

ORGANIZATIONAL EXCELLENCE

Implementing the President's Management Agenda

STRATEGIC OBJECTIVE: Advance the Department's ability to manage for results and innovation. In implementing the President's Management Agenda in DOT, we aim to achieve the following organizational excellence outcomes:

- Improve customer satisfaction
- Improve employee satisfaction and effectiveness
- Improve organizational performance and productivity

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

President Bush's management agenda focuses on long-term management of the Federal workforce and fostering a citizen-centered, results-based government; organized to be agile, lean, and capable of making timely decisions. As we determine our human capital requirements, DOT will thoughtfully restructure our organization.

COMPETITIVE SOURCING

DOT uses competitive sourcing as a key tool for efficiently getting commercial-type work done. By doing so, we can ensure that we are providing the highest quality and the most economical service to Americans.

FINANCIAL AND PROCUREMENT PERFORMANCE

Improved financial performance is a key aspect of improving the government's performance. Knowing the full cost of DOT's goods and services is a prerequisite to good program management. The General Accounting Office and the DOT IG have also identified DOT financial management as requiring focused effort to make needed improvements. Good financial stewardship, excellent and efficient procurement and acquisition systems, and improved financial performance are cornerstones of excellent DOT management.

EXPANDED ELECTRONIC GOVERNMENT

President Bush has called for an expanded electronic government that improves service to individuals, businesses, and State and local government through the use of information technologies. DOT is committed to improving transportation through market-based policies that foster competition by using electronic government resources, and increasing the range of transportation choices available to travelers and shippers. DOT is also committed to making the U.S. transportation system as efficient as possible in order to enable maximum economic growth, more efficient use of information technology to create faster, easier, and more efficient ways for citizens to transact their business with DOT and to provide input on transportation policies and programs.

BUDGET AND PERFORMANCE INTEGRATION

Regular, systematic measurement and accountability for program performance compared to pre-established goals will be the means to improve DOT management. The President's Management Agenda stresses a sea change in Federal management – that of changing yearly budgetary and resource management decision focus from the “increment” to the “base” and through accountability for programmatic results.

PERFORMANCE SUMMARY

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2002 Target | Met | Not Met |
|---|------|------|------|------|------|---------|-------|----------------|-----|------------|
| For major DOT acquisitions, percentage of cost, schedule, and performance goals established in acquisition project baselines that are met. | N/A | N/A | N/A | N/A | N/A | N/A | 74 | 90 | | ✓ |
| Percent share of total dollar value of DOT direct contracts awarded to women-owned businesses. | 2.4 | 4.0 | 3.7 | 4.1 | 4.5 | 3.7(r) | 3.8* | 5.1 | | ✓ |
| Percent share of total dollar value of DOT direct contracts awarded to small disadvantaged businesses. | 19.8 | 19.6 | 17.0 | 17.9 | 17.7 | 17.4(r) | 16.2* | 14.5 | ✓ | |
| For major Federally funded infrastructure projects, percentage that meet schedule milestones established in project or contract agreements, or miss them by less than 10 percent. | N/A | N/A | N/A | N/A | N/A | N/A | 85 | 95 | | ✓ |
| For major Federally funded infrastructure projects, percentage that meet cost estimates established in project or contract agreements, or miss them by less than 10 percent. | N/A | N/A | N/A | N/A | N/A | N/A | 85 | 95 | | ✓ |
| Percentage of transit grants obligated within 60 days after submission of a completed application. | N/A | N/A | N/A | N/A | 21 | 51 | 67 | 60 | ✓ | |
| Environmental justice cases unresolved after one year. | 50 | 20 | 67 | 29 | 56 | 39 | 65 | 40 | | ✓ |

* Preliminary estimate

Strategic Management Of Human Capital

In FY 2002, DOT developed a Human Capital Plan to provide a strategic guide our efforts through FY 2005. This Plan is fully aligned with the President’s Management Agenda and the standards developed by the Office of Management and Budget, Office of Personnel Management, and the General Accounting Office: strategic alignment, workforce planning and deployment, leadership and knowledge management, performance culture, talent, and accountability. DOT’s plan contains initiatives to help the Department recruit, develop, and retain the diverse talent needed now and in the future to perform our mission and achieve our strategic objectives. During FY 2002, DOT improved workforce planning throughout the Department and which will continue into FY 2003, as outlined in DOT’s Human Capital Plan. As we utilize the workforce planning process in FY 2003 for mission critical occupations, we will focus on creating a citizen-centered, using e-government and competitive sourcing, as appropriate solutions to our human capital challenges.

