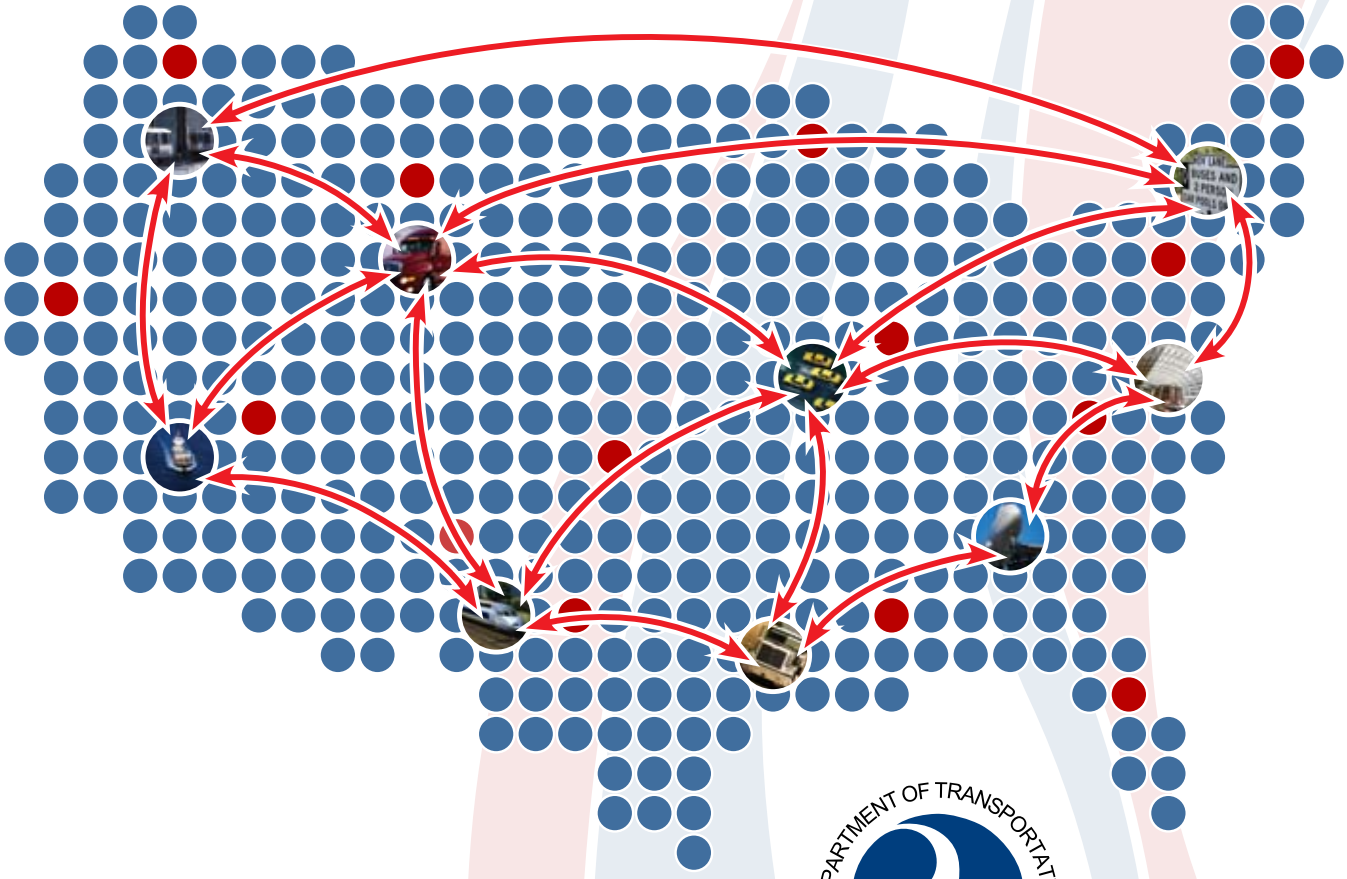
MANAGEMENT'S DISCUSSION AND ANALYSIS






ABOUT THIS REPORT

The Department of Transportation's (DOT or Department) Performance and Accountability Report (PAR) for Fiscal Year 2008 (Report) provides performance and financial information that enables Congress, the President, and the public to assess the performance of the Department relative to its mission and stewardship of the resources entrusted to it. This Report satisfies the reporting requirements of the following major legislation.

- ✧ Reports Consolidation Act of 2000
- ✧ Government Performance and Results Act of 1993
- ✧ Chief Financial Officers Act of 1990
- ✧ Government Management Reform Act of 1994

These reports are combined in the PAR, which consists of the Annual Performance Report—required by the Government Performance and Results Act of 1993—with annual financial statements—required under the CFO Act, as amended by the Government Management Reform Act of 1994—and other reports, such as assurances on internal controls, accountability reports by agency heads, and Inspector General assessments of an agency's management challenges.

Additional copies of the Department of Transportation's Fiscal Year 2008 Performance and Accountability Report are available by writing to:

U.S. Department of Transportation
Office of the Assistant Secretary for Budget and Programs/Chief Financial Officer
Room W95-330
1200 New Jersey Avenue, SE
Washington, D.C. 20590

You may also view this Report online at http://www.dot.gov

HOW THIS REPORT IS ORGANIZED

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The Management's Discussion and Analysis (MD&A) section provides a summary of the entire Report. It includes an organizational overview; a summary of the most important performance results and challenges for FY 2008; a brief analysis of financial performance; a brief description of systems, controls, and legal compliance; and information on the Department's progress in implementing the President's Management Agenda. The MD&A also addresses the management challenges identified by the Department's Inspector General and a summary of the Inspector General's audit report.

THE PERFORMANCE REPORT

The Performance Report section contains the annual program performance information required by the Government Performance and Results Act of 1993 (GPRA) and includes all of the required elements of an annual program performance report as specified in OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. The results are presented by Strategic Goal.

THE FINANCIAL REPORT

The Financial Report section contains the Department's financial statements, notes, required supplementary information, supplementary information pertaining to the Department's stewardship of Federal assets, related Inspector General's Audit Report, and other accompanying information.




DEPARTMENT OF TRANSPORTATION MISSION AND VALUES

MISSION

The national objectives of general welfare, economic growth and stability, and the security of the United States require the development of transportation policies and programs that contribute to providing fast, efficient, and convenient transportation at the lowest cost consistent with those and other national objectives, including the efficient use and conservation of the resources of the United States.

VALUES

PROFESSIONALISM

As accountable public servants, we exemplify the highest standards of excellence, integrity, and respect in the work environment.

TEAMWORK

We support each other, respect differences in people and ideas, and work together in ONE DOT fashion.

CUSTOMER FOCUS

We strive to understand and meet the needs of our customers through service, innovation, and creativity. We are dedicated to delivering results that matter to the American people.

ORGANIZATION

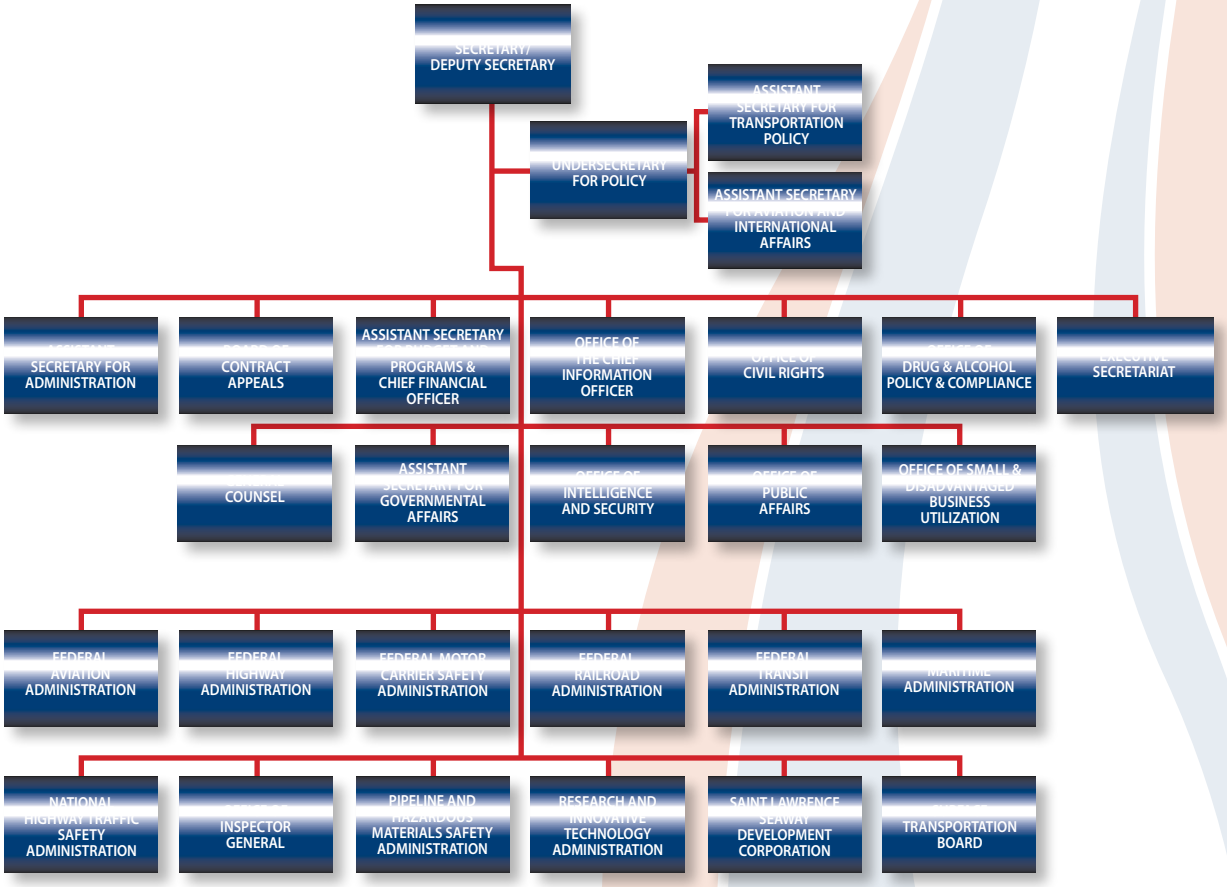
HISTORY

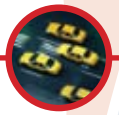
Established in 1967, DOT sets Federal transportation policy and works with State, local, and private sector partners to promote a safe, secure, efficient, and interconnected National transportation system of roads, railways, pipelines, airways, and waterways. DOT's overall objective of creating a safer, simpler, and smarter transportation program is the guiding principle as we move forward to achieve specific goals.

HOW WE ARE ORGANIZED

DOT employs almost 60,000 people across the country, in the Office of the Secretary of Transportation (OST) and through twelve Operating Administrations (OAs) and bureaus, each with its own management and organizational structure.

The Office of the Secretary of Transportation provides overall leadership and management direction, administers aviation economic programs, and provides administrative support. The Office of Inspector General (OIG) and the Surface Transportation Board (STB), while formally part of DOT, are independent by law.



OVERVIEW OF LEGISLATIVE AUTHORITIES

The DOT strategic plan summarizes the legislative authorities of each Operating Administration. To provide a context for the reader, the highlights of the responsibilities of each Operating Administration are listed below.

Office of the Secretary. The Office of the Secretary (OST) oversees the formulation of national transportation policy and promotes intermodal transportation. Other responsibilities range from negotiation and implementation of international transportation agreements, assuring the fitness of U.S. airlines, enforcing airline consumer protection regulations, issuance of regulations to prevent alcohol and illegal drug misuse in transportation systems and preparing transportation legislation.

Federal Aviation Administration. The Federal Aviation Administration's (FAA) mission is to promote aviation safety and mobility by building, maintaining, and operating the Nation's air traffic control system; overseeing commercial and general aviation safety through regulation and inspection; and providing assistance to improve the capacity and safety of our airports.

Federal Highway Administration. The mission of the Federal Highway Administration (FHWA) is to improve mobility on our Nation's highways through national leadership, innovation, and program delivery.

Federal Motor Carrier Safety Administration. The Federal Motor Carrier Safety Administration's (FMCSA) primary mission is to prevent commercial motor vehicle-related fatalities and injuries.

Federal Railroad Administration. The Federal Railroad Administration's (FRA) mission is to ensure that our Nation has safe, secure, and efficient rail transportation that enhances the quality of life for all.

Federal Transit Administration. The Federal Transit Administration (FTA) provides leadership, technical assistance, and financial resources for safe, technologically advanced public transportation that enhances mobility and accessibility, improves America's communities, preserves the natural environment, advances economic growth, and ensures that transit systems are prepared to function during and after criminal or terrorist attack.

Maritime Administration. The Maritime Administration's (MARAD) mission is to improve and strengthen the U.S. Marine Transportation System to meet the economic, environmental and security needs of the Nation.

National Highway Traffic Safety Administration. The National Highway Traffic Safety Administration's (NHTSA) mission is to save lives, prevent injuries and reduce economic costs due to road traffic crashes through education, research, safety standards, and enforcement activity.

Office of Inspector General. The Inspector General Act of 1978, as amended, established the Office of Inspector General (OIG) as an independent and objective organization within the DOT. The OIG's mission is to promote economy, effectiveness, and efficiency and to prevent and detect fraud, waste, and abuse in DOT operations and programs by conducting and supervising independent and objective audits and investigations.

Pipeline and Hazardous Materials Safety Administration. The mission of the Pipeline and Hazardous Materials Safety Administration (PHMSA) is to protect people and the environment from the risks inherent in transportation of hazardous materials—by pipeline and other modes of transportation.

Research and Innovative Technology Administration. The Research and Innovative Technology Administration (RITA) is dedicated solely to the advancement of DOT priorities for innovation and research in transportation technologies and concepts. Innovations that will improve our mobility, promote economic growth, and ultimately deliver a better integrated transportation system.

Saint Lawrence Seaway Development Corporation. The U.S. Saint Lawrence Seaway Development Corporation (SLSDC), a wholly owned government corporation and an OA of DOT, is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie.

Surface Transportation Board. The Surface Transportation Board (STB) is charged with promoting substantive and procedural regulatory reform in the economic regulation of surface transportation, and with providing an efficient and effective forum for the resolution of disputes and the facilitation of appropriate business transactions.




PERFORMANCE HIGHLIGHTS

Secretary Mary E. Peters is committed to ensuring that our transportation system remains safe, secure, and efficient and that it serves as the engine that drives our Nation's economy. Because economic activity and global trade are increasing, our roads, railways, pipelines, public transit systems, airways, and waterways are experiencing increasing growth in demand.

This Administration is working to ensure that our transportation system has the capacity to accommodate the needs of a growing and prosperous America. Below, we present the highlights of our fiscal year (FY) 2008 results in our five strategic areas: safety, reduced congestion, global connectivity, environmental stewardship and security, preparedness and response. We also present our internal organizational achievements that enhance DOT's performance as a results-driven Federal agency.

SAFETY

Transportation makes possible the movement of people and goods, fueling our economy and enabling the American way of life. Development of transportation systems has become a major determinant of a nation's economic success. At the same time, transportation exposes us to the risk of harm. While we have made progress in making all modes of transportation safer, the Department's top priority and central focus remains improving safety. All modes of transportation have a share in achieving our strategic safety goal: *Enhance public health and safety by working toward the elimination of transportation-related deaths and injuries.*

In the last eleven years, the Department has set two very challenging safety goals for itself. In 1997, the White House Commission on Aviation Safety and Security issued a challenge to FAA and the aviation industry to reduce the air carrier fatal accident rate by 80 percent in 10 years. In response, FAA initiated a joint Government-industry analysis of causal factors most frequently involved in aviation accidents. By 2007, aviation fatalities had declined by 57 percent.

In 1998 we announced our intention to reduce highway fatalities to 1 per 100 million vehicle-miles traveled. In the ten years that followed we made significant progress, reducing the number of highway fatalities by 1.1 percent from 41,501 in 1998 to 41,059 in 2007. Taking into account the extent of highway travel (VMT), this seemingly small reduction in the number of highway fatalities corresponds to a 13.3 percent reduction in the fatality rate, from 1.58 fatalities per 100 million (100M) VMT in 1998 to 1.37 in 2007.

Over the years we have made significant progress toward the two targets, but we have yet to meet them. We reexamined our programs and goals and decided to make some significant changes in the *FY 2006 – 2011 Strategic Plan*.

Rather than focus exclusively on the 1.0 goal in highway transportation, we have begun tracking four new measures, which reflect the spectrum of road users: passenger vehicles, motorcyclists, large trucks and buses, and non-occupants (pedestrians, cyclists, etc.). This approach will allow us to pinpoint which populations are most at risk and develop programs to address those risks. For FY 2008, we project DOT will meet the targets for three of the four measures: occupants of passenger vehicles, non-occupants, and occupants of large trucks and buses. Fatalities continue to rise, however, among motorcycle operators and passengers. We have suspected for several years that this was a point of vulnerability in highway safety and the data for the new measures are bearing this out. The Department is addressing motorcyclists and the road conditions that are hazardous for them

specifically. We have begun this process with the Transportation Action Plan to Reduce Motorcycle Fatalities. (See the report at: http://www.nhtsa.gov/staticfiles/DOT/NHTSA/Communication%20&%20Consumer%20Information/Articles/Associated%20Files/4640-report2.pdf.)

The Federal Aviation Administration has adopted a new goal: reducing the number of commercial air carrier fatalities per 100 million persons onboard by half by 2025. The new metric is more relevant because it measures the individual risk to the flying public. All fatalities, including passengers, crewmembers, ramp workers, and ground fatalities, are counted equally. FAA stayed below the target for this new metric in FY 2008. The Agency also had a successful year in general aviation; the end of April, 2008, marked a 3-year period that was the safest ever recorded in the history of General Aviation.

In September 2008, a commuter train in Los Angeles collided with a freight train, killing 25 passengers. Although this was the most serious passenger rail accident in several years, FRA still met its target for the number of rail-related accidents and incidents per million train miles. NTSB has begun an investigation to identify the cause of the accident; FRA will act on any recommendations that result.

Transit continued its long history of excellent safety, easily keeping the number of transit fatalities below .468 per 100 million passenger-miles traveled. This success is particularly notable when you realize that an increasing number of people across the country are turning to mass transit for their commute to work. In fact, passenger-miles traveled between January and June 2008 was 3.7 percent higher than the same period in 2007.

We are still finding it challenging to meet the target for the number of serious incidents for natural gas and hazardous liquid pipelines. This year's target was 40 and, based on preliminary data, we project there will be 41 serious incidents. We know that approximately three-fourths of serious incidents occur in natural gas distribution pipelines, the small diameter lines that move material from a collection point to homes and businesses. To address this issue, the Pipeline and Hazardous Materials Safety Administration (PHMSA) plans to extend the integrity management rules, which have been so effective in reducing incidents in hazardous liquid and natural gas transmission lines, to natural gas distribution systems. Implementation will begin in FY 2009, but it will be several years before we begin seeing the effects of the new risk-management approach.

The number of serious hazardous materials transportation incidents continues to decline. PHMSA works closely with other DOT agencies involved in transporting hazardous materials (FAA, FMCSA, and FRA) to address major risks.

REDUCED CONGESTION

Historically, the mobility that transportation provides has helped define us as a people and as a Nation. Our ability to travel from place to place allows us to connect with other people, work, school, and marketplaces throughout the United States and around the world. Congestion in all modes of transportation, however, has increased substantially in the last decade. Whether it takes the form of commuters and trucks stalled in traffic, cargo on the docks at overwhelmed seaports, or airplanes circling crowded airports, congestion is costing America around $200 billion a year. To address this situation, the Department adopted a new strategic goal: *Reduce congestion and other impediments to using the Nation's transportation system.*

In 2006, the Secretary of Transportation announced the *National Strategy to Reduce Congestion on America's Transportation Network*. The strategy, which focuses on roads and transit systems, contains a number of initiatives to encourage variable pricing, the use of new technologies, and private sector investment in transportation infrastructure. Our goal is to reduce the rate at which congestion is increasing across the country. At 27.3 percent of travel, congestion in urban areas was below the projected level of 32.3 percent.

Pavement and bridge conditions affect congestion; the better condition the infrastructure is in, the less need for repair and rehabilitation projects that slow down the flow of traffic. This year, preliminary results suggest that slightly less than the target of 57 percent of pavement met the standards for a good ride. The percent of bridge deck area rated as either structurally deficient or functionally obsolete, however, exceeded the target. More than 29 percent of bridge deck areas needs to be replaced or repaired. The FHWA is assisting States in developing programs to repair, rehabilitate, or replace structurally deficient bridges in their inventories in order to reduce the number of structurally deficient bridges at an accelerated pace.

Transit ridership increased by 4.3 percent this year, exceeding the target of 1.5 percent. While transit agencies have increased ridership over four years with improved service and fare subsidy programs, it is fairly clear that this year's growth can be attributed to higher gas prices.

The Department seeks to increase transit ridership in general, and also to individuals with disabilities who often rely on public transportation. The Federal Transit Agency has worked with state and local transit agencies for 18 years to bring bus fleets and rail stations into compliance with the Americans with Disabilities Act. We have exceeded targets for both measurement areas once again, with 98 percent of bus fleets compliant and 95 percent of key rail stations compliant.

Aviation congestion remains a challenging issue for FAA and the Department. We missed the target for on-time arrivals for a second year; this year's target was 87.29 percent and actual performance was 87.35 percent. To help increase arrival rates, FAA evaluates new tools and technologies, redesigns airspace where helpful, adjusts separation standards between aircraft flying at high altitudes, and collaborates with airlines to manage traffic flow at specific, high-volume airports

GLOBAL CONNECTIVITY

Transportation systems within and among nations are lifelines to economic growth, less restricted trade, and greater cultural exchange. The globalization of the American economy has put pressure on our ports, borders, and airports. When combined with increasing local traffic, greater volumes of international freight and passenger traffic will result in more congestion and delay and, as a result, higher shipping and travel costs. Our strategic goal: *Facilitate an international transportation system that promotes economic growth and development* rests on two strategies: open international transportation networks and improved intermodal transportation systems.

The Department has adopted two new measures connected with efficient cargo movement: the number of freight corridors where the average speed is 55 miles per hour and the number of U.S. border crossings with an increase in operational reliability. We also continue to track the movement of vessels through the St. Lawrence Seaway. In FY 2008, all twenty-five of the freight corridors under study kept their average travel speed at 55 miles an hour, and no corridor had a decline in average speed of more than 1 mile per hour. Any decline in the average speed means it takes motor carriers longer to reach their destinations, thus increasing the cost of transportation

for the goods being carried. The target for more efficient border crossings was not met. The SLSDC narrowly missed its target of U.S. Seaway availability. We expected this gateway to the Great Lakes to be open for 99 percent of the shipping season, but the actual performance was 98.8 percent.

The Department continues to work with other countries to negotiate bilateral agreements, removing the barriers to increased service and lower fares for airline passengers. As of 2008, the Department has negotiated 90 Open Skies agreements, covering 3.94 billion potential passengers.

ENVIRONMENTAL STEWARDSHIP

While transportation ties us together as a Nation, it can also produce unwanted side effects such as air and water pollution, the loss of ecosystems and disruption of communities. Americans want solutions to transportation problems that are consistent with sound environmental planning. DOT is committed to avoiding or mitigating the adverse environmental effects that can accompany transportation, as stated in our strategic goal: *Promote transportation solutions that enhance communities and protect the natural and built environment.*

For the third year in a row, the number of areas in a transportation emissions conformity lapse was well below the target. In fact, for the second year in a row there were no conformity lapses at all nationwide.

In FY 2008, we replaced the performance measure "Number of exemplary ecosystem initiatives initiated" with "Number of exemplary human environmental initiatives undertaken". The previous measure tracked actions that helped sustain or restore natural systems and their functions and values using an ecosystem or landscape context. We had exceeded the target by significant margins since 2004, which indicated transportation planners were increasingly aware of the environmental impact of their projects and taking steps to mitigate it. We decided to drop the measure in favor of a new, more challenging one which focuses on enhancing the human environment. This year the target was to identify 10 exemplary initiatives; FHWA received proposals for 11 projects that met the criteria.

This year, for the first time, we are presenting performance measures that indicate our success in streamlining the environmental review process. Three Operating Administrations, Federal Highways, the Federal Aviation Administration, and the Federal Transit Administration, sponsor major infrastructure projects that must comply with the National Environmental Protection Act before the projects can be started. It can take years to complete an Environmental Impact Statement (EIS). The length of time required to complete the environmental review process, referred to as the NEPA process, is a source of frustration to State and local transportation agencies. We have set ourselves challenging targets and this year's results prove how much of a challenge this effort will be. We know progress will be slow, but we are committed to streamlining the process because it will ultimately reduce the time it takes to complete major projects.

SECURITY, PREPAREDNESS AND RESPONSE

Our transportation system must remain a vital link for maintaining the country's economy, supporting civilian emergency response and mobilizing our armed forces for military contingencies. The strategic goal has been refocused to include the need for preparedness and response to natural disasters: *Balance transportation security requirements with the safety, mobility, and economic needs of the nation and be prepared to respond to emergencies that affect the viability of the transportation sector.*




The Department of Defense (DOD) relies on the U.S. commercial transportation industry as well as government-owned ships to deliver equipment and supplies throughout the world in order to maximize defense logistics capabilities and minimize cost. In addition to the availability of commercial U.S.-flag vessels, MARAD has 44 government-owned Ready Reserve Force vessels available to satisfy DOD's surge sealift requirements. MARAD, in conjunction with DOD, also negotiates an agreement with each DOD-designated commercial strategic port specifying which facilities will be needed to conduct a military deployment. These ports are expected to make their facilities available to the military within 48 hours of written notice. DOT met both the shipping capacity target of 94 percent availability within mobilization timelines, and achieved 100 percent readiness within established timelines for targeted commercial strategic ports.

ORGANIZATIONAL EXCELLENCE

Secretary Peters' management strategy for achieving organizational improvement includes full implementation of the President's Management Agenda (PMA). The PMA contains seven mutually reinforcing initiatives that the DOT team is integrating into its corporate culture in striving for continuous management improvement. The seven PMA initiatives are in the areas of strategic management of human capital; commercial services management; financial performance; electronic government; performance improvement; federal real property asset management; eliminating improper payments. For FY 2008, three of DOT's initiatives had green ratings and four of the initiatives had yellow ratings. A green rating means the Agency has met all the OMB requirements, whereas a yellow rating indicates that the Agency has failed to meet one or two significant requirements. An Agency that receives a red rating has met none of the major PMA requirements for the initiative in question.

FINANCIAL HIGHLIGHTS

Preparing these statements is part of the Department's goal to improve financial management and to provide accurate and reliable information that is useful for assessing financial performance. Departmental management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

The financial statements and financial data presented in this Report have been prepared from the accounting records of the DOT in conformity with generally accepted accounting principles (GAAP). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

OVERVIEW OF FINANCIAL POSITION

ASSETS

The Consolidated Balance Sheet shows the Department had total assets of $61.3 billion at the end of FY 2008. This represents a 1 percent decrease over the previous year's total assets of $61.8 billion. The largest increase of $950 million was in the increase in Direct Loans disbursements made under Transportation Infrastructure Finance Innovation Act (TIFIA) which provides credit assistance to major transportation projects.

The Department's assets reflected in the Consolidated Balance Sheet are summarized in the following table.

Assets by Type (Dollars in Thousands)		**2008**	**%**		**2007**	**%**
Fund Balance with Treasury	$	22,074,754	36.0	$	23,392,470	37.8
Investments		21,728,238	35.4		21,218,168	34.3
General Property, Plant & Equipment		14,512,568	23.6		14,683,890	23.7
Inventory and Related Property, Net		802,368	1.3		785,760	1.3
Direct Loans and Guarantees, Net		1,670,284	2.7		889,885	1.4
Accounts Receivable		303,490	.5		623,810	1.0
Cash and Other Assets		276,082	.5		237,855	0.4
Total Assets	**$**	**61,367,784**	**100.0**	**$**	**61,831,838**	**100.0**

LIABILITIES

The Department had total liabilities of $14.8 billion at the end of FY 2008. This represents a 5 percent increase from the previous year's total liabilities of $14.1 billion, which is reported on the Consolidated Balance Sheet and summarized in the following table. The largest increases were in the Debt which reflects the increase in the TIFIA loan program and; the Grant Accrual which reflects changes in grantee payment patterns.




Liabilities by Type (Dollars in Thousands)		2008	%		2007	%
Grant Accrual	$	5,810,147	39.2	$	5,526,288	39.3
Other Liabilities		4,628,380	31.2		4,727,489	33.6
Accounts Payable		1,528,335	10.3		1,591,693	11.3
Environmental and Disposal Liabilities		828,757	5.6		852,366	6.1
Debt		1,762,985	12.0		1,040,761	7.4
Loan Guarantees		258,050	1.7		336,626	2.3
Total Liabilities	**$**	**14,816,654**	**100.0**	**$**	**14,075,223**	**100.0**

NET POSITION

The Department's Net Position at the end of FY 2008 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position is $46.6 billion, a 1 percent decrease from the previous fiscal year total net position of $47.8 billion. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

RESULTS OF OPERATIONS

The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position.

NET COSTS

The Department's total net cost of operations for FY 2008 was $66 billion.

Net Costs (Dollars in Thousands)		2008	%		2007 Restated	%
Surface Transportation	$	50,153,011	75.7	$	47,385,306	75.05
Air Transportation		15,532,121	23.4		14,814,454	23.46
Maritime Transportation		215,079	0.30		570,727	0.90
Costs Not Assigned to Programs		386,130	0.60		388,392	0.62
Less Earned Revenues Not Attributed to Programs		39,379	0.05		30,295	0.05
Cross-Cutting Programs		23,501	0.04		11,448	0.02
Net Cost of Operations	**$**	**66,270,463**	**100.00**	**$**	**63,140,032**	**100.0**

Surface and air costs represent 99.1 percent of the Department's net cost of operations. Surface transportation program costs represent the largest investment for the Department at 76 percent of the Department's net cost of operations. Air transportation is the next largest investment for the Department at 23 percent of the Department's net cost of operations. The increases in Net Cost are attributed to the Surface and Air Programs. More funding was expended to increase mobility and improve safety which are Departmental goals.

RESOURCES

BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources provides information on how budgetary resources were made available to the Department for the year and their status at fiscal year-end. For the 2008 fiscal year, the Department had total budgetary resources of $133.7 billion, compared to the FY 2007 levels of $122.7 billion.

Budget Authority of $136.6 billion – which consists of $62.5 billion of appropriations received and $57 billion of borrowing and contract authority. The Department incurred obligations of $87.7 billion for the 2008 fiscal year, a 16 percent increase over the $75.8 billion of obligations incurred during 2007. Outlays reflect the actual cash disbursed against the Department's obligations. The increases in Budgetary Authority are attributed to the Surface and Air Programs. More funding was expended to increase mobility and improve safety which are Departmental goals.

HERITAGE ASSETS AND STEWARDSHIP LAND INFORMATION

Heritage assets are property, plant and equipment that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics.

Stewardship Land is land and land rights owned by the Federal Government but not acquired for or in connection with items of general property, plant and equipment.

The Department's Heritage assets consist of artifacts, museum and other collections, and buildings and structures. The artifacts and museum and other collections are those of the Maritime Administration. Buildings and structures include Union Station (rail station) in Washington, D.C., which is titled to the Federal Railroad Administration.

The Department holds transportation investments (Stewardship Land) through grant programs such as the Federal Aid Highways, mass transit capital investment assistance, and project grants for airport planning and development.

Financial information for Heritage assets and Stewardship Land is presented in the Financial Section of this Report under the Financial Statements and Required Supplementary Information.




LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the Department of Transportation, pursuant to the requirements of 31 U.S.C. 3515 (b).

These statements have been prepared from the books and records of the Department of Transportation in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB. The statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

- ✧ The FMFIA requires agencies to conduct an annual evaluation of its management controls and financial systems and report the results to the President and Congress. The Secretary of Transportation then prepares an annual Statement of Assurance based on these internal evaluations.
- ✧ As a subset of the FMFIA Statement of Assurance, DOT is required to report on the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. A separate discussion on Appendix A is located at the end of this section.
- ✧ The Secretary of Transportation's has provided the President and Congress a qualified Statement of Assurance for FY 2008. The Department evaluated its management control systems and financial management systems for the fiscal year ending September 30, 2008. This evaluation provided reasonable assurance and formed the basis of the Secretary's Statement of Assurance that the objectives of the FMFIA were achieved in FY 2008.

FMFIA ANNUAL ASSURANCE PROCESS

- ✧ The FMFIA review is an agency self-assessment of the adequacy of financial controls in all areas of the Department's operations – program, administrative, and financial management.

Objectives of Control Mechanisms
1. Financial and other resources are safeguarded from unauthorized use or disposition.
2. Transactions are executed in accordance with authorizations.
3. Records and reports are reliable.
4. Applicable laws, regulations, and policies are observed.
5. Resources are efficiently and effectively managed.
6. Financial systems conform to government-wide standards.

- ✧ Managers within the Department, being in the best position to know and understand the nature of the problems they face, establish appropriate control mechanisms to ensure Departmental resources are sufficiently protected from fraud, waste, and abuse, and to meet the intent and requirements of the FMFIA. The head of each Operating Administration and Departmental office submits an annual statement of assurance representing the overall adequacy and effectiveness of management controls within the organization to the Department's Office of Financial Management. FMFIA material weakness and material nonconformances are also reported, citing milestones and/or accomplishments. Specific guidance for completing the end of fiscal year




assurance statement and reporting on material deficiencies is issued annually by the Department's Office of Financial Management.

CRITERIA FOR REPORTING MATERIAL WEAKNESSES AND NONCONFORMANCES

✧ A material weakness under FMFIA must fall into one or more of the categories below plus merit the attention of the Executive Office of the President and/or the relevant Congressional oversight committees.

Criteria for Reporting a Material Weakness
1. Significant weakness of the safeguards (controls) against waste, loss, unauthorized use or misappropriation of funds, property, or other assets.
2. Violates statutory authority, or results in a conflict of interest.
3. Deprives the public of significant services, or seriously affects safety or the environment.
4. Impairs significantly the fulfillment of the agency's mission.
5. Would result in significant adverse effects on the credibility of the agency.

✧ A material nonconformance under FMFIA must fall into one or more of the categories below plus merit the attention of the Executive Office of the President or the relevant Congressional oversight committees.

Criteria for Reporting a Material Nonconformance
1. Prevent the primary accounting system from centrally controlling financial transactions and resource balances.
2. Prevent compliance of the primary accounting system, subsidiary system, or program system under the Office of Management and Budget Circular A-127.

SUMMARY OF FY 2008 FMFIA MATERIAL WEAKNESSES

STATUS OF INTERNAL CONTROLS (FMFIA SECTION 2)

The DOT is reporting one material weakness, due to the non-compliance with Federal Information Security Management Act (FISMA) of 2002, and OMB requirements for security information systems and providing privacy protection of personally identifiable information (PII).

STATUS OF FINANCIAL MANAGEMENT SYSTEMS (FMFIA SECTION 4)
APPENDIX A, INTERNAL CONTROLS OVER FINANCIAL REPORTING

Appendix A of OMB Circular A-123 emphasizes management's responsibility for establishing and maintaining effective internal control over financial reporting. Appendix A requires agencies to maintain documentation of the controls in place and of the assessment process and methodology management used to support its assertion as to the effectiveness of internal control over financial reporting. Agencies are also required to test the controls in place as part of the overall FMFIA assessment process. The assurance statement related to the assessment performed under Appendix A acts as a subset of the Overall Statement of Assurance reported pursuant to Section 2 of the FMFIA legislation. Management's assurance statement as it relates to Appendix A is based on the controls in place as of June 30. The assurance statement is located in the following section of this report.

DOT is reporting an unqualified assurance statement on internal controls over financial reporting. DOT began the first full year of the Department's Internal Control Program where it performed in-depth testing of the controls over four focus area business processes for each Operating Administration (OA). Additional testing of high-risk key controls from the remaining ten non-focus area business processes was performed for OAs whose transactions are material to the Department-wide financial statements.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

November 06, 2008

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to report on the effectiveness of the internal controls and financial systems for the U.S. Department of Transportation (DOT) during Fiscal Year (FY) 2008. This report is based on our successful implementation of Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, which provides guidance for meeting the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

The FMFIA holds Federal managers responsible for establishing and maintaining effective internal controls and financial systems. All DOT organizations are subject to Sections 2 and 4 of the FMFIA. Not included are the Saint Lawrence Seaway Development Corporation, which reports separately under the Government Corporations Control Act.

DOT is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of one material weakness reported under Section 2 regarding weaknesses in information security.

During FY 2008, DOT conducted its assessment of internal controls and compliance with applicable laws and regulations in accordance with OMB Circular A-123. Based on this evaluation, DOT identified one noncompliance with laws and regulations as of September 30, 2008. Other than the noted exception, DOT's internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control system.

The Department is pleased to report the Section 2 material weakness and Section 4 nonconformance reported in FY 2007, Timely Processing of Transactions and Accounting for PP&E, including the CIP Account, Weaknesses in the Stewardship and Oversight of Federal-Aid Projects Administered by Local Program Agencies (LPAs), and Noncompliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 as related to the financial reporting of the CIP balance, were resolved during FY 2008.

Section 2. Material weaknesses are defined as deficiencies in the design or operation of internal controls that do not reduce to a relatively low level the risk that significant errors, fraud, or noncompliance could occur and not be detected by employees in the normal course of performing their duties.

The DOT is reporting one material weakness, due to the noncompliance with Federal Information Security Management Act (FISMA) of 2002, and OMB requirements for security information systems and providing privacy protection of personally identifiable information (PII).

Section 4. Nonconformances in internal controls represent deficiencies in the design or operation of internal controls that could adversely affect the DOT consolidated financial statements. The DOT is reporting no nonconformances for the period from October 1, 2007, through September 30, 2008.

OMB Circular A-123, Appendix A. During FY 2008, DOT conducted an assessment of the effectiveness of internal controls over financial reporting, including safeguarding assets and complying with applicable laws and regulations. DOT management is also responsible for ensuring that proper internal controls over financial reporting are in place and are functioning effectively.

During FY 2008, DOT documented and tested entity level controls over the control environment within all of its operating administrations. We documented and tested the following focus areas: Procurement and Accounts Payable; Credit Card Management; Cash Management, and Travel Management. Additionally, DOT identified and tested key high risk areas, due to their significance to the Department's financial statements. This is also the first year that DOT conducted a full assessment of the Department's internal control over financial reporting using a comprehensive risk-base approach. Based on the results of the Appendix A evaluation, DOT is reporting an unqualified statement of assurance

DOT has made substantial progress in enhancing its internal controls and financial management program. Additional enhancements are planned and underway in FY 2009.

Respectfully,

Mary E. Peters




FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that agencies' financial management systems provide reliable financial data in accordance with generally accepted accounting principles and standards. Under FFMIA, financial management systems must substantially comply with three requirements — Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL). In addition, agencies must determine annually whether their systems meet these requirements. This determination is to be made no later than 120 days after the earlier of (a) the date of receipt of the agency-wide audited financial statement, or (b) the last day of the fiscal year following the year covered by such statement.

To assess conformance with FFMIA, the Department uses OMB Circular A-127 survey results, FFMIA implementation guidance issued by OMB, results of OIG and GAO audit reports, annual financial statement audits, the Department's annual Federal Information Security Management Act (FISMA) Report, and other relevant information. The Department's assessment also relies a great deal upon evaluations and assurances under the FMFIA, with particular importance attached to any reported material weaknesses and material nonconformances.

FFMIA OF 1996 NONCOMPLIANCE ISSUES

The Department is pleased to report the Section 4 noncompliance as related to the financial reporting of the CIP balance was resolved during FY 2008.

FFMIA OF 1996 FINANCIAL MANAGEMENT SYSTEMS STRATEGY

DOT uses Oracle Federal Financials software as its agency-wide financial management and accounting system of record (called Delphi). DOT was the first—and remains the only—cabinet agency to migrate all of its Operating Administrations (OAs) to a Financial Systems Integration Office-certified, commercial-off-the-shelf based financial system running on a cost-effective single production instance of the software. Using the DOT developed Financial Statement Solution enhancement, the Department is able to produce regulatory Financial Statements overnight from the core accounting system. This improves accuracy, effectiveness, efficiency and enables DOT to meet OMB, Treasury and other Federal reporting requirements on schedule.

In FY 2008, DOT enhanced its standardized release schedule for installing Delphi patches, enhancements and upgrades. The Office of Financial Management (OFM) Financial Systems Team and the Enterprise Services Center (ESC) Delphi Team worked with customers to identify, develop, test and coordinate six separate release deliverables. For FY 2008 the hardware and software releases have been decoupled so that technical infrastructure and application changes are in different releases. This release schedule assured more complete testing of patches and enhancements, allowed thorough design and review of hardware upgrades and greatly improved communication and understanding of changes made to the system. The Department was especially focused on upgrades needed to keep pace with vendor support requirements. In order to successfully migrate the Delphi Oracle Database to a new operating system in Mid 2009, a new middle tier was implemented and the Discoverer and Web reporting servers were replaces with modern technology. Communication was facilitated with timely and effective "Go To" on-line web-based meetings between the OAs, ESC and OFM.

These upgrades offer assurance that the Delphi Financial Application Software Modules are maintained at a level that ensures supportability by Oracle. The upgrade also adds some increased functionality for the Delphi support staff, reduces risks associated with technical enhancements, resolves some outstanding customer requests, provides customers with additional secure processing tools and allows Delphi to move toward future enhancements.

Throughout FY 2008 DOT has continued to refine the Delphi System Change Request (SCR) Process. The bulk of the work undertaken in FY 2008 to refine the process is being implemented in the first quarter of FY 2009. Major deliverables include, modifying the SCR Request document into a standardized Business Case Document that is used by all OAs, the Enterprise Service Center and the Office of Financial Management, Streamlining the SCR Process flow to ensure that all organizations have early visibility of all SCRs and modifying the Delphi SCR Tracking system (Kintana) to allow visibility of all SCRs scheduled for particular releases, and support the customers prioritization of business cases.




FEDERAL INFORMATION SECURITY MANAGEMENT ACT

FISMA requires Federal agencies to identify and provide security protection commensurate with the risk and magnitude of harm resulting from the loss of, misuse of, unauthorized access to, disclosure of, disruption to, or modification of information collected or maintained by or on behalf of an agency. FISMA and its predecessor, the Government Information Security Reform Act (GISRA), required that Inspectors General to evaluate agencies' information security programs and practices.

The Department has 13 Operating Administrations that, for Fiscal Year (FY) 2008, reported a total of 425 information systems, of which 62 percent belong to the Federal Aviation Administration (FAA). Among the systems the Department maintains and operates is the air traffic control system, which the President has designated as part of the critical national infrastructure. Other systems owned by the Department include safety-sensitive surface transportation systems and financial systems that are used to manage and disburse over $50 billion in Federal funds each year. In FY 2008, the departmental IT budget totaled about $2.8 billion.

This year's IG report indicates that the Department's information security program and practices are not effective. Consequently, the Department is not in compliance with FISMA and OMB requirements for security information systems and providing privacy protection of personally identifiable information (PII). Last year we reported that the overall effectiveness of DOT's information security program declined because management had to divert resources and attention to resolving Headquarters move-related issues. While we observed some operational improvements, we nonetheless continued to see a decline in the Department's program and practices. Our prior year's information security-related recommendations have not been fully implemented.

Developing a robust information security program, including implementation of our current and prior years' recommendations, requires (1) the Chief Information Officer (CIO) Office to effectively oversee Operating Administrations' implementation of departmental policies/guidance, and (2) stability in the Office of the Chief Information Security Officer (CISO). However, when compared with some of his counterparts in other Federal agencies and other appointed officials within the Department, the DOT CIO has limited influence on Operating Administrations. Unless there are management or budgeting consequences, Operating Administrations are likely to continue the practice of not effectively implementing departmental policies/guidance. As a result, the IG has made a recommendation to increase Operating Administrations' accountability.

During FY 2008, the Department's performance was also hindered by significant turnover in the Office of the CISO. Consequently, the Department has not established adequate policies or procedures to implement and maintain an effective Department-wide information security program or to address key OMB privacy requirements.

The full FY 2007 FISMA report can be found at www.oig.dot.gov.

SAS-70 REVIEW ON DOT'S FINANCIAL MANAGEMENT SYSTEM

The SAS-70 report summarizes the results of a review of general, application, and operational controls over the DOT Enterprise Services Center (ESC). The ESC performs services including accounting; financial management; systems and implementation; media solutions; telecommunications; and data center services for DOT and other Federal organizations.

This is the fourth year that a SAS-70 audit has been conducted on DOT's Delphi financial system. The ESC provides accounting and financial management systems and services for DOT and other Federal agencies. Delphi is hosted, operated and maintained by Federal Aviation Administration employees at the Mike Monroney Aeronautical Center in Oklahoma City, Oklahoma, under the overall direction of the Departmental Chief Financial Officer.

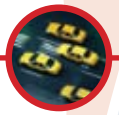
ESC is one of four Federal Shared Service Providers designated by the Office of Management and Budget to provide financial management systems and services to other government agencies. ESC supports other Federal entities, including the National Endowment for the Arts, the Commodity Futures Trading Commission, the Institute of Museum and Library Services, and the Government Accountability Office. The Office of Management and Budget requires Shared Service Providers to provide client agencies with an independent audit report in accordance with the American Institute of Certified Public Accountants' (AICPA) *Statement of Auditing Standards (SAS) 70*.

This year's SAS-70 audit of Delphi was conducted by Clifton Gunderson, LLP, of Calverton, Maryland. The DOT Office of Inspector General performed a Quality Control Review of the SAS-70 audit work to ensure that it complied with applicable standards.

