing and licensing process. The audit team is completing analysis of information obtained during reviews of 13 states and visits to about 100 testing and licensing facilities. We expect to issue the report by May 2001.

Question. The Office of Inspector General recommends that the FMCSA needs to address trucking and bus industry opposition to the proposed rulemaking on drivers hours-of-service, and the concerns in Congress, which led to the Department being prohibited from adopting a final rule this year. A significant basis of industry's opposition to the rulemaking was the way in which FMCSA performed the cost-benefit analysis to justify the proposed rule. Many stakeholders believe that the agency's initial analysis was flawed and biased. As a remedy, industry has proposed that FMCSA contract with an independent, non-governmental entity to perform a professional and unbiased cost-benefit analysis of the agency's proposal and of the various alternatives offered by stakeholders, prior to the agency publishing a new proposed rule for public comment. Do you agree that this might be a good way address industry concerns and move the hours-of-service rulemaking process forward?

Answer. Yes, this is an option that could be considered, but it should not serve as a delay to issuing a revision to the driver hours-of-service rule. FMCSA is currently reviewing more than 51,000 comments received on the proposed rule and is conducting further analysis to address the comments, particularly in the area of economic impacts. FMCSA plans to make a recommendation in the spring and options that will be considered include collecting more information, finalizing all or part of the rule, and issuing a supplemental rule.

Question. The OIG report indicates strong support for FMCSA's proposal to require electronic onboard recorders in trucks. Yet, a GAO investigation found that the agency itself was unable to produce any evidence that such a requirement would produce safety benefits in terms of reduced accidents. Do you believe that trucking companies' operations will be made safer by requiring them to purchase onboard recording equipment? If so, what evidence do you have to support this belief?

Answer. Yes, we believe that operations will be made safer by requiring the purchase of onboard recording equipment. From our investigations and audits, we found that driver fatigue and hours of service violations are among the top problems. Furthermore, falsification of logbooks constitutes a major problem, which would be overcome by electronic recorders, because electronic recorders do not lie.

The need for automatic information recording devices has been an item on the National Transportation Safety Board's "Most Wanted" list since 1990. In that year, the Board recommended requiring automated on-board recording devices, such as tachographs or computerized logs as a result of the Board's safety study on fatigue, alcohol, and other drugs, and medical factors in fatal-to-the driver heavy truck crashes. This safety recommendation was reiterated in 1995 in a Board study on truck driver fatigue. The Board views such devices as important tools in accident investigation and for use in hours-of-service regulation compliance. The European Union attributes improved accident rates to the European Tachograph Regulation requiring the use of the tachograph for commercial vehicles, trucks over 3.5 tons, and buses with more than 9 seats. Since its introduction in 1970, the tachograph has contributed highly to road safety in Germany where the accident performance of trucks has improved in comparison to the comparable performance of passenger cars.

Question. It appears that the Department and industry are very near agreement on a majority of hazardous materials transportation issues. Do you believe that reauthorization of the Hazardous Materials Transportation Act should be a priority this year for both Congress and the Administration?

Answer. Yes, we do. Over the past several years, there have been extensive discussions on the hazardous materials reauthorization with industry and other groups, and industry's views are well represented by an extensive submission to the open hazardous materials reauthorization Docket Management System docket. Reauthorization of the Hazardous Materials Act would enhance the Department's enforcement authority, expand the uses of hazardous materials registration fees, and generally improve the effectiveness of this program.

SEAT BELT USAGE

Question. A recent report from the 2001 Seat Belt Summit held in January states that increasing belt use is "the most effective short-term way to significantly reduce deaths and injuries from traffic crashes" and that "increasing safety belt use, therefore, must be one of the nation's highest traffic safety priorities." Although seat belt use is at its highest level ever, I would like to point out that the rate has remained constant over the past few years; nearly 30 percent of the population still rides unbuckled; and, the percentage of unbuckled in fatal crashes is much higher. And even though several states have belt use rates between 80 and 90 percent, there are many other states that are well below the national average. Last year's Conference Report directed the Inspector General to investigate NHTSA's strategies and activities to increase seat belt use, and I have been told that IG staff participated in this Seat Belt Summit. What is the status of the investigation of NHTSA programs and what are you learning about the efforts of NHTSA and the states to increase seat belt use?

Answer. We are completing our audit work and plan to issue a report in the 3rd quarter of fiscal year 2001. Our work to date discloses that despite the combined efforts of Federal, state, and local governments, fiscal year 2000 seat belt use rates are at 71 percent nationwide, far below the national goals of 85 percent for 2000 and 90 percent for 2005. Further, seat belt use rates have increased a total of only 5 percent in the past 7 years. Given this fact, NHTSA is unlikely to reach and sustain its 90 percent goal by 2005, unless it focuses its technical assistance efforts on evaluating seat belt programs to determine their effectiveness and encouraging the use of those programs that are working, particularly among the high-risk groups such as young males and non-seat belt users in rural areas. The states are using a variety of approaches to increase seat belt usage including partnerships, educational enforcement campaigns, and secondary and primary enforcement laws. Forty-nine states have adopted secondary enforcement laws mandating some form of adult seat belt use. Primary enforcement laws, adopted by 18 states, are highly controversial because of concerns about individual rights and racial profiling. States have also used strategies that have proven successful in other states. These successful programs include the "Click It or Ticket" Program for enforcing seat belt laws which involves an intensive publicity campaign and highly visible law enforcement checkpoints for enforcing seat belt and other traffic safety laws. Originated in South Carolina, this program resulted in a reported 7.4 percent jump in seat belt usage.

Another program that has proved successful and used in more than one state is the use of law enforcement liaisons to help convince peers of the importance of seat belt use. By hiring current or former law enforcement personnel as liaisons, the state highway safety offices provide the law enforcement community with a contact that "speaks the language" and has credibility as a fellow law enforcement officer. Increased communications between the law enforcement liaisons and the law enforcement departments has reportedly led to increased participation by law enforcement departments in national mobilization efforts, such as "Buckle Up America Week."

Question. Please inform the Committee how NHTSA plans to implement the recommendations that were made at the Summit.

Answer. According to NHTSA, there are no specific plans to implement recommendations made at the Summit. NHTSA advised us that many of the Summit recommendations reflect the current policy and direction of its occupant protection programs. NHTSA officials believe that other recommendations, especially those suggesting the reform of current Federal funding programs, are policy decisions best left for the new administration to consider during reauthorization of Federal highway safety legislation.

NTSB FINANCIAL ACCOUNTABILITY

Question. The National Transportation Safety Board justly deserves its reputation as the premier accident investigative agency in the world. The board, however, has been subject to criticisms of its financial management capability, especially regarding accounting management, debt collection, non-accident related travel, and property and inventory control. I believe the Board's decision last year to hire an independent consulting firm was a positive step. I also believe passage of the National Transportation Safety Board Amendments Act of 2000 further addresses fiscal accountability at the Board by granting the DOT Inspector General the authority to review the financial management and business operations of the Board and to determine compliance with applicable Federal laws, rules, and regulations. Based on your initial reviews of NTSB practices and the findings of the Pricewaterhouse Coopers audit, what are the top management challenges facing the Board, and how do they compare to the business practices and management challenges you have identified at the Department?

Answer. Based on our initial review of the PricewaterhouseCoopers (PwC) audit, we find that NTSB faces some of the same management challenges as DOT. As examples, both NTSB and DOT need (1) systems to track and account for property; (2) cost accounting and labor distribution systems to measure cost by project; and (3) improved security measures over access to computer systems and password controls. According to the PwC report, NTSB has major challenges ahead to ensure all its invoices are entered into the accounting system and to prepare auditable financial statements. NTSB also needs better procedures for authorizing procurements and reviewing credit card purchases.

Question. The Safety Board Amendments Act also authorized overtime pay for certain employees directly involved in accident-related work. Is the Board's senior management taking the appropriate steps to account for this in their budget planning process and in financial management?

Answer. Yes. Although the DOT Office of Inspector General has not done any work concerning overtime pay at NTSB, we discussed this issue with NTSB's Acting Chief Financial Officer. He informed us that the Board's senior management is taking appropriate steps to account for overtime pay in their budget planning process and in financial management. In November 2000, NTSB's Managing Director notified Safety Board employees via e-mail of the new authority and its statutory limitations (15 percent of the employee's annual rate of basic pay, and 1.5 percent of the agency's appropriation), as well as internal agency guidelines on the use of this authority. Since this is a new overtime authority, NTSB is working with the Federal Aviation Administration to have the payroll system automatically account for this overtime pay. Until then, NTSB is keeping up manually with the statutory limitations. He mentioned that OMB would not support funding for the new overtime authority, so NTSB draws the overtime funds from other appropriated accounts, but the monies have been set aside within the Board's current available funding to cover these costs.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Question. What is the status of the Firestone investigation?

Answer. According to NHTSA, the investigation is continuing and there is no set deadline to complete the investigation. Firestone and Ford have completed their investigations into the cause of tire problems and NHTSA is finalizing its testing program to determine whether the recall should be expanded to include additional tires. NHTSA is in the process of contracting with laboratories and experts to conduct independent testing.

Question. What is the status of your audit of NHTSA's Office of Defects investigation?

Answer. We expect to issue a report in the 3rd quarter of fiscal year 2001. We found that NHTSA's current database is seriously flawed and does not function as an early warning system for comprehensively and promptly detecting safety defects. Although NHTSA is aware of its database weaknesses, it does not routinely use additional information sources to supplement complaints during the screening process. Based on our work to date, NHTSA needs to (1) update its data systems and procedures to identify emerging safety issues, (2) use available data from informational sources, such as safety organizations and manufacturers to facilitate the identification of systemic safety problems, (3) increase public awareness by more effectively publicizing ongoing investigations and recalls, and (4) implement the requirements in the TREAD Act, which are designed to enhance NHTSA's ability to proactively identify and correct potential defects.

Question. What are the challenges facing NHTSA with implementing the TREAD Act? What actions has NHTSA taken since the TREAD Act was enacted?

Answer. The TREAD Act requires NHTSA to conduct 10 rulemaking in the areas of defect reporting by manufacturers, improving and updating tire standards, and vehicle rollover testing and evaluation. Six of the 10 rulemakings must be completed in 2001 or 2002. Since the OIG found that it takes DOT on average, 3.8 years to complete a rule, significant management effort will be required to issue these rules in a timely manner, as required by the Act. NHTSA has already issued two interim final rules regarding the Safe Harbor provisions and the sale or lease of defective or non-compliant tires. However, the remaining four rules may take significantly longer to complete since they are more controversial and complex and cover topics such as the early warning system reporting requirements for vehicle manufacturers and updating of the tire standards.

QUESTIONS SUBMITTED BY SENATOR BEN NIGHTHORSE CAMPBELL

AIRLINE CUSTOMER SERVICE

Question. As a frequent airline traveler, I have an interest in the report your office released earlier this week on airline customer service. Unfortunately, like many other US airline passengers, I have been subjected to numerous delays and cancellations, often with very little information as to why these are occurring. These mishaps interfere with vacation plans, business trips, or any other reason someone might fly. What steps is the Department of Transportation going to take to ensure that all airlines promptly inform passenger of the reasons for delays and cancellations and also inform them of their options when these hardships occur?

Answer. As the OIG, we are not in a position to speak for Department management. However, in our Final Report on Airline Customer Service Commitment, we recommended both DOT and the airlines need to provide consumers with information on chronically delayed and canceled flights through existing web sites and online publications, or at the time of booking without being asked. We also recommended for the airlines that have not already done to implement a system that contacts passengers prior to arriving at the airport when a known, lengthy flight delay exists or a flight has been canceled. Furthermore, as a result of our Final Report, the Senate Committee on Commerce, Science and Transportation reported out a bill on March 15, 2001, which addresses the issue of assuring that the airlines notify passengers of delays and cancellations. This legislation requires each large air carrier to institute within 60 days of enactment, practices which provide "customers at an airport and on board an aircraft, in a timely, reasonable, and truthful manner, the best information available to the air carrier regarding a delay, cancellation, or diversions affecting the customers' flight." This information is to include the cause of the delay, cancellation or diversion as well as the air carrier's best estimate of the departure time. If this legislation is passed, the Department would be responsible for ensuring that all airlines promptly inform passenger of the reasons for delays and cancellations. However, Department's capacity to monitor such practices is severely hampered by a lack of resources.

MOTOR CARRIERS

Question. For the fiscal year 2001 Transportation Appropriations Bill, I had language inserted to prohibit the adoption of the Hours of Service regulation. I wanted the Department of Transportation to further study economic and other factors that would have been impacted should this rule have been implemented. The Federal Motor Carrier Safety Administration (FMCSA) extended the comment period through December 15, 2000. Now that this deadline has passed, are you aware of any changes to the rule that are being proposed by the FMCSA?

Answer. No, the Agency is reviewing more than 51,000 comments and conducting further analysis to address the many comments and filings to the official public record on the hours-of-service regulation, particularly in the area of economic impacts. FMCSA plans to make a recommendation in the spring and options include collecting more information, finalizing all or part of the rule, and issuing a supplemental rule.

MEXICAN TRUCKS

Question. On February 6, 2001, the North American Free Trade Agreement Arbitration Panel issued its final report regarding "Cross-Border Trucking Services" between the United States and Mexico. What are the administration's plans?

Answer. As the OIG, we are not in a position to speak for Department management. The question could best be referred to the Federal Motor Carrier Safety Administration. We understand that plans have not been finalized to carry out the NAFTA obligations.

Question. If the administration plans to further open the U.S. to Mexican trucking, what is the time frame for implementation?

Answer. As the OIG, we are not in a position to speak for Department management. The question could best be referred to the Federal Motor Carrier Safety Administration. We understand that plans have not been finalized to carry out the NAFTA obligations.

Question. Will it be phased in or implemented all at once?

Answer. As the OIG, we are not in a position to speak for Department management. The question could best be referred to the Federal Motor Carrier Safety Administration. We understand that plans have not been finalized to carry out the NAFTA obligations.

Question. I understand that there have been discussions to build 8 new safety inspection stations near the U.S. Mexico border at 8 of the busiest ports of entry. The total cost of construction is expected to be around $80 million, or $10 million a piece. How long will it take to get these new safety inspection stations up and running?

Answer. The time frame will probably vary significantly by location. Before starting construction, funding and land acquisition questions must be resolved and coordination is needed among all agencies involved. We reported in December 1998 that the state of New Mexico was planning construction of an inspection site at the Santa Teresa border crossing. It is our understanding that construction of that inspection site has just begun.

Question. What will the U.S. do to inspect trucks in the meantime?

Answer. As the OIG, we are not in a position to speak for Department management. The question could best be referred to the Federal Motor Carrier Safety Administration. Except in the state of California, Federal and state inspectors currently use limited space within the U.S. Customs Service facilities to inspect Mexican trucks upon entering the United States. Also, within the commercial zones in the southern border states, state inspectors inspect trucks at the roadside.

Question. If these stations are built at major ports of entry, what will we do about those smaller ports of entry, where it is all the more likely that the unsafe trucks will try to enter?

Answer. As the OIG, we are not in a position to speak for Department management. The question could best be referred to the Federal Motor Carrier Safety Administration. However, in our 1998 report, we recommended placing inspectors at every border crossing. We continue to believe that this is necessary and we will evaluate the Department's plans during our ongoing audit to ensure that inspectors are at each crossing during operating hours.

Question. With the increased flow of trucks over the border, how many new safety inspectors will be required to make sure that trucks entering the U.S. are safe?

Answer. In our ongoing review, we are updating our estimate of the number of inspectors needed. In 1998, we estimated that 126 additional Federal inspectors were needed during port operating hours. Our estimate may be a very conservative number. In 1998, there were 13 Federal inspectors. Since then, additional inspectors were added bringing the total to 60 Federal inspectors as of January 2001, still only one-half of what we estimated was needed. Our 1998 estimate may be a very conservative number.

Question. Both the states and the federal government play important roles in making sure that the trucks operating on our nation's roads are safe. What kind of Federal-state coordination do you envision to ensure that the states are also up to the task of conducting safety inspections on trucks entering their respective states?

Answer. In the current model for Federal-state coordination FMCSA enforces safety standards through compliance reviews of motor carriers and provides grants to states who then use their own personnel to inspect commercial trucks and drivers at the roadside. In fiscal year 2001, these grants, under the Motor Carrier Assistance Program, were funded at $177 million, a significant increase over prior years. The additional dollars provide more inspectors to inspect trucks and drivers and to enforce U.S. safety regulations. Groups such as the Commercial Vehicle Safety Alliance, a non-profit organization of federal, state, and provincial government agencies and representatives from private industry, also provide a useful mechanism for promoting Federal-state coordination on safety issues. The Alliance has established standards used across the country for conducting roadside inspections.

Question. "Hours of Service" rules have become a hot topic in truck safety. What kind of "Hours of Service" rules, if any, does Mexico have and are they actively enforced?

Answer. In 1998, we reported that Mexico did not restrict drivers' hours of service. We understand that Mexico has made substantial progress in developing standards and a safety oversight system. However, at this time, we have no specific knowledge of an hours of service rule or its enforcement in Mexico. We are updating differences in safety oversight systems in our ongoing audit, which will include the drivers' hours of service.

Question. What kind of joint cooperation do you expect the U.S. and Mexico will take—and also in conjunction with the U.S.'s lower 48 states—to make sure that groggy Mexican truck drivers do not exceed our Hours of Service rules? For example, if a driver coming over the border from Mexico has already put in 8 or more hours behind the wheel, what precautions will be in place to make sure that he does not put in another 8 hours and end up wrecking on a highway deep within the United States?

Answer. Until the Department's plans for carrying out the NAFTA obligations are finalized, we cannot make a prediction as to the specific procedures that will be implemented at the border. In 1998 we reported that Mexico did not restrict drivers' hours of service. We understand that Mexico has made substantial progress in developing standards and a safety oversight system. However, at this time, we have no specific knowledge of an hours of service rule or its enforcement in Mexico. Currently, when Mexican commercial drivers are inspected at the border, Federal inspectors enforce the U.S. regulations on drivers' hours of service.

Question. With the potential opening of our border, it is expected that hundreds of Mexican motor freight companies may apply for licenses to operate throughout the U.S. What actions will the administration take to make sure that the safer motor freight companies are allowed in rather than those who may be operating unsafe fleets?

Answer. Until the Department's plans are finalized, I cannot say what specific actions will be taken. The Department has drafted a proposed rule to govern applications by Mexican carriers to operate beyond the commercial zones at the U.S.-Mexican boarder, but has not issued a Notice of Proposed Rulemaking on the subject. The process to be employed for ensuring that Mexican carriers understand the safety regulations of the United States and how the United States will ensure that Mexican carriers comply with U.S. regulations is being evaluated in our ongoing audit.

Question. How do you plan on distinguishing the better actors from the bad actors?

Answer. We have observed that recent increases in the number of Federal border inspectors correlated with a reduction in the percent of Mexican trucks entering the United States that were inspected and placed out of service for significant safety violations. The Department has drafted a proposed rule to govern applications by Mexican carriers to operate beyond the commercial zones at the U.S.-Mexican boarder, but has not issued a Notice of Proposed Rulemaking on the subject. We would expect this rule to address the issue of distinguishing between acceptable and unacceptable carriers seeking to do business within the U.S.

QUESTIONS SUBMITTED BY SENATOR PATTY MURRAY

CAN WE SPEED UP RUNWAY CONSTRUCTION WHILE PRESERVING THE ENVIRONMENT?

Question. Mr. Mead, your report speaks to the challenges we face in expanding the nation's airports. At the Seattle-Tacoma Airport, we have been working on constructing a third runway for over a dozen years. That runway is finally expected to be opened in 2006. I am a strong believer in expanding our nation's airport capacity, but also a strong believer that local communities must have input into the planning of these facilities. Do you believe it is possible to effectively speed up the pace at which we build new airport capacity and, simultaneously, respect the environment and the views of the surrounding communities?

Answer. Without question, there is a need to increase airport capacity while simultaneously respecting the views of the surrounding communities and protecting the environment. A number of actions have been suggested to address this important matter, such as having the state and Federal environmental impact assessments done concurrently, rather than completing them consecutively. Related concerns are that there are at least 13 separate agencies involved in the environmental review process and the absence of a set time line for completing an environmental review.

AIR–21 requires the Secretary of Transportation to conduct a study of Federal environmental requirements related to the planning and approval of airport improvement projects. The study will assess (1) the current level of coordination among Federal and state agencies in conducting environmental reviews; (2) the role of public involvement; (3) the staffing and other resources associated with conducting environmental reviews; and (4) the time line for conducting environmental reviews. The study is to be conducted in consultation with other Federal agencies, airport sponsors, state aviation agencies, representatives of the design and construction industry, and representatives of public interest groups. The study is to be provided no later than April 2001 to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate. This report's recommendations will be key to any revised FAA policy or procedure to speed up the pace of runway construction.

Question. Do you believe the FAA Airports Office has the necessary authority and funding to speed up the process through which we construct new runways?

Answer. Funding is not the problem. AIR–21 will provide FAA with almost $10 billion in Airport Improvement Program (AIP) funds from fiscal year 2001 through 2003. However, under present law, decisions to build new runways or airports ultimately rest with state and local authorities. However, both airport owners and the Federal government must address the potential environmental impact of building runways and airports. The FAA's April 2001 report on environmental streamlining will be key to any revised procedures to speedup the process to build runways. The results of this study should also help Congress and FAA determine if additional FAA authority is necessary to speed up the environmental review process.

Question. Some critics have observed that the nation does not lack sufficient airport capacity. Rather, the capacity is just in the wrong place. While we desperately need a new runway at SEA–TAC, there may be excess runway capacity in other parts of the nation. Do you believe that the FAA has done an effective job to ensure that airport capacity is being expanded in a targeted way?

Answer. No. FAA prioritizes funding for new airport projects based on grant applications received from local jurisdictions. This process has resulted in millions of dollars being spent on an airport like Mid-America that sits idle, while airports like Chicago O'Hare lack the necessary capacity to meet demand.

Ground capacity is limited to a large extent due to the airlines' hub and spoke system. A key aspect of the system is the concentration of flights and passengers into the various hub airports. For example, just five airports (Atlanta, O'Hare, Dallas/Ft. Worth, Los Angeles, and Phoenix) comprise nearly a third of the passengers handled by the 10 major airlines in 1999. While the concentration of passengers and flights at these airports is seen by the airlines as providing significant operational efficiencies, the hub and spoke system also prevents some operational inefficiencies, especially when one or more of the hubs break down.

Question. Are we currently targeting airport grant funds in a way where our national aviation system gets the most bang for the buck?

Answer. There is no national system of airports similar to efforts to build a national highway system. Currently, decisions to build new runways or airports ultimately rest with state and local authorities. FAA prioritizes funding for new airport projects based on the grant applications received from those authorities. This process has resulted in millions of dollars being spent on an airport like Mid-America that sits idle, while airports like Chicago lack the necessary capacity to meet demand. Both the Administration and Congress need to decide whether FAA should have a more active role to include leveraging grant funds to capacity-constrained airport locations versus a passive role of essentially distributing grant funds to airports.

AUDIT OF SOUND TRANSIT

Question. Mr. Mead, your agency is currently conducting an audit of the Sound Transit Light Rail Project in Seattle. The Administration signed a Full Funding Grant Agreement for this project just last month. I am pleased that you are taking an in-depth look at this agency because I believe all concerned parties must be confident that this project's cost and schedule estimates are accurate. Could you tell me the expected time frame in which you expect to complete your audit of Sound Transit?

Answer. On January 25, 2001, the Office of Inspector General initiated an audit of the Seattle Central Link light rail project in response to a January 16, 2001 request by Chairman Harold Rogers of the Subcommittee on Transportation and Related Agencies Committee on Appropriations. As one of the largest transit projects in the country, a review of the Seattle Central Link had been a part of the OIG strategic plan, pending the issuance of a full funding grant agreement. We currently plan to complete our audit of the Seattle Central Link light rail project in the fourth quarter of fiscal year 2001. We will also report our findings on an interim basis, as necessary, to keep the Congress and the Administration informed of significant issues encountered during our audit.

Question. I think it is important that this subcommittee get a formal, written report on the findings of your audit. In this way, no one can exaggerate your findings, whether it is the Press, the project's supporters or the project's detractors. Can you assure me that you will submit a formal written report on your Sound Transit audit in a timely fashion?

Answer. Yes, we will issue a written report on the Seattle Central Link light rail project in a timely fashion after completing our audit work. We will also report our findings on an interim basis, as necessary, to keep the Congress and the Administration informed of significant issues encountered during our audit.

AIRLINE CUSTOMER SERVICE—ARE THE AIRLINES LYING LESS?

Question. Mr. Mead, in your airline customer service report which you issued on Monday, you point out that the airlines have a long way to go in disclosing accurate information on a regular basis to passengers enduring delays. When you conducted your interim report half a year ago, you found numerous instances in which the airlines blamed their delays on fictitious causes. Did you find in your recent annual report that the airlines are, at least, being more accurate when they do tell the passengers why their flight is delayed?

Answer. Yes, since our Interim Report, we found during our observations that the accuracy of information provided passengers about the cause of the flight delay improved considerably when information was provided. However, we reported that considerable improvement is still needed in the timeliness and adequacy of information provided passengers about delays. We found airlines provided adequate information on delays, including the cause, between 38 and 75 percent of the time.

In conducting our tests, we gave the airlines flexibility in determining what constituted adequate information, looking for as little information as "the flight will be delayed 30 minutes due to weather at the connecting airport." We did not expect gate agents to provide a detailed or complex explanation on the reason for the delay. In most cases where we found the information was not adequate, it was because no information was provided at all (no announcements made).

Question. In your view, are the gate agents not providing timely information to passengers because they do not have the information, or because they don't take their commitment to disclose the information seriously?

Answer. Some of the larger airlines have systems that are directly tied into the operations departments and the gate agents have real-time information on flight delays and cancellations. However, we found instances where these same airlines' gate agents were not providing any information to the passengers, even though we confirmed that the information was available at the time of the delay. We also found that the level of performance in notifying passengers about known delays and cancellations was significantly higher at the airlines' Hub airports than at non-Hub airports, and that the level of performance did not vary significantly between large, medium or small airlines.

Question. Your report pointed out that, even though all the major airlines committed to the identical voluntary customer service standards last year, several of the airlines have not fully incorporated their passenger service commitments into their contracts of carriage. As a result, it is impossible to enforce the commitments that the airlines made. How do you interpret the fact that the airlines have not incorporated these commitments into their contracts of carriage? What does it tell you about their commitment to these customer service standards?

Answer. Our review of the 14 Airlines' contracts of carriage showed that as of January 17, 2001, all of the Airlines responded to this recommendation to some degree. For example:

—Three of the 14 Airlines incorporated the entire text of their Plans into their contracts of carriage.

—Eleven of the 14 Airlines incorporated the Commitment provision to inform the customer of delays, cancellations, and diversions into their contracts of carriage; 8 of the 14 Airlines incorporated the Commitment provision to meet customers' essential needs during extended on-aircraft delays.

—Eleven of the 14 Airlines incorporated the Commitment provision for quoting the lowest fare; 12 Airlines incorporated the provisions for holding a nonrefundable reservation for 24 hours and for returning misrouted or delayed baggage within 24 hours; and all Airlines incorporated the baggage liability limit increase, which is required by Federal regulation.

Since January 17, 2001, at least three other ATA member airlines have incorporated the entire text of their Plans into their contracts of carriage.

There were differences among the Airlines in exactly what they decided to incorporate, and we found instances where the contract of carriage placed limits on what appeared to be a more expansive provision in the Plan. An area of particular concern is when an Airline will provide overnight accommodations occasioned by a delay or cancellation. Most of the Plans said generally that overnight accommodations would be provided if the passenger was required to stay overnight due to a delay or cancellation caused by the Airline's operations (as defined by the Airline). However, the contract of carriage for seven Airlines appeared to limit this to situations such as when a flight was diverted to an unscheduled destination or a flight delay exceeded 4 hours between the hours of 10:00 p.m. and 6:00 a.m. The circumstances in which overnight accommodations will be provided needs clarity so that passengers will know what to expect.

In our Final Report on Airline Customer Service Commitment, we recommended that the Commitment be enforceable either by including all the provisions in the contract of carriage or requiring them by regulation. Furthermore, as a result of our Final Report, the Senate Committee on Commerce, Science and Transportation reported out a bill on March 15, 2001, which addresses the issue of assuring that the provisions in the Commitment were incorporated in the airlines' contracts of carriage. The legislation requires that within 60 days of enactment, each large air carrier shall incorporate the provisions of the Airline Customer Service Commitment executed by the Air Transport Association and 14 of its member airlines on June 17, 1999, in its contract of carriage.

On March 14, the passenger airlines of the Air Transport Association announced a second phase of their voluntary customer service commitment. As part of this commitment, the airlines that have not already done so, have agreed to place all customer service commitment provisions into their contracts of carriage.

Question. I understand that, at yesterday's hearing before the Commerce Committee, the airlines and others raised the fact that the Department of Transportation does not have enough personnel to enforce their regulations in the area of customer service. Do you believe the absence of enforcement personnel is a sufficient reason to explain why the airlines are not living up to their customer service commitments? Do we excuse the behavior of drunk drivers just because there are not enough police officers to pull them all off the road?

Answer. No, clearly the lack of enforcement personnel is not a sufficient reason airlines did not effectively implement all the customer service commitments. Our concern is that the resources, for the Department of Transportation Office responsible for overseeing and enforcing aviation consumer protection rules, are inversely proportionate to the office's workload. In 1985 the office had a staff of 40, in 1995 it was down to 20 and by 2000 it had 17 staff. This decline in staffing occurred at the same time workload dramatically increased. Sufficient resources and effective oversight would have identified areas where airlines were not meeting current Federal rule or regulations.

Question. Since the airlines committed to these customer service standards voluntarily, why are enforcement personnel necessary to make the airlines live up to these standards?

Answer. Given the dramatic increase in complaints and potential for consolidation in the airline industry, it would be wise to bolster DOT's enforcement workforce. Also, several of the commitment provisions are not new but were already required by Federal rules or regulations, which the airlines should have been following and DOT should have been overseeing. For example, the commitment provision to provide prompt ticket refunds has been a Federal requirement for over 17 years. However, we found six airlines that met the cash or credit card refund requirement less than 94 percent of the time. Two airlines were meeting the credit card refund requirement less than 62 percent of the time. Clearly the airlines still need to improve on their implementation of the commitment provisions and DOT should be active in overseeing their compliance.

In cases where an airline failed to provide prompt ticket refunds, it is extremely unlikely that the customer is going to take the airline to task such as file a lawsuit to get the refund. In that case, DOT should have the resources available to examine the situation to see if the refund problem is systemic with that airline and to take broad based enforcement action, which the consumer cannot do.

Question. Given the millions of passengers that fly on the major air carriers each year, how great an impact would a few more additional enforcement personnel have on the behavior of the major airlines in the area of customer service?

Answer. We recognize that additional personnel is not a panacea. Additional personnel for government oversight and enforcement, coupled with airline quality assurance programs, could help address the traveling public's dissatisfaction with air travel. If the airlines establish quality assurance and performance measurement systems to evaluate their own compliance with the commitment, then DOT personnel could focus their efforts on reviewing these quality assurance and performance measurement systems. This would allow DOT to more efficiently identify areas of potential noncompliance.

On March 14, the passenger airlines of the Air Transport Association agreed to a second phase of their voluntary customer service commitment. As part of this second phase, the airlines committed to establishing internal performance measurement systems and audit procedures to ensure compliance with their individual customer service plans. The airlines have agreed to make these internal systems open to scrutiny and review by the Department of Transportation.

CLASSIFICATION OF SPILLS

Question. Gentlemen, both of your agencies have been critical of the manner in which OPS classifies the causes of pipeline accidents. Do either of you believe that the OPS's current system for identifying the causes of pipeline accidents is effective in providing the information we need to help decrease spills and ruptures?

Answer. No. As stated in our March 2000 audit report, RSPA's current mechanisms do not provide sufficient data to accurately identify accident causes and trends. However, RSPA is seeking to revise all pipeline accident reporting requirements in 2001. RSPA expects collection of improved information beginning in Summer 2001 for natural gas transmission pipeline incidents.

Question. Mr. Mead, I know your report called for reforming the way this is done. Could you elaborate on that?

Answer. Our March 2000 audit report found that OPS does not collect sufficient data to precisely identify accident causes and trends. When accidents occur, pipeline operators are required to submit an accident report to OPS. Although the reports include information on the accident cause and origin, deaths, or injuries, and estimates of property damage, the information is not adequate. For example, operators use the "Other" causal category to list unknown accident causes or causes not clearly defined in specific causal categories. As a result, 21 percent of natural gas and 29 percent of hazardous liquids accidents list "other" as its cause. OPS needs to expand the causal classification categories to collect more precise information about causes of accidents, and to clarify the instructions so that operators will be more consistent and accurate in reporting accident causes.

Additionally, the OPS accident database contains inaccurate accident causal information and understates property damage. This is partially due to the fact that erroneous accident reports are not corrected. OPS needs an enforcement capability to ensure that operators revise submitted accident reports later found to be inaccurate. Even when OPS knows the information in the original accident report is inaccurate, the database is not immediately modified without an operator's written revision because it consists of "operator reports".

To reduce these inaccuracies, OPS plans to implement a new "open" and "closed" concept with the new revised accident reports that will address erroneous and incomplete report information. RSPA will mail the operator a hard copy of the initial incident report filed by a pipeline company to have the company review the information RSPA records in the database against the company's filing to help insure that data entry is correct. Further enhancing the completeness and usefulness of the submitted accident information, the new revised reports will have a new "FINAL REPORT" check box that will be used with an automated process to periodically request status of reports that have not been finalized. RSPA will automate a mailing of the existing report back to the operator every 6 months asking for supplemental reports until a final report is received.

IMPLEMENTATION OF CONGRESSIONAL MANDATES

Question. One very troubling aspect of improving pipeline safety is OPS's failure to implement Congressional mandates. Until very recently, OPS had not issued requirements dating back as far as 1992. Both of your reports were critical of this inaction on the part of OPS. Considering OPS's recent issuing of some outstanding rules, do you think OPS is turning over a new leaf?

Answer. OPS has made progress in issuing outstanding rules mandated by Congress in 1992 and 1996, but more remains to be done. In the area of hazardous liquid pipelines, OPS has issued:

—A final rule defining unusually sensitive environmental areas in December 2000;

—A final rule (Pipeline Safety: Pipeline Integrity Management in High Consequence Areas (Hazardous Liquid Operators with 500 or More Miles of Pipeline) in December 2000 for only large (500 miles of pipeline or more) hazardous liquid operators, which requires initial pipeline assessments within 7 years with up to 5 year intervals for periodic inspections; and has initiated

—A rulemaking that would extend these requirements to the remainder of regulated hazardous liquid pipelines (499 miles or less). This proposed rule is under review by the new Administration. All three rulemaking actions, however, in accordance with the Administration's request, have been postponed 60 days and returned to the modal administrations for reexamination. As of February 2001, OPS through the National Pipeline Mapping System has voluntarily obtained 86 percent of all hazardous liquid pipeline miles and 29 percent of all natural gas pipeline miles. OPS is preparing to begin the rulemaking process for natural gas pipelines; however it needs to:

—Establish criteria to identify high-density population areas.

—Establish additional safety standards for periodic inspections in high-density population areas. OPS expects to complete natural gas rulemakings by early 2002. An OIG audit of rulemaking determined DOT took an average of 3.8 years to issue a final rule. RSPA needs to maintain management focus to complete these rules in a timely manner.

Question. Is there anything you'd suggest we do in Congress to ensure that they continue to implement overdue as well as new pipeline safety requirements?

Answer. We suggest that Congress continue to monitor RSPA's progress to ensure that they expeditiously work toward implementing overdue Congressional mandates. Congress should also consider reauthorization provisions to: (1) further research in pipeline inspection technologies, (2) require the development of a comprehensive accident data collection plan; (3) expand the states' role in pipeline inspections; and (4) ensure pipeline operators are qualified to do their job, reducing the probability and consequences of serious accidents.

GROWING COST OF COAST GUARD PROCUREMENTS

Question. Gentlemen, both of your agencies reported concerns regarding Coast Guard procurements and the agency's plan to replace its vessels and aircraft. I know we all agree that the replacement of these assets is critical to the Coast Guard's ability to execute its many essential missions. Mr. Anderson, your report specifically criticized the Coast Guard's procurement strategy for the "Deepwater Project". You stated, "There are no models in the federal government to guide the Coast Guard in developing its acquisition strategy for this approach." Given the trouble that the Coast Guard has had in the past in procuring helicopters and ships, do you believe the Coast Guard is giving enough attention to your recommendations in this area?

Answer. As this question is addressed to Mr. Anderson, we have left it to the General Accounting Office to answer.

Question. Mr. Mead, your report points out that once the Deepwater acquisition gets underway, the Coast Guard will require an acquisition budget of least $850 million each year. That compares with a current budget of roughly $415 million in fiscal year 2001. Is this the only way to go about the business of replacing the Coast Guard's assets?

Answer. No, this is not the only way for the Coast Guard to replace its assets. The Coast Guard is currently planing for the replacement of it Deepwater capability as a coordinated system of assets. The Coast Guard's planning process will produce estimated cost data that will permit greater flexibility in evaluating alternative procurement strategies. Using this cost data, the Coast Guard can compare alternative procurement methods such as acquiring an integrated system proposed by one of the competing industry teams, a combination of the industry teams' proposals, or some other alternative developed by the Coast Guard. The Deepwater acquisition strategy will not be finalized however, until a procurement contract is awarded in January 2002. Our ongoing review, which is scheduled for completion in the 3rd quarter of fiscal year 2001, will assess the Coast Guard's progress in developing its Deepwater acquisition strategy.

Question. Are you convinced that this procurement cannot be made more affordable through a different procurement strategy?

Answer. No, we are not convinced that the Coast Guard's procurement strategy can not be made more affordable. The current strategy of awarding one contract in a limited competitive environment for a 20-year period is high risk. The prospect of price increases and cost escalation over a period this long is very great. Further, once the procurement contract is awarded there will no longer be a competitive environment for executing changes to incorporate new technologies. Finally, there will be less incentive for the contractor to control costs and to meet performance requirements as the contract progresses. Our ongoing review, which is scheduled for completion in the 3rd quarter of fiscal year 2001, will provide greater insight into the strategy and cost of this procurement.

DELAYS IN CERTIFYING NEW BOEING PRODUCTS

Question. Gentlemen, you have both been critical of the FAA's ability to develop a cost accounting system that accurately captures what the agency is spending on each of its functions. My state is home to Boeing, which manufactures many state-of-the-art products in aviation. Each of these new products must be certified by the FAA. For several years, the FAA Administrator has had to raid the funding of the certification office to make up for funding shortfalls in other offices. As a result, companies like Boeing have had to endure longer and longer delays in getting their products to the market. This past year, in order to put an end to that practice, the appropriations bill made it impossible for the FAA Administrator to shift funds out of the certification office. In fact, it prohibited the Administrator from shifting funds between the sub-accounts in her operations budget. Given the status of the FAA's cost accounting system, what confidence should we have in the accuracy of the budget estimates that are submitted to this subcommittee?

Answer. FAA's partially implemented cost accounting system is not used by FAA as a basis for budget estimates submitted to the committee, and therefore the benefits to be derived from a cost accounting system are not yet available for preparing budget estimates. In the future, a fully functioning cost accounting system should prove to be very useful to FAA and the committee in preparing and reviewing budget estimates, plus provide detailed cost information to support its expenditures by lines of business, projects, and specific activities and services FAA performs. Actual cost data will provide better bases for estimating and justifying future budget requests.

Question. Do you believe the FAA's new cost accounting system is progressing to the point where we can accurately know precisely what amount is spent on certification of new aviation products each year?

Answer. No. FAA currently cannot determine the cost of certification of new aviation products because it has not yet started to develop its cost accounting system for the Regulation and Certification line of business. FAA currently plans to start development of this portion of its cost accounting system in the second quarter of fiscal year 2002 and estimates completion of this phase by September 30, 2002. As of March 14, 2001, FAA has not yet identified the business requirements for its Regulation and Certification line of business. If FAA should decide during system development to capture cost by specific product requiring FAA certification, then the cost accounting system will be able to identify the amount spent on certification of new aviation products each year. However, because the business rules for Regulation and Certification have not yet been finalized, FAA cannot confirm today that it will be able to accurately identify amounts spent on certification of new aviation products.

Question. Do you believe the Committee took the appropriate step in prohibiting the FAA Administrator from shifting funds between her operations sub-accounts?

Answer. We believe the Committee took the appropriate step in prohibiting funds from being shifted between FAA's operations sub-accounts. Each of FAA's lines of business plays a critical role in the safe and efficient operation of the National Airspace System. By designating specific funding levels for each line of business in FAA's fiscal year 2001 Appropriations, Congress has ensured that those activities will be funded as intended and not reprogrammed to cover shortfalls in other areas. In fiscal year 1999, FAA experienced a $284 million shortfall in its operations account, most of which ($204 million) was in the Air Traffic Services line of business. The shortfall required cuts in all lines of business including safety and non-safety activities alike such as delaying plans to hire additional safety inspectors and reducing technical training for controllers.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

AVIATION

Question. In your view, what have the airlines done correctly to improve service over the past year? On the other side, what to you think the airlines could improve upon? What practices have worked and which ones have not?

Answer. We found areas where the greatest progress was being made and practices worked well were areas such as quoting the lowest fare, holding nonrefundable reservations without penalty and larger pay-outs for lost luggage. The airlines have also taken actions to improve customer service in areas not directly related to the commitment, such as increasing the space between seats and installing larger overhead bins.

Areas most needing improvement were the areas that trigger when there are flight delays and cancellations such as notifying passengers of known delays and cancellations, delivering baggage that did not arrive with the passenger within 24 hours and clarifying essential needs that will be met during long on-aircraft delays. We also found room for improvement in handling bumped passenger and prompt ticket refund practices.

Question. Do you think legislation—commonly referred to as the “passengers bill of rights”—is needed to address basic consumer need in the airline industry?

Answer. Effectuating good airline customer service is a tough thing to legislate. In our report, we made several recommendations that cannot be implemented except through law or regulation. For example, increasing the compensation for bumped passengers and requiring disclosure to customers at the time of booking those flights that have been chronically delayed will have to be put in regulations. In other areas, you may want to give the Airlines the opportunity to take action voluntarily. For example, when defining “an extended period of time” or “food” during long on-aircraft delays, we should have a minimum level of consistency, but beyond that the airlines should use customer service as a form of competition.

Question. Chicago O’Hare International Airport in my state is one of the world’s busiest airports. As more people choose air travel, and as airports become more populated with aircraft, what do you see, from a management perspective, to be possible solutions to addressing air traffic flow?

Answer. There has been much debate over the last year as to the role airline scheduling plays in causing delays—especially at the larger Hub airports, like Chicago O’Hare, during peak periods of operation. Questions being debated include whether airline scheduling discussions for specific airports should be permitted under antitrust supervision, whether peak-hour pricing (if legal) will provide meaningful relief, and whether implementing a lottery for airport usage (such as New York’s LaGuardia) will work. Clearly the airlines cannot solve the delay and cancellation problem themselves, since many factors lie at its cause, but they should be doing their part.

Last year we made a recommendation to the Federal Aviation Administration to develop capacity benchmarks for the Nation’s top 30 airports. This will provide a common framework for understanding what maximum arrival and departure rate can physically be accommodated by airport, by time of day under optimum conditions. A set of capacity benchmarks is essential in understanding the impact of air carrier scheduling practices and what relief can realistically be provided by new technology, revised air traffic control procedures, new runways, and related airport infrastructure. FAA has completed its capacity benchmarking and preliminary results are being circulated to industry for their comments.

Also, last year, before the Senate Committee on Commerce, Science and Transportation, we reported that the key question is what traffic load the air traffic control and airport systems can reasonably be expected to accommodate in the short, intermediate, and long term. FAA needs to explain in clear terms the extent to which the air traffic control modernization effort can be expected to provide material relief to the current problem of delays and cancellations. This is because much of the modernization effort is not geared to making quantum leaps in increasing capacity. The answer lies in a cumulative mix of solutions— scheduling and technology are among them. However, the role played by ground infrastructure (runways and airports) is of enormous importance, mainly because of the large impact that ground infrastructure has on capacity. This is further complicated by the fact that decision-making associated with building and locating a new runway or a new airport requires clearance by local communities.

Question. Do you have the O'Hare capacity benchmark data as described in the February 12, 2001 report?

Answer. We recently received the benchmark data for O'Hare, as well as 30 other major airports. As part of our follow on audit of flight delays and cancellations, we will be reviewing FAA's capacity benchmarks for O'Hare as well as the other major airports.

RAIL/TRANSIT

Question. Illinois is second in the nation in the number of at grade crossings, more than 14,300. What steps will D.O.T., and specifically, the FRA, take to ensure rail-grade crossing safety in this new administration?

Answer. As the OIG, we are not in a position to speak for Department management; however, we will pass along your concerns to FRA for consideration and response.

Question. Illinois has 899 locally passed and FRA recognized whistle bans. About 64 percent the state's population lives within one mile of a public highway-rail crossing. Last year the FRA proposed to do away with those whistle ban zones as a way to improve public safety. After many hearings, here and in my state, there is still a possibility the FRA's rule may include overturning the whistle ban. Do you believe this to be the best and most reasonable approach in assuring public safety?

Answer. We have not done any work in this area to date. We will continue to monitor highway rail-crossing safety issues and anticipate more in-depth work in the future related to methods for improving and assuring public safety.

Question. Following a DePaul University study showing the mandatory use of train whistles at all railroad crossings could decrease Chicago-area property values by more than $1 billion, I worked to create a new pilot program to improve crossing safety in four Illinois communities with the help of the ICC and the FRA. Might this approach to rail-grade crossing safety be included in the structure of the DOT under this new administration?

Answer. The study offers what its authors refer to as "a preliminary assessment of a complex issue" and includes concepts to promote grade crossing safety that might well be included in the structure of the DOT under the new administration. The study emphasized the need for intergovernmental cooperation and improvements to strengthen the role of public education and enforcement in reducing the number of motor-vehicle violations at crossings, concepts that FRA has supported in its efforts to improve grade crossing safety. The use of video surveillance to abet enforcement and the effective imposition of penalties, as discussed in the study, are also areas FRA has previously highlighted.

Question. The St. Clair County Extension project of Metro Link in Southern Illinois is under a Full Funding Grant Agreement (FFGA). In recent months, a proposal has been made to amend the FFGA to extend the line to Scott Air Force Base/ Mid America Airport. Your office initially expressed some concerns. Since that time, more information has been supplied and a site visit has taken place. Please tell me the current IG's position on the FFGA amendment.

Answer. The Office of Inspector General agrees with FTA's assessment that the project's New Starts rating for the "cost effectiveness" criteria is not sufficient to support a "recommended rating" because of the low ridership forecast. In our December 21, 1999 report on the St. Clair Extension of the St. Louis MetroLink System, we recommended that the FTA Administrator base the final decision to award $60 million of Federal funds for the second phase of the extension on an evaluation and rating of the second phase under its New Starts criteria. On December 12, 2000, FTA assigned an overall project rating of "not recommended." On January 7, 2001, Congressman Jerry Costello asked the Office of Inspector General to review the new ridership numbers and adjustment factor submitted by Bi-State and the Transit district for FTA's consideration. The Office of Inspector General verbally briefed Congressman Costello on March 7, 2001 on the results of our latest review. We informed the Congressman that we agreed with FTA's latest assessment of the ridership numbers. However, we suggested that Bi-State revalidate its ridership model and resubmit the new numbers with out having to use an adjustment factor. Congressman Costello agreed with our assessment and suggestion.

MOTOR VEHICLE

Question. Last year the Congress passed two important legislative measures. One being the .08 percent BAC measure with was included in the Transportation Appropriations Bill, and the TREAD Act (Tire Recall Enhancement, Accountability, and Documentation Act) to deal with the Ford/Firestone tires issue. Can you please provide the committee with any insight on the implementation of these measures at your level?

Answer. Regarding .08 percent BAC, NHTSA is in the process of developing a guide for states on how to implement a 0.08 BAC program, once states enact 0.08 BAC legislation. The guide will contain information on (1) how to conduct public education programs; (2) suggested new training for law enforcement officers; and (3) new signage for highways. NHTSA expects to issue this guide to the states in summer 2001.

QUESTIONS SUBMITTED TO THE GENERAL ACCOUNTING OFFICE

QUESTIONS SUBMITTED BY SENATOR RICHARD C. SHELBY

MOST PRESSING CHALLENGES AT DOT

Question. Both the DOT Inspector General and General Accounting Office have identified many important challenges for the Department of Transportation. Which of them, in your opinion, are the most important for the new Secretary to act on first? Which require the most urgent Congressional attention?

Answer. It is vital that the agency persists in its efforts to address the safety issues discussed in our Performance and Accountability report on the Department of Transportation. Given the forecast for an increased rate of air travel, reducing accident rates is of the utmost importance, and the Federal Aviation Administration (FAA) has some good opportunities to do so. For example, our recommendations regarding FAA's Safer Skies Initiative could help improve and measure the effectiveness of the program. While DOT's Office of Pipeline Safety is implementing several new programs, such as a risk-based approach to pipeline regulation and a more cooperative approach to enforcement, it has not yet tested these approaches to determine if they result in better compliance and improved safety.

DOT must also press forward with its air traffic control modernization projects. The future capacity and safety of the airspace system rests largely on the successful completion of this effort. DOT has begun to implement systems to address the delays and cost overruns that have plagued its past modernization efforts. Congressional oversight will be needed to encourage DOT to stay on track with these projects.

Both DOT and the Congress face continued pressure to make decisions about the structure of the airline industry. Lack of competition in certain airports has led to poor service in some communities. The Aviation Investment and Reform Act for the 21st Century required that airports submit plans to DOT on how they will improve access for new entrant airlines; Congress may want to conduct oversight as this information becomes available. Proposed mergers, if they go forward, have the potential to result in a significantly different profile for the industry and will certainly affect its consumers. In making decisions about the mergers, consideration of the extent to which they improve or reduce access to service and affect airfares is of paramount importance.

Finally, Congress will need to make decisions about Amtrak next year. Since Amtrak's ability to significantly reduce its need for operating subsidies next year is questionable, Congress will have to decide whether or how to continue to subsidize inter-city passenger rail. Amtrak also has significant capital needs that it will not be able to fund on its own.

PIPELINE SAFETY

Question. The Office of Pipeline Safety has tried to work constructively with pipeline companies and reduced the office's reliance on penalties. How have the pipeline companies' compliance with safety regulations been affected by this reduction in the use of fines? Has the risk-based, cooperative approach been successful?

Answer. In May 2000, we reported that the Office of Pipeline Safety (OPS) had not assessed whether its new enforcement approach—dramatically reducing its use of fines and substituting letters of warning and letters of concern—has had a positive impact on safety. In addition, at the time of our review, OPS did not have the information (such as differentiating whether a letter of concern addressed a safety violation or communicated information on a best practice in the industry) needed for us to assess whether its cooperative approach improved pipeline safety. At that time, OPS was installing a data system to better track the results of its enforcement actions. We recommended that OPS assess the effectiveness of its new approach and it agreed to do so. We will continue to monitor whether the cooperative approach has had a positive impact on safety.

Question. The Senate authorization bill that was passed on February 8, 2001 increases the authorized levels for Federal pipeline safety efforts, state grants, and research and development. Do you feel that the focus on research and development is appropriate? What are the specific challenges to be met in the research program?

Answer. We believe that the Office of Pipeline Safety (OPS) should focus its research and development activities on supporting its regulatory and enforcement activities and gaining the technical background that it needs to oversee the pipeline safety program. For example, in May 2000 we reported that OPS had difficulty quantifying benefits from its risk management demonstration program, but that it went ahead and broadened its use of this approach to pipeline safety without a thorough understanding of the benefits (and attendant risks) that might result. Research and development that would support quantifiable measures of the risk management program's impact on safety would be an example of a useful undertaking. Other examples, also drawn from our report, that would support OPS' regulatory and enforcement activities include developing (1) standards for conducting and reviewing internal inspections of pipelines and (2) criteria for reviewing the sufficiency of operators' integrity management plans.

INCREASING COMPETITION IN THE AIRLINE AND RAIL INDUSTRIES

Question. The lack of effective competition has contributed to high fares and rates and poor service for some markets in both the commercial aviation and freight rail industries. What are the most important factors for the Department of Transportation and Congress to consider as they evaluate proposed mergers of airlines and railroads, or as they look at other measures that could enhance, or impede, access to competition?

Answer. We and others have found that airfares to and from dominated airports (i.e., airports where one airline provides the majority of service) tend to be higher than those at nondominated airports. We have long reported that various operating and marketing barriers curtail the benefits of a deregulated airline industry by impeding market entry by new airlines that seek to initiate service in a given market (or, in the case of established airlines, expand their limited existing competing service).

We recently reported on the potential effects of the proposed merger between United Airlines and US Airways, as well as American Airlines' proposed acquisition of the assets of Trans World Airways. If the mergers proceed as proposed, the merged airlines would decrease competition in hundreds of markets affecting millions of passengers, and create hundreds of new dominated markets as well. We also reported that the consummation of either of those mergers would likely trigger additional consolidation in the industry.

We believe that these proposed mergers raise a number of important public policy issues for consideration. These include:

—*What barriers to market entry might the proposed mergers exert?* The success of deregulation stems in part from competition spurred by the entry of new airlines. A January 2001 DOT report on exclusionary practices concluded that major airlines have the opportunity and the means to protect their market power by frustrating new entry. DOT found there had been instances in which incumbents drove new entrants out of markets by cutting fares and flooding the market with capacity. Once the new entrant was driven out of the market, the incumbent sought an increase in fares and reductions in service.

If both the United-US Airways merger and American-TWA acquisition are consummated, new United and new American together would carry nearly half of all domestic air passengers. If this occurs, a key issue that policy makers may need to address is whether or not new low-cost carriers will be able to enter markets and compete. Because established carriers will control vast numbers of facilities (including slots and gates) at key airports, will those new carriers even be able to offer service in major markets? Will American's and United's sales and marketing efforts (such as their frequent flyer programs and code-sharing affiliations such as the Star Alliance and OneWorld) present barriers that are too great for new entrants to overcome? How effectively will those new carriers be able to compete if the American and United transactions spur additional consolidation in the industry, possibly raising entry barriers even higher?

—*Would the transactions between American and United alter how they would compete in key markets?* The proposed United and American arrangements—including the agreements in which American would share the US Airways shuttle with United and compete in certain markets between United and US Airways hubs—raise questions regarding the extent to which the carriers may compete vigorously. Economic literature and empirical evidence indicate that when there are fewer firms in a market and those firms meet in many markets (e.g., city-pairs), they are likely to recognize their interdependence and compete less vigorously.

—*How might a consolidated industry affect service to small communities?* The quality of air service to smaller communities and the fares that passengers in those communities pay relative to those paid in larger communities have been issues that the Congress has been concerned about for some time. At the same time, one of the benefits of airline mergers and alliances has been the ability of the larger carrier to provide online service to increased numbers of destinations. The airlines have also claimed that small communities would gain greater access to international markets through their global alliances. However, the mergers could erode service to many small communities where the merging airlines compete, even if the service provided is over different hubs. Would a more dispersed and competitive market structure offer better promise of providing affordable air access for small and medium sized communities to major business centers in the United States? How might the potential effect of industry consolidation on new entry affect small and medium sized communities?

With regard to rail competition, we have not studied proposed railroad mergers or the statutory and regulatory scheme under which the Surface Transportation Board reviews and approves proposed mergers. The Board is currently considering changes to the approach that it uses to ensure that a merger is in the public interest and to assess the potential effects a merger could have on competition among rail carriers. In this respect, the Board is considering moving from a standard in which competition must be preserved to one in which competition must be enhanced.

As a general rule, the overall expectations with respect to the public interest should include at least two concepts. First, what is the expected effect on shippers and consumers? As the rail industry continues to consolidate, rail carriers should not be allowed to exercise their market power to unreasonably raise rates, reduce service, or both to the detriment of shippers and consumers in general. Second, what is the expected effect on the railroad industry? Railroads need to have sufficient financial health to allow them to renew and replace infrastructure and maintain safe, reliable operations. Although the financial health of railroads has improved over the last 20 years, railroads are still not in good financial health and industry profitability frequently lags behind the cost of capital. This makes it difficult to attract the capital necessary to invest in infrastructure and other items required for maintaining and growing the business and providing the service needed and expected by shippers and others.

INFRASTRUCTURE INVESTMENT

Question. Both the Inspector General and GAO reports cite concerns with oversight and management of large-dollar highway, transit, and airport projects. TEA–21 requires that the Federal Transit Administration enter into a full funding grant agreement for new transit projects with a federal funding share above $25 million. The FFGA, as it's called, caps the federal share of the project, ensuring that even if the project goes over budget, the government will not bear additional costs. And the Federal Aviation Administration uses a somewhat similar mechanism, the Letter of Intent (LOI), to outline the federal share of an airport construction project. Do you believe that the Federal Highway Administration should have a similar tool—an FFGA or LOI—for high-dollar highway projects such as the Boston Central Artery, Woodrow Wilson Bridge, and the Cypress Freeway, capping the federal government's share?

Answer. Our work on large transit and highway projects has made us aware of the advantages of the full funding grant agreement process on the transit side, which effectively caps the government's capital investment in a given project. Furthermore, the Federal Transit Administration's (FTA) increased scrutiny of a transit project sponsor's financial capacity and program management capability before it commits to a full funding grant agreement seems to be bearing good fruit. We recognize, however, that highway projects are planned and funded somewhat differently than transit projects. For example, states generally have a great deal of discretion over how federal dollars that are allocated to them by formula from the Highway Trust Fund are spent among the STIP projects. This limits the Federal Highway Administration's ability to cap the amount of federal dollars directed to any one project. However, as the Central Artery project so vividly demonstrates, this does not preclude the need for better planning, accurate cost projections, and good project management.

Question. I understand that the Central Artery project is a 7-mile long road project that will cost in excess of $14 billion. Now, that's more than $2 billion per mile. Wouldn't you agree that we need to have some sort of cap to ensure that projects don't get out of hand and end up costing the taxpayers such an outrageous sum?

Answer. The Central Artery project is by far the most expensive (about $14 billion) and most complex highway project in the country. As such, it has warranted special attention for many years. Our work on the Central Artery and other large dollar highway projects led us to recommend several years ago that state highway project managers submit finance plans for these projects to the Federal Highway Administration (FHWA). We suggested that these plans carefully discuss (1) how they are going to pay for a project, (2) the project's completion schedule, (3) how the project will affect the rest of the projects included in the state's STIP, and (4) contingencies. Finance plans are now being prepared and reviewed by FHWA for all highway projects that are expected to cost over $1 billion. In addition, FHWA is trying to use the latest (November 2000) Central Artery finance plan as a tool to limit the amount of federal dollars ($8.549 billion) to be spent on the project. As noted above, however, in most instances states have a lot of flexibility when deciding where to spend the federal highway trust fund dollars provided to them. Our earlier report on managing large dollar projects identified other steps that could be used to improve the management of these projects such as the early preparation of a comprehensive cost estimate and the systematic tracking of actual costs against these initial cost goals.

AMTRAK

Question. Amtrak says it is on the road to operational self-sufficiency. Do you agree? And what are the alternatives if Amtrak is unable to reach self-sufficiency in 2002?

Answer. We are not optimistic that Amtrak can reach operational self-sufficiency. It has made relatively little progress so far: from 1995 through 2000 it closed its budget gap by $83 million. In the next 2 years it must reduce the gap by an additional $281 million. For the most part, Amtrak has been unable to meet its planned reductions in the budget gap. Most notably, it reduced the gap by $5 million in 2000, instead of by $114 million as planned.

We believe that this is an opportune time for the Congress to begin to examine the future of Amtrak. In doing so, the Congress should systematically examine both the costs and the benefits of supporting Amtrak either in its current form as a national system or in a different form or not at all. Beginning this discussion now could lay a solid foundation for decisions that would need to be made if Amtrak does not reach its goal of achieving operational self-sufficiency by the end of 2002.

AIRLINE CUSTOMER SERVICE

Question. In discussions with the airlines, they have indicated that their goal in canceling or delaying flights is to inconvenience the fewest number of passengers—a notable goal. Unfortunately, cancellations and delays have become a normal part of every airlines' daily schedule and your own report shows that some flights are chronically delayed or regularly canceled. Accordingly, my sense is that airlines have too few aircraft available on any given day to fly their entire published schedule and accordingly they cancel or delay the flights with the lightest loads. Do you think a case can be made that airlines should not schedule more flights than what they can reasonable expect to fly under perfect conditions given their average equipment unavailability rate as evidenced by their incidence of chronic delays or cancellations?

Answer. We are initiating work on the extent to which airlines contribute to the problems of congestion and delay. One factor that we will likely examine involves airline scheduling practices, including a consideration of equipment availability.

RUNWAY INCURSIONS

Question. Runway incursions continued to rise significantly in 2000 and reached a new high of 429 incidents. Why has the FAA not made progress in reducing runway incursions and what should they be doing to achieve a significant reduction on this serious safety issue?

Answer. As our airports become more and more crowded, runway incursions will continue to rise unless we can significantly reduce the rate at which they currently occur. While many of these events may be only technical violations of runway areas, some represent close calls in which a catastrophe was narrowly averted.

Over the past decade, the Federal Aviation Administration (FAA) has developed a number of promising plans to reduce runway incursions. The agency has relied on both technological and operational approaches to achieve their goal. The Airport Movement Area Safety System (AMASS) technology was developed to alert controllers and air crews to potential runway conflicts, but AMASS is behind schedule and it is unclear that it will prove as effective as originally hoped. FAA is now assessing the potential of newer technology. FAA has achieved some success through the use of "tiger teams" that target airports with high rates of incursions. It is probably too early to evaluate how long-lasting this success will be. Ultimately, however, we agree with DOT's Inspector General that the high rate of turnover in the management of runway safety programs, and the consequent lack of consistency and stability, has weakened the effectiveness of FAA's initiatives in this area.

ATC OPERATIONAL ERRORS

Question. Operational errors, the errors made when air traffic controllers allow the distance between two aircraft to fall below FAA's minimum separation standards, have increased by 51 percent for 764 to 1,154 from fiscal year 1996 to fiscal year 2000. Why has the FAA been unable to reduce these incidents?

Answer. As is the case for runway incursions, operational errors will continue to rise at least as quickly as the number of aircraft operations unless the Federal Aviation Administration (FAA) is successful in reducing the current controller error rate. Unfortunately, this rate has been increasing in recent years. FAA's lack of success in this area has been attributed to a number of factors, most of them stemming from a lack of firm management of regional activities from FAA's headquarters that requires detailed regional improvement plans, evidence of follow-through, and regional accountability for error rates.

Recently announced changes in air traffic control management, if implemented prudently, may help alleviate the problem. Working jointly with the National Air Traffic Controllers Association, FAA is beginning a program to better determine the safety risk posed by individual errors, identify their root causes, and take necessary action to avoid them in the future. The National Transportation Safety Board, however, has expressed concern that this program could result in a lessening of safety standards.

Several factors combine to make FAA's challenge to improve controller error rate even more difficult. A disproportionate number of experienced air traffic controllers are expected to be lost through retirement over the next few years. In response, FAA has committed to decreasing the number of operational supervisors and instead designating "controllers-in charge" at many facilities. As air traffic and the consequent pressure to minimize delays intensify, FAA must try to keep aircraft at minimum separation distances without jeopardizing safety. As FAA attempts to respond with a more efficient and productive controller workforce, the performance of its new programs must be constantly monitored by their record in reducing operational errors.

FAA REORGANIZATION

Question. What actions will make the most difference in avoiding cost overruns and delays associated with modernizing the nation's air traffic control system? Will the creation of a Performance-Based Organization, as envisioned in a December 2000 executive order, be a step in the right direction?

Answer. Over the years, we have pinpointed some of the root causes of the cost overruns and delays associated with the Federal Aviation Administration's (FAA) modernization program, and made recommendations to address these root causes. FAA has taken some action in response to our initiatives. For example, in response to a recommendation that the agency improve its software acquisition capabilities, FAA has taken action to improve its software acquisition, software development, and systems engineering processes. However, FAA does not yet require all systems to achieve a minimum level of software process maturity before being funded. Likewise, in response to our finding that FAA's organizational culture impaired its acquisition process, the agency developed an organizational culture framework in 1997 and is working to implement it. However, both we and DOT's Inspector General recently reported that FAA's organizational culture remained a barrier to successful acquisition projects. The challenge for FAA is to fully implement the recommendations so that it can modernize the system to meet the growing demands for air service.

A new organizational structure, as would be envisioned by the creation of a performance-based organization for air traffic services, is one option for improving the air traffic control (ATC) system. Among the stated goals of the new organization are improvement of the efficiency of the ATC system and acceleration of the modernization of the system. The new organization would have flexibility in the procurement and personnel area and would be managed by a chief operating officer, who would be held accountable for achieving specific measurable goals. The new organization would also continue efforts underway to increase customer focus. These are laudable goals. However, it is important to recognize that the creation of a new organization, in and of itself, does not assure success. The new organization will likely face some of the same challenges faced by FAA. Presumably, incentives that would be available through the new structure will play a role in helping FAA to improve its performance and achieve desired results.

FAA SECURITY ISSUES

Question. Your report last year and your testimony today point out continuing problems with the effectiveness of airport screening checkpoints. Is FAA's response to your recommendations likely to address these problems?

Answer. The Federal Aviation Administration (FAA) has a number of efforts to address the problems with the effectiveness of airport screening checkpoints. These include (1) a computer-based training program to improve screener skills, (2) a Threat Image Projection System that tests screeners as well as helps keep them alert, and (3) a screening company certification program to raise screener standards that could potentially increase screener pay and reduce turnover. These efforts could achieve the needed improvements in screener performance in detecting dangerous objects. However, we found that the implementation of these efforts was behind schedule and that FAA did not have an effective means to manage them.

Our recommendations focused on two areas of FAA's management of its efforts to improve screening. The first area was FAA's lack of an integrated plan that ties together its various initiatives for improving screeners' performance, and the second area was an inadequate system for measuring progress in achieving performance improvement goals. FAA has implemented our recommendations by issuing an integrated checkpoint screening management plan and by revising its measurement goals. Together, these actions will provide a method for the agency and others to examine and evaluate screening improvement actions, timetables, funding, and progress, and will help the agency to better ensure that it is successfully addressing the problems at screening checkpoints.

Question. What are the most significant weaknesses in FAA's computer security program and what steps are still necessary to address these weaknesses?

Answer. In September 2000, we reported on serious and pervasive problems in the Federal Aviation Administration's (FAA) computer security program. Specifically, we noted that in the area of personnel security, FAA was working to complete background searches on thousands of its contractor employees, but much remained to be done. Also, in the area of facilities' physical security, FAA was not yet in compliance with its own policy requiring that all air traffic control (ATC) facilities be assessed and accredited as secure. Further, in the area of systems security, FAA did not know how vulnerable the majority of its operational ATC systems were and could not adequately protect them until it performed the appropriate risk assessments and addressed identified weaknesses. We also reported that FAA's efforts to ensure that computer operations continue without interruption were limited and that FAA had not yet fully implemented an intrusion detection capability that would enable it to quickly detect and respond to malicious intrusions.

In December 2000, we made recommendations to address these weaknesses. These recommendations included suggestions to

—complete the required background searches of contractor employees;
—complete facilities assessments, perform corrective actions on any weaknesses identified, and accredit the facilities;
—complete assessments of all operational air traffic control systems, address weaknesses, and accredit these systems; and
—increase efforts to establish a fully operational computer security and intrusion response capability that allows for the detection, analysis, and reporting of all computer systems security incidents promptly.

DOT and FAA officials agreed with our recommendations and reported that they are working to implement them. We will continue to monitor FAA's efforts to address its computer security weaknesses.

AVIATION SAFETY

Question. Your testimony explains that DOT did not meet the 4 goals established for improving aviation safety in the United States. Nevertheless, GAO's recent report on Safer Skies, the FAA's joint effort with industry to identify and fix threats to aviation safety, was critical of the program. Why is it your view that Safer Skies is insufficient for improving aviation safety?

Answer. Our report supports the systematic, data-driven approach to enhancing aviation safety that Safer Skies represents, and we concluded that the Safer Skies program can be expected to further reduce the already low accident rate. However, we identified some areas where we believe Safer Skies could be improved. For example, we recommended that FAA:

—set up more formal procedures to ensure that the program's recommendations are actually implemented and their effectiveness is evaluated;

—consider setting a more challenging goal for general aviation safety (commercial aviation's long term goal is an 80 percent reduction in fatal accidents; general aviation's goal is much less ambitious, and was, in fact, achieved last year);

—base its safety priorities not purely on past accidents, but consider how current and future changes to the air transportation system (like congestion, delays, or increased automation) may pose new safety threats.

QUESTIONS SUBMITTED BY SENATOR PATTY MURRAY

CLASSIFICATION OF SPILLS

Question. Gentlemen, both of your agencies have been critical of the manner in which OPS classifies the causes of pipeline accidents. Do either of you believe that the OPS' current system for identifying the causes of pipeline accidents is effective in providing the information we need to help decrease spills and ruptures?

Answer. The information that the Office of Pipeline Safety (OPS) currently collects is not sufficiently detailed to help it identify causes of spills and ruptures and assess where to put its efforts in improving pipeline safety. We did not make recommendations in this area in our May 2000 report because the Inspector General had already done so in its March 2000 report on OPS activities and because OPS was beginning to use new forms to collect more detailed information on the causes of pipeline spills and ruptures.

IMPLEMENTATION OF CONGRESSIONAL MANDATES

Question. One very troubling aspect of improving pipeline safety is OPS' failure to implement Congressional mandates. Until very recently, OPS had not issued requirements dating back as far as 1992. Both of your reports were critical of this inaction on the part of OPS. Considering OPS' recent issuing of some outstanding rules, do you think OPS is turning over a new leaf?

Answer. We reported in May 2000 that the Office of Pipeline Safety (OPS) had not completed action on 22 congressional directives. Through mid-February 2001, OPS has issued final rules in response to two congressional directives (emergency flow restriction devices and underwater abandoned pipeline facilities) and made significant progress on three others (reporting requirements for pipeline operators, criteria for identifying high-density population areas and areas that are environmentally sensitive to damage from pipeline accidents, and requirements for internal inspections of pipelines).

Actions remain uncompleted on 10 other congressional directives. For example, OPS has not completed a 1992 requirement to develop an approach for regulating gathering lines, nor has the agency addressed the use of remotely controlled valves as required in 1996.

Finally, OPS did not complete actions on the 7 remaining directives, but considers them closed and will take no further action on them. In OPS' view, actions on these 7 requirements are unnecessary because:

—the requirements were superseded by other legislative changes or were duplicative of other requirements (5 requirements),

—the requirement to issue a biennial report has expired (1 requirement), or

—issuing a report on underwater abandoned pipeline facilities is no longer needed because OPS had issued final rules in that area (1 requirement).

While OPS is making some progress, we believe that continued congressional oversight would be worthwhile to ensure that all congressional mandates are completed in a timely fashion.

Question. Is there anything you'd suggest we do in Congress to ensure that they continue to implement overdue as well as new pipeline safety requirements?

Answer. The Office of Pipeline Safety (OPS) appears to be making some progress in implementing legislative requirements. At least some of this progress can be attributed to increased congressional attention on OPS' activities since 1999. Continued congressional oversight in this area would be beneficial to help improve pipeline safety.

GROWING COST OF COAST GUARD PROCUREMENTS

Question. Gentlemen, both of your agencies reported concerns regarding Coast Guard procurements and the agency's plan to replace its vessels and aircraft. I know we all agree that the replacement of these assets is critical to the Coast Guard's ability to execute its many essential missions. Mr. Anderson, your report specifically criticized the Coast Guard's procurement strategy for the "Deepwater Project". You stated, "There are no models in the federal government to guide the Coast Guard in developing its acquisition strategy for this approach." Given the trouble that the Coast Guard has had in the past in procuring helicopters and ships, do you believe the Coast Guard is giving enough attention to your recommendations in this area?

Answer. We have worked with the Coast Guard to mitigate risks in the Deepwater Project. As part of our current review, we have identified risks in four key areas: (1) the affordability of the project, (2) the ability of the Coast Guard to obtain fair and reasonable prices and performance improvements in a sole-source non-competitive environment, (3) management issues related to overseeing the contractor, and (4) risks associated with the development of new technology. We believe that attention is needed to mitigate the risks in each of the four areas.

1. Last year, the Office of Management and Budget (OMB) indicated that the Coast Guard should plan on receiving about $550 million a year for its entire budget for capital spending between fiscal years 2002–2006, or the amount of funds that would be needed to fund Deepwater alone. If this is the case, the Coast Guard will experience a substantial funding shortfall, particularly from 2003 and beyond. Such a scenario means that (1) the Coast Guard's plans for the Deepwater Project cannot be executed as planned or (2) the Coast Guard will need to eliminate other capital projects.

We believe that the Coast Guard may need to develop its funding plan for the Deepwater Project based on budget targets promulgated by OMB rather than notional numbers that will not likely be approved. To do so, improvements are needed in the Coast Guard's capital planning process. Currently, the Coast Guard's five-year capital plan shows that the Coast Guard only includes about $75 million for the Deepwater Project in fiscal years 2002–2006. Prioritizing projects within existing budget limits should provide a more realistic view of what is affordable for the Deepwater Project.

2. Any contracting strategy will have risks, and in this regard, the Coast Guard's strategy is no different. The Coast Guard's strategy involves contracting with a single company to replace or upgrade eight classes of deepwater ships and aircraft for as long as the next 20 or more years. In doing so, the Coast Guard must mitigate a major risk of dealing with the same contractor in a sole-source environment for this extended period of time. Put simply, the Coast Guard faces a higher risk of cost overruns and performance shortfalls with the potential absence of downstream competition. In September 2000, we discussed our concerns with Coast Guard managers about the lack of downstream competition in the approach it had selected. We suggested that the Coast Guard conduct a peer review to evaluate ways to mitigate risks associated with their approach because it was unique and had never been tried before. As of February 2001, the Coast Guard is still developing plans for the peer review. The agency has had a consultant review alternative contracting strategies and the consultant endorsed the Coast Guard's approach. We believe that any comments or concerns raised by a peer review should be addressed before the Coast Guard issues its Request for Proposal in May 2001.

The Coast Guard recognizes the potential lack of downstream competition as a potential weakness in its approach and plans to use financial incentives as a way to mitigate this problem. Despite this mitigation strategy, we remain concerned because even with financial incentives, there is no guarantee that competition will occur. Unless competition is a requirement for extending the contract award, many experts view incentives as a secondary means of encouraging competition.

3. Managing performance of the contractor will be a critical factor in the success of the Deepwater Project. The Coast Guard will need to pay attention to developing good relations with suppliers. In one of our earlier reviews on DOD acquisition prac-

tices, we showed that how DOD managed suppliers was a key element in the success of a project (see GAO/NSIAD–98–87). Effectively dealing with suppliers provides key benefits to the success of a project. The Coast Guard should have detailed plans on how it plans to develop, maintain, and foster effective supplier relations. Furthermore, the Coast Guard should have a detailed plan for training staff, maintaining staff with key expertise in acquisition and technical areas, and aligning the expertise with the program needs of the Deepwater Project (see GAO/GGD/NSIAD–00–120).

4. Our prior work on DOD acquisition projects show that the development of new technology is the single greatest source of problems in major acquisition projects. The Coast Guard has taken this lesson to heart and has emphasized the use of commercial-off-the-shelf technology to minimize cost growth and schedule delays. A key will be to continue this emphasis and to evaluate the maturity of key technologies before the Coast Guard plans to procure them. Currently, the Coast Guard does not have objective criteria in place to conduct such an evaluation and we believe that this would be a useful tool to have.

CAN AMTRAK SURVIVE WITH THE CURRENT LEVELS OF INVESTMENT?

Question. Mr. Anderson, your report is particularly critical of Amtrak's efforts to wean itself of a federal operating subsidy. You point out that Amtrak still has a long way to go toward meeting its goal of operating self-sufficiently by the year 2003 as required in the Amtrak Reform Act. Given the fact that no other national railroad in the world operates without a federal operating subsidy, do you think it was reasonable for us to put this requirement in the Amtrak Reform Act?

Answer. The requirement probably had some positive effect because it has created an incentive for Amtrak to be more entrepreneurial. Amtrak has worked diligently recently to find ways to increase revenues. It is now turning its attention to exploring ways to manage expenses. In this respect the operational self-sufficiency requirement has benefited both Amtrak and the American taxpayer.

However, Amtrak was created because railroads could not make a profit from their passenger train operations. The operational self-sufficiency requirement may be asking Amtrak to achieve something that was viewed as unachievable in the decade before it was created. We believe that the time is right for the Congress to begin to assess the benefits to the public and to the national transportation system of Amtrak, intercity passenger rail, and high-speed rail. This would include whether and how continuing having a national network is in the public interest and the level of federal financial and other support that such a system would require.

Question. Has the Reform Act had a positive effect in getting Amtrak to get its costs under control?

Answer. In 1999 we reported on three of the act's reforms aimed at improving Amtrak's financial condition: (1) elimination of existing labor protection arrangements that provided for up to 6 years of compensation for employees who lost their job because of route discontinuance and required negotiation over new arrangements; (2) repeal of a statutory ban on contracting out work that would lead to layoffs; and (3) placing a $200 million cap on the aggregate amount that Amtrak and others must pay rail passengers for all claims resulting from a single accident. We concluded that the act would have little impact in the short term, but could provide flexibility in Amtrak's ability to control costs.

We have not studied this issue since that time. However, at least in the area of labor protection we do not believe our conclusion would change. This is because Amtrak plans to expand its route network. Because providing new service could lead to employment increases, rather than decreases, labor protection arrangements would be unlikely to be triggered in any major way. Finally, Amtrak's emphasis in recent years has been on increasing revenues (such as through its network growth strategy and introducing Acela high-speed service), rather than controlling expenses. According to Amtrak, its Strategic Business Plan released in February 2001 places greater emphasis on controlling expenses.

Question. Do you believe it will be in the national interest to liquidate Amtrak if it does not reach its goal by 2003?

Answer. We believe that this question should be preceded by an understanding of the benefits, if any, to the public and to the national transportation system that accrue from federal investments in Amtrak and intercity passenger rail. Once those benefits are firmly understood, the Congress can determine whether continuing investments in Amtrak and high-speed passenger rail are in the national interest and whether the intercity passenger rail system should be national in scope.

Question. Do you believe, given the increasing delays that aviation passengers are experiencing because of an overburdened air traffic control system, that we need to give careful consideration to the elimination of Amtrak service because of its failure to meet this goal?

Answer. The question might otherwise be posed “in what circumstances might Amtrak contribute to reducing congestion, including at airports?” The answer might be different where Amtrak is time-competitive with air lines (such as along the Northeast Corridor) than for other situations, such as longer-distance travel. Amtrak is not time-competitive for longer-distance travel and thus might not be expected to affect airport congestion for this type of travel. For example, the scheduled travel time between Chicago and Washington, D.C. is 18 hours for Amtrak and 2 hours by airplane. In summary, decisions on the role of intercity passenger rail should be guided by careful assessments of the degree to which intercity passenger rail provides public benefits and enhances our national transportation system and in what circumstances these might occur.

Question. Do you believe Amtrak’s lack of progress in closing its budget gap is a reflection of poor management or a reflection of the difficulty of the task?

Answer. We have not assessed Amtrak’s overall strategies to attempt to close its budget gap. Therefore, we cannot comment on whether its strategies were appropriately conceived and carried out. However, we believe the task given to Amtrak to become operationally self-sufficient was difficult, particularly in light of Amtrak’s legislative mandate to operate a national system that ties together existing and emerging regional rail passenger service.

There are at least two reasons for the difficulty of the mandate. First, Amtrak is not and will never be competitive with airlines over longer distances. For example, the scheduled travel time between Chicago and Washington, D.C. is 18 hours for Amtrak and 2 hours by air. Therefore, if Amtrak continues to operate a route structure similar to the one it operates today, it will continue to lose large amounts of money on many of those routes. Second, Amtrak, like any other railroad, is a capital-intensive business. Capital investments are needed to establish safe, reliable, and comfortable travel that will attract and retain riders. However, Amtrak has not been able to acquire the capital needed to meet its capital investment needs. In May 2000, we reported that Amtrak has estimated that it needs at least $9 billion (in 1999 dollars) through 2015 to meet its capital needs.

DELAYS IN CERTIFYING NEW BOEING PRODUCTS

Question. Gentlemen, you have both been critical of the FAA’s ability to develop a cost accounting system that accurately captures what the agency is spending on each of its functions. My state is home to Boeing, which manufactures many state-of-the-art products in aviation. Each of these new products must be certified by the FAA. For several years, the FAA Administrator has had to raid the funding of the certification office to make up for funding shortfalls in other offices. As a result, companies like Boeing have had to endure longer and longer delays in getting their products to the market. This past year, in order to put an end to that practice, the appropriations bill made it impossible for the FAA Administrator to shift funds out of the certification office. In fact, it prohibited the Administrator from shifting funds between the sub-accounts in her operations budget. Given the status of the FAA’s cost accounting system, what confidence should we have in the accuracy of the budget estimates that are submitted to this subcommittee?

Answer. To the extent that historical cost information is used to help prepare the Federal Aviation Administration’s (FAA) budget estimates, if that information does not come from an accounting system that appropriately accounts for costs, those budget estimates may be unreliable. For example, in the absence of an effective system to allocate labor costs by activity, labor costs charged to an appropriation account may be inaccurate. At this time, the accuracy of FAA’s costs is uncertain because FAA’s cost accounting system is still in the process of implementation.

When implemented, FAA’s cost accounting system is expected to provide a number of benefits including the ability to link its costs with programs and projects. Information about the cost of program activities can also be used as a basis to help estimate future costs both in preparing and reviewing budgets.

Question. Do you believe the FAA’s new cost accounting system is progressing to the point where we can accurately know precisely what amount is spent on certification of new aviation products each year?

Answer. Although the Federal Aviation Administration (FAA) has begun implementing portions of its cost accounting system, so far these have been focused on Air Traffic Services. Therefore, the system cannot currently be used to help determine what amount is spent on the certification of new aviation products each year.

FAA’s core cost accounting system is not expected to be fully in place until the end of fiscal year 2002 and a related labor cost distribution system is expected to be in place in July 2003. Until these systems are in place, FAA will be limited in its ability to determine the costs of certifications and its programs and services.

Question. Do you believe the Committee took the appropriate step in prohibiting the FAA Administrator from shifting funds between her operations sub-accounts?

Answer. In fiscal year 2001, Congress included nine organization-specific line-item appropriations ("buckets") within the Federal Aviation Administration's (FAA) operations appropriation. Thus, the Administrator would need statutory authority to transfer funds among the nine organization-specific line items in the fiscal year 2001 appropriation. In the past, the Administrator was given a lump sum appropriation for operations which gave FAA greater flexibility to shift funds—below a specified percentage limitation—among the nine organizations to meet new or changing priorities. The process for shifting funds above the percentage limitation—through a formal congressional notification procedure—was much less arduous than the requirements that must be satisfied for affecting a transfer.

The fiscal year 2001 appropriations language could have several consequences. For example, if a new requirement arose in FAA's certification office, the Administrator would have to either fund the new requirement by taking funds from other areas within that office or delay funding the new requirement. Either action could have an impact on that office's ability to provide services to aviation manufacturers. FAA has indicated that the agency has delayed funding a new requirement in fiscal year 2001 for additional safety staff for the certification office. On the other hand, the new statutory language serves to impose additional fiscal discipline on FAA's operations and keep them within congressional earmarks that had been previously set forth in committee and conference reports.

VULNERABILITIES IN AIRPORT SECURITY

Question. Mr. Anderson, your report speaks to the fact that our aviation system is vulnerable to terrorist attacks. This is, in part, because the screeners at the airport security checkpoints are quite ineffective. I was surprised to see the very high turnover rate of the screeners at the airports. At SEA–TAC airport, the turnover rate is 140 percent per year, meaning that the entire workforce turns over almost one and a half times per year. Isn't the high turnover rate among security personnel at these airports attributable to the very low wages that these screeners are paid by the airports?

Answer. The simple answer to this question is yes. Virtually all sectors of the aviation security community—from FAA to the screeners themselves—state that low wages is a primary reason for the high rates of turnover. Screeners across the country told us that they could not adequately support themselves or a family on the wages they received—often at or just above minimum wage. For the most part, they viewed screening as an entry-level position and did not intend to stay with their screening position.

However, there are other factors that can also affect screener turnover. These include the stress of the job (from dealing with a sometimes hostile public) and the boredom associated with the repetitive nature of screening work. Additionally, the locations of airports are often difficult to get to, particularly for those that must rely on public transportation.

Question. You pointed out that the FAA is two years behind schedule in issuing regulations requiring the certification of screening companies. Do you believe that the certification process for these screening companies, once it is established, will be sufficiently rigorous to improve the accuracy of the screeners at the airports and bring down the turnover rate?

Answer. Since this program has not yet been finalized, my answer to this question must be based on the planned screening company certification program FAA has detailed in its proposed notice of rulemaking. On this basis, it appears that the program can be sufficiently rigorous to improve the accuracy of screeners. The notice of rulemaking calls for the establishment of screening company performance standards that must be met for companies to maintain certification and consequently remain in this business. This type of rigor has not existed before and appears to be a viable method to attaining improved screener accuracy. This program may in turn require screening companies to raise wages in order to attract and retain individuals with the skills needed to perform at higher levels.

While this approach is promising, the final program has not yet been established. A key factor will be the establishment of strong performance standards and the level to which FAA attempts to "raise the bar" of screener performance. Another factor will be FAA's enforcement policy if and when companies fail to meet standards. Finally, it remains to be seen if screening companies are willing or able to raise wages to attract and retain highly capable individuals. In short, because it is still in the development phase, many uncertainties remain regarding the ultimate impact and rigor of the screening company certification program.

Question. Should a high turnover rate be an automatic disqualifying criteria for a security company seeking certification from the FAA?

Answer. We do not believe that a high turnover rate should be an automatic disqualifying criteria for companies seeking certification. In our view, the key test of a screening company is how well the company performs in detecting dangerous objects and preventing them from being brought into secure areas of airports and onto aircraft. The Federal Aviation Administration's approach of setting a performance standard appears to be an appropriate method to achieve the goal of improving airport screening. The turnover rate may be a factor that causes poor factors. Moreover, some turnover may be out of the screening companies' performance in detecting dangerous objects, but it is only one of many control (such as when individuals find the work either stressful or boring). Lastly, an automatic disqualification for high turnover could have an adverse impact. Concern over turnover rates could put screening companies in the position of having to retain poorly performing individuals—instead of terminating them—in order to stay below turnover levels that are deemed "high."

DECLINING RAIL COMPETITION

Question. Mr. Anderson, I have often heard complaints from the farmers throughout my state regarding the high rates they must pay for rail service to bring their products to market. Your report points out that continued consolidation of the railroad industry has reduced the number of Class I railroads from 30 to just 7. You also point out that, "Because of the divergent views of railroads and shippers, resolving service and competition issues will be difficult and may require congressional action." What specific congressional remedies do you believe would serve to improve competition between the freight railroads and bring the rail rates down for isolated farm communities?

Answer. This is a difficult question that could be fully explored when the Congress considers reauthorizing the Surface Transportation Board. In this regard, the Staggers Rail Act made it federal policy for railroads to rely on competition and the demand for service to establish transportation rates. Under this policy, shippers with less effective transportation alternatives pay a higher proportion of a railroad's fixed costs than those with more effective competitive alternatives (this is called "differential pricing"). Under this approach, shippers with fewer transportation alternatives could be expected to pay more to transport their products by rail than shippers with more transportation alternatives. The Staggers Rail Act is widely viewed as contributing to improving railroads' financial health and competitiveness. However, many shippers are unsatisfied with the rates that they pay, particularly in view of the poor service quality attributed to railroads.

Actions have been taken by railroads and the Surface Transportation Board to address service problems. Railroad actions have included decentralizing railroad operations, creating service centers better equipped to handle customer problems, and making capital investments designed to improve infrastructure and expand capacity. Board actions have included working with the U.S. Department of Agriculture to create a Grain Logistics Task Force to better identify grain transportation requirements. In December 1998, the Board also adopted new procedures providing expedited temporary relief from serious service problems, through service by an alternative carrier. These expedited procedures do not require a showing that the rail carrier has engaged in anti-competitive conduct. Since a number of these actions were only taken recently, it may be too early to determine how, if at all, these changes may affect competition and service levels in the rail industry and whether specific congressional actions are needed.

Finally, some recent rail mergers are still in the process of being implemented. According to Board officials, it can take up to 5 years to fully implement a merger and for benefits to start being achieved. Since the recent wave of rail mergers began around 1995–96, we are just now at the point where benefits should start accruing. Again, it may be too early to determine how these mergers might ultimately affect rates, service, and competition and whether specific congressional actions are needed.

Question. Are you optimistic that the measures taken to date by the Surface Transportation Board will have a demonstrable effect on the rates that are being paid by farming communities around the country?

Answer. We have not reviewed measures taken by the Board to determine their effectiveness in addressing such issues as rates and/or service in the rail industry.

We note that some of the Board's actions and measures were taken only recently and may not have had time to show an effect.

As we reported in April 1999, in general, rail rates have decreased since 1990, including rates for farm products. However, not all rail rates changed the same way and to the same extent. The specific rates charged to transport commodities are dependent on a variety of factors. This includes the competitive environment within which rates are set. As we discussed in this report, railroads use differential pricing to set rates. Differential pricing is a means by which railroads set rates reflecting the demand characteristics of shippers, with the result that shippers with similar cost characteristics (such as the number of railcars to be shipped or length of haul to destination) can pay different rates.

The Congress envisioned differential pricing as benefiting both railroads and shippers. Railroads were expected to benefit from gaining the pricing flexibility to retain or attract shippers that would otherwise choose other transportation modes. Those shippers with competitive alternatives were expected to benefit from lower rail rates. Shippers without competitive alternatives were also expected to benefit. In theory, these shippers would pay less than if competitive traffic were diverted to an alternative transportation mode, thus leaving those shippers without alternatives to bear the unattributable costs previously assigned to the diverted traffic. The Congress expected that the transition to differential pricing and a more market-oriented system would not affect all shippers equally because, in general, transportation characteristics and market conditions vary among commodities.

SUBCOMMITTEE RECESS

Senator SHELBY. This hearing is recessed. We will send notices around and notify members of the next subcommittee hearing. Thank you.

[Whereupon, at 3:20 p.m., Wednesday, February 14, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2002

THURSDAY, MARCH 15, 2001

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:03 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Richard C. Shelby (chairman) presiding.

Present: Senators Shelby, Murray, and Specter.

FREIGHT RAIL

STATEMENT OF HON. PERRY DOZIER, STATE PRESIDENT, WASHINGTON ASSOCIATION OF WHEAT GROWERS

OPENING STATEMENT OF SENATOR RICHARD C. SHELBY

Senator SHELBY. After holding a number of hearings on the commercial airline industry, and the first hearing on the freight rail industry this past year, it is fair to say that I am very interested in competition. I am a staunch advocate for deregulation. Accordingly, I have an unrelenting faith that free markets, through the pricing mechanism, will bring about the optimal allocation resources, and maximize economic growth.

These benefits will not be realized, however, without robust competition. That is why I believe the transportation system, not to mention our economy as a whole, is best served by rigorous and frequent inspection of the competitive nature of various transportation industries, with a vigilant pursuit of policies that promote competition.

Deregulation will not succeed without healthy competition between the carriers. Without competition, firms lose innovation and dynamism, and instead become preoccupied with protecting what they have, maximizing revenues from customers without improving service, and often seeking regulatory blessing to further isolate them from competitive pressures. This is not competition. That, my friends, is the sign of an industry in decay.

Transportation services are too vital to the American economy, to the American way of life, to our quality of life, to our national security, and to our international competitiveness to allow our transportation industries and infrastructure to stagnate and to deteriorate.

Most, if not all, of legislation that becomes law reflects compromise that is inherent to the American system of government. Consequently, many efforts to deregulate end up only partially deregulating in the industry. There are numerous examples of this, the airlines, savings and loans, and more recently, electricity in California.

The problem is that deregulating part, but not all, of the market does not bring all the benefits of a free market, and, therefore, does not necessarily make things better for consumers. So it is for freight rail.

It is clear that the Staggers Act has not beneffited some shippers, the captive ones, who have fewer transportation options, or lack genuine rail-to-rail competition. Sometimes it is as important to assure adequate competition as it is to pursue deregulation.

That is one of the reasons I wanted to have this hearing on rail competition and mobility today. Although, I understand and appreciate that the ability to engage in differential pricing is important to the rail industry's financial health, I would like to better understand why the rail industry feels that it needs to keep so many of its customers hostage to a single railroad in order to engage in differential pricing.

Like the railroads, companies in other industries engage in differential pricing, and consider it critical to success, and, again, like the railroads, companies in these other industries are characterized by a high proportion of fixed and capital costs. Movie theaters charge less for matinees than for evening showings, and give discounts to children and senior citizens.

Phone companies offer long-distance service at different rates, depending on time of day or customer monthly call volume.

Hotel rates vary for weekends and weekend stays, and for high-demand events, such as the Super Bowl, or other conventions.

Unlike the railroads, however, companies in these other industries compete with each other. They are not allowed by the Federal government to maintain monopoly control over particular customers. Companies, and some of the other industries I mentioned, thrive in competitive markets, so I do not believe that free and open competition will undermine the ability of railroads to charge differential rates, but competition will ensure that the optimal level of rates is achieved, a rate that raises sufficient revenue to continue capital investment programs and provides efficient service to its customers.

I also want to better understand why a shipper who orders a unit train of chemicals has to talk with a, quote, "chemical salesman" from a railroad, while if the same shipper wants to ship a unit train of milk, or molasses, or grain, he has to talk with a salesman for that product and pay a different rate, even if the entire shipment is headed to roughly the same location.

I think the reason is that railroads compete with other modes of transportation, but the railroads do not compete with each other. This practice has the result of alienating customers, focusing the salesman more on maximizing revenues than that on servicing customers, and discouraging cost efficiencies within the railroad.

The problem is not that railroads have an incentive to antagonize or gouge some of their customers, but rather that the railroads lack an incentive not to antagonize or gouge some of their customers. That comes from not enough competition between the railroads.

When each of the railroad companies testifying here today came to the Hill to quell opposition to the individual mergers, they stressed the resulting service improvements that would come from each merger. In fact, at one of the first hearings as subcommittee Chairman in this very room, the Norfolk Southern Chairman and CEO, David Goode, testified that the proposed CSX/Norfolk Southern buyout of Conrail was, quote, "A pro competitive proposal that would bring the benefits of better service to shippers throughout the United States, and that there will be a blossoming of competition, the likes of which the Northeast has not experienced in decades."

I hate to break the bad news, but I am not hearing from any shippers about how services improved or how overwhelmed they are with the competitive alternative. Neither have I heard of any new service awards that have been presented to the railroads, nor any management consultant firms touting railroad customer service practices as a model to improve any other industry, except maybe the airlines.

In some ways, the railroads and the airlines are uniquely similar. They both have substantial, if not insurmountable barriers to entry for new competitors. They have both moved from rate regulation to an economically deregulated environment.

Both industries are currently more focused on merging and expanding their network franchises. Both are increasingly focused on maximizing revenues from customers, rather than working with customers to meet and grow their businesses, and they only compete with others in their industries in either a non-price manner, such as frequent-flier programs, or when they absolutely have to.

Now, I know that many railroads and airlines will say that Congress should not re-regulate them. I totally agree. Let me repeat that, and say it really slowly for some of the people here today. I have no interest in re-regulation, but if the railroads want to be re-regulated, they should just keep doing what they are doing.

You will not hear me in support of open access, but you might hear of my support for policies to enhance rail competition as an alternative to rail re-regulation. The problem with crying re-regulation whenever someone expresses an interest in the health of competition in an industry is that when the re-regulators come along, you might look back fondly at some of the suggestions made by free-market advocates such as myself.

Before we hear the opening statements of witnesses, Senator Murray.

STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Thank you very much, Mr. Chairman. I want to commend you for calling this hearing this morning.

The topics of free competition and free mobility are critically important to my State. It is estimated that one out of every three jobs in Washington State are related to international trade, and a great many of those jobs are found in our agriculture and wood products industries. They are also found at our ports, which move billions of dollars of goods between Asia and the rest of the United States each year.

While I am looking forward to hearing from all of the witnesses this morning, I especially want to welcome Mr. Perry Dozier, the President of the Washington Wheat Growers Association, who is testifying on our first panel, and on the second panel, we will hear from Mr. Mic Dinsmore, who is the Chief Executive Officer of the Port of Seattle, which, in combination with our port facilities in Takoma and Everett, represents the third largest container port in the Nation.

We will also hear from Karen Schmidt. She is the Executive Director of Washington's Freight Mobility Strategic Investment Board. Ms. Schmidt was the leader on transportation issues during the 19 years she served in the Washington State legislature, and she will share with us some important insights as to how we as legislators should approach the challenge of easing freight congestion.

Last year, this subcommittee held hearings on aviation competition, and as I review the issues pertaining to railroad competition, I am struck by the remarkable number of parallels between the current state of competition and the airline and railroad industries.

Basically, deregulation in the airlines has brought those passengers who live in large cities greatly reduced fares and greater choices between airlines, but those passengers who live in isolated communities get soaked when the time comes to buy a ticket. That is largely because the air service to those communities is infrequent and competition between airlines is either minimal or nonexistent. That is why it currently costs nearly as much to fly from Pomon, Washington, to Seattle, the distance of about 250 miles, as it costs from Seattle to Washington, D.C., which is a distance of 2,800 miles.

In the railroad industry, things are much the same; although, it is much more common for rail shippers to be served by only one railroad. The isolated and low-volume shippers, the small grain elevators, for example, pay much higher rates and suffer from service-quality problems. There were a number of legislative proposals introduced in the last Congress to mandate increased competition by allowing railroads access to each other's track.

While such proposals may have merit, I think there is another important lesson to be learned here from the aviation industry. In the case of the rural and isolated airports that have very little air service at very high cost, other airlines are free to enter that market whenever they wish.

The runways are not crowded, and the local airports would welcome new airlines with open arms. Even so, competing airlines have not rushed into these markets; rather, the airlines have continued to focus on the higher profits that can be extracted from the higher-volume markets. So just providing railroads with the opportunity to compete in all markets does not automatically mean that they will choose to do so.

On several occasions, our subcommittee has heard witnesses sounding the alarm that with the expected growth in air traffic, we must take aggressive action to expand airport capacity and modernize the air traffic control system. However, we have not spent enough time talking about the fact that freight traffic is expected to grow just as rapidly, and we must find a way to build the infrastructure to handle it. If we do not, we can just expect worse gridlock on the rails and on our highways.

Just in my region of the country, container traffic is expected to grow by more than 130 percent in the next decade, and grain traffic is expected to grow by 50 percent. Too often, Federal policymakers get vague and non-committal when we talk about Federal expenditures to address freight traffic, because our railroads and trucking firms are privately owned.

The fact is that expediting the movement of freight is as critical to our national prosperity as moving people, and it is foolhardy to think that we can address one aspect of surface congestion without addressing the other.

When a parent cannot get to a daycare center to pick up a child, because they are waiting 20 minutes for a unit train to clear through a grade crossing, they do not care about a debate over private versus public ownership. They just want a solution.

Increasingly, our citizens are demanding more commuter rail options, and many of those transit systems, like the Sounder Commuter Rail, serving the Puget Sound area, must share the rails with freight traffic. Without adequate investment in that rail infrastructure, neither the private rail company, nor the commuter rail system, can prosper.

In my State, we have taken an aggressive approach towards addressing those challenges. Our State and city governments, in concert with the ports in the Puget Sound area, and the railroads, have negotiated cost-sharing arrangements to develop a program of congestion relief projects.

The Burlington Northern Santa Fe Railroad should be commended for putting up a good bit of its own capital funding to help finance this FAST Corridor initiative. The Union Pacific Railroad has participated as well. I, along with my colleagues in the Washington State delegation, have provided more than $82 million in Federal funds towards the initiative, though, we have had to cobble that money together from a wide variety of sources. One of the reasons my State has moved out on this is because we recognize that if the freight cannot travel efficiently through our State, it is going to go elsewhere.

Mr. Chairman, what you see over here on this easel is an advertisement from the Port of Vancouver, B.C. That port is only 160 miles to the north of Seattle, and has new state-of-the-art container loading facilities. They are appealing to our traffic, and appeals such as this represent a very serious threat to the economy of my State.

As Mic Dinsmore, of the Port of Seattle, will tell us in a little while, shippers using the Port of Seattle already pay $125 per container more than they do at the Port of Vancouver. So we have to take aggressive steps to ensure that our ports remain competitive, and that freight-related jobs stay within our borders.

While my State has started to address these issues head on, a national effort is really what is called for. More than 70 percent of the freight containers entering the United States through our ports are heading out of State. There is little value to our easing freight congestion in Washington if the situation is not addressed between our border and Chicago.

So I hope we will use this hearing this morning to think about how the Federal government can play a more active role at improving mobility for our citizens and our freight simultaneously. With the right policies, I believe we can both prosper. Thank you, Mr. Chairman.

Senator SHELBY. Thank you, Senator Murray.

We have two panels of witnesses. On the first panel today is Mr. Perry Dozier. He is the State President of the Washington Association of Wheat Growers, welcome, Mr. Dozier; Mr. Lamar Self, who is the Director of Distribution and Customer Service for the Mississippi Chemical Corporation, and Mr. Michael Snovitch, Manager of Fossil Fuel Supply of Pennsylvania Power and Light.

Gentlemen, we appreciate you coming today. Your entire statements will be made a part of the record in their entirety. You proceed as you wish.

Mr. Dozier, I will call on you first.

STATEMENT OF PERRY L. DOZIER

Mr. DOZIER. Good morning. My name is Perry Dozier, and I am the current President of the Washington Association of Wheat Growers, and I farm in Southeastern Washington State, raising wheat, barley, and peas.

I would like to thank the members of the Subcommittee on Transportation, of the Senate Appropriations Committee, and especially Senator Patty Murray, for the opportunity to express the concerns the growers have on issues of rail, freight rail access, and mobility.

I am in a unique area of the State, where I can choose to utilize three modes of transportation for my crop, road, rail, or water; however, the majority of the growers within our State do not have the luxury of choices. Approximately 35 percent of Washington's grain moves by rail, with over 60 percent by barge. Growers are not able to make a competitive transportation choice between barge and rail, based on competitive rates.

The rails are located too far away from the grain that is now being moved by barge, and even if it could, the rail system is not adequate to handle the volume of grain moving by barge. Even the dramatic changes in fuel prices recently have not caused intermodal tonnage changes. Approximately 90 percent of all wheat grown in Washington State is being exported. Transportation costs and service are vitally important.

In Washington, we grow and export five of the six classes of wheat grown in the United States, contributing approximately $1.8 billion to the total State output, $537 million to gross State income, and $83 million in State and local taxes. This commodity has no value until the market demands the grain, and the grain is transported to the market.

The majority of farmers who rely on road or rail as their only means of transportation are at the mercy of the carriers. Competition is vital in cost control. There are many options to choose on road transportation, four on barge transportation, but only two by rail.

Wheat growers operate in a market environment, much like the stock market, where timing of sales and delivery can gain the grower thousands of dollars. Unpredictable or inconsistent service will negate these gains, with the loss being absorbed by the grower. Sadly, with lack of competition in one industry, we see the costs increasing and service decreasing to the growers.

Many rail lines have been abandoned in Washington, leaving rural areas of the State with no choice but to use truck transportation. The costs to the growers, and the State, and the Federal government rises, due to the use of the least cost-effective mode of transportation and increased road maintenance.

In some cases, small short-line rail companies have bought the abandoned track then serving these rural areas, only to be saddled with staggering costs to upgrade the lines. As a class one railroad moves to larger and more efficient freight cars and loading terminals, many of the small short-line operators cannot utilize these advancements due to track conditions. Again, the loser is the grower or local grain merchandiser.

We have experienced delays in obtaining freight cars, damaged and unuseable cars, and non-competitive rates. For example, in a 26-car train, only 24 may be loadable. The train must be sent to market with two empty damaged cars. This is costly from both a marketing and operational standpoint. The export elevator does not receive the grain needed for shipping. While the railroad brings the other two railcars to the country elevator at some later date, it takes the same crew to load two single cars at which it did the entire unit train, which is a costly endeavor.

Even the way in which cars are obtained is mind-boggling. Elevators and growers establish a want date when the cars are needed. The railroad gives itself an additional 15 days in which to supply the cars. Customers really never know when the cars will actually show up for loading, a fact, again, that is costly and hinders efficient marketing.

This type of business environment would not be allowed to continue in other industries, because the customer would go somewhere else to obtain service. With rail, however, we have nowhere else to go, and the monopoly railroads know it.

The rail companies dictate the handling system for local grain elevators as they are moving to 52- and 104-car unit trains, leaving small-elevator operators only a single mode of transportation. Our industry is also moving towards an identity preservation system, meeting our customers' needs for qualities and blends of grain. Many times the grain merchandiser cannot fill these large unit trains, and thus must use truck transportation.

PREPARED STATEMENT

The growers and the rural grain companies in Washington State cannot pass on the increase in freight cost to the buyer. We operate in a price-take environment for our product. We know that rail access and competition is vital to our industry to promote service and keep costs in line. Moving to a system of monopolistic carriers will cripple the already wounded agricultural economy of Washington State. I ask you to take this into consideration, and promote rail access and increased competition within the U.S. rail system.

Thank you for this opportunity to testify before the committee on behalf of the Washington wheat and barley growers.

[The statement follows:]

PREPARED STATEMENT OF PERRY L. DOZIER

My name is Perry Dozier. I am the current President of the Washington Association of Wheat Growers and I farm in S.E. Washington State raising wheat, barley and peas. I would like to thank the members of the subcommittee on Transportation of the Senate Appropriations Committee and especially Senator Patty Murray for the opportunity to express the concerns the growers have on issues of rail, freight rail access, and mobility.

I am in a unique area of the State where I can choose to utilize three modes of transportation for my crop: road, rail or water. However, the majority of the growers within our State do not have the luxury of three choices. Approximately 35 percent of Washington's grain moves by rail with over 60 percent moving by barge. Growers are not able to make a competitive transportation choice between barge or rail, based on competitive rates. The rails are located too far away from the grain that is now moving by barge, and even if it could, the rail system is not adequate to handle the volume of grain moving by barge. Even the dramatic changes in fuel prices recently have not caused inter-modal tonnage changes.

Approximately 90 percent of all wheat grown in Washington State being exported, transportation cost and service are vitally important. In Washington we grow and export 5 of the 6 classes of wheat grown in the U.S., contributing approximately $1.18 billion to the total state output, $537 million to gross state income and $83 million in state and local taxes. This commodity has no value until the market demands grain and the grain is transported to market.

The majority of farmers who rely on road or rail as their only means of transportation are at the mercy of the carriers. Competition is vital in cost control. There are many options to choose on road transportation, 4 options on river, but only 2 by rail. Wheat growers operate in a market environment, much like the stock market, where timing of sales and delivery can gain the grower thousands of dollars. Unpredictable or inconsistent service will negate these gains with the loss being absorbed by the grower.

Sadly, with lack of competition in one industry, we see the cost increasing and service decreasing to the growers. Many rail lines have been abandoned in Washington, leaving rural areas of the State with no choice but to use truck transportation. The cost to the growers, the State, and Federal Government rises due to use of the least cost-efficient mode of transportation and increased road maintenance. In some cases small short line rail companies have bought the abandoned track, then serving these rural areas, only to be saddled with staggering cost to upgrade the line.

As the Class 1 railroad moves to larger and more efficient freight cars and loading terminals, many of the small short line operators cannot utilize these advancements due to track conditions. Again the loser is the grower or local grain merchandiser. We have experienced delays in obtaining freight cars, damaged and unusable cars, and non-competitive rates. For example, in a 26-car train, only 24 cars may be loadable. The train must be sent to market with two empty, damaged cars. This is costly from both a marketing and operational standpoint. The export elevator does not receive the grain needed for shipping. While the railroad brings the other two railcars to the country elevator at some later date, it takes the same crew to load two single cars as it does a unit train—a costly endeavor. Even the way in which cars are obtained is mind-boggling. Elevators and growers establish a want date, say March 1, when the cars are needed. The railroad gives itself an additional 15 days in which to supply cars. Customers really never know when the cars will actually show up for loading, a fact that is costly and hinders efficient marketing.

This type of business environment would not be allowed to continue in other industries, because the customer would go somewhere else to obtain service. With rail, however, we have nowhere else to go and the monopoly railroads know it. Sometimes, it's as if the railroads don't want to be bothered by stopping in Washington to haul our grain the shorter distance to market. They only want the long haul from the Midwest, where they obtain more revenue. The monopolistic rail companies dictate the handling system for local grain elevators as they move to 52 and 100 car unit trains, leaving small elevator operators only a single mode of transportation. Our industry is also moving toward an IP system (Identity Preservation System) in qualities and blends of grain to meet customer needs. Many times the grain merchandiser cannot fill these large unit trains and thus must use truck transportation.

The growers and the rural grain companies in Washington State cannot pass on the increase in freight cost to the buyer. We operate in a price-take environment for our product. We know that rail access and competition is vital to our industry to promote service and keep cost in line. Moving to a system of monopolistic carriers will cripple the already wounded agricultural economy of Washington State. I ask you to take this into consideration and promote rail access and increased competition within the U.S. rail system.

Thank you for this opportunity to testify before the Committee on behalf of Washington Wheat and Barley growers.

Senator SHELBY. Mr. Self.

STATEMENT OF LAMAR SELF, DIRECTOR, DISTRIBUTION AND CUSTOMER SERVICE, MISSISSIPPI CHEMICAL CORPORATION

Mr. SELF. Thank you, Mr. Chairman, Senator Murray. Again, my name is Lamar Self, and I am the Director of Distribution and Customer Service for Mississippi Chemical Corporation, headquartered in Yazoo City, Mississippi.

I have been in this current position for approximately 3 years, and have been employed by Mississippi Chemical for 34 years, all of which has been in the area of transportation and distribution.

Mississippi Chemical, through its wholly owned subsidiaries, produces and markets all three primary crop nutrients, otherwise known as fertilizers. Nitrogen-based products are produced at facilities in Yazoo City, Mississippi, and in Donaldsville and St. James, Louisiana. Diammonium phosphate is produced at Pascagoula, Mississippi. Potassium-based products are produced at two mines and refineries near Carlsbad, New Mexico.

In addition to these six production facilities, we have twenty-six distribution facilities located in the States of Alabama, Arkansas, California, Georgia, Indiana, Kentucky, Louisiana, Mississippi, Missouri, Ohio, and Texas. All of our production facilities are rail served. The majority of the distribution facilities are also rail served. None of the facilities are served by more than one rail carrier.

On an annual basis, Mississippi Chemical and its subsidiary companies ship approximately 1.8 million tons by rail, 1.4 million tons by inland river barges, and 1.4 million tons by truck.

The cost of rail transportation is a significant part of our production and marketing costs. Because the ultimate price of fertilizer is set by the marketplace, we need to have reasonably priced rail transportation if we are to compete effectively.

In recent months, we have experienced a large increase in the price of natural gas, which is an important component in the manufacture of fertilizers of various types, and there has been extreme pressure on the price of fertilizer in the world market. Thus, the need to ensure that our other production costs are competitive, including the cost of transporting our goods to market, has become even more important in this environment.

Moreover, the transportation service requirements of the fertilizer industry are very important. Fertilizer is not sold evenly throughout the year, but rather sales are keyed to the growing season. This means that the demand for transportation in the fertilizer industry is generally compressed into just a few months of the year.

We at Mississippi Chemical believe that both rail service and price needs can best be met through a system of increased rail-to-rail competition. Competition provides the spur for companies of all types to eliminate inefficiencies in their system, to place the primary focus on the needs of their customers, and respond quickly to changes in the marketplace.

In the years following the enactment of the Staggers Act, the railroads made great strides in developing new markets and identifying and using new routes, which resulted in improved service. However, in recent years, the rail industry has become increasingly consolidated through mergers, and there has been a reduction in rail-to-rail competition.

Service has suffered in these mergers, and the carriers have reduced staff. The reduction in competition has recently been accompanied by increasing pressure on the part of the carriers to increase revenue, with the shipper having few alternatives. We believe that the system needs to be re-balanced in order to provide for additional rail-to-rail competition.

We note that the Surface Transportation Board has recently proposed to require enhanced competition when considering mergers between Class I rail carriers. We applaud this proposal, and hope that the Board approves it as a final rule.

Finally, we think that the Congress should strongly consider reforms that would simplify and speed the process of resolving problems between shippers and carriers. The Board staff and resources are limited. Proceedings at the STB have usually taken many months to resolve, and are extremely expensive from the point of view of most shippers.

For example, we have been told that a stand-alone cost case at the Board to obtain a ruling as to a maximum reasonable rate would cost well over $1 million, and up to 2 years to resolve.

We believe that the Congress should consider changes that would require mandatory expedited arbitrations of disputes between shippers and carriers. We believe that such a change would provide a quicker, easier, less expensive way to resolve problems between shippers and carriers. Although the Board has approved rules that permit arbitration, those rules do not require it. Because one party to a dispute usually has an incentive to delay, voluntary arbitration under the Board's rules has not been used to date, and is not likely to work in the future.

PREPARED STATEMENT

Arbitration is a proven means of expeditiously resolving disputes between companies, and we see no reason why mandatory arbitration could not be used in disputes between shippers and rail carriers over rate and service issues. We, therefore, urge the committee to consider changes that would require mandatory expedited arbitration to resolve rate and service disputes between shippers and rail carriers. Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF LAMAR SELF

My name is Lamar Self and I am the Director of Distribution and Customer Service for Mississippi Chemical Corporation, headquartered in Yazoo City, Mississippi. I have been in this current position for approximately 3 years and have been employed at Mississippi Chemical thirty-four years, all of which has been in the area of transportation and distribution.

Mississippi Chemical Corporation, through its wholly owned subsidiaries, produces and markets all three primary crop nutrients. Nitrogen based products are produced at facilities in Yazoo City, Mississippi, and in Donaldsonville and St. James, Louisiana. Diammonium phosphate is produced at Pascagoula, Mississippi. Potassium based products are produced at two mines and refineries near Carlsbad, New Mexico. In addition to these six production facilities, we have twenty-six distribution facilities located in Alabama, Arkansas, California, Georgia, Indiana, Kentucky, Louisiana, Mississippi, Missouri, Ohio and Texas. All of our production facilities are rail served. The majority of the distribution facilities are also rail served. None of the facilities are served by more than one rail carrier.

On an annual basis Mississippi Chemical and its subsidiary companies ship approximately 1.8 million tons by rail, 1.4 million tons by inland river barges and 1.4 million tons by truck.

The cost of rail transportation is a significant part of our production cost. Because the ultimate price of fertilizer is set by the marketplace, we need to have reasonably-priced rail transportation if we are to compete effectively. In recent months, we have experienced a large increase in the price of natural gas (an important component in the manufacture of fertilizer of various types), and there has been extreme pressure on the price of fertilizer in the world market. Thus, the need to insure that our other production costs are competitive, including the cost of transporting our goods to market, has become even more important in this environment.

Moreover, the transportation service requirements of the fertilizer industry are very important. Fertilizer is not sold evenly throughout the year, but rather sales are keyed to the growing season. This means that the demand for transportation in the fertilizer industry is generally compressed into just a few months of the year.

We at Mississippi Chemical believe that both our rail service and price needs can best be met through a system of increased rail-to-rail competition. Competition provides the "spur" for companies of all types to eliminate inefficiencies in their system, to place their primary focus on the needs of their customers, and respond quickly to changes in the marketplace. In the years following the enactment of the Staggers Act, the railroads made great strides in developing new markets and identifying and using routes which resulted in improved service. However, in recent years, the rail industry has become increasingly consolidated through mergers, and there has been a reduction in rail-to-rail competition. Service has suffered in these mergers, and the carriers have reduced staff. The reduction in competition has recently been accompanied by increasing pressure on the part of the carriers to increase revenue, with the shipper having few alternatives. We believe that the system needs to be re-balanced in order to provide for additional rail to rail competition.

We note that the Surface Transportation Board has recently proposed to require "enhanced competition" when considering mergers between Class I rail carriers. We applaud this proposal, and hope that the Board approves it as a final rule.

However, we believe that more needs to be done in the area of "enhancing competition" outside of the merger context. We believe that the Congress should strongly consider ways to increase rail to rail competition, such as through the use of "bottleneck" rates where requested by the shipper. As I stated, our production or distribution facilities are served by one rail carrier—a "bottleneck" carrier—but often there is another rail carrier not too far away who could provide competitive rail service for the movement beyond the bottleneck to the destination. But under existing rules, a shipper cannot generally get a rail rate over the "bottleneck," and therefore we can't use the competitive carrier beyond the bottleneck.

Another means of increasing competition would be to give a shipper access to another rail carrier through competitive switching in rail terminal areas. Existing rules for obtaining such competitive switching are extremely onerous, and we think that the process of obtaining such competitive relief should be made significantly easier.

Finally, we think that the Congress should strongly consider reforms that would simplify and speed the process of resolving problems between shippers and carriers. The Board's staff and resources are limited. Proceedings at the STB have usually taken many months to resolve, and are extremely expensive from the point of view of most shippers. For example, we have been told that a "stand alone cost" case at the Board to obtain a ruling as to a maximum reasonable rate would cost well over $1 million, and take up to 2 years to resolve.

We believe that the Congress should consider changes that would require mandatory, expedited arbitration to resolve rate and service disputes between shippers and rail carriers. We believe that such a change could provide a quicker, easier, less expensive way to resolve problems between shippers and carriers. Although the Board has approved rules that permit arbitration, those rules do not require it. Because one party to a dispute usually has an incentive to delay, voluntary arbitration under the Board's rules has not been used to date, and is not likely to work in the future. Arbitration is a proven means of expeditiously resolving disputes between companies, and we see no reason why mandatory arbitration could not be used in disputes between shippers and rail carriers over rate and service issues. We therefore urge the Committee to consider changes that would require mandatory, expedited arbitration to resolve rate and service disputes between shippers and rail carriers.

Senator SHELBY. Mr. Michael Snovitch, Manager of Fossil Fuel Supply for Pennsylvania Power and Light.

Welcome, sir.

STATEMENT OF MICHAEL W. SNOVITCH, MANAGER, FOSSIL FUEL SUPPLY, PENNSYLVANIA POWER AND LIGHT

Mr. SNOVITCH. Good morning, Senators.

My name is Michael W. Snovitch, and I am here today on behalf of PP&L Generation, LLC. I have more than 10 years of experience dealing with railroads. Our coal-fired power plants in Pennsylvania and Montana burn approximately 10 million tons of coal a year, and we could not operate without railroads. They are necessary.

These volumes of coal cannot be transported efficiently any other way. PPL is not anti-railroad. We never have been. However, we have never been willing to pay whatever our railroad partner wanted to charge us. Where we could negotiate rates that seemed reasonable, we did so, and we signed long-term transportation contracts; however, as a captive shipper with no competing railroad to turn to, PPL has a legal right to seek relief from excessively high rates.

We attempt to approach these issues rationally. We understand that there are commodities the railroads carry at low rates, because of truck competition, and that other commodities may have to move at higher rates. Even so, there must be some limits. As manager of Fossil Fuel Supply, I am responsible for controlling PPL fuel costs, including the cost of delivering coal to our power plants.

Prior to utility deregulation, excessive rail rates meant higher prices for PPL customers. In today's marketplace for electric power, excessive rail rates can threaten the competitiveness of generating companies, and affect its long-term growth and survival.

On three occasions, when we have disagreed with the railroad over rates, we have taken the dispute to the ICC, or more recently the STB. We are in a rate case today against BNSF, because we could not reach agreement over rail rates to our Corrette plant in Billings, Montana.

BNSF offered a small rate reduction when PPL's contract expired, but we concluded these rates were well above maximum reasonable levels on the current legal standards, and when the negotiations broke down, BNSF raised PPL's rates. Since we have filed a rate case with STB last July, there have been no further negotiations.

Despite this litigation, I feel we are on friendly terms with BNSF, but negotiations between railroads and captive shippers do not take place on a level playing field. Without effective regulation, or competitive alternatives, even large shippers may get the short end of the stick, and we consider ourselves a large shipper.

Although PPL has beneffited from regulatory remedies in the past, things could be better. There are many shippers with no effective means of challenging high rail rates before the STB. They are very complex, costly cases, as has previously been stated.

In addition, some major rail mergers have led to service problems, as has been discussed. The STB has tried to help, but there is a limit to what a regulatory agency can do to complex railroad service problems. PPL believes that more competition will be beneficial for shippers, and for large and small railroads. The STB is considering new rail merger regulations that would require enhanced competition. PPL supports this idea, but more is needed.

For example, there should be better remedies against anti-competitive conduct by railroads that are not seeking to merge at the present time. Reasonable access remedies should be explored, and railroads should not be able to leverage their market power over entire routes when they have a bottleneck monopoly, which I am very familiar with, because we are involved in that case.

As shown by deregulation in the trucking industry——

Senator SHELBY. Mr. Snovitch, explain what you mean by bottleneck.

Mr. SNOVITCH. Bottleneck is where there is, say from the origin to the destination, and between that final destination you have a point in there where just one railroad serves, but there is some place in there where you can deal with two railroads. In our case, we were trying to get coal from Central Appalachia up to our power plants in Pennsylvania. The final 60 miles were served by Conrail.

At Hagerstown, they interchange with both CSX and Norfolk Southern. When we tried to negotiate rates with Conrail, they charge a very high rate to keep us from going either to Norfolk Southern or CSX. The rates that CSX and Norfolk Southern were charging were competitive, because they were competing with one another. Conrail, on the other hand, was charging some excessive rate, and we ended up before the STB on that.

What the STB requires to do was litigate the whole rate from destination to the actual origin, rather than just the bottleneck portion.

Senator SHELBY. Go ahead.

Mr. SNOVITCH. Okay? As shown by deregulation in the trucking industry, competition and the risk of lost business provide powerful incentives for a carrier to make sure its service quality is high, and its prices are fair. There has been big success stories since the 1980s with the trucking industry.

Utility deregulation and customer choice in my home State of Pennsylvania have also been beneficial. I believe the problems in California are severe, but I believe they are temporary, and we should not turn our backs on competition. Further mergers in the railroad industry may produce greater efficiency, but they may also cause service problems, and they will certainly increase the size and market power of the surviving railroads.

PREPARED STATEMENT

The STB has determined that its merger regulations need to be modernized, and we applaud them for that. Congress should continue to hold hearings on ways to improve the statute that promote competition of the railroad industry, and I really appreciate the opportunity to appear before you, and I will answer any questions that I can.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF MICHAEL W. SNOVITCH

My name is Michael W. Snovitch, and I am Manager, Fossil Fuel Supply for PPL Generation, LLC, a subsidiary of PPL Corporation. I have held this position with PPL, and the former Pennsylvania Power & Light Company, since 1989.

PPL Corporation is a rapidly growing global energy company with revenues of nearly $5.7 billion. PPL, which has its headquarters in Allentown, PA, has four principal subsidiaries.

PPL EnergyPlus is our marketing arm, marketing wholesale and retail electric power and energy services. PPL Electric Utilities serves 1.3 million industrial, commercial and residential electricity customers in Pennsylvania. PPL Global distributes electricity to over 4 million customers in the United Kingdom and Latin America, and also develops and acquires generation in key U.S. markets.

PPL Generation, where I work, owns and operates power plants in the U.S, including nearly 10,000 megawatts of electric generating capacity in Pennsylvania, Maine and Montana. In the East, our 8,500 megawatts come primarily from coal-fired and nuclear generation. PPL's 1,150 megawatts of Montana generating capacity are coal-fired and hydroelectric. Our Montana power plants were acquired from The Montana Power Company (MPC) in 1999, and most of our generation is sold under contract to MPC, which MPC uses to meet its obligations to serve Montana customers.

PPL's coal-fired power plants in the East consume over 7.5 million tons of coal annually, most of which is delivered by railroad. Because no power plant is served by more than one railroad, and because the volumes of coal we burn cannot be delivered by truck or barge, we are captive customers of the railroads serving our power plants. In the East, the railroad handling deliveries used to be Conrail, and is Norfolk Southern today. In Montana, the Burlington Northern and Santa Fe Railway delivers coal to PPL's Corette power plant, near Billings.

Rail rates make up a significant portion of the delivered cost of coal, and the delivered cost of coal is a major portion of the cost of operating these coal-fired power plants. For this reason, PPL has been active in proceedings before the ICC and STB concerning railroad regulation, railroad pricing and railroad mergers.

In past years, under regulation, we challenged excessive rail rates on behalf of our ratepayers, since the costs of rail service were recovered through our electric bills. More recently, utility deregulation has made reliable rail service at reasonable rates even more necessary, because electric power that costs too much may become unmarketable, or may affect the competitiveness of our customers. However, utility deregulation has coincided with railroad consolidation. We have therefore supported efforts before the STB and in Congress to increase competition among major railroads.

I know from personal experience that, without effective regulation or effective competition, railroads may abuse their market power, even when dealing with a large customer. The railroads may demand excessive rates or fail to maintain service standards. They may also try to influence where a customer obtains its raw materials or sells its products.

For example, when we attempted to negotiate reasonable rates with Conrail, their representative told me he would rather see PPL go out of business than accept the rates we were attempting to negotiate. At that time, PPL was Conrail's biggest utility coal customer. Also, we determined that we wanted to burn low-sulfur coal from mines served by other railroads, along with higher sulfur coal from mines served by Conrail, as part of our Clean Air Act compliance program. Conrail tried to prevent us from reaching our preferred sources of low-sulfur coal, because they wanted to keep our business for themselves.

In my opinion, a railroad should not be allowed to use its monopoly power to charge excessive rates, or force customers to use the vendors, customers and routings that are preferred by the railroad. These abuses drive up costs and lead to distortions in the marketplace.

PPL attempted to resolve its disputes with Conrail through negotiation. However, twice since 1980 we felt we had no choice but to file rate cases against Conrail before the ICC and STB. In our situation, both cases were settled on favorable terms, but some shippers are too small to litigate, and others ship to or from so many points that litigation is not feasible.

Today, PPL is involved in a third rate case, this time against BNSF. As with Conrail, we attempted to negotiate rail rates that are lower than the rates the railroad wanted to charge, but still highly profitable for the railroads. Under current law, the STB cannot even consider a rate challenge unless the rate is 180 percent of the variable cost of the rail service, and PPL has only challenged rates that were significantly higher than that.

Because BNSF was unwilling to negotiate seriously with PPL over rates to our Corette power plant in Billings, Montana, we once again decided that we had no choice but to ask the STB to set reasonable rates. The coal we burn at our Billings facility is actually delivered by Montana Rail Link, a small railroad connecting with BNSF a few miles outside Billings. We attempted to negotiate directly with Montana Rail Link but were told that BNSF controls Montana Rail Link's pricing. Smaller railroads can be as captive to major railroads as shippers are.

PPL was once a regulated public utility, and we understand regulated rates, whether they are based on the familiar public utility standard of costs plus a reasonable profit, or on the stand-alone cost test used by the STB. Unfortunately, the railroads seem unwilling to discuss costs at all, preferring to charge "whatever the market will bear."

PPL is also familiar with this approach to rates. PPL Generation is deregulated, and we must compete with other generators to sell power. The competition we face heightens our concern about excessive rail rates. Charging what the market will bear only makes sense where there is competition. In fact, I think competitive markets are more likely to produce fair prices than regulatory agencies.

Much of the freight the railroads carry is subject to competition from trucks or barges. But too many captive shippers lack both competitive options and effective regulatory solutions. More competition is needed to encourage dependable service. Recent mergers have produced severe service problems. More competition would also help keep rates reasonable without the need for lengthy and burdensome regulatory proceedings.

The STB has done some good things, like deciding not to consider product and geographic competition when it makes market dominance determinations in rate cases. It has also made some mistakes, like refusing to let shippers challenge rates over the bottleneck portion of joint line movements. PPL's last rate case against Conrail was one of the Bottleneck cases before the Board, and it is extremely difficult to understand why PPL could not just challenge Conrail's rates to our power plants, where Norfolk Southern and CSX were willing to compete to haul our coal from the mines to their connection with Conrail. As a result of the Bottleneck decision, PPL had to sue all three railroads, even though only Conrail exercised monopoly power over PPL coal shipments.

Ultimately, however, the best thing Congress can do is to rely more on competition and less on regulation to produce good rail service at reasonable rates. The Board has proposed to amend its rail merger regulations so that if transcontinental mergers occur, the merging railroads will be required to enhance competition. PPL supports this concept, but believes more needs to be done.

There should be better remedies against anticompetitive conduct by railroads that are not seeking to merge. Smaller railroads like Montana Rail Link should not be prevented from competing with their major railroad connections. In addition, reasonable access remedies should be explored. Other companies are allowed under FERC regulations to use PPL's transmission system, and consumers have benefitted from the resulting competition. Competition may sometimes fall short of producing dependable rail service at reasonable rates, particularly for smaller or isolated shippers. Effective regulation, which can simulate the effects of a competitive marketplace, should be preserved and enhanced in such situations.

I appreciate the opportunity to testify before the Subcommittee.

Senator SHELBY. Thank you. Most of you say that you are captive to rail, but can not each of your companies use truck instead? Mr. Dozier, is that a drawback?

Mr. DOZIER. Yes. Usually, with truck traffic that we have, we have a limited amount of trucks——

Senator SHELBY. Okay.

Mr. DOZIER [continuing]. If I am using my own trucks to haul. So what we do is, like I say, I myself am in a unique area, where I can use both rail on a short line, and water, but the majority of my growers that are up north in the State——

Senator SHELBY. Railroad?

Mr. DOZIER [continuing]. Do not have that, and to be able to truck their grain down, you can do it with far less rail cars than you can with the trucks, and the amount of pollutants released by the trucks are far greater than the rail line.

Senator SHELBY. Did you say earlier, if I heard it right, that most of the grain in Washington State is exported?

Mr. DOZIER. Over 90 percent of our grain is exported. We rely on getting our grain to Portland.

Senator SHELBY. Whenever you want to move your product, you have to negotiate a contract with the railroad that services you, is that right?

Mr. SELF. That is correct.

Senator SHELBY. Why do you not just negotiate a better contract? Is that because you do not have enough competition there? Is that it?

Mr. SELF. There is very limited competition. As far as rail-to-rail competition, there is none. If you have a competitive mode of transportation, such as truck or inland barge, the railroads are much more willing to negotiate, but in the absence of that competition——

Senator SHELBY. It is their price or no price?

Mr. SELF [continuing]. It is their price, and also, they tend to protect the markets that they are already serving, possibly from another source, which blocks you from being able to market your product in a given——

Senator SHELBY. Give us an example of what you mean.

Mr. SELF. I do not have a specific example right at the moment. I will be glad to get that and get back to you.

Senator SHELBY. Okay. If the railroads improved their service, would you ship more of your products by rail, if they improved their service? Mr. Dozier? Does it depend on—you have three options, do you not?

Mr. DOZIER. Yes, I do, and I am trying to think of the majority of our growers, and I would have to get in touch with those that their only choice is rail. The southern part of the State is where we have our options, where we can go from short-line railroad to the Columbia River, and then barge it; however, if we were to lose our barge traffic, then we have only one choice, and that is the Union Pacific in the southern end, and in the northern end, it is Burlington Northern. So whether or not we could get our grain efficiently to market, I am not sure.

Senator SHELBY. Okay. Mr. Self?

Mr. SELF. I would like to respond to that. In the West right now, service is pretty good. It is back to what I will call near normal prior to the mergers. In the East, however, we are still having service problems, and we are having to serve some of our customers by truck at a higher cost to them and to us then it would be if we could depend on rail service.

Our plant at Pascagoula is an example. It is extremely difficult to get rail equipment to ship covered hopper cars with fertilizer out of there.

Senator SHELBY. You ship all over the country, do you not?

Mr. SELF. Yes, we do.

Senator SHELBY. Mr. Snovitch? You are more of a captive, are you not?

Mr. SNOVITCH. We are captive shippers to Burlington Northern Santa Fe, in the West, for our correct station, and we are to Norfolk Southern in the East.

There were service problems in the break up of Conrail, but they have since been solved by Norfolk Southern and CSX, and our service is, I think, satisfactory to us. So I cannot think that improved service would solve the problem, but I want to mention as far as truck as an alternative, I will give you an example of a problem for us with truck.

Our Montour plant takes one unit train a day to serve it. If we did it by truck, it would take 550 truckloads of coal a day to serve that plant, and we would be running through a lot of local communities. So that is just not a practical alternative.

Senator SHELBY. Okay. As I mentioned in my opening statement, I want to better understand why a shipper who orders a unit train of chemical has to talk with a chemical salesman from the railroad, while if the same shipper wants to ship a unit train of milk, or molasses, or grain, he has to talk with the salesman for that product, and pay a different rate, even if the entire shipment is headed to roughly the same location. If that is true, why do railroads engage in this type of practice?

Mr. Self, are you familiar with this?

Mr. SELF. Well, yes. We have specific salesmen from company to company that we deal with, but since we are only dealing in fertilizers, that does not really present a problem.

Senator SHELBY. He is dealing in coal, and he is dealing in rain.

Mr. SNOVITCH. We also deal in petroleum——

Senator SHELBY. Okay.

Mr. SNOVITCH [continuing]. And we have cases where the petroleum-coke person is different than the coal person. In fact, for the same shipment, you will get a different rate.

Senator SHELBY. Okay. Do the class one railroads impede shortline from offering competitive service to shippers? Mr. Self?

Mr. SELF. Yes, sir, I feel they do.

Senator SHELBY. Mr. Dozier?

Mr. DOZIER. Yes, I do feel the same.

Senator SHELBY. Mr. Snovitch?

Mr. SNOVITCH. I know that for a fact.

Senator SHELBY. You have seen it, have you not?

Mr. SNOVITCH. Yes, I have, in the East and in the West.

Senator SHELBY. Can you give specific examples of how consolidation in the rail industry has affected your rail service, the rates, and overall rail transportation costs? Mr. Snovitch, I will start with you.

Mr. SNOVITCH. To us, there was the breakup of Conrail. We were fortunate enough that we had a case before the STB among all three, Norfolk Southern, CSX, and Conrail. As a result of that, to resolve some issues with them, during the breakup we were able to succeed in getting what we consider pretty successful or useful rates, economic rates. So it has not affected us adversely at this present time, other than there were some service problems during the initial breakup of Conrail.

Senator SHELBY. Mr. Self?

Mr. SELF. I do not know how far back we want to go, but stop me if I go too far back. I will start with the first major railroad, which was between the ATSF and the BN. As I mentioned earlier, we have two mines at Carlsbad, New Mexico, and they were vastly affected by that merger. Service shortly after the consummation of that merger was very poor. We had cars that sat typically for 21 days in Carlsbad before leaving town to go to our customers, and this hit at the height of the spring season, when we could stand at least.

Shortly on the heels of recovering from that, the union Pacific and the SP merger, I will not reiterate the problems that we all experienced with that, and then about the time that began to quiet down, we had the split up of Conrail, and we went through it all again in the East. So I have yet to see a merger that has resulted in improved service and lower cost.

Senator SHELBY. Mr. Dozier?

Mr. DOZIER. I do not have any specific example that I could give you right now, but I can get that from one of the northern——

Senator SHELBY. The record will stay open, Senator Murray, and I will keep the record open, because——

Mr. DOZIER. Okay.

Senator SHELBY [continuing]. This is important.

Mr. DOZIER. Thank you.

Senator SHELBY. Are the existing dispute resolution options provided to rail customers by the Surface Transportation Board adequate? Mr. Snovitch?

Mr. SNOVITCH. We have been successful, and we have used them, but like I say, they are very costly, very complex, and there are some—it makes it almost impossible for certain shippers, captive shippers, to come before the Board.

Senator SHELBY. Are they efficient?

Mr. SNOVITCH. Not as efficient as they could be.

Senator SHELBY. Okay.

Mr. SNOVITCH. They could be more efficient. Absolutely.

Senator SHELBY. Mr. Self?

Mr. SELF. As I stated earlier, it is extremely expensive to present a case and go through the process at the STB, and I do not mean to be critical of that. However, in our particular case, we are serving many, many destinations, many of which would be considered small volume, and it simply does not make economic sense to carry a case to the STB——

Senator SHELBY. How long do the cases last, on average?

Mr. SELF. I have heard typically 2 years. Having never actually presented one and gone through it, I really do not know, but I have heard 2 years or better.

Senator SHELBY. Mr. Dozier, do you have any comment?

Mr. DOZIER. No. As a grower, we do not work directly with the STB.

Senator SHELBY. Okay. One protection for rail customers from the risk of market power abuse is the STB's competitive access regulations that enable a customer to secure access to a second carrier if it is shown that the existing carrier has abused its market power through its rates or service. Are you folks aware of this provision, and has it ever been applied? Mr. Snovitch?

Mr. SNOVITCH. I am not really familiar with the provision. I do not know of it being applied.

Senator SHELBY. You do not know. Okay. Senator Murray, thank you for coming.

Senator SPECTER. Senator Murray, would you yield to me for just one question, because I cannot stay too long.

Senator MURRAY. Yes.

Senator SPECTER. You made a comment that the situation was aggravated with the breakup of Conrail. Could you be more specific about what happened there?

Mr. SELF. Well, in our particular case, shortly after the break up of Conrail, we began to notice service deteriorate in our primary area, which is south Alabama, south Georgia.

We have a pretty sizeable terminal at Bainbridge, Georgia, and another one at Albany, Georgia, and where typically it had taken 6 to 7 days consistently for cars to reach origin to destination, it suddenly began to be 10 days, 2 weeks, and 3 weeks, and then addition to that, once they arrived at the destination, the terminal, it would take a week or more for cars to be spotted, and what we were told was that because of problems in the Northeast, power and personnel were being sent north to work on those problems, and that resulted in worse service for us.

Then as they began to correct those problems, they brought equipment back south, and it began to ease somewhat, but it is still far from what it was prior to the breakup.

Senator SPECTER. Thank you for letting me ask that question. I question whether the resources were directed to the Northeast. I hear so many complaints in my State of a similar nature that I just wanted to pursue that.

Senator SHELBY. If I could just take one second. Do you ship from Pascagoula all the way up into the Northeast everywhere?

Mr. SELF. No, sir.

Senator SHELBY. You do not.

Mr. SELF. No.

Senator SHELBY. You ship from where to where, generally?

Mr. SELF. From Pascagoula, as far as rail service, we go to Alabama, to Missouri——

Senator SHELBY. Okay.

Mr. SELF [continuing]. Tennessee, primarily the South and——

Senator SHELBY. The South and Midwest, a little.

Mr. SELF. Right.

Senator SHELBY. Thank you. Senator Murray.

Senator MURRAY. Thank you very much, Mr. Chairman. Mr. Dozier, you stated in your opening remarks that wheat farmers have experienced delays in obtaining freight cars, and that some of those cars have arrived in damaged or unstable conditions. The Burlington Northern has maintained that they have not experienced grain car shortage problems in Washington State since 1997. Would you concur in those observations? Have you experienced any problems since 1997?

Mr. DOZIER. Well, the only thing I can elaborate on that would be the fact that if there has not been—the State of Washington, I believe, has purchased over 100 cars in the last 3 years.

Now, if there was a shortage of cars, or if there was not a shortage of cars, then why would the State spend the money to do—to purchase more cars? I would think that would be to help the efficiency and availability of cars. I am not real sure why the State did that.

I also know that in our area, down in Southeastern Washington, the short-line railroad that has taken over and abandoned track, a third party has purchased cars there to make sure that that short line can meet the needs of the rural communities, and not be held captive to the unit trains that come in, and have to load 26, or 52, or 104 cars from some of those small towns that are 50 miles from the Columbia River. So that is about the only experience that I could have on that.

Senator MURRAY. Mr. Dozier, again, what observations can you share with this committee regarding the trends in rates that the wheat growers have been paying the railroads over the last dozen years?

Mr. DOZIER. There, again, being a grower, we deal directly with the grain merchandisers, and I know that based on where we deliver, whether it is to a terminal facility, or to a port, or if it is by truck, we can gain more of a premium for wheat.

Now, if we had, I think, more competition or more access to rail, then I think we could move our grain at a lower price. I am not sure if their pricing structure has changed over the years, because I do not have to deal with that directly as a grower. It is through the merchandiser.

Senator MURRAY. Okay. You may not know, but do you know if rail rates changed when the diesel fuel prices started to rise a year ago?

Mr. DOZIER. I am not sure if they have. I know that the trucking industry obviously have passed on those increased expenses to us growers as we try to move our grain, and it may have been the same way in the other industries.

Senator MURRAY. How much flexibility do you have in shifting between transportation modes? You said where you are you can use the Columbia River, or trucks, or train. Are you very flexible on that, or is it difficult to——

Mr. DOZIER. As long as we have a short-line railroad operating, we can use the rail service. If that short line goes out of business, we just have truck or barge. If a barge goes out of business, we have only rail, which for that would require truck to one terminal, because we are not served inland 60 miles from the Columbia River by any rail service other than short line.

Senator MURRAY. This is more for all three of you. I think you are all familiar with certain legislative proposals that would require railroads to grant their competitors access to their tracks in order to bring competition to more shippers.

If those kinds of legislative proposals were enacted, are you confident that other class one railroads will want to commit their resources and equipment to providing competitive rate service?

Mr. DOZIER. In Eastern Washington, it is hard to tell, because we are at the end of the line right there, and whether or not they will compete with one another to get the grain to pour it, I am not sure. I would hope that they would do that, be more competitive, but being at the end of the line of a rail company, I am not sure that they would.

Mr. SELF. I really do not know what the answer to that is. I am not certain I understand how that would work, but I certainly lack the concept, and would pursue it further. I would hope that if there was some real way to make competition available there, that more than the railroad that is now serving us would also want to serve us.

Mr. SNOVITCH. I believe it would, and my analogy is the electric utility business. I mean at one time we never wanted to go into other people's service territory and build an own generation, but once you see if you can make money, you are going to try to compete, and you are going to—they are going to go into that service territory, and I think the same thing would happen with the railroads. The best one will win, or the best ones will win.

Senator MURRAY. Well, thank you, Mr. Chairman, and I do have some other questions, and I might submit a few of them.

Senator SHELBY. Sure. The record will stay open. Gentlemen, we thank you for being our first panel, and we appreciate your views, and some of the questions that were asked, you were going to furnish the information to the committee, and we would appreciate that very much. Thank you for appearing here with us.

Our second panel will be Mr. Richard Davidson, Chairman, CEO, and President of Union Pacific Railroad; Mr. Rob Martinez, Vice President of Marketing Services and International, Norfolk Southern Corporation; Mr. Peter Rickershauser, Vice President, Network Development, Burlington Northern Santa Fe; Mr. Mic Dinsmore, Chief Executive Officer, Port of Seattle; and Ms. Karen Schmidt, Executive Director, Freight Mobility Investment Panel, State of Washington.

We welcome all of you here as our second panel. Your written statements will be made part of the record of this hearing in their entirety, and if you would basically sum up your comments.

We will start with you, when you are ready, Mr. Davidson.

STATEMENT OF RICHARD K. DAVIDSON, CHAIRMAN, CEO, AND PRESIDENT, UNION PACIFIC RAILROAD

Mr. DAVIDSON. Thank you, Senator. My detailed comments, graphs, and charts will be much more explanatory, I suppose, than my remarks.

Senator SHELBY. Take your time on it, and explain it. We want to learn.

Mr. DAVIDSON. Absolutely. We just have a few that we are going to show, but first off, let me thank you for inviting us here.

I am Dick Davidson, Chairman of the Union Pacific Corporation. I have had 41 years in the business this coming July, so I have seen it all, the good, the bad, and the ugly, and I am happy to say we are seeing better times today.

The Union Pacific has recovered from the problems we had a few years ago, and we are strong and healthy today. In the year 2000, our traffic grew by 4 percent, on top of 8 percent growth in 1999, but as you know, we are in the midst of a slowing economy right now, which is displayed on this chart. You can see how we sort of fell off a cliff in the fourth quarter of last year, and I am happy to say in the first quarter of this year, we saw it bounce back in January——

Senator SHELBY. Do you want to run through your chart with us just slowly?

Mr. DAVIDSON. Surely. Can I extend my 5 minutes?

Senator SHELBY. Yes, sir. Slowly. Take your time.

Mr. DAVIDSON. We saw a record growth actually in the month of October. We were up year over year in the months by about 7 percent.

Senator SHELBY. Why was there record growth? Was that because the economy was hot? Was it cold? Grain? Was it a combination of things?

Mr. DAVIDSON. It crossed all commodity lines.

Senator SHELBY. Okay.

Mr. DAVIDSON. Our automotive traffic was very strong, coal growth was good. Basically everything was hitting on all cylinders. In the month of November, though, we saw a decided softening, particularly in the automotive and chemical business, and those sorts of commodities, with only 1.3 percent growth, and then in December, when we were hit with extremely tough winter weather, and a huge slowdown in automotive production, we were actually down 5 percent year over year.

Then in the beginning of 2001, in the month of January, once again we saw a 5 percent growth, and that was driven mostly by strong energy loadings, coal——

Senator SHELBY. Cold winter, maybe?

Mr. Davidson. Cold winter. No question about it.—and a good operation in the Powder River Basin, and also Utah and Colorado, plus we saw strong agricultural loadings, too.

Grain picked up markedly, and so in the month of February, once again, bad weather hit, and it kind of slowed things down again, but I am happy to say that in March we are up about 4 percent so far for the month, once again, driven primarily by strong coal loadings and agriculture, but I am happy to say the automotive business is not as weak as it was earlier in the year. Our auto business has only down about 3 percent for the month, so it has been a pleasant surprise.

Senator SHELBY. When you say auto business, is that the shipping of parts, of cars, or what?

Mr. DAVIDSON. It is both. Our business, we have a very strong market share in the western part of the United States, fortunately. About 75 to 80 percent of our movement is finished automobiles, and about 25 percent is parts, and parts is a great growth area for us as our service gets better and better. We are replacing truck in many categories.

We have recently introduced a broad range of new products, service innovations that have brought to us and have made possible by the mergers we have gone through. A number of those are laid out, nine or ten, in number, in my written testimony, that I will not go through, but I want to mention one as an example.

This is a new service we call Speed Link, which is shown here on the easel, that runs between Portland and Los Angeles, and it is actually a combination of truck and rail service, coupled. We are running a fixed consist of boxcars between those two cities, with truck bringing less than boxcar loads of business to the rail system, and transloading these commodities from truck, to rail. We run expedited service to Southern California, and then do just the reverse. We take the products out of the boxcar, put it on truck, and deliver it in small lots to the customer. So it is an innovative new service that is going to start up in the middle of next month, once again made possible by the merger.

It would not have been possible, except for the merger of the Union Pacific and the Southern Pacific. There was no contiguous rail line that ran from the Pacific Northwest to Southern California. Today, there are two.

We have also created new alliances with our connecting railroads to provide new service and improved existing services. Again, there are a number that I have pointed out in my written testimony, but I wanted to just point out one today, that we call Express Lane service, with the CSS Railroad, that originates in the central part of California and the Pacific Northwest, and this is aimed at agricultural products, like grapefruits and vegetables.

As an example, in our annual report this year, we have featured one of those customers, Sunkist Growers. The wine shippers and a number of other customers have availed themselves of this service. It is guaranteed service from the West Coast to New York, Boston, Atlanta, and Florida.

Senator SHELBY. How many days?

Mr. DAVIDSON. Eight days to New York, and nine days to Boston. Now, you will say that is not as fast as truck, and it is not. Trucks could probably do it in six or seven, but the customers are looking more for reliability. In fact, in our service guarantee, we offer your money back if we do not meet the target.

We charge a little premium for that guarantee, but our service has been so reliable that none of the customers use that guarantee. They just rely on our service without it.

Senator SHELBY. How much more can you ship per car than they can put on a truck?

Mr. DAVIDSON. At least three truckloads per car. So it has been meeting with phenomenal success. We are bringing a lot of that good West Coast wine to the East, you will be happy to know.

Senator SHELBY. Senator Murray would, in the Columbia Valley, right?

Senator MURRAY. The Washington State wine. Correct.

Mr. DAVIDSON. I have heard service mentioned a number of times this morning, and we were certainly part of that when we had trouble with our merger integration, but I am happy to say today we are offering, in most cases, very good service. In fact, we make customer surveys every month to measure their satisfaction with us, and we are at all-time high levels of customer satisfaction today.

But the key to that, to good service and improving service is investment. Over the past 5 years, we have put $10.5 billion in capital in our system to provide better and better service. This year, we intend to spend almost $1.9 billion again, even though this is a tough year for us economically.

Last year, we acquired over 450 new locomotives, replaced about 1,200 miles of rail, installed over 3.3 million ties. A good example of investment power, and the relationship between investment and service, was a project we had across central Nebraska, where we actually, in one case, built the fourth main track, and in another case built a third main track for part of this railroad, and upgraded the other two at a cost of over $325 million, which you can see the results that have flown from this.

Our trades per day are up substantially, and we have capacity for many more. Our velocity has increased over 50 percent. Our re-crew rates have dropped by 80 percent, and we have the capability to grow by about another third.

Senator SHELBY. What do you mean by re-crew rates——

Mr. DAVIDSON. Re-crew rates is where you have so much——

Senator SHELBY [continuing]. Because we do not know.

Mr. DAVIDSON. I am sorry. I should have been more explicit, but——

Senator SHELBY. No, no. She might know, but I do not know what——

Mr. DAVIDSON. I am probably taking too much of your time.

Senator SHELBY. No, no. This is important.

Mr. DAVIDSON. A re-crew is when you have congestion or do not have adequate capacity, and your train does not get from its point of origin to its destination within the prescribed time, which is 12 hours, and then you have to transport another crew out, and——

Senator SHELBY. That runs up labor costs, does it not?

Mr. DAVIDSON. Oh, it is terribly expense. That is exactly right. So that is why it is important that we, as our business grows, that we have the revenue to support capital investment to extend that capacity. That is just one example. There are many, many more.

The number one focus on railroads, though, is safety of our employees. We have $50,000 people working day in and day out on the Union Pacific, and I am happy to say that we have been able, through continued strong investment, to provide a safer place to work, as you can see on this chart.

You can see what has happened in the trend with employee personal injury since deregulation in 1980——

Senator SHELBY. How have you done this?

Mr. DAVIDSON. Well, through improved processes, procedures, improved——

Senator SHELBY. Training?

Mr. DAVIDSON [continuing]. Training, and improved workplace, a better track structure, better signal systems, better equipment for the employee to work on, and certainly, training. So it has been a great story, and one that reduced spending would certainly jeopardize.

I wanted to talk about our merger with the Southern Pacific a little bit. People have said there is reduced rail-to-rail competition.

The truth of the matter is, that is the furthest thing from the truth, because wherever our two railroads serve a common customer, we substituted, through a cooperative effort with the Burlington Northern, to step in the role of the SP, and to provide competition, so what we had was a dying railroad with the Southern Pacific, they were losing $500,000 a day, 365 days a year, when we acquired them, and we substituted the Burlington Northern, which has enormous reach, enormous strength, and strong finances, to compete, instead of the SP. So actually, competition was strengthened, and not weakened.

Additionally, as I mentioned, we brought railroad competition along the I–5 corridor in the Western part of the United States. Where before there was not even one railroad with a contiguous operation, there are now two.

New competition has also been introduced, with the ability to introduce transload facilities, like I talked about between Portland and Southern California, BN now has the right to build in or build out to places where the SP had that right prior to our merger. In fact, it has just been exercised, where it was a recent announcement, where Burlington Northern is building in to a Union Carbide facility in Southern Texas, where they have the economic incentive to do so, and will provide head-to-head competition for their business.

It also happened in the Powder River Basin. The Union Pacific built into the Powder River Basin in the early 1980s, where we had an economic incentive to do so, not because of forced government regulations. It was a free market that permitted that to happen.

The challenges we have facing us today are the cost of capital, and once again, you can see the chart displayed here. Red shows what the range of what the cost of capital is, yellow shows what the railroads are achieving today, and as you can see, is far short of what the market would require. You could put your money in a government bond and be better off than buying a railroad stock.

Senator SHELBY. But are you not doing better?

Mr. DAVIDSON. We are doing better. I am happy to say we are doing better.

Senator SHELBY. You have to do better.

Mr. DAVIDSON. You are exactly right, or nobody is going to invest in us. Railroads are making progress, uniformly making progress. However, a strong group of shippers, some shippers, now would like to see us re-regulated, or would like to see forced access to give our competitors access to the facilities we serve. This is something they would resist to the death if their competitors suggested the same thing with their plants. They would fight to the death against it.

Senator SHELBY. How do we work that out? How do we do this——

Mr. DAVIDSON. Just like I said——

Senator SHELBY [continuing]. Because we are not interested in re-regulation, but we are very interested in competition, and the shippers, you were here earlier, and you heard them, and we hear from them every day.

Mr. DAVIDSON. Let me mention——

Senator SHELBY. That is the problem, how do we bring real competition to where you have captive shippers?

Mr. DAVIDSON. Today, railroads enjoy about 9 percent of the freight revenue produced in the United States. Trucks have over 80 percent. Barges and pipelines have the rest. I would say there is an awful lot of competition in this country today, or we would certainly have revenues far stronger than that.

Senator SHELBY. But in certain areas, there is no real truck competition. We just heard from the gentleman from Pennsylvania here, coal and others, and the one from Mississippi, Mr. Self, and so forth. What we are interested in is——

Mr. DAVIDSON. Mr. Self, I am happy to say, is a great customer of ours.

Senator SHELBY. I know that. He did not say he was not.

Mr. DAVIDSON. No, he is, and we enjoy a great relationship, and I would also tell you that his facilities where their fertilizer is produced are located on the Mississippi River, and you heard him say he ships over $1 billion in transportation costs out of those facilities every year, and I would love to crack more of that and put it on the rail.

In fact, we are working very hard today to convert more and more water competition to the rail, and I will give you another example.

In the Houston Port area, which is the largest chemical complex in America, you hear about lack of competition, but the truth of the matter is, according to our best estimates, only about 30 percent of the product produced in the Port area moves by rail. The rest moves by truck, by pipeline, or water. So there is a huge amount of competition out there, and where there is an economic incentive for a rail to build in or build out, or a customer to build in or build out, they will do it, and I have seen it time after time.

There is a large power plant down just south of Houston that was served with just the Burlington Northern. They built 25 miles of railroad to get to us. There were a group of chemical customers just south of Houston that were served just by the Southern Pacific before we acquired them. We made a deal to build into them.

The Burlington Northern today is building a new railroad into a chemical customer, so where the economics of the deal will support that sort of competition, it will happen, but it is not because of forced access by the government. That is the difference. It will happen, if there is an economic reason to do so.

Senator SHELBY. Well, we have been hearing that there is an economic reason to do so. That is why we wanted to have you up here today.

Mr. DAVIDSON. Well, I will tell you, and I commensurate with the gentleman from Washington, quite honestly, where he has short-line railroad serving his grain elevators, but I have been in the situation, from a big railroad point-of-view, where those branch lines are not economic to serve, and we have tried to reach accommodations with short-line operators to put them in our stead, because their costs many times are lower than ours, and they can be more nimble than we can, and we have seen it succeed many times, where they were to grow the business, and we have not, but it is just a case of economic reality, if there is not enough business there to support the operation, I mean no amount of wishing can make that go away.

Senator SHELBY. What about competition——

Mr. DAVIDSON. It is a fact of life.