FAA is redirecting a major portion of its organization - 37,300 employees - into a results-oriented Air Traffic Organization (ATO), freeing most of the FAA to manage better and modernize more efficiently.

Management Challenge – Strategic Human Capital Planning (GAO/OMB)

GAO has stated that the entire Federal Government faces an impending wave of retirements of long-service, highly competent Federal employees. From this arises a large-scale strategic human resource planning issue. While this exodus of talent will not happen overnight, DOT must plan now to maintain required levels of experience, competencies, and knowledge levels in the Department’s civilian, military, and contract workforce. Succession planning as well as managing and maintaining adequate institutional knowledge will be crucial for DOT’s ability to carry out its functions during this period of high workforce turnover.

Competitive Sourcing

DOT’s 2001 Fair Act inventory identified over 12,000 FTE performing commercial functions. In FY 2002, DOT developed a plan to compete over 3,400 positions in FY 2003 or about 30 percent of the calendar year 2000 Fair Act inventory, far exceeding the President's Management Agenda goal of 15 percent by the end of FY 2003. DOT has already initiated studies for over 2,800 of these positions and FAA's study of flight service station is one of few in government that is nation-wide in scope.

Financial and Procurement Performance

Acquisition Management –

Performance measures:

For major DOT systems acquisitions, percentage of cost, schedule, and performance goals established in acquisition project baselines that are met.

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|----------------|-------------|-------------|-------------|-------------|
| Target: | N/A | N/A | N/A | 90 |
| Actual: | N/A | N/A | N/A | 74* |

* Data is for cost and schedule only; full data on major systems that had been fielded and met performance expectations were not available.

2002 Results: DOT did not meet the target.

FY 2003 Performance Plan Evaluation: DOT will meet the target in FY 2003.

Small disadvantaged and women-owned business contracts –

Percent share of the total dollar value of DOT direct contracts that are awarded to women-owned businesses.

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|----------------|-------------|-------------|-------------|-------------|
| Target: | 5 | 5 | 5 | 5.1 |

| | | | | |
|----------------|-----|-----|--------|------|
| Actual: | 4.1 | 4.5 | 3.7(r) | 3.8# |
|----------------|-----|-----|--------|------|

Percent share of the total dollar value of DOT direct contracts that are awarded to small disadvantaged businesses.

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|----------------|-------------|-------------|-------------|-------------|
| Target: | 14.5 | 14.5 | 14.5 | 14.5 |
| Actual: | 17.9 | 17.7 | 17.4(r) | 16.2# |

(r) Revised; # Preliminary estimate

2002 Results: DOT met the target for small disadvantaged businesses (SDB), and missed targets for acquisition performance and for women-owned businesses (WOB). SDBs received \$372 million and WOBs received \$88 million of DOT's direct procurements, which totaled \$2.3 billion, a significant increase from the \$1.9 billion base estimated for the year. Though short of the target, the SDB achievement is above the government-wide average of approximately 2.4 percent.

WOBs do not have a special set-aside authority allowing them to compete in a restricted market for Federal procurements. Therefore, WOBs must successfully compete with other small businesses for small business set-aside procurements or with all businesses for full and open procurements. To assist WOBs to successfully compete, DOT offered financial assistance, conducted outreach and training to identify potential contracting opportunities, and made more electronic marketing and contract information available to WOBs, assisting them in becoming better informed on how to do business with DOT and in accessing transportation-related contract opportunities. DOT's ongoing Bonding Assistance Program and Short Term Lending Program improved WOBs' access to financing and bonding.

FY 2003 Performance Plan Evaluation: DOT will meet the targets in FY 2003.

