DEPARTMENT OF TRANSPORTATION

AT A GLANCE:

2006 Discretionary Budgetary Resources: $57.5 billion
(Decrease from 2005: 1 percent)

Major Programs:

- Aviation system
- Interstate highway system
- Rail system
- Highway safety programs

MEETING PRESIDENTIAL GOALS

Agency-specific Goals

- Improving aviation and surface transportation safety.
- Improving transportation mobility.
- Improving passenger rail service between cities.

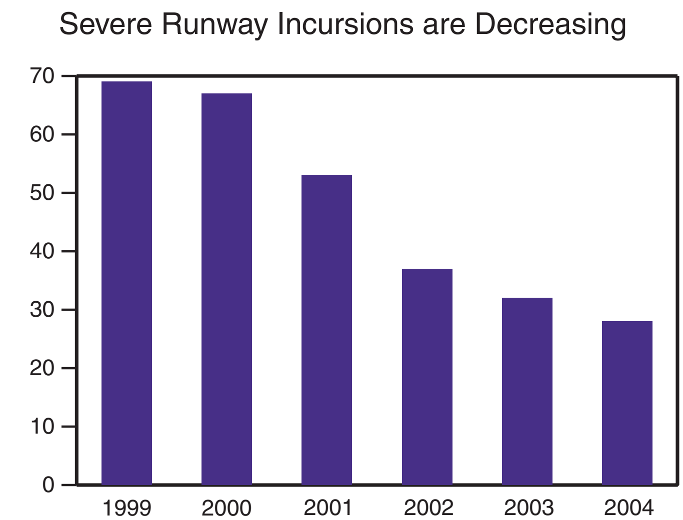
Making Government More Effective

- Implementing recently released Federal Aviation Administration air traffic controller workforce plan to ensure appropriate staffing.
- Developing Federal highway grant management techniques to reduce cost and schedule overruns.
- Improving oversight of all Department of Transportation loan programs.
- Improving research coordination and oversight of pipeline and hazardous materials safety programs.

AGENCY-SPECIFIC GOALS

Aviation Safety

The United States has the largest, most complex aviation system in the world. The Nation's airspace system includes 14,934 air traffic controllers, 3,364 airports, and 315 air traffic control facilities. Yet despite this complexity and size, commercial aviation continues to be the safest form of transportation—the United States has seen only one commercial accident since 2002. The Federal Aviation Administration (FAA) has established strategic goals to reduce the rates of commercial and general aviation fatal accidents, reduce the risk of potential runway collisions, and reduce cabin injuries caused by turbulence.



Source: Department of Transportation.

FAA, working with industry, academia, and other Federal agencies, conducts aviation research for improving safety. For example, in 2006, FAA will continue its research into technologies, procedures, and practices that help ensure the continued

FAA Delivers New Technology


FAA's ASDE-X technology provides General Mitchell International Airport in Milwaukee, Wisconsin with a new tool to more efficiently manage runway traffic.

The FAA's Airport Surface Detection Equipment—Model X (ASDE-X) increases airport safety. ASDE-X uses advanced technology to:

- Determine the position of ground traffic by using a three dimensional display, which is particularly useful during periods of poor weather;
- Prevent potential runway collisions by providing visual and audio alerts to air traffic controllers; and
- Reduce taxi time and delays by eliminating unnecessary communications.