The Clifton Gunderson SAS-70 audit report dated July 31, 2008 concluded that management's description of controls for the Delphi Financial Management System presents fairly, in all material respects, the controls that had been placed in operation as of June 30, 2008. Clifton Gunderson recommended several enhancements to strengthen Delphi controls further; DOT has already implemented many of these recommendations and is implementing the remaining corrective actions. The operational environment enabled auditors to rely on Delphi system controls in conducting this year's financial statement audits.

FOLLOW UP REVIEW

Since the issuance of its July 31, 2008 report, Clifton Gunderson completed a follow-up review covering the period from June 30, 2008 through the September 30, 2008 fiscal year end. The purpose of this follow-up review was to determine whether any significant changes had been made to Delphi's operating environment. The follow-up review documented the corrective actions that have been implemented to strengthen Delphi controls in accordance with the SAS-70 recommendations. The full OIG report can be found on their web site at www.oig.dot.gov.

IMPROPER PAYMENTS INFORMATION ACT OF 2002

In FY 2008, the Department fully implemented the Improper Payments Information Act of 2002 (IPIA), which requires that agencies: (1) review programs and identify those susceptible to significant improper payments; (2) report to Congress on the amount and causes of improper payments; and, (3) develop approaches for reducing such payments.

In FY 2008, the Department successfully completed its review of the Federal Highway Administration (FHWA) Federal-aid Highway Program, Federal Aviation Administration (FAA) Airport Improvement Program, and the Federal Transit Administration (FTA) Formula Grants Program and Capital Investment Grants Program.

In FY 2008, the Department re-engaged AOC Solutions, Inc. to develop a nationwide sampling plan, collect the results from the application of test procedures, and provide a nationwide estimate of improper payments for Federal-aid Highway Program, Airport Improvement Program, Formula Grants Program, and Capital Investment Grants Program. With respect to the Formula Grants Program, as in FY 2007, in FY 2008 the sampling plan, test procedures, and test results only applied to the grantees covered by the FTA's Formula Grant Triennial Review Program, which represents approximately one-third of the grantee population. 49 U.S.C. 5307 prescribes a triennial review of all Formula Grant grantees. OMB Circular A-123, Attachment C, paragraph F provides for alternative approaches, including determining the amount of improper payments for components, such as those addressed in the foregoing statute.

The samples designed to execute the model are of sufficient size to yield an estimate with a 90 percent confidence interval within +/- 2.5 percent points around the estimate of the percentage of erroneous payments, as prescribed by OMB. The results of these efforts are discussed below.

FHWA FEDERAL-AID HIGHWAY PROGRAM

The Department developed and executed a sampling plan to test project payments and estimate the amount of improper payments nationwide. The FHWA executed the nationwide testing program using personnel from the FHWA division offices and covered Federal payments to grantees over the twelve-month period March 1, 2007 through February 29, 2008.

The IPIA sampling plan involved a multi-staged statistical approach that included the selection of 40 Federal payments totaling $109,732,056, 49 state payments totaling $30,910,426, and then 182 testable line items from supporting invoices totaling $20,733,729 for testing. As in FY 2007, the FY 2008 sample was designed to support a nationwide estimate of improper payments; it was not designed support an estimate for each state and territory grantee. States and territories that did not appear in the IPIA sample were subjected to a similar sampling process under the FHWA's Financial Integrity Review and Evaluation (FIRE) program.

The test procedures applied to the line items were designed to test a range of administrative and contractual elements. Tests of administrative elements included determining whether payments were properly approved, billed at the correct Federal participation rate, and whether billings and payments were mathematically accurate. Tests of contractual elements included determining whether payments were in accordance with contract rates/prices for specified materials and whether material quality tests indicated that materials met contractual requirements.

Improper payments totaling $149,035 were found in the sample of 182 tested items. The projection of known improper payments to the population of program payments for the twelve-month period results in an improper payment estimate of $55.1 million +/- $4 million. The estimated improper payment rate is .17% +/- .01%. This projection does not meet OMB's definition of significant improper payments ($10 million and 2.5 percent of total program payments).

The improper payments reported resulted from factors such as underpayments related to retainage not covered by contract provisions and incorrect calculations.

The FHWA has implemented its FIRE Program to monitor State and territory payments and provide a mechanism for assisting these entities with effectively addressing operational issues that result or could result in improper payments.

FTA FORMULA GRANTS PROGRAM

FY 2008 was the second year of nationwide coverage of the FTA Formula Grants Program. FTA executed the nationwide testing program for grantees covered by the 2008 Triennial Review Program using contractor personnel. The review covered the twelve-month period March 1, 2007 through February 29, 2008.

The sampling plan involved a multi-staged statistical approach that included the selection of 8 Federal payments totaling $95,650,747; 24 transportation authorities' payments totaling $29,989,649; and then 44 testable line items from supporting invoices totaling $10,657,250 for testing. The test procedures applied to the line items were designed to test a range of administrative elements and contractual elements. Tests of administrative elements included determining whether payments were properly approved, billed at the correct federal participation rate, and whether billings and payments were mathematically accurate. Tests of contractual elements included determining whether payments were in accordance with contract rates/prices for specified materials and whether material quality tests indicated that materials met contractual requirements.

Potential improper payments totaling $199,874 were found in the sample of 44 tested items. The projection of known improper payments to the population of program payments for the twelve-month period results in an improper payment estimate of $47.6 million +/- 5.3 million. The estimated potential improper payment rate is 5.63% +/- .63%. This projection meets OMB's definition of significant improper payments ($10 million and 2.5 percent of total program payments). The FTA believes this finding is inconclusive for reasons discussed below.

The potential improper payments reported are attributable primarily to the absence of documentation in support of the fringe benefit rate used to recover fringe benefits allowable under the Formula Grants Program. While such costs are allowable charges, OMB Circular A-87, Attachment E, requires that fringe benefit charges to Federal programs be supported by formal documentation and retained in accordance with the records retention provisions of the Grants Management Common Rule. The FTA believes that because as a general rule these costs are allowable, the FTA should validate the grantee's methodology prior to a final determination on payment propriety of this finding.

The FTA will advise grantees of the provisions of OMB Circular A-87 with particular attention to the requirement that fringe benefit and indirect cost rates used for cost reimbursement be documented and retained for audit and program review. Finally, the FTA will assess the feasibility of follow-up actions to assess the extent to which grantees covered by the 2009 review are addressing deficiencies that resulted in improper payment determinations.

FTA CAPITAL INVESTMENT GRANTS PROGRAM

FY 2008 was the first year in which the FTA executed a sampling plan to provide a nationwide estimate of improper payments for this program. In FY 2007 the FTA developed a model for use in estimating the amount of improper payments.




The sampling plan involved a multi-staged statistical approach that included the selection of 10 Federal payments totaling $321,661,382; 31 transportation authorities' payments totaling $35,783,951; and then 66 testable line items from those payments totaling $12,804,680 for testing. The test procedures applied to the line items were designed to test a range of administrative and contractual elements. Tests of administrative elements included determining whether payments were properly approved, billed at the correct federal participation rate, and whether billings and payments were mathematically accurate. Tests of contractual elements included determining whether payments were in accordance with contract rates/prices for specified materials and whether material quality tests indicated that materials met contractual requirements.

Improper payments totaling $43,672 were found in the sample of 66 tested items. The projection of known improper payments to the population of program payments for the twelve-month period results in an improper payment estimate of $87 million +/- $6 million. The estimated improper payment rate is 3.13% +/- .23%. This projection meets OMB's definition of significant improper payments ($10 million and 2.5 percent of total program payments).

The improper payments reported resulted from draw-downs in excess of federal participation share. The grantee refunded known improper payments.

The FTA will advise grantees of actions needed to ensure reimbursement requests are in accordance with grant cost sharing or matching requirements.

FAA AIRPORT IMPROVEMENT PROGRAM (AIP)

The FAA developed and executed a sampling plan to determine the amount and cause of improper payments in the Airport Improvement Program. The FAA review covered the twelve-month period March 1, 2007 through February 29, 2008.

The sampling plan involved a multi-staged statistical approach that included the selection of 30 Federal payments to sponsors totaling $48,796,094; 30 sponsor payments to contractors totaling $37,107,109; and then 63 testable line items from contractor invoices totaling $15,390,373 for testing. The test procedures applied to the line items were designed to test a range of administrative elements and contractual elements. Tests of administrative elements included determining whether payments were properly approved, billed at the correct federal participation rate, and whether billings and payments were mathematically accurate. Tests of contractual elements included determining whether payments were in accordance with contract rates/prices for specified materials and whether material quality tests indicated that materials met contractual requirements.

Improper payments totaling $658.44 were found in the sample of 63 tested items. The projection of known improper payments to the population of program payments for the twelve-month period results in an improper payment estimate of $.973 million +/- $0.128 million. This projection does not meet OMB's definition of significant improper payments ($10 million and 2.5 percent of total program payments).

The known improper payments are attributable to unexplained differences between payments to sponsors and payments to contractors.

The FAA will advise field personnel and sponsors of the need to establish control procedures for ensuring agreement between payments and requests for Federal reimbursement.

SCORECARD ON THE PRESIDENT'S MANAGEMENT AGENDA

The original President's Management Agenda was comprised of five government-wide and nine-agency specific goals to improvement federal management and deliver result to the American public. In the original baseline scorecard, the Department of Transportation received a score of red for human capital, competitive sourcing, financial management, and e-government. We received a yellow for budget and performance integration, now called Performance Improvement.

In the last six years the Department has made significant progress and ends FY 2008 with three green and four yellow scores across seven initiatives. For more information on activities in FY 2008, please see the Organizational Excellence chapter in the Performance Report.

These scoring indicators relate to the Department's "Status" score that reflects a collection of results in each initiative, usually in the form of "percentage complete" or other indicator of the current state. Scores for "Progress" are also provided that reflect accomplishment of recent actions and lead in to very near-term plans for continued improvement.

KEY

- A green score indicates full success in achieving the elements of the initiative
- A yellow score indicates substantial success in achieving the elements of the initiative
- A red score indicate that insufficient success has been achieved against the elements of the initiative

More information about the President's Management Agenda can be found on the White House Office of Management and Budget website at http://www.whitehouse.gov/omb/budintegration/pma_index.html.

FY 2008 Status	PRESIDENT'S MANAGEMENT AGENDA INITIATIVES	FY 2008 Progress
●	HUMAN CAPITAL INITIATIVE	●
Develop a Department-wide human capital workforce strategy to address future workforce gaps, eliminate skill gaps in critical occupations, develop performance-based incentives for the workforce, ensure citizen-centered, delayered, and mission-focused organizations; strengthen leadership skills, and ensure a robust leadership pipeline; improve the measurement and evaluation of human capital strategies; and integrate e-Government and Competitive Sourcing strategies.		
●	COMMERCIAL SERVICES MANAGEMENT	●
Improve the consistency for defining commercial and inherently governmental inventories across the Department. Identified competable activities, provided strategic direction for competitive sourcing and human capital initiatives, and developed and shared high-quality intellectual capital within the Department and other agencies.		




FY 2008 Status	PRESIDENT'S MANAGEMENT AGENDA INITIATIVES	FY 2008 Progress
🟡	**IMPROVED FINANCIAL MANAGEMENT**	🟢
Develop financial management systems capable of producing more timely and accurate information, and maintain a record of unqualified opinions on our financial statements.		
🟡	**ELECTRONIC GOVERNMENT**	🟢
To better justify and track costs and performance of information technology projects, as well as participate in government-wide initiatives that automate and simplify how the public deals with the government and reduce redundancies and increase efficiencies across government-wide.		
🟢	**PERFORMANCE IMPROVEMENT**	🟢
To better integrate budget and performance functions by integrating respective staff work; developing plans and budget with outcome goals, output targets, and resources requested in the context of past results; charging full budgetary costs of programs; and documenting program effectiveness.		
🟡	**ELIMINATING IMPROPER PAYMENTS**	🟢
Develop financial management systems capable of producing more timely and accurate information, and eliminating improper payments to DOT vendors/customers.		
🟢	**REAL PROPERTY**	🟢
Use sound real property management of real property resources for diverse transportation missions, maintaining the quality of real property assets managed, and disposing of assets that are no longer required.		

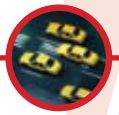
OTHER MANAGEMENT INFORMATION, INITIATIVES, AND ISSUES

DOT'S FINANCIAL MANAGEMENT BUSINESS TRANSFORMATION INITIATIVE

The Financial Management Business Transformation (FMBT) is a multi year initiative that is sponsored by the Office of Financial Management (B-30). The FMBT is planned, executed and managed as a collaborative effort across the Department's financial management community in order to achieve the goals set collectively by the financial management community in 2007. The FMBT was launched in response to multiple drivers both internal and external to the Department. Currently, many of the Operating Administrations (OAs) use multiple and redundant reports and reporting tools to communicate similar financial information, resulting in an inability to share the right information with the right people at the right time in the most cost effective manner. Additionally, many OAs use different, OA-specific guidelines to conduct similar accounting transactions. As a result, the Department is unable to take full advantage of the economies of scale available through the consolidated accounting operations at the Enterprise Service Center (ESC) and the significant improvements in functionality that will result with our next application (Oracle) upgrade. Furthermore, each OA has a different Accounting Code Structure which is not aligned with OMB's new, required Common Government Accounting Code, and we are currently unable to roll up financial information Department-wide. Finally, the Department is still cleaning up data from the first conversion to Oracle, and a data clean-up and conversion strategy are required before moving to the next Oracle platform.

During FY 2007, B-30, in partnership with ESC and the Departmental financial community, embarked on an initiative to standardize DOT business processes, develop and define requirements for future financial management system upgrades and establish a strategic plan to standardize the DOT financial management business model in accordance with OMB's Lines of Business Initiatives. The focus areas of the FMBT Program fall into five main categories, and each area has several goals:

1. Reporting and Information Sharing
    a. Achieve a fully integrated reporting environment and design an Oracle/Delphi/OA common reporting inventory
    b. Enable Department-wide roll-up of cost and performance data and improve data quality and integrity
    c. Design future systems to most effectively support internal and external customers' requirements
    d. Develop a shared reporting solution and tools to exchange data/information with common internal and external systems
    e. Refine our interface strategy by defining rules that eliminate redundancies and maximize integration
    f. Successfully respond to current and proposed OA, OMB, Treasury, and other internal/external reporting requirements
2. Business Process Reengineering
    a. Reengineer business systems and processes across the Department in order to take full advantage of future system functionality and achieve economies of scale with consolidated accounting services

b. In partnership with the DOT Office of Procurement, implement a fully integrated procurement solution

c. Develop formal policies to support optimal communication with all stakeholders of financial management information across the Department

d. Develop a formal process to guide decisions and future investments

3. Data Management
   a. Develop and implement a Department-wide Accounting Code Structure (ACS) that is aligned with OMB's Common Government Accounting Code
   b. Develop and execute data clean-up plan across all OAs
   c. Develop and execute data conversion plan across all OAs
   d. Develop and implement a Department-wide future data management strategy

4. Current System Set-Up
   a. Prepare to convert and manage the transition from the current system set-up (Oracle 11.5.10) to Oracle Financial release 12iFSIO effectively
   b. Refine the release management process
   c. Refine the system change request (SCR) process
   d. Understand Delphi's role in the Department's Enterprise Architecture (EA)
   e. Develop and implement an archiving and purging strategy for Delphi and any future system
   f. Successfully respond to current and proposed security requirements

5. Future System Set-Up
   a. Develop and manage an overarching implementation strategy for future systems that incorporates FMBT decisions and includes training and communications plans
   b. Analyze hardware requirements for the transition period to future systems and recommending a hardware solution for the future state
   c. Successfully respond to current and proposed security requirements for future systems and ensuring compliance

In 2007, the CFOs from each DOT OA agreed to come together as a single decision-making body to develop and implement a single set of requirements for the Department's new financial system. Since this time, stakeholders across the Departmental financial, procurement and IT community have shown unanimous support for this initiative, by participating in visioning conferences and decision-making forums. The end result of FY 2007 was the signing of charter documents for the FMBT governance structure and workgroups and the establishment of the Business Transformation Team (BTT), the group responsible for the day-to-day management of the FMBT.

In FY 2008, the BTT focused on establishing a governance structure by which this program will be managed; chartering five workgroups responsible for accomplishing each of the five goals listed above; and established a Business Transformation Team (BTT) responsible for managing and coordinating the daily progress of the transformation initiatives.

INSPECTOR GENERAL'S FY 2008 TOP MANAGEMENT CHALLENGES

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL APPROACH

The Office of Inspector General (OIG) issues its annual report on DOT's top management challenges to provide a forward-looking assessment for the coming fiscal year. The purpose of the report is to aid DOT's agencies in focusing attention on and mapping work strategies for the most serious management and performance issues facing the Department.

In selecting the challenges for each year's list, the OIG continually focuses on the Department's key strategic goals to improve transportation safety, capacity, and efficiency. In addition to the OIG's vigilant oversight of DOT programs, budgetary issues, and progress milestones, it also draws from several dynamic factors to identify key challenges. These include new departmental initiatives, cooperative goals with other Federal departments, recent changes in the Nation's transportation environment and industry, as well as global issues that could have implications for the United States' traveling public. As such, the challenges included on the OIG's list vary each year to reflect the most relevant issues and provide the most useful and effective oversight to DOT agencies.

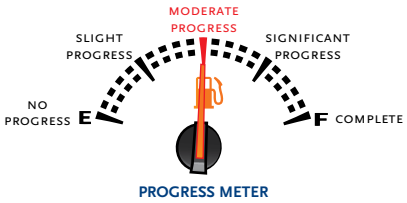
As required by OMB Circular A-136, the OIG's report briefly assesses DOT's progress in addressing the challenges identified. To track management challenges identified from year to year, the OIG provides an exhibit to the report that compares the current list of management challenges with the list published the previous fiscal year. In addition, the OIG may refine the scope of the management challenge from year to year based on program developments, external factors, or other information that becomes available.

The Department recognizes that Management Challenges are not issues that are easily solved. In many cases they require investments or upgrades to technology or substantial changes in long-standing procedures or program activities. To completely address a Management Challenge may take more than one fiscal year. Since, the OIG may refine the scope of the management challenge based on information that may become available during the year; it can be difficult to provide a context showing how far along the Department is in resolving a particular challenge. To provide perspective on the Department's progress, we have provided a self assessment showing the achievements toward resolving the challenge as currently defined. The result is displayed via the Progress Meter icon. DOT hopes that this approach will provide perspective toward gauging the Department's progress in resolving a management challenge.

1. MANAGEMENT CHALLENGE: CONTINUING TO ENHANCE OVERSIGHT TO ENSURE THE SAFETY OF AN AGING SURFACE TRANSPORTATION INFRASTRUCTURE AND MAXIMIZE THE RETURN ON INVESTMENTS IN HIGHWAY AND TRANSIT INFRASTRUCTURE PROJECTS.

- Targeting oversight actions to ensure the safety of tunnels and bridges

Recent tragic highway incidents underscore the need for FHWA to ensure that its oversight actions target tunnels and bridges that represent high-priority safety risk so that problems are identified, evaluated, and remediated in a timely and thorough manner.



Tunnels

Currently there are no national standards regarding the design, construction, inspection, operations and maintenance of highway tunnels in the Nation. The Federal Highway Administration (FHWA) and the American Association of State Highway Transportation Officials (AASHTO) are working together to provide guidelines and manuals for inspection, maintenance and management of tunnels. As an example, FHWA completed a two-day workshop on tunnel engineering in July that provide an opportunity to gather experts in tunnel ventilation, computer modeling, tunnel operation and response, and to formulate criteria for creation of a pilot program on tunnel fires. Short-term and long-term research, deployment and education programs are needed to assure the safety, reliability and efficiency of our highway tunnels. As such, there are a number of initiatives being considered or under development. In FY 2009, FHWA will develop a pilot program for computer modeling of fires in a tunnel. FHWA will also release a Highway Tunnel Design and Construction Manual that focuses on Construction, Inspection, Operation and Maintenance.

Following the collapse of a section of a suspended ceiling in the Central Artery Tunnel in Boston, the FHWA moved quickly to conduct an investigation of the collapse and to ensure safety of existing and new tunnels. FHWA issued a Technical Advisory to provide guidance and recommendations regarding the use and in-service inspection of adhesive anchors in sustained tension applications on all Federal-aid highway projects. Over the longer term, FHWA plans to develop a National Tunnel Inspection Program. An Advanced Notice of Proposed Rule Making (ANPRM) was drafted and is awaiting final signature before being published in the Federal Register. The development of the program will likely take from three to five years to completed beginning with the rulemaking process. Following the publication of a Final Rule, a Tunnel Inspection training program will be developed. In addition, FHWA and the AASHTO-20 Tunnels Committee members are coordinating efforts to conduct a domestic scan on Tunnel Management Practices in the near future. FHWA continues to work with AASHTO to advance tunnel technologies through research and other cooperative technology transfer efforts: These continuous efforts and exchanges ensure that tunnel owners have the option to use best available practices.

Bridges

FHWA continues to provide stewardship and oversight of the National Bridge Inspection Program and the Highway Bridge Program to assure compliance with applicable laws and regulations and the use of best practices in design, construction, inspection, and evaluation of highway structures. FHWA conducted National Bridge Inspection Standards (NBIS) compliance reviews in nearly every State, and provided States with reports of findings and recommendations.

Through risk assessments and in-depth reviews, FHWA has taken steps to minimize deficiencies in bridge load rating and posting practices. The load rating and posting is important on all bridges, so the scope of our efforts is not limited to structurally deficient bridges.

Out of 52 FHWA Division Offices, 47 completed their risk assessments on bridge load rating and posting by October 2007. The remaining 5 Divisions plan to complete their assessments during 2008. Twelve Divisions identified load rating and posting as high risks. These Divisions will respond by conducting in-depth reviews of load rating and posting practices during FY 2008 or FY 2009. Through the National Highway Institute FHWA initiated the development of a training course titled the Load and Resistance Factor Rating Method, based on an improved methodology for determining the load capacity of bridges. This course will be offered to State Departments of Transportation.

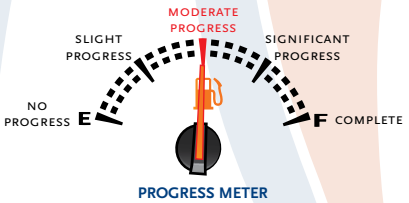
During 2008, FHWA initiated development of two additional standard NBI data reports to further assist in a data-driven approach to targeting our oversight activities. One of these reports identifies a list of bridges that may experience a change in operating rating due to a condition change that puts the bridge into a structurally deficient status. The other NBI data report, scheduled to be implemented by September 2008, will provide the Divisions a list of bridges that have been structurally deficient for the past ten years.

The revised FHWA Bridge Program Manual is still undergoing technical and legal review. It is a comprehensive document that requires an extensive multi-disciplinary review. A target date for completion will be established once the review is complete. Additional standard NBI data reports have been implemented to provide our bridge engineers with opportunities to make use of existing National Bridge Inventory data.

The FHWA Fiscal Management Information System (FMIS) was queried to determine if it is possible to develop detailed information regarding the obligation of Federal funds on structurally deficient bridges. However, the results could not be validated because of the way projects are established in FMIS. Both the FMIS and the NBI systems would have to be modified to accurately track obligation of Federal funds on structurally deficient bridges.

- **Ensuring that major projects are completed in an efficient and cost efficient manner to maximize the return on Federal infrastructure investments**

FHWA continues to play an important role in ensuring that Value Engineering (VE) is successfully integrated in the development and delivery of surface transportation programs and projects. In FY 2007, the State DOTs and the Office of Federal Lands Highway performed a total of 316 VE studies and achieved a significant cost savings of $1.972 billion on projects with an estimated construction cost of $24.81 billion. In addition, a total of $41.8 million was saved as the result of approved construction VE Change Proposals that were submitted by contractors.



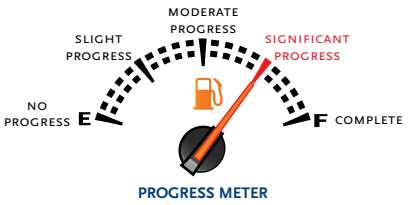
To ensure the continued enhancement of program oversight and further promotion of VE in FY 2008 and beyond, several initiatives are planned or currently underway. The FHWA's 2007 call for VE data was successfully expanded to request information on States' current best practices in their VE Programs. Collaboration with the AASHTO VE Technical Committee continues to enhance the reporting requirements, and the FHWA will integrate the results of this collaboration into the FHWA's upcoming 2008 call for VE data.

By the end of 2008, the FHWA will begin the rulemaking process to update the VE regulations. The intent of this rulemaking is to provide consistent language and terminology between the existing regulations and 23 United States Code Section 106, as amended by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and to supplement and expand the level of guidance currently provided with the regulation. The rule should promote more effective administrative practices and consistent application of the VE techniques by the states, thereby providing benefits to the delivery of the surface transportation program and increasing the potential for reducing project costs.

The OIG noted that FTA's use of independent contractors to assist in oversight is a sound approach that could be replicated in other operating administrations. The project management oversight of transit infrastructure projects is primarily performed by outside project, financial, safety and procurement oversight consultants hired by FTA. The oversight contractors regularly monitor each major capital project, closely watching quality, scope, cost and schedule using the latest risk assessment methods. The agency provides its own oversight activities in addition to reviewing the contractors' work. Vigilant oversight will be particularly important since FTA must continue to oversee Federally funded transit infrastructure projects throughout the Nation, while at the same time overseeing several large and complex New York City projects (four FTA projects and one FHWA project at World Trade Center have a Federal commitment of $4.4 billion, the $4.7 billion New York/Second Avenue Subway and the $7.3 billion Long Island Rail Road East Side Access) collectively costing about $16 billion. More recently, the oversight program has demonstrated its effectiveness on the Dulles Corridor Metrorail project, motivating the sponsor to control costs and eliminating the need for a Federal loan and line of credit.

2. MANAGEMENT CHALLENGE: ADDRESSING LONG- AND SHORT-TERM CHALLENGES FOR OPERATING, MAINTAINING, AND MODERNIZING THE NATIONAL AIRSPACE SYSTEM

- **Hiring and training nearly 15,000 controllers over the next 10 years**



One of FAA's challenges over the next ten years is hiring and training enough air traffic controllers to address the surge in retirements. The Agency has developed a strategy for this and continues to modify and improve it as needed. FAA's new hires come largely from three sources: experienced military controllers, Collegiate Training Initiative (CTI) partner schools, and the general public. This year FAA has taken action in all three areas to greatly increase the qualified applicant pool and reduce the time and cost associated with hiring and training.

FAA currently offers a recruitment bonus of up to $20,000 to previous military controllers. This allows the Agency to attract individuals with previous controller experience, which reduces time and costs associated with training. FAA also offers relocation incentives and reassignment bonuses for current controllers and retention incentives for retirement-eligible controllers.

In 2007, FAA revised the CTI evaluation process and added nine new schools, bringing the new total to 31. In addition, it opened the program again for new schools to apply between February 5 and March 7, 2008. This will expand the base of approved CTI schools even more. Final approval and announcement of the additional new schools will be in September 2008. The expansion of this program will allow FAA to attract a large pool of qualified candidates with aviation-related college degrees.

During 2007, numerous public sector job announcements were issued throughout the country, resulting in about 25,000 applications. Nationwide job announcements continue to be issued in 2008 at a rate of about one per month, ensuring a continual flow of applicants for vacant controller positions.

The FAA has improved the selection process with centralized selection and placement (CSP) panels that convene regularly throughout the year in Oklahoma City. Here the Air Traffic Organization and the Office of Human Resources review referred applications and make selections. Each CSP takes place in a week and instant coordination and communication occurs with each of the respective stakeholders. Many applications are reviewed, resulting in hundreds of selections being made at each panel. The CSP panel compresses the selection process from several months to one week.

CSP selectees are invited to a Pre-employment Processing Center (PEPC) for the remainder of their processing PEPCs are a streamlined and highly effective initiative that compresses the pre-employment application and screening process into a week-long session by bringing candidates together in a centralized location that allows FAA to: 1) conduct job interviews, 2) finalize selections, 3) collect security information to initiate the clearance process, 4) conduct medical exams, drug testing, and psychological evaluations, and 5) process human resources paperwork. Traditionally, the pre-employment processing took up to six months or more. The FAA has been able to cut time and costs in hiring by implementing the PEPCs. Ten PEPCs were held in FY 2008.

The FAA continues to make significant progress in the validation of accurate facility-level staffing standards. As part of the 2008 Controller Workforce Plan, FAA included updated staffing ranges at the facility level for all 314 terminal and en route facilities. In 2007, FAA completed its efforts to revise the standards for tower cabs and en route centers. As a result of the updated tower and en route standards, FAA was able to use data from all tower and en route facilities as input to the staffing ranges. In addition, FAA has started updates to the TRACON staffing model and anticipates completion during the fall of 2008.

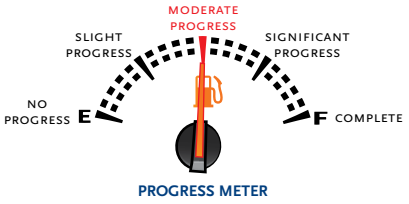
The FAA is increasingly using simulators to reduce time and costs associated with training new controllers. FAA awarded a contract for 24 Tower Simulation Systems (TSS) in December 2007. Installation of the TSS has begun in field facilities and the FAA Academy, with full installation to be completed in September 2009. The Agency has also installed additional En Route Training Simulation Systems at six Air Route Traffic Control Centers and the Academy to increase training capacity.

The Deployable Air Traffic Training System (DATTS) is the FAA's newest simulation training initiative. DATTS is a portable commercial-off-the-shelf mobile air traffic control training system, designed for deployment of 'just in time' or 'as needed' training use. DATTS expands training and closes the trainee back-log. The DATTS will be installed and tested at various field facilities and the FAA Academy in the coming months.

The FAA continues to use operations per controller as a baseline metric to measure controller productivity. This metric is tracked at the system level to provide a comprehensive view of terminal and en route operations. Due to decreasing levels of air traffic in recent years and the net increases to the controller workforce, the operations per controller metric for FY 2009 is projected to be 16 percent lower than FY 2000. This recent downward trend clearly indicates that FAA is proactively meeting the challenge of the air traffic controller retirement wave.

- **Keeping existing modernization projects on track**

FAA has created and implemented mitigation strategies to comprehensively address the need to keep modernization projects on track. Implementation of executive and management reviews and wide-ranging processes have resulted in positive, measurable, and dramatic changes in how FAA manages modernization projects.



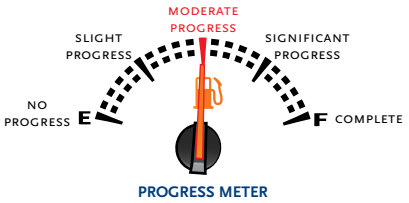
A major earned value management (EVM) effort has been initiated across the agency. For all newly approved Information Technology (IT) investments that have current year development, maintenance and enhancement funding equal to or greater than $10 million, the FAA applies the EVM project management tool. These programs are also required to track and measure program performance in accordance with Earned Value Management Systems (ANS/EIA STD-78 EVMS) guidelines. By applying this project management tool, the FAA ensures optimum project planning and control by effectively integrating the project scope of work with cost, schedule, and performance elements. The FAA is more than fifty percent of the way to full EVM implementation.

The agency is also transforming the way it manages acquisitions with the implementation of an objective measurement system to evaluate program performance. In conjunction with EVM processes, the FAA has implemented a series of 21 program reporting metrics. A comprehensive Red/Yellow/Green assessment of program performance is available through a combination of Financial, Schedule, Technical, Resources, External Interest metrics as well as the program manager's overall assessment.

FAA continues efforts to enhance its accountability and improve performance reporting. Among other initiatives, the Capital Investment Plan will now include baseline history for programs selected for acquisition performance measurement. In addition, standard operating procedures are being developed to address Program Planning, Baseline Management, and Program Performance Reporting. These processes and procedures will ensure continuity, discipline, and consistency in the way programs are planned, managed, and reviewed at all levels within FAA. In addition, Post-Implementation Reviews are routinely conducted and results reported to senior FAA management.

- **Reducing cost, schedule, and technical risk with NextGen**

The development and execution of NextGen is the most complex, high-risk undertaking FAA has ever attempted and will require multibillion dollar investments from the Federal Government and airspace users. NextGen implementation is led by the recently appointed Senior Vice President for NextGen and Operations Planning, in cooperation with the NextGen Management Board and NextGen Review Board. The Senior Vice President for NextGen and Operations Planning is supported by the NextGen Integration and Implementation Office. This office is structured to successfully implement NextGen by carefully monitoring the cost, schedule and technical risks.



During FY 2008, the NextGen Integration and Implementation Office took steps to acquire the necessary expertise to make NextGen a reality. The former Operational Evolution Partnership office and FAA's chief systems engineers were brought together into the NextGen Integration and Implementation Office and FAA initiated recruitment actions for the NextGen solution set and integration managers and support staff. In addition, FAA entered into an agreement

with the National Academy of Public Administration (NAPA) to conduct a workforce needs analysis to identify the competencies needed for all segments of our NextGen workforce and to define strategies to obtain this expertise. A final report, *Identifying the Workforce to Respond to a National Imperative – The Next Generation Air Transportation System*, was delivered in September 2008. The report contains recommendations on acquisition workforce strategies, strategies to acquire and retain acquisition workforce competencies, and NextGen implementation challenges.

The FAA's *NextGen Implementation Plan*, which details FAA's efforts to transform the National Airspace System using 21st century technologies, was published in June 2008. Even with this plan, NextGen is not without complex engineering, integration, and human factors issues. FAA continues to develop the enterprise architecture roadmap to attain the operational capabilities and improvements envisioned with NextGen. The FAA is also directing efforts to develop the critical path and risk matrix for NextGen to help mitigate engineering and integration issues, and to identify best practices in system integration for complex enterprises.

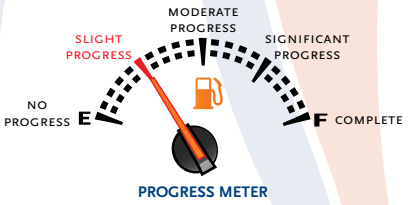
It is widely accepted that Earned Value Management (EVM) is the best project control technique for early detection of project performance variances. The FAA's Acquisition Management System (AMS) requires all organizations responsible for major capital investment programs that involve development, modernization, or enhancement to develop and implement an EVM system.

NextGen's transformational programs, such as Automatic Dependent Surveillance – Broadcast and System Wide Information Management have already implemented EVM. We expect Data Communications and NAS Voice Switch to follow suit once final investment decisions are made and approved program baselines are established. Other enabling activities within the NextGen portfolio are still in the planning stages of FAA's standard lifecycle work breakdown structure (i.e., concept development and feasibility studies, etc.), where EVM is less useful as a project control technique.

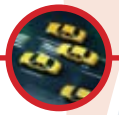
To compliment the AMS, FAA is also looking at best practices to apply research and systems analysis and a technology readiness level framework to 1) facilitate the development of new technology and applications to meet approved service needs and 2) transition mature technologies through research and systems analysis to solution implementation.

- **Maintaining FAA's aging air traffic control facilities**

Today there are over 500 terminal and en route air traffic control systems and facilities located throughout the country. Both the number and locations of the Air Traffic Control systems and facilities currently in use were driven by available technology. In preparation for the transition to the NextGen Air Transportation System, an estimated 400 legacy systems and facilities will need to be replaced or modernized.



In FY 2008, FAA spent more than $300 million for the repair, modernization, and replacement of its air traffic control facilities. These projects involve replacement of obsolete infrastructure, asbestos and mold abatement, repair of roof leaks, and plumbing improvements. Examples of these initiatives include:

- Mold remediation projects were completed at 29 facilities, including the Air Traffic Control Tower at Chicago O'Hare. An additional 18 mold remediation projects are planned for FY 2009. In FY 2009, we will complete 15 status mold inspections as part of the ARTCC duct inspection process.
- Major asbestos abatement projects at nine ARTCCs. To date, one construction contract has been awarded with the remaining projects in the engineering or procurement phases.
- Replacement of obsolete electrical and mechanical equipment as well as the installation of fire detection/protection systems in operations support and administrative areas.
- Mitigation of operational risks associated with mission critical physical plant infrastructure failure modes at all ARTCCs.
- Alignment of unmanned facility infrastructure survey data with a passenger-focused facility impact database. The database is used to establish a risk reduction methodology to deliver projects that maximize the protection of NAS capacity in the minimum time.

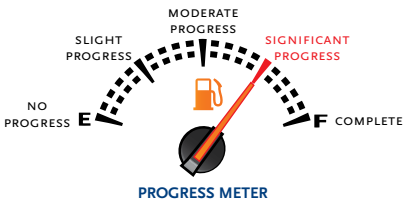
A key attribute of NextGen is a geographic independent service delivery model. Air traffic services can be provided without the constraints associated with legacy surveillance and communications infrastructure. Moving forward, FAA will begin to provide networked services allowing for greater flexibility and service resilience. With these changes, opportunities will arise that allow us to transition to a more optimal allocation of services to facilities and to remove outdated infrastructure from the NAS.

In FY 2008, FAA continued ongoing analysis of requirements for NextGen facilities. As part of the analysis, FAA is evaluating several aspects related to future operations and facilities, including the transition of new operational requirements, physical security, and workforce impact. The analysis includes consideration of existing en route and terminal facilities and how operational changes and technology advancements will change airspace assignment and facility requirements.

The analysis is being conducted as part of the Concept and Requirements Definition (CRD) phase of the Acquisition Management System process to support an Initial Investment Analysis Readiness Decision, which is anticipated in February 2009.

- **Properly accounting for capital investment projects**

Following extensive corrective actions undertaken during FY 2007, FAA continued to standardize and improve its processes for monitoring and accounting for capital investment projects. These initiatives are described in the Capitalization Program Management Plan (PMP), approved January 2008, which has been used to guide the Capitalization Program. FAA has made significant progress against the PMP. The activities identified in the PMP have been substantially completed, with ongoing clean up and routine processing tasks on target to be completed by September 30.



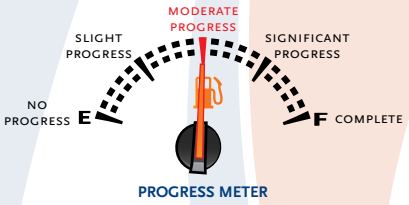
The FAA identified and implemented process improvements to existing policy, procedures, business processes, and systems. The process improvement activities addressed the auditors' Notification of Findings and Recommendations as well as the lessons learned from the intensive clean-up activities undertaken during FY 2007.

During FY 2008, the FAA developed a financial manual that documents the capitalization policies and procedures and continues to conduct staff training to further communicate policy, process and procedure changes. FAA also implemented a quality assurance review checklist and process to ensure accurate financial treatment of capital projects and related assets. A National Program Capitalization Team was established to document and communicate decisions about capital programs to ensure timely and accurate capitalization of assets. In addition, 30 positions have been added throughout the organization to enhance capitalization efforts.

The FAA continues to develop and implement process improvements, including a regional quality assurance process and standardized FAA capitalization processes in headquarters and the three regional service areas. We have implemented standardized business processes and quality reviews that have resulted in FAA processing approximately 67 percent of assets within 65 days in FY 2008. Version 2 of the Capitalization Program Management Plan (PMP 2.0) has been developed, which will guide the agency through the next phase of capitalization process improvements and standardization in FY 2009.

3. Management Challenge: Developing a Plan to Address the Highway and Transit Funding Issues in the Next Reauthorization

- Facing a near-term funding crisis in the Highway Trust Fund



Given the current constraints in the Federal budget, the Department has undertaken several initiatives to encourage more effective and efficient use of existing revenue sources and the development of additional sources of revenue. The importance of these efforts was reinforced in September as the Department instituted emergency measures to deal with an expected shortfall in the Highway Account of the Federal Highway Trust Fund (HTF). Although Congress passed legislation, which the President subsequently signed, providing the Highway Trust Fund with $8 billion from the General Fund to avoid the shortfall, these funds provide only temporary relief. The HTF will remain vulnerable to shortfalls as long as it continues to rely on fuel taxes as its primary source of revenue.

The Department has encouraged Federal, state and local lawmakers to reduce the wasteful effects of political and special purpose spending, including earmarks and to apply benefit-cost analysis and other economic measures to transportation spending to ensure that priorities are being funded. The Department has encouraged the development and deployment of technological innovations that help States and local authorities use existing infrastructure more effectively. Significantly, the Department's congestion pricing initiatives have facilitated the innovative use of advanced tolling technologies to more effectively manage congestion in metropolitan areas. Not only does better management of existing resources reduce investment needs, but pricing also creates dedicated and sustainable sources of revenue, which offer a promising alternative to declining fuel taxes. The groundbreaking Urban Partnership Agreements, for instance, emphasize utilization of tolling and pricing as a remedy to worsening urban congestion.

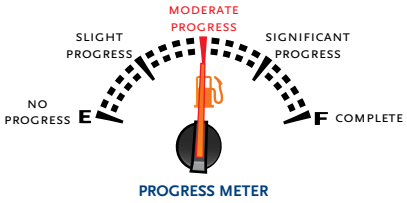



The Department has also encouraged states and local authorities to leverage existing public resources to attract substantial co-investment from the private sector. The Department has employed several programs in these efforts, including the private activity bonds program, FHWA's Transportation Infrastructure Finance and Innovation Act (TIFIA) and interstate tolling programs, and pilot programs such as the FTA's Public-Private Partnerships Program and the FHWA's Corridors of the Future program. Over the last few years, these programs have attracted billions of dollars in private co-investment for our Nation's transportation infrastructure.

The public-private partnerships (PPPs) facilitated through these programs are not divestitures of public transportation assets, but rather contractual arrangements whereby the private sector agrees to perform multiple elements of a public project, including design, construction, financing and/or long-term operations and maintenance. The public sector retains ownership of the facilities and ongoing responsibilities with respect to security, safety and other important functions. In addition, the public sector typically retains monitoring and oversight responsibilities to ensure that private operators are complying with the detailed performance specifications that are specified in the PPP contracts. Breaches by a private operator generally lead to penalties, and ultimately to the termination of the PPP contract and forfeiture by the private partner of its rights with respect to the facility. Because of the financial incentives created for the private sector to satisfy customers, and because the private sector assumes significant amounts of project risk in PPPs, including risks associated with cost overruns and schedule delays, the Department believes that taxpayers may well have less exposure to risks in a PPP than they do when the public sector employs traditional approaches to project funding and delivery. The Department is developing explanations of how risks are managed and how risks can be mitigated through careful negotiation of PPP contractual provisions.

- **Demand for more investment and rapid cost escalation will increase the pressure to expand highway funding**

The amount needed to offset the effects of inflation in highway construction and maintenance costs has soared dramatically in recent years. The increases have substantially reduced the purchasing power of highway construction funds and have led some state planners to cancel or delay projects. The Inspector General urged DOT to pursue innovative uses of funding to counter this price escalation.



Reducing recurring and non-recurring congestion, improving day-to-day operations, enhancing freight management, better emergency management, deployment of new technologies – these are all ways that FHWA works to maximize the benefit of the Federal investment in highways. In addition, DOT works actively to leverage that investment by encouraging and facilitating a broad range of financing options available within current law. SAFETEA-LU provided innovative changes to stimulate needed private investment such as eligibility for private activity bonds, additional flexibility to use tolling to finance infrastructure improvements, and broader Transportation Infrastructure Finance and Innovation Act and State Infrastructure Banks loan policies.

DOT's Urban Partnership program, an element of the Transportation Secretary's National Strategy to Reduce Congestion (Congestion Initiative), provided an incentive for a number of large metropolitan areas to undertake meaningful pricing efforts as part of a comprehensive strategy to reduce congestion. A relatively small amount of Federal funding, along with a pledge of technical assistance, was enough to encourage adoption of broad congestion pricing programs. Up to this time, most congestion pricing was small scale and limited to a specific facility.

FHWA supports efforts to move innovative methods into mainstream use, providing education, best practices and technical support.

- A tolling and pricing opportunities website provides information about the tolling and pricing programs available under Title 23 of the United States Code and invites Expressions of Interest from States and/or other public entities. The site also provides key contacts and links to resources related to tolling and pricing that can be used to support an initiative. Through this site, agencies can understand the tolling and pricing opportunities that now exist and can communicate with FHWA in order to assist them in effectively applying for tolling and pricing authority or funding.

- A Public Private Partnership (PPP) website contains information to facilitate and encourage more widespread use of PPPs. Expanding the private sector role allows the public agencies to tap private sector technical, management and financial resources in new ways to achieve certain public agency objectives such as greater cost and schedule certainty, supplementing in-house staff, innovative technology applications, specialized expertise or access to private capital.

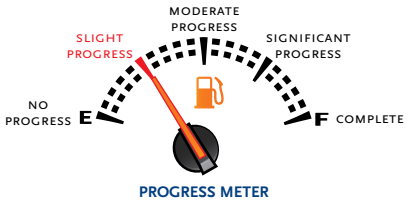
- An Innovative Finance website highlights programs to meet the increasing gap between transportation capital needs and available resources, without direct increases in Federal grant funding. During the past decade, at least $29.1 billion in innovative finance projects have been advanced, which were supported by $8.6 billion in Federal-aid funding. On average, for each Federal dollar invested in an innovative finance project, $3.40 of construction investment was enabled, which compares quite favorably to the ratio of $1.25 to $1.00 for every dollar invested in the traditional grant program. DOT continues to work actively with partners to make innovative tools such as TIFIA assistance, State Infrastructure Banks, and private activity bonds more widely accessible.