Financial management – Last year, DOT, FHWA, and FAA received unqualified opinions (clean audit) on all three financial statements required by statute and by OMB, and we have taken steps to ensure that we sustain those results in the years to come. In prior years, FAA did not receive unqualified opinions because of a material internal control weakness in accounting and reporting for FAA property, plant, and equipment. These assets, valued at almost \$13 billion in FY 2002, account for 46 percent of FAA's total assets. To fix this problem, FAA created an Interim Fixed Asset System (IFAS) to centrally control and account for its property.

Additionally, work continued on implementing Delphi – DOT's JFMIP-compliant Department-wide financial accounting system. All Operating Administrations except FAA, FMCSA, MARAD and FHWA were using Delphi at the end of FY 2002, with the remaining DOT Operating Administrations to convert in FY 2003.

Performance-based contracting and Expanding on-line procurement – DOT's agency-wide Procurement Performance Management System policy includes a measure for Performance Based Service Contracting consistent with the 20 percent by FY 2004 goal established in the government-wide Acquisition Performance Measurement Program. In 2002, DOT intended that 20 percent of all service contract dollars would be performance based. Not including TSA, 22.1 percent of DOT's contracts were performance based; including TSA procurements, 16.6 percent were performance based.

DOT and FAA Audited Financial Statements (IG/GAO/OMB)

As indicated by the IG, GAO, and OMB, DOT needs to stress implementation of its replacement financial system, and implement cost accounting and labor distribution functions along with the replacement system. DOT's plans to introduce all activities to the Department's financial accounting has presented a significant management challenge, requiring DOT to develop more comprehensive cost accounting systems, and – most critically – to develop improved record keeping and valuation procedures for property, plant, and equipment. This last requirement remains a significant challenge for FAA, whose direct provision of

services to the public involves significant capital assets. The IG continues to carry this issue in its 2003 management challenge report.

DOT is following through on the full implementation of the new Delphi accounting system and managerial cost accounting standards. The Delphi system, which was initiated in 1997, is now operational in seven of DOT's smaller Operating Administrations and staff offices. Delphi is being implemented in four of DOT's largest Operating Administrations (Federal Aviation Administration, Federal Highway Administration, Federal Motor Carrier Safety Administration, and Maritime Administration), which account for more than 80 percent of DOT's FY 2003 budget (not including TSA and Coast Guard) and represent most of the volume of transactions anticipated for Delphi operations.

Financial Stewardship-

Performance measures:

For major Federally funded infrastructure projects, percentage that meet schedule milestones established in project or contract agreements, or miss them by less than 10 percent.

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|----------------|-------------|-------------|-------------|-------------|
| Target: | N/A | N/A | N/A | 95 |
| Actual: | N/A | N/A | N/A | 85 |

For major Federally funded infrastructure projects, percentage that meet cost estimates established in project or contract agreements, or miss them by less than 10 percent.

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|----------------|-------------|-------------|-------------|-------------|
| Target: | N/A | N/A | N/A | 95 |
| Actual: | N/A | N/A | N/A | 85 |

Percentage of transit grants obligated within 60 days after submission of a completed application.

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|----------------|-------------|-------------|-------------|-------------|
| Target: | N/A | N/A | N/A | 60 |
| Actual: | -- | 21 | 51 | 67 |

2002 Results: DOT met its transit grant obligation timeliness target, but did not meet infrastructure project cost or schedule performance targets.

FHWA identified six major transportation improvement projects with an estimated total cost of more than \$1 billion - Central Artery/Tunnel (Boston), Woodrow Wilson Bridge (MD-VA-DC), San Francisco-Oakland Bay Bridge (East Span), Miami Intermodal Connector, T-Rex Project (Denver), and the Central Texas Turnpike (Austin). The costs for all of these projects, except the Central Artery/Tunnel, were within 10 percent of estimates in the initial baseline in the project financial plan. There were no schedule milestones for these projects in FY 2002.

FAA – Major runway construction projects for infrastructure (Seattle, St. Louis, and Atlanta) were all within 10 percent of milestone goals for schedule and costs.