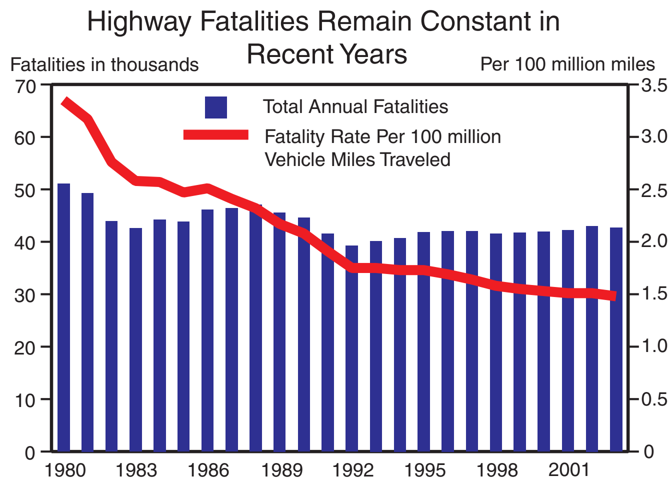
At the four sites where this new technology is deployed, it has reduced the risk of runway incursions by 66 percent and reduced taxi-out time delays by 2.6 percent, meaning less time waiting for departures. The 2006 Budget provides $24 million to deploy ASDE-X at nine additional airports.

airworthiness of older aircraft. FAA will also develop and implement airport design standards and surface movement procedures to lower the risk of runway collisions.

The 2006 Budget supports FAA's continuing safety efforts. The Budget request for FAA is nearly $11 billion, excluding grants for airport development. The Budget provides $8.2 billion in operational and personnel costs, $2.4 billion in information technology investments, and $130 million for aviation research. In 2006, FAA plans to hire approximately 600 new air traffic controllers and 97 safety inspectors to ensure that FAA maintains high standards of aviation safety and efficiency.

Surface Transportation Safety

In calendar year 2003, the vehicle fatality rate reached a record low—1.48 deaths per 100 million vehicle miles traveled, while the number of vehicle miles traveled increased by 24 million miles. Despite this improvement, the total number of surface fatalities has remained essentially unchanged since calendar year 2001. An estimated 42,643 lives were lost in traffic accidents in calendar year 2003, approximately 117 people per day.



Source: Department of Transportation.

Two major contributing factors to vehicle fatalities are alcohol-impaired driving and the failure to use safety belts. In both of these areas, the statistics are improving. Alcohol-related traffic deaths decreased by three percent in calendar year 2003, to the lowest level since calendar year 1999. In calendar year 2004, safety belt use reached an all-time high of 80 percent, but thousands died or were injured because they failed to buckle up. Approximately 59 percent of those killed in motor vehicle crashes were not using any type of occupant restraints.

To build on safety gains, the Administration's surface transportation reauthorization proposal Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003 (SAFETEA) would combine several safety programs administered by the National Highway Traffic Safety Administration (NHTSA) into a consolidated grant program. States would have greater flexibility to use safety program funds for occupant protection, impaired driving countermeasures, and other safety programs if they develop performance-based highway safety plans. SAFETEA also proposes a safety belt incentive program to encourage States to enact tough safety belt laws and achieve substantially higher safety belt usage rates. The Budget requests $231 million for NHTSA safety operations and research programs and $465 million for grants to States for targeted highway safety programs, which is $23 million more than enacted for 2005. Funding increases are also directed toward improving the Fatalities Analysis Reporting System, the Department of Transportation's (DOT's) database used to measure and analyze trends in vehicle fatalities.

In addition, the Administration proposes more than doubling funding for highway safety improvements over levels in the previous six-year authorization law, the Transportation Equity Act for the 21st Century (TEA 21). SAFETEA dedicates approximately $7.5 billion over six years to help States eliminate hazardous roadway conditions.

AGENCY-SPECIFIC GOALS—Continued

Motor carrier grants are used by States to hire and train safety inspectors.

Motor carriers (commercial trucks and buses) represent about four percent of registered vehicles, eight percent of vehicle miles traveled, and 11 percent of all fatal vehicle crashes. While fatality rates have decreased, the Federal Motor Carrier Safety Administration (FMCSA) fell short of meeting its target levels for calendar year 2003, but will continue working to reduce the rate from 2.8 per 100 million truck-miles traveled in calendar year 1996 to 1.65 by calendar year 2008.