Senator SHELBY [continuing]. Between the railroads themselves? Most of you are railroad people, but we have examples, and have been told of this, where there is really no competition between railroads. I do not know how we work this out. I do not want to re-regulate, but I certainly want to bring competition. If we do this, that is why we are holding these hearings.

Mr. DAVIDSON. Senator, I must tell you, I think in some cases that is going to be very difficult to do, if there is not the density of traffic there to make it economically possible. Obviously, everybody loves rail service, because it is far more economic than trucks, or in many cases, even water, but you have to have the economics there, unless the government wants to own it and subsidize it through the taxpayers.

Senator SHELBY. Oh, no, we do not want that.

Mr. DAVIDSON. You had a dose of that once, and——

Senator SHELBY. The North has had a lot of doses of it, have they not?

Mr. DAVIDSON. Excuse me?

Senator SHELBY. The Canadians have had a big dose of it.

Mr. DAVIDSON. Well, sure, and the Europeans, and Mexico. In fact, as you know, the government used to own all the railroads in Mexico. Today, they are privatized, every one of them, and you know the model they used was the U.S. rail system.

Senator SHELBY. I personally do not want the government to own anything, you know, not in——

Mr. DAVIDSON. That would be an unintended consequence, so if you tried to force government-forced access, that is—if there is not an economic motive to do it, if there is not an economic support system, it will fail. It is just—however unintended the consequences are, that would be the outcome of it.

Senator SHELBY. What about people who have brought up to me, and they say, well, you know, in the utility business, the transmission of electricity wheeling, which FERC has mandated basically that the power lines be used by the non-owners in a sense——

Mr. DAVIDSON. Right.

Senator SHELBY [continuing]. What is wrong with the competition, I mean the analogy of wheeling of electricity to railroads? I am talking about the free competition between the railroads themselves.

Mr. DAVIDSON. Let me say this, I am certainly not an expert on utility deregulation.

Senator SHELBY. Well, none of us are.

Mr. DAVIDSON. I guess it has worked out in some cases, and in other cases, it has been a miserable failure. I would say this, though, nobody has ever talked, when they talk about taking away our assets, they have never talked about reimbursing us for those assets, or reimbursing us for lost revenue.

As I understand the electricity business, and we have a gentleman here from PPL who could explain it a lot better, as I understand it, they have been able to capture their standard costs somehow, and that is something nobody has ever talked about in the railroad business, is somebody handing us a check and saying we are going to expropriate your assets, and here, we want to compensate you for that. They talk about it like it is free, and it is not free.

Senator SHELBY. Nothing is free. We are not advocating that at all.

Mr. DAVIDSON. Nothing is free.

Senator SHELBY. In fact, I am not advocating anything except competition.

Mr. DAVIDSON. That little 108 miles I talked about right there, that was the $350 million project to do that, so the railroad business is a very, very expensive business, and anything that reduces our return on assets or our profits is going to take away our ability to reinvest.

You saw that we put 21 percent of our revenue back into the railroad every year in capital improvements. The next most costly capital industry, capital-intensive industry, in the United States takes 5.5 percent of their capital to go back in——

Senator SHELBY. Well, we want you to make a profit, but now I believe everybody does better when there is more competition, and that is what we are talking about.

Mr. DAVIDSON. Well, I understand, but let me reiterate——

Senator SHELBY. You are talking about the return on your investment, and we are talking about competition, which more competition might bring you a better return.

Mr. DAVIDSON. Well, I know. A lot of people espoused that theory, but I will tell you this, if putting two railroads, where one has been running, if there is inadequate capacity, and that sort of thing, is a foolhardy way to approach it, and we saw that when we had our merger trouble, because we had some railroads that were introduced that were supposedly going to help us, and it just made things worse, because of the congestion it created, but anyway, I will get through my remarks here.

Senator SHELBY. You go ahead.

Mr. DAVIDSON. If you force access, along with that you are going to have price controls, which is what we had before 1980, when the current-day STB, which was then the ICC, used to have to approve all of our rate increases, or decreases, and we could have no contracts. Twenty-five percent of the railroad industry was bankrupt in those days, when the government controlled the pricing.

We figure today, if forced access came about, as a number of people have advocated, it would result in a minimum of 40 percent of our operating revenue going away, which would virtually put us under water, and take away the ability to reinvest in our railroad, so obviously, you can tell that I feel rather strongly about that.

PREPARED STATEMENT

I would urge you to reject any of those attempts to take our assets away, and force access, and not put us back in the bad old days before Staggers became the rule of law in 1980. That is it. I would be happy to answer any more questions that you might have.

Senator SHELBY. Thank you.

[The statement follows:]

PREPARED STATEMENT OF RICHARD K. DAVIDSON

Good morning. My name is Dick Davidson, and I am the Chairman and CEO of the Union Pacific Corporation. I am pleased to be here today, and I thank you for the opportunity to testify about competition in the rail industry and freight mobility.

However, before discussing these issues, I should probably tell you a little about my background. I started as a brakeman on the Missouri Pacific Railroad in 1960. I worked my way through the operating ranks at Missouri Pacific to become the Vice President of Operations. Union Pacific Railroad then acquired the Missouri Pacific, and I have held various positions with the UP including Executive Vice President of Operations, Chairman and CEO of the Railroad, and Chairman and CEO of the Corporation. I have been part of the rail industry all of my working career. I tell you this because our industry's history is critical to the future of our success. I was part of this industry when the government heavily regulated it. I have seen first-hand the lack of investment and stagnation that occurs when the government, rather than the marketplace, determines what constitutes competition. Since 1980, the shackles of government regulation have been lifted. This has meant increased investment, increased productivity and increased safety. At the same time, rates have fallen over 50 percent. There are some who want to go back towards reregulation. As one who lived through those dark times, I can safely say that would be a terrible mistake.

As you know, our industry has gone through a series of mergers, and service disruptions followed for many rail customers. In our case, we came out of those problems in 1998, and I am happy to tell you that UP is once again strong and healthy. As you can see in 2000 our traffic grew by 4 percent on top of a 7 percent growth in 1999. Although we are still in the midst of a slowing economy, we are optimistic about continued growth in the future.

To aid that growth, we have recently introduced a broad range of new service products. These include:

—I–5 service that provides express service from the Pacific Northwest to Oakland, Los Angeles, and Phoenix;
—Intermodal outreach;
—Auto parts transload; and
—Speed Link.

The I–5 service is a product we would not have been able to offer without the UP/SP merger. Prior to our merger with the SP, no railroad had single line service up and down the West Coast. As you can see both the UP and BNSF have this capability as a result of the merger. This service allows us to take traffic from the Pacific Northwest to various cities in the Southwest in a 5, 7, or 9-day timeframe, depending on the customer's needs.

The other three services expand our market reach by providing high quality transportation designed to meet our customers' requirements. Some of these products combine premium train service with truck and transload service. Our goal is to offer products where we can partner with trucks to offer our customers services based on what each of us does best—rail for the long haul and trucks for the short haul.

The Intermodal outreach program is truly unique. Partnering with trucks based on what each of us does best, we have been able to expand our market reach. With this program, we go to customers who have not been able to use rail service because they don't have a rail spur. A truck picks up or drops off the merchandise, brings it to us or takes it from us, and we handle the long haul. As you can see this has allowed us to reach into places like Detroit and Columbus.

The auto parts transload is another example of partnering with trucks. With this product, three truckloads of auto parts are shipped to St. Louis and put into one boxcar. We then take the auto parts by train to Mexico City. Shipping these parts by truck alone takes 8 days. By partnering with trucks, we can now deliver the parts in 6 days.

Our newest product offering is Speed Link, and it will start in mid-April. As with the other services, this product also has us partnering with trucks. Speed Link is focused in the I–5 corridor along the West Coast. It again is geared to customers who have not traditionally used rail. A truck will go to the customer, pick up or drop off the merchandise, bring it to us or take it from us at a transload center, and we will handle the long haul. This service is aimed at business that would normally go by truck from the Portland area to Los Angeles, and we will be able to get our customers' goods to destination in 45 hours.

We have also created new alliances with our connecting railroads to provide new services and improve existing ones. These include:

—Express lane service with CSX for food and food products;

—UPS coast-to-coast with Norfolk Southern;
—Pacific Canadian-American service with the Canadian Pacific; and
—Joint dispatching with the BNSF.

While Speed Link and the other services I talked about have us partnering with trucks, these products have us forming alliances with other railroads to offer new services.

One of our most exciting new products is express lane service with CSX. With this service, we offer seamless transcontinental service to bring perishable food and food products from California and the Pacific Northwest to the East Coast. This started out with 40 cars on one train going from the Pacific Northwest to New York and Boston. It has been so successful that we are now expanding the service to Georgia, Florida, Boston, New York and Baltimore. We guarantee this service, but because our service has been so consistent, only two of our many customers have purchased the guarantee. These are customers like Sunkist and Grimmway Farms who haven't used rail for years because the commodities they are shipping are perishable. In addition, 40 percent of this business originates on shortline railroads that interchange the business to us. Using alliances with shortline and Class I railroads, we are able to bring these customers back to rail.

Another great example is our alliance with the Norfolk Southern to bring new, improved seamless service to UPS, one of our major customers. UPS came to us requesting 5 day, coast-to-coast service. By working with the Norfolk Southern, as if we were operationally one railroad rather than two, we were able to meet that customer's needs, and I am proud to say that we have gone eight months without missing a single sort. (A sort is our deadline that requires us to arrive at our destination within a prescribed two-hour window.)

The Pacific Canadian-American Service with the Canadian Pacific Railroad is another example of how alliances work. The Canadian Pacific sweeps the Pacific Northwest for products such as potash, lumber, and paper. Then we partner with them to provide seamless service to central California. We can do this 2 to 3 days faster than before, and it is so successful that we have been able to increase the volume of this traffic by about 30 percent over the last couple of years.

The final example is not a new service line, but it is an example of how the rail industry is working together to provide better, faster service to our customers. There are many places the BNSF and the UP operate together, both in the same vicinity and over each other via trackage rights. To facilitate the movement of our trains in busy corridors and terminals, we have opened joint dispatching centers. Instead of each railroad controlling operations from their own control center, we have combined dispatching into a single office, enabling both of us to move more trains and better service our customers.

As anyone in a service industry will tell you, service is always an issue, but as these products illustrate, we are constantly striving to improve. We are also introducing new improved services for other segments of our customers. For instance, we have created what we call the Freeport Pipeline for Dow and Occidental Chemical.

Working in a true partnership with Dow and Occidental, the Freeport Pipeline creates trainload movements out of what was previously carload movements. Working with our customers to change their shipment patterns, we are able to bypass terminals, dramatically reduce cycle times, and meet our customer's 95 percent on-time delivery objective. In return, they are able to reduce costly inventory carrying charges, as well as the number of cars in their fleets.

In all these cases, it is important to note that rather than just offering these products, we started by designing reliability into the product itself thereby increasing our service dependability. By doing so, we can expand our revenue base, increase our productivity by getting better and more use out of the equipment we have, take more trucks off the road, and provide first-class service to our customers.

Having said that, the real key to service is investment. Capital investment in the rail industry is like food to the human body. Without it we will wither and die. As a percentage of total revenues, the rail industry is the most capital intensive in the world. As you can see we invest over 20 percent of our revenues back into the system. The closest industry to us in that regard is the paper industry, and they only re-invest 5.5 percent of their revenue. Unfortunately, this level of investment is still not enough. We still do not earn our cost of capital, which I will discuss later, and as a result, the financial marketplace will not allow us to invest as much as we would like.

Over the past 5 years, Union Pacific has invested over $10.5 billion in our plant and equipment. This year we expect to invest up to $1.9 billion. Last year we acquired 451 new locomotives at nearly $2 million a unit. We replaced 1,185 miles of rail and installed 3.3 million ties. This is money we have to spend to keep the railroad in the shape it needs to be in to meet the demands of our customers.

A good example of the power of investment is the triple tracking we did from North Platte, Nebraska to Gibbon, Nebraska. This is one of the busiest stretches of rail in the world, and triple tracking this segment of line cost $327 million. Was it worth it? Absolutely. As the chart indicates, prior to the triple track project, we were able to get 107 trains a day over this segment of line, and our average speed was 23.8 mph. Today we are able to get 139 trains a day over that line at an average speed of 36.4 mph. That is a 30 percent increase in trains and a 53 percent increase in speed. This also has allowed us to cut our recrew rate by 80 percent. (The recrew rate is how many times we have to change the crew on the locomotive.) This makes us more efficient, with our customers being the ultimate beneficiaries.

Without the ability to generate capital, we would not be able to take on this kind of project or offer the kinds of improved services I outlined earlier. Capital also allows us to make sure we run a safe railroad for our employees and the public. As a service company, our main goal is to serve our customers, but our number one priority is the safety of our employees. As you can see, since deregulation, we have made huge strides in this area as well. Accidents, injuries, and loss or damage to our customers' merchandise are all down substantially. We would submit that there is a direct correlation between the ability to invest and the safety of our workforce.

All of this could be put in jeopardy by injecting the government back into the rail industry. Some of our customers complain that as a result of mergers, there is a lack of competition in our industry. We believe these complaints are not really about consolidation in the rail industry, but rather they are attacks on our ability to differentially price our services. One of the major benefits of the Staggers Act (the act that partially deregulated the rail industry) is that it allows us to act like any other business in the United States with regard to pricing. This is called differential pricing, and it is the ability to charge those with fewer options more than those with more options. Every business in the U.S. does this. However, with the rail industry, while we can price differentially, the Staggers Act provides for high-end rate protection for shippers. This formula has worked exceedingly well over the past 20 years.

So how is competition in the rail industry? We believe it is healthy.

For instance, our merger with the Southern Pacific did not reduce competition; it increased it. The SP was a struggling railroad. Prior to our merger, the SP had a negative cash flow in 15 of its last 17 years. At the time of our merger, it was losing a half a million dollars a day in cash flow. It could not invest, and with the merger of the Burlington Northern and the Sante Fe Railroad, the SP knew it could not survive. So how did our merger increase competition? First, no customer that had been served by both the SP and the UP went to only having the UP. We negotiated an arrangement where the BNSF received roughly 4,000 miles of trackage rights over our lines so it could provide competition previously provided by the SP. BNSF is, of course, a much stronger and more effective competitor than was the financially weak SP.

Second, with the merger we introduced direct-line competition along the I–5 corridor on the West Coast that previously did not exist. Prior to our merger, no railroad had direct-line service along the West Coast. As part of our merger, both the UP and the BNSF now have this service. In fact, some of the new product offerings I discussed earlier in my testimony would not be possible without this direct-line capability.

Third, new competition is introduced on a regular basis with the construction of new transload facilities and new build-ins and build-outs to add service by a second railroad. This kind of market-based competition is worth taking a few moments to explain. A transload facility, as I've discussed before, is a facility where trucks and rail interchange traffic. A build-in or build-out is the capability of a railroad or customer to build a line to a competing railroad. A current example of how this works is the plan of BNSF and Union Carbide to build a section of rail out to the BNSF from Union Carbide's plant in North Sea Drift, Texas. This will give Union Carbide the ability to ship via UP and BNSF. The government didn't dictate the decision. BNSF and Union Carbide negotiated it, and neither would have made the decision without a financial incentive.

Of course competition from other modes of transportation remains fierce. For example, contrary to popular belief, in the area served by the Houston Port Terminal Railroad, one of the largest chemical complexes in the country. We estimate that rail carries only approximately 30 percent of the traffic. The rest goes by pipeline, barge or truck.

The important thing to note about all this competition is that it is the product of the free marketplace at work. Another example is the Powder River Basin coal fields, where we spent over $500 million building into the region and a third railroad is now attempting to do the same. This is not the result of artificial, governmentally regulated competition.

What challenges lie ahead for the rail industry?

One is the cost of fuel. As you can see from the cost of fuel has sky rocketed over the past year. Union Pacific uses 1.3 billion gallons of fuel a year. We manage our fuel prices as best we can, but with this kind of consumption, rising fuel prices takes a big bite out of our revenue. Last year we spent roughly $450 million more on fuel than we did in the previous year.

Another challenge is to earn our cost of capital. This is basically our need to get an adequate rate of return on what we invest in our system. As I mentioned earlier, we are the most capital-intensive industry in the country. We have to plow a lot of money back into our system. However, we do not get back in revenue what we invest. Another way to look at it is it's like buying things on your credit card at a 15 percent interest rate and loaning them out at 8 percent. Long term we cannot continue to operate like this, but as you can see we are closing the gap.

Finally, our biggest challenge is regulation—it is the one thing that could take all the progress and gains we have made over the past 20 years and make them for naught.

As you can see prior to the Staggers Act, our industry was in shambles. I know because I saw it firsthand, and it is a painful memory. Over 20 percent of the mileage was in bankruptcy. We got a 2 percent rate of return on our investment. Nearly 50,000 miles of track were under slow orders. We had $16–20 billion in deferred maintenance. Our market share was down 35 percent. We had rising rates and declining service, and safety was a serious issue.

Congress recognized the problem and passed the Staggers Act, partially deregulating the rail industry. From 1964 to 1980, productivity, volume, revenue and rates, on a ton-mile basis, were all flat. The Staggers Act passed and, as the attachment shows, our industry has regained health and vibrancy. Productivity and volume per ton-mile are up. Rates and revenue per ton-mile are down. The gap between productivity and volume, and revenue and price shows that while the railroads benefited from the Staggers Act, our customers gained even more as we shared most of these productivity gains with them. The productivity and efficiencies we gained through the Staggers Act allowed us to lower rates by over 50 percent and at the same time generate the revenue we need to re-invest in the system. By any standard, the U.S. rail system is the envy of the world.

Unfortunately, there is a select group of powerful shippers who now want to reregulate railroads by forcing us to give our competitors access to our facilities and eliminating our ability to differentially price. They are trying to do something to us that they would fight to the death over if it were proposed for their businesses.

To make matters worse, along with giving access to our competitors, they are advocating price controls limiting what we should be paid for this access to something far below what a recent FRA-chartered study found would be fair and proper (see attached study).

This type of forced, price controlled, governmentally imposed access would trigger a 40 percent loss in our net revenue that would virtually wipe out our profits. In 1999 as an industry, we grossed $33.5 billion in revenue. Of this, $28 billion went toward operating expenses, resulting in $5.5 billion in net revenue. The proposals advanced by this select group of shippers would, on a conservative basis, eliminate $2.4 billion of this net revenue. Obviously, this would make it virtually impossible to make the investments necessary for our future. This type of needless, governmentally imposed revenue transfer from our industry to others would devastate the rail industry with the customers we serve being the ultimate loser.

We strongly urge you to reject their attempts at reregulation and allow the railroads to continue on our path of progress since the Staggers Act.

This hearing is also on freight mobility, and I turn now to that subject.

Union Pacific serves every major western port, and we are always interested in exploring productive ways to enhance the ability to move freight and to make these ports more competitive. One of the biggest projects this country has undertaken to enhance the ability to move freight is the Alameda Corridor in California. This project essentially funnels all the traffic to and from the ports into one corridor. It allows the freight to move faster and, at the same time, helps eliminate congestion in the crowded Los Angeles basin. It is an example of how all levels of government and business can come together to make a project work.

Union Pacific is also involved, at least tangentially, in a similar project in the State of Washington called the FAST Corridor. This project is similar in nature to the Alameda Corridor project in that it is attempting to facilitate the transportation of goods into and out of the Ports of Seattle and Tacoma and to eliminate congestion in the surrounding neighborhoods. A large part of the project is the elimination of grade crossings where highways cross over the railroad.

I said we are tangentially involved in this project because the bulk of the project involves the BNSF Railroad. As I discussed earlier in my testimony, all railroads have huge capital needs, and we try to direct our resources where they will do the most good. We are supportive of the FAST Corridor Project because it will help the area and the Port. However, the benefit to rail will flow primarily to the BNSF. This does not mean we are unwilling to support the project, in fact we have agreed to participate in the cost of the grade separation structures which will cross our tracks. We have also urged Congress to provide funding for this project in TEA 21.

One of the other aspects of this project is commuter rail, and I will now take a few moments to discuss our general views on commuter rail.

Urban sprawl and congestion are problems facing city planners, and many commuter agencies are looking at passenger rail to solve their problems. We can empathize with these planners as we operate in many large cities and have employees there who must get around. Unfortunately, many of these agencies look at our tracks as a way of solving their commuter problems without considering that our rights of way are private, not public easements. We have limited capacity, and with that capacity we are in business to move freight. Moreover, if rail freight capacity is captured for commuter trains, more freight will be forced into trucks, and road congestion will get worse, not better. Preserving rail freight capacity is essential for the public interest. That is not to say we oppose commuter rail. We have partnered with many commuter agencies where the commuter agency can replace the capacity it takes from our business. These agreements have been negotiated on an arms-length, case-by-case basis.

Today the American Public Transit Association (APTA) is calling for legislation that would force commuter rail on our tracks regardless of our position or the impact it would have on our ability to move freight. Not only do we believe this to be fundamentally unfair, but we also believe it to be a taking of private property. More importantly, it presents an interesting question for Congress, particularly in light of the subject matter of this hearing.

You have heard from some shipper groups that want to reregulate our industry and curtail our ability to earn the revenue necessary to invest in our system. Congress will also be hearing from commuter authorities that want to use our tracks without fully compensating us for their use or without fully replacing the capacity that commuter rail consumes. Both proposals have the same objective, and that is to have the government take revenue from the rail industry and redistribute it to others, thereby reducing the ability of our industry to move the freight that makes up the building blocks of our economy. At the same time, you are hearing from others today who talk about how important it is to provide the infrastructure investment necessary to remain a competitive nation and to sustain economic growth. The dichotomy of these two schools of thought is striking and very frightening to us because we know we cannot have it both ways. We tried it once, and it did not work.

Again, I want to thank the Subcommittee for giving me the opportunity to testify today. I would be pleased to answer any questions.

Senator SHELBY. Mr. Martinez.

STATEMENT OF ROB MARTINEZ, VICE PRESIDENT, MARKETING SERVICES AND INTERNATIONAL, NORFOLK SOUTHERN CORPORATION

Mr. MARTINEZ. Thank you very much. By way of introduction, my name is Robert Martinez. I serve as Vice President of Marketing Services and International at Norfolk Southern. Previously, I served as a George Bush appointee, as Associate Deputy Secretary of Transportation at USDOT, and I was the first director of the Office of Intermodalism at USDOT.

I also served as Secretary of Transportation for the Commonwealth of Virginia under then governor, now Senator George Allen. In my current capacity, I am responsible for the ports under NS System, I handle international business development, and I oversee market research and economics.

Today, I would like to talk about competition in transportation markets. We believe that the free market is the best determinant of a fair price, and that government should consider stepping in only when there is a serious problem which prevents the market from functioning efficiently. Any company with true market power would charge high prices. Since Staggers rail revenue, in inflation-adjusted terms, has fallen 57 percent.

Large rate reductions have occurred across the board, including in such commodities as coal, grain, and chemicals. The STB, the U.S. Department of Energy, and the USGAO have all issued studies within the last 2 years which confirm a significant decline in rail rates. This documented decline continues as recently as 1999, per the most recent STB analysis, which just came out in December, which for that single year topped with a decline in rates of 2.7 percent in 1 year.

Railroads face effective competition. Motor carriers, barges, and pipelines are competitors. Other railroads are competitors. In addition, rail shippers have considerable market leverage arising from a combination of competitive forces, including product and geographic competition, and a shipper's countervailing power due to its size, important to the railroad, ability to shift production among its multiple plants, and so forth.

U.S. producers enjoy the lowest average freight rates per unit of output anywhere in the world. That is an important competitive advantage. It would be foolish to expect that market prices will move uniformly on every commodity across every market segment. That is not how markets work. Yet, the reality is that since 1980, virtually every shipper has beneffited from deregulation, and the rate declines have been substantial in almost every instance.

Were you to compare the trajectory in rail rates versus commodity prices, upon virtually every commodity, rail rates have fallen faster than the prices for the product transported, whether that is steam coal, final bread prices, or soybeans.

In a couple of commodities like corn, the rates have declined at about the same amount, although more recent data on corn indicates a slightly greater decline in corn prices than in their rail rates, although, still roughly equivalent.

In others, like autos, rail rates have declined substantially, while finished product costs of the goods have risen. U.S. producers enjoyed the lowest rail rates available anywhere in the industrialized world. That is not to say that railroads never have market power, but even in those relatively rare instances, rail shippers are provided special protection.

Any time a railroad is found to be, quote, "market dominant," the STB may limit the rate it charges. This means that in the few situations where there is an absence of effective competition, a railroad cannot charge more than a reasonable rate.

Some shippers are hoping that the government will give them what the market will not. They want you to force us to give another railroad the right to use our tracks at an artificially low below-market rate. If they relied on the market, they would have to build a line to reach the other railroad, or pay fair market value for the use of our line. It is precisely because the market will not help them get lower prices that they turn to government.

Railroads charge some customers more than they charge other customers, because that is what the market allows. Differential pricing is in the nature of how market works, and that principle extends quite apart from the rail industry. Customers who pay the higher rate want to pay less. They do not like differential pricing, even though it is clearly the most efficient way for the rail industry to price its services, and even though differential pricing is practiced throughout the economy, not just by railroads.

For example, airlines charge last-minute business travelers more than individuals going on long-planned vacations. There is no reason for the government to step in and try to manipulate this market, given that it is functioning officially.

PREPARED STATEMENT

The current regulatory scheme in place since the passage of Staggers over 20 years has allowed railroads to return to profitability, invest large sums in infrastructure, increase productivity, and return most of that productivity to customers via lower rates. Any review that government determines may be in the public interest should depart from recognition of the broad benefits that the Staggers model has facilitated.

I thank you very much.

Senator SHELBY. Thank you.

[The statement follows:]

PREPARED STATEMENT OF DR. ROBERT E. MARTINEZ

By way of introduction, my name is Robert Martinez. I serve as Vice President of Marketing Services and International for Norfolk Southern. Previously, I served as a George Bush appointee as Associate Deputy Secretary of Transportation at U.S. DOT. And, I was the first Director of the Office Intermodalism at U.S. DOT. I also served as Secretary of Transportation for the Commonwealth of Virginia under then Governor, now Senator, George Allen. In my current capacity, I am responsible for the ports on the Norfolk Southern system, I handle international business development, and oversee market research and economics. Today I would like to talk about competition in transportation markets.

We believe that the free market is the best determinant of a fair price and that the Government should consider stepping in only when there is a serious problem which prevents the market from functioning efficiently. Any company with true market power would charge high prices. Since Staggers, rail revenue per ton-mile in inflation-adjusted terms has fallen 57 percent. Large rate reductions have occurred across the board, including in such commodities as coal, grain and chemicals. The STB, the U.S. Department of Energy and the U.S. General Accounting Office have all issued studies within the last 2 years which confirm a significant decline in rail rates. This documented decline continues as recently as through 1999, per the most recent STB analysis. In fact, just for the single year of 1999, the STB's analysis released in December indicates that rates declined an average of 2.7 percent—just for that 1 year.

Railroads face effective competition. Motor carriers, barges and pipelines are competitors. Other railroads are competitors. In addition, rail shippers have considerable market leverage arising from a combination of competitive forces, including product and geographic competition and a shipper's countervailing power due to its size, importance to the railroad, ability to shift production among its multiple plants, and so forth.

U.S. producers enjoy the lowest average freight rates per unit of output anywhere in the world. It would be foolish to expect that market prices will move uniformly on every commodity, across every market segment, to the same degree. That's not how markets work. Yet, the reality is that since 1980, virtually every shipper has benefited from deregulation and the rate declines have been substantial in almost every instance. Were you to compare the trajectory in rail rates versus commodity prices, on virtually every commodity, rail rates have fallen faster than prices for the product transported, whether that is steam coal, final produced bread prices, or soybeans. In a couple of commodities, like corn, the rates have declined about the same amount, although the most recent data on corn indicate a slightly greater decline in corn prices than in their rail rates, although still roughly comparable. In others, like autos, rail rates have declined substantially while finished product costs of the goods transported have risen. U.S. producers enjoy the lowest rail rates available anywhere in the industrialized world.

This is not to say that railroads never have market power. But even in those relatively rare instances, rail shippers are provided special protection. Anytime a railroad is found to be "market dominant," the STB may limit the rates it charges. This means that in the few situations when there is an "absence of effective competition," a railroad cannot charge more than a "reasonable" rate.

Some shippers are hoping that the Government will give them what the market will not. They want you to force us to give another railroad the right to use our tracks at an artificially low, below-market rate. If they relied on the market, they would have to build a line to reach the other railroad or pay fair market value for the use of our line. It is precisely because the market won't help them get lower prices that they turn to Government. They call it "access" and cloak it in terms of enhancing market competition, but nothing could be further from the truth. Railroads charge some customers more than they charge other customers because that is what the market allows us to do. Differential pricing is in the nature of how markets work, including quite apart from the rail industry.

Customers who pay the higher rate want to pay less. They don't like differential pricing even though economists will tell you it is clearly the most efficient way for the rail industry to price its services and even though differential pricing is practiced throughout the economy, not just by railroads. Auto dealers have greater margins on luxury cars than on economy models. Airlines charge last-minute business travelers more than individuals going on planned vacations. There is no reason for the Government to step in and try to manipulate this market given that it is functioning efficiently.

The current regulatory scheme in place since the passage of Staggers over 20 years ago has allowed railroads to return to profitability, invest large sums in infrastructure, increase productivity and return most of that productivity to its customers via lower rates. Any review that Government determines may be in the public interest should depart from recognition of the broad benefits that the Staggers model has facilitated.

Senator SHELBY. Mr. Peter Rickershauser, Vice President for Network Development, Burlington Northern Santa Fe. Sir.

STATEMENT OF PETER RICKERSHAUSER, VICE PRESIDENT, NETWORK DEVELOPMENT, BURLINGTON NORTHERN SANTA FE

Mr. RICKERSHAUSER. Good morning, Mr. Chairman, Senator Murray, and members of the subcommittee.

My name is Pete Rickershauser, and I am Vice President for Network Development at the Burlington Northern Santa Fe Railway Company. I have served for over 29 years in the railroad industry in a variety of operating and marketing roles before assuming my current position. It is a pleasure to be here today in order to testify on matters that are of great importance to BNSF and the entire rail community.

I regret that our Chairman, Rob Krebs, and our CEO, Matt Rose, could not be here this morning. They both wanted to testify, but both are tied up today in Fort Worth, Texas, at our BNSF Board of Directors meeting.

I understand my full statement will be included in the hearing, so I will only take a few minutes to briefly summarize the contents of my prepared testimony, and I am pleased to join with my rail colleagues to discuss these matters. Since they have already covered most of the competitive issues, I want to focus my remarks on the subject of freight mobility.

BNSF has also enjoyed a close and cooperative working relationship with the other panel members, the Port of Seattle and Karen Schmidt, as we have tried to facilitate the movement of rail freight to and from the ports in the Pacific Northwest. Because of the critical nature of this issue, BNSF, last year, assigned a full-time person from my area at BNSF at Seattle to lead and coordinate our port business development issues.

In addition, a member of our governmental affairs team has served on a freight mobility task force in Seattle since its inception several years ago.

A good deal of progress has been made to foster freight mobility, and there are two primary reasons for this. One is the nature of the innovative public/private partnership that has been established to address the issue, and the willingness of all parties to commit funding to advance the project.

Second, is the total support of the Washington congressional delegation for it, led by Senator Murray. I want to publicly thank her for her leadership and her help in securing the necessary Federal funding for the FAST Corridor. Without this congressional support, and the full cooperation of my fellow panelists from Washington State, this freight mobility effort would not have gotten off the ground.

We recognize that the rail industry encounters significant service problems in the mid- and late 1990s. These problems were serious, and to a great extent eroded the confidence of our customers and our ability to provide reliable service.

BNSF got the service message from its customers, and we listened attentively to their concerns. We concluded that the problems which they raised were primarily caused by inadequate rail capacity due to increased business volumes, and the growing service demands of our customers.

We also concluded that the only way to remedy this problem was by a massive investment in our rail infrastructure. As a result, BNSF spent $11 billion over the last 5 years for capital projects, including $1.7 billion for track and facility expansion. This, of course, is based on a corporation whose annual revenues are just over $9 billion a year.

Some $135 million was spent to reopen the Stampede Pass Line in Western Washington, another $100 million was spent to redo the Argentine Yard in Kansas City, and approximately $200 million has been spent to construct and equip our state-of-the-art network operations center in Fort Worth, Texas.

In addition, we invested over $350 million to improve the infrastructure along our lines between the Pacific Northwest and Chicago.

These investments have paid off and have enabled us to provide timely and efficient service to our customers. In fact, we have set record levels for on-time performance, dock-to-dock, over the past 2 years, with that service averaging over 90 percent on time.

BNSF has also been actively involved in promoting freight mobility in the Pacific Northwest. We have been an active partner in the FAST Corridor project, and have committed some $18 million for the grade separations encompassed by the project. The growth and container traffic for West Coast ports has been substantial, a seventy percent growth rate over the past 4 years.

With this growth rate, we face enormous challenges, such as the elimination of rail and highway congestion, prevention of train delays, and responding to community concerns. These challenges will continue to increase, and we must make efforts to meet them.

We must also continue to promote freight mobility, which is critical not only to BNSF and the Pacific Northwest ports, but also to our mutual customers around the country.

We are also seeing increased demands placed on our freight system by public initiatives, such as the desire to institute commuter rail systems in the Seattle area, and proposals to expand inner-city passenger service. Again, we are working closely with all the concerned parties to accommodate these urgent public needs, but at the same time, not to jeopardize our ability to move freight officially and at the service levels our customers demand.

I can assure the members of the subcommittee that we will continue our efforts to respond to these challenges, to satisfy our customers' concerns, to work with the ports and public agencies to expand our freight capacity, to relieve highway congestion, and to increase passenger mobility.

While other rail witnesses have addressed the access and competition issues, I want to say just a few words about BNSF's perspective of them. As mentioned in my prepared statement, we have vigorous rail-to-rail competition in the western United States across our business lines.

In addition, we have diligently pursued business growth along the 4,000 miles of trackage rights we obtained during the 1996 UPSP merger proceeding, and the hundreds of customers we gained access to, and we have already developed business worth well over $400 million on these lines, as we told the Surface Transportation Board we would do.

My prepared statement also mentions a building that BNSF and Dow Chemical recently announced to serve a Dow facility in south Texas. This demonstrates that the marketplace can provide the appropriate level of competition, and we will continue to examine ways to more effectively compete with Union Pacific for additional business to points we do not already commonly serve in this important petro-chemical marketplace.

PREPARED STATEMENT

The fact of the matter is that all industries, including all of our customers, utilize differential or demand-based pricing, whether they are selling manufactured goods, agricultural products, coal power, or bulk commodities. There is certainly nothing unusual about it. Such pricing was fully anticipated by Congress when it passed the Staggers Deregulation Act, granting railroads the routing and pricing freedoms, which ultimately saved our industry. There is not a need to change that system now.

Mr. Chairman, that concludes my statement. I will be pleased to respond to questions.

[The statement follows:]

PREPARED STATEMENT OF PETER J. RICKERSHAUSER

My name is Peter J. Rickershauser. I am Vice President—Network Development for The Burlington Northern and Santa Fe Railway Company ("BNSF"), 2650 Lou Menk Drive, Fort Worth, Texas. I have over 29 years of experience in the railroad industry, and have held positions in operations, marketing and planning, working for different railroads in both the eastern and western United States. I joined BNSF in 1996 as Vice President—Marketing, UP/SP Lines.

The purpose of my testimony today is to provide information to this Subcommittee about certain important transportation issues, including freight mobility between modes, how we work with the ports to facilitate the efficient movement of commerce vital to our economy, and the competitiveness of our railroad and the environment in which we operate today. I will first provide some perspective on our industry and BNSF, in particular.

The service problems that some members of our industry faced in the late 1990's were serious. They shook the confidence of many rail customers and created the image that the railroads could not meet customers' needs for efficient and reliable service. Throughout these difficulties, BNSF listened to its shippers and worked with them to meet their needs to improve service, reliability and consistency as we worked with our connecting railroads to proactively reduce congestion and improve service. However, as shippers, industry representatives, and the Surface Transportation Board ("STB"), which regulates railroads, have observed, the industry's service problems were not caused by lack of competitive access, as some have argued. Rather, the problems were caused by insufficient rail capacity to meet the growing demand of our customers for consistent, reliable service. This can only be remedied by continued substantial investment in infrastructure. A key public policy issue, therefore, is how best to position the rail industry to be able to continue making the on-going infrastructure investments required to meet the growing transportation needs of shippers and the public in our increasingly interdependent international marketplace, as evidenced by the constantly growing volumes through the nation's ports which I will describe shortly.

BNSF HAS MADE THE INVESTMENTS TO IMPROVE OUR SERVICE OFFERINGS

Since the end of 1995, the year the Atchison, Topeka & Santa Fe Railway merged with Burlington Northern to create BNSF, our unit volumes have increased 17 percent. From the standpoint of efficiency, in the past 5 years, gross ton miles ("GTM's") handled by BNSF have increased 17 percent to 875 billion, while our operating expenses per thousand GTM's have declined 14 percent. This increase in demand for our product offerings and growth in traffic and improved efficiency have been accompanied by significant improvements in service and safety and by substantial reductions in rates.

Our capacity to handle increased shipper demand has grown through our massive investment in yards, intermodal facilities, locomotives and freight cars. In the five-year period 1996 through 2000, BNSF's capital spending has totaled approximately $11 billion, with about $1.7 billion for track and facility expansion. Major projects include the reopening of the 229-mile Stampede Pass line in western Washington to increase our capacity to handle intermodal, grain and general merchandise trains to and from the Midwest; investments in grain gathering lines to reach outlying farms and elevators across the northern United States; rehabilitation of the 194-mile former Southern Pacific Iowa Junction-Avondale line and Lafayette Yard in southern Louisiana; and double tracking of about 500 miles of line on some of our most important Transcontinental routes.

We have also spent hundreds of millions of dollars to expand our intermodal and carload yard facilities, including the Argentine Yard in Kansas City and the Hobart Yard near Los Angeles, where last year BNSF handled more than one million lifts, closely tied to the expansion of international container traffic worldwide. In addition, all BNSF shippers, most notably unit train customers such as coal, grain and intermodal shippers, have benefited from the $200 million investment in BNSF's state-of-the-art Network Operations Center in Fort Worth, Texas, to enhance the on-time performance and safety of train movements on BNSF's 33,500-mile network. BNSF has also made significant investments in locomotive and freight cars since 1996 to improve our competitive service offerings to customers and increase our efficiency, and in our information systems to provide better control over assets, to improve information flow between BNSF, our railroad connections and our customers, and to improve overall service reliability.

The improved transit times and reliability made possible by these investments enable BNSF to better serve its shippers by becoming an integral part of their supply and distribution chains. With more accurate and timely information on its shippers' needs and how well its service meets those needs, BNSF is better able to identify areas where service improvements are necessary. BNSF is continually working with shippers to find solutions to today's shipping and distribution challenges and to make it easier for them to do work with us through eBusiness solutions.

Safety on BNSF has also improved dramatically since the Staggers Act, due to BNSF's ability since our 1995 merger to make the necessary capital and other investments to assure safe operations. We have made substantial investments in developing our train collision avoidance systems. In order to reduce the risk of accidents at highway-rail intersections, we make ongoing significant expenditures to grade separate highway-rail intersections, and to upgrade signals and highway surfaces at highway-rail intersections. BNSF is also leading the industry in the use of electronic braking systems on unit trains. The development and deployment of these new technologies and the steady improvements in safety and efficiency they can bring will require ongoing substantial capital investment in the years ahead.

FREIGHT MOBILITY

A vital part of our growth strategy at BNSF and our industry's growth potential for the future is intermodal traffic, which relies on freight mobility—the fluidity of transportation through vital channels such as the Ports. Using the Pacific Northwest as an example, BNSF views working cooperatively with the Ports as critical to its future. We maintain an open dialogue with every major Port on the West Coast from Southern California to the Pacific Northwest. We do this because it is an important part of our business—we estimate we will move over 1.7 million 20 foot international container equivalents (TEU's) this year systemwide. We recognize that if we cannot provide capacity for international traffic to grow, it won't. That affects all of us.

An important aspect of BNSF's contribution to the nation's transportation system is our participation in the movement of intermodal containers between ports on the West Coast and markets in the midwest and the east. The volume of goods in the Trans-Pacific trade, particularly on the import side, has grown enormously over the last 10 years. Illustrating this growth, total international container volumes through all U.S. West Coast ports increased from about 3.3 million TEU's in 1996 to more than 5.6 million TEU's in 2000, yielding a 70 percent growth rate over the four-year period.

On-time performance and commitment to customers' expectations are critical elements for railroads to advance freight mobility. We have been providing shippers with constantly improving service. BNSF's on-time performance for all of our customers has been in the 90 percent range in 1999 and 2000, record levels for us and the entire industry, compared with 79 percent in 1997 and 82 percent in 1998.

The Ports are the critical link between the steamship lines, local markets and the long distance rail movements performed by U.S. railroads. As West Coast Ports become busier, increasing pressure will be exerted on the business and public infrastructure that is already struggling to keep up with the demand. One need only attempt a drive around the streets surrounding the Port of Seattle to see the mobility challenge we all face. Trucks, trains and automobiles all compete to occupy the same space. The costs: delays to trains and trucks, pollution, traffic congestion and, at the end of the day, more expensive goods for American consumers. I would like to highlight two examples of investments we have made to work with the Pacific Northwest Ports to improve their capacity and competitiveness in world markets:

—Since the merger of Burlington Northern and Santa Fe in 1995, we have invested over $350 million in the improvement of infrastructure along our lines between the Pacific Northwest and Chicago. We have added sidings and double track, and improved signal systems to improve the performance of grain and intermodal trains.

—We re-opened the Stampede Pass line in Washington State at a cost of over $135 million to provide the ability for our customers' business to and from the Pacific Northwest, including the ports, to grow well into the future.

BNSF has also been an active partner in a very important public-private initiative called the Freight Action Strategy, or FAST Corridor. In 1996, a group including the Washington State Department of Transportation, BNSF, Union Pacific, the Ports of Everett, Seattle and Tacoma and cities such as Seattle, Tacoma, Auburn, Sumner and Puyallup all worked together to take a close look at the region's highway-rail intersections. By identifying those locations where conflict between trains and highway vehicles is greatest, and by agreeing on which highway-rail intersections need to be grade separated through construction of overpasses or underpasses in order to preserve regional freight mobility on both highways and railways, this group was able to achieve a rational consensus on which projects should go forward to seek federal and state funding. Phase I of the project is now underway and includes 15 projects, 13 of which are grade separation projects. There are plans for an additional seven projects comprising Phase II of the FAST Corridor program. BNSF committed $18 million to this effort, but we need to thank Senator Murray and the Washington congressional delegation for stepping forward and securing the necessary Federal resources to support this essential transportation initiative.

Investment in freight mobility is critical to our future. BNSF is doing what it can, but we face significant challenges. We are under intense pressure from our shareholders and the investment community to reduce our capital expenditures in light of our returns, yet these needs will not diminish. If we overlay the renewed public interest in the initiation and operation of commuter and intercity passenger trains on our infrastructure, the investment and mobility challenges only increase to ensure growth of our freight capacity as well as to relieve highway congestion and increase passenger mobility.

From the perspective of the long term funding of transportation infrastructure, we hope you will consider the following:

—Port areas and the regions surrounding them will need highway-rail grade separations to handle greater traffic volumes. It will take innovative partnerships like FAST to complete them on a timely basis.

—Railroads will invest as much as they can to support their line haul infrastructure, but currently the prospects for additional investments are bleak because of the earnings pressures we face from our shareholders and the investment community.

—As public agencies propose commuter rail services or expanded intercity passenger services, careful and thoughtful consideration must be given to the impact these services will have on rail freight capacity. We have worked and will continue to work with all interested parties to accommodate the public's needs for these services, but we cannot allow them to diminish our ability to serve the ports and our customers.

THE RAIL INDUSTRY IS COMPETITIVE

The industry's post-Staggers capacity expansion and safety achievements have been attained while the industry has become price and service competitive with other modes. There is vigorous competition between rail carriers in the West. The existence of competition is determined by the quality of the competitive service offerings available to customers, not by the number of competitors. Competitiveness, demonstrated by declines in real rates, is provided not only by other rail carriers, but also by motor, barge and pipeline carriers. Product and geographic competition restrain many other markets. For instance, in the critical carload grain markets, there is substantial downstream source competition that restrains the rates we can charge. Export grain markets, for example, are extremely competitive, and if we try to impose inappropriate rate increases we will simply price ourselves out of the market. Thus, if one of our export grain customer's prices are too high because our transportation rates are too high, then that customer will be unable to participate in the export market, and both the customer and BNSF would lose that business opportunity.

BNSF's growth in traffic has been accompanied by significant reductions in transportation rates to meet customer expectations, changing markets and intense competition. Between the early 1980's and late 1990's, the average system-wide revenue per ton-mile on BNSF decreased by just over 50 percent in inflation-adjusted dollars, from $2.42 to $1.20. These rate reductions have been realized for all of BNSF's traffic commodities. Virtually every customer has benefited from post-Staggers rail rate reductions, whether or not it is served exclusively by one rail carrier. As the STB itself has recognized in a recently released report, inflation adjusted rail rates have declined over 45 percent in constant dollars since 1984. But not every customer can or should pay the same rates. Some customers pay more than the overall average cost of transportation while others pay less than the average cost. The demand-based rate structure under Staggers leads to different rates for customers in different circumstances, but ultimately results in lower rates for all customers than otherwise would be possible. However, because all customers contribute to covering the huge fixed costs of railroad plants, they all enjoy rates and services that would not be available if all rates had to reflect average cost. This system of rates can work if, and only if, carriers are permitted to continue to differentiate rates according to customer and market demand.

Similarly, because electric utilities have multiple alternatives for acquiring the coal they need, the prices we can charge for coal transportation to a particular plant without losing the business altogether are strictly limited. That is all the more true since the advent of utility deregulation, which is forcing utilities to pursue such alternatives even more aggressively. In addition, the recent merger activity among electric utilities has created massive firms with negotiating leverage that are more than holding their own in negotiations involving rates to exclusively served plants.

Congress and the ICC/STB recognized that the shift to a demand-based pricing system required the adoption of measures designed to protect customers when competition is found to be inadequate or there is a risk of market-power abuse. For instance, the STB's competitive access regulations enable a customer to secure access to a second carrier if it is shown that the existing carrier has abused its market power through its rates or service. Further, the STB rules provide a mechanism for determining maximum reasonable rates where a rail carrier is "market dominant". In addition, Congress mandated and the STB has implemented streamlined and simplified procedures for rate challenges by small customers, i.e., non-coal rate guidelines.

Further, the ICC/STB has acted to preserve existing competition in each of the rail merger and control transactions submitted for review by imposing significant pro-competitive conditions on many of those transactions. A key area in which BNSF has also demonstrated our competitiveness is in our vigorous exercise of the competitive rights we obtained as part of the UP/SP merger, in order to remedy its effects on competition at affected points. As we have documented in extensive quarterly reports to the STB, BNSF has aggressively utilized those rights since September 1996 to compete with UP on specific sections of the UP/SP lines, where BNSF gained customer access to replace SP as competitor to UP. We continue to be successful and effective in marketing our services over those lines, and establishing a major presence in handling the traffic at so called 2-to-1 points to which we gained access. BNSF's capabilities and business are growing steadily as a result of BNSF's proactive approach in resolving problems, its commitment to infrastructure and operational improvements to provide better service, and its continuing customer support. As a result of these efforts, customers are benefiting from BNSF's new access, as reflected in our business levels: from zero units in September, 1996, BNSF handled over 407,000 loaded units to, from, or via the merger condition lines in 2000. Also, using the UP/SP merger competitive conditions, BNSF and Dow Chemical recently announced a build-in from a former SP line to a Dow facility along the south Texas Gulf coast. BNSF remains fully committed to securing new business and additional business from its customers in the future on these lines.

In his column "Surface Reflections" last Thursday, March 8, 2001, appearing in "The Journal Of Commerce", transportation journalist Larry Kaufman wrote:

"The news of the BNSF-Dow build-in reminded me that for more than 4 years shippers in the West have had the ability to create their own transportation competition. That is the build-in/build-out condition the Surface Transportation Board attached to its approval of UP's 1996 acquisition of Southern Pacific. Some of the biggest shippers who have been most vociferous in demanding legislation that would assure them competitive access as a way of overcoming the railroads' alleged abuse of market power have failed to avail themselves of competitive options they already have . . . If more shippers were to take advantage of their build-in/out rights, there might be less pressure for legislation as some in the competitive access lobby would no longer take an active role. It seems that some find it easier to demand legislative relief than to take a long-term view of competitive opportunities and put their money where their lobbying mouths are."

THE ONGOING NEED FOR CAPITAL INVESTMENT TO REMEDY THE CURRENT LACK OF CAPACITY WOULD BE JEOPARDIZED BY REREGULATION

Continued improvements in the industry infrastructure and service can only be achieved through continued capital investment. If railroads are not given the opportunity to recover and achieve a fair return on their investment costs, they will not attract the capital at the right cost necessary to invest in track construction and maintenance, to upgrade yards, and to undertake other infrastructure and service improvements required to keep them competitive. The service and safety improvements which have been achieved also cannot be maintained and expanded without continued massive capital investments. While rail continues to be the cheapest and safest form of transportation for most goods, it has achieved that recognition because of our ability to invest. Anything that interferes with the ability to attract capital would lessen our ability to be the lowest cost, safest, most energy efficient and most environmentally friendly provider of land transportation services.

Witnesses before this subcommittee have suggested that the government inject additional artificial competition into the marketplace to respond to customer concerns about rates and service. Some have even recommended that government regulators should mandate competitive access to our infrastructure. We strongly oppose these suggestions and recommendations.

Forced rail access cannot remedy the problem of insufficient capacity. Indeed, forced rail access only exacerbates the capacity problems and would require massive reregulation of the rail industry. While implementation of the Staggers Act has reversed the long-term decline of the rail industry, the recovery is not complete. While returns on investment have shown improvement since 1980, the average return on investment for railroads, even in peak years, has continued to be well below the cost of capital as determined by the ICC/STB.

The service problems of the late 1990's were caused by insufficient investment and undercapacity. These problems can only be remedied by adhering to policies that are sensitive to the needs and requirements of the investment community. Investors expect reasonable earnings and reasonable growth, and seek a stable and consistent regulatory environment. Forced rail access would, however, undermine investor confidence and reverse the post-Staggers trend of improved earnings, enhanced financial stability and increased investment. Forced rail access would also increase regulatory uncertainty and market risk, and undercut growth expectations. Each of these would in turn chill the enthusiasm of investors and drive their capital to other uses. Moreover, forced rail access would reverse many of the network and system efficiencies benefiting our customers brought about by the Staggers Act.

The pre-Staggers regulatory scheme effectively compelled the railroads to operate numerous inefficient routes. They were unable to concentrate traffic on the most efficient routes and gateways, and their ability to compete was diminished. Staggers reversed that system and allowed the railroads to invest in a streamlined and much more efficient and competitive network. Forced rail access would result in the breaking up of a nationwide network of single-line and run-through train service and efficient blocking in favor of a splintered, slower and less competitive service with inefficient car utilization and supply. In addition, under a system of forced rail access, the Board would have to reinject itself into the ratemaking process, establish the priorities, terms and conditions for allocating rights to use tracks. The deregulatory direction of the Staggers Act and the industry progress made in the past 20 years would be reversed.

Forced rail access is shorthand for a return to regulatory models that failed in the past. Such an experiment would both exacerbate the problems caused by the current insufficient capacity and undercut the success achieved by regional and shortline carriers in keeping branch lines operative and in preserving rail service to shippers on those lines.

CONCLUSION

In conclusion, I believe that we play a vital role in providing freight mobility for our nation's commerce, working with the ports to facilitate the efficient movement of commerce essential to our economy. We do this in a competitive environment in which it is critical that public policy foster a climate that will promote profitable capital investment in infrastructure necessary for us to be able to provide the service our customers require. The current demand-based or differential pricing system is functioning well and as anticipated by Congress when it adopted the Staggers Act. Any fundamental changes in the existing structure would necessarily imperil the service and safety achievements that have been reached, restrict the rail industry's ability to compete with other modes of transportation, and would inhibit the capital investment that is required to maintain and increase the capacity of the domestic rail system so that the United States can maintain its ability to compete in the expanding global economy.

Thank you for your time, and I would be pleased to answer any questions you may have.

Senator SHELBY. Mr. Mic Dinsmore, Chief Executive Officer of the Port of Seattle.

Welcome, Mr. Dinsmore.

STATEMENT OF MIC DINSMORE, EXECUTIVE DIRECTOR, PORT OF SEATTLE

Mr. DINSMORE. Thank you, and good morning. My name is Mic Dinsmore, and I am the CEO of the Port of Seattle, which does include both the seaport as well as the Seattle-Tacoma International Airport. I would also like to thank the committee for the opportunity to testify today, and I especially thank Senator Shelby for his leadership role on these very, very critical issues.

I would be remiss not to express my sincere appreciation to Senator Murray for all her hard work over the years on behalf of the Port of Seattle and the State of Washington. She has been an extraordinary asset to us both, at the seaport and the airport. We are, indeed, grateful.

I have had the opportunity to lead the Port of Seattle and Sea-Tac International for the last 9 years. Prior to my current position, I headed the Port Sea Port Division, and before coming to the Port of Seattle, I had 18 years in the private sector, and the movement of commerce on an international basis, both with shipping lines and the rail industries.

Mr. Chairman, there are really five messages I would like to leave you with today. First, it is important to recognize the huge local investment our communities make in port terminal and cargo handling facilities that are used to provide the movement of cargo throughout this Nation.

Second, the large container ports of Seattle and Tacoma are, indeed, as Senator Murray mentioned, located very near the foreign competition. Help from the United States government is needed to reduce taxes that hinder our ability to move jobs, business, and tax revenues that come with international trade and commerce.

Third, it is critical, absolutely critical that rail competition be maintained, and when major changes in rail ownership are considered, local communities ought to be a factor in that decision-making process.

Fourth, our FAST Corridor in the Seattle area is, indeed, a model for the sort of cooperation, congestion relief, goods movement, and job creation that ought to be supported by the Federal government.

Lastly, I would like to leave you with some thoughts on how the Federal system, designed to support freight mobility through TEA–21 can, indeed, work better.

Please allow me to add some specificity to these five issues. One local investment, combined, the Ports of Seattle and Tacoma will be spending about $700 million, locally generated dollars, over the next 5 years to upgrade and improve our seaports. We are doing this to continue to bring goods from Asia, through our communities, so that they can be consumed and used across this Nation.

In addition, we are creating jobs, both in our region and throughout this Nation. More than 70 percent of the goods that go through our port end up or originated in the Midwest and the East Coast. Last year, we were the third largest container load center in North America, behind the heavily populated LA/Long Beach and New York/New Jersey areas.

Foreign competition. Our ability to maintain competitiveness in the midst of a rapidly changing world depends on a myriad of different things, but one of the biggest factors is fair taxation, so that we can compete on a level playing field with ports from other Nations.

For instance, shippers today using our port pay an additional $125 per container in harbor maintenance tax, while there is no such fee at the Port of Vancouver, about 160 miles to the north. They recently enhanced their cargo handling facilities, and we are talking about ships in today's vernacular that hold between 2,000 and 7,000 containers each.

A very, very good example is, 5 years ago Vancouver, British Columbia, as a port, handled 300,000 containers. Last year, they handled over a million containers. Let me assure you that incremental growth, extraordinary growth, came from U.S. Commerce diversion heading into Canadian ports.

We are anxious to capture the jobs and additional economic benefits that stem from a projected doubling of West Coast international waterborne commerce by 2015. We cannot afford to be penalized by our own government through the Harbor Maintenance Tax.

Railroad competition and the rail merger issue. A very high percentage of our containerized import/export cargo moves on unit trains, as you heard earlier, with fast service to the Midwest and East Coast from ports along the Pacific Coast. We simply cannot officially move these boxes by truck. It would be far too expensive, fuel inefficient, and requires more labor, and it would, indeed, be slower.

Rail competition provides us with better service and price to our customers if and only if they have a choice of railroads to use. We also want the railroads to work with us to improve infrastructure so that goods can move quickly in and out of our region.

The railroads are a critical component in our success, and changes in ownership and partnering could and would have major impacts on our communities. When change occurs, keep in mind that ports are the only asset in the intermodal chain that cannot relocate.

Traffic congestion, looking at that advertisement, Senator Murray, brings back lots of memories, and it is no secret that there is congestion in the Puget Sound area, and we are already threatened in our trade dominance. Senator Murray has shared with you this ad recently. As you can see, the Vancouver ad speaks to the fact that we are too congested, and becoming more congested, the third most congested city in this Nation.

While congestion is not perhaps as bad as that ad would purport it to be, increasing traffic congestion is having a huge impact on our ability to continue to be a leadership in the role of international trade and commerce, creating tens of thousands of good family wage jobs each year.

We believe the FAST Corridor project that we had begun in partnership with the Federal government, State Department of Transportation, 17 port cities, counties, and regional government agencies, will help solve this congestion, and for the first time, we have two railroads, the Burlington Northern Santa Fe and the Union Pacific partnering to help fund the first phase of the FAST Corridor, and for that, gentlemen, we do thank you.

The Freight Action Strategy Corridor, or FAST Corridor, project is a series of 22 complementary grade separation and port access projects within the Everett, Seattle, Tacoma area of our State. These projects are designed to move export product from around the Nation to Asia, and move import cargo through the State to points east. They will separate the rail traffic from the surface traffic, allowing trains and trucks better access to ports, letting passenger vehicles move more rapidly through our region.

The first phase of FAST Corridor is 15 projects. Three are currently under way, with the first the Port of Tacoma Road, which actually opens in June. Then this year, eight more projects will begin, and an additional four will be started in 2003.

The total cost of phase one is $470 million. The Federal government, as Senator Murray alluded to, is picking up 27 percent of that total, and we do thank you for that contribution. State funds make up 42 percent, local dollars, 14 percent, and about 4 percent of the total comes from these two railroads, with the bulk from the Burlington Northern Santa Fe.

Lastly, improvements I mentioned to the TEA–21 process. While the FAST Corridor project has already turned into huge success, obviously we all have worked extremely hard. Demand for infrastructure improvements to the freight area is substantial.

I applaud you for creating the Section 118 program, but as you know, there was only $700 million in the fund, and there was over $7 billion worth of requests.

There are a number of things that Congress could do to improve the way funds are allocated to freight projects. Unfortunately, the gas tax funds available through TEA–21 are mostly to passenger-only purposes, and projects like the FAST Corridor really have no adequate place to go for funding.

In closing, the Federal government ought to recognize the importance of freight mobility, provide a bigger, more easily accessible source of funds for freight purposes, because just like our airports, our seaports are an integral part of our Nation's transportation system.

PREPARED STATEMENT

I hope my observations will be helpful as you craft new policy in regarding transportation funding. Speaking on behalf of all the partners who are here for FAST Corridor, I want to thank you for giving me the time to make this presentation.

Thank you.

Senator SHELBY. Thank you, Mr. Dinsmore.

[The statement follows:]

PREPARED STATEMENT OF MIC DINSMORE

Good Morning. My name is Mic Dinsmore and I am CEO of the Port of Seattle. I would like to thank the committee for the opportunity to testify. I would also like to thank Chairman Shelby for his leadership role on critical transportation issues. I especially want to express my appreciation to Senator Murray for all her hard work over the years on behalf of the Port of Seattle. She has been a huge asset to us both at our seaport and airport. We are very grateful.

Let me begin by giving you a bit of my background. I have spent most of my life in the port and maritime shipping industry. I have been in charge of the Port of Seattle and Sea-Tac Airport for the last 9 years, but for almost 20 years before that I have held senior positions with railroads, stevedoring firms and shipping lines.

There are five messages I would like to leave you with today: First, it is important to recognize the huge local investment our communities make in port terminal and cargo handling facilities used to provide goods throughout the nation. Second, the large container ports of Seattle and Tacoma, are located very near foreign competition. Help from the US government is needed to reduce taxes that hurt our competitiveness. Third, it is critical that rail competition be maintained and when major changes in rail ownership are considered, local ports ought to be a factor in the decision-making. Fourth, our FAST Corridor in the Seattle area is a model for the sort of cooperation, congestion relief, goods movement and job creation that ought to be supported by the federal government. Lastly, I'd like to leave you with some thoughts on how the federal system designed to support freight mobility through TEA 21 can work better.

LOCAL INVESTMENT

Combined, the Ports of Seattle and Tacoma are spending about $700 million in locally generated funds over the next five years to upgrade and improve our terminals. We are doing this to continue bringing goods from Asia through our communities so that they can be consumed across the nation and exports can access Asian markets. In addition, we are creating jobs, both in our region and throughout the nation. I have included a color map that shows, state-by-state, the positive employment impact of our ports on the nation. More than 70 percent of all the goods that come into our ports go to the midwest and east.

Last year, we were the third largest container load center in North America behind the heavily-populated LA/Long Beach and New York New Jersey areas.

FOREIGN COMPETITION

Our ability to remain competitive in the midst of a rapidly changing world depends on a number of things, but one of the biggest factors is fair taxation so that we can compete on a level playing field with ports from other nations. For instance, shippers using our port, pay about $125.00 per import container while there is no such fee at the Port of Vancouver, BC, about 160 miles to the north of us and with recently enhanced container loading facilities. When the typical ship carries anywhere from 2000 to 7000 containers each, the tax is substantial.

We are anxious to capture the jobs and additional economic benefits that stem from a projected doubling of West Coast international waterborne trade by 2015. We cannot afford to be penalized through the harbor maintenance tax.

RAILROAD COMPETITION/MERGER CONSIDERATION

A very high percentage of our containerized import-export cargo moves on unit trains with fast service to the Midwest and east coast from ports on the Pacific Coast. We simply could not efficiently move these boxes by truck—it would be too expensive, fuel inefficient, require more labor than is available, and it would be slower. Rail competition provides us with better service and price to our customers. The railroads are critical components in our success and changes in rail ownership and partnering can have major impacts on our communities. When changes occur, keep in mind that Ports are the only assets in the intermodal chain that can't move.

TRAFFIC CONGESTION

Traffic congestion is a huge problem in the Puget Sound area and could threaten our trade dominance. Senator Murray has shared with you a recent ad run by the Vancouver, British Columbia Port Authority. As you can see, the Vancouver ad speaks to the fact that we are too congested to move goods efficiently. While congestion in our area is not as bad as the Vancouver ad would lead you to believe, increasing traffic congestion could have a huge negative impact.

The FAST Corridor project that we began in partnership with the federal government, our state Department of Transportation and seventeen ports, cities, counties and regional government agencies, will help solve our congestion crisis. And for the first time, we have our two railroads, the Burlington Northern/Santa Fe and the Union Pacific, partnering to help fund the first phase of the FAST Corridor.

The Freight Action Strategy Corridor or FAST Corridor project is a series of 22 complementary grade separation and Port access projects within the Everett-Seattle-Tacoma area of the state. These projects are designed to move export product from around the nation to Asian destinations and move import product through the state to points east. They will separate the rail traffic from the surface traffic allowing both trains and trucks better access to our ports and allowing passenger vehicles to move more easily.

The first phase of FAST includes 15 projects. Three are currently underway and our first, the Port of Tacoma Road, will actually open in June. This year, eight more projects will begin and the additional four will be started before 2003. The total cost of FAST Phase I is $470 million. The federal government is contributing 27 percent of the total, state funds make up 42 percent and local dollars account for 14 percent. About 4 percent of the total comes from the railroads, with the bulk from the Burlington Northern/Santa Fe Railroad.

IMPROVEMENTS TO THE TEA 21 PROCESS

While the FAST Corridor project has turned into a huge success and we have had to work very hard and get the distinct impression that freight is not a priority in the allocating of TEA 21 dollars. The demand for infrastructure improvements in the freight area is substantial, I applaud you for creating the Section 1118 program, but you need to know that there was only $700 million in the fund over five years, yet there has been $7 billion worth of requests.

Unfortunately, the gas tax funds available through TEA 21, go mostly to passenger-only purposes and projects like the FAST Corridor, which benefits both freight and passenger movement, have no adequate place to go for funding. We have cobbled together federal funds from four different sources to come up with the 27 percent federal share. It would have been easier if we had one place where freight mobility funds could be accessed, like with airports, for example, which are entities that enjoy significant federal funding support from a designated program. The federal government ought to recognize the importance of freight mobility and provide a bigger and more easily accessible source of funds for it.

I hope my observations will be helpful as you craft new policy in regard to transportation funding. Speaking on behalf of the partners in the FAST Corridor, I want to thank you for giving me this time.

Senator SHELBY. Ms. Karen Schmidt, Executive Director of the Freight Mobility Investment Board of the State of Washington.

Ms. Schmidt.

STATEMENT OF KAREN SCHMIDT, EXECUTIVE DIRECTOR, FREIGHT MOBILITY INVESTMENT BOARD, STATE OF WASHINGTON

Ms. SCHMIDT. Thank you, Mr. Chairman and Senator Murray. We are pleased to be here today.

I am Karen Schmidt, of the Freight Mobility Strategic Investment Board, of Washington State, and Strategic is an important part of our name, because we cannot fund everything, and we cannot help all parts of the network.

The Board is an independent State agency, created to focus on freight transportation needs, and work with the public and private partners as an independent broker to develop and fund solutions. Mic has explained to you that the competition we face and the challenges presented in our area with the growing congestion in the Central Puget Sound region caused us to form this Board.

Our ports are working hard to accommodate the growing demand, but they recognized early that their efforts would not be successful if traffic congestion stopped cargo from getting to and from the docks. Partnerships were essential, because, first of all, the price of any of these improvements was too great for a single entity to pay for, but also because the ownership of the entire delivery system is fragmented over various governmental jurisdictions and the private sector.

Rail, truck, and barge transportation would all be needed in our area, and smooth intermodal connections continue to be an essential component. Our agricultural and manufacturing communities rely on a cost-effective way to move their products to domestic and international markets.

The large volume of inbound containers of high-value goods provides a price break for many of our lower-value products that would be unable to compete without the backhaul price breaks made possible due to the repositioning of surplus equipment.

The FAST Corridor that Mic referred to brought the public and private sectors together in a partnership to relieve the identified barriers to freight movement. By eliminating at-grade crossings in the extremely congested Everett-Seattle-Tacoma corridor, we will not only improve the movement of freight, but will also mitigate some of the impacts of that freight movement on our local communities.

The 22 projects in the FAST Corridor is the first step in relieving some of the most serious bottlenecks impacting freight movement north and south in the Puget Sound area. The partners are currently studying traffic flows and identifying the next series of projects, which will become FAST II.

The Federal Section 1118 and 1119 program dollars have been very helpful to us in our State, and we support continuing this highly successful program focusing on the movement of freight that improves our trade position. The improvements made to benefit freight obviously have additional benefits to improve service for not only our new commuter rail service, but also for Amtrak's Cascade service between Seattle and Vancouver, B.C., as well as from Seattle to Portland and Eugene, Oregon.

While the FAST Corridor is the centerpiece of our freight efforts, it is not the only focus for the Freight Mobility Board. In Eastern Washington, Spokane is investigating a proposal to bridge the valley. Currently, BNSF and UPSF have separate rail lines through the Spokane area, with a total of 36 railroad crossings. The proposal would put the two railroads on the same tracks and grade-separate the remaining 18 crossings.

Rail lines bisect Yakima, in Central Washington, where much of our State's agriculture is located, and are premium lines. The community is developing a series of grade-separations and road closures there to relieve backups that can take up to 20 minutes to clear. The improvement obviously will also allow train speeds to increase through town.

To bring our agricultural and manufacturing products on to the strategic corridors, we are working to improve truck and short-line intermodal connections, and in 1994, the State purchased 29 grain cars to ease the rail car availability problems the wheat farmers in southeast Washington were encountering.

The grain train has been so successful that a second grain train of 36 cars has now been purchased, partially using profits from the original train that will now assist farmers in the central part of our State, also in need of grain car availability.

Washington is also developing a program to add refrigerated cars to Amtrak trains that will expedite the delivery of apples and pears to Midwest and East Coast consumers. This is called the Washington Fruit Express, and it will not only benefit the soft fruit movement, but also Amtrak, by providing additional operating revenues.

The railroad rehabilitation and improvement finance program announced last fall could be very helpful for our short-line operations; however, the threshold requirements make it nearly impossible to access these low-cost funds. If the thresholds were changed, I think the program would be of great assistance to many of our short-line operators.

In Southeast Washington, barge movement is also a central cost-effective way to move grain, as you heard earlier. By providing the three choices, all of our modes of moving our product obviously have a very competitive position.

The Snake/Columbia River is an important link in product movement from our region. You heard from Mr. Dozier about the volume of products shipped from our region, but let me add some other statistics.

Forty-three percent of all U.S. wheat is shipped on the Snake River/Columbia system. Eleven percent of all U.S. corn goes down this same system. We are a conduit for much of the agricultural production, and outflow into international markets.

If barge service was eliminated, it would take an additional 120,000 rail cars, or 700,000 semis to carry these shipments annually to our deep-water ports. Dredging the Columbia is also crucial to the movement of these products.

In Washington, we have made a commitment to do our part and keeping our economy vibrant and our businesses competitive. We are not targeting our efforts just on rail or just on trucks. It is clear to us that if we are to be successful, we have to develop a strategic plan to keep freight moving using trucks, mainline rail, short-line rail, ships, barges, and air freight.

We simply need to keep all the modes working well, and working together for a total freight delivery system.

We believe that we can become a model for other States wanting to open their freight corridors and develop the partnerships necessary for successful freight corridor. After all, if we have a highly successful program within our State, it will do us no good if the bottleneck is only moved to another area.

PREPARED STATEMENT

We look forward to working with these other States and with the Federal government to also improve and keep our Nation competitive domestically and internationally.

Mr. Chairman, I look forward to answering any questions.

[The statement follows:]

PREPARED STATEMENT OF KAREN SCHMIDT

Good Morning. I'm Karen Schmidt the Executive Director of the Freight Mobility Strategic Investment Board in Washington State. The Board is an independent agency that focuses on freight transportation needs and works with public and private partnerships to develop and fund solutions.

Prior to taking this job, I served in the state legislature for 19 years where transportation was my principle committee—I served as Chair and Co-Chair of the committee for the last 5 years I was in the legislature.

Mic has explained to you the competition we face and the challenges presented by the growing congestion in the central Puget Sound region.

Our ports are working hard to accommodate the demand, but recognized early that their efforts would not be successful if congestion stopped cargo from getting to and from the docks. Partnerships were essential if we were to maintain a healthy economy. Rail, truck and barge transportation would all be needed, and smooth intermodal connections were required. Similarly, freight needed to be part of the planning efforts for state and local governments, as well as for the Federal Government, if we expected to have a seamless, efficient movement of our commerce.

Our agricultural and manufacturing communities rely on a cost effective way to move their products to domestic and international markets. The large volume of inbound containers of high value goods provides a price break for many of our lower value products that would be unable to compete without the backhaul price breaks made possible due to surplus equipment being repositioned.

The FAST Corridor that Mic referred to brought the public and private sectors together in a partnership to relieve the identified barriers to freight movement. By eliminating at-grade crossings in the extremely congested Everett-Seattle-Tacoma (MAP?) corridor we will not only improve the movement of freight, but also mitigate some of the impact of freight movement on our local communities. We recognized that for every grade separation that improved freight rail travel, we also improved local road traffic delays and had the ability to add passenger movement on the same rail lines.

The 22 projects in the FAST corridor is the first step in relieving some of the most serious bottlenecks impacting the freight movement North and South in the Puget Sound Corridor. The partners are currently studying traffic flows and identifying the next series of projects. Many of the projects anticipated in FAST II will be East-West connectors as well as more grade separations and intermodal connections between rail and trucks.

The Federal Section 1118 and 1119 programs are very helpful to us and we support continuing this highly successful program focusing on the movement of freight that improves our trade position.

The improvements made to benefit freight, obviously has additional benefits that improve service for not only our new commuter rail service but also the Amtrak Cascade Service between Seattle and Vancouver, British Columbia as well as from Seattle to Portland and Eugene, Oregon. This is one of the original 5 high-speed rail corridors designated under ISTEA identified by Congress in 1992.

While the FAST Corridor is the centerpiece of our freight efforts, it is not the only focus for our state's Freight Mobility Strategic Investment Board.

In Eastern Washington, Spokane is investigating a proposal to "Bridge the Valley". Currently the BNSF and the UPSF have separate rail lines through the Spokane area with a total of 36 road-rail crossings. The proposal would put both railroads on the same tracks and grade-separate the remaining 18 crossings.

Yakima, in Central Washington where much of our states agriculture is located, is bisected by rail lines and the community is developing a series of grade-separations and road closures to relieve backups that can take up to 20 minutes to clear, and which will also allow train speeds to increase through town.

In Kalama, which is located just north of Portland, a number of rail projects will allow better operations and will eliminate the current situation where north/south trains have to stop and wait for railcars traveling to the port with export grain to clear the mainline. The port has been handling about 90,000 grain cars annually, which is roughly the equivalent of over 800 unit trains.

To bring our agricultural and manufacturing products onto our strategic corridors, we are working to improve truck and short line intermodal connections. The state also provides a limited amount of direct financial assistance to repair damaged bridges and tracks, rebuild and improve existing tracks and construct new loops and spurs to accommodate needs.

The state appreciated the opportunity to do more when the Local Rail Freight Assistance (LRFA) program provided federal assistance funding, but 1995 was the last year that funding was made available.

The state purchased 29 grain cars in 1994 to ease availability problems wheat farmers in S.E. Washington were encountering. The Grain Train has been so successful that a 2nd grain train of 36 cars has now been purchased, partially using profits from the original train, to assist farmers in the central part of the state also in need of grain car availability.

Washington is also developing a program to add refrigerated cars to Amtrak trains to expedite delivery of apples and pears to Midwest and east coast consumers. This is called the Washington Fruit Express and will benefit both soft fruit movement and Amtrak by providing operating revenue.

The Railroad Rehabilitation & Improvement Finance Program (RRIF) announced last fall could be very helpful for our short line operations; however, the threshold requirements make it nearly impossible to access the low cost loan funds. If the thresholds were changed, I think the program would be of great assistance to many of our short line operators. The two biggest barriers are the provision that the program would become the lender of last resort and the risk premium requirements.

In Southeast Washington barge movement is an essential, cost effective way to move grain at a rate that allows it to compete internationally, and by providing a 3rd choice for transportation, price competition is improved for all modes. The Snake/Columbia river system is an important component in our product movement from the region. You heard from Mr. Dozier about the volume of products shipped from our region, let me add a few other statistics. 43 percent of ALL U.S. Wheat is shipped on the Snake/Columbia River System and 11 percent of ALL corn exports. If barge service was eliminated, it would take an additional 120,000 railcars or 700,000 semi's to carry the shipments to our deepwater ports.

Successful businesses are innovative and constantly evolving with changing conditions. We in government must also be ready to respond to these changes if we are to maintain a healthy business climate. To be successful, it will take a partnership of private and public sector discussions, analysis, planning, barrier removals and investment to keep from being surpassed by others who are competing for the same business.

Recent studies indicate that by 2020, Washington can expect to see container shipments through Puget Sound ports increase by 131 percent and grain traffic is expected to grow by 50 percent.

In Washington we have made a commitment to do our part in keeping our economy vibrant and our businesses competitive by focusing our planning and investments not just on the movement of people, but the increased movement of goods as well. We are not targeting our efforts just on rail or just on trucks. It is clear if we are to be successful, we have to develop a strategic plan to keep freight moving using trucks, mainline rail, short line rail, ships, barges and airfreight. We simply need to keep all the modes working well together as a total freight delivery system.

We believe that we can become a model for other states wanting to open up their freight corridors and develop the partnerships necessary for a successful freight program. After all, we can have a highly successful program within our state's boundary, but if the bottleneck is just moved to another state in the path, our efforts will only produce modest successes. We look forward to working with other states interested in moving freight and with our partner, the federal government in keeping our nation competitive domestically and internationally.

Senator SHELBY. Senator Murray.

Senator MURRAY. Thank you very much, Mr. Chairman.

Let me start by asking each of the railroad witnesses whether or not you thought that if legislation were adopted that mandated that you each give your competitors access to your shippers, should we assume that all shippers would actually retain competitive rail service?

Mr. RICKERSHAUSER. Let me start with that. My personal belief on that would be that the answer is no, and that is, we are a volume business. As we talked earlier with an airline example, not all markets can support two or more competitors, and be economically viable over the long term. By economically viable, I mean not only provide the service over the long term, but reinvest in the physical plant so it is there tomorrow. So my answer would be, no.

Mr. DAVIDSON. Senator, I agree with Mr. Rickershauser that—in fact, the very fact that we have abandoned railroads and we have sold some of our railroads to short-line operators, and that sort of thing, are they economically viable? It is an unfortunate fact that in many, many cases two railroads would be able to compete for the traffic. There has to be an economic motivation like we talked about during the presentation period.

Mr. MARTINEZ. I believe such legislation would be disastrous, and I concur with both of my colleagues here from the industry. I recommend to yourselves to make a comparison between two different models that have been pursued overseas.

Mr. Davidson made a reference to the Mexican model, where they privatized using a vertical industry structure, which is what we have in the United States, and in Mexico, you are seeing a successful rail renaissance, with market share increasing, costs being lowered for shippers, et cetera.

If you look at what they are doing in Europe, basically, that is a forced access regime, where they are allowing one railroad onto the tracks of others, and separating the traction from the infrastructure. It is a disaster.

Senator SHELBY. Why is it a disaster?

Mr. MARTINEZ. Because——

Senator SHELBY. We do not know. We just want to hear.

Mr. MARTINEZ. Because every year you are seeing that rail is becoming less competitive, and market share held by the railroads is becoming lower and lower. Here in the United States, we hold a 40 percent market share on a ton-mile basis, 40 percent, the rail industry does, and that has been relatively stable.

In fact, it has been growing very modestly over the past 12 years; although, as Mr. Davidson pointed out, our share of revenues are going down every year, and that is a different story.

In Europe, they have a 13 percent, one-three percent, market share for intra-city freight traffic, 13 percent, and every year it goes down, and it is because there is no adequate pricing mechanism, when basically you have infrastructure in one hand, and operation in another, and that is what would happen here.

Senator MURRAY. Okay. Thank you. Mr. Dinsmore, both the Union Pacific and BNSF have access to the Port of Seattle. However, some shippers have questioned whether the two railroads are really competing in a fashion that brings down rail rates.

Would you comment on your observations as to whether rail competition exists?

Mr. DINSMORE. Senator Murray, I think currently there is competition. I think over the last few years, particularly on behalf of the BN Santa Fe there has been substantial investment in infrastructure that makes it more of a competitive environment.

That being said, there still are areas, such as the serving of terminal five, that does not have equal access. Terminal 18 does, indeed, have equal access. So there is competition, but there is room for some additional adjustments for better competition.

Senator MURRAY. Thank you very much.

I have one more question, Mr. Chairman.

Senator SHELBY. Go ahead.

Senator MURRAY. I have another commitment. I am a co-sponsor of the High-Speed Rail Investment Act, and that is a bill that would provide bond revenue of $12 billion to enable Amtrak to launch new high-speed rail corridors around the Nation.

Except for the northeastern United States, all of the proposed new high-speed rail corridors would run over existing freight track, and I understand that all of the freight railroads are actively supporting the High-Speed Rail bill, except Union Pacific. Mr. Davidson, would you explain why UP is not supporting this?

Mr. DAVIDSON. Yes. It is a rather complex issue, Senator, but if you have time, I will. As you know, Amtrak came to life in 1971, because the rail industry was losing their shirt trying to provide passenger service, so rather than discombobulate the public all at one time by ceasing passenger service, the government agreed to set up a quasi-government organization called Amtrak to do an orderly transition out of the passenger business. Of course, that has not happened.

There has been about $25 billion of taxpayer money spent since 1971 to support Amtrak, and probably some of it makes sense, like in the heavily traveled parts of the West Coast, the Northeast part of the United States, and other areas that may develop over time.

However, these long-distance passenger trains that operate across this country—now, this is my personal view, and I will say I know it is very controversial—my person view is that it——

Senator SHELBY. It might not be.

Mr. DAVIDSON [continuing]. Makes no sense at all. In fact, it loses so much money that they have resorted to running freight trains, instead of passenger trains, and while they call them passenger trains, in some cases they may have one or two passenger cars, and the rest are freight, which is business that we should be hauling ourselves.

Not only do they do that, they do it at a favorable pricing from us. We only are allowed to charge marginal prices for them to use our rail facilities, and then they have government-mandated superiority over all of our other trains, so that when there is a passenger train coming, we have to get the men, women, and children, and everything, out of the road, and let them go, while we let our priority freight set, in spite of the fact that our customers are demanding higher and higher levels of service.

So to the extent that the money is going to be invested where it is truly needed to support a social good, where the highways are congested, and the roads are congested, and high-speed transit makes sense, I absolutely support it, but to be a moving mausoleum, going across the central part of the United States, where there is no demand for that traffic, I think it makes no sense.

Now, having said that, I will tell you, Tommy Thompson, who has served as the Chairman of the Amtrak Board is a friend of mine, he is a wonderful man, he supports Amtrak wholeheartedly, George Warington, the President of Amtrak, is, in my opinion, the best president they have ever had. He is a man of his word, and when he tells you something, he means it, and we have a great relationship, and he probably would hate to hear me say this, but I think the current way it is structured makes little sense.

Senator MURRAY. Mr. Rickershauser, can you comment on why you are supporting the legislation?

Mr. RICKERSHAUSER. We are supporting it from several perspectives. Number one, we do see the need developing for increased passenger service. Number two, we have a commitment, first of all, to our freight customers, and so if additional passenger service is going to be introduced on lines that are Burlington Northern Santa Fe lines, we want to make sure that our core freight business, meeting the needs of our core freight customers, is not disturbed. So to the degree that infrastructure needs to be added to derive this kind of service, we are in favor of that.

Senator MURRAY. Mr. Martinez.

Mr. MARTINEZ. I cannot specifically comment for Norfolk Southern on that issue, because, frankly, I do not know what the position is on that piece of legislation. I will tell you that on a personal basis, Mr. Davidson makes a good point on the issue of the fact that Amtrak is given preferential access, and they are moving freight, and that is a concern.

Also, secondly, I do think that Congress's intent to make Amtrak financially viable, or insistence on it, was also a good notion. That is my personal view. I will submit something for the record on the corporate view regarding that specific effort.

Senator MURRAY. Okay.

Mr. Chairman, thank you very much.

Senator SHELBY. We have a vote on the floor, and I have a number of questions. What I would like to do in a minute is recess this for about 15 minutes. Mr. Davidson, I want to tell you, your views on Amtrak 100 percent coincide with mine. I commend you for that.

The committee will be in recess for 15 minutes.

The committee will come back to order.

Mr. DAVIDSON. Okay. I will be happy to address that, Senator.

Senator SHELBY. Sure.

Mr. DAVIDSON. There are a number of examples, just as you said, where we operate on each other, and probably the biggest example in the United States is between the Burlington Northern and Union Pacific. If my numbers are somewhere halfway right, Burlington operates on about 6,000 miles of trackage rights on us, and we operate on something under 5,000 miles from them.

Senator SHELBY. How do you work that out? Explain it to us.

Mr. DAVIDSON. Well, the last allocation of trackage rights occurred when we merged with the Southern Pacific. Particularly along the Gulf Coast, there were a number of miles of track where Union Pacific and Southern Pacific ran parallel and served the same customer. Well, we saw, and, of course——

Senator SHELBY. Are you talking about the California coast?

Mr. DAVIDSON. No. The Gulf Coast.

Senator SHELBY. The Texas area?

Mr. DAVIDSON. The Texas area——

Senator SHELBY. Okay.

Mr. DAVIDSON [continuing]. From the Houston area over to New Orleans.

Senator SHELBY. Okay.

Mr. DAVIDSON. We served the same customer, so the customer had two-railroad service. We knew that it would not make sense that we would become one railroad and eliminate the two railroad competition, where the customer had previously had two competitors vying for his business.

Senator SHELBY. Out of choice.

Mr. DAVIDSON. That is right. So in this case, we worked with the Burlington Northern to put them in the shoes of the SP, so the customer would not be disadvantaged——

Senator SHELBY. How did you do that?

Mr. DAVIDSON. Well, through arms-length negotiation. In some cases, through quid pro quo. Along the West Coast, where I talk about——

Senator SHELBY. They use your tracks and you use theirs, is that what you——

Mr. DAVIDSON. No. In this case, it was 99 percent they use ours——

Senator SHELBY. Okay.

Mr. DAVIDSON [continuing]. Because we were the ones——

Senator SHELBY. They pay you for that, do they not?

Mr. DAVIDSON. Yes. We negotiated the trackage rights payment.

Senator SHELBY. Do you use those same tracks yourself?

Mr. DAVIDSON. Yes. In some cases, we do. In some cases, we actually sold a piece of railroad to the Burlington Northern. That was a small part of it, though. Most of it is on trackage rights, and where they run on us, they pay us, and where we run on them, we——

Senator SHELBY. How did you get the agreement on pay? Did you do it by negotiation?

Mr. DAVIDSON. We did, and in some cases I will tell you we were out-negotiated. They are a pretty smart bunch, and they took advantage of us, I think, in a number of cases, but we tried our best.

Senator SHELBY. It sounds like you have been thrown in the briar patch.

Mr. DAVIDSON. We have been. It is like the lamb laying down with the lion, so to speak.

Senator SHELBY. But anyway, in every case, and I could point to other cooperative efforts we have had, too. As an example, where we have trackage that overlaps considerably in the Western part of the United States, in order to benefit the customer from a service standpoint, and help our sales from an operations standpoint, we have actually set up joint dispatching centers, where our employees work side-by-side to try to figure out the best benefit for the customer and for our own operations. We have four places like that in the Western part of the United States.

Senator SHELBY. How does that work?

Mr. DAVIDSON. It is working wonderful. Well, we started it in Spring, Texas, and the reason was, is that, and you probably heard rumors at one time, our service was not very good. Shortly after——

Senator SHELBY. I think we heard it here in the committee.

Mr. DAVIDSON. And it was more than a rumor. It was absolutely true.

Senator SHELBY. Why, I am sure it was.

Mr. DAVIDSON. So we were having trouble operating our trains between Houston and New Orleans, is what started it, so Rob Krebs and I, and our people, our team, sat down and said, "You know, our dispatchers fight with each other, because we have one in Omaha Nebraska and one in Fort Worth, Texas, and we probably—it might make sense to put them in one office, all together, in Houston, where they have to look at each other and come to work every day, and cooperate," and lo and behold it did work that way. We set it up as an experiment, and it was a great success. Since then, we have done it in San Bernandino, in Fort Worth, and in Kansas City.

Senator SHELBY. How is it working now?

Mr. DAVIDSON. Terrific. Terrific. It has benefitted both the railroads and the customer.

Senator SHELBY. What if you could not have gotten together, and I mean after extensive negotiations between you on use of trackage rights? Some people have suggested if you could not get together on it, that those should be arbitrated, mandatory arbitration. We are trying to learn this.

Mr. DAVIDSON. Yes. I do not——

Senator SHELBY. You reached an impasse, but trackage rights would give the other railroad, and give you, too, the use of their road for a price, and if you could not agree on the price, it would do it, but it looks to me, just superficially, that that would give the shippers more options. Maybe I am wrong.

Mr. DAVIDSON. Well, here is what I think about that, Senator. I think if we can arrive at it, and there is an economic inducement, or a service inducement to do it smartly, it will be done.

As I pointed out, where there is an economic inducement, and it makes economic sense, such as the Union Carbide, which is now a Dow Chemical plant, or the Houston Power and Light Plant, in Houston, it will be done, but having someone arbitrate it that does not understand the huge complexities of this railroad business, I think makes no sense.

In fact, prior to 1980, the old Interstate Commerce Commission, which is today the STB, used to do that sort of thing, somewhat, and it was a dismal, absolute, unmitigated disaster.

Senator SHELBY. Given the common use of trackage rights in some markets, which you have been talking about, and switching in terminal areas, why is it unreasonable for rail customers to want railroads to just quote a rate over a specific portion of a route, or for those customers to be able to have their traffic switched among carriers in a terminal area? Do you see what we are getting at?

Mr. DAVIDSON. Yes. You are getting—I think there are two issues——

Senator SHELBY. What we are trying to get at is competition.

Mr. DAVIDSON. Yes, and we have a ton of it. As I told you, coming out of Houston, which is the biggest complex in America, I think probably less than 30 percent of the traffic moves by rail. Most of it goes by truck, pipeline, or water. So there is lots of competition.

You asked one of the better questions today when you asked about the bottleneck issue. I think——

Senator SHELBY. I think the gentleman from Pennsylvania Power and Light was——

Mr. DAVIDSON. He did. He addressed that issue.

Senator SHELBY. He addressed that. Do you want to get back on that?

Mr. DAVIDSON. The reason that it is there is a very compelling argument. If I had an easel and a chart, I could draw a picture that would kind of demonstrate this.

Senator SHELBY. Try to just explain it slowly to me.

Mr. DAVIDSON. Well, I did not mean that. It is just——

Senator SHELBY. No. Seriously.

Mr. DAVIDSON [continuing]. Very complex. I will just give an example.

Senator SHELBY. The reason we are holding these hearings, we are trying to learn——

Mr. DAVIDSON. I will give you an example.

Senator SHELBY [continuing]. A lot about this.

Mr. DAVIDSON. Say we have a railroad track that runs from St. Louis to Houston, Texas——

Senator SHELBY. Okay.

Mr. DAVIDSON [continuing]. And Burlington Northern has a railroad track that runs from St. Louis to Houston, Texas——

Senator SHELBY. Yes.

Mr. DAVIDSON [continuing]. But then only one of us has a track that maybe runs the next hundred miles to serve a customer. What you are saying is, why can we not be forced to quote a rate from the customer that is a hundred miles away to Houston, and then turn it over to the Burlington Northern.

Well, it is a complex answer, but just the most simplistic way to get at it would be, that might work in the short term, but in the long term, if we had plowed a lot of money in the infrastructure from Houston, to St. Louis, and built facilities to serve that customer, and gear it up to handle it, and then all of a sudden that business goes away to the other person, and there is not enough traffic on that line to support what is left——

Senator SHELBY. Well, that would not go away if you were competitive. That is the issue, is it not? I mean I would——

Mr. DAVIDSON. Well, we will just——

Senator SHELBY. Let me just say this. I would first concede that you would have a proprietary interest in your trackage, you know, your lines, because you had built it privately, you had put a lot of money in it, and if anybody used it, then they should pay a reasonable, whatever, you know, a price to use it. It should not be free at all, but go ahead.

Mr. DAVIDSON. Right. Well, today, he is running over a parallel track of ours at a price that you could not replicate to the railroad today for, so just say that he took that traffic at maybe a price that he should not have, and our railroad no longer has enough traffic on it to support that infrastructure. We do away with our railroad.

Senator SHELBY. You are saying there is not enough capacity, in other words.

Mr. DAVIDSON. There is not enough for both parties. That is the whole——

Senator SHELBY. Okay.

Mr. DAVIDSON. That is the key issue here, Senator, capacity and business levels. If there was enough business at that customer in the first place, he would build his own railroad in there——

Senator SHELBY. That is right.

Mr. DAVIDSON [continuing]. Just like he has done with Union Carbide at North Seedruth, Texas.

Senator SHELBY. Okay. Mr. Rickershauser, do you have a any comments on this?

Mr. RICKERSHAUSER. Yes. I wanted to—if I may, Senator, I would like to back up about three paragraphs here.

Senator SHELBY. Okay.

Mr. RICKERSHAUSER. You asked some questions about trackage rights, and what I wanted to do was just get into that a little bit further.

Mr. SHELBY. We are trying to understand all this.

Mr. RICKERSHAUSER. Okay.

Mr. Shelby That is why we are holding these hearings.

Mr. RICKERSHAUSER. We do appreciate that. When we talk about trackage rights in the rail industry, there are two types. The historic long-term rights that we have had, that have been here since the 19 century, quite frankly, is where railroad A runs over railroad B's track.

As Mr. Davidson indicated, it is an agreement that is struck between the two carriers, and as I said, that has been in place in this industry since——

Senator SHELBY. How much do we have of that in this country?

Mr. RICKERSHAUSER. I could get back to you with that.

Senator SHELBY. Could you furnish this, any of you, for the record and the committee——

Mr. RICKERSHAUSER. Sure.

Senator SHELBY [continuing]. Because we are very interested in this.

Mr. RICKERSHAUSER. We can get that. But the point I am trying to make is (a) that is a cooperative agreement between the carriers, and (b) it has been in place for a long time, and (c) almost without exception, that does not provide for customer access along that stretch. It is a case where we have two lines, we put the traffic on one line, and we run overhead, but the railroad that owns the trackage is the one that continues to serve the customer.

There are some examples in the Pacific Northwest. Our access up to——

Senator SHELBY. When you say the customer, now, they would be serving the customer, would they not, in the sense, if they were running on the track. They might not be serving the customer's own—the other man's track.

Mr. RICKERSHAUSER. That is what——

Senator SHELBY. Is that your point?

Mr. RICKERSHAUSER. That is my point.

Senator SHELBY. Yes. Okay.

Mr. RICKERSHAUSER. Now, the second example, and Mr. Davidson referred to it, as I did in my comments, the UPSP merger conditions, in that case, what happened, and an example exists just east of Houston at a place called Mount Bellvue, where historically customers were served by the Southern Pacific, and as a result of the merger settlement agreements that Mr. Davidson referred, BNSF gained access to those customers.

Well, at that point, several things happened. Number one, of course, we are running trackage rights over Mr. Davidson's railroad to reach those customers, but the other thing that then happens is that the infrastructure has to be put in place at our expense to provide for service so that Mr. Davidson's service is not interrupted, and so that we can provide service.

Senator SHELBY. Sure.

Mr. RICKERSHAUSER. So we build sidings, tracks, we put in supervision, and we provide the service, and the driving force of that is that economically it makes sense for us to do so, in terms of the volume of business and what it is we can do with that business.

I guess one of the points that we have made, hopefully, is that not everywhere in the country is there that type of opportunity to establish a service, and be profitable, and replicate the service over a long term.

Senator SHELBY. Let me ask you a question, all of you. Sooner or later most railroad tracks can converge, can they not, they can run together? I mean could you connect just about—Norfolk Southern could connect to Union Pacific somewhere——

Mr. RICKERSHAUSER. And does.

Senator SHELBY [continuing]. And does, and vice-versa. I mean it is an integrated track, tracking system.

Mr. RICKERSHAUSER. It is a network operation——

Senator SHELBY. Sure. Sure.

Mr. RICKERSHAUSER [continuing]. Is what we call it.

Senator SHELBY. Sure. Sure.

Mr. RICKERSHAUSER. You can ship a car from Halifax, Nova Scotia, over interconnecting railroads, all the way down to the deepest part of Mexico, and——

Senator SHELBY. It is all the same gauge, and same——

Mr. RICKERSHAUSER. It is a network business.

Senator SHELBY. Let us talk about differential pricing. The argument is that it is important for your financial health. How do we better understand differential pricing and the justification by that? Mr. Davidson?

Mr. DAVIDSON. Senator, you could look at almost any business in America and see differential pricing.

Senator SHELBY. Between products?

Mr. DAVIDSON. Well, yes, between products, and the same producer can even have differential pricing, and he does. Chemical producers charge a different price to certain customers than they do the others. They do not charge the same price for everything. I mean any business in America, as you said earlier, you can go to a matinee in the daytime cheaper than you can go at night, and we do the same thing.

One of the new services we are offering in California, an intermodal service operating from the Pacific Northwest to California, we found that on certain days of the week there was more traffic than the train could handle, and on other days of the week there was less traffic than justified to run the train, so we differentially priced by day of the week, and gave an economic inducement to the customer to ship on those light days when there was not enough traffic, and discouraged him from shipping on the heavy days.

It made our service better, and it made our profitability better, and it made the customer happier. So there are all sorts of justification for differential pricing.

Senator SHELBY. Mr. Snovitch said that the Pennsylvania Power and Light worked with different salesmen, one for coal and one for coke, and that they charged different rates for service for basically the same origination and destination. How can that happen?

Mr. DAVIDSON. Well, once again, sir, for our chemical customers in particular, we haul some of the most dangerous, explosive, toxic contents known to mankind. We also haul products like baled hay. I guarantee you, you have to charge more for hauling those explosive, toxic——

Senator SHELBY. It is a risk.

Mr. DAVIDSON. Absolutely.

Senator SHELBY. Is there any more risk in coal than there is in coke, which is a by-product?

Mr. DAVIDSON. I really cannot address the coal and coke thing, but I will tell you this, we look at our business——

Senator SHELBY. The risk factor in it.

Mr. DAVIDSON [continuing]. In six different segments. So we do have sales and marketing people who are trained to deal with specific commodities, because it takes different investment, different levels of service, different everything to deal with it, so it is really not realistic to think that you have one size fits all for everybody.

Now, Mr. Rickershauser has a lot of marketing experience. I am an old operating boy, so Mr. Rickerhauser probably has——

Senator SHELBY. I am glad to have this panel together.

Ms. SCHMIDT. Senator Shelby——

Senator SHELBY. Ms. Schmidt?

Ms. SCHMIDT. [continuing] If I could excuse myself. If you have any questions for me, I would be happy to answer them.

Senator SHELBY. Oh, no. We appreciate you coming. I think we are going to focus on the railroad right now——

Ms. SCHMIDT. I suspected that.

Senator SHELBY [continuing]. And in all aspects we appreciate your contribution today.

Ms. SCHMIDT. I hope we can come back and talk about mobility and what works.

Senator SHELBY. Whatever you want to do.

Ms. SCHMIDT. Thank you.

Senator SHELBY. Mr. Dinsmore, the same way, if you want.

Mr. DINSMORE. Thank you.

Senator SHELBY. Go ahead, Mr. Rickershauser.

Mr. RICKERSHAUSER. I would like to touch on two points that were raised. First of all, the comment about, say, petroleum coke versus coal. Certainly, from the standpoint, I would suspect, of the user in this case, PPL, at the end of the day, it looks like the same product going to the same purpose when it arrives at their power plant.

As a practical matter, the handling characteristics of those commodities are different, and they do not come from the same place. They come from different places.

Senator SHELBY. Yes. One of them is a by-product, is it not?

Mr. RICKERSHAUSER. Yes. Of petroleum refining. So it is not going to come from a coal mine, it is going to come from some other place, and what they are looking at, I would suspect, is the cost for BTU, what they are getting out of that, but as a practical matter, when the railroad looks at it——

Senator SHELBY. Of course, BTU, you are getting it out of the coke, right?

Mr. RICKERSHAUSER. Right. Well, whether it is coal or coke, they are burning it for the BTU——

Senator SHELBY. Is coke or coal explosive? I know it could——

Mr. RICKERSHAUSER. Under certain circumstances. The second point I wanted to touch on was the sales and marketing thing. At BNSF, we have an initiative, and I do not think we are unique among the railroads, but historically, we have looked at our businesses by a marketing group.

For instance, agriculture dealt with the agriculture customers on agriculture commodities, and coal with the energy folks, and intermodal and automotive, and then we had what I will call the all-other bucket that we refer to as industrial products, and that would include our chemical customers, that would include paper, forest, you run right on down the list, iron, steel. It is the single carload traffic that is so much of our business. We at BNSF do not believe we handle that very well.

Senator SHELBY. What do you mean by the single carload traffic?

Mr. RICKERSHAUSER. Well, the difference would be intermodal traffic, such as Mr. Dinsmore talked about, that comes off a steamship. The steamship company will load an entire train with containers of goods, and it will go to the Midwest, or a power plant will consume an entire trainload of coal from a mine——

Senator SHELBY. It is a commodity.

Mr. RICKERSHAUSER [continuing]. To a generating station, whereas a good deal of our book of business in this industry is single carload traffic. It will be the carload of lumber that originates at a sawmill, and it is going to a lumber distributor in Southern California from the Pacific Northwest, or anywhere.

What we have done at BNSF is several things. Number one, we launched last year, and we have a long way to go, and we would be the first to agree, an ease of doing business initiative. We recognize we are not easy for our customers to do business with.

Within the last week, number two, we just announced for the industrial products type of commodities, that we have reorganized our commercial effort, and separated marketing from the customer contact piece, and the reason why is exactly the kind of frustrations that we heard, and that is, our customers want to interface with one person, and they want that one person to be able to deal with if today it is a carload of lumber, and tomorrow it is a carload of paper, wood chips, or whatever, they do not want them to deal with a variety of people, they want one person who understands their needs.

So we are just in the process of putting that type of organization into place, but it is in response to hearing the same thing you heard this morning from customers, and that is that they are frustrated, at least in that venue, with dealing with a multiple number of folks at the railroad.

Senator SHELBY. Yes, sir, Mr. Martinez?

Mr. MARTINEZ. If I could pick up on something that Mr. Rickershauser was going in the direction of. I am talking about this loose, single carload pieces of business. From the outside certain moves may look very similar, when, in fact, they are not.

The economics of running a unit train, which is to say a train composed entirely of a single commodity, from one origin to one destination, is very different than the single carload move, which may be coming from a similar location, origin, close by to a destination very close by, because of the economics of the train.

The basic unit of production in the industry is the train, it is not the railcar, and how you build trains, and how you successfully configure trains and their movements is going to determine whether or not you are going to make money.

There are many different commodities that may look very similar, but actually have different equipment. Even with unit trains, which is a train that is composed just for a single commodity, even with unit trains, there is a difference if they are in sort of a closed loop that is continuous, or whether there is less frequency in whether or not you are going to be running a unit train at a particular point in time, but when that train—those railcars have to be redeployed during a different period of time, say, like in the agriculture, or some of the cereals, where you may be running unit trains during harvest periods and the like, but not year-round. The cost of that rail equipment has to be accounted for in how you price the product, and that may not be the case in other instances.

If I could also just very quickly talk about—make one point about differential pricing, which Mr. Davidson spoke at some length about the infrastructure capacity issue. Do not forget also that railroads are networks, and as networks we need to recover our costs on a network basis.

That means that where there is more competition—there is virtually always competition, there is virtually always competition. The issue is that shippers would like to pay lower rates than, for example, what you would have to pay to truck a particular product is going to be much more expensive than to rail it, and that is why they would rather see even lower rail rates than what they already have.

However, as a network, differential pricing is an efficient way for us to recapture the costs that we need in order to reinvest in the network. It is the case that some shippers are going to get rates where the price is basically set at an incremental cost, at a fully variable cost, for that individual shipper.

If we had to basically homogenize the way prices are set, which did not take into account the level of competition, what would happen is that the average rate would increase, and a lot of those shippers who are right now being charged incremental, would move to other modes, whether that is water or it is truck, and then the remaining costs for the remaining shippers would be higher, and the cost to the economy would be greater.

Senator SHELBY. Mr. Dinsmore, I believe you had a comment.

Mr. DINSMORE. Thank you, Mr. Chairman. I have enjoyed listening to the three senior officers of three independent railroads, and they gave me a wonderful opportunity to take the case they have just made and tell you what is one of, if not the most significant concerns of ports, and it is differential pricing. We do not want it. We want all things to be equal.

Just think for a minute, if they do, and at times they do, differential price with unit trains, whether it is through the port I have, or through Oakland, or through Los Angeles, de facto, they are diverting cargo, and we have over $3 billion worth of infrastructure that cargo will go where the cheapest differential price is given. We do not want a better one, but we do not want a worse one. We want the same price for the same amount of mileage and for the same amount of service.

Senator SHELBY. Is what you are saying, and I am just asking this rhetorically, is that the size of the load of the cars is the determining factor in the price charged? Is that fair? Is that——

Mr. MARTINEZ. First of all, we serve a number of ports on the Atlantic Coast. Of course, we do not go where Mr. Dinsmore is most concerned. There are seven major factors that dictate sort of the cost structure of Norfolk Southern, and those factors will vary from every point on our network.

Those factors include things like length of haul, the type of equipment that is used, the terminal, terminal costs. I am going to start forgetting these if I do not look at my notes here.

The route, of course, which has to do with—here we go—length of haul is number one, empty return, which is to say whether or not you have an empty backhaul or a loaded backhaul, days on line, which is to say that the fewer the days on line, the lower the equipment costs, the length of train, which is to say how many railcars on the train.

Typically, the longer the train, the better the economics; however, it is really a balance between locomotive power and the number of railcars. Terminal costs, which are how many times you have to handle the rail cars between the time that you originate the train and the final destination. The type of equipment, and then the weight of the product. On the weight of the product, we have virtually no control over that.

We at Norfolk Southern, for the ports on our network, try to do our darndest to make certain that we do not prejudice any port versus—relative to another port. However, the rates that we provide for a particular commodity from one port relative to another port will always differ, because the length of haul is going to be different, backhaul opportunities are going to be different, et cetera, et cetera.

If I could just quickly give you one example?

Senator SHELBY. Take your time. That is why we have this hearing.

Mr. MARTINEZ. One example. There is one major port on the Atlantic Coast that has a very heavy local consumption of metal products in the vicinity of the ports. In that particular area, it is uniquely positioned in an area that has a lot of metal consumption. It competes against other ports where you do not have that situation.

When we handle import steel coming into the United States on the Atlantic Coast, that port has a huge competitive advantage, and why? Because the primary rail movement into that region, where that port is located, is coming from the Midwest, where steel is produced, moving east, to arrive in the general vicinity of that port, and then we have empty railcars.

That is the head haul move. That is the move where, frankly, we are making money on moving the traffic, and then we have empty railcars that we need to reposition back to the Midwest.

So when it happens that you have tonnage of steel coming through that port, they are going to have a better rate than other ports located on the Atlantic Coast, where we would have to move the rail equipment, which is specialized equipment for that commodity, and basically it would be an empty move, and then the rate for that product would be the head haul rate. Here, you are able to give a backhaul rate, and, frankly, the rate is going to be different at each point.

Senator SHELBY. Sure. While I am pleased to hear that each of you represent the railroads—that you believe that there is a healthy amount of competition between the railroads, something continues to puzzle me here. Maybe you can help me.

If your companies embrace competition, as you claim, then why do your companies routinely force short lines, that operate on the track you sold them, to enter into contracts that keep them from competing with the major railroads, or from hauling freight to another class-one railroad? How do you reconcile what is on its face protectionist contracting with your rhetorical support of competition? Mr. Davidson.

Mr. DAVIDSON. Well, I would give you the answer from my point of view. First off, we resorted to selling marginal branch lines to short-line operators as an act to try to preserve business flowing across that branch line, and to continue to provide service to our customers rather than abandoning the railroad and just ceasing service to that customer. That was the first thought.

So we sold or leased those short lines, or those branch lines to the short-line operators on that basis, and the price that we charged the short-line operator, or the lease rate that we charged the short-line operator was designed to be able to let him operate and make profit, and continue to provide service there.

It did not contemplate him becoming a major railroad and operating over us. I mean it would have been entirely different economic scenario if we were going to convey to him a piece of our railroad with the thought in mind that he is going to operate over us for another 5,000 miles or something.

It was a contractual agreement that was entered into between two consenting adults, and now they would like to change that equation. It is just that that was not the agreement that was made when the line was conveyed to them.

Senator SHELBY. Mr. Rickershauser.

Mr. RICKERSHAUSER. I agree with all of Mr. Davidson's comments. Building on that a little bit, in a number of instances, the short lines that we have spun off, as the Union Pacific did, and created to preserve service in the rural areas, the contracts that we struck with those folks provides the opportunity for the short-line operator to contact us, and essentially buy out of the contract.

Senator SHELBY. Okay.

Mr. RICKERSHAUSER. In other words, these are leases of property. They have the right to purchase the property, and when they do, they can connect with anyone their tracks touch. As a point of fact, we are very close to concluding one of those deals right now, even as I speak, and we are in conversation with two other short lines that have contacted us with the same desires. So the contracts provide the opportunity, and we are open to dialogue if the short lines want to talk about that.

Senator SHELBY. Mr. Martinez, do you have any comments?

Mr. MARTINEZ. I would just add that we have over 200 short-line partners, and we deal very closely with them, and obviously we pursue opportunities jointly with them. They were set up, as Mr. Davidson——

Senator SHELBY. Are they important to all of you?

Mr. MARTINEZ. Absolutely. Our network would not—we would not be carrying the level of traffic that we currently carry were it not for our short line——

Senator SHELBY. Are they basically feeders? They feed business to you.

Mr. MARTINEZ. As a general characterization, yes.

Senator SHELBY. Mr. Davidson.

Mr. DAVIDSON. In fact, if you added together all of our short-line partners, they would be our single largest customer.

Senator SHELBY. Okay.

Mr. RICKERSHAUSER. If I may add on that as well, we talked earlier about our single carload business, our industrial products business, and I guess I would point out two facts.

Number one, BNSF connects with approximately 160 of these carriers around our network. Number two, they handle, in terms of our industrial products business, they touch about 25 percent of our total book of business, and number three, they have grown their business last year at a rate that we wish we could replicate on our rail. So we view it as an active and viable partnership.

Senator SHELBY. When railroads voluntarily propose that certain benefits will be achieved as part of a merger, usually in terms of service improvements, and those benefits do not emerge, is it appropriate for the STB to take some action?

In other words, in order to meet the public's interest standard in the law, why should not merger approval be a condition on the merger partners producing those benefits? We hear a lot about it, but I just wondered. Sometimes I know it is achieved, sometimes it is not. Mr. Rickershauser.

Mr. RICKERSHAUSER. As I am sure you are aware, the Surface Transportation Board is currently going through a rule-making process. There will be oral arguments on April 5th.

For some reason, sometimes we feel like we are the guilty parties, because we announced a combination with Canadian National in 1999 that got everybody excited. It was our way of saying Merry Christmas, but most people did not take it that way.

But in that transaction that we were going to propose, and I think you see it in the rules that are emerging, there is the concept that carriers not only submit to oversight, that is, did you produce, in fact, what it is you said you were going to produce, but if, in fact, carriers do not produce the service that they promised shippers, that there is some sort of remedial action that applies.

Senator SHELBY. We have heard a lot about the capital investment that the railroads have made, and I know it is real, I have seen your chart that Mr. Davidson put up there over the last— would each of you provide for the record of the hearing, not at this minute, a description of where you have made these capital investments, and so forth? We would just like to know, because we are trying to learn a little more about this——

Mr. DAVIDSON. For what period of time would you like to have that, Senator?

Senator SHELBY. The last 10 years.

Mr. DAVIDSON. Sure.

SUBCOMMITTEE RECESS

Senator SHELBY. I want to thank all of you, one, for your patience, and also for your contribution to the hearing, and for waiting patiently while we had to vote. Thank you all.

Mr. DAVIDSON. Well, thank you for letting an old brakeman talk a long time.

Senator SHELBY. Thank you.

[Whereupon, at 1:05 p.m., Wednesday, March 15, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2002

THURSDAY, APRIL 26, 2001

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:06 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Richard C. Shelby (chairman) presiding.

Present: Senators Shelby, Specter, Bond, Bennett, Stevens, Murray, Byrd, Mikulski, and Durbin.

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

STATEMENT OF HON. NORMAN Y. MINETA, SECRETARY OF TRANSPORTATION

OPENING STATEMENT OF SENATOR RICHARD C. SHELBY

Senator SHELBY. The Subcommittee on Transportation will come to order. This morning we welcome Norman Mineta, who will make his first appearance as Secretary of Transportation before this subcommittee. I am anticipating that this hearing will be widely attended and I know that a number of members of the subcommittee are interested in your proposed budget, Mr. Secretary, and the activities of the Department. One or two of my colleagues may be interested in a particular airport, transit, or highway project. You never know.

Mr. Secretary, I commend you for preparing the most honest budget request that I have seen since becoming chairman of the subcommittee. At first blush and as widely reported in the press, it would appear that the President's budget decreases Federal spending on transportation by several billion dollars. But, Mr. Secretary, upon closer inspection, the budget for transportation does have real growth over last year after backing out some one-time transit and highway spending from last year's appropriations.

Mr. Secretary, the administration's request honors the authorized levels for highways, transit, and aviation; resists for the most part unobtainable diversions of funding from the highway account for non-highway uses; and avoided, again for the most part, tried and rejected budget gimmicks such as user fee taxes that were dead even before they were considered for this budget. Mr. Secretary, what a refreshing departure from last year. I commend you again.

As encouraged as I am about this budget request at this point, there are a few areas of concern that I will mention this morning. Although the President's budget request avoided the wholesale reliance on new user fees and taxes that characterized the last administration's submissions, somewhere the budget gnomes just could not let go completely. They continued the proposed new $77 million in taxes for rail safety inspections and the hazardous materials safety program, even though these proposals have been submitted to Congress each year that I have been chairman of the subcommittee, and each year I have told your immediate predecessor, Mr. Secretary, that Congress, I believe, is not interested in enacting new user fee tax increases on the transportation community.

Although the hole in the budget created by user fees is smaller than years past, even a small hole will have to be made up somewhere. Because of the funding distortions caused by special budget treatment, closing this gap will likely come at the expense of just those accounts that have the greatest difficulty absorbing the shortfall. With that in mind, Mr. Secretary, I will entertain your suggestions for addressing the $77 million shortfall.

Another area of concern is the pressure put on the aviation and Coast Guard operating accounts. The structure of transportation funding under the two most recent authorization bills for aviation and surface transportation creates pressure on FAA operations, Coast Guard operations, and Amtrak subsidies. Even with that pressure, the administration has found the resources to commit 6 percent growth to both the Coast Guard and the FAA operating accounts in a 4 percent growth budget.

As for Amtrak, I wish I was not concerned at all. Unfortunately, I have not heard much about self-sufficiency lately and many of my colleagues do not seem to be troubled by the prospects of paying tens of billions of dollars more on this failed experiment. According to independent assessments of passenger rail by the GAO and DOT Inspector General, Amtrak continues to experience heavy cash losses and things seem to be getting worse, not better.

It carries roughly, Mr. Secretary, the same number of passengers that it did 20 years ago, at great cost to the American taxpayer, while eroding and encumbering what little remains of the company's asset base. No matter what the new mantra is for Amtrak—route expansion, Acela, growth in non-passenger business, commuter rail services—the answer is the same, an annual taxpayer bailout. The unavoidable truth, the bottom line, is that Amtrak is a guaranteed loser, not a viable business.

I am troubled by the most recent claim that Amtrak is a solution to aviation and highway congestion. If the proposition were not so costly, it would be laughable. Let us presume Amtrak's passenger base could be doubled to roughly 40 million people annually. Now, I will acknowledge that after 30 years of history with roughly the same number of riders, this is a completely unrealistic proposition. But so many assumptions about Amtrak are unrealistic that one more to make a larger point should not offend anybody here.

I am curious whether the rail panacea advocates realize that 40 million passengers, again a doubling of Amtrak's annual ridership, is no more than the number of passengers that are carried by the commercial aviation system every 20 days. When compared to the number of passengers moving on our highways, it would be measured in hours, not days. Furthermore, highway congestion is not caused by intercity traffic. It is largely the result of people working in urban core and commuting from the surrounding areas.

The solution to highway and airway congestion I believe is not Amtrak. To pretend otherwise is misleading, I think, and quite disingenuous.

Mr. Secretary, in reviewing your testimony and in listening to what you said before the House subcommittee yesterday, I wanted to mention that I agree with you that some of the weather identification radars and displays providing information to the controller may actually contribute to delays. We need to do a better job proactively at safely managing the flow of aircraft through the system, particularly when weather is an issue.

I also believe that increased traffic demand at peak times at critical airports contributes to delayed flights. The system simply has great difficulty absorbing a shock, be it driven by weather, airport scheduling, congestion, or air traffic control.

I have heard you say, Mr. Secretary, that you expect to spend 70 percent of your time on aviation matters. Considering the many challenges facing the aviation system, from excessive flight delays, the over budget and underperforming ATC replacement equipment, to exploding personnel costs, I can understand the need to devote significant attention to aviation issues.

Nevertheless, there will be several watershed events that will deserve your personal attention and perhaps take up more than 30 percent of your time. Let me just go over a few of them. The Coast Guard wants to proceed with the procurement phase of the Deepwater contract, committing the Department to a 20-year, $10 billion recapitalization of its Deepwater assets. The Class 1 railroads engage in many business practices that have the effect of stifling competition in the freight rail industry. NHTSA is struggling to comply with issuing 10 new regulations on an accelerated schedule, as required by the TREAD Act. The Big Dig project in Boston is probably worthy of some attention to make sure that the almost 500 percent cost overrun does not get any worse. And rumor on the street is that the Woodrow Wilson Bridge is already $200 million over budget and is the leading candidate to become a mini-Big Dig.

I guess what I am trying to say, Mr. Secretary, is that you have a lot of challenges facing you at the Department. Along those lines, after reading your Budget in Brief, I know that transportation safety is a personal priority to you. If you step back from day-to-day challenges for a moment or from an occasional sensational event to reflect on where the fatalities are occurring in the transportation system, I would argue that a substantial portion of your safety-related efforts should be directed to the highway system.

Every year more than 40,000 Americans lose their lives on the roadways, while less than 3,000 die in the rest of the system. What is especially alarming is that the highway fatality rate per million vehicle-miles crept up last year. So we are not headed in the right direction on our highways as far as safety is concerned.

I would encourage you, Mr. Secretary, to review the operations of NHTSA to make sure that the focus of the agency is on those programs and initiatives where the greatest potential to save lives exists. My sense of the prior regime's focus on safety programs was largely driven by press releases. I am confident that your approach will be to dig into programs to find out what works. I would urge you to do this with NHTSA and refocus the agency on their core mission. The agency has lost focus recently and I think that your oversight of NHTSA's programmatic priorities and regulatory actions would be time well spent.

I look forward to the hearing today and working with you in the future.

Senator Murray.

STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Well, thank you very much, Mr. Chairman.

Secretary Mineta, I want to welcome you here this morning for your first appearance before our subcommittee. Last week you were kind enough to come out to my home State to honor the air traffic controllers for their work during Seattle's earthquake, and I again want to thank you for doing that.

While this hearing is focused on President Bush's transportation budget for fiscal year 2002, I hope that we will use this opportunity to discuss more broadly the many challenges facing the Department in the year ahead. As the new ranking member of this subcommittee, I want to make clear at the outset that I do not view the development of the transportation budget as just an accounting exercise or just as an opportunity to fund projects in my State. I view this process as a way to meet our broad national goals, such as improving aviation safety, reducing highway fatalities, cutting traffic congestion, and improving air quality.

In my region of the country, people are calling out for less traffic and more aviation capacity. The people of the Puget Sound area are choking on road congestion. The SEA–TAC Airport has been working toward the completion of a third runway for more than a dozen years and we are still waiting for the final permits to be issued.

Fortunately, the subcommittee now has better tools to evaluate the progress that the Transportation Department, is or is not, making towards those goals. The law now requires that on the same day the Secretary transmits his budget to us, he must also submit a performance plan. This plan tells us whether the Transportation Department has achieved its stated goals for the year just passed and it also articulates new goals for the coming year.

A review of Secretary Mineta's performance plan makes it very clear that he has a great many challenges ahead of him. It also reveals certain aspects of how the Bush Administration intends to change the direction of the Department of Transportation. For example, the performance plan states that despite the fact that transportation is the fastest growing source of greenhouse gas emissions, the DOT's former goal of minimizing those emissions has been formally suspended. I personally do not agree with that policy change, but for those goals where we do agree I think that the most important question we should ask this morning is whether the President's budget for 2002 provides the resources necessary for Secretary Mineta to meet those goals.

I have to admit that my preliminary assessment of this budget is that it does not do the job. While there are a number of initiatives to applaud, such as the 15 percent increase in requested funding for pipeline safety, there are too many examples where the level of funding requested will undermine rather than help the Secretary in achieving his goals.

For example, the Secretary's performance plan states that the Bush Administration has established the goal of reducing the amount of oil spilled in our waterways by 22 percent. Two-thirds of the amount of oil spilled in our waters in 2000 came from oil facilities on our shorelines. Yet the President's budget for 2002 for the Coast Guard proposes to reduce significantly the number of inspectors available to ensure that these oil facilities are complying with our environmental laws.

Similarly, the Bush Administration has endorsed the goal of reducing the number of overstocked fish species by a considerable extent in the coming fiscal year. Yet we know that, as we speak, the Coast Guard is cutting back fisheries enforcement missions this year due to inadequate funds, and there is no proposal in the administration's budget to provide supplemental assistance to restore those efforts.

The Bush Administration's performance plan has endorsed the goal of increasing Amtrak ridership. But just 2 months ago the Amtrak Board, chaired by HHS Secretary Tommy Thompson, stated clearly that Amtrak will require $1.5 billion in capital investment each year in order to draw passengers off our clogged highways and provide first class high-speed rail service across the Nation. The budget before us requests a freeze on Amtrak funding at $521 million, roughly a third of what is required.

In the area of aviation safety, the performance plan sets critically important goals for improvement in the safety of airline operations. However, the budget before us proposes a freeze on the number of FAA inspectors. The FAA's safety review commission that was convened in the wake of the ValuJet crash stated that a minimum of 3,300 flight standards safety inspectors would be necessary to maintain safe operations. The level proposed in this budget does not reach that. In fact, the level proposed in the budget is even further below the level anticipated in the National Civil Aviation Review Commission that Secretary Mineta chaired.

Mr. Chairman, I see a number of problems with the budget before us, but I am especially troubled by budget proposals that seem to fly in the face of the stated goal. I do not raise these issues for the purpose of being critical of the administration. Indeed, what I want more than anything is for Secretary Mineta to come before the subcommittee next year and say that he has succeeded in meeting all of his stated goals. But I want him to have the budget that will give him that opportunity, and I am not sure that the budget before us will do that.

So as the year progresses, Mr. Chairman, I look forward to working with you and the Secretary towards putting together a budget that truly does meet the needs of our shared agenda for improved mobility and safety.

Thank you.

Senator SHELBY. Senator Stevens.

STATEMENT OF SENATOR TED STEVENS

Senator STEVENS. Well, thank you, Mr. Chairman.

I agree partially with what the Senator from Washington said, Mr. Secretary. The delays in the construction of that new runway in SEA–TAC have really been a problem for people from Alaska as well as from the South 48 that are trying to get into Alaska. I am not sure that all the burden falls upon the Department of Transportation, whether it was the last administration or this one. However, I think it is time that the people of Seattle resisted taking to court every single report that comes out pertaining to that airport.

I do hope that we can get to our Commerce Committee a bill that will give us some kind of a fast track for the new runways at our airports that are absolutely necessary in the national interest to stop this clogging of our main hubs in the air transportation system.

Having said that, Mr. Secretary, I have two points to raise. I do hope that you heard Chairman Shelby talk about the Big Dig. I think, having been the target of so many people talking about the little amounts that I add to budgets for Alaska, that when I look at the Big Dig, the tremendous loss of taxpayers' funds up there ought to be brought to the attention of the Nation. I intend to go into that as deeply as possible to find out what has happened up there, because that project, when it first was brought to us, was $2.4 billion. It is almost $14 billion now.

Now, those of us who struggle to get little sums for things like our airports—and that is my second point—I have raised it with you before. I know that you are as concerned as I am. We have over 80 airports that exist in near-total darkness half of the year because they have no runway lights. We have insufficient safety and other navigation aids up there in the rural parts of our State. Yet we have the highest death rate per capita in terms of aviation travel. Why? Because we have no highways or trains to connect our rural communities to the national transportation system.

Every time I try to do something for those little airports, I am again attacked for "pork". I have to tell you, that is not "pork"; that is real sound bacon to me. It is the kind of thing that we have to have if our small communities are going to be part of world commerce.

So I look forward to working with you to try and make sure that not in only Alaska, but in all areas of the country, the airports that connect these little towns and little villages first to intrastate, and then to interstate commerce are safe, and that they are accessible by air, that they have the kind of safety devices, such as runway lights and, information about runway obstructions which we now have lost because of the loss of basic ground facilities in these small airports. I hope we can get back to looking at that.

I looked at this budget and I am fairly pleased at the way the budget was prepared and presented to us. I think that it has a sufficient amount of money if we use common sense to allocate it fairly among the needs of the Department of Transportation, and I do not see much real reason for any vast increase in this bill.

I do want to note that many of the items that used to be appropriated are now coming out of trust funds and out of entitlements, and we have to take that into account when we look at how much money is spent for transportation in the country.

Thank you very much, Mr. Chairman.

Senator SHELBY. Senator Mikulski.

STATEMENT OF SENATOR BARBARA MIKULSKI

Senator MIKULSKI. Thank you very much, Mr. Chairman.

First of all welcome Secretary Mineta, a dear colleague from when we served in the House together and a fellow Marylander. I look forward to your testimony and really discussing with you the important crucial transportation needs.

I am going to be following up with Mr. Mineta on the question that you have raised, Mr. Chairman, the Woodrow Wilson Bridge and this whole idea of flashing yellow lights that it could be another Big Dig or, as Senator Bond knows, as we knew it in VA–HUD, the Boston Harbor. Remember the Boston Harbor, Senator Bond? So we in Maryland, and I know I speak for my colleagues in Virginia, do not want this to become another Big Dig.

Mr. Secretary, I am going to ask you to assign someone in your office to stand sentry on the Woodrow Wilson Bridge and then to work with the chairman and ranking member and also with the Congressional delegations, because the two governors worked together. It was bicameral. When we worked on the Woodrow Wilson Bridge, it was Governor Gilmore and Senators Warner and Robb. Congressman Wolf really was a prime mover, and on the Maryland side, Senator Sarbanes, Governor Glendening, and myself.

So now that we have the money, we want to make sure that we accomplish what we want, which is to build the only Federal bridge in the United States of America, and we do not want it to get out of control. So we look forward to working with you on the Woodrow Wilson Bridge.

Second, we want to thank you and the administration for your increases in the Coast Guard budget. The Coast Guard's motto is "Semper Paratus," which means "Always Prepared." I think we have to be prepared to help them with their mission. Their equipment is quite dated. It goes back to the Vietnam War. They have new missions, whether it is guarding our coast against drug dealers, environmental pollution, and so on.

So we look forward to working with you on the Deepwater initiative, again being cost conscious, but also helping to protect our borders.

On the issues of trains—Amtrak is very important to those of us in the Northeast Corridor. We welcome the administration's innovative policy of giving the cash to Amtrak up front and not waiting until the end of the fiscal year, or at least over the course of the year. I think this is going to result in greater efficiencies and wiser uses of the money.

In terms of mass transit, Senator Shelby is absolutely right. Most people are trying to use rail or trying to live in the suburbs and commute to the urban cores. The commuter rail systems in our country I think are a very important aspect of rail. Again, we need to look at what we can do.

Highways, byways, and subways are always important to me, but also protecting and guarding our coast, as well as getting our hands on the Amtrak situation, laying the rail track for perhaps a high-speed rail initiative where we can begin to shift the burden from the taxpayer and attract the ridership we need. I think we are at a juncture. We are either going to make Amtrak selfsufficient by 2002—or we have to be looking at this closer.

So we thank you. We look forward to your testimony.

Mr. Chairman, I want to acknowledge the validity of many of your concerns and I look forward to working with you, and particularly on standing sentry on the Woodrow Wilson Bridge.

Senator SHELBY. Thank you.

Senator Bond.

STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you very much, Mr. Chairman.

Let me begin by saying I strongly support the comments and the direction that Chairman Shelby has laid out for this subcommittee. I would associate myself with many of the remarks made by our ranking member Senator Murray, Senator Mikulski, and Senator Stevens. I think this is a very active subcommittee and has ideas that must be considered.

We are delighted to have you, sir, with your experience, not only in local government, but on Capitol Hill, to help get our concerns into the bureaucracy. We have not had much of a chance to work together in the past, but I am certainly looking forward to it. We are delighted with your leadership.

Mr. Secretary, all of us know that we must improve our existing infrastructure and determine better ways to manage our transportation demands, not only to address the safety needs, but our economic competitiveness. We cannot forget that Americans depend on our transportation infrastructure, down in the flatlands, the middle part of the country, mainly on roads and bridges, each day to get to and from work, school, shopping centers, doctor's appointments, and elsewhere.

But as has already been mentioned, we have a tremendous congestion backup and it is caused by the delays in moving forward on these projects. I am told that to move forward on a highway project the environmental challenges, redundancies, redoing, overdoing, guessing, reguessing, and second guessing leads to an 8- to 10-year delay. When it comes to airport runways, that delay can be 10 to 15 years.

Obviously, we want to make sure that all legitimate environmental concerns are raised. But they ought to be raised once and we need to move on.

Now, I am very pleased that the Commerce Committee is going to be taking a look at the environmental streamlining and expediting the process for runways. I am on the Environment and Public Works Committee. We need to look at that as well. We need your leadership, sir, to help us figure out how we can do the needed job of seeing that legitimate environmental concerns are dealt with, but that we do not have these delays, because they are resulting in deaths of people who travel overcrowded highways and deaths of people in airplane accidents that result from inadequate air facilities.

So I think this is one of the big challenges out there and we want to work with you.

But speaking of working with us, Mr. Secretary, I invite you to come to Missouri and let me show you first-hand how important transportation is in the heartland. Missouri is geographically privileged to be located not only near the geographic center, but the population center of the country, at the confluence of our two greatest waterways, the Mississippi and Missouri. It has long been said to be the gateway between the East and the West. It is also North and South. Missouri's roads and bridges are the arteries that, if they were adequately upgraded, would expedite commerce throughout our country's heartland and all of North America.

According to the Federal Highway Administration, Missouri has the country's sixth largest highway system. We are the home of the second and third largest rail hubs, one of the fastest growing airports in the world, the second largest inland port in the United States.

But having said that, with all of the transportation needs in Missouri, we are players in the world market, and in the spirit of concern for the national transportation system, I am submitting to you today a letter urging that your Department designate American Airlines to continue Trans-World Airline's current non-stop air service between Washington's Reagan National Airport and Los Angeles International Airport. I am joined on the letter by my colleagues Senator Boxer from California, Senator Brownback and Senator Roberts of Kansas, and Senator Carnahan of Missouri.

We in the heartland are interested in seeing that we have good service coast-to-coast and, yes, we are very much concerned that American Airlines, to which we are most grateful for having come to the rescue of TWA, maintains a strong competitive posture, and we believe that this fits in with the national needs. I will have a question for the record, but I will submit this letter to you and probably send some more signatures along.

Thank you, Mr. Chairman. Thank you, Mr. Secretary. We are looking forward to working with you.

Senator SHELBY. Senator Byrd.

STATEMENT OF SENATOR ROBERT C. BYRD

Senator BYRD. Thank you, Mr. Chairman. I commend you for holding this hearing so that we can hear from our newest Secretary of Transportation, Mr. Norman Mineta. Mr. Mineta is well known to many of us. We have had the opportunity to work with him, not only at the Department of Commerce, but also when he served as chairman of the House Committee on Public Works during the development of the Intermodal Surface Transportation Efficiency Act, or "ISTEA."

Since the early 1980's our national investment in infrastructure has declined dramatically as a percentage of our gross domestic product. I would point out, Mr. Chairman, however, that we are beginning to do slightly better in reversing that trend. Just 4 years ago when you assumed the chairmanship of this subcommittee, the total size of the Transportation Appropriations bill was close to $38 billion. In just the last 4 years that figure has grown by more than $20 billion to around $59 billion. That represents a 53 percent increase in transportation investment in just 4 years under your chairmanship.

I will accept a modest bit of credit for this increased investment as one of the authors, together with Senators Gramm, Baucus, and Warner of a $26 billion amendment to TEA–21 which ensured that all of the funds collected in gasoline taxes and deposited into the Highway Account of the Highway Trust Fund would be spent on our Nation's highways. You too, Mr. Chairman, deserve a good deal of credit for being an effective and forceful advocate for the Nation's transportation system.

Even with this healthy level of growth over the last 4 years, we are just beginning to address the full range of needs and reverse the trend of Federal disinvestment in our Nation's infrastructure that began in the early 1980's. I must point out that Secretary Mineta's prepared statement asserts that the Bush Administration's budget fully funds the guaranteed levels for surface transportation as articulated in TEA–21. I should point out, however, that the Bush budget includes several new statutory proposals which, if enacted, would change TEA–21 in several fundamental ways. Taken together, these proposals have the effect of prioritizing research programs and discretionary grant programs at the expense of highway construction dollars to the States.

Under this budget, the States would receive almost $430 million less in direct highway construction funds than they would under TEA–21. I cannot and I will not support proposals that would take critical highway construction dollars guaranteed by TEA–21 away from the States and divert these dollars into other programs. We said that when we enacted TEA–21 we were putting the "trust" back into the Highway Trust Fund, and I am not prepared to change TEA–21 in ways that would detract from that promise.

I emphasize that I have not leveled this criticism only at the Bush Administration. Last year I was equally critical of Secretary Slater's proposals contained in President Clinton's budget which proposed even more shenanigans with TEA–21. The Clinton proposal took roughly $1.2 billion in construction dollars away from the States for other transportation programs. I opposed that program and, thankfully, it was not enacted.

I trust that you agree with me, Mr. Chairman, that similar proposals in the Bush Administration budget should also be rejected.

Let me also express my support for Amtrak. In the first place, we cannot have large airports in West Virginia. In the second place, weather conditions prevent us from utilizing the airports as we otherwise might be able to.

As to high-speed rail transit, we, of course, in our terrain cannot have high-speed rail. But I have been instrumental in helping to bring a modicum of rail facilities to West Virginia. Several years ago when I was chairman of the Transportation Subcommittee on Appropriations, I was able to get money for the Hill-Topper and the Mountaineer. I was able to promote the Cardinal, and today we have Amtrak service 3 days a week into West Virginia and 3 days a week out of West Virginia.

As a result of deregulation—and I have kicked myself in the seat of the britches all the way to the bank since we voted to deregulate the airlines—the big airlines immediately pulled out of West Virginia and those that remained, of course, have charged exorbitant prices for air travel in West Virginia.

Now, you can walk up to the counter today and get a round trip ticket to Charleston, West Virginia, for somewhere between $800 and $900. You can do much better just to fly to London and return. But you can go to Charleston, West Virginia, and back by Amtrak and have a very comfortable ride and see the beautiful landscape along the way for $100, give or take.

Amtrak is very important to our land-locked State of West Virginia. I want to state that I am a supporter of Amtrak. I hope that more people will take advantage of the opportunity to ride Amtrak to West Virginia, through West Virginia, and back to Washington.

So I say that we need to continue to build our infrastructure, which has fallen behind. We have disinvested in infrastructure. I hope you will go with me at some point, Mr. Secretary, to West Virginia and see the beautiful highways that we are building down there. When I was in the State legislature 55 years ago, we had 4 miles of divided four-lane highways in West Virginia. I want you to think about that for just a minute, 4 miles of divided interstate highways in all of West Virginia. That was just 55 years ago when I was in the State legislature.

Well, today we have around a 1,000 miles of divided four-lane highways in West Virginia, and our people need those highways. People walk up to me in motels when I go to West Virginia and they recognize me, I suppose by my white hair, which was at one time as black as yours, Mr. Secretary, and they tell me——

Secretary MINETA. Mine is getting as white as yours.

Senator BYRD. They tell me how much they admire my State of West Virginia, how they love to come to it, and they compliment the State on the highways that we now have.

So I would hope that we would continue to focus on these. I join with my colleague from Alaska who deplores the criticism that is leveled at him and the State of Alaska for what he has been able to do for that State with regard to transportation. Now, it is "pork" if it goes to Alaska, it is "pork" if it goes to West Virginia, but it is not "pork" if it is building bridges here across the Potomac. It is not "pork" if it is for transit here in this great city.

Let me tell you something. I do not begrudge the billions of dollars that we have spent for our Metro here in this city. This is the capital city, and it is not "pork" here. I was one of the ones on the Appropriations Committee years ago when we started appropriating money to build a transit system in this city.

Senator STEVENS. Would the Senator yield for just one moment?

Senator BYRD. Yes.

Senator STEVENS. We are one-fifth the size of the United States and we have less than 200 miles of divided highway in Alaska.

Senator BYRD. Senator, what we need today is Daniel Webster and Henry Clay to take on those people. The criticism of rural States for attempting to build up their highway systems—just read the Webster-Haynes debate. Read the Webster-Haynes debate if you want to see how Webster felt about building highways and canals, and he even used the words “building a highway across the Alleghenies.” He was talking about West Virginia when he said that.

Senator DURBIN. Very impressive.

Senator BYRD. Well, enough of that. Mr. Mineta, we thank you for being here and I will have further questions later.

Thank you, Mr. Chairman.

Senator SHELBY. Senator Bennett.

STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you, Mr. Chairman.

Mr. Secretary, welcome. I do not think I can add anything to all of the comments that have been made, so I will not prolong this. I do want to thank the Department for the work that has been done to gear up for the Olympics in Salt Lake City. If anyone wants to submit a bid for the Olympics for their home State or for the District of Columbia, let them come to me and I will explain a few things to them. One of the things that we must understand anywhere in the United States if we are going to enter an Olympic bid is that the Olympic Games cannot be supported anywhere in this country without massive Federal help.

The primary area where we need Federal help is in transportation. The Department of Transportation under the Clinton Administration has stepped up to that challenge in a way that has been very heartening to see. We are very grateful to the people in your Department for the way they have assisted. We are going to have fabulous games in Salt Lake City in 2002 and your Department is a significant part of that.

Now, my grandfather used to have a phrase, he said gratitude is the expectation of favors to come. I express my gratitude that this can continue in the future. But we really have had complete support from the Department of Transportation, and we are grateful for it, and we do look forward to it continuing.

With that, Mr. Chairman, I will wait until the appropriate time for questions.

Senator SHELBY. Senator Durbin.

STATEMENT OF SENATOR RICHARD J. DURBIN

Senator DURBIN. Mr. Chairman, first let me thank you for the opportunity to serve on this subcommittee. I am new to this appointment. I am looking forward to working with you, Mr. Chairman, as well as Senator Murray. It was my good fortune in the House of Representatives to serve on the Transportation Appropriations Subcommittee and I had completely forgotten all the battles I had with the current Secretary concerning committee jurisdiction.

I do want to say a word about new Secretary Mineta. President Bush, the U.S. Department of Transportation, and the Nation have really had the great benefit now of your service. This is the place where Norm Mineta should be. I was glad that you had an opportunity to serve as Secretary of Commerce, but I know from our service together in the U.S. House of Representatives that this is your passion. I know that you are going to be one of the greatest in our history and I am looking forward to working with you.

Norm, it is going to be a good experience for all of us. I think that when it is all over, you will write an enviable record as Secretary of Transportation.

I want to address just very briefly two or three things which we have talked about that I would like to put on the record. The first, of course, is the situation concerning O'Hare Airport. This is not just a local matter, not even a regional matter. It is certainly national. It could be international in scope.

The Federal Aviation Administration (FAA) released the airport capacity benchmark report just yesterday. Much of the information was not a surprise. It adds to the urgency to find ways to improve the national airport system and to increase aviation capacity. O'Hare is one of the world's busiest airports. It also posted the third highest number of delays, about 63 out of every 1,000 flight operations. The airport is running at capacity, and under some circumstances over capacity, for portions of every day.

The FAA estimates that O'Hare will see operational growth of 18 percent a year over the next decade. The question is, Mr. Secretary, how do we solve this crisis at O'Hare and nationwide? It is my understanding that technology can help; new takeoff and landing procedures might be of assistance; and some capacity can be created, but maybe not enough to make any measurable difference.

For that, I am told we need infrastructure. I think you understand as well as anyone that that involves some very tough political choices. I applaud the city of Chicago for reconvening the Chicago delay task force, a group including the Chicago Department of Aviation, the FAA, and the major carriers. I am looking forward to working with you on this because some people have identified the problems at O'Hare as central to the problems facing aviation in America. I think it could be a matter of that gravity.

Let me shift from the skies to the rails. For years freight railers have complained about the bottleneck in Chicago. There used to be an old saying that it took 2 days from the East Coast to Chicago, 2 days through Chicago, and 2 days to the West Coast. Sadly, that has changed. Now it takes 72 hours to move freight through the city of Chicago. In fact, some railroads park their trains on the edge of town and move their freight by truck to another train waiting on the other side of town.

We have addressed this issue I am afraid with very modest efforts, and we need to look at it more seriously. I have talked to my colleague and our mutual friend Congressman Bill Lipinski about initiating a study. The impact of this freight congestion just does not impact the national economy and the cost of goods for people across America, it has a direct impact on the quality of life of people living in the city of Chicago as trains are idling and stalled and cannot move with dispatch across this great city.

Finally, the issue of rail crossing safety is one which comes with the fact that Illinois, I think, has the largest number of rail crossings in the Nation and the largest number of accidents at rail crossings in the Nation. A DePaul University study estimated that one out of every three trains is involved in some type of incident, some of them extremely serious. I am looking forward to working with you, Mr. Secretary, to improve safety while we also talk about improving the efficiency of rail service in the city of Chicago.

I have not mentioned highways. We can save that for another day. I have a long speech on that which I will be glad to give to you personally when you have time to take notes.

Thank you very much, Mr. Chairman.

Senator SHELBY. Senator Specter.

STATEMENT OF SENATOR ARLEN SPECTER

Senator SPECTER. Thank you, Mr. Chairman.

At the outset, Secretary Mineta, I thank you for taking on this job. Your background in public service in the House of Representatives gives you unique insights into one of the toughest jobs in government. I appreciate the promptness, let me say for the record, that you responded to me when we had a very critical issue on Wings Field in the Philadelphia suburban area.

There are many issues which vitally affect the Nation and my State, obviously. I have been in touch with your Department on the issue about radar, and the adequacy of noting what planes are coming into the Philadelphia International Airport. I am very concerned that at Philadelphia Airport and many other places in the country, we are just a step away from the problems of potential tragedy. I appreciate the attention which your Department and the FAA are giving to that.

We are looking at very, very difficult funding issues, with so many requests for dollars in transportation. One brief mention of Maglev, which has been on my mind for all of my tenure in the Senate. There is a potential for enormous progress and economic growth and development if we are able to span Philadelphia to Pittsburgh in about 2 hours with many intermediate stops. We now have competition with Greensburg, Pennsylvania, to the Pittsburgh Airport and the District of Columbia to Baltimore. My thought is that we really need a national constituency for Maglev.

As expensive as it is, it is something that we really have to find a way to do. If we were as timid in the nineteenth century as we are today, we never would have built the transcontinental railroads. There are so many issues, which I will not dwell on now, as we take a look at transit in the big cities and in our rural areas.

I regret that I cannot stay. We have multiple hearings scheduled, as you know Mr. Secretary, from your work in the Congress, and I am chairing one on ergonomics a floor above. But I do thank you for your assistance and look forward to working with you on many, many problems.

Thank you, Mr. Chairman.

Senator SHELBY. Secretary Mineta, we welcome you again. Your prepared statement will be made part of the record in its entirety. You may proceed as you wish. I am going to be gone a few minutes to the floor, but you will be in good hands with both sides of the aisle here.

STATEMENT OF SECRETARY NORMAN Y. MINETA

Secretary MINETA. Thank you very much, Mr. Chairman and members of the subcommittee. It is a great pleasure for me to have this opportunity to be before all of you today to testify on President Bush's $59.5 billion transportation budget.

When I was Mayor of San Jose, California, I learned that the tool that made the most difference for my community was transportation. Nothing else had as great an impact on our economic development, on our pattern of growth, or on the quality of our life. Today the most fundamental transportation challenge that we face is not congestion, it is not delays, and it is not modernization of the aviation system. Our biggest challenge is to get everyone working together to solve problems.

I intend to devote my energies to work across party lines and build consensus to achieve solutions. I will look to you, Mr. Chairman, to Senator Murray, and to the members of this subcommittee to help me do this.

SAFETY

Transportation safety is the Department's number one priority, and the 2002 budget includes $7.3 billion for transportation safety programs, 7.5 percent above 2001. The funding requested will help us address our safety challenges, which include reducing runway incursions, increasing seatbelt use, overseeing improved pipeline safety measures, improving the Coast Guard's ability to respond to those in distress, and allowing the United States to honor the North American Free Trade Agreement safely and responsibly.

MOBILITY

When I took this job, I knew that, in addition to safety, a central challenge was addressing the gap between the demand for transportation and the capacity of our transportation infrastructure. That gap is what generates the traffic that we all face on our highways, at our airports, and our seaports.

AVIATION CAPACITY

All of you know that nowhere else is that challenge more evident than in air traffic control. In 1997 the National Civil Aviation Review Commission, which I had the privilege to chair, saw the coming storm. We predicted that there would be a gridlock by the turn of the century, and by May 2000 it struck. I take no satisfaction in saying we told you so, but we told you so.

Now we face the stiff challenge of building the necessary capacity to match that demand. President Bush's budget includes the aviation capital and grant levels authorized in AIR–21 and the highway and transit funding levels contained in TEA–21. This investment is not the sole answer to our capacity constraints, but it will help.

Yesterday the FAA released its report on capacity benchmarks and I believe that this benchmark data confirms that we must take action in three areas: placing additional focus on the choke points, increasing runway capacity, and encouraging reviews of airline practices, including scheduling. We also have to be sure that we get what we pay for. I have seen too many instances of large cost increases in transportation projects, as outlined this morning. We at the Department need to be in front of this, not behind it.

MANAGEMENT OF RESOURCES

We need to be aware of the potential for waste, fraud, and abuse and improve our mechanisms to identify it early and prevent it. If we pay for a 10-sack concrete job, we should get a 10-sack concrete job and not a seven-sack concrete job.

MOBILITY OF ALL AMERICANS

President Bush also wants to help close the mobility gap for Americans who do not have mobility options. So the budget requests $145 million for the transportation component of the New Freedom Initiative to provide more transportation options to those with disabilities.

NATIONAL SECURITY

I cannot conclude my testimony without mentioning the Department's role in national security and the Coast Guard's performance in drug interdiction. In this fiscal year alone, the Coast Guard has seized 27 metric tons of cocaine. Our budget invests $759 million for the Coast Guard to conduct drug law enforcement activities.

As all of you are so very well aware, the United States enjoys the safest and the best transportation system in the world. However, we do face capacity and safety challenges. The funding requested in President Bush's 2002 budget, as well as the management and the accountability improvements that we will make over the next year, will help us to address those challenges.

PREPARED STATEMENT

Again, Mr. Chairman, thank you very much for this opportunity to be before this subcommittee, and at this time I will be happy to entertain your questions.

[The statement follows:]

PREPARED STATEMENT OF NORMAN Y. MINETA

Mr. Chairman, Members of the Subcommittee, it is a great pleasure to appear before you today and to have the opportunity to work with you on President Bush's fiscal year 2002 budget and on the challenges that face our Nation's transportation system.

As Mayor of San Jose, California, I learned that the tool that made the most difference in my community was transportation. Nothing else had as great an impact on our economic development, on the pattern of growth, or on the quality of life. What I have found in the years since is that this is true not just locally, but also nationally. Transportation is key to the productivity and, therefore, the success of virtually every business in America.

For example, congestion and delay not only waste our time as individuals, they also burden our businesses and our entire economy with inefficiency and higher costs. The bottom line is that transportation is key in generating and enabling economic growth, in determining the patterns of that growth, and in determining the competitiveness of our businesses in the world economy. In short, three decades of experience tell me that transportation is vital to our national well being, whether measured as economic growth, as international competitiveness, or as quality of life.

As a whole, the multi-modal transportation system of this Nation works well in maintaining the strong economic performance of the United States and, more broadly, world commerce. This Subcommittee and the rest of Congress deserve a great deal of the credit for this sustained good performance. The Bush Administration has done its part in requesting full funding of the guaranteed levels for surface transportation and the authorized capital and operating levels for air transportation as part of the President's Budget.

The most fundamental challenge we face—and the most daunting—is not just congestion or delays or modernizing the aviation system. Those are enormous challenges, to be sure, but our biggest challenge is to get everyone working together in a spirit of partnership to solve these problems. There is no one solution; we all created these problems and we can solve them—only by working together. So, as Secretary, I intend to devote the bulk of my energies to working across party lines, reaching across divides, and building consensus to achieve solutions.

Nowhere is the congestion challenge more evident than in air traffic control. In 1997, those of us on the National Civil Aviation Review Commission, which I had the privilege to chair, saw the coming storm, as did earlier commissions, and we predicted there would be gridlock by the turn of the century. I take no pride or satisfaction in saying—we told you so. As most of you know, today's aviation system in major areas is literally working up to capacity. In the year 2000, some 700 million passengers flew on U.S. airlines, a 43 percent increase in just 9 years. And, as you may have heard announced at the FAA's recent aviation forecast conference, the number of passengers on U.S. airlines is expected to hit one billion by the year 2010. Now we face the stiff challenge of building and managing the necessary capacity to match that demand. And do it safely.

SAFETY

Strengthening our commitment to safety as our paramount concern cannot be over-emphasized. Without a doubt, safety is our number one priority. The 2002 budget includes $7.3 billion for transportation safety programs, 7.5 percent above 2001.

$4.1 billion, four percent above 2001, is requested for aviation safety to support the Administration's goal of an 80 percent reduction in the U.S. commercial carrier fatal aviation accident rate by the year 2007. To address the increase in runway incursions, the 2002 budget includes $112 million, 13 percent above 2001. These funds will allow us to make automated alerts of pending runway incursions operational and increase education and training programs. In 2000, there were 403 runway incursions; the Administration's goal is to reduce the number of runway incursions to 236 by 2002.

Our highways claim more lives than any other mode of transportation. Preliminary data for 2000 reveals that the number of highway fatalities increased slightly while the number of vehicle-miles traveled remained essentially the same. And this occurred even though seat belt use rose to a record high 71 percent. Over the coming year, the Department will relook at our motor vehicle safety efforts, with emphasis on identifying the most effective means to provide the public the greatest possible safety improvement for each dollar spent. Highway safety improvements, including increasing our citizen's use of seat belts, are critical to reducing these fatalities.

The 2002 budget includes $400 million, 49 percent above 2001, for motor carrier safety, with a total of $100 million, $88 million above 2001, devoted to enforcement and infrastructure needs on our southern border. This increase is essential to allowing the United States to honor the North American Free Trade Agreement safely and responsibly.

The National Highway Traffic Safety Administration (NHTSA) budget includes funding to implement the Transportation Recall Enhancement Accountability and Documentation (TREAD) Act mandates to update the tire safety standard, increase crash data collection to include information regarding tire failure, develop dynamic rollover tests and improve the safety of child restraints. It also includes the TEA–21 level of $223 million for highway traffic safety grants, an increase of almost five percent from 2001.

In 2000, despite an increase in rail traffic, preliminary data indicate that the Federal Railroad Administration's safety efforts resulted in the lowest level fatality rate in two decades. In order to continue that effort, the budget includes $154 million, nine percent above 2001. This funding will support national outreach programs, continue FRA's information technology initiatives, and provide staff and support for ongoing and expanded regulatory and enforcement work and other critical safety-related programs.

In 2000, U.S. Coast Guard personnel were recognized for rescuing 34 crewmembers off of the sinking cruise ship Sea Breeze by hoisting them to helicopters in 65 knot winds and seas over 25 feet high. This represents just a few of the 3,365 mariners lives saved and over $1.4 billion in property recovered over the past year. The challenges of preserving maritime safety in the United States and international waters will increase as the numbers of ships and individuals using the high seas, coastal, and inland waterways grow. The budget includes over $1 billion, 12 percent more than 2001, for Coast Guard safety efforts.

And finally in 1999 and 2000, we saw tragic pipeline accidents in Bellingham, Washington and Carlsbad, New Mexico where lives were lost in some of the worst pipeline accidents in 25 years. A total of $54 million, 15 percent above 2001, is requested to allow the Research and Special Programs Administration to begin oversight and enforcement of recently strengthened Federal standards for the integrity of pipeline systems operation and management.

MOBILITY

When I took this job, I knew that a central challenge for the Department would be to address the gap between demand for transportation and the capacity of our transportation infrastructure. Even though the physical condition of our infrastructure—the highway and runway pavement conditions and the condition of our bridges—is improving, the demand for the use of that infrastructure is increasing. That gap is what generates the traffic we all face on the highways, at our airports, and at our ports. Congestion and inefficiency in transportation are not just inconvenient and aggravating—though they certainly are that—they are also a tax that burdens every business and every individual. Congestion on our highways and delays at our airports are increasing. We have to find ways to lighten that burden.

Total investment in transportation infrastructure would equal almost $43 billion in 2002 under President Bush's budget, 39 percent above the 1994–2001 average annual investment. This investment is not the sole answer to our capacity constraints, but it will help. It includes:

—A Federal-aid highway obligation limitation of $31.6 billion, almost 7 percent above 2001.

—An airport grant obligation limitation of $3.3 billion, the level contained in AIR–21.

—Total transit investment of $6.7 billion, almost eight percent above 2001.

Addressing Aviation Capacity

The budget also includes the level authorized in AIR–21 for air traffic control equipment modernization. We need to commit to long-term initiatives and make use of the latest technology for managing air traffic, detecting and disseminating weather information, and redesigning the Nation's airspace to make more efficient use of it. New communications and surveillance systems, satellite-based navigation, and other technological advances have the potential to bring improvements to many parts of the aviation system.

Nearly 70 percent of all Air Traffic control system delays are caused by weather—meaning that conditions do not allow for visual separation. It takes surprisingly little to curtail the capacity of our system,either at airports or in the enroute environment. We cannot reduce delays in any meaningful way without finding a better way to respond to the 70 percent of delays that are weather-related. We simply have to work smarter in this area.

The $2.9 billion proposed for aviation capital modernization includes funding for delay reduction initiatives, such as weather systems and improved automation aids. In the case of air traffic control, proposed funding puts new emphasis on reducing congestion-related problems—for instance, the budget funds weather systems for towers in 2002, allowing controllers to minimize disruptions to traffic flow from severe weather and reduce delays and diversions caused by imperfect knowledge of the location of severe weather. The budget proposes $6.9 billion for FAA operations, up almost 6 percent. Included within this is $32 million to hire and train an additional 600 air traffic controllers.

In cooperation with the airlines, the FAA is developing an operational evolution plan for the National Airspace System (NAS) that spells out what is required over the next 10 years. It not only discusses needed changes in air traffic control technology, but also the operational procedures, the avionics that the airlines will need to install, and the certifications requirements necessary to implement all these changes. We hope to publicize this plan later this spring. And FAA Administrator Garvey and I are committed to more business-like operations at the FAA, and to hiring the Chief Operating Officer called for by AIR–21.

The budget proposes the AIR–21 level of $3.3 billion for airport grants. We are working hard to expedite environmental reviews of important airport capacity projects. There are 19 runways currently proposed by airport proprietors at large hub primary airports through the year 2010. Of these 19 runways, ten already have received environmental approval by the FAA. Another five runways have environmental impact studies (EISs) underway, with draft EISs issued on four of the five. Of the remaining four, two runways are under consideration at Washington-Dulles airport where an FAA EIS team has already been established and preliminary EIS discussions held. The other two runway proposals—at Dallas-Ft.Worth and Baltimore-Washington airports—are beginning the environmental planning process to address increased traffic forecasts.

Improving our aviation infrastructure and enhancing the level of capacity can also address concerns about the competitiveness and openness of our aviation system. After all, the traveling public is entitled to more than the opportunity to have its flights depart and arrive on time. It should also have a range of services and fares from which to choose.

Improving Management of Our Resources

While expanding our transportation system capacity is necessary, it is not the only answer to managing growth and congestion. We need to make more efficient use of our existing infrastructure capacity. The search for new technological and innovative solutions to our mobility challenges is well supported in the 2002 budget, with investment in technology, research, and development proposed at $1.2 billion, 7.5 percent above 2001. The budget includes a total of $504 million for highway-related research, 30 percent above 2001.