In addition to its ongoing activities under current authorities, the DOT has also developed a comprehensive proposal (Reform Proposal) for reforming the Federal surface transportation program subsequent to the expiration of the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU). The Reform Proposal incorporates provisions that would encourage states and metro areas to explore innovative transportation financing mechanisms. Specific provisions in this area include (1) allowing jurisdictions to toll Interstates and other major highways (while conditioning their use of toll revenues), (2) expanding the use of public private partnerships, (3) broadening the availability of TIFIA credit assistance, (4) removing the volume cap on private activity bonds and making them more flexible; and (5) allowing jurisdictions greater flexibility to create and use state infrastructure banks.

Beyond its current programs, DOT has also included provisions in its surface transportation Reform Proposal to encourage states and metro areas to explore innovative transportation financing mechanisms. Specific provisions in this area include (1) allowing jurisdictions to toll Interstates and other major highways (while conditioning their use of toll revenues), (2) expanding the use of public private partnerships, (3) broadening the availability of TIFIA credit assistance, (4) removing the volume cap on private activity bonds and making them more flexible, and (5) allowing jurisdictions greater flexibility to create and use state infrastructure banks.



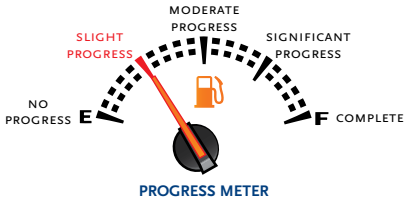

- **Developing a comprehensive Highway funding framework quickly**



In addition to its provisions regarding innovative finance, the DOT's Reform Proposal provides a comprehensive vision of a clarified Federal role in surface transportation. The Reform Proposal reflects the Administration's strongly-held beliefs on the long-term inability of the gas tax and the current Federal programmatic structure to adequately respond to America's transportation, economic, energy, and environmental policy goals. It provides an investment strategy and regulatory framework for Federal surface transportation investments and outlines programmatic, financial, and regulatory reforms that a surface transportation authorization bill might include. These reforms would focus substantial Federal funding on projects of national interest; give state and local officials greater flexibility and private-sector financing options to tackle urban congestion; ensure that government invests tax dollars effectively, and continue to focus on safety. In addition to grant programs, the proposal would encourage pricing and the leveraging of Federal funding and provide for greater accountability with more effective decision making and performance measurement.

In deference to the prerogatives of both Congress and the next Administration, the Reform Proposal does not recommend funding levels, whether in the aggregate or for individual programs. However, it does suggest approximate ratios for distribution of overall funding (regardless of its cumulative level) between various programs.

4. MANAGEMENT CHALLENGE: REDUCING CONGESTION IN AMERICA'S TRANSPORTATION SYSTEM



The Department is pursuing a national strategy to reduce congestion across all modes of transportation. Congestion limits economic growth, wastes billions of gallons or fuel, and costs billions of dollars in lost productivity each year. This will likely remain a prominent challenge for the Department for some time, particularly with regard to air travel. FAA and FHWA are the focal points in the Department for addressing these challenges.

- **Reducing delays, improving airline customer service and meeting the anticipated demand for air travel in the near term**

<u>Reducing Delays</u>

The FAA continues to work at reducing delays and meeting the anticipated demand for air travel. Implementation of the Next Generation Air Transportation System (NextGen) is the long term solution to increasing capacity of the National Airspace System. In the meantime, FAA and the Department of Transportation have implemented a number of initiatives to reduce delays in the near term.

- New York Aviation Rulemaking Committee (ARC). The ARC was formed in September 2007 to explore operational improvements, market-based mechanisms, and other options for addressing airspace congestion and flight delays in the New York metro-area. It provided recommendations

to the Secretary of Transportation in December 2007. Please find the final report summarizing the ARC discussions at: http://www.faa.gov/library/reports/media/NY%20ARC%20Final%20Report.pdf.

- John F. Kennedy (JFK) International Airport Schedule Reduction and Temporary Order. The FAA convened a scheduling reduction meeting for JFK Airport in October 2007 to address the problem of severe congestion and delays. The FAA was successful in meeting with air carriers operating at the airport and securing flight schedule reductions and the re-timing of peak period flights. As a result of this meeting, FAA issued an order in January 2008 to codify these agreements and cap operations at the airport at 81 scheduled operations per hour. The cap on operations addresses the congestion and delay that peaked in summer 2007. The order became effective in March 2008 and will expire upon the effective date of the final congestion management rule in December.

- Newark Liberty International Airport Schedule Reduction and Temporary Order. The airlines serving Newark agreed with FAA's request to reduce their schedules during peak periods and shift to operations to off-peak periods. These and other measures adopted at Newark will prevent carriers from simply shifting the congestion from JFK to Newark. The FAA issued an order codifying these schedule agreements in May 2008. The order limits scheduled operations to 81 per hour. The order became effective in June 2008 and will be replaced by the congestion management rule when it becomes effective in December.

- The JFK and Newark Orders also provided for opportunities to increase airline competition at these congested airports, though auctions at new and returned operating authorizations. The FAA expanded the slot auctions to cover a percentage of existing slots, at LaGuardia, JFK and Newark. Consumers will realize the benefits of more competition and a more national use of slots.

- New York Area Operational Improvements. Thirty percent of commercial air traffic passes through the New York airspace, where a substantial number of daily delays begin. FAA is redesigning airspace in the region, which affects airports in New York, New Jersey, and Pennsylvania, in order to improve traffic flow. The U.S. military worked with FAA to make some of its airspace available for civilian airliners during the peak holiday travel periods in FY 2008. The use of the military airspace was so successful in mitigating congestion over the Thanksgiving and Christmas holidays in 2007 and the July 4th weekend this summer that FAA is working with the Department of Defense (DOD) to ensure that military airspace will be available for civilian use during future holidays.

Improving Customer Service

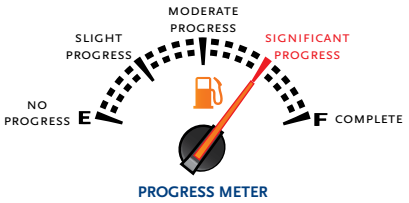
The Department took several steps in FY 2008 to ensure the airlines provided adequate customer service to their passengers, especially when flights are delayed. For instance, the Department's Aviation Enforcement Office investigated unrealistic scheduling by the large airlines, targeting chronically delayed flights. During 2007 and 2008, the numbers of such flights were dramatically reduced. In 2008 the Aviation Enforcement Office began applying a somewhat more rigorous set of criteria during its review. Even with the more rigorous criteria, there were only 71 chronically delayed flights during the second quarter of 2008 versus 129 in the second quarter of 2007.

The Department formed a Tarmac Delay Task Force to study past delays, review existing and other promising practices, and develop model contingency plans that airlines and airports can tailor to their unique operating environments to mitigate the impact of lengthy ground delays on consumers. The task force has held six meetings and the last meeting is scheduled for November 12, 2008. At the last meeting, Task Force members will vote on whether to recommend the model contingency planning document to the Secretary.

DOT published an Advance Notice of Proposed Rule Making in the Federal Register earlier this year that will enhance airline passenger protections by: (1) requiring carrier contingency plans for lengthy tarmac delays; (2) requiring carriers to respond to consumer problems, including making information available for filing a complaint with the carrier; (3) deeming scheduling a chronically delayed flight to be unfair; (4) requiring publication of delay data; (5) requiring carriers to publish complaint data; (6) requiring on-time performance reporting for international flights; and (7) requiring carriers to self-audit their customer service plan. The next step would be issuance of a Notice of Proposed Rulemaking (NPRM) seeking comments on any proposals the Department decides to advance, which will likely occur this fall.

The Aviation Enforcement Office has conducted on-site enforcement investigations of five large airlines this fiscal year to evaluate their compliance with consumer protection requirements. DOT has pursued enforcement action against carriers for failure to provide consumers, upon request, the on-time arrival percentage of a flight as required by existing rules. Cease and desist orders assessing civil penalties have been issued against four different carriers (Hawaiian, JetBlue, Delta and U.S. Airways).

- **Keeping planned infrastructure and airspace projects on schedule to relieve congestion and delays**



New runways and runway extensions provide significant capacity increases. Since fiscal year 2000, fifteen new airfield projects have opened at the 35 busiest airports. The progress of each Operational Evolution Partnership (OEP) runway and/or taxiway project is monitored by a team comprised of representatives from key FAA organizations and outside stakeholders. The team is responsible for ensuring that the runway and/or taxiway project is commissioned on schedule with all necessary equipment and airspace procedures in place to achieve the full operational capability of the airfield project. The team provides quarterly updates to the NextGen Management Board, which is chaired by the FAA Deputy Administrator. Any issues relating to the runway project are discussed, assigned to an executive to resolve, and tracked by the integration team to ensure resolution.

In June 2008, a new center taxiway was opened at Los Angeles International Airport and in September, Chicago O'Hare commissioned a 2,856-foot runway extension. Three additional runways will open at Chicago O'Hare, Washington Dulles and Seattle-Tacoma in November 2008. With these three projects, the agency and local communities will deliver to the NAS the potential to accommodate an additional 245,000 airport operations per year.

In addition, there are four other airfield projects at major airports (runways at Philadelphia and Charlotte, and taxiways at Dallas-Ft. Worth and Boston) under construction. These projects will be commissioned by 2010 and will provide the associated airports with the combined potential to accommodate an additional 80,000 annual operations, which will further reduce delays and improve efficiency.

To meet additional near-term needs, the FAA and local stakeholders will continue to pursue new airfield infrastructure to provide significant capacity, efficiency, and safety improvements. Currently, there are environmental impact studies for proposed runway extensions at Fort Lauderdale International Airport and Portland International Airport, as well as an airfield reconfiguration at Philadelphia International Airport. Houston's Bush Intercontinental Airport is expected to begin the environmental process this year to examine alternatives to increase runway capacity. Salt Lake City International Airport is expected to begin an environmental study within the next few years to examine the impact of a runway extension.

Meeting the future capacity needs of the nation's airports will require innovative approaches, as well as continued emphasis on airport expansion and technological improvements. The FAA's report, *Capacity Needs of the National Airspace System: 2007-2025* identifies fifteen metropolitan areas that will experience significant population gains and economic growth resulting in additional capacity needs by 2025. Within these fifteen metropolitan areas the FAA must promote regional planning; monitor aviation infrastructure investment; and identify additional airports with potential to accommodate future demand. The FAA and local communities are currently focusing on eight of these metropolitan areas which contain fourteen major airports. These airports are expected to have the greatest capacity shortfalls. The FAA is working with these airports to develop potential solutions to address these future capacity shortfalls and expects to have initial results by the end of 2008.

The FAA continues to monitor the progress of airspace redesign projects as near-term commitments in the NextGen Implementation Plan. In the past year, FAA has made progress on critical projects that increase routes, as well as reduce airspace complexity and restrictions, departure delays, and taxi, flying times, and distance.

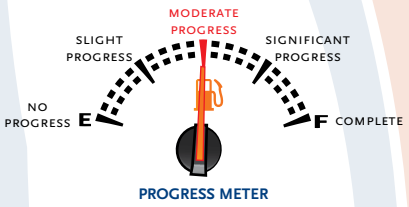
In December 2007, the first elements of the New York/New Jersey/Philadelphia Metropolitan Area Airspace Redesign were implemented. The new dispersal headings at Newark-Liberty and Philadelphia International airports have decreased departure delays by as much as twenty percent. For New York, the initial dispersal headings have provided up to 20 percent reduction in departure delays, when headings are in use, at Philadelphia and Newark.

In April 2008, five new south departure routes were opened as part of the Chicago Airspace Project. These new routes will work in conjunction with the airfield improvements at Chicago O'Hare to significantly decrease delays. In Chicago, the on-time departure improvements were observed after the new southbound routes were put in place in April 2008.

The NextGen Implementation Plan also describes new ways of designing and managing airspace that could be implemented within the next decade. The NextGen Management Board, NextGen Review Board, and NextGen Integration and Implementation Office are all focused on gaining shared commitment and moving to implementation.

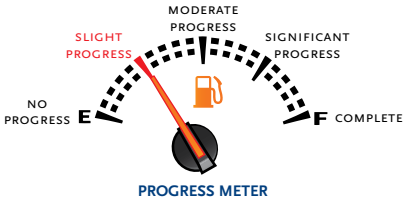
- **Leading Stakeholders**

The Department acknowledges the need to leverage its available tools to influence stakeholder decisions on infrastructure improvement. Indeed, the critical need to move from a tax-based transportation model to a user pay model and the concomitant need to have a level playing field for private and public sector investors in transportation infrastructure represent significant policy change. The Nation can no longer afford to rely almost exclusively on Federal fuel taxes to fund our transportation infrastructure.



Accordingly, the Department has repeatedly testified before Congress on all aspects of this issue, delivered speeches on the topic to key stakeholders across all modes and across the country, launched public web sites and The Secretary's blog to keep stakeholders up-to-date on recent developments and has supported its public outreach effort with a series of seminars on the topic to educate and inform DOT employees.

- **Developing innovative funding solutions for infrastructure needs**



Any sustainable response to traffic congestion must accomplish two general objectives: making efficient use of existing transportation infrastructure and adding capacity where needed. DOT has strongly endorsed the use of innovative finance – including public-private partnerships (PPPs) – accomplish both ends. There are more than 20 major PPPs in various stages of procurement in the US, including several managed lanes projects which will incorporate pricing and reduce congestion; many of these projects would likely not be financially viable under more traditional public procurement approaches.

The Department has supported innovative finance and PPPs in a number of ways. DOT's congestion pricing initiatives have facilitated the innovative use of advanced tolling technologies, which allow metropolitan areas to both more effectively manage congestion and to generate associated revenues. The Department has encouraged states and local authorities to leverage existing public resources to attract substantial co-investment from the private sector. The Department has employed several programs in these efforts, including the private activity bonds program, FHWA's TIFIA and interstate tolling programs, and pilot programs such as the FTA's Public-Private Partnerships Program and the FHWA's Corridors of the Future program. Over the last few years, these programs have attracted billions of dollars in private co-investment for our Nation's transportation infrastructure.

Beyond its current programs, DOT's surface transportation Reform Proposal would encourage states and metro areas to explore innovative transportation financing mechanisms. Specific provisions in this area include (1) allowing jurisdictions to toll Interstates and other major highways (while conditioning their use of toll revenues), (2) expanding the use of public private partnerships, (3) broadening the availability of TIFIA credit assistance, (4) removing the volume cap on private activity bonds and making them more flexible, and (5) allowing jurisdictions greater flexibility to create and use state infrastructure banks.

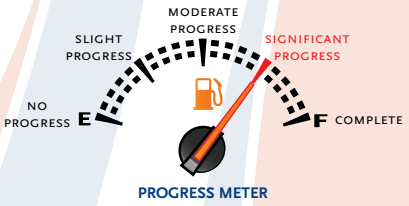
It is important to note that the public-private partnerships facilitated through DOT's existing programs and supported within the Department's Reform Proposal are not divestitures of public transportation assets, but rather contractual arrangements whereby the private sector agrees to perform multiple elements of a public project, including design, construction, financing and/or long-term operations and maintenance. The public sector retains ownership of the facilities and ongoing responsibilities with respect to security, safety and other important functions. In addition, the public sector typically retains monitoring and oversight responsibilities to ensure that private operators are complying with the detailed performance specifications that are specified in the PPP contracts. Breaches by a private operator generally lead to penalties, and ultimately to the termination of the PPP contract and forfeiture by the private partner of its rights with respect to the facility. Because of the financial incentives created for the private sector to satisfy customers, and because the private sector assumes significant amounts of project risk in PPPs, including risks associated with cost overruns and schedule delays, the Department believes that taxpayers may well have less exposure to risks in a PPP than they do when the

public sector employs traditional approaches to project funding and delivery. The Department is working on literature explaining how risks are managed in PPP programs and how PPP risks can be mitigated through careful negotiation of contractual provisions.

5. MANAGEMENT CHALLENGE: IMPROVING OVERSIGHT AND STRENGTHENING ENFORCEMENT OF SURFACE SAFETY PROGRAMS

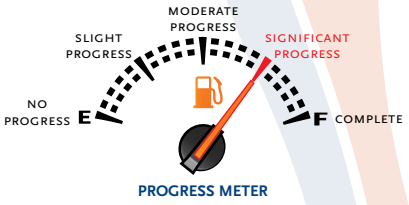
Over the last several years, Congress has provided increased funding to enhance surface transportation safety programs, particularly under the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU). Over the last 21 years, the Department has helped reduce the rate of highway fatalities per 100 million total vehicle miles traveled by about 45 percent (from 2.51 in 1986 to 1.37 in 2007). Still, 41,059 people were killed on our Nation's highways in 2007. The Department has set an ambitious goal of reducing the highway fatality rate to 1.0 by 2011. However, finding ways to reach this goal is a significant challenge for the Department.

- **Improving motor carrier safety with more complete information on vehicle crashes and stronger enforcement against repeat violators**



The DOT IG challenged FMCSA to train the states on reporting nonfatal crashes and ensure that all states are assessed by the end of FY 2008. The FMCSA aggressively responded by performing site reviews using federal staff and contractor support to improve the number of state assessments from the 15 reported in the OIG audit to 42 state assessments completed as of June 2008. To improve the overall quality of crash statistics, FMCSA established new data upload criteria which required states to satisfy additional data quality requirements. A concerted effort of testing, piloting, and training resulted in 29 states meeting the more challenging criteria despite early projections that only 12 states would qualify. Crash data completeness improved to 98 percent, and crash reporting time decreased by 17 percent, increasing inspection and crash data accuracy. The FMCSA strengthened its repeat violator policy by requiring its inspectors to treat carriers responsible for any acute or critical violations found during subsequent compliance reviews as repeat offenders, regardless of their ability to pay fines.

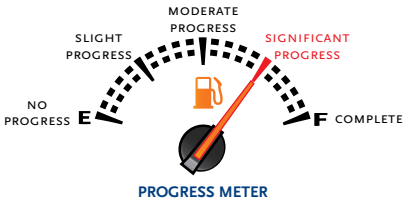
- **Closely monitoring Mexican motor carriers operating throughout the United States under the Department's demonstration project**



On September 6, 2007, the Department initiated a 1-year demonstration project to permit up to 100 Mexico-domiciled and 100 U.S. motor carriers to operate beyond the commercial zones along the United States–Mexico border. The demonstration project was subsequently extended for two additional years. The FMCSA addressed the needs with coordinated, site-specific plans for checking trucks and drivers participating in the demonstration project. This required coordinating inspections and driver checks with state partners and U.S. Customs and Border Protection, resulting in the development of 25 port-of-entry specific plans. Nearly 100 percent of the licenses of Mexican drivers crossing the border were validated to ensure that all Mexican drivers participating in the project are properly credentialed and licensed. Also, inspectors verified that each commercial motor vehicle crossing our southern border displays decals denoting

recent safety inspections. The FMCSA tracks the out of service (OOS) rates of carriers in the demonstration project, just as all U.S. carriers' OOS rates are tracked. The vehicle and driver OOS rates are a metric used by FMCSA to monitor compliance with commercial vehicle safety regulations by motor carriers operating in the United States. These rates reveal that Mexican domiciled trucks and drivers participating in the demonstration project have established compliance rates equal to or better than U.S. trucks and drivers.

- **Countering Fraud in the Commercial Driver's License program**



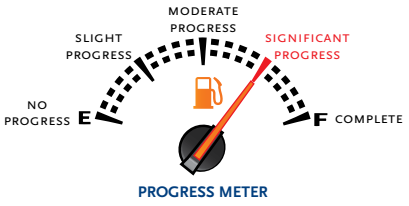
Over the past six years, the DOT IG and FMCSA carried out commercial drivers license (CDL) fraud-related investigations of corrupt third-party examiners in 26 states resulting in prosecutions in 20 states. On April 9, 2008, a notice of proposed rule making was published in the Federal Register which proposed to tighten regulatory controls over CDL learner's permits, strengthen requirements for proving that CDL applicants are in the United States legally, and improve detection and prevention of fraudulent testing and licensing.

The FMCSA performed in-depth reviews of 15 state CDL programs in 2008 to verify that testing and licensing procedures were effective, that policies and procedures complied with existing laws, and that State practices were not susceptible to fraud. Recommendations were made to the states to improve the CDL program's integrity.

The FMCSA is working closely with our state partners in multiple initiatives with CDL Program Improvement grants to reduce fraud within the national CDL program. The FMCSA awarded grant funds to multiple States to increase overt and covert monitoring of third party and State examiners. The Agency also awarded grants to automate the CDL knowledge and skills testing process, thereby reducing the risk of both applicant and examiner fraud. The automated systems, which randomly generate test questions from a large sample, minimize the opportunity for applicants to predict the specific questions they will ask. Furthermore, this process posts the knowledge test results directly to the driver record, thereby reducing the chance for examiners to fraudulently change applicant test scores.

Additionally, FMCSA has awarded grant funding to the American Association of Motor Vehicle Administrators (AAMVA) to operate the Fraud Early Warning System, which communicates potential fraud occurrences among the states. This includes information about stolen license documents, CDLs issued based on fraudulent activity, and other sensitive information. Also in partnership with AAMVA, FMCSA has initiated a Fraudulent Document Recognition (FDR) training program that will provide states with hands-on instruction and expertise in identifying potentially fraudulent identity and eligibility documents. The FDR project is funded in coordination with the National Highway Traffic Safety Administration (NHTSA).

- **Resolving hours of service rules for commercial drivers**



In response to a decision of the U.S. Court of Appeals for the District of Columbia Circuit, FMCSA published on December 17, 2007, an Interim Final Rule (IFR) regarding hours of service (HOS) for truck drivers. The IFR retains the HOS provisions allowing 11 hours of driving time within a 14-hour, non-extendable window from the start of the workday, following 10 consecutive hours off duty. The IFR also allows motor carriers and drivers to restart calculations of the weekly on-duty time limits after the driver

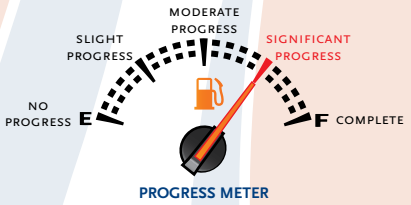
has at least 34 consecutive hours off duty. The IFR was developed after new data showed that safety levels have been maintained since the 11-hour driving limit and 34-hour restart were first implemented in 2003. The IFR specifically addressed concerns expressed by the D.C. Circuit Court in its 2007 decision. On December 19, 2007, Public Citizen, Citizens for Reliable and Safe Highways, Parents Against Tired Truckers, Advocates for Highway and Auto Safety, and the International Brotherhood of Teamsters, requested that the D.C. Circuit Court enforce its mandate, invalidate the IFR, and order the Agency to rewrite the HOS rules to limit driving time to 10 hours and eliminate the 34-hour restart. On January 23, 2008, the D.C. Circuit denied Petitioners' motion to enforce the court's orders.

In the IFR, the Agency stated, "FMCSA is fully committed to issuing a final rule in 2008" (72 FR 71247). Approximately 880 comments were received in response to the IFR. In general, industry comments were supportive of the IFR. The two HOS provisions which were, in effect, upheld by the Court (the 14-hour and sleeper-berth provisions) are not supported by the industry, but those provisions were not addressed in the IFR. Public safety advocacy groups again expressed strong opposition to the reinstated provisions because, in general, they do not believe that the reinstated provisions allow drivers adequate rest time to avoid driving while fatigued.

The FMCSA has completed its analysis of the comments received in response to the IFR, and prepared a final rule, with the intent of publishing it in 2008. The Final Rule is currently under Departmental Review.

- **Improving State accountability in programs for reducing alcohol-impaired driving**

In 2007, alcohol-related fatalities remained at 41 percent (17,036) of all traffic fatalities (41,059). Practically speaking, no significant improvement in the safety target can be achieved unless alcohol-related fatalities drop dramatically, and the States are the linchpin in achieving this drop.



NHTSA is the lead Federal agency responsible for reducing alcohol-impaired driving. SAFETEA-LU authorized $555 million in funding for State alcohol-impaired driving incentive grants. In 2007, an estimated 12,998 people were killed in alcohol-impaired driving crashes.

Evaluations of our current efforts to counter alcohol-impaired driving found that NHTSA must ensure that States establish and report better performance measures to assess how well they are using Federal funding to counter impaired driving. State performance plans generally contain measures on activities, such as the number of sobriety checkpoints conducted, or on the overall performance goal of reducing the alcohol-impaired fatality rate. However, the plans usually do not address performance of key strategies, such as sustained enforcement of laws, effective prosecution, and full application of available sanctions. Better information is needed on the degree to which States are implementing these key strategies; without it, NHTSA will not be able to determine which programs need to be strengthened.

NHTSA and the Governor's Highway Safety Association (GHSA) recently completed the development of a consensus list of State performance measures that will be used to help States and NHTSA measure progress in a variety of safety areas, including impaired driving. States will report their performance on these measures in their annual highway safety plans (HSPs) and annual reports. These reports will be used by NHTSA and States to determine if progress is being made. The consensus list includes both outcome and activity measures. These measures will be included in State FY 2010 HSPs. In addition, NHTSA and GHSA agreed to study the possibility of adding a measure involving a survey of attitude and awareness of impaired driving. Following are the State performance measures aimed at reducing impaired driving, and the proposed survey measure.

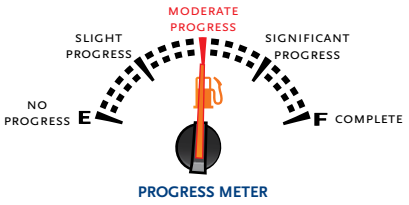
State Performance Measures

Type	Performance Measure
FY 2010 State Performance Measures	
Outcome	Number of fatalities involving a driver or motorcycle operator with a BAC of .08 and above.
Activity	Number of impaired driving arrests made during grant-funded enforcement activities.
Proposed State Measure	
Survey	Self reported attitude, awareness, and behavior regarding impaired driving, laws, penalties, and enforcement.

These measures were released in September 2008 and NHTSA will be working with the States to incorporate them into the FY 2010 Highway Safety Plans.

- **Further reducing railroad collisions and fatalities through more safety oversight**

Over the past 10 years, significant progress has been made in reducing collisions and fatalities at highway-rail grade crossings. The number of such collisions fell by 31 percent from the end of 1996 to its end-of-2006 total of just over 2,900. FRA's grade crossing safety oversight activities have contributed to this progress. However, these grade crossing collisions continue to claim over 300 lives each year. FRA pursued a number of activities in FY 2008 to address this issue.



The Agency continues to perform accident/incident reporting audits for compliance with the reporting requirements of Title 49 Code of Regulations Part 225 (49 CFR Part 225) on each of the eight Class I railroads on a recurring basis every 3 years. Each of FRA's eight regions will audit the Class II and commuter railroads within their geographical territories on a recurring basis every 5 years. (Note: the Surface Transportation Board categorizes the railroads according to their annual operating revenues. The Class Is have operating revenues in excess of $350 million; Class IIs range from $28 million to $350 million; and Class IIIs are below $28 million. Currently, there are eight Class Is and approximately 30 Class II railroads.)

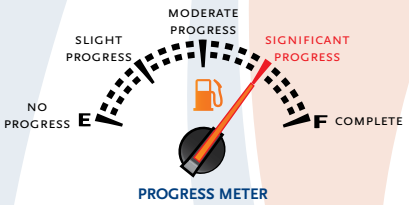
FRA investigates a number of crossing collisions annually. In May 2005, FRA issued a Safety Advisory (Safety Advisory 2005-03) to facilitate improved cooperation in the investigation of collisions at highway-rail grade crossings. This Safety Advisory reiterated the responsibility of the railroads to: properly report any accident involving grade crossing signal failure; properly maintain records relating to credible reports of grade crossing warning system malfunctions; properly preserve the data from all locomotive-mounted recording devices following highway-rail grade crossing collisions; and fully cooperate with local law enforcement authorities during their investigations of such accidents. FRA's position is that with our limited resources, we investigate collisions that meet our standard protocol, and will investigate others as circumstances warrant.

Secretary Peters submitted to Congress in February 2007 the Bush Administration's rail safety reauthorization bill, introduced by request as H.R. 1516 and S. 918. The bill was passed as H.R. 2095 in October 2008. The bill has significant safety requirements including implementation of Positive Train Control which will prevent collisions and over speed derailments. The bill reforms hours of service requirements for train and engine crews and signal maintainers that will reduce fatigue related accidents. The bill also mandates rulemakings that are likely to be significant for conductor certification and bridge inspections. Grade crossing safety will be improved through a provision that requires that the National Crossing Inventory be made current and thereby updated on a regular basis by States and railroads. Better data would help identify the Nation's most hazardous crossings and assist in finding the best strategies for further reducing casualties at crossings.

In March 2005, FRA began working with Louisiana in developing a statewide highway-rail grade crossing safety action plan. Louisiana consistently ranks among the top five States nationally with the highest number of grade crossing collisions and fatalities. The State's action plan focuses on reducing vehicle-train collisions at grade crossings where multiple incidents have occurred. In June 2008, in part as a result of efforts to create the action plan, the Louisiana Department of Transportation and Development announced an agreement with Kansas City Southern Railway Company to make safety improvements at 300 public grade crossings. Over five years, more than $16 million will be invested to upgrade warning devices, replace cross-buck signage, and close redundant crossings. FRA is now working with Texas and Illinois to develop similar State-specific action plans, which may be completed by the end of 2008. Arizona completed a rail safety and security plan in 2007 that incorporated crossing safety as well.

6. Management Challenge: Continuing to Make a Safe Aviation System Safer

- **Taking proactive steps to improve runway safety in light of recent serious incidents**



Reducing the risk of runway incursions is one of FAA's top priorities. Reducing runway incursions lessens the probability of accidents that potentially involve fatalities, injuries, and significant property damage. The definition of a runway incursion was changed in October 2007 to "any occurrence at an airport involving the incorrect presence of an aircraft, vehicle or person on the protected area of a surface designated for the landing and takeoff of aircraft." This definition has also been adopted by the International Civil Aviation Organization (ICAO). Before it was developed, countries around the world used at least 20 different definitions for a runway incursion. With its adoption, the worldwide aviation community now has a single runway incursion definition, which will help in the search to determine common factors that contribute to these incidents.

Surface Safety Technology Implementation

In FY 2008, FAA continued the Runway Status Lights (RWSL) program which reduces the likelihood of runway accidents. In June 2008, FAA announced that RWSL would be installed at 22 airports by 2011.

The Airport Surface Detection Equipment Model X (ASDE-X), a runway safety tool developed to aid in preventing surface collisions and reducing critical Category A and B runway incursions is currently installed at 17 airports. Additionally, FAA is considering the use of low-cost, commercially available radar surveillance systems that would reduce the risk of runway incursions at certain small and medium-sized airports. FAA issued




a request for proposals in September 2008 inviting industry offers of candidate low-cost ground surveillance products at six additional pilot airports. Lower traffic levels and less complex operations at these airports allow ground operations to be safely conducted through visual and voice communication between controllers and pilots.

A low-cost ground surveillance system (LCGS) would further reduce the risk of ground incidents or accidents, especially during periods of low visibility. The LCGS will provide the basic infrastructure upon which additional runway safety applications such as Runway Status Lights (RWSL) and Surface Movement Guidance and Control Systems (SMGCS) can be built.

A draft of the National Runway Safety Plan has been drafted and will be published by the end of 2008.

Safety Promotion, Outreach, and Awareness

While pilots have traditionally acquired information about what runway or taxiway they are on by looking out their windshield, FAA is making it easier for pilots to have an invaluable electronic tool in the cockpit. It provides a moving map display with "own ship position"—changing and improving runway safety the way Global Positioning System (GPS) has changed the way we safely navigate our cars. Proposals to participate in the test program have been sent to industry for a program evaluation and are expected to begin during the next twelve months and continuing for several years.

FAA and industry leaders in August 2007 identified short-term steps to improve runway safety. These Call to Action initiatives focused on improved procedures, increased training for airport and airline personnel, and enhanced airport markings, lighting and signage.

- FAA has completed runway safety reviews at 20 initial 'call to action' airports based on runway incursion data and wrong runway departure data resulting in more than 100 short-term and numerous mid- and long-term initiatives. Most of the short-term initiatives identified have been completed.

- Seventy-five of the busiest airports enhanced their runway markings and the remaining smaller certificated airports must complete the marking enhancements by December 2009 or 2010, depending on their size.

- FAA issued an Advisory Circular on March 31, 2008 strongly recommending that certificated airports require annual driver training for all with access to the movement area. FAA has initiated rulemaking to require this annual driver training program at certificated airports.

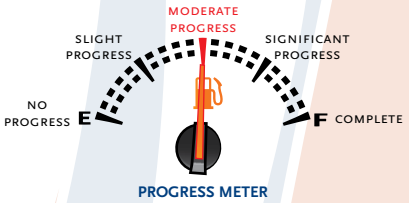
- FAA conducted a review of air traffic procedures that could contribute to runway incursions. The first procedure change, explicit taxi clearances, was implemented in May, and the second change, waiting until all runways are crossed along the taxi route before issuing the takeoff clearance was implemented on August 11, 2008. The third change, requiring specific runway crossing clearances for each runway along the taxi route, may be implemented by December 2008. These new procedures address several National Transportation Safety Board aviation safety recommendations.

- In July, at Chicago O'Hare International Airport, a voluntary reporting system for air traffic controllers was launched. The reporting system known as ATSAP (Air Traffic Safety Action Program) encourages a culture of non-retributive open communications about incidents and potential problems.

- The proposed Runway Safety Council, a joint FAA-industry group, will address root causes including human factors and accountability issues. The first meeting occurred on October 29, 2008.

- **Ensuring consistency and accuracy in reporting and addressing controller operational errors**

To address this challenge, FAA will continue to focus on the development and implementation of an automated software prototype that will depict Air Traffic Control separation conformance in the Terminal environment nationwide. The Traffic Analysis and Review Program, TARP, will apply separation logic to targets; identify where applicable separation standards are not being maintained; and highlight incidents for further investigation.



Originally TARP implementation was scheduled to be complete at all applicable terminal and en route facilities by December of 2011. However, in March FAA announced the acceleration of the TARP deployment schedule. The TARP audit tool implementation will now be complete at all applicable terminal facilities by December 2009. The en route environment currently has the Operational Error Detection Program that identifies potential losses of separation. Therefore, the TARP implementation strategy was modified to first focus on the area with the greatest need, the terminal environment.

The FAA has developed an additional tool that complements TARP, the Continuous Data Recording Player Plus (CDRPP). CDRPP has TARP-like separation detection logic, playback functions and near real-time data access. CDRPP will be used to review and automatically investigate potential losses of separation between aircraft initiated by traditional methods. The FAA will formally deploy CDRPP to all applicable terminal facilities by October 2008.

The En Route and Oceanic Services Unit will continue to remain focused on reducing risk in the National Airspace System through effective performance management. For FY 2009 En Route and Oceanic facilities will develop and implement strategies which address the primary causal factors found in their operational errors, creating a safety culture within the facility, and ensuring the quality of on-the-job training and that weather information is properly disseminated.

In addition to these initiatives En Route and Oceanic Services will continue daily monitoring of performance, and will pursue procedural development to enhance the safety of NAS operations. En Route and Oceanic Services will also continue their communication and awareness strategies, including bi-weekly quality assurance and training telephone conference calls, a weekly quality assurance newsletter, and an annual quality assurance and training conference.

To ensure consistency and accuracy in reporting and addressing controller operational errors, in FY 2008 FAA began providing briefings to operational field air traffic personnel to emphasize the joint goals of the agency towards safety and efficiency. A significant element of the briefing addresses the need and responsibility for air traffic personnel to fully report all losses of separation for both operational errors and pilot deviations. The

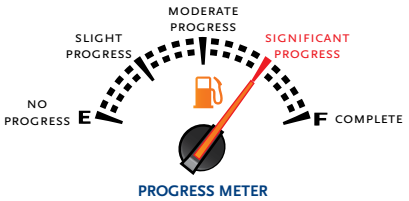



briefing includes discussion of the need to accurately capture the casual factors during investigation of every loss of separation. These briefings were presented to most large terminal facilities and some of their associated en route facilities by the end of March 2008.

The FAA is also ensuring more complete and accurate reporting of losses of separation through random audits of recorded radar data. Each month, the Air Traffic Organization's (ATO) Safety Office selects approximately fifteen terminal radar facilities and directs them to review two hours of radar data for dates and times specified by the Safety office. In addition, FAA requires approximately three of these facilities to forward their radar data for the selected periods to ATO Safety for a second, independent review of separation. En Route and Oceanic Services facilities continue to use the audit process in FAA Order 7210.56.

- **Strengthening risk-based oversight systems for air carriers, external repair facilities, and aircraft manufacturers**

The FAA continues to strengthen its risk-based oversight system and has expanded the Air Transportation Oversight System (ATOS) to 107 certificate management teams, FAA teams that oversee the nation's Title 14 Code of Federal Regulations (14 CFR) part 121 air carriers.



This system-safety and risk-based process ensures that FAA executes the agency's responsibilities to determine the continuing operational safety of Title 14 CFR part 121 air carriers. About a third of the inspector workforce is assigned to ATOS certificate management teams. The remainder of the safety oversight workforce will begin using risk-based oversight processes in 2012 when FAA deploys these systems to other certificate holders such as Title 14 CFR part 135 air carriers and part 145 repair stations.

FAA continues to train the inspector workforce in risk-based management. New risk–based training courses have been developed to teach inspectors how to use the redesigned ATOS process and tools. As of April 2008, all inspectors currently using ATOS (approximately 1,600) have taken the training. No inspector is allowed to perform ATOS work assignments until completing the training.

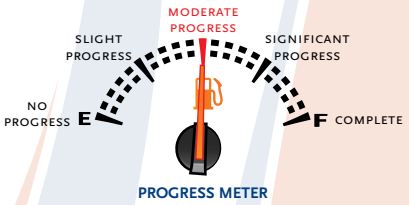
In September 2005, FAA launched the enhanced repair station and air carrier oversight system. This risk-based oversight system standardizes the approach for surveillance of certificated repair stations and noncertificated facilities contracted to perform maintenance for air carriers. It also provides for the continuous assessment and prioritization of each repair station and noncertificated repair facility and provides a method of targeting areas of high risk. While FAA has completed an update of the order which contains all of the standards and requirements safety inspectors use daily, we are continuing a review of the order for needed harmonization with the latest practices and surveillance of repair stations and air carrier outsourced maintenance providers. This revision to the order is expected to be released as completed and finalized in June 2009.

FAA continues to effectively oversee manufacturers' compliance with the aviation safety regulations. In the interest of safety and effective resource allocation, a risk management model is used to identify critical impact indicators that serve to categorize facilities according to their potential for producing nonconforming products and parts.

In June 2008, FAA revised draft guidance to manufacturers to include a process that evaluates and selects suppliers based on their capability to perform all manufacturing activities, inspections, and tests necessary to meet the specified requirements. The FAA expects this guidance to be incorporated in Advisory Circular 21-20 by September 2009. New risk indicators were also developed in June 2008 to be used by FAA manufacturing inspectors that emphasize the manufacturers' use of flight-critical parts suppliers. Risk indicators, used by FAA manufacturing inspectors to reduce the level of subjectivity in evaluating manufacturers so that inspectors' risk assessments are more consistent, were revised in January 2008.

New guidance will be published in March 2009 to require FAA manufacturing inspectors to review a manufacturer's prior audits of suppliers as part of the inspectors' analysis of risk and determination of resource targeting. Content for a revised manufacturing inspector training course was finalized in September 2008.

- **Maintaining a sufficient number of inspectors**

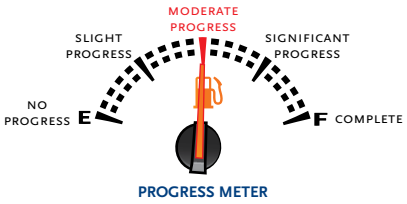


In March 2008, the Aviation Safety Organization (AVS) provided to Congress a 10-year Aviation Safety Workforce Plan. This plan ensures that an adequate safety staff is maintained to address oversight needs and addresses inspector attrition and anticipated changes in the aviation industry. The plan also addresses competencies and skills required within the AVS workforce to stay abreast of new technologies and to meet growing industry demands for service. As of August, AVS had hired a net increase of 143 positions, 85 of which are Aviation Safety Inspectors (ASI), putting us on target to meet the planned end-of-year staffing level.

The FAA has also established recruitment plans to fill our most critical occupations. The agency's Office of Human Resources Management continues to cultivate relationships and partnerships with the industry, professional organizations, and the educational communities to ensure positive publicity for the agency in order to enhance recruiting opportunities. We have implemented the newly revised qualification standards for the ASI occupation. Business and Interpersonal Competencies have been added to the Automated Staffing and Application Process for ASIs. This addition will help to determine whether applicants possess the necessary competencies and personal qualities to successfully perform the ASI duties and to support the organization's safety mission.

FAA concurred with the recommendations in the Aviation Safety Inspector Staffing Standards Study prepared by the National Research Council of the National Academies to create a new staffing model and to expand the model to include the entire safety critical workforce. For most of FY 2008, the staffing model that is inclusive of the entire AVS safety critical workforce is in the discovery phase. Based on current activities including scheduled requirements gathering, AVS will implement the Aircraft Certification inspector workforce component by December 2008 and the Flight Standards inspector workforce component by October 2009. Plans to add other workforce components to the staffing model will be determined once the requirements have been defined and established for other AVS technical workforce occupations.

- **Strengthening oversight of the Airman Medical Certification program**



The Airman Medical Certification Program is a critical safety program through which the FAA ensures that pilots are medically qualified and fit to pilot aircraft in the National Airspace System. Each year FAA processes approximately 460,000 airman medical certificate applications. After completing FAA training, physicians in private practice are designated as Aviation Medical Examiners (AME). The FAA currently has approximately 4,500 AMEs designated to examine and evaluate airmen to determine whether they meet Title 14 CFR Part 67 airman medical standards. To properly discharge the duties associated with their responsibilities, AMEs must have detailed knowledge and understanding of FAA rules, regulations, policies, and procedures related to pilot medical standards and the certification process.

Due to advancements in medicine, including improved diagnoses and treatments, and the aging pilot population, the medical cases FAA must review have become considerably more complex. As a result, the medical certification of pilots requires more analysis and time. FAA has hired additional personnel, including physicians, program analysts and program assistants, in the Regional Aerospace Medicine Divisions and at the Civil Aeromedical Institute in Oklahoma City, Oklahoma.

FAA took several steps this year to improve its oversight of aviation medical examiners. The Agency:

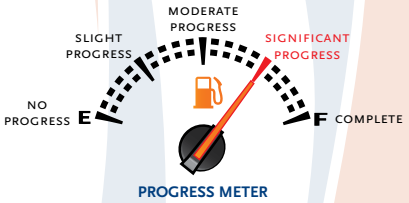
- Hired a senior program analyst to coordinate development of policies, procedures, and training;
- Hired one additional analyst in each Regional Aerospace Medicine Division;
- Developed new AME oversight policies, procedures and training; and
- Developed a schedule for conducting at least 150 site visits per year.

To address concerns raised in a recent congressional hearing about FAA handling of falsified pilot medical certificates, the Office of Aerospace Medicine revised FAA Form 8500-8, Application for Airmen Medical Certificate, to obtain more information from applicants. Applicants will be asked whether they are receiving disability benefits from the Federal Government or any other sources. If an applicant responds affirmatively to this question, examiners will follow-up with the applicant to ascertain the nature of their disability and determine whether the medical issues related to their disability may disqualify them from being a pilot. FAA began distribution of the form in September 2008.

In April 2008, FAA completed a modification of AME training to emphasize the importance of thoroughness in medical examinations, obtaining good patient histories, and of correlating the findings from those examinations and histories. The issue of falsification will also be addressed at future AME seminars and other AME training.

7. STRENGTHENING THE PROTECTION OF INFORMATION TECHNOLOGY RESOURCES, INCLUDING THE CRITICAL AIR TRAFFIC CONTROL SYSTEM

- **Enhancing air traffic control system security and continuity planning**



The National Airspace System of the United States is one of the most complex aviation systems in the world—consisting of thousands of people, procedures, facilities, and equipment—that enable safe and expeditious air travel in the U.S. and over large portions of the world's oceans. Successful operation of the NAS relies on a system that continuously tracks the position, routes of flight, and movement of aircraft. ATC control activities are geographically distributed among Air Route Traffic Control Centers (ARTCC) which are responsible for many thousands of square miles of airspace. The ARTCCs control aircraft from the time they depart terminal airspace (or in certain cases airports) to the time they arrive at another airport or terminal's airspace. Centers may also "pick up" aircraft that are already airborne and integrate them into the system. The need for protection of this information processing system cannot be overstated.

The FAA has experience dealing with partial and full outages of the information system at ARTCC. Today, in the event of a loss of a single ARTCC, adjacent Centers can assume some of the workload of the failed ARTCC through procedures and existing automation system capability. To further enhance this "backup" capability, the FAA is working to implement a system security and business continuity solution to ensure recovery of as close to 100 percent of a lost ARTCC's ability, should an outage of a single ARTCC occur. The approach is to establish a "spare" ARTCC at the FAA's William J. Hughes Technical Center (WJHTC) to assume control functions in the event of an outage in any one of the Centers. While this approach may slightly reduce the overall performance of the overall NAS, this will enable the FAA to maintain operations and capacity during the outage.