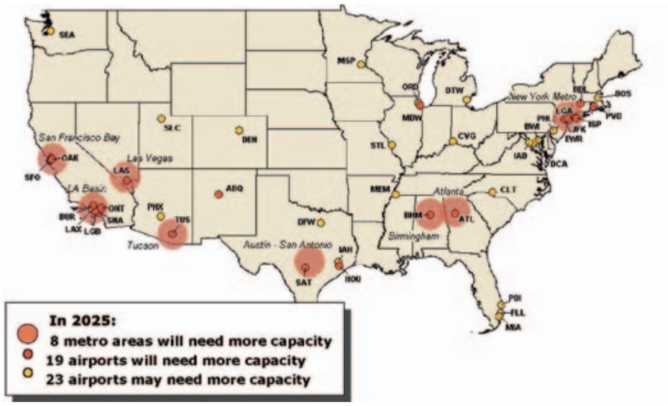
Consistent with the SAFETEA proposal, the President's Budget requests $232 million for aggressive State enforcement of interstate commercial truck and bus regulations, and $233 million to support oversight of hazardous materials transportation, Federal safety enforcement programs, and border safety inspections. These funds will support commercial vehicle safety and research to enhance the quality, stability, and uniformity of State commercial vehicle safety and enforcement programs. Additional funding in 2006 will support motor carrier safety grants to States, and improvements to FMCSA's safety database.

SAFETEA expands and improves safety auditing of new motor carriers. Studies show that new motor carriers are less likely to comply with safety regulations and are more likely to be involved in crashes than well-established motor carriers. FMCSA is implementing a safety auditing initiative for every new commercial motor carrier company that applies to operate within the United States. New entrants will be subjected to a safety audit in the first 18 months of operation before they receive a permanent safety decal.

To improve rail safety, the Budget includes an additional $14 million to substantially complete the National Differential Global Positioning System (NDGPS) broadcast station network in the continental United States. NDGPS, which relays GPS coordinates at one to three meter accuracy, will enable railroads to use Positive Train Control (PTC) technology to track the location and speed of trains on crowded tracks more accurately. Employing PTC systems should reduce the likelihood of collisions between trains, casualties to roadway workers, and speed-related accidents. The National Transportation Safety Board has named PTC as one of its "most-wanted" initiatives for national transportation safety.

Improving Transportation Mobility

Relieving congestion continues to be a major challenge. To address this problem, and to enhance infrastructure conditions, the Department proposes investing in system improvements and smart technology. Initiatives supported in this Budget include expanding "intelligent" highway system technology and modernizing the airspace control system. DOT's total requested spending for improving mobility is approximately $38 billion for 2006.



Over the next 20 years, many airports will need additional capacity to meet growth in air traffic demand.

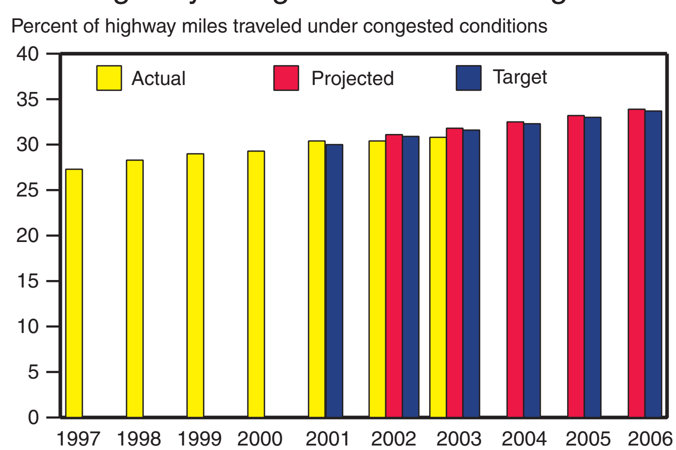
Air Mobility. The demand for air transportation is outpacing increases in capacity in some U.S. airports. FAA forecasts that air traffic demand has the potential to triple by 2025. This growth has been fueled by the airline industry's ability to offer safe, affordable, and fast service.