Highways are the very backbone of our Nation's transportation system, and the Eisenhower Interstate Highway System did an extraordinary job of knitting our country together and making efficient Nation-wide highway transportation a reality both for people and for goods. The Appalachian Development Highway System is designed to do this same thing for the Appalachian region. The result was a quantum leap in the productivity and the competitiveness of our economy. But we are now losing that productivity to specific bottlenecks in the system, and gains made Nation-wide are too often being lost to lack of coordination among the affected parties. Effective solutions to these bottlenecks have to involve a high degree of local, metropolitan, and State involvement in order to build the broad spectrum of support necessary to overcome resistance and to get the problem solved. We recognize that this cannot be a one-size-fits-all approach, and that the combination of solutions needed in one location will not be the same combination of solutions needed in another location.

Every instance requires its own mix of new highway capacity, better management of existing capacity, Intelligent Transportation Systems, transit, pedestrian improvements, and so on. To be effective in dealing with these bottlenecks we have to be prepared to use whatever mix of transportation alternatives will work, and we have to take a balanced approach to all alternatives. We have to constantly be looking for what works and what is the most cost-effective solution to the problem.

Major action is underway at the Department to tackle surface transportation congestion. Technology offers particular promise for transportation. Federal research helps build stronger roads and bridges. With new technologies and new, longer lasting materials that are easier to apply, we can "get in, get it done, and get out." The safer and less disruptive that infrastructure repairs and improvements are to the user, the better.

We are working closely with our partners in the urbanized areas to develop a national architecture that will support ITS and operations technologies. These technologies will be a key in reducing travel delay and improving mobility for the traveling public and the freight industry. The technologies include: traveler information systems, emergency response systems, electronic toll collection, traffic responsive signal systems, and state-of-the-art transportation management systems. The Bush Administration proposes $253 million in ITS initiatives for 2002, a 32 percent increase over the current year. I have said a number of times that our ITS program needs to be more customer-oriented: it does not help me to read a sign that the highway is congested because, if I'm reading the sign, I'm most likely already sitting in traffic. What would help is for that sign to tell me where to get off and how to get around the congestion. That must be our management goal.

In addition to maximizing our system capacity via improved operations, we recognize that we must improve our capacity with new facilities when appropriate. We commit ourselves to work with all of our partners and stakeholders in the other modes, environmental community, and others when instituting new facilities. We are working very closely with the States, MPOs, and local governments to integrate land use policies with the planning process. These issues remain under the purview of State and local officials, but we can serve as a technical resource to encourage positive land use planning. In addition, we are committed to better understanding and responding to the needs of the freight community, in all areas of land use and transportation planning, and system operation. If we are to balance the mutual goals of productivity, safety, environment, and quality of life, we must consider both passenger and freight concerns in the planning and program development processes.

Transit clearly has a role to play in easing congestion. Certainly there is increased local interest in transit, as evidenced by the fact that States flexed up to $1.6 billion in FHWA program funds to transit in fiscal year 2000, as well as passage of a number of referenda on transit, such as the effort in Santa Clara County to extend BART to San Jose. But as transit ridership has grown steadily since 1993, we are now seeing transit—as demonstrated in Washington's METRO system—where trains are full during several peak hours, and where people sometimes have to wait for one or two trains to pass to get on. New York City Transit has been reporting similar events. Well established commuter rail systems are experiencing record growth and new systems are being planned in other metropolitan areas to improve access to the urban core from fast growing suburbs. Amtrak passenger rail service also helps ease congestion, especially along the heavily traveled Northeast Corridor, and President Bush proposes $521 million for Amtrak in 2002.

I also must let you know that one of my priorities is to ensure that the Federal government gets what it pays for and that major transportation projects are managed wisely and appropriately. I have seen too many instances of large cost increases in transportation projects that makes the projects appear unconstrained and out of control. We at the Department need to be in front of this, not behind it! The Department will improve the oversight processes used to monitor the progress of major transportation projects and identify problems early; establish core competencies for project managers; and hold project managers accountable for the quality of project oversight and performance. I feel strongly that with the increased Federal investment in transportation infrastructure in the past few years, we also need to be especially aware of the potential for waste, fraud and abuse and develop mechanisms to identify it early and prevent it. If we pay for a 10-sack concrete job, we should get a 10-sack concrete job, not a 7-sack concrete job.

Management of the Department is also critical to management of Federal funding and programs. The Department employed approximately 63,000 permanent civilian employees in 2000. The Comptroller General has identified human resource needs as a critical area that must be attended to in the coming years. I see that clearly at the Department, where 61 percent of our career executives, 47 percent of our GS–15s and 33 percent of our GS–14s in the leadership cadre of the Department, will be eligible to retire by 2005.

Ensuring Mobility for All Americans

Despite the capacity challenges we face, many of us take the tremendous mobility options we have for granted. President Bush wants to close the mobility gap for Americans who do not have mobility options. The budget requests funding for the New Freedom Initiative that will help Americans with disabilities by increasing access to assistive technologies, expanding educational opportunities, increasing the ability of Americans with disabilities to integrate into the workforce and promoting increased access into daily community life. $145 million is requested for the transportation component of this program within Revenue Aligned Budget Authority (RABA). In addition, the Federal Transit Administration's Job Access and Reverse Commute Program is funded at $125 million in 2002 and will help provide transportation services from low-income neighborhoods to areas of job growth.

The budget also includes the mandatory funding for the Essential Air Service program, which plays a critical role in connecting small communities to the national air transportation network. Due to the fact that this mandatory funding is capped at $50 million and that the costs of the program have been increasing, the budget proposes to tighten the eligibility criteria to keep within the funding cap.

Additional staff are also requested in 2002 to enhance DOT's activities in investigating aviation consumer complaints and in pursuing "open skies" agreements that permit unrestricted air service by authorized carriers to, from and beyond the territories of their partners.

ENVIRONMENT

The Administration's goal is to lessen the environmental effects of transportation, and the budget includes $6.6 billion, an almost eight percent funding increase, for these efforts. They include Coast Guard's response to oil spills, the Federal Highway Administration's Congestion Mitigation and Air Quality Improvement (CMAQ) Program and our efforts to reduce airplane noise.

Without compromising environmental protection and concern for public sensitivity about noise, air and water quality and other natural resources, we are looking at ways to make the process of environmental review more efficient. Options include improving staff resources, improving interagency cooperation, and better use of current streamlining tools.

Slow decision-making does not translate into better environmental results. The important thing is to get the appropriate Federal and State environmental safeguards identified early and built in as the project progresses. Local cooperation is a key component of speeding the environmental process. Local officials must be our active partners in this effort if we are to make significant progress. That means, for example, that we have to continue to reduce the problem of aircraft noise and deal with local problems of surface traffic congestion and air pollution near airports.

The Department also is taking steps to streamline the environmental process for highway and transit actions. This is a complex process, with conflicting interests among stakeholders, but it is one that the USDOT must work on expeditiously because it is critically important to our transportation system and our economy. FHWA and FTA have enhanced interagency coordination by signing a National Memorandum of Understanding on Environmental Streamlining between the USDOT and six other Federal agencies, meeting regularly with other agencies, and conducting a national training workshop for Federal agencies.

National Security

The USDOT plays a critical role in ensuring that the U.S. transportation system is secure and that our Nation's borders and ports are safe from illegal activity. Coast Guard's expertise in interdiction at sea has put us on the front line of defending America's seaward frontier against a virtual onslaught of threats, such as trafficking in illegal drugs and human cargo, poaching of living marine resources, and the threat of weapons of mass destruction. In this fiscal year alone, the Coast Guard has seized 27 metric tons of cocaine. In support of the President's drug control strategy and the Western Hemisphere Drug Elimination Act, our budget will invest $759 million for the Coast Guard to conduct drug law enforcement activities; this is up 19 percent.

Total Coast Guard funding is proposed at $5.1 billion, up 12 percent. This is not only for national security but also for Coast Guard's multi-missioned operations to enhance safety, mobility, and the environment. Coast Guard capital funding is proposed at $659 million, up 59 percent. It includes $338 million for the Deepwater program, to modernize and replace aging Coast Guard ships and airplanes that operate in this environment. Coast Guard Deepwater cutters are the 37th oldest of 39 similar fleets worldwide. The Deepwater Program seeks to renovate, modernize, or replace Coast Guard Deepwater assets with an integrated system of surface, air, command, control, communications, computers, intelligence, surveillance, reconnaissance and logistics systems.

The 2002 budget also includes funding to enhance airport security and FAA information security. For airport security, the budget includes $97.5 million to continue the purchase of explosive detection systems as well as $50 million for continuing research on improving airports' ability to detect and prevent dangerous articles from being carried aboard aircraft.

CONCLUSION

In conclusion, the United States enjoys the safest and the best transportation system in the world. However, we face capacity and safety challenges. The funding requested in President Bush's 2002 budget, as well as the management and accountability improvements we will make over the next year, will help us to address those challenges.

I look forward to working with this Subcommittee and all Members of the House of Representatives over the coming year to enact the President's 2002 budget.

Senator BENNETT [presiding]. Thank you very much, Mr. Secretary. I cannot resist a personal comment. Some 31 years ago I sat at that same table as a very young aid to John Volpe while he discussed basically the same issues you have discussed here today. The transportation problems continue to stay in the same vein, but as the country grows the problems grow with it. I congratulate you on your foresight in outlining them for us.

Senator Murray.

PIPELINE SAFETY

Senator MURRAY. Thank you very much, Mr. Secretary, for an excellent statement. I think we all look forward to working with you on these challenges.

You mentioned pipeline safety in your testimony. Expanding the scope and quality of oversight of our pipeline infrastructure has been one of my highest priorities for the last several years. One of the real bright spots in the budget is the proposed 15 percent increase in pipeline safety funding. For the past 2 years this Senate has passed pipeline safety reauthorization legislation by unanimous consent, but the House has yet to pass a bill.

The tragic pipeline safety accidents in Billingham, Washington, in my home State and in Carlsbad, New Mexico, have underscored the need to pass this critical pipeline safety legislation this year. Can we get a commitment from you and your Department to help work with us to urge the House to pass this legislation in this session?

Secretary MINETA. Senator Murray, as you know, the last administration supported the pipeline safety bill. I am also anxious to have a bill passed and will work towards that end. Since you have already passed the pipeline safety bill again this year, I will explore with the House their plans.

Senator MURRAY. We would very much appreciate that. One of the real problems is that too few people in their communities know about the pipelines that go through their community. One of the elements in the Senate bill is a right-to-know provision that I worked on with Senator McCain, because I think people have a right-to-know about the pipelines and I think when problems exist and they are aware of their existence, we get much faster action.

In your budget you have $3.4 million for the Damage Prevention Community Assistance Program and talk about activities like mapping and developing community right-to-know programs. Can you explain to us how this program would increase the awareness of communities about the potential threats of pipeline access?

Secretary MINETA. Well, as you have indicated, part of this issue is education. As an example, many rail lines have pipelines running very close to them, and in the past, the conflict of the rail and the pipelines have created safety issues. I think that over a long period of time we have become better about engineering and construction of those pipelines, their placement and how they are buried.

I can recall very vividly the accident that occurred in San Bernadino, California. There was a tremendous rail accident and loss of life as a result of a freight train collision and exposing a pipeline. I think there are a number of areas that we should be working on in terms of a community assistance program and educational efforts.

AVIATION SAFETY INSPECTION

Senator MURRAY. Very good.

Let me explore one other topic and then I will turn it over to my colleagues. I have a number of questions, but I will come back to them after they have an opportunity. In your opening statement, your performance plan actually sets out goals for improvement in the safety of airline operations. At the same time, your budget proposes a freeze on the number of FAA inspectors at 3,229. I know we all remember the ValuJet crash and a task force after that time that was headed by then-Deputy FAA Administrator Linda Daschle found several deficiencies in the training and capabilities in the FAA's inspector force and concluded that the FAA should require at least 3,300 inspectors to ensure the public safety.

We have been making progress towards that target every year and your own National Civil Aviation Review Commission report anticipated that by 2002 the FAA would have 3,500 inspectors on board. Are you concerned that freezing the inspection work force at 3,200 will undermine your own safety performance goals?

Secretary MINETA. I think productivity increases through the use of technology will help in terms of the difference between the 3,200 and the 3,300. We have more information technology, and computer systems, to interrelate, and we will be better informed and keep track of the inspection process. Given the limited financial resources and by trying to prioritize as we improve our information technology, we feel that we can still do the work effectively and efficiently, without having to increase the manpower that much.

Senator MURRAY. I think we are all aware of the budget constraints and I am, too. We are also concerned about the safety constraints. At some point I would like to hear more about the technology that you think will help us keep the cost down and how that will really protect safety, at some time in the future.

I also wanted to ask you, the aviation trade press has been reporting that your FAA administrator is poised to remove the current head of the Flight Standards Office in order to reform and invigorate the inspection function. What can you tell us about the accuracy of that report and your plan to strengthen the airline inspection function?

Secretary MINETA. I am not that knowledgeable about this personnel issue. Let me inquire and I will get back to you.

Senator MURRAY. I would very much appreciate that.

Thank you.

[The information follows:]

The FAA is tapping the leadership talents of former flight Standards Director Nick Lacey to advance the Operational Evolution Plan to the next level and continue the FAA's international safety initiatives. Lacy's keen understanding of the operational side of the aviation industry from his extensive experience in civilian and military air transportation systems will add an important dimension to the agency's action plan for capacity and delay issues.

Nicholas A. Sabatini has been named to serve as the new director of the FAA's Flight Standards Service. For the past 10½ years, Sabatini has managed the FAA's Eastern Region Flight Standards Division and has served in a variety of senior management positions at the agency over the past 20 years. He is a pilot as well as a former safety inspector.

The President's fiscal year 2002 budget includes funding for the strengthening of FAA's oversight of air carriers. The FAA will accomplish this by tailoring its safety oversight process to individual companies, based on the systems they embody. This approach is referred to as System Safety Oversight. System Safety Oversight rejects traditional "one-size fits all" surveillance and designs surveillance plans that are specific to each carrier. FAA inspectors use unique risk assessment tools to help them focus on each company's areas of greatest risk based on historical performance and other indicators. By collaboratively identifying risks and early alerts with the carrier, FAA can identify mitigating action for the carrier to take before a risk manifests itself in an accident or incident. In addition, research analysts are now part of the FAA work force to assist principal inspectors' identification of systemic-type safety problems. FAA's mission is to proactively mitigate safety concerns through risk assessment processes that are collaborative with industry, thus providing the flying public with an aviation industry performing at a higher level of safety than basic regulatory compliance would provide.

Senator BENNETT. Senator Byrd.

ENVIRONMENTAL REVIEW PROCESS

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, you have made repeated statements regarding the need to streamline the process by which environmental approvals are obtained to construct new runways. I applaud this initiative, but I emphasize that equal attention should be spent on streamlining the approval process for highways. At the present time, the process for allowing highway projects to move forward is painfully long. The resulting delays in critical highway construction projects run the risk of killing people.

The two largest Federal highway projects currently underway in West Virginia are designed to replace its two most dangerous segments of roadway, namely West Virginia Route 9 and Appalachian Development Corridor H. We also have a project in southern West Virginia known as the Coalfields Expressway. That project will provide the first segment of four-lane highway in all of McDowell County. It will replace a series of inadequate mountainous two-lane roads that pose a danger to my constituents every day.

The same is true in the chairman's State, where his efforts to complete Appalachian Corridor X are intended to replace the most dangerous segments of highway in Alabama. Thus, delay in completing these and similar highway projects can mean a substantial increase in the cost to complete construction and, more importantly, will undoubtedly result in additional unnecessary tragic accidents and their accompanying injuries and loss of lives.

I and a great many of my colleagues have been dismayed by the extraordinarily long time that it has taken many highway projects to complete all of the environmental reviews necessary to allow a highway project to break ground. Last May the Department of Transportation proposed a new planning and environmental regulation which some felt would increase the burden on the communities and lengthen the time it takes to gain environmental approval.

What are your plans, Mr. Mineta, for this pending regulation and when can we expect to see a new one?

Secretary MINETA. Let me get a written response to you on that.

Senator BYRD. Very well.

[The information follows:]

The Department is working to achieve concurrent review of projects by the Federal agencies and have already had some success. The Department will accelerate partnerships among Federal, State and local agencies that will support innovations and efficient project delivery.

However, the Department cannot, nor can the other Federal agencies involved, ignore the more than 40 environmental laws that incidentally apply to transportation. It is the Secretary's goal to have the Department's proposed regulations fully reflect the Congressional intent to speed the approval of projects within the context of existing environmental law. All options for achieving this goal will be considered. The Secretary will defer further regulatory efforts until the Federal Transit Administrator and Federal Highway Administrator are in place.

Secretary MINETA. On the general issue of environmental streamlining, I want to speed up the process, but at the same time not do any injury to current environmental laws. I think there are a lot of things we can do. For instance, right now there are environmental reports that are State mandated and Federally mandated. Rather than having those done sequentially, let us do them simultaneously and move the two reports at the same time so that we do not have this kind of situation.

In the case of Federal highways or airports, we always have a local Federal Highway Administration or FAA team dealing with the project. Generally, the local offices will deal with the project and then send it to Washington, DC, for the national office to take a look at it. What I am saying is that whenever we put that local team together, we should put the national team together at the same time so that it is not sequential, but we are doing it at the same time to shorten the time period.

There is no reason to do it sequentially. All we have to do is piggyback the national effort and the local effort at the same time so that the project will move forward, and it cuts down the time.

Senator BYRD. That would seem to me to be a very logical and sensible proposal, Mr. Mineta.

As you develop the new regulation to which I alluded, may I ask you to specifically review the history of the approval process for Corridor H in West Virginia and West Virginia Route 9? I believe you will find it to be instructive.

Secretary MINETA. I will look at that. I am familiar with the Coalfields Highway because I remember being with Congressman Nickie Joe Rahall when we held hearings in Bluefield. I remember going through the whole area as we outlined the Coalfields Highway.

Senator BYRD. Yes. Well, Nick Rahall is a good man.

Secretary MINETA. Absolutely.

Senator BYRD. He does a good job. I can remember his grandfather who came from Lebanon, and I watched him many times when I lived in the coal camps of southern West Virginia as he walked up and down the highways carrying the bag of laces and linens on his back that he had shipped in from Lebanon.

He went on to raise a fine family. He ended up with a hotel in Beckley, a ladies apparel shop, a radio station in Beckley, several radio stations around the country, in Pennsylvania and Florida, and TV stations. That was the American dream come true.

Nickie Joe is a chip off the old block. He was an intern in my office many years ago, and he went on to Duke University, graduated, and made a fine, fine Congressman.

Secretary MINETA. He is indeed.

Senator BYRD. I am happy to work with him.

Secretary MINETA. Absolutely.

Senator BYRD. Let me just ask this question. Are there other ways that we can better expedite the environmental review process so that we can save lives sooner?

Secretary MINETA. A lot of this is the issue that certain agencies—EPA, Corps of Engineers—are delegated certain aspects of the process. I think it just requires tightening the working relationship between the agencies. Unless the laws are changed, we would not be able to shortcut what we have to do under environmental law.

I think what we can do is cut down the overlap and the time among the agencies.

Senator BYRD. Mr. Secretary, if you would please respond in writing to the first question that I asked.

Mr. Chairman, I will have additional questions that I shall submit for the attention of the Secretary.

Secretary MINETA. Absolutely. Thank you very much, Senator Byrd.

DESIGN-BUILD HIGHWAY PROJECTS

Senator BENNETT. Mr. Secretary, as I listen to Senator Byrd and some of the others talk about time, at the risk of being parochial, may I suggest you take a long look at what has happened in Utah. The brief history is that as we got ready for the Olympics, we recognized that our highway system simply would not be adequate. The traditional time period for fixing I–15 would be 9 years and the Olympics required that we do it in 5 years. A design-build system was undertaken. It will be done in 4½ years.

It is not only ahead of schedule. It will be done actually in less than 4½ years. But it is under budget.

One of the things that has produced great consternation and outflow of protests in letters to the editor is the fact that there are bonus payments to the contractor if he comes in early and if the contractor meets certain deadlines he gets an extra million dollars, and if he comes in earlier than that he gets $2 million or whatever. We are having people complain to the editor that this is a great waste of public funds.

Well, we have done it in 4½ years. We have done it much faster, much cheaper than a 9-year project would cost. As I say, with these incentive payments built into the contract we have saved money even more. I do not know of a comparable sized design-build project in the United States. That does not mean that there is not one, but I do not know of one.

I think we may have a model here, driven by the imperatives of the Olympics, that could then be of great use even in West Virginia, to see to it that things get built faster and cheaper. I would just suggest to you that you might take the opportunity to focus in on the design-build project. This was about a $1.6 billion project and we are now very close to being completely finished and we will have this highway, ten lanes in some places, ready for the influx of visitors that we will get during the Olympics.

So as I listen to the Senator from West Virginia, I share that with you in the hope that it might spur more activity on the part of the Department to look at what has been done and see where we want to go.

Senator BYRD. Mr. Chairman, did I understand you to say that the Olympics were going to be shifted to West Virginia?

Senator BENNETT. I am not sure that you want them, but I am sure that if the Olympics decide to come to West Virginia the senior Senator from West Virginia will make sure that they are adequately funded.

Senator MIKULSKI. It is called going for the gold.

Senator BENNETT. Senator Mikulski.

Senator MIKULSKI. Thank you very much.

This hearing has been most instructive, both from the Secretary of Transportation and the issues raised by my colleagues. I think it shows that we are facing some serious national crises with the convergence of congestion in the air and congestion on the roads.

HIGHWAY SAFETY

Mr. Mineta, first of all I applaud your emphasis on safety. I congratulate the President on wanting to expand opportunities for the disabled. We really do need to take a look at safety in the air and safety on the road. These are not some little marshmallow programs. This morning, once again, it took me close to an hour and 45 minutes to come from Baltimore because of two very serious accidents that shut down the Beltway both on the Maryland side as well as on the Virginia side.

I believe the safety issues need to be resolved, not only in terms of smart transportation and other technology; I also think people do not know how to drive any more, and I also think they do not know how to behave behind the wheel any more. You cannot be doing your nails, talking on your phone, doing stock trades, answering your e-mail, and maybe having a popsicle, and trying to drive the Beltway. Multiple tasking is not behind the wheel.

In my 20-plus years of commuting from Baltimore—you know, the Maryland delegation does that—I have seen not only the volume increase, and that is part of what America is facing, but the nature of driving has changed as well. I think those are larger issues to be looked at, and I look forward to working with you.

PATUXENT RIVER OIL SPILL

On another issue of safety, I am going to applaud Senator Murray's questions on pipeline safety. We had a terrible oil spill in the Patuxent River 18 months ago and we are still enduring the vestiges of that accident. I think our questions on pipeline safety are quite valid. The oil that went into our beloved Patuxent River and even leached down into our Chesapeake Bay raises the importance of the Coast Guard. There are many fears that we have on the Chesapeake Bay, but oil spills are an obsession with us because of their impact on the environment in the bay, on real estate, and on our crabs, oysters, and other species.

The Coast Guard is really crucial. I want to tell you, the ones that were in the Chesapeake Bay are fabulous in terms of oil spill readiness, rapid response, and working with several States in the Bay, primarily Maryland and Virginia.

COAST GUARD FUNDING

This takes me to the Coast Guard. I know the President has increased the Coast Guard funding by 6 percent. With all of the new missions from fighting drugs to fighting poachers and fighting polluters, do you think that the increase is enough? Do you think we also need to look at perhaps targeted or strategic increases in other areas? What is your response to where we are with that?

Secretary MINETA. From the perspective of a capital budget, the Coast Guard budget in 2002 is adequately funded for the Deepwater program. From an operational perspective, there will probably be some shortfalls. When you look at all the priorities that are being placed on the Coast Guard, whether it is search and rescue, enforcement of fisheries laws, drug interdiction, or security of our national borders in terms of illegal immigrant activities or entry, given the budget, I am saying do 100 percent of the search and rescue operations, but we are going to have to cut back operations for drug interdiction, border control, and fisheries.

That is just reality. You cannot put 15 gallons into a 5-gallon bucket. So for fiscal year 2002, there are going to be certain areas where we have to cut back on our operations.

On top of that, as you know so very well, the Coast Guard is one of the five uniformed services.

Senator MIKULSKI. Yes.

Secretary MINETA. When pay and entitlements are increased for the uniformed services, it includes the Coast Guard. The Army, Navy, Air Force, and Marines are under function 050 of the budget. The Coast Guard is under function 400. Invariably, funding for function 050 goes up, but funding for function 400 does not. So it becomes an aggravated problem for the Department of Transportation and especially, of course, for the Coast Guard.

Pay and entitlements, fuel, and spare parts are three very big issues for us.

Senator MIKULSKI. Well, Mr. Mineta, that is a very instructive list.

Senator Murray, I know that all of our committees are starting later this year than usual, but I wonder perhaps as the year goes along, if the window presents itself, that we could have a hearing on the Coast Guard because of their very specific challenges? I think the personnel issue is one issue. You have the same recruitment and retention issues that the other uniformed services have. The cost of fuel is going to be horrific, and we need to protect the environment, protect our borders, particularly against drugs. Yet some of these issues are what we call the mundanes—the certification of mariners, the inspection of seaworthiness of vessels—I consider crucial to safety because they are the ones that are at sea or in the Chesapeake Bay or in Puget Sound.

So Madam Ranking, future to be, one day chair, I will not continue to go over this. But I think it is a very, very important issue.

I do support the deepwater project because I think when you look at how dated the vessels are, we need the right type of vessels for these new missions—some very rapid in terms of patrol, rescue is a different one, and then of course the ability, should the President ask them to convert in a national emergency to the Navy, to respond effectively.

Of course, I know that you visited many areas. We want you to be aware that we have the Coast Guard Yard in Baltimore that employs 600 dedicated people, all ready to handle whatever you want.

Secretary MINETA. I will visit Curtis Bay any time you want.

Senator MIKULSKI. Thank you.

Senator MURRAY. Mr. Chairman, let me respond really quickly to Senator Mikulski. I share her concern and her passion and her advocacy on behalf of the Coast Guard from the other coast, Washington State, where, as you well know, the Coast Guard is very critical to much of what we do there. You outlined it well, from drug interdiction to preventing oil spills, and safety of people who are in our boats and fisheries.

It is an extremely demanding and increasingly important task. I have shared with Senator Shelby my request for a hearing on Coast Guard, as we discussed. We are discussing an opportunity to do that, and in fact this morning we again talked about it, and we will work with you to try and establish that.

MAGLEV

Senator MIKULSKI. Thank you.

Madam Chair, I have other questions related to rail, but I am going to just bring them to the Secretary's attention at another time. We are all competing for Maglev and I think Senators Specter, Santorum, Sarbanes, and I would like to discuss national support with you, a way of not having us be in competition where it is political muscle, etcetera. We would like to be able to discuss that with you.

Also, the issues around Amtrak. The chairman raised issues and I know you have, too, in terms of what we need to do to modernize Amtrak, move it to self-sufficiency in 2002, and lay the groundwork for a high-speed rail initiative. Let us save that for our conversation.

Again, I am so pleased that when President Bush chose you, when you said there are not Republican or Democratic highways, byways, or air traffic control.

Secretary MINETA. Only the left wing and the right wing of an airplane.

Senator MIKULSKI. Well, I am ready to be a propeller here. No, a jet.

Secretary MINETA. Senator Mikulski, let me mention that I am recused from talking about Maglev——

Senator MIKULSKI. Oh, that is right.

Secretary MINETA [continuing]. Because of my prior civil employment. But we will have someone from the Department talk to you about that.

Senator MIKULSKI. Thank you very much.

Secretary MINETA. Yes, ma'am.

CONSOLIDATION OF OST OFFICES

Senator BENNETT. Mr. Secretary, Senator Shelby is still delayed and I will ask some of the questions that he would have asked, having run out of my own. We understand that you are considering merging some of the functions and offices within the Office of the Secretary. Once again, I cannot help but reminisce that John Volpe was doing that 30 years ago, and it seems to be a constant kind of a challenge.

Can you give us a preview of what you are considering?

Secretary MINETA. The biggest area is the policy office. Right now there is an Associate Deputy Secretary for Intermodalism, an Assistant Secretary for Policy, and an Assistant Secretary for Aviation and International Affairs. I am thinking of combining those offices. They had been one office before.

Senator BENNETT. Yes, that is my memory.

Secretary MINETA. Then they were split. Frankly, from my perspective, we do not have the critical mass necessary for an effective policy function. When it comes to financial resources, so much of what the Department gets is either earmarked or distributed by formula. So we have very little discretionary money available to us. So policy becomes that much more important.

I am trying to find some way to combine the policy offices and have the critical mass and the firepower to deal with policy issues.

Senator BENNETT. As I say, my memory is that there was at one point only one Assistant Secretary for Policy and International Affairs and he was the most powerful Assistant Secretary in the Department, was the Acting Secretary when the Deputy Secretary and the Secretary themselves were not there. So my personal reaction is that that is the right way to go. The fragmentation of that function probably has not served us well.

NHTSA ADMINISTRATOR

Senator Shelby has some concerns about NHTSA and once again that has been a shop that has always attracted some interesting attention. Conflict between the automobile manufacturers and safety groups over candidates for the NHTSA Administrator seems to have produced compromise that has had what Senator Shelby considers to be lackluster appointments. He says in his question that he is not worried about that if it were not for the fact that there are lives of Americans that are on the line with respect to NHTSA and what it does.

There have been new initiatives that have come out from time to time that are simply duplicative of programs that are already in the core. He is urging that you get personally involved in this selection of a new NHTSA Administrator. This is Senator Shelby's advice, but I can join it. He says get a business person or an economist, someone with the experience of having to allocate capital or staff resources on the best return, rather than someone who has a political stake one way or the other in the various fights that have surrounded NHTSA.

There is no portion of the Department that came into being with more controversy than NHTSA in the first place. If you recall, it came out of the appearance of Ralph Nader on the scene with the attack on the Corvair, and the pulling and hauling that has gone on every since has been primarily in the spotlight of public glare and publicity.

I think Senator Shelby's advice to try to find someone who might operate away from that spotlight in a more management fashion would be the right thing to do.

His final question is, do you not agree with him, which is usually what goes on here. I simply share that with you and ask you to take it into consideration.

DELTA AIRLINES AT SALT LAKE CITY

I cannot resist another. Hearing Senator Bond talk about the slot into National, I hope you pay close attention to Delta's request to see to it that that slot comes to Salt Lake City. We all have letters to you on that and we understand that.

CENTRAL ARTERY PROJECT

Now, looking through some of Senator Shelby's other questions, this one would be appropriate in the conversation that we have had. Have you had an opportunity to look into the Boston Central Artery-Third Harbor Tunnel project, the Big Dig? I have experienced trying to catch an airplane in Boston and understand what the Big Dig can do to get in and out of Logan Airport. Could you give the subcommittee an update on whether the project is likely to stay within the cost cap included in the fiscal year 2001 appropriations bill?

Secretary MINETA. The Federal Government intends to stay within the cap. Even though the cost of the project may go up, the cap will not be impacted. The cap will still be in place and we will be at that level and no higher.

Senator BENNETT. That means, therefore, that if the cost goes up the State pays it?

Secretary MINETA. That is correct. The Turnpike Authority and the Commonwealth of Massachusetts are the responsible parties. The Federal contribution is capped at a dollar figure.

PROJECT OVERSIGHT

Senator BENNETT. Have the cost overruns and, some would say, abuses that have occurred in this project, given you pause for looking at other projects of this magnitude?

Secretary MINETA. Absolutely. As I mentioned in my statement about paying for a 10-sack concrete job, and whether we are getting a 10-sack or 7-sack concrete job. There are two things that are very important to me. One is accountability and the other is accessibility.

One of the things I want to make sure of in our Department is that timetables and specifications are adhered to. I have scrutinized projects, as Senator Murray is well aware. Unfortunately, I had to focus on one, a major project in the State of Washington. But we are going to work through those problems.

Where necessary, I am going to focus on where there are problems and make sure that costs do not go out of control. So yes, I intend to look at these projects and follow them.

Senator BENNETT. I think your determination to see to it that the local folks have to pay the price if there are abuses and overruns is a very salutory thing and it is a good way to get their attention. I wish we could retroactively do that in the Denver Airport.

With that, Senator Murray.

PUGET SOUND LIGHT RAIL TRANSIT PROJECT

Senator MURRAY. Let me just follow up on that question. We have had several discussions about the problems encountered in Seattle in launching a desperately needed light rail system, and the Inspector General published a report that was very critical of the way Sound Transit was executing that project. Those Sound Transit officials, as you know, Mr. Secretary, have a lot of work to do to convince your agency and the Congress that they have gotten their costs under control.

But the IG's report was equally, if not more, critical of the oversight abilities of the Federal Transit Administration. Your budget requests that we increase slightly the amount of money that goes to that function. But we have seen in the past that increased money for oversight does not necessarily get you improved program integrity.

Can you talk about what initiatives you are planning to ensure that oversight activities will be improved and that project costs will be carefully monitored at the FTA?

Secretary MINETA. First, the primary oversight responsibility is with the project sponsor. To the extent that we ride herd on the project sponsor, we will have a good handle on our ability to track these projects.

In terms of tracking, I think we can do a lot better job in utilization of computer techniques to track these projects. I do not think we have done that sufficiently.

Based on my background representing Silicon Valley for over 20 years in the Congress, I do not think that the Department of Transportation is up to snuff in terms of the use of technology in dealing with a lot of these issues. I intend to make sure that we have the tracking capability right within the Department.

Senator MURRAY. Well, Senator Bennett, I can assure you that there is a new heightened level of scrutiny on New Start projects at the FTA.

I would just like to ask you, Mr. Secretary, if you are going to have as much scrutiny for New Start projects as we are for those that are amending their Full Funding Grant Agreements?

Secretary MINETA. Yes. Part of that scrutiny will also be an evaluation of what we should be doing in terms of Federal/local share. In the President's budget we have submitted a suggestion that the Federal share go down to 50 percent in year 2004.

Senator MURRAY. For New Starts?

Secretary MINETA. For New Starts. Part of this is to put the heat on the local authorities. If it is a good project, then they are going to have to share the responsibility of the financing, as well as the accountability.

Senator MURRAY. Well, I look forward to continuing to work with you. I know Sound Transit is working very diligently to meet the IG report request and we have work ahead of us there. But the Federal Government has the responsibility to support them when they finish that.

AMTRAK

On a different topic, Amtrak, in my opening statement I talked about the Amtrak Board, which as you know is chaired by Secretary Thompson, issued its assessment of Amtrak's long-term capital needs. They concluded that in order to bring high quality rail service and launch the new high-speed rail routes that are being demanded in this country, that Amtrak would require funding of $1.5 billion a year.

In your performance plan you talk about a goal to increase Amtrak ridership, but the budget actually freezes Amtrak funding at $521 million. Do you believe that the new high-speed rail systems outside the Northeast Corridor need to be a part of the solution for relieving congestion and solving our energy problems?

Secretary MINETA. First, the $521 million in the President's fiscal year 2002 budget will keep Amtrak on a glide path to self-sufficiency. On the other hand, the whole issue of intercity rail and related capital development needs is an area which I have not focused on yet, but I intend to.

I have not set a time schedule yet on how to go about doing that, but I intend to look at the whole area of intercity rail.

HIGH-SPEED RAIL ACT

Senator MURRAY. I am co-sponsor of the High-Speed Rail Act, along with a bipartisan group of 57 Senators. That bill would provide $12 billion in capital funding for Amtrak in order to build some of these new high-speed rail systems. Has the administration taken a position on that legislation?

Secretary MINETA. We have not taken a position on the high-speed rail bond bill.

Senator MURRAY. Do you know if you intend to? Is that part of what you are looking at?

Secretary MINETA. We will be taking a look at that as well. We will have to have a Statement of Administration Position (SAP) on it.

Senator MURRAY. Do you have any idea of the time line of that?

Secretary MINETA. Not right now, not until the bill comes to the floor.

PRESIDENTIAL NOMINEES

Senator MURRAY. Let me ask you another question, on nominations. You have been on the job for 3 months and President Bush has nominated three senior level positions within the Office of the Secretary and two modal administrators. The Commerce Committee only has official papers for one of the nominees and there remain a number of important safety-related positions for which there have been no nominees, including the administrators for the Research and Special Programs Administration, the Federal Motor Carrier Safety Administration, and the National Highway Traffic Safety Administration.

Mr. Secretary, when do you expect to have your nominees for all of these senior positions?

Secretary MINETA. Those names, and a few others, have been submitted to the White House for consideration.

Senator MURRAY. At what point do we start being concerned that these delays affect some of your goals on safety?

Secretary MINETA. The President wants to have these clear his desk by May 1. So hopefully these will be announced in that time frame.

FAA CHIEF OPERATING OFFICER

Senator MURRAY. When you first took office, you identified as a priority the hiring of the first Chief Operating Officer for the Federal Aviation Administration. How close are you to filling that slot?

Secretary MINETA. Frankly, not very close. I am trying to find a highly experienced operating officer with the kind of technical and managerial experience we need in that position. But the pay is $139,000, which does not, or cannot, attract very many people.

Senator MURRAY. So it is a lack of getting people interested in doing it?

Secretary MINETA. There are a couple of people that I am now focusing on. They are retired chief executive officers of very large corporations who probably could afford to do it for a dollar a year.

Senator MURRAY. Are they interested?

Secretary MINETA. They are interested and I am trying to persuade them to perform a public service. To me it is the number one job in the Department of Transportation, and it is very difficult. I had a person who was ideal for the job, but unfortunately there were some health considerations and it precluded him from the job. There are others who I think would be equally good, but we have to convince them that this is something they ought to do as a duty to their country, given their vast experience.

Senator MURRAY. Well, I urge you to keep working——

Secretary MINETA. Absolutely.

Senator MURRAY [continuing]. And to get the President to put his persuasive powers to use. I am concerned that we are not filling some of these critically important posts.

Secretary MINETA. The other jobs that you mentioned—RSPA, Federal Motor Carrier, and NHTSA—those names have been submitted.

Senator MURRAY. They have been?

Secretary MINETA. Yes.

Senator MURRAY. All right. Thank you very much.

Mr. Chairman, I have a number of other questions I will submit for the record. I do not know if Senator Shelby is going to return.

Senator BENNETT. We just heard word that Senator Shelby is not going to return. So his questions will be submitted for the record.

ADDITIONAL COMMITTEE QUESTIONS

Secretary MINETA. And I will respond in writing.

Senator MURRAY. Thank you very much, Mr. Secretary.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RICHARD C. SHELBY

SECURING INFORMATION TECHNOLOGY

Question. Please provide a breakout of the anticipated spending for the $1,000,000 request for this activity (CIO Securing Information Technology Functions).

Answer. The $1,000,000 requested in fiscal year 2002 will support a risk assessment of OST LAN environment ($150,000); establishment of the DOT Information Technology Security Alert Program (ITAP) ($150,000); and work on various IT security efforts including implementation and evaluation of the DOT IT security program, implementation of the Government Information Security Reform Act (GISRA), implementation of Presidential Decision Direction 63 (PDD–63), migration of OST computers to a secure operating system with increased configuration security, and IT security awareness training ($700,000).

GENERAL COUNSEL CONSULTING SERVICES

Question. Please provide a description of any consulting services and costs anticipated for the General Counsel's Office.

Answer. The Office of the General Counsel expects to utilize consulting services in a number of areas during fiscal year 2002. The most significant is to carry out the Accessibility for All America-Technical Assistance and Information initiative to implement section 707(a)(4) of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR–21). Under the initiative the Office of the General Counsel would seek a contractor to operate an "information clearing house" similar to those that exist in other offices within DOT (e.g., NHTSA's Auto Safety Hotline) and other Departments (e.g., information clearing houses operated for the National Institutes of Health). Listed below are some of the activities planned.

—Translate into Braille and Spanish and create large print and audiotape versions of the following air travel information documents and publications:
  —Air Carrier Access Act (ACAA)
  —14 CFR Part 382 (ACAA rules)
  —New Horizons brochure
  —Fly Rights brochure
  —Plane Talk Fact Sheet on Disability Issues
  —ACAA Complaint Form & Information Sheet
  —Quarterly Newsletter with Q&A's (to be developed)
  —Other Plane Talk Fact Sheets
—Update and improve the format of all existing ACAA-related publications and prepare quarterly newsletter with Q&A's. Arrange for publication of all documents.
—Modify the Aviation Consumer Protection Division (ACPD) website to make it fully accessible to the blind.
—Establish an 800 disability inquiry line and staff the telephones 7 days per week from 7 a.m. until 11 p.m.
—Create a fax-on-demand (Fax Back) system for publications.
—Develop a technical assistance manual for ACAA compliance (i.e., a plain language version of ACAA rules with additional guidance, such as a model training program for airline employees.)

Based on discussions with staff of the National Council on Disability, the Department of Justice/Civil Rights Division, and contractors that have done similar work within DOT, the Department estimates that $1,247,000 would be needed the first year to implement and staff the 800 disability inquiry line, convert the ACPD website, and create the on-demand Fax Back system. The funds would also allow for work to begin on the document and publication improvements noted above, although this work would not be completed until the following year. Based on the annual cost to NHTSA of its 800 Hotline, the 800 disability inquiry line alone would cost approximately $1 million in its initial year.

Also, consulting services would be used to implement the Accessibility for All America-Consumer Rights Protection Initiative. Among the functions that could be carried out by consulting services, as resources permit, would be (1) the review and coding of aviation consumer complaints received by ACPD; (2) upgrading ACPD's computerized complaint tracking system to facilitate the filing of e-mail complaints by consumers and the review of complaints by air carriers over the internet; (3) developing cost-benefit analyses for consumer protection and civil rights rulemakings required by statute and currently being planned; (4) on-site consultant investigation work to supplement in-house capabilities where backlogs necessitate such action; and (5) reporter services related to the taking of depositions to support enforcement cases.

GENERAL COUNSEL NEW INITIATIVES

Question. Please provide greater discussion of the activities of the four highlighted new activities: alternate dispute resolution, consumer rights protection activities, air carrier access technical assistance, and domestic aviation complaint activities. Where else in the Department are activities of this nature conducted? What statutory mandate are the establishment of these activities pursuant to? What is the current backlog of disability cases, how many cases were resolved last year, how many FTE (and at what cost) were committed to the resolution of those cases last year, etc.?

Answer. *Alternative Dispute Resolution (ADR).*—The Department and its operating administrations are using ADR consistent with the Administrative Dispute Resolution Act of 1996, to more efficiently and effectively resolve disputes in a variety of areas. For example, the FAA is using ADR to resolve acquisition disputes and the Department and its operating administrations have a cooperative program to resolve discrimination complaints through mediation. However, the Administrative Dispute Resolution Act of 1996 requires that each Federal agency: (1) designate a senior official to be the Dispute Resolution Specialist, (2) adopt a policy on ADR, (3) provide ADR training on a regular basis, and (4) review standard agreements to encourage the use of ADR. Furthermore, the use of ADR is growing as the government attempts to work collaboratively with its employees and stakeholders. Additional staffing is needed to implement the statutory requirements, develop policies, evaluate dispute resolution uses and programs, and identify and eliminate barriers to the use of ADR.

Consumer rights protection.—Due to resource constraints, the Department is unable to give special attention to, and resolve, the bulk of the complaints received. All complaints received by the Department's Aviation Consumer Protection Division (ACPD) are acknowledged, reviewed, categorized, provided to the carrier involved, and entered into a computer database. The database is then used by ACPD in preparing its widely disseminated monthly Air Travel Consumer Report, which, in part, ranks the larger airlines on their complaint totals. On average this process takes about one-half hour per complaint; more than 20,000 complaints were handled this way during 2000 without additional staff work. In addition, at the Department's request, larger airlines send customer service personnel to ACPD on a monthly basis to review and discuss the complaints filed with the Department that month and the compliance problems they may reflect. Approximately one FTE is devoted to this meeting activity over the course of a year.

Some complaints and consumer-related inquiries require more specialized consideration and/or investigation. For example, the Department received over 1,350 Congressional inquiries and referrals in 2000 and, for each of these, the airline or other transportation company involved was requested to reply directly to the Congressional office, with a copy to the Department. Each reply is reviewed to ensure it is responsive and consistent with Department consumer protection regulations. Follow-up action is taken with the airline or other transportation company, the consumer, and the Congressional office, as appropriate. An average of 2 to 3 hours is spent on each such complaint.

Disability complaints are required by statute (Section 707 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR–21) (Public Law 106–181; 114 Stat. 61; April 5, 2000)) to be individually investigated and are much more labor-intensive. The complaint is reviewed by a senior transportation analyst who prepares and sends a preliminary investigation letter to the airline involved and an acknowledgment to the consumer. The airline's response is reviewed for consistency with Department regulations and the Air Carrier Access Act, in consultation with an attorney, if necessary, by a senior transportation analyst who also obtains further information from either party, as appropriate. In instances involving isolated, less egregious violations, the case may be closed with a warning letter to the carrier and a closing letter to the complainant. This process involves on average 5–10 hours of staff time for each complaint.

In instances in which an egregious violation or pattern or practice of non-compliance is apparent, the matter is referred to an enforcement attorney. The attorney would prepare a detailed enforcement investigation letter that would be sent to the airline, asking it to provide information on similar complaints filed with the carrier and other pertinent information, such as internal airline files on the incident and training records. A letter would also be sent to the consumer to advise him or her of the planned enforcement action and of the possible need to provide further information or testify. The investigation letter and information request to the airline may produce boxes of similar complaints that must, along with the explanation and evidence provided by the airline, be reviewed for consistency with the Department's regulations. If the situation warrants, a consent cease and desist order, including assessed civil penalties, is drafted and sent to the airline with an offer to settle the case. Settlement negotiations are usually protracted and time intensive. If a settlement can be reached, a final consent order reflecting the negotiated agreement is prepared and sent to the airline for approval. This process may take up to an additional 500 hours of staff time, which includes both investigation and legal staff time.

If no settlement is achieved, the case must be litigated in an on-the-record, evidentiary hearing before a Department administrative law judge. That proceeding would likely involve a complaint, discovery, depositions, procedural motions, and numerous witnesses, and could easily take two or more years to complete. The law judge's decision may be appealed to the Secretary or his designate, and the final Department decision may be appealed to the U.S. Court of Appeals. Many hundreds, if not thousands, of additional hours of staff time can be expended in each such case. Based on the new requirements of AIR–21, the Department expects 10 to 20 disability enforcement cases per year to result in settlements or litigation.

In addition, while not specifically required by statute, the Aviation Enforcement Office is treating all discrimination complaints regarding alleged civil rights violations similarly. Approximately 75–100 non-disability-related civil rights complaints are received yearly. In comparison, the office received 676 disability-related complaints in CY 2000.

The additional resources requested will enable the Office of the General Counsel to conduct the mandated investigations and resultant enforcement actions noted above. It will also enable ACPD to conduct proactive consumer protection investigations for which it is not now staffed or funded. These investigations would cover issues such as deceptive advertising on the internet, unlawful bait-and-switch sales tactics, code-share disclosure violations, unfair and deceptive frequent flyer program policies, compliance with airport signage and consumer information availability requirements, compliance with refund timeliness requirements, and violations of the denied boarding compensation rules.

Aviation consumer rights protection activities are conducted nowhere else in DOT and the following statutory provisions provide the authority for those functions performed by the Office of the General Counsel: 49 U.S.C. 40101, 40127, 41113, 41702, 41705, 41706, 41712, 41721, 41310(a), 41112, and 44909.

The current backlog of disability complaints that must be investigated under AIR–21, as of April 30, 2001, is 463. During CY 2000, 676 disability complaints were received and 336 cases based on those complaints were closed. However, about one-half of the airline disability cases closed by DOT in CY 2000 resulted from complaints received prior to enactment of AIR–21 and those cases were closed without the investigation required by the new statute. Moreover, the vast majority of the post-AIR–21 complaints that resulted in closed cases in CY 2000 involved straightforward incidents where no ACAA violation occurred or were complaints that did not provide adequate information to establish whether a violation might have occurred. During CY 2000, about 2.5 FTEs were committed to the resolution of disability complaints and the processing of disability enforcement cases at a cost of about $260,000.

Domestic aviation.—Over the past 5 years the Department has had to confront numerous formal and informal complaints alleging unfair competitive practices that it did not face in the past. Under 49 U.S.C. 41712, unfair competition in the airline industry is prohibited. It is important to note that the Department's authority to prevent unfair methods of competition goes beyond the Justice Department's antitrust responsibilities. In this connection, the Department of Transportation not only can enforce the antitrust laws, e.g., the Sherman and Clayton Acts, under 49 U.S.C. 41712, but it is responsible for pursuing enforcement and regulatory action against activities that do not violate those laws if those activities are inconsistent with antitrust principles. Accordingly, the Office of the General Counsel has been involved in investigations of alleged unfair competition relating to the Department's computer reservation system requirements, predatory pricing, gate and slot allocations at airports, and airline travel agent marketing practices.

The Office of the General Counsel must also review certain new airline joint venture agreements for evidence of unfair competitive practices under a recently enacted law (49 U.S.C. 41720). Assisting the Office of the General Counsel in carrying out its competition responsibilities is the Office of the Assistant Secretary for Aviation and International Affairs wherein resides the Office of the Secretary's aviation economics expertise.

Air carrier access technical assistance.—The Office of the General Counsel would seek a contractor to operate an "information clearinghouse" similar to those that exist in other offices within DOT (e.g., NHTSA's Auto Safety Hotline) and other Departments (e.g., information clearinghouses operated for the National Institutes of Health). Listed below are some of the activities planned:

—Translate into Braille and Spanish and create large print and audiotape versions of air travel information documents and publications.

—Update and improve the format of all existing ACAA-related publications and prepare quarterly newsletter with Q&A's. Arrange for publication of all documents.

—Modify the Aviation Consumer Protection Division (ACPD) website to make it fully accessible to the blind.

—Establish an "800" disability inquiry line and staff the telephones 7 days per week from 7 a.m. until 11 p.m.

—Create a fax-on-demand (Fax Back) system for publications.

—Develop a technical assistance manual for ACAA compliance (i.e., a plain language version of our ACAA rules with additional guidance, such as a model airline ACAA training program for employees.)

Based on discussions with staff of the National Council on Disability, the Department of Justice/Civil Rights Division, and contractors that have done similar work within DOT, it is estimated that $1,247,000 would be needed the first year to implement and staff the "800" disability inquiry line, convert the ACPD website, and create the on-demand Fax Back system. That amount would also allow for work to begin on the document and publication improvements noted above, although this work would not be completed until the following year. Based on the annual cost to NHTSA of its 800 Hotline, the 800 disability inquiry line alone would entail expenses in its initial year of approximately $1 million.

The personnel providing on-site review and technical assistance to airlines will be transportation analysts. They will regularly meet with disability interest groups throughout the country to advise them of the rights of the disabled under the ACAA and how disabled individuals can best avail themselves of the services that the law requires airlines to provide. At these meetings, attendees will also be apprised of how to pursue corrective action with the airlines in accordance with DOT rules, and how and where to file complaints with DOT when the ACAA or DOT's regulations implementing the ACAA are violated. Additionally, the new staff will arrange and participate in airline/airport/disability group forums to discuss problems being faced in the transportation of disabled air travelers. Such forums can serve as effective vehicles to achieve cooperative solutions to those problems, many of which are not amenable to regulatory correction.

The staff will also regularly meet with major air carrier officials to discuss ACAA compliance issues, conduct compliance visits with new entrant and smaller carriers to discover and correct ACAA rule violations, participate in ACAA training programs for air carrier employees, and meet with others having an interest in eliminating obstacles to air travel by the disabled, such as airport officials and contractors who provide services for airlines at airports.

The Department's authority for carrying out these activities is contained in 49 U.S.C. 40101, 40127, 41702, 41705, 41712 and 41310(a). The air carrier access technical assistance activities described above are only performed within the Office of the General Counsel.

GENERAL COUNSEL ENVIRONMENTAL COORDINATION

Question. What activities does the General Counsel's Office engage in with regard to environmental clearance and coordination activities for highway, transit and aviation projects?

Answer. The General Counsel's Office has a case-by-case involvement in environmental clearance and coordination for these projects. The specific projects in which it becomes involved, and the nature and intensity of its involvement, is dictated by (1) whether program staff in the course of their review identify legal issues that should be resolved (e.g., a technical question arises as to whether a proposed project qualifies for abbreviated NEPA assessment under the language of a categorical exclusion); (2) whether an issue arises, typically during the coordination process, that requires legal analysis (e.g., Counsel is asked to analyze arguments that a project or process fails to meet statutory requirements in some regard); (3) whether the Secretary, or other senior staff of the Office of the Secretary or a modal administration, requests legal involvement in a matter due to the magnitude, or controversial or unique aspects, of a proposed project; (4) whether a general, especially cross-modal, matter develops that requires legal input (e.g., legal assistance is requested on a team addressing environmental streamlining initiatives); and (5) whether difficult litigation is initiated or expected (e.g., legal advice is sought on various matters as the Woodrow Wilson Bridge environmental impact statement is developed).

ACCESSIBILITY AND PASSENGER RIGHTS

Question. What is the breakout of the accessibility v. the consumer right protection activities as anticipated in the budget request?

Answer. Of the 11 positions and $946,000 in additional funding requested for Accessibility for All America/Consumer Rights Protection activities, about half will be used for air carrier access compliance/enforcement activities and half on consumer rights protection work. While certain individuals are likely to be assigned to only one of the activities, others, for example analysts conducting enforcement investigations at airports or airline headquarters, will for efficiency reasons review compliance with all the laws the Department enforces, including those concerning civil rights and consumer protection.

TECHNICAL ASSISTANCE AND INFORMATION INITIATIVE

Question. Please provide details on what activities at what cost will be executed pursuant to the $1.548 million requested for execution of the plan developed by the Department pursuant to Section 707(a)(4). The justification indicates that the Department staff must meet regularly with major air carrier officials. Doesn't the Department staff already meet regularly with major air carrier officials on other topical and timely issues? What officials do you anticipate meeting regularly with major air carrier officials on this issue? What is the division of responsibility between the Office of the General Counsel and the Office of Public Affairs regarding the activities (1)–(6) ON PAGE S&E–21 of the justification?

Answer. Of the $1.548 million requested to begin the implementation of Section 707(a)(4) of AIR–21, $251,000 will be used to add 6 consumer specialist/transportation analyst positions, $50,000 will be used for travel associated with the office's technical assistance/information dissemination activities, and $1.247 million will be used for contracting services.

With respect to the contracting services, the Office of the General Counsel would seek a contractor to operate an "information clearinghouse" similar to those that exist in other offices within DOT (e.g., NHTSA's Auto Safety Hotline) and other Departments (e.g., information clearinghouses operated for the National Institutes of Health). Listed below are some of the activities planned.

—Translate into Braille and Spanish and create large print and audiotape versions of air travel information documents and publications.

—Update and improve the format of all existing ACAA-related publications and prepare quarterly newsletter with Q&A's. Arrange for publication of all documents.

—Modify the Aviation Consumer Protection Division (ACPD) website to make it fully accessible to the blind.

—Establish an "800" disability inquiry line and staff the telephones 7 days per week from 7 a.m. until 11 p.m.

—Create a fax-on-demand (Fax Back) system for publications.

—Develop a technical assistance manual for ACAA compliance (i.e., a plain language version of our ACAA rules with additional guidance, such as a model training program for airline personnel.)

The six requested positions are necessary to fulfill Congress's mandate that DOT develop and implement a plan to provide technical assistance to individuals with disabilities and air carriers so they will understand their respective rights and responsibilities under the Air Carrier Access Act (ACAA). The personnel necessary for this work will be transportation analysts and consumer specialists.

These employees, as well as a limited number of current qualified staff, will regularly meet with disability interest groups throughout the country to advise them of the rights of the disabled under the ACAA and how disabled individuals can best avail themselves of the services that the law requires airlines to provide. At these meetings, attendees will also be apprised of how to pursue corrective action with the airlines in accordance with DOT rules and how and where to file complaints with DOT when the ACAA or DOT's regulations implementing the ACAA are violated. Additionally, the staff being hired will arrange and participate in airline/airport/disability group forums to discuss problems being faced in the transportation of disabled air travelers. Such forums can serve as effective vehicles to achieve cooperative solutions to those problems, many of which are not amenable to regulatory correction.

The people in these positions will also regularly meet with major air carrier officials to discuss ACAA compliance issues, conduct compliance visits with new entrant and smaller carriers to discover and correct ACAA rule violations, participate in ACAA training programs for air carrier employees, and meet with others having an interest in eliminating obstacles to air travel by the disabled, such as airport officials and contractors who provide services for airlines at airports.

The $50,000 request for travel will be used to provide on-site reviews of air carriers' Air Carrier Access Act (ACAA) training programs, provide technical assistance to improve those programs, and participate in the training of key air carrier personnel responsible for ACAA compliance. The Department estimates that it can provide 25 five-day visits in fiscal year 2002 at an average cost of $1,550 per trip, for a subtotal of $38,750. In addition, the staff will participate in conferences and meetings of organizations representing the disability community to educate the attendees on the ACAA and the related rights and obligations of disabled air travelers. The Department estimates that it would need to make 15 two-day trips for such purposes at an average cost of $750 per trip, for a subtotal of $11,250.

Currently, ACPD staff meet once per month with only the largest airlines (about 10 meetings per month). Each meeting is with one or two airline customer relations personnel and is held in Washington to discuss problems evidenced by consumer complaints we receive. As resources permit, 1 or 2 day visits are made to airline headquarters where higher level airline officials and larger groups of airline employees (e.g., station managers or complaint resolution officials) are apprised of consumer issues, as reflected by the DOT complaint data. In the past, only 3 or 4 of the visits could be accomplished each year because of current staffing and funding constraints and the duration of each of those visits did not permit the kind of reviews and interaction contemplated by the proposed initiative.

The Office of Public Affairs currently performs none of the functions discussed above. If new consumer information publications are developed by ACPD, that office will work with the Public Affairs Office staff to optimize the quality of the presentations.

AVIATION AND INTERNATIONAL AFFAIRS AND POLICY

Question. Please submit a revised justification reflecting a consolidated Office of Aviation and International Affairs. If there are not cost savings by virtue of consolidating the office, what is the justification for such a consolidation?

Answer. Consolidation and cost savings are not the goals of the current reorganization. The goal is to provide the Secretary with a strong, more effective policy office, while maintaining the strong leadership in aviation and other issues currently supported in the Office of the Secretary. Discussions for the organizational structure are still taking place and several options are under active consideration.

AUTOMATED STAFFING SYSTEM

Question. What is an "automated staffing system?"

Answer. In order to be competitive with other Federal agencies and the private sector, the Department needs to be able to bring needed talent onboard in a more timely manner. An automated staffing system will post announcements, receive applications, rate and rank applications (per our agreed-upon criteria), and generate final certificates of eligible candidates for line managers. This system is a separate application from the Department's human resources information system (HRIS). The HRIS core system does not include an automated staffing component.

TELECOMMUTING

Question. What cost savings or other quantifiable benefits has the Department recognized from current telecommuting activities? What additional benefit is anticipated by virtue of the $40,000 request for training and materials in this area?

Answer. Since implementation of the Department of Transportation (DOT) telecommuting program in 1994, participation has grown to include approximately 5 percent of the eligible workforce, or about 1,600 employees. In surveys, these employees and managers cite improved moral and increased productivity as a result of telecommuting arrangements. At least four Operating Administrations (OAs) were able to retain experienced employees because these individuals were able to telecommute from locations outside of the local commuting area instead of resigning from their position or seeking a job with another employer.

The Federal Railroad Administration (FRA) implemented a telecommuting program that permitted its safety inspectors to work full-time from their homes, thus enabling FRA to release office space and the costs associated with maintaining these facilities. In fact, 65 percent of FRA's safety inspectors participant in this work arrangement. Another benefit for FRA is that their inspectors are more responsive because they can move closer to the areas in their territory where there is a high degree of activity. In addition, the FRA has been able to better allocate resources by posting inspector jobs in areas that need the greatest amount of attention.

The requested funding will help DOT further increase the extent of telecommuting. This will satisfy recently expressed Congressional intent (Public Law 106–346, Section 359), and advance the Departmental mission of addressing highway safety and congestion. It will also allow the Department to increase the savings realized from the program.

It is widely recognized that management and employee reservations about telecommuting are the key barriers to increased participation. The training and information materials developed and/or purchased with the requested funds will be targeted to address and overcome these reservations and provide tools to assist managers in evaluating performance based on results. A portion of the funds will also be used to promote telecommuting as an incentive in recruiting efforts.

WORKFORCE IMPROVEMENT INITIATIVES

Question. What are the other $60,000 in Workforce Improvement Initiatives not articulated in the justification?

Answer. The $60,000 will be used to fund quarterly human resource management policy workshops. These workshops will bring together representatives from all of the operating administrations to focus on the human capital challenges facing the Department of Transportation. They will explore the challenges, identify best practices, and define a framework of action to implement selected practices. Funding is needed for materials, equipment, best-practice database, and additional facilitators and speakers as required.

OFFICE OF THE SECRETARY TRAVEL COSTS

Question. Please provide details on the Office of the Secretary travel costs paid by the modes.

Answer. The following table reflects travel costs paid by the modes for Office of the Secretary employees.

TRAVEL PAID BY THE MODES FOR OST EMPLOYEES

Paying OA	Traveler's Name	Traveler's OA	Travel dates	Amount	Account	Purpose
FAA	Banks, Maurice A.	OST	7/23/00–7/25/00	$564.65	6901301	Conducting Diversity and Sensitivity training followup
FAA	Banks, Maurice A.	OST	3/5/00–3/8/00	601.92	6901301	Conducting Diversity and Sensitivity training followup
FHWA	Geier, Paul M.	OST	3/22/00–3/23/00	360.09	69x8083	FHWA/FTA Legal Workshop
FHWA	Wood, William M	OST	3/14/00–3/14/00	426.92	69x8083	Chicago-Newark Intermodal Freight Pilot Steering Committee
FHWA	Wood, William M	OST	5/4/00–5/5/00	531.14	69x8083	ITS Seattle Intermodal Freight Pilot Test Evaluation Committee Mtg.
FHWA	Wood, William M	OST	6/26/00–6/27/00	520.14	69x8083	ITS Seattle Intermodal Freight Pilot Test Meeting w/Local Sponsors
FHWA	Wood, William M	OST	8/14/00–8/17/00	767.06	69x8083	ITS Seattle Intermodal Freight Pilot Test Meeting w/Local Sponsors
FHWA	Wood, William M	OST	9/26/00–9/27/00	358.86	69x8083	ITS Seattle Intermodal Freight Pilot Test Meeting w/Local Sponsors
FHWA	Wright, Tami	OST	5/20/00–5/22/00	785.28	69x8083	Provide Training at the 2000 EEO Counselors Training
FRA	Blue, Sheldon	OST	6/28/00–6/30/00	684.18	69070001	Federal Radionavigation Plan User's Conf
FRA	Blue, Sheldon	OST	9/9/00–9/13/00	1,182.37	69070001	To attend AREMA exhibition
FTA	Asby, Robert	OST	10/05/99–10/13/99	2,167.00	6901120	Meeting of U.S./Japanese Transportation Experts in Honolulu, HI
RSPA	Falvey, Thomas J.	OST	8/1/00–8/1/00	207.00	69X4522	Airport Security Conference
RSPA	Frodge, Sally L.	OST	6/19/00–6/19/00	212.77	69X4522	Friends of Volpe Meeting
RSPA	Macaluso, John J.	OST	2/24/00–2/24/00	236.70	69X4522	Project Briefing
RSPA	Macaluso, John J.	OST	4/5/00–4/5/00	202.20	69X4522	Project Briefing
RSPA	Macaluso, John J.	OST	5/4/00–5/4/00	236.70	69X4522	Project Briefing
RSPA	Plocki, Peter	OST	8/16/00–8/17/00	427.00	69 0104	Attend hearing related to hazardous materials enforcement case
RSPA	Shirer, Heywood O.	OST	8/7/00–8/8/00	509.63	69X4522	Project Briefing
RSPA	Wood, William	OST	11/1/99–11/3/99	1,212.36	69X4522	Rulemaking Session
RSPA	Wood, William	OST	11/8/99–11/9/99	410.11	69X4522	Rulemaking Session
RSPA	Wood, William	OST	11/14/99–11/15/99	383.42	69X4522	Rulemaking Session
RSPA	Wood, William	OST	1/17/00–1/20/00	1,572.76	69X4522	Rulemaking Session
RSPA	Rouck, William	OST	11/17/99–11/19/99	167.73	69 0104	Review DOT R&D Tracking Sys
USCG	Basso, Peter J.	OST	5/30/00–6/2/00	462.00	6990201	PDI Conference
USCG	Kleinberg, David K.	OST	5/30/00–6/2/00	552.24	6990201	PDI Conference
USCG	Park, A. Thomas	OST	5/30/00–6/2/00	300.30	6990201	PDI Conference

OFFICE OF INTERMODALISM

Question. Please provide details on total current on-board personnel and costs related to the Office of Intermodalism.

Answer. The following table reflects staffing and costs for the Office of Intermodalism, as requested in the President's fiscal year 2002 budget within FHWA's Limitation on Administrative Expenses request.

Associate Deputy Secretary and Director, Office of Intermodalism	EX–5
Deputy Director	ES–4
Director, HazMat Coordination	ES–2
Senior Transportation Specialist	GS–15
Special Assistant to Director	GS–15
Transportation Specialist—Freight	GS–14
Transportation Specialist—Maritime	GS–13
Senior Office Assistant	GS–12
Scheduling Advance Assistant	GS–11
Secretary	GS–9
Program Assistant	GS–8

Personnel Compensation and Benefits	$1,150,219
Travel	60,000
Other Contract Services	5,100
Supplies	5,100
Total	1,220,419

OFFICE OF INTELLIGENCE AND SECURITY

Question. Please describe the consulting services anticipated this year for the Office of Intelligence and Security and differentiate them from the consulting service in fiscal year 2001.

Answer. Public Law 101–604, section 111 of the Aviation Security and Improvement Act of 1990 states that the Director of the Central Intelligence Agency, "shall designate not less than one intelligence officer of the Central Intelligence Agency to serve in a senior staff position in the Office of the Secretary of the Department of Transportation." The Department reimburses the CIA for the costs of this position. Duties and level of support remain unchanged from year to year.

The CIA representative provides full-time liaison with CIA Headquarters and other elements of the intelligence community at a level of access not otherwise available to DOT, and also supports counter terrorism and security initiatives covered by the Presidential Decision Directive (PDD) 62 and critical infrastructure protection initiatives, plus specialized support to the Office of the Secretary on international issues, travel, and negotiations.

Question. What activities will be completed in fiscal year 2001, and what new initiatives or activities are anticipated for the Office of Intelligence and Security for fiscal year 2002?

Answer. In fiscal year 2001, the Office of Intelligence and Security will:

—Finalize a policy addressing the problem of security on codeshares involving foreign carriers.

—Initiate bilateral security discussions with security counterparts in Mexico (similar to the existing bi-laterals with Canada).

—Inform airports concerning biological agent threats by conducting exercises at the ACI-North America Conference.

—Transfer technology and best practices to state and local police and to first responders, in cooperation with the National Institute of Justice.

—Chair two meetings of the APEC Transportation Security Experts Group (Miyazaki, Japan, 10/16/00; Bandar Seri Begawan, Brunei Darussalam, 4/2/01). The Experts Group's input to the proposed Statement for the Ministerial scheduled to be held in Lima, Peru in October 2001, addresses not only aviation security but also the problem of piracy and armed robbery at sea and proposes Ministerial commitment to several constructive steps to address this growing problem.

—Participate in the UN Open Ended Informal Consultative Process to Facilitate the Annul Review of Developments in Oceans Affairs, seeking support for the language proposed in APEC Ministerial.

—Sponsor a panel on Intermodal Terminal Security as part of the International Transportation Symposium.

—Identify and work with two private sector coordinators to develop a critical infrastructure protection (CIP) training and awareness program; assess the vulnerability of critical transportation information systems; and develop systems to rapidly disseminate and share vulnerability and threat information. To date, two transportation sector coordinators have been identified. The Office of Intelligence and Security will continue to work closely with the private sector to help protect and assure critical components of the nation's transportation infrastructure:

a. The Association of American Railroads (AAR) is currently Private Sector Coordinator for the Class I rail lines in the US, Canada, and Mexico. Future plans may lead to expansion of this role to the short line rail companies and to rail mass transit. AAR issued a Request for Proposals in April 2001 to identify an organization or company to serve as the sector's Information Sharing and Analysis Center (ISAC). Announcement of the sector ISAC is expected shortly.

b. On May 15, 2001, Airports Councils International—North America (ACI–NA) announced they will assume responsibilities of Private Sector Coordinator for civil aviation.

—Complete an assessment of the national security communication requirements of the Office of the Secretary and for the Department overall. This assessment specifically addresses the organizational, procedural, and technical requirements for the Department to effectively support the National Security Strategy, counter-terrorism and anti-terrorism, emergency response, critical infrastructure protection, threat dissemination and information sharing needs of the Secretary, and the intermodal needs of the DOT Operating Administrations. External to the Department, the assessment addresses information sharing and threat dissemination and warnings with state and local governments in the transportation sector and transportation industry. This project also assesses the present and future national security-related communications requirements of the Department, identifies shortfalls, and recommends process, organizational, and technological improvements, as appropriate, focused especially on those needed to meet critical infrastructure protection efforts and PDD–62 and PDD–67 mandates.

—In conjunction with FAA and RSPA project management support and funding, the Office of Intelligence and Security sets policy direction and planning coordination for the following transportation R&D initiatives/activities:

a. Tests to characterize the biological background in intermodal transportation terminals.

b. A study of the security of the civil aviation sector's reservation, ticketing, and e-based systems.

c. An assessment of critical transportation interdependencies and the potential impacts of loss of various elements.

d. A study to assess cyber vulnerabilities of e-commerce transportation systems over the next five years.

e. A vulnerability assessment of intermodal terminals to determine their susceptibility to disruption by conventional or other means.

f. Acquired appropriate trace detector and developed training and employment protocol for explosives detection on ACELA trains.

g. Updated 1997 Supervisory Control and Data Acquisition (SCADA) Vulnerability Report on pipelines, and conducted limited distribution of report to industry to take action to correct vulnerabilities.

h. Assisted FTA in developing a Passenger Security Virtual Reality Model to simulate the transit environment; design and enhance security countermeasures; train professionals to response to acts of terrorism or other destructive acts.

i. Sponsored Land Transportation Anti-terrorism Training Program training courses for state and local police and first responders, including one supporting the Winter Olympics.

The Office of Intelligence and Secretary planned new initiatives/activities in fiscal year 2002 include:

—Conclude an MOU between DOT and DOE on R&D efforts that focus on Weapons of Mass Destruction in transportation systems.

—Conclude an MOU Between DOT and National Institute of Justice (NIJ) on R&D efforts that focus on weapons detection.

—Produce a revised port security manual.

—Inform airports concerning biological agent threat by organizing a panel and speaking at AVSEC World 2001 in October.

—Implement the results of the Communication Requirement Study.

—Support the APEC Ministerial to ensure proposed anti-piracy actions remain in the Ministerial statement.

—Chair a meeting of the APEC Transportation Security Experts Group (Manila, March 2002) to increase the focus on the security aspects of emerging land transportation issues such as the proposed high-speed Asia-Europe freight rail link and ITS.

—Working closely with the private sector, DOT operating administrations, and other agencies, identify the need for further studies and evaluations on vulnerabilities of critical transportation systems. The focus will be on the potential vulnerability rising from the growing use of information systems and electronic commerce in conducting the business of transportation.

The study, expected to begin during fiscal year 2001 with funding provided by the Research and Special Programs Administration (RSPA), will address the following issues: a baseline description of the world's transportation communication and information systems, including interconnectivity with government entities, customers, and other business partners; a summary of ongoing and emerging efforts on EDI, EC, telecommunications and data transfer, and automated clearance and business practices; and a summary of the potential vulnerabilities this new system will surface focused primarily on information-based vulnerabilities, with specific and business relevant examples.

—In conjunction with FAA and RSPA project management support and funding, the Office of Intelligence and Security plans to set policy direction and planning coordination for the following transportation R&D initiatives:

a.A study of the security of the systems that control, manage, and operate access control systems at airports.

b. A definitive study of the security of the civil aviation sector's reservation, ticketing, and e-based systems.

c. A study of the costs and benefits to both security and safety of platform edge doors for transit systems.

d. A study of the increasing level of commercial activity at transportation terminals and the impacts on security.

e. A literature study of environmental background agent hazards levels.

f. A study on developing explosive detection systems applicable to screening large numbers of passengers in railroad environment.

g. An advanced weapons detection portal, in conjunction with the National Institute of Justice.

OFFICE OF THE CHIEF INFORMATION OFFICER

Question. Please describe the consulting services anticipated this year for the Office of the Chief Information Officer (OCIO) and differentiate them from the consulting services in fiscal year 2002.

Answer. *Information Technology Security*.—The OCIO will use consulting services for the implementation of the DOT IT Security Program. This program is required by the Government Information Security Reform Act and the recently revised version of OMB Circular A–130. The consulting services in fiscal year 2002 will be a continuation of those procured in fiscal year 2001. Additionally, consulting services may be acquired in fiscal year 2002 to assist in the development and implementation of IT security awareness training, the DOT Information Technology Alert Program (ITAP), and for testing the security of the OST Local Area Network.

Section 508 Compliance.—The OCIO will obtain consulting service and a compliance tool during the last half of fiscal year 2001. The same consulting service will be used in fiscal year 2002.

Capital Planning.—The consulting services in fiscal year 2001 have supported: (1) the development of a new DOT IT capital planning and investment control (CPIC) process, (2) installation and tailoring of IT Investment Portfolio System (ITIPS) software for use as an IT program database and tool for systems inventory, and selection, control and evaluation of IT initiatives, and (3) migration of IT program data from the existing OCIO database into ITIPS. In fiscal year 2002, consulting services will support implementation of the new DOT IT CPIC process developed in response to requirements contained in the Clinger-Cohen Act of 1996 and OMB Circulars A–130 and A–11. In fiscal year 2002, the OCIO will continue as a member of the Federal CIO Council, ITIPS Change Committee, the purpose of which is to provide government-wide improvements in coordination, development, and configuration control of the ITIPS software. DOT CIO participation in ITIPS Change Committee activity in fiscal year 2002 will be similar to its fiscal year 2001 participation.

Government Paperwork Elimination Act (GPEA).—OCIO hired a contractor to assist in the development of the Department's implementation plan to outline the transition to electronic workflow architecture, as required by the Government Paperwork Elimination Act (GPEA). Services included collecting and analyzing the Operating Administrations' data for conducting public on-line business transactions. No consulting service in this area is planned for fiscal year 2002.

CIO Council.—Contractor support in fiscal year 2001 includes supporting OCIO staff with planning and facilitating and communicating monthly Council activities, such as development of meeting strategies, agenda and discussion topics, and minutes and assisting in performing annual assessments of the Council's effectiveness. The same consulting service will be used in fiscal year 2002.

Information Technology (IT) Strategic Plan.—Consulting services will be used for development and coordination of an IT Strategic Plan, to include critical milestones in fiscal year 2002.

IT Workforce Literacy.—In order to meet the requirements of the Clinger-Cohen Act, services will be required in fiscal year 2002 to conduct a study that will assess and report on the IT skills and knowledge of the current DOT workforce.

Enterprise Architecture (EA).—OCIO used the consulting services in fiscal year 2001 for the development of the IT Enterprise Architecture (EA). The Department is required to develop an EA by the Clinger Cohen Act of 1996 and the revised OMB Circular A–130. These same consulting services will be required in fiscal year 2002.

Question. What activities will be completed in fiscal year 2001, and what new initiatives or activities are anticipated for the Office of the Chief Information Officer (OCIO) for fiscal year 2002?

Answer. *Information Technology Security*.—During fiscal year 2001, OCIO will complete the planning and initiation of the DOT IT Security Program. This includes the formation of a CIO Council IT Security Committee and development of the DOT IT Security Program. During this period, we will also develop and submit the initial response to OMB as required by the Government Information Security Reform Act (GISRA).

In fiscal year 2002, OCIO will continue implementation of the DOT IT Security Program within the operating administrations; continue implementing the requirements of GISRA; coordinate compliance with PDD–63; test and upgrade the security of OST IT systems; provide IT security awareness training within OST; and continue the implementation of DOT Information Technology Alert Program (ITAP).

Capital Planning.—During fiscal year 2001, the DOT OCIO will complete the development of its new IT CPIC process. Installation and tailoring of ITIPS software and data migration are already complete. In fiscal year 2002, emphasis will shift to the implementation of the new DOT IT CPIC process, and refinement of the ITIPS selection, control and evaluation software modules to facilitate overall management of DOT's IT capital assets. In fiscal year 2001, the DOT OCIO became a member and participant in the Federal CIO Council, ITIPS Change Committee. This membership and participation will continue in fiscal year 2002 to ensure that ITIPS functionality, reporting and configuration continues to reflect the CPIC management needs of DOT and other Federal Agencies.

E-Government.—The Department of Transportation created an E-government staff within OCIO to provide leadership, direction and oversight of the implementation E-government initiatives within DOT. Moving DOT to E-government involves reengineering business processes as a prelude to their becoming web enabled. It also means providing the technology and support to enable increasingly sophisticated levels of content integration, workplace integration and government-wide integration of services.

In June 2001, OCIO will launch a new revitalized and upgraded version of the Department-wide intranet (DOTnet). This is the second version of the intranet that was developed to improve communication within the Department. The new version includes features to enhance communication among DOT leadership and staff. The intranet makes it possible for the Secretary to deliver his message directly to all DOT staff nationwide and is a way to inform staff of new initiatives as well as provide quick access to policies and procedures and other information employees need to do their jobs. DOTnet is also a tool to help staff do their jobs because it allows for online collaboration, including the ability to review and comment on documents and discuss issues across modal boundaries. Any future activities on the intranet will consist of enhancements to meet new requirements identified by the DOT leadership and staff.

President Bush's fiscal year 2002 Budget Blueprint makes it clear that e-government, including becoming citizen focused, is a primary goal of his Administration. The planning process has begun already; the goal is to move beyond planning to results and make substantial progress in delivering services and information to the public in fiscal year 2002. As advisors and facilitators to the service providers within DOT, the OCIO will work with the operating administrations to develop metrics to estimate cost benefits of selecting services and processes for migrating to E-government delivery.

The Federal CIO Council has drafted goals for fiscal year 2001 and fiscal year 2002 of which more than half are related to enhancing E-Gov capability within and across Departments. Achieving such inter-agency collaboration and streamlining will involve developing extranet tools to enable collaboration across the Federal Government as well as with other identified business partners and stakeholders.

Government Paperwork Elimination Act (GPEA).—A key component of transition to e-government will be the effective implementation of GPEA. The Department submitted its plan for moving to electronic information collection, reporting and transacting government business to the Office of Management and Budget in October 2000. The Department's operating administrations identified 402 candidate transactions; 129 appear to be priority candidates. The E-government staff is responsible for monitoring and reporting progress in developing and executing GPEA project plans, and will work with the operating administrations to identify opportunities to collaborate on cross-cutting initiatives.

Enterprise Architecture (EA).—During fiscal year 2001, OCIO will complete the EA project initiation and planning activities. This includes the formation of a DOT CIO Council EA Committee, development of a project work plan, development of DOT EA Vision and Principles documents, and selection and installation of an automated EA tool. By the end of fiscal year 2001, the EA business model and technology and systems inventory will be developed. In fiscal year 2002, the OCIO will continue development of the EA business model and technology and systems inventory.

Departmental websites.—A snapshot was taken of website(s) and submitted to the National Archives and Records Administration for preservation in the National Archives of the United States. Related to efforts to improve the delivery of services to citizens, the OCIO will work to improve and enhance the access to services and information through the Department of Transportation website, www.dot.gov. Typically information on websites is presented and organized in ways that make sense to the organization, rather than in ways that make sense to the citizen trying to find a service or information. The OCIO will conduct focus groups, do usability tests, and other efforts to completely restructure the www.dot.gov to make the website citizen focused and ensure that all web pages comply with Section 508 requirements. An implementation plan will be developed, outlining the transition to electronic workflow architecture.

IT Accessibility.—In response to the Department of Justice's Section 508 Self-Evaluation Survey request, surveys were conducted of the top 20 websites for each DOT Operating Administration. A Departmental plan and policy for implementation of Section 508, which requires IT accessibility for all persons with disabilities, will be established by the end of fiscal year 2001.

Information Collection Budget (ICB).—As required by the Paperwork Reduction Act, the Department's annual ICB report was completed and submitted to the Office of Management and Budget in fiscal year 2001. This report included information on DOT's reduction of its burden hours on the public as well as the projected increases/decreases for the next fiscal year. The existing ICB database system is outdated and does not fully meet Departmental needs. Plans are underway to secure a copy of another agency's (Health and Human Services) tracking system and, after modifications, implement it within DOT by the end of fiscal year 2001. DOT will submit the required annual ICB report to OMB in fiscal year 2002.

Customer Satisfaction.—A DOT customer satisfaction survey database will be established by the end of fiscal year 2001 to determine how well DOT is meeting its customers' needs.

Records Management Tracking System.—Electronic records management tracking systems will be evaluated by the end of fiscal year 2001 to identify ways to retain electronic documents for the Office of the Secretary (OST). An OST tracking system that complies with the requirements for electronic records will be developed in fiscal year 2002. This change will mark the conversion to an electronic IT Architecture and the decrease or elimination of paper records outlined in the Paperwork Reduction Act of 1995.

IT Policy and Strategy.—An updated Departmental IT manual will be published in fiscal year 2001 and an IT Strategic Plan will be developed in fiscal year 2002.

IT Workforce Literacy.—In order to meet the requirements of the Clinger-Cohen Act, an assessment will be done in fiscal year 2002 to determine whether the current DOT workforce has the requisite skills and knowledge to successfully perform IT jobs. Core competencies will be developed.

TELECOMMUTING

Question. Has an evaluation been done recently that assesses the relative benefits and disadvantages of the current department telecommuting policy? If so, summarize the findings. For the record, articulate the policy.

Answer. Following enactment of Section 359 of Public Law 106–346, the departmental telecommuting policy and the internal telecommuting policies of the Operating Administrations (OAs) were evaluated in preparation for a April 2001 report to the Office of Personnel Management (OPM). The evaluation uncovered three opportunities for improvement or clarification.

First, there are significant differences in the way telecommuting is defined in the departmental policy compared to some of the OAs. A workgroup of the telecommuting coordinators from each of the OAs has developed a draft telecommuting definition and telecommuting participation eligibility criteria that will provide more consistency throughout the Department when adopted.

Second, the group found that many of the policies could be revised to simplify the procedures for requesting a telecommuting arrangement. The recommended streamlining may encourage more actual participation, and could also lessen the resistance found among some employees and managers to the paperwork associated with an official telecommuting agreement. Making it easier to document telecommuting instances will make participation easier to measure and monitor.

Finally, the current departmental policy states that participation in telecommuting is voluntary with both employees and supervisors, and not an employee entitlement. This creates a potential conflict with recent OPM guidance, based on the new law, which states that employees who meet the eligibility criteria established by the agency, and want to participate, must be permitted to do so if they are satisfactory performers. The revised policy will clarify and correct this apparent conflict.

The current departmental policy and telecommuting guide can be found on the Departmental Office of Human Resource Management website at: http://dothr.ost.dot.gov/telecommuting____in____dot.htm

CIVIL RIGHT COMPLAINTS

Question. Please categorize how new complaints are filed with the Department in the aggregate. i.e., x percent by letter, y percent by appointment initiated by the complainant, z percent by phone call initiated by the complainant, v percent by phone call initiated for some other reason (interview), etc.

Answer. Federal sector complaint processing regulations promulgated at 29 C.F.R. § 1614, require an aggrieved individual to initiate the complaint process by first contacting an EEO counselor. This informal counseling program is designed to facilitate a resolution at an early stage and these programs are administered by the operating administrations. Accordingly, the Office of Civil Rights does not have the specific data on the method by which the aggrieved individuals initiate the informal stage of the complaint process. However, based on experience, most complainants first contact a counselor by phone and schedule an appointment.

If the counselor is unable to resolve the complaint at the local level, the aggrieved individual is given the documents necessary to file a formal complaint with the Departmental Office of Civil Rights (DOCR). Approximately 87 percent of complainants submit their complaints via U.S. mail and 2 percent by courier service (FedEx, UPS etc.). The remainder deliver their complaints by hand (8 percent) or via fax (3 percent). Regulations require that faxed complaints be followed up with a mailed or hand delivered hard copy. Current regulations do not allow a complaint to be received via telephone or e-mail.

EMPLOYEE DEVELOPMENT

Question. Please outline the employee development goals and deliverables associated with the OST request for fiscal year 2002. What additional work needs to be done on the DOT Training framework? Is this initiative focused specifically on OST employees, and if not, what funding is requested for the modes' implementation of the framework? What activities in particular are anticipated in fiscal year 2002?

Answer. The goal of OST's employee development activities is to enhance the operation of OST in accomplishing its mission by investing in the development and utilization of its human resources. Through this investment, we ensure a continuous learning environment required of all high performing organizations by implementing policies, providing resources and opportunities that enable all OST employees to build the job competencies, technical capabilities, leadership and management skills, and organizational knowledge required to achieve strategic goals.

The DOT Learning and Development Framework is a Departmental policy document that contains a comprehensive explanation of the DOT policies and the standards, requirements, and related information associated with results-oriented learning and development in DOT. It is initiative focused for all DOT. There is no additional work to be completed and no funds needed in fiscal year 2002. All revisions will be completed in fiscal year 2001.

GSA RENT COSTS

Question. What are the GSA rental payments for fiscal year 2000, and estimated for fiscal year 2001 and 2002?

Answer. The following table reflects GSA rental costs.

GSA RENTAL PAYMENTS

[Dollars and square feet in thousands]

	Fiscal year 2000 actual		Fiscal year 2001 estimate		Fiscal year 2002 President's budget	
	Funding	Square feet	Funding	Square feet	Funding	Square feet
Federal Highway Administration	$19,610	894	$16,537	758	$20,621	759
National Highway Traffic Safety Administration	5,089	185	5,168	192	6,370	194
Federal Motor Carrier Safety Administration	....	....	4,443	175	5,241	198
Federal Railroad Administration	3,045	140	3,145	137	3,468	143
Federal Transit Administration	3,917	135	4,074	136	4,213	136
Federal Aviation Administration	79,514	3,363	89,654	3367	96,513	3,729
U.S. Coast Guard	32,278	2,016	34,320	2,057	35,554	2,100
St. Lawrence Seaway Development Corporation	185	6	191	6	198	6
Maritime Administration	4,657	259	5,219	259	5,025	259
Research and Special Programs Administration	2,389	81	2,654	91	2,734	94
Office of Inspector General	2,787	103	3,056	108	3,166	108
Office of the Secretary of Transportation	6,533	217	7,190	217	7,726	219
Transportation Administrative Services Center	4,318	194	5,681	215	4,786	194
Bureau of Transportation Statistics	860	29	1,257	42	1,415	43
Surface Transportation Board	1,697	66	1,785	66	1,795	66
Total, Department of Transportation	166,879	7,689	184,374	7,826	198,825	8,248

CONSOLIDATED OST TRAVEL

Question. What is the consolidated OST travel request? Why is it not advisable to appropriate one lump sum for OST travel rather than appropriating individual travel allotments to the individual offices in OST?

Answer. The fiscal year 2002 budget includes a total of $875,000 for travel for offices funded within the OST Salaries and Expenses appropriation. This is a "lump sum" because, beginning in fiscal year 2001, the 14 separate appropriations for the various offices within the Office of the Secretary were consolidated into a single Salaries and Expenses appropriation.

OFFICE OF CIVIL RIGHTS

Question. What part of the $500,000 for automated tracking systems outlined on page CR–7 of the justification is to buy new systems?

Answer. None of the funds will be used to buy new systems. The allotted amount now budgeted for systems support for fiscal year 2002, $186,000 will be used to provide life-cycle maintenance and minimum enhancements.

Question. Please provide a chart providing the number of final agency decisions by the office over the last 10 years, including an anticipated number for fiscal years 2001 and 2002. What conclusions should the subcommittee draw from the trend in number of final agency decisions?

Answer. The following chart shows Final Agency Decisions (FAD) completed since fiscal year 1996. There is no data available prior to the development of the case management system in fiscal year 1996.

FAD's Completed 1994 to 2000 with Projections to 2002

1996 Actual	170
1997 Actual	141

FAD's Completed 1994 to 2000 with Projections to 2002—Continued

1998 Actual	150
1999 Actual	223
2000 Actual	263
2001 Projected	296
2002 Projected	325

The data projections for fiscal year 2001 result from actual midyear data (148 FADs completed by March 31, 2000). Fiscal years 1999, 2000 and 2001 show an approximate increase of 10 percent that was projected onward to fiscal year 2002. Beginning in 1998, there was a successful effort to eliminate the backlog of overaged cases within the Department. This resulted in a corresponding increase in FADs. This trend continued in fiscal year 2000 and fiscal year 2001. Fiscal year 2002 is expected to show a similar increase in the number of FADs written.

OFFICE OF CIVIL RIGHTS TRAVEL

Question. What was the aggregate Office of Civil Rights travel request for fiscal year 1999, fiscal year 2000 and fiscal year 2001? What is the aggregate Office of Civil Rights travel request for fiscal year 2002?

Answer. The aggregate travel request for fiscal year 1999 was $290,000; for fiscal years 2000 and 2001 it was $278,000 it was $205,804; and for fiscal years 2002, $200,000.

MINORITY BUSINESS OUTREACH

Question. What are the requested FTE and travel funds anticipated for the Office of Minority Business Outreach in fiscal year 2002?

Answer. The Minority Business Outreach funding is used to encourage and assist small, disadvantaged, and women-owned businesses to participate in DOT and DOT assisted contracts and grants. This is done primarily through advocacy, outreach and training. There are no FTEs funded by this account. However, the fiscal year 2002 budget includes $75,000 for travel, the same level as fiscal year 2001, to allow the staff from the Office of Small and Disadvantaged Business program to monitor and manage the Outreach programs, and to participate in various conferences and seminars to assist small and disadvantaged businesses access to contracting opportunities in the Department.

ADVISORY COMMITTEE TRAVEL

Question. What funds are requested for advisory committee travel department wide? Please break out these costs by individual advisory committee.

Answer. The total department-wide advisory committee travel funds requested for fiscal year 2002 is $464,200. The table below breaks out these costs by individual advisory committee.

Admin./Committee Name	*Travel*
FHWA: Intelligent Trans. Highway System (IVHS) [1]	$30,000
NHTSA: Certification of Vehicles	0
FRA: Railroad Safety	0
FAA:	
Air Traffic Procedures	0
Aircraft Repair and Maintenance	0
Radio Tech. Comm./Aeronautics	0
Aviation Security	20,000
Aviation Rulemaking	5,000
Commercial Space Transportation	0
Categories of Delay—On Time Reporting	0
Subtotal FAA	25,000
CG:	
Chemical Transportation	0
Houston/Galveston Navigation Safety [1]	
Lower Mississippi Waterway Safety [1]	0
National Boating Safety [1]	35,000
National Offshore Safety	0
Navigation Safety [1]	33,000
Towing Safety [1]	0
Commercial Fishing Industry[1]	43,000
Merchant Marine Personnel	26,000

Admin. / Committee Name	*Travel*
Great Lakes Pilotage	19,000
Subtotal USCG	156,000
SLSDC: Saint Lawrence Seaway Dev. Corporation[1]	11,500
RSPA:	
Tech. Hazardous Liquid Pipeline Safety[1]	15,500
Tech. Pipeline Safety Standards[1]	15,500
Subtotal	31,000
OST: Minority Business Resource Center[1]	5,200
BTS: Transportation Statistics[1]	5,500
MARAD: Marine Transportation	200,000
Total	464,200

[1] Required by statute.

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

Question. Please discuss the interrelationship between the positions/FTE requested for aviation issues analysis on page TPR&D–5 of the justification and the aviation related positions on S&E–19 of the justification.

Answer. The 12 new positions (6 FTE) are necessary to build in-house expertise that is critical to effective policy development. More specifically, priority issues such as aviation congestion and the development of new system capacity are inextricably linked to policies affecting airline competition, consolidation, and customer service. The Department's ability to create a consensus among foreign trading partners, as well as within constituencies at home, for continued liberalization of international aviation markets is grounded on the ability to produce sound empirical analysis of the substantial economic and consumer benefits to be derived from that policy. Finally, the Department's coordination of all of its international activities, including the promotion of U.S. transportation-related business throughout the world, is furthered by a strong analytic foundation to the development of policies in these areas. The positions in the General Counsel's Office will provide alternative dispute resolution, consumer rights protection, air carrier access technical assistance and information, as well as handle domestic aviation complaints.

FUNDING FOR RADIONAVIGATION AND GPS

Question. Please provide an accounting of all resources spent on radionavigation, GPS, GPS jamming, and Ultra-wide band technologies by the Department or any operating administration, other than direct staff costs, over the past three years. Included in the discussion should be dates for when the commitment was made, obligated, and paid. Does the Department anticipate any work in this area that is not specifically noted in the OST or FAA justifications?

Answer. The Department, through its operating administrations, operates a number of radionavigation systems and has others in development. These systems include Loran-C, Maritime Differential Global Positioning System (DGPS), Nationwide DGPS expansion (NDGPS), Wide-Area Augmentation System (WAAS), Local-Area Augmentation System (LAAS), VOR/DME, TACAN, Aero Beacons, ILS systems, and MLS systems.

The table below summarizes the expenditures over the last three fiscal years (excluding direct personnel costs). An itemized expense report with dates that commitments were made, obligated, and paid is being compiled and is expected to be available by late summer.

Radionavigation Policy Area	1999	2000	2001
Federal Radionavigation Plan	$150,000	$90,000	$150,000
Civil Pos/Nav Policy & Planning	75,000	7,900	100,000
Spectrum Mgmt (includes UWB)	100,000	100,000	0
GPS Jamming/Vulnerability Studies	346,100	135,000	0

Additional fiscal year 2002 requirements for DGPS, Loran-C, and NDGPS radionavigation systems are also in Coast Guard and FHWA justifications in addition to those for OST and FAA.

HAZARDOUS MATERIALS TRANSPORTATION RESOURCES

Question. Please provide a Department-wide summary of resources committed to hazardous materials programs by operating administration.

Answer.

Fiscal year 2001 Hazardous Materials Program Funding by Operating Administration

[In millions of dollars]

Agency	*Hazardous Materials Budget*
FAA	[1] 10.3
FMCSA	[2] 1.3
FRA	8.9
RSPA	18.7
USCG	5.1
Total	44.3

[1] Fiscal Year 2000 FAA data.
[2] FMCSA also provides $9.3M in MCSAP funding for state personnel.

FISCAL YEAR 2001 HAZARDOUS MATERIALS PROGRAM STAFFING OPERATING ADMINISTRATION

Agency	Field Inspectors/ Specialist	Headquarters/ District Personnel	Attorneys	Total
FAA	101	6	12	119
FMCSA	[3] 25	5	1	31
FRA	[4] 58	8	1	67
RSPA	35	94	7	136
USCG	60	12	1	73
Total	279	125	22	426

[1] FMCSA employs an additional 363 investigators, managers, and field staff, along with 49 border inspectors who conduct compliance reviews and inspections on hazardous materials carriers approximately 19 percent of the time.
[2] Includes presently allocated FRA FTEs for 2001.

Question. What office acts as the departmental coordinating entity for hazardous materials issues?

Answer. In 1999, the Department conducted a DOT-wide hazardous materials program evaluation that concluded that DOT could enhance hazardous materials safety by establishing a central focal point to administer and deliver DOT-wide hazardous materials program services. As a result, changes were made to the existing Secretarial delegations of authority (49 CFR 1.74), which placed the focal point with the Associate Deputy Secretary and Director, Office of Intermodalism, effective August 15, 2000. The Director, Intermodal Hazardous Materials Programs, has been delegated the authority to act as the focal point for review of hazardous materials policies, priorities, and objectives.

HAZMAT OUTREACH EFFORTS

Question. Please describe industry and public outreach efforts that the Department is involved in related to improving hazardous materials transportation safety.

Answers. The Federal Aviation Administration (FAA) has developed several approaches to involve the industry and public in improving HAZMAT safety. They include:

—Targeted visits to shippers of critical HAZMAT commodities;
—Issuing Dangerous Goods Advisory Bulletins;
—Posting information on the Agency's web page;
—Producing brochures that focus on proper shipping of HAZMAT;
—Coordinating Federal Register Safety Notices with the Department of Transportation's Research and Programs Administration's Office of Hazardous Materials Safety; and
—In coordination with air carriers, deploying informational kiosks in major airport terminals that alert the traveling public about the types of hazardous ma-

terials that are not authorized to be carried in luggage or passenger air carriage.

Also, individual air carriers have taken different approaches to raise public awareness. Several air carriers are using dangerous goods "ticket-stuffers", while others are voluntarily asking passengers questions about dangerous goods upon check-in.

The Federal Motor Carrier Safety Administration (FMCSA) has a Hazardous Materials Program Plan that sets forth strategies for improving HAZMAT Transportation Safety. One of the four strategies is to develop and enhance partnerships and education. Industry and public outreach actions being undertaken as part of this strategy include:

—*Conduct Cargo Tank Interactive Seminars*.—FMCSA has, in partnership with the National Tank Truck Carriers Association, conducted eight interactive seminars for cargo tank inspectors during each of the past four years. To date, over 1,000 industry inspectors have been trained.

—*Publish Outreach to Intrastate HAZMAT Carriers/Shippers*.—FMCSA is working with the Research and Special Programs Administration (RSPA) to publish an outreach pamphlet informing intrastate HAZMAT shippers and carriers about the need to report HAZMAT incidents to RSPA. Publication is expected in June 2001. FMCSA is also developing outreach pamphlets informing the industry about its HAZMAT Routing Internet Website and possible hazards associated with transporting petroleum contaminated water. In recent years, FMCSA has published pamphlets on Uniform State HAZMAT Permitting and, in conjunction with RSPA, pamphlets about application of the hazardous materials regulations to intrastate transportation.

—*Refine FMCSA HAZMAT Website*.—FMCSA has a HAZMAT Safety Internet Website at http://www.fmcsa.dot.gov/safetyprogs/hm.htm. The Website includes extensive information for the public about HAZMAT safety, including a 30 page booklet on complying with the hazardous materials regulations, that is currently being translated into Spanish and a hazardous materials general awareness training program that is available in both English and Spanish. The Website also has a manual on how to prevent HAZMAT incidents, HAZMAT research studies, and general information about FMCSA's HAZMAT safety program.

—*Participate in Safety Alliances and Conferences*.—FMCSA regularly participates in numerous industry conferences to communicate a HM safety message. This includes giving presentations at the Conference on Hazardous Materials Enforcement Development (COHMED) and the Commercial Vehicle Safety Alliance (CVSA) meetings. FMCSA also gives presentations and hosts information booths at industry association meetings such as the National Tank Truck Carriers, the National Propane Gas Association, the New England Fuel Institute, the Hazardous Materials Advisory Council, and public events such as Public Service Awareness Week on the National Mall.

In addition to these actions outlined in the FMCSA Hazardous Materials Program Plan, the FMCSA field staff actively educates any motor carrier, shipper, or cargo tank facility they have contact with about safe transportation of hazardous materials.

The Federal Railroad Administration's (FRA) Hazardous Materials program is actively involved in numerous and varied industry and public outreach efforts in the following areas:

—Tank car transportation safety
  —Tank car industry design and engineering improvement committees
  —Tank car repair industry committee
—Reduction of non-accident releases in the rail environment
—Radioactive materials transportation safety
—Rail Safety Advisory Committee addressing hazardous materials issues
—Safety Assurance Compliance Program issues and Safety Improvement Plans focusing on hazardous materials issues
—Rail/Highway/Vessel intermodal hazardous materials transportation issues
—Amtrak Hazmat transportation issues

The United States Coast Guard (USCG) conducts the following industry and private outreach activities to improve hazardous material (HAZMAT) transportation safety:

—The Container Inspection Training and Assistance Team (CITAT) trains approximately 500 U.S. Customs Service inspectors and agents annually through the USCG/USCS MOU and projections anticipate increasing those numbers in calendar year 2001.

—CITAT has been working closely with the Federal Law Enforcement Training Center (FLETC) to develop law enforcement specific HAZMAT curriculum.
—CITAT provides direct training and support as well as cooperation in multi-agency field operations to the following Federal agencies: RSPA, FAA, FRA, FMCSA, INS, ATF, MARAD, DEA, APHIS, FBI, DOT IG, USN, U.S. Army, MTMC, and the USCS. Through these operations the agencies can conduct a large volume of intermodal inspections that would normally take several months to accomplish, while minimally impacting customers.
—CITAT also trains and assists State Police and Highway Patrol organizations, municipal fire departments, State National Guard units, and industry. Industry representatives are invited to attend CITAT/Coast Guard container inspection training to understand the scope and particulars of HAZMAT inspections.

The USCG also partners with the Vessel Operators Hazardous Materials (VOHMA) Panel as part of an on-going commitment to hazardous materials transportation safety and maritime safety. Forums like this conference are an effective way to share real concerns in a timely manner.

The Research and Special Programs Administration (RSPA) outreach program has many components, including:
—The HMIC, by way of a toll-free number, is one of the major outreach program operated by RSPA. In calendar year 2000, more than 30,000 individual requests for information from the general public, shippers, carriers, Federal, State, and local enforcement personnel, and emergency responders were handled. The HMIC offers callers:
  —Access to trained specialists on regulatory issues.
  —Access to other agency offices, such as Exemptions and Approvals.
  —Access to enforcement personnel to report suspected violations.
  —Access to an automated fax-back system for automated information retrieval.
—The Hazardous Materials Safety web site provides:
  —Online versions of all rulemaking proposals and final rules.
  —Guidance and forms related to registration requirements.
  —Regulatory documents for international and domestic requirements.
  —The Emergency Response Guidebook.
  —Internet and e-Commerce to enable hazardous materials shippers and carriers who are required to register with and pay associated fees to DOT to do so.
—A six member Hazardous Materials Safety Assistance Team to make industry and the public aware of the hazardous materials transportation regulations, help businesses find the resources needed to comply with the regulations, and provide technical assistance to the emergency response and planning community.
—The Cooperative Hazardous Materials Education (COHMED) which promotes national uniformity of Federal, State, and local regulations; improves preparedness and response capabilities to emergency response; and, provides information and training to enforcement personnel, emergency planners, responders, academic institutions, and private industry.
—Hazardous Materials Multimodal Seminars that provide basic awareness training to industry and State and local enforcement and emergency responders. In fiscal year 2001, RSPA increased the number of these seminars from four to five, and expects the number of attendees to increase to 1,500 as a result.
—RSPA and FMCSA jointly produced an outreach pamphlet on Hazmat Incident Reporting to inform small motor carriers about the incident reporting requirements.

HAZMAT STRATEGIC GOALS AND PERFORMANCE MEASURES

Question. Please summarize the hazardous materials strategic goals and performance measures currently in the Department's performance plan.

Answer. The Department's safety strategic goal is to "Promote the public health by working toward the elimination of transportation deaths and injuries." The performance goal in support of this strategic goal is to reduce public safety risks by minimizing the possibility of hazardous materials releases in transportation accidents or incidents that lead to fatalities or injuries. The Department's Hazardous Materials Performance Measure is to reduce the number of serious hazardous materials incidents in transportation from a peak of 464 in 1996, to fewer than 401 in 2001.

PRINCIPAL ADVISOR ON HAZMAT ISSUES

Question. Who acts as the Secretary's primary advisor on hazardous materials issues?

Answer. The Director, Intermodal Hazardous Materials within the Office of Intermodalism has been assigned the responsibility of serving as the principal advisor to the Secretary, Deputy Secretary, and the Associate Deputy Secretary on all intermodal hazardous materials matters and serves as the focal point for the review of the entire Department's policies, priorities, and objectives in that area.

FAA OVERFLIGHT USER FEES

Question. How much revenue has been collected from overflight user fees to date in fiscal year 2001? Has the Department re-estimated the anticipated revenues from these fees for fiscal year 2001 and 2002 due to this experience?

Answer. The FAA has billed approximately $26 million in overflight fees through the end of April 2001; $18.2 million has been collected to date. With the billings increasing significantly for the summer season and based on a 90 percent collection rate, the FAA is on track to collect an estimated $36 million in fiscal year 2001. And with the expected increase in overflight traffic next year, $40 million is a reasonable estimate for fiscal year 2002.

ADMINISTRATIVE COSTS FOR EAS PROGRAM

Question. Please provide a salary and administrative cost history for the EAS program for the past five fiscal years.

Answer.

ADMINISTRATIVE COSTS FOR EAS

[In thousands of dollars]

	Fiscal years—				
	1998	1999	2000	2001	2002
Personnel compensation and benefits	868	879	917	965	996
Travel	4	15	6	15	15
Other services	224	67	140	220	220
Supplies and materials	0	15	2	10	10
Equipment	0	17	5	10	10
Total obligations	1,096	993	1,070	1,220	1,251

COMMUTER RULE IMPACT ON EAS SERVICE

Question. How has the "commuter rule" impacted the cost of providing EAS service subsidy? What was the aircraft mix utilized by EAS providers prior to the Commuter Rule, and what is the aircraft mix used today? Please provide a "EAS fleet mix" listing for before and after implementation of the Commuter Rule.

Answer. The cost of implementing the commuter safety rule has greatly increased the cost of operating 19-seat aircraft, the backbone of the subsidized EAS program. As leases on 19-seat aircraft expire, they are generally not being renewed as carriers upgrade to larger turbo-props or even regional jets. Moreover, other significant changes have occurred that have greatly impacted the industry. As the table below indicates, the 19-seat aircraft fleet has been cut in half from 564 in 1995 to 280 now. At the same time, the average size or seating capacity of the regional airline fleet has increased from 24 seats per aircraft in 1995 to almost 32 seats now. In addition, the number of regional jets in service has grown from 61 to 580, helping to explain the huge increases in revenue passenger miles and in enplaned passengers. Also, as larger aircraft are being deployed in longer-haul markets, coupled with the 50 percent drop in 19-seat aircraft fleet, the average passenger trip has increased from 210 miles to almost 300. The Department expects that carriers will continue to phase-out their smaller aircraft, and thus smaller communities, in favor of larger aircraft in larger markets. This is even more true for small communities that are served to congested hubs where terminals, ramps, and gate facilities are at a premium.

	January 1, 1996	January 1, 2001
Average Seats per Aircraft	23.7	31.8

	January 1, 1996	January 1, 2001
Number of 19 Seat Aircraft	564	280
Average Passenger Trip	210	299
Revenue Passenger Miles—Billion	12	25
Number of Enplaned Passengers—Million	57	85

Source: Regional Airline Association.

While it is difficult to isolate the effect of any one variable on such a dynamic industry, the impact of regional airlines converting to the Part 121 requirements of the commuter safety rule is estimated at several million dollars a year in additional subsidies each year. Those costs are expected to escalate as maintenance costs for the aging 19-seat aircraft fleet increase in future years.

DOT'S PERFORMANCE AND BUDGET LINKAGE

Question. How are the agency's annual performance goals linked to the agency's mission, strategic goals, and program activities in its budget request?

Answer. The Department's performance planning process fully links the agency's annual performance goals to its mission, strategic goals, and program activities in its budget request. The following logical model is used by the Department to link activities to outcomes based upon agency mission and strategy: Mission—Strategic Goal—Strategic Outcome—Performance Goal—Performance Measure with Annual Performance Target—Program Activity. The following illustration demonstrates this linkage. The Department's basic enabling law, codified at 49 U.S.C. 101(a), includes safety as a core Departmental mission; thus, transportation safety is one of the five overall Departmental strategic goals. Three strategic outcomes provide more specific expressions of how this strategic goal will be achieved—one of which is "Reduce the number of transportation-related deaths." An array of performance goals supports this general strategic outcome, and several operating administrations within the Department measure progress toward these goals, and report annual achievements using an array of performance measures with annual performance targets. An array of program activities within DOT's operating administrations encourage safer operator behavior, vehicle technologies, transportation infrastructure, and response systems, resulting in reduced fatalities and fatality rates. In the Department's fiscal year 2002 Performance Plan and fiscal year 2000 Performance Report, provided to Congress on April 9, 2001, each performance goal page includes a graph summarizing budgetary resources associated with that goal, and an appendix summarizes each Departmental appropriation account's contribution to the six strategic and organizational goals. This Performance Plan information, along with operating administration performance plans, became an integral part of the justification material in the Office of the Secretary's and operating administrations' budget requests for fiscal year 2000, and in subsequent years.

Question. Could you describe the process used to link your performance goals to your budget activities?

Answer. In the budget formulation process, each operating administration is asked to justify its budget request in performance terms. Funding initiatives proposed by the operating administrations are evaluated and prioritized based on their relative contribution toward meeting the Department's outcome goals. The highest priority initiatives are included in the Department's annual budget request to OMB. It should be noted that the Department's performance goals are to a large extent outcome goals. As such, any given performance goal can be supported by several budget activities. For example, DOT's goal to reduce highway fatalities and injuries is supported by the programs of the National Highway Traffic Safety Administration and the Federal Motor Carrier Safety Administration, safety funding and highway infrastructure improvements by the Federal Highway Administration and safety messages delivered by all Departmental leaders.

Question. What difficulties, if any, did you encounter, and what lessons did you learn?

Answer. The major difficulty initially encountered in introducing a performance-based budget process was for the operating administrations to explain not just what it plans to do with the resources requested, but also the expected results to be achieved according to specific performance goals. This budget process has been used for the last three years and the quality of the analysis has improved. A key lesson is that it takes time and constant attention to make performance budgeting work.

Question. Which are the top two strategic goals for each operating administration?

Answer. The operating administrations' strategic goals evolve from the Department's strategic goals. Accordingly, the top goals of each DOT operating administration are provided below in the context of these broader Departmental goals.

Safety Goals

FAA—Reduce U.S. fatal accident rates.

USCG—Eliminate deaths, injuries, and property damage associated with maritime transportation, fishing, and recreational boating.

FHWA—Continually provide for safer highway infrastructure.

NHTSA—Reduce highway-related fatalities and injuries.

FMCSA—Reduce fatalities and injuries in crashes involving large trucks.

FTA—Reduce transit injuries and fatalities.

FRA—Reduce rail related fatalities and injuries; Reduce public safety risks by minimizing possibility of hazmat releases due to accidents or improper shipping.

RSPA—Protect the public by reducing transportation related deaths, injuries, and property damage.

SLSDC—Promote navigation and workplace safety by reducing vessel incidents and employee injuries.

Mobility Goals

FAA—Provide an aerospace transportation system that meets the needs of users and is efficient in the application of FAA and aerospace resources.

USCG—Facilitate maritime commerce and eliminate interruptions and impediments to the economical movement of goods and people, while maximizing recreational access to and enjoyment of the water.

FHWA—Continually improve the public's access to activities, goods and services through preservation, improvement, and expansion of the highway transportation system and the enhancement of its operations, efficiency and intermodal connections.

Economic Growth Goals

MARAD—Enhance the competitiveness of the U.S. shipyard industry (including repair and related industries). Note: This is from MARAD's 1998 Strategic Plan.

Environment Goals

USCG—Eliminate environmental damage and natural resource degradation associated with all maritime activities, including transportation, commercial fishing, and recreational boating.

RSPA—Protect our natural environment and national heritage from harmful transportation related consequences.

SLSDC—Promote environmental protection prevent environmental incidents.

National Security

FAA—Prevent security incidents in the aviation system.

USCG—Defend the nation as one of the five U.S. Armed Services. Protect our maritime borders by halting the flow of illegal drugs, migrants and contraband into this country through maritime routes; preventing illegal incursions of our Exclusive Economic Zone; and suppressing violations of federal law in the maritime region.

MARAD—Assure an intermodal sealift capability to support vital national security interests. Note: This is from MARAD's 1998 Strategic Plan.

Question. For each of those top two strategic goals, please identify the accountable career and political official for managing the achievement of such strategic goal.

Answer. The responsibility for managing the achievement of the strategic goals is delegated to the Administrator of each operating administration. At this point, several of the Department's administrators have not been nominated by the President or confirmed by the Senate, except for the Federal Aviation Administration, the Coast Guard, and the Bureau of Transportation Statistics. Officials currently having responsibility for achieving goals are as follows:

FAA

Overall—Jane Garvey, FAA Administrator; Thomas E. McSweeny, Associate Administrator for Regulation and Certification; Michael A. Canavan, Associate Administrator for Civil Aviation Security; and Steven J. Brown, Acting Associate Administrator for Air Traffic Services.

USCG

Admiral James Loy, Commandant of the U.S. Coast Guard.

FHWA

Overall—Vince Schimmoller, Deputy Executive Director; Frederick Wright, Safety Program Manager; King Bee, Infrastructure Program Manager; and Christine Johnson, Operations Program Manager.

FMCSA

Julie Anna Cirillo, Acting Deputy Administrator.

FTA

Overall: Hiram Walker, Acting Deputy Administrator; Charlotte M. Adams, Associate Administrator for Transit Planning; Arthur Andrew Lopez, Director of Civil Rights; and Edward L. Thomas, Associate Administrator for Research, Demonstrations and Innovation.

MARAD

Overall—Bruce Carlton, Acting Deputy Administrator; Jean E. McKeever, Associate Administrator for Shipbuilding; and James E. Caponiti (career), Associate Administrator for National Security.

SLSDC

Albert S. Jacquez, Administrator, Washington, D.C; and Salvatore L. Pisani, Associate Administrator, Massena, New York.

FRA

Mark Lindsay, Acting Deputy Administrator.

NHTSA

Robert Shelton, Executive Director.

DOT'S PERFORMANCE MEASURES AND BUDGET LINKAGE

Question. Does the agency's Performance Plan link performance measures to its budget?

Answer. Yes. In the Department's fiscal year 2002 Performance Plan and fiscal year 2000 Performance Report, each performance goal page included a graph summarizing budgetary resources associated with that goal, and Appendix II of the Department's fiscal year 2002 Performance Plan contains a summary table of budgetary resources for each operating administration, by appropriation account.

Question. Does each account have performance measures?

Answer. Yes, except for Coast Guard Retired Pay, the Inspector General salary and expense account, and the Surface Transportation Board salary and expense account. Coast Guard Retired Pay is an entitlement for retired Coast Guard military and Lighthouse Service personnel and exerts no influence on current Departmental performance. The Inspector General and Surface Transportation Board are decisionally independent of the Secretary of Transportation and therefore, are not included in the Department's performance planning and reporting framework.

Question. What are the top three performance measures for each operating administration? In your description of each, please include which individual strategic goal each performance measure is most directly designed to measure progress toward.

Answer. The top performance measures and the related strategic goals are summarized below on the following table. In some cases, more than one measure per strategic goal is listed for an operating administration because achieving a particular goal involves a balanced set of performance measures:

GOALS AND PERFORMANCE MEASURES

Strategic Goal	Safety	Mobility	Economic Growth	Human and Natural Environment	National Security
Measures:					
FAA	Commercial aviation fatal accident rate.	Aviation delays			Detection rate for explosive and weapons that may be brought aboard aircraft.
USCG	Percent of all mariners in imminent danger who are rescued.	Eliminate vessel collisions, allisions, and groundings.		Reduce the amount of oil discharged into the water.	Reduce flows of drugs and migrants into the U.S.
FHWA	Number and rate of highway-related fatalities and injuries.	Percentage of vehicle miles traveled on NHS pavement with acceptable ride quality urban road congestion.			
NHTSA	Number and rate of highway-related fatalities and injuries. Seat belt usage				
FMCSA	Number and rate of fatalities and injured persons in crashes involving large trucks.				
FTA	Transit fatality and injury rates	Rail and bus transit fleet condition Accessibility of transit (as indicated by compliance with the Americans With Disabilities Act).		Transit ridership	
FRA	Rail-related fatality rate Grade crossing accident rate Number of serious hazmat incidents				
RSPA	Number of serious hazmat incidents Natural gas transmission pipeline failures.		Pipeline hazmat spillage rate.		
MARAD			Gross tonnage (in thousands) of commercial vessels on order or under construction in U.S. shipyards.		Percent of Ready Reserve Force no-notice activations that meet assigned readiness timelines Percent of days that RRF ships are mission-capable while under DOD control.
SLSDC		Lock availability			

DOT'S PERFORMANCE PLANNING AND BUDGET STRUCTURE

Question. To what extent does your performance planning structure differ from the account and activity structure in your budget justification?

Answer. The account and activity structure in the budget varies by operating administration, and it generally is not organized by strategic outcome but by grouping similar kinds of activities, or activities with a common funding mechanism. Given that multiple programs support single outcomes and single programs support multiple outcomes, perfect alignment is not possible.

Question. Do you plan to propose any changes to your account structure for fiscal year 2002?

Answer. No.

Question. Will you propose any changes to the program activities described under that account structure?

Answer. No.

DOT PERFORMANCE MEASURES AND DATA

Question. How were performance measures chosen?

Answer. Performance measures were chosen to provide the information needed to determine if DOT programs are achieving the desired strategic outcome goals. The availability of relevant performance data was also a consideration. If acquiring the necessary data for a candidate performance measure appeared to require excessive cost and time, an alternative measure was selected.

Question. What performance measures were changed from last year?

Answer. The following discussion refers to goals and measures in the fiscal year 2002 DOT Performance Plan, which is based on the Department's fiscal year 2000 through fiscal year 2005 Strategic Plan.

In DOT's Safety measures, we added fatality and injury rates for large trucks in addition to fatalities and injuries, and added a rate for runway incursions in addition to the number of such incursions. For air traffic operational errors, the denominator for the rate was changed to 1 million from 100,000 activities. This had no effect on the rate; it simply changed the performance number to a whole number from a fraction, which will simplify it.

In Mobility, we changed the flight route flexibility goal to airport capacity and en route efficiency improvements, with associated measures for increased airport throughput during peak periods, and for greater routing efficiency for aircraft in flight. The Impediments to Port Commerce goal was discontinued, and in the Essential Air Service goal, one of the two measures was discontinued (2 round trips/day, 6 days/week).

In Economic Growth, one of the two measures in the Transportation and Education goal was discontinued (Garrett A. Morgan education outreach).

In Human and Natural Environment, we reversed the arithmetic signs on Fisheries Protection targets; changed the Environmental Justice measure to a percentage rather than a number; and suspended the Greenhouse Gas Emissions goal. The model by which Aircraft Noise Exposure is calculated was changed to be more comprehensive.

In National Security, the Coast Guard's military readiness reporting methodology gives greater weight to current readiness factors. The Sealift Capacity goal is discontinued after 2001, since the Administration proposes to transfer the Maritime Security Program and associated funding to DOD. We added new measures for Maritime Boundary Incursions and Regional Stability, and began calculating the Energy Efficiency measure using 1996 constant dollars rather than 1992 constant dollars.

Corporate Management strategies were converted to three outcome goals under the Organizational Excellence Strategy—Customer Satisfaction, Employee Satisfaction, and overall Organizational Performance and Productivity.

Question. How did the agency balance the cost of data collection and verification with the need for reliable and valid performance data?

Answer. Performance measurement is dependent on the availability of high quality data. All data are imperfect in some fashion. Pursuing "perfect" data, however, may consume public resources without creating appreciable value. DOT's approach has been to select performance measures with current, validated data sources; while seeking to improve known problems in those data, and to cover current gaps in data coverage.

Question. Does your plan include performance measures for which reliable data are not likely to be available in time for your performance report in March 2002?

Answer. DOT's performance report/plan uses established data systems for most of its performance measures. Most of these systems can provide preliminary results that are both timely and sufficiently accurate for the performance report. The number of measures without timely data is minimal. In DOT's fiscal year 2000 Performance Report, five measures with no current data required that we project the Department's performance from past trends (Pipeline Failures, Highway Pavement Condition, Highway Congestion, Mobile Source Emissions, and Energy Efficiency). For the Impediments to Port Commerce goal, the measurement construct simply did not work, and one of the measures under Transportation and Education had insufficient data available for a projection of our performance. We expect to resolve the data issues by March 2002 for all but Mobile Source Emissions and Energy Efficiency. Data for these last two measures comes from the States and from the Environmental Protection Agency.

KEY DOT PERFORMANCE GOALS

Question. What are the key performance goals from your fiscal year 2002 Annual Performance Plan that you recommend this subcommittee use to track program results?

Answer. While all of the performance goals and measures in DOT's annual performance plan are important to track performance in each of the DOT operating administrations, the following subset of goals in the fiscal year 2002 Performance Plan are important in tracking overall progress toward DOT's five mission-oriented strategic goals:

Safety.—Transportation-related fatalities (outcome); Transportation-related injuries (outcome); and Transportation Incidents (outcome).

Mobility.—Highway Pavement Condition (outcome); Highway Congestion (outcome); Aviation Delay (outcome); Airport Capacity and En Route Efficiency Improvements (outcome); and Amtrak Ridership (outcome).

Economic Growth.—International Air Service (outcome).

Human and Natural Environment.—Transit Ridership (outcome); Mobile Source Emissions (outcome); Aircraft Noise Exposure (outcome); Maritime Oil Spills (outcome); and Pipeline Hazardous Material Spills (outcome).

National Security.—Ready-Reserve Force Activation (outcome); Coast Guard Military Readiness (output); Drug Interdiction (outcome); and Critical Infrastructure Protection (output).

Question. For each key annual goal, indicate whether you consider it to be an output measure ("how much") or an outcome measure ("how well").

Answer. As explained in detail in each major subdivision of DOT's fiscal year 2000 Performance Report, the majority of DOT's performance goals are outcome-oriented. Furthermore, each performance goal, and related performance measure, is tied to the achievement of longer-term strategic goals or objectives. (The answer to the previous question indicates whether the key annual goals are outcomes or outputs).

Question. State the long-term (fiscal year 2005 general goal and objective) from the agency Strategic Plan to which the annual goal is linked.

Answer. The information is provided in the following table.

STRATEGIC GOAL: SAFETY

Promote the public health and safety by working toward the elimination of transportation-related deaths and injuries.

Outcome Goal	DOT-Wide and Other Indicators
Reduce the number of transportation-related deaths.	▪ Total number of transportation-related fatalities, with a CY 1995 baseline of 44,600 ▪ Total number of transportation-related fatalities per 100 million passenger-miles traveled, with a CY 1995 baseline of 1.02 ▪ Total number of transportation-related fatalities per 100 million ton-miles shipped, with a CY 1995 baseline of 0.17. ▪ Fatalities per 100 million vehicle-miles of travel. ▪ Percentage of highway fatalities that are alcohol-related. ▪ Number and rate (per 100 million commercial VMT) of fatalities involving large trucks. ▪ Number of recreational boating fatalities. ▪ Percent of all mariners in imminent danger who are rescued. ▪ Fatalities aboard passenger vessels. ▪ Rail-related fatalities per million train-miles. ▪ Transit fatalities per 100 million passenger-miles traveled.
Reduce transportation-related injuries.	▪ Total number of transportation-related injuries, with a CY 1995 baseline of 3,518,000. ▪ Total number of transportation-related injuries per 100 million passenger-miles traveled, with a CY 1995 baseline of 81.29. ▪ Total number of transportation-related injuries per 100 million ton-miles shipped, with a CY 1995 baseline of 3.62. ▪ Injured persons per 100 million vehicle-miles of travel. ▪ Number and rate (per 100 million commercial VMT) of injured persons involving large trucks. ▪ Transit injured persons per 100 million passenger-miles traveled.
Reduce the probability and potential severity of transportation incidents and accidents.	▪ Total number of reported transportation incidents, with a CY 1995 baseline of 6,752,000. ▪ Percentage of front occupants using seat belts. ▪ Fatal aviation accidents (U.S. commercial air carriers) per 100,000 departures. ▪ Number of fatal general aviation accidents. ▪ Number and rate (per 100,000 operations) of runway incursions. ▪ Air traffic operational errors per 1 million activities. ▪ Highway-rail grade crossing accident rate. ▪ Number of natural gas transmission pipeline failures. ▪ Number of serious hazardous materials incidents in transportation.

STRATEGIC GOAL: ECONOMIC GROWTH

Support a transportation system that sustains America's economic growth.

Outcome Goal	Performance Indicator
Ensure the Producer Price Index (PPI) for transportation services grows less rapidly than the overall PPI through the year 2005.	▪ None. Discussed in Performance Plan chapter introduction.
Reduce barriers to trade that are related to transportation.	▪ Number of passengers in international markets with open skies aviation agreements.
Improve the U.S. international competitive position in transportation goods and services.	▪ Gross tons of commercial vessels on order or under construction in U.S. shipyards.
Improve the capacity of the transportation workforce.	▪ Number of students graduating with transportation-related degrees from universities receiving DOT funding.
Expand opportunities for all businesses, especially small, women-owned, and disadvantaged businesses.	▪ Percent share of total dollar value of DOT direct contracts awarded to women-owned businesses and small disadvantaged businesses.

STRATEGIC GOAL: MOBILITY

Shape an accessible, affordable, reliable transportation system for all people, goods, and regions.

Outcome Goal	Performance Indicator
Improve the physical condition of the transportation system.	▪ Percent of National Highway System pavement with acceptable ride quality. ▪ Percent deficient bridges on the National Highway System. ▪ Percent of airport runway pavements in good or fair condition. ▪ Average condition of bus and rail transit fleet.
Reduce transportation time from origin to destination for the individual transportation user.	▪ Highway congestion in urban areas. ▪ Number of metropolitan areas with integrated Intelligent Transportation Systems (ITS) deployment. ▪ Cumulative increase in airport capacity and en route efficiency improvements.
Increase the reliability of trip times for the individual transportation user.	▪ Aviation delays per 100,000 activities. ▪ Number of runways that are accessible in low visibility conditions. ▪ Percent availability of locks and related navigation facilities of the St. Lawrence Seaway in the shipping season. ▪ Days that critical waterways are closed due to ice. ▪ Total number of commercial vessel collisions, allisions, and groundings.
Increase access to transportation systems for the individual user.	▪ Intercity rail ridership. ▪ Percent of rail and bus transit facilities that are compliant with Americans with Disabilities Act. ▪ Percent of communities receiving subsidized air service with at least 3 round trips/day, 6 days/week. ▪ Miles of the Appalachian Development Highway System completed. ▪ Number of employment sites that are made accessible by Job Access and Reverse Commute Grants.
Reduce the cost of transportation for the individual user.	▪ None. Discussed in Performance Plan Chapter Introduction.

STRATEGIC GOAL: HUMAN AND NATURAL ENVIRONMENT

Protect and enhance communities and the natural environment affected by transportation.

Outcome Goal	*Performance Indicators*
Improve the sustainability and livability of communities.	▪ Percent of urban population living within .25 miles of a transit stop with service frequency of 15 minutes or less (non-rush hour). ▪ Passenger-miles traveled by transit.
Reduce the adverse effects of transportation on ecosystems and the natural environment.	▪ Ratio of wetland replacement resulting from Federal-aid highway projects.
Improve the viability of ecosystems.	▪ Percent change in number of species that are designated as overfished.
Reduce the adverse effects of transportation facilities on the human environment.	▪ Percentage of DOT facilities categorized as No Further Remedial Action Planned under Superfund.
Improve equity for low income and minority communities concerning the benefits and burdens of transportation facilities and services.	▪ Percent of environmental justice cases that remain unresolved after one year.
Reduce the amount of pollution from transportation sources.	▪ Mobile source emissions. ▪ Number of residents exposed to significant aircraft noise (65dB or higher). ▪ Rate of oil spills by maritime sources. • Rate of hazardous liquid materials spilled from pipelines.

STRATEGIC GOAL: NATIONAL SECURITY

Ensure the security of the transportation system for the movement of people and goods, and support the National Security Strategy.

Outcome Goal	Performance Indicator
Reduce the vulnerability of the transportation system and its users to crime and terrorism.	▪ Detection rate for explosives and weapons in airports. ▪ Of those who need to act, percent that receive threat information within 24 hours.
Increase the capability of the transportation system to meet national defense needs.	▪ Percentage of days that designated Coast Guard units meet required readiness level. ▪ Merchant mariners available for mobilization. ▪ Percentage of DOD-designated strategic port facilities available when requested. ▪ Percent of Ready Reserve Force ships that are available in the time required and percentage of days they are mission-capable while under DOD control.
Reduce the flow of illegal drugs entering the United States.	▪ Seizure rate for cocaine shipped through the transit zone.
Reduce the flow of migrants illegally entering the United States.	▪ Percent success rate for undocumented migrants by maritime routes.
Reduce illegal incursions into our sovereign territory.	▪ Number of incursions into the U.S. Exclusive Economic Zone.
Increase support for United States interests in promoting regional stability.	▪ Percent of responses to DOD or State Department assistance requests.
Reduce transportation-related dependence on foreign fuel supplies.	▪ Rate of transportation-related petroleum consumption.

ORGANIZATIONAL EXCELLENCE GOAL

Advance the Department's ability to manage for results and innovation.

Outcome Goal	Performance Indicator
Improve customer satisfaction.	▪ Percent satisfied with transportation system performance. ▪ Percent satisfied with customer service provided by the Department.
Improve employee satisfaction and effectiveness.	▪ Percent of employees satisfied with working for the Department.
Improve organizational performance and productivity.	▪ Percent of goals met or trending in the right direction.

DOT OUTCOME MEASURES AND MANAGING FOR RESULTS

Question. In developing your Annual Performance Plan, what efforts did your agency undertake to ensure that the goals in the plan include a significant number of outcome measures?

Answer. The agency made a decision at the beginning of the fiscal year 1999 performance planning process to use outcome measures wherever possible. Since then, output measures have been used only if a good outcome measure for a strategic outcome goal could not be identified.

Question. Do you believe your program managers understand the difference between goals that measure workload (output) and goals that measure effectiveness (outcome)? Please provide examples of changes that have been made to shift programmatic priorities from output driven to outcome focused goals.

Answer. Yes. The Department of Transportation has made great strides over the past several years in ensuring that program managers focus on outcomes. One salient example is the Coast Guard commercial vessel safety program's change in emphasis from compliance with technical regulations to stress human error as the prime causal factor in marine accidents. Programmatic standards changed from one of counting inspections to one of training, certification, and proper operational practices and risk management practices.

Question. What are some examples of customer satisfaction measures that you intend to use? Please include examples of both internal and external customers.

Answer. The Department has identified customer satisfaction as one of its three performance goals in support of the organizational excellence goal. The two measures that the Department will use to measure customer satisfaction are percent of customers satisfied with transportation system performance and percent of customers satisfied with the customer service provided by the Department. DOT is currently developing and employing survey instruments to collect data on customer satisfaction. When the survey instruments are fully implemented, they will measure customer satisfaction from a variety of groups, such as the traveling public, transportation workers, grant recipients, and DOT information users.

DOT PERFORMANCE BUDGETING

Question. How were the measurable goals of your fiscal year 2002 Annual Performance Plan used to develop your fiscal year 2002 budget?

Answer. Program performance was considered throughout the budget formulation process for the Department's fiscal year 2002 budget. For example, the Department requested $975 million—an 18 percent percent increase—for aviation safety programs, including initiatives designed to help achieve the Department's goal of reducing aviation fatalities by 80 percent by 2007. And the Administration's ambitious goals for drug interdiction, based on two years of record level seizures by the Coast Guard, were reflected in the increased funding requested for Coast Guard's operating expenses. These are programs with demonstrated successes, and specific expected levels of performance in fiscal year 2002.

Question. If a proposed budget number is changed, up or down, by this committee, will you be able to indicate to us the likely impact the change would have on the level of program performance and the achievement of various goals? Please provide examples.

Answer. The change in expected performance will depend on the difference between the President's budget request and the Committee mark. In some cases, performance will also be affected by external factors. Therefore, cause and effect may not be clear, except where the Department directly provides services, such as air traffic control by the FAA, or search and rescue by the Coast Guard. For many goals, DOT does not provide direct services but rather tries to influence the actions of its partners and stakeholders.

DOT PERFORMANCE MANAGEMENT

Question. Do you have the technological capability of measuring and reporting program performance throughout the year on a regular basis, so that the agency can be properly managed to achieve the desired results?

Answer. In the instances where DOT relies on data reported by States, or local governments, or the private sector, it is more difficult and costly to receive performance data on a regular basis. Data derived from operations performed directly by DOT can be collected on a ongoing basis and used more readily to manage and control the effectiveness of DOT programs.

Question. If so, who has access to the information—senior management only, or mid- and lower-level program managers too?

Answer. To the extent that information and data are available, it is available to all levels of management.

Question. Are you able to gain access easily to various performance-related data located throughout your various information systems?

Answer. Appendix I of DOT's fiscal year 2000 Performance Report and fiscal year 2002 Performance Plan identifies the data systems used to obtain DOT performance data and the limitation of each system, including ready access.

DOT BUDGET ACCOUNT STRUCTURE

Question. The Government Performance and Results Act requires that your agency's Annual Performance Plan establish performance goals to define the level of performance to be achieved by each program activity set forth in your budget. Many agencies have indicated that their present budget account structure makes it difficult to link dollars to results in a clear and meaningful way. Have you faced such difficulty?

Answer. The Department is assessing this issue. But there is not always a one-for-one correspondence between program activities and budget accounts. For instance, an investment in transportation infrastructure has impacts not only on mobility, but also in safety and economic growth. Another example is found in investments in capital equipment for the Coast Guard, where ships, aircraft, and command and control investments contribute to many different outcomes.

Question. Would the linkages be clearer if your budget account structure were modified?

Answer. The Department is assessing this issue. As the Department continues to evolve and refine overall long-term strategy and annual performance plans, it may become apparent that changing some aspect of the Department's budget account structure will allow better connection of resources to results.

Question. If so, how would you propose to modify it and why do you believe such modification would be more useful both to your agency and to this committee than the present structure?

Answer. The Department does not recommend making changes in the budget account structure this year.

Question. How would such modification strengthen accountability for program performance in the use of budgeted dollars?

Answer. The Department does not recommend making changes in the budget account structure this year.

LINKING PERFORMANCE MEASUREMENT SYSTEMS TO FINANCIAL SYSTEMS

Question. Spending significant resources on performance measurement systems appears to be a wasteful exercise if this information is not linked to: (1) real data about what it costs to perform various government functions; and (2) how to allocate agency resources to perform these functions. Could you comment on your agency's cost accounting expertise and plans to link GPRA to the budget process?

Answer. The majority of cost accounting expertise at DOT resides within the individual modal administrations. For example, FAA is in the process of developing a cost accounting system, which will be fully implemented by 2002. TASC and the Volpe Research Center operate on a fee-for-service basis, and have significant cost accounting expertise. The new Departmental financial accounting system will significantly enhance DOT's managerial cost accounting capability. In the fiscal year 2002 Performance Plan, the Department has taken an additional step in attributing budgeted amounts for the entire array of program activities to specific performance goals listed in the Performance Plan. At present, this is an approximation, but as the Department continues to more closely connect budgets, costs, and performance, the Department's overall ability to link costs and performance will improve.

Question. Under one of the new accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB) and issued by OMB, this year for the first time all federal agencies are required to have a system of Managerial Cost Accounting. The clearly preferred methodology for such a system, as stated in that standard, is the one known as "Activity-Based Costing," whereby the full cost is calculated for each of the activities of an agency. What is the status of your agency's implementation of the Managerial Cost Accounting requirement, and are you using Activity-Based Costing?

Answer. Implementing managerial cost accounting in the Department is a progressive process. Although the FASAB standard was originally scheduled to be implemented by fiscal year 1996, it was later deferred to allow agencies additional time to obtain the required resources. The Board recognized that reporting entities do not have to possess sophisticated cost accounting systems that are necessary to meet the standard's requirements. Federal agencies were allowed to take a gradual approach to the development of cost systems, if necessary, while developing basic cost information through other means in the short term.

Departmental policy has been to encourage managerial cost accounting to be applied wherever there is a valid need for precise cost data, as in the calculation of fees and unit costs, for certain management decision making, and selectively for effective performance measurement. The costs of implementing and operating a cost accounting system to capture such data should not outweigh the benefits derived from having precise cost information. DOT operating administrations have been encouraged to identify their specific needs for cost data and to begin to plan for cost accounting, implementing policies and other capabilities to meet these needs.

The Department is in the process of implementing a new commercial off-the-shelf (COTS) core accounting system. It is expected to be operational in all DOT entities within the next 18 to 24 months. This new core accounting system will provide a platform for DOT to gather and assemble the data required for managerial cost accounting. It will enable DOT to allocate costs through a variety of methods and over different time periods.

Question. Will you be able in the future to show to this committee the full and accurate cost of each activity of each program, including in those calculations such items as administration, employee benefits, and depreciation? Please provide examples.

Answer. Yes. In addition to the managerial cost accounting capabilities that will be available in DOT's core accounting system, the following are some examples of areas where DOT is successfully using cost accounting, including calculating such items as administration, employee benefits, and depreciation:

The FAA has been directed to develop, and is in the process of implementing, a cost accounting system that adequately and accurately reflects investments, operating and overhead costs, revenues, and other financial measurement and reporting aspects of operations. The system will help track the cost of agency services, support the collection of user fees, and meet legislative mandates. The system is being implemented in a phased approach by line of business or staff office.

TASC provides common administrative services to DOT's Office of the Secretary and operating administrations as well as other governmental entities. It is a business-like organization that recovers its costs of operations through customer user fees. Cost accounting in TASC helps management to determine which services can be provided by TASC in a cost-effective manner.

The Volpe National Transportation Systems Center under RSPA provides transportation and logistics expertise in research, analysis, development and deployment of transportation technologies for clients within DOT and to other Federal agencies. The Volpe Center operates as a business-type entity that provides services and recovers its operational and overhead costs on a fee-for-service basis.

Question. By doing so, would we then be able to see more precisely the relationship between the dollars spent on a program, the true costs of the activities conducted by the program, and the results of these activities?

Answer. Yes. But it is also important to remember that DOT largely has outcome, not output, goals. Many variables may affect the achievement of these goals. DOT does not in all cases control all the variables that influence program outcomes and therefore does not always have complete control over the ultimate achievement of the department's strategic goals or objectives. While precise costing of program activities and the associated outputs may be possible in the future, tracing the activity costs all the way through to outcome results may be more elusive.

Question. Will you be able to show us the per-unit cost of each activity and result?

Answer. Costs must first be accumulated by program area prior to their allocation by output or unit. DOT's new COTS core accounting system, expected to be operational in all DOT entities within the next 18 to 24 months, will provide a platform for DOT to gather and assemble the data required for managerial cost accounting. It will contain the structure needed for building cost accounting elements and the functionality to capture costs through a variety of methods at differing levels over multiple time periods. Since this system is quite new to DOT, many of its cost accounting capabilities have yet to be fully explored by program and financial managers. As stated in the answer to the previous question, tracing cost to results is more difficult to pin down, since many of DOT's partners and stakeholders have influence equal to or greater than the Department in achieving strategic goals or objectives.

Question. To what extent do the dollars associated with any particular performance goal reflect the full cost of all associated activities performed in support of that goal? For example, are overhead costs fully allocated to goals?

Answer. In most cases, program and modal overhead costs are reflected in the dollars associated with specific performance goals. For example, the program level for the Coast Guard's search and rescue program includes direct budget amounts from operating expenses; acquisition, construction and improvements; and research and development appropriation accounts, as well as an allocated portion of the Coast Guard's administrative expenses for staff functions such as procurement, personnel, legal, and executive leadership of the organization.

PERFORMANCE PLANNING AND REGULATORY REFORM

Question. Please identify any significant regulatory reform measures that have been put in place by your agency in conjunction with the development of the agency's performance plan.

Answer. The Department is committed to improving the rulemaking process and to minimizing the regulatory burden on the transportation community. This commitment is documented in the Organizational Excellence section of the performance plan and report. In 1999, the Department implemented an electronic docket for rulemakings and met with industry and the general public to identify what could be done to improve the rulemaking process. These efforts will continue in fiscal year 2000 and 2001.

EXTERNAL INFLUENCES ON DOT PERFORMANCE

Question. Does your fiscal year 2002 performance plan—briefly or by reference to your strategic plan—identify any external factors that could influence goal achievement?

Answer. Yes.

Question. If so, what steps have you identified to prepare, anticipate and plan for such influences?

Answer. Although DOT cannot control its entire operating environment, by clearly identifying the factors that need to be considered in developing and implementing programs, managers are better prepared to meet the challenges presented. For example, one external factor that is expected to have a significant influence on transportation is the growth of the elderly population. This is being considered by DOT management in the selection of initiatives that focus on ways to make travel for this group safer and easier, (e.g., easier to read signs and changes in passenger boarding and alighting time for aviation, rail and transit vehicles).

Question. What impact might external factors have on your resource estimates?

Answer. External factors can have a significant impact on resource estimates. For example, a major environmental catastrophe—such as a hurricane, earthquake or oil spill—could significantly impact resource requirements.

PROGRAMMATIC OVERLAP OR DUPLICATION

Question. Through the development of the Performance Plan, has the agency identified overlapping functions or program duplication?

Answer. No. DOT has identified areas where crosscutting programs in other agencies complement DOT program activities and jointly contribute to overall results. Conversely, DOT activities often complement other agencies' programs and contribute to results specified in their strategic and performance plans.

Question. If so, does the Performance Plan identify the overlap or duplication?

Answer. See previous question.

MANAGEMENT CHALLENGES AND PERFORMANCE REPORTING

Question. Should agencies address management challenges and potential duplication and overlapping functions in their GPRA plans, and if so, how?

Answer. Yes. DOT has gone to great lengths to integrate the Department's and operating administrations' approach to addressing management issues in conjunction with achieving strategic objectives. In the few areas where results have not met expectations, the Department is undertaking reviews of performance strategies and will find better ways to achieve stated outcomes.

AGENCY DECISIONMAKING

Question. To what extent has GPRA been used by agency leadership to guide decision-making? In your discussion, please provide specific examples.

Answer. DOT has a history of using performance measurement in managing programs, particularly measures of the safety, condition, and performance of the transportation system. GPRA has expanded the use of performance measures and has led to two key advances: the integration of program performance measures into a single DOT performance plan, and a closer linkage of performance measures to the budget process. For example, NHTSA has tied individual program performance to intermediate outcomes (e.g., increasing seat belt use); and to overall outcomes (e.g., reducing fatalities and injuries). These "top level" outcomes are also integrated into the Department's Performance Plan. Budget justifications, in turn, use performance measures to justify the allocation of resources and the specific results that programs seek.

Question. Will this use increase in the future and if so, in what ways?

Answer. As DOT employees gain more experience in managing for results, and in linking resources to outcomes, the management processes underpinning the Results Act will become more a part of daily activity. As a result, overall DOT performance is expected to continuously improve.

AGENCY PERFORMANCE AND THE APPROPRIATIONS PROCESS

Question. Future funding decisions will take into consideration actual performance compared to expected or target performance. Given that: to what extent are your performance measures sufficiently mature to allow for these kinds of uses?

Answer. The Department has devised the best set of performance measures based on current knowledge of the causal relationships between departmental activities and outputs and the achievement of DOT's strategic goals or objectives. These measures can and will be improved upon in the ensuing years. DOT's performance data indicate to senior decision-makers what strategies are working well, and where the areas of improvement lie; where strategies need re-examination, or where different levels of resources need to be applied. Program evaluations are beginning to be utilized to demonstrate the linkage between DOT's activities and the achievement of organizational goals.

Question. Are there any factors, such as inexperience in making estimates for certain activities or lack of data that might affect the accuracy of resource estimates?

Answer. DOT exerts influence over highly complex human and technological systems, throughout many levels of government and with the private sector. Resource estimates and performance estimates will always be subject to some level of uncertainty. But, the Department expects that these uncertainties will be reduced over time as performance, budgeting, management, and financial systems become better integrated.

WAIVERS OF REQUIREMENTS

Question. Are you requesting any waivers of non-statutory administrative requirements?

Answer. No.

Question. Specifically, are you requesting any relaxation of transfer or reprogramming controls in return for specific accountability commitments?

Answer. No. We have no such plans at this time.

FUTURE PERFORMANCE REPORTING

Question. Please provide for the record, the 1998, 1999, 2000, and 2001 goals and actual results as well as the target for the current fiscal year and the prospective target for fiscal year 2002 in a table that simply lists the strategic goal, the individual (sub-goals) under that strategic goal (performance progress reports) and the requested information by year.

Answer. The information is provided in the following table. Note that there were no specific GPRA goals in 1998.

SAFETY	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Highway Fatalities/100 million VMT	1.6	1.5	1.6	1.6*	1.5	1.5	1.4
Highway Injuries/100 million VMT	122	120	127	119*[1]	116	113	111
% highway fatalities alcohol-related	39	38	36	38*	35	34	33
Fatalities involving large trucks	5,395	5,362	X	5,307*[1]	4,934	4,830	4,710
Rate (per 100 million commercial VMT) of fatalities involving large trucks	2.7	2.7	X	2.6*	X	X	2.2
Injuries involving large trucks (000's)	127	142	X	145*	125	122	121
Rate (per 100 million commercial VMT) of injuries involving large trucks	65	71	X	72*	X	X	56
Recreational boating fatalities	864	778	763	742*	763	749	742
% mariners reported in imminent danger who are rescued	94.4	95.4	93	93.4	93	X	X
% property reported in imminent danger that is saved	92.2	79.5	X	63.8	80	X	X
% of all mariners in imminent danger who are rescued	84.1	87.5	X	82.7	X	85	85
High-risk passenger vessel casualties/1000 vessels	55	45	X	41*	53	X	X
Fatalities aboard passenger vessels	28	29	X	15*	X	22	19
Train accidents/million train-miles	3.77	3.89	3.44	4.01*	3.38	X	X
Rail-related fatalities/million train-miles	1.48	1.31	1.57	1.29*	1.30	1.23	1.20
Transit fatalities/100 million PMT	0.564	0.530	0.507	0.519	0.502	0.497	0.492
Transit injured persons/100 million PMT	118.9	114.9	123.2	107.5	121.9	120.7	109.4
% front occupants using seat belt	70	67	80	71	85	86	87
U. S. commercial fatal aviation accidents/100,000 flight hours (CY)	0.006	0.039	0.034	0.022*	0.033	X	X
U. S. commercial fatal aviation accidents/100,000 departures (FY)	0.009	0.059	0.048[ET]	0.033*	0.045[ET]	0.043	0.038
Fatal general aviation accidents (CY)	383	354	X	369*	379	X	X
Fatal general aviation accidents (FY)	396	364	X	347*	379[ET]	379	379
Runway incursions (CY)	325	322	270	429	248	X	X

SAFETY	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Runway incursions (FY)	311	330	263[ET]	403	250[ET]	243	236
Rate (per 100,000 operations) of runway incursions	0.461	0.485	X	0.584	X	X	0.370
Operational errors/100,000 activities	0.56	0.57	0.496	0.684	0.486	0.5	X
Operational errors/1 million activities	5.6	5.7	4.96[ET]	6.84	4.86[ET]	5[ET]	5
Operational Deviations/100,000 activities	0.18	0.17	0.099	0.210	0.097	X	X
Grade crossing accidents divided by the product of million train-miles and trillion VMT	1.98	1.83	2.19	1.78*	1.57	1.39	1.39
Natural gas transmission pipeline failures	4,160	4,467	4,528	4,322#	4,451	4,375	4,301
Serious hazardous materials incidents in transportation	430	377	430	396*	411	401	391

* Preliminary estimate

[1] Later information yields a preliminary rate of 120 as reflected in NHTSA's Web site

X No Goal

[ET] Equivalent target

[#] Projection

MOBILITY	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Percent miles of NHS roads meeting pavement performance standards for acceptable ride	92.1	93.0	91.5	93.8#	91.8	91.9	95
Percent of deficient NHS bridges	23.1	23.0	22.8	21.5	22.5	22.3	21.0
Percent of runways in good or fair condition	95	95	93	95	93	93	95
Average condition of motor bus fleet	3.11	3.13	X	3.21	3.15	3.20	3.25
Average condition of rail vehicle fleet	3.08	3.14	X	3.25	3.19	3.24	3.29
Hours of delay per 1,000 VMT on Federal-aid Highways	8.1	8.1	8.1	8.1#	8.0	X	X
Of total annual urban-area travel, percentage that occurs in congested conditions	32.2	32.6	X	33.1#	X	33.4	33.7
Of annual urban-area peak period travel time, additional percentage of travel time attributable to congestion	25	25	X	26#	X	26.6	27.2
For the individual traveler in urban areas, average annual hours of extra travel time due to delays	31	32	X	33#	X	33.5	34
Metropolitan areas where integrated ITS infrastructure is deployed	N/A	49	X	52	51	56	61
Percent of flights that aircraft are able to fly off ATC-preferred routes	76.2	77.4	80	79.1	80	X	X
Cumulative percentage increase in throughput during peak periods at certain major airports	--	--	X	--	X	2	3.8
Cumulative percentage increase in direct routings for en route flight phase	--	--	X	--	X	3.9	7.6
Percent of ports reporting landside impediments to the flow of commerce***	41	40	40	N/A	39	37	X
Aviation delays per 100,000 activities	191	220	X	250	171	171	171
Total published Global Positioning System (GPS) airport approaches	1,453	1,984	1,953	2,488	2,453	X	X
Number of runways that are accessible in low visibility conditions	1,083	1,084	X	1,109	X	1,191	1,354
Percent of days in shipping season that locks are available	98.5	99.2	99	98.7	99	99	99
Days certain critical waterways are closed due to ice	0	0	2	0	2-8	2-8	2-8
Maritime collisions, allisions, and groundings for freight and tank ships over 500 gross tons	1,063	917	X	1,177*	1,224	X	X
Commercial vessel collisions, allisions, and groundings	2,443	2,177	X	2,164*	X	2,204	2,163

MOBILITY	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Amtrak's intercity ridership (millions of passengers)	21.1	21.5	X	22.5	23.7	25.3	26.7
Percent of key rail stations ADA-compliant	29	49	37	52	47	58	68
Percent bus fleet ADA-compliant	72	77	73	80	80	83	86
Percent subsidized communities with at least 2 round trips/day, 6 days/week (12 round trips/week)	100	100	100	100	100	100	X
Percent subsidized communities with at least 3 round trips/day, 6 days/week (18 round trips/week)	76	78	75	77	75	75	75
Miles of Appalachian Development Highway System completed	2,409	2,456	2,327	2,483	2,373	2,530	2,557
Cumulative number of employment sites made accessible by Job Access and Reverse Commute transportation services	--	1,742	X	13,390*	4,050	15,724	20,391

Projection

X No Goal

N/A = Not Available

-- Not applicable

*** Data for this goal are unreliable

* Preliminary estimate

ECONOMIC GROWTH	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Passengers (millions) in international markets with open skies aviation agreements	43.0	49.4	43.4	56.3*	44.7	51.6	59.7
Gross tonnage (in thousands) of commercial vessels on order or under construction in U.S. shipyards	407	595	510	1,100*	520	530	1,100
Students graduating with transportation-related advanced degrees from universities receiving DOT funding	1,167	N/A	X	N/A	1,046	1,203	1,215
Cumulative number of students (in thousands) reached through the Garrett A. Morgan Technology and Transportation Futures Program	1,031	1,502	650	3,000	3,000	5,000	X
Percent share of total dollar value of DOT direct contracts awarded to women-owned businesses	3.7	4.1	5.0	4.5*	5.0	5.0	5.1
Percent share of total dollar value of DOT direct contracts awarded to small disadvantaged businesses	17.0	17.9	14.5	17.7*	14.5	14.5	14.5

* Preliminary estimate
N/A = Not Available
X No Goal

HUMAN & NATURAL ENVIRONMENT	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Percent urban population living within 1/4 mile of a transit stop with service of 15 minutes or less	11.21	11.39	11.56	11.54	11.68	11.78	11.87
Transit ridership in billion passenger-miles traveled	42.6	43.3	X	45.3	40.56	44.8	47.5
Acres of wetlands replaced for every acre affected by Federal-aid Highway projects	2.2	2.3	1.5	3.8	1.5	1.5	1.5
Percent change in number of species designated as overfished	--	--	X	9*	8	-1	-5
Percent DOT facilities categorized as No Further Remedial Action Planned under Superfund Amendments and Reauthorization Act	78	90	80	90	82	91	91
Environmental justice cases that remain unresolved after one year	6	5	12	10	10	4	X
Percent of environmental justice cases that remain unresolved after one year	67	29	X	56	X	X	40
Tons (in millions) of mobile source emissions from on-road motor vehicles	63.7	61.6[#]	64.9	59.7[#]	63.5	62.2	61.1
Metric tons (in millions) of carbon equivalent emissions from transportation sources	476.8	492.8*	X	N/A	X	X	X
Number of people (in thousands) in U.S. exposed to significant aircraft noise levels (former model)	1,100	680	680	N/A	600	600	X
Number of people (in thousands) in U.S. exposed to significant aircraft noise levels (MAGENTA model)	722	585	X	448	X	X	448
Gallons of oil spilled per million gallons shipped by maritime sources (former system)	2.63	2.87	5.04	N/A	4.83	X	X
Gallons of oil spilled per million gallons shipped by maritime sources (new system)	3.1	2.7	4.3[ET]	4.6*	4.1[ET]	4.0	3.6

HUMAN & NATURAL ENVIRONMENT	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Tons of hazardous liquid materials spilled per pipeline million ton-miles shipped	0.0119	0.0229	0.0171	0.0131	0.0161	0.0151	0.0142

X No Goal
-- Not applicable
* Preliminary estimate
# Projection
N/A = Not Available
ET Equivalent target

NATIONAL SECURITY	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Detection rate for explosives and weapons that may be brought aboard aircraft	S	S	S	S	S	S	S
Percent of those who need to act who receive threat information within 24 hours	--	41.5	X	43	90	90	90
Percent of days maintain combat readiness rating of 2 or better for the designated number of critical defense assets	--	4	X	51	100	100	100
Ship capacity (in twenty-foot container equivalent units, or TEUs) available to meet DOD's requirements for intermodal sealift capacity	161,258	162,151	165,000	171,218	165,000	165,000	X
Ship capacity (in million square feet) available to meet DOD's requirements for intermodal sealift capacity	14.2	14.3	14.5	15.1	14.5	X	X
Percent of total mariners available to crew	--	123	100	117	100	100	100
Percent DOD-designated strategic ports available when requested by DOD	93	93	90	93	90	93	93
Percent RRF no-notice activations that meet assigned readiness timelines	100	100	100	100	100	100	100
Percent of days that RRF ships are mission-capable while under DOD control	98.8	98.4	99.0	97.0	99.0	99.0	99.0
Percent seizure rate for cocaine shipped through the transit zone	10.1	12.2	12.5	10.6	13.0	15.0	18.7
Percent success rate for undocumented migrants attempting to enter U.S. over maritime routes	8.9	13.3	13.0	11.0	13.0	13.0	13.0
Number of incursions into the U.S. Exclusive Economic Zone	218	428	X	170	X	X	202

NATIONAL SECURITY	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Percent of responses to Department of Defense or State Department assistance requests	--	100	X	89	X	X	100
Transportation-related petroleum consumption (in quadrillion BTUs) per trillion dollars of Real GDP in 1992 constant dollars	3.263	3.207	X	3.202#	3.13	3.09	X
Transportation-related petroleum consumption (in quadrillion BTUs) per trillion dollars of Real GDP in 1996 constant dollars	2.900	2.851	X	2.828#	2.80ET	2.76ET	2.72

S Sensitive
-- Not applicable
X No Goal
Projection
ET Equivalent target

ORGANIZATIONAL EXCELLENCE	1998 Actual	1999 Actual	1999 Target	2000 Actual	2000 Target	2001 Target	2002 Target
Percent of customers satisfied with transportation system performance	--	--	X	--	X	X	TBD
Percent of customers satisfied with customer service provided by the Department	--	--	X	--	X	X	TBD
Percent of employees satisfied with working for the Department	--	--	X	--	X	X	TBD
Percent of goals met or trending in the right direction	--	77	X	71	X	X	75

-- Not applicable
X No Goal
TBD To be determined

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Question. Mr. Secretary. Now, I would like to discuss concerns I have with the National Highway Traffic Safety Administration. I believe that this is an agency that is adrift and in desperate need of strong leadership and, as I mentioned in my opening statement, close oversight by you, Mr. Secretary. For too long, the conflict between the automobile manufacturers and the safety groups over candidates for NHTSA Administrator has resulted in lackluster appointments. I wouldn't worry so much about that squabble if the lives of so many Americans weren't caught in the middle.