FTA's four major projects (active New Starts projects with Full Funding Grant Agreements (FFGA) that exceed \$1 billion) are: New Jersey Hudson-Bergen MOS II, San Juan Tren Urbano, Denver Southeast Corridor Project, and Bay Area Rapid Transit (BART) Extension to San Francisco Airport. Three of these projects (New Jersey Hudson-Bergen, Denver Southeast Corridor and the BART-SFO Extension) were within 10 percent of the cost estimate of the current FFGA agreements. San Juan Tren Urbano is 36 percent over the cost estimate in their current FFGA, and is currently operating under an FTA-approved

recovery plan. Two of these projects (New Jersey Hudson-Bergen and Denver Southeast Corridor) were within 10 percent of the schedule milestones of the current FFGA agreements. The San Juan Tren Urbano Revenue Operations Date was recently changed from July 2001 to June 2004. BART-SFO Extension had a Revenue Operations Date of July 2001, but is now projected to be completed in April 2003.

FTA remains committed to bringing projects in on time and on budget, and is improving its rigorous oversight program, and has made project cost and budget performance, a core accountability of every senior manager in the agency. In addition, FTA is using independent reviews and third party assessments such as the Corps of Engineers and other oversight contractors to validate the accuracy of project budgets and schedules before grantees are awarded Full Funding Grant Agreements.

FTA obligated 67 percent of grants within 60 days, including grant applications received in FY 2001 and obligated in FY 2002. In January 2002, FTA determined that improvements in the timeliness of grant processing should be an important component of its efforts to be more customer-focused and results-oriented. In spite of the fact that this ambitious goal was established for the first time one-quarter into the fiscal year, FTA made dramatic improvements in the timeliness of grant processing during FY 2002. Sixty-seven percent of the 1,511 program grants FTA obligated during FY 2002 were awarded in 60 days or less after submission of a completed application. By comparison, a retrospective examination of prior year data indicated that FTA processed only 51 percent of grants within 60 days in FY 2001 and 21 percent in FY 2000.

In addition, FTA took steps to reduce the delay attributable to year-end closing activities. During FY 2002, monthly reconciliation of TEAM data was instituted. This allows a speedier year-end closing and reconciliation that will reduce delays in grant processing at the beginning of FY 2003. As a result of measures instituted in FY 2002 and management attention to the goal, we also anticipate reaching our goal for FY 2003.

FY 2003 Performance Plan Evaluation: DOT will meet the targets in FY 2003.

Management Challenge – Financial Stewardship (IG/OMB)

Contract Closeout (IG/OMB);

Management of Large Transportation Infrastructure Projects (IG/GAO/OMB)

Monitoring the cost, schedule, and performance of “mega projects” is critical to identify problems and initiate action to mitigate risks as soon as possible. DOT has identified and initiated steps to improve its oversight of these projects by developing a comprehensive, standard oversight approach. Elements of this approach include vigorous enforcement of financial reporting requirements, designating accountable oversight managers for “mega projects”, and taking timely action to protect Federal interests on projects designated as “at risk.” FHWA and FTA have developed new guidance for financial reporting on infrastructure projects greater than \$1 billion. Critical analysis of these plans will ensure the Department is provided complete and consistent reporting of basic standardized financial data. Fully developed finance plans have been useful in identifying emerging cost and funding shortfalls in projects.

Proper and timely administrative closure of contracts and proper management control safeguards against waste, fraud, and abuse have been identified by the IG and OMB as areas requiring improvement. Properly closed contracts ensure that the Government pays only what it owes, upon presentation of an invoice by departmental contractors, and that any excess obligated funds can be de-obligated and deployed elsewhere.

The IG has also noted that FHWA can obtain better value for each dollar invested in highway projects by refocusing its oversight efforts to ensure that major projects are delivered on time and on budget. FHWA needs to move from an engineering culture to a more multi-disciplined workforce with the management, financial, environmental, program analysis, and engineering oversight skills necessary to review modern highway projects and programs.

DOT will continue to improve institutional and personal accountability systems to ensure that large transportation infrastructure projects are adequately managed and periodically reviewed by a high-level Departmental Council.