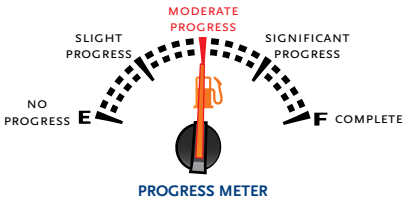
The FAA's WJHTC serves as the national scientific test facility for the FAA. The Center was assigned the task of conducting a detailed impact analysis to determine how technical services would be affected by the loss of an ARTCC and the resultant activation of a spare ARTCC. The WJHTC was at the forefront of the development of the recover strategy. Tests and demonstrations were conducted throughout 2007 and 2008. At the completion of each test and demonstration, resource concerns were identified and addressed and a business continuity solution developed.

The WJHTC has been outfitted with most of the equipment and connectivity necessary to deliver air traffic services for any of the contiguous U.S. Air Traffic Control Centers. This excess capacity will allow for the rerouting of voice communications and surveillance signals from an affected center to the spare center. Having additional capacity will greatly reduce the time and effort required to reconstruct the air/ground and surveillance communications infrastructure.

In addition to the development of the above business continuity strategy, several activities have taken place to identify and test for unauthorized software changes in fielded systems to assess the integrity of the existing NAS portfolio of systems and equipment. The FAA conducted a review of major systems, beginning with en route and oceanic/offshore operational facilities. The purpose was to determine the prevalence of undocumented system modifications to the national system baselines. Site visits have been conducted at 24 operational facilities collecting data on 16 major en route and oceanic/offshore systems. Analysis determined that there was a less than 10 percent deviation from the documented baselines. None of the modifications were of a malicious nature.

- **Testing and strengthening the information system security program at DOT Headquarters**

In FY 2008 DOT has undertaken several initiatives to test and strengthen the Departmental information systems security program specifically meeting tougher Federal Government security standards, correcting identified security deficiencies, and securing its IT infrastructure, all at a time of heightened vulnerability.



During FY 2008 the DOT Information Assurance and Privacy Management Office (IAPMO) has advanced and matured the DOT Information Assurance and Privacy Program to increase the reliability, integrity, confidentiality, availability, and non-repudiation of DOT information and information systems.

The Department has ensured that their General Support Systems and Major Applications are properly categorized, certified and accredited in accordance with National Institute of Standards and Technology (NIST) standards. DOT Operating Administrations (OAs) properly categorize their systems for confidentiality, integrity and availability and have worked to provide proper implementation of NIST required minimum security control protections consistent with risk and budget. For reporting and tracking security deficiencies or weaknesses identified during certification reviews, the Department has transitioned to the Cyber Security Asset and Management (CSAM) tool that allows the Department and OAs to prioritize, monitor, manage and remediate the Plan of Action and Milestones (POA&M) for those identified security deficiencies or weaknesses. Additionally, the Department has drafted a POA&M policy and is developing a POA&M guide that can be used with CSAM for an effective remediation framework.

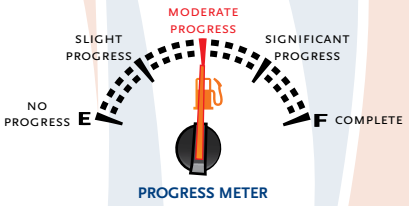
During fiscal year 2008 the Department has implemented Network Admission Control (NAC) processes and procedures to ensure that computers connected to Departmental networks are in compliance with DOT security policies (for remote users). In order for a user to connect to the network, their computer must be running an anti-virus application that is supported by the CISCO NAC and their antivirus definitions must be current.

Additional initiatives that the Department has undertaken during FY 2008 to strengthen the DOT information systems security program include:

- Consolidating all security monitoring and reporting under the Cyber Security Management Center.
- Aligning Departmental information systems security policies to Federal Information Processing Standard 200 and the National Institute of Standards and Technology Special Publication 800-53.
- Aggressively pursuing the implementation of all mandated Office of Management and Budget Information Systems Security Line of Business initiatives.
- Implementing several network hardening initiatives in 5 critical focus areas to improve access control, policy enforcement, and monitoring of DOT information systems.
- Utilizing Secure Elements Class 5 to validate for security configuration compliance for the Federal Desktop Core Configuration requirements.
- Utilizing SPAM and Anti-Virus filtering at all Secure Mail Transfer Protocol gateways.

- **Ensuring the timeliness of data recording and protection of personally identifiable information when interfacing with non-Federal systems**

In FY 2008 DOT has undertaken initiatives to ensure the protection of Personally Identifiable Information (PII) when interfacing with non-Federal systems. These efforts have focused on the compliance requirements associated with OMB M 07-16, Safeguarding Against and Responding to the Breach of Personally Identifiable Information. DOT policy requires encryption of all PII in transit.

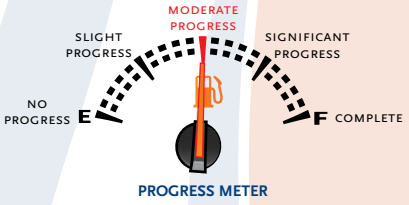


Additionally, the Department is working closely with other agencies to share ideas and resources for managing and protecting PII, increasing user awareness of responsibilities for protecting the Department's PII data assets, and incorporating Government best practices.

The Department acknowledges that protecting PII when interfacing with non-Federal systems remains a formidable challenge. Work is underway to validate system interconnections and matching agreements to ensure that the proper administrative, technical, and physical safeguards are implemented and provide adequate safeguards to protect the confidentiality, integrity, and availability of PII. The validation process will be completed by July 30, 2009.

- **Continuing to enhance oversight of information technology investments**

In early FY 2008 DOT finalized both the Earned Value Management (EVM) and IT Program Rebaselining policies. These comprehensive policies will allow DOT to benefit from additional management oversight across the IT investment portfolio since this guidance provides a framework for comprehensive planning, proper baseline maintenance, and earned value analysis which combined provide a formula for increased visibility into individual investment performance and enhances overall portfolio management.



In addition, DOT has strengthened its review of monthly performance data associated with the Department's major IT investments. This enhanced analysis provides additional management oversight specific to key data—such as variance analysis (actual vs. planned), performance trend analysis, performance forecasting, and corrective action planning—which lead to earlier recognition of potential issues making them easier, and often less costly, to correct.

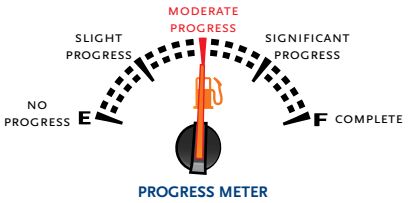
In addition, DOT piloted a Health of Investments (HOI) reporting and analysis tool to provide greater transparency and a common set of criteria for all major IT investments. HOI is designed to rank investments based on key portfolio and program management factors thereby assigning an overall health, or risk indicator.

DOT has focused in FY 2008 on improving IT governance both at the Department and Operating Administration (OA) level. Business cases for IT investments are reviewed by the applicable OA Investment Review Board (OA IRB). The Department IRB reconvened in April and is scheduled to meet on a quarterly basis. The CIO Council continues to meet on a monthly basis, while the Capital Planning and Investment Control (CPIC) subcommittee generally meets bi-monthly. The collective work of these governance boards helps to strengthen oversight of IT investments across DOT.

There is significant work underway to achieve full EVM implementation, based on the American National Standards Institute/Electronic Industries Association (ANSI/EIA) 748 compliance (across 32 program management criteria), for the Department by December 2009. A DOT EVM Plan of Action and Milestones is in place and is updated quarterly. DOT is also meeting individually with each OA to discuss EVM implementation progress within their OA. These discussions are then brought to the EVM Working Group, which meets monthly, to identify best practices and share lessons learned. In addition, the DOT CIO requires a quarterly EVM self-assessment from each OA CIO. Supplemental policies addressing operational analysis, EVM baseline planning, Baseline Change Control, and integrated baseline reviews are in various stages of development.

8. MANAGEMENT CHALLENGE: MANAGING ACQUISITION AND CONTRACT OPERATIONS MORE EFFECTIVELY TO OBTAIN QUALITY GOODS AND SERVICES AT REASONABLE PRICES

- **Increasing incurred-cost audits of procurement contracts to reduce unallowable charges**



Acquisition Policy Letter (APL) 2008-06 was issued on April 24, 2008 by the Office of the Senior Procurement Executive (OSPE) for the purpose of establishing a Departmental plan for assuring incurred-cost audits are obtained and audit report recommendations are resolved in a timely manner. The policy letter requires Operating Administration (OA) Chief Contracting Officers to (1) take action to revise their current FY 2008 contract audit plan to identify planned contract audits not implemented during FY 2007 or FY 2008 and included in FY 2009 audit plans and to resolve any pending audit finding with questioned costs by November 20, 2008. They are also required to update and resolve the list of DCAA-reported unresolved questioned costs that are more than 6 months old as of October 2006 and report any costs recovered to the OSPE. Additionally, quarterly status reports are to be submitted to address audit hours used, resolved and unresolved questioned costs, and whether justifications have been placed in the contract files where audits were not requested.

The OSPE continues to work with DCAA, the Operating Administrations, and the Office of Inspector General to find better methods for obtaining contract audit services.

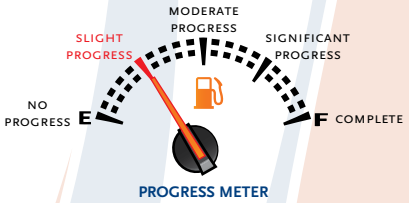
FAA was given separate contract authority in 1996 and therefore the authority to implement its own procurement policies. The agency, however, pursues acquisition policies similar to OST's on many issues, including this one. FAA continues to emphasize incurred cost audits through a centralized audit program. For FY 2008, the Agency provided $1.6 million to fund a central interagency agreement with the Defense Contract Audit Agency (DCAA) to order incurred cost type and other required audits for procurement contracts. An interagency agreement was executed in February 2008.

FAA has also established an FY 2008 performance goal to require audits of cost-reimbursable contracts of $100 million or more in value. The Contracting Oversight Team, using the PRISM database, identified 86 cost-reimbursable type contracts each with a total estimated potential value of $100 million or more. For FY 2008, FAA issued audit requests for 43 contracts, deferred audits for 15 contracts per DCAA planning, and determined audits were not required for 28 contracts, accounting for 86 contracts. Overall, FAA has issued audit requests for

155 contracts including incurred and other type audits. The Contracting Oversight Team, under the Acquisition Policy and Contracting Office, manages the central DCAA audit process and issues audit requests, maintains the audit database, and acts as a liaison with DCAA Headquarters and Branch offices.

The FAA also utilizes the National Acquisition Evaluation Program (NAEP) which provides oversight and evaluation of FAA acquisitions management practices. In FY 2008, the NAEP conducted reviews for the Southern, Southwest, Northwest, and Eastern Regional Contracts Offices, and two Headquarters Contracts Groups. The NAEP reviews include an evaluation of the appropriate use of DCAA audits for procurement contracts.

- **Developing strategies for the future acquisition workforce**



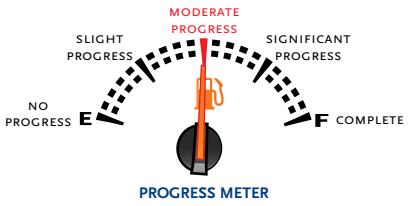
The Acquisition Workforce Career Development Program policy issued in November 2006 provides the framework for implementing OFPP Policy Letter 05-01 and establishes procedures to be used by DOT Operating Administrations in implementing this program. The Acquisition Workforce Career Development Program is applicable to those positions and career fields defined as the acquisition workforce. The DOT acquisition workforce is defined to include all positions in the General Schedule Contracting Series (GS-1102); all warranted Contracting Officers regardless of General Schedule series with authority to obligate funds above the micro-purchase threshold; all positions in the GS-1105 Purchasing Series; Contracting Officer Technical Representatives (COTRs), or equivalent positions; Project and Program Managers, as identified by the Chief Acquisition Officer (CAO); and other positions designated by the CAO as performing significant acquisition-related functions.

FAA employees are exempt from this program under P.L. 104-50. However, FAA will provide its affected employees with substantially similar training and education requirements to maintain mobility.

During 2007, DOT contracting employees participated in the government-wide Contracting Workforce Competencies Survey sponsored by the Federal Acquisition Institute. The results of the survey will be used to ensure that appropriate development opportunities are provided to the contracting workforce. A follow-up survey to include Program and Project Managers and COTRs planned for August 2008 should add to the information used in making strategic human capital decisions regarding the acquisition workforce.

The Acquisition Career Management Information System (ACMIS) is the government-wide database containing information on the Federal acquisition workforce in civilian agencies and is used to identify training needs and to support strategic human capital plans and decisions. The actual size of DOT's Acquisition Workforce is expected to become easier to gauge with the inclusion of key acquisition roles (Program and Project Managers and COTRs) into ACMIS. The challenge is that these positions do not comprise one or more specific government position classification series. These roles may be performed by professionals in many series and are frequently time-limited. That is, individuals may take on acquisition management responsibilities related to their normal duties for months or years for a specific initiative and terminate acquisition duties when the initiative is completed or the professional moves to a new position. For these and other reasons, DOT is currently refining the identification of such positions. By the end of calendar 2008, more authoritative data on these acquisition professionals should be available.

- **Fostering high ethical standards throughout the Department and its contracting programs to maintain the public trust**



This year, the Department instituted an annual training program for acquisition and grants management personnel that concentrates specifically on ethics and contracting matters. This training supplements required annual ethics training. During June and July 2008, initial training sessions were held in the Office of the Secretary (OST). Also, training sessions were provided for senior management in September 2008. In future years, annual training will include both live sessions as well as written and on-line training.

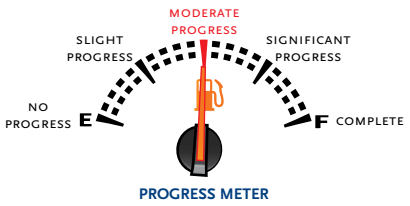
Personnel from the Operating Administrations who are tasked with training their own acquisition and financial assistance management staff attended 'train-the trainer' sessions sponsored by OST in June 2008. These individuals are conducting training sessions throughout their own organizations, including field organizations, with the goal of completing initial training by the end of calendar year 2008.

The FAA uses an integrated and comprehensive approach in the development and delivery of procurement ethics training. Training modules for 2008 included: Getting What you Pay for on Services Contracts; Organizational Conflicts of Interest; Procurement Integrity; and Personal Services. Current laws, regulations, and case studies of noncompliance are highlighted.

Live training sessions have been conducted at FAA Headquarters and the FAA Centers. DVDs of the presentations with voice over discussion will be produced for those unable to attend sessions in person. Close to 100 percent of Contracting Officers, Contract Specialists, Contracting Officers Technical Representatives (COTRs) and many other employees that deal with acquisitions have received training provided by FAA's Office of General Counsel. In total, approximately 2,100 acquisition and program personnel were trained.

The purpose of this training is to provide continuing reinforcement of ethics and contracting standards that promote the integrity of acquisition and grants management processes throughout DOT. The target audience for this training includes contracting officers, contracting officer technical representatives, program and project managers, procurement and other acquisition specialists, personnel who participate in cooperative agreement and grant matters, legal support personnel, and personnel who supervise acquisition matters.

- **Enhancing oversight on Federal-Aid Highway construction projects to prevent abuse in contractor quality control programs**



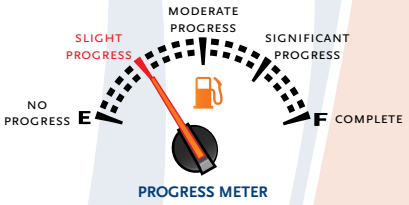
FHWA conducts assessments to better identify existing gaps that have the potential to introduce risk into the acceptance and payment process for construction and materials. Assessments completed to date include 22 detailed state highway program reviews, a national program review of quality assurance programs and a nationwide assessment to quantify the state of quality assurance systems which has been used to establish a benchmark to track our efforts to improve in this area. In addition, FHWA sponsors training through the National Highway Institute and the FHWA Resource Center. These courses are

delivered across the U.S. and focused on elements of effective quality assurance specifications. FHWA also developed advanced tools that will allow states to better evaluate and manage risks within their quality assurance programs.

9. MANAGEMENT CHALLENGE: REFORMING INTERCITY PASSENGER RAIL

- **Improving Amtrak's cost-effectiveness to sustain its financial progress**

At the urging of the FRA, Amtrak has taken many steps to address these areas over the past few years. As a result of a combination of programs focusing on diverse aspects of corporate operations and its intensive efforts at revenue management—the company is relatively more stable financially that it was five years ago. Nevertheless, Amtrak's reliance on public subsidies has grown over time, with a Federal appropriation of $1.325 billion in 2008.



Three measures sum up the extent of Amtrak's relative progress. First, between 2002 and 2007, Amtrak's passenger-miles per operating employee increased by 22 percent, far outstripping the similar productivity measure for the Class I freight railroads (revenue ton-miles per employee up 10 percent in the same period). Second, and also between 2002 and 2007, the net cash used in operating activities per passenger mile decreased by 27 percent on a constant dollar basis. As Amtrak's essential purpose is the provision of intercity passenger transportation, the corporate cash flow per passenger-mile is the purest accounting measure of the net year-by-year efficiency.

Increased FRA Oversight

FRA in recent years has markedly expanded the capabilities of its Office of Passenger and Freight Programs, which oversees Amtrak activities, related to the $1.3 billion in grant funds that the Department awards Amtrak annually. FRA reconstituted that office, recruited a new Director, established clearer lines of authority through two passenger divisions—the Intercity Passenger Rail Analysis Division and the Program Implementation Division—and augmented its staff in all disciplines. These improvements have enabled the office to conduct comprehensive, multi-disciplinary reviews of Amtrak Management's proposals and requests. It has also improved FRA's understanding of the details of Amtrak's operational and corporate performance through a number of initiatives, such as: (1) specification and analysis of the most detailed on-time performance data ever provided by Amtrak to the FRA, (2) new concepts for the presentation and interpretation of traffic, revenue, expense, and corporate result data, and (3) a new, straightforward definition of 'State of Good Repair' that provides a benchmark for Federal/State/regional long-term planning of investments in Amtrak's most important asset, the Northeast Corridor main line.

In addition, the FRA conducts quarterly reviews of Amtrak's capital program, with civil and mechanical engineers scrutinizing infrastructure and equipment programs; as well as reviews of reprogramming and advance purchase proposals, in an effort to improve efficiency and cost-effectiveness. The FY 2008 Appropriations Act provided funding to FRA for intensified oversight of the capital programs. To this end, FRA is currently developing a statement of work for detailed engineering review of salient topics in infrastructure investment.




In the crucial area of financial reporting and management practices, FRA, the Department's Volpe National Transportation Systems Center (Volpe Center), and Amtrak are jointly developing a new methodology for calculating avoidable and fully-allocated costs by route. This methodology will underpin a substantially upgraded route costing model that Amtrak can implement in FY 2009. Building on a meticulously detailed review of Amtrak's route-by-route cost accounting systems, the new model will significantly improve the transparency and accuracy of Amtrak's financial reporting by route and business line. It will also provide valuable input to possible future strategic planning and network review processes that Amtrak or the Department may undertake, and will help to refine Amtrak's ability to negotiate cost-reimbursement contracts with States for the provision of passenger services in keeping with the Administration's Principles. [1]

Improved Cost Effectiveness at Amtrak

Although it is difficult to enumerate wasteful expenditures, FRA's enhanced oversight is having positive effects as seen by the ratio improvements described above and the following:

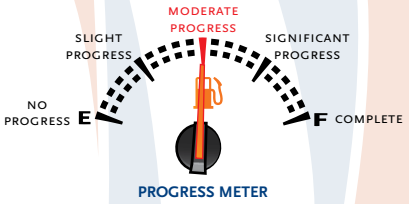
- After the FRA required and helped Amtrak to design monthly reports on the income/loss of its food service, Amtrak has devoted increased attention to food-service losses and applied better discipline regarding related costs. For instance, Amtrak has reduced many of its dining car crews. After the Federal Railroad Administrator placed a sharp focus on the need for improved on-time performance—which affects Amtrak's revenue base, operating costs, bottom line, and public image—the on-time performance of Amtrak's long-distance trains rose by 14.4 percentage points in the first nine months of FY 2008 over the same period last year.

- Largely because of FRA's insistence on cogent business and equipment plans for Amtrak's various lines of business, as a prerequisite to FRA's approval of major equipment-related investments that Amtrak plans to propose for FY 2009, Amtrak's Board has adopted a more active role with respect to strategic planning. Meanwhile, Amtrak's management has initiated a strategic planning working group, headed by the company's most experienced employee, to undertake the kind of planning that the FRA is advocating.

- Amtrak is in the process of developing a long-term fleet plan. As a result, the company has suspended expensive conversions of certain food service cars in order to better determine the type of equipment necessary to cost-effectively serve the various types of trains Amtrak operates.

1 These principles, announced by former Transportation Secretary Norman Y. Mineta in 2002, are as follows:
a. Establish a long-term partnership between States and the Federal Government to support intercity passenger rail;
b. Require that Amtrak transition to a pure operating company;
c. Create a system driven by sound economics;
d. Introduce carefully managed competition to provide higher quality rail services at reasonable prices; and
e. Create an effective public partnership, after a reasonable transition, to manage the capital assets of the Northeast Corridor.

- **Overcoming challenges to improving Amtrak's on-time performance**



The FRA has taken proactive steps to improve Amtrak's on-time performance (OTP). These steps are exhaustively described in FRA's three OTP reports to Congress which are available at http://www.fra.dot.gov/us/content/1996. Some report highlights include:

- As the Secretary of Transportation's representative on the Amtrak Board, FRA Administrator Joseph H. Boardman has repeatedly emphasized to the Board that OTP is essential to the Corporation's service quality, public image, traffic and revenue levels, operating economy, and financial performance.

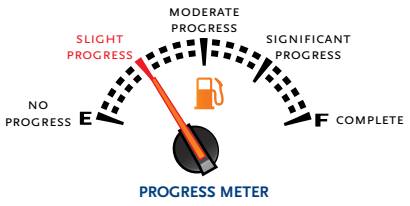
- Administrator Boardman has added Amtrak OTP to the regular agenda of his annual safety meetings with senior executives from each of the Class I Railroads. At those meetings, the Administrator emphasizes the criticality of the issue and FRA's commitment to take a more active role in monitoring progress.

- On April 16, 2008, Secretary of Transportation Mary E. Peters and Administrator Boardman held a meeting among the Class I railroads' top executives, the Amtrak CEO, and Amtrak's Board of Directors in Pueblo, Colorado. At this first-ever executive level meeting, Secretary Peters specifically requested that Amtrak and the Class Is identify one Amtrak route on each major host railroad to develop an action plan (Performance Improvement Plan or PIP) for removing delays and improving OTP. Amtrak and the freight railroads have designated specific routes for PIPs and begun the process of OTP improvement.

- As a part of the FY 2007 Grant Agreement with Amtrak, FRA required Amtrak to submit a Southeast Corridor Performance Improvement Plan to identify strategies that would enable Amtrak to reach an OTP target of over 75 percent for the Auto Train, Silver Service, Palmetto, Carolinian, and Piedmont. Amtrak and CSX presented the Southeast Corridor Performance Improvement Plan on November 8, 2007. Results thus far are encouraging. In FY 2008, CSX freight train interference delays affecting the Southeast Corridor long distance trains have fallen to about three minutes per 100 train miles. Furthermore, the Auto Train's endpoint OTP is up to 80.5 percent from 15 percent prior to the PIP, and the OTP of other long distance trains on this corridor has increased to 53.8 percent from 33 percent the previous year.

- In reporting to Congress on OTP, FRA thoroughly assessed alternative measures of performance and developed specific route-by-route goals for OTP that set a more stringent standard than that advanced by Amtrak itself.

- **Reauthorizing Amtrak to facilitate reform**



While Congress has not implemented the Administration's full proposal for reforming intercity passenger rail service in the United States, one of the key principles has been incorporated in recent law. Specifically, the FY 2008 Appropriations Act included $30 million for a Federal / State Capital program to support the needs of intercity passenger rail service. The FY 2009 President's Budget included funding for this program.

This new grant program recognizes that most publicly supported transportation in the U.S. is undertaken through a partnership between the Federal Government and the States. This model, which has worked well for generations for highways and transit and airports, places the States, and in certain cases their subdivisions, at the forefront of planning and decision-making. States best understand their mobility needs and connectivity requirements through statewide and metropolitan area intermodal and multimodal transportation planning funded, in part, by the U.S. Department of Transportation. (Integration of the improvements under this program with statewide transportation planning was required by appropriations language.)

FRA expects that this model will also work for intercity passenger rail. Several States have chosen to invest in intercity passenger rail service provided by Amtrak as part of strategies to meet their passenger mobility needs. Between 1996 and 2006, ridership on intercity passenger rail routes that benefit from State support grew by 88 percent. Over that same time period, ridership on Amtrak routes not supported by States increased by only 17 percent. State involvement in planning and decision-making for intercity passenger rail service identifies where mobility requirements justify public investment. An excellent example can be found in Washington State, which has invested in intercity passenger rail from Portland, OR, through Seattle, to Vancouver, B.C. in order to relieve highway travel on the congested I-5 corridor. Similarly, the state of Illinois has made financial commitments that have effectively doubled the number of State-supported trains operated by Amtrak on three routes.

Past experience shows active State engagement in planning and decision-making helps ensure that infrastructure components, such as stations, provide connectivity to other forms of transportation, which support intermodalism within the State. For example, in North Carolina, the State has undertaken the redevelopment of its intercity passenger rail stations and transformed them into multi-modal transportation centers serving the mobility needs of the surrounding communities.

In discussions with interested States, FRA has found that the greatest single impediment to implementing intercity passenger rail development is the lack of a Federal/State partnership, similar to that which exists for highways and transit, for investing in the capital needs of intercity passenger rail. This partnership will play a critical role in the future evolution of this important mode of transportation.

Government Accountability Office
High Risk Issues

Since 1990, the Government Accountability Office (GAO) has provided to Congress a report on government programs and operations that in some cases are high risk due to their greater vulnerability to fraud, waste, abuse and mismanagement. In recent years, GAO also has identified high-risk areas to focus on the need for broad-based transformations to address major economy, efficiency, or effectiveness challenges.

In January 2007, GAO presented a new high risk list to Congress, which included concerns about FAA's modernization program. According to GAO, over the years this modernization program, which includes the acquisition of new systems and facilities, has experienced cost overruns, schedule delays and performance shortfalls. GAO has reported on the root causes of these problems, including (1) immature capabilities for acquiring systems, (2) lack of an institutionalized architecture, (3) inadequate cost estimating and accounting practices, (4) an incomplete investment management process, and (5) an organizational culture that impairs modernization efforts.

FAA has been actively addressing these issues for several years and much has been done already. The following summarizes FAA's activities in FY 2008.

FAA'S ACTION PLAN FOR STRENGTHENING ITS MODERNIZATION PROGRAMS

Problem: FAA Modernization Programs were not meeting cost and schedule targets.

Goal: Improve the FAA's ability to identify, build, and field air traffic control systems in a timely and cost-effective manner through institutionalizing acquisition management best practices and meeting targets to deploy air traffic control systems.

FAA has designated six areas to focus on in addressing this issue: acquisition processes and capabilities, enterprise architecture, cost estimating/accounting, information technology investment processes, human capital, and deployment.

1. Acquisition Processes and Capabilities

Lead Organization: Air Traffic Organization, Vice President for Acquisition and Business Services

Focus area goals: Implement improved acquisition processes in the areas of measurement and analysis, verification and validation, quality assurance, risk management, contractor management, program management, and requirements on selected pilot programs. Additionally, develop and implement an approach for institutionalizing processes across the Air Traffic Organization for all new programs.

Expected Outcomes:

- Selected in-process major programs and all new acquisition programs follow a standard acquisition management process based on industry best practices.




- Institutionalize compliance assessment capability.

FY 2008 Accomplishments:

- Nov 2007: Implemented risk management, contractor management, program management, and requirements processes across eight major ATC programs.
- Dec 2007: Developed and integrated quality assurance and risk policy, process, procedures, information into the FAA standard Acquisition Management System (AMS) found on its website.
- Mar 2008: Established a compliance assessment approach and began implementation of same. Developed and integrated contractor management, measurement and analysis policy, process, and procedures information into the FAA AMS.
- Jul 2008: Document Intensive Reviews completed on five new programs.
- Sep 2008: Completed update of Verification and Validation (V&V) Protocol of Operations.

2. Enterprise Architecture

Lead Organization: Air Traffic Organization, Director, Systems Engineering and Safety

Focus area goals: Implement and enforce a complete enterprise architecture (EA), which will provide a view of how well investments are meeting the organization's business needs, as well as guiding future investments.

Expected Outcomes:

- Achieve Stage 3 of the GAO EA Maturity Model.

FY 2008 Accomplishments:

- Dec 2007: Independent validation and verification (IV&V) completed on EA. outside the National Air Space (NAS).
- Mar 2008: IV&V completed on NAS EA.
- Aug 2008: Selected and procured best in class EA tool.
- Sep 2008: Received final IV&V report for NAS EA from MITRE.

3. Cost Estimating / Accounting

Lead Organizations: Assistant Administrator for Financial Services/CFO and Air Traffic Organization, Director of Investment Planning and Analysis

Focus area goal: Improve cost estimating and cost accounting practices and obtain a clean financial audit.

Expected Outcomes:

- Publish and implement a lifecycle cost model that will be used with all major investments based on a database of historical cost estimates.
- Implement quarterly reporting on the status of programs staying within annual cost targets at Flight Plan reviews.
- Obtain a clean audit of our financial statements for fiscal year (FY) 2007 and lift the qualification of the FY-06 statements.

FY 2008 Accomplishments:

- Nov 2007: Audit report lifted the qualifications from 2006 but identified a material weakness for 2007.
- Feb 2008: Improved the timeliness of cost accounting system (CAS) reports delivered to users to within 38 days of the end of the quarter.
- Mar 2008: Improved the processes for accrual of expenses. Air Traffic Organization is performing accruals on a monthly basis.

4. IT Investment Processes

Lead Organization: Assistant Administrator for Information Services/CIO

Focus area goals: Implement and enforce stage 3 of the GAO's Information Technology Investment Maturity (ITIM) model, a summary of best practices for investing in information technology. The model allows agencies and GAO to assess to what degree of maturity (from stage 1, the lowest) to stage 5 (the highest) agencies are following these best practices. To date, no agency has been assessed at stage 3 or higher.

Expected Outcomes:

- Establish a process for the FAA's investment review board, the Joint Resources Council (JRC), and subordinate boards, to regularly review the performance of IT systems throughout their lifecycles and take corrective actions when expected performance is not being met.

FY 2008 Accomplishments:

- Nov 2007: JRC delegated responsibility for Information Technology Executive Board (ITEB) portfolio.
- Jan 2008: Documented and approved ITEB investment management process.
- Jan 2008: 'Go to Green' Tiger Team formed to produce an action plan to achieve most of the stage 3 requirements of the GAO ITIM model this year.
- Feb 2008: Completed processes for instituting the ITEB.
- Mar 2008: 'Go to Green' Plan for Stages 2 and 3 developed and approved.
- May 2008: Conducted Operational Analyses and budget verification on top 29 investments in ITEB portfolio (92 percent of portfolio dollar value).




- May 2008: JRC approved ITEB portfolio.
- Jun 2008: JRC approved Investment Selection Criteria.
- Jun 2008: Implement process of Meet Business Needs.
- Jun 2008: Capture Investment Information.
- Jul 2008: Portfolio management policy and initial portfolio criteria approved.
- Sep 2008: Selected IT investments

5. Human Capital

Lead Organization: ATO, Director, Leadership & Professional Development

Focus area goals: Overcome human capital challenges including how to develop the technical and contract management expertise needed to define, implement, and integrate FAA's numerous complex programs and systems.

Expected Outcomes:

- Contracting professionals have required training and skill sets and the FAA has sufficient bench strength to meet future needs.
- Program/Project managers are certified according to standards set by the Project Management Institute (PMI) and assigned in accordance with OMB and related agency documented policy and processes.

FY 2008 Accomplishments:

- Dec 2007: Developed an FAA Project and Program Manager Career Path and associated PM career development and certification policy.
- Jan 2008: Developed an agency strategy for recruiting, selecting & assigning program managers to capital investment projects.
- Jan 2008: Developed an audit process to evaluate organizational compliance to established program manager policy and guidance.
- Feb 2008: Received Office of Personnel Management approval to use reemployed annuitants to fill contracting vacancies.
- May 2008: Developed interim action plan to address National Academy of Public Administration's (NAPA) Phase 1 findings.
- Sep 2008: Received final NAPA report.
- Sep 2008: FAA personnel in the contracting series, contracting officer's technical representative, and program/project managers participated in the Federal Acquisition Management 2008 FAI Competency Assessment.

6. Deployment

Lead Organization: ATO, Director of Capital Expenditures Programs

Focus area goal: Improve the ability of FAA to estimate, plan, and meet target cost and schedule for major programs.

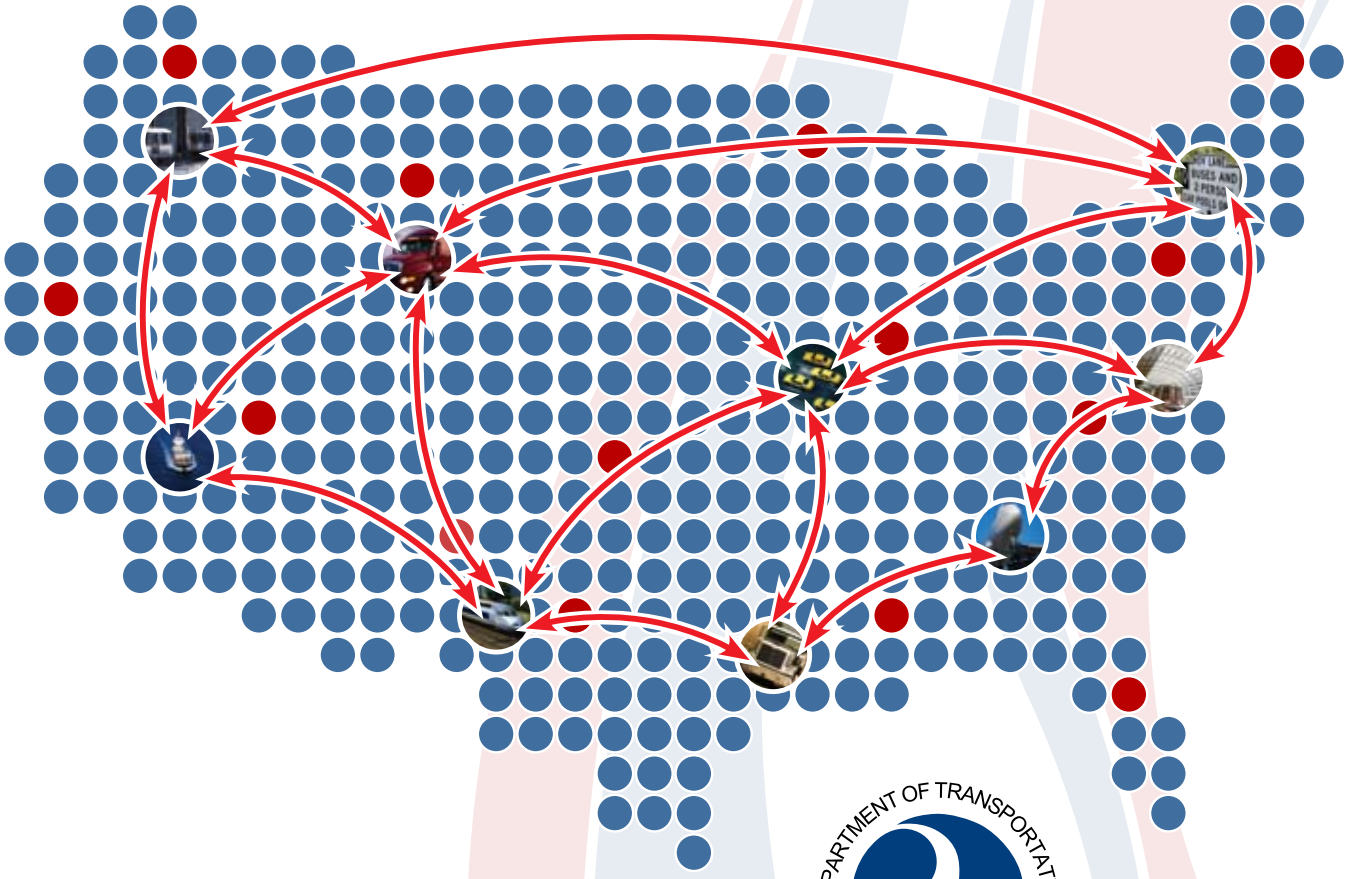
Expected Outcomes:

- Earned value management (EVM) implemented for all major acquisitions.
- Breach reporting (cost or schedule variance greater than 5 and 10 percent) implemented.

FY 2008 Accomplishments:

- Dec 2007: All major programs which were assessed in April 2005, and are still in development, are in full compliance with EVM ANSI Standards.
- Dec 2007: Developed and implemented EVM Surveillance and Certification processes.
- Dec 2007: Conducted strategic reviews on 22 of the 30 major programs.
- Jul 2008: Developed and provided GAO with deployment schedules and associated milestones for 15 agreed upon major programs.
- Sep 2008: Developed a Standard Operating Procedure (SOP) for Air Traffic Organization Program Control and Baseline Management to address Program Planning, Baseline Management, Program Performance Reporting, and Variance Analysis. SOP in the process of being vetted throughout ATO.

PERFORMANCE REPORT






PERFORMANCE FRAMEWORK

INTRODUCTION

The Department of Transportation's overarching mission is:

> To develop and administer policies and programs that contribute to providing fast, safe, efficient, and convenient transportation at the lowest cost consistent with the national objectives of general welfare, economic growth and stability, the national security, and the efficient use and conservation of the resources of the United States.

Everything we do at DOT is aimed toward meeting this mission statement and making measurable improvements in our transportation system, the security of our nation, and the quality of American life. In the Performance and Accountability Report we hold ourselves accountable to the public for effectively bringing to bear the Department's energy and resources in improving the nation's transportation system. We use these results to improve our strategies and resource decisions.

DOT's performance framework is as follows:

- The **DOT Strategic Plan** provides a comprehensive vision for improving the nation's complex and vital transportation system. DOT's 2006–2011 Strategic Plan outlines five strategic objectives in the areas of safety, reduced congestion, global connectivity, environmental stewardship, and security that articulate the longer term focus of the Department. In addition to the broad objectives; the plan targets specific outcomes we want to achieve, and identifies key challenges.

- The **DOT Performance Budget** operationalizes the Strategic Plan, and provides direct linkages between DOT's budget request and the results the public can expect for programs within each of our Operating Administrations. The performance budget defines the performance goals and measures used to manage progress toward our strategic objectives. It describes in detail one fiscal year's resources and programmatic effort within a strategic context. The performance budget also aligns each dollar requested to one of our strategic objectives.

- This **DOT Performance and Accountability Report** provides a public accounting of our FY 2008 performance results.

- **Performance accountability** for DOT organizations, executives, and employees embed the philosophy of managing for performance into the Department's culture and daily practices. Performance accountability within the Department is accomplished through the following mechanisms:

Organizational Accountability Contracts – Prepared at the beginning of each fiscal year, these agreements between the Secretary of Transportation and each modal Administrator document expected levels of organizational performance for the upcoming year.

DOT Organizational Assessments of Performance – A review of each Operating Administration's performance is done at the end of the fiscal year to assess the organization's success in the following areas: meeting Department-wide performance targets; results of Office of Management and Budget Program Assessments using the Program Assessment Rating Tool; President's Management Agenda initiative ratings; and efforts associated with addressing any management challenges or material weaknesses identified by DOT's Office of Inspector General. The results of these assessments are then factored into the personal performance evaluations of our senior executives.

Employee Performance Plans – Prepared early in the fiscal year, these plans document expected levels of employee performance that clearly link to our strategic objectives through the performance framework.

The following graphic describes how DOT plans, measures, manages, and reports on performance:




How DOT Works to Achieve Its Strategic and Performance Goals

The Department achieves its goals through its leadership role in U.S. transportation policy, operations, investment, and research. To influence results, DOT programs rely on a number of common interventions and actions. These include:

- Direct operations and investment in DOT capital assets that provide capability, such as air traffic control and the Saint Lawrence Seaway operations;
- Infrastructure investments and other grants, such as investment in highway, rail, transit, airport, and Amtrak capital infrastructure, and grants for safety, job access, or other important transportation programs;
- Innovative financial tools and credit programs, such as those provided for by the Transportation Infrastructure Finance and Innovation Act, and the Railroad Rehabilitation and Improvement Financing Program;
- Rulemaking, in areas such as equipment, vehicle, or operator standards; for improving safety; and for fostering competition in the transportation sector of the U.S. economy;
- State/local organizational capacity building, through training, best practices, peer-to-peer exchanges and other activities that strengthen the capability of State Departments of Transportation, Metropolitan Planning Organizations, and local governments to play their essential front-line role in planning, investing in, and operating highway and transit systems;
- Enforcement to ensure compliance, including inspections, investigations, and penalty action;
- Research and technology development and application, such as fostering new materials and technologies in transportation, and transportation related research;
- Education and outreach, such as consumer awareness, and campaigns to influence personal behavior; and,
- Public Information, such as that provided by the Bureau of Transportation Statistics, and each DOT Operating Administration, so that States, localities, regions, and private sector entities can better plan their activities.

Some of these interventions and actions reside entirely within the Federal Government, but most involve significant partnering with State and local authorities and with the transportation industry. These are the broad areas of action that DOT—and State and local governments—commonly use to bring about desired results.

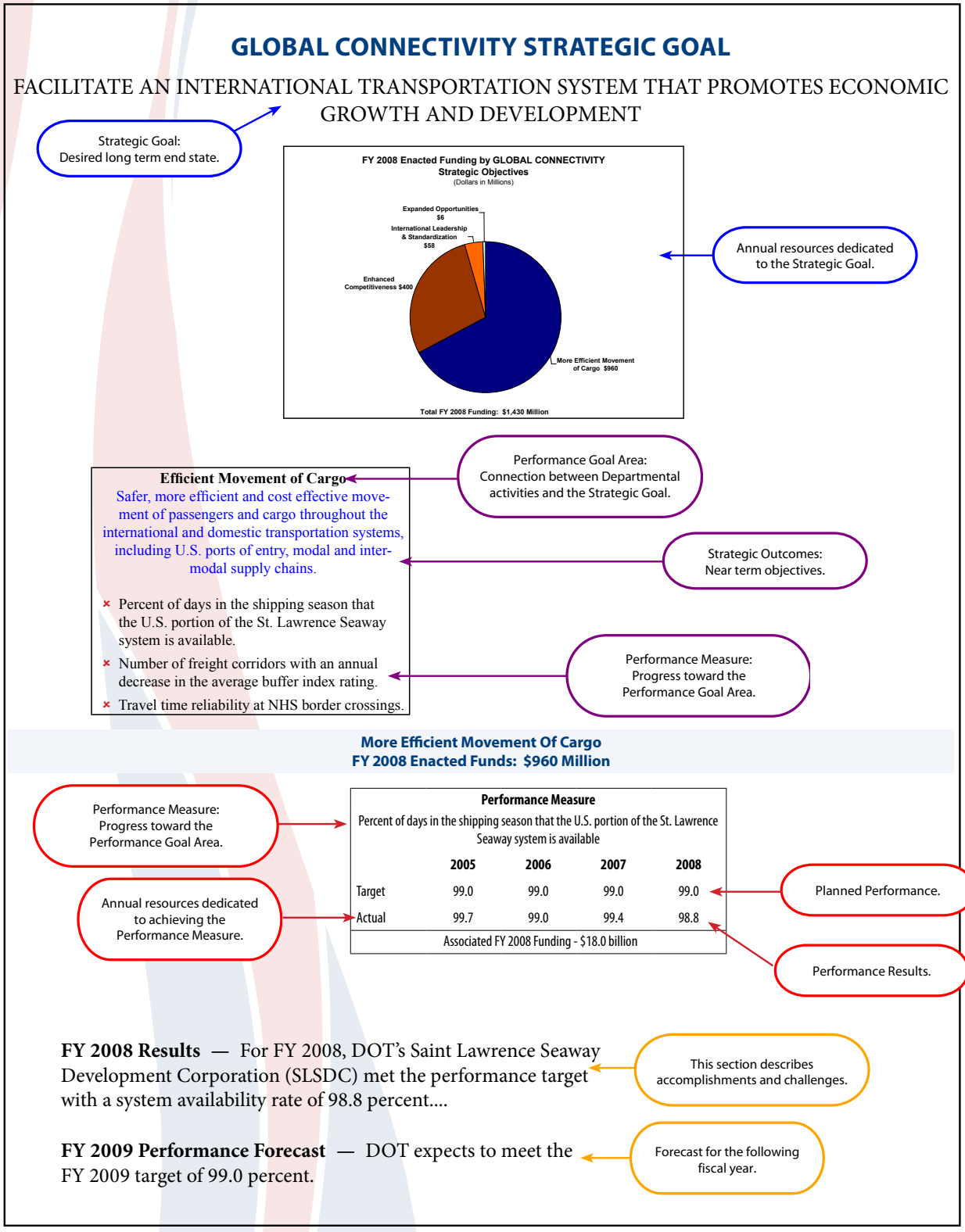
READER'S GUIDE TO DOT'S PERFORMANCE REPORT

The performance section of this report is composed of chapters for each strategic goal identified in the DOT Strategic Plan. For each strategic goal, we present four increasingly detailed levels of information, which together help the reader understand the breadth of the Department's activities.