As a result of poor program focus—coming from the very top of the agency—we have witnessed "new" initiatives that simply duplicate programs that were already in the core program. I understand how easy it is to get caught up in the limelight issues in an agency with the safety mission that NHTSA has, but getting distracted chasing television cameras translates into a failure to save lives on our highways.

I urge you to get personally involved in the selection of the next NHTSA Administrator, and if I can offer my advice: get a businessperson or an economist—someone with the experience of having to allocate capital or staff resources on getting the best return—which in this case, would be fewer highway fatalities. Don't you think it would be useful to do a comprehensive program review of NHTSA, focusing on which factors provide the greatest safety payoff?

Answer. According to NHTSA's early assessment of motor vehicle traffic crashes in 2000, there were 41,800 fatalities and over 3.2 million injuries on our nation's highways. Alcohol related fatalities were 38 per cent of the total. There were over 5,300 truck related fatalities. Safety belt use rose to 71 percent. However, highway crashes remain a public health crisis. We must do better.

Overall, improving transportation safety remains the number one goal of the Department and we look forward to working with Congress to identify effective highway safety strategies and seek support for them through the appropriate authorization and appropriation processes. The Secretary has been and will continue to be intimately involved in the selection of the key political appointees who will be nominated to head significant policy and management positions in the Department. The individual nominated to serve as the NHTSA Administrator will be capable of leading the kind of analysis and decision making that will be needed to develop and implement an optimal highway safety program.

OST REORGANIZATION

Question. Mr. Secretary, I understand that you are considering merging some of the functions and offices within the Office of the Secretary. I encourage you to take a wide open look at restructuring that office to fit your operating style and management needs. Can you give us a preview of what you are considering?

Answer. The overall goal is to provide the Department with a stronger, more effective policy office. Currently there is an Associate Deputy Secretary for Intermodalism, an Assistant Secretary for Policy, and an Assistant Secretary for Aviation and International Affairs. The Secretary is considering combining those offices.

DHL LICENSE

Question. Mr. Secretary, I recently sent you a letter about an important public policy issue related to your review of the DOT staff action that granted DHL Worldwide Express a foreign airfreight forwarder license. I would note that the European Commission found, on March 19th, that Deutsche Post—DHL's controlling parent company—was unfairly subsidizing (engaging in predatory pricing and fidelity rebates) business activities in Europe with profits from its postal monopoly. Without asking you to comment on something that is the subject of a pending proceeding, I will ask you procedural questions: 1) whether you view this issue as a significant public policy issue deserving of our personal attention, and 2) whether your political staff—your General Counsel and your Assistant Secretary for Aviation and International Affairs—will be in place before a decision is made on this review?

Answer. On May 11, the Department denied the petition of UPS to cancel the foreign air freight forwarder registration of DHL Worldwide Express (DHLWE). But the Department will continue to ensure that competition in the aviation markets remains fair. The Department has an affirmative responsibility to make sure that competition continues to protect the interests of consumers. There is no evidence that there has been any unfair competition in the U.S. market by any of the DHL companies. UPS presented no evidence that Deutsche Post is subsidizing DHLWE's operation. There is no evidence that foreign air freight forwarders have achieved a significant market share, unlike UPS, which holds 53 percent of the domestic market, and FedEx, which has a 26 percent market share. DHLWE, by contrast, is estimated to have a market share of 0.6 percent. However, if specific allegations of unfair competition against the company are made in the future, the Federal Government can take action to address them.

USER FEES

Question. Mr. Secretary. Last year, Congress passed a general provision (Section 347) on the Transportation appropriations bill that required the Administration to submit proposed reductions to pay for any new user fee tax proposals should Congress fail to enact such proposals. I assume it is your intent to follow the law, Mr. Secretary. Do you have any indication from the Administration that they plan on violating the law as enacted in Section 347?

Answer. This provision would effectively require the President to submit a budget proposal to the Congress that identifies prospective spending cuts in the event Congress does not enact a portion of the President's overall budget proposal. Such a requirement that the President spell out for Congress his fallback position in the budget negotiation process conflicts with the Constitution's separation of executive and legislative powers, and, specifically, with the President's constitutional authority to "recommend" to Congress "such Measures as he shall judge necessary and expedient" (U.S. Constitution, Article II, Section three). The Department of Justice has advised that, if enacted, the President will interpret this provision as precatory.

WITHHOLDING SLOT EXEMPTIONS

Question. I would note that under AIR–21 provisions regarding the granting of slot exemptions at our nation's slot controlled airports, such grants cannot be transferred by one air carrier to another, nor do they transfer with the sale of an airline. Accordingly, from time to time, the Department may find itself in the position of withholding or re-awarding slots during the continuing consolidation of the industry.

Given that one of the three primary drivers of delays identified by Mitre, the FAA, and by numerous aviation experts is airline scheduling in excess of airport capacity, do you think that one of the tools you have to reduce airway congestion or airport delays would be to withhold award of slot exemptions at airports experiencing or contributing to delays in the national airspace system?

Answer. In general, under the law, DOT/FAA have the power to withhold slots and slot exemptions for purposes of safety and the movement of air traffic. FAA in effect made use of this provision when it stepped in at La Guardia and rolled back the number of operations to pre-AIR–21 levels and then conducted a slot lottery for only a modest increase in operations there. The congestion and delay problems at Kennedy and O'Hare airports, while serious, have not been as dire as La Guardia's. Before withholding slot exemptions at those airports, the Department would have to carefully weigh the benefits of reduced delays versus the costs of cutting service to and from those airports.

The situation at Washington's Ronald Reagan National Airport is unique, in that the law requires the Department to issue a certain number of slot exemptions. Legislative change would be necessary for DOT to withhold any of those exemptions. Reagan National, however, is not experiencing a significant congestion and delay problem.

CENTRAL ARTERY/TUNNEL PROJECT

Question. Mr. Secretary. Have you had the opportunity to look into the Boston Central Artery/Third Harbor Tunnel project, the "Big Dig" project? Can you give the subcommittee an update on whether the project is likely to be able to stay within the cost estimate in effect at the time the cap was included in the fiscal year 2001 appropriations bill?

Answer. A project cost estimate of $14.075 billion was included in the October 2000 financial plan update that was accepted by FHWA and the U.S. Department of Transportation (USDOT) Inspector General. The Federal funding cap in Section 340(b) of the fiscal year 2001 DOT Appropriations Act is $8.549 billion. The annual bottom-up review of the project costs and schedule by the Central Artery/Tunnel (CA/T) project staff is on track for completion by July 1. The FHWA has also begun its independent estimate of the Central Artery/Tunnel project costs with completion expected in June 2001. Preliminary indications are that the current $14.075 billion project cost estimate is still reasonable.

TRANSIT NEW STARTS PIPELINE

Question. Mr. Secretary, if all the pending and current transit full funding grant agreements are fully funded by Congress, there will be about $462 million left in the pipeline for New Starts rail projects. When you consider that the Federal share of an average full funding grant agreement is somewhere between $100 million and $500 million, there is only enough contract authority under TEA–21 for FTA to enter into just a handful more full funding agreements in the next two years. Mr. Secretary, is that your understanding as well?

Answer. Yes, that is my understanding.

Question. Mr. Secretary, there are at least 30 New Starts projects currently in the preliminary engineering stage that are hoping to receive Federal funds this year. And there are even more projects in earlier planning stages that are looking for just a little money to help determine the best transit alternative for their communities. Your budget proposal only funds projects that currently have a full funding agreement or that have reached the final design stage. Where does this leave projects in earlier stages of development? Doesn't your budget proposal shut the door on further Federal funds for these projects, not just for fiscal 2002, but also for fiscal 2003?

Answer. FTA's review of existing and proposed FFGAs indicated high level of demand for construction funds. Providing funds for construction is a higher priority than providing funds for preliminary engineering and design. It has been the policy of FTA to strongly encourage grantees to use Urban Formula funds, formula planning funds and flexible funds for early planning work, saving New Starts funds for actual project construction. The project sponsor should not have to rely on New

Starts funds for early planning work. In fact, if a grantee needs to rely on New Starts funds for early planning, this raises questions about its financial capability to carry out a major new starts project.

DEEPWATER

Question. Mr. Secretary, I read a press interview about the Coast Guard's Deepwater recapitalization program and wanted to bring it up today. The Commandant was saying that he was going to have to cut 13 ships, 19 aircraft, 500 personnel and flying hours in order to "help the Coast Guard embark on a proposed $9 billion transformation."

Basically, I view the Deepwater program as a 20-year, $10 billion minimum "trust me" program. The GAO and the IG have described this procurement as "high risk". I don't think it is high risk, I think it is a "sure risk".

As the Coast Guard continues to rush headlong into this recapitalization program, I wonder about the ability of an organization to manage a large, complex, and long-term procurement when each year, the very same organization seems to be surprised that they don't have enough money to keep the lights on at Buzzard's Point—even when we appropriated the entire budget request.

Mr. Secretary, this is a program and an organization that would benefit from some high level attention. Can you tell me how you plan to oversee this risky procurement?

Answer. The Coast Guard has worked with OMB and Congress to produce a sound Deepwater procurement strategy that will enable the Coast Guard to perform its missions effectively and as economically as possible. The Secretary is fully aware of the concerns, the General Accounting Office and others have about the potential for cost escalations. DOT is developing a long-term strategy for project management oversight. It will involve quarterly program reviews for technical feasibility and design development, and the Coast Guard will maintain an on-site presence with contractors. In addition, the Coast Guard is developing a comprehensive Program Management Plan, incorporating best practices and lessons learned from Coast Guard, DOD, civilian agencies and commercial projects that will be signed prior to contract award.

FAA CHALLENGES

Question. Mr. Secretary, thank you for your candid remarks this morning. In your opening statement, you said that you "told us so" as it relates to aviation congestion. I had my staff take a look at the National Civil Aviation Review Commission report and I would like to summarize the recommendations as they relate to FAA funding and management:

(a) "FAA's budget treatment must change"—The issue is a red herring, but nevertheless we did it last year.

(b) "FAA's management must become performance based"—That one is more in your hands than mine.

(c) "FAA's revenue stream must become more cost-based"—Again, more in your hands than mine, although we did give the Department specific authority to do just that with the Oceanic program—authority which the Department has not utilized for the past three years.

(d) "FAA must control its operating costs and increase capital investment"—We've given you the resources to increase capital investments but the FAA has done nothing to control operating costs—to the contrary, the controllers' agreement basically handed Uncle Sam's checkbook over to the controllers' union.

(e) "Airport capital needs must be met"—This specific recommendation called for a minimum of $2 billion per year for the next five years. Since I've been chairman of this subcommittee, we have achieved the highest levels of airport investment ever. The task is really to get the airports' capacity built where it makes a difference for the system.

So, Mr. Secretary. We're paying attention to the report. I suggest that the burden of the report's recommendations that still need to be implemented fall overwhelmingly on the FAA and on the Department. I look forward to working with you to help you do the management job that always seems to fall through the cracks at the FAA. Can you give me a sense of what is in the President's Budget that addresses the challenges that I have identified as in the FAA's court?

Answer. Congress has indeed been forthcoming with the increased funding levels for the FAA authorized by AIR–21. The Administration hopes Congress will fund the AIR–21 levels included in the fiscal year 2002 President's Budget request. The fiscal year 2002 request will cover a number of elements, some of them already under way, to increase the FAA's productivity. The cost accounting system will be expanded to all lines of business by the end of fiscal year 2002, allowing FAA and its customers to identify where FAA facilities operate most efficiently and to focus attention on addressing the shortcomings of less efficient facilities. Cost performance analysis will be further implemented. Within the budget request, FAA will also cover the expenses of a Chief Operating Officer and the Management Advisory Committee, which will help provide performance-oriented oversight to the agency.

The budget request assumes that any new labor agreements at FAA will be cost-neutral. And on the matter of airport capital needs, as outlined in the Department's recent report to Congress on environmental reviews of airport infrastructure projects, a number of runway projects at major airports are now in the review pipeline. To the extent that discretionary airports grants funds are available for FAA prioritization, FAA will emphasize projects that expand the capacity of the national airspace system, along with safety- and security-related projects.

QUESTIONS SUBMITTED BY SENATOR PATTY MURRAY

CORPORATE AVERAGE FUEL ECONOMY (CAFE)

Question. The CAFE law has served to double the fuel economy of America's vehicle fleet, saving 3 million barrels of oil per day. However, these energy savings are being eroded by the rising use of gas guzzling SUVs which now represent nearly 50 percent of all new vehicles sold. Fuel economy for these vehicles has not been increased for 19 years despite their skyrocketing use. Is the Administration likely to propose an increase to the fuel economy of these vehicles as part of its energy policy?

Answer. Light truck CAFE has been established through model year 2003 at 20.7 mpg. This level has remained unchanged since model year 1996 as a result of a provision in the Transportation and Related Agencies Appropriations Act each year, from 1996 through 2001, that prohibits NHTSA from changing the standard. While the fiscal year 2001 DOT Appropriations Act still included this rider, it also included a provision directing the Department to fund a National Academy of Sciences study on the effectiveness and impacts of CAFE standards. The National Academy of Sciences study is to be submitted to Congress in July 2001. This study should provide Congress with comprehensive information that will provide an objective basis for addressing the issue of future fuel economy standards.

On May 17, 2001, the Energy Policy Development Group, led by Vice President Dick Cheney, issued its National Energy Policy. This report made recommendations to President Bush regarding the path that the Administration's energy policy should take and included specific recommendations regarding vehicle fuel economy and CAFE. The report recommends that the President direct the Secretary of Transportation to:

—Review and provide recommendations on establishing CAFE standards with due consideration of the National Academy of Sciences study to be released in July 2001. Responsibly crafted CAFE standards should increase efficiency without negatively impacting the U.S. automotive industry. The determination of future fuel economy standards must, therefore, be addressed analytically and based on sound science.

—Consider passenger safety, economic concerns, and disparate impact on the U.S. versus foreign fleet of automobiles.

—Look at other market-based approaches to increasing the national average fuel economy of new motor vehicles.

NHTSA will carefully review the results of the National Academy of Sciences study, along with other pertinent information on safety and economic issues, in responding to the National Energy Policy recommendations. Additionally, if the Congressional provision is eliminated in the future, NHTSA will resume its CAFE responsibilities of setting and reviewing fuel economy standards based on four criteria: (1) technological feasibility; (2) economic practicability; (3) the effect of other standards on fuel economy; and (4) the need of the nation to conserve energy.

NATIONAL ENERGY POLICY

Question. What input has DOT had in the development of this national energy policy?

Answer. I was a member of the National Energy Policy Development group, and in that role participated in the deliberations and decision-making that culminated in the National Energy Policy. During the course of the group's deliberations, NHTSA was asked to identify and provide background information about fuel economy issues.

CAFE FOR LIGHT TRUCKS AND SUVS

Question. We are told that the Administration is likely to propose drilling for oil in the Arctic National Wildlife Refuge (ANWR). According to estimates by the U.S. Geological Service, ANWR could provide, at best, 3.2 billion barrels of economically recoverable oil, or 350,000 barrels of oil per day. It is estimated, however, that raising the CAFE standard for light trucks by just 3 miles per gallon would save even more oil than drilling in ANWR.

Given our energy crunch and the fact that the fuel economy performance of light trucks and SUVs hasn't changed in almost two decades, doesn't it make sense to consider raising the CAFE standard on these vehicles before we drill for oil in pristine wilderness areas?

Answer. The National Academy of Sciences (NAS) study, due in July 2001, will provide Congress and the Department with valuable information to move forward in addressing the issue of future fuel economy standards. If the Congressional provision on CAFE is eliminated from the appropriations bill, NHTSA will take the NAS report into consideration prior to taking action regarding any modifications to the CAFE standards, as well as considering the factors specified in the CAFE law and the National Energy Policy.

Question. Do you believe that, without a federally mandated increase in the CAFE standards, the auto industry will improve the fuel economy of SUVs and light trucks? Why?

Answer. It is difficult to speculate on what manufacturers would do to improve the fuel economy of their SUVs and light trucks if there are no increases in the CAFE standards. Since the CAFE standard for light trucks was frozen at 20.7 mpg in model year 1996, the average fuel economy of SUVs and light trucks has been stable. However, within the last year, there have been statements from Ford, General Motors and DaimlerChrysler regarding the fuel economy levels of their SUVs and light trucks. Last July, Ford pledged to improve the average gas mileage of its SUVs by 25 percent by 2005. General Motors responded a week later vowing to exceed Ford in the average fuel economy of its SUVs and light trucks. In April, DaimlerChrysler said that it would keep pace with Ford and General Motors in overall light truck fuel economy. While the Department is encouraged by these pledges and has no reason to doubt the three manufacturers' commitments, DOT can't determine what the entire auto industry would do to improve the fuel economy of their SUVs and light trucks if there were no increases in the CAFE standards.

REDUCTIONS IN MARINE SAFETY ACTIVITIES

Question. In the last year of the Clinton Administration, the DOT failed to meet its performance goal for reducing maritime oil spills. In fact, the volume of oil spilled rose 70 percent over the prior year's level. That same data also shows that nearly two-thirds was spilled from facilities. The Bush Administration has now endorsed the goal of reducing the volume of oil spilled by 22 percent below last year's level. That said, your budget request for the Coast Guard proposes to reduce the number of inspectors that ensure that oil and bulk cargo facilities are complying with the environmental laws.

How do you reconcile your published goals of reducing oil spills with your budget request to eliminate these inspectors?

Answer. The proposed reduction of 17 billets for facility inspectors will not significantly impair the Coast Guard's ability to achieve its goal for reducing oil spill volume. The reduction in oil spill volume over the last 10 years shows a significant decline. Most oil spill volume continues to come from vessels rather than facilities. Fiscal year 2000 data contains 9 spills over 10,000 gallons; 7 of these are from vessels and 2 from facilities. The Coast Guard did not have any inspection jurisdiction for the major facility spills in fiscal year 2000. Therefore, the causes of these spills would not have been addressed by Coast Guard facility inspectors. The Coast Guard included these spill amounts in the reports because the Coast Guard assisted the EPA Federal On-Scene Coordinator as part of the response.

The Coast Guard performance goal is to reduce the volume of oil spilled by 20 percent by 2005. This reduction goal is based on a five-year rolling average. This methodology is a better measure of overall trends than a one-year snapshot because it mitigates the effect of anomalies.

REDUCTIONS IN FISHERIES ENFORCEMENT EFFORTS

Question. We are hearing reports that the Coast Guard is reducing its cutter hours by almost 30 percent because of budget shortfalls in the current fiscal year. While the Committee fully funded their budget request of last year, the Defense Authorization Act mandated several million dollars in new costs that were not covered in last year's appropriation. These funding shortfalls are forcing the Coast Guard to cut back its fisheries enforcement efforts. How does this reality square with your performance goal to reduce the number of fish species that are over-fished?

Answer. Less enforcement aggravates a negative trend of more fish stocks being designated as over-fished. However, the President has requested $98 million in fiscal year 2001 supplemental funding to address Coast Guard shortfall. This funding will help increase fisheries enforcement efforts.

Question. Do you believe that the Coast Guard currently has enough resources to fully execute its missions for the current fiscal year?

Answer. The Coast Guard is facing an immediate fiscal year 2001 funding shortfall. The President has requested $98 million in fiscal year 2001 supplemental appropriations to address this shortfall.

Question. What is the likelihood that the Administration will be requesting a supplemental appropriation for the Coast Guard this year?

Answer. The President has submitted a request for $98 million in fiscal year 2001 supplemental appropriations.

INCREASING SEAT BELT USE

Question. Your performance plan calls for a dramatic increase in the number of individuals wearing seat belts. Your goal is to increase seat belt usage by 87 percent in fiscal year 2002 and 90 percent by 2005. That is a dramatic increase over the current level, which is 71 percent. A review of your budget request for the National Highway Traffic Safety Administration doesn't reveal any dramatic new funding initiatives to boost seat belt use. How then do you intend to reach your goal to boost seat belt use to 87 percent next year?

Answer. NHTSA recognizes that reaching 87 percent seat belt use will be difficult. However, currently eight States, Puerto Rico and the District of Columbia have achieved seat belt use of 80 percent or higher. The agency believes that a three-tiered approach of programs and funding for enforcement and public awareness at the national, state, and local level will raise seat belt use rates for this year and next.

At the national level, NHTSA will continue to build upon the cadre of over 10,000 law enforcement agencies and hundreds of public and private sector partners which will be participating in national seat belt enforcement mobilizations. A mobilization was held over the Memorial Day weekend and an additional mobilization will be held over the Thanksgiving holiday weekend.

At the state level, NHTSA will continue funding enforcement education and outreach activities through the Transportation Equity Act for the 21st Century grant programs (i.e., Section 157 and Section 405). Under Section 157, nearly $90 million will be distributed to the States in fiscal year 2001 to increase seat belt and child safety seat usage. NHTSA will encourage that a portion of Section 157 funding be used for paid media efforts, similar to the recent paid media effort in South Carolina that resulted in an 8 percent increase in seat belt use.

At the local level, NHTSA will utilize a fiscal year 2001 Congressional earmark of $1 million to fund at least 20 local grants (a maximum of $50,000 each) to reach high-risk groups that are not buckling up. Similar to the "Buckle Up Now" program initiated in Elmira, New York, these grants will support highly publicized, enhanced enforcement to create the perception of a nearly certain risk of being stopped for not using a safety belt. In Elmira, the program achieved a seat belt use rate of 90 percent.

Question. What other initiatives are you considering to reach this goal?

Answer. NHTSA views fatalities and injuries due to crashes for what they truly are, a major public health problem. The agency is considering other methods to increase seat belt use, which would parallel those that have been successful in other public health campaigns (e.g., enactment of laws requiring children to be vaccinated before beginning school). Reaching the national goal of 90 percent by 2005 would require a significant change to the traditional approaches. Such methods would include: (1) Strong incentives (such as grant programs) that encourage States to adopt standard seat belt laws; (2) The commitment of significant funds to conduct an expanded national educational campaign on the scale of other public health campaigns, such as those focusing on drug abuse and AIDS prevention; (3) Support from policymakers at all levels for standard seat belt laws. NHTSA is committed to working with the Administration and members of Congress to provide State legislators the support needed to address standard enforcement issues in their states; and (4) Incentives for automobile manufacturers to incorporate new technologies in vehicles that ensure seat belt use. Such technologies include advanced seat belt reminder systems.

STATE SEAT BELT LAWS

Question. Is the Administration prepared to endorse a requirement that States impose primary seat belt laws so police can stop drivers solely because they are not wearing their seat belt?

Answer. Under Section 405 of the Transportation Equity Act for the 21st Century, States are encouraged to pass primary seat belt laws as one of several criteria to qualify for incentive grants. Additionally, other criteria such as public support for enforcement, established state and local practices, and availability of funds for law enforcement all influence the amount of enforcement conducted in a State. However, one consistent indicator of seat belt use is the type of seat belt law within a State. States with a standard law are able to directly enforce their law without requiring another infraction. As a result, the seat belt use rate in standard law States are between 10 and 15 percentage points higher than in secondary law states.

Currently, 17 States, the District of Columbia, Puerto Rico, and the U.S. territories have standard enforcement belt laws in place; 32 States have secondary enforcement laws in place. One State, New Hampshire, has no adult seat belt law. Overall, based on surveys completed in 1999, seat belt use in States with primary enforcement laws was 77 percent, while usage in States with secondary enforcement laws was only 63 percent.

In January 2001, a national seat belt use summit was held to assess what policies have been effective in increasing seat belt use over the past several decades. This summit, sponsored by the Automotive Coalition for Traffic Safety, was attended by NHTSA senior staff and over 30 other national leaders in traffic safety. One important conclusion of the summit was that education alone is not enough to increase seat belt use. Such education must be coupled with State efforts to strengthen their seat belt laws to cover all passenger vehicle occupants. Such laws should provide for standard (primary) enforcement and meaningful penalties. There should also be support for highly visible law enforcement of seat belt laws, but strong steps should be taken to ensure that all citizens are treated fairly during traffic stops.

PIPELINE SAFETY—NEW INSPECTION RULES

Question. The Office of Pipeline Safety has been very active in the last year working on new pipeline safety rules—many of which were mandated by the Congress long ago. I hope that you will pass on to the Pipeline Safety staff my appreciation for the work that they are doing to get these rules out. The Department has a rule for the testing and inspection of liquid pipelines and is working on a rule for natural gas lines. When do you expect the natural gas rule to be completed?

Answer. The Department is working to complete integrity management rules in an expeditious and deliberative fashion. Several regulatory steps are needed before the natural gas rule can be completed; however, the Department expects to complete all of them before the end of calendar year 2002. In the interim, the Department will be: (1) summarizing the results of the recent, related public workshop and requesting public comment; (2) proposing, and subsequently finalizing, a regulatory definition for "high consequence areas—or HCA's" that apply to natural gas pipelines; and (3) proposing and finalizing the integrity management program requirements rule. The request for public comment is expected to be published this Summer; the definition for natural gas pipeline HCA's will be proposed during the Fall; and the natural gas integrity management requirements is expected to be published before the end of calendar year 2001.

PIPELINE SAFETY—INSPECTOR TRAINING & MAPPING

Question. Mr. Secretary, when the DOT IG testified before this Subcommittee in February, he questioned whether RSPA's pipeline safety inspectors even knew how to read the Asmart pig reports that are generated after an inspection on a line. Your proposed budget provides $1.2 million for 26 new positions in the Office of Pipeline Safety and also includes $4.9 million for your new Integrity Management Program. Can you tell us a little bit about the new Integrity Management Program and how it will assist the current and new inspectors on how to evaluate advanced pipeline inspection technologies?

Answer. The series of Integrity Management Program rules either already issued or under development create new requirements that expand coverage of the regulations by requiring testing of pipelines in predefined high consequence areas. These rules also build on the lessons of the past few years to move the regulations beyond a purely test-and-repair focus and into the management of risks within pipeline companies. These rules require companies to take test results and integrate that data with information on all the risks the pipelines face, and to take prompt remedial action based on specific repair criteria. The Department is preparing the inspection program to cover these requirements.

As part of that preparation, the Office of Pipeline Safety (OPS) is using existing resources to begin multi-region, system-wide inspections and integrity management audit training and has begun providing selected Federal inspectors with supplemental training on internal inspection technologies and interpretation of the data they generate; an initial pilot conducted in December 2000 will be expanded later this year. Inspectors will receive further training in interpreting internal inspection results through continued on-the-job-training programs during review of pipeline operators' integrity management programs. RSPA will continue to take key findings from the Research and Development activities back to the Regions through reports and selected briefings.

Question. The Inspector General's report on the top ten management challenges for the Department also stated that RSPA needs to complete the development of a geographic information system showing the location of hazardous liquid and natural gas pipelines. I understand that the agency has completed about 85 percent of its mapping of the hazardous liquid pipelines but that the mapping for the natural gas pipelines is farther behind. When do you expect the pipeline mapping to be completed?

Answer. Because of ongoing and increasing construction of new pipelines as well as frequent changes in ownership of existing pipelines, maintaining the accuracy of the National Pipeline Mapping System (NPMS) will require continuing efforts. As of April 25, 2001, the NPMS has received approximately 82 percent of the hazardous liquid and 40 percent of the natural gas transmission pipeline data. Combined, the pipeline data submitted represents 54 percent of all OPS jurisdictional pipelines. The OPS continues to work with the pipeline trade associations, State partners, and individual companies to encourage pipeline operator participation in the NPMS.

The Office of Pipeline Safety (OPS) is actively developing the NPMS to ensure that it will contain basic information for all major hazardous liquid trunk lines and natural gas transmission pipelines operating in the United States. This information continues to play an important role in the Department's efforts to protect people and the environment. The NPMS is already proving important as a regulatory tool to improve oversight of Integrity Management Program rules as those rules become effective. The compliance dates for rules applicable to larger hazardous liquid pipelines are effective at the beginning of 2001. Related rules for smaller hazardous liquid and natural gas pipelines follow.

In addition, much of the data received by the NPMS to date has been made available to communities across the Nation through an internet mapping service run by the OPS. Through this service, communities and individual citizens can get information on the pipelines and pipeline operators who traverse and service their locations. This service is accessible through the following link: http://www.npms.rspa.dot.gov

TEA–21 FUNDING FOR THE STATES

Question. As I mentioned in my opening statement, I was one of the principal authors of the provision in TEA–21 that guaranteed that the receipts in the Highway Trust Fund would be used for the purpose for which they were collected—the restoration and construction of our Nation's highways. Your budget proposes several changes in TEA–21 which, taken together, results in the States receiving roughly $430 million less for highway construction than they would if the TEA–21 law was adhered to. One of those changes is to guarantee that highway research programs get 100 percent of their authorization while construction grants to the States take a pro-rata reduction to pay for that increase. Why was it decided that research programs should have a higher priority than construction?

Answer. It is not a question of a giving research a higher priority than construction, but of having sufficient funds to continue to support a meaningful national research and technology (R&T) program. Over the years, working with its partners and customers, FHWA has established a coordinated national R&T program dedicated to finding innovative solutions to the problems facing the highway community.

Research is a very small portion of the overall budget, but it can lead to major payoffs in terms of improved highway construction. Future State highway construction programs will be the primary beneficiaries from a coordinated and robust R&T program. In fact, the Board of Directors of the American Association of Highway and Transportation Officials has passed a policy resolution supporting the Administration's proposal for full funding for research.

Earmarking makes it extremely difficult for FHWA to conduct a viable national R&T program. Cancellation of critical on-going work, forced reduction in contractor staff, and closure of FHWA research laboratories at Turner-Fairbank Highway Research Center are real possibilities. Of particular concern is FHWA's ability to remain credible and effective in carrying out carefully conceived multi-year plans, which have established product schedules and expectations of delivery by our State and other partners. The States, through the National Cooperative Highway Research Program, have provided funds to support national programs and help complete important work that would otherwise not be funded. Providing FHWA's R&T program 100 percent of its authorization would be one small step toward realizing these goals and would free up States' funds for other priorities.

NEW FREEDOM INITIATIVE

Question. Your budget calls for $145 million to be diverted from construction grants to the States to improve transportation access for the disabled. I support this purpose but I oppose your proposal that the funding be diverted from construction dollars to the States.

Why was it appropriate that funding for this new initiative for the disabled should come at the expense of the construction funds to the States?

Answer. Again, it is not a question of a giving access to transportation a higher priority than construction. The Administration believes that every American should have the opportunity to participate fully in society and engage in productive work. Unfortunately, millions of Americans with disabilities are locked out of the workplace because they are denied the tools and access necessary for success. Through the "New Freedom Initiative," the Administration plans to help integrate Americans with disabilities into the workforce and funds two programs within this budget from $145 million of revenue aligned budget authority (RABA).

It is understandable that the Committee would be concerned because this request reduces the amount of RABA funds that would otherwise go to the States. However, RABA has grown significantly since its inception. The $4.5 billion in RABA funds for fiscal year 2002 represents a 49 percent and 212 percent increase over the fiscal year 2001 and fiscal year 2000 RABA amounts, respectively. The $145 million the President's budget proposes to set-aside for the New Freedom Initiative represents only 3 percent of the total RABA funds—a small price for a very important program that will give transportation access to those who otherwise would not have it.

The Department is not the primary agency involved in the New Freedom Initiative, and that the President is trying to make a significant difference in the life experience of the disabled across-the-board. Hopefully, in reviewing the proposal, the Committee will see this initiative as an extension of the other programs that assist individuals to use transportation successfully.

NATIONAL ENERGY POLICY AND CONGESTION RELIEF

Question. We have heard that addressing the nation's energy problems is one of the top priorities for the Bush Administration. In a few weeks, the Administration will reveal its final energy policy recommendations. According to a recent study, improving traffic flow at our nation's 167 worst bottlenecks would reduce gasoline consumption by nearly 20 billion gallons over the next 20 years. Congestion currently costs our economy roughly $72.2 billion per year, which includes $48.28 billion due to wasted fuel. Have you been involved in the Administration's energy task force deliberations?

Answer. I am a member of the Vice President's National Energy Policy Development Group and have participated fully in the development of our National Energy Policy.

Question. Is congestion relief a part of the Administration's national energy policy? If not, why not?

Answer. The National Energy Policy Development Group recommends that the President direct the Secretary of Transportation to review and promote congestion mitigation technologies and strategies, and to work with Congress on legislation to implement these strategies. Congestion relief is a top priority of mine as congestion is a problem in virtually every mode of transportation. Additionally, the benefits of reducing congestion go beyond reduced energy consumption. Investments made to reduce congestion also provide environmental and quality of life benefits and most importantly, reduce overall transportation costs. That is why the President's Budget Request proposes full funding for the transportation capital improvements critically necessary to solving our capacity challenges over the long run. Highway, transit, aviation, and rail infrastructure investments total $42.8 billion, 39 percent above the average annual investment over the prior eight years.

Nowhere is the congestion challenge more evident than in air traffic control. In the year 2000, over 650 million passengers flew on U.S. airlines, a 50 percent increase in just nine years. To address this, the proposed budget puts new emphasis on congestion-related problems—for instance, the budget requests funds for weather systems for towers becoming operational in 2002, allowing controllers to minimize disruptions to traffic flow from severe weather and reduce delays and diversions caused by imperfect knowledge of the location of severe weather.

Question. Are there any other transportation components in the Administration's national energy policy? If so, can you comment on them?

Answer. The National Energy Policy Development (NEPD) Group recommends that the President direct the Secretary of the Treasury to work with Congress on legislation to increase energy efficiency with a tax credit for fuel-efficient vehicles. The NEPD Group recommends that a temporary, efficiency-based income tax credit be available for purchase of new hybrid fuel cell vehicles between 2002 and 2007. Market incentives to encourage consumers to purchase energy efficient vehicles must be a key element of any plan to introduce more vehicles into the national fleet. Technologies currently exist that can help improve the fuel economy of highway vehicles. Tax credits for high fuel efficiency vehicles would provide a more immediate financial incentive to encourage consumers to choose vehicles with better fuel economy and will help our automobile manufacturers remain competitive.

The National Academy of Sciences is currently investigating vehicle fuel efficiency and the Corporate Average Fuel Economy program, with a report due July 1. The National Energy Policy Development Group recommends that the President direct the Secretary of the Transportation to review and provide recommendations on establishing Corporate Average Fuel Economy (CAFE) standards with due consideration of the National Academy of Sciences study. Responsibly crafted CAFE standards should increase efficiency without negatively impacting the U.S. automotive industry.

The National Energy Policy recognizes the need to take advantage of opportunities for reducing oil demand in the transportation sector by increasing conservation and improving transportation efficiency. In light of this, the Administration remains committed to investing in Intelligent Transportation Systems (ITS) as well as to DOT's transit programs such as the fuel-cell-powered bus program and the Clean Buses program. Furthermore, the NEPD Group recommends that the President direct the EPA and DOT to develop ways to reduce demand for petroleum transportation fuels by working with the trucking industry to establish a program to reduce emissions and fuel consumption from long-haul trucks at truck stops by implementing alternatives to idling, such as electrification and auxiliary power units at truck stops along interstate highways.

ACCESS TO AVIATION FOR SMALLER COMMUNITIES

Question. Many people have trumpeted the success of airline deregulation. They claim that it has dramatically improved air service and brought down air fares. I can tell you that, in West Virginia, we have lost an extraordinary amount of air service since deregulation and the air fares have gone nowhere but up. Can you please tell me what the Bush Administration policy is regarding improving air service to smaller communities and ensuring that air passengers in these communities get affordable fares?

Answer. The Department has an affirmative responsibility to make sure that competition continues to be sufficient to protect the interests of consumers at all communities, large and small; that there is adequate infrastructure; and that competitive conditions continue to exist. Providing adequate access and enhancing competition so that the marketplace can properly function will ultimately result in the best service and most competitive prices at cities of all sizes.

Question. We are currently seeing a significant number of proposed mergers in the airline industry. There is a great deal of concern that these mergers will result in smaller communities enjoying even less service than they receive now. The Department of Transportation currently comments on these merger proposals but the Department of Justice is charged with ensuring that there are no anti-competitive results from these mergers. Does the DOT make any effort to screen these merger proposals in terms of their impact on service to less popular airports? Would your Administration support a proposed merger even if it meant reduced service to smaller communities?

Answer. Any merger that reduced competition would likely harm smaller communities, which is why the government must carefully examine whether an airline merger would violate the antitrust laws.

Question. Do you believe the Department of Transportation should have an equal place at the table with the Department of Justice in terms of reviewing these mergers?

Answer. DOT's proper role in reviewing airline mergers and acquisitions is to provide advice to the Justice Department, based on DOT's expertise in transportation issues. The Justice Department should determine whether or not an airline transaction should be challenged on competitive grounds, just as it does with transactions in other unregulated or deregulated industries.

A separate review of a merger by DOT would create a potential conflict between the decisions of two Executive Branch Departments, subject the parties to such transactions to duplicative reviews, and result in an inefficient use of Government resources. The FTC has the authority to review mergers under its authority to prohibit unfair methods of competition in other industries, just as we do in the airline industry, but the FTC does not conduct its own investigations of mergers that are being examined by the Justice Department under the antitrust laws.

A DOT proceeding would also be contrary to Congress' decision to repeal the statutory provision that had required DOT's prior approval for all airline mergers and acquisitions. Congress repealed that provision as part of its deregulation of the airline industry and its decision to treat airlines like firms in other unregulated industries.

Question. Your Federal Aviation Administration just established new benchmarks identifying which airports don't have the capacity to accommodate the growing level of air traffic. One of the proposals being considered to ease congestion at these airports is to allow the airports to charge the airlines much higher rates to land and take off at peak travel times. Isn't it possible that this policy could result in flights to communities like Charleston, Parkersburg, Huntington, and Morgantown being relegated to inconvenient travel times?

Answer. It is possible that pricing schemes that are designed to reduce congestion at crowded airports could result in flights to these cities being rescheduled. The fact is that where excessive scheduling has resulted in unacceptable delays some flights will have to be moved to other times. On the other hand, the Department is well aware of the air service needs of small communities and that concern should constitute an important consideration in developing any fee-based approach to reduce congestion.

Question. Would you agree that such a policy change must be attentive to maintaining fair access to flights service smaller communities?

Answer. Small community access is an important public policy issue to be considered in proposals to reduce congestion delays at airports.

OPENING THE BORDER TO MEXICAN TRUCKS

Question. The Bush Administration has decided to reverse the position of the Clinton Administration and allow Mexican trucks to haul cargo to any destination in the United States. Your budget proposes to use $56 million in funds that would otherwise go to the states for highway construction in order to build new inspection facilities on the border to accommodate this influx. Can you guarantee this subcommittee that, once your policy is in place (to open the border in accordance with NAFTA), your inspections of Mexican trucks will show the same or better safety ratings than U.S. trucks?

Answer. The drop in the Mexican-domiciled carrier out-of-service rate from 56 percent in 1995 to the current 36 percent demonstrates that increased enforcement activities led to improved compliance. However, over one-third of the vehicles being inspected still have safety flaws serious enough to warrant repairs before they can be allowed on the road. The Department's goal is to bring the out-of-service rate for Mexican vehicles to the U.S. National rate, currently at 24 percent.

In support of this goal, the Department is taking significant action as outlined below:

—Working with the Government of Mexico and State partners along the Southwest border, DOT has assisted Mexican transportation officials in training safety inspectors and in developing an information system to support a motor carrier safety oversight program, similar to those in the U.S. and Canada.

—All carriers, commercial vehicles and drivers operating in the United States must meet the same safety standards, the Federal Motor Carrier Safety Regulations, regardless of country of origin. DOT has provided additional funding to the border-states through the Motor Carrier Safety Assistance Program to address the added enforcement challenges at the border associated with the North American Free Trade Agreement and has deployed Federal staff to supplement

State enforcement staffing performing inspections. Approximately $11.6 million was dedicated to these activities in fiscal year 2001.

—On May 3, 2001, the Department proposed regulations to require each Mexican-domiciled carrier wishing to operate within or beyond the commercial zones to apply and receive authority. Those carriers currently operating within the commercial zones must reapply for authority. Applicants will have to substantiate their knowledge of U.S. safety regulations and their intent to comply with all requirements. FMCSA will inform prospective carriers of the data they must supply to obtain authority and on safety compliance requirements. The information in each application will be carefully reviewed and verified by FMCSA, and the safety performance of each carrier granted conditional operating authority will be closely monitored. Within the first 18 months of operation each carrier will be subjected to a safety audit.

—The fiscal year 2002 President's Budget request includes $13.9 million to hire an additional 80 Federal staff to perform safety inspections and conduct safety audits of Mexican-domiciled carriers. This new staffing supplements the authorized fiscal year 2001 level of 60 Federal inspectors bringing the total Federal presence at the border to 140 enforcement personnel. The primary duty of the 80 new Federal personnel will be to conduct inspections.

—$54 million is requested to provide the Federal share for new/modified State inspection facilities construction and $2.3 million for immediate Federal construction needs to provide areas to park vehicles placed out of service.

—$18 million in new funding is requested to support up to an additional 178 State inspection personnel—a 100 percent staffing increase—for an estimated combined Federal/State enforcement staff of 496.

Question. I understand that, at present, U.S. motor carrier safety inspectors travel into Canada to perform compliance reviews on Canadian trucking firms that wish to operate in the U.S. We are told, however, that under your new policy, your motor carrier inspectors will not travel into Mexico to perform compliance reviews on Mexican trucking firms. Is this correct (that FMCSA investigators will not travel into Mexico to perform compliance reviews on Mexican trucking firms)? How can you do a thorough safety review of these Mexican truck operations if your inspectors do not travel to their facilities in Mexico?

Answer. As part of the proposed regulations issued on May 3, 2001, governing the process by which DOT will review the safety records of Mexican carriers, the Department has included the option to perform reviews in either the U.S. or Mexico. Consequently, FMCSA will retain the flexibility to either perform these reviews at the border or at the firm's place of business. FMCSA is prepared to travel to Mexico to complete the safety reviews if necessary to effectively evaluate the carriers' records and operations.

Question. Is it fair to all the trucking firms in the U.S. to perform inspections of their facilities but not the facilities of Mexican trucking firms?

Answer. Standards of fairness will be applied equitably. Because the standards applied to determine the safety fitness status of the carriers are the same regardless of the location of the compliance review, no firm will hold an unfair advantage. The compliance reviews of Mexican carriers conducted at a U.S. location will be no less stringent than those of U.S. carriers conducted at the carrier's place of business. Since the primary focus of the review is on the carrier's safety systems rather than the actual facility, conducting the review on site is not a critical component in assessing their safety performance. Additionally, U.S. carriers should find the current compliance review process more convenient since they do not have to travel or transport their records to another location.

INSPECTOR GENERAL RECOMMENDATIONS

Question. Your Inspector General issued a report recommending that you boost the number of truck inspectors along the border by 133 percent to a total of 140. Your budget follows this recommendation. However, the Inspector General's recommendation was based on the assumption that the increase in traffic would only be attributable to trucks entering certain commercial zones that are close to the Mexican border. Your proposal would allow Mexican trucks to travel anywhere in the United States. This will bring a much larger number of Mexican trucks across the border. Why do you believe that 140 inspectors will be enough given your policy to allow Mexican trucks to travel anywhere in the United States?

Answer. The $88.2 million in additional funding requested by the Administration in its fiscal year 2002 budget provides for a comprehensive Federal and State safety enforcement partnership at the U.S./Mexico border. The intent of creating a Federal enforcement presence along the southwest border has been, from its initiation, to supplement rather than supplant State enforcement efforts. Federal inspectors have been deployed in locations where the States do not currently have enough resources to provide appropriate coverage. The fiscal year 2002 budget request provides resources to support an estimated combined Federal/State border enforcement staff of 496. The 140 Federal enforcement staff provides the minimum level necessary to ensure that vehicles and drivers that enter the U.S. have been screened for compliance. In addition to increased enforcement activities at the border, vehicles and drivers are also subject to State commercial vehicle safety inspections throughout the U.S. interior, providing an added layer of safety assurance.

Question. At present, we do not allow U.S. truck drivers to hold commercial driver licenses if they have an unacceptable record of safety violations. However, the Mexican government has no comprehensive system to monitor their licensed truckers. How will you be able to guarantee that the truckers coming across the border from Mexico have an acceptable driving record? Is it fair to impose this requirement on U.S. truck drivers but not on Mexican drivers?

Answer. Mexican drivers operating in the United States must comply with the full range of Federal and State safety requirements applicable to U.S. carriers, including driver qualifications. As part of the application process, carriers applying for authority to operate in the U.S. must ensure that drivers have a valid driver's license and an acceptable safety record. Driver information included on the application is verified through Mexico's driver license information system and by follow-up interviews with the carrier as necessary prior to approving the application. The FMCSA will also routinely verify driver license information during roadside inspections and monitor driver performance in the U.S. to ensure that all drivers operate safely. Under no circumstances will drivers with an unacceptable record of safety violations be allowed to continue to operate in the U.S.

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

AIRLINE COMPETITION

Question. Secretary Mineta, on February 12, 2001, my colleague on the Antitrust Subcommittee, Senator DeWine, and I wrote to you to urge the Department of Transportation to use its authority under the Transportation Act to investigate the competitive effect of all the pending airline mergers. As you know, the Transportation Act empowers the Transportation Department to prevent "unreasonable industry concentration, excessive market domination, monopoly of powers, and other conditions that would tend to allow at least one air carrier unreasonably to increase prices, reduce services, or exclude competition in air transportation." While you initially made several statements that your Department was going to take an active role in reviewing the competitive effects of these mergers and was preparing competitive analyses for use by the Justice Department, more recent press reports indicate that you have decided not to conduct this analysis.

Secretary Mineta, I am quite disappointed by this apparent change in your position. If these reports are correct, why are you unwilling to exercise your statutory authority to prevent unreasonable concentration in the airline industry?

Answer. The Department has had very constructive discussions with DOJ about DOT's role in the airline merger review process; DOT and DOJ both are comfortable with the process. The Department of Transportation conducts an extensive independent analysis of mergers, and in the case of United's acquisition of US Airways, DOT had detailed discussions with DOJ about this Department's analysis. At DOJ's request, DOT has also conducted additional analyses.

Question. Are you concerned with the level of concentration in the airline industry which will be created if all the pending mergers and acquisitions are completed as planned?

Answer. I remain confident that the Department of Justice will not allow mergers and acquisitions that would reduce competition in the airline industry sufficiently to significantly harm consumers.

Question. What is your view of the role of the Department of Transportation in promoting competition in the airline industry?

Answer. The Department of Transportation is the watchdog of airline competition and has a responsibility to ensure that the benefits of deregulation continue. I am committed to fulfilling our responsibility to assure that airline markets are at least as competitive as they need to be to protect the interests of consumers. Very broadly, the Department must do two things to enhance competition. The first is to make sure that the transportation infrastructure is adequate to meet demand. Nothing so surely restricts competition as inadequate infrastructure capacity. The second is to increase DOT's ability to analyze the complex airline industry in order to best promote the public interest. This dynamic industry is constantly undergoing change and DOT must be better able to recognize important issues as they evolve, and, where possible, develop remedies that will, in the real world, benefit consumers. The Department must also be careful not to dabble where we are not sure our actions are benefiting consumers.

Question. Are you concerned that large airlines are gaining undue dominance over essential facilities, such as, for example, gates and slots, in the aviation system? Do you favor placing reasonable limits on the number of take-off and landing slots large airlines can operate at the nation's slot controlled airports?

Answer. Airport access is a critical issue for us to come to grips with for all airlines. As I stated in my testimony at my confirmation, one of my highest priorities is to do all I can to promote the expansion of the transportation infrastructure so that it is fully able to meet the demands of our growing economy and can contribute to that growth by providing greater efficiency in the movement of people and goods. We are now considering how to deal with access limitations at slot-controlled airports.

LORAN C

Question. Secretary Mineta, you have previously expressed your views about the importance of utilizing both satellite technology and existing navigation systems to meet national transportation system needs. One of the existing navigation systems that fisherman, boaters, and general aviation pilots and other currently rely on is Loran-C. A long-overdue report about the benefits of Loran was just recently released by DOT and it confirms that the user community overwhelmingly—94 percent—supports continuing Loran. Many of us have a strong interest in this issue because of growing evidence, including the President's Commission on Critical Infrastructure Protection, the two recent Rumsfeld reports and other studies, warning that our country should not rely on sole-means technology such as the Global Positioning System (GPS) for our navigation needs.

Your predecessor and others from the Department told us that DOT saw the benefits of continuing Loran and some of my colleagues and I were promised the Department was going to clearly state its policy commitment to the long-term continuation of this technology. We are still waiting. Mr. Secretary, it concerns me that the Department's budget includes only $13 million in fiscal year 2002 for further Loran improvements and that DOT has left Loran users, manufacturers and the international community in limbo about a long-term commitment to the configuration of this well-proven, cost-effective navigation system as part of the future navigation mix. Are you willing to promptly make it clear that DOT is committed to providing Loran services for the long term? If not, what barriers are preventing the Department from making such a commitment?

Answer. The Department is currently assessing the usefulness of continuing Loran-C and expects to make a decision on the long-term disposition no later than the end of this year.

Question. How do you reconcile the budget cuts to the Loran program with the mounting evidence of its necessity to the national transportation system?

Answer. The President's fiscal year 2002 budget includes $13 million to continue the recapitalization of Loran-C and continue evaluation of the capabilities of and need for an improved system to provide a complement or a backup to satellite-based systems. Additional investment will be needed in the out years should a decision be made to continue Loran-C for the long term. Loran-C is one of several technologies which might serve as a backup for satellite-based systems.

HIGH SPEED RAIL

Question. At last year's hearings, former Governor Tommy Thompson spoke about the importance of developing high-speed rail in America. He pointed to countries around the world investing in high-speed trains, much more so than in America. We have the opportunity to take a giant step towards eliminating this gap with the enactment of S. 250, the High-Speed Rail Investment Act. Under the proposal, for each of fiscal years 2002 through 2011, Amtrak is authorized to issue up to $1.2 billion in bonds for qualified projects, such as capital improvements in federally designated high-speed rail corridors, for a total of $12 billion. A majority of the U.S. Senate believes that enacting this legislation into law will be a strong first step toward developing a truly balanced transportation system that will better address our nation's traffic and environmental concerns. Does the Administration agree with this position?

Answer. Improved passenger rail service, including high-speed rail, in specific intercity corridors warrants a hard look as a potentially cost-effective way to address congestion and add flexibility for that part of our national transportation system that must meet passenger mobility needs. Improved passenger rail service will require substantial capital investment. There are portions of S. 250 that offer an interesting approach to providing for a portion of this capital, but the Administration has not yet taken a position on whether this is the best approach.

Question. If so, will you work with the Senate to get this legislation enacted this year?

Answer. The Administration has not yet taken a position on S. 250. The Department, however, would look forward to working with the Congress to identify and evaluate the strengths and weaknesses of various approaches for meeting the capital investment needs of improved and high-speed rail passenger service.

Question. What advances should we expect to be made in the coming years in regards to high-speed rail?

Answer. In the short-term, technological advances that help make high-speed rail more feasible in the United States. The Department is working on several that will help permit the introduction of safe passenger rail service in the 100 mph–150 mph speed range on existing rail corridors. Of particular note is the 150 mph lightweight non-electric locomotive, powered by an FAA certified jet (gas turbine) engine, which is currently undergoing tests at the Transportation Technology Center in Pueblo, Colorado, and the North American Joint Positive Train Control Project which is being developed on a segment of the designated high-speed corridor between Chicago and St. Louis.

HOAN BRIDGE

Question. Mr. Secretary, as you know, in December of last year, two of three support girders on the Hoan Bridge in Milwaukee snapped, thereby necessitating the demolition of a 217-foot span of the bridge. The Hoan Bridge is a vital part of the Wisconsin transportation system. Expansions in 1999 contributed to a 40 percent increase of vehicle trips over the bridge. In fact, statistics demonstrate an average annual daily traffic of 30,305 traveling over the bridge last year alone. The loss of the Hoan Bridge has had a deeply negative effect on the transportation system in Milwaukee.

I would like to thank you, Secretary Mineta, for accepting the application for funding submitted by the Wisconsin Department of Transportation under the Discretionary Bridge Program. I know that you have taken the time to view the bridge, and appreciate your efforts to investigate this matter for yourself. I truly appreciate your and the President's promise of helping the state address what we view as the catastrophic failure of the Hoan Bridge.

What specifics can you share with the committee about US DOT's provision of funding to the State of Wisconsin to repair the bridge?

Answer. President Bush considers fixing the Hoan Bridge a priority, and the Department is working with Governor McCallum and other State officials to identify the quickest way to rebuild this critical artery for Milwaukee.

All possible sources of funding for this effort are being explored. The Discretionary Bridge Program solicitation process for fiscal year 2002 funding is currently underway, and applications from the States must be submitted by July 16, 2001. On April 6, 2001, the Governor of Wisconsin submitted an application for $8.08 million in Discretionary Bridge Program funds for the Hoan Bridge. This application, together with all other qualified applications, will be ranked in accordance with statutory, regulatory, and administrative requirements. The Department will give the project serious consideration during the review process for discretionary funds, and will continue to work closely with the State of Wisconsin to ensure that the bridge is fully repaired as quickly and as efficiently as possible.

The FHWA also is helping to conduct an in-depth forensic examination to determine what caused the bridge's failure. The agency is working in partnership with the Wisconsin Department of Transportation, Lehigh and Northwestern Universities, and independent consultants.

Question. Can you provide us with a timeline for Federal funding?

Answer. The Office of the Federal Highway Administrator will make the final selections of bridge projects from the list of qualified applications and release funding shortly after enactment of the fiscal year 2002 Appropriations Act.

PASSENGER RAIL STATION AT MITCHELL AIRPORT

Question. My state is in the process of developing an airport station stop in Milwaukee for Amtrak service coming from Chicago. This project is long overdue. I believe train depot service at Mitchell airport addresses highway traffic congestion in the area. In addition, it will provide an important alternative for air passengers experiencing air traffic congestion at O'Hare. I would like to see if I can help make this situation happen through the appropriation process. What help can the Department of Transportation give to the state on this issue?

Answer. The Department of Transportation does not favor earmarking in its annual appropriation process for this project.

SUBCOMMITTEE RECESS

Senator BENNETT. Mr. Secretary, thank you so much for coming. This has been a useful morning and we appreciate very much your willingness to serve your country. We know you could make a lot more money someplace else, too.

Secretary MINETA. As could you, sir.

Senator BENNETT. Thank you.

Secretary MINETA. Thank you.

Senator BENNETT. The meeting is recessed.

[Whereupon, at 11:50 a.m., Thursday, April 26, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2002

FRIDAY, JUNE 1, 2001

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Seattle, WA.

The subcommittee met at 9:30 a.m., in the Commission Chambers at Port of Seattle, Seattle, Washington, Hon. Patty Murray presiding.

Present: Senator Murray.

DEPARTMENT OF TRANSPORTATION

COAST GUARD

STATEMENT OF REAR ADMIRAL ERROLL BROWN, 13TH COAST GUARD DISTRICT

ACCOMPANIED BY:

MASTER CHIEF PETTY OFFICER KEN BROWN, COMMAND MASTER CHIEF, 13TH DISTRICT

CAPTAIN MIKE MOORE, COMMANDING OFFICER, MARINE SAFETY OFFICE, PUGET SOUND

CAPTAIN JOHN VENTURE, CHIEF, MARINE SAFETY DIVISION

CAPTAIN BILL PETERSON, GROUP COMMANDER, PORT ANGELES

OVERVIEW OF COAST GUARD ACTIVITIES IN THE PACIFIC NORTHWEST

OPENING STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Good morning. I'm Senator Patty Murray, and we are here today to have a subcommittee hearing with the U.S. Coast Guard for the Transportation Committee, U.S. Senate. Welcome all of you here.

We have three panels that we will be talking with this morning, and I will begin with an opening statement, and then we will move to our first panel. The Coast Guard is absolutely critical to the lives and livelihood of the people of Washington State.

We depend on the Coast Guard to perform its missions every day, and to perform them flawlessly every time. During this subcommittee's hearing with Secretary Mineta last month, I discussed a number of instances where I found the Transportation Department's 2002 budget request to be inconsistent with the agency's own performance goals.

Now that we are taking the opportunity to focus on the Coast Guard, I am discovering much of the same thing. Over the years the Coast Guard has been spread too thin as it tries to execute all of its missions with limited resources.

This problem has persisted so long that today I'm worried that the Service cannot perform any of its missions to the level that the taxpayers expect and deserve. As a Senator with the greatest respect for the Coast Guard and its people, that is a very painful thing for me to say.

But as we look across all of the Coast Guard's many missions, fishery enforcement, marine safety, marine environmental protection, drug interdiction, national defense, I think we can agree that first and foremost we expect the Coast Guard to never fall short in the area of search and rescue.

Yet, in the Pacific Northwest, the Coast Guard has fallen far short of meeting its number one safety goal of saving at least 93 percent of mariners in imminent danger for all but one of the last 5 years. This has occurred at the same time that the Coast Guard nationwide has met the goal every year.

So clearly we have a uniquely dangerous situation in the Pacific Northwest that is not being fully addressed. Just a month ago the Coast Guard Pacific Area Commander sounded the alarm on just this problem. In his regional strategic assessment for 2001, Vice Admiral Riutta pointed out that in the 13th District we are woefully short of trained personnel to man our search and rescue stations.

He said, and I quote,

> "We don't have enough personnel to safely man the watch or perform full multimission responsibilities. District 13 needs an additional 250 billets to staff our 10 surf stations and our other four stations. Units are never fully manned with qualified personnel. The status quo is unsafe, inequitable, reduces readiness, and is not sustainable."

Those are not my words. They are the words of the admiral responsible for the entire Pacific area. I take that assessment seriously. Four years ago I attended the funeral of three of the Coast Guard's finest young seaman who died in the act of duty, seeking to save the lives of mariners off the Washington coast.

The boat crews that now serve in their place deserve better support from the Coast Guard senior leadership, and better support from this subcommittee. Last year the subcommittee fully funded the Coast Guard's request for additional boat crews, but that request provided roughly a quarter of the number of additional people for the entire nation that Admiral Riutta has identified as being necessary just for the 13th District.

For fiscal year 2002, the Coast Guard is requesting still more people in this area, but the budget request still falls well short of the stated need in the 13th District. As we look across the Coast Guard's other missions, we see similar short falls in the Service's ability to fully meet current or anticipated needs.

Another area of great concern to me is the safe operations of the commercial fishing fleet. Commercial fishing remains the nation's most dangerous profession. In Washington State we had another tragic reminder of that. Just 6 weeks ago the Seattle-based fishing vessel, *Arctic Rose*, went down with all hands in the Bering Sea. Fifteen lives were lost.

That's the worst fishing accident in the last 50 years. Recently fishing vessel casualties have gone up, even though the size of the fishing fleet is going down. In the year 2000 the Coast Guard made an internal decision to reduce funding for commercial fishing vessel safety by 25 percent. Today, the Pacific area has only 21 personnel to serve the growing number of fishing vessels that request dockside inspections.

Even when the Coast Guard can accommodate their request, fewer than 6 out of every 10 fishing boats are being given decals to certify that they are safe. Next, I want to turn to pollution prevention. The Coast Guard Pacific Area Commander expects to fall short of its goals of eliminating oil discharged into the water and reducing the amount of plastic and garbage discharged from marine sources.

The recent findings of suspicious activity on the part of Evergreen Container Lines by the Washington State Department of Ecology and the Coast Guard point out the importance of adequate inspections and oversight. Last year the Department of Transportation did not meet its goals for fisheries enforcement. We shouldn't be surprised.

Coast Guard managers have reallocated aircraft hours such that the level of aircraft surveillance dedicated to fisheries enforcement efforts, like patrolling the boundary lines between United States and Russian waters, is now at its lowest level in a decade. The number of cutter hours devoted to fisheries enforcement has been cut by roughly a third in the last 5 years.

The number of aircraft hours devoted to this important mission has been cut in half over the same period. At the same time, cutter and aircraft hours for other missions have increased. So money is not the sole solution to all of these problems. Part of the solution rests in the priorities that are articulated by the Coast Guard senior managers.

I am very pleased that all of the witnesses could join us this morning. We will hear first from Admiral Erroll Brown, our Coast Guard District Commander for the 13th District, along with members of his staff. I'm especially pleased that we will also get to hear from Master Chief Petty Officer Ken Brown.

Master Chief Brown is the senior enlisted person in the 13th District, and he is here to represent all of the Coast Guard people who actually do the work. Following our discussion with the Coast Guard, we will have two panels representing some important partners in our mutual efforts to keep our waters safe, clean and prosperous. They include representatives of the Washington Department of Ecology, the Washington State Ferries, the Fishing Industry, and the Steamship Operators.

I'm going to ask Admiral Brown and the members of his staff to remain at the table so that we can get a dialogue on all these issues as we go through the panel. So, Admiral, if you will introduce members of your staff, and proceed with your opening statement. I appreciate it.

STATEMENT OF REAR ADMIRAL ERROLL BROWN

Admiral BROWN. Morning, Senator. I'm Admiral Erroll Brown. I have with me Master Chief Petty Officer Ken Brown. I'll also have joining with me after our opening statements—my staff members will include Captain Mike Moore, who is the Commanding Officer, MSO, Puget Sound.

I will also have Captain John Venture who is our Chief of Marine Safety Division. I'll also have Captain Bill Peterson who is—he is currently a Group Commander in Port Angeles, previously on our staff as Chief Liaison. Thank you very much for this opportunity. Good morning.

Again, as I said, I'm Commander Erroll Brown, Commander of the 13th Coast Guard District, and on behalf of the—of Commandant, Admiral Jim Loy, I thank you for this opportunity to appear before you today to proudly share with you our successes and, frankly, the broad array of challenges we face here in the 13th Coast Guard District, many of which you have already highlighted.

HIGHLIGHTS

Before I get to my comments, which I would like to just highlight because they are a bit lengthy, and I appreciate that opportunity, I would just like to make a few comments. I think that all of our successes are clearly predicated on three corner stones. Those are prevention, response, and our partnerships in being successful in those.

We can't be successful in our prevention, or our response efforts without the extraordinary partnerships that we have here in the Pacific Northwest. And, finally, there is a clear budget nexus between the success we have in our budget, and the success we have here in the 13th District, and hopefully we can make those connections as we have in our dialogue today, Senator.

I have elected to give some of my time to Master Chief Brown. I appreciate you according me that. Master Chief Brown is my first selection when I became District Commander, and I consider my most important selection. Master Chief Brown represents a lot of what our service is all about.

He represents three generations of Coast Guardsmen. His father was in the Coast Guard. He is in the Coast Guard, and his son will be in the Coast Guard. But within that context there are some significant things. Some of them you highlighted, and we'll talk about today.

While we continue to have dedicated people, we are finding a drain on our experience. And that brings for us training burden, and as you said, it brings with it other difficulties. I would like for him to address some of those things within the context of his representing the enlisted force, as you said, who delivers the core of our services.

ENTHUSIASM OF PEOPLE

And with that, I would like to quickly go through my prepared statement. I have only been here a year, and what a great year it has been. We have people who constantly amaze me with their zeal, their creativity, and their dedication and, clearly, their unwaivering devotion to duty.

And I'm talking about across all spectrums, our active duty, our reservists, also civilian and auxiliarists. It's not just the active duty. All of our members are just as zealous about their—about their work. They respond in terms of life saving.

They facilitate the safe passage of passengers and cargo throughout our very complex maritime transportation system, and they've all—all stood ready to protect our maritime borders in our homeland. I have often said, and I think it's not an overstatement, that this region is probably the most important maritime gateway to our global economy, an incredibly complex maritime system.

I don't need to tell you about it, you know better than I, which has an enormous contribution to the economic growth, not only locally, but the fact of that of our nation. It has a profound influence on the quality of life of our citizens, and also on our nation's security.

And by all forecasts, all of our users, the commercial, fishermen, commuters, travelers, and recreational user are all going to continue to grow. And within this complex mosaic, safety is our number one issue. And as you highlight some of those challenges we have in assuring that we meet our performance goal.

COAST GUARD PERFORMANCE

And while we respond to those things, we will always have as our enduring goals maritime safety and the protection of natural resources, maritime mobility, national defense, and maritime security. And while I'm proud of all of our dedicated work, like you, I am concerned about our performance.

The Commandant has laid out three priorities in his budget, restoring readiness, shaping the future of the Coast Guard, and transformation—transforming the Coast Guard into the Coast Guard of the 21st century. As District Commander, these are precisely the areas that I need dramatic improvements to be successful in carrying out my missions.

RECRUITING, RETENTION AND TRAINING

Now, local areas, in terms of restoring readiness, that comes—that comes down to recruiting, retention and training. Recruiting, retention and training. We are in our units at billeted strength, but what we have is a diminishing pool of experience, specifically in mid-level supervisors, first class, chief petty officers, and in our Marine Safety officers.

And, mainly, this is from what we see as a float. And what we recognize as a result of this float is that it—it takes us time to bridge this—this experience gap, and as you indicated, it especially affects our motor lifeboat surfmen and our search and rescue stations.

It takes 4 to 6 years to get them to the skill level to be proficient to handle those risky jobs, and that adds a burden to us in terms of qualified people. Though we have the numbers, we don't have enough qualified, so the burden is disproportionate and falls on the qualified ones. And it is exacerbated by the fact that we have a high turnover in our junior—junior enlisted.

So, for us, the present budget addressed these recruiting and retention issues by providing a pay raise, improved health care for our retention, and other vital recruiting and retention issues. You talked about SAR. You are absolutely right, Senator, you hit the nail on the head.

We have issues in terms of our watch standers that the budget will look to address because of already identified quality of life, and ability to effectively stand the watch because of the workloads on them. Also the equipment that we have is a bit dated, and in our budget we have funds for the National Distress and Response System Modernization Project that will go a long way in solving those problems.

STRATEGIC ALLIANCES

In addition to that, this year's budget continues to provide increased staff and to alleviate these identified shortages that you already addressed. As I said earlier, I think one of our keys to success is our strategic alliances. I arrived here and found myself in an area rich with people willing to work with us, and I think some of our success is our clearly predicated on our strategic partnerships, specifically in the area of passenger vessel safety.

As you know, the independent Blue Ribbon Panel that completed its risk assessment in 1999 identified some areas for significant improvement. I think that we have been working very well with Washington State Ferries in implementing many of these panel recommendations. In the area of fishing vessel safety, as you identified, our dockside examinations, while they're voluntary, frankly have fallen far below the numbers that should be done to be effective for the fleet.

But we are getting a lot of support from fishing associations and training organizations in reaching out to the fishing vessel industry. In terms of protection of our natural resources, we think that we have an exceptional partnership working with the Washington State Department of Ecology where jointly we co-chair the long-term risk management panel that just completed its work in July 2000 making recommendations about how to improve our marine transportation system.

And we were working with them and the Harbor Safety Committee to implement many of those risk management panel recommendations. In terms of shaping the future, our perspective on trying to get that done is through risk analysis and through risk mitigation. Again, prevention and response.

And while you accurately identify some of the challenges we have in terms of our risk analysis and our growing profile of work to be done, what we're finding is that where we have to have our resources is shifting, and that's what our analysis is telling us.

FOREIGN FLAG VESSELS

In terms of risk mitigation, we think that our efforts in terms of working with the foreign flag vessels is critically important because to the extent we're successful with them, it is crucial to us here locally since 8 out of the 10 vessels that call on the ports here are foreign vessels.

We, like you, are concerned about our contingency preparedness. Specifically in this area, we've taken some extraordinary efforts to work on our mass rescue operations with the ferry system, because we, too, are concerned about our ability to respond. We can't do it alone. We have to do with it with our partners, and we are moving in that direction.

NAVAL FORCES

In terms of the other competitors for our waters, this is the third largest concentration of naval forces, and we are working with them to coordinate our efforts to secure their assets; to ensure that they're safe in our new and changing environment. And while many may say that Deepwater is about our large cutters and those assets, and frankly none of them are under my control, there is a clear and distinct nexus between the success of our Deepwater program, and what we here in the District 13 will have to do.

DEEPWATER

We need these Deepwater assets to enforce an increasingly complex fisheries management plan to perform policing activities intelligence and maritime interception of suspect vessels. This clear nexus of these issues brings to us a clear sense that to the extent we fail to recapitalize and modernize these assets, that those responsibilities will increasingly fall on our overburdened, and ill-equipped coastal assets.

Again, our fiscal year 2002 budget, the Deepwater project, has been addressed and is fully funded as requested. Transformation finally, for us, is about modernization. It's about preparing ourselves for a 21st century challenge with 21st century capabilities. We have been in that business in the coastal area for well over 10 years.

You have seen many of our new 47-footers. We have an 87-footer. Thank you very much for being a sponsor of a record setting seizure for our 87-foot *Osprey*. *Adelie* is on route to Port Angeles, expected to arrive in July. *Henry Blake* just arrived last year, and we will be replacing the *Cowslip* with the *Mariposa*, so we are deeply immersed in transformation.

PREPARED STATEMENT

So, finally, I appreciate the opportunity to be here today before you. We appreciate your support and your leadership, and ask for your continuing support in our fiscal year 2002 budget which addresses the very issues that you asked us about. I would like to give Master Chief Brown one minute to talk about our people.

[The statement follows:]

PREPARED STATEMENT OF REAR ADMIRAL ERROLL BROWN

Good morning Senator, I am Rear Admiral Erroll Brown, Commander of the Thirteenth Coast Guard District. On behalf of the Commandant, Admiral Jim Loy, thank you for the opportunity to appear before you today to proudly share our successes and the broad array of challenges we face here in the Thirteenth Coast Guard District.

Although I have only been here a year, what a year it has been. I am continually amazed by the zeal, creativity, dedication and unwavering devotion to duty of all of our Coast Guard men and women—active duty, Reservists, civilian and

Auxiliarists. Coast Guard men and women in the Thirteenth District responded to over 4,000 Search and Rescue cases in fiscal year 2000, saving 101 lives. Coast Guard personnel facilitated the safe passage of passengers and cargo throughout our marine transportation system, and protected the maritime borders of our homeland by interdicting drug smuggling vessels, such as the Canadian vessel WESTERN WIND carrying nearly 5,500 pounds of cocaine.

In the Pacific Northwest we stand at one of the most important maritime gateways to the global economy. The Marine Transportation System (MTS) in this region makes enormous contributions to the economic growth of our nation, the quality of life of our citizens and our Nation's security. The combined ports of Seattle-Tacoma move over 2.5 million containers per year, making this the 2nd largest container cargo complex in the United States. Over 360 million barrels of oil move through the Strait of Juan de Fuca every year. Over 50 million tons of cargo move on the Columbia River system, including important cargoes of grain and lumber products. Washington and Oregon rank in the top ten states in the nation in total fish landed. The Washington State Ferries transports over 25 million passengers on about 150,000 transits a year and is the largest ferry system in the U.S. Over 120,000 passengers per year embark on cruise ships from the Port of Seattle. There are over 600,000 recreational boaters with 250,000 registered recreational boats in the State of Washington. The Puget Sound region is also home to the 3rd largest concentration of U.S. Naval forces. By all forecasts, the use of these waterways for commerce, fishermen, commuters, travelers, and recreation will continue to grow. The challenges of ensuring maritime safety will increase as the number, type, complexity and frequency of vessels and individuals using the waterways grow. Because of this array of activity in the MTS, safety remains our number one priority.

In this environment, we must be ready to respond to the myriad challenges we face in carrying out our enduring strategic goals: Maritime Safety, Protection of Natural Resources, Maritime Mobility, National Defense and Maritime Security. While I'm extremely proud of our hard working people, I continue to be concerned about our ability to meet our performance goals. The Commandant has set as his top priorities (1) Restore Service Readiness, (2) Shape the Future of the Coast Guard and (3) facilitate the Transformation into the Coast Guard of the 21st Century. As a District Commander, these are precisely the areas where I need improvements to be successful in carrying out my responsibilities.

RESTORE READINESS

Recruiting, Retention and Training.—Readiness in the Thirteenth District is multi-faceted, and its core is people and the assets they need to do the job. With budgetary support, the Commandant was able to keep his pledge to rebuild the Coast Guard workforce. At the end of fiscal 2000, our active duty enlisted workforce was at authorized strength for the first time since 1994. While our operational units in the Thirteenth District are at billeted strength, we are experiencing a diminishing pool of experienced mid-level personnel at the first class and chief petty officer levels and within the mid-level marine safety officers, primarily because the Coast Guard lost experienced personnel to the private sector economy. My senior enlisted advisor reports from his extensive unit visits that major issues such as housing, family health care, pay and compensation continue to dominate group and individual discussions. Additionally, competing interests such as other employment opportunities, child education and spousal employment make it difficult to convince even those who are not within the retirement eligibility window to remain in the Coast Guard. With the loss of each highly experienced individual, we face an experience gap that takes time to restore. In this district, it is affecting our motor lifeboat surfmen at our search and rescue stations. Shortages of qualified personnel increase workload and watchstanding requirements. So to restore readiness in the Thirteenth District, we need to continue to improve recruiting, retention and training.

The President's budget will annualize the fiscal 2001 pay raise and mandatory military entitlements introduced with the National Defense Authorization Act of 2001, provide a fiscal year 2002 pay raise (4.6 percent for military; 3.6 percent for civilians), improve health care, and continue vital recruitment and retention incentives. These incentives include increasing housing allowances for Coast Guard personnel and for unmarried junior enlisted members in particular, an increase in monthly allowance for meals, pay raises for mid-grade enlisted personnel, and career sea pay reform.

SAR Response.—The President's budget addresses our readiness concerns at search and rescue (SAR) command centers and stations by increasing staffing to alleviate identified personnel fatigue and quality of life issues. Additionally, our search and rescue command centers require updated equipment with the ability to automatically record and play back distress calls, adjust the quality of the recording until a message can be clearly understood, and determine and preserve an electronic position indicator when a distress call is received. Our current coastal distress communications system cannot accomplish these tasks. The capability of our existing VHF–FM system, put in place in the early 1970's, has long since been surpassed by more effective and reliable communications systems which are critical to command and control functions both our own units and those we serve. The geography of our region further adds to the challenges of continuous, reliable communications. Our efforts to address these challenges have met with limited success. The President's fiscal year 2002 budget recognizes the importance of this national safety issue and provides funding for the continuation of the National Distress and Response System Modernization Project—the "nation's maritime 911 system", and a microwave modernization project for the Thirteenth District.

SHAPE THE FUTURE

We are working with all our partners here in the Pacific Northwest to shape the future of the maritime environment through proactive risk analysis, risk mitigation, and contingency preparedness. In addition, the Thirteenth District is homeport to many Coast Guard Deepwater mission platforms. As such, the Thirteenth District will receive new assets from the Coast Guard's Integrated Deepwater Systems (IDS) Project.

Risk Analysis.—The demand for our Search and Rescue (SAR) services remains nearly constant at about 4000 cases a year with several hundred lives saved and thousands of others assisted, and hundreds of millions of dollars worth of property saved or assisted. While the number of SAR cases has remained steady, the risk of incidence that require emergency response remains high due to the harsh weather, cold water survival times, and many treacherous breaking bar entrances that require both highly capable equipment and crews. While the overall number of cases remains fairly steady, the locations where those cases occur are changing.

Risk Mitigation.—We must continue our port state enforcement efforts, working toward raising the standards of foreign flag vessels and preventing sub-standard foreign vessels from operating in U.S. waters. This effort effectively improves safety in our local waterways since approximately 8 out of 10 vessels calling in the U.S. are foreign flag vessels.

In addition to our efforts as co-chair of the Long Term Risk Management Panel process for the Strait of Juan de Fuca and Puget Sound, we recently completed a broad, cooperative, international, interagency, tribal and industry Port Access Route Study. These two major efforts resulted in a series of recommendations to improve the Marine Transportation System and reduce risk.

The Port Access Route Study, completed in November 2000, investigated existing vessel routing and traffic separation schemes in the Strait of Juan de Fuca and adjoining waterways to the north. This study was undertaken as follow-on to other studies, such as the Volpe Scoping Risk Assessment for the Puget Sound waters and a Waterways Analysis Management System review of the waterway. Both studies indicated that vessel routing improvements were possible to further reduce the risk of vessel collisions, powered groundings and drift groundings. A proposal to modify these routing and traffic separation schemes has been forwarded to the International Maritime Organization to begin consideration at the international level this summer.

Contingency Preparedness.—We are constantly working to improve our readiness to respond to contingencies. We conduct regular training and exercises to ensure that we are able to execute coordinated interagency responses. Specifically, we have improved our capability to respond to Mass Rescue Operation risk by prototyping, testing and establishing the doctrine for deployable rafts. These flotation devices are designed for first responder delivery to large numbers of people in the water during a major SAR incident. We are currently testing and evaluating these buoyancy devices for deployment from helicopters and boats.

The Pacific Northwest hosts a nuclear submarine homeport, two aircraft carrier homeports, a Naval Shipyard, a fuel depot, an ammunition depot and a Naval Air Station. With this large concentration of naval forces in Puget Sound, we are working closely with Navy Region Northwest to coordinate our efforts in providing Department of Defense asset security and safety.

Passenger Vessel Safety.—An independent Blue Ribbon Panel completed a risk assessment on the ferry system in 1999, identifying a number of areas where significant safety improvements can be made regarding accident prevention and consequence mitigation. Washington State Ferries and the Coast Guard are working together to implement the Panel's recommendations. In our partnership with Washington State Ferries, we are addressing implementation of the new lifesaving regulations that involves a comprehensive reevaluation of the existing primary lifesaving equipment. We are also working together to evaluate and address crew endurance issues.

Protection of Natural Resources.—The Pacific Northwest's marine environment includes the Olympic Coast Marine Sanctuary and some of the most valuable and productive natural resources on Earth. We work with our partners in other government agencies, the commercial maritime industry, and environmental organizations to prevent pollution and protect these valuable natural resources.

We enjoy a very good working relationship with the Washington State Department of Ecology in oil spill prevention and response that dates back to the 1970s. We continue to nurture this relationship as we expand our collective efforts to prevent accidents and pollution in our marine environment. Just last week, I signed a new Memorandum of Agreement with Governor Locke regarding oil pollution prevention and response.

The Coast Guard and the Washington State Department of Ecology (DOE) cochaired the Long-term Oil Spill Risk Management Panel that completed its work in July 2000. This Panel, made up of local waterways stakeholders, made a number of recommendations for safety improvements to the Marine Transportation System to better protect the Puget Sound marine environment against accidents and oil spills. Working together with DOE and the Puget Sound Harbor Safety Committee, we continue our work to implement the recommendations of the Risk Management Panel. The Harbor Safety Committee will publish its first ever harbor safety plan for Puget Sound, much of it a compilation of standards of care recommended by the Risk Management Panel. We also have an emerging partnership with the State Department of Fish and Wildlife regarding ballast water initiatives to prevent the intrusion of non-indigenous species.

Integrated Deepwater System.—Modernizing U.S. Coast Guard deepwater capability through an integrated system of surface, air, command and control, intelligence and logistics systems is critical to the shaping future of our law enforcement, pollution prevention, and off-shore search and rescue efforts here in the Pacific Northwest. The Integrated Deepwater System Project has a clear nexus to all of our maritime safety, protection of natural resources, maritime mobility, maritime security and national defense responsibilities here in the Thirteenth District. The President's fiscal year 2002 budget requests funds to address the need to recapitalize deepwater assets.

TRANSFORMATION

Modernization.—The December 1999 Report of the Interagency Task Force on U.S. Coast Guard Roles and Missions validated the roles and missions for the Coast Guard through the year 2020 and predicted that the need for all our missions will increase in the coming years. This is clearly the case for many missions here in the Pacific Northwest. Fortunately, the Coast Guard has already begun transforming itself to meet this growing demand for its services. We are in the midst of modernizing our fleet of coastal patrol boats, buoy tenders, and motor lifeboats. We are replacing our near shore assets with new 47 foot Motor Life Boats, 87 foot Patrol Boats like the cutter OSPREY which is already hard at work, and the cutter ADELIE that will arrive in Port Angeles in July of this year. For several years the Coast Guard has been engaged in a project to replace its seagoing buoy tender fleet, which consisted of 26 cutters with an average age of more than 50 years. The Seagoing Buoy Tender Project replaces these older assets with 16 modern-equipped cutters. The President's budget proposes to acquire the last two seagoing buoy tenders in fiscal year 2002 to complete this replacement effort. The cutter FIR is one of those and is destined for Astoria to replace the cutter COWSLIP. Last year, the cutter HENRY BLAKE replaced the cutter MARIPOSA in Puget Sound.

CONCLUSION

The President's fiscal year 2002 budget continues to build upon past efforts to restore service readiness and shape the Coast Guard's future. The budget focuses on restoring the readiness of Coast Guard personnel, as well as our core missions of maritime safety and SAR, while ensuring that all of our missions are performed at a level that can be sustained by our support infrastructure. By accelerating the retirement of some of our oldest and most maintenance intensive assets, this budget exercises good stewardship of the taxpayers' dollars. The fiscal year 2002 budget seeks to restore readiness through investments in recruiting, retention and training. Here in the Thirteenth District, we continue to work with our local, state, regional, and international partners to shape the maritime future of the Pacific Northwest through risk analysis, risk mitigation and contingency preparedness. The cumulative effect of the President's fiscal year 2002 budget will be a more efficient Coast Guard that is correctly positioned for transformation into the Coast Guard of the 21st century.

In closing, I ask for your strong support for the necessary funding and equipment which the Coast Guard needs to continue making a difference all across America. The growth in demand for Coast Guard services in the Pacific Northwest is certain to continue. It is certainly clear to me that helping the entire Coast Guard deal with budgetary and resource issues is the best way to help us deal with our regional issues. Thank you again for the opportunity to discuss our issues in the context of the President's fiscal year 2002 budget request. I look forward to working with you to ensure that America's Coast Guard remains "Semper Paratus." Again, thank you for your ongoing support. I will be happy to answer any questions you may have.

STATEMENT OF MASTER CHIEF BROWN

Master Chief BROWN. Morning, Senator Murray. I greatly appreciate the opportunity to meet and discuss with you the state of the Coast Guard's enlisted workforce here in the Pacific Northwest. My job as the 13th District Command Master Chief is to take the pulse of our enlisted force, understand how our work force is doing overall, and identify any issues and concerns they have.

DIMINISHING POOL OF EXPERIENCE

Major issues such as housing, family health care, recruiting, retention, pay and compensation continue to dominate the open group and individual discussions I have with our military personnel. As you may be aware, we are facing a diminishing pool of experience as a result of the retirement of our personnel from the successful high enlistment era we experienced during 1980s.

Just last year we experienced our first wave, of which 50 percent of those eligible for retirement did, in fact, retire. Competing interests such as employment opportunities, child education, and spousal employment make it difficult to convince even those who are not within the retirement eligibility window to remain in the Coast Guard.

The Coast Guard has always had ordinary people doing extraordinary things. I grew up in the Pacific Northwest following my father who served for over 20 years in the Coast Guard, eight units along the Washington and Oregon Coast. I have done the same for 20 years of my life.

The only real core difference in today's Coast Guard is that our experience level has dropped. Our, "Can do. We will not fail." attitude lives on though. But I am very concerned that we are accomplishing our missions on the backs of those few who are experienced and qualified.

RETENTION ISSUE

As they retire, retention becomes a very bigger issue. Our retention concerns not only affect our experience level, but also our work load, increasing our risk of unsustainable excellence. As we continue to address this issue Coast Guard wide, the best we can do is have our units focus on safety. Investing in our people's growth and continue cultivating that sustainable excellence.

Many times we—many missions we do in the Coast Guard, we do them competently, expertly and safely every day. By focusing on safety, growth and excellence as our guiding principles, our men and women serving on our ships, aircraft, boarding teams, and pollution response teams will always accomplish their mission safely, and effectively.

Our sustainable excellence will come from what I see as transformation of three ingredients. First, by continuing to recruit high quality candidates by offering incentives comparable to the other services. Second, by continuing to work to improve retention by focusing on the quality of life issues I briefly mentioned earlier.

And finally, provide the growth and opportunity for every member to have the opportunity to contribute to their fullest ability to the missions of the Coast Guard. I believe we can do this best by implementing the future personnel proposals. In conclusion, I want you to know we are a highly capable work force that remains dedicated to fulfilling our missions.

In speaking to the men and women patrolling our coast, protecting our resources, ready for the call, we thank you for supporting the passage of the National Defense Authorization Act 2001, which included a number of positive elements that improve the quality of life for our military families and personnel.

Your continued support in improving our issues of the Tri-care Family Medical Programs, pay raises, basic allowance for housing are applauded by our military members. With your support, the world's best Coast Guard will be ready for today and tomorrow. Thank you.

Senator MURRAY. Thank you very much. Thank you very much, Admiral Brown, Master Chief Brown, for your opening statements. And Master Chief Brown, let me thank you and all the personnel who serve us here in the Pacific Coast. All of us greatly appreciate the service of your men, women, and especially thank you for your opening statement, and, Admiral Brown, as well.

We know you have been here for a year and have done a great job, and been great to work with, and I look forward to the responses to a number of questions that we have that are critical here. I do have a number of questions. We do have three panels, and we need to be concluded by 11:30, so if you can keep your responses concise, that would be helpful.

Let me begin, Admiral, by asking you about your data that shows that only once during the last 5 years that you met your goal of saving at least 93 percent of mariners in imminent danger. Nationwide the Coast Guard did meet that goal, and can you explain the reasons behind the short falls in this critical mission.

Admiral BROWN. I believe what we can do is help you do the same thing we're basically doing is look at the data more closely and see what it tells us. As you indicated, servicewide, this is the lowest that we've had since 1993. While we've changed some of the methodology to help us better understand, the fact of the matter is that the numbers don't lie.

And what they're telling us is that this is, again, a job that we can't do alone. And while it's a tragedy when there is any loss of life, we feel it is an even greater tragedy when the majority of the factors are those that are controllable by the people who put themselves in these situations.

So what I would like to do is highlight on the macro level, those critical elements that are in the numbers, and then ask Captain

Peterson to give you a more precise delineation of last year's data to help you understand where those problems are, and then I would like to come back and quickly say, "And these are the areas within our control that we're making an effort to address." In terms of those external factors, we find that timely notification is critical. Where we find that people knowing where they are when they do call us helps us find them. Weather is another external factor.

Senator MURRAY. Have these factors increased over the last 5 years to bring these statistics down?

Admiral BROWN. This is conditional, and Captain Peterson will talk about this. Sometimes when we get a call, even we can't go, and that is one of those external factors, so the numbers may rise and fall. But for us here in the Pacific Northwest, I would say over time weather has been a constant factor.

Weather doesn't cause us—our numbers to go up and down over time because we have constant seasons. Though we have dramatic weather, it is a constant factor for us, and may be a greater factor for us in some other areas. But it is an external factor when we look at it alone.

Senator MURRAY. But the weather alone didn't increase the number of people——

Admiral BROWN. No.

Senator MURRAY [continuing]. Who were killed or injured?

Admiral BROWN. We'll talk about the specific data, but in general across time, weather doesn't unless people have made—elected to go out and become casualties as a result of weather. Our data is not giving us a clear indication that the weather has changed the causal factors over time.

And the last thing is the—the things that are really within our control or our readiness to go, our cycle time ability to get there, and our search planning to find them. Let me ask Captain Peterson to give you some specific numbers from last year, and I'll come back and say, "Here is where we do have some ability to have some influence on these."

STATEMENT OF CAPTAIN PETERSON

Captain PETERSON. Thank you, Admiral. Senator, last year in fiscal year 2000 District 13 responded to 4,283 SAR cases. We saved 101 lives and there were 20 deaths after Coast Guard notification that we accounted for which gives us a life save percentage of approximately 80 percent.

DISTRICT 13

Now, that is—that is really within our norm if you run the statistics with respect to the last 5 year average for us for lives saved, and our percentages. As the Admiral stated, our conditions here are much more severe than other areas within the Coast Guard that brings the overall Coast Guard numbers.

But what we have seen here is some exceptional growth in waterborne activities that are happening, increases on the rise in our work with the State Boating Law Administrators, and Boating Safety and Recreational Boating. The growth is happening. It's happening throughout, and this accounts for more people on the water, and more people that can and do get into trouble.

And with those environmental conditions, as the Admiral stated, especially our water temperature which is very cold, and somebody who enters the waters of Puget Sound who is not protected in about 2 hours the life expectancy is there if they have no other protection, they will be incapacitated in that.

So those are the major factors that we see with respect to this. We are responding. We have not had any difficulty there, except during major storms, and then we make our announcements as the Admiral stated.

Senator MURRAY. Well, okay. What you are saying, then, is that we're seeing increased people on the water in increasingly risky times, but the Coast Guard hasn't reallocated personnel to the Pacific Northwest as a result of that, of these numbers that we're seeing; correct, Admiral?

Admiral BROWN. Correct. That's correct.

Senator MURRAY. Admiral, your Pacific area commander has identified an urgent need for an additional 250 billets to staff 10 search stations and four other rescue stations in the 13th District. About 45 percent of certified surfmen billets are vacant. He maintains that the status quo is unsafe, and I would agree.

Last year the committee fully funded an additional 57 billets nationwide to staff search and rescue stations. This year, the Coast Guard is requesting an additional 194 billets for the entire country. With those additional billets in the budget, will we come even close to meeting the needs here in the 13th District?

Admiral BROWN. With those—with the budget support that we got in the past, and with the current budget request, we will continue to improve our readiness here in the 13th District.

We have been, and I'll ask Captain Peterson to give specific numbers, we have been a recipient of those billets for our—for those very SAR stations that you talk about, specifically the surf—surfmen training billets and the surfmen, who are the most important ones, and we will be the recipients of the billets for this year. I can ask Captain Peterson to give us the specific numbers.

Captain PETERSON. Senator, this year for your surf stations we received 41 additional billets. Those are to provide for our safety back up boat, for the motor life boat, which previously hadn't been in our river bar tower watches. Those 41 billets have come to us. We also have six temporary training billets.

These are chief surfmen to come to our units so we can capitalize on all of our surf training days that we were not able to capitalize on because we have a lack of surfmen. Currently we have 55 of 72 surfmen billets filled today, right now. We've qualified people, so that is 71 percent fit rate.

We have 100 percent of the billets, but as the Admiral talked about the fit rate, there are only 71 percent of those are qualified, and that goes—at a station, that is about across the board how many people are qualified. And that becomes our issue with respect to watch standers as the Master Chief spoke of.

Senator MURRAY. But the national goal is to reach—is to save at least 93 percent of those mariners who are in danger. Will this get us to that point here in the Pacific Northwest or not?

Admiral BROWN. What this will to do will help the response side, the side of which we have control of, our—our readiness to answer the call. Again, I want to reiterate that those things will help improve our readiness and our response cycle time, and the qualification of the people who go do the job.

On the survival side, the people's ability to notify us, and those kind of elements, continue to be out of our control, so we continue to need the education of the populus and those kind of cooperative efforts.

Things like false alarms, hoaxes, things like that, cause us to scramble and to divert our resources and consume our assets, and, so, there is a dynamic between the controllable and the uncontrollable. We are making progress through our budget on these training issues that you have identified, on the staffing issues that you have identified, and on the—on the qualification issues that you have identified.

Senator MURRAY. The Pacific Area Commander says that the search and rescue stations in the 13th District must maintain a minimum of two Bravo—zero ready-to-go boat crews at any time in order to accurately man the region's search and rescue needs. Do you agree with that, Admiral?

Admiral BROWN. I agree with that, absolutely. It's a clear standard. It's a safe standard, and it's a necessary standard. We have surf stations which are different from SAR stations because of the environment in which they operate.

We have a surf in excess of 8 feet as a definition, and we have it 9 months out of the year. And because of that, we have a two-boat safety standard, one boat to go, and a stand by boat ready to go, so that our people are safe, and the people they are going out to save are safe, and that is a standard I absolutely agree with.

Senator MURRAY. Master Chief, do you agree with that?

Master Chief BROWN. Yes, I absolutely agree with that, having been Officer-in-Charge of two different life boat stations. Our crews feel much better knowing they have a boat to back them up, and even relieve them in the case if something should happen, and a stand-by boat is absolutely necessary in our coastal area.

Senator MURRAY. According to the Pacific Area Commander, "The current staffing concept that is used to allocate billets to search and rescues stations in the 13th District is flawed." Those are his words, not mine, "flawed." Admiral, are you currently reviewing the staffing standards for the 13th District search and rescue stations, and are you planning to make any recommendations to that?

Admiral BROWN. Senator, prior to my arrival here, the 13th District had been one of the leaders in identifying staffing level issues. I think the difference here is the difference between models being based upon SAR loads, and the requirement to have a readiness posture.

And I agree with the concept of having a readiness posture which is predicated on the environmental conditions we talked about, the surf conditions here, so that drives ours to have a two boat at Bravo zero standard as opposed to normal SAR stations having one. Once you have two boats at Bravo zero, then that drives the manning to support them, and that's the frame work in one which one is built. And I agree with it, absolutely.

Senator MURRAY. Master Chief, I understand that a persistent problem is that once boat crews are fully qualified to do their jobs, they're commonly transferred to another school or another unit. Do you have any recommendations for us on how we can best train certified and retain qualified surfmen in order to sustain surf station readiness?

Master Chief BROWN. Well, the Coast Guard is very good about helping itself from within. The 13th District started two different programs to address that problem. One is the seaman to surfman program, where a seaman comes in, he has dreamed to become a surfman and he remains there until he is a surfman.

We also started another initiative where we do back to back surfman. If a person qualifies as a surfman, his next unit will be at another life boat station as a surfman. Then after that, it will be his choice working with the detailer if he wants to continue going on being a surfman, or move into another multi-mission with the Coast Guard that we have, which is fair.

We don't want to lock them into one thing, but there is a balancing act there, and the 13th District, we're addressing that by doing those two initiatives.

Senator MURRAY. Is it working?

Master Chief BROWN. I think it's too early to tell.

Senator MURRAY. How long have you been doing that?

Master Chief BROWN. About 1 year, so it's still too early to tell. I do know, if you just look at it realistically, it gives stability to the unit. You have a member who is there, who gains respect, who is able to perform the mission, and people look up to.

Senator MURRAY. Will that help address the experience issue you talked about in your opening statement of losing experience?

Master Chief BROWN. Well, you have got to remember in the 1980s we opened up an additional training center, and we took in 10,000 people, and we have lost 50 percent of those. At 20 years they retire, so you had a sudden loss of experience. It takes 4 to 6 years now to grow a surfman.

And the new 47-footers are a beautiful boat, but they're harder to run than the old 44s that we built in the 60s. It's like an old Chevy, they're easy to work on. These new cars, you better take it to the garage. So surfman are harder to grow, and, so, in the growing process, we need to keep growing them and cultivating them as I said in my statement, that attainable excellence that we need in people.

Senator MURRAY. Do you think there is a direct relationship between losing experienced Coast Guard people and our rising number of accidents or fatalities in this region?

Master Chief BROWN. No, I don't. Unfortunately a lot of people—tragedies occur before we were able to get on scene.

Senator MURRAY. Master Chief, let me ask you one more question. You are a boatswain mates, and I understand that there is a growing shortage of boatswain mates, individuals with that rating that are essential to our boat stations doing their jobs effectively.

Why do you think there is a growing shortage of boatswain mate, and what can you recommend to the Coast Guard to reverse that trend? You talked a little bit about it, but if you can talk a little more, I would appreciate it.

Master Chief BROWN. A boatswain mate who stays in as long as I have, and is dedicated to the job, has an indomitable spirit that comes within. Many of our younger people who come into the Coast Guard and worked the long hours, and have the stress that goes along with it, their multi-missions, whether it be law enforcement added on to just strictly running a boat, just find out that this is something they don't want to do for 20 years.

I think we are addressing it by a program of mentoring our people, having leadership in taking these young people and mentoring them, and if you do that and you gain their respect, a lot of these people will hang around. Another thing is we need to have a reenlistment bonuses and things like that as compared to the other DOD services that they have to, you know, hang that out, "Hey, the 10-year mark, where you stick around if we give you 10 grand."

Senator MURRAY. There are no reenlistment bonuses?

Master Chief BROWN. Well, there is reenlistment bonuses, but they're not comparable to some of the other DOD services because of our budget, of course.

Senator MURRAY. All right. Thank you very much. Admiral, let me turn back to you with a question in a different area. With the closure of the naval base Concord in San Francisco, your Puget Sound Marine Safety Offices had to oversee a greatly increased number of shipments of explosives by commercial vessels.

Since they've received no additional resources, I've heard that they had to divert resources from inspections and hazardous materials containers. The Bush Administration budget for fiscal year 2002 proposes to eliminate 15 billets that monitor explosive loading, a time when explosive load monitoring workload is significantly increasing here in Puget Sound. What would the impact of losing those personnel resources be on us here?

Admiral BROWN. Senator, your information is accurate. We are going through that experience right now. As you indicated, they did close Concord. We absorbed some of the work here in the MSO Puget Sound. I would like to turn the mike over to Captain Warner in a minute, but what I can tell you is that that was a very considered decision in terms of what would the impact be.

As in terms of being a multi-mission service, we do things with our people in terms of multi-tasking. They have numerous responsibilities that they are charged with, and we give them the requisite training for that. ELS, Explosive Loading Supervisor, is a specialized training, and while they are being reduced, I think that more to the point that we have been able to absorb this work within our current structure because of redoing our business practices. The Navy changed its business practices, and I think we are on a part of the learning curve that is reducing that work load——

Senator MURRAY. But you did get the responsibility from them on the overseeing of these explosives without any additional personnel; correct?

Admiral BROWN. Yes. But I think that we're at the point now, based on our experience and our changing business practices, and the Navy's changing business practices, that that is an absorbable load. And I would like to ask Captain Warner address it more specifically.

Senator MURRAY. Captain Warner.

STATEMENT OF CAPTAIN WARNER

Captain WARNER. Senator, there is an important distinction to make between explosive loading supervising, and container inspection of hazardous materials in which explosive materials are a subset. In Concord, the explosives used to be in what was called break bulk, not in containers.

And we used to supervise the loading of every single hatch, and if you have seven hatches on a vessel, then you have to have seven full-time supervisors there, full time, servicing the load, and the cranes and so forth. Here, we don't do that. We do not do that. What we do is we're still doing our inspection program, and these explosives are now coming in containers, so by ex——

Senator MURRAY. Are all explosives coming in containers now? There is no bulk loading?

Captain WARNER. No, not all explosives, but the ones we're talking about that you just mentioned, the military ones, the last operation was a little over 1,000 containers, and the problems were involved in how they put the explosives in the containers which takes place somewhere else outside of Puget Sound.

So, really, our container inspection program encompasses this explosive loading, and by example, just yesterday we did not permit underneath this program to ship 4.6 million pounds of what we call ammonium nitrate fuel mixture through the Port of Seattle as a result of our container inspection program, not our explosive loading program.

We inspect containers, we look for hazardous materials, we saw that that was too large of a shipment coming through Puget Sound. It wasn't an explosive loading mission, it was a container inspection mission.

Senator MURRAY. And you rejected that?

Captain WARNER. We rejected it because the amount was too large. They are going to have to ship those out in smaller quantities through the various ports, or at various times through this port.

Senator MURRAY. So in your opinion, Admiral, you are still able to conduct an adequate number of hazardous material container inspections, even though you had gotten this additional responsibility?

Admiral BROWN. In my opinion, yes, ma'am.

Senator MURRAY. Let me read you a statement, and tell me if it is true. "Efforts to meet the explosive loading supervisory requirements have been detrimental to meeting C1BT output standards on HAZMAT container inspections.

This is due in large part to the same personnel being required to handle both programs. With the quota of 728 containers per billet totaling 2,912 containers, the unit was only able to complete 1,476 container inspections due to ELS requirements. Unless additional resources are provided, we will be unable to meet output standards on HAZMAT container inspections." Do you agree with that, or disagree with that?

Admiral BROWN. In context, Senator, accurate statement. It has some time phase implications. As I indicated, our people are multi-tasked, multi-responsible, and as you indicated accurately, the people who absorb those responsibilities were our containers inspectors, and, so, they can't be two places at one time.

They can't do two things at once. And as we began to absorb this work, that was initial decision of how to do it. The requirement was there, so we had to perform the functions. And in doing that, that was our experience. That was then. I'm——

Senator MURRAY. This statement is only a month old.

Admiral BROWN. I think it was a year or two ago.

Captain WARNER. Senator, we turned in that statement when the load was first shipped to us, when we had three containers inspectors, and we had to get one of them additional training to deal with the shift up here.

But as more and more of the DOD shipments were containerized, we realized that our existing container inspection qualifications were going to meet the challenge of the shift from Concord up here because the break bulk had gone to containers, and the containers are well within what we're training them to do.

The statement we made, which is probably more like 9 months ago in that regard, was that we had a big increase. We had a big increase in activity at Indian Island, and we had to do shift. That was an initial hit that we took, and now because of the containerization, we have been able to shift that back east where they do the loading of those containers, and not necessarily in this port where we have to watch them load the containers.

Admiral BROWN. Those are business practices, changes I talked about where we spiked, and I think in our current experiences, it's manageable.

Senator MURRAY. So you can assure those of us who live here that hazardous material containers, and explosive materials are all being inspected adequately?

Admiral BROWN. Senator, we are going to do our absolute best. We are going to be vigilant. We are going to assign our people on a priority basis to discharge those missions.

Captain WARNER. If I can just add, our goal you say there are 728 times 3 billets gets you up to around 2,100. We've already inspected over 5,000 hazardous material containers this year.

Senator MURRAY. This is your opportunity to tell me as ranking member, most likely Chairman of Transportation, whether you need additional dollars for these kinds of programs.

Admiral BROWN. Appreciate your support and your leadership. We do have some challenges. I think we have been very forthcoming about identifying those challenges. This specific area you are talking about, while I would really frankly love to stick my hands out, I think if you gave me three billets, I wouldn't put them in ELS. Mike might not be happy about that. But I think in that regard——

Senator MURRAY. What has a higher need that you would put them in?

Admiral BROWN. Well, we talked about some of the things that are already being addressed. Our budget will give us more watch standers, in our communication centers—that is already coming. Those are the kinds of things we think are important.

So those kinds of things that are being addressed in the budget are, as I said in my statement, are the kinds of priorities that we're after. Support that stabilizes our work force, so that we don't have the flow that the Master Chief talks about. Retention is important to us. So those are the kinds of things that are important.

In this case, and it's not true in all cases, we are confident that the ELS issue, as long as the business practice continues the way it is now, is manageable. It was a spike, and we did have to address it, and at this point we believe it is manageable.

Senator MURRAY. Thank you, Admiral. Let me turn to another question, then. The Bush Administration budget for fiscal year 2002 in order to achieve budget savings is proposing to decommission earlier than scheduled the 180-foot seagoing buoy tender, *Cowslip*.

This vessel services more than 200 buoys in the Pacific Northwest. Under the Administration's plan, the vessel will not be replaced in the region for 18 months. During that time other Coast Guard vessels would be required to handle the *Cowslip's* work load.

Admiral, are you confident that if the *Cowslip* is decommissioned early as has been proposed by the Bush Administration, that there will not be any reductions or delays in the routine or emergency servicing of aid to navigation here in the 13th District?

Admiral BROWN. Senator, your information is accurate. As currently planned the *Cowslip*, within the context of the Commandant's transformation of the Coast Guard to the 21st century, is part of that removing our older, more costly assets.

There will, as you indicated, be a gap, as I indicated in my opening statement, before we get a new asset. What we have planned to do, and we're coordinating this with the other districts and the area commander is to have what we call heavy lift. There is some buoys that only that class vessel can do.

We are going to share that responsibility with other districts. So we expect to have all of our buoys relieved in its normal cycle, and I can ask Captain Peterson to give you the specifics about that.

Captain PETERSON. Senator, the *Cowslip* is responsible for approximately 161 aides. She services, on average, 115 of those aides a year. Of those aides, 29 are the larger class that nothing in this district will be able to handle. On average, she handles 15 of those larger buoys with discrepancies consistently over the year.

We estimate that it's going to require the buoy tenders from California and Alaska to provide us approximately 1-month time period to be able to handle those aides with respect to that, and the rest of the aides would be picked up by the *Henry Blake* and our other *Aton* teams as well as the *Bluebell* and *Bayberry*.

Senator MURRAY. So you do have a contingency plan for this proposed budget decrease?

Admiral BROWN. Yes, we do, Senator.

Senator MURRAY. And you feel confident that you will be able to maintain that?

Admiral BROWN. Yes, we do.

Senator MURRAY. Admiral, as you know within the Seattle area the Coast Guard currently lacks adequate pier space for all of its larger vessels. And the facilities at Pier 36 are quite old.

There was also, I know, substantial earthquake damage to Pier 36, and the Port of Seattle has put forward a proposal for the Coast Guard to relocate its downtown facility to a newly built facility with more pier space at Pier 90 and 91. Can you update us regarding the status of the negotiations between the Coast Guard and Port of Seattle on this issue.

Admiral BROWN. Yes, Senator. I had the privilege and honor to be with you as we both surveyed the earthquake damage. From our vista in the helicopter we didn't see some of the internal damage that occurred at Pier 36. It's about $3.5 million dollars worth of damage.

I also had the honor and privilege of being with you after the Secretary of Transportation recognized the heroic work of the air traffic controllers by awarding them a medal of valor. That same afternoon, as you recall, we had a meeting on the Pier, where you expressed your concern about our efforts to work together to fight to try and find a solution.

Based on that, we had a subsequent meeting where we had representatives from Coast Guard Headquarters and myself there to look more closely at these issues, and that the office—I think it's clear to say that we expect Seattle to remain a strategic address for the Coast Guard. We see it as a hub of our business, and it's a home to a lot of our people.

The move for us, frankly, will be no change in our operational effectiveness. So, for us, it becomes other matters that we are negotiating with the Port. The subsequent meeting we had after your—at your request, I think it moved us in a direction where we are looking more closely at some viable alternatives.

We have engineers who are meeting. There is a meeting scheduled, I think, the week of June 10 through the 12. We have exchanged engineer technical data. We have had data shared by outside contractor on value, so I think we are beginning to close that negotiation gap. And I think we are doing it in a very productive and effective manner.

Senator MURRAY. Very good. I appreciate that very much, Admiral. That—I think what we will do then is close this panel, and Admiral Brown, if you want to stay at the table, I want to bring up Mr. Stan Norman, who is the acting Program Manager for the oil spill program for the Washington State Department of Ecology. And Mr. Scott Davis, Safety Systems Manager for Washington State Ferries.

If you want to come forward, we will begin with your testimony. Mr. Norman, we will begin with your testimony, and I will tell you we have exactly a half hour for this panel for statements and questions. I would like you to keep your opening remarks to 5 minutes. We do have your written testimony, so if you can summarize that, that would be appreciated.

NONDEPARTMENTAL WITNESSES

STATEMENT OF STAN NORMAN, ACTING PROGRAM MANAGER, OIL SPILL PROGRAM, WASHINGTON STATE DEPARTMENT OF ECOLOGY

Mr. NORMAN. Thank you. Good morning. My name is Stan Norman. I'm the acting Program Manager for the Washington Department of Ecology Spills Program. I want to thank you, Senator Murray, for sponsoring this hearing. We appreciate your continued leadership on marine safety issues.

My presentation today will address the role the Washington State Spills Program plays in enhancing our maritime safety, our recent efforts to expand our partnership with the Coast Guard, the current level of marine oil spill risk and perspective, and the status of funding for the Neah Bay rescue tug.

And I would like to preface my remarks with the observation that the State of Washington and the Federal Government are jointly responsible for the safety and health of the waterfront here in Seattle, throughout Puget Sound, on Washington's coast, and in the Columbia River. Therefore, we must work together toward our common goals of spill prevention.

SPILL PREVENTION PREPAREDNESS AND RESPONSE PROGRAM

For more than a decade Washington has worked to develop a proven Spill Prevention Preparedness and Response Program. We have a 55-person program, including a team of highly experienced professional mariners focused on maritime safety. And we do provide spill response coverage 24 hours a day, 365 days a year.

We have a very active constituency, as you know, of local tribal governments, environmentalists and industries involved in decisions affecting them. As of last Friday, Admiral Brown and Governor Locke signed a revised memorandum of agreement between the State of Washington and the 13th Coast Guard District.

This agreement will lead to greater Federal/State collaboration in preventing and responding to oil spills in Washington waters. We developed the agreement in part as a result of the U.S. Supreme Court Intertanko decision which, frankly, limits our ability to prevent oil spills.

Governor Locke said, "If the Coast Guard's regulations are the highest level of protection that will be allowed in our State, then we need to work together to make sure they are implemented and enforced to the greatest possible extent." The Coast Guard, as you said, is tasked with multiple missions of a national scope, which must be fulfilled under increasingly tight budget constraints.

We feel the Coast Guard needs us, and we need them, certainly, to protect Puget Sound, our coast, and our Columbia River. Now that the agreement is signed, we're going to focus on developing a number of implementing protocols, cooperative vessel inspections, information sharing, and monitoring oil transfer operations.

UNIFIED COMMAND SYSTEM

The partnership between the 13th District and Ecology officially began in 1988, and we developed and promoted a Unified Command System for jointly managing spill response and hazard material spills. This system, of course, is the national system now.

NORTH PUGET SOUND RISK MANAGEMENT PANEL

Thanks to the leadership of Admiral Brown and Captain Veentjer and Captain Moore, and Captain Spitzer here in the 13th District. We've also taken advantage of other opportunities. The Admiral mentioned co-chairing the North Puget Sound Risk Management Panel together, and implementing an agreed protocol for dispatching the rescue tug.

This cooperation is both beneficial and absolutely necessary. A review of some statistics regarding marine transportation and vessel casualties: 15 billion gallons of oil move through the waters of Washington State. About half of that was crude oil moved by the six refineries in the State.

And about half of the remainder is in the form of vessel fuel and cargo passenger vessels. Last year over 11,000 vessels entered Washington waters. Approximately half of those were going to Canadian ports through Washington waters.

According to a recent Coast Guard study that was part of the North Puget Sound process, the probability of a spill of over 10,000 gallons is approximately 1 every 5 years, and is increasing to 1 every 3½ years by 2020, based on traffic volumes. The consequences of oil spills are also increasing.

The cost just to clean up an oil spill now is in the range of $1,000 per gallon. If you would please refer to the colored chart in your packet. The chart shows the locations since 1994 where commercial vessels lost power, had steering failures, or experienced other accidents and spills.

PORT ANGELES

While the light blue area east of Port Angeles has had the most vessel incidents and spills, there are a large number of measures in place in this region that provide a safety net if a vessel gets into trouble. However, the dark blue area west of Port Angeles is at particular risk, even if the incidents are less frequent.

Vessels operating west of Port Angeles are transiting a waterway without a number of important spill prevention measures including no State pilots, no tug escorts for laden oil tankers. This area is also known for fog, storms, and heavy seas, extremely high natural resource values, including a national marine sanctuary, vital commercial, tribal and recreational fishing values, a long, long history of major spills, and relatively ineffective spill response capability.

RESCUE TUGS

We believe that the Neah Bay rescue tug provides important additional measure of safety if a vessel loses power, has a steering problem, or other casualty in this high risk area. The tug has demonstrated its cost effectiveness over the last 2½ year—two and a half winters.

In other areas of the world benefit from dedicated rescue tugs including Alaska, Great Britain, Northern Europe, Japan, and South Africa. We are continuing to work with the State legislature and interested stake holders to find permanent government funding for a rescue tug that will protect the competitive position of the ports.

This legislative session Governor Locke has requested $3 million for the tug in his budget to support the tug over the next two winters. The Federal Government also has many trust responsibilities to protect in the area, and should provide some funding. These responsibilities are outlined in my accompanying handout.

In summary, marine oil spills continue to place our environment and quality of life at risk. The State Department of Ecology has a strong and effective marine safety program, and is working hard to expand its partnership with the Coast Guard and others. As long as the Coast Guard and Ecology work together, we can continue to expand the economic benefits of the Pacific Rim trade while providing the level of natural resource protection demanded by the citizens of this State.

The Department of Ecology strongly supports a well-funded Coast Guard. In closing, I ask for your continued support in improving maritime transportation safety. Specifically, Ecology would like your help in eliminating administrative hurdles to a strong Federal and State cooperative effort, with the ultimate goal of allowing for Federal delegation of certain activities.

Help us identify permanent Federal funding, independent of the Coast Guard's operating budget to help support the Neah Bay rescue tug. Thank you for the opportunity.

Senator MURRAY. Thank you, Mr. Norman. Mr. Davis.

STATEMENT OF SCOTT DAVIS, SAFETY SYSTEMS MANAGER, WASHINGTON STATE FERRIES

Mr. DAVIS. Good morning. I'm happy to be here to represent the largest ferry system in our Nation. Today, as we celebrate our 50th anniversary——

Senator MURRAY. Happy anniversary.

Mr. DAVIS [continuing]. And to share with you some of my excitement over the work being done at Washington State Ferries, both independently and in cooperation with the U.S. Coast Guard and the Department of Ecology to advance the cause of safety here in the Puget Sound.

SAFETY AT WASHINGTON STATE FERRIES

When you move over 26 million people a year across a relatively large cold body of water, safety is an everyday occurrence for everyone at Washington State Ferries. Furthermore, when you operate a fleet of both high-capacity and high-speed passenger vessels, it is paramount that you do everything reasonably possible to reduce the likelihood of an incident, while still planning for a response should one occur, as the consequences are simply too high not to.

This goal of providing for safety interventions along the full breadth of the error causal chain forms a basic tenant of safety at

Washington State Ferries. In this era of limited resources, yet heightened expectations, Washington State Ferries' challenge is meeting operational demands, and a discerning customer base, while continuing to improve our overall safety posture.

This can only be accomplished by leveraging available resources in order to both efficiently and effectively be stewards of the public's trust and limited funding. In the late—mid and late 1990s WSF embarked on a safety course specifically charted to lead to a destination where the organization's safety bar was markedly raised.

SAFETY MANAGEMENT SYSTEM

In 1998, WSF implemented a safety management system for two vessels operating on the international route to Sydney, B.C. This system, although originally mandated by the International Safety Management Code, was embraced by WSF as a best business practice. In April of this year, I am happy to report that WSF rolled out Safety Management System fleetwide, including all terminal operations and Eagle Harbor Repair Facility.

This new encompassing system was built on the original foundation laid on the international route and is helping us to "Say what we do." and "Do what we say." Also in 1998 and early 1999, WSF took a corporate-wide look at ferry passenger and crew safety. This was accomplished, in part, through the Risk Assessment developed by a Blue Ribbon Panel and published in July 1999.

RISK MANAGEMENT

This comprehensive assessment identified those areas of operation that were of highest relative risk and made a number of recommendations to address those risks. In turn, WSF using risk-based decision making to attack these areas of highest concern, using remedies that proved to be the most cost beneficial.

This risk assessment also helped lay the foundation upon which WSF built its lifesaving and evacuation strategy to comply with the new Federal lifesaving standards. As part of this strategy, WSF has made organizational changes to better address safety concerns, has rewritten and is writing protocols to best safety—to reflect best safety practices, has embarked on an unprecedented purchase of lifesaving equipment, and perhaps most importantly is devoting a considerable amount of time, energy and money on the training of fleet personnel.

Together these elements form a concerted effort to reduce the occurrence of human and organizational errors, seen as a common thread that runs throughout most accidents and may be WSF' greatest vulnerability as well. Possessing the largest consistent presence on the waters of Puget Sound, WSF' strategy for evacuation relies largely on its own assets.

EMERGENCY RESPONSE

However, WSF clearly recognizes that it is part of the marine transportation system. For example, WSF has been directly involved with over 65 search and rescue cases on the waters of Puget Sound during the past 2 years. Accordingly, WSF clearly endorses the idea of a holistic approach to emergency response that has long been a hallmark of the U.S. Coast Guard.

As part of the Subchapter W compliance strategy, WSF is in the process of going through a comprehensive review of the full sweep of its emergency response contingency plans. One element of this effort is the identification of potential available emergency response assets.

WSF looks forward to continuing to participate in this approach as, together with the Coast Guard, we strive to enhance our already robust response network in order that the greater Puget Sound marine transportation system is second to none in this regard.

PORT TOWNSEND TO KEYSTONE ROUTE

One example of where this effort described above are beginning to bear fruit is the progress made on the Port Townsend to Keystone route which was identified in the risk assessment as an area of high risk.

I am happy to report that the two boats operating on this route today have sufficient lifesaving capacity on board to accommodate all passengers and crew. Assessing WSF' risks, implementing a Safety Management System, and enhancing the WSF' evacuation strategy have not, and will not be accomplished without a cost.

The Washington State legislature should be applauded for having the vision to fund these critical safety enhancements. The benefits associated with funding prevention and response safety measures are often difficult to quantify. Indeed, the only way to measure the effectiveness is to forecast the potential costs avoided from a major marine catastrophe.

This is difficult, if not impossible, to quantify with certainty. Suffice it to say, the implications would be staggering. Consequently, we believe, despite the difficulty in measuring the effectiveness, this preventative money is well spent now as an investment in the ferry system's long and safe future, and hopefully another 50 years of safe operation. Thank you.

[The statement folows:]

PREPARED STATEMENT OF SCOTT DAVIS

On behalf of Washington State Ferries—good morning. My name is Scott Davis, and I am the safety systems manager and designated person for WSF. I am happy to be here to represent the largest ferry system in the nation, today as we celebrate WSF's 50th Birthday, and to share with you some of my excitement over the work being done at WSF, both independently and in cooperation with the U.S. Coast Guard and Department of Ecology, to advance the cause of safety in Puget Sound.

When you move over 26 million people a year across a relatively large cold body of water, safety is an everyday occurrence for everyone at WSF. Furthermore, when you operate a fleet of both high-capacity and high-speed passenger vessels, it is paramount that you do everything reasonably possible to reduce the likelihood of an incident, while still planning for a response should one to occur, as the consequences are simply too high not to. This goal of providing for safety interventions along the full breadth of the error causal chain forms a basic tenant of safety at WSF. In this era of limited resources, yet heightened expectations, WSF's challenge is meeting operational demands, and a discerning customer base, while continuing to improve our overall safety posture. This can only be accomplished by leveraging available resources in order to be both efficient and effective stewards of the public's trust and limited funding.

In the late 1990's WSF embarked on a safety course specifically charted to lead to a destination where the organization's safety bar was markedly raised. This course involved a detailed analysis of the organization itself, the procedures that it followed, the equipment it operated and the personnel training it conducted. At the core of this assessment was the genuine desire to put safety first and infuse that principle into the culture throughout the organization.

In 1998, WSF implemented a safety management system for the two vessels operating on the international route to Sydney B.C. This system, although originally mandated by the International Safety Management Code, was embraced by WSF as a best business practice. In April of this year, WSF rolled out the Safety Management System fleetwide, including all terminal operations and the Eagle Harbor Repair Facility. This new encompassing system was built on the original foundation laid on the international route and is helping us to "Say what we do" and "Do what we say."

Also in 1998 and early 1999 WSF took a corporate-wide look at ferry passenger and crew safety. This was accomplished, in part, through the WSF Risk Assessment developed by the Blue Ribbon Panel and published in July 1999. This comprehensive assessment identified those areas of operation that were of highest relative risk and made a number of recommendations to address those risks. In turn, WSF used risk-based decision making to attack those areas of highest concern, using remedies that proved to be the most cost beneficial. The risk assessment also helped lay the foundation upon which WSF built its lifesaving and evacuation strategy to comply with the new federal lifesaving rules for passenger vessels found in 46 CFR Subchapter W. As part of this strategy, WSF has made organizational changes to better address safety concerns, has rewritten and is writing protocols to reflect best safety practices, has embarked on an unprecedented purchase of lifesaving equipment, and perhaps most importantly is devoting a considerable amount of time, energy and money on the training of fleet personnel. Together these elements form a concerted effort to reduce the occurrence of human and organizational errors, seen as a common thread that runs throughout most accidents and may be WSF's greatest vulnerability as well.

Possessing the largest consistent presence on the waters of Puget Sound, WSF's strategy for evacuation relies largely on its own assets. However, WSF clearly recognizes that it is part of the marine transportation system. For example, WSF has been directly involved with over 65 search and rescue cases on the waters of Puget Sound during the past 2 years. Accordingly, WSF endorses the idea of a holistic approach to emergency response that has long been a guiding hallmark of the U.S. Coast Guard. As part of the Subchapter W compliance strategy, WSF is in the process of going through a comprehensive review of the full suite of its emergency response contingency plans. One element of this effort is the identification of potentially available emergency response assets. WSF looks forward to continuing to participate in this approach as, together with the Coast Guard, we strive to enhance an already robust response network in order that the greater Puget Sound marine transportation system is second to none in this regard.

One example of where the efforts described above are beginning to bear fruit is the progress made on the Port Townsend to Keystone route. This route was identified in the risk assessment as an area of relatively high risk, because of a lack of immediately available response resources. WSF has taken steps to address this concern over proximity to evacuation assets by adding marine evacuation slides and inflatable buoyant apparatus to the vessels operating on this route. I am happy to report that the two boats operating on this route today have sufficient lifesaving capacity onboard to accommodate all passengers and crew.

Assessing WSF's risks, implementing a WSF safety management system, and enhancing the WSF evacuation strategy have not, and will not, be accomplished without a cost. The Washington State legislature should be applauded for having the vision to fund these critical safety enhancements. The benefits associated with funding prevention and response safety measures are often difficult to quantify. Indeed, the only way to measure the effectiveness is to forecast the potential costs avoided from a major marine catastrophe. This is difficult, if not impossible, to quantify with certainty. Suffice it to say, the implications would be staggering. Consequently, we believe, despite the difficulty in measuring effectiveness, this preventative money is well spent now as an investment in the ferry system's long and safe future.

Senator MURRAY. Thank you very much, Mr. Norman, and Mr. Davis. Mr. Norman, before I ask questions, I just want to remark that in your opening comments you talked about Governor Gary Locke's budget, funds for the cost of the dedicated funded—dedicated tug at Neah Bay for the next 2 years.

And as you point out, the dedicated tug has been proven to be an effective asset as well as the ITOS system that has been put in place. I understand that there is also a discussion going on right now in our legislature, right now, about establishing a fund to hire additional tugs at the discretion of the captain of the port.

When the weather turns especially bad, and the risk for casualties is increased, and I just really want to urge everybody, all of the parties, to continue to work together to look at the merits of all of those approaches. Admiral, let me start with you. Following the *Exxon Valdez* spill over a decade ago now, the Coast Guard deploys pre-positioned oil spill response equipment at ports around the country, including here in this area.

I understand that much of that oil spill recovery equipment that was deployed then is nearing the end of its surface life, and the Bush Administration fiscal year 2002 budget contains no requests for funds to replace any of that equipment. Can you tell us the condition of that equipment, and whether we have been able to maintain it for appropriate standards?

Admiral BROWN. I'll defer to Captain Moore, but before he speaks for our oil response equipment, there is the stuff that we are responsible for is also contractors, and I think we can speak to ours. I'm not in a position to speak to those that are that contracted.

Captain MOORE. I'll actually answer that, Senator. We have prepositioned equipment here that is maintained under the National Strike Force. We have located a cache of it here in Puget Sound as well as down in Astoria. We also have prestaged crucial response equipment that is managed under the Marine Safety Offices.

All of that equipment is in good shape. None of it is in need of replacement at this time. It's all well maintained and in exercise it has been used on occasion. The most important thing is that it will only last 10 years. These contractors have increased the amount of equipment that they have, and there is plenty of equipment in the Puget Sound.

Senator MURRAY. So, in your opinion, if there was a major oil spill, that equipment is ready to go, it's safe, it's adequate, and it has been maintained?

Captain MOORE. Yes, it is.

Senator MURRAY. Mr. Norman, can you comment for us on what the Washington State Pollutions Response capabilities are for—and how they interrelate with the Coast Guard.

Mr. NORMAN. Our—we have a small pollution response group of about 21 people spread across four regions. On the west side of the State, the dividing line is basically Tacoma. They have been focused, because we haven't had, fortunately, many spills, they have been focusing more recently on cleaning up methamphetamine, illegal drug labs, which is a hazardous material. Because they respond——

Senator MURRAY. On boats or shore?

Mr. NORMAN. On shore so far, but we anticipate we'll start finding those on derelict vessels as well, which causes Captain Moore and I to have—to have some qualms, I guess you can say. It adds to the clean up, the difficulty. So we have been focused more on hazardous material spills. We don't bring a great deal of assets to the table.

Senator MURRAY. This question is for both you, Admiral, and for you, Mr. Norman. Since enactment of the Oil Pollution Act, every vessel and facility is required to have a designated oil spill removal organization.

I have heard that nationwide facility and vessel operators may be switching to cheaper, less capable oil spill remover contractors, and I understand that both the Coast Guard and the State of Washington has established standards for these contractors. Could you both comment on the availability and capabilities here in the 13th District, Admiral.

Admiral BROWN. As you mentioned, we do have standards, and as Captain Venture mentioned we also do exercises, and I would like to defer to Captain Moore for a more specific response.

Captain MOORE. Senator, there is two different classes of vessels. There are those that require a vessel response plan, primarily the tankers and tank barges, and the other vessels that require a different level of plan. Those that require a vessel response plan have to have a sufficient amount of equipment to meet the regulations.

The way that most of them do that is they contract with Oil Spill Removal Organizations OSROs. In Puget Sound here, we have five main OSROs that are referred to in these vessel response plans. The majority of those plans refer to one or more of those OSROs. We work basically, essentially, the top five OSROs here all the time, both with respect to reviewing the vessel response plan, and an actual, in fact, oil clean up.

Senator MURRAY. Mr. Norman?

Mr. NORMAN. We have an unannounced drill program that helps us evaluate, and we work with the Coast Guard on drill programs that helps us evaluate the readiness of the contractors, both their equipment and their personnel.

And as we do these drills, we're finding that the—I would say the biggest shortfalls, experienced spill personnel, because we have not had a big spill. I think spill management, in the event of a big spill, could be a problem for us.

Senator MURRAY. Because we don't have personnel?

Mr. NORMAN. Because we don't have the experienced personnel. They have gone to places where they have a lot of spills, basically. And as a result, our biggest concern is with the actual management of the spill by the responsible party. And the best way to get at that is more and more training, and we work with the Coast Guard on drills to assure that.

Captain MOORE. And, Senator, if I could just add to my point here. I think the answer to the question in terms of OSROs and less people in OSROs speaks to the beginning of that program where there was a shell game played where people referred to other contractors and subcontractors, and we weren't real sure that that equipment could be put in an effective and timely manner.

What I meant to put the five—the main OSROs we work with here, we know their equipment, we know their personnel received every exercise and drill, and it's nice to have that consistency. It's also nice to have more than one, and, so, we see them all the time. Our focus now is more on the management of the spill, rather than their playing any kind of shell games with the equipment. We know where that is.

Senator MURRAY. Very good. Well, it's actually a real concern of mine that we are at a point where we're seeing more oil spilled from facilities than from vessels, and the budget proposal the Administration is going to eliminate 17 facility inspectors whose job is to ensure that oil and cargo facilities are complying with the environmental laws.

I know that part of that budget reduction is going to hit us here in the 13th District. Admiral, if you could tell me what—how you think the reduction of 17 facility inspectors will affect your ability to meet your performance goals.

Admiral BROWN. Yes, Senator, as you indicated that number is 17 Coast Guard-wide, and different regions have different facilities functioning and thus different impacts. In that regard, for us, it's not the largest contributor of problems in terms of oil spills, but let me ask Captain Moore to give more specifics about what we experienced here in the 13th District.

Captain MOORE. Senator, in Puget Sound less than 1 percent of our spills, last year we had 687 spills, only 500 of those were confirmed to be oil, and only 5 of those came from an inspected waterfront facility. Vessels at the facility, including barges and fishing vessels engaged in transfer operations, are another segment of spills, but not from the actual facility where it's piping, or its operation.

And, so, in Puget Sound we don't have too many spills from facilities. I believe the statistics that might be relaying that are that non-vessels in the larger statistical national data base get referred to as facilities, that is, those that come from storm drains, those that are machines that are not otherwise attributed to a vessel.

But for here in the Puget Sound, our specific data shows just 1 percent of the spills come from an inspected facility.

Senator MURRAY. Well, would an elimination of 17 facility inspectors have an impact?

Captain MOORE. Us here? Well, that's 17 Coast Guard-wide. Here, out of all of our facilities we still focus on those that move the most oil, and those that have the dangerous cargo.

And by extension, what we have found is that the container inspection program, our container inspectors have to go on the container yards. By virtue of being there, they can cover reviews of those containers facilities. Our facility inspectors are focusing on——

Senator MURRAY. So, what, we have 17 people sitting around the country with nothing to do that this won't have an impact?

Captain MOORE. No, Senator. We're doing risk ranging so that—we have 56 oil facilities here. About 9 of those move the majority of the oil, so we focus on the top 9. A lot of those are mobile facilities.

If we lose an inspector, we'll do less of the mobile facilities, or less frequency of the mobile facilities. We'll still make sure that the top 9, the ones that move the most oil, that—we'll make sure from risk ranging, that we'll be attending to those operations.

Senator MURRAY. Mr. Norman, do you have any comments on how that will affect you?

Mr. NORMAN. I'm not sure how it would impact the Coast Guard facility inspection. We also do pre-facility inspections and test every contingency plan and prevention. We have two prevention inspectors and I think eight contingency plan inspectors, one supplementary Coast Guard.

In fact, we have a joint program for facilities that, as yet, they have not taken advantage of which increase the facilities inspections of itself with Coast Guard and State oversight that no facility has yet taken advantage of. We would like to see more of that as that would help absorb some of the impact.

Captain MOORE. One of the key elements, Senator, of the Memorandum of Agreement with the State is to leverage our resources and eliminate duplication, so as we work forward on that, the implementation of that MOA, we hope to identify those areas where we can allow the State to do certain things that we won't have to do then.

Senator MURRAY. All right. Well, Mr. Davis, let me turn to you. You talked about 26 million people a year using our ferries here. That is a lot of folks moving. And we are seeing an increasing use of high-speed ferries as well, and clearly that it is contributing to a higher risk of casualties.

There was recently a Blue Ribbon report on Washington State Ferry safety that made a number of recommendations to the Coast Guard and to Washington State to help us address these risks. Have the Coast Guard and Washington State Ferry System developed an exercise plan and procedures that are—that will help us with this increased risk factor?

Mr. DAVIS. The simple answer is, yes, but I would like to expand on that a little. The Blue Ribbon Panel had 16 recommendations, 15 of which were directly towards the Ferry System, one of which was directed towards the Coast Guard. All of those have, to varying degrees, been addressed. All them are not something that you say, "We've done that."

They're all things that we're going to continue to improve on over time. So some of them have had a lot of progress made. Some of them have had a little progress made with more progress in the works.

The implications of the recent life saving rules, the Subchapter W rules that have come out, have really solidified the already good working relationship with the Coast Guard to bring us together to say, "How we are going to tackle this? How are we really going to deal with a scenario?" We have got a drill coming up this fall in September–October. We are going to look at how are we going to do in those areas where they——

Senator MURRAY. So you will actually be conducting drills along with the Coast Guard and making recommendations from there?

Mr. DAVIS. That's correct. The whole idea of the exercise is to test those contingency plans that you put in place and see if you can actually do what you said you were going to do. Learn lessons from it, and refine. Make them better. That's the whole idea.

Senator MURRAY. Admiral Brown, do you want to comment on that?

Admiral BROWN. I think he has done what I would do in terms of saying we made progress. We can't get any blocks and check them. I think we will continue to move in that direction.

Senator MURRAY. Okay. Did you want to add anything else?

Captain MOORE. Just give a plug to Washington State Ferries for a second. They voluntarily put in place the safety management systems for the vessels that were not required to have them. And they are aggressively moving forward on training and increasing the competency of the crews.

Those are two of the elements that we have been working on for a long time, and in their budget constraints and so forth, to be able to make that decision and stick with it is a great thing.

Senator MURRAY. Okay. One final question, Admiral, before I let this panel go, for you. You have proposed closing your station at the Columbia River and moving the assets from that station to stations at Port Angeles, Port Townsend, and Grays Harbor.

I understand that this proposal was not made for budgetary reasons, but because of your concerns about emergency response. Could you please walk us through the rationale for this proposed change.

We are hearing a lot from folks, and I think they are very concerned, and if you can just acquaint us with some of the relative statistics that are moving you towards closing that station down, I would appreciate it.

Admiral BROWN. Senator, as you indicated this is not an easy decision for us. But it is, in fact, a threat-based decision. I mentioned in my opening comments that we see our demands shifting, and this is one of those clear cases where we think we have a good amount of credible documented data that indicates that we have rising threats within our areas of responsibilities that we should attend to.

As you note, then, we've been in Station Q for over 80 years, and your support was very evident by attending the tragic, but moving, memorial service. So it is not with a light heart we make such a hard decision, but it is, in fact, a threat-based one, and I would like to ask our planning officer——

Senator MURRAY. So it is not a budgetary——

Admiral BROWN. No, it is not budgetary. It is a threat-based decision. I would like to ask the planning officer who has been working on this to quickly walk us through those specific details, if you don't mind. And I appreciate the support of your staff and our public meetings.

Captain BROMAN. Senator, I am Captain Broman, and I have some charts that I would like to pass the charts up to you if you like. Basically, in terms of our response system along the north coast of the Olympic Peninsula, primarily from Port Angeles to Port Townsend, in that area over the last 3 years we're seeing about 89 cases a year on average. And that's——

Senator MURRAY. 89 cases?

Captain BROMAN. Eighty-nine search and rescue cases where the Coast Guard is called to respond. And that relates to an average Coast Guard station in Washington/Oregon that does about 160 a year, just in terms of a bench mark.

So we're seeing about 89 cases in that area. We do not have any dedicated Coast Guard stations in either Port Angeles or Port Townsend that do search and rescue response on a 7 day a week, 24-hour a day basis.

So, we see these growing number of cases. We're responding to them from the Air Station in Port Angeles using our sprint resources and helicopter, and we're saving lives, so we're not concerned about that. But you can't look at this number and look at what has happened in the Bellingham area over the last 20 years, where we recently established and grew a station in the same type of growth pattern, and not begin to ask some questions about what should be done about that.

So, as a baseline we have the number of cases, then we had the Blue Ribbon Panel which pointed out the lack of a dedicated search and rescue response in Port Townsend, so that is another factor. And then we look at the narcotic seizures that are occurring in the Puget Sound region, and we have to think about what is our law enforcement vulnerability in that same Port Angeles to Port Townsend corridor.

So, those were the three main items that drove us to look at the increased risk. Then we started to do an examination about where resources might be under-utilized and we looked at Quillayute River. We identified about—an average case load of about 27 cases per year. So, again, when compared to the 13th District average station doing 160 cases, and about 90 cases occurring off the Port Angeles and Port Townsend with no station, and only 27 at Quillayute River——

Senator MURRAY. Let me make sure I understand. There is no full-time station at Port Angeles or Port Townsend. Only one at Quillayute River; correct?

Captain BROMAN. Yes, Senator, no full-time Coast Guard boat station. So, we saw the 27 cases at Quillayute River, and we said we better take a further look at that and see what this is telling us.

At that point we ran a computer simulation model to just simulate if the station were closed or open, what would be the effect on lives saved. And that simulation came back, and the results of that analysis were that there was no difference or change in the number of lives saved with the station open or closed.

So, at this point we went and made a proposal; we've had a series of public meetings; we have received some concerns from the public. We're trying to analyze that and understand exactly what is being said, and we need to make some further analysis and some further conversation with the public to make sure that we understand that their concerns are met with any solution we come up with. So, we're still in the data collection phase, but those are the relevant facts that have brought us to that point.

Senator MURRAY. Okay. I really appreciate your walking us through this. Obviously safety is a concern. You outlined the statistics very well. The community in Forks is very, very, deeply concerned as you know about closing that station, and I would like to continue to work with you, and have conversations as we try and work through a difficult situation for that community.

Captain BROMAN. Yes, Senator, we will work with them.

Senator MURRAY. Thank you very much to this panel, and we will move to our final panel. If you will come up. Mr.—Ms. Leslie Hughes, who is the director of the North Pacific Fishing Vessel Owner's Association, Mr. Randy Ray, president of the U.S. Cruise Ship Association, and Mr. Harry Hutchins, the executive director of Puget Sound Steamship Operators Association.

Again, I would remind you we only have a half hour for this panel. We have three panelists who have presentations. I'm going to keep you to 5 minutes on this because I do have some questions that are—that I would like to ask you. So, Ms. Hughes, if you can begin, and I will give you a 15-second warning when you are going to run out of time.

STATEMENT OF LESLIE HUGHES, DIRECTOR, NORTH PACIFIC FISHING VESSEL OWNER'S ASSOCIATION

Ms. HUGHES. I'm going to pretty much follow my written comments, but I'll try to make them a bit briefer (sic). I want to thank you very much, Senator Murray, for your interest in safety in the Puget Sound area.

DISTRICTS 13 AND 17

And for our fleet, the commercial fishing fleet, we very much are involved with two districts of the Coast Guard; that being District 13 and 17 because the Washington-base fleet works predominantly in Alaskan waters. So, that said, a lot of my comments do refer to both districts, and in many ways I would also commend both those districts on how they do work together because they have shared fleets that are also—other than commercial fishing.

I appreciate your opening comments and that you understand how the roles of industry and government need to work together if we're really going to be able to ensure a safer work environment as possible. I wanted to just provide a very brief profile of the commercial fishing industry that is based here in Washington.

SAFETY

Some of the issues that we face, and how we work with government to address many of those issues. I would also agree with what Scott Davis said that all of these are continuing efforts; that safety is not a destination. It's really what we refer to as a journey.

The Washington State home based commercial fishing fleets number several thousand, and they harvest essentially all commercially important fish and shellfish resources, particularly in the Alaska and North Pacific region, and those include Pacific salmon, halibut, herring, King and Tanner crab, tuna, and the largest complex of pollock, cod, flounder, and groundfish in the world.

These vessels range from small, 30-foot single operator vessels to vessels that are over 300 feet with crews of over 120, and all classes in between. The Washington distant water operations account for between 80 and 85 percent of the catches off Alaska, and the Alaska area fisheries about 55 percent of the shellfish and fish harvest volumes in the United States.

The total net value to this State from commercial fishing is 2—well, about 2 billion dollars a year annually. Providing competent safety training for those individuals that work on the vessels is critical for this industry to stay, keep or maintain its long-term health, and for people—for the people who work in these dangerous waters in the North Pacific, and who produce the seafood that we all enjoy.

SAFETY EDUCATION AND TRAINING

Providing that training is what our organization does. We're a nonprofit organization. We're totally dedicated to safety education and training for commercial fishermen, and other mariners as well. As an industry sponsored effort, which is—what makes the program unique. There is nothing like it in the United States.

It was developed by industry members, and then the Coast Guard joined forces with us in 1985 and it's remained the model safety training for commercial fishermen in the United States today. As you said, Senator Murray, in your opening remarks it cannot be disputed that the commercial fishing industry is inherently dangerous.

In fact, it is very, very often referred to as the most dangerous occupation you could choose. Over the 17 years that I have worked with this industry and in this program, although we've seen many tragic losses, we have seen a phenomenal heightening of safety awareness and improved safety practices.

I don't think there is anywhere in the country that has commercial fishermen as a whole, and I know its difficult to generalize, doing the kinds of training that we see here, the majority of which is voluntary. That is in excess of what is required of them. It's quite amazing what we have here. In addition to the voluntary efforts that I witnessed by our industry, the Coast Guard has established regulations——

Senator MURRAY. Ms. Hughes, if you can wrap up. We do have your written testimony.

Ms. HUGHES. Okay. And those regulations have been effective. I think you need a combination of voluntary and regulatory guidelines. But the dockside exams, I just want to say here in this area is one of the instances where over the past 2 years have actually increased 38 percent, and that represents about 18 percent of our fleet which is roughly 2,200 vessels.

That is 10 percent higher than anywhere else in the country. So I think the partnership has had some effective results. The Coast Guard does a lot of outreach, they have trainers where they can teach people damage control, and they make those very accessible. And, naturally, the search and rescue efforts are critical to the fishing industry.

We've worked on a lot of initiatives here in Puget Sound, but Harry Hutchins will describe those. We've joined forces with all the other maritime sectors on shared concerns. And to include, I would ask that you would consider the following three main requests that we have and that's——

Senator MURRAY. Real quickly.

Ms. HUGHES. Provide support to the Coast Guard budget, full support so they can do the job that we all ask them to do. And we would ask that your influence increase, Senator Murray; that you will take a truly bipartisan approach to work on the issues with us.

PREPARED STATEMENT

And that we work with industry and government as entities to find practical and realistic ways that we can accomplish things that are really meaningful, but within realistic budgets. Thank you.

[The statement follows:]

PREPARED STATEMENT OF LESLIE HUGHES

Thank you for your interest in fishing vessel safety and the roles of industry and the U.S. Coast Guard to ensure as safe a work environment as possible. I appreciate the opportunity to speak before you regarding the efforts in the Pacific Northwest to further the goals of safety improvements. These comments will provide a profile of the North Pacific commercial fishing industry and the issues we face, as well as ways we have attempted to address those issues. We believe improvements are most effective when industry and government work together to enhance safety improvements.

—Washington State home based commercial fishing fleets number several thousand harvesting essentially all commercially important fish and shellfish resources of the Alaska/North Pacific region, including all five species of Pacific salmon, halibut, herring, King crab, Tanner crab, Tuna and the largest complex of Pollock, cod, flounders and other groundfish in the world.

—These vessels range from 30 foot catcher vessels with a single crew operator to 300 foot world-class catcher/processor ships with crews of over 120 people.

—Washington's distant water operations account for 80 percent–85 percent of catches off Alaska. Alaska-area fisheries, in turn, produce about 55 percent of the nation's marine fish and shellfish harvest volumes.

—Total net benefits to the State of Washington from commercial fishing are in excess of $2.0 billion annually.

Providing competent safety training to the thousands of people working in this industry is key to the long-term health of this fleet and the people who work the dangerous waters of the North Pacific to produce the seafood we enjoy.

The North Pacific Fishing Vessel Owners' Association (NPFVOA) Vessel Safety Program is a non-profit organization totally dedicated to safety education and training for commercial fishermen and other mariners. The program is an industry-sponsored effort to save lives and property, and was developed in cooperation with the U.S. Coast Guard in 1985. This program remains the model safety training program for commercial fishermen in the United States today.

The NPFVOA Vessel Safety Program has a membership base of approximately 200 vessels and 150 support businesses and individuals, although anyone is welcome to participate in our programs and use our educational materials. Attendance in our courses has exceeded 22,000.

It cannot be disputed that the nature of commercial fishing is inherently dangerous. Over the almost 17 years the NPFVOA Vessel Safety Program has existed, we have witnessed significant heightened safety awareness by those who have shaped and used our programs.

In addition to the voluntary efforts initiated by the industry in the Pacific Northwest, the U.S. Coast Guard established regulations in 1991, following the Fishing Vessel Safety Act of 1988. Those regulations have resulted in improved safety practices. Due to its diverse and dynamic nature, the industry is not easily regulated; a one-size-fits-all approach will never be effective for all fleets. Therefore, it is imperative that industry and government work together to ensure that risks are viewed from a regional perspective, and mitigation be directed where the need exists.

Over the last several years casualty rates in Districts 13 and 17 have declined dramatically. The tragic recent losses of the ARCTIC ROSE and the AMBER DAWN have been contrary to the trend we have been seeing. The industry in this region has very strong partnerships with the U.S. Coast Guard, and these have resulted in a number of improvements:

—Dockside exams conducted by the U.S. Coast Guard over the past two years have increased by 38 percent, which represents approximately 18 percent of the present fleet (estimated at 2,250 vessels). This figure is approximately 10 percent higher than anywhere else in the nation.

—District 13 has improved enforcement of fishing vessel safety requirements, and when necessary have terminated voyages. We particularly support enforcement of the drill and safety orientation requirements (46 CFR, Part 28.265 and .270) in their dockside exams, as we believe they hold tremendous potential for improving the industry's safety record.

—The Coast Guard provides educational outreach valued by the industry through training aids, such as their damage control trainers and stability models. They have been extremely accessible by regularly bringing them to our courses.

—Stability checks aboard crab vessels in Alaska were conducted by the Coast Guard (Districts 13 and 17) the past two winters. These were highly valued by the industry.

—Certainly, one of the Coast Guard's primary missions, Search and Rescue, is of extreme value to the fishing industry. In the winter of 1999, with Alaskan weather conditions described by some as "biblical", the Coast Guard conducted 330 SAR missions which resulted in 95 lives saved. For winter fishing seasons in Alaska, the Coast Guard routinely posts additional resources to assist in emergency situations.

In addition to the oversight the U.S. Coast Guard provides to the fishing industry, either through regulations or educational outreach, the industry is actively supporting and furthering initiatives specific to the Puget Sound region. Several examples of these include:

—Representation on the Puget Sound Marine Committee;

—Support of the International Tug of Opportunity System (ITOS);

—Participation on the North Puget Sound Oil Spill Risk Management Panel;

—Support furthering of Harbor Safety Initiatives.

To conclude, we ask you to consider the following:

—Provide full support to the U.S. Coast Guard's budget so they can fulfill their important missions and do the job we and Congress ask them to do.

—As you find yourself in a position of greater influence, that you will truly take a bipartisan approach to the needs you can address within your region and nationally.

—You work with industry and government to find practical and realistic ways to make meaningful improvements to safety.

Senator MURRAY. Thank you, Ms. Hughes. Mr. Hutchins?

STATEMENT OF HARRY HUTCHINS, EXECUTIVE DIRECTOR, PUGET SOUND STEAMSHIP OPERATIONS ASSOCIATION

Mr. HUTCHINS. Thank you, Senator, for the opportunity to work with you again. I know that we're running out of time, so that—I would like to get a couple high points in my presentation. With all due respect to the Coast Guard Search and Rescue Program, members of my association try very hard to avoid contact with that element of the Coast Guard, so most of the work is with the marine safety part of it, and that's what we're going to be talking about.

MARINE SAFETY

We work—pretty much following Secretary Slater's determination that we have an excellent marine safety system, in the catch phrase—in his determination was that, "We can always look for more ways to improve." And that's what we've been doing. And I would like to reflect back a little bit on oil spill response.

We're unique in the Nation, and I believe it was during your time in the legislature, Washington State passed a law that said, "All ships, regardless of the type of the ship, over 300 gross tons has to have contingency plan in oil spill response capability." California has the same law. They've not been able to make it work nearly as well as we.

And the Coast Guard and the Department of Ecology work closely together in the—doing quality control on that issue. Also, I would like to thank you for your early support of the International Tug of Opportunity System which is growing and spreading a safety net up and down the west coast and adopted in the other particular areas. One of the—a point of controversy we seem to come back to is rescue tugs.

In 1994, the Emergency Towing System Task Force, which was set up, looked at three alternatives, they're listed—listed in my paper, but, today, all three of those alternatives are in place. Each one was intended to be a stand alone.

STATE CONTROL PROGRAM

We currently are doing all three of those. Specifically, I would like to highlight the Coast Guard for the State control program which does provide escort and special precautions for high-risk vessels, and as I mentioned, the International Tug of Opportunity System is being enhanced.

We locally have formed a citizens advisory and action committee for the region, which brings together all State COLAs in the public and private sector. Early success in that regard was through the offices of the environmental representatives to that body which brought together the first people talking about controlling aquatic nuisance species importation through balance water.

That lead to the State's balance water law which is the strongest in the Nation, and which, in fact, will provide a fix to the aquatic nuisance species problem posed by balance water and fish. For you, you will be seeing a re-authorization of the non-indigenous Species Act in the near future.

SUPPORT A NATIONAL PROGRAM

I encourage you to support a national program that is very strong, using Washington's as a model, so that we can have the same kind of protection in all of our port areas. We think that a Coast Guard that is well-funded, well-trained, and as ambitious and aggressive as ours is in pushing the safety envelope is very, very important, and I applaud your interest and ask for your support.

Locally, and this is a point that you brought up earlier, locally we identified that the Coast Guard has the ability to fund a response once an incident occurs, but has no ability to provide funding in anticipation of an incident occurring.

PREPARED STATEMENT

In that regard, the legislature is looking at funding the Coast Guard with monies so that if the weather deteriorates, or other circumstances occur, the Coast Guard can take action prior to an incident occurring when an incident occurs. Then the funding flips over to the Federal side, or to the affected vessel side. Again, thank you very much.

[The statement follows:]

PREPARED STATEMENT OF HARRY N. HUTCHINS

The Puget Sound Steamship Operators Association is a membership association comprised of commercial vessel owners, operators and agents whose vessels trade in the tidewater ports of Washington State.

The association's mission is to promote the growth and development of marine commerce in Puget Sound and Grays Harbor ports through strong business leadership that influences state and national economics and politics.

The PSSOA encourages sustained maritime trade in concert with the modern principles of environmental stewardship.

The PSSOA will work to eliminate factors which unreasonably increase the cost and complexity of doing business in Washington State ports in order to provide a stable, reliable economic environment in which business can prosper.

The PSSOA advocates education as a key strategy in carrying out its Mission.

The PSSOA offers the following statement in support of oral testimony at the subject hearing:

Following a number of extensive and intensive studies by the U.S. Coast Guard and the U.S. Department of Transportation's independent research facility, Secretary of Transportation Rodney Slater made and published the following determination in the Federal register of November 24, 1998:

"Based on the findings in the Volpe Center's report, I hereby determine that the many existing elements of the region's marine transportation system comprise a safe system. While there are always areas for improvement—and we should always be looking into means for improving safety—the Volpe report shows that the Puget Sound area has an excellent system now."

This determination correctly reflected on the high degree of safety practiced by vessels operating in the Puget Sound area, as well as the additional safeguards available locally but not in place in other parts of the nation. These safeguards included, at least

—The Washington State Maritime Cooperative which provides oil spill contingency planning and response capability for commercial vessels operating in the area, particularly those which are not otherwise subject to the provisions of the federal Oil Pollution Act of 1990,

—The U.S. Coast Guard and Canadian Coast Guard's Vessel Traffic System operating under the treaty agreement known as the CVTS agreement. This coordinated radar tracking and advisory system provides constant safety monitoring which is not available in most U.S. ports,

—The voluntary agreement (Standard of Care) between the U.S. Coast Guard and the local industry to engage the services of a ship assist tug when proceeding to anchor in congested harbors, such as Port Angeles,

—The ability for federal response managers to rapidly identify available tugboat response assets that could be employed in the event of a vessel emergency or loss of propulsion. This system is known as "the International Tug of Opportunity System", is a joint venture with the U.S. and Canadian Coast Guard and industry, and has been utilized with a great positive safety impact.

The Secretary of Transportation correctly advised that the search for new means of enhancing safety should always be pursued. To this end the following has been adopted—

—Expansion of the International Tug of Opportunity System has increased the number of response assets identified for the federal response managers. Installation of the system's electronics on ocean going cargo vessels assists in traffic control offshore as well as inshore. Adoption of this system by other areas along the West Coast will provide an industry funded and operated safety net for the entire coast,

—Joint adoption by the U.S. Coast Guard and local industry of a Standard of Care for the maintenance and testing of the starting systems on a particular class of vessel has reduced propulsion losses to near zero,

—Joint adoption by the U.S. Coast Guard and local industry of a Standard of Care for the actions to be taken by the U.S. Coast Guard and to be anticipated by a vessel operator in the event of a propulsion failure,

—Joint adoption by the U.S. Coast Guard and local industry of a Standard of Care for the prohibition of vessel maintenance of a type that would adversely affect propulsion or control while the vessel is underway without the provision of a standby tug,

—Continued aggressive application of the U.S. Coast Guard's Port State Control Program to identify and protect against substandard or dangerous vessels using the region's ports. Continued support for the U.S. Coast Guard's practice of requiring tug escort and/or prohibition of entry for the most risky vessels,

—Operating under the auspices of the U.S. Coast Guard/Canadian Coast Guard CVTS agreement, the U.S. Coast Guard took the lead in streamlining the navigational channels serving each country. The changes engendered in this effort improved vessel navigational safety, organized the approaches to Puget Sound and provided extra protection to the Olympic Coast National Marine Sanctuary,

—Institution of a citizen's safety advisory and action committee for the region. Known as the Puget Sound Harbor Safety Committee, this committee includes voting membership from all private sector maritime stakeholders (including environmental groups, tribes, and the public) and advisory positions for all public sector maritime stakeholders. The charter of this group is the constant evaluation of maritime operations in order to (in the Secretary's words) ". . . always be looking into means for improving safety". The U.S. Coast Guard Captain of the Port has taken a lead role in the development of a comprehensive "Harbor Safety plan" which will be published and implemented this summer,

—The activity mentioned above is parallel to and complementary to the international safety provisions of the "Shipboard Training, Crewing, and Watchstanding" (STCW) requirements which addresses the elimination of "human error" instances aboard ships. Additional and complementary to STCW is the "International Safety Management Code" (ISM Code) which primarily addresses means for companies and shoreside management to eliminate particular actions or infrastructure that might contribute adversely to safe operations aboard vessels. Both of these error reducing programs are recorded in U.S. Coast Guard regulations and compliance is monitored by the local Captain of the Port.

As reported by Environmental Research Consulting (ERC) in a recent international association's newsletter (BIMCO News), "In the U.S. the reduction in tanker spills during the 1990s not only mirrored the world trend (dramatically downward), but was also more impressive. The strict port state control regime implemented by the U.S. Coast Guard and the fact that tanker owners must comply with a rigorous liability regime were undoubtedly important factors."

In August 1994, the Emergency Towing System Task Force published it Final Report. Page v of the Executive Summary reported. . . "The need is for dedicated or improved capability to respond quickly to disabled vessels in the Strait and adjacent coast. The Task Force considered three possible solutions to meet this need:

—Requiring tug escorts for high risk vessels to and from the entrance of the Strait;

—Locating a dedicated standby tug at the entrance of the Strait;

—Establishing an enhanced tugs of opportunity system combined with increased regulatory oversight on substandard vessels entering the Strait.

Of these alternatives, the U.S. Coast Guard through its Port/State Control System requires tug escorts for high risk vessels to and from the entrance of the Strait, and exercises increased regulatory oversight on substandard vessels entering the Strait. The joint U.S./Canadian initiative for the International Tug of Opportunity System has significantly enhanced the use of tugs of opportunity and continues to enhance and enlarge the system.

During meetings of the North Puget Sound Risk Management Panel (an attempt to develop a harbor safety plan), industry supported a proposal by the representative of the Washington Public Ports Association to fully support the U.S. Coast Guard's practice of requiring tug escorts for high risk vessels, and to enhance the International Tug of Opportunity System by ensuring, through tug charter, that an appropriate tug would be available in the Western Strait during conditions of increased hazard

As a corollary to the U.S. Coast Guard's safety mission, that agency well understands and is sensitive to the operational needs of commercial cargo vessels. This sensitivity goes hand-in-hand with safety management and is especially valuable given the current improvements in cargo throughput at British Columbia ports and the recent move of the primary service of the "Grand Alliance" to British Columbia from Puget Sound ports.

It is obvious that the promotion of marine safety is a high priority for the U.S. Coast Guard and the maritime industry in the Puget Sound region. Congress can participate in the U.S. Coast Guard's effective performance by ensuring that the service is provided adequate assets, appropriate training and full funding to perform the services required by Congress and is able to operate progressively beyond its Congressional mandate to ". . . always be looking into means for improving safety".