DOT has taken the following actions:

Established project oversight by designating competent oversight managers who are personally accountable for proper Federal oversight; establishing Integrated Product Teams to assist the oversight manager. Additionally, professional certifications for Federal oversight managers will be funded, and grant recipients' project management staff will be required to have professional certifications.

Established a formal management and reporting framework by creating a DOT Executive Council to review project oversight; fostering a collaborative relationship between Federal project oversight managers and grant recipients to facilitate communications; and requiring grant recipients to submit project management plans with agreed-upon oversight provisions and which incorporate "Earned Value Management". Additionally, projects with significant deviations from cost and schedule baselines will be designated as "at risk". Grant agreements will provide financial incentives for comprehensive project management systems, and will insure that a dedicated funding source exists for independent oversight reviews.

Insured accountability by incorporating mega-project oversight into DOT Performance Plans, inviting external audits; providing proper incentives for excellent oversight performance by DOT employees.

To better ensure stewardship and accountability in the use of Federal-aid funds, FHWA issued a policy memorandum on oversight and management of major projects. As part of an FHWA implementation plan which addresses the USDOT task force recommendations on major projects, the Agency obtained an additional 12 full-time equivalent positions for stewardship and oversight of major projects, initiated a risk assessment review, and provided technical assistance on major projects in Washington and Florida. The risk assessment review study, scheduled for completion in FY 2003, will focus on how FHWA interrelates with the project management and oversight activities in the States.

FHWA staff participated in the 2002 National Fraud Conference on Highway Construction and Public Transportation, and worked closely with IG investigative staff to deliver a course on Contract Administration.

The Massachusetts Turnpike Authority completed its annual review of the Central Artery/Tunnel Project's cost and schedule. The cost estimate did not increase from last year and the total cost of the project is now estimated at \$14.625 billion. A completion date of February 2005 is anticipated. In an independent estimate, FHWA determined the project costs at \$14.408 billion and projected a completion date of February 2005. The difference in the two estimates is attributed to different methods used in calculating the contingency amounts.

This issue continues on the IG's 2003 list of DOT top management challenges.

Management Challenge – Amtrak Financial Viability (IG/GAO)

The 1997 Amtrak Reform and Accountability Act mandated that Amtrak develop a plan to eliminate its need for Federal operating support by FY 2003. The IG's January 2002 report on Amtrak's Financial Performance and Requirements, observed that Amtrak is no closer to operational self-sufficiency than it was in 1997. In the summer of 2002, Amtrak lost access to the short-term credit market and threatened shutdown of its entire system. This crisis was averted when the Department arranged a loan of \$100 million and Congress voted to provide an additional \$205 million in supplemental appropriations. Amtrak's authorization ended in December 2002 and reauthorization will be debated in the coming months. In the short run, Amtrak is likely to require at least \$1 billion in Federal grant support in 2003 to preserve the current system and keep open all options for the Congress and the Administration in defining the future of passenger rail. Additional borrowing against assets—such as the 2001 mortgaging of Penn Station—would adversely affect the long-term prospects for the railroad. Deferral of routine maintenance is starting to catch up with Amtrak. Similarly, GAO has discussed Amtrak's need for greater progress toward the goal of operating self-sufficiency.

This continues to be a challenge, since Amtrak experienced significant mechanical problems with Acela locomotives, taking them out of service for significant periods with some impact on revenues. DOT

continued to work with the Administration and Congress to develop a plan for Amtrak's future. Amtrak remained in financial straits, as evidenced by the \$100 million RRIF loan they required in July to sustain operations through the fiscal year.

This issue continues on the IG's 2003 list of DOT top management challenges.

Management Challenge: Reducing DOT Liabilities for Title XI Ship Construction Loan Defaults (IG)

The IG has stated that DOT should act to protect the Government's interests and seek to stop the recent increase in Title XI ship construction loan defaults.

MARAD took two steps to improve Title XI program administration. First, the responsibility for performing certain financial functions was centralized in order to provide for greater efficiency and reliability. Second, MARAD amended its regulations regarding the deposit of proceeds from Title XI obligations. The new regulations eliminate the Construction Fund so that all Title XI proceeds not reimbursed to the ship owner are now deposited solely in the Escrow Fund held at the U.S. Treasury. This action eliminates the need for certain legal opinions from the ship owner's counsel and assures MARAD that these funds will always be available to them as a security deposit. Together, these two actions help to simplify program administration, lower administrative costs and enhance the enforceability of MARAD's security interest in its collateral.