1. Strategic Goals	Describes the Strategic Goals and Strategic Outcomes and how the Department is engaged in a national priority like transportation safety.
2. Performance Areas	Focuses on particular aspects of the priority outcomes in more manageable pieces through key performance areas.
3. Performance Measures	Shows the reader how we measure our progress toward the performance objective, the target we set for ourselves, and our success in reaching it.
4 Performance Narrative	Provides the reader additional details about our accomplishments or the challenges we faced, along with a forecast of our ability to meet the next year's target.

Figure 2 shows the different levels of information and how they are presented.

Figure 2



Level 1: Strategic Goals and Outcomes

In September 2006, DOT published its new Strategic Plan for FY 2006-2011. This Performance and Accountability Report is the first year that we are fully reporting against the goals and outcomes set forth in that plan.

Relationships between strategic goals – Very frequently programs and initiatives that are aligned with a particular strategic goals and outcomes also contribute to related goals and outcomes. This is a desirable trait that reinforces our efficient use of resources across the Department to address multiple transportation challenges with multi-faceted programs that do more than one thing.

Strategic Goal – a statement from the DOT Strategic Plan, outlining the desired long-term end-state.

Strategic Outcome – a statement from the DOT Strategic Plan, outlining nearer-term sub-sets of the goal.

Level 2: Performance Areas

The report focuses on key performance areas in ways that are meaningful both to DOT programs and the public rather than following a limiting line-by-line reporting of all Dot activities. This way the reader gets a much better view of the Department's areas of concentration.

Resource Allocation – We provide a subtotal of Departmental resources that are applied to the pursuit of each set of performance objectives in order to show the level of investment made based on budget plans. We are not yet able to provide data from our cost accounting system on actual funds expended by performance area, so the associated funds identified for each area reflect the Department's planned spending. While the financial information provided is not an accounting report of funds expended, it does give the reader an overall picture of how the Department uses its appropriations. We look forward to implementing future improvements to our cost accounting system allowing us to provide even more detail in the years to come.

Performance Area – a performance objective, connecting effects created by departmental activities and programs, and the resulting influence on strategic outcomes.

Level 3: Performance Measures

Summary performance information - One of the ways that DOT interprets its progress towards achieving its strategic goals is to compare single year results to historical trends. We have provided a tabular summary of long-term performance for each of the Strategic Goals in the pages that follow providing 7 years worth of performance information.

Performance Measure – a measurable indicator of progress toward a performance goal, with annual targets.

Data completeness - An exhaustive assessment of the completeness and reliability of our performance data and detailed information on the source, scope, and limitations for the performance data in this report are provided at:

http://www.bts.gov/programs/statistical_policy_and_research/source_and_accuracy_compendium/index.html. In that website, we also provide information to resolve the inadequacies that exist in our performance data.




Preliminary vs. final results - Reporting just 2 months after the close of the fiscal year is been challenging where we rely on third party reporting. Often we have only preliminary or estimated results based on partial-year data and must wait for final data to properly verify and validate our results. In some cases where data is provided solely as an annual value and is not available in time for this report, we rely on historical trend information and program expertise to generate a projected result. We have been careful to point out where we have assessed our performance on a preliminary or projected basis. Preliminary estimates or projected results will be adjusted after final compilation or verification and validation. In all cases where results have changed from last year's report, we indicate that by placing an "(r)" with the number, indicating a revision.

Level 4: Performance Narrative

The relationship between DOT's activities and observed results - The relationship between resources and results can be complex, and a mix of current and prior-year resources and activity almost always influences any performance result. For example, direct service program results such as FAA air traffic control operations are influenced both by external forces and prior-year acquisition activities. Other results, such as highway congestion or transit ridership, are predominately influenced by prior-year funding.

DOT contributions to common governmental outcomes - DOT's performance is aligned with its legislative mandates, but in some cases there are no "bright lines" separating DOT from other agencies. For instance, in DOT's Security Strategic Goal, we make very important contributions in accordance with our mandates and appropriations, but we do so alongside the Departments of Defense, Homeland Security, State, Justice, Commerce, and Energy. Similarly, other agencies make significant contributions to the nation's transportation system.

SUMMARY PERFORMANCE TABLES

The following tables present the results over several years, when possible, of all the performance measures tracked in this report. The measures are grouped by strategic goal.

SAFETY PERFORMANCE SUMMARY

Performance Measure	2002	2003	2004	2005	2006	2007	2008 Actual	2008 Target	Met/ Not Met
Passenger vehicle occupant highway fatality rate per 100 million passenger vehicle-miles traveled (VMT).		1.21	1.17	1.15 (r)	1.11 (r)	1.05*	1.03#	1.06	✓
Large truck and bus fatality rate per 100 million total VMT.				0.185	0.176	0.170*	0.168*	0.171	✓
Motorcyclist fatality rate per 100,000 motorcycle registrations.	65.4	69.2	69.8	73.5	72.34 (r)	71.8*	71.3*	76	✓
Non-occupant fatality rate per 100 million VMT		0.19	0.19	0.20	0.19	0.18	0.19*	0.19	✓
Number of commercial air carrier fatalities per 100 million persons onboard							0.4*	8.7	✓
Number of fatal general aviation accidents	348	366	340	354	299	314	299*	325	✓
Rail-related accidents and incidents per million train-miles	20.04	19.40	19.02	18.03 (r)	17.42 (r)	16.56 (r)	15.74*	18.45	✓
Transit fatalities per 100 million passenger-miles traveled	0.473	0.461	0.467	0.428	0.389 (r)	0.437 (r)	0.289 *	.468	✓
Number of serious incidents for natural gas and hazardous liquid pipelines	36	61	48	41 (r)	35 (r)	47 (r)	41*	40	×
Number of serious hazardous materials transportation incidents	480 (r)	472	492	528 (r)	495 (r)	473 (r)	451*	462	✓

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; × Not Met




REDUCED CONGESTION PERFORMANCE SUMMARY

Performance Measure	2002	2003	2004	2005	2006	2007	2008 Actual	2008 Target	Met/ Not Met
Percentage of travel on the National Highway System (NHS) meeting pavement performance standards for "good" rated ride	49	50	52	52	54	57 (r)	56 *	57	×
Percentage of deck area on National Highway System (NHS) bridges rated as deficient, adjusted for average daily traffic	29.9	29.8	32.0 (r)	29.9	29.2	29.7 (r)	29.5*	22.0	×
Percentage of total annual urban-area travel occurring in congested conditions	N/A	28.5 (r)	28.6 (r)	28.6 (r)	28.4 (r)	27.8* (r)	27.3 #	32.3	✓
Average percent change in transit boardings per transit market (150 largest transit agencies)	0.2	0.7	0.7	1.9	2.1	2.5 (r)	4.3*	1.5	✓
Percent of bus fleets compliant with the ADA	90	93	96	96	98	98 (r)	98*	98	✓
Percent of key rail stations compliant with the ADA	77	82	82	91	92	94* (r)	95*	94	✓
Percent of all flights arriving within 15 minutes of schedule at the 35 Operational Evolution Plan airports due to NAS-related delays	82.2	82.3	79.07	88.10	88.36	86.96 (r)	87.29*	88.00	×

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; × Not Met

ADA – Americans with Disabilities Act

GLOBAL CONNECTIVITY PERFORMANCE SUMMARY

Performance Measure	2002	2003	2004	2005	2006	2007	2008 Actual	2008 Target	Met/ Not Met
Percent of days in the shipping season that the U.S. portion of the St. Lawrence Seaway system is available	98.7	98.9	99.1	99.7	99.0	99.4	98.8	99.0	×
Number of freight corridors with an annual decrease in the average buffer index rating	N/A	N/A	N/A	N/A	3	5	23*	25	×
Number of U.S. border crossings with an increase in operational reliability	N/A	N/A	N/A	N/A	N/A	5	4*	5	×
Number of new or expanded Bilateral and Multilateral agreements competed (new measure in FY 2004)	N/A	N/A	3	2	4	3	4	2	✓
Number of potential air transportation consumers (in billions) in international markets traveling between the U.S. and countries with open skies and open trans-border aviation agreements (measure revised in FY 2005)	N/A	1.48	1.72	2.97	3.01	3.83	3.94	3.85	✓
Cumulative number of technology/ information exchange agreements that promote the U.S. highway transportation industry	N/A	N/A	N/A	N/A	N/A	4	4	3	✓
Percent share of the total dollar value of DOT direct contracts that are awarded to women-owned businesses	3.8	4.2	3.8	6.6	8.4 (r)	10.4 (r)	7.0*	5.1	✓
Percent share of the total dollar value of DOT direct contracts that are awarded to small disadvantaged businesses	16.2	15.8	15.6	12.7	16.2 (r)	18 (r)	16*	14.6	✓

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; × Not Met




ENVIRONMENTAL STEWARDSHIP PERFORMANCE SUMMARY

Performance Measure	2002	2003	2004	2005	2006	2007	2008 Actual	2008 Target	Met/ Not Met
12-month moving average of the number of areas in a transportation emissions conformity lapse	6.0	6.0	6.3	5.8	1.3	0.0	0.0*	6.0	✓
Number of hazardous liquid pipeline spills in high consequence areas	48	52	49	55 (r)	46 (r)	50 (r)	59*	50	×
Percent DOT facilities characterized as No Further Remedial Action Planned under the Superfund Amendments and Reauthorization Act	91	94	93	92	92	93	94	93	✓
Number of Exemplary Human Environmental Initiatives undertaken	N/A	N/A	N/A	N/A	N/A	N/A	11	10	×
Median time in months to complete environmental impact statements for DOT funded infrastructure projects	N/A	N/A	N/A	56	57	67	63.5*	60	×

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; × Not Met

SECURITY PERFORMANCE SUMMARY

Performance Measure	2002	2003	2004	2005	2006	2007	2008 Actual	2008 Target	Met/ Not Met
Percentage of DoD-required shipping capacity complete with crews available within mobilization timelines	94	96	94	95	93	97	97	94	✓
Percentage of DoD-designated commercial ports available for military use within DoD established readiness timelines	92	86	93	87	100	100	100	93	✓

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; × Not Met

ORGANIZATIONAL EXCELLENCE PERFORMANCE SUMMARY

Performance Measure	2002	2003	2004	2005	2006	2007	2008 Actual	2008 Target	Met/ Not Met
Percent of major federally funded transportation infrastructure projects with less than 2 percent annual growth for project completion milestones	N/A	N/A	73	89	89	89	79	90	×
Percent of finance plan cost estimates for major federally funded transportation infrastructure projects with less than 2 percent annual growth in project completion cost	N/A	N/A	75	81	84	83	82	90	×
For major DOT aviation systems, percentage of cost goals established in the acquisition project baselines that are met	89.5	88	100	97	100	100	96.08	90	✓
For major DOT aviation systems, percentage of scheduled milestones established in acquisition project baselines that are met	74	77	91.5	92	97.4	97	93.88	90	✓

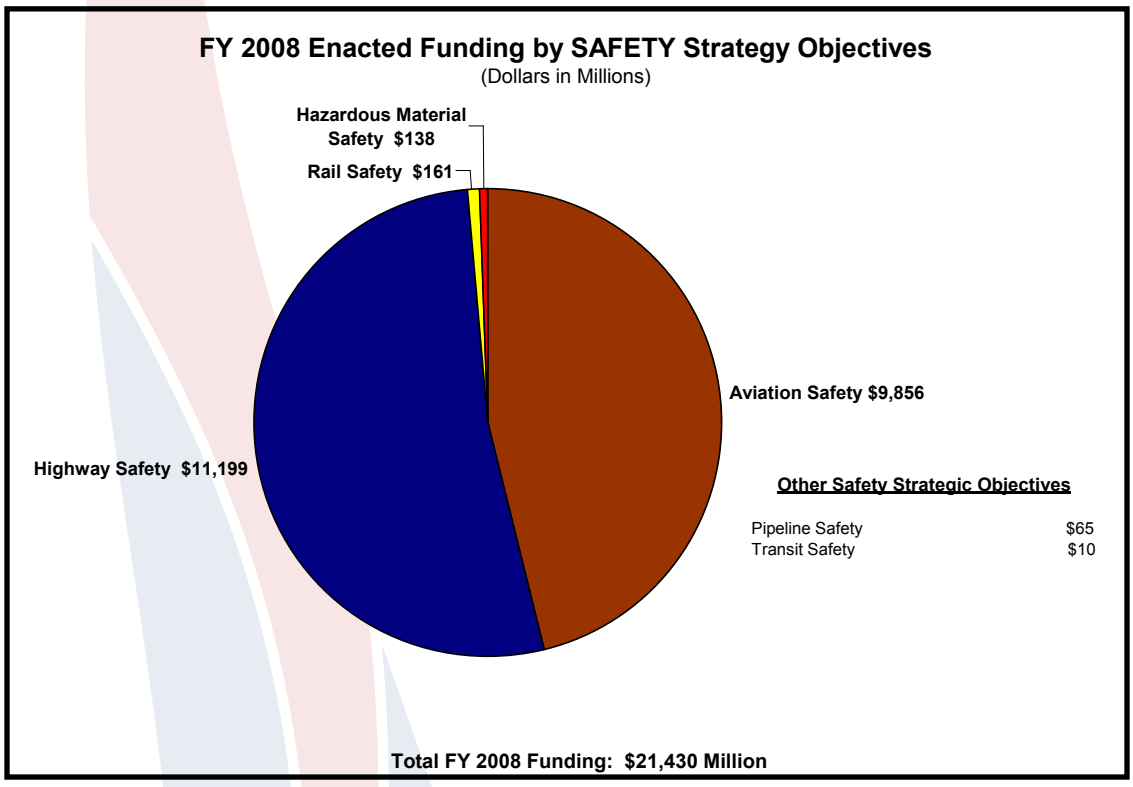
(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; × Not Met

SAFETY STRATEGIC GOAL

ENHANCE THE PUBLIC HEALTH AND SAFETY BY WORKING TOWARD THE ELIMINATION OF TRANSPORTATION-RELATED DEATHS AND INJURIES

Improving safety throughout the transportation network is the premier goal of the Department of Transportation. Passage of the Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users (SAFETEA-LU) provided a renewed foundation for innovation in vehicle and infrastructure safety, partnerships with the states, and data-driven solutions to persistent safety challenges. The National Rail Safety Action Plan targets the most frequent and highest-risk causes of train accidents and accelerates research into new technologies. The Federal Aviation Administration and the Pipeline and Hazardous Materials Safety Administration are implementing risk management systems, which help them identify potential problems and develop targeted responses.

The U.S. Department of Transportation leveraged $21,430 million to promote safety in our nation's transportation system.



Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2008 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (×).

Reduction in transportation-related deaths
Reduction in transportation-related injuries

Highway Safety

- ✓ Passenger vehicle occupant highway fatality rate per 100 million passenger vehicle-miles (VMT) traveled.
- ✓ Large truck and bus fatality rate per 100 million total VMT.
- × Rate of motorcyclist fatalities per 100,000 motorcycle registrations (CY).
- ✓ Rate of non-occupant fatalities per 100 million VMT (CY).

Rail Safety

- ✓ Rail-related accidents and incidents per million train-miles.

Transit Safety

- ✓ Transit fatalities per 100 million passenger-miles traveled.

Aviation Safety

- ✓ Number of commercial air carrier fatalities per 100 million persons onboard.
- ✓ Number of fatal general aviation accidents.

Pipeline Safety

- × Number of serious incidents for natural gas and hazardous liquid pipelines.

Hazardous Materials Safety

- ✓ Number of serious hazardous materials transportation incidents.

2008 Performance Highlights

- ✧ Fatalities from large truck crashes dropped for the third consecutive year with a total decline of 8.2 percent.
- ✧ In aviation, there was less than 1 fatality for every 100 million persons on board. Fatalities aboard commercial airliners have dropped 57 percent in the last 11 years.
- ✧ The National Rail Safety Action Plan has contributed to across-the-board improvement in rail safety during the past three years with nearly a 25 percent decrease in the number of train accidents since 2004.
- ✧ Pipeline corrosion and excavation damage incidents were down 36 percent




Highway Safety
FY 2008 Enacted Funds: $11.2 Billion

Motor vehicle traffic crashes account for 99 percent of all transportation-related fatalities and injuries. In 2005, they were the leading cause of death for Americans age 3 through 6 and 8 through 34. Alcohol is the single biggest contributing factor in fatal crashes. Motor vehicle crashes place a considerable burden on the nation's health care system and have significant economic effects. The cost to the economy of all motor vehicle crashes was approximately $230.6 billion, in 2000 dollars, or 2.3 percent of the U.S. Gross Domestic Product. The FHWA, NHTSA, and FMCSA contribute to the accomplishment of the Department's highway safety goal by promoting safer roads, safer vehicles, and safer driver behavior.

The Department remains committed to reducing highway fatalities and fully supports the goal of reducing fatalities to a rate of 1.0 per 100 million vehicle miles traveled (VMT). The target date for achieving the 1.0 goal was revised from 2008 to 2011, to account for the dramatically changing nature of the challenges currently facing highway safety. In 2007, the latest year for which figures are available, the estimate of the highway fatality rate was 1.37 fatalities per 100 million VMT.

To most effectively align program and policy actions needed to meet key challenges, the Department established four fatality sub-measures—passenger vehicles, non-occupants, motorcyclists, and large-truck and bus-related fatalities—which represent the breadth of all highway users. This approach more closely examines the fatality rates of the different segments of highway users, devotes greater energy and resources, and develops new strategies combating sub-measure trends that impede progress to the overall 1.0 goal.

FY 2009 Performance Forecast. The FY 2009 target for passenger vehicles is 1.02 passenger vehicle occupant fatalities per 100 million passenger vehicle VMT. Initial travel data for 2008 suggests that the higher price of gasoline together with the combined effects of the economic downturn, the trend towards increased use of smaller cars, and towards more walking, bicycling, and motorcycle riding, as well as the use of mass transit, reflect the fact that fundamental changes in personal travel are occurring in our transportation system. These various changes will affect the outcome measures for 2008 and later years, and may make it more difficult to forecast whether targets can be met.

Passenger Vehicles

Passenger vehicle occupant fatalities constitute around 70 percent of all highway fatalities. While the total number of passenger vehicle fatalities has declined over the last five years, the Department knows that more needs to be done. Passenger safety rests on three things: safe road conditions, safe cars, and safe behavior. The Federal Highway Administration (FHWA) works with States to address road conditions that lead to crashes, while the National Highway Traffic Safety Administration (NHTSA) works with vehicle manufacturers to develop safer cars and with the driving public to promote safer driver and passenger behavior.

Performance Measure

Passenger vehicle occupant highway fatality rate per 100 million passenger vehicle miles traveled (VMT)

	2005	2006	2007	2008
Target	1.15	1.12	1.10	1.06
Actual	1.15 (r)	1.11 (r)	1.05*	1.03#

(r) Revised; *Estimate based on projected 2007 VMT; # Projection based on trends from historical data. Actual number will be different, depending on external factors such as the economy, price of fuel, actual miles driven, vehicle mix, etc.

Associated FY 2008 Funding - $7.34 billion

FY 2008 Results. The 2008 target will likely be met. During FY 2008, NHTSA made significant progress in behavioral programs to affect the passenger occupant fatality rate. The Agency led two nationwide law enforcement crackdowns to reduce impaired driving, and coordinated the annual Click It or Ticket mobilization to increase seat belt use. It developed and introduced new materials to improve the use of the Lower Anchors and Tethers for Children (LATCH) system to simplify installation of child safety seats, a new Ease of Use rating system for child safety seats, and a new teen driver safety campaign including a focus on parental responsibility. We are already seeing results from the new requirement for Electronic Stability Control (ESC) systems in passenger vehicles. ESC is a technology that has the potential to save many lives by assisting the driver in maintaining control in critical driving situations. For vehicles equipped with the technology, we estimate that these systems have reduced fatal single vehicle crashes by 63 percent for light trucks and vans (LTVs) and 36 percent for passenger cars. Rollover involvements in fatal crashes were decreased by 70 percent in passenger cars and 88 percent in LTVs. For more information, please view Statistical Analysis of the Effectiveness of Electronic Stability Control (ESC) Systems Report at: http://www.regulations.gov/fdmspublic/component/main?main=DocumentDetail&o=09000064802b4607.

When properly used, child safety restraint systems reduce fatalities by 71 percent in infants and 54 percent in toddlers. However, 7 of 10 child safety seats are installed improperly. DOT's new campaign educates parents on proper installation and provides a new 5-star rating system that tells consumers which child-safety seats are easiest to install called LATCH – Lower Anchors and Tethers for Children.

FY 2009 Performance Forecast. DOT expects to see a reduction in the number of passenger fatalities in FY 2009, but because of significant changes in Americans' driving habits due to higher gas prices, the number of vehicle miles traveled may decline. This decline could affect the ratio of fatalities per 100 million passenger vehicle-miles traveled, increasing the fatality rate even if the number of fatalities was reduced.

Promoting Passenger Safety

There are a number of FHWA and NHTSA programs that have contributed to the decline in passenger fatalities over the years. Some of the developments in FY 2008 not mentioned previously are summarized below:

- Rural Safety Initiative - Rural roads carry less than half of America's traffic yet they account for over half of the nation's vehicular deaths. The Rural Safety Initiative focuses on the four key factors that contribute to rural road deaths: human behavior, roadway environment, vehicles, and medical care after a crash. For more information please visit: http://www.dot.gov/affairs/ruralsafety/ruralsafetyinitiativeplan.htm.

- Cable median barriers – FHWA emphasized barrier installation in the medians of divided highways, especially cable median barriers which reduce cross median fatal crashes by 80 to 95 percent where used.

- Ignition Interlocks – For several years, NHTSA has advocated the use of ignition interlocks for repeat offenders. These devices can detect when an offender has been drinking and prevent a vehicle from starting, thus helping to reduce the chances that offenders might again take to the road while impaired. In the past year, six States (Arizona, Illinois, Louisiana, Nebraska, New Mexico and Washington) have passed laws that require the use of ignition interlocks for all DWI offenders.

Rural roads carry less than half of America's traffic yet account for over half of the Nation's vehicular deaths. A Rural Safety Initiative will bring focus and a comprehensive approach to rural safety promoting safer drivers, better and smarter roads, better trained emergency responders, and stronger partnerships to help improve safety.

- Click It or Ticket – The most successful seat belt campaign ever, helped achieve the current overall seat belt usage – 83 percent for 2008. NHTSA data show, however, that nighttime belt use continues to be much lower, particularly among young drivers. The campaign this year focused on the issue with the theme 'Day or Night - Buckle Up or Pay Up'. The campaign was accompanied by statewide teen and nighttime demonstration projects to encourage improved seat belt usage among these high risk populations.

Large Trucks and Buses

Just as passenger safety relies on safe road conditions, safe vehicles, and safe driver behavior, so does safety for large trucks and buses. The FMCSA conducts education and outreach to truck drivers, bus drivers and motor carrier companies. In addition, FMCSA develops, implements and enforces in-use safety regulations, and along with NHTSA, analyzes the causes of commercial motor vehicle crashes. NHTSA is responsible for developing, setting, and enforcing vehicle safety standards related to new trucks and buses as well as determining safety related defects prompting the recall of a truck or bus.

Performance Measure

Large truck and bus fatality rate
per 100 million total vehicle-miles traveled (VMT)

	2005	2006	2007	2008
Target	N/A	0.179	0.175	0.171
Actual	0.185	0.176	0.170*	0.168#

* Estimate # Projection based on trends from historical data. Actual number will be different, depending on external factors such as the economy, price of fuel, actual miles driven, vehicle mix, etc.

Associated FY 2008 Funding - $1.67 billion

FY 2008 Results — Preliminary data for 2007 (the most recent data available) show that FMCSA exceeded its target in reducing the fatality rate for commercial motor vehicles, with a rate of .170 fatalities per 100 million total vehicle miles traveled (VMT), and a decrease in total truck and bus fatalities to 5,099. Fatalities from large truck crashes have dropped for three consecutive years from 5,240 in 2005 to 4,808 in 2007; a decline of 8.2 percent. Bus related fatalities dropped 4.5 percent between FY 2006 and FY 2007. These improvements are due, in part, to increased numbers of roadside inspections and safety interventions performed by FMCSA and our state partners.

In 2007, FMCSA, NHTSA and FHWA developed new performance targets to focus the Department's efforts on the critical factors responsible for overall highway fatality rates. To this end, the FMCSA fatality rate measure was aligned with the other highway modes to measure against total VMT, rather than just measuring against the subset of truck vehicle miles traveled. The previous FMCSA performance measure for truck fatalities shows a reduction to a rate of 2.24 per 100 million truck VMT in 2006, based on the latest information available. Final information on this measurement for 2006 and preliminary information for 2007 will not be available until December 2008.

FY 2009 Performance Forecast — DOT expects to meet the target in FY 2009.

Promoting Safety for Large Trucks and Buses

Although it has reached the lowest incidence of truck and bus crashes in decades, FMCSA still has a lot of work to do to achieve the goal of no more than 0.16 large truck and bus related fatalities per 100 million total VMT by the end of 2011. To reach the next level of safety, the Agency is examining the foundation of all of its safety programs and revisiting many existing programs. The FMCSA launched a major initiative in FY 2005 to reexamine and reengineer core safety activities called the Comprehensive Safety Analysis 2010 (CSA 2010). In FY 2008, the Agency began initial testing and evaluation of the CSA 2010 projects in four States. A representative sample of interstate motor carriers from Colorado, Missouri, New Jersey, and Georgia were exposed to a new safety measurement system and progressive intervention concept. The demonstration will determine the effectiveness of the new progressive interventions. Preliminary data analysis suggests a 40 percent improvement in terms of FMCSA's ability to reach more carriers and drivers. Therefore, we expect to see improved compliance and decreased motor carrier-related crashes and fatalities as a result of this new approach.

The NHTSA published a Notice of Proposed Rulemaking (NPRM) to require lap/shoulder belts for small school buses and establish performance requirements for voluntarily installed seat belts on large school buses. NHTSA expects to publish a final rule improving the stopping distance requirements for large trucks. This rule will require trucks to be equipped with larger drum brakes or in some cases disc brakes, and is expected to reduce crashes, fatalities, and injuries due to improved braking performance. The FMCSA and NHTSA completed initial research to understand performance capabilities and potential safety benefits of stability control systems in tractor semi-trailers and single unit trucks. In addition, the FMCSA initiated a field test of an electronic vision enhancement system to reduce truck blind spots. NHTSA is fully engaged in testing motor coaches to address safety issues related to occupant protection, roof crush, fire suppression and emergency evacuation.

Motorcyclists

Motorcyclist fatalities have increased each year since reaching an historic low of 2,116 fatalities in 1997. In 2007, motorcyclist fatalities increased for the tenth year in a row to 5,154 from 4,837 in 2006. This is a 6.6 percent increase in just one year and fatalities among motorcyclists (motorcycle operators and passengers) accounted for 13 percent of the 41,059 total fatalities in motor vehicle crashes in 2007.

Performance Measure

Motorcyclist fatality rate per 100,000 motorcycle registrations

	2005	2006	2007	2008
Target	N/A	75	76	76
Actual	73.5	72.4 (r)	71.8*	71.3#

(r) Revised; *Estimate based on projected 2007 motorcycle registrations; # Projection based on trends from historical data. Actual number will be different, depending on external factors such as the economy, price of fuel, actual miles driven, vehicle mix, etc.

Associated FY 2008 Funding - $1.00 billion

The measure of motorcyclist fatalities was re-baselined in 2008, when it became a DOT sub-metric, to reflect a change of focus from fatalities per 100 million VMT to fatalities per 100,000 registrations. The targets were set below actual projected fatality rates. Between 1997 and 2006, motorcycle registrations increased by 75 percent while fatalities far outpaced the increase in registrations. Given the increase in exposure resulting from the increased use of motorcycles for transportation, reaching the target motorcycle fatality rate of only 77 fatalities per 100,000 motorcycle registrations in 2009 is an ambitious goal.

FY 2008 Results. Projections using the latest available rate data (2002-2006) indicate that the target for 2008 should be met. During FY 2008, NHTSA initiated development of national standards for novice motorcycle rider (operator) training, completed a program to educate motorcyclists on the dangers of riding impaired, updated motorcycle licensing guidance to State Motor Vehicle Administrators, and continued to incorporate motorcycle operators in High Visibility Enforcement (HVE) impaired-driving crackdowns. NHTSA also initiated a research project to train riders on visual search strategies on curves to decrease the likelihood of run-off-the-road crashes.

FY 2009 Performance Forecast. DOT expects to meet the target in FY 2009.

Promoting Motorcycle Safety

As the number of motorcycle fatalities continues to rise, the Department has targeted some of its safety programs specifically at motorcyclists. In October 2007, DOT released the Action Plan to Reduce Motorcycle Fatalities. The key initiatives are:

- Conducting the Motorcycle Crash Causes and Outcomes study
- Developing national standards for entry level motorcycle rider training
- Addressing the falsification of helmet certifications
- Distributing the brochure Roadway Safety for Motorcycles to road planners, designers, and engineers
- Creating a program to educate police on motorcycle safety
- Marketing a Share the Road campaign kit to States, local communities, and motorcycle organizations

Under a separate initiative, NHTSA continued to promote high visibility enforcement during National Impaired Driving Crackdown periods (Labor Day and the month of December) with the message 'Drunk Driving. Over the Limit. Under Arrest'. The ads were updated for the 2008 Labor Day campaign to feature a motorcycle rider, since motorcycle fatalities continue to rise and a higher percentage of impaired driving fatalities involve riders (35 percent) as compared with drivers of other motor vehicles (32 percent).

Non-Occupants

The target for non-occupant fatalities was re-baselined in 2008 when this measure became a DOT sub-metric. The non-occupant fatality rate uses overall VMT data to calculate the rate since pedestrian, bicyclist, and other non-occupant miles traveled are not available—meaning the numerator is much smaller than the denominator and changes in the rate are minuscule.

Performance Measure

Non-occupant fatality rate per 100 million VMT

	2005	2006	2007	2008
Target	0.16	0.16	0.15	0.19
Actual	0.20	0.19	0.18	0.19#

Projection based on trends from historical data. Actual number will be different, depending on external factors such as the economy, price of fuel, actual miles driven, vehicle mix, etc.

Associated FY 2008 Funding - $1.20 billion

FY 2008 Results. DOT expects to meet the FY 2008 target. We missed the target in FY 2006 and FY 2007, although we did see a decrease in the number of fatalities for pedestrians and bicyclists. To address this performance gap, NHTSA initiated research to decrease the incidence of crashes involving impaired pedestrians, tested enforcement strategies to reduce vehicle crashes involving pedestrians, and completed a comprehensive pedestrian safety demonstration program. The Agency initiated an assessment of hit-and-run crashes to identify common variables and to develop and implement countermeasures specific to that crash type, in addition to a demonstration project supporting implementation of the Community Guide to Enhanced Pedestrian Safety. NHTSA held a public meeting to address the issue of blind pedestrians around quiet cars and subsequently began development of a research plan to address the issue.

To address pedestrian-related crashes, FHWA consulted with State and local agencies targeting high crash locations in States and cities with the highest number of pedestrian fatalities. FHWA assisted in developing and implementing pedestrian safety action plans and delivered a training course, How to Develop a Pedestrian Safety Action Plan and Engineering for Pedestrian Safety, on 40 occasions in targeted areas with pedestrian safety

issues. FHWA developed two new guides (Pedestrian Safety Guide for Transit Agencies and A Resident's Guide for Creating Safe and Walkable Communities) to reach non-traditional audiences including transit agency staff and residents working to improve pedestrian safety within their communities.

NHTSA also initiated development of a law enforcement training program on pedestrian safety and developed an education program to enhance older pedestrian safety at the community level. A curriculum was developed to teach pedestrian and bicycle safety to individuals who use English as a second language.

FY 2009 Performance Forecast. DOT expects to meet the target.

Aviation Safety
FY 2008 Enacted Funds: $9.86 Billion

This remains one of the safest periods in aviation history for both commercial and general aviation. Over the last five years, nearly three billion airline passengers reached their destination safely. As the stewards of aviation safety in the U.S., FAA and its industry partners have built a system that operates nearly 32,000 scheduled commercial flights daily and has reduced the risks of flying to all-time lows.

This map shows which states had an increase in traffic fatalities greater than 5 percent, increases less than 5 percent or decreases from 2006 to 2007. The results are generally positive with over half the states seeing a decrease in fatalities. These results provide DOT with the opportunity to target effective safety initiatives and campaigns. For more information see NHTSA's August 2008 Traffic Safety Facts at http://www-nrd.nhtsa.dot.gov/Pubs/811017.pdf.

FY 2008 Results. In FY 2008, FAA adopted a new safety performance metric and target for commercial air carriers. The metric, fatalities per 100 million persons carried, is more relevant because it measures the individual risk to the flying public. All fatalities, including passengers, crewmembers, ramp workers, and ground fatalities, are counted equally.

Performance Measure: Number of commercial air carrier fatalities per 100 million persons onboard	2005	2006	2007	2008
Target	N/A	N/A	N/A	8.7
Actual	N/A	N/A	N/A	0.4*

* Preliminary estimate

Associated FY 2008 Funding - $8.21 billion

We met our target with a result of 0.4 (preliminary estimate) fatalities per 100 million persons on board. Two accidents with 3 fatalities (ground and crew members) occurred in July.

While FY 2008 results were significantly better than our target of 8.7 fatalities per 100 million persons on board, the new measure remains a challenge. Aviation numbers involve years with few fatalities, interspersed with spikes in the wake of singular catastrophic accidents. As an example, our established out-year goal is 4.4 fatalities per 100 million people on board. At 4.4, a major accident in an aircraft as small as a Saab SF 34 (typically 30 to 32 passenger seats) will assure failure in the out years. Consequently, FAA established interim goals, such as the goal of 8.7 fatalities per 100 million persons on board for FY 2008, as recognition of the volatility in aviation measures as we work our way to a sustained, low fatality rate.

FY 2009 Performance Forecast. The FAA expects to meet the FY 2009 commercial air carrier fatality rate. The goal is a 50 percent reduction in fatalities by 2025. To meet this goal, the FAA will continue to work in partnership with industry.

Although most people are familiar with FAA's role in commercial aviation, they may not be aware that it also oversees the safety of approximately 300,000 general aviation (GA) aircraft in the United States. These aircraft include amateur-built aircraft, rotorcraft, balloons, and highly sophisticated turbojets. General Aviation activities include student training, crop dusting, fire fighting, law enforcement, news coverage, sightseeing, industrial work, on-demand air taxi service, corporate transportation, business use, and personal use.

FY 2008 Results. FAA has met the target this year for reducing GA fatal accidents. Since the FAA began using GA fatal accidents as a performance target seven years ago, the target has been exceeded just once. In FY 2008, GA fatal accidents once again decreased from the previous year. FAA and industry's collaborative safety initiatives continue to drive the GA fatal accident rate lower. We have consistently met our GA safety goals and successfully remained under our ceiling of 325 fatal accidents for FY 2008. The end of April 2008 marked a 3-year period that was the safest ever recorded in the history of general aviation.

Performance Measure: Number of fatal general aviation accidents	2005	2006	2007	2008
Target	343	337	331	325
Actual	354	299	314	299*

* Preliminary estimate

Associated FY 2008 Funding - $1.63 billion

During these three years, FAA continued its emphasis on enhancing general aviation safety and directed energies to creating an improved measure. The new safety metric tracks the general aviation fatal accident rate rather than the number of fatal accidents. The FAA has baselines for the new GA safety metric and goal which will be

implemented in FY 2009. The previous measure was not rate-based and did not reflect fleet activity levels and its relationship to the number of fatal accidents. The new performance measure is a true rate-based metric and tracks changes in the fatal accident rate for a fixed volume of flight hours (per 100,000 flight hours). Our goal is to reduce GA fatal accidents over the next ten years to no more than one accident per 100,000 flight hours.

FY 2009 Performance Forecast. FAA expects to meet the performance target in FY 2009.

Promoting Aviation Safety

Creating safe flying conditions is a complex interplay of many activities but FAA has learned that by addressing the precursors to accidents, operational errors, and runway incursions, safety is enhanced. Therefore, the agency spends considerable time and resources to reduce operational errors and runway incursions.

In addition, in recent years, FAA has focused on reducing aviation risks in Alaska, particularly those associated with general aviation. Aviation plays a vital role in Alaska, but the state's topography, high volume of off-airport operations, and extreme weather present unique safety challenges to pilots.

RUNWAY ACCIDENTS

After a series of high-profile events earlier this year raised questions about the U.S. aviation safety program, an outside team of aviation and safety experts conducted an independent review. The review produced thirteen recommendations intended to keep the FAA ahead of multiple risk factors.

Reducing the risk of runway incursions is one of FAA's top priorities. The definition of a "runway Incursion" was changed in October 2007 to "any occurrence at an airport involving the incorrect presence of an aircraft, vehicle or person on the protected area of a surface designated for the landing and takeoff of aircraft." Reducing runway incursions lessens the probability of accidents that potentially involve fatalities, injuries, and significant property damage.

FAA pursues a number of initiatives to address runway incursions, but close calls at some of the nation's busiest airports in 2007 showed that FAA and the aviation industry must take quick action to reduce the risk of runway incursions and wrong runway departures. In 2007, more than 40 aviation leaders from airlines, airports, air traffic control and pilot unions, aerospace manufacturers, and the FAA agreed to quickly implement a five point short-term plan to improve safety at U.S. airports.

The FAA Administrator asked the meeting participants to consider solutions in four areas: cockpit procedures, airport signage and markings, air traffic procedures, and technology. The table below summarizes the plan and gives the status of each recommendation to date.

Call to Action for Runway Safety	
Recommendation	**Status**
1. Within 60 days, teams of FAA, airport operators, and airlines will begin safety reviews at the airports where wrong runway departures and runway incursions are the greatest concern.	FAA completed runway safety reviews at 20 initial "call to action" airports based on runway incursion data and wrong runway departure data. The result was more than 100 short-term and numerous mid- and long-term initiatives. Most of the short-term initiatives identified are complete.
2. Within 60 days, disseminate information and training across the entire aviation industry.	All certificated airports and active air carriers were asked to provide annual recurrent training for all individuals with access to runways and taxiways. To date all 112 air carrier are in compliance and 91 percent of the airports have agreed to develop such training.
3. Within 60 days, accelerate the deployment of improved airport signage and markings at the top 75 airports, well ahead of the June 2008 mandated deadline.	FAA completed the implementation of upgraded or enhanced runway markings at the 75 medium and large airports with more than 1.5 million annual boardings before the June 30, 2008 target. On March 31, 2008, FAA extended the markings requirement to all certificated airports. The markings must be implemented by December 2009 or December 2010 depending upon the airport size. To date, 151of the 489 small certificated airports (31 percent) have completed the installations.
4. Within 60 days, review cockpit procedures and air traffic control (ATC) clearance procedures. This may include changing cockpit procedures to minimize pilot activities and distractions while an aircraft is moving on the ground and to make ATC instructions more precise.	All 112 active air carriers have reviewed their cockpit procedures. The FAA completed an analysis of air traffic control procedures and found that more explicit taxi instructions are needed. In May 2008, FAA implemented procedures for issuing more detailed taxi instructions.
5. Implement a voluntary self-reporting system for all Air Traffic Organization personnel, such as air traffic controllers and technicians.	In March 2008, FAA and the National Air Traffic Controllers Association signed an 18 month agreement to create and use an Air Traffic Safety Action Program at several designated sites. The program is designed to foster a voluntary, non-punitive environment for the open reporting of flight safety concerns by air traffic controllers.

According to the preliminary FY 2008 data, FAA met the target of no more than 0.509 runway incursions per million operations. For more information on the Call to Action and other runway safety initiatives, please visit: http://www.faa.gov/airports_airtraffic/airports/runway_safety/.




OPERATIONAL ERRORS

One of the fundamental principles of aviation safety is separation—the need to maintain a safe distance from other aircraft, terrain, obstructions, and restricted airspace. Air traffic controllers employ rules and procedures that define separation standards for this environment. An operational error (OE) occurs when controllers fail to apply or follow these procedures that enforce separation and allow aircraft to end up too close to each other or to an obstruction. Reducing the risk of operational errors is one of the FAA's top priorities as traffic continues to increase. We did not meet our FY 2008 target of limiting Category A and B (most serious) operational errors to a rate of no more than 2.15 per million activities, reaching an operational rate of 2.31 (preliminary estimate).

In FY 2008, FAA revised the way operational errors are measured. The new separation conformance measure of proximity provides a consistent comparison of events. However, the conformity measure needs further refinement for enhanced utility. Several types of events currently fall outside the conformity index, such as errors involving military flights of two aircraft and errors involving dependent Instrument Landing System (ILS) approaches. In FY 2009, we will be expanding conformity to include a greater number of events that result in operational errors.

In 2009, the FAA will continue to develop an index to describe the central tendency and variance of losses of separation. The index will allow FAA to measure performance over a period of time, similar to a stock index. This new measure will provide indicators that reflect both the risk of collision and the degree to which separation standards were maintained.

The FAA continues to focus on the development and implementation of an automated software prototype that will depict Air Traffic Control separation conformance in the Terminal environment nationwide. The Traffic Analysis and Review Program will achieve the following:

- apply separation logic to targets,
- identify where applicable separation standards are not being maintained, and
- highlight incidents needing further investigation.

ALASKA ACCIDENTS

Alaska's skyways are equivalent to the highway and road infrastructure found throughout the continental U.S., making the use of general aviation aircraft essential to everyday life. This includes but is not limited to enabling children to attend school, traveling to medical appointments, and supplying communities with groceries, fuel, and mail.

Therefore, there is urgency to modernize flight service in Alaska and FAA's Flight Plan focuses specifically on reducing GA accidents in Alaska. The agency's goal is to reduce Alaska accidents from the 2000-2002 average of 130 accidents per year to no more than 99 accidents per year by FY 2009. Based on preliminary FY 2008 data, there were 108 GA accidents in Alaska, missing the FY 2008 target of 104.

In FY 2008, the FAA continued to work jointly with the Alaska aviation community through a number of organizations and safety programs such as: the Medallion Foundation, Alaska Air Carriers Association, Alaska Airman's Association, FAASTeam (FAA Safety Team), and Circle of Safety.

In addition to these training and education efforts, we're using new technology in Alaska, such as the satellite-based Capstone navigation and terrain awareness avionics. We're also installing 221 additional weather cameras throughout the state. These cameras provide a real-time depiction of what's happening throughout the state. The Alaskan pilot now has go/no go information that was previously unavailable.

E-mails and post cards were sent in March 2008, to every pilot with a current medical certificate in Alaska. The communication emphasized the Alaska accident data and encouraged flight instruction. This message continues to be delivered via tri-fold pamphlets at local events.

The FAA and Medallion executed a 'See your CFI before you fly' media blitz which began broadcasting on the radio in April 2008 and on television in May 2008. This effort targets the historical rise of accidents each year in spring after months of not flying. It encourages pilots to work with their certified flying instructors (CFIs) in a Medallion training device at no cost and/or in an aircraft. The Medallion training devices have sophisticated visuals that use satellite imaging developed under a NASA grant. Pilots who use these devices can simulate deteriorating weather and other scenarios that allow them to practice their decision-making skills.

Rail Safety
FY 2008 Enacted Funds: $161 Million

In the past 10 years, the Federal Railroad Administration (FRA) has successfully reduced the total number of rail-related accidents nationwide and the rate of accidents per million train-miles. From FY 1998 through FY 2007, total accidents have declined by 21 percent, while the rate of accidents per million train-miles has dropped by almost thirty-three percent. Significantly, this has occurred while rail traffic rose almost 18 percent. Although this is good news, FRA was concerned with the slight increase in the number of train accidents and the relatively flat accident rate over much of this same period.

Performance Measure: Rail-related accidents and incidents per million train-miles	2005	2006	2007	2008
Target	17.14	16.80	16.70	18.45
Actual	18.03 (r)	17.42 (r)	16.56 (r)	15.74*
(r) Revised; * Preliminary estimate				
Associated FY 2008 Funding - $161 million				

To address the train-accident challenge, the Department launched the *National Rail Safety Action Plan* in 2005. The plan targeted the most frequent, highest-risk causes of train accidents; focused FRA oversight and inspection resources more precisely; and accelerated research efforts that had the potential to lessen the largest risks.

FY 2008 Results. For the first nine months of FY 2008, FRA is significantly below its target for the year and is confident it will remain below the yearly goal, despite the September 2008, collision between a commuter train and a freight train in Los Angeles, which killed 25 passengers. Much of its success is attributable to the aggressive implementation of the *National Rail Safety Action Plan*; the railroads' support of FRA's safety initiatives; independent actions taken by railroads, labor unions, and rail employees to operate more safely; and the assistance of researchers and other industry stakeholders in developing and deploying new, safer technology. Additionally, FRA has built substantial partnerships with State and local agencies, through the State Rail Participation Program, to address accidents and casualties at highway-rail grade crossings and from trespassing. These activities benefit the public in several ways: fewer accidents mean fewer deaths and injuries, fewer health-care expenses, and a reduced loss of personal property.




FY 2009 Performance Forecast. FRA should meet its FY 2009 target.

Promoting Rail Safety

FRA has succeeded over the past several fiscal years in meeting or exceeding its grade-crossing goals, measured by the number of incidents that occur where roads cross railroads. To reach this level of safety, FRA has required railroads to take a number of precautions, such as

- using train horns at highway-rail crossings;
- testing warning devices regularly;
- using alerting lights on locomotives;
- applying retro-reflective material on all rolling stock; and
- trimming vegetation that could block signs.