In particular, Senator Murray, we ask that you consider the following:

—Many thanks and much appreciation is due to you for early recognition of the safety value that can be derived from the rapid identification of response assets through the use of modern electronics. The ITOS program that you supported years ago has grown beyond the confines of Puget Sound and is providing an additional offshore safety net. Maritime industry in Alaska and the lower west coast states have recognized its intrinsic value and are planning to implement similar programs in their areas. Your continued support and endorsement will help in the proliferation of this equipment and enable us to derive the full safety value of this network.

—We, locally, have identified a real gap in our safety system. This gap is made evident when considering that the U.S. Coast Guard Captain of the Port has access to funds to respond when an incident occurs, but does not have the ability to commit funds in anticipation of an incident. Recognizing this, we have supported an initiative in the legislature to provide funding to the Captain of the Port of Puget Sound that will enable accident preventive actions to be taken in anticipation of an actual incident occurring. This means that, for example, a tugboat could be chartered to standby in a given location when the Captain of the Port is concerned with deteriorating weather or some other potentially disturbing occurrence. This is an issue that, while initially identified here, poses a response problem nationwide.

—With industry support, Washington has implemented a strong law which leads to the certainty of protecting our waters against Aquatic Nuisance Species which could threaten our sealife and which may be carried in ship's ballast water. We encourage you to vote to strengthen and reauthorize the Non Indigenous Species Act, to use Washington's law as a model, and to extend similar protections uniformly to all the nation's waters.

—We ask that you stay involved and remain supportive of our efforts. The stakeholder partnership that has been forged here is strong and progressive and requires a strong and capable Coast Guard to continue to move ahead.

I, and the members of the PSSOA, appreciate your interest and involvement and thank you for the opportunity to brief you on the real progress that has been made and the importance of the U.S. Coast Guard and its mission in protecting our environment and our commerce.

Senator MURRAY. Thank you very much, Mr. Hutchins. Mr. Ray?

STATEMENT OF RANDY RAY, PRESIDENT, U.S. CRUISE SHIP ASSOCIATION

Mr. RAY. Thank you, Senator Murray. My name is Randy Ray, president of the U.S. Cruise Ship Association. We have five U.S. companies that are U.S. flag owned, have U.S. owned cruise ships. We cruise all parts of the planet, literally, from the Arctic to the Antarctic. Our primary market is the U.S. coastal and inland waters.

Our American vessels are U.S. built, U.S. crewed, subject to U.S. State and State laws, and pay United States and State taxes. Normally when one visualizes a cruise ship, one thinks of a white vessel leaving Miami, or L.A. off to some tropical area. And I would be remiss if I also didn't now mention we will now visualize ships leaving Seattle.

U.S. FLAG CRUISE SHIPS

Those are not our ships. We are the small ships. We leave Portland, Oregon. We go to Hood River. We go to Umatilla. Pasco, Washington. We go to Lewiston, Idaho. We leave Boston and go to New Bedford. We sail the Mississippi, the Great Lakes, the Hudson, the Chesapeake, and Sacramento River. U.S. cruise ship members are cruising whole new areas of the U.S. and bringing economic revitalization and jobs to small towns in rural America.

And we would like to thank Senator Murray for inviting us here because too often the U.S. flag cruise ships are overlooked by Federal and State governments and agencies. We have two issues to discuss, and we are not only looking at the 13th District, but also the 17th District. First is marine pollution.

MARINE POLLUTION

In 1999, Alaska raised questions about cruise ship pollution. United States and foreign flag cruise ships tested their discharge in 2000. The result was we all flunked. Big, small, United States and foreign, we all flunked. It was a wake up call as to a glitch in the system. The public and private sector had dropped the ball on marine pollution.

We warned that the laws governing discharge and ship practices on cruise ships need be modernized. Last year Senator Murkowski amended Federal law to limit grey water and black water discharges in Alaska, but it only applies to Alaska. Now we have other States raising questions. Yesterday I spoke with Hawaii regulators, where they are forming a task force and plan to propose 2002 legislation for their State legislature.

TIGHTENING CRUISE SHIP REGULATIONS

Alaska has a special session that starts next week for further tightening of cruise ship regulations. While I do not represent foreign-owned lines, I will say that we and they are scrambling to restore confidence in the cruise ship industry.

This will not happen overnight, but we are working quickly. I have an action request for Congress, and the U.S. Coast Guard. First, we need to rethink how marine sanitation devices are certified and tested in the real word, as well as look at the grey water standards.

Second, the Federal Government needs to look at creating a Federal environmental permit for cruise ships in preempting States. Am I against States regulating themselves? The answer is: No. But what do we do when we are on the Columbia River, and sailing in both Oregon and Washington waters? Which permit do we have to go apply to?

And, so, we have got a compliance—NPDES permits are based on stationary sources. We are mobile. Some of our ships go to 18 to 20 States. What do we do? Do we have to have those many permits? We will be coming back to you, Senator Murray, as well as Congress to ask about that.

The second issue we have is vessel safety. Two components for cruise ships: One is vessel safety and the other one is passenger safety, and our biggest lack of—thing that we need is communication. Puget Sound has extensive radar coverage, and high levels of radio coverage. Alaska we virtually have no radar. Columbia River has the same, no radar.

Even parts of Puget Sound the resolution quality is an issue, and there is no radar south of Tacoma. In Alaska, radio is often questionable to nonexistent in some of the places we go. We had a grounding two summers ago where there was virtually no ability to communicate directly with the Coast Guard, as we had 75 people on a cruise ship that was starting to sink.

We need new systems. Our request to Congress is to fund a new vessel tracking and communication system for the west coast. Radar is too expense. The system that we currently have in ITOS, which you helped start, is a technology of GPS transponders that tracks vessels as well as allows two-way communications between ship to shore. The Columbia and Puget Sound need a few more antennas.

Alaska is more difficult. It's remote. It's extensive area, and it's a harsh climate, but British Columbia has the same system they use for the BC, Ministry of Forest. It can be done. Also, we may soon have personal transponders that we can put on people in kayaks or in hiking, and, so, we can use those to track as well.

So the thing is if we can communicate with these vessels, we know where they are, would be great in terms of the environment as well as passenger safety. The dilemma is implementing for the west coast. The Federal regulatory system is too long a process if you try to go through an existing agency.

If ITOS were to come through the same system, we don't believe it would be operating today. We would still be trying to hold hearings on what would be the best system. This is no one's fault, it's just how our system works. Currently the Washington legislature is looking at a pilot program for funding, adding additional transponders, and doing this as a joint venture with non-profit maritime groups.

PREPARED STATEMENT

We would ask Congress to bring life to these dark areas and fund a GPS transponder system for the west coast via existing, non-profit maritime groups and working with the State for tracking vessels and opening communications. Thank you.

[The statement follows:]

PREPARED STATEMENT OF RANDY RAY

My name is Randy Ray and I am president of the United States Cruise Ship Association. The USCSA is comprised of 5 U.S. companies that own and operate U.S. flagged and U.S. owned cruise ships in all corners of the planet. But our primary market is the United States. Our U.S. vessels are small and operate in U.S. coastal and inland waters. The vast majority of our vessels are U.S. built, U.S. crewed, come under U.S. and state law, and pay U.S. and state taxes. While one may picture a large cruise vessel leaving Miami or Los Angeles for a tropical destination, that is not us. Our vessels will leave Portland, Oregon and go to Hood River, OR, Pasco, WA, and Lewiston, ID. We leave Boston and go to New Bedford and other New England towns. We sail the Mississippi, the Great Lakes, the Hudson, the Chesapeake, and the Sacramento River. When our vessels visit big ports there is little fanfare. When our vessels visit small town USA we have an extremely large economic impact on those towns and residents. We are growing in vessel numbers and capacity. The number of towns in the United States we are visiting is increasing. We are bringing cruising to whole new areas and communities of the United States. With it, we are bringing economic revitalization and jobs to small towns and rural America.

We are different, but our issues are no different than those that impact large cruise vessels

As U.S. flag and U.S. owned cruise ship operators, our operations often come under a closer scrutiny from the United States Coast Guard, than our foreign counterparts. When our ships are built, repaired, or crew licensed, we must meet U.S. standards dictated by U.S. law and enforced by the U.S. Coast Guard. As in any relationship, there are sometimes differences of opinion. But, as the President of the United States Cruise Ship Association, I would like to compliment the professionalism and the high standard of quality of the U.S. Coast Guard as an agency and as a team of highly trained people.

We are fortunate to have them.

But, as U.S. owned cruise companies, we often have had difficulty in being recognized by Federal and state governments. This has perplexed my membership.

Let me give a short story as a transition into the issues.

Last year in Alaska, local citizens, environmental groups, state legislators, and agencies questioned the whether or not cruise ships were polluting the environment. The result was the formation of the Alaska Cruise Ship Initiative. The original committee consisted of Alaska Dept. Of Environmental Conservation, the U.S. Coast Guard, EPA, and the Northwest Cruise Ship Association (representing foreign owned cruise lines). U.S. flagged cruise lines were not invited.

We showed up anyway. We were told we were of no interest by the State and all Federal agencies. We insisted on participating. We were finally seated at the table. Unfortunately in too many forums lately, U.S. owned cruise companies have been ignored by State and Federal agencies, and in Congress.

After the Alaskan Forum started, cruise companies were asked if cruise ships polluted the marine environment, some said they did not. The USCSA said we did not know. We said we had never done water quality testing on our discharges and promptly volunteered to do so. Other cruise lines volunteered later as well.

As the testing proceeded, large foreign cruise ships were assisted in their testing by the U.S. Coast Guard. When we inquired for the same type of assistance for U.S. cruise ships, we were told we were not the subject of the inquiry and refused by the USCG. We proceeded on our own.

The results were, as we discovered, all failed, often miserably. Almost every ship failed to meet standard water quality parameters, whether foreign or domestic, large or small. ALL cruise ship companies discovered, we have a long way to go to assure marine protection and reassure regulators and the public.

And as a note, when the Alaska Legislation appeared this year creating regulation of the cruise industry, the definition of a cruise vessel is 50 passengers and above. As one USCG officer said to me last month in Juneau—we were smart to insist on involvement.

Therefore, I would like to thank you, Senator Murray, for inviting us to speak. We believe as U.S. companies we deserve a seat a the table. We hope in the future other Congressional committees and Federal agencies will follow your example.

I would like to quickly list two issues we hope the U.S. Congress would address.

MARINE POLLUTION

With the Alaska water quality testing, we had a wake up call as to a glitch in the system. The private sector and the public sector dropped the ball on vigilance and staying current. Technology, regulations, and oversight did not keep pace with a justifiable heightened concern over the marine environment.

We flunked the public.

We have now learned that laws governing discharges need to be modernized. Senator Murkowski last year amended Federal law to provide restrictions on blackwater and graywater discharges in Alaska. The amendment does not apply to other U.S. waters. Other States are now saying if the Federal government is not going to act, they will. Yesterday, I spoke with Hawai'i regulators who are forming a Cruise Ship Environmental Task Force to make a recommendation to the Hawai'i Legislature for 2002.

While I do not represent any foreign owned lines, I do believe I can say for them and U.S. owned cruise operators, we all are scrambling to restore confidence in the cruise industry by the public and governmental regulators. This will not happen overnight. Ships will need to be retrofitted. This takes time and major investments.

Some amazing new technology exists today for treating water discharges. Unfortunately for U.S. cruise lines, manufacturers have told us they have not designed these systems for our smaller cruise vessels. Therefore, U.S. cruise lines are in a box, the need to meet higher standards, but no new technology to do so. Even so, we are working hard using existing equipment to make it perform at its highest level.

In Senator Murkowski's Legislation, cruise ships over 500 passengers are prohibited from discharging while in port. The USCSA has learned existing MSDs work better if they are operated 24 hours a day. If they are shut down and restarted, one is almost guaranteed to violate the standard. While the Murkowski Legislation does not apply to our ships in Alaska, because of size. The AK Dpt. of Environmental Conservation attempted to use the same standard for all cruise ships. This would have driven the U.S. fleet out of Alaska. The Alaska Legislation is now being modified.

Action requests

First, the U.S. Coast Guard and Congress needs to rethink how Marine Sanitation Devices are certified and tested in the real world. Attention also needs to be paid to differing operational parameters for different size ships.

Second, the Federal Government needs to look at creating a Federal environmental permit for cruise ships pre-empting the States.

Are we against States acting to protect their local waters—NO. But, individual state permits does create a huge dilemma for vessels involved in interstate commerce. NPDES permits for regulating discharge are wondrous tools for preventing pollution. When created they were planned for stationary facilities. Now, states are looking at similar permits for cruise vessels. When a company has a vessel that visit 18 states, that is a lot of permit application, filing, updating, and monitoring.

What do we do on the Columbia River or the Mississippi? Two states may create contradictory laws. When one sails one can hit both states in the same half mile just by veering from one side to the other, what state is primary or is one in legal double jeopardy? This is not an issue in Alaska because of its location. But, this will face us in the lower 48.

As we move into this needed regulatory area, we are going to be back to Congress asking for your help to bring sense to the schematic.

VESSEL SAFETY

Two components exist for cruise ships: vessel safety and passenger safety. Both can be addressed with one component—communication.

As we look at Puget Sound, one sees a body of water with extensive radar coverage, high levels of radio coverage. As we look at other areas in the Northwest, the same cannot be said. In Alaska, there is virtually no radar coverage of vessels. On the Columbia River, the story is the same—no radar. Even for parts of Puget Sound, resolution quality issues occur with the current radar.

In certain areas of Alaska, radio coverage is highly questionable, if not non-existence. Two years ago, a USCSA member had a grounding in Alaska where passengers had to be evacuated. Radio communication was near impossible, because of the location. Luckily, no casualties occurred.

With increased cruise vessel traffic, with increased passenger numbers, with more remote locations being accessed, new systems need to be implemented.

Action request

Congress needs to look at funding new vessel tracking and communication systems on the West Coast to protect the environment from vessel casualties and protect passengers.

Radar as a technology is too expensive to put in such a vast area. The Maritime Industry in Washington has been implementing new technologies for protecting cargo vessels which can easily be transferred to these remote areas for a reasonable cost. These systems provide realtime tracking as well as two way communication.

In Washington State, the system started as the International Tug of Opportunity System and is now attempting to evolve to include all piloted vessels. The technology uses a GPS transponder which provides an update every 5 minutes as to the vessel's location. The WA State Ferry System use this same technology for their ferries on a 30 second update. If a vessel has a computer on-board, the system can be used to send e-mail back and forth and track other vessel around corners radar cannot see. The primary signal relay is a line of sight antenna. As more vessels have the system antenna, they use each other as repeaters creating greater coverage.

Certainly in remote regions of Alaska, placing enough antennas will not be easy. Keeping the antennas working in extreme climates is a problem too. Yet, the British Columbia Ministry of Forest utilizes the same technology to cover all of BC. This is doable for a reasonable cost.

The savings will be great to the environment to be able to react quickly to a vessel in distress or a passenger in distress, if we can only know where the vessel is and be able to communicate. The technology is getting so good, we hope to soon have limited range transponders that can be put on life jackets or in coats to track kayakers and hikers.

We come to a dilemma though in implementing such a system for the West Coast. If such a system is handled by a Federal agency, the bureaucratic regulatory process will mean a decade or more of process hearings, years of analysis, and finally a system delivered that will likely be obsolete by the time it is implemented. This is not the fault of Congress or any Federal agency. Unfortunately, this is how our process works today.

ITOS is operational today because it did not go through such a process. A non-profit maritime group provided the funding and provides free feeds to the U.S. and Canadian Coast Guards. Now the system is trying to be expanded. The Maritime Industry has asked the WA Legislature to fund transponders and laptop computers for Washington State pilots boarding all cargo ships. If the Legislature provides the funding, the Maritime Industry will pay for the software, the additional computer hardware, staff the system, and provide the additional feed.

I would ask Congress to consider investigating bringing light to the dark areas by funding a GPS transponder system for the West Coast via existing non-profit maritime groups for tracking vessels and opening communications.

Thank you for your time.

Senator MURRAY. Thank you very much, Mr. Ray. Admiral, let me begin by asking a question about the *Arctic Rose*. Commercial fishing continues to be the most dangerous occupation in this country, and the Pacific area has historically experienced the highest fishing casualties in the entire country.

Recently we had a tragedy here with the Seattle based fishing vessel, *Arctic Rose* sank with the loss of 15 lives. It was the worst fishing accident in the last 50 years. Roughly 80 commercial fishermen die every year. To combat this, there are only 21 dedicated commercial fishing vessel safety billets in the area, in the entire Pacific Area, to service roughly 30,000 fishing vessels.

Can you talk for a minute about whether you think the Coast Guard is capable of handling the large number of commercial fisheries that we have here.

Admiral BROWN. Senator, again, your numbers are accurate. It is a very significant challenge for us. Many of the panelists have spoken to some of the initiatives in terms of the preventative measures, in terms of inspections.

We make an effort to enforce—our activities are focused on high-risk fisheries. I can tell you more specifically what we do here. We have Pulse Ops. We enforce in areas where we have derbies (sic) and things like that.

I can ask Captain Moore to speak to our Puget Sound area. As some of the panelists mentioned, a lot of the fisheries who have—their ownership of the vessels docked here do, in fact, operate in Alaskan waters, which is a completely different environment. So we can only do the work on the dockside in terms of operations and other things, but let me ask Captain Moore to speak to right here in the Puget Sound.

Senator MURRAY. Captain.

Captain MOORE. Senator, if I could refer to a couple of comments Leslie made. We had a 38 percent increase in the number of dockside examinations. However, I think if you look at that from a different perspective, only 18 percent—that only represents about 18 percent of the fleet.

Senator MURRAY. So only 18 percent of our fleet, our commercial fishing fleet, has been—had any dockside inspections before they leave here?

Captain MOORE. Yes, Senator. Let's explore why for just a second. The access is the key. It's not that my three examiners can't do more examinations. It's drumming up the business from the current choir, if you will, those that want to do a dockside examination, want——

Senator MURRAY. It's voluntary?

Captain MOORE. It's volunteer, drumming up business, and they have been very creative in working with Leslie and her folks about drumming up more business to get more people into the choir, if you will.

And, so, for us right now, it is not a shortage of examiners. It is—we're spending a lot on outreach efforts to drum up more interest and business to go through education, training, and go through the voluntary dockside program.

Senator MURRAY. How—should it be voluntary?

Admiral BROWN. As we've spoken to earlier, the panelists have indicated there are two sides to it. There is the prevention side and the inspections—those are the prevention side, and the response side.

You mentioned some of the elements of the response, being able to communicate, being able to find, and those kinds of the issues. So your question is: Should it be mandatory? I think what Captain Moore is saying is—as well as be more effective, in doing our preventative side, we need to be able to get to those people to be able to help them. And whatever way that is best to facilitate them, that helps us accomplish our goal.

Senator MURRAY. But I'm hearing you say that only 18 percent of the commercial fishing vessels that leave here have been boarded for any kind of safety tests.

Admiral BROWN. Senator, that's our data.

Captain MOORE. Senator, there is one other explanation there. The fishing vessel dockside program, that's 18 percent of the fishing vessel dockside program, we also have at-sea boarding program where——

Senator MURRAY. Is that voluntary?

Captain MOORE. No. Vessels stop fishing and making money and let us come aboard. It's not voluntary.

Senator MURRAY. How many vessels do you inspect?

Captain MOORE. We have targeted—the Admiral talked about a targeted time period, and, so, in that particular case we boarded those that were just getting ready to get underway, either board them underway or just right before they left their docks. There were a couple hundred involved in that one targeted activity. So there is another percentage out there that get boarded at sea.

Senator MURRAY. By any chance do you know if the *Arctic Rose* was inspected before it left?

Admiral BROWN. Yes, the *Arctic Rose* was inspected, Senator.

Senator MURRAY. Did it get a decal?

Admiral BROWN. It had a decal, and in the 13th District we boarded 526 fishing vessels at sea.

Senator MURRAY. 526. What percentage is that, do you know?

Admiral BROWN. 3,900 out of 3,900.

Senator MURRAY. Ms. Hughes, how are we going to get more vessel inspections before they leave?

Ms. HUGHES. Well, one distinction that has to be made with these at-sea boardings is those are really what you referred to in your opening statement as fisheries and enforcement issues.

And I am on the Coast Guard Advisory committee for fishing and vessel safety, and I have—I—in representation of my organization, we fully support greater enforcement of the safety drills and the kinds of things that will get these crews way more ready. And it's the same kind of thing that maritime sectors have talked about.

As you do the drills, you find areas where you have a gap, or a deficiency. That's where you address it. So even though it might be reviewed in some ways as response mode, it's really a preventative mode because you are making sure you are prepared if something should go awry. The at-sea boardings in our view are really not the place to do the safety checks. It's better to do it before they leave the dock.

Senator MURRAY. So how do we get more of those folks to——

Ms. HUGHES. Well, one of the other issues in the fishing industry that's found to be one of the most complex, diverse group you are going to be talking about today, because of it's diversity.

The vessels that are under 200 gross tons, the smaller vessels, are really the ones that are going to be the most reluctant to do the dockside examination, and they are large in numbers. Your larger boats are the ones that are the bulk of your 18 percent participation.

So, somehow the trick for the Coast Guard is to get the authority to have more regulation over the smaller vessels under 200 gross tons because the industry is highly regulated above 200 and 300 gross tons. A whole regime of regulations kick in there. Under 200, they're not licensed, and the Coast Guard lacks the authority to really reach them. And if you look at the casualty statistics, that is where you will see the bulk.

Now, the *Arctic Rose* was an exception to that. We've not seen an accident like that—anything like that at all since the Aleutian Enterprise in the 90s. So, you know, that—that catcher vessel group has had a very good safety record; that is a tragic exception. So, normally when you see that, it's one of those.

Senator MURRAY. Admiral, do you know what the focus of the investigation is going to be on the *Arctic Rose*?

Admiral BROWN. At this point the—they are still gathering data and information. The Coast Guard and NTSB have been conducting preliminary interviews and collecting evidence from all the parties that are known to have an association, or known to be associated with the *Arctic Rose*, either in business dealings, vessel owner, or the crew.

It's currently a joint Coast Guard and NTSB Marine Board of Investigation which will conduct a formal hearing here in Seattle beginning 12 June. They'll attempt to determine the cause, and at this point it's too early for anyone to know what those causes are.

But they will be looking at such things as the design, construction of the vessel, it's stability characteristics, perhaps the manner in which it was operated at the time, to the best of their knowledge, weather conditions, and any other historical data they may have, such as it's owners or operators, but at this point it's still an active—active investigation.

Senator MURRAY. I appreciate that. And it's my understanding from talking to many fishermen over the years that fishing vessel are taking greater and greater risks because of the economic impact that they have and try to pay the bills and getting out there in dangerous waters.

Will that be part of the investigation at all? Or do we need to look further at what kind of risks are fishing vessels are taking that they shouldn't be?

Admiral BROWN. I think the investigation is going to focus more directly on the direct causal events, whether it was stability, whether it was weather, whether it was operation. I think that there are other causal factors that put people in high risk situations.

We are concerned about that, too. When we work with the FMCs, we try to not have events that cause people, under circumstances they normally wouldn't do it, whether it recreational or commercial because of economics. So we, too, have a position on things that create high risk endeavors.

Senator MURRAY. Okay. Well, turning to a slightly related, but different topic, Admiral, last year the 13th District did not meet its goal of reducing the rate of passenger vessel casualties, even though that goal was met by the Pacific area as a whole.

A couple weeks ago we had a Norwegian cruise line ship that returned to Seattle after a very jarring movement near the mouth of the Strait of Juan de Fuca that shattered glass and injured 15 passengers. That incident, and as well as the recent grounding of the ferry, State ferry, reminds us how important it is for passenger ships to operate safely in all of our waters.

And, Mr. Ray, maybe I could ask you as a representative of the cruise lines what—what would be your comments on some of the major safety challenges facing the cruise ship industry?

Mr. RAY. I do not represent the foreign lines—foreign-owned lines, so I will not speak on their part, but, again, one of the things that we need most of all is modernization of vessel tracking moving to a—more modern vessel tracking, as well as the—particularly in Alaska and other places where we've got GPS transponders active systems where we can use those for navigation, and also that the Coast Guard can use it as a way to watch over our shoulder.

One of the problems we have in power runs and collisions is often you have somebody on the bridge not paying attention, and if you could have the ability for enhanced electronics for the Coast Guard to be watching over our shoulders.

When we had a grounding of one of our ships two summers ago up in Alaska, it was a second mate who put the vessel up on a very well-charted rock. Perhaps if we have a little bit of extra—somebody watching over their shoulder from a shoreside station, we could have prevented that.

That is—that incident was a small oil spill, thankfully, and there were no casualties. But we need to move the maritime industry electronically into the modern age.

Senator MURRAY. Admiral, do you have any comments on that?

Admiral BROWN. In the—in view of time, let me just pass that question to Captain Moore to speak specifically about the Puget Sound area.

Captain MOORE. Senator, let me just go through this very quickly. Vessels are operating correctly, the competency of the crew is greater now than it has been in the past, the international standards have raised competency such as English speaking and navigation and so forth.

In this particular case, it was their auto tracking system, very new system, on almost all the new vessels right now, that apparently malfunctioned. We don't know all the details right now, but certainly that is something that we would be looking at. As these systems get more and more sophisticated, and improving much of the navigation, we also need to take a look at their ability to malfunction and where they're being used.

The other part of that was their readiness for sea. There are no international or Federal standards that indicate how one makes their vessels ready for sea, that is, what you tie down. So another element of this case is: What are those things on the cruise ship that were loose?

I would make one other mention with respect to myself and the ongoing investigation. We have no indications that the vessel was anything other than in full operational condition. Likewise, about 3 weeks ago a small passenger vessel on the north end of Vancouver Island was fully operational and went aground as well.

Senator MURRAY. Same place?

Captain MOORE. No. No, ma'am. I'm just explaining that in those cases you would look at crew competency, crew training, checks and balances, bridge team operations and that type of thing. The equipment itself, the vital equipment itself and the maintenance was coming up, and the training competency standards have come up across the board.

But I think we make our biggest gains in the human element, in the human performance area.

Admiral BROWN. Senator, I hasten to add you have correctly identified some of the rising challenges that we face in this industry. We are working at the national level with all these very issues in terms of training and things we look for, and protocols. And our budget also provides some increase for us to address these very challenging issues.

Senator MURRAY. Very good. Well, we are running out of time, but I did have one other important question that I just wanted to raise real quickly, Admiral, and that's that Coast Guard data shows that there are 88 gaps that exist in the communication coverage.

I think Mr. Ray referred to that as well with the national distress system, including three areas around Port Angeles. The largest number of them obviously being up in Alaska, but those gaps mean that mayday calls from distressed mariners may not be heard, and I am very concerned about that, and the possibility that we are—have a big gap in terms of our radio contact. Is that a concern that the Coast Guard has?

Admiral BROWN. Yes, Senator, we share your concern, and our hope is that we continue to get your support in our ND&RSP, short for our National Distress and Response Systems Program, which will address those very gaps.

SUBCOMMITTEE RECESS

Senator MURRAY. Very good. Well, I apologize, we have run out of time. I do want to thank all of the panel today, especially Admiral Brown here. You and your team have done an excellent job today, and I look forward to working with you on national level on addressing the very critical concerns that we have here in the Puget Sound region for the safety and well-being of both our people and our marine life, and the quality of life that we care about. So thank you very much for today. Hearing is recessed.

[Whereupon, at 11:30 a.m., Friday, June 1, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2002

WEDNESDAY, JUNE 13, 2001

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Patty Murray presiding.

Present: Senators Murray, Mikulski, Kohl, and Shelby.

DEPARTMENT OF TRANSPORTATION

COAST GUARD

STATEMENT OF ADMIRAL JAMES M. LOY, COMMANDANT

OFFICE OF THE INSPECTOR GENERAL

STATEMENT OF HONORABLE KENNETH M. MEAD, INSPECTOR GENERAL

OPENING STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. The subcommittee will come to order. This morning the subcommittee will hold a hearing on Coast Guard readiness. Our witnesses will be Kenneth Mead, the Department of Transportation Inspector General, and Admiral Jim Loy, the Coast Guard Commandant. Admiral Loy is beginning his fourth and final year as the Commandant of the Coast Guard and this is the first time in 3 years that he has appeared before this committee. So I want to give Admiral Loy a special warm welcome this morning.

I also want to commend him for his excellent service to date and for the dedicated hard work of the thousands of officers and enlisted personnel that stand behind him.

Two weeks ago the subcommittee held a hearing in Seattle, Washington, about the specific challenges facing the Coast Guard in the Pacific Northwest. I want to repeat something I said at that hearing. The Coast Guard is absolutely critical to the lives and the livelihood of the people of my State. We depend on the Coast Guard to perform its missions every day and to perform them flawlessly every time.

Most Coast Guard units are called “multi-mission” units, because the Coast Guard does not have the kind of budget that allows ships, aircraft, and people to specialize in just one mission. The ship that is interdicting migrants today could be responding to an oil spill tomorrow.

When you look at how the Coast Guard has allocated its aircraft and ships among missions over the last decade, it is clear that certain missions have moved in and out of favor. During periods of huge alien migrations from Cuba and Haiti, all available resources had to be brought to bear on that problem. After the *Exxon Valdez* disaster, the Coast Guard committed an increased number of hours to marine environmental protection.

We can't always predict with certainty what missions the Coast Guard will be called upon to perform each year. But there is one mission that we all expect the Coast Guard to be able to perform consistently and excellently, and I am, of course, talking about search and rescue. Increasingly, however, the Coast Guard is not as prepared as it should be in handling this core mission. And the shortfall is especially bad in my part of the country. Nationally, the Coast Guard has a goal of saving 93 percent of mariners in imminent danger. In the Pacific Northwest, however, the Coast Guard's success rate last year was only 80 percent. That is well below the 93 percent national goal. As Admiral Erroll Brown, the District Commander for the Pacific Northwest, stated at our hearing, "the numbers don't lie." Why is the Coast Guard falling behind?

Well, in the Pacific Northwest there are many challenges from heavy surf to harsh weather to cold water conditions. In addition, we've seen a dramatic increase in waterborne activity in the Pacific Northwest. But there has been no corresponding increase in Coast Guard assets.

Vice Admiral Ray Ruitta, the Coast Guard's Commander for the entire Pacific area, wrote to me regarding this problem. He stated that a life is lost for certain predictable causes—some are in the Coast Guard's control and others are not.

The factors he cited within the Coast Guard's control are: First, having a platform and crew which are both capable and available for response; and second, the amount of time between when the Coast Guard is notified of the emergency and when the Coast Guard arrives on the scene.

In his testimony this morning, the Inspector General will be sharing with us some very disturbing facts that speak to both of these factors. He will point out that when it comes to having a fully trained crew with capable assets ready to respond, the Coast Guard has been experiencing a very dangerous drain in the experience level of its surfboat crews. Also, the conditions of those boats are not always what they should be. At our hearing in Seattle, we found that a high number of Coast Guard personnel at our search and rescue stations are not fully qualified for the billets to which they are assigned. In his own assessment of the needs in the 13th District, Admiral Ruitta said, and I quote, "The status quo is unsafe and inequitable, reduces readiness and is not sustainable." Those are his words, not mine.

On the issue of the time between when the Coast Guard is notified of an emergency and when they arrive on-scene, the IG has some disturbing testimony about the inadequacies of the Coast Guard's principal distress radio system. The current system has some gaping holes, and the bids to replace the aging system are coming in way over budget.

Another area I want to discuss this morning is the Coast Guard's effort, or the lack of effort, in the areas of fisheries enforcement. The Department of Transportation did not meet its goal for fisheries enforcement last year, and that's not surprising. The number of cutter hours devoted to fisheries enforcement, including monitoring the boundary between United States and Russia waters, has been cut roughly by a third in the last 5 years. The number of aircraft hours devoted to this important mission has been cut in half over the same period. Over the last 5 years, the Coast Guard's efforts for other missions increased. This year, fishery enforcement efforts have been cut back even further due to perceived budget shortfalls. I look forward to supporting the Coast Guard's request for a supplemental this year so we can fix this immediate problem. But over the long term, this issue has less to do with money and more to do with the priorities articulated by the Coast Guard's senior managers.

I look forward to pursuing these issues in some depth this morning. After opening statements, I will invite Admiral Loy to make a statement and then Mr. Mead. Thank you, all of you, for being here this morning. Senator Shelby.

STATEMENT OF SENATOR RICHARD C. SHELBY

Senator SHELBY. I'd ask that my entire written statement be made part of the record so we could get into testimony. Madam Chairman, I want to congratulate you on taking over the committee and I pledge to work with you and your staff.

[The statement follows:]

PREPARED STATEMENT OF SENATOR RICHARD C. SHELBY

Thank you, Madame Chairwoman.

Just last week, we received a supplemental request from the Administration that includes a request for some additional funding for the Coast Guard. The last two years, the Congress has provided substantial supplemental funds to the U.S. Coast Guard for operations and for capital acquisition.

As I've said on earlier occasions, I'm increasingly concerned about this practice—it seems to me a dangerous game to get into the habit of always providing additional funds for operations through supplemental appropriations acts. This practice leads to expectations on the part of the Coast Guard that they will always get bailed out of funding shortfalls and provides a disincentive to manage operations and personnel to the annually appropriated funding level.

In addition, it could actually encourage the Coast Guard to neglect those programs that provide the strongest case for supplemental funding. I'm committed to funding Coast Guard operations, but I'm increasingly troubled by how that funding is cobbled together during the course of the year. It is one thing to address an unanticipated funding shortfall, but the recent addiction to supplemental funding for routine operations is not good for the Coast Guard and does not encourage sound financial management.

I also believe it is worthwhile to spend some time talking about the Coast Guard's procurement program—most notably the Integrated Deepwater procurement and the National Distress and Response System Modernization. Admiral Loy and Inspector General Mead—I hope we have time to have a candid discussion on where we are on these two programs and what steps we should take now to make sure that we give the men and women of the Coast Guard the tools they need to get the job done.

At the same time, I am not willing to break new ground just for the sake of breaking new ground. I believe that the procurement practices at the Department of Transportation should minimize the risk to the taxpayer and provide a reasonable assurance that the procurement can be completed with a minimum of cost growth, delay, or pressure to trade away capability.

Unfortunately, both the Integrated Deepwater Systems project and the National Distress and Response System Modernization fail all three of these tests. In fact, I don't believe that these procurements could have been designed to be more at odds with those three best business practices for procurement programs.

If I were a cynic, I would look at the cost estimates for Deepwater and the increased cost estimates for the National Distress and Response System and think that someone is creating artificial deadlines and trying to get Congress to act precipitiously. Even the recently announced review of the Deepwater procurement by an outside consultant is advertised as not delaying the procurement. Given that this is a twenty-year procurement, I would think that we would take the extra time necessary to get it right and to minimize the risk to the taxpayer and the Coast Guard's and the Department's other priorities.

Admiral, you won't be here to clean up when the bills come due on these procurements—so, I trust you will be patient with those of us who will.

I also intend to ask you about your interim plans for the National Distress and Response System modernization. I'm afraid that people might think, in light of the campaign that's being made on behalf of the Deepwater procurement, that you have made a conscious choice that Deepwater is more important than modernizing what I call the "911" system for recreational boaters, fishermen, and other people engaged in commercial marine activities. The deadline under the International Safety of Life at Sea has passed, but the Coast Guard won't be able to receive distress calls transmitted on digital select calling signals—the new international standard—anytime soon.

Fully 65 percent of the Coast Guard's five year capital budget is devoted to the Deepwater procurement. Deepwater is almost 10 times as large as what's budgeted for the National Distress and Response System modernization, the next largest procurement. Clearly, these two procurements compete with each other for resources, and I'm concerned that the Coast Guard has so much of it's organizational ego tied up in the Deepwater procurement that we're setting ourselves up for a massive cost overrun or procurement mess.

Too much of the Deepwater procurement strategy seems to be designed to just clear the next hurdle and push the consequences off until later. This reminds me of the Big Dig project in Boston. There, the strategy was to dig the hole in the ground and the Government would have no option but to finish the job. Here the mantra is: get the R-F-P out on the street, secure the $338 million appropriation and Congress will have to finish the job no matter the cost. I'm not convinced that we should necessarily go down that path.

Now, in light of those reservations, I know some will question my commitment to modernizing the Coast Guard's capital plant. Let me repeat what I have said in the past three committee reports again for the record today: the Coast Guard needs to modernize or replace its aircraft, communications equipment, and especially its ships.

In addition, the Coast Guard tells me that aren't as capable of executing "systems integration" as well as commercial contractors—and I have no reason to question that assessment. In fact, I believe we should explore expanding the role of a system integrator to make sure that all Coast Guard assets at a station or within a district are interoperable.

I believe that we must modernize the National Distress and Response System, and that we can and should recapitalize the Coast Guard's capital plant. However, we should not panic and rush a procurement that is characterized as "high risk" by every procurement expert that looks at it.

It almost seems as though the Coast Guard is holding it's breath waiting for some clock to run out on Congressional review and oversight of this procurement strategy. Folks, it's time to exhale and take a deep breath—we're going to be dealing with the recapitalization of the Coast Guard for a long time. The effort didn't start with the Deepwater concept, and it will continue long after all of us focus on other issues. This is a continual process, and I, for one, resent the Big Dig strategy that seems to be employed here.

Senator MURRAY. Well, thank you very much, Senator Shelby. I look forward to working with you as well. Admiral Loy?

STATEMENT OF ADMIRAL JAMES M. LOY

Admiral LOY. Good morning, Madam Chairman and, again, congratulations from our Chair as well. Madam Chairman and distinguished members of the committee, thank you for this opportunity to appear before you today to discuss the Coast Guard's 2002 budget request and its impact on the essential services that we provide to the American public on a daily basis, as you have pointed out in your opening statement, Madam Chairman.

I continue to be inspired by the daily evidence of dedication and patriotism inherent to the Coast Guard people that you cited. These are men and women who continually demonstrate their commitment to saving lives and property at sea, to protecting our natural environment, to enforcing our laws, and to safeguarding the national security of our Nation.

Maintaining their focus 24 hours of every day, frequently finding themselves in enormously high-pressure situations and often in very unforgiving environments, these Coast Guard sailors, airmen, marine safety professionals, and support personnel compiled an impressive lists of accomplishments over the past year. Coast Guard men and women responded with poise and skill when 34 crew members stranded aboard the foundering cruise ship *SEA BREEZE*, 250 miles offshore, called for help. Their helicopter was buffeted by 65-knot winds and the sinking ship was being pounded by 25-knot waves, yet all were returned to shore safely.

Coast Guard personnel succeeded in preventing major ecological disasters in the wake of oil tanker groundings, not only off the Mississippi Delta and elsewhere in the United States, but even in the Galapagos Islands. They facilitated the safe passage of over 2 billion tons of freight, 3.3 billion barrels of oil, and 134 million passengers throughout our Marine Transportation System last year.

As one of the Nation's five armed services, we deployed our Port Security Units to the Arabian Gulf in the aftermath of the U.S.S. *COLE* incident to design a prototype and then use it to provide force protection for U.S. Navy and Military Sealift Command ships. Coast Guard men and women protected the maritime borders of our homeland by preventing more than 4,000 undocumented migrants from reaching our shores and by interdicting drug smuggling vessels, such as the *FOREVER MY FRIEND*, which was carrying nearly 20,000 pounds of cocaine destined for the streets and playgrounds of America.

I have a great pride in what Coast Guard men and women have accomplished in this past year and, however, as I have said consistently now for 3 years, I continue to have grave concerns about our ability to maintain our performance now and into the coming decades. These concerns are based on a clear and accelerating erosion of readiness in both people and equipment, and I look forward to the discussions we'll have in that regard this morning.

BUDGET THEMES

Despite dedicated and hard work that men and women of the Coast Guard perform day to day, we continue to be challenged and to maintain our performance level, aging assets, spare part shortfalls, deferred maintenance, and an inexperienced workforce are all issues that cause me concern, as well as you.

Last fall the small boat lowering systems aft davit on the 58-year-old Cutter *STORIS* broke into pieces and nine Coast Guard personnel were dumped into the freezing, rough waters of the Bering Sea. Fortunately, all were recovered. Many of them were incapacitated by the cold, unable to help themselves out of the water, and in imminent danger of succumbing to hypothermia. And as the *STORIS* was recovering its personnel, the fishing vessel they were about to board simply sailed away; it was illegally poaching in our waters. The *STORIS* incident provides a stark illustration of the harsh environments Coast Guard units operate in and of the need to maintain proper readiness if we are to accomplish our assigned work for America and to do that without undue risk to Coast Guard people.

RESTORE SERVICE READINESS

Madam Chairman, the President's fiscal 2002 budget request focuses on three things for our service: restoring our readiness, shaping our future, and beginning the transformation to a Coast Guard of the 21st Century. We have made noteworthy progress toward the goal of restoring readiness. My number one pledge to this committee 2 years ago was to rebuild the Coast Guard workforce, and our exceptional recruiting efforts for officer and enlisted accessions are paying off. Last year I was able to announce that the reserve force was up to complement, and this year I am pleased to report that the active duty enlisted workforce is back to its authorized strength for the first time since 1994. We still have skill and seniority gaps, but the petty officer shortage has been cut in half. In addition, the civilian workforce is benefiting from its most successful year of recruiting ever.

But the workforce is only one facet of readiness. To completely restore service readiness, we must continue our multi-year approach to ensure the Coast Guard operating and support units are properly staffed, trained, equipped, and maintained, again, as you suggested in your opening statement, Madam Chairman. The President's budget request helps makes progress along this path. It will provide for important personnel initiatives that will assist in recruiting and retaining the people that are important for our missions. It will annualize the fiscal year 2001 pay raise and mandatory military entitlements introduced with the National Defense Authorization Act of 2001. It will provide fiscal year 2002 pay raise at least as presented, 4.6 percent for the military and 3.6 for civilians, and improve health care. Those are all good things.

The President's budget provides much needed funding for aviation spare parts. It covers increasing fuel and energy costs and provides funding to operate new assets that we acquired last year. These assets include three new buoy tenders, 10 coastal patrol boats, and 20 motor lifeboats that were brought into the Coast Guard to replace antiquated coastal assets, progress along the path, Madam Chairman, you cited we needed to do.

The President's budget also addresses our readiness concerns at search and rescue command centers and stations by increasing staffing to alleviate previously identified fatigue and quality of life issues. These last initiatives are part of our multi-year plan to restore the soundness of the SAR program you spoke about in your opening statement.

SHAPE THE FUTURE

I believe the strongest statement in the President's request is that we step even more boldly into modernizing our service. I'm sure we'll discuss this thoroughly in the course of the hearing, so let me make just a few points here. First, the NDRSMP project will connect the coastal asset inventory into a safe, efficient, and effective force nationwide with no gaps in coverage. It deserves the attention of each of us that we move smartly and methodically to complete the prototypes, to execute the test and evaluation process, and to accelerate this installation.

Second, the integrated Deepwater System is very simply the future of our service and its capability offshore. Aging infrastructure puts missions and Coast Guard people at risk. We have worked diligently for 3½ years to bring this Deepwater Project to this point. We have examined failed projects to see why they failed. We have examined successful projects to see why they succeeded. We have requested and received reviews and scrutiny from constructive critics, including GAO, the Department's IG, think tanks, acquisition reform experts in the Department of Defense and elsewhere, academia, OMB, and most recently a peer review panel of experts whose objective it was to scrub the RFP for this project to make sure it was right before it hit the street.

Again, I look forward to a good discussion but the bottom line is this. Our offshore capability is waning and it is waning at an accelerated pace. That spells deteriorating service to the American public. That's not what they demand of our service. I need three key things from this Congress as requested by the President: $338 million; the ability to hold this project's timeline to award a contract in the second quarter of 2002; and support for the prime system integrator with whom I will enter into a public-private partnership to deliver the ships and planes we need to serve America offshore for the next 30 or 40 years.

TRANSFORMATION

Lastly, Madam Chairman, this budget offers the beginning of a transformation from the old to the new. The operating expense budget reflects a 6 percent increase from enacted 2001. I hope to show you in our discussion today that we need to break the downward spiral of spending ever increasing amounts of money on older assets. This budget acknowledges that temporary operational adjustments will likely be necessary. In order to pay mandatory bills, to bring on and use the new assets procured last year, and to live within the budgeted OE mark, old assets, too costly to sustain, are offered for decommissioning, and I'm ready to discuss that and the implications of that with you as well.

Madam Chairman, fiscal year 2002 is an enormously important year for the Coast Guard. It is a pivotal opportunity to do two very significant things: First, we must obtain a sufficient level of operating expense funding to meet clearly recognized readiness requirements in the near term. The budget resolution and the Coast Guard authorization bill passed last week by the House recognizes these needs clearly. Second, we must commit to the recapitalization projects requested by the President.

PREPARED STATEMENT

Madam Chairman, young Americans in Coast Guard uniforms are out there as we speak doing everything and more that's asked of them by their Congress and their President. Tropical Storm Allison passed through East Texas last week is just the latest example. These are amazing young people. They will always read their orders. They will always go out in the storm. And they will always excel for us. Our job, yours and mine, is to make certain that the heroism that they offer us is supported with the equipment and training necessary to bring them home safely.

Thank you, Madam Chairman. I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF ADMIRAL JAMES M. LOY

Good morning, Madam Chairman and distinguished members of the Subcommittee. It is a pleasure to appear before you today to discuss the Coast Guard's fiscal year 2002 budget request and its impact on the essential services we provide the American public on a daily basis.

I continue to be impressed by the dedication, patriotism, and sense of public service inherent within our Coast Guard men and women—active duty, Reservists, civilian and Auxiliarists. Men and women who continually demonstrate their commitment to saving lives and property at sea, protecting our natural environment and safeguarding the national security of this nation. Maintaining their focus around the clock, frequently in difficult situations under extreme pressure, Coast Guard sailors, airmen, marine safety, and support personnel have compiled an impressive list of accomplishments over the past year in support of our enduring strategic goals: Maritime Safety, Protection of Natural resources, Maritime Mobility, National Defense and Maritime Security. Coast Guard men and women responded with poise and vigor when 34 crewmembers, stranded aboard the foundering cruise ship SEA BREEZE called for help. Their helicopter was buffeted by 65-knot winds and the sinking ship was pounded by 25 feet seas, yet all were returned to shore safely. Coast Guard personnel also succeeded in preventing major ecological disasters in the wake of oil tanker groundings off the Mississippi Delta and Galapagos Islands. They facilitated the safe passage of over 2 billion tons of freight, 3.3 billion barrels of oil and 134 million passengers throughout our marine transportation system. As one of the nation's five armed services, we deployed our Port Security Units to the Arabian Gulf in the aftermath of the USS COLE incident to provide force protection for U.S. Navy and Military Sealift Command ships. In addition to providing security abroad, Coast Guard men and women protected the maritime borders of our homeland by preventing more than 4,000 undocumented migrants from reaching our shores and interdicting drug smuggling vessels such as the FOREVER MY FRIEND, which was carrying nearly 20,000 pounds of cocaine destined for the streets and playgrounds of America. I have a tremendous sense of pride in what Coast Guard men and women have accomplished in this past year; however, that does not mean it is time to rest on our laurels. I continue to be concerned with our ability to maintain our performance now and throughout the coming decades.

BUDGET THEMES

Despite the dedicated and hard work that the men and women of the Coast Guard perform day-to-day, we continue to be challenged to maintain our performance levels. Aging assets, spare parts shortfalls, and an inexperienced workforce are all issues that continue to cause me concern. Last fall, the small boat lowering system's aft davit on the 58-year-old Cutter STORIS broke into pieces and nine Coast Guard personnel were dumped into the freezing, rough waters of the Bering Sea. Fortunately, all were recovered—many of them were incapacitated by the cold, unable to help themselves out of the water, and in imminent danger of succumbing to hypothermia. As the STORIS was recovering its personnel, the fishing vessel they were about to board got away; it was illegally poaching in our waters. The STORIS provides a stark illustration of the harsh environments Coast Guard units operate in and the need to maintain proper readiness.

Mr. Chairman, the President's fiscal year 2002 budget focuses on three themes for the Coast Guard. Specifically, the President's budget will continue to: (1) Restore

Service Readiness, (2) Shape the Future of the Coast Guard and (3) facilitate our Transformation into the Coast Guard of the 21st century.

RESTORE SERVICE READINESS

We have made noteworthy progress toward the goal of restoring readiness. My number one pledge was to rebuild the Coast Guard workforce. A lot of people have worked very hard to make good on this pledge. Our exceptional recruiting efforts—and resources directed to underwrite those efforts—for officer and enlisted accessions are paying off. Last year I was able to announce that the Reserve force was up to complement. This year, I am pleased to report that the active duty enlisted work force is back to its authorized strength for the first time since 1994. We still have skill and seniority gaps, but the petty officer shortage has been cut in half. In addition, the civilian workforce is benefiting from its most successful year of recruiting ever.

The workforce is just one facet of readiness. To completely restore service readiness, we must continue our multi-year, phased approach to ensure that Coast Guard operating and support units are properly staffed, trained, equipped and maintained. The President's budget request provides the necessary resources to continue to restore service readiness. It will provide for important personnel initiatives that will assist us in recruiting and retaining the people we need to conduct Coast Guard missions. The President's budget will annualize the fiscal year 2001 pay raise and mandatory military entitlements introduced with the National Defense Authorization Act of 2001, provide a fiscal year 2002 pay raise (4.6 percent for military; 3.6 percent for civilians), improve health care, and continue vital recruitment and retention incentives.

In addition to maintaining a viable workforce, the President's budget addresses other aspects of readiness such as spare parts shortages, aging assets, staffing levels and the increasing cost of operations. The President's budget provides much needed funding for our spare parts and maintenance accounts. It covers increasing fuel and energy costs and provides funding to operate new assets that were acquired in fiscal year 2001. These assets include 3 buoy tenders, 10 coastal patrol boats and 20 motor lifeboats that were brought into the Coast Guard to replace antiquated coastal assets. The President's budget also addresses our readiness concerns at search and rescue (SAR) command centers and stations by increasing staffing to alleviate previously identified personnel fatigue and quality-of-life issues. In addition, it provides enhanced training for the personnel who will be first-hand responders to SAR missions at sea.

Full funding of the President's request is required to continue our multi-year efforts to restore Coast Guard readiness. We can only continue to meet our wide-ranging mission requirements by addressing the wear and tear on both our people and equipment.

SHAPE THE FUTURE

An effective and timely recapitalization/modernization program is critical to our efforts to sustain the level of service the American public has come to expect of us and to be prepared to meet the maritime challenges of the 21st century. The President's fiscal year 2002 budget shapes the future of the Coast Guard by providing for the modernization of our assets, including sensors and communications equipment for our cutters, aircraft and command centers. I'd like to highlight three of these pivotal projects.

To meet the challenges of today and tomorrow the Coast Guard must begin recapitalizing and modernizing its aging deepwater cutters, aircraft and command and control assets. This effort has been addressed in the President's fiscal year 2002 budget, which fully funds the Integrated Deepwater System Project (Deepwater). The December 1999 Report of the Interagency Task Force on U.S. Coast Guard Roles and Missions determined that the recapitalization of the Coast Guard's deepwater capability is a near term national priority and that the Deepwater project is a sound approach. I have observed many acquisitions during my 40 years in the Coast Guard and I have the utmost confidence that we are proceeding along a sound path, which includes the use of a systems integrator to integrate our assets during the acquisition process. We continue to work closely with the Office of Management and Budget, Government Accounting Office and the Inspector General to ensure that the Coast Guard will have direct and positive control of each phase of the Deepwater acquisition, and that we will have the ability to easily insert new technology and exercise significant flexibility to work with subcontractors and suppliers to provide the most effective assets and systems. The Deepwater project has worked closely with three qualified industry teams for over 3 years. The project capabilities are well developed and three mature functional designs have been prepared. We are ready to award a contract in fiscal year 2002.

Critical to the safety of mariners at sea is the ability to automatically record and play back distress calls, adjust the quality of the recording until a message can be clearly understood, and determine and preserve an electronic fix when a distress call is received. Our current coastal distress communications system cannot accomplish these tasks. The existing VHF–FM system was put in place in the early 1970's and has long since been surpassed by more effective and reliable communications systems. The President's fiscal year 2002 budget recognizes the importance of this national safety issue and provides full funding for the continuation of the National Distress and Response System Modernization Project—the "nation's maritime 911 system."

For several years the Coast Guard has been engaged in a project that replaces its seagoing buoy tender fleet, which consisted of 26 cutters with an average age of more than 50 years. The Seagoing Buoy Tender Replacement Project has been aimed at replacing these older assets with 16 modern-equipped cutters. The President's budget proposes to acquire the last two seagoing buoy tenders in fiscal year 2002 to complete this replacement effort.

TRANSFORMATION

The Coast Guard is in the midst of a transformation period in order to meet the nation's dynamic needs in the 21st century. In recent years, we transformed many of our coastal zone assets by replacing them with new, modern technology such as motor lifeboats, stern loading buoy maintenance boats, coastal patrol boats and medium and long range buoy tenders. In fiscal year 2002, we will concentrate on the transformation of our aging offshore capability into the Integrated Deepwater System. We will work to break the downward spiral of spending ever-increasing amounts of money to maintain these older assets, always either entering or emerging from one round of short-term measures that solve one liquidity crunch but bear the seeds of the next one. As we continue through this transformation, temporary operational adjustments will be necessary. Although all of our assets are needed and contribute to achieving our national level performance goals, there are those that contribute less or are simply too costly to sustain. To help us determine which assets fit this category for transformation, I developed five guiding principles: (1) We must preserve SAR capability and safety functions, (2) We must only operate at a level that can be sustained by the current support infrastructure, (3) We must maximize and balance productivity, (4) We must continue to exercise good stewardship of the taxpayers' dollars, and (5) We must prepare for the Deepwater project. The fiscal year 2002 President's budget successfully applies these guiding principles and requests asset decommissionings and/or retirements that will help transform the Coast Guard from today's effective service into tomorrow's even more effective service. To this end, we have scheduled the decommissioning and/or retirement of assets including 3 cutters, 19 aircraft and 2 air facilities.

CONCLUSION

The President's fiscal year 2002 budget continues to build upon past efforts to restore service readiness and shape the Coast Guard's future. The budget focuses on restoring the readiness of Coast Guard personnel, as well as our core missions of maritime safety and SAR, while ensuring that all of our missions are performed at a level that can be sustained by our support infrastructure. By accelerating the retirement of some of our oldest and most maintenance intensive assets, this budget exercises good stewardship of the taxpayers' dollars. The budget strives for efficient mission performance and optimum productivity. The budget demonstrates unwavering support for the Deepwater project by providing significant funding to continue this critical modernization project. The end result of the President's fiscal year 2002 budget will be a more efficient Coast Guard that is correctly positioned for transformation into the Coast Guard of the 21st century.

In closing, I ask for your strong support for the necessary funding and equipment the Coast Guard needs to continue making a difference all across America. I thank you and the other members of this distinguished subcommittee for the opportunity to discuss the President's fiscal year 2002 budget request. I look forward to working with you over the course of the next several months to ensure that America's Coast Guard remains "Semper Paratus."

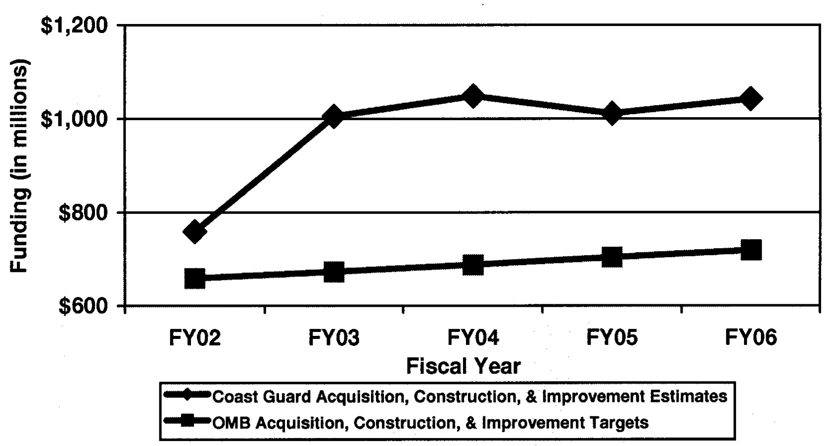
Senator MURRAY. Thank you, Admiral Loy. Mr. Mead?

STATEMENT OF KENNETH M. MEAD

Mr. MEAD. Thank you, Madam Chair, Mr. Shelby. I would like to talk about three things: The Deepwater Capability Replacement Project, which is a replacement or modernization of all Coast Guard assets afloat and airborne that operate 50 miles and beyond off our coast; second, the National Distress and Response System, which in effect is the 911 system for search and rescue along the coastline; and third, the Coast Guard Search and Rescue Program which is the backbone of the current system.

The amount required for these three areas alone is very substantial. We've identified it as one of the top ten management challenges in the department. Unlike FAA's capital accounts and airport accounts, transit, and Federal highways, the bulk of the Coast Guard's funding comes from the general fund rather than a trust fund. Other transportation programs such as a substantial portion of FAA salaries for the controllers and others and AMTRAK are also seeking substantial budget increases and will be competing with Coast Guard for funding from the general fund.

Coast Guard AC&I Estimates vs. OMB Targets



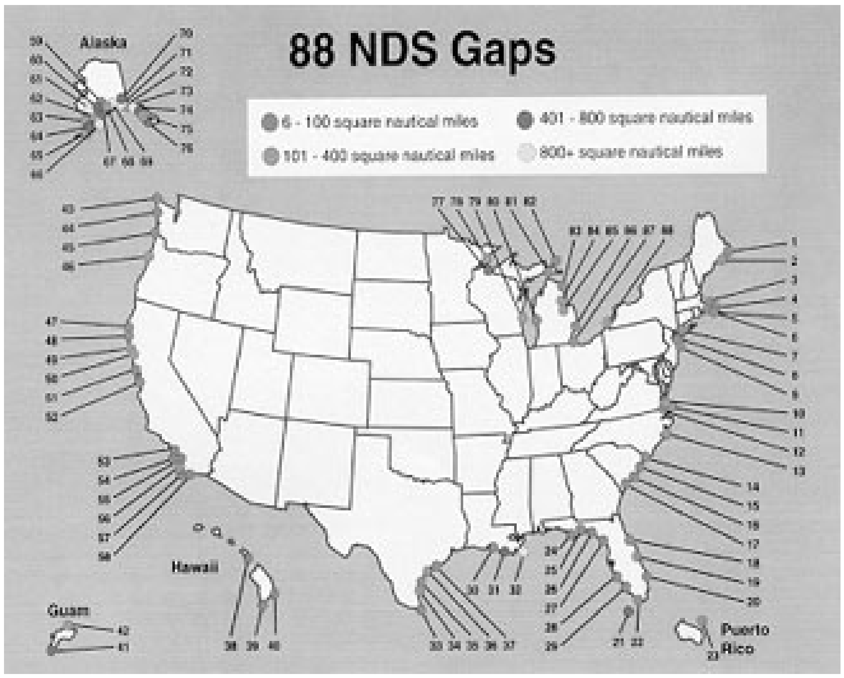
I would like to show you the delta between what the OMB targets are, which are represented by the bottom line, and the Coast Guard's capital planning requirements, which is represented by the top line. There is more than a $300 million delta there. The budget plus-up being sought by the Coast Guard is not just a 1-year phenomenon. It's probably more in the neighborhood of 10 to 15 years. Sustaining the Deepwater Project that Admiral Loy referred to and all the other initiatives is probably going to require an acquisition budget in the neighborhood of $1 billion annually for the foreseeable future. That's more than double what they get now.

DEEPWATER

The Coast Guard is rapidly approaching an important crossroads for this Deepwater Project. The planning process for Deepwater has been a sound one, in our judgment. It's been endorsed by many other organizations. The Coast Guard wants to proceed with the budget request for this project even though its planning process isn't complete, and they want to do that so they can get the money to kick it off next year. And that's just the way the Federal Government's budget cycle works. A key issue in our opinion is not whether the deepwater assets need to be replaced or modernized, because they do. The key issue is what it's going to cost, when the funding will be needed, and how the project will be executed.

The project is unusual not just because of its size, but if all holds well as planned, it will concentrate the responsibility for project success with one prime contractor, who will be called the integrator, and various subcontractors will work with that integrator over a planned 15- or 20-year period. The sheer size of this project is stunning and the contractor will have extraordinary responsibility. We're talking about 209 aircraft, 92 vessels over that timeline.

I ought to say that to the Coast Guard's credit they have been very responsive to input from us and our reviews and those of GAO and to those of OMB. And they are working hard, I think, to address the risks that are associated with this acquisition. I'd like to just highlight some of the risks that the Coast Guard is addressing. Factor one, establishing firm estimates of what this project will cost and the funding stream that's going to be needed. Funding availability is important for two reasons: It's not clear, one, how much of a downward swing from a $500 million projection that Deepwater could sustain in any given year and still remain viable. For example, the Coast Guard is saying it needs about $500 million on a sustained basis. What happens if that goes down to $300 million a year. Will the project still remain viable? Would it be at $400 million? What if it gets an up-tick in a particular year?



And second, given the priority being placed on Deepwater, the funding level needs to be settled because it could impact Coast Guard missions that are not part of Deepwater, in other words, those that are closer to shore like search and rescue, like the National Distress and Response System Modernization Project. Both of those latter two items have been in need of attention for some years.

Factor two, reliance on a single contractor to manage and deliver assets critical to a variety of Coast Guard missions. This is the largest acquisition in the history of the Coast Guard and probably the Department of Transportation as well, and it involves all missions 50 miles offshore and beyond. How problems of contractor nonperformance are dealt with is going to be quite critical. That's why in the coming months we're going to closely scrutinize the so-called "off-ramps" that the Coast Guard is planning for in case something goes wrong.

Factor three, we want to see how the Coast Guard will propose to maintain effective cost control given the fact that portions of the contract will be on a cost-reimbursable basis. I want to be very circumspect there because we've had lots of experience with the Federal Aviation on cost-plus contracts.

NATIONAL DISTRESS AND RESPONSE SYSTEM MODERNIZATION PROJECT

Now in addition to Deepwater, the Coast Guard plans to proceed with another procurement called the National Distress and Response System Modernization Project. That project is long overdue as well. Its primary purpose is to coordinate certain search and rescue missions in response to mariner 911 calls, and it has been in the planning process since the late 1980s. The current system has serious shortcomings, because there are big gaps—if you could flip that chart.

In other words, wherever there's a dot on that map it indicates an area where the 911 can't be heard by the Coast Guard or the location of the caller can't be identified. So as shown on this chart the gaps range in size from a small one of 6 square nautical miles off the coast of Atlantic City, New Jersey, to over 1,600 square nautical miles south of Valdez, Alaska.

There are also gaps off the coast of Washington State and even southeast of Mobile, Alabama. And off the coast of Washington State, northwest of Neah Bay, if I'm pronouncing that right, you see a red dot. That signifies that that gap is between 6 and 100 square nautical miles—the red dots on the map. In this particular case, the red dot means there are 64 square nautical miles in that gap. The different colors indicate a gap of a different size. For example, the red ones indicate 6 to 100 square nautical miles. The green is 101 to 400 square nautidal miles. The purple is 401 to 800 square nautical miles. And the yellow one is 800 or more square nautical miles. The example off of Senator Shelby's State is actually off the Florida panhandle, but that area is covered by a Coast Guard group from Mobile, Alabama. And that gap off the Florida panhandle is about ten percent larger than times the size of Washington, D.C.

Now, the Coast Guard's current projections indicate the replacement system will cost between $240 million and $300 million, and that's what they're budgeting for, both at OMB and the Coast Guard. And they are anticipating that it will be fully deployed by 2006, but the preliminary estimates that are coming from the contractors indicate, at least according to the contractors, they think it's going to be about $1 billion. And how both Deepwater and the National Distress System can proceed in tandem is a matter that's going to have to be addressed by the Congress, the Coast Guard, and OMB.

Now the final area I'd like to speak to is search and rescue.

Senator MURRAY. Mr. Mead?

Mr. MEAD. Yes.

Senator MURRAY. I think what I'll do since we have a vote called and we have about 4 minutes left to get to the floor is to have you hold on your search and rescue and come back and we'll listen to that and then have questions, if you wouldn't mind.

Mr. MEAD. Fine.

Senator MURRAY. So, Senator Shelby, if that's okay with you as well, we'll go vote and we'll return in about 20 minutes. The committee is in recess for 20 minutes.

[There was a recess in the hearing for 7 minutes and the hearing continued outside of the presence of the court reporter.]

STATEMENT OF SENATOR BARBARA A. MIKULSKI

Senator MIKULSKI [continuing]. And our priorities will be to work with you toward modernization. And though we're not in formal session—I think that's a little awkward. I don't know if I have the authority to do that—could you share with me for the record what you see as some of the main priorities, because I'm concerned about the shape of your fleet and then the need to recruit and retain the very fine Coast Guardsmen. And it's a new century and they have new opportunities and you have new challenges.

RESTORING THE SERVICES READINESS

Admiral LOY. Thank you, Senator Mikulski. Absolutely, I am glad to do that. In my opening statement I cited a number of things that would go directly to the nature of your question. If I may, I'll just repeat those for you.

First of all, restoring the readiness of our organization is an absolute principle for which I have spent the past 3 years that I have had this job. I have been preaching from every available pulpit in town to bring a restoration of readiness issues to the forefront as something our service has to get about the business of doing.

There is a people dimension to it as you just described. I was delighted to report to the committee that this year I can report that our enlisted and active duty workforce is now back at its authorized strength for the first time since 1994. Our reserve strength is up to its authorized strength, and we are having good success this year in terms of hiring into our civilian workforce.

Our concern has continually been that, when you talk about demanding operational performance out of our organization, it has in the last several years come at the expense of a deteriorating, aging fleet that has put us in a position of basically watching this aging process demand that we steal from our maintenance accounts more and more dollars each and every day to keep that aging infrastructure capable of doing what the United States would have it do.

There's an easy chart of reference to both cutters and aircraft which offers the conclusion that, despite pouring more money into this on an annual basis, we are still receiving less and less productivity out of that aging infrastructure, and that's, of course, what the Deepwater Project is all about.

We have planned and studied for 3½ years to get us right on the cusp of the point of committing to this project and getting on with a significant restoration of that offshore capability that we need so desperately so as to meet the requirements that the American people, the Congress, and the Administration asks of us.

DEEPWATER

Senator MIKULSKI. Well, just what would we buy? What would the taxpayers buy with this Deepwater, recognizing that an aging fleet costs more to maintain, and also a tremendous amount of your human resources are going into this.

Admiral LOY. Oh, absolutely. Frankly, we hope that at the other end of the day, because of the commitment, we're probably somewhere close to about 70 percent of our operating expense dollars being associated with people one way or the other. So if we can find ways through the Deepwater Project to have ships at sea and planes in the air with a smaller human dimension to them, we will be incurring savings for the taxpayer year after year after year as those assets are used. So that human dimension is very real.

I'm going to offer to the Chairman, Senator Mikulski, and obviously it will be to the committee as a whole, a proprietary brief that I can't discuss with the committee in public session on the Deepwater Project.

Senator MIKULSKI. Well, fine.

Admiral LOY. So as to the specifics of ships, planes, other kinds of assets that would be part of that project, I think it's enormously important for the committee to have a personal read on the three consortia proposals as we understand them today so that there is no "pig in a poke" kind of trust process necessary. You'll know exactly what the nature of the proprietary assets would be.

RECRUITING AND RETENTION OF PERSONNEL

Senator MIKULSKI. Well, I think that would be very good. And, of course, we look forward to participating in that conversation. I think it is appropriate that we do this in a different type of forum.

I'm deeply concerned about personnel, and I'm concerned about it in all of our uniformed services, and the demands now of recruitment and retention. Again, with a workforce that doesn't always—in a generation that doesn't always see service. I mean, they see service as a weekend event rather than a lifetime commitment. Could you share with us how your recruitment and retention is going, or would you share with me so I can work with Senator Murray and Senator Shelby?

Admiral LOY. Yes, ma'am. On the recruiting side we're doing just fine. I'm frankly very pleased with the programs, the incentives, the bonuses, the package that is currently in the President's request to deal with the recruiting side. I think it will sustain us through 2002 and on into the out years as we get into developing 2003, 2004 budget.

I am very concerned about retention. All of the service chiefs, if you had the Army, Navy, Air Force and Marines counterparts, my colleagues, lined up here on one side or the other, they would offer the same observation, that they are as concerned about retention as I.

And it is about the things you've described, Senator Mikulski. It's about an economy that offers them, especially if they are a specialist in certain areas, the incentive associated with doubling or tripling or quadrupling their salary simply by no longer staying in the service and going out and doing those same things for private corporations. That's an enormous attraction and one that we have to combat with a pride in work, with a quality—a focus that we take in terms of our leadership and management of our people, with designing a workplace that people like to participate in, and with the gratification that comes from the noble nature of the array of things that we do for the American people.

And so we are working very hard on focusing our retention efforts such that literally every officer, every chief petty officer, every senior petty officer is part of the retention solution for the Coast Guard on into the future.

Senator MIKULSKI. At what point in their careers do they tend to leave, like right after they've been petty officer or——

Admiral LOY. Well, there's an initial commitment?

Senator MIKULSKI. I'm speaking both in—I'll use, and maybe it's inappropriate to the Coast Guard, but there's the enlisted corps and then there's the officer corps.

Admiral LOY. Yes, ma'am. There is an initial obligated service for which someone signs up when they go either to boot camp or through one of our officer accession points. That becomes the first critical point, at the end of their obligated service from their first enlistment. For the enlisted corps, we have 2- and 3-year enlistments, but the standard one is four.

So the vast majority of our folks will be signing up for 4 years and at the end of that 4-year cycle we have to put a focused effort on convincing what we'd hope would be a 50 to 60 percent of them to hang around and to re-enlist for the second term. Then they'll obligate themselves across time for lengths of time as they choose to and, of course, that all leads to a 20-year retirement eligibility restored by the Congress, as you know, 1½ years ago.

So the next critical point becomes retention beyond 20 years, and we map out those challenges each year so as to hold on to the pyramidal structure, if you will, that represents both the enlisted and the officer workforce.

Senator MIKULSKI. Well, I'm tremendously interested in this, and I know I certainly feel confident that Senator Murray feels the same way. I know Senator Shelby does, but I've talked more with Senator Murray about this because we're facing two types of capital crises, if you will: one, your infrastructure——

Admiral LOY. And one in people.

Senator MIKULSKI [continuing]. And one in people.

Admiral LOY. Yes, ma'am.

Senator MIKULSKI. And I think we have to address both. We could have the best ships and the smartest weapons, but if we don't have our personnel—so I know that your structure is identical to the Navy and I think, if we increased the pay for the Navy and the other uniformed services, will this affect the Coast Guard?

Admiral LOY. They are tracked automatically.

Senator MIKULSKI. So they are tracked automatically if we do the supplemental?

Admiral LOY. That's correct.

Senator MIKULSKI. Pardon me if I'm getting caught up. It's the first hearing in 3 years, so this is—I'm getting coached in fact and this is what hearings are all about.

I would imagine, Admiral, that there are different incentives at different career points. In other words, an incentive for a 23-year-old to retain is different than the 33-year-old and the 43-year-old.

Admiral LOY. Absolutely.

Senator MIKULSKI. Am I correct?

Admiral LOY. Absolutely. And we have to be savvy about that not only as it relates to those age differences, but the generational differences that they represent. What is attractive to the 40-year-old is different than the 30-year-old is different from the 20-year-old. I signed up for a 40-year career if I could get it. Now folks are interested in maybe 10 4-year careers or 4 10-year careers.

The variety of that in the Gen X, Gen Y kind of thing is a very important thing for us to understand. If we don't understand those things and look at dealing with retention programs that align themselves with the desires of the generation, we lose the ball and we lose the ballgame.

Senator MIKULSKI. Well, we look forward to your recommendations exactly in that area so that we could have more conversation about it.

Admiral LOY. Senator Mikulski, I'd offer one thought if I may.

Senator MIKULSKI. Yes, please.

NATIONAL DEFENSE AUTHORIZATION ACT

Admiral LOY. The questions you asked or kibitzing with Peter about with respect to did our pay scale go up when the DOD, that happens automatically, but the point here that I think this committee needs to recognize is that it happens based on decisions taken in the SATS. And it's enormously important for this committee to stay aware of what's happening over with the DOD committees, because the parallels associated with that often come back to haunt us. That's exactly why we have been in this supplemental chase game for the last several years.

For example, last year the sequence of events was the Transportation appropriation, which included our budget, a DOD appropriation, and then a DOD authorization bill. What was passed in the authorization bill had not been appropriated in our interests back at the original Transportation bill, so the exposure represented there is very real and we have to pull that into consideration.

Senator MIKULSKI. Well, I think that's going to be a challenge also this year because of the way we see the sequencing in approps, is that Transportation will go before Defense. And as you know, this top-bottom review over at DOD is taking more time and turned out to be more time consuming and cumbersome than I think we anticipated. So I know both the authorizer and—and again, on a bipartisan basis, I know Warner and Levin and Inouye and Stevens are looking at this. And so we have to look at how we are going to sequence this.

But I know that you don't like to come in in the supplemental either because it makes it sound like you're crying wolf and then you also can't plan. And then, also, people are planning their careers. They say, well, you might know it, you might not know, you know, et cetera. So I think we have our own interests and challenges.

Well, I'm going to return to vote, but I think we see this as an ongoing conversation through this process. We are in transition, but, you know, it's very interesting when—I do think that there is strong bipartisan support for the Coast Guard, and I believe that members of Congress know who you are and what you do. I'd like to just see you get more coverage in—you know, they see you at those really very often melancholy rescues, but you do so much in the service to the Nation.

Admiral LOY. Thank you.

Senator MIKULSKI. So, again, I know you're semper paratus and you're always going to be prepared, and I think we need to do the same. What do you think? Well, I'm going to re-recess the committee and——

Admiral LOY. Thank you very much for coming by, Senator Mikulski.

Senator MIKULSKI. The committee stands in recess until Senator Murray returns. It's like a relay team today.

DEEPWATER

Senator SHELBY. Senator Murray, I think, will be here shortly. We've had two back-to-back votes. The Deepwater Project contracting that we've talked about, the procurement approach is unproven for a project of this magnitude. The most recent GAO report on the procurement expresses concern about the risks of the procurement and with the concept of a single systems integrator for the project. The report states, and I'll quote: "The Deepwater acquisition strategy is unique and untried for a project of this magnitude and it carries many risks which would potentially cause significant schedule delays and cost increases." That's the GAO speaking.

The report goes on to discuss the risks, but given the high degree of risk in this procurement approach, wouldn't it seem prudent to have a backup plan to recapitalize the Coast Guard's Deepwater assets, Admiral Loy? And if not, why not?

Admiral LOY. I think we should always have a backup plan, Senator Shelby. My thoughts with respect to the GAO report go this way. We have worked hand in hand with a whole lot of constructive critics over the course of the last 3½ years as we have built the acquisition strategy that the President offers in his budget.

First and foremost, I think we have to focus on the need. Is there a need to recapitalize the Coast Guard's deepwater capability—and I think we are all past that. Everyone I speak to, including Mr. Mead in his commentary this morning, offers that we're past the notion of whether or not this needs to be done. So it gets to a question of how, and that's where your question goes to it.

Senator SHELBY. Sure.

Admiral LOY. I am fully convinced, sir, after deliberating this long and hard, not only with my staff but with all of these constructive critics that have helped us along the way, that the acquisition strategy that we have designed is sound. It is innovative. It is right out of the text that has been called for in Washington for years now with respect to acquisition reform. We have studied very carefully projects along the line of integrated effort before that have failed and have ascertained why and fixed those things in the approach that we're taking. We have looked carefully at those that have succeeded and have made sure those things are part of not only the acquisition strategy, but the report for the RFP that should go on the street this month.

So I am personally convinced that for us to optimize the interoperability of our offshore capability down the road to serve this country for the next 30 or 40 years we should make the investment as has been offered by the President.

Senator SHELBY. Mr. Mead, what do you think a backup plan might look like if conceptualized it?

Mr. MEAD. Well, I think you have three basic options. I think the Coast Guard, before they get this underway, has to incorporate them. I mean, we're talking here about a 15-, 20-year undertaking with possibly one contractor.

Senator SHELBY. Is this the largest undertaking the Coast Guard has ever done?

Mr. MEAD. Yes. As a matter fact, it's the largest acquisition, single acquisition, that the Department of Transportation has undertaken.

Senator SHELBY. That doesn't mean it's not necessary——

Admiral LOY. It is an important undertaking.

Senator SHELBY. Sure.

Mr. MEAD. And it is innovative. Just because something is innovative doesn't mean we shouldn't try it, but I think we do need a backup plan. And what you have is three basic options. One, if the prime contractor that is ultimately selected to drive the replacement and modernization of all the assets 50 miles and out either doesn't perform or goes out of business, what happens? Well, one, the Coast Guard could replace that prime with another prime. Two, it could itself become the driver of the entire production. And the third possibility is to break the acquisition, this $10 to $15 billion acquisition, into smaller chunks——

Senator SHELBY. How would you do that?

Mr. MEAD. In a way which is more traditional. Well, I suppose once you decided—what was needed, contractors would be selected to build individual segments.

Senator SHELBY. Like a building block?

Mr. MEAD. It would be like a building block, yes. For example, you would take a particular class of cutters that they wanted to replace and you'd say, okay, we're picking a contractor that will do that and here's how much it's going to cost, which is the more traditional approach.

Senator SHELBY. The GAO also suggested that a panel of experts review the contracting strategy to better validate its efforts. In its report GAO says that "peer review members expressed concerns that all contracting risks had not been fully addressed." In addition, I understand the OMB, the Department and the Coast Guard are currently undergoing with an outside acquisition consultant a 3-week review of the procurement strategy.

Mr. Mead, with all of these reviews, shortcomings, and some of the other significant Coast Guard procurements and with some of the performance trends in the search and rescue area moving in the wrong direction, some people think, doesn't it argue for a reprioritization of some of the procurement by the budget folks?

Mr. MEAD. I don't think there is any question, Mr. Shelby, that the Coast Guard budget needs to be prioritized and there needs to be an agreement on the numbers. That chart down here——

Senator SHELBY. Which one are you referring to, on the bottom?

Mr. MEAD. The bottom chart. That bottom chart—the purple line is what the Office of Management and Budget capital planning targets are for the Coast Guard. The red line is what the Coast Guard's capital planning budget requirements are. That includes all their capital requirements for—you know, not just this Deepwater Project, but also that 911 distress system. The difference is roughly $300 million, and if we're embarking on Deepwater, that's a 15-year undertaking. So as we get that underway, we better know how we're going to deal with all the other missions. We don't want the Deepwater Project—I'm sure the Coast Guard doesn't, either—to crowd out all these other missions, like search and rescue.

But the Coast Guard is hoping for about $500 million a year for a long time for the Deepwater Project alone.

Senator SHELBY. What would they do to the other projects? That begs the question?

Mr. MEAD. At that level of funding, given what the purple line indicates, it would crowd out other important missions of the Coast Guard, such as search and rescue and the national distress system modernization project.

Senator SHELBY. Okay, what else would it crowd out?

Mr. MEAD. Well, it would crowd out what Senator Murray was mentioning, fisheries enforcement.

Senator SHELBY. That's very important.

Mr. MEAD. Environmental enforcement, drug interdiction.

Senator SHELBY. It would put pressure on every other mission of the Coast Guard, would it not?

Mr. MEAD. Unquestionably.

Admiral LOY. Could I respond, if I may?

Mr. MEAD. Sure, Admiral Loy.

Admiral LOY. The notion of out-year marks, of course, is always the magic thing for me to watch, at least, as they go by from year to year. If you asked OMB or ourselves in the year 2000 what was to be our AC&I mark for fiscal year 2003, we would have told you somewhere around $350 to $370 million. If you asked them in 2001 what was the 2003 out-year mark, it would have grown to about $452 million. If you asked them in 2001 about 2003—what I'm describing is a confluence of need and projection that is—not to discredit the chart that Ken is displaying here, because it's enormously important for us to recognize that a constant requirement for planning for approximately $500 million is exactly what we have been planning for 3½ years, with everybody's awareness along the way.

Senator SHELBY. You said awareness, their awareness, but were they going along? Was OMB buying into it? I know they were aware of what you were doing.

Admiral LOY. OMB has over the course of the 3½ years been very much aware that we were using, with the three consortia that were put together, $500 million a year in the out-years after 2002 planning factor as the required dollars necessary to complete the contract through the course of the project. So you'll have to ask OMB of whether they were both aware and supportive or whatever. All I'm offering is that the confluence of need on the occasion of the year in question when I am submitting a budget with specific items in it, when the Administration is reviewing that, and when the Congress will deal with it in an appropriation mode, that is a year-by-year effort and will be through the course of the life of the contract.

NATIONAL DISTRESS AND RESPONSE SYSTEM MODERNIZATION PROJECT

Now as it relates to crowding other projects away from attention, I would suggest, sir, that we have looked very, very carefully at our out-year marks, and I am quite confident—I'll talk a little bit if we have the opportunity, about this billion dollar estimate for the NDRSMP project, which is nowhere close to where it will go, and I'll offer you the reasoning process behind that. But we are quite confident that the out-year marks currently offered by OMB together with this confluence process that we have watched work every time, will yield the required support from the Administration on the project.

Senator SHELBY. Admiral Loy—I know my time is up, Madam Chairman—there's a lot of difference between being aware of something and being supportive of something, which you alluded to.

Admiral LOY. I couldn't agree more, sir.

Senator SHELBY. Now this—have you in the last 20 years—I know you haven't been running the Coast Guard for 20 years, but have you had an appropriation of more than $1 billion like this?

Admiral LOY. In AC&I?

Senator SHELBY. Yes.

Admiral LOY. I doubt it, sir.

Senator SHELBY. Okay.

Admiral LOY. I doubt it, sir.

Senator SHELBY. Thank you for your indulgence.

Admiral LOY. But I would offer that in the 1960s and 1970s when we last modernized our deepwater capability, the AC&I numbers for those years, although they spiked all over the place, provided that current margin of about $800 million a year.

Senator SHELBY. Admiral, I want, just for the record, to say that we are aware of what you're trying to do, and a lot of people think you have a lot of merit in what you're trying to do. It's incumbent upon this committee, though, to fund all those things.

Admiral LOY. Yes, sir, I understand that.

Senator SHELBY. And that's why I'm raising these questions. Thank you, Madam Chairman.

Senator MURRAY. Thank you, Senator Shelby. Senator Kohl?

STATEMENT OF SENATOR HERB KOHL

Senator KOHL. Thank you, Madam Chairman. Admiral Loy, aquatic nuisance species have plagued the Great Lakes, Chesapeake Bay, San Francisco Bay, Puget Sound and other areas of the United States for years. Scientists consider these species to be biological pollution. I know that in the Great Lakes the zebra mussel has been particularly destructive. Many of these organisms are brought into the United States unknowingly in ballast water of ships, as you know.

Many States have grown frustrated with the Federal response to this problem. In my own State of Wisconsin a bill was introduced last week in our own legislature to regulate ships' ballast water. Other bills have been introduced in States like Maryland, Virginia, Minnesota, Illinois, New York, and Michigan. Bills have already been enacted in California and Washington State.

So what is the Coast Guard doing to address this issue and how will the Nation's maritime industry be affected by several different States enacting their own different regulations of maritime commerce? Does the Coast Guard have any authority from Congress to do more, or is more legislation needed? And does the Coast Guard have the budgetary resources to adequately respond to this important issue?

AQUATIC NUISANCE SPECIES

Admiral LOY. Senator Kohl, if I can offer the following thoughts. First of all, as you know, there is a voluntary set of standards in place at the moment for which I owe the Congress by January of 2002 a report on how well that's doing. Today I would offer to you that I only have probably somewhere between 18 and 20 percent participation by foreign flag vessels and others in terms of completely abiding by the voluntary standards that we are currently using. I have attempted to use every bully pulpit I can in terms of propeller club conventions and industry gatherings to point out to them that they are "standing into danger" as it relates to multiple States being very concerned with respect to ballast water exchange as a means to deal with ANS, the nonindigenous species. I am led to believe, sir, that today in San Francisco Bay there are perhaps upwards of 200 or 300 nonindigenous species that didn't used to be there 20, 25, or 30 years ago.

Several States, as you point out very correctly, are taking unilateral action. We watched that unilateral action effort go by with respect to Washington State as it related to the oil spill implications and, of course, the *INTERTANKO* case that went all the way to the Supreme Court defining pre-emption issues very, very carefully for that particular issue.

I have suggested to the industry that if we do not rise to the occasion, there will become mandatory protocols in the place of voluntary protocols and they may not like the challenges associated with that. I think at the moment we are working very hard to encourage other than ballast water exchange as a means of dealing with this issue. For example, are there thermal processes or are there chemical processes or are there other ways of dealing with the potential to bring these species into the country in ballast water, without forcing every ship to go through what can be in the wrong seaway an unsafe procedure at sea.

But I owe you a report to the Congress, Senator Kohl, in January of 2002. I will certainly make that a constructive one, and at that point we will have to take stock as to whether more legislation is required.

Senator KOHL. All right, as you know, it is, as I said in my statement and as I am sure you will agree, it is a serious problem and one that we have to come to some kind of a constructive resolution on, and I appreciate your interest.

Admiral LOY. Yes, sir. I have raised this with Secretary General Bill O'Neil, who is the Secretary General of the International Maritime Organization. I suggested to him 2 years ago that I thought there were two issues that we absolutely had to get about. One was passenger vessel safety and one was ballast water exchange of nonindigenous species, and we are working through those issues in the international realm as well.

Senator KOHL. Admiral Loy, Great Lakes shipping is important to the State of Wisconsin. Both industry and agriculture rely on the waterborne transportation for the supply of raw materials and the export of Wisconsin commodities to foreign markets. The ports of Milwaukee, Green Bay, Superior, and other ports rely upon the Coast Guard to maintain an efficient and safe maritime transportation system. During the past year there have been considerable problems on the St. Lawrence Seaway in Upstate New York with vessel pilotage. Ships have to pass through this territory to reach my State and other States.

Unfortunately, due to these pilotage problems, I understand that many of these ships have been delayed. In fact, according to the St. Lawrence Seaway Development Corporation, there was a 430 percent increase in ship delays in this area of upstate New York between 1999 and 2000. What is the Coast Guard doing to improve the efficiency of the pilotage system on the Great Lakes and specifically to address these problems in upstate New York?

Admiral LOY. Yes, sir. There is a single region of the five in the Great Lakes—they are regionalized, if you will, with respect to the pilotage associated with each of the regions. Frankly, we have had only problems with the region that you've described, sir. At the beginning of this year when we were reopening the seaway to commerce after the ice season, we were very aggressive with respect to getting all of the pilots throughout the lakes as well as those in region one to deal constructively with labor regs associated with doing their jobs well and not becoming a problematic influence, if you will, on the flow of commerce on the lakes. I have not—we fixed that at the beginning of the season, Senator Kohl, and to my knowledge that protocol that we put in place is working well. I will be glad to check on that, sir, and get back to you if we continue to have any problems.

LORAN C

Senator KOHL. I do appreciate that. One last question to you, and to you, Mr. Mead. One of the existing navigation systems that fishermen, boaters, general aviation pilots, and others currently rely on is Loran C. A report about the benefits of Loran was recently released by the Department of Transportation, and it confirms that the user community overwhelmingly supports continuing Loran C. Last year this subcommittee provided $25 million to continue revitalization of this Loran system.

The Coast Guard under its interagency agreement with the FAA received the majority of those resources to continue your work in modernizing the Loran C infrastructure. We understand the Coast Guard and FAA could put to good use a similar increment of resources, that is the $25 million, during fiscal year 2002, but the President's budget request includes only $13 million. What projects could the Coast Guard undertake if you had something in the range of the $25 million and what projects will have to be deferred if you receive only the $13 million in the budget request?

Admiral LOY. Ken, do you want to start?

Mr. MEAD. No, I have to get back to you for the record on that.

[The information follows:]

If something in the range of $25 million is received, Loran-C modernization efforts could be accelerated, by procuring and installing 3 new solid state transmitters at Loran-C stations. Additionally, new signal generation and control equipment would be procured for installation with the new solid state transmitters. Finally, continued modifications of buildings at Loran stations to accommodate the new transmitters would occur.

If $13 million was received, only 1 new solid state transmitter for 1 Loran station could be procured, and installation of the transmitter may be deferred. Additionally, projects to evaluate where improvements can be made to Loran-C to determine if the technology can be used as a complement or backup to GPS for enroute through non-precision approaches in the National Airspace System, may not be completed by the end of 2001.

Admiral LOY. I can just describe, sir, that, you know, as a backup system and as a primary system to those users, as you were describing them generally, this remains a very serious issue for Secretary Mineta to take to ground. So far, the challenges, as you've described, with a combined FAA-Coast Guard effort to make sure the Loran C stays alive and well, and it was literally, as you know, sir, at the very end of its potential useful service life.

And so holding onto it until a final decision is made as to whether or not it will be the backup to DGPS in the future is really what we're doing over the course of these couple of years. And as you were describing these marginal adjustments to basically keep the system alive for as long as we will depend on it as either a primary or backup system is what we are doing with those dollars. So obviously the difference between $13 and $25 million is all about how much restoration work and how much finish work we will be able to do on towers and other physical facilities that will keep the system alive.

Senator KOHL. Thank you, Gentleman, and, Madam Chairman, I thank you for your courtesy.

Senator MURRAY. Thank you, Senator Kohl. Mr. Mead, we interrupted you before you were able to give your testimony on the search and rescue, and if you want to go through that briefly before answering questions about it, I would appreciate it.

SEARCH AND RESCUE PROGRAM

Mr. MEAD. You know, I had covered—I said I was going to cover 3 things, and I finished with the Deepwater and the National Distress System, which is the 911 system. And I was just about moving into the search and rescue as we broke for the vote.

Search and rescue, what am I talking about here? Eighty-five percent of distress calls come in from three miles off the coast. So we are talking about coastal area search and rescue. We're not talking about 50 miles and out—right close to shore. It's about a $500 million program. And by its own admission, the readiness levels of the Coast Guard's, search and rescue stations have been deteriorating for some period of time. Despite that, their performance levels overall are quite high.

Let me give you some vital statistics that give us concern. Ninety percent of the search and rescue stations are operated with a staffing level so low that the personnel are required to work over 80 hours a week. Mishaps involving Coast Guard small boats, these are the boats that perform rescues, increased about 200 percent over the past 2 years, from 40 mishaps to over 100. The Coast Guard attributes that to errors in judgment, navigation and errors—operational errors. Boat station coxswains, these are the boat drivers, and boat crews, they generally lack formal training. The Coast Guard doesn't have a school to send these folks through, so there's a lot of on-the-job training. At least 70 percent of the personnel arrive to these stations without prior experience or training.

During 2000 a significant percentage of the search and rescue boats inspected, including their new ones, were found, “not ready for sea,” which was the classification the Coast Guard applied for them. Examples include the failure of watertight closures to seal, exhaust leaks, and loose or missing fittings. The failure of watertight closures to seal, which existed aboard 79 percent of the lifeboats inspected, is a significant problem because those boats are designed to roll over and self-right in heavy surf, and the proper operation of the watertight seal is obviously important if you're going to flip the boat over and not take on water. I just want to highlight this. It's not as costly as the Deepwater Program, but I think it's certainly right up there as the backbone of the Coast Guard's missions and what they are known for, and I think it's an area that deserves serious management attention.

Senator MURRAY. Well, thank you very much, Mr. Mead. Let me start my questioning with you. Your report, which I saw, outlines a pretty grim snapshot of many of these issues that face the Coast Guard's search and rescue program. But your report also states that many of these problems have been well documented and have existed at surf stations for almost 20 years. What has changed that causes you to now believe that these problems with search and rescue require immediate congressional and Coast Guard attention?

Mr. MEAD. I think a lot has to do with personnel and the numbers of personnel that are dedicated to this and the training of people. The Coast Guard in terms of replacing the equipment—they have a fairly significant number of new lifeboats that shouldn't have problems already. So I think some of the problems have to do with just keeping the ships, the boats, ready for sea. So I would point to training, personnel turnover, the loss of senior staff that can train the newer folks, and I think the reason for the high level of performance is, well, the Coast Guard's motto, semper paratus. I think these people are working very hard, and 80 hours a week is a lot.

Senator MURRAY. Admiral, your Pacific Area Commander identified an urgent need for an additional 250 billets to staff 10 surf stations and four other rescue stations in the 13th district. He maintains that the status quo is unsafe. Last year the committee fully funded an additional 67 billets nationwide to staff search and rescue stations. In this year's budget you are requesting an additional 194 billets for the entire Nation. If we fully fund your budget request this year, as we did last year, how many of the 250 billets that your Pacific Area Commander identified as necessary for the 13th district will actually be sent to the 13th district?

Admiral LOY. Well, I think the number out of the 190 is probably 21, if I remember correctly, ma'am. I think it is nine associated with command centers, eight associated with stations, and four associated with 47-footers that will be coming into the district.

Senator MURRAY. So about 29 of the 250?

Admiral LOY. I think it's 21.

Senator MURRAY. Twenty-one of the two hundred and fifty.

Admiral LOY. Last year's focus, as you might recall, as you did say, was focused directly on surf stations, which, of course, are 13th District stations for the most part. Those 67 military personnel went to small boat stations in the 13th District and to the Pacific Northwest.

If I may, let me just add a thought here. First of all, we have—if there was a wake-up call associated with this depiction of 20 years worth of a problem, why all of a sudden is it a focus today? The wake-up call for us was probably the *MORNING DEW* case, which was in South Carolina a couple of years ago. In that particular tragedy four lives were lost, that frankly if in fact the National Distress and Response System modernization project functionality, as we understand it in the project, if that had been in place, I am reasonably confident in telling you that those four lives likely would not have been lost.

If there was any need, and there was not, for a second wake-up call, whether it was the *QUILLAYUTE* crew or our own crew in Niagara just this past year, there is no need for an attention to be generated with respect to senior Coast Guard leadership and the instance of what I will call restoring the credibility, if you will, of our search and rescue program. We are in the midst of coming to closure with a very comprehensive review of the project, of the program overall.

In the course of the last ten years or so, we have asked more and more and more of those existing crews at lifeboats stations, at district offices, at communication centers, and at rescue coordination centers around our service. Fifteen years ago 80 percent of their time was oriented towards search and rescue orientation. And I would offer that today in many of those very same rescue coordination centers they have as much of a challenge associated with the law enforcement activities that we have been asked to undertake for the Nation as the search and rescue responsibilities in the past.

Senator MURRAY. So you are saying the law enforcement has increased and so has the search and rescue?

Admiral LOY. Certainly the search and rescue challenge has grown with the congestion of our waterways and with the exploding recreational boating activity as part of the Nation's recreational interests, and I continue to see that happening in the future. Any line of challenge that you look like, as the interagency task force last year reflected, suggests that we will need more Coast Guard before we need less in these basic mission areas that have always been part of our makeup.

I would guess, Madam Chairman, by the time we're done we're going to suggest back to the Congress in the 2003, 2004, and 2005 budgets a need for somewhere, oh, I would guess between 700 and 800 positions to restock the Coast Guard adequately.

Senator MURRAY. Is that because people are retiring or because you need those additional people for your missions?

Admiral LOY. For missions.

Senator MURRAY. Okay, but I thought in your opening statement that you said that you had adequate personnel.

Admiral LOY. In my opening statement I said the President's budget reflects progress along the path of what—if we got to where we are over the course of a decade or more, the notion of being able to fix it overnight is going to be less than attractive for budgeteers and for subcommittees as well. My thought is that we should compose a conscious—about a 5-year restoration period; 2001 and 2002 are steps along the way to that path. I would offer that 2003, 2004, and 2005, when we have concluded what we call Project Kimble, a solid review of all of our coastal requirements, those things will be reflected in the 2003 and 2004 requests.

Senator MURRAY. Mr. Mead, go ahead.

Mr. MEAD. I would say that I think a point for your consideration, and the Coast Guard's as well, is that these people in this search and rescue workforce are so stretched, and I think that correlates with the condition of these boats and the training because the numbers of people are short. You don't have the time to train and you don't have the time to make these repairs. Some of these problems are not expensive problems to fix. Watertight seals are not expensive to fix. There's a reason that's not being done, and I don't think it's because people just don't want to do it.

Admiral LOY. Well, I think you are absolutely right, Ken. First of all, the training issue is a very real one.

Senator MURRAY. Right.

Admiral LOY. In the budget this year we have requested the positions to re-establish, actually to back up—they actually re-established Boatswain's Mate A School so that the young people that are actually doing the driving of those vessels will have the formal training in a school setting necessary to restock those things service-wide.

The notion of standardization teams to literally be a group of experts that goes around literally from station to station to station and checks the wherewithal of the station to get its job done is underway, and those standardization experiences go to some degree to Mr. Mead's comment about whether or not the vessels are at the 80 percent not ready for sea. What's also important to note is that by the time those inspectors leave, which could be a matter of days later, it's closer to 95 percent of those vessels that are, in fact, ready for sea.

So that the notion of an inspection team coming in to check on something and be a constructive help as opposed to a "catch you doing something wrong" mode is the manner in which we are attempting to deal with that, and I think we are making some very significant progress there.

Senator MURRAY. Mr. Mead, you had mentioned in your testimony that people were working—I think you said 70 hours a week?

Mr. MEAD. Eighty hours a week.

Senator MURRAY. Eighty hours a week. How many people would it take to add to make sure that people were working a 40-hour week again?

Mr. MEAD. It would be a significant number. Can I get back to you on the record for that?

[The information follows:]

We have not independently estimated the number of staff that would be needed to reduce the work-week for SAR personnel. Coast Guard studies have estimated that a significant staffing increase would be needed for stations to meet its 68-hour work-week standard. For example, under one set of assumptions that transfers some of the administrative and maintenance duties now performed by the stations to the groups, Coast Guard estimates a total of approximately 900 additional personnel would be needed at SAR stations and groups. Assuming that SAR station mission, administration, and maintenance workload remains unchanged, Coast Guard estimates that more than 2,700 additional station personnel would be needed to meet the 68 hour standard. The number of additional personnel needed to meet a 40-hour work week standard would be greater. I understand Commandant Loy is developing revised staffing numbers.

Senator MURRAY. I would like to know, Admiral, from you, how long before we have that adequate personnel so we don't have people working long hours, which obviously——

Mr. MEAD. I want to make another point about the hours. You know, these inspections that I was referring to, let me give you the numbers. These are the conditions about the new boats. These are ones that have been in service for 0 to 4 years. Of those inspected in 2000, 90 percent were found not ready for sea. Now when the Coast Guard does these inspections, they give you plenty of notice. These are not like the police officer coming out and surprising you. And the fact that even with notice they are not able to have them in condition is suggestive to me that the staffing is a serious problem. But we will get back to you directly with a more precise calculation.

Senator MURRAY. I appreciate that. Admiral, in our Seattle hearing, I heard that when it comes to experienced shortfall your search and rescue station, one bad thing leads to another. The workload, as bad as it is, is falling on a diminishing number of qualified people and that workload is causing those experienced individuals to transfer elsewhere within the Coast Guard, or retire, which, of course, makes the shortfall even worse. Have you taken any actions to reverse that trend?

Admiral LOY. Yes, ma'am, we have, especially the surfmen qualified stations which are very important in your district. We have arranged a very liberal extension policy for certain qualified people that will hold the experience at the stations where we need it. We have arranged back-to-back tours for those who simply love the business of local search and rescue work and want to stay there for an additional 4 years beyond the original 4-year assignment. So the personnel administration procedures associated with extending qualified people at those lifeboat stations have been put into place.

Senator MURRAY. Is that working?

Admiral LOY. Yes, ma'am, it is working. We are finding a whole lot of those folks saying, absolutely, I would love to be able to extend for another year or to actually renew my tour of duty at Amqua River or Quillayute, or whatever.

RETENTION OF PERSONNEL

Senator MURRAY. Do you have any statistics to show us how many people are re-upping comparatively to what we had?

Admiral LOY. I'd have to get back to you on that. But we think there are good things in motion there that will help us in that regard. But let me also say that I have for the last several years been citing exactly the same kind of statistics that Ken is discussing with you this morning, and that is if you are talking about mishaps, if you are talking about those things occurring at air stations as well as at lifeboat stations, it is because the resonance of the organization has been sapped over the course of a decade's period of time.

[The information follows:]

The Coast Guard does not keep statistics on the number of service members that have opted to take advantage of recent policy changes allowing more liberal extensions of assignments. Although not quantifiable, the Coast Guard assignment officers responsible for small boat stations have seen an increase in requests for extensions and consecutive same-station assignments.

Admiral LOY. As I indicated in my opening statement, we are the victims, if you will, to a degree of our own semper paratus mind set and not having announced early enough, a decade ago, that we simply could not take on more issues—take on more missions without the attendant resource inventory to do them correctly and to do them other than on the backs of our people, which is what an 80-hour work week represents.

Senator MURRAY. Right.

Admiral LOY. Now, the 80-hour work week has to be taken a little bit with a grain of salt, because in those 80 hours are sleep time, there is recreation time. They are not always out on a 47-footer bouncing around offshore. So the notion of being available to get in that boat when necessary when the 911 call comes is what adds up to the 80-hour week. And there is a preference associated with how sliding weekends offer the crew members better and more quality time with their families if they arrange their schedules in certain ways.

So we need to be careful about the inference that an 80-hour week is twice what any other American is doing in a 40-hour work week. That's not quite the case, albeit I have been among those claiming that 80 hours is way too much. I think probably something closer to 60 is appropriate.

Senator MURRAY. Mr. Mead, would you agree with that?

Mr. MEAD. Yes.

Senator MURRAY. Admiral, you were once chief of Coast Guard personnel, and it seems to me that the personnel policies are helping get to where we are right now because, once junior enlisted people are fully trained at search and rescue stations, they are either sent away to school or transferred to a ship. Are the policies you just talked about reversing that trend or not?

FUTURE FORCE 21

Admiral LOY. Madam Chairman, to whatever degree the Integrated Deepwater Systems Project and NDRSMP on the equipment side are critical programs to remodernize the Coast Guard for the future on equipment, we have to do the same things with the policies by which we are dealing with our people. I have asked my Chief of Human Resources, Admiral Fred Ames, to design for me what we have termed Future Force 21. What are the workforce requirements that are going to be 5 years, 10 years, 15 years from now, and to design the policy adjustments, and let's break some rice bowls if we have to to rebuild a military workforce or even to consider for stability reasons other than military ways of doing business at some of our traditional locations that have always been manned by military folks.

If there is value, for example, in a civilian watch stander on a Coast Guard operation center, because they'll be there for not just a 2 or 3 or 4 year tour but for 10 years, or for a career, we should not ignore the possibility of looking at those things very carefully. I have asked him to be, I'll say, creative, innovative. But beyond that, I need new ideas in terms of how to best man the Coast Guard's workforce——

Senator MURRAY. Is there a timeline for this report to come back?

Admiral LOY. Yes, ma'am. I've asked him to—he's been working on it for 6 or 8 months at this point, and I have asked that it be a—that the mosaic for it, that the puzzle sort of be taking shape within a year.

INCENTIVE BONUSES

Senator MURRAY. Admiral, during that same hearing in Seattle I asked the Master Chief Petty Officer from the 13th District about these shortages, and he made the point that re-enlistment bonuses that are offered by the Coast Guard are not as generous as those that are offered by the services. Is that the case and has that, do you think, affected some of your retention problems?

Admiral LOY. Absolutely, ma'am. I had a slide once that showed a very tall DOD sailor and a relatively short Coast Guard sailor, and the difference was, is our pay and compensation the same? Yes. Are our health benefits the same? Yes. Because the law requires for them to be the same.

But when you talk about incentive bonuses in terms of specialties, when you talk about re-enlistment bonuses, when you talk about the dollars available that I have to incentivize my sailor to stay in the service, there is a significant height differential between those two respective sailors, and I think it is a bit of a travesty that there is any kind of a gap between the uniformed service personnel and any of the five services having a different set of educational opportunities, a different set of bonuses available to them to keep them in the force.

Senator MURRAY. And that does have that impact on retention?

Admiral LOY. Absolutely it does.

Senator MURRAY. Mr. Mead, in Admiral Loy's testimony he States that we must continue our multi-year phased approach to ensure that the Coast Guard operating and support units are properly staffed, trained, equipped, and maintained. Do you believe that the solution to the search and rescue problems you identified would await a multi-year phased approach?

Mr. MEAD. No, I think we really need to get on, frankly, with the personnel to beef up and to train. I don't think we would need to require many years to establish a good solid training program, and I think we ought to get on with our National Distress System. I think that 2005 or 2006 date ought to be locked in concrete.

Senator MURRAY. Admiral, if you could get additional budget resources above the budget request to address some of these critical search and rescue problems, where would you spend them?

Admiral LOY. The question offers the opportunity to take note, for example, Madam Chairman, of the budget resolution and of the House authorization bill passed just last week, which suggested, among other things, that we be somewhere between $250 and $300 million above the President's request in OE.

If those dollars were made available to me, there would be several priorities that I would think about. Number one would be to attempt to anticipate the exposure we have to whatever will be the

National Defense Authorization Act 2002, so we don't find ourselves in this supplemental challenge this time next year. We estimate our exposure there, by the way, to be somewhere between $80 and $85 million.

The second thing that I would deal with would be to restore the maintenance accounts from which we have borrowed, stolen monies to hold onto an operational tempo over the course of the last several years.

The third thing I would do would be to gain a sense from the Congress as to whether or not what's offered in the President's budget in reality, which is a 15 or 20 percent shortfall in services being delivered to the American public and whether or not we should restore that capability.

And then lastly I would be concerned about the specific items that could be "bought back." In other words, those things that had been offered for decommissioning, several cutters, aircraft, air facilities, we should take stock as to whether or not those are potentially "buy back" items. And in the midst between restoring maintenance accounts and restoring operational capability, this issue that we are discussing would absolutely be part of that.

NATIONAL DISTRESS AND RESPONSE SYSTEM MODERNIZATION PROJECT

Senator MURRAY. All right, well, let me turn to the National Distress System Modernization Project. Mr. Mead, you reported that the projected cost for the system has escalated greatly from the Coast Guard's initial estimate of roughly $300 million to over $1 billion. You also stated that the National Distress System has deteriorated because the Coast Guard has delayed replacement to fund higher priorities. Why are the contractors' cost estimates so much higher than the Coast Guard's own estimates?

Mr. MEAD. Well, I think the Coast Guard estimate of $250 to $300 million assumed that a lot of the existing infrastructure could be used, and the contractors tend not to think that that's the case. Plus, the contractors projected covering almost all the gaps in the United States, and that probably makes a lot of sense. Also, the Coast Guard's figures on which they based the estimate were outdated at the time—by the time the contractors started doing their analysis.

Senator MURRAY. So the original Coast Guard report would not replace all of them?

Mr. MEAD. No, the initial Coast Guard report, first of all, was based on cost information from some years ago and secondly, assumed that they could use a lot of the existing infrastructure in the United States and that the contractors could piggyback or build off of that. And I think the contractors have come back saying they are not that confident of that.

Senator MURRAY. Admiral?

Admiral LOY. Yes, ma'am. Where we are in the project, Madam Chairman, is this. The initial system designs and the initial life cycle costs, the first proposal back from the three contractors that are competing for this contract, the three companies that are competing for this contract, they were given essentially an unconstrained opportunity to come back and offer what it would take to do the job. And they have come back with the kind of numbers that Mr. Mead and you described with your question.

The other thing they came back with, however, which is very critical here, is to point out to us very carefully where technical adjustments that can be made that can lower probably by half the estimates that they are offering. So if I was to give you an estimate as to what the right number would be for the NDRSMP project extended over time out to the 2006 completion, it would probably be somewhere around $500 million. Now that's more than the $250 to $300 million that we estimated at the initial part of the project. There's no doubt about that. But it's not going to be anywhere close to those estimates that the contractors are coming back with.

Why? Because we have to decide between the Congress and between my offerings to you as, at least, a place to start the nature of how many of those gaps ought to be closed. And to the degree we want 100 percent, which was the original precept, then that's when you're talking about $1 billion kind of a project.

Senator MURRAY. When you come back to us with that, will you show us how that will impact public safety?

Admiral LOY. Absolutely.

Senator MURRAY. I mean, obviously, that their number over here and ours over here and somewhere between there it's going to impact public safety.

Admiral LOY. Absolutely, ma'am. Unlike Deepwater, this is a scalable project. This is something that we can decide how much of the NDRSMP project is it that we need to deal with. It's principally focused on erecting towers to make sure that the microwave connectivity is adequate to——

Senator MURRAY. And I assume that depends on geography?

CAPS IN COVERAGE

Admiral LOY. That's all about geography, absolutely. And it's also all about do we need them on places where there is no recreational boating. You know, Ken's comment with respect to the only—you know, that the predominance of the SAR, which is absolutely right, is within 3 or 4 miles of the coast, do we need towers around the north coast of Alaska?

Senator MURRAY. That map doesn't show you around the north coast of Alaska.

Admiral LOY. And I would offer that there is absolutely no recreational boating or search and rescue requirement there and, therefore, that's an easy one. But all of the other gaps that Ken is properly citing, which has exactly been my testimony for the last 2 years by the way, that this gap issue is critical to——

Senator MURRAY. There's a lot of commercial fishing around Alaska.

Admiral LOY. Not up there.

Senator MURRAY. Well, I'm looking at the south part where the dots are.

Admiral LOY. Oh sure, absolutely. And as a matter of fact, we have worked hard already over the course of the last 10 years to close gaps in the coverage in Alaska.

Senator MURRAY. Well, as you probably know, we had the *ARCTIC ROSE* go down somewhere in Alaska and there was no distress signal. We don't know the final conclusion of that, but obviously it could have been some area that doesn't have any.

Admiral LOY. Absolutely, absolutely.

Mr. MEAD. I just think sort of like—this is a personal experience. I was up in Northern Vermont and I had a cell phone, and I needed to get in touch with somebody in a hurry and was unable to. And I remember that experience as this was being related to me in these gaps.

And I've read these NTSB reports, like the *MORNING DEW* incident, and it must be extremely frustrating and frightening to make a "mayday" distress call and not have anybody hear you within three or four miles off the coast of the United States.

Admiral LOY. I think what's enormously important here, Madam Chairman, is that there is a menu of functionality that we want to introduce into the National Distress Response System for this system for the United States of America. It's about digital recording. It's about an enhanced playback capability, so that if there is a notion that we might have heard a call we can play it back, enhance it, and truly hear it at our respective op centers. It's about archiving those kinds of things so we have a documented record about it. It's about position localization, so that when we get a call in we not only know that we've got a call but that we know where that call came from.

It's about OM unit tracking. I want to be able to know exactly where that small boat that left the Niagara station went so that I don't have to guess where to send the rescuers to go get those two young people that died. It's about GMDSS.

So this menu of functionality is what the contract is all about. How we scale that is exactly what the dollar value of the project will become, and we are looking very carefully and scrubbing what the contractors have offered us. And I can almost guarantee you that we will not be dealing at a $1 billion dollar level. We will be dealing at about $500 million.

Senator MURRAY. Well, when will we know that? Admiral Riutta told me that he expects this to be completed by 2005. I assume we need to make those decisions fairly quickly and go forward.

Admiral LOY. Yes, ma'am. We will know that within fiscal year 2002, when we can go ahead and let the contract. The deal with 2005 is—and I agree with Ken, the notion of can we get it accelerated, we have to design the system first. And I have looked very carefully. It's very hard for us to accelerate the design phase. But once we have a design, then all it takes is money to accelerate the installation wherever——

Senator MURRAY. Well, I assume if you scale it back you're going to have to make some tough decisions and somebody's State is not going to be covered.

Admiral LOY. We would make tough decisions along the way of what the threshold of coverage, an IOU, a good read on that, so as to help you make a good judgment in terms of funding the project, yes, ma'am.

Mr. MEAD. This is one reason why those numbers on Deepwater and NDRSMP need to have—we need to settle on them. Both of these things are marching at approximately the same point in time.

Senator MURRAY. Right.

Admiral LOY. Absolutely right.

Senator MURRAY. Well, I want to hear as soon as we've got this, and I urge you to do it quickly. I think we need to get this going, make a decision, move towards it, so we know what numbers we need to have in the budget but also so that we can know what that number is going to be, whether it's towards the larger end or the shorter end. And I assume there will be some political decisions in that when we find out who gets covered and who doesn't.

Admiral, in my opening statement, I addressed your agency's commitment of cutter and aircraft hours to fisheries enforcement. I talked about how that mission has been reduced significantly in the last 5 years. You have now ordered a further reduction in cutter hours, and we have been told that fisheries enforcement efforts will be 50 percent lower this quarter than they were at this time last year. These operational reductions include the cancellation of six fisheries patrols and the loss of 263 patrols days including two patrols in the Pacific Northwest.

At what point does the Coast Guard have to admit that we are not really executing their mission with any degree of emphasis?

Admiral LOY. Well, with any degree of emphasis, I guess the— I don't know how I can answer that question directly, ma'am. What I can tell you is that, in order for me to pay the bills mandated for me to pay, I have had to reach to places in our accounting structure, in our Coast Guard, that I had hoped I would never have to go to, and it includes reducing literally the operational tempo of the organization in order to pay those bills.

I was, of course, provided a quarter-by-quarter definition of work out of the Office of Management and Budget this year. We have met each of those quarterly deadlines and challenges principally by robbing from Peter to pay Paul at the other end of the day.

So my challenge is to present to the committee, to present to the Administration in turn, the implications of a funding level that we will receive. And in the President's budget this year, looking forward to 2002, we would have to reduce operating tempo by 15 to 20 percent across the board. The one thing that I have, of course, kept sacrosanct is SAR and safety, so we will not be reducing implications associated with SAR and safety.

When you are exposed to fuel adjustments to the 40 or 50 percent level, when you are exposed to unappropriated dollars that you have to pay in terms of National Defense Authorization Act requirements, the places you can go to are several-fold: bring less people into the organization so you don't have to pay them; rob your maintenance accounts and push the deferred maintenance bow wave even further down the future; and/or reduce the operating tempo of the organization so you do not burn the dollar value of the fuel.

Senator MURRAY. Well, I understand the story for this year, but what about for the last 5 years?

Admiral LOY. Well, 2000 was essentially the same as 2001 is becoming in terms of that requirement to wait and depend on a supplemental to "bail us out" based on what had not been appropriated——

Senator MURRAY. Well, in terms of fisheries enforcement——

FISHERIES ENFORCEMENT

Admiral LOY. In terms of fisheries enforcement, 1999 should be our baseline year, because for all intents and purposes we were able to meet program hours of productivity out of the organization in fiscal year 1999. In fiscal year 2000, we were down slightly. In fiscal year 2001, we are now paying a penalty that hopefully will get re-established by a positive read on the supplemental request that the President has forwarded to the Congress. In 2002, it is as prescribed in the President's budget, which is what I'm trying to suggest, or trying to say, that if the OE level is as is prescribed and requested, inherent in that is a 15 or 20 percent reduction in offshore law enforcement capability.

Senator MURRAY. Is that the President's budget request?

Admiral LOY. Yes, ma'am.

DECOMMISSIONING OF COWSLIP

Senator MURRAY. Let me turn to another area here. Admiral, your budget is proposing several operational changes in order to achieve budget savings totaling $108 million in fiscal year 2002. One of these proposals is to decommission earlier than scheduled the 180-foot seagoing buoy tender COWSLIP which services more than 200 buoys in the Pacific Northwest. Under your plan the vessel will not be replaced in our region for 18 months and during that time other Coast Guard vessels would be required to handle the *COWSLIP's* workload.

Can you assure me that if the *COWSLIP* is decommissioned early as you proposed there will not be any reductions or delays in the routine or emergency servicing of aids to navigation in our 13th District?

Admiral LOY. Yes, ma'am. I think I can assure you of that. The buoy tenders and Aids to Navigation (Aton) capability inherent in the district will be supplemented as necessary from both the 11th and the 17th in turn to deal with the major buoys that the *COWSLIP* normally would have had in their——

Senator MURRAY. You'll take buoy tenders from the 11th and the 17th?

Admiral LOY. We will stretch those for the 18-month period until the new buoy tender is commissioned and replaces the *COWSLIP*.

Senator MURRAY. Will that give us delays or any problems with those having to travel so far?

Admiral LOY. In terms of an emergency outage of a major aid, it will take a longer period of time for a tender to come up from California to deal with that outage. There's no doubt about that. Will the service be less than you're used to? I think unfortunately the only answer I can give you is yes.

Senator MURRAY. Well, in the Pacific Northwest a great many aids to navigation are serviced by the *BAYBERRY* and the *BLUEBELL*, and both of those vessels are more than 46 years old. A review of the five-year capital investment plan that you submitted to the committee shows that you have no plans to replace either of those vessels.

How much longer do you think we can extend the life of the *BAYBERRY* and the *BLUEBELL*?

Admiral LOY. Madam Chairman, I'm not, as I sit here this morning, aware of the physical condition of those two platforms. I'd like to get back to you on that.

Senator MURRAY. If you could, I would appreciate it.

Admiral LOY. Yes, ma'am.

[The information follows:]

The cutter BLUEBELL, commissioned in 1945 and homeported in Portland, Oregon, is one of two 100-foot class Inland Buoy Tenders operated by the Coast Guard. Similarly, cutter BAYBERRY, commissioned in 1954 and homeported in Seattle, Washington, is one of three 65-foot class Inland Buoy Tenders currently in service. The Coast Guard conducted Ship Structure and Machinery Evaluation Boards (SSMEB's) in May 2001, and found each vessel to be in good material condition. Based on the SSMEB findings, the Coast Guard estimates that with some safety and environmental modifications such as upgrading fire & flooding detection systems, crew habitability, ventilation, and gray water handling systems, these cutters should be able to remain in service for another ten years. The Engineering Logistics Command (ELC) will convene a Service Life Evaluation Board (SLEB) prior to December 2001, to more thoroughly evaluate the supportability and expected service lives of these two cutters.

IMPLEMENTATION OF OPA-90

Senator MURRAY. Admiral, protecting our Nation's water from oil spills is supposed to be a top priority for your agency as well as everything else we've discussed this morning. However, this past December the U.S. Court of Appeals ruled that the U.S. Coast Guard is in blatant violation of the 1990 Oil Pollution Act for failing to require oil tankers to install devices to detect oil leaking from their cargo tanks.

When Congress passed the Oil Pollution Act in August of 1990, it gave the Coast Guard a clear mandate to complete this rule making within a year. How can we justify a 9-year delay in issuing this rule when the Congress gave your agency a very clear 1-year timeline?

Admiral LOY. I don't have a good answer for you, Madam Chairman. I'd like to get that one back to you for the record. What I can point out is, what I think we should be able to say here without any reservation, is the enormous success OPA 90 has actually been over the course of the ensuing decade. I mean, we have 70 percent less by volume oil spills on the water than we had 10 years ago, 50 percent fewer spills by number. So almost by any standard the Oil Pollution Act and the Coast Guard's execution of the regulatory—many, many regulatory challenges that were part of the has been an enormous success story. This particular rule making, ma'am, I will get back to you on.

Senator MURRAY. If you could, and if there's any other rule making actions that were mandated that the Coast Guard hasn't yet completed, if you could let me know which ones as well.

[The information follows:]

Three other regulations from the oil pollution act of 1990 (OPA 90) are currently under development. They are: (1) Tank Vessel Response Plans for Hazardous Substances; (2) Facility Response Plans For Hazardous Substances; and (3) Reporting Marine Casualties that pose significant harm to the environment. The hazardous substances response plan rulemaking for vessels and facilities has been a complex project. The development has focused on resolving conflicts between existing federal regulations and ensuring complete stakeholder involvement. The Coast Guard published an Advanced Notice of Proposed Rulemaking (ANPRM) covering both vessels and facilities in May 1996, following extensive work with the Environmental Protection Agency to harmonize facility requirements. Since publishing the ANPRM, the

Coast Guard has proceeded with two separate rulemakings, one for vessels and one for facilities. The Notice of Proposed Rulemaking (NPRM) for vessels was published in March 1999, and the NPRM for facilities was published in March 2000. Interim Rules (IR) for these rulemakings are under development, with the IR for vessels planned for publication in the Spring 2002, and the IR for facilities planned for Fall 2002. To maximize stakeholder involvement, the Coast Guard has worked with the Chemical Transportation Advisory Committee (CTAC), held four public meetings, and sponsored a two-day workshop. The reporting marine casualties rulemaking proposes that oil and hazardous material discharges of "significant harm to the environment" be added to the list of reportable marine casualties. An NPRM was published in November 2000. A Supplemental Notice of Proposed Rulemaking was published on July 12, 2001.

The Tank Level or Pressure Monitoring (TLPM) rulemaking project is one of more than 40 rulemakings and over 90 individual implementing actions required by the Oil Pollution Act of 1990 (OPA 90). Section 4110(b) of OPA 90 mandating TLPM devices required the Coast Guard to set minimum standards and usage requirements for TLPM devices. These devices measure changes in cargo volume, thereby detecting possible oil leaks in the marine environment.

The Coast Guard began its TLPM regulatory process in May of 1991 by issuing an Advanced Notice of Proposed Rulemaking (ANPRM) to solicit comments on what the minimum standards for leak detection devices should be and how such devices should be used (56 FR 21116).

The Coast Guard also commissioned a study by the Volpe National Transportation Center regarding the technical feasibility and accuracy of devices then available. In February 1993, the Coast Guard announced to the public the availability of the study in a Notice of Availability (58 FR 7292). In November of 1994, the Coast Guard announced a Public Meeting to be held in December seeking additional comments with regard to the standards for and use of TLPM devices (59 FR 58810).

To establish an effective and meaningful TLPM standard, the Coast Guard published a Notice of Proposed Rulemaking (NPRM) in August 1995 which set a standard of a 0.5 percent change on the level of cargo, or a loss of 1,000 gallons (whichever was less). After receiving and reviewing several comments that questioned the availability of devices that would meet the proposed standard, the Coast Guard published a Temporary Rule establishing minimum detection standards for a TLPM device, but did not require installation (62 FR 14828). Even though no devices were currently available, the intent was to spur development of an effective device that would meet the standard. The rule was issued in 1997 as a Temporary Rule due to the fact that OPA 90 phase-out schedules suggested that after two years, it would not be economically beneficial to require the installation of such devices on tank vessels. Unfortunately, the temporary rule expired in April 1999 with no devices submitted for evaluation. Thus, the Temporary Rule ended in 1999, leaving neither a standard nor a usage requirement for TLPM devices in Coast Guard regulations.

Currently, the Coast Guard is undertaking a rulemaking project that will establish a standard and usage requirements for TLPM devices on tank vessels. We plan to publish a Notice of Proposed Rulemaking during the fall of 2001. The need for TLPM regulations has greatly decreased because other OPA 90 mandated regulations have reduced the benefits of installing TLPM devices. Regulations such as the Operational Measures for Existing Tank Vessels Without Double-Hulls that require enhanced surveys, voyage planning and under-keel clearance requirements, have reduced the likelihood of a spill that would be detected by a TLPM device.

SEATTLE VTS

Senator MURRAY. One more question, Admiral. One of the Coast Guard's Vessel Traffic Systems is in the Port of Seattle. The VTS is critically important to the safe movements of ships throughout Puget Sound. The VTS will be that much more important as the number of cruise ships, high speed ferries and container ships increase. I am hearing reports that the Coast Guard does not currently have a sufficient number of trained radarmen to staff the Vessel Traffic Systems and the VTSs are short of watch standars.

What can you tell me about the shortage of our radar watch standards?

Admiral LOY. Radarmen as a rating, among the listed ratings, is one of those areas where retention has been a rather significant issue for us. So I am very concerned about that. There's a couple of answers to the question. One of those may very well be the potential civilianization of some of those positions, again, such that both stability and skill set is covered so to speak in the VTS watch standers without the requirement for replacements every 2, 3 or 4 years.

The challenge there, of course, is that those positions represent the shore-side opportunities for those young Coast Guard sailors where otherwise their radarmen skill sets will be employed at sea. So we always have to deal with the sea/shore ratio and rotation concern when we are potentially thinking about civilianizing a position on the beach which offers radarmen and those specialists in our enlisted cadre that go and spend an awful lot of their time at sea. We need to provide them those opportunities on land to have a decent ratio. So I am concerned as to the retention issue especially as it relates to radarmen and several of our other enlisted ratings.

Senator MURRAY. Is there anything in your budget initiative that directly speaks to this?

Admiral LOY. I don't believe there is, ma'am.

Senator MURRAY. Well, thank you to both of you and let me just say that I am a member of the Budget Committee and I know that both the House and Senate passed budget resolutions that promised increases in several areas, including the Coast Guard and education, but the fact is that the conference report on the budget resolution eliminated those increases and that is one of the reasons I voted against the final budget resolution.

ADDITIONAL COMMITTEE QUESTIONS

I appreciate both of your testimony today. I look forward to getting your written testimony in response to the questions.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO THE COAST GUARD

QUESTIONS SUBMITTED BY SENATOR BARBARA A. MIKULSKI

DEEPWATER'S IMPACT ON OTHER AC&I PROJECTS

Question. In his budget, the President recommends $659M million for Coast Guard acquisitions, construction, and improvements. Is this sufficient funding to support the Coast Guard's Deepwater Project as well as other capital improvement projects?

Answer. The funding level in the President's budget is sufficient to fund the Integrated Deepwater System (IDS) project as well as other Coast Guard recapitalization requirements. For example, the National Distress and Response System Modernization Project, which will recapitalize the Nation's maritime 911 system, is fully funded in the President's fiscal year 2002 budget. Additionally, many recapitalization requirements that would historically be included with the Vessels, Aircraft and Other Equipment budget categories are within the IDS realm and will be funded within the future estimates for the Deepwater category.

DEEPWATER: AGE OF FLEET

Question. It is my understanding that the Coast Guard is currently operating an aging fleet of cutters and aircraft, which in some cases exceed 40 years of age or more. Can you discuss the benefits of the Coast Guard's Deepwater Project, particularly its role in addressing the Coast Guard's aging fleet of cutters and aircraft?

Answer. The Deepwater Program is the Coast Guard's answer to pressing recapitalization needs. It will provide Coast Guard men and women with a state-of-the-market, integrated system of assets that will maximize operational effectiveness while minimizing total ownership costs.

The Coast Guard's 93 cutters and 206 aircraft that operate more than 50 miles offshore, or in situations that require an extended on-scene presence, are aging and technologically obsolete. Most of these assets will reach the end of their service lives by 2008.

The Coast Guard uses its deepwater ships and planes in search and rescue, drug interdiction, migrant interdiction, fisheries regulations enforcement, defense operations and other at-sea missions. As a result of their age, these platforms generate excessive operating and maintenance costs. They lack the essential capabilities of speed, sensors, and interoperability which limit their overall mission effectiveness and efficiency. The Coast Guard Deepwater Program will renovate, modernize, or replace those aging cutters and aircraft. Rather than replacing the assets on a one-for-one basis, the Deepwater Program follows a mission-based performance acquisitions approach that describes for industry the capabilities the service needs to perform its deepwater missions. Empowering industry to leverage new technologies to determine the most effective types and efficient mixes of assets will result in an integrated, cost effective, and efficient 21st century Coast Guard.

In response to the Phase 2 Request for Proposals (RFP), the three Phase 1 industry teams, led by Litton/Avondale/Boeing, Lockheed Martin, and Science Applications International Corporation, are eligible to submit proposals to build and/or provide their deepwater system concepts developed under Phase 1. To ensure no further erosion in operational effectiveness, their proposals will include specific implementation plans for transitioning from the current aging assets to the Integrated Deepwater System.

DEEPWATER: IMPROVEMENTS IN OPERATIONAL CAPABILITY

Question. How will the Deepwater Project improve your operational capability?

Answer. The Coast Guard's current fleet of deepwater cutters and aircraft are aging and becoming technologically obsolete, with increasing maintenance costs and declining operational capability.

Unlike the current assets that were procured on an individual basis, the Integrated Deepwater System (IDS) of replacement assets will be interoperable, employ state-of-the-market technology, and be specifically designed to provide the Coast Guard the capabilities needed to perform deepwater missions.

The IDS program developed a performance specification for an integrated system of assets that must meet or exceed current Coast Guard operational capabilities. The focus on performance capabilities empowered the three competing industry teams to leverage innovative technologies and processes in designing systems that maximize operational capability effectiveness while minimizing total ownership costs.

DEEPWATER: BENEFITS OF SYSTEM OF SYSTEMS APPROACH

Question. It is my understanding that the Deepwater Project is an Integrated System, rather than a traditional asset-for-asset replacement program. Can you discuss the benefits of the systems acquisition approach for the Deepwater Project?

Answer. Given the multi-mission nature of the Coast Guard, our ships, aircraft and Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance, (C4ISR) systems must work together to fully leverage our limited resources. Currently, our operational effectiveness is suboptimized due to the lack of interoperability between our assets. For example, our aircraft and cutters are often unable to establish secure communications during law enforcement operations. Not all of our helicopters can land on all of our ships. The lack of commonality between classes of ships and aircraft classes results in major logistical and supportability hurdles, as well as increased training requirements.

With the Integrated Deepwater System (IDS), the Coast Guard will implement an innovative performance-based approach that asks industry to design, build, deliver, and maintain an integrated system of assets based on the fundamental capabilities needed to perform the entire portfolio of deepwater missions worldwide. This innovative approach gives the Coast Guard several compelling advantages:

—By encompassing all of the Coast Guard's Deepwater assets, the Coast Guard and contractor will be able to determine the most effective types and efficient mix of assets to perform Deepwater missions.

—The focus on performance capabilities allows industry to leverage innovative technologies and processes.

—Acquiring an integrated system of assets builds in interoperability right from the start. Interoperability affords seamless coordinated performance of missions by multiple assets.
—Acquiring a system of assets rather than each asset individually will allow the Coast Guard to leverage economies of scale and scope, as well as ensure systemic improvements in service effectiveness and efficiency.

Another advantage of the IDS acquisition approach is its use of a Systems Integrator. The Systems Integrator will not only be responsible for ensuring the systems work together, but will do so in a way that maximizes operational effectiveness while minimizing total ownership costs. Using a Systems Integrator is the most effective way to execute a systems acquisition because:
—The Systems Integrator shares risk and liability for systems interoperability.
—Procurement lead time is reduced.
—The Systems Integrator can enter into long-term partnering arrangements with suppliers and subcontractors (including entering into partnerships with members of opposing teams).
—Cost/schedule/performance risk for subsystem procurement and introduction is reduced.
—Asset sub-systems designed and developed by the Systems Integrator are more easily integrated into the system.
—New technology is more easily inserted.
—Organizational/staffing demands to manage contracting and integration issues are reduced.

DEEPWATER: APPROACH BASED ON OPERATIONAL CONSIDERATIONS

Question: Was this approach based on operational considerations?

Answer. Yes, the Integrated Deepwater System (IDS) acquisition approach was based on operational considerations. Existing Coast Guard Deepwater assets were procured using a piecemeal approach. They lack the interoperability necessary to optimize operational effectiveness. The IDS acquisition approach was chosen to ensure that operational interoperability problems are avoided. The IDS will be procured as a system rather than as individual assets. Assets procured through the IDS program will have interoperability built in from the start, and will capitalize on the synergy created by the assets working together in planned interaction.

DEEPWATER: MORE EFFECTIVE THAN TRADITIONAL APPROACH

Question. If so, in what ways will it make the Coast Guard more effective than a more traditional asset-for-asset replacement program?

Answer. A traditional asset-for-asset replacement program assumes that the assets needed to perform Coast Guard missions in the past are the same ones that will be required in the future. This assumption may not be true. There have been rapid advances in technology that have the potential to significantly change the way the Coast Guard does business. Additionally, the lack of commonality between classes of ships and aircraft as they are purchased in an asset for asset manner creates major logistical and supportability hurdles and increases training requirements.

With the exception of the National Security Cutter that is required to meet the Coast Guard's obligations under the National Fleet Policy, the Integrated Deepwater System (IDS) has no predetermined mix of assets or specific assets. Instead it provides performance specifications for the operational capabilities needed to perform the Coast Guard's 14 federally mandated missions. This allows industry to leverage innovative technologies and processes to determine the most effective types and efficient mix of assets in designing a state-of-the-market system that specifically meets the operational challenges facing today's Coast Guard.

A second way that the IDS acquisition strategy will make the Coast Guard more effective than the traditional asset-for-asset replacement approach is that the assets are being acquired as an integrated system rather than on a piecemeal basis. This builds in interoperability and commonality right from the start, improving logistics support and affording seamless coordinated performance of missions by multiple assets that produces an overall force multiplier effect.

Finally, reverting to a traditional one-for-one replacement of existing assets would actually cost the Coast Guard more than the IDS, but without the added and most desirable benefits of the systems approach. By acquiring a system of assets rather than each asset individually, we are able to leverage economies of scale and scope, as well as ensure systemic improvements in service effectiveness and efficiency. Additionally, during Phase 1 of the contract the industry teams worked to develop IDS implementation plans that maximized operational effectiveness while minimizing total ownership costs. In selecting the Phase 2 contractor, Total Ownership Cost is second only to Operational Effectiveness in the evaluation criteria. Because the winning industry team has designed and will manage their system to remain within Operating Expenses and Acquisition, Construction and Improvements targets, the IDS program will cost less than a traditional, platform-by-platform replacement strategy.

OPERATIONAL IMPACTS FROM FISCAL YEAR 2001 BUDGET SHORTFALLS

Question. I am aware that the Coast Guard made some operational reductions this fiscal year because you had some unanticipated expenses: rising fuel costs, mandatory pay and other entitlements, and escalating health costs. Can you discuss how your operations have been affected by this current year's budget shortfalls?

Answer. Yes. The Coast Guard experienced a $98 million shortfall within our fiscal year 2001 appropriation which was primarily caused by sharp increases in energy prices and changes made in the National Defense Authorization Act after the Coast Guard's appropriation was already signed. In order to fund our annual energy bills and satisfy personnel pay account needs, the Coast Guard was required to make budget adjustments that best balanced our mission performance, without exceeding the budgetary resources provided to the Coast Guard for fiscal year 2001. The Coast Guard adjusted operations levels as well as operational support and depot maintenance plans to ensure that the service remained within its appropriated funds and operated at a level that could be sustained by the support infrastructure. The Coast Guard's Search and Rescue mission and the safety of personnel were retained as the highest priorities. The majority of the impact of the reductions was felt in Law Enforcement missions such as Living Marine Resource enforcement, migrant interdiction operations, and drug interdiction operations.

COST TO RESTORE FISCAL YEAR 2001 4TH QUARTER OPERATIONS

Question. What do you need by the end of this fiscal year to get the Coast Guard back up to full operations offshore?

Answer. The Coast Guard requires $98 million to restore operations in fiscal year 2001 to the level that the Coast Guard plans to operate at in fiscal year 2002 per the President's Budget, and pay mandatory personnel costs in fiscal year 2001.

ASSET REDUCTION IMPACTS ON PERFORMANCE

Question. It is my understanding that the fiscal year 2002 budget request for the Coast Guard will require the decommissioning of several offshore assets—both vessels and aircraft. Do you project a loss in capability as a result of these decommissionings and deactivations?

Answer. Yes, reductions in the number of offshore assets will increase the Coast Guard's challenge to meet current performance targets as the Coast Guard continues its transformation process into an even more effective and efficient multi-mission, maritime military service. Cutter and aircraft reductions will result in the loss of approximately 33,000 resource hours. The assets selected for deactivations are among the oldest, most maintenance intensive, and costly assets contained within the Coast Guard inventory.

In addition, the proposed 15 percent across-the-board reduction in the operation of remaining assets equates to an additional decrement of approximately 84,000 cutter and aircraft resource hours. Thus, the fiscal year 2002 President's budget for the Coast Guard will result in a total reduction of approximately 117,000 resource hours. This reduction in operational capability will have a temporary impact on performance results.

These reductions have been made in preparation for the Integrated Deepwater System, which will replace all Coast Guard deepwater assets—both cutters and aircraft. Operational adjustments are being tailored to protect core search and rescue, training and safety missions.

$250 MILLION BUDGET RESOLUTION

Question. I understand that the budget resolution identifies an additional $250 million for Coast Guard operating expenses in fiscal year 2002. Can you discuss how this additional funding would be allocated to help you perform your diverse missions and increase performance?

Answer. If an additional $250 million were provided to the Coast Guard above the current President's budget, the Coast Guard would attempt to first cover any mandatory personnel costs not on budget. Second, the Coast Guard would seek to restore the operations reduction contained within the President's fiscal year 2002 budget and replenish its maintenance accounts to support operations. After finishing the first two priorities, the Coast Guard would seek to accelerate critical new starts (i.e. Search and Rescue Safety Enhancements) and cancel some of the proposed asset decommissionings and retirements contained in the fiscal year 2002 President's budget.

By allocating additional funding in the above manner, the Coast Guard would avoid reduced operations, replenish depleting maintenance accounts improving the availability of assets to perform missions and invest in new starts that are force-multipliers.

QUESTIONS SUBMITTED BY SENATOR RICHARD C. SHELBY

COST RANGE FOR DEEPWATER PROJECT

Question. I have heard estimates ranging from $9 billion to $15 billion for the Deepwater project. Has the Coast Guard developed a detailed cost estimate for the Integrated Deepwater Systems procurement?

Answer. The Coast Guard's current cost estimate ranges from $10–$12 billion in fiscal year 1998 dollars for the Integrated Deepwater project. This estimate will be further refined in September 2001 when each of the 3 industry teams are required to submit a detailed cost estimate with their final design proposal as outlined in the Request For Proposals.

CAPITAL ASSET FUNDING

Question. How will the Coast Guard assure that adequate funding is available to meet high priority capital needs other than Deepwater, such as the modernization of the National Distress System?

Answer. The Coast Guard is able to make room in its Acquisition, Construction, and Improvements (AC&I) budget to accommodate the Integrated Deepwater System (IDS) project without adversely impacting other Coast Guard recapitalization requirements. For example, the National Distress and Response System Modernization project, which will recapitalization the Nation's "maritime 911 system", is fully funded in the President' fiscal year 2002 budget. Additionally, many recapitalization requirements that would historically be included in the Vessels, Aircraft and Other Equipment budget categories are within the IDS realm and will be funded within the future estimates for the Deepwater category. Due to the dynamic Office of Management and Budget outyear targets, it has been noted in recent Five Year Capital Investment Plans that changes will be necessary based on IDS funding decisions. The Coast Guard IDS strategy and recapitalization requirements are flexible enough to respond to these changes.

DEEPWATER ACQUISITION STRATEGY

Question. As I understand it, the Coast Guard wants to proceed with a budget request for the Deepwater project even though the planning process is not yet complete and it has not selected an acquisition strategy. Is the Coast Guard prepared to justify which Deepwater assets need to be acquired or modernized, how this will be done, what it will cost, and when the funding will be needed?

Answer. The Coast Guard is prepared to justify and support the Integrated Deepwater System (IDS) team solution it selects, the asset mix and schedule, and funding in proprietary briefings as they are requested. The Coast Guard also has completed the planning process and has selected an acquisition strategy. The Coast Guard has a vetted and validated Request for Proposal (RFP) through the Administration and an independent review acquisition strategy for recapitalization of the Deepwater assets. The RFP was released in June 2001. In Spring 2002, the Coast Guard will award the (IDS) acquisition contract to one of the three competing industry teams. To obtain essential contractual flexibility, the Coast Guard has structured the IDS acquisition contract as an indefinite delivery, indefinite quantity type contract. The Coast Guard will issue separate delivery orders under this contract to perform upgrades on existing legacy assets, and acquire new assets comprising the industry's proposed IDS. These clauses will enable the Coast Guard to acquire new technology that meets or exceeds performance (capability) levels.

DEEPWATER: AWARD TERM CONTRACT

Question. The type of contract the Coast Guard plans to use on Deepwater (award term) is a relatively new contract approach. Your approach calls for a series of renewable 5-year contracts with one system integrator for the entire Deepwater system over 20–30 years. Theoretically, if the integrator is not performing well, you can choose not to renew the contract and seek another integrator. From a practical sense, how realistic is it to think that system integrator can be replaced without major disruption and high cost impacts on the program?

Answer. Some disruption and cost impact would be unavoidable. These potential impacts however, would be mitigated by Coast Guard developed plans for effective management of overall program performance.

If the Government has to decides not to continue with all or selected portions of the Integrated Deepwater System (IDS) contract, the Phase 2 Contractor will be required to conduct planning to allow for the smooth phase-out and transition of the IDS design, production, support and/or disposal responsibilities and activities. This plan is required to be submitted 120 days after contract award and then resubmitted annually. In conducting phase-out and transition planning, the Phase 2 contract will include a requirement for the Contractor to cooperate with the Government to establish the most effective method for contract phase-out and transition support to the Government and follow-on Contractor(s) (if applicable). The Phase 2 Contractor will be required to prepare a Contract Phase-Out and Transition Plan that documents the realistic and executable phase-out and transition methodology, consistent with the best Government and commercial business practices. The plan may be used to phase-out and transition the applicable information, tasks and services provided under the contract to the Government or a follow-on systems integrator with minimum disruption. At a minimum, this plan will address the following: (a) Phase-out and transition approach; (b) Transfer of responsibilities; (c) Schedule of activities that will ensure timely phase-out; (d) Points of contact that will be available to assist the Government during phase-out and transition; (e) Subcontractor and supplier identification and principal points of contact; (f) Description of how access to facilities can be obtained by the Government and follow-on Contractor(s) if necessary and; (g) Estimated cost associated with execution of the plan.

DEEPWATER: SYSTEM INTEGRATOR CONTINGENCY PLAN

Question. In the event that the system integrator must be replaced, have you developed a contingency plan to facilitate an effective transition?

Answer. Yes, in that situation, the Phase 2 Contractor will be required to conduct planning to allow for the smooth phase-out and transition of the Integrated Deepwater System (IDS) design, production, support and/or disposal responsibilities and activities. This plan is required to be submitted 120 days after contract award and then resubmitted annually. In conducting phase-out and transition planning, the Phase 2 contract will include a requirement for the Contractor to cooperate with the Government to establish the most effective method for contract phase-out and transition support to the Government and follow-on Contractor(s) (if applicable). The Phase 2 Contractor will be required to prepare a Contract Phase-Out and Transition Plan that documents the realistic and executable phase-out and transition methodology, consistent with the best Government and commercial business practices. The plan may be used to phase-out and transition the applicable information, tasks and services provided under the contract to the Government or a follow-on systems integrator with minimum, disruption. At a minimum this plan will address the following: (a) Phase-out and transition approach; (b) Transfer of responsibilities; (c) Schedule of activities that will ensure timely phase-out; (d) Points of contact that will be available to assist the Government during phase-out and transition; (e) Subcontractor and supplier identification and principal points of contact; (f) Description of how access to facilities can be obtained by the Government and follow-on Contractor(s) if necessary and; (g) Estimated cost associated with execution of the plan.

DEEPWATER: DATE OF CONTRACT AWARD

Question. When does the Coast Guard plan to award the Deepwater contract?

Answer. The Coast Guard plans to award the Integrated Deepwater System contract to the winning industry team in the third quarter of fiscal year 2002.

DEEPWATER: CONTRACT PROTEST

Question. Given the size and the complexity of the Deepwater procurement, isn't it realistic to expect that the contract award will be protested?

Answer. The Coast Guard expects there may be protests filed by the non-selected parties after contract award and has taken every step to ensure that the selection decision will be fully defensible. The selection absolutely will be in line with the Request for Proposal's selection criteria and a fair and complete evaluation of the proposals received.

The Coast Guard will provide complete debriefings for the unsuccessful offerors, providing all the information allowed by law. The Coast Guard also has an internal solicitation Ombudsman and an agency protest procedure in place, as alternatives to a more formal protest at the Government Accounting Office or in federal court. The Coast Guard will do everything it can to avoid protests and the need to protest, and provide information and alternatives to formal litigation.

DEEPWATER: FULL CONTRACT FUNDING

Question. If the contract is not awarded until March or April 2002, does the Coast Guard still need the full amount of the request ($338 million) for the Integrated Deepwater System in fiscal year 2002, or couldn't some of that money be applied to other pressing Coast Guard capital needs?

Answer. The $338 Million funding for fiscal year 2002 encompasses both the costs of performance by the Phase 2 contractor ($300 million) and direct program management support ($38 million).

Phase 2 Contract Costs.—The Request for Proposal (RFP) approved by OST and OMB and issued on June 29, 2001, provides the awardee a minimum of $300 million in orders during the base contract period. The Coast Guard must obligate the full amount of the minimum guarantee upon contract award. In accordance with Federal Acquisition Regulations, the Coast Guard must have available and obligate the full amount of the minimum guarantee upon contract award.

Phase II Program Management Costs.—The $38 million provides the Coast Guard the resources necessary to ensure a successful proposal evaluation, prepare for post-award activities, and execute the first year of the largest, most complex contract in Coast Guard history. A reduction in the projected funding for program management would hinder the Coast Guard's ability to effectively manage this project and increase project risks.

DEEPWATER SCALABILITY

Question. Admiral Loy, you testified earlier that unlike the Integrated Deepwater System (IDS) project, the National Distress and Response Modernization project (NDRSMP) procurement is scalable. I was under the impression after reviewing several presentations given by the Coast Guard on the IDS program, that one of the advertised advantages of the Deepwater procurement is that it is scalable—especially in terms of the annual level of funding. What accounts for this change on the part of the Coast Guard on the scalability characteristics of the IDS program?

Answer. The IDS acquisition will have the flexibility within its contract to accommodate some variation in annual funding.

Each of the three industry teams are designing their proposed IDS on a "Design to Annual Budget" basis in which the winning contractor will have $300M the first year and $500M in follow-on years through system build-out (in fiscal year 1998 dollars). (Please note that these figures only include the annual budget for industry and do not include the additional funding required for the Coast Guard's IDS program management costs.)

In developing their implementation plans, the industry teams are including the flexibility to accommodate fluctuations in the $500 million outyear funding streams (in fiscal year 1998 dollars). If funding variances occur, the Coast Guard and the Systems Integrator (SI) will meet to discuss the implications of the variance. Based on the size of the variance, the Coast Guard will provide the SI with priorities. The SI will generate a set of alternatives and their respective impacts on the implementation plan, both near term and long term. Once an alternative has been determined, new cost and performance baselines and ceilings will be established. The current incentive plan will be reviewed and adjusted to accommodate the new cost and performance baselines. Finally, the contract will be modified to reflect decisions made.

While the Coast Guard built flexibility into the contract, it is not unbounded or without cost. Each successive year of reduced funding produces a cumulative effect on fully implementing the integrated solution. It significantly increases both the time necessary to acquire the IDS and the cost of the fully implemented solution. Delays in the acquisition of new assets will also require that more of the remaining IDS funding be spent on repairing or updating the legacy assets to operate beyond their service lives. Consistent and/or substantial reductions from the notional funding stream could breach the original scope of the contract and the contract could cease to be in force.

NATIONAL DISTRESS AND RESPONSE MONITORING SYSTEM MODERNIZATION PROJECT (NDRSMP) COST ESTIMATES

Question. My understanding is that three industry teams competing for the National Distress and Response System modernization procurement submitted cost estimates of as much as $1 billion. This is more than three times as much as the Coast Guard baseline estimate and twice as much as what has been budgeted in the 5-year capital budget plan. Why are the contractor cost estimates so much higher than the Coast Guard's own estimate?

Answer. The National Distress and Response System Modernization Project (NDRSMP) acquisition project baseline of $240 Million to $300 Million, approved on November 16, 1999, contained funding requirements based on a notional NDRSMP architecture similar to the existing National Distress System. In March 2001, each Phase I System Integrator Contractor (SIC) submitted their initial Life Cycle Cost Estimate (LCCE) and their Cost versus Performance Trade Off Analyses, addressing recommended cost and performance capability options in an integrated manner with the LCCEs. The SICs' LCCEs were based on their proposed NDRSMP architecture vice a conceptual architecture. The Coast Guard worked with its NDRSMP support contractors (Space and Naval Warfare Command—SPAWAR, San Diego; and Booze-Allen Hamilton) to analyze the LCCE and Cost versus Performance Trade Off Analyses deliverables and finalize several options that reduce costs with little performance loss. The revised AC&I project cost estimate is $475 Million to $580 Million. Costs related to towers are the primary drivers for the LCCEs being larger than the Coast Guard cost baseline. These additional costs are based on system requirements that provide for the appropriate number of towers to ensure 20 nautical mile coverage in coastal areas in order to close coverage gaps.

NATIONAL DISTRESS AND RESPONSE MONITORING SYSTEM MODERNIZATION PROJECT (NDRSMP) SCOPE EVALUATION

Question. Is the Coast Guard planning any changes to the scope of the project that would have the effect of reducing cost and would any of these reductions in scope adversely impact public safety?

Answer. The Coast Guard has finalized several performance capability options that reduce costs with minimal adverse impact on public safety or effect on the National Distress and Response System Modernization Project (NDRSMP) schedule.

The revised operational requirements still include the following critical capabilities:

—20 nautical mile communications coverage in coastal areas with a goal to close coverage gaps;
—Digital Selective Calling (Channel 70);
—Higher NDRS communications system availability and dependability;
—Caller position location via Direction Finding;
—Asset tracking;
—Digital recorders with rapid recall and archiving capabilities;
—Secure communications for sensitive but unclassified information;
—Improved capability for voice and data communications; and
—An integrated, scaleable system design.

NATIONAL DISTRESS AND RESPONSE MONITORING SYSTEM MODERNIZATION PROJECT (NDRSMP) INTERIM SYSTEM CAPABILITY MEASURES

Question. At a subcommittee hearing held last year, I expressed my concern—as did several other members of the subcommittee—that the Coast Guard was taking too long to modernize the National Distress and Response System. This system is vital to the safety of the boating public. Admiral Card indicated that the Coast Guard was exploring ways to expedite the project. Nevertheless, from what I have learned about the contractor designs, I believe that the project will be more expensive and take longer to complete than the Coast Guard has planned. Are there any measures that could be taken, such as interim system capability, that would serve as a bridge to the modernized system if there are further delays in completing this project?

Answer. At this time, there is minimal risk for the timeline of the National Distress and Response System Modernization Project (NDRSMP). In the interim, some critical capabilities have been addressed, including the installation of digital voice recorders and limited installations of direction finding equipment in high-risk areas for boating mishaps. Efforts to field a more advanced interim system could be detrimental to fielding the fully integrated, reliable communications system the Coast Guard seeks with NDRSMP. In their discussions with Coast Guard, the Department of Transportation Inspector General auditing NDRSMP suggested that it is neither technologically feasible nor cost effective to procure an interim system (or to piecemeal equipment and add it on to what is already in place) and achieve significant positive results. Once a Systems Integrator is selected, it may be possible to accelerate NDRSMP deployment if funding is available.

NATIONAL DISTRESS AND RESPONSE MONITORING SYSTEM MODERNIZATION PROJECT (NDRSMP) SCALABILITY

Question. How is the NDRSMP procurement scalable?

Answer. The National Distress and Response System Modernization project is scalable because of two primary reasons. First, commercial off-the-shelf and government off-the-shelf (COTS/GOTS) products are planned to be used to the maximum extent practicable. Second, the system will be procured in useable/modular segments.

DISTRESS COMMUNICATIONS: NOTIFICATION AND COVERAGE

Question. The other day I received a copy of the Inspector General's review of the Department's 2000 Performance Report and 2002 Performance Plan. I was troubled by the finding that the percentage of mariners in imminent danger who were rescued is at the lowest level since 1993. The IG noted several factors which impact the Coast Guard's ability to rescue those in distress include "untimely notification of the distress to Coast Guard, gaps in VHF–FM communications coverage, the inability of Coast Guard to pinpoint the location of distress calls, the proximity of small boat stations to the accident site, and severe on-scene weather and sea conditions." What steps is the Coast Guard taking to reverse this trend?

Answer. As noted in the Department of Transportation Inspector General's report, a number of factors impact Coast Guard performance in this area. It is difficult to attribute year-to-year variations in the search and rescue performance to any particular factor. In fiscal year 2000, such attribution is made more difficult by virtue of changes made to the measure itself (to include all mariners in distress, rather than only those mariners whose distress condition was reported to the Coast Guard), and due to improvements made to the collection of data upon which the performance measure is based.

The Coast Guard has a number of initiatives aimed at improving its capability to respond to all mariners in distress. The fiscal year 2002 budget submission includes:

(1) The continuation of the National Distress and Response System Modernization Project, which will replace the Coast Guard's aging 1970's-era technology.

(2) The continuation of the Global Maritime Distress and Safety System project, which will bring the United States into compliance with international treaties to provide distress alerting and communications for maritime areas within our search and rescue regions of responsibility.

(3) The continuation of the Search and Rescue Capabilities Enhancement Project, which will provide tools necessary for search and rescue planners to accurately plan searches and coordinate responses to mariners in distress. This project includes computer hardware, software, and Self Locating Datum Marker Buoys.

(4) The Command Center Readiness and Infrastructure Recapitalization Project, which will improve command and control tools in our primary centers for coordinating operations for search and rescue and all other Coast Guard missions.

(5) The Search and Rescue Systems Enhancement initiative, which will provide a needed specialty school to improve small boat handling and navigation skills and additional personnel to improve small boat station staffing.

MODERNIZATION OF DISTRESS COMMUNICATIONS SYSTEMS

Question. Doesn't this trend support expediting modernization of Coast Guard's communications coverage and making sure that we are modernizing and improving our littoral water assets?

Answer. Taken alone, the slight dip in the Coast Guard's fiscal year 2000 performance in rescuing mariners in imminent danger may not be a signal for any special concern. Some of the fatalities that significantly contributed to the failure to meet our performance goal were out of the Coast Guard's control. For example, several small aircraft crashes, deaths at hospital after a rescue was effected and deaths that occurred due to pre-existing medical conditions all impacted the performance goal.

The multi-year trend showing no marked improvement in this performance measure does indicate a need for continued improvements in Coast Guard search and rescue capabilities.

The Coast Guard is moving ahead as quickly as the procurement process will allow with the National Distress and Response System Modernization Project. The Department of Transportation Inspector General (DOTIG) auditing NDRSMP concluded that it is neither technologically feasible nor cost effective to procure an interim system or to piecemeal equipment and add it on to what is already in place, and achieve significant positive results. As interim measures, the high-risk areas have been outfitted with digital voice recorders and limited direction finding equipment.

In addition, the Coast Guard's littoral water assets have been modernized in the recent past, including the acquisition of the 47-foot Motor Lifeboats and 87-foot Coastal Patrol Boats.

SEARCH AND RESCUE ASSETS AND DEEPWATER

Question. I am concerned that the Coast Guard's preoccupation with Deepwater impedes the improvement of these other life saving measures. Isn't it true that the preponderance of assets that are used for search and rescue are not the assets that will be acquired in the Deepwater procurement?

Answer. Search and Rescue is one of the Coast Guard's primary missions, and all Coast Guard boats, cutters and aircraft maintain the capability to respond to Search and Rescue (SAR) cases. Accordingly, all Integrated Deepwater System (IDS) assets will be employed in SAR missions as needed. In addition, the IDS includes all of the Coast Guard's aircraft, which perform SAR in the inland and coastal regions.

The Coast Guard cutters being replaced by the IDS also provide SAR capability, including the ability to tow larger vessels, remain on scene longer (and in more severe weather conditions) than coastal based resources, and be stationed in high risk areas for rapid SAR response (e.g., during fishing seasons along the northeast and Alaskan coasts).

RESOURCE SUPPORT FOR SEARCH AND RESCUE

Question. Although I have never been a fan of the breakdown in Operating Expenses by mission area, it is my understanding that funding allocated to search and rescue declined from 15.7 percent in fiscal year 1991 to 12.3 percent in fiscal year 2001. If search and rescue is such a high priority—and I would argue that it should be the highest—then why has the funding to support this activity been decreased?