The 2006 Budget proposes $3 billion for the Grants-in-Aid for Airports program (AIP), which provides funding to airports for safety and capacity-enhancement projects. AIP funding assists airports in constructing new runways or taxiways, extending existing runways, and constructing and improving terminal buildings. Providing additional runways and deploying improved technology will help meet future customer needs and reduce flight delays. FAA will continue to use its authority to work with airlines at selected airports to ease airline delays. It will also expand the Free Flight program which provides air traffic controllers with air traffic management tools to direct planes to their destinations more efficiently. These tools reduce air traffic congestion, delays, and the cost of flying.

In addition, the 2006 Budget requests $18 million for the FAA to begin to integrate the Government's disparate air traffic enhancement efforts; leverage investments in civil aviation, homeland security, and national security; and build upon current air traffic management initiatives.

Surface Mobility. Highway and road congestion is an aggravating problem in all parts of the country. Congestion is also a growing problem at intermodal freight transfer facilities, like sea ports and rail yards. Despite localized congestion problems, the condition and quality of the Nation's highways have improved in recent years.

Highway Congestion is Worsening



Source: Department of Transportation.

To ease gridlock, the Budget proposes highway and transit infrastructure spending of $283.9 billion over six years. This marks a 35-percent increase over the TEA 21 six-year spending totals. This figure reflects the emerging consensus in Congress that was developed in a conference committee in 2004, and the Administration looks forward to working with the Congress to complete action on legislation to improve the surface transportation system.

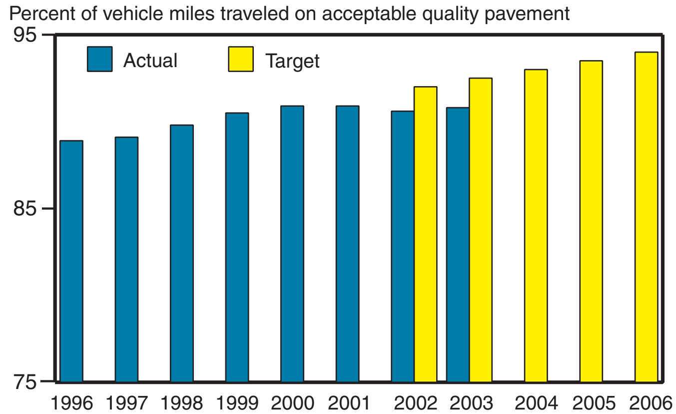
In addition to relying on new construction to reduce congestion, SAFETEA would fund research and development to increase the capacity of the existing highway system. Through advanced traffic management techniques, we can improve the performance and operation of existing transportation systems.

SAFETEA would facilitate private investment in transportation projects. Encouraging private participation is a critical step in the improvement of the surface transportation system. SAFETEA also envisions new methods to achieve better use of our highways. For example, SAFETEA would allow States to permit Single Occupancy Vehicles in High Occupancy Vehicle lanes, as long as time-of-day variable charges are assessed on lone drivers for such access.

AGENCY-SPECIFIC GOALS—Continued

Just as our highways are becoming increasingly crowded, so are our ports and freight facilities. In response, SAFETEA would dedicate a portion of National Highway System funds to intermodal freight facilities. Likewise, SAFETEA sets aside funds for publicly owned intermodal freight transportation projects that address economic, congestion, security, safety, and environmental issues. Many freight transfer facility projects also would be eligible for DOT innovative financing loans and tax-exempt private activity bonds.