Citizen Centered Government

Performance measure:

Percent of Environmental Justice cases unresolved after one year.

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|----------------|-------------|-------------|-------------|-------------|
| Target: | N/A | N/A | N/A | 40 |
| Actual: | 29 | 56 | 39 | 65 |

2002 Results: DOT did not meet the performance target.

Environmental justice (EJ) complaints continue to be very complex, and therefore time-consuming, compared to other external civil rights complaints. DOT's lack of progress is explained by the following:

- EJ complaints always involve classes and not single individuals;
- EJ complaints almost always involve controversies relating to unsettled areas of the law; and
- EJ complaints involve time-consuming jurisdictional determinations.

DOT will take actions as explained in the following paragraph to address these issues.

FY 2003 Performance Plan Evaluation: DOT will most likely not meet the target in FY 2003. DOT's External Complaint Tracking System (XTRAK) is being revised to track complaints more closely, in a more timely way, and with a higher level of data quality. DOT's General Counsel and Director of Civil Rights are developing joint guidance to operating administration legal counsels and offices of civil rights requiring more intensive legal staff involvement in external civil rights complaints, especially EJ cases, with greater opportunities for legal sufficiency input and concurrence.

Customer Service Focus and E-Government – During FY 2002, the Department launched a new "citizen services" web site which makes it easier for the public to find information and services provided by all DOT organizations. Information on the web site is organized under specific topics such as 'aviation', 'highways and bridges', 'licenses and permits' and many more. As a result, rather than having to know which agency may have the information you're looking for and searching through the web pages of each operating administration, the public can more quickly find information of interest to them. This web site supports the Administration's efforts to improve empower citizens by making information available to the public in ways that make sense to them.

The Department continues to be an active participant in many of the Administration's government-wide E-Government initiatives, such as online rulemaking, business compliance one-stop, e-learning, e-travel and others.

For example, BTS created TransStat to make transportation statistics more accessible to the public (<http://transtats.bts.gov>), and for the Office of the Secretary's Dockets Management System, the managing office created a listserv. This lets the public sign up to be notified when documents on certain topics are added to the system.

Additionally, FAA implemented a robust Section 508 Compliance program to include extensive training for 508 coordinators and website developers, website evaluation and remediation, and adoption of automated tools for website reviews. FAA also contributed funds and staff to the e-Grants program office to review statements of work, review and comment on "mandatory data elements", and review and comment on OMB postings in the Federal Register. FAA is also participating in the FedBizOps pilot project.

Information and Technology Management - Key 2002 milestones and accomplishments:

Take actions that contribute to achieving a 5 percent reduction in information collection burden hours imposed on the public from FY 2001.

- DOT was not able to reduce the information collection paperwork burden on the public. Realistically, DOT will not be able to reduce burden hours on the public as new collection mandates increase.

Provide oversight and monitoring of departmental progress in meeting the Government Paperwork Elimination Act (GPEA) requirements regarding delivering information and transacting business electronically by October 2003.

- launched the Department's web-based GPEA management system in March 2002 for reporting and monitoring progress in meeting the GPEA deadline; and
- made significant progress in implementing GPEA during the past year, going from less than 18 percent of the GPEA items completed last year to over 65 percent completed this year.

Continue development of the Department's IT Enterprise Architecture.

- completed DOT-wide data gathering to identify crosscutting business processes and supporting applications, data, and technology. This will allow us to meet our target date to complete the DOT "As Is" Enterprise Architecture (EA) by the end of November 2002;
- developed navigation and query tools to complement our EA development tool and repository. These tools will make the Department's EA accessible to all DOT employees and managers in a format that is understandable and useful; and
- completed plans for Operating Administrations to finish EAs by the end of FY 2003.