Answer. Search and Rescue (SAR) has been and will remain one of the Coast Guard's most important core program areas. Over the ten-year period cited, the Coast Guard has spent a smaller percentage of the overall budget on SAR, but has increased actual spending on SAR operations by almost $34 million (9.7 percent).

The smaller percentage of the total operating budget spent on SAR is due to increased spending in other critical mission areas such as Enforcement of Laws and Treaties, Aids to Navigation (AtoN) and Marine Environmental Protection.

C–130J PROCUREMENT STATUS AND COST

Question. What is the status of the C–130J aircraft procurement and what are the C–130Js priced at in the Coast Guard's contract from the fiscal year 2000 supplemental appropriation?

Answer. The Coast Guard executed a Military Inter-departmental Purchase Request (MIPR) with the USAF, for six baseline C–130J aircraft, on December 19, 2000. The USAF executed their new Five-Year Option Contract with Lockheed-Martin Aeronautics Corporation on December 22, 2000, and the Coast Guard aircraft were included in this order. The baseline aircraft are priced at $59.6 million each ($357.6 million total).

Baseline C–130J aircraft are scheduled for completion between March 2002 and August 2003. These aircraft must be modified at additional cost with sensors, communications, computer and other systems necessary to make them suitable for Coast Guard maritime patrol and search and rescue missions.

ACTIVITIES BREAKOUTS FOR HQ/AREA/DISTRICTS FISCAL YEAR 1997–2002 BREAKOUTS

Question. The Coast Guard has prepared headquarters and district breakouts for the past seven years for my staff which were transmitted on 6/12. Please submit those tables for the record but please modify them to include breakouts from the Atlantic Area and Pacific Area to delineate the 5th and 11th districts as opposed to the broader activities of those Areas. Further, please provide the increment breakouts for Operating and Maintenance expenses for Headquarters offices providing the detailed breakouts of those increments over the individual fiscal years

Answer. The Following Charts are submitted for the record.

11TH DISTRICT FISCAL YEAR 1997–2002

Program project and activities category	1997	1998	1999	2000	2001	2002
Personnel Resources:						
Military pay & benefits (AFC–01)	$83,617,594	$85,579,148	$90,443,325	$97,764,384	$97,981,335	$105,583,065
Civilian pay & benefits (AFC–08)	1,738,259	1,831,436	2,029,700	2,529,339	2,572,134	2,773,096
Military Health Care (AFC–57)	8,801,849	9,468,039	9,857,263	10,134,987	11,722,932	14,251,410
Perm. change of station (AFC–20)	3,677,133	3,678,478	3,445,907	3,616,136	3,866,180	4,269,657
Training & Education (AFC–30 & AFC–56)	285,901	313,473	327,627	523,174	523,174	523,174
Recruiting						
FECA/UCX	542,976	381,469	358,641	393,829	146,073	146,073
Operating and Maintenance Expenses	15,059,178	16,512,561	17,449,211	17,718,971	20,746,821	20,445,993
Depot Level Maintenance:						
Aeronautical Engineering (AFC–41)						
Telecommunications (AFC–42)						
Civil Engineering (AFC–43)						
Naval Engineering (AFC–45)						
Total	113,722,890	117,764,604	123,911,674	132,680,820	137,558,649	147,992,468

Note: These figures are estimates. 11th District no longer exists as a separate entity. In the 1997 realignment, it was combined with Maintenance and Logistics Command, Pacific and Pacific Area Command.

PACIFIC COMMAND FISCAL YEAR 1997–2002—REVISED: LESS 11TH DISTRICT

Program, Project and Activities Category	1997	1998	1999	2000	2001	2002
Personal Resources:						
Military pay & benefits (AFC–01)	$115,743,927	$118,459,121	$125,192,141	$135,325,991	$135,626,296	$146,148,651
Civilian pay & benefits (AFC–08)	21,675,031	22,836,880	25,309,113	31,539,313	32,072,940	34,578,815
Military Health Care (AFC–57)	12,183,567	13,105,711	13,644,478	14,028,904	16,226,947	19,726,878
Perm. change of station (AFC–20)	7,217,418	7,220,058	6,763,572	7,097,695	7,588,477	8,380,415
Training & Education (AFC–30 & AFC–56)	395,745	433,912	453,503	724,180	724,180	724,180
Recruiting						
FECA/UCX	1,252,102	879,669	827,026	908,169	336,845	336,845
Operating and Maintenance Expenses	93,649,507	100,846,631	103,070,623	108,697,308	109,674,179	108,083,007
Depot Level Maintenance:						
Aeronautical Engineering (AFC–41)						
Telecommunications (AFC–42)	5,566,870	6,031,519	5,418,538	5,993,465	6,018,389	6,503,608
Civil Engineering (AFC–43)	37,198,570	39,932,619	33,885,473	40,223,223	40,409,019	41,776,237

PACIFIC COMMAND FISCAL YEAR 1997–2002—REVISED: LESS 11TH DISTRICT—Continued

Program, Project and Activities Category	1997	1998	1999	2000	2001	2002
Naval Engineering (AFC–45)	31,550,647	31,293,833	30,208,186	36,554,458	39,074,176	40,230,256
Total	326,433,385	341,039,952	344,772,653	381,092,707	387,751,447	406,488,892

ATLANTIC COMMAND FISCAL YEAR 1997–2002—REVISED: LESS 5TH DISTRICT

Program, Project and Activities Category	1997	1998	1999	2000	2001	2002
Personnel Resources:						
Military pay & benefits (AFC–01)	$245,858,153	$253,703,796	$264,896,644	$280,265,527	$280,887,470	$302,679,688
Civilian pay & benefits (AFC–08)	29,719,125	32,014,093	33,795,499	26,821,556	27,275,362	29,406,400
Military Health Care (AFC–57)	25,879,797	28,068,489	28,870,633	29,054,420	33,606,654	40,855,152
Perm. change of station (AFC–20)	13,435,462	13,551,379	12,541,799	12,882,203	13,772,964	15,210,320
Training & Education (AFC–30 & AFC–56)	863,115	920,254	642,838	1,026,522	1,026,522	1,026,522
Recruiting						
FECA/UCX	2,278,542	1,636,682	1,465,689	1,025,037	380,191	380,191
Operating and Maintenance Expenses	128,045,350	114,837,436	118,638,426	133,974,606	109,200,000	108,476,000
Depot Level Maintenance:						
Aeronuatical Engineering (AFC–41)						
Telecommunications (AFC–42)	8,222,899	13,120,463	10,492,245	11,020,424	11,066,250	11,958,443
Civil Engineering (AFC–43)	43,330,920	46,142,257	42,611,426	47,543,066	47,762,673	49,378,699
Naval Engineering (AFC–45)	54,936,906	52,856,772	52,735,554	50,525,503	54,008,253	55,606,185
Total	552,570,269	556,851,620	566,690,753	594,138,864	578,986,339	614,977,600

5TH DISTRICT FISCAL YEAR 1997–2002

Program, Project and Activities Category	1997	1998	1999	2000	2001	2002
Personnel Resources:						
Military pay & benefits (AFC–01)	$104,932,488	$108,281,016	$113,058,134	$119,617,587	$119,883,033	$129,183,972
Civilian pay & benefits (AFC–08)	973,941	1,049,151	1,107,530	878,984	893,855	963,693
Military Health Care (AFC–57)	11,045,521	11,979,657	12,322,013	12,400,453	14,343,351	17,437,017
Perm. change of station (AFC–20)	4,808,402	4,849,887	4,488,570	4,610,397	4,929,190	5,443,604
Training & Education (AFC–30 & AFC–56)	368,378	392,765	274,364	438,121	438,121	438,121
Recruiting						

FECA/UCX	692,422	497,368	445,405	311,496	115,535	115,535
Operating and Maintenance Expenses	18,026,346	18,883,363	19,472,221	20,078,985	16,364,373	16,256,368
Depot Level Maintenance:						
Aeronautical Engineering (AFC–41)						
Telecommunications (AFC–42)						
Civil Engineering (AFC–43)						
Naval Engineering (AFC–45)						
Total	140,847,499	145,933,208	151,168,237	158,336,023	156,967,459	169,838,310

Note: These figures are estimates. 5th Districts no longer exists as a separate entity. In the 1997 realignment, it was combined with Maintenance and Logistics Command, Atlantic Area Command.

HEADQUARTERS OFFICES FISCAL YEAR 1997–2002—ANNUAL INCREMENT

[Amounts in dollars]

Program, Project and Activities Category	1997	1998 Increment	1998	1999 Increment	1999	2000 Increment	2000	2001 Increment	2001	2002 Increment	2002
Personnel Resources:											
Military pay & benefits (AFC–01)	139,155,604	(2,839,252)	136,316,352	976,378	137,292,730	16,367,625	153,660,355	340,991	154,001,346	11,947,955	165,949,301
Civilian pay & benefits (AFC–08)	44,940,650	3,700,057	48,640,707	2,218,914	50,859,621	4,177,165	55,036,786	931,191	55,967,977	4,372,806	60,340,784
Military Health Care (AFC–57)	14,647,954	433,390	15,081,343	(118,043)	14,963,300	966,281	15,929,581	2,495,840	18,425,421	3,974,113	22,399,534
Perm. change of station (AFC–20)	7,604,465	(323,240)	7,281,225	(780,962)	6,500,263	562,625	7,062,888	488,375	7,551,262	788,055	8,339,317
Training & Education (AFC–30 & AFC–56)	19,227,432	2,446,252	21,673,684	2,847,667	24,521,351	7,258,764	31,780,115	(3,952,560)	27,827,555	1,102,591	28,930,146
AFC–30 portion	19,227,432	(19,227,432)									
Recruiting											
FECA/UCX	3,445,564	(958,867)	2,486,697	(280,948)	2,205,749	(102,414)	2,103,335	(1,323,197)	780,138		780,138
Operating and Maintenance Expenses	62,045,113	(4,184,421)	57,860,692	3,102,980	60,963,673	(1,146,893)	59,816,780	(1,566,405)	58,250,375	8,339,440	66,589,815
Depot Level Maintenance:											
Aeronuatical Engineering (AFC–41)	10,023,698	(9,067,439)	956,259	(675,687)	280,572	621,017	901,589	77,734	979,323	(181,517)	797,806
Telecommunications (AFC–42)	10,285,598	172,783	10,458,381	4,055,197	14,513,578	(8,843,775)	5,669,803	23,577	5,693,380	459,016	6,152,396
Civil Engineering (AFC–43)	1,177,983	43,707	1,221,690	(361,286)	860,404	(36,631)	823,773	3,805	827,578	28,001	855,579
Naval Engineering (AFC–45)	1,834,095	(615,438)	1,218,657	(230,401)	988,256	(509,332)	478,924	33,012	511,936	15,147	527,083
Total	314,388,156	(11,192,468)	303,195,688	10,753,810	313,949,498	19,314,431	333,263,929	(2,447,637)	330,816,292	30,845,607	361,661,900

FISHING VESSEL SAFETY ACTIVITIES IN THE NORTH PACIFIC

Question. Please provide a breakout of fishing vessel safety activities in the North Pacific over the past seven fiscal years. Please explain the drop off in hours allocated to this mission in recent years.

Answer. The backbone of Commercial Fishing Vessel Safety activities in the North Pacific (13th & 17th Coast Guard Districts) is the Voluntary Dockside Exam Program. Since this is a voluntary program, the number of exams the Coast Guard conducts is largely dependant on the willingness of vessel masters to allow us on board to conduct the exams. Over the past seven years, on average approximately 1,300 safety exams were conducted annually. Despite a slight decrease in 1997 and 1998, in the year 2000, over 1,400 exams were performed, an 8 percent increase over the seven year average. Deviations and decreases in exam performance are largely customer driven. In addition, the Coast Guard has initiated a number of other activities to help fishermen operate in a safer manner and to curtail fishing vessel casualty rates. For example, we have provided free EPIRB tests, stability demonstrations, and instructions on damage control techniques. Additionally, industry outreach has been made through annual participation at trade shows such as FISH EXPO (Seattle), COMFISH (Kodiak), Crab festivals, State fairs, and partnerships with training organizations such as North Pacific Vessel Owner Association, Alaska Marine Safety Association, University of Oregon Sea Grant, Alaska Vocational Technical Education and various Fisherman's Wives Associations.

The most notable of the recent activities in the 13th and 17th Coast Guard Districts have been steps to identify and target vessels in high-risk fisheries. The 13th Coast Guard District initiated Operation Safe Crab 2000, which focused on proper installation and carriage of required lifesaving equipment on Washington and Oregon vessels licensed for the Dungeness crab fishery. During a 10-day period, 266 vessels were boarded at the dock and over 153 serious deficiencies were corrected on the spot. The 17th Coast Guard District had a similar operation in 1999 where they partnered with Alaska Department Fish and Game to target safety concerns in the Bering Sea/Aleutian Island winter crab fishery. The efforts in Alaska focused on vessel stability to ensure that crab vessels did not overload their vessels, as well as checking for lifesaving equipment. In the last five years, 1,666 vessels were examined in the Coast Guard's 13th District, and 5,103 vessels were examined in the 17th District.

The emphasis placed on the Commercial Fishing Vessel Safety program continues to be a high priority for the Coast Guard, especially in the Pacific Northwest. The number of qualified commercial fishing vessel safety examiners has been augmented by Coast Guard reserves and auxiliary members, which has increased the total number of qualified examiners from 96 in 1999 to 131 in 2000. Five new full time billets were established in the 13th and 17th Coast Guard Districts in fiscal year 2001, and an additional $160,000 was allocated to expand the reserve training and readiness in the Commercial Fishing Vessel Safety programs. The Coast Guard remains committed to making the fishing industry safer.

NORTH PACIFIC FISHERIES ENFORCEMENT ACTIVITIES

Question. Please provide a breakout of fishing enforcement activities in the North Pacific over the past seven fiscal years. Please explain the drop off in hours allocated to this mission in recent years.

Answer. The following table depicts the number of resource hours Coast Guard cutters have devoted to domestic and foreign fisheries law enforcement in the North Pacific Ocean during fiscal years 1994–2000:

FISCAL YEAR	1994	1995	1996	1997	1998	1999	2000
Domestic	46,566	52,260	56,117	45,087	41,750	37,989	33,498
Foreign	3,139	2,367	5,047	5,740	8,542	6,847	7,066
Total	49,705	54,627	61,164	50,827	50,292	44,836	40,564

The following is a similar table reflecting the resource hours for Coast Guard aircraft:

FISCAL YEAR	1994	1995	1996	1997	1998	1999	2000
Domestic	8,730	9,072	8,722	7,570	6,364	5,953	4,654
Foreign	1,238	1,717	1,531	1,800	1,655	612	379

FISCAL YEAR	1994	1995	1996	1997	1998	1999	2000
Total	9,968	10,789	10,253	9,370	8,019	6,565	5,033

The Pacific Area Commander must constantly deal with multiple threats and competing national and regional priorities when allocating scarce Coast Guard resources. As a result, resource hours dedicated to North Pacific fisheries have decreased in recent years.

In fiscal year 2000, the Coast Guard reduced operations to align support capability with the level of operations and aim to correct problems indicated by reduced availability. This resulted in an approximate 10 percent reduction in total resource hours. In fiscal year 2001, the trend continued with projections at approximately 20 percent less operating hours than fiscal year 1999.

Redistribution of resource hours among law enforcement missions occurs to meet immediate threats in the Pacific theater of operations. These demands on limited resources include drug interdiction, migrant interdiction, and fisheries enforcement in the Pacific theater of operations. The flow of illegal drugs in the Eastern Pacific has dramatically increased, causing a shift in resources to interdiction operations.

The combined operational reductions and shifting threats resulted in a decline in resource hours devoted to fisheries in the North Pacific Ocean.

QUESTIONS SUBMITTED TO THE OFFICE OF THE INSPECTOR GENERAL

QUESTIONS SUBMITTED BY SENATOR RICHARD C. SHELBY

COAST GUARD'S DEEPWATER PROGRAM

Question. I have heard estimates ranging from $9 billion to $15 billion for the Deepwater project. Has the Coast Guard developed a detailed cost estimate for the integrated Deepwater Systems procurement?

Answer. The Coast Guard has not yet developed a detailed cost estimate based on the specific assets to be modernized or purchased. In our fiscal year 2000 report on the Deepwater planning process (MA–2000–0655), we recommended that the Coast Guard develop a strategy for justifying the fiscal year 2002 budget request. We suggested that one alternative would be to use available planning data from the three competing industry teams to develop a more current cost estimate for the Deepwater project. The Coast Guard briefed the Department, OMB, and congressional committees on the contents of the contractor's plans during the fiscal year 2002 budget process, but they have not provided a detailed cost estimate.

The Coast Guard's detailed cost estimate is dependent on which contractor's proposal is selected. This is because the contractors' system design and implementation plans differ and the Coast Guard will not know specifically which Deepwater assets will be purchased or modernized, when these actions will occur, and what they will cost until a proposal is selected and negotiations are completed. The contractors' final proposals are scheduled to be submitted in September 2001. The Coast Guard plans to select a contractor and negotiate the terms of a contract in March 2002.

Question. The type of contract the Coast Guard plans on the Deepwater (award term) is a relatively new contract approach. Your approach calls for a series of renewable 5-year contracts with one system integrator for the entire Deepwater system over 20–30 years. Theoretically, if the integrator is not performing well, you can choose not to renew the contract and seek another integrator. From a practical sense, how realistic is it to think that system integrator can be replaced without major disruption and high cost impacts on the program?

Answer. It is clear that changing integrators without delaying the schedule and increasing project costs would be difficult. The magnitude of the impact would be relative to when the change has to be made. If the change has to be made early in the first term, before asset designs are complete and production subcontracts are awarded, the impact would be less than if a change has to be made later. If Coast Guard makes changes to the system integrator after finalization of subcontracts, the process becomes more difficult. Subcontracts that do not address contingencies, such as a change in the system integrator, will most likely cause significant delays in the procurement process. The Coast Guard has recognized this possibility as a risk and is attempting to mitigate the risk by putting provisions in the proposed contract to help ensure a smooth transition to a new integrator if necessary.

Question. In the event that the system integrator must be replaced, have you developed a contingency plan to facilitate an effective transition?

Answer. The Coast Guard has not developed a specific contingency plan for replacing the system integrator. When developed, this contingency plan should, as a minimum, define the transition process, estimate the cost and schedule impact expected, and identify the key decision points for implementation.

Question. When does the Coast Guard plan to award the Deepwater contract?

Answer. The Coast Guard released the acquisition contract request for proposal (RFP) in June this year. Contractors will have 90 days to submit their final proposals. The Coast Guard will evaluate these proposals and plans to award the Deepwater acquisition contract in March 2002.

Question. Given the size and the complexity of the Deepwater procurement, isn't it realistic to expect that the contract award will be protested?

Answer. A protest is a possibility, but one the Coast Guard has taken steps to mitigate. Specifically, the Coast Guard has worked closely with the potential contractors in developing the final Request for Proposal (RFP). Additionally, the Coast Guard made changes to the RFP based on recommendations made by a panel of acquisition experts from industry and Government and by an independent consultant selected by the Department and OMB to review the Deepwater acquisition strategy.

Question. If the contract is not awarded until March or April 2002, does the Coast Guard still need the full amount of the request ($338 million) for Deepwater in fiscal year 2002, or couldn't some of that money be applied to other pressing Coast Guard capital needs?

Answer. The Coast Guard advised the OIG that the $338 million requested for the Deepwater Project in the fiscal year 2002 capital budget represents the partial year funding that is needed. Contractors based the projected costs on funding parameters previously established by Coast Guard—specifically $300 million for the first year and $500 million in the following years. However, Coast Guard will not negotiate final costs or identify the work to be performed for first term of the contract until after contract award scheduled for March 2002. At this time, Coast Guard will finalize the implementation schedule and proceed with the procurement contract at either the $300 million level or at the appropriated amount. Should Coast Guard experience delays with the award process because of unanticipated events, such as protests, it may not have the opportunity to obligate all of these funds within the allotted time frame.

Question. Admiral Loy testified earlier that unlike the Deepwater project, the National Distress and Response Modernization procurement is scalable. I was under the impression after reviewing several presentations given by Coast Guard on the Deepwater replacement program, that one of the advertised advantages of the Deepwater procurement is that it is scalable—especially in terms of the annual level of funding. What accounts for this change on the part of the Coast Guard on the scalability characteristics of the Deepwater program?

Answer. Based in part on the Coast Guard's perception of the adverse effect of reduced funding, scalable alternative procurement strategies have not been developed for the Deepwater program. The Coast Guard maintains that reducing the annual funding for the project would have serious consequences. In its risk management plan, the Coast Guard has assessed as "catastrophic" the impact the annual funding levels below the $500 million level would have on the project. For example, reduced funding levels would result in extending the project period to as much as 30 years. An extension would increase costs because production schedules would have to be modified, and overhead and integrator management fees would be absorbed for longer periods of time.

NATIONAL DISTRESS AND RESPONSE SYSTEM MODERNIZATION PROJECT

Question. My understanding is that three industry teams competing for the National Distress System Modernization procurement submitted cost estimates as much as $1 billion. This is more than three times as much as Coast Guard baseline estimate and more than twice as much as what has been budgeted in the 5-year capital budget plan. Why are the contractor cost estimates so much higher than the Coast Guard's own estimate?

Answer. The Coast Guard's baseline cost estimate was prepared several years ago when it began planning the project. The three competing contractors surveyed representative Coast Guard communication centers as part of the planning process and developed independent cost estimates for the replacement system. The primary reasons for the wide variance between the contractors and the Coast Guard's Project cost estimates are:

—The Coast Guard did not have current cost data relating to the new technologies and capabilities it was requiring the contractors to include in the new system, such as direction finding, digital select calling, and boat tracking.

—The contractors, after completing their survey of selected centers, estimated that significantly less of the existing system would be incorporated in the new system than the Coast Guard estimated in preparing its baseline cost estimate. In addition, the contractors have also estimated that far more new tower sites will be needed to meet the Coast Guard's specifications, and that the cost of new sites will be as much as 5 times greater than what the Coast Guard originally estimated.

For example, Coast Guard estimated that 75 percent of the existing 300 antenna sites would be used by the new system, with new antenna sites costing $65,000 to $100,000 each. However, preliminary contractor projections indicate that several hundred more towers will be necessary to ensure communication coverage, with only about 50 percent of the existing towers usable in the new system. Moreover, the cost of new antenna sites may vary considerably based on geographic location, ranging from $65,000 to $500,000 per site-a material increase from the original estimate. Furthermore, costs may continue to escalate as contractors survey additional antenna sites prior to contract award in the forth quarter of fiscal year 2002. Even then, Coast Guard will not know the NDS Project's total cost until completion of all antenna site surveys by the winning contractor sometime during fiscal year 2005 as currently planned.

Question. Is the Coast Guard planning any changes to the project that would have the effect of reducing cost and would any of these reductions in scope adversely impact public safety?

Answer. The Coast Guard Project Manager advised us that reductions in system capabilities are being considered to reduce the contractors' cost estimates. Since establishing new towers is a significant cost driver for the new system, Coast Guard intends to make cuts in the number of new towers it will construct. Cuts in the number of new towers would impact the Coast Guards ability to close coverage gaps and to deploy a fully functional direction finding system, which are both critical to the public's safety.

Question. At a subcommittee hearing held last year, I expressed my concern—as did several other members of the subcommittee—that the Coast Guard was taking too long to modernize the National Distress and Response System. This system is vital to the safety of the boating public. Admiral Card indicated that the Coast Guard was exploring ways to expedite the project. Nevertheless, from what I have learned about the contractor designs, I believe that the project will be more expensive and take longer to complete than Coast Guard has planned. Are there any measures that could be taken, such as interim system capability, that would serve as a bridge to the modernization system if there are further delays in completing the project?

Answer. The Coast Guard had implemented an interim improvement program after the "Morning Dew" boating accident. Described as a "bandage" approach, it did little to address critical coverage gaps and the National Transportation Safety Board concluded that the interim direction finding system was inadequate. Coast Guard does not plan to take any additional interim measures. Since the current system uses antiquated analog technology, Coast Guard cannot add basic capabilities without incurring significant costs. The basic system infrastructure needs to be replaced with current digital technology that will provide Coast Guard the flexibility to expand its capabilities as demanded by current and future missions.

Question. How is the NDRSMP procurement scalable?

Answer. Coast Guard can scale the project by purchasing less equipment and services, resulting in the system's deployment at fewer geographic locations, or deployment of less capabilities than originally planned.

In March 2001, Coast Guard increased the NDRSMP's cost baseline from $300 million to $580 million—an amount that is almost one half of the $1 billion contractor's cost projections. In order to bring the contractors' cost estimates in line with the revised cost baseline Coast Guard directed the contractors to reduce the system capabilities. This will reduce the extent of communication coverage and direction finding capabilities the system will provide. As a result certain geographic areas will still contain gaps where Coast Guard cannot hear distressed calls or locate distressed boaters.

COAST GUARD'S SEARCH AND RESCUE PROGRAM

Question. The other day I received a copy of the Inspector General's review of the Department's 2000 performance Report and 2002 performance Plan. I was troubled by the finding that the percentage of mariners in imminent danger who are rescued is at the lowest level since 1993. The IG noted several factors which impact the Coast Guard's ability to rescue those in distress include "untimely notification of the distress to the Coast Guard, gaps in VHF–FM communications coverage, the inability of Coast Guard to pinpoint the location of distress calls, the proximity of small boat stations to the accident site, and severe weather and sea conditions." What steps is the Coast Guard taking to reverse the trend?

Answer. Recently, Coast Guard began addressing some of the staffing, training, and equipment problems that have been present in the search and rescue program since at least 1989. For example, during fiscal year 2001, Coast Guard increased staffing levels at selected stations, increased the budget supporting its 47-foot motor lifeboat fleet, and is in the process of expanding training opportunities for station boatswain's mates. While these are steps in the right direction, they only marginally address the serious problems impacting SAR Program readiness. Coast Guard needs to develop a strategic plan for improving SAR readiness.

Question. Doesn't this trend support expediting modernization of Coast Guard's communications coverage and making sure we are modernizing and improving our littoral water assets?

Answer. Timely completion of Coast Guard's National Distress and Response System Modernization Project is important to the Coast Guard SAR Program due to its planned ability to pinpoint the source and location distress calls. Determining the source and location of distress calls transmitted over the VHF–FM radio will require an extensive network of radio receivers mounted upon high towers capable of providing two or more line of bearing coverage over our lakes, rivers, bays, and sounds as well as along our coasts out to 20 nautical miles offshore. Having sufficient direction-finding coverage would improve the safety and efficiency of SAR missions by taking much of the "search" out of search and rescue, reduce SAR unit response times, and reduce the wear and tear on SAR station boats and boat crews.

Question. I am concerned that the Coast Guard's preoccupation with Deepwater impedes the improvement of these other lifesaving measures. Isn't it true that the preponderance of assets that are used for search and rescue are not the assets that will be required in the Deepwater procurement?

Answer. Yes. Of the 27,862 SAR sorties performed by Coast Guard cutters, aircraft, and small boats during fiscal year 1999, the last year detailed information is available, 76 percent (21,162 sorties) were performed by non-Deepwater procurement assets. These assets include shore-based rescue boats, buoy tenders, tugs, and other miscellaneous CG assets. Of the remaining 6,700 SAR sorties performed by Deepwater assets, 6,539 (97 percent) were performed by Coast Guard helicopters and less than 3 percent (161) were performed by high/medium endurance cutters.

Question. The Inspector General's Office has been reviewing the staffing, training, readiness, funding, and management of the Coast Guard's search and rescue program at the direction of this committee. What observations can you make about the Coast Guard's Search and Rescue Program?

Answer. The readiness of the Coast Guard's SAR Program continues to deteriorate. Since 1989, Coast Guard studies have identified serious staffing, training, and equipment problems at Small Boat Stations. Coast Guard has yet to implement many of the recommendations contained in the studies and reports. Our review is finding:

—staff shortages require personnel at 90 percent of the SAR stations to work an average of 84 hours per week;
—seventy percent of vacant positions at small boat stations are filled with Coast Guard boot camp graduates with little or no training in search and rescue techniques;
—there is no formal training for boatswains mates, key SAR staff and the largest of the Coast Guard's enlisted job specialties;
—eighty-four percent of the standard rescue boat fleet inspected by the Coast Guard in fiscal year 2000 were found to warrant a "not ready for sea" evaluation;
—Coast Guard has not requested funding to extend the useful life or replace its 41-foot utility boat fleet, which is reaching the end of its service life; and
—SAR stations operate 293 non-standard boats that are not subject to Coast Guard inspections.

Coast Guard has agreed to implement our recommendation that they develop a strategic plan for correcting Search and Rescue program deficiencies.

SUBCOMMITTEE RECESS

Senator MURRAY. This hearing is recesseded subject to the call of the Chair.

[Whereupon, at 11:40 a.m., Wednesday, June 13, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2002

THURSDAY, JUNE 28, 2001

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:37 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Patty Murray, (chairman) presiding.

Present: Senators Murray, Mikulski, Durbin, Shelby, Bennett, Hutchison, and Stevens.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

STATEMENT OF JANE F. GARVEY, ADMINISTRATOR

STATUS OF INTERCITY TRANSPORTATION: AIRWAYS AND RAILWAYS

OPENING STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. The subcommittee will come to order.

Over the last two decades, our economy has grown dramatically. That growth has spurred an unprecedented rise in intercity transportation. Americans are traveling from city to city for business and pleasure at a growing rate, and we are feeling the impact on our highways, railways, and runways.

This year the American people will log roughly 4.5 trillion miles across all transportation modes. That represents a 70-percent increase in the last 20 years. The demand has grown, but the infrastructure has not. Today it is painfully clear that we do not have the infrastructure to support this historic level of mobility.

As a result, today we are experiencing a record number of flight delays. Highway congestion is also at its worst level ever. Amtrak's intercity passenger trains are also facing congestion problems as they vie for the same limited track space as commuter and freight trains.

This infrastructure crunch is especially bad in the Northwest. Along the Tacoma-Seattle-Everett corridor, commuters face the second worst traffic in the Nation. Our one and only major airport, the Seattle-Tacoma International Airport is near or at the bottom of the list in on-time arrivals and departures. We have been trying to add an additional runway at Sea-Tac for 15 years.

In the Northwest, our railways are congested. Despite strong partnerships from the State of Washington and our railroads, it has been difficult to make tracks throughout the Puget Sound corridor capable of handling high-speed rail.

There are similar challenges throughout this country. I have called this hearing to address the challenges we all face in intercity transportation. As the new chairman of the Transportation Subcommittee, I feel like I have inherited some daunting challenges. Solving these challenges will take an extraordinary effort by both the Department of Transportation and this subcommittee.

FINANCING AVIATION INFRASTRUCTURE

It will also require creative thinking on the part of all participants, as well as a significant financial investment. But I do want to stress that money is not the entire solution to these problems. Currently, the FAA benefits not only from a large trust fund but also from billions of dollars on annual general fund subsidies.

Overall spending for the FAA has increased 50 percent over the last 7 years. During this time, the agency has enjoyed greater authority to reform its personnel and procurement systems than any other agency in the Federal Government.

During the same period, however, wing lock on our runways has continued to worsen and procurement problems with the modernization of our air traffic control system have persisted. I know that I am joined by all members of this subcommittee in asking for recommendations to reverse this trend.

So I am glad that we have with us this morning, Jane Garvey, our Federal Aviation Administration Administrator, to put forth some recommendations. Ms. Garvey is responsible for maintaining the safest air traffic control system in the world, and she is to be commended for her efforts at reinvigorating the agency in recent years.

FINANCING AMTRAK

On our second panel, we will hear from George Warrington, the President of Amtrak. Amtrak does not derive funding from any trust fund. It has survived largely on general fund appropriations. In recent years that funding has declined continually, while appropriations for all of our other infrastructure investments have grown dramatically.

Ever since the Amtrak Reform Act was signed into law in 1997, Amtrak has been on a six-year mission to become self-sufficient of Federal operating subsidies. Self-sufficiency has become the mantra at Amtrak. The Reform Act required Amtrak to go from being the least subsidized national railroad in the world to the only such railroad that receives no Federal operating subsidies.

Amtrak has made dramatic progress in improving revenues since the Reform Act was adopted. However, only a small portion of those increased revenues have been derived from its passenger train operations.

Amtrak has been less successful at controlling its costs. But that should come as no surprise, given the massive physical facilities that Amtrak must maintain all over the country, especially along the Northeast corridor.

The Department of Transportation Inspector General has recently reported on Amtrak's finances, and his conclusions should concern all of us. Amtrak has been required to take on greater and greater amounts of debt to stay on the path of self-sufficiency.

Most recently, due to the continuing delays in launching Amtrak's new high-speed service in the Northeast corridor, Amtrak has had to borrow an additional $300 million just to cover its operating expenses for the current year. The pressure to become the world's only self-sufficient national railroad has put Mr. Warrington in the role of a magician. Every few months he pulls a new rabbit out of his hat just to keep Amtrak afloat. I am deeply concerned that in the near future, Mr. Warrington will go to his hat and find that he is out of rabbits.

Increasingly, I am coming to the conclusion that Amtrak's drive to become self-sufficient is resembling some kind of fool's errand. At a time when the Nation's mayors and governors are asking for more and more intercity passenger rail service, we are allowing Amtrak to get deeper and deeper into debt while we invest more and more money into other modes of transportation.

Unfortunately, given the structure of TEA21 and the allocation that this subcommittee has been granted for 2002, there is very little that this subcommittee can do to reverse this trend this year. But I hope and I expect that the administration and Congress will face these issues head on when we reauthorize Amtrak and hopefully pass the High Speed Rail Investment Act.

So we have a lot of challenges ahead of us, and I am pleased that we have some knowledgeable witnesses with us this morning to share their perspectives with us. I am delighted to see Senator McCain. And after Senator Shelby's statement, we will turn to you for your comments.

STATEMENT OF SENATOR RICHARD C. SHELBY

Senator SHELBY. Thank you, Madam Chairman.

Because of the limited time we have this morning, I will submit most of my FAA questions for the record. I do, however, have several questions and concerns on Amtrak's short- and long-term financial health and future status that I hope we will have time to get to this morning.

TERM OF FAA ADMINISTRATOR

First, Madam Administrator, I want to commend you for staying on at the FAA through the change of administrations. I know that while the job certainly has its rewards, it certainly has its challenges, too. I look forward to working with you for the remainder of your first term as administrator, about 12 months left I understand, and through the completion of your second 5-year sentence.

Many places in government require substantial time in place by new leadership before real change can be implemented. You are at that point now, and I would hope that you would stay on to carry out some of your initiatives, including free flight, safe flight, and capacity benchmarks.

But this morning, I want to focus primarily on Amtrak.

AMTRAK OPERATING COSTS

I think that we have all heard the promises made each year that Amtrak is just about to turn the corner to become a self-sustaining operation. Let me quote from Mr. Warrington's testimony during the consideration of the fiscal year 2000 bill. He stated, and I quote, "I want to assure you that Amtrak is turning the corner to become a commercially oriented, customer-focused, and financially sound business enterprise."

A year later, Mr. Warrington testified, "Today, I am happy to report that these positive trends are continuing, And I believe that our results, our commercial initiatives, our network growth, and our high-speed rail plans demonstrate clearly that our goal to not merely survive is more than a promise."

We have also heard the annual excuses that Amtrak management makes after it fails to improve its financial performance. I suspect that this morning we will hear why Amtrak is again in dire financial straits, and I am confident that it will be someone else's fault.

I am also confident that Amtrak's testimony here this morning will not place the blame where it belongs and where it has belonged for the past 25 years. And that is that the business model does not make sense, and no amount of Federal money or inspired leadership can change that reality.

In preparation for this hearing, I asked my staff to review a decade's worth of Amtrak testimony to the subcommittee. Over that time, every year, ridership is up, revenues are up, and opportunities abound.

Yet the testimony never seems to mention the operating losses, which are growing faster than any other measure of the railroad. After all the investment, new business plans, new management, billions in operating and capital subsidies, Amtrak is in worse shape than ever.

We are being told a story in Amtrak's testimony, and I do not think it is a good story. Madam Chairman, you do not invest in stories; you invest in income streams. Amtrak has plenty of stories. What they do not have is an income stream. I am informed that the cash loss in fiscal year 2000 was $561 million. And I am informed that in fiscal year 2001 Amtrak is burning cash at a rate that will amount to a loss of $930 million this year.

Clearly, Amtrak is engaging in short-term borrowing to cover operational and debt service costs and Amtrak's cash shortfall is growing to unsustainable levels. In the past, Amtrak has postponed the inevitable by monetizing assets to meet the annual cash shortfall. The actions of the past month to monetize the ownership interest in Penn Station represents the last resort of Amtrak to squeeze cash out of its capital assets.

Folks, I believe we are near the end of the line. Amtrak has no more assets to monetize. It has reached its credit limits. Federal subsidies cannot keep pace with operating losses. And Amtrak cannot constrain its operations to those routes with a potential to cover costs because of the political commitments made to garner congressional support.

In short, nothing has changed over the past 30 years. Amtrak, I think, was a bad idea 30 years ago, and it is a bad idea today. In most parts of the country, Amtrak is not an alternative to air or automobile travel. The claim that passenger rail is a critical component in relieving intercity and intracity congestion, I believe, is ludicrous except for the Northeast corridor and perhaps in two or three other highly congested transportation corridors elsewhere in the country.

Keep in mind that Amtrak carries roughly 21 million passengers a year. By comparison, the New York MTA carries over 7 million passengers a day on its subways alone. Transit services, including commuter rail in highly congested urban areas, can help relieve congestion. But Amtrak services are irrelevant to the congestion faced by the majority of Americans on a daily basis and will remain irrelevant no matter what we do with Amtrak.

Clearly, something has to be done to rationalize the business. Unfortunately, accepting the hard, cold business realities of Amtrak runs headlong into maintaining the political model that Amtrak has put forward. However, the comments that President Warrington made a couple of weeks ago at the National Press Club lead me to believe that even he, Amtrak's most vocal cheerleader, is coming around to accept the failures of the Amtrak business model.

He said, "You cannot meet a mandate to run a national network and operate in a true profitable commercial sense." This is a far cry from the platitudes of his testimony over the past couple of years, but better late than never.

For the fiscal year 2002, Amtrak is requesting $525 million and wants Congress to authorize the railroad to immediately use all these funds as opposed to using 40 percent in 2002 with a balance available for the 2003.

My sense is that this is at best a short-term solution and that with this flexibility Amtrak will squeak through to the spring of 2002, when Amtrak again will be out of money. I am under no illusions that the votes exist in either the House or the Senate to eliminate Amtrak subsidies today. But as the hole that Amtrak has dug for the American taxpayer continues to grow, I think we will have to make choices. Those choices are not getting any easier or less expensive.

Now is the time to change the way we view Amtrak and the role that passenger rail can and should play in this country. That does not mean that rail passenger service does not have a future in this country. I think it does in certain areas.

What it does mean, though, is that the model for rail passenger service proposed by Amtrak is doomed to fail, as it has been over the tortured life of the corporation.

The political model for Amtrak subsidies has been to promise a majority of the Members of Congress that they will get something for their States or districts, if they continue to support the bailout. But without a complementary change in the business model, we will never get out of the current dilemma of annually paying to keep Amtrak out of bankruptcy.

For these reasons, I believe it is time for the administration, the Bush administration, to provide leadership to restructure the business and focus on supporting a rail passenger service model that makes sense for the long term. I hope the administration will step up to this challenge soon. The longer it takes for the administration to lead on this issue, the more it will cost and the more it is costing the American taxpayer.

Thank you, Madam Chairman.

Senator MURRAY. Thank you, Senator Shelby.

For the information to the Senators on the committee, we have two panels this morning, one on FAA and one on Amtrak. We have been joined by two of our colleagues, who I believe want to make statements on the Amtrak issue.

If either of the Senators who are here would like to make an opening statement beforehand, I will allow that before we move to our colleagues. But I warn all committee members that we need to be finished by noon today, so we are on a short time frame. So I would appreciate it if everybody would to be concise.

Senator Bennett.

STATEMENT OF SENATOR ROBERT BENNETT

Senator BENNETT. Thank you, Madam Chairman. I shall be very concise.

I support rail passenger service. I support Amtrak wholly and totally in the Northeast corridor. And I am willing to give up Amtrak service in Utah in a heartbeat in order to solve the economic problem that you face in Delaware, Pennsylvania, New York, and some other places where it makes good sense.

Thank you.

Senator MURRAY. Senator Hutchison.

STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Thank you, Madam Chairman.

I would like to just speak briefly on both the aviation and the Amtrak issue. I appreciate very much Administrator Garvey's efforts in trying to come up with everything possible to increase the air capacity. But in fact, we must do several things to be helpful in this regard. And I have a bill, cosponsored by Senator McCain, as well as others, the Aviation Delay Prevention Act, which would have airlines to be able to talk about their schedules, reroute, reschedule in bad weather, without possible antitrust violations; and secondly, to add to the runways.

We have airspace capacity problems, and we have ground capacity problems, and we need more runways. We need more facilities on the ground that would allow the planes that land to be able to get to a gate in an expedited manner. I have sat on the ground longer than I have been in the air going from Dallas to Washington and vice versa, and that is not acceptable.

PASSENGER TRAIN TRACKS

That leads me into my position on Amtrak, which is very much for Amtrak, for our whole country. I do not think the taxpayers of America should subsidize just a Northeast corridor. I think the taxpayers of America have a legitimate interest in a national rail system for passengers.

At a time when our airlines are not able to serve the major airports in our country, when our air is clogged, where our highways are clogged in many key areas of our country, I think rail is absolutely the third part of an intermodal system. It allows people who cannot drive to have that mobility, and I think it is a legitimate investment for our country.

I think a national system would create more spurs from States coming in, and more and more States are doing that, which will add to the synergism. But we cannot starve Amtrak continually and expect it to perform. And that is what we have done for the last 25 years of Amtrak.

We need to have a capital infusion that would give it a chance to really perform well. And in the end, you cannot have a real passenger rail system that depends on the goodwill of the freight-owned tracks. So in the long term, what we need is to be able to work with the freight railroads to have a track laid on the same right-of-way, because we could never afford to buy the right-of-way, but to have a parallel track so that the freight trains will not be delayed, and neither will Amtrak. That is the answer, and I hope that we are willing to make the investment, because I think it could add greatly to our air quality and the overall mobility that is important to our country.

Thank you.

Senator MURRAY. Thank you, Senator Hutchison.

[CLERK NOTE.—Senator Kohl submitted a statement and asked that it be included in the record.]

PREPARED STATEMENT OF SENATOR HERB KOHL

Thank you Madam Chairwoman for holding this important hearing today. Transportation will be one of the most important issues that this nation faces in the coming years. Our highways, airways and railways are busier and busier, with congestion and delays becoming more common. This increase in traffic volume has led to a number of problems, besides the usual inconveniences. Pollution, rising gas prices, and, most importantly, increased risk of accidents are all byproducts of increased transportation usage.

I believe this subcommittee stands in a unique position to offer the people of this nation a solution to many of these problems. Safety should be the top priority in any improvements to the transportation system, and I believe that by providing funding for a number of significant initiatives, we can cut down on traffic and congestion and greatly increase the safety of passengers. For example, I have consistently supported the Midwest Regional Rail Initiative which would bring high speed rail to the Wisconsin area. This transportation system is essential to state and local economic development, and offers a needed alternative to flying or driving. This is an important step in enhancing both the efficiency and safety of the transportation system.

In addition to the need for a national high-speed rail network, we must work to modernize our aviation infrastructure. The number of Americans turning to air travel as their mode of transportation will reach 1 billion by 2010. That is an increase of more than 50 percent from today's level. One of the most challenging safety concerns that face the FAA with increased air travel is the potential for runway incursions. The Milwaukee Journal Sentinel recently reported on a FAA study that categorized runway incidents. It is disturbing to me that airports in Milwaukee, Green Bay and Appleton all ranked near the top in potential runway collisions. With air traffic increasing, I look forward to working with the FAA on ways to prevent incursions at the airports in Wisconsin and across the country.

America has the safest transportation network in the world, and as the utilization of our system increases it is absolutely essential that we continue to work to modernize our infrastructure while endlessly ensuring the safety of its users.

I look forward to working with this subcommittee and with both Administrator Garvey and Mr. Warrington in the future.

Senator McCain, you were here first, so I will let you make your opening statement.

STATEMENT OF SENATOR JOHN MC CAIN, U.S. SENATOR FROM ARIZONA

Senator MCCAIN. Thank you very much, Madam Chairman. I am keenly aware of your time constraints, so I will make my remarks very brief. And I applaud the remarks made by Senator Shelby and also those of Senator Bennett, because while many intercity passenger rail proponents, including many in this room, view me as the enemy, I am not.

I fully recognize that in some places, such as the Northeast corridor and perhaps on the west coast, rail passenger service appears to be attracting passengers. I applaud the usage of rail passenger transportation. I use it myself whenever I can and view it as a valuable means of public transportation.

FINANCING AMTRAK

But what we need, Madam Chairman, is an open and honest debate about the expenses, the costs of keeping Amtrak as a viable rail service, whether it should be a regional, which is my view, Northeast and west coast, does it make any sense in other parts of the country, particularly financially, and what we want to invest in order to keep it viable.

What we have done since 1971 is every 2 or 3 years there has been the promise that they will be economically viable. And then, of course, the latest is by December 2002. We all unanimously passed the Amtrak Reform and Accountability Act of 1997, which says that Amtrak will be financially independent by December 2002. We know that is not going to happen.

And since 1971, we have invested $24 billion of the taxpayers' money in Amtrak. In Wisconsin, they have a line. $512 per passenger is their loss. Their own data, which I would like to submit for the record, averages $20.93 for every passenger it carries. Nearly 40 percent of its routes suffer losses of more than $50 a passenger, while nearly 25 percent of its routes suffer losses of more than $100 per passenger.

What we need, Madame Chairman, is: What do we want? What are we willing to fund, and what is the Federal Government's role in it?

In the European rail lines, many are subsidized. Fine. That is fine with me. That is a decision of the people that they make. But this continual flim-flamming of Congress about that they are on a "glide path," as Senator Shelby mentioned—year after year after year they come forward and say, "We are on the glide path to self-sufficiency. We are on the glide path. All we need is a little more." And now they are floating around—guess what?—$12 billion more.

PENN STATION MORTGAGE

Madam Chairman, let me just mention one other aspect. This hearing is very timely. Amtrak executed an agreement to mortgage a portion of New York's Penn Station in order to secure a loan of

$300 million. We were never informed. Congress was never informed. We were at the hearing last year, and the hearing that was scheduled. Everything was fine in Amtrak.

I note that Mr. Warrington's testimony fails to mention a single word about the mortgage transaction or its financial situation. I would encourage the members to inquire about the specifics of the mortgage agreement. I am informed the transaction was out of desperation, because Amtrak would become insolvent within the next month without an immediate infusion of cash.

One last comment about Penn Station Mortgage, which you may find of interest. When my office requested a copy of the transaction last week, Amtrak responded that it was a "private matter." How can such a deal be private when, as I learned last week, it includes a provision which conveniently allows for the Federal Government—i.e., taxpayers—to repay that mortgage on Amtrak's behalf?

I also understand the actual cost to repay the $300 million loan will be nearly $600 million over the 16-year life of the loan. How is that not the Congress's business, if the taxpayers are on the hook?

FINANCING AMTRAK

And finally, Madam Chairman, I strongly recommend this committee hear from the Department of Transportation Inspector General and the General Accounting Office. Both of those individuals have raised serious factual concerns about the state of Amtrak. Just last week the Department of Transportation Inspector General released a report which raised serious concerns. He calls Amtrak's financial situation precarious.

It stresses the urgency for Amtrak to curtail its expenses, the growth of which is attributed largely to the interest expense associated with the level of debt Amtrak has assumed in recent years.

Madam Chairman, thank you for allowing me to testify. We need an open public debate about what the United States' responsibilities are to a rail passenger service in America and how we can best be fair to all Americans in the expenditure of their dollars. But for us to continue to backdoor billions of dollars to what is clearly a failed and failing enterprise, is doing a grave injustice to American taxpayers. I thank you for having this hearing. I look forward to working with you.

Senator MURRAY. Thank you, Senator McCain.

Senator Biden.

STATEMENT OF SENATOR JOSEPH BIDEN, JR., U.S. SENATOR FROM DELAWARE

Senator BIDEN. Thank you very much, Madam Chairman.

My good friend from Arizona and I have had debates about Amtrak in the past. I was at a staff softball game when I heard he was coming to testify, and I wanted to be here to be with him.

I have no prepared statement. Let me respond by—and I know your time is short. There is one thing we can all agree on here, and that is that Amtrak has financial troubles. I find it fascinating, though, that when we set up this corporation in 1971, we did to this corporation what we have never done to any other corporation.

We guaranteed their failure in terms of not being able to be self-sufficient.

What we guaranteed was, for example, they take on the responsibility of the Railroad Retirement Act out of their capital, out of their capital—I mean, excuse me, out of their operating budget. They have no capital budget.

POLITICAL PRESSURE OF AMTRAK OPERATIONS

I will not go through the whole history, but it comes down to this: We have come up, or I have, along with others and now led by Senator Hutchison of Texas, we have come up with a number of things that would have greatly alleviated Amtrak's problem and not cost the taxpayers much money. But it is amazing. The people who are most critical voted against every one of those things, every one of them. For example, my friend from Arizona and I have had, as I said, heated debates. I consider him one of my closest personal friends, but we have had heated debates.

I came along and said, "Look, here is what we do. We have a Highway Trust Fund. And there is this rural provision in the highway trust fund where you can go out and you can buy buses." I said, "Why are you going to buy buses? Why do you not let the governor of Montana, for example, decide, if he wants to use that money instead of buying buses—because he was losing something like $60 million a year in skiing revenue, why do you not let him and the legislature take that money to buy buses and pay Amtrak to run a train on the track that exists?"

You all said, "Oh, no, we cannot do that. You can build a bicycle path. You can buy a bus. You can use it for—and you could probably use it for the handicapped and wheelchair access. But you cannot let Amtrak run."

I said, "Well, we are not forcing anything on anybody." So that is the Highway Trust Fund. Bless me, Father, for I have sinned. I thought about using any Highway Trust Fund money for Amtrak at the discretion of the Governor, local. They do not have to spend it. You all said "no". We had that half-cent tax we kicked in there on the deficit reduction package, said, "Look, just give us that half cent." My friend from Alabama went nuts on that one, "Oh, man, no. We wanted to send that back to the Treasury." And then we said, "Okay. How about you give us just a little more flexibility and say to us that we do not have to operate all these railroads?" "No."

Here is what you said. Everybody says since 1971 it has not worked. Amtrak made a promise, and there is political pressure, and we are supposed to be out of the hole. Let me tell you how you made the promise. It went like this. I am sorry I do not know this gentle lady. They took a gun to her head and said, "By the way, I have a deal for you. I will let you testify, if you promise me you can get it done in 12 seconds, or I am going to blow your brains out."

What is she going to say, "I cannot get it done in"—she knows she cannot get it done in 12 seconds. But she is going to say, "Yes, I promise you." She is going to do it in 12 seconds.

That is what you all did to Amtrak. That is what you all did to Amtrak. You continue to do it to Amtrak. You nickel and dime them. You beat the living devil out of them. And then what you say to them is a catch-22. It is a noble thing, you know. I mean, you all say, "Look, it is unfair that Amtrak is put under this political pressure to have run a railroad in Wisconsin, loses $510 a passenger. And in Oregon it does this," and on and on. And you all say that. And it is true. But guess what? The way we set up the corporation, they cannot get enough votes to even get the Northeast corridor running, which makes money, unless everybody is in the deal.

SUPPORT FOR AMTRAK

Now, look, I want to tell you something: As the guy who is viewed as the—I have a self-interest. I have made over 6,000 round trips on Amtrak from Wilmington, Delaware, to Washington, D.C. I acknowledge it. And I would characterize it as evidence of a misspent adulthood. I acknowledge that.

But having said that, I am all for it. If you guys want to break this thing up, fine. You break it up. You want to have an east coast corridor, a west coast corridor—I do not think that is the way to do it, but okay.

Now, are we going to write something into the law here that guarantees me somehow I get the votes? What you are doing is you are mouse trapping me, Senator Shelby.

Senator SHELBY. No, no.

Senator BIDEN Oh, yes, you are. You are saying, "I want to help you out by—we will get that Northeast corridor going. And we are going to figure out how the heck you get 50 votes, 51 votes." And I said, "I cannot get 51 votes."

Why do we have some of those defense plants in Alabama, when they make the plane in California? To get your vote. That is why it is there. That is why we do this deal. Why do we, when we build one plane that we all love, why does it have components in 31 States?

We all taught Amtrak a bad lesson. You say to this guy right here, you say, "Okay. You mortgage the station." Shame on you. So, okay, what am I going to do? Shut the whole thing down?

BUILDING AMTRAK INFRASTRUCTURE

I have a solution for you all. It is a real simple one. Senator Kay Bailey Hutchison and I have a little old thing. Let us have a bonding authority up to $12 billion. Let us have a capital budget. Let us have an operating budget. Let us run like any other business in the world.

You want us to be a business? You want us to be self-sufficient? Let us do that. And if you all do not like this plan, then let me point out—and I will end with this: If you do not like the plan Amtrak has here, the plan is real simple. It is not unlike what we did in the interstate highway system.

We did not go out and build a whole highway system all at once. I can go back and look, but everybody did not say, "Hey, yes, man, let us do this all in one piece." But the promise was, "Here is what we will do. We will take the corridors that will make sense, and we will build them a piece at a time. And we will extend them, and we will keep extending them." You do not want to extend them? Look folks, this is a little bait and switch here. You know what I mean? It is true, you can say, Amtrak was not setup right in the first place; two, they have had to promise that they would make themselves self-sufficient.

I have made speeches constantly. It was a mistake for Amtrak to acknowledge what they were told would put them out of business. I think we should have called the bluff a couple of years ago and said, "Okay, okay, put us out of business. We cannot be self-sufficient."

I would like to have self-sufficient airports. I would like to have that. What do you think about that? I would like to have self-sufficient highways, too. I would like to have no subsidies.

I will end with saying, there is a need for this component. If you really mean it, when you say the east coast and the west coast—or I think there is a corridor that goes all the way across the Southeast into Texas, that makes eminent sense.

But if you all really mean this, you really want to help, and you really say you understand our problems, then there are ways to do it. But the way to do it is not to vote against every single solitary thing that could move to alleviate some of the debt, some of the problem Amtrak has.

Again, I apologize for the extemporaneous remarks. But as I said, I always like to be around when my friend John McCain is, when he talks about this subject. It warms my heart.

But I appreciate the Chairwoman allowing me to do this. And I am sorry I trespassed on the time. I hope we can work together. I am willing to work. We know we do not have the answers. We know we have some problems, big problems, but we know we need this system. Anyway, thank you all for being so gracious, appreciate it.

Senator MURRAY. Thank you very much, Senator Biden.

Before we turn to Ms. Garvey, Senator Stevens, if you wanted to make an opening statement, I would be happy to accommodate you.

Senator STEVENS. I think you have had enough. Thank you very much.

Senator MURRAY. You did not want to follow that?

Thank you very much.

STATEMENT OF JANE F. GARVEY

Ms. Garvey, please go ahead with your opening statement.

Ms. GARVEY. Thank you very much.

Good morning, Madam Chair and Senator Shelby, members of the Subcommittee.

NATIONAL AIRSPACE SYSTEM ONGOING INITIATIVES

First of all, I am very pleased to be here this morning to discuss the President's 2002 budget for the FAA. I would like to begin by thanking this Subcommittee, by thanking its members, for your continued and long-standing support of our requests in the past. We are very grateful for that support.

In the interest of time, I would like to take just a few moments to highlight some of the ongoing initiatives that support a safe and efficient operation of the National Airspace System. We certainly know the issue of delays and capacities. Capacity is front and center for every member of Congress, and it is certainly front and center for a vast majority of Americans. We focused on that long and hard. We have developed some short-term initiatives, as well as some strategic initiatives to improve the overall efficiency of the system. With this year's spring-summer program, we have reached, I believe, an unprecedented level of collaboration between the airlines, the FAA, the pilots, the dispatchers, and the controllers in managing the system.

From the command center in Herndon, conference calls are held every 2 hours, 24 hours a day, to jointly plan the day's activities, the day's actions. It is real-time decision making. It is real-time collaboration. I think it has made a difference.

Last fall I mentioned to this subcommittee that we were focusing with the airlines on the most challenging area for us. And that is that airspace between Chicago, Boston, and Washington, D.C. We have identified 21 initiatives to relieve those choke points. I am pleased to say that as we are systematically implementing these initiatives. We are seeing measurable benefits that enhance efficiency. For example, our preliminary numbers for June, compared to last year at this time, show that delays are down 14 percent. Weather has cooperated, but I think the initiatives have made a difference as well.

USE OF CANADIAN AIRSPACE

We have worked with NavCanada to use Canadian airspace along the crowded Eastern corridor. We are testing new routes to allow aircraft to fly at much lower altitudes. We have developed new sectors to create greater efficiencies. These are some of the tactical short-term initiatives that we have undertaken.

OPERATION EVOLUTION PLAN

For the immediate and the long-term solutions, we have developed and recently announced an operation evolution plan. This represents industry and the FAA's commitment to meet our transportation needs over the next decades. Certainly the challenge, I think, both for us and for industry is to stay focused on that plan and to make sure that we turn our attention to implementation. We do know that while efficiency and capacity are critical, safety is paramount to us and to this Subcommittee. We have a commitment to reduce the fatal accident rate for the United States commercial air traffic by 80 percent by 2007.

SAFER SKIES

With support from Congress, we have established, in partnership with the aviation community, Safer Skies, which is a focused safety agenda. The objective of Safer Skies is to determine the root cause, to develop interventions, and to track the progress and the success. Over the last 2 or 3 years, we have implemented significant actions to reduce commercial accidents in areas of control flight into terrain and uncontained engine failures. Now we are focusing on the approach and landing phases of flight.

More importantly, air carriers are establishing flight operation quality assurance programs and aviation safety action programs to identify safety issues and trends so corrective actions can take place before an accident occurs.

PARTNERSHIPS IN AVIATION

One last comment, Madam Chair, and that is that nothing we know is achievable without the cooperation from all parties. We have arguably the most complex, the safest, and the most efficient system in the world. But we know it is not achieved by the FAA alone. Its success is really based on the partnership that we have with airlines, with airports, with labor, and all members of the aviation community.

Solving the problems of aviation today and meeting the challenges of the future requires the cooperation among all parties. Each one of the initiatives, each one of the actions that we have described in our longer statement and in this statement really depends on that premise. Congress, and especially this Subcommittee, has supported the FAA in its efforts to maintain safety and in its efforts to modernize airspace systems. I look forward to continuing that working relationship with you, Madam Chair, and with the other members of the Subcommittee. That concludes my testimony. I would be happy to answer any questions that you might have.

PREPARED STATEMENT

Senator MURRAY. Thank you, Ms. Garvey, for your testimony.

[The statement follows:]

PREPARED STATEMENT OF JANE F. GARVEY

Chairwoman Murray, Senator Shelby, Members of the Subcommittee: Thank you for the opportunity to appear before you this morning to discuss Federal Aviation Administration (FAA) issues and our budget request for fiscal year 2002. The President's budget request makes a significant investment in our aviation infrastructure that will enable the FAA to continue its progress in meeting the demands of our air transportation system in the 21st century.

The FAA is a 24 hour/7 days a week service delivery organization. The FAA controls approximately 200,000 takeoffs and landings per day and moves nearly 700 million commercial air travelers per year. Our customers depend on the safe and efficient operation of the National Airspace System (NAS). Maintaining this system in a safe and efficient manner, while providing for the anticipated growth in the use of NAS, is the FAA's top priority.

I want to take a moment to discuss the FAA's role in operating and maintaining a safe and secure NAS. Every action we take is done with safety as our primary goal. Recent statistics show that the accident rate for commercial aircraft has been on a downward trend for the past two decades. Yet during this time period, passenger enplanements in the United States more than doubled and are expected to reach 1 billion by 2010—an increase of 53 percent above today's level. We have the safest air travel system in the world, and are constantly working to improve it. Any action we take to address airline delays and capacity issues—and I cannot stress this enough—will always be done within our primary mission of increased safety and security for the traveling public.

To meet these goals, the President's fiscal year 2002 budget provides operations and capital funding for the FAA consistent with the levels contained in the Aviation Investment and Reform Act for the 21st Century (AIR–21). Airport grants are funded at $3.3 billion; capital modernization programs are funded at $2.9 billion; and, FAA operations are funded at $6.9 billion. In total, this is $725 million, or six percent above fiscal year 2001.

I want to thank you for the support that you and the members of this subcommittee have undertaken to fund the FAA's budget requests. With the funding provided in fiscal year 2001, the FAA is improving operational safety and efficiency throughout the entire commercial aviation system while making necessary capacity improvements in the NAS.

Today I want to discuss the significant developments and accomplishments in fiscal year 2001 that will enable us to meet today's aviation growth and future demand. The FAA is committed to:

—Maintaining a safe and efficient air transportation system;
—Working with the aviation community to plan for aviation needs over the next decade and follow through on implementation;
—Benchmarking airport capacity and streamlining environmental approval procedures;
—Alleviating bottlenecks in the NAS; and
—Modernizing the NAS.

Safety is our paramount goal

One of the most important FAA safety initiatives is our effort to reduce runway incursions. While runway incursions occur at a low frequency (five incursions for every one million operation in the NAS) the total number of incursions has increased over the past 5 years. The FAA is taking action to reverse this trend. Specifically, the FAA is working to enhance pilot and controller communication, identify and implement procedural changes at airports to reduce surface operational errors, and develop and promote runway safety training and education for airline, airport, and FAA personnel. In addition, the FAA has begun implementation of site-specific solutions at approximately ten airports that sustain the highest number of runway incursions.

As I have already said, reducing the fatal accident rate for aviation is our primary goal at the FAA. We have embraced a goal of an 80 percent reduction in the rate of fatal accidents in commercial aviation and a reduction in the number of general aviation fatal accidents to 350 or fewer over a 10-year period. To accomplish these goals, the FAA has joined in partnership with the aviation community to establish Safer Skies—a focused agenda to make the skies even safer.

The objective of Safer Skies is to determine accident causes, develop interventions to address these issues, and track the progress and success of these interventions. We have implemented significant actions to reduce commercial accidents in two areas—controlled flight into terrain and uncontained engine failures. Now we are focusing on the approach and landing phases of flight. More importantly, air carriers are establishing Flight Operation Quality Assurance programs and Aviation Safety Action programs that identify safety issues and trends so that corrective actions take place before accidents occur.

Agreement with airlines on national operations plan

For intermediate and long-term solutions to our capacity and delay problems, we have developed an Operational Evolution Plan (OEP). The FAA achieved broad consensus with the aviation industry in the development of the OEP. This represents the industry's commitment to meet the air transportation needs of the United States over the next decade. The plan focuses on increasing capacity, managing delays, and maintaining the excellent safety record of the system.

The OEP is a fundamental change in the way we do business. There are specific commitments and schedules on the part of the FAA and industry, particularly the airlines. The agency held numerous meetings with industry and received a significant number of comments that have been incorporated into the OEP. The plan lays out specific tasks to be accomplished in the near-term (2001 and 2002), mid-term (2002 to 2004) and long-term (2005 to 2010). The FAA and the industry consider the OEP to be an evolving document that will be modified, particularly to incorporate new technologies as they emerge.

The OEP calls for expanding implementation of area navigation (RNAV) procedures; completing the Wide Area Augmentation System (WAAS) for satellite-based navigation; introducing datalink to reduce voice communications between pilots and controllers, and reducing vertical separation of aircraft at high altitudes from 2,000 feet to 1,000 feet.

Benchmarking airport capacity and streamlining environmental approval procedures

On April 25, we released our capacity benchmarks report. Simply stated, an airport's capacity benchmark represents the maximum number of flights it can routinely handle in an hour. Our analysis establishes capacity benchmarks for the top 30 major airports. The 31st airport in the report, Memphis, was included for its importance to the air cargo industry. These are being used to better understand the relationship between airline demand and airport runway capacity. This report provides valuable data to assist the FAA, airports, airlines, and other systems users in making informed decisions and investments that can ultimately help better manage the increasing demand for capacity, while at the same time minimizing unavoidable delays.

The benchmark report indicates that we are faced with very challenging capacity issues at 8 of the 31 airports. We have developed plans to improve operational efficiency at the eight airports with the highest delay rates (Atlanta, Boston, Chicago O'Hare, Newark, New York Kennedy, New York LaGuardia, Philadelphia, and San Francisco). Each of the plans indicates the expected gains that can be anticipated from runway construction, and procedural, airspace, and technological improvements.

The capacity benchmarks and action plans represent starting points for the aviation community to work together in solving the capacity problems at these specific airports. There has been some movement in this direction. We have an on-going effort at Newark meeting quarterly with Continental Airlines to take measured steps to alleviate congestion and delays. The City of Chicago and the FAA are co-sponsoring a Chicago Delay Task Force that will identify and analyze potential measures to relieve delays at O'Hare. In addition, recent actions by both American (at Chicago) and Delta (at Atlanta) to address their operations may prove to be helpful.

On environmental streamlining, the FAA is aggressively moving major new runway projects through the environmental review pipeline. Our most critical airports are the large hub primary airports that combined enplane about 70 percent of U.S. air passengers. At these airports, 18 new runways are currently proposed to come on line between now and 2010. We have completed FAA's environmental review on 9 of these 18 runways and are more than halfway through the environmental process on four more and are in an early environmental impact statement (EIS) stage on one more runway. That leaves 4 runways out of 18 that have not advanced sufficiently in local planning for the airport proprietors to submit them to FAA for environmental review.

We have taken steps to expedite the FAA's part of this complex process. Our goal is to reduce unnecessary delays while maintaining the integrity of the environmental process and complying with all environmental protection requirements. To that end, we have taken the following steps: established an EIS team of experts for four current major EISs and will establish a team for each new EIS for a major runway project at a large hub primary airport; reallocate FAA staff resources to environmental reviews; and, begun the process of implementing reimbursable agreements for airports that have expressed interest in paying for additional FAA environmental staff resources for expedited EIS reviews.

Complete chokepoint initiative and measure results

We identified tactical measures to alleviate the chokepoints, or bottlenecks, in the NAS. These are all in the "triangle" between Chicago, Washington, D.C., and Boston. Our chokepoints initiative focuses on the creation of new procedures and changes to existing programs in order to gain greater efficiency from our current airspace.

Twenty-one initiatives have been identified to make procedural changes to more efficiently use airspace. Thirteen are completed and are being measured and evaluated for effectiveness. Three are mid-term initiatives ranging with completion dates from this summer to December 2001. The remaining five are longer-term actions requiring phased implementation or involve international agreements.

By the end of the year, we will have established fifteen new sectors to ease congestion and speed traffic flows through the Great Lakes corridor (Chicago area air traffic) and into New York. In addition, we have: negotiated an agreement with NavCanada to route air traffic through Canadian airspace when US domestic routes are impacted by weather; conducted a test of radar automation interface between the Cleveland ARTCC and NavCanada's Toronto Center; and, developed advanced area navigation routes (RNAV) at the Chicago ARTCC and TRACON. These RNAV routes provide greater efficiency by separating aircraft routed to different destinations and give alternative flight plans for pilots around congestion and weather without the need for the controller to provide navigational guidance.

As a result of our initiative so far, we have experienced 25 percent fewer unplanned ground stops for flights going west out of the New York area. We have similarly reduced ground stops for flights flowing north out of the New York area by 37 percent.

NAS Modernization

In order to sustain our current systems and renew our aviation infrastructure, we are incorporating both major and minor changes to the air traffic control system. Our 21 enroute centers are significantly upgraded with new equipment—the Display System Replacement (DSR), the new Host computer, and air traffic control voice switching—which were on time and within budget. As a result of these upgrades, as well as upgrades systemwide, we have had a 50 percent reduction in delays in fiscal year 2000 due to FAA equipment failures.

With the help of this subcommittee, we are now turning our attention to needed upgrades in the terminal environment. We are now beginning to deploy the Standard Terminal Automation Replacement System (STARS). When completed, the installation of STARS will replace the display screens and the computer automation systems for 173 TRACONS. Some of the equipment and software STARS will replace is more than 20 years old, particularly at our 54 mid-to-high level demand TRACONS, which include Memphis, Bradley Windsor Locks, Philadelphia, and Orlando. Furthermore, STARS will also provide a platform for future enhancements to air traffic controllers in such areas as new free flight capabilities. We are working towards the full deployment of STARS by 2008.

A critical element of NAS modernization is adding additional safety features—an effort that speaks directly to the FAA's primary mission of ensuring aviation safety. Additional safety features focus on the number one threat to safety—weather. Advanced weather information will provide us with more precise, more accurate, and timelier weather information. In our modernization blueprint, we have included many weather initiatives, such as the Integrated Terminal Weather System and the Weather and Radar Processor. These systems provide more comprehensive and up-to-date weather information in terminal and en route areas, as well as Terminal Doppler Weather Radar for major airports where windshear and microbursts are safety issues.

I want to comment on one last important issue. As you know Madam Chairwoman, nothing is achievable without cooperation from all parties. We have arguably the most complex, safest, and most efficient air traffic control system in the world, but this is achieved not by the FAA alone. Its success is based on the partnership we have with airlines, airports, labor, and all members of the aviation community. From our daily—and hourly—efforts with the airlines to provide collaborative information on delays and capacity of the air traffic control system, to our union partnerships across the entire FAA, we cannot go it alone, nor do we intend to. Solving the problems of aviation today and the future requires cooperation among all parties. Each one of the actions and initiatives I have mentioned today depends on this premise.

Congress, and especially this subcommittee, has supported the FAA in its efforts to maintain safety and modernize our air traffic control system, and I look forward to continuing that working relationship with you, Madam Chairwoman, and the members of the subcommittee. I would be pleased to answer any questions you may have.

OPERATION EVOLUTION PLAN INITIATIVES

Senator MURRAY. FAA recently released its report to Congress on the environment review process that is required for airport improvement projects. We know that on the average, it takes 10 years to build a new runway. I have watched the prolonged environmental review process associated with a third runway at Sea-Tac Airport. And I am very interested in what steps the agency is taking to make sure that the environmental review process moves along. Your recent report outlined a number of measures that will expedite that process. How many of those measures has the FAA gotten off the ground? And how much time do you think you can realistically save?

Ms. GARVEY. We have really addressed all of the initiatives. We talked about dedicated teams for the most visible and the most important runway projects that really affect the system. We have those teams already in place for five of the major projects. We are prepared to put more teams in place as projects become reality. So that is underway.

We have cooperative arrangements with San Francisco, for example, for them to pay for some of the additional staffing so that we will have the resources that we need. We are working with the

Council for Environmental Quality (CEQ) and have identified more projects that can be included in what is called the categorical exemption. That is going to be concluded with CEQ this summer. They have been very cooperative, very, helpful. We have our regional teams out meeting with their counterparts in the other agencies to have much better collaboration and coordination with the other agencies. So I think that is good as well.

Finally, the best practices, which we put up on the website, are going to be ready by July. So those are the initiatives that we have underway. The Secretary will be extraordinarily helpful in working with other Cabinet secretaries to deal with the coordination at the Federal level. We are looking forward to that work.

How much time we can save is always difficult to answer. It depends on the project itself. Something like Houston we were able to do in a very short period of time, about 18 months. We used a team for that. But frankly, there were very few environmental problems.

I have talked to Jean Marie Lindsey frequently about the Seattle project. I know she is down to some State issues. And to the extent that we can be helpful, we have offered to be helpful on that one as well.

AIRSPACE REDESIGN

Senator MURRAY. I appreciate that very much. If it is possible to speed up the environmental review process for runway construction, do you think you could also speed up the environmental process on redesigning the airspace to reduce delays?

Ms. GARVEY. That is certainly a great challenge and something we absolutely are committed to. What we have tried to do with the airspace redesign is approach it in two ways. We are looking at, again, the tactical and the short-term changes that we can make to the airspace that may be less complicated environmentally, so that we can make those changes even before the complete redesign is actually completed. By the way, we have the controllers doing the redesign with us. They are really being extraordinarily cooperative and very creative as well.

FAA REFORM

Senator MURRAY. In 1995 Congress granted FAA authority to reform the way the agency handles its procurement and personnel systems. The procurement reforms have been successful in deploying some systems, such as the Host Computer Replacement and the Display System Replacement, on time and within budget. There have been other major projects, such as the Wide Area Augmentation System and the Standard Terminal Automation Replacement System that have experienced delays and significant cost overruns. Why has procurement reform worked in some cases and not in others?

Ms. GARVEY. You are right. Procurement reform has been very helpful to us. I think we have been able to cut the time to award a contract by about 50 percent. As you pointed out, host was up and running in about 18 months time, which is great.

In the case of WAAS, the real challenges are around technology. We have been able to deal with the precision piece. The safety integrity has presented just some enormous challenges technologically for us. We brought in some very renowned independent thinkers on this, who understand WAAS very well. They tell us we are on the right track. We think our contractor, Raytheon, is well on the way to solving those technology problems associated with the safety integrity. But those have been enormously complex. We are the first place in the world, ever, to develop a system like WAAS. So we are really forging new ground. I think that has been the big issue, the technology pieces.

NATCA AGREEMENT

Senator MURRAY. Personnel reform has provided the FAA with tremendous flexibility in how the agency hires and compensates their employees. At our aviation hearing last year, Inspector General, Ken Meade, stated the most visible result of personnel reform is the 5-year agreement you reached with the air traffic controllers in 1998. We recognize the awesome responsibility that we place in our Nation's air traffic controllers, as well as the men and women who keep the system running. The efforts of the controllers in my home city of Seattle during the Nisqually earthquake demonstrate how seriously they take their jobs.

Clearly, we know that the 1998 agreement has vastly improved the relationship between the controllers and the FAA. But some have questioned, including our House colleagues, whether the agreement has resulted in any real productivity gain. Tell me why you think this agreement has worked.

Ms. GARVEY. It has worked on a couple of fronts. I think you started with the most significant, which is, it has really changed our relationship with the controllers. They are involved in about 65 technical projects we have. Every initiative that has been successful in the last 2 or 3 years, from Y2K to the Host Replacement to Free Flight Phase I, is a result of that kind of collaborative relationship. They are redesigning the airspace with us. We opened four new sectors last month. We did it without adding new staffing. We did it with the controllers. We did it because we are really committed to doing the modernization together. So I think it has fundamentally changed. The Inspector General and others have raised questions about the cost savings. Those are fair and honest questions.

Senator MURRAY. Do you have any estimates of how much money you saved?

Ms. GARVEY. We did a study last year that identified about $400 million in offsets. We are updating that report this year. We have put in place an automation tracking system, which tells us where we are spending our time. That system is going to be a great help in identifying productivity gains. So we have more work to do in that area.

Senator MURRAY. When will we see the report?

Ms. GARVEY. I hope by the end of the summer to have it completed. It was about a year ago that we finished the first cut. We have some outside expertise working with us and look forward to getting that report up to you and briefing you and your staff and the committee members, as well.

Senator MURRAY. Thank you very much.

Senator Shelby.

Senator SHELBY. Thank you.

CONTRACT TOWER PROGRAM

What is the status of the plan that Congress requested over 2 years ago on expanding the contract tower program?

Ms. GARVEY. Senator, I know that has been a source of great frustration, both to you and also to your staff. We certainly did not meet that deadline.

Senator SHELBY. Where are you on it?

Ms. GARVEY. I will tell you the administration, the new administration, when they came in OMB asked if they could take a look at it. They have given us what we think are some terrific productive comments. We have incorporated those. We would like to get it up to you in the next 2 or 3 days. Yesterday we thought it would be a good idea to run it one more time by the Secretary's Office. But very soon. I am sure the Secretary's Office will be supportive of the changes OMB has made.

ATC SUBCOMMITTEE

Senator SHELBY. Ms. Garvey, what is the status of the ATC subcommittee? When are you going to start getting them involved in the approval of budget submissions with bonus determinations and with approvals of acquisitions, such as Wide Area Augmentation System (WAAS) and En Route Automation Modernization (ERAM)?

Ms. GARVEY. As a matter of fact, they are meeting this morning.

Senator SHELBY. Okay.

Ms. GARVEY. I will be leaving here and joining them. We had our first discussion with them on some of the contracts, I am going to say, about a month ago.

Senator SHELBY. How did that go?

Ms. GARVEY. It went very well. They are great challengers. They have great expertise. I am very excited about the committee, not just with the contracts, but the level of expertise they are bringing around just even management issues. It is a great help, committee.

AIRLINE DELAYS

Senator SHELBY. My last inquiry—I know we are compressed here—earlier this year you focused on capacity benchmarks——

Ms. GARVEY. Yes.

Senator SHELBY [continuing]. At individual airports in the country, which I thought was a very good idea——

Ms. GARVEY. Thank you.

Senator SHELBY [continuing]. And a good job. What are the next steps to apply that information to management delays?

Ms. GARVEY. That is a perfect question for us now, because we are very focused on the eight, what we call, capacity airports, the airports that are really causing delays in the system. Each one of those airports has an action plan. We took a first cut at an action plan. It is initiatives. It is a combination of procedure changes, technologies, operational changes. We have taken a first cut at it, but we are now sitting down with those individual airports and seeing that if these kinds of initiatives make sense, and if they want to add anything to it. Chicago, for example, recently instituted the delay task force, which really grew out of a recommendation, that was contained in the Operations Evolution Plan.

DELAYS AT ATLANTA AIRPORT

Senator SHELBY. What about Atlanta? What did they do?

Ms. GARVEY. They are terrific. They are doing a wonderful job, because they are well on their way with their runway project. They have built a wonderful coalition at the local level with the business community. So there is a great deal of support for it. And by the way, that runway will add capacity to Atlanta by about 40 percent. It is a real success story.

Senator SHELBY. What do we do for delays?

Ms. GARVEY. Atlanta will certainly help, because, as you have indicated, it is definitely one of the keys within the entire system. It is, very important.

Senator SHELBY. You know, in the South all of us have to go through Atlanta. And if we die, we still have to go through Atlanta, and we do not want to be delayed.

Ms. GARVEY. Well, we are working on that, Senator.

Senator SHELBY. Thank you. Madam Chairman, I have a number of questions that I would like to submit for the record. Thank you.

SALT LAKE RADAR

Senator MURRAY. Senator Bennett.

Senator BENNETT. Thank you, Madam Chairman.

Ms. Garvey, welcome.

Ms. GARVEY. Good morning. Thank you, Senator.

Senator BENNETT. It is always good to see you. It will come as no surprise that I am going to talk about the second radar in Salt Lake. We do this every year, and every year you say you will look into it. And after you look into it every year, the FAA says no. You have now agreed to put one in on a temporary basis for the Olympics. And I hope you forget to take it out when the Olympics are over.

Ms. GARVEY. The controllers tell me they are going to forget. So you have colleagues out there, partners.

Senator BENNETT. Yes. I am interested in Senator Murray's comment about redesigning the airspace. This would give you twice the airspace for the Salt Lake area. And the push for it, the reason it keeps coming back to you, because it keeps coming back to me, is not from the city fathers in Provo. It is the people in Salt Lake. They say, we lose airplanes that we normally could have in a holding pattern over Provo that at times of high congestion we absolutely have to have. And there is no radar down there, because the FAA people think of it as something for Provo, and Provo does not need it. And it is absolutely true, the Provo Airport is not a major international hub. As a matter of fact, you cannot land anything at the Provo Airport that has more than one engine. Now maybe that is not true. If there is anybody from Provo, I apologize, because their airport probably can handle two engines.

But I have flown in and out of the Provo Airport. It is obviously a general aviation airport, and it does not justify the kind of radar that we are talking about here. But over and over and over again

I hear from the people at Salt Lake that they are the ones who desperately need this. And yes, now there is a recognition that given the kind of traffic we expect during the Olympics, we are going to have it.

And just one more time, when you put it in for the Olympics, just leave it there. Let the standard bureaucratic practice of never getting around to changing the direction once it is established run its course here, so that this will be there and be there forever. And then when you get around to redesigning airspace, you will say, gee, we are sure glad we left that there when we put it in for the Olympics in 2002 because it has transformed airspace around the Salt Lake International Airport, which is an international airport. It is a major hub. It is going to get more major. And I have made my speech, and you hear this every year. But I will not cease giving it——

Ms. GARVEY. Thank you.

SALT LAKE OLYMPICS VISIT

Senator BENNETT [continuing]. Until we get this problem solved.

The only other comment I would have to you, I have a letter, which I will hand to you here, signed by myself and Congressman Hanson and Senator Hatch. We would appreciate it if you—I know this is an imposition on your busy schedule, but the Olympics are important enough, we would appreciate it if you would visit Salt Lake and see the preparation that is going on for the Olympics.

We have had most major Federal Administrators, the head of the Secret Service, FBI, all of those people, come to Salt Lake and physically look at what is going on in preparation for the Olympics. We think you would be well-served if you were to spend a few hours just familiarizing yourself. I remember talking to Senator Coverdell during the Atlanta Olympics. And he said, as Atlanta was getting some bad publicity, he called the Atlanta organizers and said, "Is there anything I can do?" And their response was "Can you drive a bus?"

Because transportation was the biggest problem with respect to the Atlanta Olympics. And transportation in and out of an alpine circumstance, which Utah becomes during the winter, from all over the world is going to have to be by air. It is not like the Summer Olympics where you can get on a bus in a distant city and drive in. And we would invite you to come look at what you have done. Frankly, the FAA has been terrific. I do not want to leave any impression that we are not more than grateful and more than satisfied with all that has been going on. But I think, given the pattern of other administrators of your stature that have been there to see what has been going on in their agencies, it would be a good thing for you to come.

And while you are there, we would like to have you go down to St. George and take a look at that situation. Again, until you see it with your own eyes, you cannot really appreciate how essential that new regional airport is going to be. We are very grateful that we have the first commitment out of the FAA that there will be a regional airport there. It is a relatively short hop by air to go down and see that, see the problems we have with the current airport.

And we think that would help you understand why we are going to press for that one as well.

So come to Utah.

Ms. GARVEY. Thank you very much.

Senator BENNETT. I cannot guarantee you a ticket to the Olympics itself, but if you promise to keep the radar there, we can handle that, too. Thank you very much for all you do. We do appreciate it.

Ms. GARVEY. Thank you.

REAGAN NATIONAL AIRPORT CONGESTION

Senator MURRAY. Thank you, Senator Bennett.

Senator MIKULSKI. Thank you very much, Madam Chairman. I am just going to put a statement in the record and a few general comments. Ms. Garvey knows my long-standing concern about air traffic safety and also the fact that we in Maryland/Virginia face three airports that handle an enormous amount of the traffic.

We have, of course, BWI in Maryland. But we also have to encompass in our thinking for the corridor Reagan National, as well as Dulles. And there is also another airport called Andrews, which is our military base, where the President's own Air Force One is. And every visiting dignitary comes through that airport. So we are in a pretty tight, congested corridor.

I was very worried about the near miss at National the other day. And this is, again, not to finger point. But I think it really highlights the growing volume, the growing congestion, and the fact that our air traffic safety really needs a tremendous amount of upgrade. And I will be working with you to be able to do that. And not—well, you know we have had a lot of technological disasters, you know, where we have been through our modernization. But I know you have been giving these reports to Senator Murray and also to Senator Shelby, when he chaired it, a long-standing concern. So I just want to keep on working with you and——

Ms. GARVEY. Thank you very much.

Senator MIKULSKI. Did you want to comment on that near miss?

Ms. GARVEY. Actually, it is still under investigation with the National Transportation Safety Board (NTSB). The report in the paper the other day was fairly accurate. We are still looking at it with the NTSB and will continue to do that. We will have some actions to be taken, but I would like to hold them until the NTSB report is finished.

Senator MIKULSKI. Well, one of which will be, for future airport design, I think we really have to evaluate intersecting runways.

Ms. GARVEY. Absolutely, yes.

Senator MIKULSKI. They might be okay for streets, but I am not so sure it is for runways.

Ms. GARVEY. Right. Good point.

Senator MIKULSKI. Thank you.

Senator MURRAY. Thank you, Senator Mikulski.

[The statement follows:]

PREPARED STATEMENT OF SENATOR BARBARA A. MIKULSKI

SENATOR MIKULSKI FIGHTS FOR $955 MILLION IN FUNDING FOR AMTRAK

Washington, DC.—U.S. Senator Barbara A. Mikulski.—(D-MD) today urged the Transportation Appropriations Subcommittee to provide critical funding for Amtrak. The Senator voiced strong support for funding Amtrak at its full authorization of $955 million, so the passenger railway can upgrade its infrastructure and continue service without interruption.

Senator Mikulski also highlighted the need for investment in high speed rail and her support for the High Speed Rail Investment Act (S. 250). This legislation would authorize Amtrak and other rail services to sell $12 billion in high-speed rail bonds in partnership with states over 10 years. The funding could be used by Amtrak to upgrade existing routes to high-speed rail, construct new dedicated high-speed rail tracks, purchase high-speed rail equipment, and improve non-high-speed service.

Senator Mikulski's statement follows:

"Welcome Administrator Garvey and Mr. Warrington. It's a pleasure to be here with you today to discuss the status of intercity passenger travel, both our airways and our railways. Ms. Garvey I would like to thank you for your testimony and for your continued leadership at the FAA. I look forward to working with you in the months ahead to ensure that our airways remain a safe and viable mode of transportation. However, today I would like to focus on Amtrak and the challenges that lie ahead for passenger rail service in this country.

"I believe we need to further diversify our nation's transportation system, and we can start by providing the critical funding needed to develop a stronger intercity passenger rail system—especially in key rail corridors around the country. Rail corridors will reduce traffic congestion, clear the way for economic growth, reduce sprawl, and improve air quality.

"Amtrak trains are essential to maintaining sanity on our nation's highways and biways. These trains help to reduce congestion on our roads. Rail travel is vital to maintaining a robust economy in our country. In my home state of Maryland, hundreds of thousands of commuters travel by rail every year to their jobs and back home to their families. Our railways help to reduce sprawl and encourage smart growth and provide an environmentally sound way to travel another train on the track can mean one less interstate back-up.

"That's why I support funding Amtrak at its full authorization of $955 million. I'm aware that the 100 percent scoring provision in the Administration's transportation budget request will provide Amtrak $521 million up front so that their shops will continue to run and their infrastructure projects will move ahead without interruption.

"Investing in high-speed rail is also an important step in meeting the needs of our nation's transportation infrastructure. That's why I strongly support the High Speed Rail Investment Act (S. 250), sponsored by Senators Biden and Hutchison. The High Speed Rail Investment Act is a bipartisan proposal that provides the investment we need to sustain and improve railway infrastructure and to ensure that rail remains a safe and viable alternative for travel. Last year I rode Amtrak's new high speed train, the Acela Express, and it was fabulous. I believe this service can be a model for the other designated high speed rail corridors throughout the country."

Senator MURRAY. Ms. Garvey, I just have a couple more questions, and then we will move to our Amtrak panel, unless someone else has a question for you.

Ms. GARVEY. Sure.

SAFETY INSPECTOR HIRING

Senator MURRAY. I wanted to ask you about your performance plan that sets important goals for improvement and the safety of airline operations. At the same time the FAA budget proposes a freeze on the number of FAA inspectors at 3,229, I am sure you remember the ValuJet crash and the task force that came out of that that concluded that FAA would require a minimum of 3,300 inspectors to ensure safety. We have been on a path to get there. And I am curious why you have not asked for continued funds for additional inspectors.

Ms. GARVEY. First of all, thank you Congress and this Committee. Last year with the supplemental, we were able to add another 170 inspectors, and that is very good. By the end of this year, we will be 70 under the ValuJet number that you referred to. We have a request in for 2003 that would bring inspector staffing up to the ValuJet numbers. Frankly, it is a question of just trying to balance so many issues and so many priorities, the increased traffic and keeping the air traffic control numbers where they need to be, the technician numbers where they need to be and the environmental streamlining specialists where they need to be.

SAFETY PERFORMANCE GOALS

Senator MURRAY. Are you fearful that it will undermine your safety performance goals?

Ms. GARVEY. We are working very hard to make sure we have the number of inspectors needed. You would always like more inspectors. I think we are certainly on the right track and grateful to the 170 number that we have been able to get with the supplemental last year.

COST ACCOUNTING SYSTEM SCHEDULE DELAY

Senator MURRAY. In February the IG delivered his first assessment of FAA's cost accounting system that was required by AIR–21. His report acknowledged that developing an effective cost accounting system is a significant undertaking and that FAA has made progress in several areas. I am concerned that his report stated the FAA is 4 years behind schedule, and there are certain activities, like labor costs, that cannot be accounted for with any degree of accuracy and reliability under your current system. Can you tell this committee why you are 4 years behind schedule?

Ms. GARVEY. First of all, we underestimated the length of time it was going to take. When the FAA first took this on several years ago, it was perhaps overly ambitious in setting out the timetable. I spent probably the first month that I was on the job meeting with a number of Chief Executive Officers (CEOs). One of the first questions I asked each one of them was how long did it take you to put a cost accounting system in place? Most said it took about 5 years. I remember Bob Crandall saying to me, "You have not budgeted enough time." So I think it is probably much more complex than we thought. We are going to make the 2002 timetable that we have set for ourselves. In fact, we moved the schedule up a little bit after the IG's report. They will be issuing another report this summer. We are working closely with them on our labor distribution system. That is really the critical piece for cost accounting. And I think we have a good system in place.

I met with the IG staff yesterday, as a matter of fact, on that and heard very encouraging comments. This is a very ambitious undertaking, and particularly to meet the 2002 timetable. In the air traffic organization we are currently collecting the costs for the en route centers, terminals, and for the flight service stations. We are on our way.

Senator MURRAY. I appreciate that comment. And at some point, not today, but at some point, I would like to talk to you about air traffic control. I know Boeing has a proposal out.

Ms. GARVEY. I would enjoy that.

Senator MURRAY. I would love to have a conversation with you about that and what the FAA's initial impressions are. But because we are on a short time frame and need to get to Amtrak, unless any other members have any other additional questions for Ms. Garvey? Seeing none, we will be happy to submit any questions that anybody has for the record. And thank you very much, Ms. Garvey.

Ms. GARVEY. Thank you very much.

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

STATEMENT OF GEORGE D. WARRINGTON, PRESIDENT AND CEO

Senator MURRAY. Mr. Warrington, thank you for joining us today. Proceed with your statement.

Mr. WARRINGTON. Thank you, Madam Chairwoman, for the opportunity to appear before the committee. I want to use my very brief time here to cover three critical issues, all of which have been raised earlier.

Number one, our progress toward operational self-sufficiency; number two, our capital funding request for 2002 and beyond; and in many ways, frankly, most critically, the need for Amtrak's mission to be clearly defined so that passenger rail really can play a relevant role in helping to address what is a national transportation crisis.

First concerning operational self-sufficiency, let me state that we are working very, very hard and remain entirely focused on our mandate to become operationally self-sufficient in accordance with the definition laid out to us by Congress. While the mandate is very challenging, and even many of our supporters of intercity rail service have their doubts about whether it can be met, we have in fact made progress.

And I believe, that we will make that test in 2003. The real question, I think, is what the company looks like at that point in time and what it looks like beyond that.

For the most recent 3 years, we reduced our Federal support for operations from $318 million in fiscal 1999 to $184 million last year and $59 million this year. It has been a challenge, particularly in light of delays in the delivery of Acela Express and the consequent $300 million cost to Amtrak over a full 2½-year period.

And as I have said previously, frankly, the old Amtrak in the old days would have probably come back to Congress hat in hand and asked for a bailout to deal with that kind of uncontrollable adversity. And that is not my management style. That is not what we have been challenged with here to do, to come back to the Congress for bailouts.

Instead, a year ago in our business plan we chose to solve that anticipated revenue loss during the limited life our business plan between now and 2003 as a private sector business would do, which is use our own assets and our resources to leverage a facility like Penn Station in New York to provide us with the opportunity to offset that loss and assure that we stay on that glide path, rather than come back to the United States Congress and once again be abused for asking for a bailout.

But I will tell you that we have done much more to address the mandate for operating self-sufficiency within the company. First, we made significant service improvements to our guests. We are very proud of the Acela Express service that we are now running and equally proud of introducing the only customer service satisfaction guarantee offered by a national carrier on any mode across this Nation. As a result, we have had 4 years of ridership and revenue increases, and we will set a new record this year.

On the expense side, and there has been much discussion about expenses, I will tell you we are fixated in this company, I am personally and the entire operation is fixated, on cutting costs and cutting costs responsibly. Our business plan right now calls for an average of $270 million of cost reductions over the next 4 years. They are real, they are tangible, and we are sharing them regularly with the Inspector General, who has been very carefully reviewing all of our business plan assumptions on the revenue and the expense side.

Many of them are challenges. I understand that. But I will tell you that we are fixated on getting there and getting to the congressionally mandated definition of operating self-sufficiency in 2003.

Senator BENNETT. Could I just interrupt? You said $270 million over the next 4 years. Your testimony says $270 million a year.

Mr. WARRINGTON. On average. On average.

Senator BENNETT. It is $270 million a year?

Mr. WARRINGTON. On average, yes, sir.

Senator BENNETT. So you are talking $1 billion over the next 4 years.

Mr. WARRINGTON. Yes. Correct.

Senator BENNETT. I wanted to be sure you——

Mr. WARRINGTON. That is correct. That is correct. And I will tell you, Senator, most of those actions are well underway and have been underway for the past 12 to 18 months.

I will also at the same time tell you that cost increases in other areas were fully anticipated as well in our business plan, which reflect in large part the startup costs associated with initiation of our Acela Express service in the Northeast corridor, the ramp-up internally of our own mail and express business as a business line, which has expenses attached to it, and conscious investments that we made, I made, to significantly improve our service standards across this system to have an attractive product in the marketplace.

These investments clearly will also bring improvements to the bottom line over the next number of years, and they have been factored into our multi-year business plan. This year, we will use $59 million of our $521 million Federal grant to support our national operation, $59 million in a $3 billion operation of Federal money, to support our day-to-day train operations.

Our plan calls for that number next year to be $40 million and the following year, in accordance with the congressional definition of self-sufficiency, that number will be zero. At that point, we will have met that test. Our ability to maintain that test, I will tell you, does depend upon—and we have been very clear about this for years literally going back 20 or 30 years—will require ongoing appropriations or funding of some sort with respect to capital.

The railroad business in this country and in the western world is the most capital intensive business in the world in many respects. And you cannot do it successfully without capital investment in infrastructure, in technology, and in equipment. And you cannot generate that through the fare box. No one does it in the world. Nobody does.

With respect to fiscal year 2002, Amtrak is authorized to receive $955 million and has officially requested that level of funding. However, we have also indicated that the President's budget of $521, if provided at 100 percent outlay rate, would meet our needs in fiscal 2002.

While today's hearing is a forum to consider Amtrak's appropriation for 2002, I would also like to use this opportunity to raise, in many respects as you have raised, Senator Shelby, an important set of issues that the Congress really does need to address and I think that we have all fundamentally sidestepped for 30 years, which takes us beyond the short-term construct of operational self-sufficiency.

Under the law that created us, we are to serve a national system. Yet in the absence of consensus about what that national system should be, we have, I have, maintained a very fragile network of long distance services by, in large measure, cross-subsidizing those services with other profitable train services or other commercial revenue streams. And all of this is in the context of insufficient capital investment in the most successful and most profitable services to make them more successful and more profitable.

I have spoken recently about the mission conflict that Amtrak has faced for its 30-year history, being expected to perform like a business and at the same time serve community leads like a public service. Believe it or not, over the last couple of years with the self-sufficiency mandate clearly articulated in front of us, we have actually been managing to go in both directions at once or simultaneously.

We have committed to achieving operational self-sufficiency, and that is my responsibility, while at the same time serving a national network. It has two very important consequences that I would really like to make very, very clear here this morning, because they are fundamental.

One, it will always, always, leave Amtrak with losses in a classic commercial sense after accounting for its ample unfunded capital depreciation. Two, it requires internal cost subsidies from commercial revenues and profitable train services.

What is really needed is public consensus around the shape of the national network, the extent to which that network does include unprofitable services that the government is either prepared to subsidize or the extent to which Amtrak should internally cross subsidize this service. And whatever that network is, the proper alignment of that network with a commitment of capital investment necessary not just to sustain it, but to grow it to be a very successful level of service that we can all, frankly, be proud of.

I think that today within the context of a transportation congestion crisis, which, frankly, we are only seeing the tip of the iceberg today, I would encourage a frank discussion about the appropriate role for intercity rail service in the mix of solutions and the appropriate level of Federal funding to support it.

Madam Chairwoman and members of the subcommittee, this is a national debate and national decision we should have as soon as possible, not only for the good of the country, but I think in many respects for our collective sanity. We already have taken an important step to begin this discussion.

In consultation with the States, we have developed a 20-year capital year investment plan for intercity service, which would increase the safety and reliability of that network, and improve trip times with higher speed services.

It can be accomplished by increasing the Federal capital investment in intercity rail from 1 percent to about 2.5 percent of the annual Federal transportation budget or about $1.5 billion a year.

In closing, we have worked very hard to meet the difficult and somewhat conflicting policy objectives Congress has given us, which, Mr. Shelby, actually has resulted in a business model which is very, very difficult to sustain given the constraints that we are all working within.

I sincerely look forward to working with you and others to have an honest policy discussion about what services America wants from its passenger rail system and what it is prepared to pay for. Amtrak, as it has done with its 20-year capital plan, we can actively participate and help inform those decisions in a national policy discussion. What really is in the national interest? And what is America prepared to pay for?

Thank you, Madam Chairwoman.

Senator MURRAY. Thank you, Mr. Warrington.

Senator MIKULSKI. Madam Chair, regrettably, I have a must-attend meeting at noon. I just would like to put my statement in the record so I can really work with you on the funding, the scoring. And also, I think we have to come to grips. Are they a public service and we treat them like a deregulated utility, hopefully with better results, or are they a business?

And I think really in the next 18 months we are going to have to either—I think we are going to have some very critical decisions. But I look forward to working with you and also with you, Mr. Warrington. I think you are really trying your best, and I appreciate your public service.

Mr. WARRINGTON. Thank you, Ms. Mikulski.

Senator MURRAY. Thank you, Senator Mikulski.

Mr. Warrington, Amtrak recently completed a transaction that essentially mortgaged much of the Penn Station New York concourse. Your chief financial officer stated that the $300 million loan was necessary due to the late delivery of the new Acela Express high-speed train sets. I understand that this funding was needed just to cover operating expenses through the end of the year. It was not used for capital investment.

What are you going to do, if delivery of your Acela train sets is delayed any further?

Mr. WARRINGTON. That transaction, as I said in my testimony, I had two choices, we had two choices, about 12 or 18 months ago. We could come back and say we are going to be off plan by about $300 million because of the delays in the delivery of the train sets or we use our assets to generate income, as a one-time transaction.

I will tell you that we have now received 10 of the 20 train sets. And the balance of the train sets—in fact, 18 of the train sets will be in our hands in September, early October, and the final two train sets clearly before the end of the year. So all of the train sets, as well as high horsepower locomotives that are necessary to run our full level of service we will have in hand and fully operational before the end of the year, and most of it in the fall.

Senator MURRAY. You do not expect further delays?

Mr. WARRINGTON. No, I do not.

Senator MURRAY. Are you looking at any other assets that you could collateralize if Acela is delayed any further?

Mr. WARRINGTON. No. We really do not have lots of other assets that we would or could collateralize. I mean, we have a handful of minor transactions relating to development projects that are in process, but they are relatively minor. No, the answer is no.

Senator MURRAY. Mr. Warrington, your Penn Station transaction has raised a lot of concern on the part of many people regarding the financial health of your company. So I want to ask this question as directly as I can, and I would really like a very direct answer. If we fund the administration's request for $521 million for the coming year, as the House bill did, is Amtrak at any risk of going bankrupt at any time between now and the end of 2002?

Mr. WARRINGTON. No.

Senator MURRAY. None.

Mr. WARRINGTON. No.

Senator MURRAY. If you do end up in bankruptcy during this period, what will be the principal reason for your company going into bankruptcy?

Mr. WARRINGTON. As a practical matter, uncontrollable events that we cannot foresee today. But I have enough confidence in both our business plan, our revenue forecasts, and our expense management program that will enable us to get where we need to get to by the close of 2002. I am very confident about that.

Senator MURRAY. I appreciate that response. One more question and then I will turn it over to Senator Shelby.

In your past, Amtrak has been able to allocate a significant portion of its operating expenses to the capital program, including labor for employees working on capital projects. This year, however, Amtrak has severely reduced its capital program because of the funding constraints. To what extent will this reduced program translate into higher operating expenses in 2001 and 2002?

Mr. WARRINGTON. That is a good question. You know, one of the consequences of our capital program—well, let me back up for a second. You know, we received $2 billion through the Taxpayer Relief Act almost 4 years ago, and we have invested that capital wisely. It is in large measure why we have been able to reduce much of our cost and reduce the amount of Federal requirement for operations.

One of the consequences of the TRA being entirely spent down at the end of this year is that we are out of capital completely, which is why the $521 million scored at 100 percent is so important. It is not about coverage of operations. It is about sustaining a capital investment program, number one.

Number two, this year our capital program totals about $475 million. Last year our capital program totaled about $870 million. One of the consequences of a capital program this year that is one-half the size of last year's program is that much of our shop-related overheads—we have three significant maintenance shops, for example, in Wilmington, Delaware, Bear, Delaware, and Beach Grove, Indiana.

Those shops undertake all capital-related equipment overhauls on a regular 4-year cycle. Some of it is required work; some of it is work that we choose to do ourselves.

One of the consequences this year of a halving of our capital program, because we are running to the end of that TRA money, is that we have absorbed in this year's budget, operating budget, $40 million worth of previously capitalized overhead associated with continuing to run those shops.

Senator MURRAY. Labor costs? Are you talking about labor costs?

Mr. WARRINGTON. No. It is principally overhead costs associated with the shop. Some of it is materials. Some of it is utilities. It is the general overhead structure associated with the running of those shops with one-half the capital program that we have today.

Senator MURRAY. Some people are saying that the costs have been the result of agreements with labor. Has that been an issue?

Mr. WARRINGTON. I will tell you, I know there has been quite a bit of discussion about that. Let me just be frank about that. The last collective bargaining agreement that Amtrak entered into just preceded my coming to this position. And subsequent to that initial agreement, a number of other agreements were nailed down. That agreement called for wages that were about 90 percent of what the freight wages were, or 10 percent less, and it called for 20-percent offsets through productivity savings.

I will tell you that all of that plus on the productivity side has been secured. And the value is between $50 million and $60 million. I can share with you those details.

[The information follows:]

EXAMPLES OF MAJOR PRODUCTIVITY IMPROVEMENTS FROM LABOR AGREEMENT CHANGES

BLE Crew Consist Improvement

Increased threshold for 2nd passenger Engineer in locomotive from 4 to 6 hours.

Amtrak has eliminated 81 positions to date at annual savings of $6.9M/yr.

UTU Crew Consist Improvement

Provided for elimination of 2nd Assistant Conductor on Long Haul Trains (7 or more revenue cars, 1 or more of which is a sleeper).

Projected elimination of 122 full time equivalent positions through attrition with guaranteed savings of about $6.1M through fiscal year 2000.

Out-year annual savings target of over $6.3M.

TCU Rules Changes for RSOs

Increase facility part time amount from 35 percent to 50 percent of the RSO work force, with an extra 100 agents at the Riverside facility (until the new Philadelphia facility was opened).

Upgrade part time employees to full time status without full time benefits for up to 90 days a year.

2 years at the 75 percent entry rate.

Actions result in annualized savings at $1.3 M.

TCU Commissary Closing

Permitted transition of commissary operations to outside vendor—Dobbs.

Estimated annual labor savings of $5–$7M.

Special Shop Craft Agreements to Cover New Equipment/Technology (High Speed Rail and TALGO) and New Partnerships (Sound Transit)

Team based work concept permitting more flexibility in assigning employees to a greater range of work.

Employee lock-ins in recognition of training investment.

Employee qualification maintenance. requirements/standards implemented

For Sound Transit partners, greater use of part time coach cleaners, and commingled work force for Sound Transit and Amtrak Intercity train service.

Based on initial vendor estimates for High Speed Rail, 10 percent fewer employees will be required.

Other Rules to Improve Flexibility to Assign Employees to Work Needs

BMWE—Rules permitting establishment of gangs to move between bridge projects without reposting positions to maintain gang cohesiveness and improve bridge rebuilding productivity. Savings of over $2M through fiscal year 2000.

BRS—Starting Time Rule modifications to permit construction and signal test work to be performed at times to accommodate operational needs and at the straight time rate. Savings of over $1.7M through fiscal year 2000.

AFRP—Civilianization of the radio desk. Savings of over $650,000 through fiscal year 2000 and freeing up 13 fully commissioned police officers for patrol duty.

Bottom Line

With these and other work rule and wage changes, labor agreed to significant improvements valued at $52M through fiscal year 2000.

Plus accepted a lower wage package at 90 percent of new wages applicable on freight railroads, which resulted in continued lower rates of pay compared to heavy rail commuter operations (table attached).

LABOR RELATIONS ASSOCIATION OF PASSENGER RAILROADS—TOP WAGES FOR SELECTED CLASSIFICATIONS

[In dollars]

Job Classification		Commuter Railroads					
	AMTRAK [1]	LIRR	METRO-NORTH	PATH	NJT	SEPTA	METRA
LOCOMOTIVE TECHNICIAN (electrical)	21.60	N/A	N/A	29.69	20.39	22.16	21.68
ELECTRICIAN (equipment maintenance)	18.81	24.99	21.49	28.01	19.61	21.25	21.92
CARMAN (inspector)	18.81	25.75	23.14	28.01	19.97	21.35	21.68
LABORER/UTILITY WORKER (mechanical facility)	15.75	19.47	18.51	N/A	16.91	19.25	18.17
TRACKMAN	16.18	22.65	19.85	21.31	16.95	19.25	18.48
TRACK EQUIP. OPERATOR (on-track, single function equip.)	17.60	25.42	21.45	26.47	19.27	20.32	20.86
TRACK EQUIP. OPERATOR (on-track, more than two function equip.)	18.68	25.42	23.91	26.47	19.91	21.22	21.49
TRACK FOREMAN	19.26	31.69	22.43	32.82	20.30	(2)	21.49
B&B MECHANIC	17.87	24.99	23.53	25.43	19.26	21.22	20.04
B&B FOREMAN	19.94	31.69	24.77	32.82	21.00	(2)	21.49
SIGNAL MAINTAINER	20.13	26.14	24.56	26.48	20.14	22.96	21.82
DATA ENTRY CLERK	17.38	21.73	20.63	21.35	17.13	16.24	19.15
SECRETARY	17.87	23.22	21.09	(2)	N/A	(2)	17.20
TRAIN DISPATCHER	[3] 25.44	36.44	31.02	31.14	25.09	(2)	27.59
TRACK SUPERVISOR	23.35	39.38	28.07	(2)	24.08	N/A	(2)
MECHANICAL FOREMAN	21.73	31.69	23.11	32.82	21.98	(2)	26.03
SIGNAL SUPERVISOR	27.02	N/A	25.77	(2)	24.08	N/A	(2)
CONDUCTOR	22.71	29.05	28.02	25.01	21.86	20.03	22.03
LOCOMOTIVE ENGINEER	27.03	29.05	30.96	27.74	24.86	21.85	22.92
PATROLMAN	[2] 18.52	[5] N/A	[5] N/A	30.97	23.09	19.23	22.41

[1] Includes 0.38/hr COLA (July 1, 2001).
[2] EXEMPT positions.
[3] Hourly equivalent of monthly rate.
[4] Does not include 10 percent Hazardous Duty differential for work performed between 3PM and 7AM.
[5] Effective 1/1/98, LIRR Police consolidated with Metro-North Police to become the MTA Police. All rates are handled by MTA.
Note.—Negotiations in various stages depending on craft and commuter property.

And frankly, our wage rates are in many respects below market. You know, we have employees—I will give you one example in New York—dispatchers, who sit literally next to Long Island Railroad dispatchers. And our employees make $10 an hour less than Long Island Railroad dispatchers. While the difference is not that extreme among the other crafts, in most of the other crafts our actual wage rates are at or below what the market is for those crafts.

Senator MURRAY. Thank you, Mr. Warrington.

Senator Shelby.

Senator SHELBY. Mr. Warrington, as I understand it, an operating ratio is a numerical statement of the dollars spent by every dollar of revenue earned. In order for a business to at least break even, the operating ratio would need to be 1.0. In other words, it costs $1 to earn $1. In order for a business to earn a profit, the operating ratio must be less than 1.0.

Based on revenue and expense figures reported in prior annual reports by Amtrak. My understanding is that Amtrak's basic operating ratios, excluding depreciation, over the past 3 years are: in fiscal year 1998, Amtrak spent $1.03 for every $1 in revenue it earned. In 1999, Amtrak spent $1.16 for every $1 in revenue it earned. And in fiscal 2000 Amtrak spent $1.19 for every $1 in revenue it earned.

Based on these operating ratios, it seems that Amtrak's so-called glide path is going in the opposite direction than we were hoping and have been led to believe. Can you reconcile these seemingly contradictory pictures of Amtrak's performance?

Mr. WARRINGTON. Yes. There are a couple of things going on there moving in different directions. Number one, as I said in my testimony, we did, during that period of about 18 to 24 months, make conscious investments in——

Senator SHELBY. Capital?

Mr. WARRINGTON. No. I mean operating investments. We did make conscious operating investments in ramping up our mail and express business.

Senator SHELBY. Okay.

Mr. WARRINGTON. There was a significant ramp-up in our investments associated with the launch of the Acela high-speed service. So we did make conscious efforts to invest. And they all pay off over time, number one. At the same time, because of the losses associated with the late delivery of Acela, there is $300 million of value there that we are not able to reflect in those numbers.

So, you know, if every piece of the plan had come together, those numbers would be clearly going in the other direction. But there are some uncontrollables that I could not get my arm around.

Senator SHELBY. Mr. Warrington, a lot of people, including yourself, spend a lot of time trying to convince us that Amtrak is underfunded by the Federal Government. By comparing Amtrak's annual subsidies to grants for highways—as Senator Biden did—and airports, both of which—I would note, are funded by user fees in the form of gas taxes.

Prior testimony you have submitted to Congress states that combined highways and aviation have received nearly 70 times the amount provided to Amtrak. I am not arguing with that point.

Well, the statistics I have seen indicate less than three-tenths of 1 percent of intercity travel across all modes is carried by Amtrak. If less than one percent of the traveling public utilizes Amtrak, why should Amtrak receive a proportionately greater share of Federal assistance? That is one of the arguments.

Mr. WARRINGTON. I understand. Let me try to answer that a couple ways. Okay? I will tell you that the lack of capital and the lack of real high-speed service in this country makes a stagnant market share sort of a self-fulfilling prophecy.

Senator SHELBY. It goes back to the basic architectural plan that we talked about earlier.

Mr. WARRINGTON. Part of it does. Part of it does. I think part of it does. But also, in places where we have high-speed service, reliable service very attractive service, we have extraordinary market share. I will give you an example.

In the Northeast corridor or in the Cascades corridor in the Pacific Northwest, we have a 50-percent air-rail market share to end points. And we have a 70-percent air-rail market share to all points, including intermediate points. It is a reflection of the nature of the service that we are running.

The other important thing to put that fact in the context of, Senator, I think, is that, you know, we often get stacked up against the aviation industry as an industry. Now there were 900-plus million domestic trips on all carriers in America last year.

When you stack Amtrak nationally up against the top 21 air carriers in this Nation that carried those 953 million, I think, trips, Amtrak actually rates as an individual carrier eighth or ninth with about a 4.6- to 5-percent share of all air-rail travel that goes on in this country. As a matter of fact, we stack up as an individual carrier right behind TWA and just ahead of America West.

So when it is put in that context, we have a reasonable share of market. I think the challenge is, do we want to focus our capital in places that are going to enable us to really grow that market share and bump up against a carrier like Continental that is right ahead of TWA?

Senator SHELBY. What are the worst 20 performing routes? And if you do not know them offhand, would you provide it for the record? Just name a few.

Mr. WARRINGTON. Yes. We have a list of all of our routes with depreciation, without depreciation, all in, all out. We slice it lots of different ways. There are clearly a number of trains, primarily long-distance trains, that today do not make money. And by make money, I mean contribute to their out-of-pocket costs. Okay?

There are a number of long-distance trains that fully cover their out-of-pocket costs but do not cover all of the overhead that will be allocated to them. I will provide you with that list. I will tell you generally we have been—and it has been slower than we like because of some uncontrollables.

But generally, we have been reducing the losses on all of those trains. And it has been through a combination of cost reduction, as well as increasing revenues associated with segments of those trains, including through the mail and express business on the tail end of many of those trains.

Senator SHELBY. Would you furnish for the record what percentage of Amtrak routes lose more than $50 per passenger——

Mr. WARRINGTON. Sure.

Senator SHELBY [continuing]. What percentage of Amtrak routes lose more than $100 per passenger, and graduate it on up to, I guess, the worst case scenario?

Mr. WARRINGTON. Yes.

Senator SHELBY. Would you do that?

Mr. WARRINGTON. Yes.

Senator SHELBY. And what is the range of subsidy per passenger by routes? Can you furnish that for the record?

Mr. WARRINGTON. I will do that. I will send that to you. And there is a very wide range.

[The information follows:]

At the June 28, 2001 Senate Transportation Appropriations Subcommittee Hearing, Senator Richard Shelby (R-AL) asked George Warrington for a list of Amtrak's 20 worst performing routes, the percentage of Amtrak routes that lose more than $50 per passenger, the percentage of Amtrak routes that lose more than $100 per passenger and the range of subsidy per passenger by routes. Attached is a chart of all of Amtrak's routes (including the 20 worst performing routes), which provides information addressing all of these questions.

Amtrak, like every other transportation provider, operates services that are both profitable and unprofitable. In addition, Amtrak is more than simply a provider of intercity passenger rail service. As a company, we have several other profitable lines of business, which include commercial development, reimbursable work for other railroads, and contracts to operate commuter service around the nation. As a result, Amtrak generates over $2 billion worth of revenue each year, and these funds are used to cross-subsidize lesser performing trains. We do this because under our Congressional mandate we are required to operate a national system, and as such there will be both profitable and unprofitable services. This is a message that I have raised repeatedly in my testimony before Congress and in my May 24th speech to the National Press Club.

Amtrak has a conflicted mission—on the one hand, we are required to operate a national system of intercity rail passenger services that includes a large number of unprofitable trains. As a result, we are criticized for the amount of money it costs to provide this service even though it is our mandate. As I have stated in my testimony, we can provide these services and can develop corridors that will help extend market reach, increase revenue, and perhaps lessen the impact on our bottom line of these poorer performing services. However, we should not be mandated to operate a national system and then be criticized when some of those services do not come close to profitability.

Perhaps a better way of viewing the per-passenger loss on our services would be to determine that cost after subtracting the costs to cover mandatory railroad retirement as well as the amount of operating funds we use for our appropriations. In fiscal year 2001, we received $521 million of funding through the appropriations process, of which $243 million was used to cover these two costs ($184 million for railroad retirement and $59 million for operating funds). Next year, we only expect to use about $40 million of our appropriations to cover operating costs. When you isolate the per-passenger loss based solely on the operating support given to us by Congress, then the cost per rider is about $9.80 in fiscal year 2001 and $8.60 in fiscal year 2002. When you extract the amount of money we pay in operating costs to cover mandatory railroad retirement, then the number actually drops in fiscal year 2001 to $2.40 per passenger and in fiscal year 2002 to $1.50. This is a more realistic assessment of how much Congress actually appropriates for operating support, which goes to cover the loss on a per-passenger basis.

FINANCIAL PERFORMANCE OF AMTRAK ROUTES, EXCLUDING DEPRECIATION—FISCAL YEAR 2000 VS FISCAL YEAR 1999

[In millions]

Description	Fiscal year 2000			Fiscal year 1999			
	Profit/(loss) (in millions)	Riders (in thousands)	Profit/(loss) per rider (in dollars)	Profit/(loss) (in millions)	Riders (in thousands)	Profit/(loss) per rider (in dollars)	Change in Profit/ (Loss) per rider
Amrak Intercity SBU:							
Route 29 Heartland Flyer	1.0	65.5	14.96	1.0	26.8	35.81	(20.85)
Route 66 Carolinian	0.3	241.6	1.21	(1.2)	231.9	(5.12)	6.33
Route 63 Auto Train	(3.4)	233.9	(14.65)	(2.1)	237.2	(8.92)	(5.73)
Route 56 Kansas City-St.Louis	(1.2)	175.7	(6.94)	(1.6)	175.1	(9.34)	2.40
Route 23 Illini	(1.1)	107.7	(10.13)	(1.8)	100.1	(17.84)	7.71
Route 67 Piedmont	(0.8)	55.0	(13.68)	(0.4)	53.3	(7.80)	(5.88)
Route 24 Illinois Zephyr	(1.7)	103.0	(16.33)	(2.6)	94.2	(27.44)	11.11
Route 19 Silver Meteor	(14.8)	254.9	(58.21)	(15.6)	249.4	(62.40)	4.19
Route 28 Southwest Chief	(41.4)	268.3	(154.37)	(42.8)	285.5	(149.86)	(4.51)
Route 25 Empire Builder	(40.2)	433.4	(92.66)	(39.4)	434.9	(90.65)	(2.00)
Route 21 Hiawathas	(9.2)	429.4	(21.53)	(9.4)	413.0	(22.68)	1.14
Route 41 International	(3.8)	108.3	(34.67)	(4.0)	114.3	(34.79)	.12
Route 16 Silver Star	(22.6)	270.4	(83.72)	(22.9)	259.0	(88.22)	4.50
Route 48 Silver Palm	(20.6)	218.7	(94.41)	(19.3)	227.4	(85.00)	(9.41)
Route 65 Pere Marquette	(2.2)	64.8	(34.59)	(2.8)	69.9	(40.46)	5.86
Route 27 California Zephyr	(45.0)	382.9	(117.61)	(50.6)	407.6	(124.21)	6.60
Route 17 Three Rivers	(24.0)	135.0	(177.74)	(18.1)	127.6	(142.04)	(35.70)
Route 52 Crescent	(28.9)	267.9	(107.90)	(27.1)	264.1	(102.73)	(5.17)
Route 45 Lake Shore Limited	(31.8)	303.0	(104.97)	(25.1)	320.9	(78.18)	(26.79)
Route 20 Chicago-St.Louis	(11.9)	276.4	(43.06)	(12.5)	265.8	(47.13)	4.06
Route 26 Capitol Limited	(20.8)	146.1	(142.45)	(18.2)	158.2	(114.87)	(27.58)
Route 32 Texas Eagle	(30.4)	145.1	(209.29)	(28.8)	111.0	(259.45)	50.15
Route 57 Pennsylvanian	(17.8)	93.3	(109.82)	(12.3)	95.8	(127.93)	(62.89)
Route 22 Chicago-Pontiac	(17.2)	320.4	(53.53)	(18.5)	343.5	(53.78)	.25
Route 33 Sunset Limited	(34.1)	114.4	(297.98)	(31.6)	113.6	(278.28)	(19.70)
Route 30 City of New Orleans	(28.3)	200.8	(141.04)	(21.7)	192.5	(112.53)	(28.51)
Route 18 Cardinal	(12.5)	75.3	(165.65)	(10.2)	80.0	(127.40)	(38.25)
Route 54 Kentucky Cardinal	(4.7)	25.9	(180.09)	N/A	N/A	N/A	N/A
Route 31 Lake Country Limited	(1.6)	2.9	(544.34)	N/A	N/A	N/A	N/A
Intercity Special Trains	1.6	27.4	59.15	2.5	24.5	102.65	(43.50)
Total Amtrak Intercity	(470.1)	5,547.6	(84.74)	(439.7)	5,489.5	(80.09)	(4.64)
NEC SBU:							
Route 01 Metroliner	75.8	2,408.2	31.46	62.8	2,240.6	28.04	3.42
Route 04 Vermonter	(0.2)	79.5	(2.33)	(1.4)	80.0	(16.90)	14.57
Route 05 Northeast Direct	(66.3)	6,112.5	(10.85)	(73.3)	5,802.5	(12.64)	1.79
Keystone & Clocker Service (Rts 13, 14, & 42	(18.8)	2,768.7	(6.79)	(22.4)	2,671.2	(8.38)	1.59
Route 40 Adirondack	(2.8)	100.7	(27.69)	(4.3)	94.4	(45.02)	17.33
Route 15 Empire Service	(33.0)	1,320.5	(24.97)	(33.6)	1,263.3	(26.63)	1.67
Route 03 Ethan Allen Express	(2.3)	44.6	(52.26)	(3.1)	44.4	(68.99)	16.73
NEC Special Trains	.0	68.8	.59	.1	50.9	1.43	(0.84
Total Amtrak NEC SBU	(50.2)	12,903.5	(3.89)	(76.9)	12,247.3	(6.28)	2.39
Amtrak West SBU:							
Route 39 San Joaquins	(0.6)	676.1	(0.85)	(5.0)	674.9	(7.48)	6.62
Route 37 Capitols	(2.9)	767.8	(3.76)	(2.2)	543.6	(4.13)	.37
Route 36 Cascades	(4.7)	507.7	(9.24)	(5.0)	450.2	(11.06)	1.81
Route 35 Pacific Surfliner	(20.5)	1,577.9	(12.98)	(19.5)	1,540.2	(12.68)	(0.30
Route 34 Coast Starlight	(35.2)	502.1	(70.15)	(40.7)	505.0	(80.55)	10.40
West Special Trains	.9	34.3	25.53	.6	38.6	16.76	8.77
Total Amtrak West SBU	(64.0)	4,065.9	(15.73)	(73.2)	3,752.5	(19.50)	3.77

FINANCIAL PERFORMANCE OF AMTRAK ROUTES, EXCLUDING DEPRECIATION—FISCAL YEAR 2000 VS FISCAL YEAR 1999—Continued

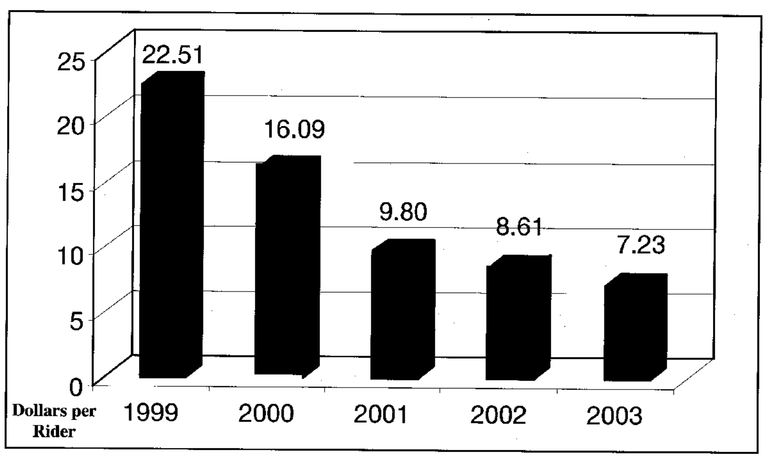
[In millions]

Description	Fiscal year 2000			Fiscal year 1999			Change in Profit/ (Loss) per rider
	Profit/(loss) (in millions)	Riders (in thousands)	Profit/(loss) per rider (in dollars)	Profit/(loss) (in millions)	Riders (in thousands)	Profit/(loss) per rider (in dollars)	
Total Amtrak Business Activities	(584.2)	22,516.9	(25.95)	(589.7)	21,489.3	(27.44)	1.50

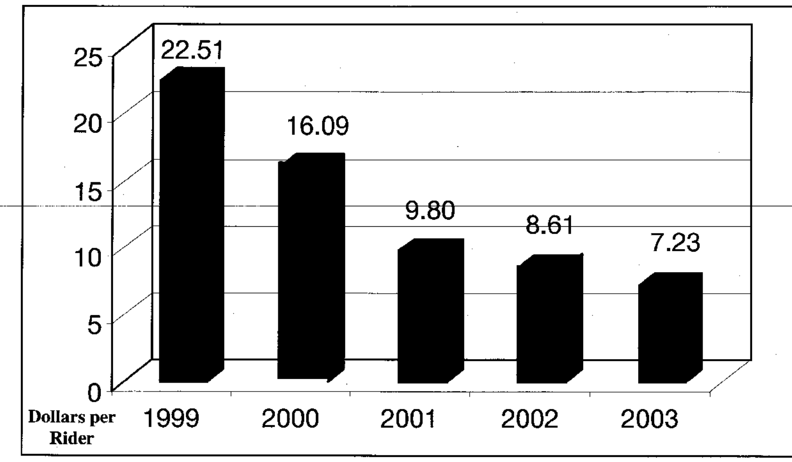
Note: Route-level data from Amtrak's Route Profitability System (RPS), adjusted to reflect allocation of contributions from non-route businesses Revenue excludes Federal and State capital payments and interest earned on Federal payments Excludes the gain on sale leasbacks. Fiscal year 2000 route data is not perfectly comparable to prior years due to improvements made to RPS during fiscal year 2000. Fiscal year 1999 and fiscal year 2002 Total Amtrak Business Activities data reflects post-audit adjustments as recorded in FIS. In March of 2001, Amtrak announced the Lake Country Limited would run 1 day per week for 180 days, and be discontinued on 9/22/01.

Federal Operating Support per Rider

FY1999 to FY2003



Federal Operating Support per Rider
FY1999 to FY2003



Senator SHELBY. Is the least subsidized route, in other words the most profitable, the East Coast route?

Mr. WARRINGTON. Our traditional Metroliner service and now our Acela Express service is a very profitable operation. In fact, not only does it cover all overheads, but it contributes to a large extent, from a cash point of view, to the support of the rest of the national system.

Senator SHELBY. Thank you.

Madam Chair.

Senator MURRAY. Senator Durbin?

Senator DURBIN. Thank you very much.

Mr. Warrington, thanks for joining us. And I have given your staff a letter inviting you to come out to Illinois. I hope you can.

Mr. WARRINGTON. I would love to do it as soon as possible, Senator.

Senator DURBIN. We have 30 Amtrak communities. We have Mayor Tom Carper, the same name as our Senator from Delaware, who is the head of the mayor's council for Amtrak, and Jim Coston, of course, from Chicago who is a member of the Amtrak Reform Council. We would love to have you come there.

Amtrak is very important to our State. And I am committed to it. And I believe you made an excellent point about the difference between operational subsidies and capital investment. I think we have to make this capital investment. I think we should. Those of us who deal with big city traffic congestion know there is just no way we can pave our way out of this mess. We have to come up with alternative transportation sources. And I would like to help you do that.

I would like to ask you two very quick questions that are just out of my curiosity, because I am an Amtrak passenger. I am noting an awful lot of freight cars in the back end of Amtrak trains now, pulling through Springfield, Illinois, and into Chicago and heading down south to St. Louis. What is in those cars? And are you making money at it?

Mr. WARRINGTON. Yes. I wish we were hauling more of them. We have been working with the freight railroads that would enable us have some more capacity to hold more of that business. We made a conscious decision about 3 years ago, as one of the methods to improve the economics of our long-distance network, to get in the mail and express business.

In fact, we have a separate business unit now devoted entirely to marketing and selling and hauling high-end, high-yield, time-sensitive products on the tail end of trains that have to leave on a regularly scheduled basis every day. This year it will end up being about a $140 million business with about a $35 million or $40 million net contribution. That will grow by 2003 to about a $60 million to $70 million net contribution.

The bulk, or the lion's share, of products in those cars is mail. The U.S. Postal Service is our largest customer. There are a handful of other products that are very time sensitive that we are also marketing and selling as well. We are working hard to do that in partnership with the freight railroads. I have committed that I will not compete for products at all with the freight railroad industry.

Senator DURBIN. Have you ever taken the Amtrak train from Union Station to catch a plane at Baltimore?

Mr. WARRINGTON. Very often.

Senator DURBIN. Have you ever noticed a difference in rate structure between MARC and Amtrak?

Mr. WARRINGTON. Yes.

Senator DURBIN. Did you notice that it costs about three or four times as much to travel Amtrak on the same track as it does to ride on the MARC train?

Mr. WARRINGTON. Yes. Let me—if that is in the form of a question, let me try and anticipate——

Senator DURBIN. It is a question.

Mr. WARRINGTON [continuing]. And deal with it.

Senator DURBIN. Well, I will just tell you, my wife and I stood there and waited for the MARC train. And the Amtrak came by, nobody got on, got off, because it costs four times as much to take the same trip.

Mr. WARRINGTON. Well, if it was a Metroliner, it probably was four times as much. If it was an Acela regional or what we used to call Northeast Direct, I am sure it was not quite four times as much. But, you know, it is a reflection of the marketplace. We are challenged to behave commercially. We are challenged to meet an operating self-sufficiency deadline.

And we have to charge what the market will bear. And there are as many folks who are concerned about our pricing on the Northeast corridor, there are just as many folks who believe that we should be pushing the envelope more on some of those Northeast corridor trains.

It is a function of what the market will bear, Senator. And——

Senator DURBIN. Let me just ask you: If your only competitive market is charging one-fourth of what you charge, how can you be competitive?

Mr. WARRINGTON. Well, the competition—it depends upon the train and it depends upon the destination. But the competition is the automobile, and the competition on many of those trains between Washington and New York is the air shuttle.

Senator DURBIN. I am not making my point clear. You get off the airplane at Baltimore. You go take the bus to the train. You have two choices, the MARC train to Union Station, the Amtrak train to Union Station.

Mr. WARRINGTON. Right.

Senator DURBIN. The Amtrak train costs four times as much. Why? You are not being competitive. I waited for the MARC train, and so did everybody else on that platform. I watched the Amtrak train come and go, empty. Nobody got on, got off. I will not dwell on it.

Mr. WARRINGTON. Let me try to answer that. I understand your question now. Let me answer it very simply. MARC trains, which we happen to run on a contract basis with MARC, with the State of Maryland——

Senator DURBIN. That is interesting.

Mr. WARRINGTON. We are the operator of all of the MARC trains, and they pay us to run those trains. And the answer is that those trains are very heavily subsidized, and the fare structures are artificially held down as a matter of public policy and in the public interest, because it matters to the State of Maryland and Governor Glendening.

Senator DURBIN. So it is a favor to the Governor.

Mr. WARRINGTON. Yes.

Senator DURBIN. Okay. My wife made me ask that question.

She likes Amtrak too, but she could not understand it either.

So when I went to France earlier this year and rode on the TGV at 180 miles an hour up in the cab with the engineer and saw us whizzing past all of the traffic on the highways. They basically told us: No one in Europe would consider taking anything other than a train for a journey of less than 300 miles. It just does not make any sense. And it does not.

We are a long way from that point. But I think that that is something we have to start exploring. We have a continuing battle of downstate airports, regional airports and service to O'Hare, because we just do not have an alternative. There is just no other alternative.

Do you support S. 250, the high-speed rail bill?

Mr. WARRINGTON. I support the high-speed rail bill like nothing else in the world.

Senator DURBIN. That is pretty clear.

Mr. WARRINGTON. And I want you to know that I and we deeply appreciate your support for that bill as well, Senator.

Senator DURBIN. Do you receive State subsidies from States other than Illinois?

Mr. WARRINGTON. Yes, we do. As a matter of fact, once again, in our drive to self-sufficiency, over the last 3 years we have increased the amount of State support cross this country for State supported trains from about $60 million a year to $120 million a year.

Senator DURBIN. Well, I hope that as we talk about high-speed rail, that it will not just be a northeastern idea. We tend to believe there are some great options in the Midwest involving St. Louis, Chicago, Detroit, Minneapolis, that we might put that together and try to get closer to this European model of giving people an alternative to regional air service.

Mr. WARRINGTON. Absolutely.

Senator DURBIN. I have some questions about your on-time performance and other things I will submit for the record.

Thank you, Madam Chair.

Senator MURRAY. Thank you, Senator Durbin.

Senator Bennett.

Senator BENNETT. Thank you.

Mr. Warrington, I am impressed with your testimony, and I appreciate your candor. And I agree most completely with your final point, which says that we need a full and open debate over what kind of a system we need. You may know this, but I have discovered there is no such thing as repetition in the United States Senate. Every statement is taken as if it is brand new.

In a way, I am one of the creators of Amtrak. I was at the Nixon administration when the idea was hatched by Paul Cherrington. I was the head of congressional liaison that sold it to the Congress. I know exactly what Senator Biden is talking about. He is dead now, so I can say it. When the first Amtrak route structure was created, the board of directors that went over it said clearly, "We cancel service through rural West Virginia."

The chairman of the House Commerce Committee was Harley Staggers, whose district was served by trains that went to a series of small colleges out in the rural area of West Virginia. Traditionally, college students and their parents went to school on those trains and because he was the chairman of the House Commerce Committee, we continued service to rural West Virginia when there was absolutely no justification for it. So what Senator Biden is talking about has a rich historical history.

It is time to shed that historical—that is a redundancy, a rich historical background. It is time to shed that background, move away from that history, and look at the realities. And the realities are that in some areas of this country high-speed rail is absolutely essential to the economy. It is worth subsidizing from the Federal Government. In some areas of the country, frankly including mine, high-speed rail makes no sense whatsoever.

We talk about mass transit. Senator Durbin talks about mass transit in Europe. The fundamental principle is that you have to have a mass that needs to be transited. The State of Utah has about 2 million people. That is less than live in Chicago by a far cry. The total usage of Amtrak in and out of Salt Lake City, which is the only stop, could be serviced by one airplane a day and it would have extra seats on it. It would have plenty of room.

To maintain the kind of costs you have to maintain to provide service that no mass is using is ridiculous. So you have put your finger on exactly what we need to do. We have to have an intelligent debate. We would be crazy as a society to eliminate rail traffic in the areas where there is high population density. If our population density were as great as Europe, we would have it all over the United States. But we are not Europe.

You see tourists that come to Utah from Europe, and they tell you we are not Europe. They look around and say, we are stunned, we had no conception of the size of this country. There is no place in Europe that approaches the wide open spaces of the American West.

So we need the debate you have called for. Put me down as one who will strongly support appropriations for Amtrak for capital and even in some circumstances for operating expenses, but as one that wants you, as the competent manager you have indicated you are, you have demonstrated by your testimony here today, to come to us without the Harley Staggers mode and say, these are the routes which we would drop, if we were running an intelligent business and did not have to worry about the Congress. And I think you will be surprised that the Congress will support you.

The only other comment that I would make, Madam Chairman, when I was at the Department of Transportation, I realized that in the United States 95 to 96 percent of intercity trips are by car. That is not true in Europe. I have tried renting a car in Europe and driving around, and I took it in early and got on the train, because the congestion is so enormous. There is absolutely nothing in Europe to compare with the wide open spaces in America.

And let us not talk about the European model. Let us not talk about the Japanese model. I have ridden the bullet train in Japan, and it is wonderful. But once again, there is nothing in Japan to compare with the spaces around America. And a train that runs from Denver to Salt Lake City, and I have done that in the days when there was one, and I have hated it, makes absolutely no sense.

So let us do what you are talking about. And put me down as one who will participate in it, and, when it is over and a rational system has been devised, one who will vote for the money to fund it, even if it means that there is no more service to Salt Lake City. Because in terms of the ridership, there is virtually no service to Salt Lake City now. Nobody takes it.

With that, I realize we have a vote. So thank you very much for your testimony.

Senator MURRAY. Thank you, Senator Bennett.

We do have a vote on. We just have a couple minutes left. I have a few other questions that I will submit to you. I did want to talk to you about the Amtrak Cascades line that runs from Vancouver, B.C., to the Seattle-Portland, Oregon corridor. It is doing fairly well.

I would love to have a chance to hear back from you on the ridership projections and what you see those as and whether or not you think the High-Speed Rail Investment Act is necessary to allow bonding to increase your capital budget.

That project you have been working with Washington State and Oregon and British Columbia, I know they have been good partners for you. I would like an opportunity at some point here to talk with you about that project and how we can make sure that that continues successfully.

I would also like to at some point talk to you about what is meant by operating self-sufficiency that we keep hearing around here and whether you think Congress has lived up to its side of the bargain and whether or not you think our definition is realistic and what our definition ought to be. I think that is going to be the debate over the next several months.

So unfortunately, we have run out of time. There is a vote. But I will get back to you on that.

CONCLUSION OF HEARINGS

And at this time, the subcommittee stands in recess until 10 a.m. on Thursday, July 12, when we will convene to mark up the Transportation appropriations bill for fiscal year 2002.

[Whereupon, at 12:20 p.m., Thursday, June 28, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2002

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

MATERIAL SUBMITTED BY AGENCIES NOT APPEARING FOR FORMAL HEARINGS

[CLERK'S NOTE.—The following agencies of the Department of Transportation and independent related agencies did not appear before the subcommittee this year. Chairman Shelby requested these agencies submit answers to questions submitted by the chairman follow:]

DEPARTMENT OF TRANSPORTATION

QUESTIONS SUBMITTED TO THE FEDERAL TRANSIT ADMINISTRATION

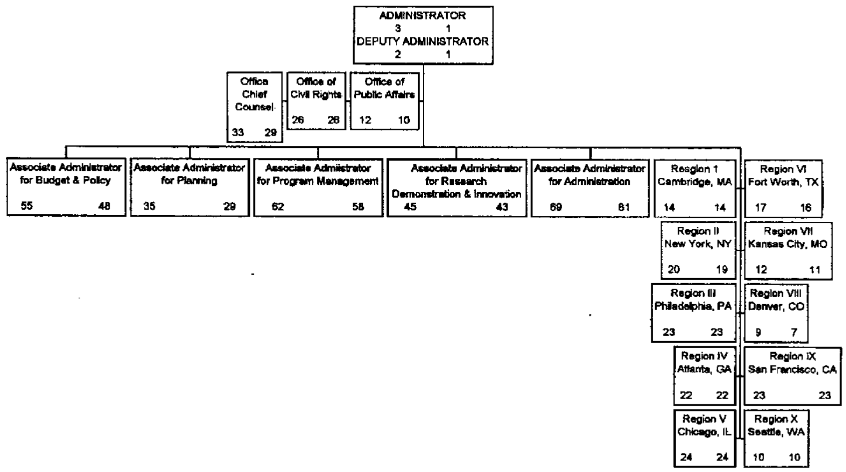
QUESTIONS SUBMITTED BY SENATOR RICHARD C. SHELBY

ADMINISTRATIVE EXPENSES

Question. Please prepare an organizational chart for the Federal Transit Administration, showing the office structure and regional office locations, the number of FTEs currently assigned to each office and position titles for each of those FTEs, and the number of vacancies in each office and position titles for each of those vacancies.

Answer. The following tables provide the current Federal Transit Administration organizational information requested:

FEDERAL TRANSIT ADMINISTRATION FY2001 Authorized and On-Board Positions



FEDERAL TRANSIT ADMINISTRATION

[Authorized Positions]

	No. FTE's assigned	Position title
Office of the Administrator	5	ADMINISTRATOR
		DEPUTY ADMINISTRATOR
		STAFF ASSISTANT
		EXECUTIVE ASSISTANT
		ADMINISTRATIVE COORD
Office of Administration	69	ASSOC ADM FOR ADMIN
		ADMIN STAFF ASSISTAN
		ADMIN SPEC
		PROGRAM ANALYST
		PROGRAM OFFICER
		SENIOR STAFF ADVISOR
		PROGRAM SUPPORT ASSISTANT
		SECRETARY (OA)
		MANAGEMENT ANALYST
		PERSONNEL ASSISTANT
		ADMINISTRATIVE ASSISTANT
		COMPUTER ANALYST
		LEAD SUP SERV SPEC
		OFC SERVICES SPEC
		MANAGEMENT ANALYST
		SUPPORT SVC ASST (OA
		MGMT ANALYSI OFFICER
		SUPPORT SERVICES SPE
		MANAGEMENT ANALYST
		MANAGEMENT ASSISTANT
		SENIOR MGMT ANALYST
		MANAGEMENT ANALYST
		SUPPORT SVC SPEC
		SUPPORT SERVICE SPEC
		SUPPORT SERV SPECIAL
		COMP SYS ANA

FEDERAL TRANSIT ADMINISTRATION—Continued

[Authorized Positions]

	No. FTE's assigned	Position title
		ADMIN MGMT ASSISTANT
		PROGRAM ANALYST
		COMPUTER SYS ANALYST
		COMPUTER SYS ANALYST
		PROGRAM ANALYST
		TELE NET SPEC
		SUPV COMPUTER SPEC
		COMPUTER SYS ANALYST
		COMPUTER SYS ANALYST
		COMP SPEC (WEB TECH)
		ADMINIS SPECIALIST
		TELECOMM. SPECIALIST
		STAFF ADVISOR
		PERSONNEL ASSISTANT
		PERSONNEL ASSISTANT
		SENIOR STAFF ADVISOR
		STAFF ADVISOR
		STAFF ADVISOR
		STAFF ADVISOR
		STAFF ADVISOR
		STAFF ADVISOR
Office of Administration		STAFF ADVISOR
		PERSONNEL ASST
		STAFF ADVISOR
		SENIOR STAFF ADVISOR
		INFORMATION MGMT SYS
		SUPV HUMAN RES OFFIC
		PROCUREMENT ANALYST
		SECRETARY (OA)
		ACQU SYS ANA
		SEN CONTRACT SPEC
		CONTRACT SPECIALIST
		SUPV PROG ANALYST
		SENIOR PROG ANAL T L
		SECRETARY (OA)
		PROGRAM ANALYST
		PROGRAM ANALYST
		CONTRACT SPECIALIST
		CONTRACT SPECIALIST
		CONTRACT SPECIALIST
		CONTRACT SPECIALIST
		CONTRACT SPECIALIST
		COMPUTER SYSTEMS ANALYST
Offic of Chief Counsel	33	ATTORNEY ADVISOR
		DEPUTY CHIEF COUNSEL
		ADMIN COORDINATOR
		ATTORNEY ADVISOR
		ATTORNEY ADVISOR
		CHIEF COUNSEL
		ATTORNEY ADVISOR
		SECRETARY (STENO)
		SECRETARY (OA)
		ATTORNEY-ADVISOR
		ASST CHIEF COUNSEL
		PARALEGAL SPECIALIST
		ATTORNEY-ADVISOR
		ATTORNEY ADV GENERAL
		SUPV ATTORNEY ADV
		ATTORNEY ADVISOR
		ATTORNEY-ADV (GENERA
		SENIOR ATTORN-ADVISO
		ATT ADV (GEN)

FEDERAL TRANSIT ADMINISTRATION—Continued

[Authorized Positions]

	No. FTE's assigned	Position title
		PARALEGAL SPEC
		ATTORNEY-ADVISOR
		PARALEGAL SPEC
		SUPV ATTORNEY ADVISO
		ATTORNEY ADV (GEN)
		ATTORNEY-ADVISOR
		ATTORNEY-ADV (GEN)
		ATTORNEY-ADV (GEN)
		ATTORNEY ADV (GEN)
		ATTORNEY-ADVISOR
		ATTORNEY ADV (GEN)
		ATTORNEY-ADVISOR
		SECRETARY (TYPING)
		ATTORNEY ADVISOR
Office of Public Affairs	12	TRANS PROG SPEC
		TRANS PROG SPEC
		TRANS PROG SPEC
		SUPV PUB AFFAIRS SP
		PUB AFFRS ASST (OA)
		PUBLIC AFFAIRS SPEC
		SECRETARY (OA)
		FREEDOM OF INFO SPEC
		PUBLIC AFFAIRS SPEC
		PROGRAM ANALYST
		PUBLIC AFFAIRS SPEC
		SPEECH WRITER
Office of Program Management	62	ADMIN STAFF ASST
		ADMINISTRATI OFFICER
		DEP A.A. FOR GRTS MGT
		TRANS PROGRAM SPEC
		AS ADM FOR PROG MGMT
		GENERAL ENGINEER
		SECRETARY
		COMPETITIVE EDGE
		SECRETARY (OA)
		TRANS PROG SPEC
		TRANSP PROG SPECIALI
		TRANSP PROG SPECIALI
		TRANS PROGRAM SPEC
		TRANSP PROG SPECIALI
		TRANSP PROG SPEC
		TRANS/PROGM SPEC
		TRANSP PROG SPECIALI
		TRANS PROG SPEC
		TRANS PROG SPEC
		FINANCIAL ANALYST
		TRANS PROG SPEC
		GENERAL ENGINEER
		SUPV GENERAL ENGINEE
		REAL ESTATE SPEC
		GENERAL ENGINEER
		GENERAL ENGINEER
		SECRETARY (OA)
		GENERAL ENGINEER
		GENERAL ENGINEER
		GENERAL ENGINEER
		TRAN SAF & SEC SPEC
		TRAS SAFTY & SEC SPE
		TRANS PROG SPEC
		TRANS SFTY & SEC SPE
		TRANSIT SAFETY SPEC
		SEN SFTY & SEC ENG

FEDERAL TRANSIT ADMINISTRATION—Continued

[Authorized Positions]

	No. FTE's assigned	Position title
		TRAN SAFE & SEC SPEC
		TRANS/SAFE/SEC SPEC
		DIR TRANS SAF & SEC
		TRANS SAF & SEC SPEC
		SECRETARY (TYPING)
		SUPV TRANS PRGM SPEC
		TRANSP PROG SPECIALI
		TRANS PROGRAM SPEC
		TRANS PROG SPEC
		TRANS PROGRAM SPEC
		SUPV, TRNS PROG SPEC
		TRANS PRGM SPEC
		TRANS PROGRAM SPEC
		TRANS PROG SPEC
		TRANS PROGRAM SPEC
		TRANS PROGRAM SPECIA
		TRANSP PROG SPECIALI
		INFORM SYSTEM SPEC
		SUPV TRANSP PROG SPE
		TRANS PROG SPEC
		FINANCIAL ECONOMIST
		TRANS PROG SPEC
		TRANS PROG SPEC
		TRANS PROG SPEC
		GENERAL ENGINEER
		GENERAL ENGINEER
Office of Budget and Policy	55	ASSOC ADMINTRATOR
		DEPUTY ASSOC ADMINSITRATOR
		ADMIN STAFF ASST
		PROGRAM OFFICER
		PROG ASST (OA)
		LEGISLATIVE ANALYST
		ACCOUNTING OFFICER
		BUDGET ANALYST
		ACCOUNTANT
		SECRETARY (OA)
		SECRETARY (OA)
		ADMIN STAFF ASST
		PROGRAM ANALYST
		FINANCIAL ECONOMIST
		PROG ANAL OFFICER
		PROGRAM ANALYST
		ECONOMIST
		PROG ANALYSIS OFCR
		ECONOMIST
		PROG ANALYS OFFICER
		SPECIAL ASSISTANT
		PROG ANALYST
		SECRETARY (OA)
		BUDGET ANALYST
		BUDGET ANALYST
		SUPERVISORY BUD ANAL
		BUDGET ANALYST
		FINANCIAL SPECIALIST
		PROGRAM ANALYST
		BUDGET ANALYST
		BUDGET ANALYST
		SYSTEMS ACCOUNTANT
		SECRETARY (OA)
		SYSTEM ACCOUNTANT
		SYSTEMS ACCOUNTANT
		SUPV SYS ACCT

FEDERAL TRANSIT ADMINISTRATION—Continued

[Authorized Positions]

	No. FTE's assigned	Position title
		COMP SYS ANAL
		FINANCIAL SPECIALIST
		OPERATING ACCT
		SUPV SYST ACCOUNTANT
		FINANCIAL SPECIALIST
		OPERATING ACCOUNTANT
		OPERATING ACCOUNTANT
		OPERATING ACCT
		ACCOUNTING TECH
		FINANCIAL SPECIALIST
		ACCOUNTING TECH
		OPERATING ACCOUNTANT
		ACCOUNTING TECH
		STAFF ACCOUNTANT
		FINANCIAL SPECIALIST
		OPERATING ACCOUNTANT
		SUPV PROGRAM ANALYST
		PROGRAM ANALYST
		COMPETITIVE EDGE
Office of Research Demonstratio and Renovation	45	INTL TRANS PRG MGR
		PROGRAM MGMT OFFICER
		TRANSP SPECIALIST
		TRANS MGMT SPEC
		ASSOC ADM FOR RES, DE
		SECRETARY (OA)
		TRANS MGMT SPEC
		TRANSP PROG MANAGER
		ADMIN STAFF ASSISTAN
		GENERAL ENGINEER
		GENERAL ENGINEER
		SECRETARY (OA)
		PROG SPEC
		DP ASSOC ADM FOR T A
		ADMIN COORDINATOR
		SUPV TRANS PROG MGR
		TRANSP PROG SPEC
		SUPV. TRNS PROG SPEC
		TRANS PROG SPEC
		GENERAL ENGINEER
		TRANS MGMT SPEC
		TRANS MGMT SPEC
		TRANS MGNT SPEC
		TRANS. MGMT. SPEC
		TRANS PROG SPEC
		TRANS PROG SPEC
		GENERAL ENGINEER
		TRANS SYS MANAGER
		GENERAL ENGINEER
		GENERAL ENGINEER
		TRANS MGMT SPEC
		ADMIN COORDINATOR
		GENERAL ENGINEER
		TRANS MGMT OFFICER
		GENERAL ENGINEER
		SUPV GENERAL ENGINEE
		GENERAL ENGINEER
		PROGRAM ANAL OFFICER
		SUPV TRANS MGMT SPEC
		PROG MGMT SPEC
		TRANSP MGMT SPEC
		TRANS PROG MGR
		TRANS MGMT SPEC

FEDERAL TRANSIT ADMINISTRATION—Continued

[Authorized Positions]

	No. FTE's assigned	Position title
		ADMIN COORDINATOR
		TRANSP MGMT SPECIAL
Office of Civil Rights	26	SUPV EEO SPEC
		ADMIN OFFICER
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EEO SPECIALIST
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EQUAL OPPORTUNITY SP
		EQU OPPTY ASST (OA)
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EEO SPEC
		EEO SPECIALIST
		EEO SPEC
		EEO SPEC
		EEO SPECIALIST
		EEO SPECIALIST
Office of Planning	35	ASSO ADM FOR PLANNIN
		ADMINISTRATIVE OFFIC
		ADMIN STAFF ASSISTAN
		DEPUTY ASSOC ADMINISTARTOR
		SUPV CONNUN PLANNER
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		ENVIRONMENTAL PRO SP
		DIRECTOR HUMAN NATIONAL ENVIR
		FINANCIAL ANALYST
		TRANS MGMT SPEC
		COMMUNITY PLANNER
		TRANS PROG SPEC
		SUPV COMMUNITY PLAN
		COMMUNITY PLANNER
		SUPV COMMUNITY PLAN
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		SUPV COMMUNITY PLAN
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		SUPV COMMUN PLANNER
		COMMUNITY PLANNER
		FINANCIAL ANALIST
		COMMUNITY PLANNER
		FINANCIAL ANALYST
		SUPV COMMUNITY PLAN
		TRANS MGMT SPEC
		ENVIRON PROTECT SPEC
		ENVIRON PROTECT SPEC

FEDERAL TRANSIT ADMINISTRATION—Continued

[Authorized Positions]

	No. FTE's assigned	Position title
		ENVIRONMENTAL PRO SP
Region 1—Cambridge, MA	14	GRANTS CONTROL ASST
		REGIONAL ADMINISTRAT
		GENERAL ENGINEER
		ADMIN OFFICER
		DEPUTY REG ADMINIST
		PROJECT MGMT SPEC
		SUPV TRANSP SPECIALI
		TRANS PROG SPEC
		COMMUNITY PLANNER
		TRANSP PROGRAM SPEC
		TRANSP PROGRAM SPECI
		COMMUNITY PLANNER
		SUPV TRANS PROG SPEC
		TRANS PROGRAM SPEC
Region 2—New York, NY	20	ADMINISTRA OFFICER
		ADMINISTRATIVE ASST
		SUPV. SENIOR OPER MG
		COMMUNITY PLANNER
		TRANS PROG SPECIALIS
		REGIONAL ADMIN
		SUPV TRANS PROG SPEC
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		SUPV TRANSP SPECIALI
		COMMUNITY PLANNER
		GRANTS CONTROL ASST
		TRANS PROGRAM SPEC
		TRANS PROG SPEC
		TRANSP PROG SPECIALI
		SUPV TRANS PROG SPEC
		GENERAL ENGINEER
		TRANS PROGRAM SPEC
		ADMIN PROGRAM ASSIST
Region 3—Philadelphia, PA	23	ADMIN ASSISTANT
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		REGIONAL ADMIN
		DEPTY REG ADMIN
		TRANS PROGRAM SPEC
		TRANS PROG SPEC
		SUPV TRANS PROG SPEC
		TRANS PROGRAM SPEC
		SECRETARY (OA)
		TRANS PROGRAM SPEC
		TRANS PROGRAM SPEC
		TRANSP PROG SPEC
		TRANSP PROG SPECIALI
		TRANS PROGRAM SPEC
		TRANSP PROG SPECIALI
		PROJ MGMT ASST (OA)
		SUPV TRANS PROG SPEC
		TRANS PROGRAM SPEC
		ADMIN PROG ASST (OA)
		GENERAL ENGINEER
		GENERAL ENGINEER
		COMM PLANNER
Region 4—Atlanta GA	22	PROGRAM ASSISTANT
		REGIONAL ADMIN
		SUPV TRANS PROG SPEC
		TRANSP PROGRAM SPECI

FEDERAL TRANSIT ADMINISTRATION—Continued

[Authorized Positions]

	No. FTE's assigned	Position title
		ADMIN OFFICER
		ADMIN STAFF ASSISTAN
		GENERAL ENGINEER
		SUPV SEN OPER MGR
		COMMUNITY PLANNER
		TRANS PROGRAM SPEC
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		TRANS PROGRAM SPEC
		TRANS PROGRAM SPEC
		TRANS PROGRAM SPEC
		SUPV TRANS PROG SPEC
		TRANS PROG SPEC
		GENERAL ENGINEER
		GENERAL ENGINEER
		TRANSP PROG SPEC
		COMMUNITY PLANNER
Region 5—Chicago, IL	24	REGIONAL ADMINISTRAT
		DEPUTY REG ADMIN
		SECRETARY (OA)
		GRANTS CONTROL ASSIS
		TRANSP PROG SPECIALI
		ADMIN ASSISTANT
		PROJECT MGMT SPECIAL
		ADMIN PROGRAM ASSIST
		PROGRAM DEVELOP OFCR
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		TRANSPORTATION REP
		SUPV TRANS PROG SPEC
		TRANSP REPRESENTATIV
		TRANS PROGRAM SPEC
		TRANSPOR REPRESENTA
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		SUPV TRANS PROG SPEC
		TRANSP PROG SPEC
		GENERAL ENGINEER
		GENERAL ENGINEER
		TRANS PROGRAM SPEC
Region 6—Fort Worth, TX	17	COMMUNITY PLANNER
		ADMIN ASSISTANT
		COMMUNITY PLANNER
		SUPV TRANS PROG SPEC
		SUPV TRANS PROG SPEC
		REGIONAL ADMIN
		COMMUNITY PLANNER
		COMMUNITY PLANNER
		DEPUTY REGIONAL ADM
		SECRETARY (OA)
		PROJECT MGMT SPEC
		GENERAL ENGINEER
		TRANS PROG SPECIALIS
		TRANS PROG SPECIALIS
		GENERAL ENGINEER
		TRANSPOR PROGRAM SPE
		PROJ MGMT SPEC
Region 7—Kansas City, MO	12	REG. ADMINISTRATOR
		GENERAL ENGINEER
		TRANSP PROG SPECIALI

FEDERAL TRANSIT ADMINISTRATION—Continued

[Authorized Positions]

	No. FTE's assigned	Position title
		TRANS PROGRAM SPEC
		TRANS PROG SPEC
		SUPV SENIOR OPER MGM
		SECRETARY
		COMMUNITY PLANNER
		TRANS PROGRAM SPEC
		ADMINIST PROG ASSIST
		TRANSP PROG SPECIALI
		TRANSP PROG SPECIALI
Region 8—Denver, CO	9	COMMUNITY PLANNER
		DEPUTY REG MANAGER
		COMMUNITY PLANNER
		ADMIN OFFICER
		REG ADMINISTRATOR
		TRANS PROGRAM SPEC
		ADMIN ASSISTANT
		TRANS PROGRAM SPEC
		TRANS PROG SPEC
Region 9—San Francisco, CA	23	SECRETARY (TYPING)
		SUPV TRANS PROG SPEC
		SUPV SENIOR OPER MGM
		PROGRAM MGMT ASST
		GENERAL ENGINEER
		COMMUNITY PLANNER
		REGIONAL ADMIN
		TRANS/PROGM SPEC/
		PROG MANAGEMENT SPEC
		SECRETARY (TYPING)
		COMMUNTY PLANNER
		COMMUNITY PLANNER
		SUPV TRANS PROG SPEC
		SECRETARY (TYPING)
		GRANTS CNTRL ASSIST
		TRANS PROGRAM SPEC
		GENERAL ENGINEER
		TRANSP REPRESENTATIV
		TRANSP REPRESENTATIV
		TRANS PROGRAM SPEC
		TRANS PROG SPEC
		PROG MGMT SPEC
		COMMUNITY PLANNER
Region 10—Seattle, WA	10	COMMUNITY PLANNER
		TRANSP PROGRAM SPEC
		SUPV SENIOR OPER MGM
		REGIONAL ADMINISTRAT
		COMMUNITY PLANNER
		GENERAL ENGINEER
		COMMUNITY PLANNER
		ADMIN OFFICER
		TRANS PROG SPEC
		TRANSP PROG SPECIALI
Total	516	

Federal Transit Administration Vacancies

TOA (Administrator, ES; Deputy Administrator, ES; Executive Assistant)	3
TBP (Legislative Analyst; Accounting Officer; Budget Analyst; Clerk (OA); Dep. Associate Administrator, ES; Accountant: Associate Administrator, ES; Secretary)	7
TCC (Attorney Advisor; Attorney Advisor: Chief Counsel, ES; Attorney Advisor)	7

Federal Transit Administration Vacancies—Continued

TPA (Public Affairs Specialist; Speech Writer)	2
TPL (Deputy AA for Planning; Supervisory Community Planner; Community Planner; Community Planner; Director Human & Natural Environment; Financial Analyst)	6
TPM (General Engineer; General Engineer; General Engineer; Secretary (OA))	4
TRI (General Engineer; General Engineer)	2
TAD (Senior Staff Advisor; Computer Analyst; Program Support Assistant; Secretary; Personnel Assistant; Administrative Assistant; Computer Analyst; Management Analyst)	8
T–2 (Supervisory Transportation Specialist)	2
T–6 (Secretary)	1
T–7 (Secretary)	1
T–8 (Transportation Program Specialist; Administrative Asst (OA))	2
Total Vacancies	41

Question. Please detail the Executive Schedule and Senior Executive Service positions at FTA headquarters that have not yet been filled and give a status update for each.