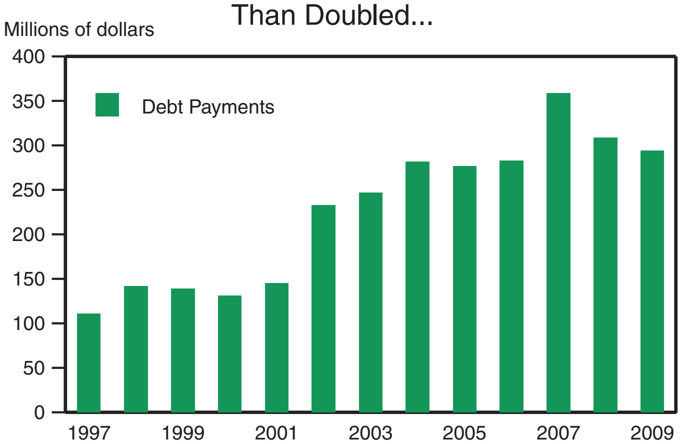
Highway Pavement Quality has Improved



Source: Federal Highway Administration.

Reforming Intercity Passenger Rail Service

Amtrak's Debt Payments Have More Than Doubled...



Source: Department of Transportation.

The current model for providing intercity passenger rail service—Amtrak—can and must be significantly improved. Amtrak is almost 35 years old, and the cost to taxpayers since its inception has been approximately $29 billion. It requires hundreds of millions of dollars in operating subsidies annually, particularly for its long distance trains, to remain solvent. Amtrak's World War II-era route system goes through nearly every State, but in terms of intercity passenger miles the commercial bus industry is seven times larger; the air carrier industry is larger by a factor of 92.

Amtrak is currently saddled with a growing stream of debt service payments. The railroad also has several billion dollars of deferred capital projects that continues to grow. Along the Northeast Corridor, which Amtrak owns, major bridges and tunnels date to the 1860s. As Amtrak's infrastructure ages and as it continues to defer capital investment, service has deteriorated and safety is at risk. From 2003 to 2004, Amtrak's on-time performance dropped from 74.1 percent to 70.7 percent. Looking ahead, Amtrak faces increasing risks of a major infrastructure failure because it has spread its capital funds thinly between the heavily-used Northeast Corridor and long-distance passenger trains that run on its nationwide route network.

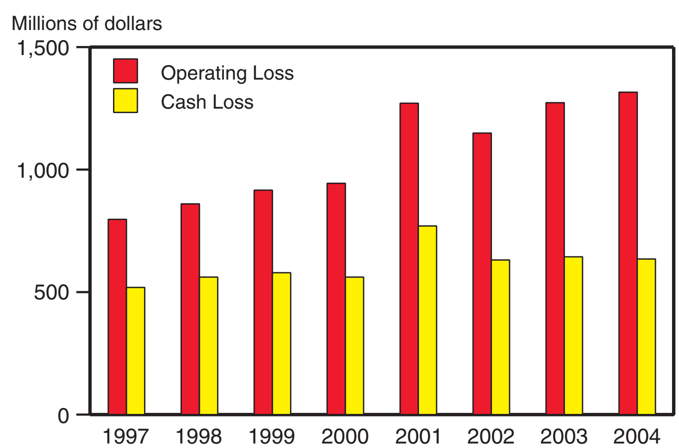
Highlights of the Passenger Rail Investment Reform Act:

- Amtrak would split into a private infrastructure company and train operating company, effectively separating the Northeast Corridor (NEC) infrastructure from long-distance train operations.
- DOT would lease the NEC infrastructure to a compact of States that would be responsible for managing the infrastructure and train operations along the corridor.
- Outside the Northeast where Amtrak does not own track, individual States and interstate compacts could negotiate with the freight rail companies to develop new routes. This should lead to the development of short-corridor routes between major population centers.
- After a transition period, States would bid contracts for infrastructure maintenance and train operations among the former Amtrak companies and other private companies. States would cover train operating subsidies. Federal matching grants would help pay for infrastructure, which is similar to the Federal-State cost sharing arrangement of other DOT transportation programs.

This has occurred at the same time as Federal funding for Amtrak has increased substantially. For 2001, Amtrak received $520 million in Federal funding. For 2005, Amtrak received $1.2 billion.

In 2003, the Administration proposed the Passenger Rail Investment Reform Act, which built on the successful State-Federal partnerships that are hallmarks of other transportation programs. Ultimately, States and localities would have the freedom to develop custom rail services demanded by their citizens. The Federal Government's role would be to assist in funding capital investments.