FRA will use these types of preventive measures to help the state of Louisiana implement as part of a statewide highway-rail crossing safety action plan. Louisiana has consistently ranked among the top five states nationally with the highest number of grade crossing collisions and fatalities. The state's action plan focuses on reducing vehicle-train collisions at grade crossings where multiple incidents have occurred. As part of this effort, the Louisiana Department of Transportation and Development announced an agreement with the Kansas City Southern Railway to make safety improvements at 300 public grade crossings. Over five years, more than $16 million will be invested to upgrade warning devices, replace cross-buck signage, and close redundant crossings. FRA is currently working with Texas and Illinois to develop similar state-specific action plans.

In May 2008, FRA announced completion of the National Rail Safety Action Plan (NRSAP), noting that the plan contributed to an across-the-board improvement in rail safety during the past three years, including nearly a 25 percent decrease in the number of train accidents since 2004. Please view the report at: http://www.fra.dot.gov/downloads/PubAffairs/final_report_May_2008.pdf. As a part of the NRSAP, FRA developed a Federal rule to address top human factor causes of accidents. The final rule was issued in February 2008. The final rule covers both railroad operational testing programs and railroad operating practices related to the handling of equipment, switches, and fixed derails. The rule establishes greater accountability for implementation of sound operating rules necessary for safety. Through the first four months of FY 2008, the industry has seen a 17 percent drop in human-factors caused accidents that relate to the railroad operating rules (now regulations) that had, in the past, accounted for many accidents and injuries to railroad employees and the public. FRA is also working to ensure that emergency responders have timely access to key train hazmat information. The American Association of Railroads (AAR) amended its Operating Practices for Transportation of Hazardous Materials circular to provide that local responders be given a ranked listing of the top 25 hazardous materials transported by rail, upon their written request. CSX Transportation and Chemtrec entered into a pilot agreement, and FRA is working with AAR to encourage participation from other railroads.

Transit Safety
FY 2008 Enacted Funds: $10 Million

Public transportation provides a flexible, safer alternative to traveling by automobile. Currently, transit is one of the safest modes of travel per passenger-mile traveled. According to the National Safety Council, passengers on the Nation's bus, rail, or commuter rail systems are 40 times less likely to be involved in a fatal accident, and 10 times less likely to be involved in an accident resulting in injury. The challenge is to further reduce the rate of fatalities and injuries even as the total number of people using transit increases.

Performance Measure

Transit fatalities per 100 million passenger-miles traveled

	2005	2006	2007	2008
Target	.482	.477	.473	.468
Actual	.428	.389 (r)	.437 (r)	.289*

(r) Revised; * Preliminary estimate

Associated FY 2008 Funding - $5 million

FY 2008 Results. DOT expects to meet the target for calendar year (CY) 2008. Using six months of data from FTA's National Transit Database and four months of Commuter Rail data from the FRA Rail Accident Incident Reporting System, 2008 safety figures come in well under the target rates for fatalities and injuries. Strong growth in transit ridership and the continued expansion of transit service significantly increased the number of transit passenger miles traveled in 2008 over 2007. The increase in passenger miles traveled between January and June of 2008 was 3.7 percent higher than the same period for 2007. Approximately 26,963 million passenger miles were traveled during this period in 2008.

FY 2009 Performance Forecast. DOT will meet the CY 2009 target.

Pipeline Safety
FY 2008 Enacted Funds: $65 Million

While pipelines are by many measures the safest mode for transporting hazardous liquid and natural gas, the nature of their cargo is inherently dangerous. To address this hazard, the Pipeline and Hazardous Materials Safety Administration (PHMSA) has designed and implemented a strong, risk-based, systems approach to protect the safety, security, and reliability of our Nation's pipeline infrastructure. This risk-based systems approach also helps provide secure and reliable transportation of our Nation's energy resources.

Performance Measure

Number of serious incidents for natural gas and hazardous liquid pipelines

	2005	2006	2007	2008
Target	N/A	43	42	40
Actual	41(r)	35(r)	47(r)	41*

(r) Revised; * Preliminary estimate

Associated FY 2008 Funding - $65 million

To reduce the risk to the public, PHMSA identifies and evaluates risks, develops and enforces standards, provides grants to assist states in support of their pipeline safety programs, educates operators and the public, sponsors research on promising technologies, and responds to accidents/incidents. States play a very important role in helping provide oversight of the safety of the nation's pipeline infrastructure, overseeing most of the intrastate




pipeline system infrastructure, including most of the nation's natural gas distribution pipeline mileage. States face increasing resource and technical challenges as we expand the State role in assisting with new Integrity Management (IM) and other evolving requirements. The Pipeline, Inspection, Protection, Enforcement and Safety Act of 2006 (PIPES Act) recognized the challenge and calls for increased funding to help states meet new mandatory initiatives. PHMSA recognizes the importance of a strong continued focus on excavation or construction-related damage—the leading cause of serious pipeline incidents involving death or injury, especially in natural gas distribution systems where people work and live in closest proximity to pipelines.

FY 2008 Results. This year we move to the new metric of "number of serious natural gas and hazardous liquid incidents". Serious incidents are those where a fatality or injury was involved. Based on preliminary data, PHMSA projects 41 serious pipeline incidents in 2008, which would miss the performance target for our goal by 2.5 percent.

Pipeline failures tend to be low-probability high-consequence risks, where the ratio of fatalities to injuries is fairly high (1:4), and where there are often multiple injuries or fatalities (average 1.5 people hurt for every serious incident). Over the past three years, we have seen an average of 41 serious incidents each year, with an average of 17 deaths and 45 injuries requiring hospitalization. In 2008, we have already seen 3 deaths and 39 injuries reported—almost all in natural gas distribution systems.

About 20-25 percent of serious incidents occur on hazardous liquid or natural gas transmission pipelines, the large diameter pipelines that carry products from an origination point, across the country to a collection point serving a population center. In these two areas, PHMSA has already promulgated integrity management rules and requirements; proposed rules to extend integrity management requirements to distribution systems were published this year. Around seventy-five percent of all human consequences from pipeline failures occur in natural gas distribution systems, the small diameter lines that move material from a collection point to homes and businesses. PHMSA expects to improve performance of distribution pipeline systems by extending the integrity management rules from hazardous liquid and natural gas transmission pipelines—where integrity management has been in place for several years—to natural gas distribution systems. The integrity management program requires operators to identify the risks in their systems, evaluate those risks, and identify and fix flaws in their systems.

FY 2009 Performance Forecast. Even with the anticipated improvement from a risk-based approach, PHMSA expects significant challenges in meeting its target of 38 serious incidents for 2009. Integrity management systems require some time to develop and implement, and final rules remain to be published. At the same time, the number of serious incidents we have seen over 2007-2008 indicate that there is still substantial variability in performance from year-to-year, and the long-term trend indicates that we are reaching diminishing effects as the number of serious incidents has dropped by half since 20 years ago.

Promoting Pipeline Safety

With enactment of the PIPES Act of 2006, PHMSA has sharpened its focus on further mitigating the risk to people and is advancing the agency's risk–based, integrity management approach. Some of the big gains over the past year have been in reducing the number of pipeline incidents caused by corrosion and excavation. These numbers have declined significantly for both causes in all three pipeline sectors (gas transmission, gas distribution, and hazardous liquid pipelines) over the last 12 months—largely due to PHMSA's efforts in advancing integrity management and damage prevention.

Ultimately, it is the responsibility of the pipeline operator to ensure the safety of its pipelines. However, citizens can learn more about what to look for and how to respond when a potentially hazardous pipeline situation presents itself. Visit http://www.call811.com/ for information.

Excavation damage has been the leading cause of pipeline incidents involving death or injury. In 2008, PHMSA implemented the new 811 campaign for call-before-you-dig notifications, increased grants to states to support and encourage one-call activities, and increased outreach and education to the public and other utility workers about preventing excavation damage.

Corrosion damage has been targeted particularly by PHMSA's integrity management requirements and inspections. During 2008, the agency continued to work with hazardous liquid pipeline operators to advance their programs, and with gas transmission pipeline operators to build their programs (integrity management was implemented first on liquid pipeline systems).

By the end of July 2008, corrosion and excavation damage incidents were down 36 percent from the same time the previous year.

Hazardous Materials Safety
FY 2008 Enacted Funds: $138 Million

Energy products and hazardous materials underpin the American economy and our way of life. They also introduce some inherent risk to the public, the environment, and property. PHMSA is focused on protecting people and the environment from the risks inherent in transportation of hazardous materials. The agency leads the national program to identify and evaluate safety risks, develop and enforce standards for transporting hazardous materials, educate shippers and carriers, investigate hazardous materials incidents, conduct research, and provide grants to improve emergency response to incidents.

Performance Measure

Number of serious hazardous materials transportation incidents

	2005	2006	2007	2008
Target	503	460	466	462
Actual	528 (r)	495 (r)	473(r)	451*

(r) Revised; * Preliminary estimate

Associated FY 2008 Funding - $138 million

PHMSA shares authority to enforce the hazardous materials regulations with other DOT operating administrations—the Federal Aviation Administration, the Federal Motor Carrier Safety Administration and the Federal Railroad Administration—as well as the US Coast Guard. To accomplish its safety goals, PHMSA works with these agencies to help them administer their hazmat safety programs effectively. PHMSA also leverages its limited resources with others in the hazmat community, including industry, first responders, other modal hazmat enforcement programs, and state and local emergency preparedness agencies. The agency builds on existing local and state programs by providing funding for emergency preparedness planning and training in order to identify threats specific to a locality and to train first responders to handle incidents resulting from those threats.

PHMSA focuses its safety program on those materials that present the most significant risks to public safety. Efforts are geared toward preventing high consequence events from occurring, and mitigating those consequences when they do occur. In addition to enhancing safety, effective response also reduces congestion by enabling highways, railroads and airports to resume normal operation in a minimum amount of time.

FY 2008 Results. The Department expects to achieve its serious incident target this year. A review of reported serious incident trends over five years found that 87 percent involved bulk releases of hazardous materials (more than 119 gallons); 10 percent required evacuations; 7 percent closed a major transportation artery—a contributor to non-recurring congestion; 4 percent resulted in major injuries; 3 percent caused an aircraft to change its flight path; and 2 percent resulted in fatalities (note: percentages exceed 100 percent since a serious incident may have multiple consequences). This information, along with an assessment of the major risks from the transportation of hazardous materials, helped focus our investments. This general pattern continued in 2008.

FY 2009 Performance Forecast. Based on previous years' performance, DOT expects to achieve its target of 458 for serious hazardous materials incidents in 2009.

Promoting Hazmat Safety

The major risks from the transportation of hazardous materials are the potential for fire aboard an aircraft, release of toxic-by-inhalation materials in bulk, and motor carrier crashes and rollovers involving flammable liquids in bulk. The first two of these are considered low-probability high-consequence risks, while the third is the more common occurrence of the three; although it is still a small percentage of all motor carrier crashes.

Fire aboard aircraft: In response to a series of incidents involving batteries carried by airline passengers and shipped as cargo aboard aircraft, PHMSA has pursued a comprehensive strategy to address the transportation risks presented by lithium batteries. We are working with representatives of the National Transportation Safety Board, the Consumer Product Safety Commission, manufacturers of lithium batteries and battery-powered products, airlines, airline employee organizations, testing laboratories, and the emergency response and law enforcement communities to share and disseminate information about battery related risks and developments and to promote improvements in industry standards and best practices. In 2008 PHMSA hosted a public meeting of the battery safety stakeholder group and developed a renewed safety plan with support from the group. On July 31, 2008 a notice of proposed rulemaking was published proposing further safety requirements applicable to the transportation of batteries of all kinds. PHMSA and FAA are working collectively to address a number of enforcement and outreach initiatives aimed at enhancing safety. All of these efforts reduce the risk of fire aboard aircraft from the expanding use of battery technology.

Toxic-by-Inhalation (TIH) materials: To enhance the security of rail shipments of TIH materials, PHMSA and the Federal Railroad Administration (FRA) continue to work closely with the Transportation Security Administration (TSA) through cooperative efforts with rail shippers and carriers. DOT participates on TSA-led teams conducting rail corridor studies, which address vulnerabilities and mitigation strategies at specific locations. On April 16, 2008, PHMSA published an interim final rule (IFR) adopting new standards governing the routing and handling of highly hazardous rail shipments, including explosives, radioactive materials, and TIH materials. In addition, working with FRA, PHMSA published an NPRM to improve the accident survivability of railroad tank cars designed to transport TIH materials.

Motor carrier crashes involving flammable liquids in bulk: During FY 2008, PHMSA and the Federal Motor Carrier Safety Administration (FMCSA) co-sponsored a series of national summits to address the issue of tank truck rollovers—a leading cause of fatalities and serious incidents involving hazardous materials. The summits engaged a wide range of participants from industry and the research community, and developed many promising approaches to reducing the risk of rollovers. Following the summits PHMSA, FMCSA and the National Highway Transportation Safety Administration (NHTSA) partnered with the National Tank Truck Carriers (NTTC) Association to develop a multi-faceted safety action plan that includes development of driver training aids, outreach efforts and efforts to promote the use of technologies that reduce the likelihood of collisions and rollovers (e.g. electronic stability control systems, lane departure warning systems, etc.)

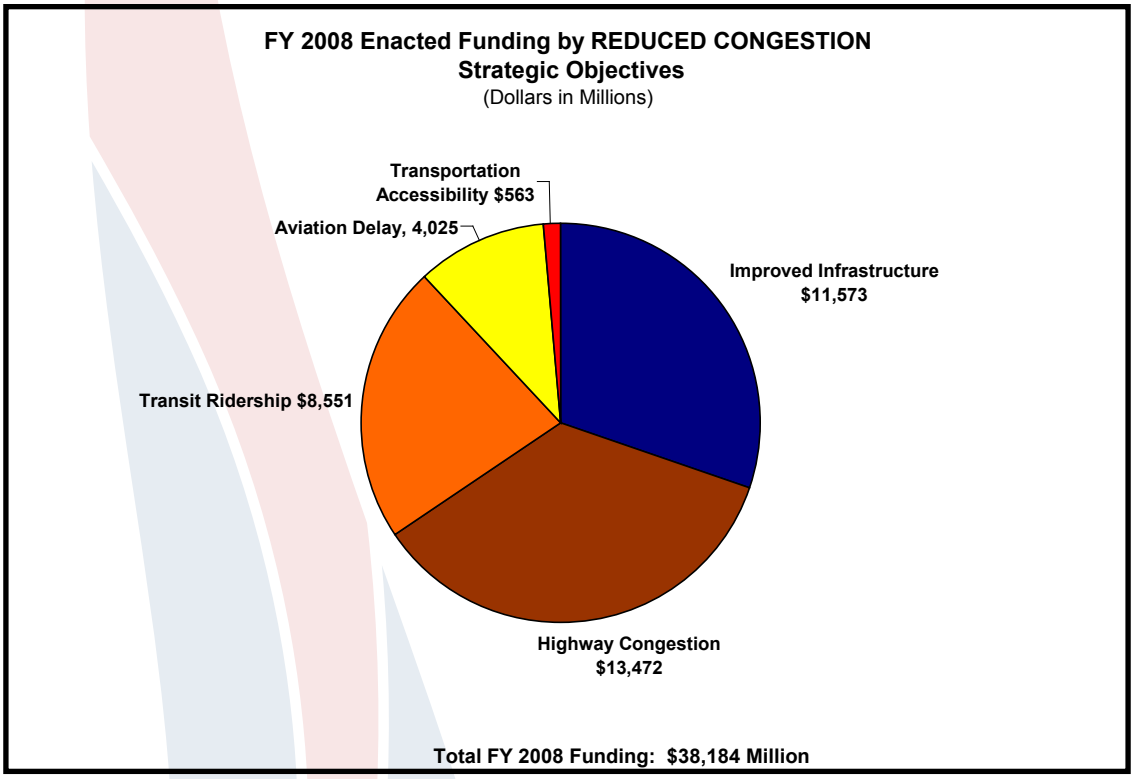
Emergency response: PHMSA published the latest version of the Emergency Response Guidebook (ERG) during FY 2008—available for the first time in electronic form for personal computers and pocket-PCs. The ERG provides first responders with a guide for initial actions to be taken in those critical first minutes after an incident to protect the public and to mitigate potential consequences. PHMSA also enhanced emergency responders' ability to mitigate incidents involving E85 and other ethanol fuel blends (which degrade the effectiveness of most firefighting foam) by adopting new identification for ethanol-blends for better hazard communication.

REDUCED CONGESTION STRATEGIC GOAL

REDUCE CONGESTION AND OTHER IMPEDIMENTS TO USING THE NATION'S TRANSPORTATION SYSTEM

Most Americans would not know that congestion is costing America an estimated $200 billion a year collectively. What individual citizens do know, however, is that their time is being wasted sitting on our nation's roadways or in our airports – time that should be spent with family, friends and in our communities. The National Strategy to Reduce Congestion has elevated congestion relief to a top priority and a number of significant changes are being explored and proposed that could fundamentally change the way we plan and pay for transportation improvements. On a parallel track, the multi-agency NextGen program plans to transform aviation over the next 20 years, making it even safer and expanding capacity by a factor of 3. Finally, DOT's comprehensive surface transportation reform proposal (Reform Proposal) recommends changes to Federal surface transportation program and policies, many of which would enable states and localities to more effectively pursue congestion reduction strategies.

The U.S. Department of Transportation leveraged $38,184 million to reduce congestion and other impediments to mobility in the U.S transportation system.



Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2008 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (×).

Highway Congestion
Reduction in urban congestion.

✓ Percentage of total annual urban-area travel occurring in congested conditions.

Transit Ridership
Reduction in urban congestion.

✓ Average percent change in transit boardings per transit market (150 largest transit agencies).

Improved Infrastructure
Longer lasting, high performance transportation infrastructure.

× Percentage of travel on the National Highway System (NHS) meeting pavement performance standards for "good" rated ride.

× Percentage of deck area on National Highway System (NHS) bridges rated as deficient.

Aviation Delay
Meet new and growing demands for air transportation services through 2025 and beyond.

× Percent of all flights arriving within 15 minutes of schedule at the 35 Operational Evolution Plan airports due to NAS-related delays.

Transportation Accessibility
Increased access for all Americans.

✓ Percent of bus fleets compliant with the ADA.
✓ Percent of key rail stations compliant with the ADA.

2008 Performance Highlights

✧ The percent of travel under congested conditions was estimated to be well below the FY 2008 target of 32.3 percent. The results suggest that increased adoption of strategies related to traffic incident management and work zone management plus the price of fuel have influenced travel patterns and reduced travel.

✧ Over half of the top 40 metropolitan areas have full service incident management service patrols.




Improved Infrastructure
FY 2008 Enacted Funds: $11.57 Billion

Improving the condition and performance of pavement and bridges is critical to the structural integrity and cost effectiveness of the transportation system. The condition of the National Highway System (NHS) also affects traffic congestion, wear-and-tear on vehicles, comfort of travelers, and fuel consumption.

FY 2008 Results. The target for 2008 was developed based on predictions using the Highway Economics Requirements System (HERS) model which reflect current engineering practices, transportation funding, and increasing construction material costs. The preliminary estimate of pavement condition for FY 2008 is 56 percent. The decline in nationwide pavement condition results corresponds to a significant year-to-year decline in pavement conditions reported in California. The data for California are still under review and may change at a later date.

Performance Measure

Percentage of travel on the National Highway System (NHS) meeting pavement performance standards for "good" rated ride

	2005	2006	2007	2008
Target	53 (r)	54 (r)	56	57
Actual	52	54	57 (r)	56*

(r) Revised; * Preliminary estimate

Associated FY 2008 Funding - $5.78 billion

FY 2009 Performance Forecast. The 2008 target for the pavement condition measure was revised in 2007, reflecting a more predictive approach based on more sound engineering and economic models. Recent trends in funding and material cost increases will pose difficulty in meeting the 2009 and future targets.

FY 2008 Results. The FY 2008 target was not met. Factors influencing the results include limited funding levels coupled with escalating materials costs on bridge projects. The percentage of deck area on NHS bridges that are rated as deficient decreased from 32.6 percent in 1998 to 29.5 percent in 2008. A gradual downward trend is expected to continue. The impact on the deck area figures of additional funding made available in 2008 may not be apparent for several years. Bridge deficiencies are reduced primarily through a reduction in the number of structurally deficient bridges.

Performance Measure

Percent of deck area on National Highway System (NHS) bridges rated as deficient.

	2005	2006	2007	2008
Target	25.3	24.2	23.1	22.0
Actual	29.9	29.2	29.7 (r)	29.5*

* Preliminary estimate. (r)Revised

Associated FY 2008 Funding - $5.78 billion

FHWA conducted annual National Bridge Inspection System compliance reviews and met afterwards with the States as necessary to ensure that any compliance issues were resolved. More than 96 percent of the States are in compliance. FHWA will continue to work with the States with a goal of reaching 100 percent compliance through the sharing of commendable practices, peer reviews of a few individual programs, and continued bridge inspection training through the National Highway Institute.

FHWA is working with the States to ensure that the additional funding made available for years 2008 through 2010 is being used to supplement and not supplant planned bridge activities. At the end of FY 2008, nearly half of the $1 billion was made available to 13 States and $300 million was obligated to bridge activities.

FY 2009 Performance Forecast. FHWA will reexamine and reset the 10-year targets in FY 2009 to better reflect future forecasted conditions.

Repair and Reconstruction of the Minneapolis T-35W Bridge

On August 1, 2007, the center span of the I-35W interstate bridge in Minneapolis broke into sections and collapsed into the Mississippi River. Thirteen people died as a result of the collapse and over one hundred were injured. FHWA provided significant technical support to the National Transportation Safety Board (NTSB) investigation of the I-35W bridge collapse. Following the immediate reevaluation of all steel deck truss bridges, FHWA issued a Technical Advisory calling for States to check the capacity of gusset plates on all steel trusses. FHWA issued technical guidance regarding methods to check gusset plate capacity and is now working with AASHTO to improve upon the guidance.

FHWA was immediately involved in discussions with the Minnesota DOT on the design layout of the new bridge. Work began immediately on ensuring that the National Environmental Policy Act (NEPA) process was followed for the removal of the existing bridge, the traffic restoration work and the reconstruction of the bridge. The project was accelerated using a Design-Build Best-Value procurement method. The State of Minnesota chose the contractor based on the most advantageous cost and time combination presented. The FHWA validated the cost estimate for the bridge and the entire reconstruction contract using a risk-based review. Construction was completed ahead of schedule and the I-35W bridge reopened in September 2008.

HIGHWAY CONGESTION

Traffic congestion on our Nation's highways now affects more trips, involves more hours of the day, and includes more of the transportation system than ever before. Congestion varies significantly day to day because demand and capacity are constantly changing at any given location. Overall, 67 percent of the peak-period travel nationwide is congested, compared to 32 percent in 1982. Travelers in 85 urban areas spent 4.2 billion hours stuck in traffic in 2005, more than a five-fold increase when compared to 1982.

FY 2008 Results. The percent of travel under congested conditions was estimated to be 27.3 percent, which is well below the FY 2008 target of 32.3 percent. Although increased adoption of strategies related to traffic incident management and work zone management may have helped to slow the growth of congestion, it is difficult to know to what extent. External factors including the price of fuel have significantly influenced travel patterns and reduced vehicle miles traveled (VMT) sharply.

Performance Measure				
Percent of total annual urban-area travel occurring in congested conditions.				
	2005	**2006**	**2007**	**2008**
Target	33.0	33.7	32.5	32.3
Actual	28.6(r)	28.4 (r)	27.8*(r)	27.3#
(r) Revised; # Projection; * Preliminary Estimate				
Associated FY 2008 Funding - $5.78 billion				

FY 2009 Performance Forecast. The actual results for congested travel nationwide from 2005 to 2007 were revised downward in 2008 based on an improved freeway speed estimate by the Texas Transportation Institute. As a result, the annual targets for FY 2009 and subsequent years will be reexamined in 2009. FHWA expects to meet the new 2009 target.

Reducing Congestion

Initiatives designed to demonstrate the value and efficacy of congestion pricing in reducing traffic congestion are key to advancing the Transportation Secretary's Congestion Initiative. To this end, the Department initiated the Urban Partnership (UP) and Congestion Reduction Demonstration (CRD) programs and is now working with six metropolitan areas to demonstrate various pricing strategies. These UP/CRD partners have agreed to pursue integrated approaches that, while prominently featuring pricing, also include supporting technology and transit strategies. Five metropolitan areas were selected for the first Urban Partnerships: Miami, Minneapolis, New York City, San Francisco, and Seattle. After considerable debate, the New York state legislature failed to provide the necessary tolling authority for a highly innovative cordon pricing scheme in New York City. Consequently, the funds set aside for New York City were redistributed to Chicago and Los Angeles for CRD programs. The FHWA has a comprehensive agenda underway to capture lessons learned from all of the UP/CRD programs. Peer exchanges ensure the eventual widespread deployment of congestion pricing applications. Additionally, an intensive evaluation program has been established to quantify both the benefits and costs of these pricing strategies.

FHWA realized significant success in the Operations and Technology program areas that are part of the Congestion Initiative. Almost all states are now in compliance with the Work Zone Safety and Mobility Rule, with strategies for reducing crashes and congestion in work zones, and well over half of the top 40 metropolitan areas have full service incident management service patrols. Virtually all states with major bottlenecks are exploring low-cost, quick-fix operational improvements, and 48 percent of the U.S. population now has access to 511 travel information services.

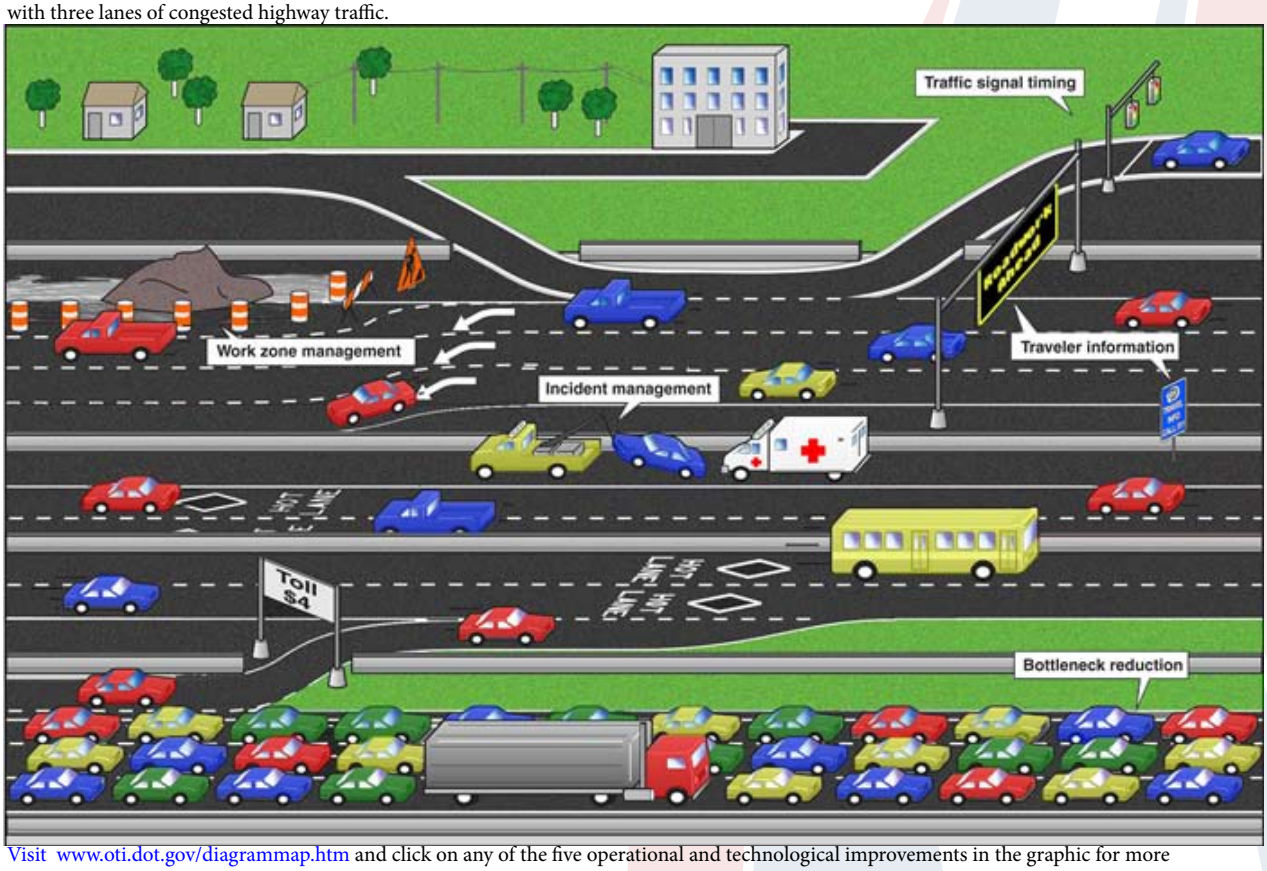
FHWA is also addressing non-reoccurring congestion related to incidents and inclement weather, which contribute 40 percent to the overall congestion problem. The Traffic Incident Management program encourages the prompt clearance of traffic incidents, i.e., crashes, stalled vehicles, spilled loads, and debris on the roadway,

through a cooperative effort of public safety, transportation and private sector partners. In October 2007, the National Traffic Incident Management Coalition (NTIMC) adopted a National Unified Goal to achieve "Responder Safety; Safe, Quick Clearance; and Prompt, Reliable, Interoperable Communications". The National Unified Goal will be achieved through actions led by the 23 NTIMC coalition partner members over the next few years. The Road Weather Management program focuses on providing highway users and operators accurate real-time information to achieve better decisions for personal trip planning and more efficient maintenance activities such as snow removal.

Several projects were launched including the Clarus Initiative. Clarus (which is Latin for clear) is an initiative to develop and demonstrate an integrated surface transportation weather observing, forecasting and data management system. The objective of Clarus is to provide information to transportation managers and users nationwide to limit the fatalities, injuries, and delays that often result from adverse weather.

In addition to its activities under current authorities, DOT has also developed a comprehensive proposal for reforming the Federal surface transportation program subsequent to the expiration of SAFETEA-LU. This Reform Proposal includes a variety of provisions that would enable states and localities to more effectively pursue congestion reduction strategies—particularly in regards to implementing variable pricing on congested roadways.

The graphic below depicts work zone management with cones and construction signs; traveler information with a dynamic message sign and 511 travel information service logo sign; incident management with a tow-truck and ambulance on the highway shoulder; and bottleneck reduction with three lanes of congested highway traffic.



Visit www.oti.dot.gov/diagrammap.htm and click on any of the five operational and technological improvements in the graphic for more information. Courtesy of US Government Accountability Office, 2007




Transit Ridership
FY 2008 Enacted Funds: $8.55 Billion

With the uncertainty of gasoline prices for the foreseeable future, public transit is an attractive alternative to the automobile. Transit agencies are handling increasing numbers of passengers; ridership growth increased by only 0.7 percent in 2003 and 2004, grew by 1.9 percent in 2005, 2.1 percent in 2006, and 2.5 percent in 2007, but expanded by 4.3 percent in 2008 . Transit is one of the safest ways of traveling, relieves road congestion, and reduces air pollution. Federal investments in transit, combined with State and private sector funds, make public transportation possible for tens of millions of Americans every day saving time, providing mobility, and reducing congestion.

According to a recent Texas Transportation Institute analysis, Americans wasted 4.2 billion hours and 2.9 billion gallons of fuel sitting in traffic jams. Traffic congestion now costs motorists in our Nation's top urban areas about $78 billion a year in wasted time and fuel. Mass transit, however, saved $10.2 billion in wasted fuel and time.

FY 2008 Results. For 2008, the strong increase in ridership continued at a rate more than double the performance target. Although the ridership increases of the past four years may have been affected by service improvements and fare subsidy programs, the substantial correlation with the increase in gasoline prices suggests a causal relationship (see graph).

Performance Measure

Average percent change in transit boardings per transit market (150 largest transit agencies)

	2005	2006	2007	2008
Target	1.0	1.0	1.5	1.5
Actual	1.9	2.1	2.5(r)*	4.3*

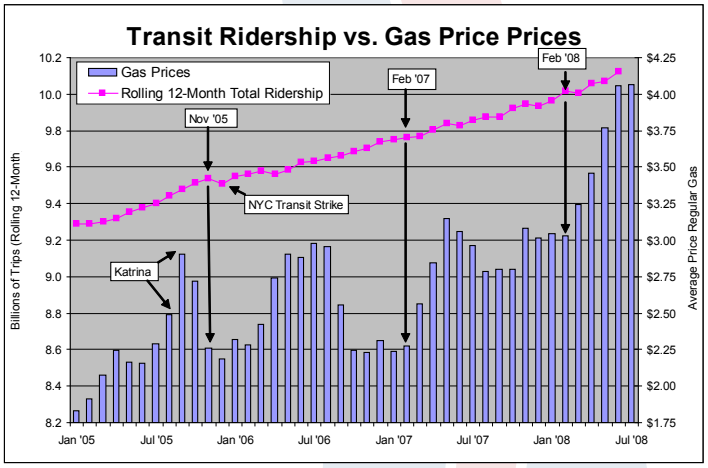
(r) Revised; * Preliminary estimate

Associated FY 2008 Funding - $8.55 billion

FY 2009 Performance Forecast. DOT anticipates it will meet the 2009 ridership target.

Promoting Transit Ridership

To support this goal, FTA continued to invest billions of dollars in the Nation's transit infrastructure to ensure transit is as safe, efficient, and cost-effective as possible, thus attracting new riders. FTA also implemented several new initiatives to promote ridership and recognize transit agencies that develop innovative and successful programs to increase ridership.



As part of the Department's Urban Partnership (UP) and Congestion Reduction Demonstration (CRD) programs, FTA is working with six metropolitan areas to implement integrated, multi-modal strategies to reduce urban traffic congestion. Each of these metro area strategies involves a combination of road and/or parking pricing, enhancements to transit service, and the deployment of innovative transportation

technologies. In each case, the Department has both provided grant funding to implement the transit projects and established an intensive evaluation program to quantify the benefits and costs of the integrated pricing-transit-technology approach.

In FY 2007 and 2008, the United We Ride human service transportation initiative made strides to improve transportation delivery systems for older adults, persons with disabilities, families with low incomes, disadvantaged youth, and other populations most dependent upon public and human service transportation systems to meet their mobility needs.

FTA's United We Ride and the USDOT's Intelligent Transportation Systems (ITS) Joint Program Office launched a national demonstration program called the Mobility Services for All Americans (MSAA) Initiative to coordinate the 62 Federal programs that provide some level of human service transportation by using ITS technology to create a single point of customer access no matter what the trip, who provides it, or who funds it. Eight demonstration sites were selected to develop operational plans for implementing simplified customer access systems.

The goal of MSAA is to improve transportation services and simplify access to employment, health care, education, and other community activities by means of ITS through extending transportation service partnerships with consumers and human service providers at the Federal, State, and local levels.

FTA reviewed 27 proposed operational concepts for simplified customer access and reservations systems and selected 8 to develop further. After 18 months developing the concepts, seven of the 8 sites presented systems to demonstrate scalable and replicable Travel Management Coordination Centers (TMCCs). The system designs were received by the USDOT in July 2008. In Phase 2, $3.25 million will be awarded for 3 or 4 demonstration sites that will be selected to deploy their TMCC designs. Many of the sites indicated that they will implement their TMCC design regardless of whether they are selected. All of the designs are quite innovative. Technical assistance will be provided to the remaining demonstration sites.

Traffic flows on roadways during peak periods improve significantly when transit alternatives are also available to increase capacity.




Transportation Accessibility
FY 2008 Enacted Funds: $563 Million

According to a recent report by the Institute of Medicine, there are some 40 million disabled Americans and this number is expected to increase as the population ages. The U.S. Census Bureau predicts that the number of Americans over 85 will increase from 5.4 million to 19 million between 2008 and 2050. The Americans with Disabilities Act (ADA) mandates that public transportation be accessible to these individuals; it is vital to maintaining independence and mobility for people with disabilities and linking them to employment, health care and their community.

FY 2008 Results. DOT met the 2008 target. Ninety eight percent of the bus fleet is compliant with the ADA. The bus fleet continues to become more accessible as older vehicles are replaced with new vehicles that are lift-equipped or have low floors to accommodate wheel chairs. The overall rate of increase in bus accessibility has slowed somewhat since many of the buses replaced were already lift-equipped.

Performance Measure

Percent of bus fleets compliant with the ADA

	2005	2006	2007	2008
Target	95	97	97	98
Actual	96	98	98	98*

* Preliminary estimate

Associated FY 2008 Funding - $111 million

FY 2009 Performance Forecast. In 2009, 98 percent of the fleet should remain ADA compliant. While all new buses are lift equipped or have low floors, it will be difficult to reach 100 percent compliance because many transit operators retain buses for more than twenty years.

FY 2008 Results. The preliminary estimate for FY 2008 indicates that the FY 2008 target will be met.

There are 681 key rail stations nationwide, designated as such by commuter, light or rapid rail operators, in cooperation with the local disability community. This revised number (down from 687 last reported in the 2007 PAR) reflects stations that have been closed or relocated. Relocated facilities are treated as new construction by DOT and are required to be fully accessible.

Performance Measure

Percent of key rail stations compliant with the ADA

	2005	2006	2007	2008
Target	84	91	93	94
Actual	91	92	94(r)*	95*

(r) Revised; * Preliminary estimate

Associated FY 2008 Funding - $150 Million

FY 2009 Performance Forecast. DOT expects to reach the FY 2009 target.

The administration of FTA's Job Access and Reverse Commute (JARC) program was changed in FY 2007 from a separate nationally-administered competitive program into a State-administered formula program as enacted in SAFETEA-LU. FTA is collecting data and establishing a baseline for a new measure "Jobs made accessible by JARC services". The enacted funding for FY 2008 for this program was $156 million.

Aviation Delay
FY 2008 Enacted Funds: $4.0 Billion

Reducing delays is one of the biggest challenges facing the FAA. Commercial airline passenger delays in the U.S. amount to approximately $10 billion in delay costs each year. The problem is exacerbated by increased traffic and congestion concentrated at several major airports, particularly in the New York metropolitan area. Although a reduction in traffic of about 10 percent is expected this fall as airlines cut schedules due to high fuel prices, the large hub airports might not see significant delay reduction, because airlines tend to maintain schedules there. Along with increased congestion, adverse weather conditions are a major contributing factor to airport delays. Approximately 70 percent of flight delays are caused by weather. In the first 6 months of FY 2008, the percentage of operations conducted in severe weather increased almost 25 percent compared to the same time period in FY 2007.

FY 2008 Results. FAA did not achieve its FY 2008 NAS (National Air Space) On-Time Arrival performance target. Adverse weather conditions played a significant part in airport delays. Over 20 percent of operations at Boston, Newark, Philadelphia and Chicago were conducted during moderate to severe weather conditions. Traffic management initiatives, such as ground delay programs and airspace flow programs, were used to combat the effect of thunderstorms and maximize system efficiency as much as possible.

Performance Measure

Percent of all flights arriving within 15 minutes of schedule at the 35 Operational Evolution Plan airports due to NAS-related delays

	2005	2006	2007	2008
Target	87.40	87.40	87.67	88.00
Actual	88.10	88.36	86.96(r)	87.29*

(r) Revised; * Preliminary estimate

Associated FY 2008 Funding - $4.0 billion

To help increase on-time arrival rates in the future, FAA continues to evaluate new tools and technologies to improve arrival times. These include greater collaboration with stakeholders (commercial airlines, business aviation, general aviation, military, and Congress), evaluation of separation standards, implementation of improved weather information tools, and airspace redesign where beneficial. Airspace redesign is one of the key components in optimizing U.S. airspace and allowing for increased capacity. Efficient airspace operations will require redesigning routes and changing the size and shape of airspace. This increased flexibility will help address volume, congestion, and weather in en route airspace.

The complexity of the future operating environment—with evolving fleet mixes, new aircraft, technology, and environmental constraints—must be approached in partnership with the aviation industry. The preparation for these changes is already well underway. The Federal Government's vision for meeting this challenge is called the Next Generation Air Transportation System (NextGen). The concept of NextGen is a wide ranging transformation of the entire national air transportation system to meet future demands and avoid gridlock in the sky and at our airports.

FY 2009 Performance Forecast. Given the current issues in the NAS that impact on-time performance including adverse weather, runway construction, congestion at major airports, and aviation industry economic and scheduling pressures, the FAA anticipates that it will be particularly challenging to meet the current FY 2009 on-time target of 88.22 percent. In recent years, we have seen increasing impact of these factors on the ability to meet the target, as evidenced by the last 2 years of performance.




Reducing Aviation Delays

The FAA continues to work at reducing delays and meeting the anticipated demand for air travel. Implementation of NextGen is the long term solution to increasing capacity of the National Airspace System. In the meantime, FAA and the Department of Transportation have implemented a number of initiatives to reduce delays in the near term. The top accomplishments for FY 2008 included:

- **New York Aviation Rulemaking Committee (ARC).** The ARC was formed in September 2007 to explore operational improvements, market-based mechanisms, and other options for addressing airspace congestion and flight delays in the New York metropolitan area. The ARC provided its recommendations to the Secretary of Transportation on December 17, 2007.

  Incorporating information received from the ARC into FAA and DOT efforts to address aviation congestion in the New York area resulted in the following actions:

  - Daily planning teleconferences to provide common situational awareness for customers—such as airlines, airport operators, and the military—on planned daily operations at JFK;
  - Simultaneous runway approaches which will allow 4-6 more aircraft to land during instrument meteorological conditions;
  - Briefings and trainings to show controllers that reducing excessive spacing between aircraft on final approach can help reduce delay and does not pose a safety risk;
  - Creation of another westbound departure route to mitigate westbound delays

- **O'Hare International Airport Congestion Management Rule.** In June 2008, FAA announced the 2004 caps on the number of aircraft that can land each hour at O'Hare International Airport will be allowed to expire in October 2008. This is a direct result of efforts to add capacity at O'Hare and coincides with the opening of a new runway at the airport in November 2008.

- **Release of Special Use Airspace.** The U.S. military worked with FAA to make some of its airspace available for civilian airliners over the Thanksgiving and Christmas holidays in 2007 and the Memorial Day and Fourth of July weekends this summer. The military opened up airspace off the East Coast, which helped relieve the most congested regions—from Maine to Florida. The use of the military airspace was so successful that FAA is working with the Department of Defense (DOD) to ensure military airspace will be available for civilian use during future holidays.

- **Traffic Flow Management and Route Initiatives.** Two initiatives put in place in 2007 delivered substantial benefit and were again used in 2008 to reduce delays, especially during the summer months, when aviation is most affected by weather. We expanded Airspace Flow Programs (AFPs) that manage traffic adjustments to changing weather patterns. AFPs, which act like ground delay programs for a piece of airspace, saved airlines about $68 million last summer. The Adaptive Compression tool identifies unused arrival slots at airports affected by AFPs or ground delays and immediately moves other flights into those slots. This saved airlines $27 million and more than 1 million delay minutes in its first year of operation. The Western Atlantic Route

System was redesigned to introduce 50 nautical mile separation between properly equipped aircraft—down from 90—allowing pilots flying in the western Atlantic a greater choice of routes and available altitudes.

- **Area Navigation (RNAV) Routes, Standard Instrument Departures (SIDs) and Standard Terminal Arrivals (STARs)** - Area navigation (RNAV) consists of routes and procedures that allow aircraft to fly point-to-point operations that are not restricted by the location of radar. This permits aircraft to fly optimum routes with little controller intervention. Two tools that accommodate aviation growth and improve efficiency are RNAV standard instrument departures (SIDs) and Standard Terminal Arrivals (STARs). RNAV SIDs and STARs provide instrument flight procedures for departing and arriving aircraft transitioning to and from the terminal to the en route structure, using advanced navigation technology. Using RNAV reduces pilot and controller workload and enhances the efficient and safe use of navigable airspace within the terminal airspace environment. In the en route structure, we are developing high and low altitude RNAV routes. In FY 2008, we published more than 75 RNAV SIDs and STARs and implemented more than 45 RNAV routes at specific airports. We continue to realize capacity benefits as well. For example, since the implementation of two RNAV STARs at Phoenix Sky Harbor International Airport in October 2006, there has been a 38 percent reduction in the time aircraft remain in level flight at key step-down altitudes in terminal airspace, resulting in user benefit savings estimated at $2.4 million annually, and reductions in carbon dioxide emissions estimated at 2500 metric tons annually.

- **New Runways** – Construction of airfield infrastructure (runways and taxiways) is a very effective method of increasing airport capacity, reducing delays, and improving efficiency. Los Angeles International Airport undertook a reconfiguration of their south runway and taxiway complex to enhance airfield geometry and reduce the potential for runway incursions. In April 2007 Runway 7R/25L was relocated 55 feet south of its previous location and re-opened. In addition, on June 26, 2008 a new center taxiway opened completing the south side reconfiguration. Chicago O'Hare also has a phased airfield reconfiguration underway. Phase 1 consists of three runway projects. The first project was completed on September 25, 2008 when the extension of Runway 10L/28R was opened. There are 6 other Operational Evolution Plan OEP airports that have airfield projects under construction (3 new runways, 1 runway extension, and 2 taxiways), as well as 10 other projects in the planning or environmental stages.