Answer. The following chart shows the Executive Schedule and Senior Executive Service positions at FTA headquarters that have not yet been filled and their status.

POSITION	STATUS
Administrator (ES)	The individual nominated is waiting for confirmation.
Deputy Administrator (SES)	The position will not be encumbered until an Administrator is confirmed.
Chief Counsel (SES)	The position will not be encumbered until an Administrator is confirmed.
Associate Administrator for Budget and Policy (SES)	The position will not be encumbered until an Administrator is confirmed.
Deputy Associate Administrator for Budget and Policy (SES).	The position will not be encumbered until an Administrator is confirmed.

Question. Please break out administrative expenses by activity and sub-activity. Prepare a table showing fiscal year 2000 funding for each activity, fiscal year 2001 funding estimated, and fiscal year 2002 funding requested.

Answer. The following table provides a break out of administrative expenses by activity and sub-activity. The table shows fiscal year 2000 funding for each activity, fiscal year 2001 funding estimated, and fiscal year 2002 funding requested.

FEDERAL TRANSIT ADMINISTRATION ADMINISTRATIVE EXPENSES

[In thousands of dollars]

Activity/Sub-activity	Fiscal years—		
	2000 Actual	2001 Estimate	2002 Request
Salary & Benefits:			
Salary	34,673	36,305	38,997
Benefits	7,098	7,436	8,068
Travel and Transportation	1,400	1,597	1,617
Rent	3,946	4,216	4,361
Communications	1,450	1,470	1,486
Printing & Reproduction	318	345	351
Contractual Services:			
Audit and Financial Reviews Services	1500	....	....
Building Management/Services	710	706	668
Contractor Support (Service, Help Desk, etc.)	1,700	1,724	1,739
Accounting System (DELPHI)	223	300	300

FEDERAL TRANSIT ADMINISTRATION ADMINISTRATIVE EXPENSES—Continued

[In thousands of dollars]

Activity/Sub-activity	Fiscal years— 2000 Actual	2001 Estimate	2002 Request
Financial Systems (DAFIS)	683	700	533
Grant Systems/TEAM	2,450	2,600	2700
National Transit Database	....	2,495	2,600
PDD63	300	550	550
Executive Management System/Data Warehousing	....	150	153
Electronic Commerce	....	150	150
Training/Workforce Planning	427	903	905
Other Contractual Services	607	674	577
Supplies & Materials	243	235	239
Equipment & Furniture	1,845	1,303	1,006
Total	59,573	63,859	67,000

STAFFING

Question. The FTA has proposed increasing the FTE level from 495 to 505 in fiscal year 2002. Please break out these staffing increases by title, grade, and projected starting dates, including where each position will be located.

Answer. The following chart provides a break out of the proposed FTE funding increase:

FISCAL YEAR 2001 HIRING PLAN

TITLE	GRADE	PROJECTED START DATE	LOCATION
Community Planner	GS–9/11/12	7 Oct 01	Washington, DC
General Engineer	GS–11/12/13	9 Sep 01	Cambridge, MA
Community Planner	GS–9/11/12	7 Oct 01	Philadelphia, PA
General Engineer	GS–11/12/13	9 Sep 01	Atlanta, GA
Community Planner	GS–11/12	7 Oct 01	Chicago, IL
Financial Analyst	GS–11/12	12 Aug 01	Seattle, WA
General Engineer	GS–11/12/13	9 Sep 01	San Francisco
General Engineer	GS–11/12/13	4 Nov 01	Washington, DC
General Engineer	GS–11/12/13	4 Nov 01	Washington, DC
Computer Systems Analyst	GS–11/12/13	12 Aug 01	Washington, DC

Question. How much of the proposed salaries and benefits increase from fiscal year 2001 enacted to fiscal year 2002 requested is associated with the 10 new FTEs in the budget request? Over how many months in fiscal year 2002 does this portion of the increase cover?

Answer. An increase of $866,000 in salaries and benefits is associated with the 10 new FTEs. This portion of the increase covers 12 months in fiscal year 2002.

Question. Please break out the remainder of the proposed salaries and benefits increase.

Answer. Of the total proposed salaries and benefits increase of $3,324,000, $866,000 is associated with the 10 new FTEs. The remainder of the proposed increase is broken out as follows:

Fiscal year 2001 and fiscal year 2002 pay raise	$1,722,000
Other (health benefits, transit benefits, relocation costs, thrift savings plan, retirement contributions)	736,000

Question. Please provide a table similar to the one found on pages 1122–1123 of Senate hearing 106–921, detailing FTA's FTEs for fiscal years 1999, 2000, 2001 estimated end-of-year, and proposed for fiscal year 2002.

Answer. The following table provides detail of FTA's FTE through fiscal year 2002:

FULL-TIME EQUIVALENT (FTE)

Organization	Fiscal year— 1999 Actual FTE	2000 Actual FTE	2001 Estimated FTE	2002 Estimated FTE
Headquarters Offices:				
Administrator	5	4	4	5
Public Affairs	12	11	12	12
Chief Counsel	29	29	31	32
Budget and Policy	49	51	52	52
Civil Rights	26	24	26	26
Administration	74	76	68	67
Res. Demonstration and Innovation	41	43	44	45
Program Management	55	56	60	60
Planning	29	32	27	30
Subtotal Headquarters	320	326	324	329
Regional Offices:				
Region 1, Cambridge, MA	13	13	14	15
Region 2, New York, NY	18	20	19	19
Region 3, Philadelphia, PA	20	21	21	22
Region 4, Atlanta GA	21	21	22	23
Region 5, Chicago, IL	23	24	24	25
Region 6, Fort Worth, TX	17	16	17	17
Region 7, Kansas City, MO	11	12	12	12
Region 8, Denver, CO	8	6	9	8
Region 9, San Francisco, CA	21	22	23	24
Region 10, Seattle, WA	9	9	10	11
Subtotal Regions	161	164	171	176
Total FTA	481	490	495	505

Question. Page 34 of the detailed budget justification states that reimbursable funding from OST, FAA, STB, and BTS will support 13 FTE and associated administrative costs. Please elaborate on this statement. What is the purpose and associated cost for each of these proposed reimbursable positions? What is the transit nexus that justifies using funds from each of these agencies? Is there an interagency agreement in place to provide this reimbursable funding? If so, please provide a copy for the record.

Answer. FTA proposes to continue to provide the full range of accounting services to the Department of Transportation's Office of the Secretary (OST), Surface Transportation Board (STB), and Bureau of Transportation Statistics (BTS). FTA does this based on a negotiated reimbursable agreement with each agency or the Office of the Secretary on a yearly basis. FTA provides the service by funding 13 reimbursable positions (These positions are not included in FTA's on-board count.) to do the work. This arrangement has shown to be more economical for these smaller agencies than to keep individual accounting staff in-house. FTA also provides electronic processing and payment services to the Federal Aviation Administration's Airport Improvement grant programs on a reimbursable basis.

INFORMATION TECHNOLOGY

Question. The fiscal year 2002 budget request reduces Information Technology costs −$728,000 below the base. What was the fiscal year 2001 level for this activity? Have the needed information technology improvements requested and funded in fiscal years 1999, 2000 and 2001 been completed? What ongoing work is required in this area?

Answer. The fiscal year 2001 level for Information Technology was $11,520,000. FTA's information technology improvements requested and funded in fiscal years 1999, 2000 and 2001 are being completed. In the fiscal year 2002 budget request FTA, reduced funding by $728,000 for projects that were non-recurring, or would no longer be funded in fiscal year 2002, such as IT equipment (−$300,000), DAFIS Operations (−$100,000), HRIS (−$103,000), TCC services (−$100,000) accreditation (−$75,000). These activities were fully funded as of fiscal year 2001. IT funding of $11,191,000 in the fiscal year 2002 budget reflects increased contract services and continues work on major IT systems such as the National Transit Database (NTD), TEAM, Security systems (required by PDD–63), and Executive Management System (Data Warehousing), telecommunications costs and equipment purchases. In addition, FTA requests $150,000 to continue to enhance the TEAM 2 system.

One of FTA's major emphasis's includes, funding to counteract the increase in attacks on Federal information technology (IT) resources, which is climbing at an alarming rate. In fiscal year 2002, these funds provide for investments in hardware, software and labor resources to protect the Agency's IT systems and networks. These include dedicated contract resources for monitoring and administering the Agency's Security Plan, antivirus software, intrusion detection and incident reporting, biometric authentication, disaster recovery, Public Key Infrastructure (PKI), change management, system accreditation for general support systems, and security awareness training for general users and network administrators.

In addition, the Executive Management System (EMS) project will be segmented into three maintainable phases. Each phase includes the provision of technical and general knowledge training, along with maintenance for all warehouse information extraction, transaction, and loading endeavors.

TEAM, FTA's vital grants management system, is scheduled to be web-based in fiscal year 2002. Additional alterations to TEAM's core business processes will require security re-certifications during fiscal year 2002. Ongoing work in this area requires hardware, licenses, telecommunications upgrades and travel expenses to provide regional TEAM training to FTA employees, new users, and grant recipients—many which are in remote locations.

Also, the National Transit Database makes available essential statutorily required information that provides key factors for apportioning over $4.7 billion in funding for transit formula grants.

PROJECT MANAGEMENT OVERSIGHT

Question. Please detail the authorized takedown levels (percentage and dollar amounts) for both formula and capital investment grants for fiscal years 2000, 2001, 2002, and 2003, and the amounts requested under the proposed takedown change in the budget proposal for fiscal years 2002 and 2003. Please also include the amount requested for PMO for each year and the actual obligations, including carryover.

Answer.

FEDERAL TRANSIT ADMINISTRATION—FISCAL YEAR 2000–2003 OVERSIGHT BUDGET

[Dollars in thousands]

Section/program	Fiscal year 2000 Oversight actual	Percent of app.	Fiscal year 2001 Oversight set-aside	Percent of app.	Fiscal year 2002 Oversight current law	Percent of app.	Fiscal year 2002 Oversight proposed	Percent of app.	Fiscal year 2003 Oversight current law	Percent of law	Fiscal year 2003 Oversight proposed	Percent of app.
FORMULA PROGRAMS:												
Alaska Railroad (Sec. 5307)	$24,250	½	$24,196	½	$24,250	½	$24,250	½	$24,250	½	$24,250	½
Urbanized Area Formula (Sec. 5307)	13,864,451	½	13,682,722	½	16,103,008	½	16,103,008	½	17,229,698	½	17,229,698	½
Nonurbanized Area Formula (Sec. 5311)	968,065	½	1,025,046	½	1,124,369	½	1,124,369	½	1,203,038	½	1,203,038	½
CAPITAL INVESTMENT GRANTS:												
Bus and Bus Facilities (Sec. 5309)	4,096,500	¾	4,334,443	¾	3,886,500	¾	5,182,000	1	4,179,000	¾	5,572,000	1
Fixed Guideway Modernization (Sec. 5309)	7,353,000	¾	7,920,536	¾	8,523,000	¾	11,364,000	1	9,108,000	¾	12,144,000	1
New Starts (Sec. 5309)	7,353,000	¾	7,942,987	¾	8,523,000	¾	11,364,000	1	9,108,000	¾	12,144,000	1
Total	33,659,266	....	[1] 34,929,930	....	38,184,127	....	45,161,627	....	40,851,986	....	48,316,986	....
PMO Actual Obligations/Requested	26,614,784	....	23,847,585	....	21,900,000	....	28,564,000	....	28,858,421	....	28,858,421	....

[1] Oversight set-aside amounts reflect adjustments pursuant to the Fiscal Year 2001 Omnibus Consolidated Appropriations Act (Public Law 106–554)

Question. The September 2000 GAO report entitled "Mass Transit Project Management Oversight Benefits and Future Funding Requirements" states that, under the current TEA–21 PMO takedown, FTA anticipates a funding shortfall of about $5 million in fiscal year 2002 for project management oversight. FTA was directed in the fiscal year 2001 appropriations bill to identify options to cover the projected shortfall and submit this plan with the 2002 budget. FTA's budget proposes to increase the set-aside for section 5309 capital investment grants from ¾ of one percent to a full one percent, an increase of $7 million. This appears to more than make up the identified shortfall. What other options were considered? Please outline the effects on the PMO program if the proposed change to the capital grants takedown is not adopted.

Answer. Another option considered was to increase the set-aside for section 5307 and 5311 grants from ½ of one percent to ¾ of one percent to make the take-down consistent among all programs. The option to increase the set-aside on Section 5309 was forwarded because project management oversight is required primarily on New Starts and Rail Modernization projects. Therefore, funding should be derived from these programs.

If the proposed change to the capital grants takedown is not adopted, a shortfall will occur. FTA's recourse will be either: (1) to limit the number of projects to which oversight contractors are assigned, or (2) to scale back the level of oversight currently being provided by doing a risk-based ranking of projects. Either of these options may expose FTA and the Federal government to criticism if one of the projects not fully monitored develops serious problems. Note that FTA, in addition to project management oversight, proposed to also use the additional funds generated by the increase in the percentage of section 5309 capital investment grants set-aside for financial management oversight.

Question. Please provide the names of contractors, their geographic location, annual and total costs of contracts, and a short description of each contract, for each PMO contract let in fiscal year 2001 and thus far in 2002.

Answer. FTA has no Project Management Oversight Contracts let in fiscal year 2000 or that will be let in fiscal 2001. The fifteen Project Management Oversight Program Contracts let in fiscal years 1998 and 1999 were for a five-year period of performance. The total and annual cost of each contract is provided in the chart below. This list does not include non-PMO activities such as Financial Management Oversight and Procurement Review.

FEDERAL TRANSIT ADMINISTRATION OVERSIGHT DEMOGRAPHICS

Contractor	Location	Contract Amount	Annual Expenditure	Brief Description
Gannett Fleming, Inc	Camp Hill, PA	$12,183,951	$963,820	PMO
Fluor Daniel, Inc	Irvine, CA	10,391,273	2,600,000	PMO
Hill International, Inc	Newport Beach, CA	11,533,331	3,284,345	PMO
Sverdrup Civil, Inc	Maryland Heights, MO	11,576,298	2,093,278	PMO
Delon Hampton and Associates, Chtd	Washington, D.C	12,507,225	3,000,000	PMO
STV, Inc	Philadelphia, PA	13,850,585	5,130,554	PMO
Daniel, Mann, Johnson & Mendenhall	Baltimore, MD	9,474,885	2,751,890	PMO
Parsons Brinckerhoff Construction Services.	Herndon, VA	13,065,484	385,000	PMO
Carter and Burgess	Fort Worth, TX	13,005,826	1,700,000	PMO
Frederick R. Harris	Philadelphia, PA	12,394,675	450,000	PMO
MK Centennial Engineers, Inc	Arvada, CO	10,585,422	328,885	PMO
Parsons Transportation Group, Inc	Washington, D.C	11,836,275	1,568	PMO
Stone & Webster Engineers, Inc	Boston, MA	9,843,869	900,000	PMO
Transportation Construction Services	Philadelphia, PA	10,810,846	2,000,000	PMO
Urban Engineers, Inc	Philadelphia, PA	11,353,154	480,993	PMO
Total		174,413,099	26,070,333	

Question. Please update the table found on page 1127 of Senate hearing record 109–221, indicating oversight obligations by activity broken out for fiscal years 1999, 2000, 2001 estimate and 2002 planned.

Answer.

FEDERAL TRANSIT ADMINISTRATION—OVERSIGHT OBLIGATIONS BY ACTIVITY

[In thousands of dollars]

	Fiscal years—			
	1999 Actual	2000 Actual	2001 Estimate	2002 Planned
Project Management Oversight	23,502	26,615	23,847	28,564
Financial Management Oversight	3,530	5,122	4,494	4,600
Safety and Security Oversight	2,827	3,300	3,284	3,000
Drug & Alcohol Compliance	1,410	2,200	1,474	1,500
State Rail Safety Oversight	693	900	800	800
Security Audits	724	200	1,010	700
Procurement Oversight	1,320	1,073	1,767	1,195
Management Oversight	5,576	8,337	6,081	5,803
Civil Rights Reviews, DBE, EEO	709	818	220	200
ADA Civil Rights Reviews	951	934	680	800
Triennial and State Management Reviews	3,726	3,401	3,389	3,400
Electronic Grant Making				
Planning Compliance	190	1,552	1,200	953
Rail Control Technology		216	361	100
Bus Technology		300	100	50
ITS National Architecture		1,116	131	300
Transfer to Inspector General				2,000
Total Oversight	36,755	44,447	39,473	45,162

Question. You have requested a $2,000,000 reimbursement to the DOT Inspector General from the PMO takedown for costs associated with audits and investigations of transit-related issues. Since there is a projected shortfall in PMO funds, shouldn't this reimbursement be taken from FTA administrative expenses? If not, why not?

Answer. Activities associated with the audits and reviews by the Office of Inspector General is more appropriately funded from Oversight resources. One of the OIG's functions is to oversee the new fixed guideway projects. The General Accounting Office September 2000 report recognized that a shortfall in the neighborhood of $5 million would exist and required FTA to develop options to address this shortfall. The increase in funding for the Project Management Oversight was needed regardless of the amount reimbursed to the OIG. To deal with the shortfall FTA proposes to increase the set-aside from the Capital Investment Grants from 0.75 percent to 1.0 percent.

The amount for the OIG should not be funded from FTA's Administrative Expenses account. In fiscal year 2002 the funding in the Administrative Expenses account increases $3 million from the available fiscal year 2001 resources. This does not even cover the $3.3 million needed to fund the annualized pay increase and associated benefits of FTA's current FTE, and the cost of 10 FTE which are new positions aimed at bolstering FTA's oversight of New Starts projects as they proceed through the planning process, receive New Starts funding and complete construction.

NATIONAL TRANSIT DATABASE

Question. In fiscal year 2001, a total of $4 million was provided for the National Transit Database ($2.5 million from administrative expenses for the continued operation of the present system and $1.5 million from the transit cooperative research program for the new data base that was Congressionally directed in fiscal year 2000). Please summarize the progress to date on developing this new data base model, and confirm whether the new, revised NTD will be operational on report year 2001 data. Will FTA's work on the new NTD continue to be funded through the transit cooperative research program? If so, how much of the $8.25 million TCRP program is for NTD? Is a continued level of $2.5 million from administrative expenses assumed for continued operation of the present system? When does FTA plan to switch to the new NTD?

Answer. Last year, FTA reported to Congress that completion of the redesign of the revised National Transit Database (NTD) would likely involve most of calendar

2001. We also reported that FTA planned to launch and pilot test the new, revised NTD system in fiscal year 2002, using report year 2001 data. FTA is still on target with this schedule; that is, implementation of the revised system will go online for report year 2002 data.

The revised NTD requires a new systems design, which will also entail loading data into a new relational database. These tasks are well underway. The revised NTD will also incorporate new Internet software for our 600 reporters to use to report their data to FTA. FTA believes sufficient funding is on hand for the programming effort. FTA has not asked for additional funds for fiscal year 2002. Therefore, none of the $8.25 million TCRP program request is for the NTD.

Dissemination of additional NTD data on the Internet, preparing for transit operator data input via the Internet, and general inflationary pressures on the information technology field have impacted the base operating costs of the NTD program. Consequently, FTA has requested $2.6 million in administrative funds to operate the revised NTD in fiscal year 2002. In addition, new reporting and processing requirements for a new safety module, a new capital asset module and a new rural module could add to the NTD's base annual costs in future years.

JOB ACCESS AND REVERSE COMMUTE GRANTS

Question. Please provide a funding history table for the Job Access and Reverse Commute grant program, showing the guaranteed firewall TEA21 funding level for each fiscal year in the authorization, the administration's funding request, and the enacted funding level for the program.

Answer. The following table provides a funding history table for the Job Access and Reverse Commute grant program:

JOB ACCESS AND REVERSE COMMUTE GRANTS FUNDING HISTORY

[In thousands of dollars]

Fiscal Year	Guaranteed Funding	Budget Request	Enacted Level
1999	50,000	[1] 100,000	[2] 75,000
2000	75,000	[3] 150,000	75,000
2001	100,000	[3] 150,000	[4] 99,780

[1] Prior to TEA–21 Reauthorization.
[2] Includes $25 million appropriated general funds.
[3] RABA funds requested as source of additional funds.
[4] Reduction from $100 million initial program level pursuant to Section 1403, Public Law 106–554.

Question. What is the length of availability of federal funds made available as grant awards under the Job Access and Reverse Commute program?

Answer. While there is no statutory limit on when Job Access and Reverse Commute funds must be obligated, FTA administratively has adopted a funding availability policy for its formula allocated programs. Funding is available in the year of the appropriation plus two years. As authorized in TEA–21, Job Access and Reverse Commute funds, once obligated, are available until expended. FTA has urged that projects be submitted that can be quickly implemented. In the fiscal year 2001 announcement of competitive awards made on January 25, 2001, FTA requested that all final applications be submitted by April 1, 2001.

Question. Have all the fiscal year 1999 and 2000 Access to Jobs funds been obligated? If not, why not?

Answer. As of May 15, 2001, FTA had obligated $68.05 million or 90.7 percent of the $75 million in fiscal year 1999 budget authority and $39.7 million or 53 percent of the $75 million available in fiscal year 2000 budget authority.

Grants have been awarded obligating all funds allocated in the fiscal year 1999 competition except for two projects in Chicago and one in Dallas-Fort Worth. The delays in finalizing these applications include meeting FTA standard grant requirements, the final securement of matching funds and project scope adjustments. In Chicago, the Regional Transit Authority (RTA) plans on submitting its final application by June 2001. RTA will be applying on behalf of itself, DuPage County and the Chicago Housing Authority, each of which was selected for Job Access funding in fiscal year 1999. PACE, the Chicago area suburban public bus operator, has received a grant of $150,000, but plans on submitting an application for an additional amount of almost $1 million. Transit providers in Dallas-Fort Worth are working to resolve labor protection issues before submitting their application.

In fiscal year 2000, the competitive grants were announced on October 19, 2000 and grant applications are being processed. Because projects from urbanized areas with populations between 50,000 and 200,000 selected for fiscal year 1999 and fiscal year 2000 funding did not use all available funding in that category, the remaining fiscal year 2000 funds were allocated to projects selected for funding in fiscal year 2001.

Question. Please update the Committee on the Department's time frames for evaluating and awarding grants for the fiscal year 2001 projects.

Answer. The Department decided not to conduct a separate competition for fiscal year 2001 funds. Instead, available Job Access and Reverse Commute funds were allocated to proposals that were submitted in the fiscal year 2000 competition and evaluated as meritorious, but either under-funded or not funded in fiscal year 2000. Project demand in the fiscal year 2000 competition, in both the major urban and rural areas, far exceeded the Job Access and Reverse Commute funding that was available after Congressional earmarking.

FTA announced project selections on January 25, 2001 in the amount of $23,721,455, as listed in the following table. All selected applicants were instructed to submit final applications to FTA by April 1, 2001. Grant awards are expected as soon as all requirements are met.

JOB ACCESS AND REVERSE COMMUTE PROGRAM—FISCAL YEAR 2001 COMPETITIVELY SELECTED PROJECTS

State/Locality	Applicant (Sub-applicant)	FTA Funds
Alabama: Montgomery	City of Montgomery	$250,000
California: Oakland	AC Transit	130,108
California: Napa	Napa County Transportation Planning Agency	62,500
California: Sacramento	CALTRANS	500,000
California: Sacramento	Sacramento County Public Works Agency	96,395
California: San Diego	San Diego Association of Governments	800,000
California: San Francisco Metro Area	Metropolitan Transportation Commission	316,500
California: Ukiah	Mendocino Transit Authority	79,368
California: Woodland	YOLOBUS	137,440
Colorado: Breckenridge	Summit County (Summit Stage)	75,000
Colorado: Denver	Regional Transportation District	100,000
Connecticut: New Britain, Bristol, Plainville	Connecticut Department of Transportation (North Central Region).	857,786
Connecticut: Bridgeport	Connecticut Department of Transportation (Southwest Region).	309,623
Connecticut: Bridgeport, New Haven	Connecticut Department of Transportation (South Central Region).	473,000
Connecticut: Groton, Mystic, Montville, New London, Norwich, Pawcatuck, Foxwoods.	Connecticut Department of Transportation (Eastern Region).	127,714
Delaware: Sussex County	Delaware Department of Transportation	95,000
Delaware: Wilmington Metro Area	Delaware Department of Transportation	432,500
Florida: Clearwater-Tampa Metro Area	Pinellas County MPO (Pinellas Suncoast Transit Authority, Pasco County,).	2,400,000
Florida: Jacksonville	Jacksonville Transportation Authority	930,000
Georgia: Atlanta	Georgia Department of Transportation (Hall County: rural).	150,000
Illinois: Chester	Interagency Transportation Consortium	93,868
Illinois: Chicago	Chicago Area Transportation Study (Chicago Transit Authority).	136,314
Illinois: Chicago	Chicago Area Transportation Study (Metra)	92,934
Illinois: Chicago	Metro Area Chicago Area Transportation Study (PACE).	362,445
Illinois: Karnak	Massac County (Shawnee Development Council)	53,600
Illinois: Rock Island	Rock Island County Metropolitan Mass Transit	316,368
Indiana: South Bend	South Bend Public Transportation Group	245,919
Kentucky: Louisville	Transit Authority of River City	1,097,400
Massachusetts: Boston	Massachusetts Bay Transportation Authority	601,900
Massachusetts: Haverhill	Merrimack Valley Regional Transit Authority	500,000
Michigan: Barry	Michigan Department of Transportation (Barry County).	44,000
Michigan: Benzie County—Leelanau	Michigan Department of Transportation (Benzie County—Leelanau).	45,000

JOB ACCESS AND REVERSE COMMUTE PROGRAM—FISCAL YEAR 2001 COMPETITIVELY SELECTED PROJECTS—Continued

State/Locality	Applicant (Sub-applicant)	FTA Funds
Michigan: Berrien, Cass, Van Buren	Michigan Department of Transportation (Berrien-Cass-Van Buren).	150,000
Michigan: Charlevoix, Emmet	Michigan Department of Transportation (Charlevoix-Emmet).	17,500
Michigan: Detroit	Southeastern Michigan Council of Governments (City of Detroit Department of Transportation).	200,000
Michigan: Eaton	Michigan Department of Transportation (Eaton County).	58,939
Michigan: Ionia County	Michigan Department of Transportation (Ionia County).	81,570
Michigan: Lake-Mason-Oceana Counties	Michigan Department of Transportation (Lake-Mason-Oceana Counties).	150,000
Michigan: Lansing	Capital Area Transportation Authority	26,000
Michigan: Midland	Michigan Department of Transportation (Midland County).	71,281
Nebraska: Buffalo County	Nebraska Department of Roads (Buffalo County Community).	131,925
New York: New York City	MTA/Human Resource Administration	477,568
New York: New York City	Non-Profit Assistance Corp	929,040
New York New: York City	Phipps Community Development Corp	760,284
New York: New York City	Project Renewal	400,577
New York: New York City Metro—Westchester	Westchester County	55,000
New York: New York City Metro—Westchester	Westchester County Department of Transportation (Westchester Community Opportunity Program).	175,320
North Dakota: Fort Yates	Sitting Bull College	79,208
Ohio: Akron	Metro Regional Transit Authority	33,378
Ohio: Lorain	Lorain County Transit	300,000
Ohio: Muskingum	Ohio Department of Transportation (Muskingum Transit Authority).	142,582
Ohio: Pike County	Ohio Department of Transportation (Pike County Community Action Committee).	36,921
Ohio: Youngstown	Western Reserve Transit Authority	50,000
Oregon: Baker City	Oregon Department of Transportation (Community Connection of Baker County).	28,600
Oregon: LaGrande	Oregon Department of Transportation (Community Connection of Union County).	16,500
Oregon: Redmond	Oregon Department of Transportation (Central Oregon Intergovernmental Council).	110,000
Pennsylvania: Indiana	Indiana County Transit Authority	51,580
Tennessee: Knoxville	Knoxville-Knox County Community Action Committee	200,000
Tennessee: Memphis	Memphis Area Transit Authority	275,000
Texas: Austin/Colorado Counties	Texas Department of Transportation (Colorado Valley)	150,000
Texas: Dallas-Fort Worth	North Central Texas Council of Governments	1,500,000
Texas: El Paso	City of El Paso	720,000
Texas: Fort Worth	Fort Worth Transit	240,000
Texas: Guadalupe/Comal Counties	Texas Department of Transportation (Alamo Area Council of Governments).	150,000
Texas: Hunt/Rockwell/Dallas Counties	Texas Department of Transportation (The Connection)	200,000
Texas: Robstown/Petronila/Banquete/Driscoll	Texas Department of Transportation (Institute for Urban Development).	60,000
Virginia: Richmond	Greater Richmond Transit Company	1,000,000
Washington: Seattle	Puget Sound Regional Council	2,780,000
Total		23,721,455

FTA also made an additional commitment of $1,865,296 on March 28, 2001. The projects funded are as follows:

State/Locality	Applicant (Sub-applicant)	FTA Funds
Arizona: Phoenix	Maricopa County Human Services Department	$498,789
California: San José	Project Outreach	50,982
California: Santa Rosa	City of Santa Rosa	250,000

State/Locality	Applicant (Sub-applicant)	FTA Funds
Florida: Tampa	Hillsborough Area Regional Transit Authority	212,320
Michigan: Flint	Flint Mass Transit Authority	500,000
Minnesota: Park Rapids	Minnesota Department of Transportation	62,500
New York: Albany	Capital District Transit Authority	248,050
New York: Rochester	Rochester-Genessee Regional Transit Authority	42,537

Question. Please provide a state apportionment table for fiscal year 2002 of job access and reverse commute grants funding if the proposed formula allocation of JARC funds were approved. Please describe the formula, and explain the rationale for how it was written.

Answer. The following table lists state apportionments for fiscal year 2002 of Job Access and Reverse Commute grants funding if the proposed formula allocation of JARC funds were approved.

Job Access and Reverse Commute Program: Formula Apportionment of 2002 Funds

STATE	*APPORTIONMENT*
ALABAMA	$2,529,385
ALASKA	188,505
AMERICAN SAMOA	50,000
ARIZONA	2,125,649
ARKANSAS	1,529,089
CALIFORNIA	15,000,893
COLORADO	1,467,850
CONNECTICUT	797,702
DELAWARE	195,798
DISTRICT OF COLUMBIA [1]	176,757
FLORIDA	6,496,462
GEORGIA	3,276,282
GUAM	50,000
HAWAII	366,795
IDAHO	499,975
ILLINOIS	4,915,726
INDIANA	2,248,890
IOWA	1,159,636
KANSAS	1,053,000
KENTUCKY	2,309,903
LOUISIANA	3,181,003
MAINE	477,345
MARYLAND	1,512,979
MASSACHUSETTS	2,037,223
MICHIGAN	4,275,735
MINNESOTA	1,651,555
MISSISSIPPI	1,988,890
MISSOURI	2,526,532
MONTANA	429,477
NEBRASKA	687,430
NEVADA	515,493
NEW HAMPSHIRE	259,223
NEW JERSEY	4,873,246
NEW MEXICO	1,031,277
NEW YORK	8,325,977
NORTH CAROLINA	3,086,851
NORTH DAKOTA	315,180
N. MARIANAS	50,000
OHIO	5,004,160
OKLAHOMA	1,894,526
OREGON	1,310,772
PENNSYLVANIA	5,038,353
PUERTO RICO	2,995,994
RHODE ISLAND	384,765
S. CAROLINA	1,914,447
S. DAKOTA	377,187
TENNESSEE	2,795,586
TEXAS	10,855,492
UTAH	856,741

Job Access and Reverse Commute Program: Formula Apportionment of 2002 Funds—Continued

STATE	APPORTIONMENT
VERMONT	198,342
VIRGIN ISLANDS	82,258
VIRGINIA	2,374,037
WASHINGTON	1,998,201
W. VIRGINIA	1,117,738
WISCONSIN	1,944,234
WYOMING	193,459
TOTAL	125,000,000

[1] Funds for Washington DC are included in MD's ($412,436) and VA's ($392,795) apportionments, for a total of $981,988.

Note: American Samoa, Guam, and the Northern Marianas were allocated at a base level of $50,000, as census data on low-income residents (which FTA would use for JARC allocations) are not collected in these territories.

The JARC formula program would allocate funds annually as follows:

At the National level: 60 percent of funds would be available for areas over 200,000 population; 40 percent of funds would be available for areas under 200,000 population.

At the State level: Funds would be allocated based on the proportion of low-income (up to 150 percent of poverty level) population in areas over 200,000 population and areas under 200,000 population Since poverty and welfare dependence are highly correlated and the poor are the most vulnerable to job loss and return to welfare dependency, this formula will allocate funding based on need.

Additionally, formula allocation of JARC funds will allow states and localities a greater level of predictability and stability. Not knowing how much funding they will receive and when they will receive it, makes if very difficult for states and localities to plan and implement their JARC projects. Matching funds, especially those from other Federal sources, will be easier to secure if there is a degree of certainty about the level and timing of FTA funds. Predictability of funding is not assured when funds are earmarked.

Multi-year funding of JARC projects has been a major issue under the program, as applicants contend that the partnerships that emerge in a community from the extensive collaborative planning efforts need time to mature. New and expanded services need a reasonable start-up period to prove their value to a community, and a steady and predictable level of funding is needed to assure ongoing service. Formula funding will make it possible to assure continuity of funding for projects.

The statutory integrity of the program will be preserved through a formula program. According to TEA–21 statute, funds are to be awarded on a competitive basis. A formula program would allow the states to solicit for applications for grants and select grantees on a competitive basis. Earmarking of funds does not allow for projects to emerge from a competitive process. Another provision under the statute calls for funds to be allocated according to community size, and such allocation of funds may not be considered when funds are earmarked.

FORMULA GRANTS

Question. Please provide a table displaying the state-by-state distribution of the formula program funds within each of the program categories for fiscal year 2002 (as shown on pages 1133–1134 of Senate hearing 106–921). Please add a column to the far right of the table that expresses each state's share of the formula grants program as a percentage of the total program.

Answer. The table is provided below.

FEDERAL TRANSIT ADMINISTRATION, FISCAL YEAR 2002 GUARANTEED LEVEL—APPORTIONMENT FOR FORMULA PROGRAMS (BY STATE)

State	Section 5307 urbanized area	Section 5311 nonurbanized area	Section 5310 elderly and persons with disabilities	Total formula programs	State percent of total
Alabama	$14,040,178	$5,344,661	$1,465,034	$20,849,873	.59
Alaska	[1] 7,619,647	797,004	203,762	8,620,413	.25
American Samoa	....	113,598	53,101	166,699	....

FEDERAL TRANSIT ADMINISTRATION, FISCAL YEAR 2002 GUARANTEED LEVEL—APPORTIONMENT FOR FORMULA PROGRAMS (BY STATE)—Continued

State	Section 5307 urbanized area	Section 5311 nonurbanized area	Section 5310 elderly and persons with disabilities	Total formula programs	State percent of total
Arizona	36,086,127	2,339,752	1,287,919	39,713,798	1.13
Arkansas	5,520,952	4,272,834	1,014,025	10,807,811	.31
California	518,704,526	10,428,595	8,077,729	537,210,850	15.27
Colorado	40,928,704	2,226,089	991,811	44,146,604	1.25
Connecticut	55,160,193	2,019,272	1,141,158	58,320,623	1.66
Delaware	7,329,543	503,760	323,821	8,157,124	.23
District of Columbia	29,256,884	....	321,183	29,578,067	.84
Florida	156,776,788	6,703,961	5,440,466	168,921,215	4.80
Georgia	55,198,599	7,814,463	1,909,167	64,922,229	1.85
Guam	....	323,387	135,314	458,701	.01
Hawaii	25,789,482	877,054	420,603	27,087,139	.77
Idaho	3,300,878	1,769,431	431,176	5,501,485	.16
Illinois	217,131,921	7,169,333	3,505,594	227,806,848	6.48
Indiana	34,806,454	6,925,413	1,824,126	43,555,993	1.24
Iowa	9,303,320	4,454,494	1,092,507	14,850,321	.42
Kansas	8,541,490	3,543,409	910,746	12,995,645	.37
Kentucky	18,577,689	5,849,395	1,402,706	25,829,790	.73
Louisiana	29,765,457	4,837,873	1,407,347	36,010,677	1.02
Maine	2,367,920	2,334,462	547,089	5,249,471	.15
Maryland	80,384,314	2,914,464	1,414,153	84,712,931	2.41
Massachusetts	124,736,660	3,123,420	2,050,913	129,910,993	3.69
Michigan	66,414,415	8,458,755	2,994,685	77,867,855	2.21
Minnesota	38,624,294	4,867,525	1,434,541	44,926,360	1.28
Mississippi	4,932,006	4,750,072	984,235	10,666,313	.30
Missouri	35,603,515	5,669,413	1,850,314	43,123,242	1.23
Montana	2,497,778	1,433,378	392,963	4,324,119	.12
Nebraska	8,447,964	2,162,787	632,725	11,243,476	.32
Nevada	21,339,036	706,117	462,562	22,507,715	.64
New Hampshire	3,499,595	1,869,613	435,225	5,804,433	.17
New Jersey	189,133,645	2,673,150	2,468,641	194,275,436	5.52
New Mexico	7,078,357	2,101,501	552,626	9,732,484	.28
New York	546,166,788	9,409,809	5,762,287	561,338,884	15.96
North Carolina	29,462,044	9,995,997	2,175,630	41,633,671	1.18
North Dakota	2,434,856	1,060,047	329,769	3,824,672	.11
Northern Marianas	....	105,272	52,833	158,105	....
Ohio	92,258,624	10,176,620	3,659,887	106,095,131	3.02
Oklahoma	11,565,275	4,350,400	1,206,115	17,121,790	.49
Oregon	29,577,270	3,454,256	1,119,077	34,150,603	.97
Pennsylvania	148,792,087	11,352,125	4,394,371	164,538,583	4.68
Puerto Rico	52,797,914	3,392,373	1,059,960	57,250,247	1.63
Rhode Island	10,331,636	434,568	483,450	11,249,654	.32
South Carolina	11,616,676	5,003,046	1,164,780	17,784,502	.51
South Dakota	1,756,431	1,292,115	358,657	3,407,203	.10
Tennessee	23,225,955	6,458,361	1,735,610	31,419,926	.89
Texas	170,177,230	13,635,398	4,539,494	188,352,122	5.35
Utah	20,796,268	979,495	512,817	22,288,580	.63
Vermont	882,731	1,155,262	290,967	2,328,960	.07
Virgin Islands	....	247,264	138,096	385,360	.01
Virginia	66,268,007	5,725,963	1,806,838	73,800,808	2.10
Washington	88,572,612	4,012,110	1,617,182	94,201,904	2.68
West Virginia	4,255,733	3,411,450	842,548	8,509,731	.24
Wisconsin	38,268,062	5,894,585	1,651,726	45,814,373	1.30

FEDERAL TRANSIT ADMINISTRATION, FISCAL YEAR 2002 GUARANTEED LEVEL—APPORTIONMENT FOR FORMULA PROGRAMS (BY STATE)—Continued

State	Section 5307 urbanized area	Section 5311 nonurbanized area	Section 5310 elderly and persons with disabilities	Total formula programs	State percent of total
Wyoming	1,219,667	824,424	242,740	2,286,831	.07
Subtotal	3,209,324,197	223,749,375	84,724,801	3,517,798,373	100.0
Oversight	16,127,259	1,124,368		17,251,627	
Total	3,225,451,456	224,873,743	84,724,801	3,535,050,000	
Clean Fuels				50,000,000	
Over-the-Road Bus Accessibility				6,950,000	
Grand Total				3,592,000,000	

[1] Includes $4,825,700 for the Alaska Railroad improvements to passenger operations.

Question. Please provide a table displaying the state-by-state distribution of the formula grants program funds within each of the program categories for fiscal year 2001, comparing the total authorized program with the enacted program which included a directed set-aside of $60 million for the 2002 Winter Olympics.

Answer. The table is provided below.

COMPARISION OF FISCAL YEAR 2001 ENACTED APPORTIONMENTS AND ESTIMATED FY 2001 APPORTIONMENTS WITHOUT OLYMPIC SET-ASIDE

State	Fiscal year 2001 enacted apportionments			Total formula	Fiscal year 2001 apportionments without olympic set-aside			Total	Difference
	Sec 5307 urbanized area formula	Sec 5310 elderly/disabled	Sec 5311 non-urbanized area formula		Sec 5307 urbanized area formula	Sec 5310 elderly/disabled	Sec 5311 non-urbanized area formula		
Alabama	$12,824,139	$1,341,753	$4,908,405	$19,074,297	$13,062,244	$1,366,477	$4,999,044	$19,427,765	$353,468
Alaska	2,552,406	196,516	731,949	3,480,871	2,599,788	197,969	745,465	3,543,222	62,351
American Samoa		52,816	104,325	157,141		52,873	106,252	159,125	1,984
Arizona	32,964,484	1,180,931	2,148,770	36,294,185	33,576,462	1,202,388	2,188,450	36,967,300	673,115
Arkansas	5,042,769	932,236	3,924,065	9,899,070	5,136,398	948,639	3,996,528	10,081,565	182,495
California	473,783,741	7,346,082	9,577,365	490,707,188	482,580,357	7,492,814	9,754,221	499,827,392	9,120,204
Colorado	37,386,123	912,066	2,044,385	40,342,574	38,080,225	928,059	2,082,137	41,090,421	747,847
Connecticut	50,377,247	1,047,673	1,854,450	53,279,370	51,312,696	1,066,422	1,888,694	54,267,812	988,442
Delaware	6,695,745	305,530	462,640	7,463,915	6,820,044	309,198	471,184	7,600,426	136,511
District of Columbia	26,720,935	303,134		27,024,069	27,217,097	306,754		27,523,851	499,782
Florida	143,206,699	4,951,449	6,156,753	154,314,901	145,865,447	5,049,522	6,270,444	157,185,413	2,870,512
Georgia	50,415,913	1,745,026	7,176,610	59,337,549	51,352,019	1,777,945	7,309,134	60,439,098	1,101,549
Guam		134,366	296,991	431,357		134,556	302,475	437,031	5,674
Hawaii	22,802,749	393,408	805,465	24,001,622	23,240,108	398,862	820,339	24,459,309	457,687
Idaho	3,014,169	403,008	1,625,002	5,042,179	3,070,147	408,657	1,655,009	5,133,813	91,634
Illinois	198,313,457	3,194,583	6,584,138	208,092,178	201,995,757	3,256,957	6,705,722	211,958,436	3,866,258
Indiana	31,791,136	1,667,808	6,360,128	39,819,072	32,381,412	1,699,158	6,477,575	40,558,145	739,073
Iowa	8,497,060	1,003,498	4,090,897	13,591,455	8,654,834	1,021,349	4,166,440	13,842,623	251,168
Kansas	7,802,189	838,458	3,254,179	11,894,826	7,947,042	852,956	3,314,271	12,114,269	219,443
Kentucky	16,970,857	1,285,158	5,371,940	23,627,955	17,285,911	1,308,733	5,471,138	24,065,782	437,827
Louisiana	27,188,765	1,289,372	4,442,983	32,921,120	27,693,551	1,313,032	4,525,027	33,531,610	610,490
Maine	2,162,245	508,257	2,143,913	4,814,415	2,202,403	516,045	2,183,502	4,901,950	87,535
Maryland	73,419,025	1,295,552	2,676,572	77,391,149	74,782,247	1,319,338	2,725,998	78,827,583	1,436,434
Massachusetts	113,921,306	1,873,732	2,868,472	118,663,510	116,036,693	1,909,266	2,921,441	120,867,400	2,203,890
Michigan	60,669,321	2,730,678	7,768,311	71,168,310	61,795,634	2,783,625	7,911,762	72,491,021	1,322,711
Minnesota	35,280,777	1,314,065	4,470,214	41,065,056	35,935,798	1,338,227	4,552,762	41,826,787	761,731
Mississippi	4,504,563	905,187	4,362,349	9,772,099	4,588,205	921,040	4,442,905	9,952,150	180,051
Missouri	32,522,564	1,691,587	5,206,649	39,420,800	33,126,359	1,723,420	5,302,795	40,152,574	731,774
Montana	2,280,824	368,311	1,316,379	3,965,514	2,323,183	373,255	1,340,688	4,037,126	71,612
Nebraska	7,716,556	586,015	1,986,250	10,288,821	7,859,824	595,383	2,022,928	10,478,135	189,314
Nevada	19,493,518	431,507	648,480	20,573,505	19,855,403	437,735	660,455	20,953,593	380,088
New Hampshire	3,195,678	406,684	1,717,006	5,319,368	3,255,027	412,408	1,748,713	5,416,148	96,780
New Jersey	172,746,185	2,253,028	2,454,955	177,454,168	175,953,657	2,296,270	2,500,289	180,750,216	3,296,048

COMPARISION OF FISCAL YEAR 2001 ENACTED APPORTIONMENTS AND ESTIMATED FY 2001 APPORTIONMENTS WITHOUT OLYMPIC SET-ASIDE—Continued

State	Fiscal year 2001 enacted apportionments			Total formula	Fiscal year 2001 apportionments without olympic set-aside			Total	Difference
	Sec 5307 urbanized area formula	Sec 5310 elderly/disabled	Sec 5311 non-urbanized area formula		Sec 5307 urbanized area formula	Sec 5310 elderly/disabled	Sec 5311 non-urbanized area formula		
New Mexico	6,465,925	513,285	1,929,966	8,909,176	6,585,967	521,175	1,965,605	9,072,747	163,571
New York	498,811,960	5,243,663	8,641,736	512,697,359	508,074,294	5,347,674	8,801,316	522,223,284	9,525,925
North Carolina	26,909,601	1,986,974	9,180,077	38,076,652	27,409,243	2,024,809	9,349,597	38,783,649	706,997
North Dakota	2,223,367	310,931	973,521	3,507,819	2,264,660	314,709	991,499	3,570,868	63,049
Northern Marianas		52,572	96,679	149,251		52,624	98,465	151,089	1,838
Ohio	84,276,055	3,334,681	9,345,956	96,956,692	85,840,652	3,399,901	9,518,540	98,759,093	1,802,401
Oklahoma	10,565,123	1,106,654	3,995,300	15,667,077	10,761,257	1,126,601	4,069,077	15,956,935	289,858
Oregon	27,015,598	1,027,623	3,172,303	31,215,524	27,517,193	1,045,965	3,230,883	31,794,041	578,517
Pennsylvania	135,900,688	4,001,593	10,425,512	150,327,793	138,424,027	4,080,366	10,618,030	153,122,423	2,794,630
Puerto Rico	48,225,340	973,945	3,115,471	52,314,756	49,120,731	991,195	3,173,002	53,284,928	970,172
Rhode Island	9,438,118	450,473	399,097	10,287,688	9,613,330	457,086	406,467	10,476,883	189,195
South Carolina	10,611,045	1,069,122	4,594,674	16,274,841	10,808,049	1,088,306	4,679,520	16,575,875	301,034
South Dakota	1,603,871	337,161	1,186,647	3,127,679	1,633,657	341,472	1,208,559	3,183,688	56,009
Tennessee	21,216,715	1,587,436	5,931,199	28,735,350	21,610,601	1,617,152	6,040,725	29,268,478	533,128
Texas	155,446,145	4,133,366	12,522,412	172,101,923	158,332,148	4,214,815	12,753,649	175,300,612	3,198,689
Utah	18,998,246	477,138	899,544	20,374,928	19,350,926	484,294	916,155	20,751,375	376,447
Vermont	806,059	275,698	1,060,965	2,142,722	821,029	278,760	1,080,556	2,180,345	37,623
Virgin Islands		136,892	227,081	363,973		137,133	231,275	368,408	4,435
Virginia	60,526,339	1,652,110	5,258,583	67,437,032	61,650,165	1,683,141	5,355,688	68,688,994	1,251,962
Washington	80,902,237	1,479,903	3,684,623	86,066,763	82,404,326	1,507,435	3,752,664	87,664,425	1,597,662
West Virginia	3,886,087	776,535	3,132,991	7,795,613	3,958,260	789,774	3,190,846	7,938,880	143,267
Wisconsin	34,954,300	1,511,269	5,413,442	41,879,011	35,603,281	1,539,438	5,513,407	42,656,126	777,115
Wyoming	1,113,728	231,908	757,131	2,102,767	1,134,412	234,081	771,112	2,139,605	36,838
Total	2,926,159,692	77,560,406	205,485,900	3,209,205,998	2,980,504,180	78,997,238	209,280,424	3,268,781,842	59,575,844

OVER-THE-ROAD BUS ACCESSIBILITY PROGRAM

Question. Beginning in October, 2000, Class I over-the-road bus companies are required by the Americans with Disabilities Act (ADA) to purchase lift-equipped buses, or to install a wheelchair lift in any new buses which they purchase. The entire fleet of buses owned by these companies must be accessible by 2012. What is the TEA21 guaranteed funding level for the over-the-road bus accessibility program for each year of the authorization? Are there any other federal funding programs under which these privately-owned companies could apply for assistance in meeting this mandate?

Answer. The total guaranteed level of funding under TEA–21 for the over-the-road bus accessibility program is $24.3 million: $17.5 million is available for intercity fixed-route providers and $6.8 million is available for other providers, such as local fixed-route, commuter, charter and tour operators, as follows:

Fiscal year 1999.—$2 million for intercity fixed-route providers.

Fiscal year 2000.—$2 million for intercity fixed-route providers; $1.7 million for other providers.

Fiscal year 2001.—$3 million for intercity fixed-route providers; $1.7 million for other providers.

Fiscal year 2002.—$5.25 million for intercity fixed-route providers; $1.7 million for other providers.

Fiscal year 2003.—$5.25 million for intercity fixed-route providers; $1.7 million for other providers.

The only other federal funding program under which some privately-owned companies might apply for funds for lift-equipped vehicles is the Section 5311 nonurbanized area formula program. A provision under paragraph 5311(f) requires each state to spend fifteen percent of its annual Section 5311 apportionment "to carry out a program to develop and support intercity bus transportation" unless the Governor certifies that "the intercity bus service needs of the state are being met adequately." Capital costs such as vehicles and vehicle-related equipment, including wheelchair lifts, are among eligible expenses under this program. Although assistance under Section 5311(f) must support intercity bus service in rural and small urban areas, the states have the discretion to determine how the funds will be used for that purpose.

METROPOLITAN AND STATEWIDE PLANNING

Question. Please provide a table displaying the formula apportionments to States and MPOs of the fiscal year 2001 and fiscal year 2002 Metropolitan and State Planning Funds.

Answer. All FTA Planning funds are apportioned to the States; apportionments of Planning funds to MPOs within the States are done by each State according to a State formula. The fiscal year 2001 apportionments to the States, as published in the Federal Register, are listed in the table below:

State	Fiscal year 2001	
	Metropolitan planning apportionment	State planning and research apportionment
Alabama	$457,908	$119,765
Alaska	209,116	54,694
Arizona	832,799	172,881
Arkansas	209,116	54,694
California	8,913,015	1,657,612
Colorado	680,203	154,775
Connecticut	611,144	159,844
Delaware	209,116	54,694
District of Columbia	281,927	54,694
Florida	2,850,720	662,471
Georgia	1,009,163	212,240
Hawaii	209,116	54,694
Idaho	209,116	54,694
Illinois	3,054,794	551,886
Indiana	741,608	175,269
Iowa	234,596	61,358

State	Fiscal year 2001	
	Metropolitan planning apportionment	State planning and research apportionment
Kansas	271,200	66,302
Kentucky	324,845	83,112
Louisiana	561,350	145,024
Maine	209,116	54,694
Maryland	1,213,729	233,121
Massachusetts	1,480,370	307,905
Michigan	1,907,119	378,339
Minnesota	774,395	154,326
Mississippi	209,116	54,694
Missouri	856,194	181,131
Montana	209,116	54,694
Nebraska	209,116	54,694
Nevada	226,742	59,304
New Hampshire	209,116	54,694
New Jersey	2,591,730	431,523
New Mexico	209,116	54,694
New York	5,262,941	918,827
North Carolina	625,372	163,565
North Dakota	209,116	54,694
Ohio	1,801,618	433,309
Oklahoma	337,052	88,155
Oregon	378,602	92,433
Pennsylvania	2,336,651	469,143
Puerto Rico	566,656	138,335
Rhode Island	209,116	54,694
South Carolina	355,069	$92,868
South Dakota	209,116	54,694
Tennessee	551,991	144,372
Texas	3,552,299	740,230
Utah	328,394	85,891
Vermont	209,116	54,694
Virginia	1,168,443	249,281
Washington	931,292	209,250
West Virginia	209,116	54,694
Wisconsin	652,027	160,431
Wyoming	209,116	54,694
TOTAL	52,278,930	10,938,770

For fiscal year 2002, the apportionment to the states based on the guaranteed level of funding for the two FTA Planning programs would be as follows:

State	Fiscal year 2002	
	Metropolitan planning apportionment	State planning and research apportionment
Alabama	485,442	126,759
Alaska	221,690	57,888
Arizona	882,875	182,978
Arkansas	221,690	57,888
California	9,448,942	1,754,420
Colorado	721,103	163,813
Connecticut	647,891	169,179
Delaware	221,690	57,888
District of Columbia	298,878	57,888

State	Fiscal year 2002	
	Metropolitan planning apportionment	State planning and research apportionment
Florida	3,022,130	701,160
Georgia	1,069,843	224,635
Hawaii	221,690	57,888
Idaho	221,690	57,888
Illinois	3,238,475	584,116
Indiana	786,200	185,505
Iowa	248,702	64,942
Kansas	287,507	70,174
Kentucky	344,378	87,965
Louisiana	595,104	153,493
Maine	221,690	57,888
Maryland	1,286,709	246,735
Massachusetts	1,569,383	325,887
Michigan	2,021,792	400,435
Minnesota	820,959	163,339
Mississippi	221,690	57,888
Missouri	907,676	191,709
Montana	221,690	57,888
Nebraska	221,690	57,888
Nevada	240,376	62,767
New Hampshire	221,690	57,888
New Jersey	2,747,568	456,724
New Mexico	221,690	57,888
New York	5,579,395	972,487
North Carolina	662,974	173,117
North Dakota	221,690	57,888
Ohio	1,909,947	458,614
Oklahoma	357,319	93,304
Oregon	401,366	97,831
Pennsylvania	2,477,151	496,541
Puerto Rico	600,729	146,414
Rhode Island	221,690	57,888
South Carolina	376,419	98,291
South Dakota	221,690	57,888
Tennessee	585,181	152,804
Texas	3,765,894	783,460
Utah	348,140	90,907
Vermont	221,690	57,888
Virginia	1,238,700	263,840
Washington	987,289	221,471
West Virginia	221,690	57,888
Wisconsin	691,233	169,800
Wyoming	221,690	57,888
TOTAL	55,422,400	11,577,600

Question. Please explain the transfer of approximately $54 million in FHWA metropolitan planning funds to FTA in fiscal year 2000. What is the reason for this transfer, and what is the statutory authority? Does FTA administer all the funds? Will a similar transfer take place in fiscal years 2001 and 2002?

Answer. Approximately $54 million in FHWA metropolitan planning funds were transferred last fiscal year to FTA so that the states could manage their planning funds as a single grant. This consolidation of planning funds was done as a pilot in response to requests from a number of states. FTA and FHWA developed this pilot, called Consolidated Planning Grant (CPG), to streamline the grant process, reduce paperwork for the States, and support a State's focus on system rather than mode-specific planning.

The fiscal year 2000 FHWA funds were transferred to FTA for the CPG pilot under the provisions of section 104 (k) of Title 23, U.S.C., "Transfer of Highway and Transit Funds." Transferring FHWA funds to FTA gives States electronic access to both FTA and FHWA planning funds thereby giving States the ability to monitor and manage their planning balances through a single program. Transferring funds also provides States with a simplified fund drawdown process ensuring that the States will not have their planning funds lapse.

When the Consolidated Planning Grant pilot was developed, FTA and FHWA decided that the funds should be processed through FTA's Windows-based electronic [fund] award and management system. This system, which will soon be available to the States through the Internet, allows the States to apply for and manage planning funds electronically. Based on an earlier customer survey of the participating States' satisfaction with the CPG pilot, we expect current participants to continue with the pilot and anticipate that additional States will become participants.

It is not known whether transfers in FHWA metropolitan planning funds to FTA similar to the level in fiscal year 2000 will take place in fiscal year 2001 and fiscal year 2002.

NATIONAL RESEARCH AND TECHNOLOGY PROGRAM

Question. Please provide a list by activity and amount of the earmarks contained in TEA–21 that must be administered under the FTA's transit planning and research account in fiscal year 2002. Are there any TEA–21 project earmarks under the national research and technology program for fiscal year 2002?

Answer.

[In thousands of dollars]

Activity	*Fiscal year 2002 Amount*
Metropolitan Planning	55,422
Statewide Planning and Research	11,578
Transit Cooperative Research Program	8,250
National Transit Institute	4,000
Rural Transit Assistance Program	5,250
National Research and Technology:	31,500
Project ACTION	[1] [3,000]

[1] This project is earmarked in TEA–21.

Question. If FTA had a constrained budget for the national research and technology program, how would the agency allocate non-TEA21 mandated programs with a discretionary allowance of $12,000,000?

Answer. FTA has requested $28,500,000 for non-TEA21 mandated programs in fiscal year 2002. If only $12,000,000 were made available for use at FTA's discretion, we would allocate it to the following non-TEA21 programs, with reductions as indicated .

[In thousands of dollars]

Program	Fiscal year 2002	Under $12,000,000 constraint
1.5.1. Safety & Security Training (includes Transportation Safety Institute)	1,400	1,400
1.1. Railroad Grade Crossing Safety	750	750
1.5.5.2. Safety Management Information System (SAMIS)	400	400
1.5.5.3. Drug and Alcohol Testing Information System (DAMIS)	1,100	1,100
1.5.13. Transit Accident Causal Factors	300	300
1.3. Crime Prevention	650	650
1.5.7. Transit Bus Safety	500	500
1.5.14. System Safety Guidance Program	300	300
1.5.3. Drug and Alcohol Testing: Updated guidelines and newsletters	250	250
1.4.2 Shared Track	750	750
1.5.2. Safety & Security Training Course Development	300	300
1.5.11. Safety Awareness Outreach	400	400
1.5.15. Fatigue Programs	300	300
1.5.12. Safety and Security Preparedness Planning and Drills	200	200
1.5.6. Safety and Security Clearinghouse/Web-site	300	300

[In thousands of dollars]

Program	Fiscal year 2002	Under $12,000,000 constraint
1.5.9. Fire Materials Testing	100	100
4.4. National Rural Transportation Assistance Program	750	750
7.2. Major Investment Planning and Project Development	550	550
6.1. Transit Conditions, Performance and Needs	500	500
2.3. Civil Engineering Deployment: Construction Roundtables	80	80
3.1. Bus Rapid Transit (BRT) Initiative	1,000	1,000
7.1. Transportation Planning and Programming	1,100	1,100
6.3. Innovative Financing	200	20
Subtotal	12,180	12,000
4.1. Joblinks Demonstration and Technical Assistance Program	1,000	
7.3. Land Use and Environmental Planning	200	
9.3. Program Evaluation and Strategic Planning (GPRA)	200	
8.1. Support for Title VI/DBE	450	
2.1.3. BRT Technology Evaluation	2,000	
7.4. Planning Methods	500	
6.5. Nationwide Personal Transportation Survey	400	
8.2. Garrett A. Morgan Trans. Tech. Program	200	
2.2.1. Rail Control Systems Deployment and Standards Development	1,500	
5.1. Technology Sharing: Internet FTA Website	100	
2.1.1. Hybrid-Electric Propulsion Development	2,000	
2.1.2. Clean Fuels and Electric Drive Bus Deployment	1,000	
6.2. Benefits of Transit	400	
5.1. Technology Sharing and Documentation of Research	700	
9.1. National Transit GIS	200	
4.2. Federal Coordinating Council Support	150	
3.2. Mixed Rail Operations	2,000	
10.1. International Mass Transportation Program: Technical Assistance and Training	500	
2.1.4. Federal Lands Transit Technology Transfer	1,200	
2.3. Civil Engineering Research and Deployment	1,420	
7.5. Predicted vs. Actual Outcomes of New Starts Projects	200	
Total	28,500	12,000

Question. For each of the congressionally designated programs and projects in the fiscal year 2000 and 2001 appropriations bills under "Transit Planning and Research", please note when the grant, contract, or cooperative agreement was released and note who the official grantee agency or entity is in each case. (Designate which year the funds were appropriated.)

Answer.

Congressionally designated programs and projects	Amount	Release date	Official recipient
Fiscal Year 2000 Appropriation:			
Transit Cooperative Research Program	$7,150,000	9/29/00	National Academy of Sciences
Design a new transit database with National Academy of Sciences.	395,000	2/9/00	KPMG Peat Markwick
Transit Cooperative Research Program	695,000	9/1/00	KPMG Peat Markwick
National Transit Institute	4,000,000	9/29/00	Rutgers University
National Research and Technology:			
Zinc-air battery bus technology demonstration	937,758	([1])	Electric Fuel Corporation
Washoe County, Nevada transit technology	1,235,616	11/29/00	Regional Transportation Commission of Washoe County
Massachusetts Bay Transportation Authority advanced electric transit buses and related infrastructure.	1,482,739	12/15/00	Massachusetts Bay Transportation Authority
Palm Springs, California fuel cell buses	988,492	4/5/00	SunLine Transit

Congressionally designated programs and projects	Amount	Release date	Official recipient
Gloucester, Massachusetts intermodal technology center.	1,482,739	1/31/00	Massachusetts Bay Transportation Authority
Southeastern Pennsylvania Transportation Authority advanced propulsion control system.	2,965,477	5/23/00	Southeastern Pennsylvania Transportation Authority
Project ACTION	2,965,477	4/10/2000 ..	Easter Seals Project Action
Advanced transportation and alternative fuel technology consortium (CALSTART).	3,212,600	4/6/2000	Westart-CALSTART, Inc
Hennepin County community transportation, Minnesota.	988,492	11/29/00	Hennepin County Regional Railroad Authority
Electric vehicle information sharing and technology transfer program.	741,369	11/29/00	Electronic Vehicle Association of the Americas
Portland, Maine independent transportation network.	494,246	2/29/00	Independent Transportation Network
Wheeling, WV mobility study, ...	247,124	(1)	Ohio Valley Regional Transportation Authority
International program	988,492	1/16/01	Department of State USAID
Transit Safety and Security Training	1,200,000	3/13/00	Transportation Safety Institute
Safety and security programs	4,250,000	....	Various recipients
Santa Barbara Electric Transit Institute	494,246	9/25/00	Santa Barbara Electric Transit Institute
Pittsfield economic development authority electric bus program.	1,334,465	7/6/00	Pioneer Valley Transit Authority
Citizens for modern transit, Missouri	296,548	(1)	East-West Gateway Coordinating Council
Fiscal Year 2001 Appropriation:			
Transit Cooperative Research Program	6,735,150	(1)	National Academy of Sciences/TRB
National Transit Database Phase 2 Redesign Activities.	1,496,700	To be selected.	
National Transit Institute	3,991,200	(1)	Rutgers University
Rural Transit Assistance Program	5,238,450	(1)	American Public Works Association
National Research and Technology:			
Safety and Security activities	6,086,580	(2)	Various recipients
West Virginia University Fuel Cell Technology Institute Propulsion and ITS Testing.	971,857	(1)	West Virginia University
State of Vermont Electric Vehicle Transit Demonstration.	498,900	(1)	E Vermont
Center for Composites Manufacturing	923,264	3/19/01	Southern Research Institute
Fairbanks Extreme Temperature Clean Fuels Research.	777,486	(1)	To be determined
WestStart-CALSTART	2,977,280	1/23/01	WestStart-CALSTART, Inc
Electric Vehicle Institute, Tennessee	498,900	2/20/01	Electric Transit Vehicle Institute
Southestern Pennsylvania Transportation Authority Advanced Propulsion Control System (TEA–21).	2,993,400	4/12/01	Southeastern Pennsylvania Transportation Authority
Project ACTION (TEA–21)	2,993,400	1/23/01	Easter Seals Project Action
National Rural Transit Assistance Program	748,350	(1)	To be determined
Hennepin County Community Transportation, Minnesota.	997,800	(1)	Hennepin County Regional Railroad Authority
Great Cities Universities Consortium	1,995,600	(1)	University of Alabama Birmingham on behalf of Great Cities Universities Consortium
Joblinks	1,047,690	(1)	Community Transportation Association of America
Acadia Island, Maine, Island Explorer Transit System Experimental Pilot Program.	149,670	(1)	Maine Department of Transportation
Mid-America Regional Council Coordinated Transit Planning, Kansas City Metro Area.	748,350	(1)	Mid-America Regional Council
Sacramento Area Council of Governments Regional Air Quality Planning and Coordination Study.	249,450	(1)	Sacramento Area Council of Governments
University of Rhode Island, Kingston Traffic Congestion Study Component.	149,670	(1)	Rhode Island Public Transit Authority
Trans-Lake Washington Land Use Effectiveness and Enhancement Review.	449,010	(1)	Washington Department of Transportation
Southern Nevada Air Quality Study	777,486	(1)	Desert Research Institute
Mississippi State University Bus Service Expansion Plan.	99,780	(1)	Mississippi Department of Transportation
South Amboy, New Jersey Transit Study	199,560	(1)	To be determined

Congressionally designated programs and projects	Amount	Release date	Official recipient
Long Island, New York Transportation Land Use Projects.	249,450	(1)	To be determined

[1] Not yet released.
[2] Varies.

Question. Why is FTA requesting $750,000 from the national research and technology program for the Rural Transportation Assistance Program, which already has a guaranteed funding level of $5,250,000?

Answer. The $750,000 requested is to support the national component of the Rural Transportation Assistance Program (RTAP). RTAP activities at the national level include the National Transit Resource Center, operated by the Community Transportation Association of America, production and dissemination of training modules, information and technical assistance briefs, research, and coordination of and support for state RTAP activities. The $5,250,000 guaranteed funding would be entirely allocated to the states to support their state RTAP activities.

Since RTAP began in 1987, FTA has administered the program with both a state and national component. From 1987 to 1992, the approximately $5 million appropriated annually was split with 85 percent allocated to the states and 15 percent reserved for national activities. Starting in 1993 Congress appropriated only the amount traditionally allocated to the states, and FTA funded the national RTAP separately at a reduced level. In fiscal year 1998 and 1999 Congress earmarked $750,000 for the national RTAP in addition to $5.25 million for RTAP, which FTA allocated entirely to the states. In fiscal year 2000, however, when Congress appropriated only the $5.25 million guaranteed level, FTA allocated only $4.7 million to the states and reserved $525 thousand for the national RTAP. In response to a strong adverse reaction from the states, FTA promised to seek full funding for both components of RTAP. The fiscal year 2001 Appropriations Act restored full funding to the states and supported the highly valued national activities at the $750,000 level.

Question. Of the activities requested within the safety and security area, which are directly supported by or in response to NTSB recommendations?

Answer. FTA has initiated the following actions in response to NTSB recommendations:

1. As a result of NTSB recommendations following their March 1998 transit bus safety hearings, the FTA is reviewing a number of means to encourage uniformity of oversight by states over local transit bus operations. FTA is considering the development of technical assistance to the states to assist them with the adoption of uniform safety regulations and oversight.

2. Following NTSB's recommendations concerning fatigue related accidents, the FTA sponsored a fatigue symposium. A second symposium was recommended to be conducted in two years. FTA is requesting funding for that purpose.

Also in response to issues identified by the NTSB, the Transportation Safety Institute has undertaken a series of courses for transit industry personnel relating to fitness-for-duty programs and training which address fatigue issues. FTA will continue funding of that program with fiscal year 2000 funding.

Question. The Committee is aware of FTA's and FRA's joint work on developing agency policy on shared use of the general railway system by conventional railroads and transit systems. Please outline the status of this policy's development, summarize the principal issues and questions. How will the requested $750,000 for "shared track technology" and the $2 million for "mixed rail operations" be spent?

Answer. Both the FTA and FRA entered into an agreement in October 1998 to coordinate their safety programs with respect to rail. In May 1999, both agencies proposed a policy concerning track shared by both railroad and transit. After considering 50 written comments from the public, on July 10, 2000, both agencies issued a joint final statement of policy in 65 FR 42526. This policy identifies safety issues emanating from shared track, such as, potential for collision and infrastructure (e.g., train control).

On May 11, 2001, FTA issued guidance to its Regional Administrators on coordination with the FRA about waivers for light rail transit vehicles operating on general railroad systems. FTA currently has a liaison that participates on the FRA Railroad Safety Board which reviews shared track waiver requests. Based on recent, first-hand observation of successful shared track experience in Europe (e.g., Karlsruhe, Germany), FTA has developed a strategy to address safety issues over shared track. The strategy consists of taking a pro-active approach that focuses on vehicles, information/communications, and employee safety. Funding for only the first two areas have been requested since employee safety is presently funded as part of safety training initiative.

FTA proposes to spend $750,000 on research and development to assess the crashworthiness of light rail vehicles used on track shared with the general railroads. A survey of the state-of-the-art technology addressing vehicle body and materials will be performed, and a study will be conducted to optimize a design for light rail vehicles capable of absorbing energy from a collision with freight cars.

FTA proposes to spend $2 million on research, development, and demonstration of information/communications technologies, such as intelligent transportation systems, in order to maximize safety as well as capacity on shared track. Intelligent transportation systems include: (1) combining automatic vehicle location using high-precision, differential global position system technology with, (2) positive train control (i.e., radio-based train control systems) to separate trains, and (3) deploying common communications systems that are compatible between light rail transit vehicles and freight trains.

Question. What is the current status and cost to complete the Georgetown University fuel cell bus program? Is FTA requesting any transit research funds to support this effort in fiscal year 2002?

Answer. In 1997, the Federal Transit Administration (FTA) program was structured to develop two fuel cell buses, one with a phosphoric acid fuel cell (PAFC) and one with a proton exchange membrane fuel cell (PEMFC). At that time it was not clear which technology might better meet the demands of the transit bus market.

The PAFC bus development is complete. The fuel cell power plant was fabricated and tested by International Fuel Cells, and integrated into a 40-foot NovaBus platform. BAE Systems (formally Lockheed Martin Control Systems) provided the power and propulsion system (the same design that is being used on the hybrid-electric buses in New York City). Emission testing of this vehicle has been completed and shows the vehicle to have emissions well below any projected clean air standards. Currently, discussions with the Washington Metropolitan Area Transit Authority are directed toward operational testing and demonstration of this vehicle on a route in the Washington metropolitan area.

The PEMFC bus fabrication is nearing completion at the XCELLSiS facility in Poway, CA. The power plant combines two 50kw fuel cell engines manufactured by XCELLSiS (a joint venture between DaimlerChrysler, Ford, and Ballard) for their NECAR–3 automobile into a single 100 kw bus power plant. The engine has been integrated into a 40-foot NovaBus platform with a BAE Systems power and propulsion system. Plans currently call for this vehicle to be operationally tested and demonstrated by multiple transit agencies in California.

The FTA, in 1999, structured a Memorandum of Agreement (MOA) with Georgetown University (GU) to define the total program, schedule, end products and funding requirements for the Fuel Cell Transit Bus Program. The MOA includes the Fuel Cell Transit Bus Maintenance Facility so that the total Fuel Cell Transit Bus Program activities are defined in a single document. The MOA envisioned a total of eight fuel cell transit buses (including the two above) with a total cost of $71.8 million, of which $51 million has been provided to date. This plan has now been revised to reflect the following developments:

(1) The major thrust for fuel cell powered automobiles in Europe and the United States now uses PEMFC technology with liquid methanol as fuel. The power plants for fuel cell buses will scale the automotive fuel cells to transit bus requirements by coupling several smaller units for increased power. Incorporation of automotive technology should greatly reduce the cost of bus fuel cells since production levels will be driven by demand for automobiles.

(2) A key lesson learned from the program to date is that combining fuel cell and battery technology into a hybrid configuration (as in the first two buses) cannot meet the commercial goals established for this program. Such buses are too heavy and complex to satisfy the market demand. Larger fuel cell power plants are necessary. Automotive power plants are now sized at 60 kW; a non-hybrid 40-foot transit bus requires approximately 200 kW of power. The GU program has been restructured to meet this requirement. To reduce first-time engineering costs, an existing 30-foot fuel cell bus will be upgraded, using multiple automotive fuel cell power plants and ultra-capacitors to meet transit bus power requirements. This approach should allow transit bus power plants to be built with production hardware incorporating automotive economies of scale.

(3) There is interest within the Department of Defense to investigate the use of fuel cells for Army land vehicle applications. The Tank Automotive Command's National Automotive Center (NAC) funded a concept study on the applicability of PEMFC power plants for various types of Army trucks. The power levels of these vehicles are close to the fuel cell power plants (200 kW) being developed for the next

PEMFC buses. The ability to operate on liquid fuel is paramount for military applications although eventually a logistic military fuel (diesel or JP–8) would have to be used. The NAC has provided some funding ($3.0 million to date with an additional $2.0 million previously appropriated to be made available) for the next fuel cell bus development in order to gain familiarity with the control schemes and operation of this class of vehicle.

It is vital to develop and integrate this concept of a non-hybrid fuel cell power plant into a transit bus (1) to address scale-up and control issues, and (2) to demonstrate resulting performance to the transit community. GU has identified an additional funding requirement of $4.5 million over the additional NAC funding to complete that activity and still continue the testing and demonstrations for the existing buses. Once this bus demonstrates operational performance, the FTA can define a responsive follow-on program to ensure proper commercialization of the technology.

FTA is not requesting funding for this effort in fiscal year 2002.

Question. What is the total amount allocated to bus rapid transit activities in fiscal years 1999, 2000, 2001, and planned for fiscal year 2002? Please list the BRT consortium member agencies, and provide a brief description of each BRT project and its associated schedule and budget. What federal funding options are available to these projects? If the projects have received discretionary federal funding in the past three years, please note the amount of funding, when it was appropriated, and the type of funding.

Answer.

1998	[1] $160,000
1999	[1] 1,720,000
2000	[1] 200,000
2001	[1] 998,980
2002	[2] 1,000,000

[1] Actual.
[2] Planned.

BUS RAPID TRANSIT CONSORTIUM PROJECTS

[Million of dollars]

City	Sponsor	Description	Schedule	Budget
Boston, MA	Massachusetts Bay Transportation Authority (MBTA).	The Silver Line project consists of locally funded exclusive lanes on Washington Street (Phase 1, Section B) (under construction and opening in 2003) connected to two tunnel sections: 1. South Boston Piers to Logan Airport (Phase 1, Section A)(in FFGA)(under construction and opening in 2003), and 2. Downtown Boston (Phase 2) (in Preliminary Engineering) (2008). The Silver Line will have direct transfers to MBTA's Red, Orange and Green lines and permit much faster service to Logan Airport.	Phase 1: 2003; Phase 2: 2003.	Phase 1: $601; Phase 2: $364
Charlotte, NC	City of Charlotte	Independence Corridor. This project includes an exclusive busway in the median of Independence Boulevard. Approximately 2.6 miles of the busway already exists. Phase 2 will add one additional mile in 2004 and Phase 3 will potentially have a total of 13.5 miles after 2006. A corridor study is underway.	Phase 2: 2004; Phase 3: 2006.	13
Cleveland, OH	Greater Cleveland Regional Transit Authority.	GCRTA proposes to rebuild a five-mile section of Euclid Avenue by 2003 to provide for exclusive transit lanes, landscaping, transit shelters, street furniture, etc. The exclusive lanes will carry a fleet of new low-floor articulated dual mode buses. This project is now in final design.	2003	220
Dulles Corridor, VA	Virginia Department of Rail & Public Transportation.	This project, in preliminary engineering, is part of a multi-year, multi-phase effort to bring Metrorail to the corridor. The Bus Rapid Transit project phase (2003) would be an intermediate phase to the ultimate Metrorail phase (2010). Bus Rapid Transit would operate on the congestion-free Dulles Airport Access Road and use median stations built for the Metrorail extension.	2003	280

Eugene-Springfield, OR	Lane Transit District	A 10-mile East-West pilot corridor from east Springfield to west Eugene. LTD proposes to use exclusive lanes in a variety of configurations, limited stops, proof-of-payment fare collection, low-floor guided buses, feeder services, park and ride, and ITS technologies. Phase 1, downtown Eugene to downtown Springfield is scheduled for 2002 and funded through the Bus Capital Program and has been approved for implementation. Phaes 2 is scheduled in 2004. LTD is expected to pursue New Starts funding for Phase 2 and subsequent phases.	Phase 1: 2002; Phase 2: 2004.	15
Hartford, CT	Connecticut Department of Transportation.	A nine-mile, 12-station, two-lane exclusive busway is to be built on active and inactive rail rights-of-way and open in 2003. There will be five intermediate points of access. Project is in preliminary engineering.	2003	80
Honolulu, HI	City and County of Honolulu	CityExpress!, Phase 1 of Honolulu's BRT project, which started in March 1999. is a limited stop service overlayed on current local service routes running in whole or in part along the same alignment, with additional transit priority measures and improved express service stations to be added in subsequent phases. Travel times on a 12.6 mile route were cut from one hour and twenty minutes to 45 minutes. Average weekday ridership has quadrupled from 2500 to 10,000. Phase 2 (In-Town BRT) and Phase 3 (Regional BRT) of Honolulu project are under consideration by FTA to initiate New Starts preliminary engineering.	Phase 1: 1999; Phase 2: 2004; Phase 3: 2008.	Phase 1: 4; Phase 2: 264; Phase 3: 239
Los Angeles, CA	Los Angeles County Metropolitan Transportation Authority (LACMTA) & Los Angeles City Department of Transportation.	Rapid Bus, Los Angeles' initial phase BRT project was implemented in June 2000 on two corridors: Ventura and Wilshire/Whittier Boulevards. The Rapid Bus services operate on regular mixed traffic lanes but includes traffic signal preference within the City of Los Angeles, limited stops, and low floors for fast boarding. Travel time has been cut by 25 percent and patronage has increased by 25 percent to 40 percent. Los Angeles is also seeking FTA New Starts funding for a Wilshire Boulevard BRT project with exclusive lanes and is following FTA's New Starts process for a BRT project with exclusive lanes in the San Fernando Valley corridor.	Phase I Rapid Bus: 2000.	15

BUS RAPID TRANSIT CONSORTIUM PROJECTS—Continued

[Million of dollars]

City	Sponsor	Description	Schedule	Budget
Miami, FL	Miami-Dade Transit Agency	MDTA proposes to extend their existing 8.5 mile South Miami-Dade Busway another 11.5 miles to Florida City by 2003. The additional section would have 22 new stations. The project is in preliminary engineering.	2003	88
San Juan, PR	Puerto Rico Highway and Transportation Authority Fast shuttle bus service operating over HOV lanes on the new 2.5-mile Rio Hondo Connector linking the Bayamon Tren Urbano Station and the Rio Hondo Tren Urbano Plaza. The project will also include seamless fare collection with Tren Urbano, traffic signal preference, and other ITS technologies. This FFGA project is under construction and is expected to be operational in 2002.	2002	2.	
Santa Clara, CA	Santa Clara Valley Transportation Authority (SCVTA).	The line 22 corridor is approximately 27 miles long and serves six Silicon Valley cities. Line 22 has a running time of over two hours. SCVTA plans to reduce travel times by 25 percent by route modifications, infrastructure, traffic signal preference, queue jump lanes, fare prepayment, low-floor-articulated buses, and ITS technologies. The project is expected to be operational in 2002.	2002	33
Pittsburgh, PA	Port Authority of Allegheny County	The five-mile West or Airport Busway opened to service in September 2000. Bus travel times have been cut from 52 minutes to 26 minutes. Weekday ridership has doubled from 3,500 to 7,000.	2000	322
Albany, NY	Capital District Transportation Authority.	The ''Best Bus'' will operate on five miles of New York Route 5 between the downtowns of Albany and Schenectady. Project features traffic signal preference, infrastructure, and queue jump lanes will save ten minutes.	2002	5

Chicago, IL	Chicago Transit Authority	The X49 Western Avenue Express began operation in December 1998. The X49 uses limited stops to cut travel time by 25 percent. Ridership has increased by 17 percent.	1998	1
Montgomery County, MD	Montgomery County, MD	The six mile Viers Mill Road priority project will include route modifications, queue jump lanes, shoulder operations and ITS technologies.	2002	6
Oakland, CA	Alameda-Contra Costa Transit District.	The 16 mile San Pablo corridor runs through six East Bay cities and includes a variety of bus priority improvements and vehicle and station design improvements to cut running and dwell time.	2002	28

The following Federal funding options are available:

FTA Section 5307—Formula Grant Program; FTA Section 5309—New Starts Program; FTA Section 5309—Bus Capital Discretionary Program; FTA Section 5314—Research and Technology Program; FHWA ITS Systems Integration Program; FHWA Flexible funding including: Surface Transportation Program, and Congestion Management and Air Quality (CMAQ).

The following BRT Demonstration cities each received $50,000 in Section 5314 (Research and Technology Program) funds appropriated in fiscal year 1999: Boston, Charlotte, Cleveland, Dulles Corridor, Eugene, Hartford, Honolulu, Miami, San Juan, and Santa Clara.

The following table shows this and other BRT funding:

BUS RAPID TRANSIT: FEDERAL DISCRETIONARY FUNDS BY FISCAL YEAR OF APPROPRIATION

[In million of dollars]

Location	Project	FTA section 5309 bus capital			FTA section 5309 new starts			FTA section 5314			CMAQ			FHWA		
		1999	2000	2001	1999	2000	2001	1999	2000	2001	1999	2000	2001	1999	2000	2001
Boston	Silver Line							.05								
Charlotte	Independence							.05								
Cleveland	Euclid			10.0			27.0	.05								
Dulles	Dulles							.05								
Eugene	Pilot Corridor	4.4	4.3					.05		.05						
Hartford	Hartford-New Britain Busway			2.2			17.1	.05				3.1				0.9
Honolulu	CityExpress!							.05		.05					0.2	
Miami	South Dade Busway						7.4	.05							18.4	9.0
San Juan	Rio Hondo							.05								
Santa Clara	Line 22 Corridor	4.2		4.2				.05							4.2	4.2
Los Angeles	Rapid Bus									.10						
Oakland	San Pablo	11.0		11.3											3.0	2.0
Pittsburgh	West Busway	18.9			[1] 130.9					.05	[1] 76.5			[1] 25.4		
Totals		[1] 38.5	4.3	27.7	[1] 130.9		51.5	.5		.25	[1] 76.5	3.1		[1] 25.4	25.8	16.1

[1] Includes fiscal year 1999 and prior year funds.

FTA'S URBAN MAGLEV AND ADVANCED TECHNOLOGY PILOT PROGRAM

Question. Please delineate the total combined TEA–21 section 1218 and section 3015(c) funds for the urban maglev and advanced technology pilot programs that are administered by FTA. How have these funds been administered, and which projects were directed by Congress? What is the fiscal year 2002 funding level outlined in TEA–21 for these programs?

Answer. Section 1218(i) of TEA–21, as amended by the TEA–21 Restoration Act, authorized $5,000,000 in grants for the research and development of low-speed superconductivity magnetic levitation technology for public transportation purposes in urban areas to demonstrate energy efficiency, congestion mitigation, and safety benefits. Section 1218 created subsection 322(i) of Title 23 U.S.C. (Highways) to establish the Low Speed Project. So far, available funding has been limited to approximately $2,619,000 by the obligation limitations in Section 1102(e) of TEA–21.

Section 3015(c) of TEA–21, Advanced Technology Pilot Project, authorized $5,000,000 per fiscal year for six fiscal years (from fiscal year 1998 through fiscal year 2003), for a total of $30,000,000, for grants for the development of low speed magnetic levitation technology for public transportation purposes in urban areas to demonstrate energy efficiency, congestion mitigation, and safety benefits. So far, available funding has been limited to approximately $17,031,000.

FTA has combined these two statutory provisions into a comprehensive Urban Maglev Program that includes research, development and assessment of both superconducting and other technologies.

FTA solicited Urban Maglev Program proposals through a Federal Register Notice on January 29, 1999. Eight proposals were received and evaluated.

The Pittsburgh Airborne Shuttle System (PASS) project, also called the General Atomics Project, was awarded approximately $8,000,000 at 80 percent federal share; the General Atomics team is providing approximately $2,000,000. Congressman Bud Shuster—former chairman of the House Transportation and Infrastructure Committee—informed the FTA that two years allocation of Section 3015(c) of TEA–21, Advanced Technology Pilot Project funds were meant for the PASS project. An additional $2,000,000 has been earmarked in fiscal year 2001 for the General Atomics project and is pending award.

An award of $1,000,000 was made through the Department of Energy to Sandia National Laboratories for the development of Segmented Rail Phased Induction Motor (SERAPHIM), as a result of a Congressional earmark of the same amount in the fiscal year 2000 appropriation.

In fiscal year 2001, Sandia National Laboratories received another earmark of $2,000,000 for further development of the SERAPHIM motor, and Colorado Intermountain Fixed Guideway Authority (CIFGA) received an earmark of $2,000,000 for their airport link project. These two organizations are partnering with Maglev Technology Group, LLC (whose proposal under the FTA competition was rated high), and the Colorado Department of Transportation, which is providing a 20 percent cost share.

FTA is actively working on awards to several other proposals that were ranked high in the FTA open competition. Fiscal year 2002 and fiscal year 2003 funding will be utilized to support promising technologies that may result from the various maglev projects funded by FTA.

Magnetic levitation is an advanced, complex technology. FTA requires technical support to assist in analyzing complex technical information regarding the system design concepts being developed under the Phase I program. Therefore a technical support contractor and the Volpe National Transportation Systems Center have been retained by FTA to assist in technical aspects of the Urban Maglev program at a cost of $665,000. FTA will use fiscal year 2002 funds to procure additional technical support, if required.

Section 3015(c) of TEA–21, Advanced Technology Pilot Project, provides $5,000,000 in fiscal year 2002.

UNOBLIGATED FUNDS

Question. Transit New Starts and bus and bus facilities funds are subject to the "three-year rule", wherein earmarked appropriated funds not obligated after three fiscal years are available to be reprogrammed. Please provide two tables—a New Starts table, and a bus table—showing the updated obligation status of all projects whose funding have expired or will expire at the end of fiscal year 2001. Please note whether applications are in, what issues remained to be resolved, and the agency's opinion on whether the project funds will be obligated before the end of fiscal year 2001.

Answer. The table below details the requested information for all New Starts and bus and bus related projects whose funding has expired or will expire at the end of fiscal year 2001.

STATUS OF FISCAL YEAR 1999–2001 NEW STARTS EARMARKS

[As of April 30, 2001]

Year	State/Earmark description	Amount of earmark	Amount obligated	Obligation date	Amount unobligated	Status
1999	AK: Alaska (or Hawaii) Ferry Projects	$10,322,550			$10,322,550	AK DOT will purchase a ferry vessel; Estimated Obligation Date July 2001
1999	AL: Birmingham—Alternatives Analysis & Preliminary Engineering.	992,550			992,550	AA work scope finalized, RFQ/RFP issued; application submitted; funds may lapse
1999	CA: Orange County—Transitway Project	2,481,380			2,481,380	Application Not Yet Filed; funds may lapse
1999	CA: Riverside County—San Jacinto Branch Line Project	496,280			496,280	Application not yet filed; Estimated Obligation Date Sept. 2001; funds may lapse
1999	CA: San Diego—Mid-Coast Corridor Project	1,985,100			1,985,100	Application Not Yet Filed; Estimated Obligation Date Sept. 2001
1998	CO: Roaring Fork Valley Project	793,530			793,530	Extended in fiscal year 2001 Appropriations Bill; Estimated Obligation Date Sept. 2001
1999	CO: North Front Range Corridor Feasibility Study	496,280			496,280	Fiscal year 2001 appropriations bill re-programmed this earmark for the Colorado Eagle Airport to Avon LRT; State not interested in applying for funds; funds may lapse
1999	CT: Bus Circulator (Hartford Light Rail)	1,488,830	$600,000	2/29/00	$888,830	Application expected in 3rd or 4th Qtr of fiscal year 2001. Funds may lapse
1999	CT: Hartford—Old Saybrook Project	496,280			496,280	Awaiting project description/definition. Funds may lapse
1999	CT: New London—Waterfront Access Project	496,280			496,280	Application under review for alternatives analysis. Obligation anticipated July 2001
1999	FL: Miami Metro Dade—North 27th Avenue Corridor Project	2,977,660			2,977,660	Fiscal year 2001 appropriations bill re-programmed this earmark for the South Miami Dade Busway project; Estimated Obligation Date Sept. 2001
1999	FL: Miami Metro-Dade Transit East-West Corridor Project	2,977,660			2,977,660	Received congressional approval to reprogram busway project. New grant fiscal year 2001; Estimated Obligation Date Sept. 2001
1999	GA: Savannah—Water Taxi	496,280			496,280	Study Complete. Obligation anticipated 3rd Qtr. of 2001; funds may lapse
1999	KS: Kansas City Area—Johnson County, KS, I–35 Commuter Rail Project.	992,550	981,079	1/14/00	11,471	Estimated Obligation Date June 2001
1999	LA: New Orleans—Desire Streetcar Project	1,985,100	1,485,100	9/29/00	500,000	Application to be submitted in 3rd Qtr. Obligation anticipated Sept. 2001
1999	MD: Baltimore—Central Downtown Transit Alternatives MIS	496,280			496,280	Application in development; initial review underway. Obligation anticipated Sept. 2001
1998	MS: Intermodal Corridor	2,990,300			2,990,300	Extended in Fiscal Year 2001 Appropriations Bill; Estimated Obligation Date Aug. 2001
1999	NC: Charlotte—North-South Corridor Transitway Project	2,977,660	2,004,400	8/3/00	973,260	Application under final review. Anticipated obligation date May 2001
1999	NC: Raleigh-Durham-Chapel Hill—Triangle Transit Project	9,925,525			9,925,525	Application under final review. Anticipated obligation date May 2001
1999	NE: Omaha—Trolley System	992,550			992,550	Grantee is developing New Starts criteria and plans to apply for funds July 1, 2001; Estimated Obligation Date Sept. 2001
1999	NM: Albuquerque Light Rail Project	4,962,765	2,008,000	8/30/00	2,954,765	In alternatives analysis. Funds may lapse, however, grantee may request extension of funds

1999	OH: Cleveland—Berea Red Line Extension to Hopkins International Airport.	992,550	....	....	992,550	No application submitted. MIS underway. Early in project development stage; funds may lapse
1999	PA: Harrisburg—Capitol Area Transit/Corridor One Project	992,550	....	....	992,550	Once approved, all NS earmarks outstanding to be included in revised application. PE entry info expected within 30 days. Obligation anticipated Sept. 2001
1999	PA: Philadelphia—SEPTA Cross County Metro Project	992,550	640,000	7/19/1999 .... & 12/22/00 ..	352,550	Obligation anticipated Sept. 2001
1999	PA: Philadelphia-Reading—SEPTA Schuylkill Valley Metro Project.	2,977,660	....	....	2,977,660	Obligation anticipated Sept. 2001
1999	SC: Charleston—Monobeam Rail Project	2,183,615	....	....	2,183,615	Obligation anticipated Sept. 2001
1999	TN: Knoxville—Electric Transit Project	1,488,830	680,000	3/10/99	808,830	Will be obligated into TN–03–0049–01; Estimated Obligation Date Sept. 2001
1999	TN: Nashville—Regional Commuter Rail Project	992,550	312,000	8/29/00	680,550	Will be obligated into TN–03–0057–00; RTA has to address final design issures before grant can be approved; Estimated Obligation Date Sept. 2001
1998	TX: Galveston—Rail Trolley Extension Project	1,993,530	532,800	9/27/00	1,460,730	Extended in Fiscal Year 2001 Appropriations Bill; Funds may lapse
1998	VT: Burlington-Essex—Commuter Rail Project	4,843,828	1,960,000	7/12/00	2,883,828	Extended in Fiscal Year 2001 Appropriations Bill; Application expected in 2nd Qtr. of fiscal year 2002 for design and construction. Funds may need to be extended again; Alternative analysis to be completed by July 2001
1999	VT: Burlington-Essex—Commuter Rail Project	1,985,100	1,960,000	7/12/00	25,100	Grantee is expected to request an extension
1999	WA: King County—Elliot Bay Water Taxi	248,140	....	....	248,140	Project also funded with FHWA funds; Estimated Obligation Date Sept. 2001
1999	WA: Spokane—South Valley Corridor Light Rail Project	992,550	....	....	992,550	Combining fund FY99,00 & 01; Estimated Obligation Date July 2001
1999	WV: Morgantown—Fixed Guideway Modernization Project	3,970,210	....	....	3,970,210	No application. Obligation anticipated Sept. 2001

STATE BY STATE BREAKOUT OF FEDERAL TRANSIT FUNDS

Question. For fiscal year 2001 enacted, please prepare a table that includes all firewall formula program funds, New Starts funds as earmarked in the fiscal year 2001 Transportation Appropriations bill (before project management oversight is subtracted), and all earmarked bus funds (before project management oversight is subtracted), breaking out the funding distribution by state and category. Show a total at the bottom, and note what percentage of that total is represented by each state's subtotal.

Answer. The table is provided below.

FISCAL YEAR 2001 APPORTIONMENTS AND ALLOCATIONS FOR SELECTED PROGRAMS (BY STATE)

State	Section 5307 urbanized area	Section 5311 nonurbanized area	Section 5310 elderly and parsons with disabilities	Section 5309 new starts	Section 5309 fixed guideway modernization	Section 5309 bus allocation	State total selected FTA programs	State percent of total
Alabama	$12,888,460	$4,932,890	$1,341,753	$4,989,675	....	$36,872,180	$61,024,958	1.0
Alaska	[1] 7,404,486	735,600	196,516	20,158,286	....	21,502,414	49,997,302	.8
American Samoa	....	104,846	52,816	....	....	....	157,662	....
Arizona	33,129,802	2,159,489	1,180,931	9,979,349	$1,462,646	12,472,398	60,384,615	1.0
Arkansas	5,068,060	3,943,640	932,236	2,993,805	....	6,021,674	18,959,415	0.3
California	476,160,047	9,625,140	7,346,082	233,466,882	115,678,823	42,984,870	885,261,844	14.9
Colorado	37,573,624	2,054,583	912,066	24,150,028	1,517,326	9,977,918	76,185,545	1.3
Connecticut	50,629,947	1,863,700	1,047,673	7,983,479	37,821,013	10,726,263	110,072,075	1.8
Delaware	6,729,323	464,948	305,530	4,989,675	814,514	3,492,271	16,796,261	0.3
District of Columbia	26,854,967	....	303,134	....	49,417,879	4,839,290	81,415,270	1.4
Florida	143,924,927	6,187,465	4,951,449	17,962,829	15,230,913	15,465,741	203,723,324	3.4
Georgia	50,668,794	7,212,409	1,745,026	24,948,375	21,531,113	8,231,784	114,337,501	1.9
Guam	....	298,472	134,366	....	....	....	432,838	....
Hawaii	22,920,896	809,483	393,408	7,684,099	947,056	5,986,751	38,741,693	0.7
Idaho	3,029,290	1,633,108	403,008	....	3,492,271	8,557,677	0.1	
Illinois	199,308,189	6,616,983	3,194,583	49,896,747	119,540,740	6,236,199	384,793,441	6.5
Indiana	31,950,594	6,391,855	1,667,808	4,989,675	8,641,856	11,374,827	65,016,615	1.1
Iowa	8,539,683	4,111,304	1,003,498	....	....	11,975,499	25,629,984	0.4
Kansas	7,841,318	3,270,412	838,458	997,936	....	9,828,251	22,776,375	0.4
Kentucky	17,055,965	5,398,737	1,285,158	....	....	15,361,007	39,100,867	0.7
Louisiana	27,325,127	4,465,146	1,289,372	....	2,833,737	5,986,752	41,900,134	0.7
Maine	2,173,093	2,154,607	508,257	2,993,805	....	5,487,854	13,317,616	0.2
Maryland	73,787,284	2,689,924	1,295,552	20,457,667	25,159,164	7,982,334	131,371,925	2.2
Massachusetts	114,492,756	2,882,781	1,873,732	28,940,116	66,621,764	8,705,735	223,516,884	3.8
Michigan	60,973,583	7,807,063	2,730,678	498,967	343,206	19,631,554	91,985,051	1.5
Minnesota	35,457,723	4,492,514	1,314,065	54,886,422	3,752,492	16,837,737	116,740,953	2.0
Mississippi	4,527,158	4,384,110	905,187	....	....	10,127,588	19,944,043	0.3
Missouri	32,685,673	5,232,622	1,691,587	64,366,805	3,517,920	13,719,640	121,214,247	2.0
Montana	2,292,267	1,322,946	368,311	....	....	6,236,198	10,219,722	0.2
Nebraska	7,755,259	1,996,158	586,015	....	....	3,991,167	14,328,599	0.2
Nevada	19,591,277	651,715	431,507	1,496,903	....	11,474,607	33,646,009	0.6
New Hampshire	3,211,712	1,725,571	406,684	....	....	....	5,343,967	0.1
New Jersey	173,612,642	2,467,201	2,253,028	133,722,294	89,707,633	13,470,188	415,232,986	7.0
New Mexico	6,498,353	1,939,594	513,285	1,995,870	....	14,971,867	25,918,969	0.4
New York	501,314,059	8,684,845	5,243,663	10,478,317	336,168,709	26,052,345	887,941,938	14.9

FISCAL YEAR 2001 APPORTIONMENTS AND ALLOCATIONS FOR SELECTED PROGRAMS (BY STATE)—Continued

State	Section 5307 urbanized area	Section 5311 non-urbanized area	Section 5310 elderly and parsons with disabilities	Section 5309 new starts	Section 5309 fixed guideway modernization	Section 5309 bus allocation	State total selected FTA programs	State percent of total
North Carolina	27,044,573	9,225,871	1,986,974	14,969,024		8,481,229	61,707,671	1.0
North Dakota	2,234,522	978,378	310,931			2,494,479	6,018,310	0.1
Northern Marianas		97,162	52,572				149,734	
Ohio	84,698,716	9,392,578	3,334,681	5,987,609	16,869,014	19,581,657	139,864,255	2.4
Oklahoma	10,618,107	4,015,230	1,106,654			8,980,126	24,720,117	0.4
Oregon	27,151,098	3,188,128	1,027,623	8,482,448	3,554,516	7,533,331	50,937,144	0.9
Pennsylvania	136,582,339	10,477,518	4,001,593	29,439,080	100,643,383	24,670,405	305,814,318	5.1
Puerto Rico	48,467,210	3,131,012	973,945	74,845,122	2,083,205		129,500,494	2.2
Rhode Island	9,485,450	401,088	450,473	498,967	1,618,865	3,991,167	16,446,010	0.3
South Carolina	10,664,263	4,617,594	1,069,122			6,660,260	23,011,239	0.4
South Dakota	1,611,917	1,192,566	337,161				3,141,644	0.1
Tennessee	21,323,122	5,960,786	1,587,436	11,975,219	256,851	5,986,751	47,090,165	0.8
Texas	156,225,765	12,584,880	4,133,366	86,079,100	7,102,564	21,352,745	287,478,420	4.8
Utah	19,093,520	904,031	477,138	1,995,870		9,977,918	32,448,477	0.5
Vermont	810,103	1,066,257	275,698	1,995,870		9,479,021	13,626,949	0.2
Virgin Islands		228,214	136,892				365,106	
Virginia	60,829,926	5,284,815	1,652,110	52,890,553	5,346,281	15,429,853	141,433,538	2.4
Washington	81,308,009	3,703,003	1,479,903	58,878,161	17,472,786	15,405,907	178,247,769	3.0
West Virginia	3,905,584	3,148,620	776,535			1,995,584	9,826,323	0.2
Wisconsin	35,129,616	5,440,446	1,511,269	3,991,739	705,309	13,969,085	60,747,464	1.0
Wyoming	1,119,316	760,908	231,908			917,968	3,030,100	0.1
Total	[2] 2,945,679,494	[3,7] 206,510,946	[4,7] 77,560,406	[5,7] 1,087,056,768	[6] 1,056,361,278	578,424,660	5,951,593,552	100.0

[1] Includes $4,839,280 in funds appropriated for the Alaska Railroad improvements to passenger operations.
[2] Includes $4,735,805 in reapportioned recoveries.
[3] Includes $1,501,792 in reapportioned recoveries.
[4] Includes $319,909 in reapportioned recoveries.
[5] Includes $26,994,048 in reallocated funds from unobligated balances of other New Starts projects.
[6] Includes $289,758 in recoveries.
[7] Totals for sections 5307, 5311, and 5310 do not include distribution of $59,868,000 set-aside for the 2002 Winter Olympics.

PROJECT DESCRIPTION ISSUES

Question. Please provide a list of any of the fiscal year 2001 bus and bus facilities or New Starts grantees who have encountered problems with having grants released because the project name listed in the appropriations legislation does not precisely match the description of the project forwarded by the grantee in their application. Please also inform the Committee of any instances where a project was funded under two different project names in the fiscal year 2001 bus earmarks.

Answer. Grantees have indicated problems with the following fiscal year 2001 earmarks because the project listed in the appropriations legislation does not precisely match the description:

—MA Lowell Transit Hub—$1,237,894. Grantee would like to expand scope to include Hale Street Bus operations/maintenance facility.

—VT Burlington Multi-modal Transportation Center $1,485,472. Grantee wants to include other transit improvements such as park and ride and intercity bus facility.

—PA Bradford County Buses and Bus Facilities $1,237,894. Grantee (Endless Mountains Transit Authority) wants to purchase a facility in Tioga County rather than Bradford County.

—OR Rogue Valley buses—$950,702. Grantee wants to use the earmark for facility improvements.

We have not identified any earmarks in fiscal year 2001 which are duplicative.

BUS AND BUS-RELATED FACILITIES

Question. Are there any fiscal year 2002 bus and bus facilities earmarks in TEA–21? If so, please list the projects and locations, and the amount which is designated in TEA–21.

Answer. There are no fiscal year 2002 bus and bus facilities earmarks in TEA–21.

Question. What states have traditionally submitted a consolidated statewide bus and bus facilities grant request to FTA?

Answer. The following is a list of the states that have traditionally submitted a consolidated statewide bus and bus facilities grant request:

Alabama	New Mexico
Arkansas	North Carolina
Illinois	Ohio
Iowa	Oklahoma
Kentucky	Tennessee
Louisiana	Texas
Maryland	Virginia
Michigan	Washington
Missouri	West Virginia
New Hampshire	Wisconsin

Question. Please provide a state apportionment table for fiscal year 2002 of bus and bus-related facilities funding if the proposed formula allocation of bus funds were approved. Please describe the formula, and explain the rationale for how it was written.

Answer. The requested table is provided below. Under the FTA proposed formula-based bus program, funds would be apportioned to urbanized and rural areas. Of the amount available for apportionment, 40 percent would be allocated to urbanized areas having populations 1 million or greater, 30 percent to urbanized areas with populations 200,000 to 999,999, and 30 percent to states for areas with populations less than 200,000 (including small urbanized and rural areas). Population and related population density data as shown by the latest Government census would be used.

For urbanized areas, one-half of an area's allocation would be based on a ratio/percentage equal to the population of the area divided by the total population of all eligible areas. The other half would be allocated based on a ratio/percentage for the area based on its population weighted by population density. Funds allocated for rural areas would be made to the state (as would funds allocated to urbanized areas between 50,000 and 199,999 populations). The rural allocation would be based on the ratio of a state's rural population divided by the total rural population in the United States.

The formula would use only two factors to apportion available funds: (1) population, and (2) population multiplied by population density. Under this approach, providing for transit needs will be based on the potential for transit growth—as measured by changes in population and population density. This is in contrast to the formula used for the Urbanized Area Formula Program (section 5307), which uses existing service levels (vehicle revenue miles, route miles, passenger miles, and operating cost) as primary factors in the apportionment of funds, in addition to population and density.

The allocation of funds under the proposed formula closely reflects the actual distribution of section 5309 bus earmarks, by area size-population, over the last 6 years. For example, the rural areas have historically received about 15 percent of section 5309 bus funds, even though the statutory requirement for allocation of bus funds to rural areas is 5.5 percent.

The proposed bus formula will not disturb the current structure of the Capital Investment Program. It will maintain a separate bus capital program, which will counterbalance allocations made to large areas (those 1 million and over in population) via the Fixed Guideway Modernization and New Starts Programs.

Section 5309 Capital Investment Bus Program

State	*Fiscal Year 2002 Apportionment*
Alabama	$7,072,972
Alaska	976,536
American Samoa	38,477
Arizona	7,121,413
Arkansas.	3,164,400
California	70,780,202
Colorado	6,627,618
Connecticut	9,479,448
Delaware	1,951,774
District of Columbia	6,033,401
Florida	30,819,920
Georgia	9,145,790
Guam	109,536
Hawaii	4,494,748
Idaho	1,436,031
Illinois	23,069,823
Indiana	11,296,560
Iowa	4,508,825
Kansas	3,884,970
Kentucky	6,547,951
Louisiana	7,468,834
Maine	1,391,310
Maryland	8,243,321
Massachusetts	11,514,517
Michigan	19,145,018
Minnesota	5,885,169
Mississippi	3,209,900
Missouri	6,972,338
Montana	1,118,632
Nebraska	3,589,953
Nevada	4,312,109
New Hampshire	1,585,559
New Jersey	17,861,191
New Mexico	3,041,451
New York	44,113,830
North Carolina	10,895,085
North Dakota	982,347
Northern Marianas	35,657
Ohio	23,422,407
Oklahoma	5,712,153
Oregon	4,439,364
Pennsylvania	24,345,986
Puerto Rico	7,822,691
Rhode Island	3,714,497
South Carolina	6,123,267
South Dakota	883,077
Tennessee	9,457,865
Texas	29,804,065
Utah	5,929,485
Vermont	615,093
Virgin Islands	83,752

Section 5309 Capital Investment Bus Program—Continued

State	*Fiscal Year 2002 Apportionment*
Virginia	10,429,800
Washington	9,402,651
West Virginia	2,241,062
Wisconsin	8,075,734
Wyoming	588,436
Total	513,018,000

NEW STARTS

Question. How much contract authority will remain available through the remainder of the current authorization if all existing, pending, and recommended Full Funding Grant Agreements are executed? How much of this remaining contract authority is associated with the contingent authority created by section 380 of Public Law 106–346? Is this additional contract authority only available for the Chicago Metra, Chicago Transit Authority, Minneapolis, and Dulles Corridor projects that were described in section 380?

Answer. Under TEA–21, 80 percent of FTA funds are trust funds or contract authority and 20 percent are general funds. FTA does not make a distinction between trust funded and general funded programs in presentation of budget authority. The remaining budget authority in TEA–21 consists of amounts available fiscal year 2002 and 2003. The guarantee level for fiscal year 2002 is $1,138.41 billion and for fiscal year 2003 is $1,214.40 billion. If all existing pending, and recommended FFGAs were executed as described in their attachment 6, there would be no remaining budget authority in fiscal year 2002 and there would be $36.61 million remaining in fiscal year 2003. Under TEA–21, the commitment authority equals $9.9 billion. This includes the guaranteed level for fiscal years 1998–2003 ($6.1 billion) plus contingent commitment authority equal to the guaranteed levels for fiscal year 2001, fiscal year 2002 and 2003 ($3.4 billion); and the additional $453.6 million in commitment authority for the BART Airport project that had its own special commitment authority under ISTEA and the unappropriated amount of that commitment carried over into TEA–21. The remaining budget authority for fiscal year 2002 and fiscal year 2003 is not directly associated with contingent commitment. The additional contingent commitment authority provided in Public Law 106–346 is available for projects in addition to Chicago Metra ($269.1m), Chicago Transit Authority ($565.6m), Minneapolis ($60m), and Dulles Corridor projects ($217.8m). There is $462.1 million contingent commitment authority remaining after all pending, and recommend Full Funding Grant Agreements are executed.

Question. Please provide a table detailing by existing Full Funding Grant Agreement the amount of the FFGA, the actual amounts received through fiscal year 2001, the schedule 6 amounts through fiscal year 2001, any shortfalls or overages to date, the fiscal year 2001 enacted level, the fiscal year 2002 schedule 6 amount, the amount of shortfall included in the fiscal year 2002 budget, and total fiscal year 2002 budget request.

Answer. The following table indicates for existing Full Funding Grant Agreements the amount of the FFGA, the actual amounts received through fiscal year 2001, the schedule 6 amounts through fiscal year 2001, any shortfalls or overages to date, the fiscal year 2001 enacted level, the fiscal year 2002 schedule 6 amount, the amount of shortfall included in the fiscal year 2002 budget, and the total fiscal year 2002 budget request.

EXISTING FFGAS—SECTION 5309 NEW STARTS

Geographic location	Section 5309 FFGA amount	Fiscal year 2001 and prior: Total appropriated	Fiscal year 2001 and prior: Total attachment 6	Fiscal year 2001 and prior: Cumulative shortfall	Fiscal year 2001 enacted level	Fiscal year 2002 Attachment 6	Shortfall included in fiscal year 2002 budget request	Fiscal year 2002 proposed budget
Existing FFGAs:								
CA: Los Angeles—MOS–3 (North Hollywood)	$681,037,000	$631,351,627	$671,747,443	($40,395,816)	$49,532,158	$9,289,557	($40,396,912)	$49,686,469
CA: Sacramento—LRT Extension	111,200,000	110,871,190	111,200,000	(328,810)	34,870,640		(328,810)	328,810
CA: San Diego—Mission Valley East LRT	329,358,000	53,312,430	87,107,170	(33,794,740)	31,205,260	65,000,000		65,000,000
CA: BART Extension to the SFO Airport	750,000,000	296,450,154	378,317,849	(81,867,695)	79,251,454	80,000,000	(4,669)	80,610,000
CA: San Jose Tasman West LRT Project	182,750,000	182,636,664	182,750,000	(113,336)	12,135,379		(113,336)	113,336
CO: Denver SE Corridor LRT	525,000,000	6,411,446	23,439,516	(17,028,070)	2,971,930	60,000,000	(11,800,000)	71,800,000
CO: Denver SW Corridor LRT	120,000,000	119,807,508	120,000,000	(192,492)	20,010,000		(192,492)	192,492
FL: Fort Lauderdale-Tri Rail Commuter Rail Upgrade	110,500,000	[1] 28,640,644	40,810,787	(15,140,353)	14,859,647	30,000,000	(54,829,566)	84,829,566
GA: Atlanta-North Springs	370,543,200	[2] 329,586,576	329,820,496	(233,920)	24,766,080	25,000,000	(72,274)	25,072,274
IL: Chicago—Douglas Branch Reconstruction	320,100,000	19,779,647	19,779,647		14,859,647	35,000,000		35,000,000
MA: Boston—S. Boston Piers Trainsitway	330,726,320	319,523,151	330,726,320	(11,203,169)	24,766,080		(11,203,169)	11,203,169
MD: Largo Extension	260,300,000	12,089,953	14,660,129	(2,570,176)	7,429,824	60,000,000		60,000,000
MN: Minneapolis—Hiawatha Corridor LRT	334,300,000	118,856,915	118,856,915		49,532,158	50,000,000		50,000,000
MO: St. Louis—MetroLink St. Clair Extension	243,930,961	212,842,539	219,707,693	(6,865,154)	59,438,590	24,223,268	(6,865,154)	31,088,422
NJ: Hudson—Bergen (MOS–1)	604,088,750	445,298,227	453,018,980	(7,720,753)	119,867,821	151,069,771	(257,884)	151,327,655
NJ: Hudson—Bergen (MOS–2)	500,000,000							
NJ: Newark Rail Link (MOS–1)	141,950,000	39,583,790	39,678,339	(94,549)	9,905,451	20,000,000		20,000,000
OR: Portland—Interstate MAX LRT Extension	257,500,000	7,429,824	40,000,000	(32,570,176)	7,429,824	70,000,000	(10,085,904)	80,085,904
PA: Pittsburgh—Stage II LRT Reconstruction	100,200,000	23,706,558	23,706,558		11,887,718	20,000,000		20,000,000
PR: San Juan—Tren Urbano	307,409,845	153,963,518	307,409,854	(153,446,336)	74,298,238		(50,159,703)	50,159,703
TN: Memphis—Medical Center Extension	59,670,000	10,580,171	24,885,848	(14,305,677)	5,943,859	19,170,000	(830,000	20,000,000
TX: Dallas—North Central LRT Extension	333,000,000	161,612,674	162,838,717	(1,226,043)	69,345,021	70,000,000	(1,200,000)	71,200,000
TX: Houston—Regional Bus Plan	500,000,000	499,904,542	500,000,000	(95,458)	10,649,414		(95,459)	95,459
UT: CBD to University LRT	84,600,000	1,981,286	2,000,000	(18,714)	1,981,286	15,000,000		15,000,000
UT: Salt Lake City—South LRT	237,393,530	236,675,524	237,393,530	(718,006)			(718,006)	718,006
WA: Seattle—Central Link LRT—MOS–1	500,000,000	90,971,851	90,971,851		49,532,158	49,532,158		

TOTAL—EXISTING FFGAs	8,295,557,606	3,482,516,782	3,282,455,180	(419,929,443)	786,469,637	879,357,927	(189,153,338)	993,511,265

[1] Non-FFGA portion of project @$2,970,210.
[2] Includes $10,663,845 in deobligated funds.

Question. Please prepare a table that provides by project the capital cost, federal share (dollars and percentage), and local share (dollars and percentage) for each FFGA, those projects proposed for FFGAs in the budget request, and the fifty remaining projects that are furthest along in the planning and preliminary engineering process. Use estimates where necessary.

Answer. The following table indicates by project the capital cost, federal share (dollars and percentage), and local share (dollars and percentage) for each FFGA, those projects proposed for FFGAs in budget request, and the remaining projects that are furthest along in the planning and preliminary engineering process. Estimates were used where necessary.

FFGA STATUS

City/Project	Fiscal Year 2002 Overall Project Rating	Total Project Cost	Section 5309 New Starts Requested Share	New Starts Percentage Share of Total Project Cost	Other Federal Funds Proposed	Federal Funds Percentage of Total Project Cost	Non-Federal Share of Total Project Cost	Non-Federal Percentage of Total Project Cost
EXISTING FULL FUNDING GRANT AGREEMENTS:								
Atlanta—North Springs	FFGA	$463.18	$370.54	80		80	$92.64	20
Boston—South Boston Piers Transitway Phase 1	FFGA	601.00	330.73	55	$150.07	80	120.20	20
Chicago—Douglas Branch Reconstruction	FFGA	482.60	320.10	66	63.60	80	98.90	20
Dallas—North Central LRT Extension	FFGA	517.20	333.00	64		64	184.20	36
Denver—Southeast Corridor LRT	FFGA	879.30	525.00	60		60	354.30	40
Denver—Southwest Corridor LRT	FFGA	176.32	120.00	68	18.88	79	37.44	21
Fort Lauderdale—Tri-Rail Commuter Rail Upgrade	FFGA	327.00	110.50	34	91.41	62	125.09	38
Houston—Regional Bus Plan	FFGA	625.00	500.00	80		80	125.00	20
Los Angeles—North Hollywood	FFGA	1,310.82	681.04	52	245.60	71	384.18	29
Memphis—Medical Center Extension	FFGA	74.58	59.67	80		80	14.91	20
Minneapolis-St. Paul—Hiawatha Corridor LRT	FFGA	675.40	334.20	49	49.50	57	291.30	43
Newark Rail Link (MOS–1)	FFGA	207.70	142.00	68	25.30	81	40.50	19
Northern New Jersey—Hudson-Bergen LRT MOS–1	FFGA	992.14	604.09	61	281.65	89	106.40	11
Northern New Jersey—Hudson-Bergen LRT MOS–2	FFGA	1,215.40	500.00	41	153.70	54	561.70	46
Pittsburgh—Stage II LRT Reconstruction	FFGA	386.40	100.20	26	133.60	61	152.30	39
Portland—Interstate MAX LRT Extension	FFGA	350.00	257.50	74	24.00	80	68.50	20
Sacramento—South LRT Extension	FFGA	222.00	111.20	50		50	110.80	50
Salt Lake City—CBD to University LRT	FFGA	118.50	84.60	71	11.90	81	22.00	19
Salt Lake City—North-South LRT	FFGA	312.49	237.39	76	4.00	77	71.10	23
San Diego—Mission Valley East LRT Extension	FFGA	431.00	330.00	77	13.70	80	87.30	20
San Francisco—BART Extension to SFO Airport	FFGA	1,510.20	750.00	50		50	760.20	50
San Jose—Tasman West LRT	FFGA	325.00	182.75	56	61.96	75	80.29	25
San Juan—Tren Urbano	FFGA	1,653.60	307.40	19	400.90	43	945.30	57
Seattle—Central Link LRT (MOS–1)	FFGA	2,603.00	500.00	19		19	2,103.00	81
St. Louis—Metrolink St. Clair Extension	FFGA	339.20	243.93	72		72	95.27	28
Washington DC/MD—Largo Extension	FFGA	433.90	260.30	60		60	173.60	40
Sub-total		17,232.93	8,296.14	48	1,729.77	58	7,206.42	42
PENDING FULL FUNDING GRANT AGREEMENTS:								
Baltimore—Central LRT Double-Tracking	Recommended	153.70	120.00	78	3.00	80	30.70	20

FFGA STATUS—Continued

City/Project	Fiscal Year 2002 Overall Project Rating	Total Project Cost	Section 5309 New Starts Requested Share	New Starts Percentage Share of Total Project Cost	Other Federal Funds Proposed	Federal Funds Percentage of Total Project Cost	Non-Federal Share of Total Project Cost	Non-Federal Percentage of Total Project Cost
Chicago—Metra—S.W. Corridor Commuter Rail	Highly Recommended	218.70	37.00	17	91.10	59	90.70	41
Sub-total		372.40	157.00	42	94.10	67	121.40	33
PROPOSED FULL FUNDING GRANT AGREEMENTS:								
Chicago—Metra—North Central Corridor	Recommended	236.4	144.7	61	8.20	65	83.60	35
Chicago—Metra—Union-Pacific West Line Extension	Recommended	142.1	87.4	62		62	54.64	38
Miami (South Busway Extension—Phase 2) [1]	Exempt	88.8	23.4	26	41.30	73	22.80	26
New Orleans (Canal Streetcar Line)	Recommended	156.6	125.3	80		80	31.40	20
San Diego (Oceanside-Escondido Rail Corridor)	Highly Recommended	332.3	152.1	46		46	180.20	54
Sub-total		956.18	532.94	56	49.50	61	372.64	39
Final Design:								
Dallas-Ft. Worth (Trinity Railway Express—Phase II) [1]	Not Rated	184.1	46.4	25	64.80	60	72.00	39
Little Rock (River Rail Project) [1]	Exempt	13.2	8.6	65	2.00	80	2.60	20
Los Angeles-San Diego (LOSSAN Rail Corridor Improv.) [1]	Exempt	35.7	24.1	68		68	11.57	32
San Francisco (3rd Street Light Rail—Phase 1)	Recommended	530.8			51.11	10	479.69	90
Seattle—Central Link LRT (MOS–2 & MOS–3)	Recommended	1,562.4	931.4	60	59.40	63	571.60	37
Sub-total		2,326.2	1,010.5	43	177.3	51	1,137.5	49
Preliminary Engineering:								
Austin (Austin Area LRT System)	Recommended	739.0	369.5	50		50	369.50	50
Charlotte (South Corridor LRT)	Recommended	331.1	166.8	50		50	164.30	50
Chicago—CTA—Ravenswood Line Expansion	Recommended	327.1	245.5	75	13.20	79	68.20	21
Cincinnati (I–71 Corridor LRT)	Not Recommended	874.7	431.2	49		49	443.50	51
Cleveland (Euclid Corridor Transportation Project)	Recommended	228.6	135.0	59	50.00	81	43.60	19
Girdwood, AK (Alaska Railroad Commuter Rail)	Exempt	69.6	14.9	21		21		79
Hartford (New Britain-Hartford Busway)	Recommended	82.0	51.6	63	14.00	80	16.40	20
Houston (Downtown-Astrodome Corridor Light Rail)	Recommended	300.0					300.00	100

Kansas City/Johnson County (I–35 Commuter Rail)	Exempt	30.9	24.8	80	....	80	6.20	20
Las Vegas (Resort Corridor Fixed Guideway MOS)	Recommended	597.0	210.0	35	105.00	53	275.00	46
Los Angeles (East Side Corridor LRT)	Recommended	759.5	402.3	53	116.00	68	241.80	32
Los Angeles (San Fernando Valley Corridor)	Recommended	300.3	....	....	....	....	300.30	100
Lowell, MA-Nashua, NH—Commuter Rail Extension	Exempt	41.0	18.00	44	14.50	79	8.20	20
Maryland (MARC Commuter Rail Improvements)	Exempt	85.1	40.9	48	13.50	64	30.70	36
Miami (North 27th Avenue Corridor)	Not Recommended	87.9	61.5	70	....	70	26.40	30
Minneapolis (Northstar Corridor Commuter Rail)	Recommended	223.0	112.0	50	....	50	111.00	50
Nashville (East Commuter Rail Project)	Exempt	33.2	22.9	69	3.70	80	6.60	20
New Orleans (Desire Corridor Streetcar)	Recommended	93.5	65.5	70	....	70	28.00	30
New York (Long Island Rail Road East Side Access)	Recommended	4,344.0	2,172.0	50	....	50	2,172.00	50
Orange County, CA (Centerline Rail Corridor)	Recommended	3,741.2	1,870.6	50	638.60	67	1,232.00	33
Phoenix (East Valley Corridor LRT)	Not Rated	1,075.9	533.4	50	7.60	50	534.70	50
Pittsburgh (North Shore Connector LRT)	Recommended	389.9	195.0	50	....	50	194.95	50
Raleigh-Durham (Regional Rail)—Phase I	Recommended	754.7	377.3	50	14.00	52	363.20	48
San Diego (Mid Coast Corridor)	Highly Recommended	116.7	42.2	36	0.50	37	73.90	63
San Juan (Tren Urbano)—Minillas Extension	Recommended	477.5	382.6	80	....	80	94.90	20
Seattle (Everett-to-Seattle Commuter Rail)	Exempt	104.0	24.9	24	....	24	79.10	76
Seattle (Lakewood-to-Tacoma-Commuter Rail)	Exempt	86.0	24.9	29	....	29	61.10	71
Stamford, CT (Urban Transitway/Intermodal Center)	Recommended	24.0	9.9	41	8.20	75	5.80	24
Washington DC (Dulles Corridor Rapid Transit)	Recommended	287.3	217.8	76	1.00	76	62.00	22
Wilsonville-Beaverton, OR (Commuter Rail)	Exempt	82.8	24.9	30	....	30	57.80	70
Sub-total	....	16,687.5	8,247.9	49	999.8	55	7,425.85	44
Total New Starts Pipeline	....	37,575.19	18,244.46	49	3,050.48	57	16,280.25	43

[1] However, sponsors of the Miami (S. Busway Extension—Phase 2) project are not seeking an FFGA since the project is exempt and requesting a New Starts share that is less than $25 million.

[2] Several projects that are [technically] still in preliminary engineering were not rated and reported in the Fiscal Year 2002 New Starts Report due to a change in scope, alignment, etc. These projects include: S. Boston Piers Transitway—Phase II; Kansas City (Southtown Corridor); Norfolk-Virginia Beach Corridor; and Tampa Bay (Regional Rail). However, a brief description/status of each can be found in the TEA–21 Appendix of the Fiscal Year 2002 New Starts Report.

Question. Please detail by fiscal year and project how the FTA plans to allocate or has allocated the $10,400,000 provided annually under TEA–21 for Alaska or Hawaii projects. Include in your answer the total cost and the local/federal share of each project (dollar and percentage).

Answer. TEA–21 provides for $10.4 million per year (1999–2003) for Alaska/Hawaii ferry projects. Over the five-year period, $52 million will be available. After the PMO takedown, $30,828,458 is currently available.

Absent direction from Congress, FTA has administratively determined that the funds should be divided equally between the two states over the life of TEA–21 unless one state indicates that it does not plan to use all of its share of the funds.

There have been no grants obligated to date using these funds. There is currently an application pending from the state of Alaska in the amount of $24.9 million towards the purchase of a ferryboat. A second application will be submitted for $0.9 million for dock improvements. After both submissions, Alaska will have applied for its half of the total funds available.

The two Alaska applications are at an 80 percent federal, 20 percent local match ratio. The ferryboat application is for $24.9 million in federal funds for a ferryboat. The total grant project cost is $31.13 million; the local match is $6.23 million. The cost of the ferryboat could be higher depending on the upon bid price. The dock improvements application is for $900,000. The total project cost is $1,125,000; the local share is $225,000. If Hawaii does not use all of the remaining funds, Alaska proposes to apply for additional funds, ranging from between $3.9 million to $15.1 million, depending upon the actual costs of bids received on the ferryboat.

Question. What New Starts projects, if any, does FTA anticipate will be requesting an amended Full Funding Grant Agreement during the balance of this calendar year?

Answer. The New Starts projects that FTA anticipates will request an amended full funding agreement for the balance of the calendar year are:

—South Boston Piers Transitway—Phase I, Massachusetts Bay Transportation Authority

—Regional Bus Plan, Houston Metro

Question. Please list those current FFGA projects, which have undergone significant change in scope or cost increases beyond and above the original project scope and baseline cost estimate. Please provide a brief summary of the project's description, current status, reason for cost increases or scope changes, and pending issues.

Answer. Current FFGA projects that have undergone change in scope or cost increase beyond and above the original project scope and baseline cost estimate are:

Bay Area Rapid Transit (BART), San Francisco Airport Extension Project, San Francisco, CA

Project Description.—BART is constructing an 8.2 mile, 4 station, extension of the BART rapid transit system to serve San Francisco International Airport. The project consists of a 7.4-mile mainline extension from the existing BART station at Colma, through Colma, south San Francisco, and San Bruno, terminating at the Millbrae Avenue BART/CalTrain Station. An additional 0.8-mile spur from the main line north of Millbrae will take BART trains directly into the airport, to a station adjoining the new International Terminal.

	Baseline cost	Baseline schedule (revenue operation date)
Original	$1,054,000,000	August 31, 2001
Amended	1,483,200,000	July 1, 2002

Current Status.—The San Francisco International Airport project is in the final design and construction stage. The project is approximately 68 percent complete based on March 2001 payment expenditures.

Reason for change in scope, budget, and schedule.—Due to various contract design changes, differing site conditions encountered during construction and contract claims, BART's SFO Extension project has experienced cost overruns and project delays. The revision in the Revenue Operation Date (ROD) to July 1, 2002, was made to recognize BART's inability to meet the originally planned date of September 30, 2001. The amendment substituted a $70 million shop and yard improvement program in place of the originally planned acquisition of 28 vehicles budgeted $100 million.

Pending Issues.—Due to unsettled contract changes and contract claims additional delay is expected. The Project Management Oversight (PMO) Contractor's April 2001 monthly report projected a Revenue Operations Date of November 2002.

Houston Metro, Houston, TX, Houston Regional Bus Plan (RBP) Project

Project Description.—The Regional Bus Plan (RBP) is a region wide mobility strategy for the entire Houston area. Through the use of barrier-separated high occupancy vehicle lanes, buses operate to move people quickly and efficiently to and between the city's primary activity centers. The RBP includes services expansions in most of the region, new and extended High-Occupancy Vehicle facilities and ramps, new buses, several transit centers and park-and-ride lots, and supporting facilities.

	Baseline coat	Baseline schedule (ROD)
Original	$1,000,000,000	December 31, 2002
Proposed	1,000,000,000	December 31, 2005

Current Status.—Project is in various stages of preliminary/final design and construction.

Reason for Cost Increase or Scope Changes.—Not long after the execution of the FFGA, the Houston Contractors Association brought suit against Houston Metro in the U.S. District Court in Houston to contest the constitutionality of Houston Metro's program for disadvantaged business enterprise (DBE) participation in the RBP. When the district court invalidated Houston Metro's DBE program, and denied the federal government's motion to intervene in the suit, USDOT and FTA terminated FTA's Section 5309 New Starts funding for the RBP, due to Houston Metro's inability to comply with the DBE regulation. On June 28, 1999, the U.S. Court of Appeals for the Fifth Circuit ultimately vacated and remanded the district court's judgment that permanently enjoined Houston Metro from carrying out its DBE program. In addition the U.S. Court vacated the District Court ruling that the Federal government would not be permitted to intervene. As a result of the U.S. Court's decision, FTA resumed the Section 5309 funding for the RBP. By this time, Houston Metro had suffered significant slippage in its baseline schedule under the FFGA.

In carrying out the RBP, Houston Metro has identified a number of changes that will enhance the effectiveness of projects in the federally funded scope of work, and certain projects it wishes to add and/or delete to the RBP. The changes to the projects under the December 1994 FFGA, the addition of certain projects to the RBP, and the delays in Federal funding attributable to the Houston Contractors litigation all led to a request by Houston Metro to defer the final completion date under the FFGA from December 31, 2002 to December 31, 2005. FTA agrees that this is a reasonable and appropriate request.

Pending Issues.—FTA has not executed the amendment. FTA will inform the Congressional Committees of its intention to amend FFGA before the amendment is executed.

Chicago Transit Authority, Douglas Branch Reconstruction Project

Project Description.—The Douglas Branch Reconstruction Project (Douglas Branch) is part of CTA's Blue Line rapid rail service. The proposed improvements planned for the Douglas Branch will bring this project to a state of renewed condition so that it will subsequently require only routine maintenance. Following reconstruction, maintenance costs will be reduced and slow zones along the route will be eliminated, thereby avoiding the alternative of abandoning the line. The Douglas Branch consists of 5.1 miles of open deck elevated steel structure and 1.5 miles of at-grade ballast track. The branch connects to the Congress Branch of the Blue Line at Loomis Junction and runs for about 6.6 miles to 54th Street Cermak Terminal. A portion of the line at Loomis Junction is at-grade track. The line is elevated from its connection with the Congress branch to Keeler Avenue. The remaining portion of the line to the 54th Street Cermak Terminal is at-grade track. The branch has eight elevated stations and three at-grade stations. The eleven stations provide for 27,000 passengers on an average weekday.

	Baseline coat	Baseline schedule (ROD)
Original	$482,679,160	January 31, 2005
Proposed	482,679,160	August 31, 2005

Current Status.—The project is behind schedule and is currently in the bidding stage. The contract plans and specifications are complete. The contract was advertised for bids on March 26, 2001. The bids are due in late May 2001. The submittal of these addenda packages may extend the bid opening date by 30 to 60 days.

Reason for Cost Increase or Scope Changes.—The Full Funding Grant Agreement (FFGA) for this project was executed on January 17, 2001. Delays in final engineering estimates preparation and the repackaging of the construction documents into one final construction document have caused the construction starting date to slip. The CTA notified the FTA that the project would extend eight months beyond the planned completion date as shown in the FFGA. FTA has requested CTA to provide a recovery plan to bring the project schedule back to the FFGA schedule.

Pending Issues.—FTA has not approved the extension and has requested from CTA a recovery plan.

Tren Urbano Project, Puerto Rico Highway and Transportation Authority

Project Description.—Tren Urbano is a heavy rail project consisting of 17 kilometers (10 miles) of guideway, which is either elevated, at grade, within retained cut, or in a 2 kilometer (1.2 miles) tunnel connecting 16 stations starting from the westerly municipality of Bayamón to the central business district of Hato Rey. Seven alignment section contracts (ASC) were awarded to build the guideway; one of these includes the systems, vehicles, test track (STTT) and operations and maintenance for 5 years.

	Baseline coat	Baseline schedule (ROD)
Original	$1,250,300,000	July 1, 2001
Amended	1,653,600,000	May 31, 2002

Current Status.—The project is in the final design and construction phase and is approximately 75 percent complete.

Reason for change in scope, budget, and schedule.—In July 1999, Tren Urbano increased the project cost from the baseline of $1.250B to $1.653B to cover the cost of accommodating two additional stations, realigning two segments, an increase in vehicles, increased systems costs, increased inspection services, a new management contract and an extended schedule.

Pending Issues.—The Project Management Oversight (PMO) Contractor report of January 2001 projected a Revenue Operations Date of September 2003 and a final cost of $1.766 Billion. FTA has requested that Tren Urbano provide a recovery plan to address the project schedule delay, cost increase, construction quality and project management. The fiscal year 2000 earmark of $31.4 million, the fiscal year 2001 funds in the amount of $74.3 million as well as the fiscal year 2001 Urban Formula and flexible funds are on hold pending the receipt and acceptance of the Recovery Plan.

South Boston Piers Transitway Project, MBTA, Boston, MA

Project Description.—The South Boston Piers/Fort Point Channel Full Build Transitway Project, consist of a 1.5-mile underground transit tunnel from Boylston Station to the World Trade Center. Combined with surface bus operations, the Transitway will link the South Boston area with regional mass transit services in downtown Boston. Five underground Transitway stations and numerous surface bus stations will provide connections to the Red, Orange and Green Lines, commuter and intercity rail and bus services, as well as provide bus service to Logan International Airport.

Current Status.—The Transitway project has a Full Funding Grant Agreement (FFGA) that was approved in November 1994. An amendment has been requested to address the project cost increase and slippage in the revenue operation date.

	Baseline coat	Baseline schedule (ROD)
Original	$413,407,000	December 31, 2000
Proposed	600,915,000	December 31, 2003

Reason for change in scope, budget, and schedule.—The project cost has increased approximately $188 million as a result of differing site conditions with work associated with the Central Artery Tunnel (CA/T) project, complex design for relocation of existing utilities, and additional engineering to address environmental mitigation measures for a downtown project. Also, real estate costs have escalated due to the current market conditions being enjoyed in the region.

Pending Issues.—The revenue operation date in the FFGA is December 31, 2000. The MBTA's current schedule forecasts a revenue operation date of December 31, 2003. The three year schedule slippage is a result of differing site conditions encountered on the joint CA/T construction contracts, sophisticated design interface of existing utility relocations in the downtown area and the delayed award of the last major tunnel construction contract. A recovery plan has been approved. The submission of an amended FFGA is on hold pending a MBTA final contract award on the System Wide Installation Contract.

Question. Please prepare a table indicating the projects that are likely to be ready for FFGAs in the near term (fiscal years 2001 through 2003). Include current stage of project development, project description, estimated record of decision date, and estimated federal share.

Answer. The table below includes the requested information, based on the most recent available data. The attached table lists those projects that are anticipated to enter final design by the end of fiscal year 2003. To be eligible for New Starts funding, proposed projects must complete the appropriate steps in the planning and project development process and receive a rating of "recommended" or higher in the most recent FTA evaluation. To ensure that those projects that are recommended for a Full Funding Grant Agreement are fully developed, FTA takes additional steps to assure that no outstanding project scope or cost issues remain (e.g., right-of-way acquisition) and that there are no local financial commitment issues that are outstanding that could be detrimental to the project and consequently jeopardize the Federal financial commitment.

NEW START PROJECTS ESTIMATED TO BE READY FOR FFGAs IN FISCAL YEARS 2001–2003

State/Geographic location	Project description	Grantee estimated section 5309 new starts share	(Estimated)/actual record of decision date
IN FINAL DESIGN [7]:			
AR: Little Rock	River Rail Streetcar	$8.6	Sep 1999
CA: Los Angeles-San Diego	Los Angeles-San Diego (LOSSAN)	24.1	N/A
CA: North San Diego County	Oceanside-Escondido Rail Corridor	152.1	Feb 2000
CA: San Francisco	Third Street Light Rail—Phase 1		Apr 2000
FL: Miami	South Busway Extension—Phase 2	23.4	Jan 1998
LA: New Orleans	Canal Streetcar Line	125.3	Aug 1997
WA: Seattle	Central Link LRT (MOS–2 & MOS–3)	931.4	July 2000
Total—In Final Design		1,264.9	
IN PRELIMINARY ENGINEERING [PE] [32]:			
AK: Girdwood [1]	Girdwood Commuter Rail	5.0	July 2000
AZ: Phoenix	Central Phoenix/East Valley [MOS–1]	533.4	(2002)
CA: Los Angeles	Eastside Corridor LRT	402.3	(Oct 2001)
CA: Los Angeles	San Fernando Valley Corridor		(Oct 2001)
CA: Orange County	Centerline Rail Corridor	1,870.6	(2002)
CA: San Diego [1]	Mid-Coast Corridor	42.2	(Oct 2001)
CO: Denver	West Corridor	366.0	(2003)
CT: Bridgeport	Intermodal Transportation Center	24.0	(Nov 2001)
CT: Hartford	Hartford-New Britain Busway	51.6	(June 2001)
CT: Stamford [1]	Urban Transitway	18.0	(Aug 2001)
DC: Washington, DC/VA	Dulles—Bus Rapid Transit	217.8	(2002)
FL: Miami	North 27th Avenue	61.5	(2001)
IL: Chicago	CTA—Ravenswood Line Expansion	245.5	(2001)
KS/MO: Johnson County, KS	Interstate 35 Commuter Rail	24.8	(Dec 2001)
LA: New Orleans	Desire Corridor Streetcar	65.5	(2002)
MA: Lowell, MA-Nashua, NH	Commuter Rail Extension	18.0	(Apr 2002)
MD: Maryland	MARC—Commuter Rail Improvements	40.9	N/A
MN: Minneapolis-Rice [1]	Northstar Corridor Commuter Rail	112.0	(July 2001)
NC: Charlotte	South Corridor LRT	166.8	(Aug 2002)
NC: Raleigh-Durham [1]	Regional Commuter Rail—Phase I	377.3	(2001)
NV: Las Vegas	Resort Corridor Fixed Guideway [MOS–1]	210.0	(2001)
NY: New York City [1]	Long Island Rail Road East Side Access	2,172.00	(June 2001)
OH: Cincinnati	Interstate 71 Corridor LRT [MOS–1]	431.2	(July 2002)

NEW START PROJECTS ESTIMATED TO BE READY FOR FFGAs IN FISCAL YEARS 2001–2003—Continued

State/Geographic location	Project description	Grantee estimated section 5309 new starts share	(Estimated)/actual record of decision date
OH: Cleveland [1]	Euclid Corridor Transportation Project	135.0	(June 2001)
OR: Washington County [1]	Wilsonville-Beaverton Commuter Rail	24.9	(May 2001)
PA: Pittsburgh	North Shore Connector LRT	194.9	(2002)
PR: San Juan [1]	Tren Urbano—Minillas Extension	382.6	Sep 2000
TN: Nashville [1]	East Corridor Commuter Rail	22.9	Apr 2000
TX: Austin	Light Rail Corridors	369.5	(2002)
TX: Houston	Downtown-Astrodome LRT		N/A
WA: Seattle	SOUND MOVE: Commuter Rail (Everett)		Feb 2000
WA: Seattle	SOUND MOVE: Commuter Rail (Tacoma]	24.9	June 2000
Total—In Preliminary Engineering		8,611.1	
Total—FEDERAL DEMAND		9,876.0	

[1] Anticipated Final Design request in next six months.

Question. Please list, by state, all new start projects currently in the preliminary engineering stage. Please provide a very brief status summary of each project, including such information as: whether or not these projects will seek federal funding, whether they will require a Full Funding Grant Agreement, what local benchmarks must occur before local share funding is secure, what type of project has been locally selected, etc.

Answer. The table below includes the requested information, based on the most recent available data. The fiscal year 2002 New Starts Report, to be released in the near future, will contain detailed information on all projects currently in preliminary engineering, including a discussion of any outstanding project-specific local funding issues.

NEW STARTS IN PRELIMINARY ENGINEERING

[Millions of dollars]

City/project	Mode/technology	Total capital cost of fixed guideway alternative(s)	Reporting year for total capital cost date	Grantee estimated section 5309 new starts share	Percent	Seeking an FFGA?	FFGA required?	Status of PE/NEPA ()=Estimated date: Date of PE approval	Status of PE/NEPA ()=Estimated date: Record of decision (ROD) or FONSI completion	Outstanding local funding share issues
AK: Girdwood Commuter Rail	Commuter Rail	7	2001	5	71	No	No	Jun-00	Jul-00	None; Local funding secured
AZ: Central Phoenix/East Valley Corridor (MOS)	Light Rail	1,076	Escalated	533	50	Yes	Yes	Sep-98	(2002)	None; Local funding secured
CA: Los Angeles (East Side Corridor)	Light Rail	759	Escalated	402	53	Yes	Yes	Sep-00	(Oct 2001)	State legislative action needed to secure funds
CA: Los Angeles (San Fernando Valley Corridor)	Bus Rapid Transit	300	Escalated			No	No	Dec-00	(Oct 2001)	None; Local funding secured
CA: Orange County (Centerline Rail Corridor)	Light Rail	3,741	Escalated	1,870	50	Yes	Yes	Feb-98	(2002)	State/local legislative action needed
CA: San Diego (Mid Coast Corridor)	Light Rail	116	Escalated	42	36	Yes	Yes	Sep-96	(Oct 2001)	State/local legislative action needed
CO: Denver—West Corridor	Light Rail	624	Escalated	366	59	Yes	Yes	Mar-01	(2003)	Local/private sector action needed to secure funds
CT: Bridgeport—Intermodal Transportation Center	Intermodal Center	62	2001	24	39	No	No	Apr-01	(Nov 2001)	Local action needed to secure funds
CT: Hartford-New Britain Busway	Bus Rapid Transit	82	Escalated	51	62	Yes	Yes	Jan-00	(June 2001)	State legislative action needed
CT: Stamford—Urban Transitway	Busway	24	2000	18	75	No	No	Feb-00	(Aug 2001)	Local action needed to secure funds
DC: Wash., D.C.—No. Virginia (Dulles—Bus Rapid Transit).	Bus Rapid Transit	287	Escalated	217	76	Yes	Yes	Mar-00	(2002)	State/local legislative action needed
FL: Miami—North 27th Avenue	Busway	88	Escalated	61	69	No	No	Aug-96	(2001)	State/local legislative action needed
IL: Chicago—CTA—Ravenswood Line Expansion	Heavy Rail	327	Escalated	245	75	Yes	Yes	([1])	(2001)	None; Local funding secured
KS: Johnson County (Interstate 35 Corridor)	Commuter Rail	31	1997	24	77	No	No	Jul-99	(Dec 2001)	Local action needed to secure funds
LA: New Orleans (Desire Corridor Streetcar)	Electric Trolley	93	Escalated	65	70	Yes	Yes	Aug-00	(2002)	Local action needed to secure funds
MA: Lowell, MA-Nashua, NH—Commuter Rail Extension.	Commuter Rail	41	Escalated	18	44	No	No	May-00	(Apr 2002)	State legislative action needed to secure funds
MD: MARC—Commuter Rail Improvements	Commuter Rail	85	Escalated	41	48	No	No	N/A	N/A	State legislative action needed to secure funds
MN: Minneapolis-Rice (Northstar Corridor Commuter Rail).	Commuter Rail	223	Escalated	112	50	Yes	Yes	Jun-00	(July 2002)	State/local legislative action needed to secure funds

NEW STARTS IN PRELIMINARY ENGINEERING—Continued

[Millions of dollars]

City/project	Mode/technology	Total capital cost of fixed guideway alternative(s)	Reporting year for total capital cost date	Grantee estimated section 5309 new starts share	Percent	Seeking an FFGA?	FFGA required?	Status of PE/NEPA ()=Estimated date: Date of PE approval	Status of PE/NEPA ()=Estimated date: Record of decision (ROD) or FONSI completion	Outstanding local funding share issues
NC: Charlotte (South Corridor)	Light Rail	331	Escalated	166	50	Yes	Yes	Aug-00	(Aug 2002)	None; Local funding secured
NC: Raleigh-Durham (Regional Rail)—Phase 1	Diesel Multiple Unit.	754	Escalated	377	50	Yes	Yes	Oct-97	(2001)	State/local legislative action needed to secure funds
NV: Las Vegas—Resort Corridor Fixed Guideway (MOS).	Fixed Guideway	597	Escalated	210	35	Yes	Yes	Jul-98	(2001)	State/local/private sector action needed to secure funds
NY: Long Island Rail Road East Side Access	Commuter Rail	4,344	Escalated	2,172	50	Yes	Yes	Sep-98	(June 2001)	State action needed to secure funds
OH: Cincinnati—Interstate 71 Light Rail	Light Rail	875	Escalated	431	49	Yes	Yes	Dec-98	(July 2002)	State/local legislative action needed to secure funds
OH: Cleveland—Euclid Corridor Transportation Project.	Bus Rapid Transit	228	Escalated	135	59	Yes	Yes	Sep-96	(June 2001)	None; Local funding secured
OR: Wilsonville-Beaverton—Commuter Rail	Commuter Rail	83	Escalated	25	30	No	No	Jul-00	(May 2001)	State/local legislative action needed to secure funds
PA: Pittsburgh—North Shore Connector Light Rail	Light Rail	390	Escalated	195	50	Yes	Yes	Jan-01	(2002)	State legislative action needed
PR: San Juan—Tren Urbano (Minillas Extension)	Heavy Rail	477	Escalated	382	80	Yes	Yes	Jun-98	Sep-00	State action needed to secure funds
TN: Nashville (East Corridor Commuter Rail)	Commuter Rail	33	Escalated	23	70	No	No	Nov-99	Apr-00	Local action needed to secure funds
TX: Austin (Light Rail Corridors)	Light Rail	739	Escalated	369	50	Yes	Yes	Apr-00	(2002)	Local action needed to secure funds
TX: Houston (Downtown-Astrodome Corridor)	Light Rail	300	Escalated			N/A	N/A	Oct-99	N/A	None; Local funding secured
WA: Everett-Seattle—Commuter Rail	Commuter Rail	104	Escalated			No	No	Jul-97	Feb-00	None; Local funding secured
WA: Tacoma-Lakewood Commuter Rail	Commuter Rail	86	Escalated	24	28	No	No	Jul-97	Jun-00	None; Local funding secured
Total 32		17,307		8,603	50					

[1] FTA grandfathered the Chicago Transit Authority's Ravenswood Line Expansion project into preliminary engineering given that the agency had substantially completed PE-level activities prior to entering the New Starts project development process.

Question. Which projects currently in preliminary engineering are most likely to enter the final design stage before the end of fiscal year 2001?

Answer. The table below includes the requested information.

NEW STARTS PROJECTS MOST LIKELY TO ENTER FINAL DESIGN BY THE END OF FISCAL YEAR 2001

[Millions of dollars]

City/project/(# of projects)	Mode/technology	Total capital cost	Year of estimated capital cost	Sec. 5309 new starts share	(Estimated)/actual ROD/FONSI date
Anticipated May 31, 2001–September 30, 2001 (11)		$6,274		$3,309	
Alaska Railroad (Girdwood Commuter Rail)	Commuter Rail	7		5	Jul-00
Cleveland (Euclid Corridor Transportation Project)	Electric Bus	228	Escalated	135	(June 2001)
Hartford-New Britain, CT (Busway)	Bus Rapid Transit	82	Escalated	51	(June 2001)
Minneapolis-Rice, MN (Northstar Corridor Commuter Rail)	Commuter Rail	223	Escalated	112	(July 2001)
Nashville (East Corridor Commuter Rail)	Commuter Rail	33	Escalated	23	Apr-00
New York MTA (LIRR East Side Access)	Commuter Rail	4,344	Escalated	2,172	(June 2001)
Pawtucket, RI (Layover Facility)	Maint. Facility	18	Escalated	10	Dec-99
Raleigh-Durham (Regional Rail)—Phase I	DMU	754	Escalated	377	(2001)
San Juan (Tren Urbano)—Minillas Extension	Heavy Rail	478	Escalated	382	Sep-00
Stamford, CT (Urban Transitway)	Busway	24		18	(August 2001)
Wilsonville-Beaverton, OR Commuter Rail	Commuter Rail	83	Escalated	24	(May 2001)

DMU—Diesel Multiple Unit; FONSI—Finding of No Significant Impact; MTA—Metropolitan Transportation Authority; and ROD Record of Decision.

Question. The fiscal year 2002 budget proposal funds only those projects that currently have a Full Funding Grant Agreement or that have reached the final design stage, despite the statutory set-aside of 8 percent for projects that have not yet reached final design. What is the justification for this allocation of funds? What potential effect does this have on projects in earlier stages of development?

Answer. TEA–21 indicates that "not more than 8 percent" shall be made available . . ". FTA does not view this language as a set-aside but a limit on how much can be used for planning and preliminary engineering. In preparing the fiscal year 2002 budget, our review of existing and proposed FFGA's indicated a high level of demand for construction funds. It is FTA's opinion that providing funds for construction is a higher priority than providing funds for preliminary engineering and design. It has been the policy of FTA to strongly encourage grantees to use Urban Formula funds, including flexible funds, for early planning work, saving New Starts funds for actual project construction. It is FTA's opinion that this proposal will create no adverse impacts on projects in earlier stages of development. Rather it should encourage those projects to look for other formula funds or flexible funds and conserve New Starts funds for construction.

Question. Please list any New Starts projects or other transit grantees that received TIFIA loans in fiscal years 1999, 2000, and 2001, and the amount of each loan. What are the terms of these loans? What transit projects currently have pending applications for the next round of TIFIA loans?

Answer. In fiscal year 1999 two transit projects were approved for TIFIA credit assistance. The Washington Metropolitan Area Transit Authority (WMATA) Capital Improvement Program was approved for a maximum $600 million loan guarantee. The purpose of the guarantee was to provide WMATA with obligation authority to advance its program. The loan itself came from Lehman Brothers, and has not been drawn against.

The Puerto Rico Highway and Transportation Authority (PRHTA) borrowed $300 million from TIFIA for the New Starts project "Tren Urbano." The loan agreement was signed on August 4, 2000 and the total amount of the loan was drawn on August 7, 2000. The loan is to be repaid by 2035, at 5.74 percent annual interest rate. PRHTA pays interest only during the first seven years, then principal and interest during the balance of the loan, and is current on its payments. However, we anticipate that PRHTA will repay the loan in full in 2007.

In fiscal year 2000, TSASC, Inc., a special purpose New York entity, was approved for a TIFIA loan for the Staten Island Ferries and Terminals project in New York City. The St. George and Whitehall Ferry terminals are not New Starts projects, but they have received some limited formula and discretionary funds. One of the project's ferry boats has received some FHWA funding. FTA and the TIFIA Joint Program Office are currently in negotiation to complete the loan agreement, expecting to close on the loan in July 2001.

The Notice of Funds Availability for the next cycle of TIFIA applicants has not yet been published, so there are no other pending transit TIFIA applications.

Question. What is FTA's official position on the remaining federal contingent commitment authority for Los Angeles Metro? What is the amount of contract authority associated with Los Angeles Metro MOS–3, excluding those funds associated with the North Hollywood FFGA?

Answer. FTA is holding commitment authority for Los Angeles MOS–3 in the amount of $696.80 million. This includes the $49.69 million included in the fiscal year 2002 Budget. The amount of commitment authority that FTA is holding for Los Angeles MOS–3, excluding the North Hollywood FFGA, is $647.11 million. At this point in time there is no contract authority (i.e., budget authority) associated with Los Angeles MOS–3, excluding the North Hollywood FFGA.

Question. There was a very large increase in projected total project costs for the Seattle Sound Transit light rail between February 2000, when MOS–1 or the "University Link" entered final design, and January 2001, when the Full Funding Grant Agreement was executed by the Federal Transit Administration. Please provide a comparison of original and revised cost estimates for the project, breaking out the project by cost elements (design and construction, vehicles, signals and communications, maintenance equipment and facility, right of way, financing costs, etc.).

Answer.

MOS–1 COST INCREASE

[Dollars in millions]

Description	First Baseline Cost [1]	Second Baseline Cost[2]	Percentage
PE/EIS	$32.4	$42.0	+30
Design Build Tunnel	557.5	886.6	+59
Station Finishes in DB Tunnel	90.2	148.9	+61
Bus Tunnel (DSTT)	24.9	22.8	−61
Royal Brougham to Airport Way	48.8	52.6	+8
Vehicles & Assoc Systems	209.3	223.4	+7
Power System & Assoc	31.1	41.0	+32
O&M Facility & Assoc	66.7	81.1	+22
Project Start-up	10.1	15.7	+55
Right of Way	107.8	187.3	+74
CM	43.6	80.0	+83
Other Contracted Services	65.0	94.5	+45
Intergovernment Agreements (Third Party)	20.0	84.4	+322
Project Management	36.8	50.4	+37
Other Miscellaneous Costs [3]	76.1	239.7	+215
Financing Costs	99.0	195.0	+97
Subtotal	1,519	2445.3	+61
Project Reserve	155.0	157.3	+1
Total	1,674.3	2,602.6	+55

[1] Estimate July 2000 in $M with Allocated Contingency; Mid-Point Construction.
[2] Estimate December, 2000 in $M with Allocated Contingency; Year 0 Expenditure.
[3] Miscellaneous Cost include agencies salaries and overhead for the duration of project.