...While Amtrak's Losses Continue to Grow



Source: Department of Transportation.

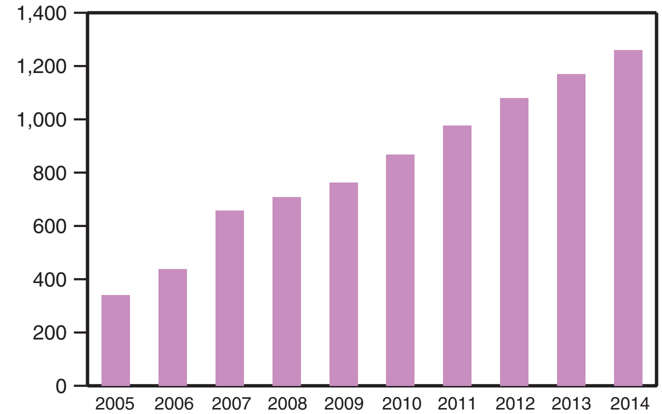
Until such reforms are enacted, the Administration will not propose continued Federal subsidies for Amtrak. On its current course, Amtrak's performance will decline and its infrastructure will deteriorate even with well over $1 billion in annual Federal appropriations. With no subsidies, Amtrak would quickly enter bankruptcy, which would likely lead to the elimination of inefficient operations and the reorganization of the railroad through bankruptcy procedures. Ultimately, a more rational passenger rail system would emerge, with service on routes where there is real ridership demand and support from local governments—such as the Northeast Corridor. The 2006 Budget proposes $360 million for the Surface Transportation Board to maintain existing commuter services and freight traffic along the Northeast Corridor and elsewhere.

The Administration would endorse increased funding in subsequent years for intercity passenger rail, on the condition that real legislative reforms are enacted. This amount could fund the reforms envisioned in the Administration's restructuring proposal, including addressing the Northeast Corridor deferred maintenance backlog, and investing in new state-sponsored capital projects.

MAKING GOVERNMENT MORE EFFECTIVE

Aviation Transportation

FAA Projects Dramatic Increase in Retiring Air Traffic Controllers



Source: Department of Transportation.

The FAA's newly created Air Traffic Organization (ATO) has improved the management of the FAA through several initiatives. The ATO finalized a comprehensive workforce plan to address the upcoming wave of air traffic controller retirements. This plan helps ensure that the FAA will have the right people to fill open positions as they develop. In addition, the ATO has launched an initiative to increase worker productivity by 10 percent over the next five years. The ATO will increase the productivity of its staff by decreasing the time and expense taken to hire and train new air traffic controllers, establishing flexible staffing standards to better use the existing workforce, and by better managing other compensation costs such as sick leave, disability claims, and time spent on union activities. The ATO will also improve productivity by handling expected air traffic increases through 2009 using existing staffing levels and automation programs. Consolidation of some facilities and a possible expansion of the contract tower program will also help the Department become more productive.

Surface Transportation

For 2005, grants for highway construction, public transit, and highway safety programs—the Department's largest program—must be reauthorized by the Congress. The reauthorization will define federal highway policy, and also set funding levels for upcoming projects. The Budget updates the Administration's proposed reauthorization legislation—Safe, Accountable, Flexible, and Efficient, Transportation Equity Act (SAFETEA)—by supporting reauthorization at a level of $283.9 billion through 2009.

The Budget supports improved organizational performance and productivity for all DOT surface transportation programs. For example, through its oversight program, the Federal Transit Administration (FTA) helps transit agencies develop disciplined cost estimates, focusing on best practices and better metrics, emphasizing risk assessment practices, and evaluating procurement practices. Currently, all of FTA's major capital projects are within 10 percent of baseline cost estimates and most of the projects are within 5 percent. Likewise, the Federal Highway Administration (FHWA) is more closely monitoring progress of large construction projects over $1 billion.