Ensure that DOT organizations make sound IT business investments supportive of strategic goals and electronic government, and effectively manage and control their IT capital investment portfolio through implementation of a structured and integrated capital planning and investment control (CPIC) process:

- implemented Secretary-approved Departmental IT Capital Planning and Investment Control (CPIC) Manual. All DOT organizations developed internal CPIC processes to implement DOT CPIC policies;
- provided training and guidance to all DOT organizations on the preparation of Business Case/OMB Exhibit 300 submissions for significant IT projects and in the use of the IT Investment Portfolio System (ITIPS) Database Tool; and
- improved FY 2004 budget submission quality by analyzing DOT organizations' portfolios and IT projects for overall adequacy of documentation, justifications, affordability, security measures, risk levels, and potential for meeting DOT strategic goals and objectives.

Review IT capital investments that are common to multiple DOT organizations to achieve operational and economic efficiencies, and advise the Secretary regarding the appropriate acquisition and use of such IT capital assets.

- established a departmental Investment Review Board (IRB), chaired by the Deputy Secretary to consider the management, technical and cost efficiencies that could be accrued by consolidating multiple, redundant, human resources, financial management and accounting systems within the Department; and
- planned for and provided guidance to DOT organizations on the consolidation of IT infrastructure projects DOT-wide, as a result of the Capital Planning Work Group (CPWG) deliberations on IT Business Cases/OMB Exhibit 300s in support of the FY 2004 budget submission. Significant operational efficiencies and cost savings should result from the IT infrastructure consolidation in the planned DOT Headquarters Building.

Fostering Competition – The Air Carrier Access Act (ACAA) and the Department's implementing regulations prohibit discrimination against disabled air travelers. In April 2000, provisions were included in AIR-21 requiring that DOT investigate each ACAA complaint that it receives and that it implement an effective ACAA outreach program.

DOT made significant progress during FY 2002 in improving access to the national air transportation system for disabled air travelers. It made significant progress in the number of investigations based on complaints from disabled air travelers that it completed and closed. Beginning in April 2000 through the end of that fiscal year, the Office of the Assistant General Counsel for Aviation Enforcement and Proceedings (C-70) received 409 ACAA complaints. Although it was able to investigate and close 180 cases by the end of FY 2001, because such complaints are labor-intensive, the Department had a significant and growing backlog of complaints by disabled air travelers. Congress provided additional funding for FY 2002 to address the complaint backlog and provide additional assistance to disabled air travelers. While the additional staff was not available for the entire fiscal year, the Department received an additional 373 cases and it investigated and closed 489 cases during FY 2002, a significant improvement over the prior year's performance.

Importantly, the Department also began an effective outreach program to provide relevant information and technical advice to the disabled community and the airline industry about the rights and responsibilities that flow from the ACAA. In this regard, during FY 2002 the Department's Aviation Enforcement Office established a toll-free hotline, staffed seven days per week from 7 a.m. until 11 p.m., to answer questions from disabled air travelers and assist such persons with real-time solutions to any air travel problems. This office also makes available on its website information to assist air travelers with disabilities, which include its fact sheet with tips for disabled air travelers regarding the security screening process, its *New Horizons* information pamphlet, its *Plane Talk* fact sheet with general information for airline passengers with disabilities, as well as 14 CFR Part 382, the Department's rule implementing the ACAA. They also hosted a second forum during FY 2002 to provide disability community organizations, representatives of the airline industry, airport authorities, airport associations, and government officials, including officials from the FAA and the National Council on Disability, an opportunity to have an exchange of ideas and to start a dialogue that will enable all involved to work better together to understand the needs of travelers with disabilities and explore ways of making accessibility to air travel a reality for all.

Feedback from government and advocacy organizations (e.g. National Council on Disability) and members of the public suggests that DOT has been very effective in reducing discrimination by air carriers. Airlines realize that the civil rights of air travelers are a high priority at the Department because of the constant messages provided to them about nondiscrimination and the great number of ongoing enforcement investigations and actions, particularly those related to disability. Specifically, DOT settled a major disability case against Northwest Airlines with a \$700,000 assessed civil penalty. This is the largest civil penalty ever assessed by the DOT for any violation, including a civil rights violation. Much of the penalty will be offset with expenditures by Northwest to improve disabled air traveler accommodations. DOT continues to actively pursue 11 other significant civil rights enforcement investigations involving disabled air travelers.