Question. How will Sound Transit cover the increase in total project costs above the $500 million federal share?

Answer. Sound Transit intends to cover the costs above Federal government's commitments of $500 M with the local sales tax and bonding.

Question. How do these increases in MOS–1 costs affect Sound Transit's ability to finance, build and operate the second segment of the project (to Sea-Tac Airport)?

Answer. Sound Transit developed an Updated 2001 Financial Plan, which was reviewed by the FTA's FMOC. The Plan proposes to fully finance all updated costs for MOS–1 and operation and maintenance costs through a combination of financing options. It also proposes to finance the Airport Link cost increases primarily through an assumed increase in Federal funding of $273 million (from $668 million to $941 million). FTA has made no commitments to any funds beyond those already committed to MOS–1.

Question. In its April 4, 2001 interim report Seattle Central Link Light Rail project, the DOT Inspector General states that "FTA did not perform satisfactory due diligence in the grant application review process", that the agency had timely knowledge that the "cost estimates contained in the grant agreement were materially understated", and that "consideration of the grant agreement should have been suspended or withdrawn." Do you concur with each of these findings?

Answer. We do not agree with these particular findings, and are responding in detail to the Inspector General's report.

Question. Was the Seattle project management oversight contractor, Gannett Fleming, Inc., made aware of the cost increases in the tunnel contract, third-party contracts, and real estate acquisitions as they were being negotiated in 2000?

Answer. (a) *Tunnel*.—The cost proposals were submitted on July 28, 2000. In August, the project management oversight contractor (PMOC) was informed that the initial tunnel contract proposal was higher than the Baseline Cost Estimate, but was not told by how much. Later in the month, the PMOC questioned the Link Project Director and the Chief Engineer about the unofficial information that the cost proposals were significantly higher. The Chief Engineer's response was that the cost proposal was higher but that cost was being negotiated down towards the Baseline Cost Estimate. In November, negotiations were suspended, and in December, after a number of requests, the PMOC was provided a copy of the most recent cost proposal prior to suspension.

(b) *Third Party Agreements*.—The third party agreements increased only after the decision was made to revise the Full Funding Grant Agreement in December, 2000. The increase was based on the schedule extension approved by the Board in that month. The schedule extension opened up the executed agreements for re-negotiation.

(c) *Right-of-Way*.—The real estate cost estimate was not updated until late November 2000. When the Sound Transit Board was informed in December, they authorized the hiring of an appraisal contractor in August/September time frame to provide a market review and "reappraisal" for Link every six months.

Question. The April 4 Inspector General interim report recommended that FTA and Sound Transit complete four tasks, and that, until those tasks were completed and certified by the FTA Acting Administrator, Sound Transit funds and funding decisions be held in abeyance. What funds have been affected by this proposed holding action?

Answer. Of the unobligated fiscal year 2001 fund, $49.54 million are on hold. Additionally, FTA recommended no funds for The Seattle Link project in the fiscal year 2002 New Starts budget request to the Congress.

Question. Does FTA concur in each of these four recommended tasks? What is the target date for completion of each of these actions? If you do not concur, please provide your rationale. Furthermore, what alternative course of action do you believe would resolve the issues presented in this report?

Answer. FTA concurs with the four recommendations contained in the Interim Report. FTA has directed Sound Transit to develop a revised project plan that meets all of the requirements of the New Starts process. When completed, FTA will conduct a review of all aspects of the project, including a thorough review for reliability of costs and cost estimates, and any and all issues that could materially affect project scope, schedule, and cost. The review will also include a reassessment of Sound Transit's financial and technical capacity to carry out the project, and will be conducted with the assistance of our Project Management Oversight contractors and our Financial Management oversight contractors.

Sound Transit has taken a number of actions already, including a six-month work plan, appointment of a Project Review Committee, and other controls to strengthen their internal cost control and oversight. Subsequent events suggest Sound Transit is now undertaking an even broader re-evaluation of light rail in Seattle, including a reconsideration of whether to proceed with the originally defined MOS–1, which is the subject of the current FFGA. The local process that is now taking place is an important one and must ultimately result in a consensus on how to proceed with light rail in Seattle. We estimate that it will be at least six months before Sound Transit will be in a position to advance a revised proposal to the FTA. At such time as Sound Transit plans are firm enough for FTA review, we will begin an assessment. In the meantime, we will be monitoring their activities through our normal oversight processes.

Question. Has a financial capacity stress test been performed on the New Jersey Hudson-Bergen light rail MOS–1 project? If so, what fiscal year 2002 appropriations levels were assumed in this test, and what were the results?

Answer. The Hudson-Bergen light rail MOS–1 project was reviewed as part of the overall financial capacity assessment of New Jersey Transit Corporation. An agency wide stress test was conducted assuming a 50 percent reduction in the scheduled New Starts annual allotment relating to the existing Full Funding Grant Agreement (FFGA) for MOS–1 and the proposed FFGA for the Hudson-Bergen light rail MOS–2 project. The FFGA for Hudson-Bergen light rail MOS–2 project was subsequently awarded. The stress test assumed $388.1 million in Federal capital funds for fiscal year 2002 using New Jersey Transit's agency wide cash flow summary for fiscal years 1999–2019. The results of the stress test showed that NJ Transit could use its reserve funds to satisfy its operating and capital requirements through 2012. In addition, NJ Transit has been proactive in taking steps to mitigate shortfalls in federal appropriations through its debt financing structure and insurance coverage in its capital program.

Question. What is the current estimate of cost overruns on the San Juan, Puerto Rico Tren Urbano project above total project costs cited in the Full Funding Grant Agreement? How will these overruns be addressed?

Answer. The current estimate of cost overruns above the total project cost cited in the Full Funding Grant Agreement is $113 million. The overruns will be covered by local funds.

Question. What is the original and revised revenue operation date for Tren Urbano?

Answer. The revenue operations date (ROD) per the FFGA is May 2002. The Puerto Rico Highway and Transportation Authority (PRHTA) has indicated that it will not meet that date. On May 16, 2001, FTA requested that PRHTA develop a recovery plan. The recovery plan will address the project budget, revised revenue operations date, financial plan, and safety and quality issues. A revised ROD will be determined following review of the recovery plan.

Question. Please describe the current status of negotiations among the Metropolitan Council in Minneapolis, the Metropolitan Airport Commission, and Northwest Airlines regarding the use of airport revenues for the Hiawatha light rail tunnel and airport terminal rail stations on the airport property.

Answer. Prior to the execution of FTA's Full Funding Grant Agreement with the Metropolitan Council ("Met Council") on January 17, 2001, the Met Council, Minnesota Department of Transportation ("MnDOT"), and Metropolitan Airports Commission ("MAC") executed several contracts delineating their respective roles and responsibilities for construction, operation and maintenance, and financing of the one-mile light rail tunnel and two stations within Minneapolis-St. Paul International Airport ("MSP"). These agreements between Met Council, MnDOT, and MAC are still in effect. Northwest Airlines is not a party to any of these agreements. Major points:

1. MAC will oversee construction of the tunnel civil works and light rail stations at MSP. MAC and MnDOT will coordinate their construction activities. Met Council will operate the Hiawatha light rail, including the portion of the alignment within MSP.

2. The total estimated construction cost of the Hiawatha light rail within MSP is $142 million. MAC will contribute up to $84 million in airport revenue to pay a portion of the actual costs of construction of the tunnel civil work between the two light rail stations at MSP and the costs of those two stations; Met Council will contribute the remaining $58 million for design and construction of the tunnel and stations.

3. By letter dated November 21, 2000, addressed to outside counsel for Northwest Airlines, the Federal Aviation Administration reiterated what it had informed the airline earlier: that consistent with FAA's policies on the use of airport revenue for airport ground-side access projects (64 Fed.Reg. 7696; February 16, 1999), it is permissible for MAC to contribute airport revenue towards the costs of the light rail tunnel and stations within MSP.

Question. What is the status of the Chicago Transit Authority's proposed purchase of properties in the Sheffield Historic District on the Ravenswood Branch Brown Line? How will the State Historical Officer's decision impact the project's progress toward securing a Full Funding Grant Agreement?

Answer. The Chicago Transit Authority (CTA) has not started to acquire any properties in the Sheffield Historic District on the Ravenswood Branch of the Brown Line. The current position of the Illinois State Historic Preservation Office (SHPO) is that CTA should not acquire or impact the sites of two specific buildings that potentially would be needed for expansion of the platform at the Fullerton Station, which is located within the Sheffield Historic District. The two buildings are the DePaul University women's gymnasium building and the privately-owned Dietzen building. The two buildings are contributing structures to the Sheffield Historic District, although they are not identified in the National Historic Register. CTA is having discussions with the SHPO to identify other possible station/track configurations. The environmental work required under National Environmental Policy Act (NEPA) cannot be completed until the impasse with the SHPO is resolved. The project will not be eligible for a Full Funding Grant Agreement until the requirements under NEPA have been satisfied.

Question. Please discuss the issue of operational line safety on the Portland Tri-Met light rail system. Are there lessons to be learned from these pedestrian fatalities and the changes in procedures that have been adopted in response?

Answer. The Portland Tri-Met system experienced five pedestrian fatalities over an 18 month period following the opening of the new Westside light rail line. Three of these fatalities occurred on separate rights-of-way wherein persons were trespassing. The other two fatalities occurred at public access areas and were the result of the persons being struck after ignoring the warning of the approaching train.

Trespassing on the right-of-way was initially treated with warnings to trespassers, but with the subsequent fatalities, Tri-Met has instituted arrest procedures for persons on the private right-of-way. Also, Tri-Met now recognizes that an intense public education and awareness program is necessary prior to the opening of new rail lines. Portland is undertaking an aggressive public education program with the September, 2001 opening of its light rail extension to the airport.

GENERAL PROVISIONS

Question. Please describe the effect of the proposed section 326 general provision, which authorizes the Secretary to use transit capital funds made available in this and subsequent acts for rail safety oversight activities. Does this establish a federal transit safety oversight role? Isn't this a state responsibility?

Answer. With the initiation of the state safety oversight program enacted in TEA–21 (49 U.S.C. 5330), twenty-two state safety oversight agencies were created to oversee thirty-five rail fixed guideway systems not regulated by the Federal Railroad Administration. No Federal assistance was provided in the legislation to assist states in the continuing annual cost of this mandated oversight responsibility. FTA has determined that a state's development of a system safety program standard for a new start rail system is an eligible, one-time capital "startup" cost. However, the ongoing annual cost for safety oversight of each rail transit operation within a state is, on average, $250,000 for administrative and consultant costs. FTA is concerned that, in many cases, the state regards the process as an additional burden, and consequently does not assign safety specialists on a full time basis to the rail transit oversight function. This is particularly true in states experiencing their first "new start" light rail system.

FTA does not believe that Federal assistance to the involved states creates a Federal role in the management and performance of the state's oversight responsibilities. Those responsibilities are defined in FTA's state safety regulations and audit process (49 CFR 659). This is similar to other agencies' efforts, such as the Federal Motor Carrier Safety Administration's Motor Carrier Safety Assistance Program.

Question. Why is it appropriate to include the proposed section 328 general provision, which states that, beginning in fiscal year 2004 and thereafter, the federal share for New Starts projects shall not exceed 50 percent? Isn't this an issue that would more appropriately be addressed at the reauthorization of TEA–21?

Answer. The change in the maximum Federal share of New Starts projects under § 5309 will require a change in law, which can be accomplished through either the appropriation or authorization process. We are proposing that a change in the maximum Federal share be enacted as part of the appropriations process in fiscal year 2002, with an effective date of fiscal year 2004. This will give project sponsors sufficient time to adjust the financial plans for their proposed projects to reflect the new, lower maximum Federal share of New Starts funding.

If, however, this provision were included as part of the new authorization, it would become effective at the start of the next authorization period at the earliest. In other words, it would become effective seven months after the New Starts project funding recommendations are released in the President's budget proposal to Congress (February 2003). Changing the maximum amount of funding available to New Starts projects after the release of the budget, but before the start of the fiscal year, may unnecessarily delay projects that are otherwise ready to proceed and would render the project ratings useless to Congress during the fiscal year 2004 appropriations process. By making the change for fiscal year 2004 effective now, project sponsors have ample opportunity to revise their financial plans and seek any additional local sources of funding that may be required.

Question. Please describe the effect of section 321 of Public Law 106–346 regarding funds made available for Alaska or Hawaii ferryboats.

Answer. This provision allows Hawaii to use up to $3,000,000 of the funds made available under Section 5309(m)(2)(B) for demonstration or operating expenses rather than capital expenses. To date, no application for these funds has been made.

QUESTIONS SUBMITTED TO THE RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

QUESTIONS SUBMITTED BY SENATOR RICHARD C. SHELBY

OFFICE OF HAZARDOUS MATERIALS SAFETY

Question. Please prepare a table indicating various measures of both the overall performance and the impacts of your program, showing statistical trends for each of the last 10 years. Please include data covering the last 10 years on the number of serious releases (or an equivalent measure), fatalities, injuries, costs, compliance measures, etc.

Answer. The following table is provided:

Year	Total Incidents	Serious Incidents [1]	Fatalities	Injuries	Damages
1991	9,110	405	10	439	$38,350,611
1992	9,311	376	16	604	35,164,057
1993	12,830	358	15	627	22,801,551
1994	16,087	427	11	577	44,185,413
1995	14,743	408	7	400	30,903,281
1996	13,950	466	120	1,175	46,849,243
1997	13,999	423	12	225	33,449,784
1998	15,350	430	13	197	46,170,284
1999	17,085	380	7	252	33,856,229
2000	17,224	401	12	240	57,530,562

[1] RSPA defines a serious hazardous materials incident as one that involves a fatality or major injury due to a hazardous material, closure of a major transportation artery or facility or evacuation of six or more persons due to the presence of a hazardous material, or a vehicle accident or derailment resulting in the release of a hazardous material.

Question. What is the current regulatory backlog at the OHMS? Please include pending rulemakings, petitions for preemption and exemptions.

Answer. OHMS does not have a regulatory backlog. OHMS is pursuing a number of regulatory activities using procedures mandated by law and OMB guidelines.

Question. Why do you propose new positions to address less obvious causes of hazardous materials incidents when the OHMS already has a long list of pending and unfinished regulatory initiatives? Wouldn't any new positions be better employed in the standards or exemption and approval offices, where regulatory work is done, in order to address this backlog?

Answer. OHMS does not have a regulatory backlog. OHMS is pursuing a number of regulatory activities using procedures mandated by law and OMB guidelines. The new positions will directly support all aspects of the safety program, including rulemaking and exemptions. RSPA supports a large number of initiatives internally, all at different levels of closure. While we dedicate substantial resources to developing rules and processing exemption and approval applications, we must remain vigilant to any threats to public safety resulting from the ever-changing hazardous materials marketplace. We intend to use the new resources to discover potential vulnerabilities before they actually cause serious hazardous materials incidents. An example would be discovering flaws in the design of a packaging newly-introduced to the marketplace. A DOT-wide Hazardous Materials Program Evaluation, completed in March, 2000, identified the need for better use of quality data to support all aspects of the program, including regulation development, training, outreach, enforcement and emergency response. Similarly, technical staff support all aspects of the program, particularly rulemaking and exceptions.

Question. Please describe the current scope and list the number of regulatory initiatives that OHMS is already considering. How will the fiscal year 2002 budget request promote the issuance of cost-effective regulations?

Answer. For fiscal year 2002, RSPA is planning a comprehensive, multi-disciplinary risk reduction campaign using enhanced statistics and new engineering capabilities to target major causes of hazardous materials incidents. The new resources requested for fiscal year 2002 will improve the quality and utilization of hazardous materials data and technical analysis to support all aspects of the hazardous materials program. This will enable us to more accurately assess the costs, benefits, and other impacts associated with regulatory proposals and develop non-regulatory approaches to safety problems, such as targeted outreach and training programs, if appropriate.

A listing of pending rulemaking actions follows:

RULEMAKING PROJECT	SUMMARY	CURRENT STATUS
Hazardous Materials Regulations: Miscellaneous Corrections (HM–189R).	Corrects inconsistencies in terminology and makes minor editorial corrections to improve the clarity of the Hazardous Materials Regulations (HMR).	Final rule anticipated: 7/01
Hazardous Materials Regulations: Miscellaneous Corrections (HM–189S).	Annual update to correct minor editorial errors and to enhance clarity of certain provisions of the HMR.	Final rule anticipated: 9/01

RULEMAKING PROJECT	SUMMARY	CURRENT STATUS
Hazardous Materials Communication Requirements (HM–206B).	Revises hazard communication requirements for consistency with international standards.	Interim final rule anticipated: 8/01
Air Carrier Emergency Telephone Number Requirement (HM–206C)	Responds to an NTSB recommendation that air carriers maintain a 24 hour telephone number that is able to provide information on the specific hazardous materials and their location aboard an aircraft.	ANPRM published: 8/15/00 NPRM anticipated: 8/01
Limited Extension of Requirements for Labeling Certain Shipments of PIH Materials (HM–206D).	A limited exception from PIH labeling requirements, provided in 1999 to facilitate international shipment of PIH materials, expires October 1, 2001. We plan to publish a second interim final rule to address continued problems resulting from differences in international and domestic PIH labeling and placarding requirements.	Interim Final Rule issued: 9/16/99 Interim Final rule anticipated: 8/01
Revision of Requirements for Uniform Hazardous Waste Manifest (HM–206E).	RSPA is proposing changes to requirements for preparation of shipping papers for hazardous wastes consistent with revisions being proposed by EPA regarding the waste manifest.	Anticipated: 7/01
Shipping Records Retention (HM–207B).	Implements self-executing requirement of Federal hazardous materials transportation law to require shippers and carriers to retain shipping papers for 1 year.	NPRM anticipated: 8/01
Temporary Reduction in Hazardous Materials Registration and Fee Assessment (HM–208D)	Proposed temporary changes in the registration and fee assessment requirements to eliminate a surplus of funds in the hazardous materials emergency preparedness grants account.	NPRM published: 12/7/00. Notice published to announce deferral of final rule pending review in light of fiscal year 2002 budget request: 5/2/01
Requirements for Cargo Tanks (HM–213).	Revises and updates requirements for the manufacture, maintenance, and use of specification cargo tanks.	NPRM anticipated: 8/01
Cargo Tank Rollover Requirements (HM–213A).	In response to two NTSB recommendations, we are studying cargo tank rollover accidents to evaluate the adequacy of current regulatory requirements.	ANPRM published: 11/16/99. Further action undetermined pending outcome of studies.
Safety requirements for Retention of Hazardous Materials in External Product Piping (Wet Lines) on Cargo Tank Motor Vehicles. (HM–213B).	This action will evaluate the means available to eliminate risks associated with the retention of hazardous materials in product piping on cargo tank motor vehicles and responds to an NTSB recommendation.	NPRM anticipated: 7/01
Harmonization with U.N. Recommendations, ICAO Technical Instructions, and IMO Code (HM–215D).	Revises the HMR by incorporating changes based on the most recent changes to the U.N. Recommendations, ICAO, and IMO requirements.	NPRM published: 10/23/00. Final rule (partial) published: 2/01/01. Final rule (remaining issues) anticipated: 06/01
Frangible Discs on Tank Cars (HM–216A).	Propose to clarify requirements in the HMR related to inspection of frangible discs on tank cars.	NPRM anticipated: 11/01

RULEMAKING PROJECT	SUMMARY	CURRENT STATUS
Alternate Standards for the Loading/Unloading of IM Portable Tanks on Motor Vehicles (HM–218A)	Responds to a petition for rulemaking and a denial of a petition for reconsideration under HM–166Y, concerning the loading and unloading of IM portable tanks while attached to a motor vehicle.	NPRM anticipated: 8/01
Consolidation of Specifications for High-Pressure Cylinders (HM–220).	Revises the requirements for reinspection, retesting, and repairing cylinders and consolidate seamless cylinder specifications.	NPRM published: 10/30/98. Comment period closed: 5/28/98. Final rule (partial; see HM–220D) anticipated: mid 2001
Filling of Propane Cylinders (HM–220C).	Responds to petitions for rulemaking to allow propane cylinders to be filled by volume rather than by weight.	ANPRM published: 8/23/96. Termination of rulemaking action anticipated: mid 2001.
Requirements for Maintenance, Requalification, and Repair of DOT Specification Cylinders (HM–220D).	Proposes to establish revised requalification standards for cylinders and to respond to petitions for rulemaking.	Spin-off of non-controversial issues originally proposed in HM–220. Final rule anticipated: mid 2001.
Applicability of the HMR to Loading, Unloading and Storage (HM–223).	Resolves regulatory jurisdictional issues regarding applicability of the HMR.	Supplemental ANPRM published: 4/27/99. Comment period closed: 8/25/99. NPRM anticipated: mid 2001
Transportation of Oxygen Cylinders on Aircraft (HM–224B)	Will propose to authorize the transportation of oxygen cylinders on aircraft provided they are in an outer packaging that meets prescribed thermal and heat resistant requirements.	NPRM anticipated: mid 2001
Transportation of Lithium Batteries (HM–224C).	Evaluation of hazards associated with transportation of lithium batteries aboard aircraft.	Advisory notice published: 09/07/00. NPRM anticipated: late 2001
Infectious Substances: International Harmonization and Bulk Packaging (HM–226).	Proposes to revise the requirements for infectious substances to harmonize the requirements with international standards and propose bulk packaging requirements.	NPRM published: 01/22/01. Comment period closes: 04/23/01. Final rule anticipated: late 2001
Revision and Consolidation of Requirements for Carriage by Railcar and Motor Vehicle (HM–227).	Joint petition by ATA and AAR to consolidate 49 CFR Parts 174 and 177.	Petition received: 1/98. NPRM anticipated: Undetermined, pending current § 610 review under Small Business Regulatory Enforcement Fairness Act of 1996.
Revision of Requirements for Carriage by Aircraft (HM–228).	Addresses issues related to transportation of hazardous materials by air, including quantity limits, exceptions, and signage.	ANPRM anticipated: late 2001
Hazardous Materials Incident Reporting Requirements, including the HMR Form 5800.1 (HM–229).	Revises current hazardous materials incident reporting system and form to simplify, update, and overhaul requirements.	ANPRM published: 3/23/99. Comment period closed: 6/21/99. NPRM anticipated: 8/01
Adoption of the Latest IAEA and other Miscellaneous Revisions and Clarifications (HM–230)	Proposes to harmonize the requirements for the transportation of Class 7 (radioactive) materials with those issued by the IAEA.	ANPRM published: 12/28/99. Comment period closed: 6/29/2000. NPRM anticipated: late 2001

Question. Other than the fact that you are responding to the Departmental report on hazmat safety, what evidence can you provide of the need for the additional funds requested. What is new and different from the inspections, analyses, and regulatory efforts that OHMS is now conducting?

Answer. The funds requested in the fiscal year 2002 budget address three needs critical to the success of the hazardous materials safety program.

RSPA is in the midst of replacing its minicomputer-based information system that is operating with 20-year-old software no longer supported by the manufacturer, with a more robust, state-of-the-art database management system. The result will be more efficient, timely, accessible information to support office programs and to provide information to the regulated community and the public.

New funding is also dedicated to shoring up HMS' administrative infrastructure. The HMS administrative expenses budget has remained essentially constant since

1997. Since that time, our mandate has grown dramatically in conjunction with both international and domestic trade growth. Since 1997, HMS established a fifth Regional office in Atlanta, and five additional outreach staff have been assigned to the Regions, with the resultant increased demand on funds for travel, office space, telecommunications, and other support. These additional requirements are in addition to the expected inflationary increases in such items as rents and administrative support contract costs, which have not been addressed in past budget submissions.

Additional resources will be used to identify vulnerabilities in the hazardous materials transportation system before they result in incidents. We are planning a comprehensive, strategic, multi-disciplinary risk reduction campaign, using enhanced statistics and new engineering capabilities to target less obvious yet major causes of hazardous materials incidents with more extensive compliance initiatives. The new resources will support critical coordinated information, research, analysis, regulation, training, and enforcement activities.

Question. RSPA is seeking suggestions from industry and the public to be considered as part of your hazmat reauthorization proposal. What concerns, if any, were expressed by industry regarding the existing OHMS program and how might your fiscal year 2002 budget address these?

Answer. In our hazardous materials reathorization legislative docket, we received 25 comments from 23 parties, several of which represented many businesses or organizations. The overall thrust of the industry comments was: support clarified and stronger DOT enforcement authority; support stronger Federal preemption (with one exception); support elimination of DOT/OSHA regulatory overlap except for training; support prompt issuance of DOT (FMCSA) regulations on uniform forms and procedures for State registration and permitting of hazardous materials shippers and carriers; and support application of hazardous materials regulations to the United States Postal Service.

We are reviewing all of these issues as we draft an Administration hazardous materials reuathorization proposal.

HAZARDOUS MATERIALS PERSONNEL ISSUES AND OPERATING EXPENSES

Question. What steps have been taken to comply with the staffing level that was approved by the conferees in fiscal year 2001? What is your current FTE strength?

Answer. The Office of Hazardous Materials Safety (OHMS) and the Research and Special Programs Administration's (RSPA) personnel office work closely together to recruit suitable candidates for all current and anticipated vacancies. OHMS has a full-time permanent and full-time equivalent of 129 positions. We currently have 123½ FTE on board due to recent staff turnover and are actively recruiting to fill the remaining positions.

Question. What are the precise titles, job descriptions, GS ratings, and office assignments for each of the proposed 6 new staff members (3 FTE) in fiscal year 2000 for the OHMS?

Answer. Two positions will be data analysts, two will be engineers specializing in risk management, and 2 will be engineers who conduct incident investigations. The new staff members will be assigned to offices within OHMS in a way that maximizes their participation in the effort to prevent hazmat incidents. At least two positions will be assigned to the Office of Planning and Analysis and at least two positions will be assigned to the Office of Technology to support all elements of the hazardous materials program. The positions will likely be at the GS–12 level.

Question. Please explain how each one of the new positions requested will address the recommendations presented in the Departmental review of its hazmat program. Please prioritize these six positions in order of importance, and justify the reasons for this order.

Answer. The Departmental review concluded that DOT was hampered by a lack of accurate and complete information to support decision-making. RSPA's two additional data analysts will apply sophisticated data analysis tools to the current HMIS data as well as data from other sources to identify new threats. Two new engineering staff will conduct detailed analyses of the threats uncovered in the data analyses. The Departmental review also recommended we gain a better understanding of undeclared shipments and to review the adequacy of Performance Oriented Packaging Standards. Two of the engineering positions will conduct engineering-based investigations of specific incidents, to identify potential vulnerabilities that we have not been able to identify using current resources. Examples would be the discovery of an unusually high failure rate for newly-introduced containers, or a high incident rate for a particular shipper shipping a small number of highly volatile materials. All 6 positions are equally important.

Question. Please describe the "newly-revealed" problems mentioned in support of the two new engineering positions.

Answer. The comprehensive Strategic Hazardous Materials Incident Reduction Initiative will utilize sophisticated data analysis tools and engineering-based investigations of specific incidents, to identify potential vulnerabilities that we have not been able to identify using current resources. Examples would be the discovery of an unusually high failure rate for newly-introduced containers, or a high incident rate for a particular shipper shipping a small number of highly volatile materials. These resources will also be used to develop regulations, training, and other programmatic responses to these issues.

Question. Please provide a table showing the authorized number of inspectors for each of the last three fiscal years, and the actual number of inspectors on-board during those periods.

Answer. The following table shows the authorized number of inspectors and the actual number of inspectors on-board for the last three years.

FISCAL YEAR	AUTHORIZED	ON-BOARD
1998	37	34
1999	37	37
2000	37	37

OHMS has not been authorized any new inspector positions during that last three fiscal years.

Question. Please present historical data since fiscal year 1995 showing staffing levels of the OHMS.

Answer.

Fiscal Year	Positions Authorized	FTE Authorized
1995	113	113
1996	129	[1] 122
1997	129	122
1998	129	122
1999	129	122
2000	129	125.5
2001	129	[1] 129

[1] NOTE: The 129 FTE level was not fully-funded until fiscal year 2001.

INSPECTION AND ENFORCEMENT PROGRAM

Question. Does the current incident database support your enforcement program at the present time? If so, to what effect and extent?

Answer. Yes. The Office of Hazardous Materials Enforcement (OHME) utilizes the incident data base through computer programs to extract information on shippers of hazardous materials. The programs used by OHME are designed to key on companies identified as the shipper on 20 or more incident reports during a five-year period. These incidents are also broken down by packing group, since the packing group system assigns relative risk to each material based on the packing group to which it is assigned. The reports provided through this program are used to conduct shipper inspections.

Question. What has RSPA done, in conjunction with the Federal Motor Carrier Safety Administration, to develop an electronic intrastate database to determine the effectiveness and impacts of HM–200? What is RSPA's technical and financial involvement? What is the status of that project? Are funds requested for that activity in fiscal year 2002? How has the expansion of the database to include intrastate data affected your program's ability to influence safety?

Answer. We have worked with FMCSA as it develops an intrastate database intended to support an enforcement strategy and to determine the effectiveness of HM–200 in contributing to a reduction in highway-related incidents involving the intrastate transportation of hazardous materials. RSPA staff have participated in planning the new database to ensure cross-compatibility with other hazardous materials data sources. RSPA has not provided funds for this effort and is not requesting funding for the project in fiscal year 2002.

Question. Please calculate the average settlement percentage [amount of civil penalties collected for valid claims divided by the amount of civil penalties originally assessed for valid claims] for hazmat cases concluded during the last three fiscal years.

Answer.

	1998 [1]	1999 [1]	2000 [1]
Penalties Proposed	$2,053,196	$2,155,634	$2,247,892
Penalties Collected	$1,412,593	$1,518,432	$1,532,749
Percentage Collected (percent)	69	70	68
Ticket Proposed Penalties	$301,343	$346,524	$375,313
Ticket Collected Penalties	$300,602	$345,217	$375,165
Penalties Percentage Collected	99.8	99.6	99.9

[1] Does not include tickets.

Question. Please discuss improvements in your training and outreach program since last year.

Answer. RSPA has an active publication and training materials development program. Publications and training materials are developed based on needs and risk assessments. Over 50 percent of the new materials being developed are being targeted at areas of noncompliance, high risk, and new regulatory requirements. Due to the HMSAT activities and expansion of targeted training and outreach, the quantity of materials printed and distributed has nearly doubled since fiscal year 2000. In addition, RSPA is currently developing a new training module on hazardous materials transportation on vessels for its CD–ROM training program. The new module will complete the basic modal additions to the Modular training program and is scheduled for completion in early 2002.

In fiscal year 2001, RSPA increased the number of Multimodal Training Seminars from four to five per year. It is anticipated that 1,500 participants will attend this year's seminars. This represents an increase of 25 percent over fiscal year 2000 attendance.

In fiscal year 2000 RSPA established a Hazardous Materials Safety Assistance Team (HMSAT) to make industry and the public aware of the Hazardous Materials Regulations (HMR), to help businesses find the resources needed to comply with the regulations, and to provide technical assistance to the emergency response and planning community. This team has been fully staffed since January 2001 and is dedicated to training and technical assistance.

With this team, RSPA is undertaking high visibility activities aimed toward high-risk small businesses that ship hazmat infrequently and intrastate shippers and carriers that are subject to the HMR. RSPA is also specifically targeting hazmat operations through national and local industry and labor associations. Our broad-based approach will assure the widest possible dissemination of this critical information.

RSPA continues to sponsor the Cooperative Hazardous Materials Education (COHMED) program. COHMED is a partnership effort that works to foster coordination, cooperation, and communication among Federal, State and local government agencies and tribal nations having regulatory and enforcement responsibility for the safe transportation of hazardous materials, as well as hazardous materials shippers and carriers. RSPA's efforts to expand industry participation in COHMED programs have resulted in nearly a 25 percent increase in private sector attendance over the past year.

Question. Please present data on the number of times that each of your inspectors working in the regional offices conducted joint inspections or provided training for state officials.

Answer. In 2000, RSPA hazardous materials inspectors conducted 20 inspections of companies along with inspectors from the following states: Alabama, Arkansas, California, Colorado, Florida, Georgia, Iowa, New Jersey, New York, and North Carolina. RSPA inspectors also worked with state inspectors from California, Georgia, Louisiana, Minnesota, and Virginia, during six week-long joint inspection operations.

In February 2000, a RSPA inspector provided cylinder retester training to the New York State Fire Marshall's office, as well as to local fire marshalls. In March 2000, a RSPA inspector met with and provided outreach to the Texas State Fire Marshall's Office. In March and April 2000, a RSPA inspector assisted the Suffolk County, New York, District Attorney's Office in conducting a criminal investigation of a cylinder retester.

In 2000, RSPA hazardous materials inspectors conducted outreach/training presentations to personnel of the following agencies: Connecticut State Fire Marshall's Office (cylinder retesting); South Carolina State Health Department (regulated medical waste); Texas Natural Resource Conservation Commission (regulated medical waste); Arizona Department of Transportation (general information); North Carolina Department of Environment and Natural Resources (packaging for hazardous wastes); Tennessee Occupational Safety and Health Agency (regulated medical wastes); Alabama Department of Environmental Management (regulated medical waste); New Jersey State Police Arson/Bomb Unit (general information); New Jersey State Police (explosives approval process and transportation of explosives); Seattle Fire Department (transportation of propane from Port of Seattle); Florida State Department of Health (regulated medical waste); and New York State Hazardous Materials Bureau (RSPA hazardous materials enforcement program).

SHIPPER AND CARRIER REGISTRATION

Question. The collection of hazardous materials registration fees was widened last year to include all small businesses ($300), and the fees that larger businesses pay were raised from $300 to $2,000. How much was collected in the 2000–2001 registration cycle under this new use fee schedule? How much is this in excess of the emergency preparedness grants user fee schedule? How much is this in excess of the emergency preparedness grants obligation limitation for fiscal year 2001? Is this the first time since the registration program was authorized that there has been an excess balance in fees collected above the national program level?

Answer. In fiscal year 2000, $24.8 million was collected in registration fees for the 2001–2002 registration year. This is approximately $7 million above the fiscal year 2001 obligation limitation of $14.3 million. Fiscal year 2000 was the first fiscal year in which funds collected exceeded the obligation limitation.

Question. Does the 1990 Hazardous Materials Transportation Act require the Department of Transportation to adjust the amount of fees being collected to reflect any unexpended balance in the emergency preparedness grants program?

Answer. Section 5108(g)(2)(B) of the 1994 Hazardous Materials Transportation Act does require the Department of Transportation to adjust the amount of fees being collected to reflect any unexpended balance in the emergency preparedness grants program. If collections during fiscal year 2001–2002 are similar to those of the previous year, and the President's fiscal year 2002 budget request to fund a portion of RSPA's hazardous materials program budget from user fees is enacted, all funds, including carryover from the previous year, will have been expended.

Question. In December 2000, RSPA published a Notice of Proposed Rulemaking in the Federal Register to lower the registration fees in response to this excess balance. However, on May 2, 2001, RSPA reversed its position, and announces the fees would remain the same as last year, which will create another excess balance in the emergency preparedness grants program for fiscal year 2002. Why did the Department decide to reverse its position and withdraw the rulemaking that would have adjusted the fees to the level set in the appropriations law?

Answer. On April 9, 2001 the President submitted his fiscal year 2002 budget request to Congress. In that budget request, the President proposes to fund a portion of RSPA's hazardous materials safety program budget from fees collected through the Hazardous Materials Registration program. Consistent with the President's budget request to Congress, RSPA withdrew all proposals contained in this rulemaking pending enactment of the fiscal year 2002 Department of Transportation appropriations.

Question. Is there current statutory authority for the Department to divert any of the emergency preparedness grants program (EPGP) funds for activities of the Office of Hazardous Materials Safety?

Answer. No. There is no such authority.

Question. Would you agree that the Department is violating current law by refusing to adjust the unexpended balance in the EPGP?

Answer. No. The Department has no authority to directly adjust the unexpended balance itself and is not required to refund any fees.

Question. Does RSPA plan to plan to propose another rulemaking to increase the fees further, so that by fiscal year 2003 there will be funds in the EPGP account to fully fund both the Office of Hazardous Materials Safety and the EPGP?

Answer. If Congress approves our proposal to fund part of RSPA's fiscal year 2002 Office of Hazardous Materials Safety (OHMS) activities with registration fees, then, to fully fund both OHMS activities and the Emergency Preparedness Grants Program in fiscal year 2003, which is assumed in the out-year projections in the President's fiscal year 2002 Budget, we would have to increase registration fees starting with the May 2002 billing cycle.

Question. Section 347 of Public Law 106–346, the Fiscal Year 2001 Transportation Appropriations Act, states that budget officers at the Department shall not be paid their salaries from the funds made available by that Act if a budget proposal is submitted which assumes revenues due to user fee proposals that have not enacted into law prior to the submission of the budget, unless the budget proposal identifies spending reductions to offset those user fee proposals. Does the budget's proposal Section 323 which authorizes the Secretary of Transportation to increase hazardous materials registration fees violate this provision in the fiscal year 2001 appropriations law? Are RSPA budget officers still being paid their salaries? From what funds?

Answer. This issue was addressed by former OMB Director Jacob Lew in his letter of September 11, 2000, to the conferees on DOT's Fiscal Year 2001 Appropriations Act. Director Lew stated that this particular provision "would effectively require the President to submit a budget proposal to the Congress that identifies prospective spending cuts in the event Congress does not enact a portion of the President's overall budget proposal. Such a requirement that the President spell out for Congress his fallback position in the budget negotiation process conflicts with the Constitution's separation of executive and legislative powers, and, specifically, with the President's constitutional authority to 'recommend' to Congress 'such Measures as he shall judge necessary and expedient' (U.S. Constitution, Article II, Section three). The Department of Justice has advised that, if enacted, the President will interpret this provision as precatory."

Question. Please display the total registration fees collected for each of the last five fiscal years by the shipper and carrier registration program, broken out by emergency response activities and administrative costs. How much do you expect to collect during fiscal year 2001 and during fiscal year 2002?

Answer.

EMERGENCY PREPAREDNESS FUNDS RECEIPTS

(Dollars shown in millions)

Fiscal Year	Administrative Costs to Treasury for processing receipts	Funds for emergency response activities	Total Receipts
1995	$1.429	$6.843	$8.272
1996	1.420	6.729	8.149
1997	1.526	7.147	8.673
1998	1.649	7.750	9.399
1999	1.583	7.373	8.956
2000	1.326	[1] 24.866	26.192
2001 (est.)	1.250	23.300	24.550
2002 (est.)	1.250	23.300	24.550

[1] Includes $3.568 million paid in advance for registration years 2001–2002 and 2002–2003.

NOTE: (Estimates for 2001 and 2002 assume that no one will pay in advance).

RESEARCH AND TECHNOLOGY STRATEGIC GOALS

Question. What has RSPA done since last year to implement the provision of TEA–21 that requires strategic planning to design a national surface transportation research and technology agenda?

Answer. In May 1999, the Secretary and the President's Science Advisor jointly announced the Department's first Transportation Research and Development (R&D) Plan. This document was developed in part to respond to a requirement in Section 5108 of TEA–21. It was developed through an interagency R&D strategic planning process, focused through the Department's Research and Technology Coordinating Council.

This process has been used to generate two updated versions of the DOT Transportation R&D Plan; the Third Edition is now undergoing final DOT reviews. The Second Edition of the R&D Plan, completed in May 2000, includes a formal agenda of 23 research and technology areas that support achievement of each of the Strategic Goals set forth for the Department in the DOT Strategic Plan, 1997–2000.

The updated DOT Strategic Plan 2000–2005, issued in July 2000, underlines the role of R&D in meeting the Department's Strategic Goals. It includes a specific R&D strategy section in the discussions of each of its six Strategic Goals, highlighting specific technologies and research areas that are particularly supportive of that goal.

The Third Edition of the DOT Transportation R&D Plan integrates the strategy material from the new Strategic Plan into an updated national research and technology agenda. Based on user reactions to the Second Edition, the Third Edition also integrates materials from other interagency planning exercises in the document. It contains new appendices detailing 14 mature technologies that are, or could be, the focus of implementation partnerships, and 7 enabling technology areas that could be the basis for future transportation advances.

The DOT R&D strategic planning process continues to define the national R&T agenda, serving the needs of the various DOT and other agency participants.

Question. What impacts have recent federal and DOT strategic planning efforts for transportation research and technology had on decisions about cross-cutting and modal research projects and how they are performed?

Answer. The R&D strategic planning process has demonstrated the potential of collaboratively-defined efforts to address common problems. A variety of multimodally applicable research activities—both initiated within DOT and originated by the Congress—are now underway that involve several administrations and that address areas highlighted in previous research and technology planning efforts. These include: (1) a coordinated Departmental program of human factors research, with core funding of $300,000 provided to RSPA in fiscal year 2001; (2) a multimodal Departmental program of research on transportation infrastructure assurance, with core funding of $1 million provided to RSPA in fiscal year 2001; (3) the ongoing interagency initiative for maritime applications of fuel cells, with RSPA funding two Small Business Innovation Research (SBIR) projects supporting the effort; (4) the Commercial Remote Sensing Program, with $4 million core funding in fiscal year 2001; and (5) The Advanced Vehicle Technologies Program, which is active based on prior year funding. Additional enabling research activities to examine advances in nanotechnology or the rise of "smart technologies" are under discussion among the DOT administrations.

In terms of the modal programs, the variety of research planning materials that have been developed under this activity have already had the following effects:

—Promoted collaborative research (e.g., aviation R&D, fuel cells)

—Promoted consideration of longer-term research (e.g., nanotechnology)

—Raised the consciousness of senior DOT leadership of R&D as a tool to achieve Departmental goals and solve transportation problems (e.g., R&T strategies are now included for each major goal in DOT's Strategic Plan, highlighting specific modal R&T programs)

—Linked research more explicitly to accomplishing Departmental goals (e.g., 2002 Performance Plan/2000 Performance Report)

—Created a better-focused agenda of research activities and priorities (e.g., DOT Transportation R&D Plan [Second and Third Editions])

—Identified new opportunities for cooperative implementation (e.g., Transportation Infrastructure Assurance R&D, Human-Centered Systems, Advanced Vehicle Technologies Program)

—More effectively involved non-Federal participants (industry, State/local government, academia) in support and conduct of research (e.g., Intelligent Vehicle Initiative, ITS Deployment, National Highway R&T Partnership Initiative, National R&D Plan on Aviation Safety, Security, Efficiency and Environmental Compatibility).

Question. Please list by contract and amount how comparable funds provided in fiscal year 2000 and fiscal year 2001 under the activity R&D Planning and Management were used or will be used. Please address how the Department's third edition of its Transportation R&D Plan had an impact on R&D planning, budgets, and program implementation.

Answer. RSPA obligated or plans to obligate funds for activities under R&D Planning and Management as follows:

ACTIVITY	FISCAL YEAR—	
	2000	2001
Strategic Planning:		
Volpe Center 30th Anniversary Symposia	$0	$150,000
NRC/TRB Peer/Merit Review	200,000	150,000

ACTIVITY	FISCAL YEAR— 2000	2001
R&D Planning:		
DOT R&D Plan	250,000	100,000
Mature Technologies Deployment	100,000	100,000
Enabling Research	100,000	110,000
Private-public Partnership Outreach	175,000	450,000
Enabling Research Outreach	125,000	80,000
International R&T Coordination	50,000	100,000
Long-Term Decisions	0	100,000
Sustainability	100,000	0
Subtotal	1,100,000	1,340,000
Research and Technology Coordination and Facilitation:		
Performance Measurement	100,000	85,000
Innovation Partnerships	150,000	0
National Research Council (GUIRR)	125,000	135,000
TRB Annual Fee	60,000	60,000
International S&T (e.g., NAFTA,US-EU)	150,000	50,000
DOT R&D Tracking System	200,000	200,000
DOT Technology Sharing/Transfer	115,000	115,000
Homepages	210,000	150,000
Subtotal	1,110,000	795,000
Intermodal and Multimodal Research and Education:		
Research and Education Planning	....	100,000
Small Business Innovative Research	25,000	0
Subtotal	25,000	100,000
TOTAL	2,235,000	2,235,000

The third Edition of the Department's R&D Plan, as one of the latest products in the ongoing DOT research planning process, has had the following effects:

—Promoted collaborative research among the DOT operating administrations
—Promoted consideration of longer-term research
—Raised the consciousness of senior leadership throughout DOT of R&D as a tool to achieve Departmental goals and solve transportation problems
—Linked research more explicitly to accomplishing Departmental and operating administration goals
—Created a better-focused agenda of research activities and priorities Department-wide
—Identified new opportunities for cooperative implementation
—More effectively involved non-Federal participants in support and conduct of research.

Question. Please break out separately funding for any conferences, meetings, outreach activities, international scanning activities or panel discussions sponsored by RSPA using funds appropriated under the research and technology sub-account for fiscal years 2000 and 2001.

Answer. RSPA obligated or plans to obligate funds to support conferences, meetings, outreach, international scanning activities, and panel discussions as follows:

	Fiscal year— 2000	2001
Volpe Center 30th Anniversary Symposia	$0	$150,000
National Research Council/Transportation Research Board Workshops	200,000	150,000
Public-private Partnerships/Enabling Research Outreach	300,000	....

	Fiscal year—	
	2000	2001
Outreach Facilitation	....	100,000
Partnership Development	....	200,000
Infrastructure Renewal & Assurance	....	....
Transportation Weather Service	....	....
Partnership Plans/Reports	....	150,000
Enabling Research	....	80,000
International R&D Assessment & Coordination	50,000	100,000
TOTAL	550,000	930,000

Question. Please give specific examples of key needs in cross-cutting or intermodal research that were funded in fiscal year 2001. What is planned for fiscal year 2002 in this area?

Answer. At least five cross-cutting or multimodal activities are ongoing with RSPA involvement. These include: (1) a coordinated Departmental program of human factors research, with core funding of $300,000 provided to RSPA in fiscal year 2001; (2) a multimodal Departmental program of research on transportation infrastructure assurance, with core funding of $1 million provided to RSPA in fiscal year 2001; (3) the ongoing interagency initiative for maritime applications of fuel cells, with RSPA funding two Small Business Innovation Research (SBIR) projects supporting the effort; (4) the Commercial Remote Sensing Program, with $4 million core funding in fiscal year 2001; and (5) the Advanced Vehicle Technologies Program, which is active based on prior year funding. Activities on all these research topics will continue into fiscal year 2002, although several will be continuing based on prior year funding provided.

Question. Did RSPA or OST obtain any funding in either fiscal year 2000 or 2001 from FHWA's surface transportation research and development account for any purpose? If so, please specify the use and amount of any funding received.

Answer. The FHWA provided $250,000 to RSPA in fiscal year 2000 to support the implementation of Section 5108 of the Transportation Equity Act for the 21st Century. The funds were provided to help accomplish the following: (1) Develop the updated versions of the DOT R&D Plan ($100,000 fiscal year 2000); (2) Conduct a National Research Council review of the DOT R&D Plan and transportation R&D strategic planning process ($100,000 fiscal year 2000); and (3) Support the development of Performance Plans and Performance Reports ($50,000 fiscal year 2000).

Question. Please list each of the recommendations of and response to the TRB Committee regarding DOT's R&T strategic efforts.

Answer. The NRC Committee met most recently on September 20, 2000 to review DOT's strategic planning process. The committee evaluation focused specifically on the process of developing and implementing partnerships. The Committee reviewed National Science and Technology Council (NSTC) and U.S. Department of Transportation strategic planning documents. DOT managers and program managers from other federal agency partnership programs briefed the Committee on the progress of the following three partnership programs: (1) Next Generation Transportation Vehicles; (2) Intelligent Vehicle Initiative (IVI); and (3) Aviation Safety Research Alliance. Based on the strategic planning documents and presentations at the meeting, the NRC committee made the following recommendations in January 2001. DOT/RSPA responses to these recommendations are as follows:

1. *Committee Recommendation.*—The strategy, and even more so its accompanying documents, should be clearer and more specific about participants, levels of effort, activities and accomplishments.

DOT Response.—The recommendation will be addressed in the changes currently contemplated for the NSTC and DOT strategic planning process. The changes will include redefining priority partnerships and preparing a roadmap on each selected partnership.

2. *Committee Recommendation.*—The strategy should take a more systematic and intermodal approach.

DOT Response.—DOT, where feasible, is initiating a systems approach for partnerships. For example, DOT/RSPA has proposed research on alternate fuel infrastructure as part of the advanced vehicles partnership.

3. *Committee Recommendation.*—The role of enabling research should be strengthened and more clearly defined. Enabling research and education should be integrated more fully into the partnerships.

DOT Response.—DOT is exploring vertical integration of enabling research and education and training, specifically in areas of new or breakthrough technologies such as the application of remote sensing technologies to transportation. DOT has requested that NRC conduct a proactive evaluation of education and training and professional workforce development for 21st Century transportation needs.

4. *Committee Recommendation*.—A process of establishing and sunsetting partnerships should be developed.

DOT Response:.—As part of contemplated changes in the strategic planning process, DOT will recommend development and implementation of a process for sunsetting partnerships when the useful and productive life of a partnership is exhausted.

5. *Committee Recommendation*.—Periodic program level assessments, including non-federal evaluators should be conducted. Feedback from these assessments should be used to increase understanding of and learning from successful practices.

DOT Response.—DOT conducts ongoing programmatic assessments of all R&T programs. While it is feasible for DOT to establish national committees that include federal and non-federal experts for each partnership, it is intended to limit such reviews to a few high priority partnerships, to most efficiently gather best practices.

Question. What was done with the funds provided last year regarding fatigue research?

Answer. All of fiscal year 2001 funds ($300,000) appropriated to RSPA for fatigue management are being utilized in initiating partnership research projects on multimodal fatigue management. We also expect about another $500,000 of reimbursable funding from modal administrations within DOT.

RSPA released a Broad Agency Announcement (BAA) in October 2000 for partnership projects in fatigue management. Four projects were selected from about 25 proposals received in response to the BAA. The proposals were reviewed by a DOT fatigue management team. Negotiations have been completed and awards are in process to begin three projects.

—Development and implementation of a work schedule representation and analysis package to help identify and apply critical characteristics of work schedules by various transportation modes for managing fatigue.

—Development of an evaluation framework for multi-modal operator fatigue management systems to improve operational understanding of fatigue and its impact on all transportation modes.

—Development of a Fatigue Management reference handbook that will provide guidelines to manage operator fatigue in all commercial transportation modes.

RSPA manages the multimodal fatigue management program in coordination with a DOT expert team on fatigue management established as part of the DOT Human Factors Coordination Committee.

Question. Please describe in detail the amount and purposes of funds spent on international science and technology assessment activities during fiscal year 2000 and fiscal year 2001. How much is requested for those activities in fiscal year 2002? Who has received those funds and what was done with the results of this investment?

Answer. In the past, the Department has had limited data on the system-wide performance of the Nation's transportation system (e.g., safety, security, and efficiency) and the impact transportation R&D has had on that system. Further, the Department has had limited data on other nations' Research and Development (R&D) and its potential application to United States transportation needs.

RSPA's mission to provide leadership and coordination of transportation R&D is helping provide tools important for solving transportation challenges. In fiscal year 1998–1999, RSPA conducted an assessment of international R&D needs, trends, capabilities, and opportunities. The resulting September 1999 assessment report, Comparison of International Transportation R&D Expenditures and Priorities, includes an overview of international R&D, research needed to maintain the competitiveness of U.S. transportation industries as well as opportunities for international cooperation and technology exchange. The data from the assessment continues to be used extensively in strategy development and in Departmental planning, program and budget development.

This assessment was performed by the Volpe National Transportation Systems Center with the participation of all appropriate Federal agencies and DOT operating administrations. The effort, funded in fiscal year 1998–1999 at $100,000, supported the work of two Volpe Center employees. Information for the report was derived from a variety of sources. Information was solicited from transportation, research and academic institutions of the "group of seven" countries.

Because technical knowledge is doubling every 2–5 years, RSPA in fiscal year 2002 will use about $100,000 of its request to support the acquisition of data on current and future international transportation R&D needs, trends, capabilities and opportunities for international cooperation and technology exchange with nations beyond the "group of seven." These activities will be performed in the context of the overall series of technology assessments RSPA uses to support research planning and program development in the Department.

TRANSPORTATION INFRASTRUCTURE ASSURANCE R&D

Question. Please identify all ongoing research, activities, and associated funding amounts for both fiscal year 2001 and fiscal year 2002 in all DOT modes that identifies and/or addresses transportation infrastructure and security vulnerabilities.

Answer. The following is a list of research in all DOT operating administrations that address transportation infrastructure and security vulnerabilities and the corresponding levels of funding.

[Dollars in thousands]

Administration and Activity	Funding—	
	Enacted fiscal year 2001	Requested fiscal year 2002
FTA Safety and Security Technology (Portions)	0	50
FAA Systems Development/Information Security	0	2,581
FAA System Security Technology:		
Explosives and Weapons Detection	42,512	38,438
Airport Security Technology Integration	2,457	2,084
Airport Security Human Factors	5,134	5,163
Aircraft Hardening	4,298	4,640
RSPA Transportation Infrastructure Assurance	1,000	1,000

Question. Please list by contract and amount how funds appropriated for Transportation Infrastructure Assurance are being or will be used. What do you expect to accomplish with the associated projects? How will you measure performance?

Answer. RSPA's initial activities regarding Transportation Infrastructure Assurance (TIA) have been defined in conjunction with the Office of Intelligence and Security (S–60), and focus in three areas.

Critical Transportation Interdependencies ($300,000)—This activity is assessing the interdependencies of critical elements supporting the operation of the transportation system (including electric power and telecommunications), and determining the short- and long-term impact on people and on transportation systems of loss of or damage to these infrastructures.

Electronic Commerce In Transportation ($500,000).—This activity is establishing the dependencies of the world's existing and future transportation systems on information and communication systems associated with business-to-business dealings and E-commerce, highlighting the vulnerabilities associated with existing and emerging processes, and making this information available to transportation system operators.

Weapons of Mass Destruction (WMD) Response Team Requirements ($200,000).—This activity will: (1) define WMD emergency response team transportation requirements for a variety of WMD incident types, and (2) after assessing current transportation plans, recommend coordination steps and strategies for civilian and military transportation providers which will better match WMD response transportation needs with resources. Performance will be measured using the threat information time metric set forth for Critical Transportation Infrastructure Protection in the Department's fiscal year 2002 Performance Plan.

HUMAN-CENTERED SYSTEMS RESEARCH PROGRAM

Question. Please identify all human centered systems research that is ongoing at the Department of Transportation, within each modal administration and interagency programs. What amount of funding was appropriated for these programs in fiscal year 2000 and 2001 and what amount is requested in fiscal year 2002? What are the specific accomplishments resulting from this activity?

Answer. The following is a summary of human-centered research currently carried out by the various DOT administrations:

Federal Aviation Administration Human-Centered Research Program

[In millions]

Fiscal year:	
2000	$21.9
2001	24.0
2002 (requested)	25.9

The FAA human factors program focuses on the following research areas:

Human-Centered Automation.—Research on the role of the operator and the cognitive and behavioral effects of using automation to assist him/her in accomplishing tasks. Initiatives focus on the implications of computer-based technology in the design, evaluation, and certification of controls, displays, and advanced systems. Specific examples include: developing a certification job aid for flight deck displays, design of Airway Facility alerting systems, designing air traffic controller decision-support automation tools, and design of enhanced vision systems in the tower.

Selection and Training.—Research to understand the relationship between human abilities and task performance. Initiatives focus on: enhancing methods for predicting job performance; establishing a scientific basis for the design of training programs; defining criteria for assessing future training requirements; and identifying new ways to select aviation system personnel. Specific examples include: a proficiency-based Model Advanced Qualification Program for pilot training; reconfigurable flight scenarios for simulator training; realistic radio communication and motion requirements in simulator training; general aviation CD–ROM training programs for personal performance; error avoidance strategies in aviation maintenance; and enhanced tools to screen applicants for Airway Facilities positions.

Human Performance Assessment.—Research to identify cognitive and decision-making factors for individuals and teams, which determine how well they are able to perform aviation tasks. Initiatives characterize the impact of environmental and individual factors on human performance while improving and standardizing methods for measuring human performance. Specific examples include: job task analysis for aviation maintenance technicians; the Automated Performance Measurement System data collection and analysis tool; a Congressionally-mandated study of ATC shift work and fatigue; and human factors booklets for controllers to enhance job performance and help prevent runway incursions.

Information Management and Display.—Research addresses presentation and transfer of information among components in the National Airspace System. Initiatives focus on: identifying the most efficient and reliable ways to display and exchange information; determining how to best display and transfer information to system components; designing a system to reduce the frequency of information transfer errors and misinterpretations; and minimizing the impact when such errors do occur. Specific examples include: human factors design for Electronic Flight Bags, assessment of head-up displays, guidelines on the use of color in ATC displays, and visual symbology design guidance.

Bioaeronautics.—Research involves the bioengineering, biomedicine, and biochemistry associated with performance and safety with a focus on crew and passenger protection, health, and physiological performance. Initiatives include: human protection and survival, medical and toxicological factors in accident/incident investigation, and support for aeromedical certification and in-flight aeromedical services. Specific examples include: child passenger restraints, crew protective breathing equipment, and wide-body exit evaluation; the Congressionally-mandated FAA/National Institute for Occupational Safety and Health study of cabin air quality and flight attendant reproduction issues; and evaluating use of external defibrillators.

Federal Motor Carrier Safety Administration

[In millions]

Fiscal year:	
2000	$4.0
2001	6.0
2002 (requested)	7.0

The FMCSA human factors program performs on the following research areas:

Driver Safety Performance.—The objective is to reduce Commercial Vehicle Driver (CMV) error. The research include CMV driver training and licensing standards, and industry practices, modifying the behavior of non-CMV drivers and other road users in the vicinity of CMVs. FMCSA seeks to improve CMV driver compliance with physical qualification standards, update these standards, and improve driver health and wellness in general. Current projects are refining medical standards (e.g., on vision and diabetes) to make them more valid and performance-based; and disseminating a "Getting in Gear" driver wellness program.

Carrier Compliance and Safety.—The objective is to identify "best practices" that improve carrier compliance reviews and develop tools to expedite safety audit data collection. Using crash data, a CMV industry operational and crash risk profile for various industry segments will be developed. The R&T research also supports efforts to apply principles of safety management science from other industries, such as lessons learned from systems and behavioral safety, and to document and disseminate best management practices from the CMV and other industries. An important R&T initiative is benchmarking safety-effective carrier management practices in support of the "Safety is Good Business" outreach program, which is targeting small carriers and new entrants.

Cross-Cutting Safety Initiatives.—Many FMCSA R&T activities are crosscutting in that they support the overall program; either its knowledge base or the tools available to enhance its effectiveness. Most notably, problem assessment research supplements agency crash investigation and analysis. In the largest study, FMCSA will quantify, through a major case control crash risk study, the role of multiple driver and situational characteristics in crash risk to compliment the findings of the FMCSA/NHTSA Truck Crash Causation Study. Studies will be conducted and analyses performed, using instrumented vehicles currently under development to enable "instant replays" of driver errors and their precursors.

Federal Railroad Administration

[In millions]

Fiscal year:	
2000	$3.8
2001	4.1
2002 (requested)	4.3

The Train Operations Program addresses human factors issues of fatigue, organizational behavior, culture, and new technology in the operation of conventional and high-speed trains. Fatigue research efforts will continue to identify, evaluate and validate current and potential vigilance monitoring technologies for real time alertness monitoring and feedback in the railroad industry; research using applied behavior analysis methods will continue to identify unsafe work-related behaviors and work-related practices, and then systems will be developed to improve the safety culture by positively reinforcing safe behaviors in the work environment. Amtrak's high-speed simulator will be used to study human factor issues in high-speed rail operations, including studies of Positive Train Control systems to evaluate the design of PTC systems to accommodate both the physical and cognitive limitations of the human-machine system.

The Yard & Terminal Program addresses the human factor issues of job characteristics and ergonomics that contribute to accidents and injuries in railroad yards and terminals. A study of maintenance-of-way job characteristics will continue to determine the relative role of work schedules and other practices in accidents and injuries. Research will also continue to examine ergonomic design of yard and terminals to reduce the frequency of these costly injuries.

The Human Factors Grade Crossing Program addresses issues for both conventional and high-speed grade crossing projects dealing with accident statistics and driver behavior. Funding supports research into accident causation analysis. The driver behavior project will continue to address a variety of issues concerning the behavior of motorists at grade crossings (e.g., driving around gates, directly in front of trains). Commuter crossing safety will focus on driver's decision making at crossings during peak commuting hours.

Federal Highway Administration

[In millions]

Fiscal year:	
2000	$2.8
2001	2.8
2002	2.6

Improving Highway and Roadway Safety for all Users.—The research addresses issues such as: Designing Safer Intersections and Roundabouts; Reducing Driver Tendency to Select Unsafe Speeds; Integrating the Driver, Pedestrian and Bicyclist into a Safe Roadway Environment; Reducing Run-Off-Road Crashes on Curved Roadways; Improving Roadway and Roadside Visibility for the Driver. To reduce driver errors, highway design and operational practices must be consistent with the perceptions, capabilities, and responses of the entire driving population, including younger and older drivers, as well as other roadway users, including pedestrians and bicyclists.

Intelligent Transportation Systems Research Program.—Research supports human factor studies for In-Vehicle Information Systems (IVISs) and Traffic Management Centers (TMCs). The IVIS related products are intended to guide system designers in developing in-vehicle devices that do not distract the driver from the primary driving task cited as the cause of a significant portion of crashes. Specific examples include human factors design guidelines for advanced in-vehicle information systems in private, commercial and police vehicles. TMC work under this program provides human centered design guidance for TMC designers that maximizes operational efficiency and minimizes operator errors. Specific examples include guidelines for the development and design of TMCs.

Improving Highway Travel for an Aging Population.—The program was developed to review highway design standards and accommodate the needs and capabilities of older drivers. The program focused on developing a clear understanding of older driver needs and capabilities, analyzing current highway design standards, and identifying and implementing practical solutions through development of revised guidelines and standards for traffic control devices, geometric design, and traffic operations. The research program has been completed and the first edition of the Older Driver Handbook was printed in 1998. A revision to this document is due to be published in the near future. To continue the process started by the 1989 research program, older driver issues are considered as part of all human centered research conducted by FHWA.

Coast Guard

[In millions]

Fiscal year:	
2000	$0.6
2001	1.05
2002 (requested)	1.05

Human Factors in Casualty Investigations.—The goal is to improve the ability of the Investigating Officer (IO) to identify and report human-related causes of accidents. Procedures have been developed and tested for the investigation of three types of human errors which contribute to marine casualties: fatigue, communications errors, and inadequate skills and knowledge.

Shipboard Fatigue Countermeasures Analysis.—The goal is to provide guidelines and strategies for commercial maritime vessels to promote vessel safety. To do this, a cooperative research and development plan has been implemented with the assistance of tanker, towing, and ferry industry partners, labor partners, and others.

Human Performance and Safety for CG Operations.—The goal is to evaluate the effects of crew endurance, performance, and safety aboard USCG cutters and produce USCG Crew Endurance Plans to mitigate the impact of watch schedules, duty cycles, and possible future crew reductions on workload and safety. The program has produced results for reducing risks associated with CG nighttime and high tempo operations.

Federal Transit Administration

[In millions]

Fiscal year:	
2000	$150,000
2001	0
2002 (requested)	300,000

FTA Fatigue Program.—In fiscal year 2000 the FTA conducted a symposium on fatigue management, and sponsored the development of a “Transit Fatigue Management Tool Box.” The goal was to heighten awareness of fatigue as a contributory factor in transit accidents and incidents and to provide a forum for exchange of ideas on development of fatigue management programs.

In fiscal year 2002 FTA plans to continue its Fatigue Program. This program will address all factors associated with fatigue and fitness-for-duty, including prescription and non-prescription medications. The program will provide technical assistance through a series of regional seminars, guidance publications and advisory notices.

Research and Special Programs Administration

[In millions]

Fiscal year:	
2000	$0
2001	300,000
2002 (requested)	300,000

The Research and Special Programs Administration serves as point of coordination for the U.S. DOT's Human Centered Activities and supports the DOT Human Factors Coordinating Committee (HFCC), initiates and manages integration of human factors in multimodal and intermodal settings. The HFCC was established by DOT in 1993 to foster research that addresses problems broader than the domain of individual modes, facilitate synergy across modes. The Committee representation includes USCG, FRA, OST, MARAD, NHTSA, FAA, FHWA, FMCSA, FTA, and RSPA.

In fiscal year 2000, RSPA in coordination with HFCC developed a partnership program plan for operator error and safety performance focusing on multimodal operator fatigue management (OFM) and advanced instructional technology. The goal of the OFM program is to reduce, by one-third, within 20 years fatigue-related transportation injuries, fatalities. This goal is to be achieved by developing innovative fatigue management systems, promote OFM, research and applications across transportation modes, forging strong DOT/industry partnerships, and demonstrating OFM and other outreach activities to the public and industry. The plan was approved by DOT for implementation. Contributions from modal administrations was collected to jump start the program initiative in fiscal year 2000 while waiting for fiscal year 2001 appropriations. Based on the plan document, RSPA developed and released a Broad Agency Announcement.

Interagency Programs.—Other federal agencies including DOD, NASA and NSF have research on research serving their program mission. The DOT experts keep in touch with the development in interagency human factors research. There are no formal cost shared or joint programs between DOT and other federal agencies on human factors research at the present time.

UNIVERSITY TRANSPORTATION CENTERS GRANTS PROGRAM

Question. Specify what you have done since last year to improve the effectiveness of the University Transportation Centers program. Please summarize the accomplishments or outputs from this program during each of the last three years.

Answer. The following activities have been accomplished since last year to improve program effectiveness:

—in accordance with a UTC-grant requirement imposed in 1998, identified appropriate DOT representatives to participate in each UTC's research selection process to promote the accomplishment of DOT goals and objectives, as well as to facilitate information exchange;

—began development of an Internet-based search capability that will allow the public to search all UTCs' web sites for completed and ongoing research;

—conducted site visits at eighteen of the UTCs in order to evaluate each center's work, plan future activities, enforce compliance with grant requirements, and ensure that proper financial and property-management procedures are in place; and

—conducted two meetings with the UTC Directors to discuss common problems, consider possible cooperative ventures, and share best practices.

Summary of outputs and accomplishments during the last three years: multi-year strategic plans have been developed by each of the 33 UTCs and approved by DOT; four new transportation-related PhD programs have been established at UTCs; five new transportation-related Masters programs have been established at UTCs; more than 1,800 students have graduated from UTCs with transportation-related degrees at the MA and PhD levels; and outreach activities have reached approximately 21,300 transportation professionals and 11,200 pre-college students.

Question. Please display the UTC budget for fiscal year 2000, 2001, and 2002. Include funding sources, amounts released in grants (by TEA–21 institution grouping), and administrative and evaluation costs.

Answer.

Funding Sources	Fiscal Year 2000	Fiscal Year 2001 (est.)	Fiscal Year 2002 (est.)
FTA R&D Appropriations	$1,200,000	[1] $1,200,000	[1] $1,200,000

Funding Sources	Fiscal Year 2000	Fiscal Year 2001 (est.)	Fiscal Year 2002 (est.)
Transit Acct. of the Hwy. Trust Fund	4,800,000	[1] 4,800,000	[1] 4,800,000
Highway Trust Fund	23,734,750	23,900,054	[1] 23,240,500
Total Program Funding	29,734,750	[1] 29,900,054	[1] 29,240,500

[1] Reimbursable Agreements for fiscal year 2001 have not yet been executed with FTA and FHWA. FTA figures are based on information provided by FTA staff; FHWA figures apply the same percentage reduction from authorized amounts as occurred in fiscal year 2001.

Costs [1]	Fiscal Year 2000	Fiscal Year 2001 (est.)	Fiscal Year 2002 (est.)
Group A Grants	$8,623,000	$8,702,000	[2] $8,850,000
Group B Grants	3,449,600	3,480,800	....
Group C Grants	6,568,900	[2] 6,548,900	[2] 9,070,000
Group D Grants	10,898,400	[2] 10,961,600	[2] 11,080,000
RSPA Admin. and Evaluation	194,850	127,004	[2] 162,399
Funding Withheld by FTA	0	[2] 20,000	[2] 20,000
Funding Withheld by FHWA	0	59,750	[2] 58,101
TOTAL	29,734,750	29,900,054	[2] 29,240,500

[1] This table indicates the fiscal year of the funding awarded and not the year in which the grants were made.
[2] Reimbursable Agreements have not yet been executed with FTA and FHWA. FTA figures are based on information provided by FTA staff; FHWA figures are estimated using the same percentages that applied in fiscal year 2001.

Question. Please list all of the universities now receiving funds authorized in TEA–21 and the amounts provided to each university in fiscal year 2000, 2001, and anticipated for fiscal year 2002.

Answer.

Name of Recipient	Authorized Fiscal Year 2000–01 (each year)	Awarded Fiscal Year 2000 & Fiscal Year 2001	Authorized Fiscal Year 2002 [1]	Est. Award Fiscal Year 2002 [1]
Alabama, U. of	$750,000	$646,800 $652,700	....	....
Arkansas, U. of	$750,000	646,800 652,700	....	....
Assumption College	500,000	431,200 435,100	....	....
California, U. of	1,000,000	862,300 870,200	$1,000,000	$885,000
Central Florida, U. of	500,000	431,200 435,100	....	....
City U. of NY	1,000,000	862,300 870,200	1,000,000	885,000
Denver, U. of/Mississippi State U	500,000	431,200 435,100	....	....
George Mason U	2,000,000	1,724,600 1,740,400	2,000,000	1,770,000
Idaho, U. of	750,000	646,800 652,700	....	....
Iowa State U	1,000,000	862,300 870,200	1,000,000	885,000
Marshall U	2,000,000	1,724,600 1,740,400	2,000,000	1,770,000
MIT	1,000,000	862,300 870,200	1,000,000	885,000
Minnesota, U. of	2,000,000	2,000,000 2,000,000	2,000,000	2,000,000
Missouri-Rolla, U. of	500,000	431,200 435,100	....	....
Montana State U	2,000,000	1,724,600 1,740,400	2,000,000	1,770,000

Name of Recipient	Authorized Fiscal Year 2000–01 (each year)	Awarded Fiscal Year 2000 & Fiscal Year 2001	Authorized Fiscal Year 2002[1]	Est. Award Fiscal Year 2002[1]
Morgan State U	1,000,000	1,000,000 980,000	....	....
NC State U	1,000,000	1,000,000 980,000	....	....
NCA&T State U	750,000	646,800 652,700	....	....
NJIT	750,000	646,800 652,700	....	....
ND State U	1,000,000	862,300 870,200	1,000,000	885,000
Northwestern U	2,000,000	2,000,000 2,000,000	2,000,000	2,000,000
Penn. State U	1,000,000	862,300 870,200	1,000,000	885,000
Purdue U	500,000	431,200 435,100	....	....
Rhode Island, U. of	2,000,000	1,724,600 1,740,400	2,000,000	1,770,000
Rutgers U	500,000	431,200 435,100	....	....
San Jose State U	750,000	646,800 652,700	....	....
So. Carolina State U	500,000	431,200 435,100	....	....
South Florida, U. of	750,000	646,800 652,700	....	....
Southern Calif., U. of	500,000	431,200 435,100	....	....
Tenn., U. of	1,000,000	862,300 870,200	1,000,000	885,000
Texas A&M U	1,000,000	862,300 870,200	1,000,000	885,000
Wash., U. of	1,000,000	862,300 870,200	1,000,000	885,000
Wisc., U. of	1,000,000	862,300 870,200	1,000,000	885,000

[1] TEA–21 requires that the Group B and C grantees compete for the fiscal year 2002 and 2003 funding. Only 10 of the 17 may receive grants in those years, and each would receive an estimated $908,000.

Question. For each university which has received grants from the UTC program in fiscal year 2000 or 2001, please specify what research programs are supported, and describe what the Department is doing to integrate the research activities conducted by each center or university with the Department's own research.

Answer. To date, UTC grants awarded under TEA–21 have used funding from fiscal years 1998, 1999, and 2000. Because UTC grants have historically been awarded at the end of the fiscal year, no fiscal year 2001 funding has yet been awarded. The 10 UTCs in Group A, the so-called Regional UTCs, were selected by competition in 1999, and thus the two new UTCs that entered the program at that time have received only two years of funding.

All UTCs are empowered to select their research projects, but they are required to do so through a process that includes peers and other experts in the field, including at least one individual from the U.S. Department of Transportation (DOT). In addition to considering each proposal's technical completeness and feasibility, a UTC's selection process must include multiple additional rating factors, not least of which is the project's relevance to the UTC's chosen theme and to the Department of Transportation's strategic goals. Participation by DOT staff ensures a two-way conduit for information about on-going research between DOT and the university.

All UTCs are now required to post on their web sites a brief project description for each of their research projects. These are all to be provided in searchable format and are to use standard TRB keywords. All final reports of research conducted with UTC funding, after undergoing required peer review, must be published on the UTC's web site in the same manner. This innovation in the program greatly facilitates access by DOT researchers and planners to new and ongoing research. The

Internet makes possible direct interaction between academic researchers and outside experts.

All of the 33 UTCs have completed the strategic plan that was required as their first activity under the grant. In that plan, the UTC proposed and DOT approved a theme for its center that helps to focus its research program. The 33 UTCs have the following themes:

UTC Location	Center Theme
Assumption College	Transportation and Environmental Education for the Twenty-First Century
City College of New York	Planning and Management of Regional Transportation Systems
George Mason University	Deployment of Intelligent Transportation Systems
Iowa State University	Sustainable Transportation Asset Management
Marshall University	Transportation and Economic Development in Mountain Regions
Massachusetts Institute of Technology	Strategic Management of Transportation Systems
Montana State University	Rural Travel & Transportation
Morgan State University	Transportation: A Key to Human and Economic Development
New Jersey Institute of Technology	Productivity Increases through Transportation Improvements
North Carolina A&T State University	Urban Transit Performance in Small and Rural Areas
North Carolina State University	Transportation and the Environment
North Dakota State University	Rural and Intermodal Transportation
Northwestern University	Infrastructure Technology
Pennsylvania State University	Advanced Technologies in Transportation Operations and Management
Purdue University	Safe, Quiet and Durable Highways
Rutgers University	Advanced Transportation Infrastructure of High Volume Systems
San Jose State University	Policy Guidance of Transportation Management Systems
South Carolina State University	Professional Capacity Building in Transportation
Texas A&M University	Transportation Solutions to Enhance Prosperity and the Quality of Life
University of Alabama	Management and Safety of Transportation Systems
University of Arkansas	Improving the Quality of Rural Life through Transportation
University of California	Transportation Systems Analysis and Policy
University of Central Florida	Advanced Transportation Systems Simulation
University of Denver	Intermodal Transportation: Assessment, Planning, and Design
University of Idaho	Advanced Transportation Technology
University of Minnesota	Human-Centered Transportation Technology
University of Missouri-Rolla	Advanced Materials & Non-destructive Testing Technologies
University of Rhode Island	Intermodal Transportation and Advanced Transportation Infrastructure
University of South Florida	Transit and Alternative Forms of Urban Transportation
University of Southern California	Metropolitan Transportation
University of Tennessee	Transportation Safety
University of Washington	Transportation Operations and Planning
University of Wisconsin	Optimization of Transportation Investment and Operations

Question. How are the funds for this program allocated? What amount of funds are used by RSPA? For what purposes?

Answer. TEA–21 specifies authorized amounts for each UTC grant. It also provides that not more than 1 percent of amounts made available for the UTC Program may be used for program coordination. UTC funding has been reduced each year so far under TEA–21 by the Highway Trust Fund Obligation Ceiling, so grantees affected by that reduction (29 of the 33 UTCs) have not received the full TEA–21 authorized amounts. Additionally, in fiscal year 2001, the Government-Wide Rescission of Discretionary Budget Authority further reduced funding for all UTCs.

RSPA set aside $194,850, or 0.66 percent of amounts made available, in fiscal year 2000 for program coordination and $127,004, or 0.42 percent, in fiscal year 2001. RSPA proposes to set aside $162,399, or 0.56 percent, in fiscal year 2002. RSPA uses these funds for the purposes that are stated in TEA–21: coordinating UTCs' activities, disseminating UTC research results, operating a clearinghouse, and conducting annual review and evaluation of the UTCs.

For administrative purposes, the Federal Transit Administration withheld $20,000 in UTC funds in fiscal year 2001 and is expected to withhold the same amount in fiscal year 2002. The Federal Highway Administration withheld $59,750 in UTC funding in fiscal year 2001 and is expected to withhold $58,100 in fiscal year 2002.

EMERGENCY TRANSPORTATION

Question. How did you use the new positions last year?

Answer. Of the two new positions for the fiscal year 2001 budget, the Operations Chief position, which is extremely important to the success of our mission has just been filled. The Ops Chief is responsible for the operation and maintenance of the Secretary's Crisis Management Center as well as the newly established alternate facility. In addition, the position will be responsible for ensuring the preparation and dissemination of the daily situation report to the Office of the Secretary and operational connectivity with other State and Federal operations centers. We expect to fill the second position by the end of June 2001. This individual will be responsible for national security programs such as continuity of operations plans and procedures, enduring government (continuity of government and consequence management aspects of critical infrastructure protection), weapons of mass destruction (WMD) and national security special events. The Office has been given additional responsibilities in dealing with the consequences of WMD as a result of a new Presidential Executive Order dealing with national security preparedness. In addition, a new terrorism annex to the Federal Response Plan directs the Department, through the Office of Emergency Transportation, to manage the rapid transportation of Federal resources to and from local jurisdictions following a chemical, biological or radiological event. The national security position will lead the development and implementation of Department-wide planning and preparedness in these important areas.

Question. How many times in fiscal year 2000 was the Center activated and for which reasons? How many times thus far in fiscal year 2001 has the center been activated and for which reasons?

Answer. Since January 2000, the Center has been operational during extended daytime hours and producing daily information bulletins, advisories and situation reports. In fiscal year 2000, there were 45 such "major" declarations. In fiscal year 2000, the Center was also activated for the World Trade Demonstrations, NATO 50th Anniversary, four national security exercises, Y2K and subsequent related actions. As of May 2001 there had been 17 such declarations in fiscal year 2001. In fiscal year 2001 the Center was activated for the Presidential Inauguration, Seattle earthquake, national security exercise Positive Force, and twice to train new personnel from the Operating Administrations. In fiscal year 2001, the Center continues to operate on an extended-day basis to produce daily reports to the Office of the Secretary. The Office of Emergency Transportation was designated to serve as the Departmental clearinghouse for critical information flow to the Office of the Secretary and FEMA during the Y2K Rollover. The Center is activated to support a variety of tasks under the Federal Response Plan whenever there is a "major" Presidential Emergency Declaration for natural disasters, such as floods, severe storms, wildfires, and hurricanes. The number of Operating Administrations mobilized depends on the nature of the disaster and the nature of the impact on the transportation infrastructure. Thus, for example, if the disaster affects primarily highways, FHWA emergency coordinators will be activated.

Question. For the Crisis Response Management program, please provide a breakdown of how the fiscal year 2000 and fiscal year 2001 funds were or will be used.

Answer.

OPERATIONAL FUNDS

CRISIS RESPONSE MANAGEMENT	FISCAL YEAR 2000 (Actual)	FISCAL YEAR 2001 (Estimate)
Response Team Training	$68,061	$115,464
RETCO Support	63,000	180,000
Transportation Policy Documentation	16,939	36,939
Crisis Management Center Support	37,875	60,817
COOP Planning and Training	93,203	79,181
NATO Training	0	37,400
Emergency Planning Outreach Program	0	65,637
Total	279,078	575,438

Response Team Training.—Response Team Training applies to maintaining the readiness of Headquarters' and regional response teams. In particular, funding is provided for training on the Department's Activation Information System (AIM) and for headquarters and regional exercises on potential disaster specific events.

Regional Emergency Transportation Coordination (RETCO) Support.—RETCO funds are designated in direct support of the DOT Regional Emergency Transportation Coordinator Program. Funding is used toward regional response training exercises, travel for participation in interagency planning and training, responding to local regional emergencies, publication of regional emergency preparedness plans, computer support, and routine administrative costs associated with Regional Assistance Committee (RAC) activities in concert with FEMA. A new DOT RETCO Order is also being revised to reflect the current status of the RETCO program.

Transportation Policy Documentation.—The Office of Emergency Transportation is responsible for documentation of North Atlantic Treaty Organization (NATO) transportation policies, and classified and unclassified reports. The Office Director serves as the U.S. representative to NATO. Funding is used for the operation and enhancement of a document tracking and reporting system which allows us to be compatible with NATO documents and provides a basis for use during the annual NATO classified document inspection.

Crisis Management Center Maintenance Support.—Funding is utilized for part-time contractor support for computer and audio visual equipment service to ensure the operational status of the Crisis Management Center and maintain connectivity with other Federal agencies, and the FAA and USCG Operations Centers.

Continuity of Operations (COOP) Planning.—Provides funding for Continuity of Operations (COOP) planning, the classified Continuity of Government (COG) program, and for operational costs setting up the DOT Relocation (Alternate) Facility.

NATO Training Conference.—OET is conducting, for departmental and NATO personnel, training on civil transportation support for NATO's Civil Emergency Planning Directorate Civil Aviation Planning Committee (CAPC). Training will be conducted on NATO's Article V defense operations and non-article V civil emergency planning and Partnership for Peace countries. This training will help the NATO ensure effective use of civil transportation assets in response to a NATO operation.

Emergency Planning Outreach Program.—OET maintains relationships with critical Federal agencies, non-governmental organizations, industry stakeholders, and supported departmental initiatives regarding such things as Western Hemisphere Transportation Ministers, U.S./Canada Consultative Group, and Central America/Mexico.

Research & Development Funds

Fiscal year 2000 (actual)	$144,135
Fiscal year 2001 (estimate)	179,211

R&D funds are used for Response Team Training, Continuity of Operations (COOP) support, outreach efforts, Central United States Earthquake Consortium (CUSEC) research, technology transfer of applicable ITS advances and Response Team training for DOT's RETCOs, RETREPs, Emergency Planning Officers and Emergency Coordinators. Due to a temporary reduction in staffing, we have not been able to initiate planned national security related work efforts at this time.

PROGRAM SUPPORT

Question. Department-wide, how much money was allocated for the Garrett A. Morgan Technology and Transportation Futures Program during fiscal year 2000 and how much will be allocated during fiscal year 2001? Please specify the exact source of those funds. How were these funds used? How much is planned for fiscal year 2002?

Answer. During fiscal year 2000, $202,000 was obligated for Garrett Morgan activities, all of which had the goal of reaching students who might be interested in careers in transportation. $152,000 from Coast Guard and $50,000 from the FAA was obligated as follows: $111,000 for contract work to respond to callers' questions about the program, prepare information and pamphlets for persons interested in the program, produce and distribute Garrett Morgan newsletters, keep count of the number of students reached, coordinating or partnering with agencies and holding annual DOT-wide events, such as America Goes Back to School Day (September), Groundhog Job Shadowing Day (February), National Transportation Week (May), and the Wright Brothers Celebration (December). $52,000 for Volpe to produce and maintain an internet website as a resource for students, teachers and other external partners (<http://education.dot.gov>) and maintaining an intranet website as a resource for the DOT modal personnel (<http://intranet.dot.gov/gm>). $33,000 for printing of brochures and pamphlets; and $6,000 for miscellaneous expenses.

In fiscal year 2001, there is no funding for Garrett Morgan. However, Coast Guard has dedicated a career full-time employee for the management of the Morgan Program's Prince George's County, Maryland Initiative through the end of September 2001. The Bureau of Transportation Statistics is maintaining the Garrett Morgan Program databases. The Federal Transit Administration and the Maritime Administration provide two headquarters employees to chair an intermodal group and lead as webmasters in developing content for the internet and the intranet sites as collateral work. The FMCSA and SLSDC provide two senior executives to co-chair the meetings of the intermodal education task force and provide departmental leadership to the activities and projects under the umbrella of Garrett Morgan Program during this transitional period.

For fiscal year 2002, no funds have been requested.

Question. Please specify what employee development activities have been accomplished in fiscal year 2000 and thus far in fiscal year 2001. How much has RSPA paid for these activities? What planned activities would be undertaken under the fiscal year 2002 employment development program?

Answer. The first area of emphasis is enhancing the management skills of RSPA's senior managers.

The second major area is employee development in technological skills related to programs that RSPA's employees oversee in hazardous materials transportation, pipeline safety, advanced technology research, and national mobility/security. In fiscal year 2000, RSPA invested $19,290 in technical areas such as organic and physical chemistry, blasting and explosives, welding inspection for pipelines and pipeline inspections using smart pigs.

End-user computer skills training is another significant area of employee development funded in fiscal year 2000 at a cost of $9,599. The remainder of individual training was administrative (i.e., acquisition, budget, accounting, human resources, diversity, etc.) and in basic education (i.e., English and grammar, time management, project management, communications skills, etc.). Tuition for this training in fiscal year 2000 was $30,830. This training included mandatory course work required by the Clinger-Cohen Act for procurement professionals.

In fiscal year 2001, RSPA invested $26,000 to pilot the Transportation Virtual University's e-learning program in order to make greater use of distance learning technology, as directed by Executive Order 13111 "Using Learning Technology to Improve Training Opportunities for Federal Employees." Through this pilot, we are providing high quality, flexible, and cost efficient training to employees on topics that fill individual needs and at times that fits their schedules.

RSPA also provided plain language training for its employees at a cost of $5,500 in order to improve service delivery to its customers.

In fiscal year 2001, RSPA also will provide supervisory/managerial training on two tracks. Track I, to be offered both in mid July and early September, will focus on Handling Discipline and Performance Problems and Employee Counseling. Track II, to be offered both in late fall and early winter will focus on human resources management including classification and position management, employee development, merit staffing and promotion, and employee-management relations. These tracks will be mandatory for all RSPA supervisors and form the foundation for supervisory certification requirements.

In fiscal year 2000, RSPA invested $15,983 for five managers to attend OPM's Federal Executive Institute (FEI) and Management Development Centers and other management training. In fiscal year 2001 thus far, we have identified 8 employees who will attend the FEI and other executive and management training, which involves an investment of $45,140.

The fiscal year 2002 funding will provide for ongoing continuous learning in critical technological fields such as hazardous materials transportation, pipeline safety, advanced technology research and national mobility/security. RSPA's technical workforce needs frequent re-training in industrial processes and techniques to keep pace with technological changes in the industries that it regulates.

Present-day standard office technology, procedures and practices require up-to-date training. We plan to train existing employees in 21st century business processes and innovations to increase their productivity and customer service skills. Based upon the success of the TVU e-learning program pilot, we anticipate investing $55,000 to fully implement internet-based training for all RSPA employees in fiscal year 2002.

The Administration's Workforce Planning and Organizational Restructuring Initiative directs us to analyze and identify our workforce skills requirements through fiscal year 2002, and to develop a strategy to maximize the extent to which critical skills needs can be filled internally. The employee development program funding will enable RSPA to retrain employees to transition to fill skill gaps to reflect the reality of the organization's future skill needs.

Executive and management training, new skills requirements, greater use of distance learning technology, workforce and succession planning strategies, and identified gaps in traditional skills all underscore the need within RSPA for increased learning and development funding.

EMERGENCY PREPAREDNESS GRANTS

Question. Please prepare a table showing the amount allocated to each of the states for each of the last three years and display the increase that would be provided if the full request was allowed.

Answer. The following table is provided. Fiscal year 2000 was the first fiscal year that receipts were sufficient to fund the grants program at the $14.3 obligation limit level. Thus, the amounts awarded in fiscal year 2000 reflect full-funding of grants to each state at the requested level.

STATES	FISCAL YEAR—			
	1997	1998	1999	2000
ALABAMA	$117,942	$117,942	$158,656	$234,957
ALASKA	41,180	41,180	55,396	81,870
ARIZONA	81,763	81,763	109,987	163,390
ARKANSAS	72,907	72,907	98,074	145,952
CALIFORNIA	485,207	485,207	652,701	968,081
COLORADO	83,356	83,356	112,131	166,906
CONN	75,144	75,144	101,084	150,041
DELAWARE	44,913	44,913	60,418	89,190
DC	37,448	37,448	50,374	74,421
FLORIDA	216,353	216,353	291,039	432,317
GEORGIA	142,701	142,701	191,961	285,628
HAWAII	44,789	44,789	60,250	89,045
IDAHO	58,847	58,847	79,161	117,496
ILLINOIS	316,505	316,505	425,763	627,683
INDIANA	152,033	152,033	204,516	302,308
IOWA	104,755	104,755	140,917	208,943
KANSAS	117,072	117,072	157,486	233,105
KENTUCKY	90,198	90,198	121,334	180,362
LOUISIANA	103,884	103,884	139,745	207,412
MAINE	53,871	53,871	72,468	107,180
MARYLAND	94,179	94,179	126,690	187,905
MASS	108,362	108,362	145,769	216,762
MICHIGAN	169,076	169,076	227,442	338,439
MINNESOTA	129,639	129,639	174,391	258,659
MISSISSIPPI	88,831	88,831	119,496	176,963
MISSOURI	134,987	134,987	181,584	269,925
MONTANA	58,847	58,847	79,161	117,561
NEBRASKA	92,313	92,313	124,179	183,468
NEVADA	58,723	58,723	78,995	117,030
NH	52,252	52,252	70,290	103,807
NEW JERSEY	155,142	155,142	208,697	311,035
NEW MEXICO	73,776	73,776	99,244	146,658
NEW YORK	252,183	252,183	339,237	505,572
N. CAROLINA	151,533	151,533	203,843	302,243
N. DAKOTA	77,385	77,385	104,099	153,727
OHIO	264,376	264,376	355,639	525,378
OKLAHOMA	94,553	94,553	127,193	189,247
OREGON	91,941	91,941	123,679	183,750
PENN	210,132	210,132	282,670	420,164
RI	46,281	62,257	92,064	....
SC	91,692	91,692	123,344	183,137
S. DAKOTA	61,708	61,708	83,010	123,089
TENNESSEE	123,044	123,044	165,519	245,487
TEXAS	321,605	321,605	432,624	644,428
UTAH	70,169	94,392	139,661	....
VERMONT	41,927	41,927	56,401	83,387
VIRGINIA	121,177	121,177	163,008	241,893
WASHINGTON	99,033	99,033	133,219	198,471
W/VIRGINIA	71,786	71,786	96,567	142,641
WISCONSIN	129,761	129,761	174,554	259,057
WYOMING	49,890	49,890	67,112	99,313
TOTAL	5,980,890	6,027,171	8,107,766	12,027,208

Question. How will the final regulation on registration fees influence fee collection for the next two years? How does this rulemaking influence the amount of appropriated funds needed to implement this grant program?

Answer. RSPA expects that, under the revised registration regulations which were published on February 14, 2000, approximately 45,000 companies will be required to register in fiscal year 2001. The monies collected will be sufficient to fund the grant program at the $14.3 million level in fiscal year 2002, as authorized by Congress, without the use of appropriated funds. In addition, added to the previous year's carryover, the fees would provide $12 million to partially fund the hazardous materials safety program. The increased amounts collected in the following year will be used to fund the training and planning grants as well as the hazardous materials safety program.

Question. Please discuss the pros and cons of allowing states the flexibility of deciding how to allocate their grant funds among eligible training and planning activities. Does existing law still govern the distribution of funds in fiscal year 2002?

Answer. Existing law remains in place and mandates that RSPA allocate no more than $5 million funds to states for planning and no more that $7.8 million for training. Grants program staff applies this apportionment to each grantee. To-date, RSPA has not received any requests to re-allocate funds between planning and training. However, if any State did reallocate funds, they would have to be offset by a reallocation of other States' funds for RSPA to stay within the limits mandated by Congress.

OFFICE OF PIPELINE SAFETY

Question. What activities can be funded with the monies that are available for three years?

Answer. Our fiscal year 2002 request for 3-year funding availability follows. We have indicated the funding sources and note that an activity may be funded by more than one source (e.g., State Pipeline Safety Grants).

Fiscal Year 2002 President's Budget

Program Activity	Amount
Funding Source: Trust Fund Share of Pipeline Safety	$7,472,000
Activity:	
Personnel Compensation & Benefits	900,000
Administrative Expenses	531,000
Contract Programs:	
Information & Analysis	400,000
Risk Assessment & Technical Studies	400,000
Integrity Management	798,000
Compliance	100,000
Training & Information Dissemination	300,000
Damage Prevention/Public Education Campaign	200,000
OPA: Implementing the Oil Pollution Act	2,443,000
Grants—State Pipeline Safety Grants	1,400,000
Funding Source: Pipeline Safety Fund	20,707,000
Activity:	
Research and Development	2,744,000
Information Systems	400,000
Risk Assessment	300,000
Mapping	800,000
Outside Force Damage	644,000
Leak Detection	600,000
Grants	18,050,000
State Pipeline Safety Grants	14,913,000
Risk Grants	50,000
One-Call Grants	1,000,000
Interstate Oversight (Damage Prevention Grants)	2,000,000

Question. How will the current and planned pipeline integrity regulations affect the OPS workload? How will this new regulatory requirement impact the workload of the OPS over the longer term?

Answer. The series of integrity regulations covering hazardous liquid and natural gas transmission pipelines constitute the single largest modification to our pipeline regulatory and oversight programs in over a decade. We have begun planning to implement this series of rules using existing resources, but it is in fiscal year 2002 that the first significant impacts will occur.

The President's fiscal year 2002 budget request will provide us with personnel and contract funds needed to implement the hazardous liquid integrity management program rules that become effective beginning on January 1, 2002. We designed our approach to absorb the surge of operators' program validation activity using contractual support, and to build our personnel to levels commensurate only with continued program oversight. Over the longer term, OPS will be retooling its oversight program and personnel to accommodate both the requirements we have promulgated for hazardous liquid pipelines and also the, as yet unspecified, requirements of the natural gas integrity management rules. In addition to inspectors, OPS will need additional regulatory, legal, contractual, and administrative support in the field and headquarters to maximize the effectiveness of our oversight. Our initial oversight will include review of each pipeline operator's identification and scheduling for integrity testing of pipeline segments in high consequence areas. This will quickly be followed by more detailed reviews of the availability and quality of prior testing results, integration of these results with that from other risk identification activities, their risk analyses for these segments, repair criteria, risk control actions (e.g., number and location of values), and other elements of their integrity management program framework and plan.

Question. Please discuss the mix of contract funds and FTE's needed to properly manage and implement the integrity management program.

Answer. Our fiscal year 2002 budget requests $3.6 million for integrity management program expert assistance for integrity validation efforts, training, and field support. An additional $1 million is requested to help OPS improve oversight of new construction and to obtain expert assistance during accident investigations. These funds and activities will be used both for review of operators' Integrity Management Plans and to address broader integrity concerns in new construction and post-accident investigation monitoring. Twenty FTE's are needed to ensure oversight of the integrity management program. We are requesting fiscal year 2002 funds for only 10 FTE recognizing that it will take up to 6 months to fill them. These additional positions will cover a range of functions including compliance and compliance support, regulatory development and interpretation, legal and data analyses, and data geographic information system support.

Question. Please provide a breakout of the current staffing levels in OPS headquarters and the five regional offices. Are all the funded positions currently filled? If not, please list the vacancies.

Answer.

OFFICE OF PIPELINE SAFETY STAFFING LEVELS

Office	Authorized	Onboard	Vacant
Headquarters	38	36	2
Eastern	10	10	....
Southern	11	10	1
Central	15	13	2
Southwest	14	12	2
Western	17	16	1
TSI	4	4	....
Total	109	101	8

Question. Please discuss the Department's views on the budgetary implications of the Senate-passed version of the pipeline safety bill, being certain to include a discussion of Oil Pollution Act activities, research and development funding needs, and damage prevention issues.

Answer. The fiscal year 2002 budget request generally supports the key provisions of the Senate-passed version of the pipeline safety bill, except for increasing R&D activities as the Senate Bill would do. This request increases that portion of the OPS budget drawn from the Oil Pollution Act Trust Fund. It maintains support at current levels for key research and development projects of the OPS consistent with Congressional action. OPS has already begun coordinating national pipeline research activities through collaborative, interagency work and expects to host a symposium this summer to help prioritize and plan future activities within the United States and elsewhere. We are requesting significant support for damage prevention activities through creation of our Community Technical Assistance Program. This program will help build support at the local level for damage prevention activities consistent within the programs of the Common Ground Alliance—the nonprofit organization RSPA helped create, and to reinforce work done at a State level that aligns with efforts associated with the One-Call grant and Damage Prevention grant programs.

PIPELINE SAFETY FUND

Question. Please prepare a comparative historical table displaying the per mile user fee assessed to gas transmission and liquid pipeline operators, and the total collected in user fees from each industry in fiscal year 1998 through fiscal year 2001 and anticipated for fiscal year 2002. How do you ensure that this is an equitable assessment of fees?

Answer. Below is a table which shows the per mile rate and the total collections for fiscal years 1998 through 2000. We are collecting fees for fiscal year 2001 now, so the amount shown is what we assessed gas transmission and hazardous liquid operators. We estimated the fiscal year 2001 figures based on the amount of $30,612,888.65, which includes the President's enacted appropriation for the Pipeline Safety Program of $47,044,000, less funds derived from the Oil Spill Liability Trust Fund $7,488,000 and $3 million derived from existing user fees, plus an offset to the Research and Special Programs Appropriation for labor costs to support the Pipeline Safety Program. Other variables, including the offset from previous year collections, the allowance by law to collect 105 percent of the appropriation, and pipeline mileage, are subject to change prior to the fiscal year 2002 assessment. Program activities would be allocated at 55 percent gas and 45 percent hazardous liquid. The State Grants in Aid will be allocated at 88 percent gas and 12 percent hazardous liquid, Interstate Oversite Grants will be allocated at 40 percent gas and 60 percent hazardous liquid.

	Gas Transmission		Liquid	
	Per Mile Rate	Total Collected	Per Mile Rate	Total Collected
Fiscal year:				
1998	$67.98	$26,889,824	$59.59	$7,472,139
1999	70.47	20,725,337	57.88	9,102,548
2000	68.23	20,458,589	63.11	9,761,799
2001	97.54	[1] 25,473,717	98.17	[1] 11,279,950
2002	103.0	[2] 31,029,912	102.87	[2] 15,716,519

[1] Fiscal year 2001 based on assessment.
[2] Fiscal year 2002 anticipated assessment.

Question. How did you allocate the user fee between gas transmission lines and product lines for each of the last two fiscal years. How does this accurately reflect the true allocation of your program efforts?

Answer. In fiscal years 2000 and 2001, RSPA charged gas operators 55 percent of program costs and 87 percent of grant costs. We charged liquid operators 45 percent of program costs and 13 percent of grant costs. We split Damage Prevention Grants 50/50 between gas and liquid operators. These percentages closely reflect the allocation of our efforts and resources, as shown in the table that follows:

PROGRAM COST ALLOCATION

Program Activity	Fiscal Year 2000 Gas/Liquid	Fiscal Year 2001 Gas/Liquid
Personnel Compensation and Benefits	60/40	60/40
Administration	50/50	50/50
Information and Analysis	50/50	50/50
Risk Assessment & Technical Studies	50/50	50/50
Compliance	50/50	50/50
Training & Information Dissemination	75/25	60/40
Emergency Response (NRC)	50/50	50/50
Public Education Campaign (One-call)	50/50	50/50
Research & Development	50/50	50/50
Average Apportionment	54/47	52/48
Actual Apportionment	55/45	55/45

PROGRAM COST ALLOCATION—Continued

Program Activity	Fiscal Year 2000 Gas/Liquid	Fiscal Year 2001 Gas/Liquid
State Grants	87/13	87/13

Question. Please estimate how much OPS maintains it needs to have as a reserve in the trust fund? Please specify in detail the assumptions made and the methodology used to determine the amount needed.

Answer. In light of the GAO report of April 2001, we are currently reviewing the methodology we used to determine the amount of funds that are needed to be maintained in the Pipeline Safety Fund (PSF) and will provide the Committee with our findings.

Question. An April 30, 2001 GAO report entitled, "Pipeline Safety Fund Minimum Balance was Not Reasonably Estimated" found significant flaws in RSPA's financial analysis in determining the estimated minimum balance for the pipeline safety fund. The GAO report recommended 5 actions to improve the user fee billing process and calculation of the minimum pipeline safety fund balance. Please outline these 5 recommendations and RSPA's response to each. What specific changes will OPS make in response to GAO?

Answer. RSPA is currently reviewing the recommendations from the GAO report, and is in the process of re-evaluating our analysis.

Question. What is your in-house capability to manage the inflow of funds, billing, and financial management of the Pipeline Safety Fund? Do you use outside expertise or consultants to assist in these activities? If not, would this be worthwhile in view of the recommendations of the GAO report on this subject?

Answer. OPS uses an in-house staffer to issue the user fee bills; however, there is an intra-agency agreement between RSPA and FAA in Oklahoma City, Oklahoma, to monitor the inflow of funds and to perform financial management for all RSPA activities, including the Pipeline Safety Fund. We have brought in expert assistance to help examine the GAO recommendations and our own methodology.

Question. What is the current balance in the pipeline safety reserve fund? Please provide an historical table displaying the annual unappropriated balance in the fund from the end of fiscal year 1999 through fiscal year 2001.

Answer. The balance in the Pipeline Safety fund as of May 5, 2001, is approximately $11,914,946.00.

	Amount [1]
Fiscal Year:	
1999	$17,000,235
2000	16,758,035

[1] Unappropriated Balance at the End of Fiscal Year.

Question. Please describe how much of the unobligated balance could safely be drawn down during fiscal year 2002, taking into account replenishment of the fund through the collection of new fees.

Answer. In light of the GAO report of April 2001, we are currently reviewing the methodology used to determine the amount of funds we need to maintain in the Pipeline Safety Fund to preclude becoming anti-deficient.

Question. What has been the lowest balance that has been in the trust fund for each of the last 20 months? What was the amount withdrawn from the trust fund during each of the last 20 months?

Answer. In fiscal year 1999, the lowest balance in the Pipeline Safety Fund (PSF) occurred in May in the amount of $16,094,998.73. In fiscal year 2000, the lowest balance occurred in January ($16,198,004.21). To date the lowest balance during fiscal year 2001 was in April in the amount of $11,525,253.58. RSPA does not monitor the Oil Spill Liability Trust Fund, which is administered by the Coast Guard. However, we do track the balance in the PSF.

Question. How could the FAA improve its processing of data regarding warrants, expenses, obligations, reserves, or other financial data in the Pipeline Safety Fund that would help OPS?

Answer. The FAA Accounting Office could do several things to improve its processing of OPS financial data. Specifically:

—FAA could process a single warrant in October for the balance in the Pipeline Safety Fund as of 9/30, and process additional warrants based on the collection

activity during the year, rather than withholding issuance until the balance reached a particular amount.
—FAA could input collections into the system daily, instead of weekly or monthly.
—FAA could maintain a single database that provides accurate tracking of receivables and collections, which would obviate the need for our reconciliation of two conflicting databases.
—FAA could enhance the payment process generally with the new document imaging process that is being implemented in connection with Delphi. With imaging, the invoice could be forwarded to RSPA headquarters immediately upon being scanned into the system and RSPA could electronically forward an approval to accounts payable, rather than waiting for receipt of hard copies.
—Absent changes like these, OPS and RSPA would expect to continue experiencing problems with inadequate and inaccurate financial data and reporting.

OIL POLLUTION ACT EXPENSES AND OIL PIPELINES

Question. Please specify and describe all OPS expenses that legally could be associated with the Oil Pollution Act (OPA) in fiscal year 2002. What types of personnel related costs can be associated with OSLTF funds, and what is the maximum level of personnel costs under the current budget request that could be funded in this manner.

Answer. We estimate that the total amount that could legally be associated with Oil Pollution Act program requirements is $14,797,000. This amount, described as follows, would include all costs that directly relate to preventing and mitigating the effects of oil spills into water and environmentally sensitive areas are funded by the appropriate source (OSLTF).

PC&B and Administrative ($1,056,000)

OPS HQ and Region staff and administrative costs to address environmental policy, regulatory development, spill response plan review and exercise, pipeline inspection and spill response technical monitoring; special task force/studies of oil pipeline company risk management programs.
—Over 360 hazardous liquid inspections, includes accident investigations and pipeline construction.
—Area exercises and 20 table top drills.

Information and Analysis ($700,000)

Over half the incident reporting, data collection, analysis and trending labor.

Identifying accident cause and consequence, evaluating and acting on environmental impacts, particularly related to protecting drinking water sources.

Risk Assessment and Technical Studies ($650,000)

Systematically identify hazardous liquid risks, and compare relative likelihood and consequences of an adverse events.

Monitor, report, and expand the Risk Demonstration and System Integrity Inspection Pilot programs.

Increase public awareness about potential risks from liquid pipelines.

Integrity Management Program ($3,954,000)

Review 66 large liquid operators' integrity management plans.

Review the adequacy of the liquid operators' plans for the identification of High Consequence Areas (HCA), operator time lines for mandatory testing, operators' selections of appropriate test methods, risk factors considered, processes for integrating information, test results, and adequacy of leak detection systems, valve placement, and other prevention and mitigation measures.

Compliance ($150,000)

Technical field engineering support for monitoring major spills and remediation.

Dedicated personnel for integrating public and private sector incident coordination and decision support for protective actions.

Training & Information Dissemination ($400,000)

Computer-based training (CBT) to update safety evaluations of hazardous liquid pipeline systems.

Classes and seminars specifically given to address hazardous liquid risk and system integrity concerns.

Emergency Notification ($50,000)

The National Response Center (NRC) provides immediate notification of hazardous liquid pipeline spills.

Damage Prevention Community Assistance ($1,707,000)

Investigate, encourage, and inform communities on damage prevention efforts on hazardous liquid pipelines.

Implementation of the Oil Pollution Act ($2,443,000)

Review and approve pipeline operator spill response plans.

Contract support for 3 area exercises and 20 table top drills.

Obtain data on environmental sensitive area, includes drinking water and other ecological resource areas.

National Pipeline Mapping System ($400,000)

Collecting and digitizing more accurate liquid pipeline location information as it becomes available. To be used in conjunction with data on population, drinking water intakes, terrain. Needed to set priorities for prevention and response actions.

Outside Force Damage ($400,000)

Research to detect encroachment on pipeline right-of-way or mechanical damage to reduce accidents from third-party damage to hazardous liquid pipelines.

Pipeline Safety Grants ($2,087,000)

State program which provides oversight of intrastate hazardous pipelines operations and maintenance, construction, repairs.

50 percent of one-call grants to States for programs to increase training, education and compliance activities.

50 percent of damage prevention grants to reduce impacts on the environment from disruptions caused by excavation activities around railroads, sewage lines, electric, telecommunications, hazardous liquid pipelines.

Interstate Oversight Grants ($800,000)

State activities to promote the best practices on interstate hazardous liquid pipelines.

Question. Please describe progress made in the environmental indexing effort. What was accomplished with funding provided in fiscal year 2000? How much is being spent in fiscal year 2001 for this activity, and for which purposes? What new initiatives will be conducted during fiscal year 2002 and how much will that cost?

Answer. Using fiscal year 2000 funding, RSPA completed a pilot test of the proposed unusually sensitive area (USA) definition using a computer model created from the proposed definition, conducted a technical review of the pilot results using drinking water and ecological experts, and pilot tested the technical reviewers' recommended changes to the proposed USA definition and USA computer model. RSPA used the results of the technical review and pilot tests to complete the USA definition which was published in December 2000. RSPA also used fiscal year 2000 funds to: contract with The Nature Conservancy and the Association for Biodiversity Information to obtain data on threatened and endangered, critically imperiled, and imperiled species; collect drinking water and other ecological data needed to identify and map USA's; and identify, locate, and map drinking water and ecological USA's in the top 10 hazardous liquid pipeline States. These 10 States contain about 70 percent of the hazardous liquid pipelines in the United States. The USA maps have been placed in our national pipeline mapping system to allow operators, other government agencies, and the public to view the USA locations in relation to pipelines. In addition, RSPA has incorporated contact information into the USA maps. The contact information includes the name of the agency that supplied the drinking water or ecological data and the agency's web site or other contact information. This allows individuals who need more information on a specific drinking water or ecological resource to contact the appropriate agency.

In fiscal year 2001, RSPA expects to spend $947,000 on this initiative. The money will be used to collect additional drinking water and ecological data and to identify, locate, and map USA's in an additional 30 States.

In fiscal year 2002, RSPA expects to need an additional $720,000 to gather data and map USA's in the remaining 10 States; contract with the Pennsylvania Natural Diversity Inventory agency to obtain data on threatened and endangered, critically imperiled, and imperiled species; research and analyze new or revised drinking water and ecological programs and databases that may be used to revise the USA maps and to update our Drinking Water Data Catalog and create an Ecological Data Catalog. The Data Catalogs will provide, by state, the agencies that supplied the data, a description of the data, and noted problems with the data.

Question. Please summarize the results of last year's review of pipeline operators' emergency response plans. Include the number of plans reviewed, the number accepted, and the number of plans which required corrective measures.

Answer. In fiscal year 2000, OPS has reviewed 84 plans and approved 16 of them. The remaining 68 plans required corrective measures.

RISK ASSESSMENT AND TECHNICAL STUDIES

Question. Who are the current participants in pipeline risk management demonstration projects? What progress has been made in each of those projects? What challenges have been identified with the implementation of this program? Have any adverse safety or environmental impacts surfaced with any of the projects? What is your initial assessment of the benefits and costs of these demonstration projects? Will these be continued?

Answer. OPS has successfully concluded the consultation and review process with seven companies. Six of these have been formally approved in the Demonstration Program: Chevron Pipe Line, Exxon Mobil, Natural Gas Pipeline Company of America, Northwest Pipeline, Phillips Pipe Line, and Equilon. OPS will soon request public comment on approval of the Duke Energy project, the seventh project.

Each of the approved companies has demonstrated progress towards achieving the program objectives. Notable examples (one from each company) include:

—Chevron's demonstration of a very systematic, scenario-based approach to risk assessment that has improved OPS' understanding of how a quantitative, scenario-based risk assessment process can be utilized effectively to identify and address pipeline risks;

—Exxon Mobil's allowing OPS to witness internal company sessions at which the company tapped technical and managerial expertise to construct its risk-based decision model, improving communication and information flow between the operator and the regulator;

—Natural Gas Pipeline of America's establishment of an enhanced damage prevention program comprised of a number of activities that exceed regulatory requirements;

—Northwest's expansion and acceleration of its in-line inspection program, using resources that would have otherwise gone to pipe replacement in low-risk locations;

—Phillips's establishment of an excavation risk assessment process that has resulted in outside parties rerouting or altering proposed projects to reduce the likelihood of hitting Phillips's pipelines during excavation activities; and

—Equilon's improved emergency response capability and enhanced public and emergency personnel protection and awareness activities at the demonstration site.

More information on the progress of each demonstration project is included in the Appendices A and B of OPS' recently released Report to Congress entitled "Beyond Compliance: Creating a Responsible Regulatory Environment that Promotes Excellence, Innovation, and Efficiency," accessible via the OPS website at http://ops.dot.gov/ReportToCongress042501.htm.

The report also discusses several challenges with the Program implementation: the time required by companies to make the required fundamental improvements in management and technical processes; the time needed for OPS to understand how risk management can be responsibly used in the regulatory process; the continuing evolution of risk models and companies' experience applying them; the difficulty of developing quantitative performance measures that can reliably indicate the impact of activities on safety performance; and the difficulty of establishing a practical and efficient validation process.

Safety and environmental impacts with all of the projects were positive.

OPS believes the Demonstration Program has provided an experience we needed for the integrity management initiatives now underway, and is therefore of immeasurable benefit. OPS has not performed quantitative assessments of the cost/benefits of the individual projects.

OPS will continue the Demonstration Program as long as it continues to yield lessons pertinent to the integrity management initiatives. At present, OPS is using the program to test protocols for reviewing company processes and to explore alternative approaches to achieving superior safety.

Question. Please elaborate on the specific contracts and their associated funding amounts that have been or will be let to ensure continued monitoring and progress in the risk management demonstration projects. Will funding needs diminish?

Answer. OPS has contracted with Cycla Corporation for technical support of the Demonstration Program since the program began in 1996. Between 1996 and 2000, contract support costs totaled approximately $4.7 million before the contract expired. In March 2001, OPS awarded Cycla a new 3-year contract with a funding celing of $9.5 million for support of OPS' integrity management, communication, and damage prevention initiatives. All monitoring of the demonstration projects will be done in the context of moving these companies and the pipeline industry toward the integrity management approach, which incorporates the positive and practical aspects of risk assessment and management we learned during the Demonstration Program and summarized in a recent Report to Congress, Beyond Compliance: Creating a Responsible Regulatory Environment that Promotes Excellence, Innovation, and Efficiency," accessible via the OPS website at http://ops.dot.gov/ReportToCongress042501.htm.

We estimate that about $200,000 of the $1.25 million requested for Risk Assessment and Technical Studies in fiscal year 2002 budget will be required to support activities involving the demonstration projects. This represents a decrease in funding for risk management from previous levels.

Question. How much funding was or is associated with the various demonstration projects in fiscal year 2000 and fiscal year 2001, and how much is requested for these projects in the fiscal year 2002?

Answer. In fiscal year 2000, OPS obligated $628,000 for direct contractor support of the demonstration projects. In fiscal year 2001, OPS obligated $54,000 to support its oversight of the demonstration projects, and $50,000 to support a study of risk model experience intended to improve OPS and industry understanding of how risk models can be applied to improve safety. In fiscal year 2001, OPS began orienting its Demonstration Program activities to support development and implementation of the integrity management initiatives. We estimate that about $200,000 of the $1.25 million requested for Risk Assessment and Technical Studies in fiscal year 2002 budget will support activities involving the demonstration projects.

COMPLIANCE PROGRAMS

Question. For each of the last three fiscal years, please provide data on all enforcement actions taken by OPS, including the number of enforcement cases opened, closed, and the amount of civil penalty assessments collected. What is the pending backlog of enforcement penalties? Please compare these data with the number of reportable events, number of deaths and injuries, and any other measures of pipeline safety for both hazardous liquids and gases.

Answer. The requested information is available only by calendar year (CY), as follows:

Measures	CY 1998	CY 1999	CY 2000
Enforcement:			
Cases Opened	218	91	129
Cases Closed	273	97	73
Amount of Civil Penalties Proposed	$93,500	$110,000	$4,379,000
Amount of Assessed Civil Penalties	$350,196	$49,50	$62,000
Amount of Collected Civil Penalties	$316,846	$120,000	$143,707
Reportable events:			
Incidents Reported	379	344	380
Deaths	19	21	38
Injuries	74	108	81
Property Damage (in millions)	104	97	152

The amount of civil penalties proposed is the amount sought when then operator is first notified of the allegations of noncompliance. The proposed amount of a civil penalty may be reduced if the agency decides after hearing the operator did not violate the regulations or that mitigation of the amount in accordance with the statutory assessment criteria is appropriate. The agency experience with collections has been good so that collections approximate assessments in the long run. However, because enforcement case processing may not be completed within the same year, comparison between the amounts proposed and amounts collected within the same year are not valid.

Question. How have you improved your enforcement and compliance program since last year? How many of those companies provided with technical education were reinspected? Did you find those companies still out of compliance? If so, how many enforcement actions were taken against those companies?

Answer. Maximum penalties are sought for any violation that may be a factor in a fatality, serious injury, or significant harm to the environment. RSPA is making full use of all enforcement tools including corrective action orders, civil penalties and compliance orders. RSPA is also conducting a formal assessment of the effectiveness of various pipeline enforcement tools (civil penalties, agreements, etc.) to determine whether they result in comparative compliance and safety

In 2000, RSPA proposed over $4.3 million in civil penalties and in January through March of 2001, proposed over $640,000 in civil penalties. Some enforcement cases involve substantially larger claims against companies, including a case initiated in 2000 which proposed a $3.05 million civil penalty. In comparison, between 1995 and 1999, RSPA annually proposed an average of $460,000 in civil penalties.

These changes reflect new policies set in place after several recent pipeline tragedies and respond to the concerns of the American people who want a strong and effective pipeline program. The Inspector General and General Accounting Office conducted audits of RSPA pipeline enforcement policies in 1999 and recommended RSPA assess the effectiveness of the then current policy. In 1995, RSPA reported to Congress it was exploring non-regulatory approaches to improve pipeline integrity and giving operators options to correct problems that would achieve the best long term safety results. This enforcement policy, in effect between 1995 and 2000, resulted in a significant drop in civil penalty assessments for violations.

RSPA agrees with the GAO audit recommendation that a formal assessment is needed to determine which policy provides an equal, greater, or lesser level of compliance with the regulations. An assessment was initiated in the fall of 2000 with expected completion by the end of 2001. RSPA has contracted with General Physics to review the assessment methodology and independently evaluate the RSPA study findings.

Additional improvements to the RSPA compliance program include training for Federal and State inspectors. The training subjects include internal inspection technologies, integrity management audit methods, and operator qualification issues. Recent rulemakings have highlighted the need for inspectors to understand basic concepts of the complex technologies pipeline companies use to assess the integrity of their pipelines.

Twenty-five of the companies that were inspected and received enforcement actions in fiscal year 1999 were inspected at different locations in their system during fiscal year 2000. Enforcement action was initiated on eight of these companies in fiscal year 2000. However, it should be noted that the concerns found in fiscal year 1999 were not necessarily the same items found in fiscal year 2000.

Question. Please prepare an updated table indicating the number of pipeline safety inspectors on board and the number of pipeline safety inspector positions authorized for each of the last three fiscal years. Please show how the additional staff requested for fiscal year 2002 would be deployed.

Answer. RSPA will use the additional staff to help evaluate compliance with recently issued and forthcoming rules which will require operators to perform testing and more comprehensive evaluation of the integrity of pipeline systems. This will ultimately help prevent pipeline accidents, enable early detection of pipeline damage and assure prompt and effective mitigation of the accidents we cannot prevent. Additional staff will be generally distributed equally throughout the regions.

NUMBER OF INSPECTORS ONBOARD

Region	1999 onboard/ authorized [1]	2000 onboard/ authorized [1]	2001 onboard/ authorized [1]
Eastern	36,379	36,745	37,110
Southern	36,379	36,745	[2] 8/9
Central	36,474	37,236	[2] 11/13
Southwest	36,505	36,840	[2] 10/12
Western	36,505	36,903	[2] 13/14
Total	51/51	52/52	50/56

[1] These numbers do not include the five Region Directors or headquarter inspector positions that supply technical support to all five regions. Some of the authorized inspector positions have been moved between regions and the headquarters technical support to meet risk-based needs.

[2] We are currently in the process of hiring six additional regional inspectors, Southern, Central, Southwest, and Western Regions.

Question. How many accident investigations were conducted during each of the last three fiscal years? Please include information on follow-up accident investigations and the results.

Answer.

OPS ACCIDENT INVESTIGATIONS

	1998	1999	2000
Number of Onsite Investigations	48	46	43
Follow-up Investigations	43	40	45
Accident Reports Generated	4	19	13

RSPA reviews each pipeline accident to assess factors contributing to the failure and performs onsite investigation of those with national safety implications, public interest, fatalities, numerous injuries, significant property damage or environmental impact. The distinction between the accident investigation and the follow-on inspections is difficult to make. An investigation may involve multiple follow-up inspections, which may require months to complete. An example is the continuing investigation into the Olympic pipeline failure in Bellingham, Washington. Almost two years after the pipeline failed, RSPA inspectors and technical staff continue to closely monitor Olympic's corrective actions.

We perform follow-on investigations for many of the onsite accident investigations and incorporate lessons learned into our inspection processes and regulatory initiatives. Recent accidents have highlighted the need for RSPA to conduct system-wide inspections and ensure pipeline companies are integrating data about their pipelines in order to make good preventative maintenance decisions.

DAMAGE PREVENTION/PUBLIC CAMPAIGN

Question. Please describe improvements in outreach programs since last year.

Answer. In November 2000, RSPA organized a communications team in conjunction with its Integrity Management Program to identify information needed by the public and local officials and effective mechanisms for distributing this information. RSPA held a public meeting in February 2001 to afford the public an opportunity to present its views. RSPA is working with representatives of the public, state and local government, and industry to develop prototype information for local officials and emergency responders and to identify several communities which on a pilot basis could evaluate these efforts and make recommendations for improvements. This project anticipates a two-way communications system between communities, OPS, States, and industry. OPS is preparing an advisory which will explain to operators the types of information which OPS believes that they should begin planning to provide to local officials and emergency responders.

Since last year, the Dig Safely Team translated the Dig Safely Implementation Manual and the Dig Safely brochure into Spanish for use by construction and public works employees. A new Dig Safely training video was produced last fall and is being distributed nationwide to all States through the National Association of Regulatory Utility Commissioners and the National Association of Pipeline Safety Representatives. Major trade associations representing all sectors involved in underground damage prevention are distributing it to their members. The video is also being dubbed in Spanish. The Dig Safely program continues to be promoted nationwide and the campaign continues to receive endorsements from major trade associations and corporations.

A Public Education Presentation and a Public Education PDF file containing recommendations developed by the One Call Systems Study (Common Ground) Public Education and Awareness Team have been posted to the OPS web site. Presentations developed by the other eight task teams are also available on that site. The site also contains videos and brochures on Damage Prevention Initiatives and the Common Ground Study. Since last year, the Dig Safely Team added representatives of the insurance, railroad and locating industries to the team.

Question. What has the Damage Prevention Quality Action Team accomplished during the last year? What are the anticipated activities of this team during the next year.

Answer. Since last year, DAMQAT, now known as the Dig Safely Team, commissioned production of a new safety video. We have begun duplication and distribution of the video to States, contractors, and other groups. We have begun to translate additional materials into Spanish for distribution to the significant numbers of Spanish speaking workers involved in the construction trades. The video will also be dubbed in Spanish.

The Team is also planning another national survey to evaluate the impact of the Dig Safely campaign which was launched nationally in 1999. At the start of 2001, the Dig Safely Team was placed under the Educational Programs Committee of the

Common Ground Alliance. The Common Ground Alliance will provide direction on program evaluation.

Question. What are your plans for increasing the quality and quantity of assistance to state and local officials in the areas of damage prevention with particular reference to land use planning, zone, set backs and other public participation concerns?

Answer. RSPA proposed to realign base funds for damage prevention programs and shift $3,000,000 from the Damage Prevention Grants Program to a Damage Prevention Community Assistance Program. This new program would help localities ensure safety by providing information on pipeline locations, how to avoid damaging lines, and how to recognize and report emergencies. In fiscal year 2002, OPS will provide communities with information needed to: encourage plat designation of existing underground facility easements; gather information prior to construction to avoid impact to underground facilities; encourage communication among all underground facility owners on current and future projects from pre-bid through construction phases; gather information on current land use practices and zoning ordinances to determine how best to prevent hazards on pipeline right-of-ways; and raise awareness of the risks of development on pipeline right-of-ways and effective methods of smart growth adjacent to pipeline right-of-ways. OPS will also develop a community right-to-know program which may include community outreach in damage prevention and spill response techniques, and development of databases to support citizen education.

Our proposed budget includes a request for six additional personnel, five of which would be assigned at the regional level, to work on public education and community right-to-know issues, and to promote adoption of best practices. Their responsibilities would include assisting in formation of regional or State level groups, based on the Common Ground Alliance model, with representatives of underground facility operators, States, industry and others involved in damage prevention such as one-call centers, contractors and locators. One such group has already been formed in the State of Missouri.

As part of its efforts to improve communications between OPS and State and local officials, OPS convened a communications team with representatives of State and Federal agencies, public interest groups, and industry. OPS worked with these groups to help them establish guidelines for setbacks and land use planning in the vicinity of existing pipelines. While OPS does not have jurisdiction over siting of interstate pipelines, it can make recommendations and provide technical assistance so that public officials can make informed decisions about land use planning and setbacks such as construction of public facilities in areas close to pipeline right-of-way. Communities often experience significant pressure from developers to issue construction permits closer to existing pipelines than may be prudent since construction related activities are the single greatest cause of pipeline failure.

Question. Please break out how the $3,413,000 for Damage Prevention Community Assistance will be used.

Answer. Approximately $500,000 will be used to continue the important damage prevention work being done by the Common Ground Alliance (CGA), our Dig Safely public education campaign. $2.913 million will be used in support of the Damage Prevention Community Assistance initiative to organize and deliver technical assistance to communities and to replicate the CGA model at the local level. This includes preparation, design, production and distribution of materials to communities to help them identify the location of pipelines in their areas through use of the OPS National Pipeline Mapping System (NPMS), to train them in damage prevention practices, to identify the types of information which local officials and emergency responders need from OPS and pipeline operators with respect to pipeline operations and pipeline safety issues, and to develop databases that would allow us to inform communities about pipeline operators performance, as well as developing guidance on land use and pipeline setbacks. Funds will be used to incorporate into the NPMS important information on public facilities such as hospitals, parks, schools and other public facilities designated by communities, in addition to Unusually Sensitive Areas, and their location vis a vis pipelines, and hazardous liquid gathering lines (not currently regulated) in a format that can be used by both OPS and the public. These funds will be used to take important lessons learned from the Common Ground Study directly to States and communities in the form of damage prevention technical assistance. This initiative will promote the message that damage prevention is a shared responsibility; identify the most effective methods for communicating this message to local governments; and develop a system whereby enables communities can convey their questions and concerns about pipeline operations and damage prevention issues to OPS and to individual pipeline operators. The new CGA, established with support from OPS, is taking the first steps to consolidate damage prevention efforts at the national level. Additional efforts are needed to reduce construction related damage at the State and local level. Lastly, we plan to provide additional support to the CGA.

Question. What role will OPS play in the Common Ground Alliance? When will direct financial support end? How much will be provided in fiscal year 2002? How much has been provided thus far?

Answer. OPS is supporting start up and initial operation of the Common Ground Alliance (CGA) through loan of an executive and providing technical and logistical support. Our support of the CGA also includes participation on several committees; administrative support to the CGA Board of Directors and working committees; developing, maintaining, and administering the CGA Information System on the Web; facilitating all meetings of the CGA Board and committees; and facilitating communications among the various CGA components and the public. OPS has also assigned an executive to the CGA for a period of about 18 months to assist in forming and initially operating the organization. This budget requests funding for that executive through March 2002. By then, a permanent Executive Director will have been hired and on board for at least six months.

OPS believes that the Federal Government should continue to provide support for this important damage prevention effort. A direct grant of $500,000 will provide the support needed in fiscal year 2002 to develop the organization as a permanent entity to advocate protection of all buried utilities, identify new best practices and research needs and evaluate effectiveness of its programs and activities. This organization is separately raising private sector funds.

Question. Since last year, what have you done to motivate States to improve their one-call notification systems and excavation damage prevention activities? How much is planned for that activity in fiscal year 2001?

Answer. OPS has an ongoing program for One-Call Grants. In fiscal year 2001, OPS distributed $1 million to be used by States to improve their one-call notification systems by strengthening State one-call legislation, increasing enforcement activities, and continuing public education. OPS will also distribute up to $4.5 million (and carry over a small unobligated balance) in Damage Prevention Grants to State agencies in fiscal year 2001 to assist them in the implementation of best practices identified in the Common Ground Study. OPS also motivates States to improve their one-call notification systems and excavation damage prevention activities by underwriting the participation of representatives from the National Association of Pipeline Safety Representatives and the National Association of Regulatory Utility Commissioners in the Common Ground Alliance and on the Dig Safely Team. Lastly, we have added progress in damage prevention as an element of our annual performance review of State pipeline programs.

Question. How much is planned for that activity in fiscal year 2002? Please describe the scope and nature of that activity.

Answer. In fiscal year 2002, OPS will maintain One-Call Grants at the current level of $1 million, and will continue to distribute remaining funds for approved damage prevention grants. In fiscal year 2002, OPS proposes to use $2.9 million, previously allocated for Damage Prevention Grants, for a more centralized public education program. The Damage Prevention Community Assistance program objectives are to provide communities with information they need to encourage plat designation of existing underground facility easements; gather information prior to construction to avoid impact to underground facilities; encourage communication among all underground facility owners on current and future projects from pre-bid through construction phases; gather information on current land use practices and zoning ordinances to determine how best to prevent hazards on pipeline right-of-ways; and raise awareness of the risks of development on pipeline right-of-ways and effective methods of smart growth adjacent to pipeline right-of-ways.

OPS will also develop a community right-to-know program which may include community outreach in damage prevention and spill response techniques, and development of databases to support citizen education. Our proposed budget includes a request for six additional personnel, five of which would be assigned at the regional level, to work on public education and community right-to-know issues, and to promote adoption of best practices. Their responsibilities would include assisting in formation of regional or State level groups, based on the Common Ground Alliance model, with representatives of underground facility operators, States, industry, and others involved in damage prevention such as one-call centers, contractors, and locators.

Question. How are you working with NTSB to advance damage prevention strategies?

Answer. Damage prevention is the top safety priority of both OPS and NTSB. We are working together with NTSB staff to reduce damage to pipeline systems from third-party damage. OPS has responded to the 12 NTSB pipeline safety recommendations that relate to damage prevention. OPS is currently completing an update report to NTSB on our responses to these recommendations. OPS staffers meet regularly with NTSB pipeline specialists to discuss damage prevention and other issues. NTSB staff is kept fully informed on OPS damage prevention activities and contributes to our proactive measures.

In response to advice from NTSB, OPS has issued a number of Advisory Bulletins on damage prevention to the pipeline industry. The most recent was on May 21, 2001, when we issued a bulletin advising pipeline operators to review their emergency plans and procedures to determine whether the procedures prompt the appropriate actions for gas leaks caused by excavation damage near buildings, and whether the procedures adequately address the possibility of multiple leaks and the underground migration of gas into nearby buildings. Late last year we issued an Advisory Bulletin on damage prevention during directional drilling operations.

OPS and NTSB are working together through industry standards committees, such as the Gas Piping Technology Committee, to provide the pipeline industry with guidance on damage prevention in gas pipelines. NTSB and OPS support research to prevent third-party damage and to improve state one-call systems. RSPA continues to work to enhance damage prevention efforts on several fronts including:

—Providing each State with a copy of RSPA's innovative study, "Common Ground: Study of Damage Prevention Best Practices," which includes more than 150 best practices;
—Expanding our evaluation of State program damage prevention and one-call systems;
—Assisting development of and supporting the newly established Common Ground Alliance;
—Encouraging States to participate in the OPS damage prevention grant program; and
—Promoting our national "Dig Safely" damage prevention education campaign establishing a new damage prevention and technical assistance program.

At the suggestion of NTSB, RSPA, and American Public Works Association (APWA) have worked together to strengthen damage prevention laws, promote and develop education initiatives, and improve data collection. Both organizations testified at State legislative hearings to effect improvements in state damage prevention laws. APWA worked with RSPA on the Common Ground study and in the development of the Dig Safely Campaign.

RESEARCH AND DEVELOPMENT AND MAPPING

Question. What is the current status of your pipeline safety R&D program? Please break out on a contract by contract basis how the fiscal year 2000 and fiscal year 2001 funds were used. How can you assure the Committee that your R&D program will lead to advances to meet your futures challenges?

Answer. RSPA is in the initial stages of preparing to conduct a research planning conference. We believe such a conference is needed to bring the pipeline safety research needs into clearer focus, to establish a consensus on the adequacy of current research programs conducted by the government and industry, to ease concerns expressed by Congress and the public concerning the adequacy and reliability of existing technologies, and to establish a realistic research agenda for OPS and the industry. Federal and State agencies, pipeline operators, trade associations, research organizations, and public interest groups will be invited to the conference. The goals of the conference will be to: (1) set the stage for a concerted and credible strategic approach to pipeline research planning; (2) provide a forum for broad-based input to planning including input from regulators and the public; and (3) to develop strategies for leveraging scarce existing funds by joining federal and industry monies.

We presently have agreements to conduct collaborative research in three areas. The first area is advancing magnetic flux leakage technology used on in line inspection (ILI) tools or "smart pigs" to identify and characterize mechanical damage on pipelines. We awarded a 2-year, $2 million cooperative agreement with the Gas Technology Institute (GTI) in April 2000 to conduct research with the magnetic flux oriented in the circumferential direction around the pipe. This smart pig research is funded 50 percent by RSPA and 50 percent by GTI. The research will provide for better identification and characterization of mechanical damage oriented in the pipe's longitudinal axis. Mechanical damage from excavators is the leading cause of major pipeline accidents. Funding for this project was $500,000 in fiscal year 2000. We expect to fund the additional $500,000, to complete our 50 percent of the funding, later in fiscal year 2001.

The second area is advancing acoustic technology for real time monitoring for pipeline right-of-way encroachment and outside force damage. We awarded a 1-year, $364,000 cooperative agreement with the Gas Technology Institute (GTI) in April 2001 to conduct this research. This real time monitoring research is funded 50 percent by RSPA and 50 percent by GTI. The results from this research have the potential to significantly reduce pipeline mechanical damage caused by excavators. The goal is to provide early warning to operators of the presence of excavation equipment on the pipeline right-of-way so that the operators can take corrective action before significant damage is done to the pipeline. RSPA funding for this project was $0 in fiscal year 2000 and $181,842 in fiscal year 2001, for our 50 percent of the total funding.

The third area is an offshore research project to investigate the validity of data on wall thinning gathered by IDI tools. We are hydrostatically testing to failure a number of abandoned pipelines and comparing the failure data with the IDI inspection data. We, along with industry and other government partners, are participating in this research sponsored by the Minerals Management Service, Department of the Interior. Funding for this project was $50,000 in fiscal year 2000 and $50,000 in fiscal year 2001.

In addition, a reimbursable agreement between RSPA and Wright-Patterson Air Force Base, Ohio, was executed in April 2001 for the Air Force Base to manage a one-year research and development project to demonstrate infrared lidar mapping for use as an airborne leak detection system for gas and hazardous liquid pipelines. The technology development has been under contract with the Air Force for sometime. A more efficient use of funding is realized for the Air Force to continue the development of the technology with RSPA oversight. The kick-off of the research is scheduled for June 13, 2001, with a meeting in Washington, DC. Funding for this project was $0 in fiscal year 2000 and $600,000 in fiscal year 2001.

We also have funded development of utility location technologies which can be mounted on excavation equipment to warn machine operators of existing underground facilities before damage occurs. The developed prototype system, known as Buried Utility Detection System (BUDS), is capable of locating metallic pipes underground, according to feedback from users. Our funded research developed and tested a “stop-light” feature added to BUDS. Outside force damage is the leading cause of pipeline failures. Funding for this project was $10,000 in fiscal year 2000 and $0 in fiscal year 2001.

Question. Please describe the progress made in your mapping initiative since last year. When will the project be completed? How much was appropriated and spent on this effort in fiscal years 1998, 1999, and 2000 and how much is planned for fiscal years 2001 and 2002? What are the remaining challenges? Will there be a need for funding over the long-term?

Answer. OPS has been working over the past year to increase the percentage of operators submitting pipeline data to the National Pipeline Mapping System (NPMS). Outreach has included working directly with pipeline trade associations, state partners, and individual companies to encourage pipeline operator participation in the NPMS. OPS has been promoting the NPMS at pipeline operator professional conferences and has conducted an educational workshop in Washington, DC, targeted at smaller intrastate natural gas transmission operators. OPS has added additional NPMS State repositories to assist in reaching smaller intrastate pipeline operators. The data received by the NPMS to date has been made available to communities across our Nation through an Internet mapping service run by OPS. Through this service, communities and individuals can get information on the pipelines and pipeline operators that traverse and service their locations. This service is accessible through the following link: http://www.npms.rspa.dot.gov.

The results have been a significant increase in the number of pipeline operators submitting pipeline data over the past year, especially among hazardous liquid operators. As of April 25, 2001, the NPMS has received approximately 82 percent of the hazardous liquid and 40 percent of the natural gas transmission pipeline data. Combined, the pipeline data submitted represents 54 percent of all OPS jurisdictional pipelines.

Because of ongoing and increasing construction of new pipelines as well as frequent changes in ownership of existing pipelines, maintaining the accuracy of the NPMS will remain significant challenges and will require continuing efforts. OPS is requesting submissions from pipeline operators who have never submitted to the NPMS as well as requesting update submissions from pipeline operators who have previously submitted data. The key to a successful program is to develop a complete data set while also maintaining the timeliness of the data.

Over the past three years, $2 million has been appropriated, and about $2.2 million has been spent. It is important to note that this initiative is funded with multi-year funding and some of the amounts spent each year include funds carried over from prior years. We expect that the $800,000 appropriated for fiscal year 2001 and the $800,000 requested for fiscal year 2002 will be spent.

Question. Has a contract been awarded for the $600,000 earmark in the fiscal year 2001 appropriations act for airborne mapping research, technology, and engineering in support of improving pipeline leak detections, analysis and response? What is the status of this program, and who will administer it? What follow-up costs are anticipated by the program administrator?

Answer. A contract has been awarded. RSPA extended a reimbursable agreement between RSPA and Wright-Patterson Air Force Base, Ohio, in April 2001 for the Air Force Base to manage a one-year research and development project to demonstrate infrared lidar mapping for use as an airborne leak detection system for gas and hazardous liquid pipelines. The technology development has been underway with the Air Force for sometime. The kick-off of the research is scheduled for June 13, 2001, with a meeting in Washington, DC.

GRANTS

Question. For fiscal year 2000 and 2001, please list the states that participated in your hazardous liquids and natural gas state grant programs. For each participating state, display the amount requested by state, the amount of federal grant funds received, and the percentage of federal contribution to total costs represented by that grant. What efforts were taken to increase participation in the grant program?

Answer. Attached are the allocations for fiscal year 2000. Because the allocations are made at the end of the fiscal year following State program evaluation, the data for fiscal year 2001 is not yet available. RSPA has encouraged additional States to assume intrastate jurisdiction and improvements to State one-call damage prevention programs.

2000 NATURAL GAS PIPELINE SAFETY GRANT ALLOCATION

STATE	REQUEST	STATE POINTS	ALLOCATION	PERCENT OF FUNDING
ALABAMA	$419,223	100	$338,151	40
ARIZONA	466,440	100	376,237	40
ARKANSAS	201,298	100	162,370	40
CALIFORNIA	1,469,249	100	1,185,119	40
COLORADO	210,784	100	170,022	40
CONNECTICUT	332,500	95	254,790	38
DELAWARE	21,731	95	16,652	38
FLORIDA	49,100	100	39,605	40
GEORGIA	302,039	100	243,629	40
ILLINOIS	287,093	100	231,573	40
INDIANA	175,600	100	141,642	40
IOWA	209,500	100	168,986	40
KANSAS	340,210	100	274,418	40
KENTUCKY	251,380	100	202,767	40
LOUISIANA	371,331	100	299,521	40
MAINE	67,597	90	49,072	36
MARYLAND	160,986	100	129,854	40
MASSACHUSETTS	332,265	95	254,609	38
MICHIGAN	296,130	100	238,863	40
MINNESOTA	741,278	100	597,927	40
MISSISSIPPI	136,500	100	110,103	40
MISSOURI	358,623	95	274,807	38
MONTANA	22,043	100	17,780	40
NEBRASKA	96,758	100	78,046	40
NEVADA	173,808	100	140,196	40
NEW HAMPSHIRE	115,798	100	93,404	40
NEW JERSEY	339,267	100	273,658	40
NEW MEXICO	170,835	95	130,908	38
NEW YORK	1,365,500	100	1,101,434	40

2000 NATURAL GAS PIPELINE SAFETY GRANT ALLOCATION—Continued

STATE	REQUEST	STATE POINTS	ALLOCATION	PER-CENT OF FUNDING
NORTH CAROLINA	169,000	100	136,318	40
NORTH DAKOTA	39,099	100	31,538	40
OHIO	520,133	100	419,547	40
OKLAHOMA	348,710	100	281,275	40
OREGON	178,983	100	144,371	40
PENNSYLVANIA	399,822	95	306,377	38
PUERTO RICO	52,500	100	42,347	40
RHODE ISLAND	47,572	85	32,616	34
SOUTH DAKOTA	29,723	90	21,577	36
TENNESSEE	293,489	100	236,732	40
TEXAS	1,297,116	100	1,046,274	40
UTAH	209,550	100	169,026	40
VERMONT	50,629	100	40,838	40
VIRGINIA	248,369	95	190,321	38
WASHINGTON, DC	117,128	100	94,477	40
WASHINGTON	393,006	100	317,004	40
WEST VIRGINIA	304,200	100	245,373	40
WISCONSIN	179,300	100	144,626	40
WYOMING	87,500	95	67,050	38
TOTALS	14,450,685	....	11,563,834	40

Note: The "Request" represents 50 percent of the States estimated budget. The "Percent of Fund" is the percentage of the budget represented by the allocation.

2000 HAZARDOUS LIQUID PIPELINE SAFETY GRANT ALLOCATION

STATE	REQUEST	STATE POINTS	ALLOCATION	PER-CENT OF FUNDING
ALABAMA	$25,341	100	$20,440	40
ARIZONA	51,321	100	41,396	40
CALIFORNIA	946,960	100	763,833	40
KENTUCKY	5,160	95	3,954	38
LOUISIANA	67,334	100	54,312	40
MINNESOTA	172,599	100	139,221	40
MISSISSIPPI	7,363	100	5,939	40
NEW MEXICO	18,750	90	13,612	36
NEW YORK	53,300	100	42,993	40
OKLAHOMA	80,690	100	65,086	40
TEXAS	228,903	100	184,636	40
VIRGINIA	17,239	100	13,905	40
WASHINGTON	60,860	100	49,091	40
WEST VIRGINIA	46,800	100	37,750	40
TOTALS	1,782,617	....	1,436,166	40

Note: The "Request" represents 50 percent of the States estimated budget. The "Percent of Fund" is the percentage of the budget represented by the allocation.

Question. RSPA and the states have agreed to attempt to provide 50 percent of the states' pipeline safety program funding from the federal government. As an aggregate, what percent of the states' pipeline safety program funds were appropriated through the OPS state grant program in fiscal years 1999, 2000, and 2001?

Answer. The funding levels for fiscal years 1999 and 2000 were 44 percent and 40 percent. The funding level for fiscal year 2001 is expected to be 47 percent.

Question. Part of the original justification for the increase in the pipeline grant program was that with increased funds the states would be encouraged to expand their enforcement responsibilities. Please provide quantitative data on a state by state basis indicating whether that has happened.

Answer. Over the past several years, States have steadily been increasing the number of operators they oversee, the number of inspection units the inspect, the total number of person days spent on inspections, and—particularly for gas pipelines—the number of enforcement actions initiated under the State pipeline grant program. Overall State responsibility has grown in the past few years with limited additions of new intrastate gas and liquid pipelines. Moreover, States have assumed greater responsibility over Municipal, LPG, or master meter operator, as well as enhanced one-call compliance.

Question. What has been accomplished with the funds provided for the TEA–21 damage prevention grant program? Why is it taking so long for these funds to be allocated? Please list the amount and nature of awards to date under this program.

Answer. RSPA announced the availability of grants to States in this program in August 2000. The application period closed on March 23, 2001. We received 25 applications, which are being administratively reviewed. RSPA has had to work with each applicant to complete holes in their application package. When this review process is complete, the proposals will be technically scored, prioritized and grants will be competitively awarded. RSPA expects that this round of grants will be awarded in this fiscal year. Should any money remain after funding eligible applications, RSPA will announce another opportunity for States to submit applications.

When Congress appropriated the additional $5 million in the fiscal year 2001 budget, RSPA decided to consolidate it with the available fiscal year 2002 funds, increase the per-project funding target to $300,000, and extend the closing date for applications until December 2000. Several States sought consultation with RSPA regarding alternatives to the program's cost-sharing requirements (20 percent State share/80 percent Federal share) and the reimbursement procedures. RSPA actively sought to find ways, within existing authority, to give States the maximum flexibility and opportunity to participate in this program. As a result, RSPA provided guidance that showed how a State could incorporate third-party participation in the project to satisfy their cost share. RSPA also exercised its authority to allow a portion of the Federal share to be advanced to the State at award time. RSPA extended the application period to March 23, 2001, to allow States to make the necessary adjustments in their applications.

Question. Please update past data provided on the status of state and regional one-call systems, their completeness of coverage, effectiveness, legislative status, and enforcement capabilities. How many, and which, states have utilized one-call grant funds to establish one-call programs?

Answer. Within the past 4 years, 17 States have passed or improved one-call legislation: Alaska, Arizona, Louisiana, Montana, New Mexico, New York, North Dakota, Pennsylvania, Puerto Rico, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin and Wyoming. Since the incident in San Juan, Puerto Rico, in 1996, we have been working closely with Puerto Rico for legislation to create a one-call center. This legislation was passed in September 1998. We also supported Texas in the passage of its first one-call legislation in 1997.

There is also a growing number of States with a strong one-call enforcement mechanism (Arizona, Connecticut, Massachusetts, Minnesota, New Hampshire, New Jersey, Tennessee, and Virginia) that include: A specific agency with jurisdiction over excavators and facility operators; authority to issue immediate citations and the power to collect penalties; and administrative encouragement and staff assigned to enforce the law.

Nine States and Puerto Rico do not require all underground facility operators to belong to one-call organizations. We expect several state legislatures to enact or modify one-call legislation for this purpose.

More than 30 States have emergency service available on a 24-hour basis. In States without 24-hour emergency service, excavators have to notify operators of impending excavation after business hours.

OPS also utilizes one-call grant funds to support States to establish one-call programs. This year, 29 States have requested one-call grants to further one-call activities. Many of these States also requested damage prevention grant funds, previously known as TEA–21, to expand their damage prevention efforts by implementing Best Practices within their States.

Question. The conferees provided $800,000 matching funds to the State of Washington's supplemental appropriation for pipeline safety activities. Please provide information on the specific activities that have been identified by the State to enhance pipeline safety. What amounts of the total funding is or will be applied to each of these specific projects? What are the estimated completion dates for each?

Answer. This appropriation has not yet been granted to the State of Washington, however, we fully expect to make this grant during fiscal year 2001. We have requested that the State of Washington specify the purpose and amounts of funding that will be applied.

VOLPE NATIONAL TRANSPORTATION CENTER

Question. What percent of your personnel costs are for contract administration, technical program direction, and in-house research?

Answer. Five percent of personnel costs are for contract administration. Sixty-nine percent is tied to specific project work, including technical direction. No funding or staff was devoted to in-house research (i.e., independent research and development not tied to a client project) in fiscal year 2000 and none is planned for fiscal year 2001. The remaining twenty-six percent of personnel costs cover facility operations, business services, staff development, supervision, process improvements, stakeholder reporting, and outreach.

Question. Please discuss the current staffing situation at Volpe in relationship to current and anticipated workload.

Answer. The Volpe Center has been able to meet overall staffing requirements with considerable effort. We have experienced delays in filling positions due to the competitive market for technical skills, especially in the fields of information systems security, software development, information technology, and middle and entry-level engineers in all disciplines. Like other Federal agencies, we foresee the need to give continued attention to recruitment and retention of talented staff in order to replace the substantial portion of our Federal workforce who will retire over the next five to ten years.

Question. Please break out, in tabular form, obligations by each of the DOT modal administrations to the Volpe Center for each of the last three fiscal years. What is the significance of these funding trends?

Answer. The following table shows Volpe Center obligations for projects with the following DOT Operating Administrations in millions of dollars.

	Actual Fiscal Year 1999	Actual Fiscal Year 2000	Est. Fiscal Year 2001
FAA	70.7	62.1	73.1
FHWA	4.0	15.6	16.0
USCG	5.7	5.3	6.8
FRA	11.4	11.6	13.9
FTA	8.5	4.6	8.6
NHTSA	7.3	8.8	10.6
RSPA	4.7	6.0	5.7
OTHER DOT	1.8	1.0	3.6
OST	.7	1.1	1.0
TOTAL	124.8	116.1	139.3

Note: Each amount includes the customers' participation in DOT's Small Business Innovative Research (SBIR) program, which the Volpe Center manages.

The trends reflect changes in our customers' program emphasis as well as changes to DOT's appropriations.

Question. What are the Volpe overhead charges and how have you tried to reduce these charges? Please provide a detailed explanation and dollar figures of all overhead costs for each of the last three fiscal years.

Answer. Overhead charges represent Volpe indirect costs incurred in support of it's direct projects.

Following is the distribution of the Center's indirect expenses (in millions of dollars obligated):

Indirect Activity	Actual fiscal year 1999	Actual fiscal year 2000	Est. fiscal year 2001
Facility Operations	3.4	3.3	4.3
Business Services	8.8	10.3	10.3
Line Management	2.7	3.0	3.1
Center-wide Services	1.5	2.3	2.4

Indirect Activity	Actual fiscal year 1999	Actual fiscal year 2000	Est. fiscal year 2001
Computer & LAN Services	3.4	4.6	4.6
Industry Outreach	0.3	0.2	0.3
Capability Development	0.3	0.6	0.5
Plans & Pgm Development	1.6	1.7	1.8
Chief Counsel	0.3	0.3	0.4
Executive Management	1.1	0.8	0.8
Indirect Obligations	$23.4	$27.1	$28.5
Total Obligations	$174.0	$199.0	$205.0
Indirect to Total (percent)	13.4	13.6	14.0

The estimated fiscal year 2001 indirect obligations reflect increases in facility operations resulting from significantly higher energy costs, as well as increases for salaries, benefits, negotiated contract price adjustments and other normal costs, including an amount for depreciation of prior year capital investments. We are trying to reduce Business Services expenses through increased use of performance-based contracts and e-commerce in all our procurement solicitations.

Question. Please provide a detailed listing of all fiscal year 2000 and fiscal year 2001 reimbursable agreements that the Volpe Center has with other Federal agencies. Include all costs that are paid out to contractors hired by the Volpe Center.

Answer. Following is a list of all the fiscal year 2000 and fiscal year 2001 new start reimbursable agreements.

Fiscal year 2000

PROJECT: Vendor ITV Repair Parts Prototype
SPONSOR: Defense Logistics Agency
FUNDING: $170,000
CONTRACT PERCENT: 7 percent
The DLA and the US Transcom engaged the Center to expand in transit visibility (ITV) concepts to include systems repair parts. Working with the Logistics Management Institute, the Volpe Center selected a repair parts vendor, evaluated electronic commerce alternative to achieve the ITV objectives, and participated in prototype development and testing.

PROJECT: Technical and R&D Support for Combating Terrorism
SPONSOR: DOD's Combating Terrorism Technology Support Office
FUNDING: $100,000CONTRACT PERCENT: 16 percent
The Volpe Center supported the customer's research and development program for combating terrorism against U.S. interests worldwide.

PROJECT: Aviation Safety Program Risk Management
SPONSOR: NASA Langley Research Center
FUNDING: $245,500
CONTRACT PERCENT: 5 percent
The Volpe Center supported NASA's Aviation Safety Program (AvSP) by working in collaboration with the NASA Safety and Mission Assurance personnel at Langley Research Center, Ames Research Center, Dryden Flight Research Center, and Glenn Research Center to identify, track and mitigate risks to assure success of the AvSP.

PROJECT: Environmental, Transportation, and Info. Systems Technical and Consultant Services
SPONSOR: U.S. Postal Service, New York Metro Area (NYMA)
FUNDING: $320,000
CONTRACT PERCENT: 86 percent
The USPS NYMA implemented a comprehensive Environmental Compliance Review (ECR) program to periodically review USPS facilities for conformance with relevant laws and regulations, track regulatory deficiencies, monitor program towards environmental goals and objectives, et. al. Volpe provided technical, engineering, and managerial expertise to help the New York Metro Area with the ECR and state and federal regulatory requirements.

PROJECT: Improving NTSD's Operations, Customer Support and Strategic Planning
SPONSOR: U.S. Environmental Protection Agency
FUNDING: $160,000
CONTRACT PERCENT: 2 percent

Volpe supported EPA's Office of Environmental Information in its effort to align its organization with its parent organization's strategic goals of consistent operations, stellar customer service and effective planning.

PROJECT: USPS Pacific Area
SPONSOR: USPS Pacific Area
FUNDING: $27,000
CONTRACT PERCENT: 26 percent
Volpe provided comprehensive technical and consultation services to the sponsor in the areas of environmental and energy technical support services, including remediation, abatement, and construction management, information systems management, and transportation studies.

PROJECT: Dynamic Traffic Assignment Support
SPONSOR: U.S. Department of Energy, Oak Ridge Operations
FUNDING: $78,600
CONTRACT PERCENT: 0 percent
Volpe provided technical support for a study being undertaken for the sponsor by the Massachusetts Institute of Technology Intelligent Transportation Systems Program.

PROJECT: EPA, Region I—Brownfields Program
SPONSOR: U.S. Environmental Protection Agency
FUNDING: $150,000
CONTRACT PERCENT: 57 percent
The Volpe Center performed site assessment and related activities at designated brownfield sites. The EPA's brownfield initiative is an innovative program that defines brownfields as abandoned, idled, or under-used industrial and commercial facilities where expansion or redevelopment is complicated by real or perceived environmental contamination.

Fiscal year 2001

PROJECT: Crash Test Dummy Evaluation Study
SPONSOR: Naval Air Warfare Center Aircraft Division
FUNDING: $244,800
CONTRACT PERCENT: 0 percent
Volpe will evaluate existing finite element models of crash test dummies to study the effectiveness of protective countermeasures in reducing serious injuries and fatalities under severe impact conditions.

PROJECT: High Frequency E.M. Scattering
SPONSOR: U.S. Office of Naval Research
FUNDING: $80,000
CONTRACT PERCENT: 69 percent
Volpe will conduct research to develop fast 3-D electromagnetic scattering models in the high-frequency regime to calculate wave scattering by ship and sea surface

PROJECT: Transportation Portals Study
SPONSOR: U.S. Transportation Command
FUNDING: $72,000
CONTRACT PERCENT: 2 percent
The U.S. Transportation Command has requested that the Volpe Center undertake an objective survey of transportation and other commercial firms who provide user information about shipment status and location, reservations for transportation assets, and automated means of producing documents and labels required to move freight in the United States and overseas.

PROJECT: Support U.S. Air Force Electronic Systems Center Airborne Warning and Control System (AWACS) Mode 5 Study
SPONSOR: U.S. Air Force
FUNDING: $35,000
CONTRACT PERCENT: 0 percent
The Volpe Center will provide engineering support to develop new Mode 5 and Mode S secondary surveillance radar capabilities for the worldwide fleet of AWACS.

PROJECT: Performance Measures for DON CIO
SPONSOR: Secretary of the Navy
FUNDING: $8,000
CONTRACT PERCENT: 0 percent
The Volpe Center in collaboration with the Department of the Navy Chief Information Officer will develop performance measures, frameworks for performance

measures, and guidelines for performance measures related to the activities of the DON CIO.

PROJECT: Vision for the Transportation System After Next
SPONSOR: NASA Headquarters
FUNDING: $175,000
CONTRACT PERCENT: 0 percent
The Volpe Center will provide NASA with technical expertise and team leadership for the Vision for the Transportation System After Next project, to establish a vision and stretch performance goals for transportation 25 to 50 years into the future.

PROJECT: U.S. EPA, Region 9—Superfund Removal Program Support
SPONSOR: U.S. EPA
FUNDING: $420,000
CONTRACT PERCENT: 74 percent
Volpe will provide the U.S. EPA with environmental support services in the assessment, design, remediation, restoration and oversight of contaminated sites in Region 9.

PROJECT: Organizational Development for EPA/Office of Water
SPONSOR: U.S. EPA
FUNDING: $40,000
CONTRACT PERCENT: 32 percent
Volpe will assist the Office of Water's staff and line offices in becoming high performing teams that are fully capable of providing support and advice to EPA's leadership.

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

SUBJECT INDEX

DEPARTMENT OF TRANSPORTATION

Coast Guard

FEDERAL AVIATION ADMINISTRATION

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