Nevertheless, DOT needs to improve its oversight of the tens of billions of dollars in highway and transit grants made to States and localities each year. DOT field staffers are focusing on making sure grant recipients control project costs and schedules. To help meet this goal, DOT is implementing an action plan to ensure that Federal grant dollars are properly accounted for by grantees and sub-grantees. For example, the Budget includes funds for additional personnel to provide oversight of large highway construction projects, such as the "mixing bowl" project in Springfield, Virginia. Additionally, SAFETEA would strengthen FHWA's stewardship while respecting States prerogatives by:

- Having States submit project management plans for all Federal aid projects costing $1 billion or more.
- Requesting States to prepare annual financial plans for all projects receiving $100 million or more in Federal aid funds.
- Establishing cost-estimate standards to provide more reliable and consistent project cost expectations.
- Strengthening the Department's suspension and debarment policies to prevent contractors from continuing to defraud the Government.
- Allowing States to share in monetary recoveries from Federal fraud cases.

SAFETEA would also establish a new highway pilot program where States could manage as a block grant funds from the following programs: Interstate Maintenance, National Highway System, Surface Transportation (except for the Transportation Enhancement funds), Highway Safety Improvement, Highway Bridge, and Minimum Guarantee. Under the pilot program, States would work with the Department to develop and meet specific system performance measures.

Credit Programs

DOT operates loan programs that provide substantial financing for rail, highway, maritime, and multimodal projects that improve mobility and safety, and enhance the environment. Over the past year, DOT has established a process to better manage its loan portfolio and limit its credit risk. DOT uses a standardized process for reviewing loan applications, regardless of the loan program, and top agency management make final recommendations. DOT also employs independent financial advisors to assess the financial viability of applicants. The result is consistent standards and better decision-making. On a related issue, the 2006 Budget proposes to de-authorize the Railroad Rehabilitation and Improvement Financing loan program because recent tax law changes will better advance rail infrastructure investment.

Research and Special Programs Administration Reorganization

The recent enactment of the Research and Special Programs Improvement Act will permit the Administration to improve coordination and strengthen oversight by realigning the Department's research, pipeline safety, and hazardous materials safety programs. The restructuring will create two new operating administrations in place of the existing Research and Special Programs Administration. The new Research and Innovative Technology Administration will focus on research and development activities, transportation analysis, and statistics. Inspection and policy responsibilities for pipeline and hazardous materials transportation safety programs will be placed within the other newly established operating administration: the Pipeline and Hazardous Materials Safety Administration.

Managing for Results

The Administration continues to assess the management and performance of DOT programs using the Program Assessment Rating Tool (PART). Last year, nine programs were assessed using PART, which reviews each program's design and purpose, strategic planning, internal management, and whether they are generating positive results for taxpayers. For example, the PART review of FAA's Facilities and Equipment program found that, despite appropriate long-term goals, projects consistently experience large cost and schedule overruns. In response to the PART recommendations, FAA will focus on increasing the use of performance-based contracts as a means of controlling costs. Evaluations of the Maritime Administration's Maritime Security Program found a need for a new measure

MAKING GOVERNMENT MORE EFFECTIVE—Continued

of the program's contribution to the total commercial sealift capacity requirement. This new measure will help DOT, which is working with the Department of Defense, evaluate whether the current mix of vessel types in the Maritime Security Program fleet are appropriate to meet the needs of the Department of Defense.

Update on the President's Management Agenda

The table below provides an update on DOT's implementation of the President's Management Agenda as of December 31, 2004.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					

Through the Human Capital initiative, DOT has established a new strategic plan for managing its human capital and is progressing toward implementing multi-tier employee evaluation systems for each of its operating administrations. DOT completed its first two standard competitions in August 2003, with expected savings of $9 million over 10 years. DOT has implemented a Department-wide integrated financial system to make the Department's accounting practices more streamlined and accurate. The Department still faces several challenges relating to financial management, including a need to improve the oversight of highway and transit grants. DOT has created an Enterprise Architecture that focuses on information technology (IT) investments and plans to address "at risk" programs in the Department. Over the next year, DOT will work towards achieving the challenging goal of securing all of its IT systems. DOT's 2006 Budget submissions incorporated PART findings and are structured to show full costs by strategic goal.