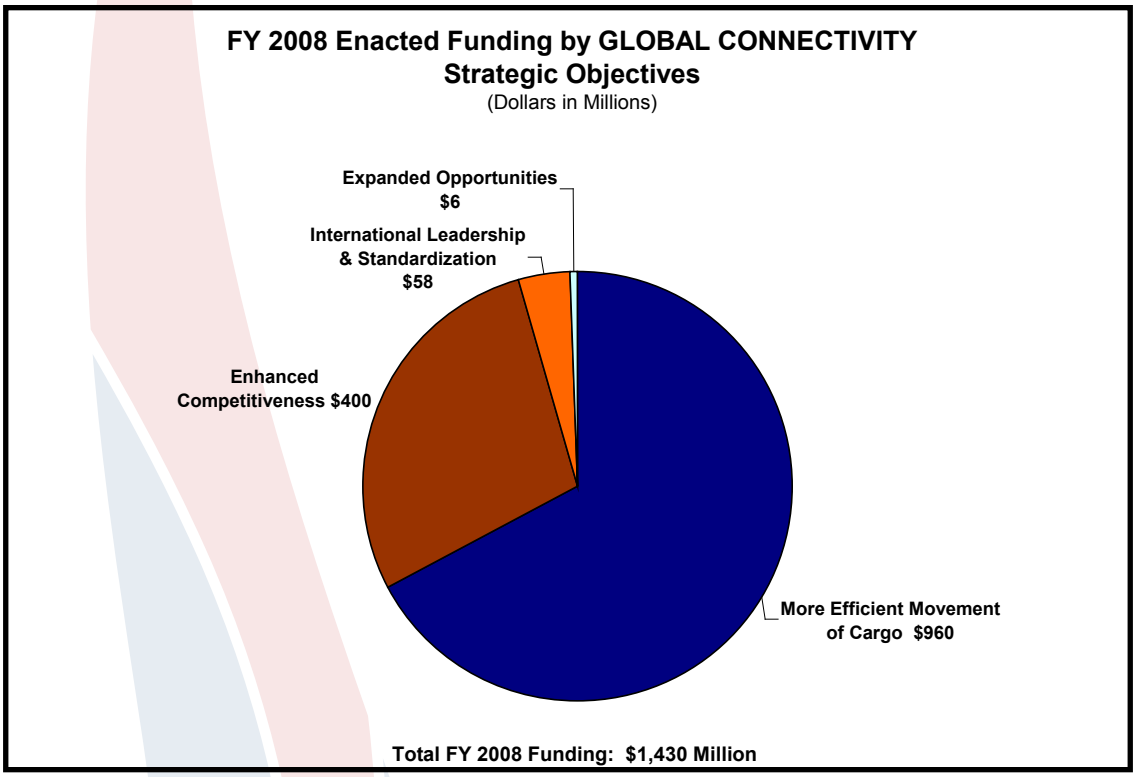
Almost 30 percent of flights nationally are cancelled or substantially delayed resulting in Americans wasting $9.4 billion a year in lost time. About 70 percent of those delays are caused by weather. While DOT certainly does not control the weather, focusing on a variety of traffic management solutions, such as limited flight schedules and modern, data-rich communications, can increase our ability to manage those weather delays and mitigate their impact on air travelers.

GLOBAL CONNECTIVITY STRATEGIC GOAL

FACILITATE AN INTERNATIONAL TRANSPORTATION SYSTEM THAT PROMOTES ECONOMIC GROWTH AND DEVELOPMENT

The transportation sector accounts for more than 10 percent of the U.S. Gross Domestic Product, behind only housing, food and health care. The transportation sector moves goods and people, employs millions of workers, generates revenue, and consumes materials and services produced by other sectors of the economy. The Department of Transportation promotes economic growth and development domestically but also works to ensure that the U.S. interests are competitive in the international market.

The U.S. Department of Transportation leveraged $1,430 million to promote competition and economic development within the U.S. and internationally.



Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2008 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (×).

Efficient Movement of Cargo

Safer, more efficient and cost effective movement of passengers and cargo throughout the international and domestic transportation systems, including U.S. ports of entry, modal and intermodal supply chains.

× Percent of days in the shipping season that the U.S. portion of the St. Lawrence Seaway system is available.

× Number of freight corridors with an annual decrease in the average buffer index rating.

× Travel time reliability at NHS border crossings.

Enhanced Competitiveness

Reduce barrier to trade in transportation goods and services. Enhanced competitiveness of U.S. transport providers and manufacturers in the global marketplace.

✓ Number of potential air transportation consumers in international markets.

✓ Cumulative number of technology/information agreements that promote the U.S. highway transportation industry.

International Leadership and Standardization

Sustained international leadership in promoting U.S. transportation policies.
Harmonized and standardized regulatory and facilitation requirements in the international arena.

✓ Number of new or expanded bilateral and multilateral aviation agreements completed.

Expanded Opportunities

Expanded opportunities for all businesses, especially small, women-owned and disadvantaged businesses.

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

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

2008 Performance Highlights

✧ DOT initiated Corridor Development Agreements addressing Federal and state commitments on financing, planning, and design, environmental process, construction, operations, and maintenance.

✧ More than $560 million was funded for state use on Coordinated Infrastructure projects in border regions to make improvements and construct highways and related safety and enforcement facilities related to international trade.

✧ DOT has successfully negotiated important new agreements with Australia, Croatia and Kenya that extended Open-Skies benefits to an additional 63 million potential aviation consumers.




More Efficient Movement Of Cargo
FY 2008 Enacted Funds: $960 Million

Maritime Trade System

The binational St. Lawrence Seaway is the international shipping gateway to the Great Lakes, connecting the heartland of North America with the world. Commercial transportation on the Great Lakes St. Lawrence Seaway System serves as competition to other maritime trade routes as well as other transportation modes, which benefits the nation in lower consumer prices of finished goods and raw materials, and helps to reduce roadway and railway congestion—each Seaway-size vessel carries roughly 25,000 metric tons, the equivalent of 870 tractor trailers.

Commercial trade on the Great Lakes Seaway System impacts 150,000 U.S. jobs, $12 million per day in wages, $9 million per day in business revenues by firms engaged in trade, and provides approximately $2.7 billion in annual transportation cost savings compared to competing rail and highway routes. Almost 50 percent of Seaway traffic travels to and from overseas ports, especially in Europe, the Middle East, and Africa.

FY 2008 Results. For FY 2008, DOT's Saint Lawrence Seaway Development Corporation (SLSDC) narrowly missed its annual performance target related to St. Lawrence Seaway availability. During the fiscal year, the SLSDC recorded an availability rate of 98.8 percent, 0.2 percent below its annual goal. An analysis of system non-availability during FY 2008 indicates that the most common causes were weather and vessel-related incidents.

Performance Measure				
Percent of days in the shipping season that the U.S. portion of the St. Lawrence Seaway system is available				
	2005	**2006**	**2007**	**2008**
Target	99.0	99.0	99.0	99.0
Actual	99.7	99.0	99.4	98.8
Associated FY 2008 Funding - $18.0 billion				

- Weather-related delays totaled 45 hours, 13 minutes of the total 84 hours, 35 minutes of delays or 54 percent. These weather delays are caused by poor visibility, high winds, fog, and other winter weather conditions that are significant enough to deem waterborne transportation unsafe.

- Vessel incidents in FY 2008 accounted for 20 hours, 38 minutes of delays, or 24 percent. Vessel incidents involve ship operations, and are usually caused by human error on the part of a vessel's crew. Incidents also include vessel breakdowns, which are caused by mechanical problems with a vessel. These vessel incidents must be cleared before transportation can resume causing a decrease in the navigation hours available on the Seaway.

Of the remaining factors that cause system non-availability, the SLSDC has the most control over the proper functioning of its lock equipment. During FY 2008, there were 11 hours, 37 minutes of delays, related to lock equipment malfunctioning incidents. Lock equipment delays represented approximately two-tenths of one percent of the total navigation time during FY 2008.

FY 2009 Performance Forecast. DOT expects to meet the FY 2009 target of 99.0 percent. Although the Seaway has enjoyed a 99 percent reliability rate over its history, similar results in the future are uncertain with an aging infrastructure that has not been adequately renewed. The Seaway is comprised of perpetual assets, which requires periodic capital reinvestment in order to continue to operate safely, reliably, and efficiently. Yet, the U.S.

Seaway infrastructure is approaching the end of its original "design" life, and without sufficient investment in these perpetual assets, it will become increasingly difficult to maintain the future availability and reliability of the U.S. section of the St. Lawrence Seaway. A recent economic analysis concluded that the economic impact of a shutdown of either of the two U.S. locks would range from $1.3-$2.3 million per day, depending on the length of the delay.

To address this concern and enable DOT to meet the performance target, the SLSDC will begin in 2009 to address the long-term infrastructure renewal needs of the U.S. section of the waterway through its Asset Renewal Program (ARP). The Seaway ARP identifies 50 necessary capital and maintenance investments to be completed over a 10-year period for the two U.S. Seaway locks, connecting channels, operational systems, and other infrastructure assets.

This environmentally friendly form of surface transportation handles a combined total of over 1.1 billion short tons of cargo, which is about 23 percent of the ton-miles of all domestic surface transportation traffic. Domestic waterborne transportation contributes $7.7 billion to the gross domestic product annually in the form of freight revenue.

Highway Freight Corridors

A doubling of international trade over the last decade placed a strain on many of the Nation's intermodal ports and gateways and contributed to an increase in traffic congestion. A further increase in freight activity on the Nation's highways is anticipated in this decade due to continued growth in international trade. Traffic congestion hinders freight movement and undermines business productivity and international trade.

The buffer index, a measure of travel time reliability, represents the extra time freight carriers should add to their average travel time in order to ensure on-time arrival, at least 95 percent of the time, for an end-to-end trip along the corridor. The extra time is added to account for any unexpected delay. The buffer index, which is expressed as a percentage, decreases as trip reliability improves.

FY 2008 Results. The 2008 target, which was based on having 100 percent, of the corridors, performing above the national average was not met. When compared to 2007, 23 of the 25 corridors showed a decline or no change in reliability rating. Based on preliminary data, the national buffer reliability index for all 25 corridors measured was 25 percent. During this same reporting period, the average travel speed for the 25 corridors was 55 miles per hour, and no corridor had a decline in average annual speed greater than 1 mile per hour.

Performance Measure				
Number of freight corridors with an annual decrease in the average buffer index rating				
	2005	**2006**	**2007**	**2008**
Target	N/A	N/A	5	25
Actual	N/A	3	5	23*
N/A Not applicable. *Preliminary Estimate				
Associated FY 2008 Funding - $469 million				




FY 2009 Performance Forecast. Continued integration of freight professional capacity into the organizational structure of States and Metropolitan Planning Organizations (MPO) suggests a growing focus on efficient freight movement as key to overall transportation system performance. Under this scenario, the FY 2009 target will likely be met.

The **Freight Analysis Framework** (FAF) provides current and forecast data on the volume of freight and truck movements on the U.S. transportation network. The information created by FAF is used to identify significant freight corridors in need of attention, now or in the future, to maintain or improve the level of service provided by these roadways. The Freight Analysis Framework, an analytic tool used extensively in both the public and private sector, was recalibrated using data from the 2002 Commodity Flow Survey and integrated with key international gateway data. In addition, FHWA updated FAF mapping of the highway network with 2002 freight flows, generated forecasts of freight movement to 2035, completed provisional estimates for 2007, and performed analyses in support of responses to network disruptions such as the closure of I-5 in Washington due to storms.

Promoting Corridors of the Future

The Corridors of the Future Program (CFP) is making a significant contribution to the Nation's transportation system through the establishment of comprehensive, multi-jurisdictional approaches that will be vital for the competitiveness of the United States. Since the transportation system that supports the economy rarely stays within political boundaries and a large percentage of the value and tonnage of freight moves across State, regional or national boundaries, the CFP multi-jurisdictional approach allows transportation agencies to address congestion from a national/regional perspective.

In FY 2008, the DOT initiated the development of Corridor Development Agreements (CDA) that address the commitments of all Federal and State parties to the Corridor with respect to the financing, planning, and design, environmental process, construction, operations, maintenance, and other components of the Corridor. A CDA also identifies the specific objectives and priorities of the Corridor along with performance measures that would be used to evaluate success in achieving these objectives. The DOT and States finalized all seven agreements before the end of 2008. USDOT has allocated discretionary funding to a few projects along the Corridors for projects that will advance the Corridors and objectives under the CDA. In FY 2009, the coalitions will implement the initial CFP objectives and the DOT will continue to provide assistance in advancing the Corridor concept and priorities identified by the CFP coalitions.

Corridors of the Future

The U.S. Department of Transportation announced six interstate routes, which carry 22.7 percent of the nation's daily interstate travel, as the first to participate in a new federal initiative to develop multi-state corridors to help reduce congestion. The initiative is aimed at developing innovative national and regional approaches to reduce congestion and improve the efficiency of freight delivery using public and private resources. The concepts include building new roads and adding lanes to existing roads, building truck-only lanes and bypasses, and integrating real-time traffic technology such as lane management that can match available capacity on roads to changing traffic demands.

The six participating routes will receive the following funding to implement their development plans: $21.8 million for I-95 from Florida to the Canadian border; $5 million for I-70 in Illinois, Indiana, Missouri, and Ohio; $15 million for I-15 in Arizona, California, Nevada, and Utah; $15 million for I-5 in California, Oregon, and Washington; $8.6 million for I-10 from California to Florida; and $800,000 for I-69 from Texas to Michigan.

Border Crossing

Trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico was $74.1 billion, or 6.6 percent higher in June 2008 than in June 2007. Border delays and border crossing time reliability are an important concern for public agencies, travelers and those involved with or affected by international travel and trade.

FHWA currently collects travel time data for five U.S.-Canada land border crossings across Washington, North Dakota, Michigan and New York. More than 50 percent of all U.S. inbound truck traffic crossed at these five land crossings in 2007. Inbound and outbound crossing times were measured for commercial trucks moving within two miles of the border crossing area.

FY 2008 Results. Based in part on the increased level of trade between the U.S., Mexico, and Canada and the complexity of working across border organizations on projects and initiatives, DOT did not meet the FY 2008 target based on the preliminary estimate.

Performance Measure

Number of U.S. border crossings with an increase in operational reliability

	2005	2006	2007	2008
Target	N/A	N/A	N/A	5
Actual	N/A	N/A	5	4*

* Preliminary estimate

Associated FY 2008 Funding - $18.0 billion

FY 2009 Performance Forecast. The U.S. Customs and Border Protection, U.S. DOT, Canada Border Security Agency, and Transport Canada will engage in activities to jointly address border delay and congestion. Specific activities will include; wait time measurements, establishment of delay measurement and standards; sharing

of research and study results, and enhancing information sharing, communications and coordination. From these efforts, transportation agencies will have better information to disseminate to the traveling public, have improved information to support development traffic management strategies, and have better information to plan for future transportation needs.

In addition, the United States-Canada Transportation Border Working Group and U.S.-Mexico Joint Working Committee will continue to coordinate infrastructure improvements at or near the border, facilitate discussion of the role of ITS and other technology in improving the efficiency of goods and people movement across the United States-Canada border and work with border stakeholders to encourage consideration of technology and operations solutions for common border problems including traffic congestion. Under this scenario, the FY 2009 target will likely be met.

Reducing Border Crossing Delay

Through FY 2008, more than $560 million in projects was funded through the Coordinated Infrastructure program. States use these funds in a border region to make improvements to existing transportation and supporting infrastructure, and construct highways and related safety and safety enforcement facilities related to international trade. They also undertake operational improvements including those related to electronic data interchange and use of telecommunications, modify regulatory procedures, and coordinate transportation planning, programming, and border operations with Canada and Mexico.

The DOT implemented a Transportation Border Congestion Relief (TBCR) program as part of the Transportation Secretary's Congestion Initiative. The TBCR program is specifically designed to facilitate and accelerate transportation-related capacity and operational improvements at international land border crossings. In September, the DOT announced several new border congestion-relief projects including the Otay Mesa East Port of Entry in San Diego, CA, and the Cascade Gateway Expanded Cross-Border Advanced Traveler Information System in Blaine, WA.

Harmonized and Standardized Regulatory and Facilitation Requirements

FY 2008 Enacted Funds: $58 Million

New and Expanded Agreements

Bilateral Aviation Safety Agreements (BASA) promote aviation safety and environmental quality, enhance cooperation, and increase efficiency in the civil aviation system. The agreements are based on recognized comparability of U.S. and foreign systems for approval and surveillance of the aviation industry. By building a network of competent civil aviation authorities and concluding agreements with additional countries and/or regional authorities, FAA increases safety and competitiveness globally. Improved global understanding of U.S. safety regulations, processes, and procedures leads to better international regulatory oversight and evens the market by holding more international players to comparable standards.

FY 2008 Results. In FY 2008, FAA exceeded its performance target, concluding four new or expanded BASAs that will facilitate an increase in the ability to exchange aviation products and services thereby expanding opportunities for the global aviation industry.

Performance Measure				
Number of new or expanded Bilateral and Multilateral agreements competed				
	2005	2006	2007	2008
Target	2	2	3	2
Actual	2	4	3	4
Associated FY 2008 Funding - $58 million				

- We completed negotiations with South Korea for one Executive Agreement and one BASA Implementation Procedures for Airworthiness (IPA). Both documents were signed at the 2008 Singapore Air Show. The BASA IPA allows the FAA to request technical assistance from the Korean Civil Aviation Safety Authority related to South Korean suppliers to U.S. manufacturers.

- A revision to update the U.S./Canada BASA IPA was signed in June 2008. The changes include new provisions for Canadian acceptance of rebuilt U.S. engines and FAA-approved alterations data.

- An agreement between the United States and the European Community was signed in June 2008. The agreement provides for streamlined repair station certifications between the U.S. and Europe. When ratified, the agreement will also allow more European companies to apply for FAA design approvals.

FY 2009 Performance Forecast. We are currently updating the FAA Flight Plan and do not expect to conclude any new or expand existing BASA Executive Agreements or Implementation Procedures in FY 2009, and we have not set a target for this performance measure in the next fiscal year. We are continuing to lay the groundwork for future BASAs with countries experiencing aviation industry growth such as India.

Enhance Competitiveness
FY 2008 Enacted Funds: $400 Million

International Air Transportation Market

Since the 1940s, international air transportation has been subject to restrictive bilateral agreements that limit price and service options and artificially suppress aviation growth. DOT's policy is to negotiate bilateral and multilateral agreements to open international air travel to market forces, thereby removing limitations on the freedom of U.S. and foreign airlines to increase service, lower fares, and promote economic growth. These Open Skies agreements have made it possible for the airline industry to provide the opportunity for better quality, lower priced, more competitive air service in thousands of international city-pairs to an increasing portion of the world's population.




FY 2008 Results. DOT exceeded its performance target for FY 2008. DOT has successfully negotiated over 90 Open Skies agreements, including important new agreements in FY 2008 with Australia, Croatia and Kenya that extended Open Skies benefits to an additional sixty-three million potential aviation consumers.

Performance Measure: Number of potential air transportation consumers (in billions) in international markets traveling between the U.S. and countries with open skies and open transborder aviation agreements	2005	2006	2007	2008
Target	1.53	2.99	3.05	3.85
Actual	2.97	3.01	3.83	3.94
Associated FY 2008 Funding - $2.0 million				

FY 2009 Performance Forecast. DOT expects to meet the target of 3.99 billion potential aviation consumers for FY 2009. To accomplish this task we will continue ongoing efforts to conclude Open Skies agreements with important aviation trading partners such as Armenia, Israel, Laos and Vietnam.

Industry Agreements

Increasingly, the DOT and FHWA provide direct support for U.S. foreign policy priorities and initiatives, especially expanded opportunities and access for U.S. transportation industry. Currently, the Agency is providing technical assistance to countries such as Iraq, Kuwait, China, Brazil, and Argentina, thereby expanding opportunities for the U.S. private sector. Through the International Scanning Program in cooperation with the American Association of State Highway Transportation Officials and international partnerships, new technologies and best practices that were developed elsewhere are more quickly adopted in the U.S., thus enhancing the competitiveness of U.S. transport providers and manufacturers.

FY 2008 Results. The FY 2008 target was met. FHWA concluded agreements with Israel, Iraq, and Kuwait and facilitated an agreement between the Russian Republic of Karelia and the State of Tennessee.

Performance Measure: Cumulative number of technology/information exchange agreements that promote the U.S. highway transportation industry	2005	2006	2007	2008
Target	N/A	N/A	3	3
Actual	N/A	N/A	4	4
Associated FY 2008 Funding - $384 million				

International scans of ten countries, including Australia, Belgium, Canada, France, Japan, Korea, Portugal, Spain, Sweden, and United Kingdom were completed on high interest topics including public-private partnerships, older driver safety, and research administration.

FHWA coordinated ongoing distance learning activities for approximately 70 representatives from counterpart agencies including 30 in the Western Hemisphere and 40 in Africa. Public private partnerships (PPP) and Safety are the ongoing program focus. This international technical exchange fulfills Section 506 of the International Outreach Program.

FY 2009 Performance Forecast. The cumulative target for the entire plan has been met and no additional agreements will be targeted.

FHWA coordination and activities continued with European partners, participants in the Border Technology Exchange Program, and counterpart agencies in Korea, China, Japan, and Russia. FHWA anticipates future results during FY 2009 as these programs are ongoing.

Expanded Opportunities
FY 2008 Enacted Funds: $6.1 Million

Expanded opportunities for small businesses, especially women-owned and disadvantaged businesses, serve the economic interests of the United States, both nationally and globally. These small businesses routinely develop, manufacture and distribute quality products to the private sector, but continue to face significant hurdles participating in procurement opportunities with the Federal Government. To give these entrepreneurs a fair opportunity to compete, Congress and the Administration have established procurement goals for the Federal Government. In turn, each DOT Operating Administration (OA) develops targets consistent with legislative mandates and anticipated contracting and subcontracting opportunities.

FY 2008 Results. Based on preliminary estimates, DOT will meet both of the small business related targets. All of the OAs continue to seek new opportunities to engage the small disadvantaged business community. DOT is one of the few Federal agencies surpassing the government-wide five percent Women-Owned Business statutory goal. The Office of Small and Disadvantaged Business Utilization (OSDBU) continues to work closely with all OAs to ensure that small businesses are afforded maximum practicable opportunities to participate in DOT direct procurement actions. OSDBU provided assistance to the OAs with their acquisition strategies, professional development and access to qualified small businesses. OSDBU also increased technical assistance and participation in outreach events.

FY 2009 Performance Forecast. DOT expects to meet both small business targets by continuing its current efforts and leadership in the field.

Performance Measure

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

	2005	2006	2007	2008
Target	5.1	5.1	5.1	5.1
Actual	6.6	8.4(r)	10.4(r)	7.0*

(r) Revised; * Preliminary estimate

Associated FY 2008 Funding - $2.6 million

Performance Measure

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

	2005	2006	2007	2008
Target	14.5	14.5	14.5	14.5
Actual	12.7	16.2(r)	18(r)	16*

(r) Revised; * Preliminary estimate

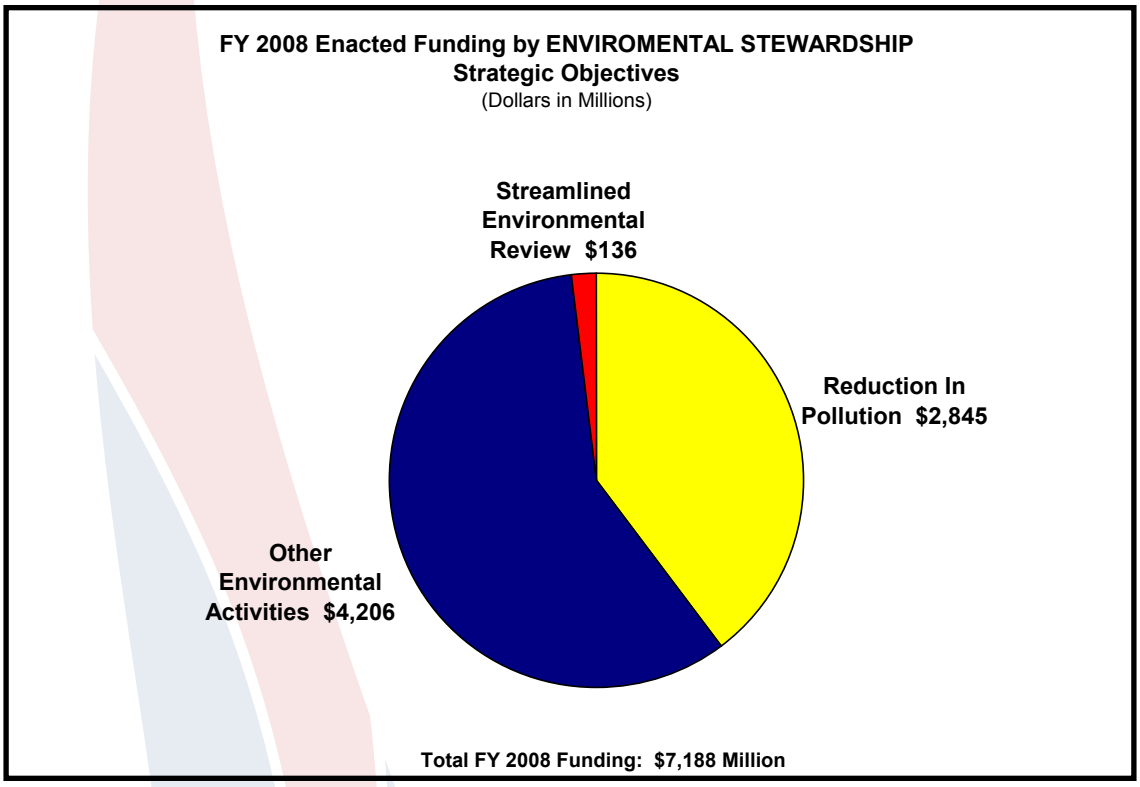
Associated FY 2008 Funding - $2.6 million

ENVIRONMENTAL STEWARDSHIP STRATEGIC GOAL

PROMOTE TRANSPORTATION SOLUTIONS THAT ENHANCE COMMUNITIES AND PROTECT THE NATURAL AND BUILT ENVIRONMENT

The transportation system has a significant impact on the environment. At the current rate of growth, transportation's share of the human-produced greenhouse gas emissions in the U.S. is projected to increase from 28 percent to 36 percent. DOT's Climate Change Center and Environmental Forecasting is a collective effort of DOT agencies to examine environmental factors in a coordinated manner while each agency continues pursuit of the issues under its purview.

The U.S. Department of Transportation leveraged $7,188 million to protect communities and their natural and built assets.



Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2008 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (×).

Reduction in Polution

Reduction in pollution and other adverse environmental effects from transportation and transportation facilities.

- ✓ Number of areas in a conformity lapse.
- × Number of hazardous liquid pipeline spills in high consequence areas.
- ✓ Percent DOT facilities characterized as NFRAP under the Superfund Amendments and Reauthorization Act.

Streamlined Environmental Review

Streamlined environmental review of transportation infrastructure projects.

- × Median time in months to complete environmental impact statements for DOT funded infrastructure projects.

Other Environmental Activities

- ✓ Number of Exemplary Human Environmental Initiatives undertaken.

2008 Performance Highlights

- ✧ For the second consecutive year there were no areas in air quality conformity lapse. The FHWA and the Enivironmental Protection Agency (EPA) cooperatively prepared state Departments of Transportation, air quality agencies, and Metropolitan Planning Organizations (MPO) to successfully meet requirements.
- ✧ DOT PHMSA issued a Final Rule expanding regulatory oversight to large diameter low-stress lines—the type of pipeline that failed on the North Slope of Alaska in 2006 with significant consequences.
- ✧ DOT has attained a 94 percent 'No Further Remedial Action Planned' status designation against 70 sites FAA sites. Only 4 sites have not yet attained NFRAP status and all of those now have either short-term or long-term plans in place for remedial action.
- ✧ Over 40 percent of 26 FHWA projects were recognized as Exemplary Human Environment Initiatives transportation projects and activities that were particularly effective and innovative in how they enhanced the human environment and improve public benefit.
- ✧ The Maritime Administration awarded 21 disposal contracts that will result in the dismantling/recycling of those ships within the next 2 years.

Reduction In Pollution
FY 2008 Enacted Funds: $2.845 Billion

Mobile Source Emissions

The National Ambient Air Quality Standards (NAAQS) target six major pollutants as among the most serious airborne threats to human health. Transportation is a major contributor to some of the pollutants—particularly ozone, carbon monoxide and particulate matter. Over the past 20 years, contributions of emissions from on road mobile sources to all emissions rapidly declined. The downward trend in on road mobile source emissions is expected to continue as a result of the introduction of cleaner engines and fuels.

Areas that exceed, or have previously exceeded, certain air quality standards - designated as air quality non-attainment or maintenance areas, respectively - are required to meet transportation conformity requirements in the Clean Air Act. Failure to meet the conformity requirements places an area in a conformity lapse, which means only limited types of Federally-funded highway and transit projects can proceed.

Performance Measure				
Number of areas in a conformity lapse				
	2005	**2006**	**2007**	**2008**
Target	6.0	6.0	6.0	6.0
Actual	5.8	1.3	0.0	0.0
Associated FY 2008 Funding - $2.1 billion				

FY 2008 Results. DOT exceeded the target. For the second consecutive year there were no areas in a conformity lapse. The EPA, with DOT concurrence, finalized a rulemaking to implement SAFETEA-LU changes. The FHWA and the EPA conducted workshops, training sessions, and other outreach activities to raise awareness and prepare State Departments of Transportation, air quality agencies, and Metropolitan Planning Organizations (MPO) to meet conformity requirements. State and local agencies coordinated the process well in advance of conformity determinations. Because of the advanced preparations, most of the locales that had been non-attainment and maintenance areas met the Clean Air Act goals, thus enabling projects to proceed.

A number of changes to the conformity provisions were implemented to streamline and provide more flexibility to the conformity process as a result of SAFETEA-LU. The introduction of a conformity lapse grace period allows an additional 12 months to address conformity issues before they enter into a lapse. Recent changes to the transportation conformity process in SAFETEA-LU provided flexibility to States and MPOs in meeting the Clean Air Act requirements. FHWA provided guidance and technical assistance to State Departments of Transportation and MPOs to ensure that the recent flexibility to the conformity process was implemented.

FY 2009 Performance Forecast. FHWA expects to meet the 2009 target. With the implementation of more stringent standards for ozone and fine particulate matter, FHWA will continue to address the impact of the regulatory changes and to maintain the number of conformity lapses at the current low level.

Partnering with State and Local Governments

FHWA worked with state and local partnering agencies to identify, fund, and implement more cost-effective emissions reduction strategies, often focusing on heavy-duty diesel emissions.

Guidance was provided to state and local partners to implement the new provisions under the Congestion Mitigation and Air Quality program.

And FHWA encouraged partners and stakeholders to better understand the science behind climate change especially in the transportation planning process, during project development, and in air quality analysis.

FHWA co-authored a study entitled, *Impact of Climate Change and Variability on Transportation Systems and Infrastructure: Gulf Coast Study, Phase One* [http://climate.dot.gov/publications/impact_of_climate_change] and conducted numerous outreach efforts to provide information and engender discussion of climate change impacts on transportation.

Pipeline Spills of Hazardous Liquids

PHMSA's first priority is the continued safe operation and reliability of all pipelines. PHMSA has taken a proactive approach to protecting the environment by designing and implementing a strong risk-based systems approach to ensure the safety, security, and reliability of the Nation's pipeline infrastructure.

PHMSA establishes safe land use standards for existing pipelines and new pipeline construction in proximity to populated areas using an enterprise approach working with local governments, real estate and development interests, insurers, pipeline operators, other Federal and state agencies, the Pipeline and Informed Planning Alliance (PIPA), and others. PIPA helps communities understand where pipelines are located, who owns and operates them, and what other information is available for community planning. As pipelines expand into communities it is vital to locate them where they pose the least potential hazard to people and the environment while also protecting pipelines from potential excavation damage, helping to ensure their crucial energy supply is protected as much as possible from disruptions from potential excavation damage, a leading cause of pipeline failures.




FY 2008 Results. Based on the preliminary data, PHMSA does not expect to meet the 2008 performance target. The increase from 2007-2008 might be attributed to multiple spills reported by pipeline operators who reported no spills in 2007. The causes for the increase, however, require further analysis.

Performance Measure				
Number of hazardous liquid pipeline spills in high consequence areas				
	2005	**2006**	**2007**	**2008**
Target	N/A	52	51	50
Actual	55(r)	46(r)	50(r)	59*
(r) Revised; * Preliminary estimate				
Associated FY 2008 Funding - $24 million				

- This year, PHMSA issued a Final Rule expanding regulatory oversight to large diameter low-stress pipe lines—the type of pipeline that failed on the North Slope of Alaska in 2006 with significant consequences. The agency will pursue regulation of smaller diameter low-stress lines in FY 2009. This action is consistent with past Congressional requirements and new requirements in the PIPES Act of 2006.

- Also in FY 2008, PHMSA issued an Advisory Bulletin seeking notification of construction of pipelines that would transport new alternative fuels such as ethanol and other biofuels. Notification provides a key entry point for the agency to examine technical issues associated with transporting new alternative fuels, and to provide safety oversight of the construction.

Alaskan Pipelines

PHMSA recognizes the strategic importance of Alaska's oil and gas production and transportation systems to the Nation's energy supply and in FY 2008 we elevated the status of our field office in Alaska to a Regional office to provide emphasis on our oversight there and continue to address technical challenges with declining oil field production and the need for planning to meet new demands. Alaska's 4,600 miles of pipelines deliver about 10 percent of America's energy products to the lower 48 states. Protecting the reliable and secure transportation of energy from Alaska is essential to the continued economic growth of our nation and meeting the President's goal of energy independence.

FY 2009 Performance Forecast. We expect it might be a significant challenge to meet the FY 2009 target of 49 spills in high consequence areas, given the results in 2008 and the small numbers we are dealing with; however, we believe with overall reductions in corrosion and excavation damages we are on track for FY 2009. And although the agency did not meet the FY 2008 target, progress continues to be made to significantly reduce the environmental impact of non-volatile hazardous liquid spills over the long term.

The agency began collecting detailed Integrity Management related repair information beginning in 2005 and with three years of collected information PHMSA is encouraged with the progress. With over 47,000 defects found and fixed over that period together with a 32 percent decrease in corrosion, the leading cause of hazardous liquid accidents, we believe this is a good indicator that the Integrity Management approach is working. At the end of 2007, the total number of pipeline segment miles that could affect High Consequence Areas (HCAs), including environmentally sensitive areas, was approximately 72,000 miles, of which about 32,000 miles were inspected in 2005-2007. Operators have repaired over 47,000 defects that without early detection and mitigation could have led to failures that harmed the public and the environment. Corrosion is the leading cause

of failures in HCAs and the agency has seen about a 32 percent decrease in those failures from the twelve month period ending July 2008 compared to the same time period in the previous year. Given this positive trend, PHMSA anticipates meeting the goal over the long term.

DOT Facility Cleanup

DOT has a special responsibility to ensure that its own facilities are compliant with environmental laws and regulations. Our activities fall into three broad categories: restoration, compliance, and pollution prevention. Restoration activities involve identifying, investigating, and cleaning up contaminated sites. Compliance activities include the operation of facilities, equipment, and vessels in accordance with environmental requirements. Pollution prevention activities mean preventing future clean-up activities by avoiding the generation of pollutants in our operations or facilities.

The DOT has 73 of the 2,282 Federal facilities on the EPA's Hazardous Waste Compliance Docket. The FAA and the FRA own or operate the DOT facilities included on the Hazardous Waste Compliance Docket. FAA is responsible for 70 of the 73 DOT sites listed.

FY 2008 Results. DOT met the FY 2008 target. There are 73 DOT sites on the EPA Hazardous Waste Compliance Docket and all but 4 of them have attained No Further Remedial Action Planned (NFRAP) status. DOT has attained a 94 percent NFRAP status designation against the 70 sites listed on the Docket which are FAA's responsibility. The latest site to reach that status is FAA's Omaha EX Air Force Station Z-71. EPA Region 7 provided a letter to FAA designating NFRAP status at the Omaha EX Air Force Station Z-71. FAA currently has only 4 sites listed on the Docket that have not yet attained NFRAP status.

Performance Measure Percent DOT facilities characterized as NFRAP under the Superfund Amendments and Reauthorization Act				
	2005	**2006**	**2007**	**2008**
Target	93	93	93	93
Actual	92	92	93	94
Associated FY 2008 Funding - $40 million				

1. Ronald Reagan National Airport
2. Kirksville Air Route Surveillance Radar (ARSR), AFS F-64
3. Mike Monroney Aeronautical Center
4. William J. Hughes Technical Center

FY 2009 Performance Forecast. DOT anticipates meeting the FY 2009 target. FAA provides funding and oversight for these four sites and has developed short-term actions (1-5 years) to achieve NFRAP status for the National Airport site, while longer-term actions (5-20 years) will be necessary to achieve NFRAP status for the other 3 sites.

Other Environmental Activities
FY 2008 Enacted Funds: $4.206 Billion

Human Environment

The FHWA promotes environmental stewardship practices by recognizing Exemplary Human Environment Initiatives (EHEI) in transportation projects and activities that were particularly effective and innovative in how they enhanced the human environment and improve public benefit. The EHEI measure is based on the number of projects or activities chosen for national recognition in six categories:

- Encouraging non-motorized transportation activities such as greater use of bicycling, walking (including access for persons with disabilities), and other non-motorized modes of travel.
- Enhancing the environment for human activities through infrastructure changes (e.g., historical preservation activities) that benefit human transportation and increase livability and quality of life.
- Process and procedural changes (e.g., collaborative decision making) that allow for more efficient service delivery.
- Educational and training programs that inform people about issues or changes that should be made to improve the human environment.
- Product development including Geographic Information System or travel modeling related activities that result in the creation or improvement of a tangible product or technology that improves everyday processes, and
- Other projects and activities including, but not limited to, border planning or economic development that do not fit in the other five categories.

FY 2008 Results. The FY 2008 target was met. FHWA's solicitation for EHEI projects or activities resulted in 26 EHEI submittals with 11 projects announced as EHEI recipients at the end of July 2008. In FY 2008, the FHWA adopted the EHEI measure as a replacement for the measure of Exemplary Ecosystem Initiatives (EEI). The FHWA replaced the EEI measure after performance targets were exceeded, indicating that the desired effect of promoting consideration of ecosystems into development of transportation projects and in creating a broad array of model projects on which project sponsors could draw was achieved.

Performance Measure

Number of Exemplary Human Environmental Initiatives undertaken

	2005	2006	2007	2008
Target	N/A	N/A	N/A	10
Actual	N/A	N/A	N/A	11

N/A Not applicable

Associated FY 2008 Funding - $4.2 billion

FY 2009 Performance Forecast. FHWA expects to meet the 2009 target. FHWA also focuses efforts to incorporate Context Sensitive Solutions (CSS) and Context Sensitive Designs (CSD) into all aspects of transportation planning and project development. CSS and CSD are collaborative, interdisciplinary approaches that involve all stakeholders in the development of transportation facilities that fit their physical settings and

preserve scenic, aesthetic, historic and environmental resources. CSS and CSD concepts are being promoted to advance solutions that enhance and protect ecosystems, communities, active living, beautification, and acquisition or relocation while maintaining safety and mobility.

Leveraging Expert Resources

FHWA issued grants for pilot projects that advance Eco-Logical concepts that leverage expertise outside the Department, integrates plans across agency boundaries, and endorses ecosystem-based mitigation. *Eco-Logical: an Ecosystem Approach to Developing Infrastructure Projects* [http://www.environment.fhwa.dot.gov/ecological/eco_index.asp]

FHWA awarded funding to the American Association of State Highway and Transportation Officials (AASHTO) Center for Environmental Excellence, which hosts a comprehensive Web site, captures best practices through concise practitioner guides, conducts targeted problem solving workshops, and manages a program of technical assistance on a variety of environmental topics.

Ship Disposal

The Maritime Administration is the U.S. government's disposal agent for merchant-type vessels 1,500 gross tons or more owned by the Federal Government. The Agency has custody of a fleet of approximately 100 non-retention ships that are available for disposal but not yet under contract. These obsolete ships are located at the James River Reserve Fleet site in Virginia, the Suisun Bay Reserve Fleet site in California and the Beaumont Reserve Fleet site in Texas. Steady progress in the disposal of the obsolete ships must be maintained to minimize the risk to the surrounding environment due to the presence of hazardous materials on board the ships.

FY 2008 Results. Despite the regulatory and litigation challenges faced in 2007 and 2008, the Maritime Administration awarded 21 disposal contracts that will result in the dismantling/recycling of those ships within the next 2 years. The 21 awards exceed the FY 2008 target by 11 ships. Of the 21 awards, 16 were through the sale of the obsolete ships, 4 were via fee-for-service contracts and one was through a donation to the Government of Greece for use as a museum. With the exception of the one to Greece, all of the removals are the result of dismantling/recycling contracts with domestic ship disposal companies. Proceeds from the sale of obsolete vessels provide revenue to the Government and value to the taxpayer. This has been achieved through a combination of high market steel prices and a sound sales strategy that maximizes domestic recycling industry capacity and competition.

The Maritime Administration removed a total of 25 obsolete ships from the James River and Beaumont facilities in FY 2008, 9 more than the target of 16. The total number of vessels disposed in FY 2008 was 19 ships, exceeding the target by 3 ships. The completed ships were removed from the fleet sites during the current and preceding fiscal years. It takes from several months to more than two years to dismantle a ship once it has

arrived at a recycling facility. The rate of dismantling is dependent on a number of factors, including specific vessel characteristics, weather, contractor resource availability and the contractor's ability to quickly and properly arrange for disposal of hazardous materials.

Streamlined Environmental Review
FY 2008 Enacted Funds: $136 Million

DOT establishes and pursues rigorous timeframes for all projects requiring an Environmental Impact Statement (EIS). By tracking timeframes, DOT has developed a better understanding of the key impediments to the process, enabling us to address the concerns of Congress, the States, and others. The DOT has established 60 months as the FY 2008 target for the median timeframe for completing an EIS. DOT facilitates the achievement of the objective by promoting environmental stewardship practices and integrated planning efforts, and encouraging linkages between planning and NEPA requirements.

The EIS process not only ensures that infrastructure projects comply with NEPA guidelines, but it also allows citizens and local organizations an opportunity to voice their concerns and propose alternatives. DOT embraces the public's thoughts on alternative ways to accomplish what it is proposing and to offer comments on its analysis of the environmental effects of the proposed action.

FY 2008 Results. The FY 2008 target was not met. The preliminary estimate of 63 months, based on 26 FHWA projects and 4 FRA projects with a completed EIS, was slightly above the target and 3.5 months shorter than last year's results. (FAA is developing environmental impact statements for four airports, which because the process was not complete were not included in this year's data collection.)

Performance Measure

Median time in months to complete environmental impact statements for DOT funded infrastructure projects

	2005	2006	2007	2008
Target	N/A	N/A	N/A	60
Actual	56	57	67	63.5*

* Preliminary estimate

Associated FY 2008 Funding - $68 million

FY 2009 Performance Forecast. The FY 2009 target will likely not be met. Because the number of FHWA projects contributes significantly to the overall DOT result, the effort to remove dormant projects from the list of FHWA projects under review should have a positive effect in the coming months. More importantly, FHWA, FTA, and FAA are all pursuing activities that should begin to affect median review time in the next two or three years.

- FAA employs an interagency coordinated and expedited environmental review procedure on designated infrastructure projects as provided for in Title III of Vision 100—Century of Aviation Reauthorization Act (also known as the Aviation Streamlining Approval Process Act of 2003). The procedures call for agreement on the protocols among affected agencies and deadlines for necessary actions by each individual agency including deadlines for the review of environmental analyses and the issuance of environmental opinions, licenses, permits, and approvals. Where this process has been used, not only has FAA seen a marked improvement in the time to complete the environmental review process, but here has been improvement in minimizing and resolving disputes between agencies.

- FHWA undertook a variety of actions, such as rescission of Notices of Intent for projects that have been dormant for long periods of time, and peer exchanges to identify project management practices that were employed with the environmental review process to achieve timely project delivery. FHWA actively promoted practices that minimized project delays through several on-line resources. These activities will continue to have an effect on FHWA processes in FY 2009.

- FTA has taken several steps, including redesigning its 'Managing the Environmental Process' course, offered through the National Transit Institute, to emphasize sound, cost-effective document-preparation practices. FTA has also updated relevant guidance, including sample documents, on various aspects of impact statement preparation. To encourage its grantees and their consultants to pursue the National Environmental Policy Act process efficiently and effectively, FTA has instituted an Outstanding Achievement Award for Excellence in Environmental Document Preparation. Finally, FTA has published a document entitled Keys to Efficient Development of Useful Environmental Documents for the purpose of dramatically improving the quality of environmental documentation.