DOT also investigated and closed several informal complaints of unfair competition filed against various airlines by competitors. One informal complaint remains under active investigation. In addition, DOT completed and closed with a dismissal order its investigations into two major formal complaints by travel agency associations alleging unfair practices and unfair methods of competition on the part of more than

two dozen airlines and a major online Global Distribution System. With the hiring of additional staff stemming from the increased FY 2002 budget, the Department expects to further reduce the number of pending formal actions involving unfair competition.

With regard to airport capacity matters, the Department made significant progress in working to ensure fair and adequate access to airport facilities. The Department reviewed competition plans filed by the 39 medium or large hub airports that were dominated by one or two carriers. The in-depth review process, which included document reviews, telephone conferences, meetings, and site visits, resulted in airports modifying their business practices to achieve the goal of reducing gate hoarding and providing more opportunities for accommodation of new entrants. The airports achieved this goal by adopting practices such as: monitoring gate utilization; providing fair and uniform notification of gate availability; adopting fair and transparent protocols for gate assignment; and adopting procedures to ensure fair and timely dispute resolution about access, accommodation, subleasing and ground handling.

Management Challenge – Airline Mergers, and Customer Service Commitment (IG/GAO)

As stated by the IG, airlines have committed to improving air travel by improving communication with passengers, quoting the lowest available fare, timely return of lost baggage, and taking care of passengers during extended onboard aircraft delays. Extensive flight delays, baggage not showing upon arrival, and long check-in lines remain as major sources of dissatisfaction by air passengers. Efforts to solve these problems have been frustrated by record delays, which translate into customer discontent. Until the FAA, airlines, and airports effectively address these areas, there will continue to be discontent with air travel. Additionally, as GAO has pointed out, the lack of effective competition in certain markets has contributed to high fares and poor service. Increased competition and better aviation service will entail a range of solutions by DOT, the Congress, and the private sector.

Government needs to be the watchdog of competition to ensure that competitive conditions continue to exist. In response to complaints by new entrant airlines that incumbent airlines were engaging in unfair competitive practices, DOT informally investigated major airline responses to entry by low-fare airlines. If complaints were to have a substantial basis in fact, the Justice Department would bring actions against the parties.

The Department of Justice is responsible for determining whether mergers should be challenged on competitive grounds. DOT also conducts its own analysis of merger transactions and provides its views on competitive issues to the Justice Department.

Budget and Performance Integration

Results-oriented decision-making – By clearly focusing on investments in programs that work, and by exerting efforts to make well-designed programs achieve their intended results, DOT will increase the value it creates for the American people. The chief means to accomplish our intended results is to hold executives and managers accountable for them. Accordingly, DOT thoroughly revamped its performance plan and refocused its system of individual and organizational accountability. Departmental leaders, senior executives, and flag officers are included in this system, which will increase the alignment of resource decision-making and programmatic effort with DOT's strategic purposes.

Management Challenge – Government Performance and Results Act Implementation (IG/OMB)

The IG has noted that GPRA requires Federal agencies to develop five-year strategic plans, annual performance plans and annual performance reports. The IG further noted that DOT's strategic and performance plans are among the best in the Federal Government. To continue this success, DOT needs to improve the reliability and timeliness of its performance data, and provide better linkages between budgets and performance results.

DOT has acknowledged that increasing the validity, reliability, timeliness, and comparability-over-time of performance data will be a challenging task. In its most recent strategic plan, DOT included a data improvement strategy under each strategic goal. BTS is leading the development of standards for DOT's data, training people in the collection and interpretation of transportation data, and coordinating data series among Operating Administrations. BTS continued to develop leading indicators for its strategic goals and most DOT performance measures to help anticipate trends in each of these outcomes and completed an assessment of data quality for the major DOT data collection systems.

The FY 2002 performance plan linked budgeted amounts more closely with each performance goal. Several DOT Operating Administrations will submit integrated performance-based FY 2004 budget justifications to Congress, making linkages between resources and results more clear.