Initiative	Status	Progress
Real Property Asset Management		
Eliminating Improper Payments		

FAA holds over 98 percent of the DOT property and leads the Department's Real Property Initiative. There are many challenges ahead, including a gap analysis between the FAA asset management plan, inventory system, and performance measures and the Federal Real Property Council standards. FAA will use this assessment to determine an aggressive strategy for addressing deficiencies. For its Improper Payment Initiative, DOT's major challenge is to gain insight into how grantees and subgrantees spend DOT funds. Currently, DOT has limited information for its major grant programs. (Because this is the first quarter that agency efforts in the Eliminating Improper Payments Initiative were rated, progress scores were not given.)

Department of Transportation
(In millions of dollars)

	2004 Actual	Estimate 2005	Estimate 2006
Spending			
Discretionary Budgetary Resources:			
St. Lawrence Seaway Development Corporation			
Existing law	13	15	7
Legislative proposal to collect user fees	—	—	8
Federal Aviation Administration	13,841	13,834	13,779
FAA Obligation Limitation (non-add)	*3,379*	*3,472*	*3,000*
Rescission of 2005 and 2006 unused contract authority	—	—	*–1,069*
Federal Highway Administration	33,919	33,734	34,700
Federal-Aid Highway Obligation Limitation (non-add)	*33,949*	*34,263*	*34,700*
Federal Motor Carrier Safety Administration (Obligation limitation)	364	443	465
National Highway Traffic Safety Administration (Obligation limitation)	298	452	696
Federal Transit Administration	7,264	7,647	7,781
FTA Obligation Limitation (non-add)	*5,813*	*6,691*	*6,825*
Federal Railroad Administration	1,450	1,425	552
Amtrak (non-add)	*1,218*	*1,207*	*360*
Maritime Administration	220	304	295
Rescission of unused balances	—	—	*–74*
Pipeline and Hazardous Materials Safety Administration [1]	112	112	116
Research and Innovative Technology Administration [2]	—	4	6
Surface Transportation Board	18	20	23
All other programs (includes offsetting collections)	163	1	216
Total, Discretionary budgetary resources [3]	57,662	57,991	57,501
Total, Surface Obligation Limitation (non-add)	*40,420*	*41,849*	*42,686*
Memorandum: Budget authority from enacted supplementals	—	*1,227*	—
Total, Discretionary outlays	53,387	57,235	59,388
Mandatory Outlays:			
St. Lawrence Seaway Development Corporation:			
Legislative proposal to collect user fees	—	—	–8
Federal Highway Administration	946	1,296	1,330
Office of the Secretary	8	117	51
All other (including offsetting receipts)	206	–433	–176
Total, Mandatory outlays	1,160	980	1,197
Total, Outlays	54,547	58,215	60,585

Department of Transportation—Continued

(In millions of dollars)

	2004 Actual	Estimate	
		2005	2006
Credit activity			
Direct Loan Disbursements:			
Transportation Infrastructure Finance and Innovation Program	65	396	818
Railroad Rehabilitation and Improvement Program	227	250	—
Total, Direct loan disbursements	292	646	818
Guaranteed Loan Commitments:			
Transportation Infrastructure Finance and Innovation Program	—	—	200
Maritime Guaranteed Loans (Title XI)	212	140	—
Minority Business Resource Center	8	18	18
Total, Guaranteed loan commitments	220	158	218

[1] To be transferred to the Surface Transportation Board.

[2] Reflects reorganization of programs under the Research and Special Programs Improvement Act.

[3] Includes both discretionary budget authority, obligation limitations, and rescissions.