The Decision-Making Process in the I-405 Corridor Program

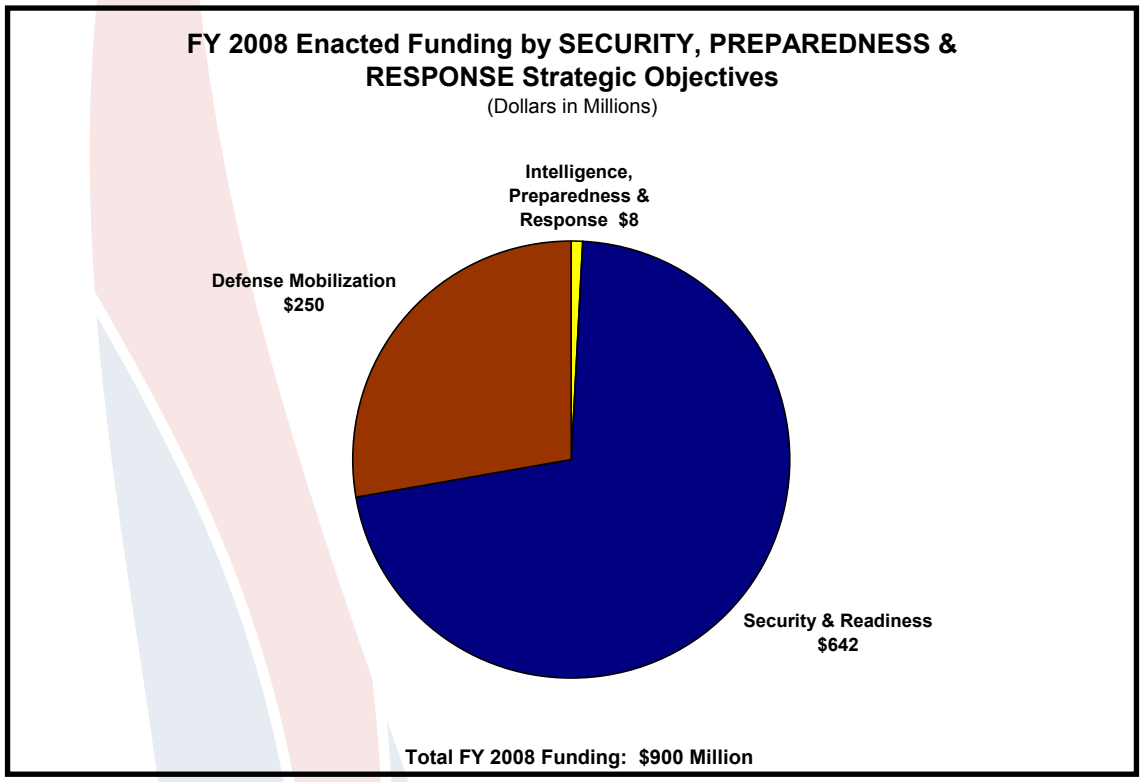
The importance of citizen involvement in transportation planning is most obvious when it comes to a proposed project's impact on the built or natural environment. While congestion and anticipated disruption and of course the ultimate benefits of the project are deeply explored, the public often becomes most engaged on issues that affect the environment. In the long-term, multi-modal I-405 Corridor project in Washington State, for example, broad environmental goals were established in response to strong environmental ethic of the community. As the process unfolded, the "preferred alternative" included projects to restore fish habitat in a number of major streams previously hurt by development, as well as inclusion of habitat protection actions as part of any new construction projects.

SECURITY, PREPAREDNESS AND REPONSE STRATEGIC GOAL

BALANCE TRANSPORTATION SECURITY REQUIREMENTS WITH THE SAFETY, MOBILITY, AND ECONOMIC NEEDS OF THE NATION AND BE PREPARED TO RESPOND TO EMERGENCIES THAT AFFECT THE VIABILITY OF THE TRANSPORTATION SECTOR

Threats may emanate from nature or from acts of terrorism, but either way, the transportation system is at once a target for damage and a critical infrastructure element for response and recovery. Working with the Department of Homeland Security and the Department of Defense as appropriate, the U.S. Department of Transportation, as well as state and local transportation departments, are significant players in security, preparedness and response..

The U.S. Department of Transportation leveraged $900 million to ensure preparedness for response to emergencies that impact the transportation system.



Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2008 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (✗).

Intelligence, Preparedness and Response

Expert transportation sector intelligence.

Preparedness for response to emergencies affecting the transportation sector.

Effective response to emergencies affecting the transportation sector.

Security and Readiness

The DOT Operating Administrations work closely with the Departments of Homeland Security and Defense and other stakeholders to ensure the security of specific modes of transportation nationwide.

Defense Mobilization

- ✓ Percentage of DOD-required shipping capacity complete with crews available within mobilization timelines.
- ✓ Percentage of DOD-required commercial ports available for military use within DOD established readiness timelines.

2008 Performance Highlights

- ✧ During FY 2008, seven more modern and efficient vessels were enrolled in the Maritime Security Program, which ensures that the United States will have commercial vessels along with their intermodal assets to support DOD operations, thereby improving readiness capabilities.
- ✧ DOT exceeded its target for the percentage of DOD-required shipping capacity complete with crews available within mobilization timelines through the continued implementation of its performance based service contract for the maintenance and operation of vessels.
- ✧ DOT exceeded the target for the percentage of DOD-required commercial ports available for military use within DOD established readiness timelines as a result of close coordination with the military and the Strategic Ports.




Defense Mobilization
FY 2008 Enacted Funds: $250 Million

The Department of Defense (DOD) relies on the U.S. commercial transportation industry as well as government-owned ships to deliver equipment and supplies throughout the world in order to maximize defense logistics capabilities and minimize cost.

- The DOT-owned Ready Reserve Force (RRF) is a very important component of the Department's ability to provide sealift capacity in times of emergency to DOD. These ships serve as an important asset supporting the Department's emergency preparedness and disaster response activities. The RRF is composed of 44 ships with special capabilities that can carry or offload heavy and oversized military cargoes which regular U.S.-flag commercial cargo ships cannot carry. RRF ships meet approximately half of the U.S. Transportation Command's surge (or initial) sealift requirement during a mobilization.

- DOT, through the Maritime Administration, is also responsible for establishing DOD's prioritized use of facilities at 15 U.S. commercial strategic ports during DOD mobilizations or other requirements of the nation's defense to ensure the safe, secure, and smooth flow of military cargo through the commercial U.S. transportation system while minimizing commercial cargo disruptions.

- DOT's Maritime Security Program (MSP) ensures that the United States will have U.S.-flag commercial vessels along with their intermodal assets to support DOD operations.

- The Maritime Administration also supports the education and training of new merchant marine officers by operating the U.S. Merchant Marine Academy (USMMA) and by providing partial support to the six State Maritime Schools (SMS) providing training to develop an unlimited number of licensed mariners to support DOD during national emergencies.

The availability of shipping capacity is determined by a number of different factors: availability of commercial vessels, availability of government-owned sealift vessels, availability of qualified mariners to crew these vessels, and the availability of war risk insurance coverage for vessels entering a war zone. All of these factors must be managed properly in order to support DOD's mobilization requirements.

Performance Measure

Percentage of DoD-required shipping capacity complete with crews available within mobilization timelines

	2005	2006	2007	2008
Target	94	94	94	94
Actual	95	93	97	97

Associated FY 2008 Funding - $248 million

FY 2008 Results. DOT met the FY 2008 performance target. The Maritime Administration achieved these results through the successful pursuit of a number of activities. Most significantly, to assure sufficient availability of U.S. ships, the Maritime Administration maintained full enrollment in the Maritime Security Program, stable enrollment in the Voluntary Intermodal Sealift Agreement (VISA) program and Ready Reserve Force readiness levels. During FY 2008, seven more modern and efficient vessels were enrolled in the MSP to improve both MSP and VISA readiness capabilities. At the end of FY 2008, there were 125 vessels enrolled in the VISA program.

Performance-Based Contracting to Improve Performance

The Ready Reserve Force achieved above target readiness through the continued implementation of its performance based service contract. This contract maximizes the utilization of the professional services of commercial shipping companies to maintain and operate vessels. The contract is results-oriented and places great emphasis on ensuring vessels are safely maintained and operated in accordance with regulatory requirements and RRF requirements.

Improved coordination with Military Sealift Command enabled better scheduling of resources and mitigated competition between Government organizations for shipyard services to accomplish major overhauls. This enabled the RRF to maximize work performed during out of readiness periods and mitigate unscheduled repair periods. When vessels are required for operations, the Maritime Administration diligently works with our DOD partners to identify the vessel that best fits and is capable to meet mission requirements. The result has been the ability for the RRF to activate vessels on time and sustain exceptional operational reliability.

The Maritime Administration successfully operated the War Risk Insurance program for Operations Desert Shield/Desert Storm, Operation Restore Hope in Somalia, Operation Restore Democracy in Haiti and most recently for Operations Enduring Freedom and Iraqi Freedom and the continuing War on Terror.

In the interest of ensuring that sufficient numbers of highly qualified new mariners enter the U.S. workforce, Maritime Administration supported training activities resulted in the graduation of 211 licensed ship officers from the United States Merchant Marine Academy and 504 licensed officers from the six State Maritime Schools in June 2008.

Taken together, the above activities as well as those undertaken to assure the availability of strategic ports (discussed below), ensure the smooth and secure movement of deploying DOD personnel and material from origin to destination and support the Department's ability to rapidly support response and recovery efforts for domestic and international emergencies.

FY 2009 Performance Forecast. The number of RRF vessels is expected to increase from 44 to 51 ships in FY 2009. However, the Maritime Administration expects this to have minimal impact on the performance forecast, and the FY 2009 target will be met.

FY 2008 Results. DOT exceeded the 2008 performance target as a result of close coordination with the military and the Strategic Ports. The Maritime Administration participated in joint military mobilization and security exercises as well as strengthened the cooperative partnerships that ensure effective emergency planning and coordination with a variety of organizations. The Maritime

Performance Measure: Percentage of DoD-required commercial ports available for military use within DoD estabilished readiness timelines	2005	2006	2007	2008
Target	93	93	93	93
Actual	87	100	100	100
Associated FY 2008 Funding - $1.3 million				




Administration is working closely with the Military Surface Deployment and Distribution Command on a study on the Strategic Ports to develop and implement a plan that will optimize the use of commercial and military Strategic Ports.

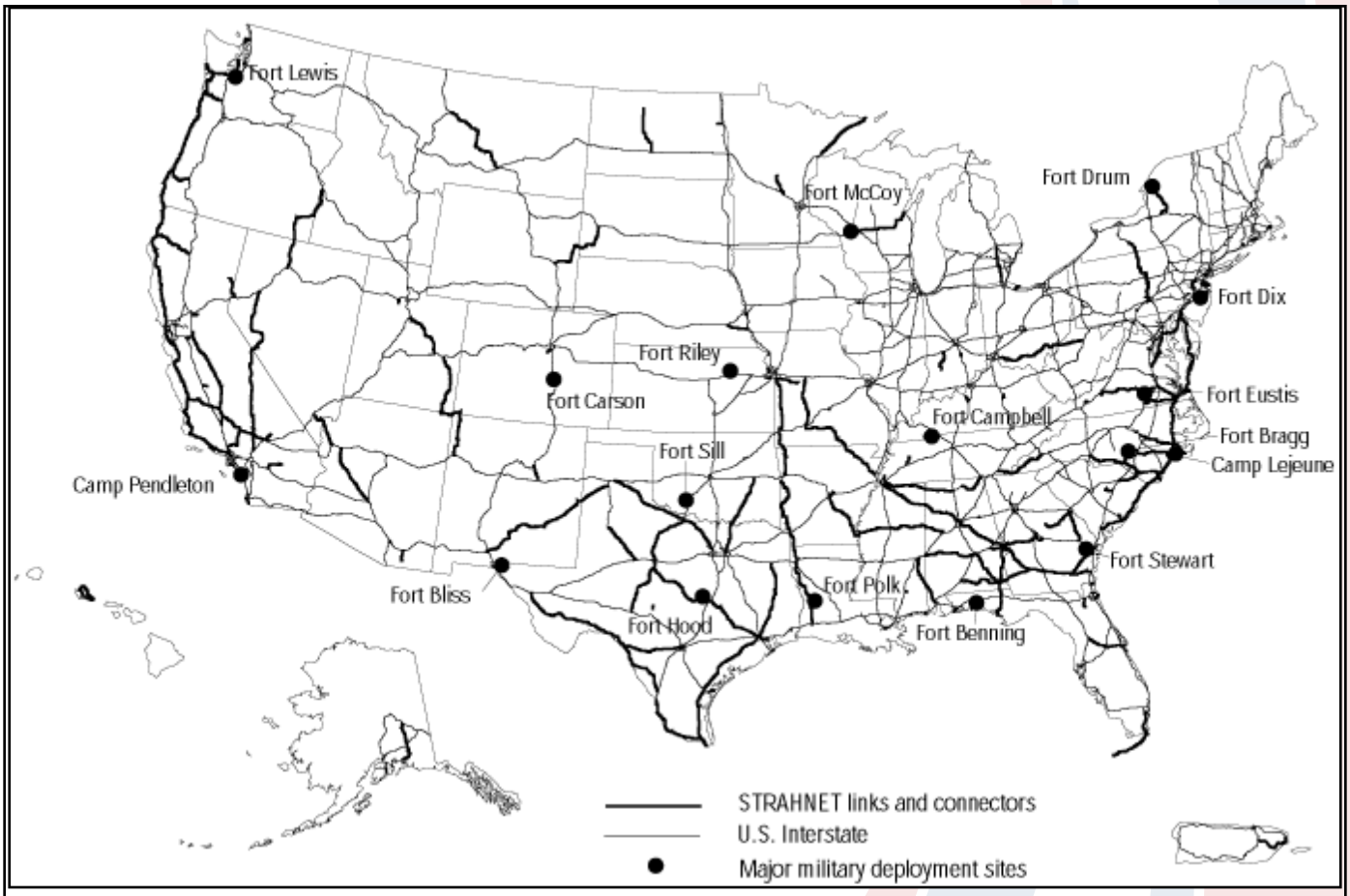
The Agency continues to develop the Agile Port Concept as a possible partial solution to increase port capacity. A fully built-out agile port system consists of a marine terminal, inland intermodal facility, dedicated freight rail corridor and an information management system that links all three components to rail, ocean carrier and port stakeholders. The system increases throughput capacity of the waterfront marine terminals by moving the cargo storage and sorting components to an inland location where land development costs are less expensive and traffic congestion impacts are reduced. The information system that links the facilities and users enables direct transshipments where containers are removed from vessels and directly sorted and transferred to rail for immediate movement to final locations without the need for inland sorting. The military has also used components of the agile port system to deploy. Changing military deployment processes to conform to agile port processes reduces the military cargo footprint in the Strategic Ports and reduces the military costs to deploy. A smaller footprint also minimizes commercial cargo disruption in the Strategic Ports. This is an important consideration as commercial ports become increasingly congested.

FY 2009 Performance Forecast. The Maritime Administration expects to meet the FY 2009 target. DOT will continue to administer an Intelligent Transportation System Deployment Integration program that demonstrated container and chassis satellite tracking technology using the Cargo Watch System. This program is to assist in commercializing their system, which addresses cargo security, fleet management and congestion mitigation. This technology has evolved from cellular to satellite technology and into the cold food supply chain market. The current technology focus is on developing two-way communications and on board computer interface for over the road reefer trailers.

Security and Readiness
FY 2008 Enacted Funds: $642 Million

Security in the Air In FY 2008, FAA continued to enhance our ability to respond to crises rapidly and effectively, including security-related threats and natural disasters, by building and improving emergency plans and preparedness tools that will enable us to sustain essential services and provide for employee well-being during crisis events. Operational coordination, communication, and command and control capabilities needed to prepare for, respond to, and recover from crises were strengthened and the use and functionality of operational and corporate crises response structures, such as specialized hurricane coordination cells and continuity of operations programs, were improved.

Security on our Highways FHWA continued to balance the need to protect critical transportation infrastructure with the safety, mobility and economic needs of the nation. During FY 2008, FHWA enabled state departments of transportation to implement critical security enhancement activities such as response to disasters, freight and border security operations, and critical infrastructure vulnerability assessments and counter measure deployment. A major ongoing program is maintaining national defense mobility using the Strategic Highway Network (STRAHNET). The STRAHNET is a 62,791-mile system of roads deemed necessary for emergency mobilization and peacetime movement of heavy armor, fuel, ammunition, repair parts, food, and other commodities to support U.S. military operations.



The Strategic Highway Network (STRAHNET) system of public highways provides access, continuity, and emergency transportation of personnel and equipment in times of peace and war. The 61,000-mile system, designated by the Federal Highway Administration in partnership with the Department of Defense, comprises about 45,400 miles of Interstate and defense highways and 15,600 miles of other public highways. STRAHNET is complemented by about 1,700 miles of connectors—additional highway routes linking more than 200 military installations and ports to the network.

FMCSA implemented a security program for motor carriers that transport hazardous materials that checks driver identification, conducts on-site security assessments, encourages carrier security sensitivity, and communicates information about hazardous materials security threats, alerts and vulnerabilities. As the agency with primary responsibility for regulating the trucking industry, FMCSA has incorporated security sensitive visits and security contact reviews into our normal operations.

Security in Public Transit Transit is a critical, high risk and high consequence national asset. Every day, transit provides mobility to 14 million passengers on transit systems that range from very small bus-only systems in rural communities to the largest urban economic and financial centers in the nation. FTA has provided employee training, emergency preparedness, and public awareness through oversight, technical assistance, and research programs. We also provided guidance and information to state and local agencies on transit preparedness in the case of an emergency. FTA also formalized a relationship with the DHS Transportation Security Administration through the execution of the DOT/DHS Memorandum of Understanding's Public Transit Annex enabling FTA to leverage its expertise and resources to maximize effective transit security coordination.




Intelligence, Preparedness and Response
FY 2008 Enacted Funds: $8.3 Million

In FY 2008, DOT continued to make strides in meeting the requirements of the Intelligence Reform and Prevention of Terrorism Act (IRPTA), Public Law 108-458 (IRPTA), which established a new paradigm for sharing information. DOT created an Information Sharing Council which established an Information Sharing Environment (ISE) for the sharing of terrorism information among all appropriate Federal, State, local, tribal entities, and the private sector through the use of policy guidelines and technologies.

Along with our work in intelligence, DOT continued to ensure readiness to undertake its role as defined in the National Response Framework, issued in 2008. In this capacity, DOT is the lead agency for coordinating transportation response and support following a disaster and has taken a more active role working with State and local transportation officials in planning for disasters. This includes development of a system of emergency actions that define alternatives, processes, and issues to be considered during various stages of national security emergencies and identification of actions that could be taken in the early stages of a national security emergency or a pending emergency to mitigate the impact or reduce significantly the lead times associated with full emergency action implementation.

In collaboration with the Department of Homeland Security (DHS), DOT has been actively involved in actions required by Public Law 110-53: Implementation of the Recommendations of the 9/11 Commission (9/11 Act). Seventy-two sections of the 9/11 Act either directly or indirectly involved DOT. Actions required in thirty-six of the seventy-two sections have been completed. The remaining sections of the Act are being addressed by DHS and DOT as appropriate. Several do not have specific due dates or deliverable requirements, but we anticipate that a majority of the remaining requirements will be completed in FY 2009. DOT's work on this Act has helped ensure that DHS and DOT modal agencies are coordinated in their efforts to protect the US public and private transportation infrastructure. Further, the Act has expanded technical and funding assistance to state, local, and tribal authorities to ensure the success of their security efforts.

FY 2008 Results. Development of the new security performance measures did not proceed as planned. Therefore, we are unable to present baselines for the new measures. However, a model for looking across DOT's operating administrations was explored and a set of measures proposed.

FY 2009 Performance Forecast. In FY 2009, DOT will examine three sets of measures: those newly proposed, those that were previously being tracked at the DOT level, and those security-related measures that are currently only being tracked in a specific agency. A framework of measures will be assembled and preliminary data collected to determine baselines for measurement at the same time DOT revises its Strategic Plan.

Promoting Transportation Sector Security Issues in the Homeland Security Context

The Homeland Security Council established a National Exercise Program (NEP) addressing the full spectrum of emergencies and crises likely to require Executive Branch coordination. The NEP Implementation Plan defines processes and responsibilities for achieving and executing that program. Exercises in the plan are broken into priorities. Tier 2 exercises are the second highest priority for participation. Tier 2 exercises are focused on integration of Federal activities in a geographic region (overseas or domestic). Tier 3 exercises are other Federal exercises for which no support is mandated.

During Fiscal Year 2008, the Department of Transportation participated in approximately 30 exercises, including Tier 1, Tier 2 and regional exercises engaging senior, operational and regional staff. One exercise revolved around a series of radiological incidents, for example. Another example was the exercise that combined a terrorism scenario with a hurricane scenario.

During these exercises, staff at the Department of Transportation exercise their responsibilities under the national response framework; examine emerging policy issues through the conduct of exercises; incorporate current threat and vulnerability assessments into the exercise objectives and planning effort; develop a corrective action process to ensure that lessons from exercises are either sustained or improved as appropriate; and achieve national effort by involving appropriate Federal, State, local, private sector, and appropriate partner nation entities.

The objectives of the program are to: 1) train U.S, Government senior officials, 2) examine and evaluate emerging national level policy issues, 3) practice efforts to prevent, prepare for, respond to and recover from terrorist attacks, major disasters, and other emergencies in an integrated fashion from the Federal level down to state, local, and private sector level, and 4) identify and correct national level issues, by not repeating the same lessons learned. These exercises contribute to the readiness of executives, managers and staff as well as point to weaknesses in the system or in protocols that are then improved.

The events of September 11, 2001, marked a distinct change in how transportation agencies plan for emergency events. Prior to then, transportation agencies focused on their role during weather-related incidents such as snowstorms, floods, and hurricanes.
Since then, however, transportation agencies have shifted their attention to the wide range of potential man-made accidents and malevolent events, including terrorist strikes that could occur without notice and that would require immediate, coordinated response efforts concurrent to accident, law enforcement, or national security investigations. One type of incident trigger—a biohazard emergency—presents transportation challenges that are potentially even greater than those posed by a large-scale evacuation. A biohazard release could simultaneously require both restricting and facilitating mobility of those affected.

The Application of Technology to Transportation Operations in Biohazard Situations project provides a more comprehensive and actionable understanding of the role of transportation during a biohazard event so that communities can better plan for, respond to, and recover from such a situation. Go to http://www.its.dot.gov/eto/docs/transops_biohazard/executive.htm for more information.




ORGANIZATIONAL EXCELLENCE STRATEGIC GOAL

ADVANCE THE DEPARTMENT'S ABILITY TO MANAGE FOR RESULTS AND ACHIEVE THE GOALS OF THE PRESIDENT'S MANAGEMENT AGENDA

We cannot achieve our strategic goals without leadership and continuous improvement in all the supporting functions of the Department. We actively pursue the goals of the President's Management Agenda as well as other externally- and internally-driven initiatives that improve the operations of the entire Department through each and every DOT agency.

The U.S. Department of Transportation leverages $1.20 billion to provide leadership in human resources, commercial services, financial management, performance improvement, and eGov.

Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2008 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (×).

President's Management Agenda

Achieve PMA goals.

See the PMA Scorecard in the Management Discussion and Analysis section of this document for a summary of results in all six initiatives.

Commercial Services Management

- ✓ For major DOT aviation systems, percentage of cost goals established in the acquisition project baselines that are met.
- ✓ For major DOT aviation systems, percentage of scheduled milestones established in acquisition project baselines that are met.

Financial Performance

- × Percentage of major federally funded transportation infrastructure projects with less than 2 percent annual growth for project completion milestones.
- × Percentage of finance plan cost estimates for major federally funded transportation infrastructure projects with less than 2 percent annual growth in project completion cost.

2008 Performance Highlights

- ✧ All five transit infrastructure projects were within budget and one is anticipated to finish $141 million (6 percent) under budget. Three transit projects are on schedule including the Denver project finished 19 months (20 percent) ahead of schedule. However the two New York projects are both 12 months behind schedule.
- ✧ Since the PMA initiative was established the Department's initiatives have resulted in more than $170 million in real property savings.

President's Management Agenda
FY 2008 Enacted Funds: $1.05 Billion

1. HUMAN CAPITAL

The human capital management agenda focuses on long-term management of the Federal workforce and fostering a citizen-centered, results-based government that is organized to be agile, lean, and focused on core competencies.

FY 2008 Accomplishments DOT has institutionalized systematic approaches to achieving strategic alignment and measurable results of agency activities supporting leadership, knowledge management, performance, diversity, talent management and compliance.

- **Electronic Training** DOT upgraded the electronic Learning Management System (eLMS), an online training and development system, to make it a more accessible and functional tool that supports planning, scheduling, delivery, tracking, and reporting of training and development activities to increase employee competencies in support of program performance.

- **Appraisal Requirements** DOT and OPM verified that 70 percent of employees are covered by appraisal programs that meet Performance Appraisal Assessment Tool requirements. The appraisal plans link to Departmental mission, goals and outcomes; hold employees accountable for results appropriate to their level of responsibility; differentiate between various levels of performance; and provide consequences based on performance.

Increased Telework Participation

Telework serves as a means to decrease air pollution, lessen energy consumption, and reduce traffic congestion in support of the Department's Reduced Congestion strategic goal. Additionally, telework improves our employees' worklife quality and serves as a workforce flexibility used as a strategic recruitment and retention tool.

DOT set a 50 percent telework-eligible participation goal, and this year all senior executive performance plans include a telework objective.

Telework also serves as a sound business practice for emergency preparedness and continuity of operations to increase workforce readiness as our employees may be called upon to respond to natural/human disasters and events. DOT leveraged the conditions of a major local event near DOT headquarters to conduct the largest telework Continuity of Operations (COOP) exercise in the history of the Federal Government. Sixty-three percent of DOT headquarters employees teleworked on a single day to test our COOP policies and operations and make improvements to the program.




2. COMMERCIAL SERVICES MANAGEMENT

DOT ensures that we are providing cost-effective services by determining which of those services are better performed by the commercial sector. During 2008, this President's Management Agenda initiative was expanded to incorporate related business process reengineering efforts that rely on disciplined management practices including those that are intended to lead to creation of a high performing organization.

FY 2008 Accomplishments DOT conducted all required FAIR Act Inventories, with a focus on accuracy and completeness, assessing each eligible Federal position to be inherently governmental or commercial in nature.

- **Competitions** Since 2002, DOT has completed 23 competitions covering 30 percent of the 9,772 FTE coded as commercial during the FY 2005 FAIR Act Inventory. Estimated savings from all organizational change efforts are $2.3 billion.
- **Independent Validations** DOT completed independent validations of competitions beginning in 2005 and results prove that DOT has achieved savings and cost avoidances of $8 million, as reported in the 2007 Annual Report to Congress.
- **Regained Scorecard Status** For the fourth quarter scorecard period, the Department regained its green status and progress rating. Achievement of green status and progress resulted from completion of 11 and initiation of two independent validations of savings efforts for competitive sourcing projects, and the announcement of management reengineering efforts for certain activities within the FAA and FHWA.

Area of Emphasis:
Transportation Infrastructure Projects

Infrastructure projects are not static; at any point conditions may change in ways that impact the cost of the project or the delivery date. Monitoring cost, schedule, and performance of infrastructure projects is critical in order to identify problems and initiate action to mitigate risk. Three DOT operating administrations oversee major infrastructure projects included in the following infrastructure project performance measures: FAA, FHWA and FTA.

FY 2008 Results. DOT did not meet either schedule or cost targets in FY 2008.

Performance Measure Percentage of major federally funded transportation infrastructure projects with less than 2 percent annual growth for project completion milestones				
	2005	**2006**	**2007**	**2008**
Target	N/A	90	90	90
Actual	89	89	89	79
Associated FY 2008 Funding - $46.3 million				

Performance Measure				
Percentage of finance plan cost estimates for major federally funded transportation infrastructure projects with less than 2 percent annual growth in project completion cost				
	2005	**2006**	**2007**	**2008**
Target	N/A	90	90	90
Actual	81	84	83	82
Associated FY 2008 Funding - $46.3 million				

Air FAA has major runway projects (those costing more than $1 billion) at Seattle-Tacoma (SEA) and Chicago O'Hare (ORD). The projects at both SEA and ORD are on schedule for completion in the first quarter of FY 2009 because they have met the preceding FY 2008 performance targets in project completion cost and milestones. The commissioning of airfield infrastructure (runways and taxiways) provides these airports with the ability to handle more arrivals and departures efficiently and reduce ground delays. Both projects are on schedule for completion and commissioning with no increases in cost in FY 2008.

Highways Of the 26 FHWA major infrastructure projects with estimated costs of more than $500 million, 21 met the completion milestones and 20 met cost milestones. Most projects that missed the completion dates were by less than one month. Of the six that missed cost schedules, three were still under budget. For the three projects exceeding their budgets, adequate contingencies were in place to account for the increases.

Transit FTA has five major projects (projects that exceed $1 billion): New York East Side Access; New York Second Avenue, Dallas Northwest/Southeast; Phoenix Light Rail and Seattle Central Link Light Rail. All five projects were within 2 percent of budget and the Seattle project is anticipated to finish $141 million (6 percent) under budget. Three of the projects are on schedule including the Denver project which finished 19 months (20 percent) ahead of schedule. However, the two New York projects are both 12 months behind schedule.

FY 2009 Performance Forecast.

Air FAA expects to meet the FY 2009 performance targets for both project completion cost and milestones. Only one sub-project of the Chicago O'Hare Modernization Program (OMP), the relocated runway, will remain unfinished as all other components of the OMP Phase 1 will be completed either late in FY 2008 or early in FY 2009. The Seattle runway will be completed in early FY 2009. Neither the Chicago nor Seattle projects are expected to grow in costs in excess of the target.

Highways SAFETEA-LU lowered the monetary threshold for classification as a FHWA Major Project from $1 billion to $500 million. Lowering the monetary threshold increases the number of active Major Projects that FHWA must monitor to 40 by the end of 2009. With more experience in managing costs and schedules for Major Projects, it is expected that the FY 2009 targets for the annual performance measure will be met. FHWA will continue to work with States to attempt to bring in all existing and newly classified Major Projects on time and within budget. But, unforeseen factors such as local labor shortages or a significant increase in the cost of materials could impact schedules and budgets.




Transit It is anticipated that FTA will meet the FY 2009 targets. FTA uses risk management as a continuous process for planning, assessment, mitigation and monitoring. The risk assessment for project cost and schedule was used as a guide to establish a project execution strategy that utilizes a contingency management plan and risk mitigation plan to monitor the projects. However, global economic changes in the cost of materials are causing project sponsors to redesign and repackage contracts to increase competitions after higher bids are received. Also, contractor competition on very large projects in the New York market has not been good because of all the new building in that area. Yet even with uncertain economic conditions, budgets are still being maintained because schedules are being extended in order to allow sufficient time to repackage contracts in response to the changing bidding climate.

3. FINANCIAL PERFORMANCE

DOT's financial stewardship is guided by its performance on key financial metrics which highlight on-going efforts to manage and upgrade fundamental financial factors such as assurances of financial controls, performance under the Federal Managers Financial Integrity Act (FMFIA), financial system upgrades and reduction of improper payments.

FY 2008 Accomplishments The Government Accountability Office and the DOT Office of Inspector General have aggressively recommended that DOT financial management focus on needed improvements. DOT has responded with several efforts that have improved financial performance throughout the Operating Administrations and the Department as a whole.

- **Elevated Scorecard Status** DOT achieved 'Yellow', elevating its PMA Scorecard during the second quarter of FY 2008. The rise in status was primarily due to DOT successfully regaining a clean audit opinion as the result of a comprehensive cleaning up of FAA's Construction in Progress data.

- **Procurement System Consolidation** In June 2008, DOT formally established a Department-wide strategy to consolidate 10 stand-alone procurement systems into a single system that would also be integrated with Delphi, the Department's financial management system. This consolidation and integration reduces system operation costs and software maintenance costs, while automating commitment accounting, eliminating duplicate manual data entry, and significantly improving information provided to financial managers for decision-making. Implementation will begin in FY 2009.

- **Internal Controls System** After 2 years of design, DOT has implemented an internal controls system in accordance with the requirements presented in OMB Circular A-123. Testing began in 2008.

- **Centralized Financial Services** DOT finalized the transition of all its accounting operations to the Enterprise Services Center (ESC) in Oklahoma City with the exception of the FAA which continues to do its own statements. With all accounting operations staff centrally located, financial policies are being applied more consistently, training on system updates is more efficient, and accounting operations are better managed during peak periods.

- **Financial Performance Metrics** DOT rolled out a new department-wide initiative designed to help the Operating Administrations recognize and reconcile longstanding data issues in their financial systems. DOT identified fourteen areas of concern and defined corrective actions using an in-house, web-based tool that reports data on a monthly basis. In FY 2008, DOT improved performance on a number of metrics such as increasing the use of electronic payments over paper checks, reduced budgetary to proprietary reconciling items, eliminated the use of suspense accounts and has reduced abnormal balances in general ledger accounts. Two operating administrations reduced their total debt eligible for referral to Treasury from over $1 million to zero in the third quarter of this fiscal year. The result was a major clean up of pending actions in receivables that had previously been on hold.

- **Financial Integrity** The requirements governing financial management integrity—OMB Circular A-123, Appendix A, Internal Control over Financial Reporting and the traditional Federal Managers Financial Integrity Act (FMFIA). In FY 2008, DOT integrated the analysis and assessment of processes across A-123 and FMFIA to better support the annual assurances required of the agency. The result has been a reduction in potentially duplicative review activities and a strengthening of the analytical basis for assurances issued by DOT executives.

Area of Emphasis: Managing Major Acquisition Projects

Lifecycle acquisition management is built around a logical sequence of phases and decision points to determine and prioritize needs, make sound investment decisions, implement solutions efficiently, and manage services and assets over their lifecycle. The overarching goal is continuous improvement in the delivery of safe, secure, and efficient services over time to ensure that taxpayer dollars spent through DOT's acquisition programs achieve performance outcomes required by tracking cost and schedule milestones.

Performance Measure: For major DOT aviation systems, percentage of cost goals established in the acquisition project baselines that are met				
	2005	**2006**	**2007**	**2008**
Target	80	85	87.5	90
Actual	97	100	100	96.08
Associated FY 2008 Funding - $30 million				

Performance Measure: For major DOT aviation systems, percentage of scheduled milestones established in acquisition project baselines that are met				
	2005	**2006**	**2007**	**2008**
Target	80	80	85	90
Actual	92	97.4	97	93.88
Associated FY 2008 Funding - $30 million				




2008 Results. DOT met 2008 targets. FAA tracked 98 milestones against 51 acquisition programs for this performance measure and met all variances for cost and schedule. Any program with a total budget-at-completion variance of less than 10 percent from the beginning of FY 2008 to the end of FY 2008 is considered to have met the established fiscal year cost performance goal.

FY 2009 Performance Forecast. DOT anticipates meeting the performance targets in FY 2009. Beginning in FY 2009, the FAA will implement standard written criteria for selection of programs and milestones included in the agency's FY 2009 Cost and Schedule acquisition goal. The milestones selected will include major efforts or events contributing to the completion of total program acquisition baseline, or events that are of significant priority to the agency for advancing major programs.

Comprehensive Financial Reform through Business Transformation

During FY 2008, DOT initiated an effort to standardize department-wide business processes in accordance with OMB's Lines of Business Initiatives and develop and define requirements for future financial management system upgrades. The business transformation initiative falls into five main categories.

(1) **Reporting and information sharing** involves designing a common reporting inventory, the ability to roll-up cost and performance data and improve data quality and integrity, and a shared reporting solution and tools. (2) **Business process engineering** is intended to achieve economies of scale with consolidated accounting services, implement an integrated procurement solution, and develop a formal process to guide decisions and future investments. (3) **Data management** involves creation of a Department-wide Accounting Code Structure (ACS) that is aligned with the emerging Common Governmental Accounting Code, and a common data management strategy. (4) **Current system set up** involves preparations to convert to newer versions of the operating system, improvements to key financial system processes, and development of a strategy to archive and purge as appropriate elements of the current system. (5) **Future systems set up** involves creation of a comprehensive strategy that includes training and communications plans, anticipated hardware requirements, and increasing security requirements.

To date, the Department has established a governance structure to oversee this program using the CFOs from each DOT agency as a single decision-making body. A Business Transformation Team has been established to manage and coordinate the daily progress of the transformation initiatives and five workgroups have initiated work on the targeted objectives. In FY 2009, work will continue in all five areas.

4. ELECTRONIC GOVERNMENT

DOT is committed to ensuring that investment in information technology (IT) significantly improves its ability to serve the public and that IT systems are part of a comprehensive and secure information architecture. Effective implementation of e-Government initiatives makes DOT more accessible and more responsive to citizens and stakeholders while also making information dissemination more cost-effective.

FY 2008 Accomplishments

- **Enterprise Architecture** An Enterprise Architecture strategy was approved. This Transition Strategy is designed to move from the 'as-is' state to the 'to be' state over the next 3-5 years using a system of planning and investment control.
- **Project Management** Operating Administrations of DOT maintained compliance with American National Standards Institute (ANSI) standards and averaged project completions within 10 percent of budget and schedule. Concentration is on Earned Value Management for OMB-designated major investments.
- **Employee IDs** Made significant progress toward a Homeland Security requirement HSPD-12, the government-wide standard for secure and reliable forms of identification for Federal employees and contractors. Card issuance is already in progress.

Government Forms

Business Gateway provides small business and citizens with access to government information, including forms, compliance assistance resources, and tools in a single point of access. [www.business.gov] Business Gateway partner agencies deliver an outstanding level of quality and service to the small business community. There were 3,422,076 hours saved in FY 2008 as of July 2008.

The **Business.gov Toolkit** allows individuals and organizations to quickly access tools from their web site or Google home page. The '**Add This**' feature allows users to easily bookmark and share Business.gov pages via social bookmarking sites. **Enhanced Search** allows better advertisement and integration of all search options. **Embedded Video** allows users to watch key videos without leaving Business.gov. And **Interactive Maps** allows users to search for small business resources near them.

Business Gateway was the recipient of six awards for delivering mission critical services, demonstrating best practices and improving organization performance. One of these awards was the prestigious Search Engine Strategies (SES) Award in the category of "Best Use of Local Search".

The program's accomplishments were further recognized in a Government Computer News article highlighting 10 great .gov websites.

Business Gateway was the only government finalist in any of the categories and was selected over two other industry leaders.

5. PERFORMANCE IMPROVEMENT

Regular, systematic measurement and accountability for program performance compared to pre-determined targets is the means to improve DOT management. Connecting budgeting to performance management ensures that resources are properly aligned with mission and goal activities but also that the results of those activities are tied back into the annual budget planning process primarily through outcome-based measurement.




FY 2008 Accomplishments

- **Managed Performance** The Program Assessment Rating Tool (PART) measures for rating DOT programs were met or exceeded at a rate of 52 percent. Eighty-three percent of those targets actually exceeded the planned rate of performance.
- **Program Improvements** Ninety-eight percent of planned improvement actions are on track. Sixty-five percent of those on-track program improvements have already been achieved and the majority of the remaining items are scheduled for completion in FY 2009.
- **Performance and Accountability Report** Earned the top rating among all Federal agencies for DOT's FY 2007 Performance and Accountability Report from George Mason University's Mercatus Center.

Performance Improvement Team

DOT established and implemented a comprehensive performance improvement mechanism -- the Transportation Performance Improvement Council (T-PIT) – which is charged with actively identifying and making targeted improvements that advance performance management in the Department.

Creation of this integrated performance improvement mechanism is significant in that it synthesizes, for the first time, three critical success factors: (1) collaboration across all DOT agencies; (2) active participation from both high level and working level managers; and (3) a systems approach to improvement through participation from support functions and programs.

The DOT performance community will benefit from a more advanced approach to resolving performance management issues and DOT programs will benefit from the informal, applied education that takes place as a part of the council's performance management prioritization and improvement processes.

6. FEDERAL REAL PROPERTY ASSET MANAGEMENT

It is the policy of the United States to promote the efficient and economical use of America's real property assets and to ensure management accountability for implementing Federal real property management reforms. DOT recognizes the importance of real property resources through increased management attention, the establishment of clear goals and objectives, improved policies and levels of accountability, and other appropriate action.

FY 2008 Accomplishments The entire Department, working as a team, has continued to make progress in the elimination of surplus real property, maintaining assets in the proper condition, and management of real property at the right cost.

- **Elevated Scorecard Status** During the second quarter (Q2) of FY 2008, the Department's real property initiative was rated 'Green' in PMA Status, as well as 'Green' in PMA Progress. The double 'Green' ratings were maintained in Q3 and Q4 FY 2008.

- **Disposals** In the Federal Real Property Council's June 2008 report, the Department had the highest number of property disposals for a non-DoD agency. During FY 2008, the Department was able to remove more than 2,270 real property assets from its inventory of buildings, structures, and land.

- **Innovation** The Department received FY 2008 National-level Honorable Mention recognition by GSA for exceptional real property innovation in Federal Government-wide property management initiatives.

Asset Management Review

Management of the Department's inventory has been greatly simplified through the development of a real-time, on-line dashboard application that provides real property managers with accurate data for daily decision-making.

Savings Since the PMA initiative was established the Department's initiatives have resulted in disposals of more than $170 million worth of real property assets. Savings resulting from the disposition of property have been applied toward future disposition efforts, as well as updates, upgrades, repairs, and renovations of current assets.

Disposition DOT removed more than 2,270 real property assets from its inventory of buildings, structures, and land. While a large number of the retired properties were zero-cost leases associated with the FAA's on-airport space, the value of other assets disposed of in FY 2008 exceeded $85 million. Funds realized from the disposition successes are being applied to facility modernization efforts.




PERFORMANCE DATA COMPLETENESS AND RELIABILITY

Performance measurement is dependent on the availability of useful data that will indicate level of performance and helps progress toward achieving organizational goals. Because all data are imperfect in some fashion, pursuing perfect data may consume public resources without creating appreciable value. For this reason, there must be an approach that provides sufficient accuracy and timeliness but at a reasonable cost. This section of the report provides information on how DOT uses performance data, assesses limitations of the data, and plans to improve DOT's data.

IN GENERAL

In an attempt to bring consistency and quality to its performance reporting, DOT has implemented some general rules regarding the data it uses and how it is evaluated.

Annual Data — Whenever available, the data in this document are reported on a Federal Government fiscal year basis. However, there are instances where fiscal year data are not available so calendar year data are used instead. This often occurs when data are collected and reported to DOT by external sources and a calendar year reporting requirement is specified in the implementing regulation.

Completeness of Data for Annual Results — If available, the results for the most recent year in the report are listed as Actual in the shaded box for each performance measure. However, given the November 15 deadline for submission of the Performance and Accountability Report, not all data have been compiled and finalized for the entire year. When an actual value is not available for the current year, either an estimate or a projection is provided instead. In general, estimates are based on partial-year data that are extrapolated to cover a full 12-month period. Historical trend information, supplemented by program expertise, is then applied to estimate the remaining months of performance for which actual data is unavailable. The result is identified as a preliminary estimate in the report. If partial-year data are not available, then past trend information is analyzed and supplemented by program knowledge to develop a projected value for the annual performance measure. The result is identified as a projection in the report. As data are finalized, the projections and preliminary estimates are replaced by actual results, with resulting changes denoted by an (r). Results are also amended as errors and omissions are identified in the data verification process, as updated information is provided by the reporting sources, or because of legal or other action that changes a previously-reported value.

Reliability of Measurement Data — DOT performance data are generally reliable (useful to program managers and policy makers). But because performance results in a given year are influenced by multiple factors, some of which are beyond DOT's control, and some of which are due to random chance, there may be considerable variation from year to year. A better "picture" of performance may be gained by looking at results over time to determine if there is a trend.

Virtually all data have errors. We have compiled Source and Accuracy Statements for each of the DOT data programs used in this report, which can be found at http://www.bts.gov/programs/statistical_policy_and_research/source_and_accuracy_compendium/index.html. The Source and Accuracy Statements give more detail on the methods used to collect the data, sources of variation and bias in the data, and methods used to verify and validate the data.

Assessing and, where possible, eliminating sources of error in DOT data collection programs has always been an important task for data program managers. As part of their ongoing work, managers of Departmental data programs use quality control techniques to identify where errors can be introduced into the data collection system. Program managers also use computerized edit checks and range checks to minimize errors that may be introduced into the data of their respective programs. In addition, quality measurement techniques are employed to measure the effects of unanticipated errors. These include verification of data collection and coding, as well as coverage, response and non-response error studies to measure the extent of human error affecting the data. As sources of error are identified, data collection is improved. Quality control is an ongoing and continuous effort to improve data accuracy and availability.

The data used in measuring performance come from a wide variety of sources. Much of it originates from sources outside of the Department and, therefore, outside of the direct control of the Department. The data often come from administrative records or from sample surveys. While DOT may not have a strong voice in improving the quality of outside data, the Department takes all available information about the limitations and known biases in outside data into account when using the data.

To help the OAs address these issues, the Bureau of Transportation Statistics (BTS) is developing a statistical policy framework where the OAs will work together to identify and implement the current statistical best practices in all aspects of their data collection programs. This project is consistent with the data capacity discussions found in the DOT Strategic Plan.

See *Other Accompanying Information* in the Financial Report for detailed explanations of completeness and reliability for each performance measure.

DATA LIMITATIONS

DOT Data Source Limitations — Timeliness is the most significant limitation for DOT performance measurement data. Some DOT data are not collected annually. For example, the National Household Travel Survey and the Commodity Flow Survey each collect data every five years. Data that are collected each year (or more frequently) require time to analyze, confirm and report results. For example, Highway Performance Monitoring System vehicle-miles traveled (VMT) data require several months of post-collection processing, making final results unavailable for this performance report.

Other performance measurement data limitations are identified in the previously mentioned Source and Accuracy Statements for DOT data programs. These statements contain descriptions of data collection program design, estimates of sampling errors (if applicable), and discussions of non-sampling errors. Non-sampling errors include under-coverage, item and unit non-response, interviewer and respondent response errors, processing errors, and errors made in data analysis.

Estimating and Projection Techniques Used — As discussed under completeness, many of the FY 2007 measures must be projected from either partial-year data or historical trends. The projections based on partial-year data from FY 2007 are more likely to reflect changes effected by current DOT policies and programs. The measures projected from FY 2006 and prior historical data reflect continuing trends from ongoing programs, but do not reflect the effects of changes implemented in FY 2007.

External Data Source Limitations — Data that originate from external or third-party sources are not directly controlled by DOT. These data often come from administrative records or from sample surveys. Timeliness is also a significant limitation. For example, many DOT internal data programs rely on data provided by State DOTs. DOT partners closely with the States, but does not have direct control over these programs.