

## Strategies – Implementing the President’s Management Agenda Organizational Excellence

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## **Organizational Excellence**

### **Implementing the President’s Management Agenda**

***Advance the Department’s ability to manage for results and innovation.***

#### **STRATEGIC MANAGEMENT OF HUMAN CAPITAL**

President Bush’s management agenda focuses on long-term management of the Federal workforce and fostering a citizen-centered, results-based government that is organized to be agile, lean, and capable of making timely decisions. As we determine our human capital requirements, DOT will flatten our organization, through well-chosen and thoughtful restructuring.

#### **COMPETITIVE SOURCING**

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

#### **FINANCIAL AND PROCUREMENT PERFORMANCE**

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

#### **CITIZEN-CENTERED GOVERNMENT**

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

#### **BUDGET AND PERFORMANCE INTEGRATION**

The President’s Management Agenda stresses a sea change in Federal management – that of changing yearly budgetary and resource management decision focus from the “increment” to the “base” and by a relentless focus on accountability for programmatic results. This focus will be achieved by holding executives and managers accountable for results, and by making investment decisions based upon what has been demonstrated to work. Regular, systematic measurement, and accountability for program performance compared to pre-established goals, will be the means to improve DOT management.

**In implementing the President’s Management Agenda in DOT, we aim to achieve these organizational excellence outcomes:**

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

DOT is committed to the President’s vision of a citizen-centered, results- oriented government, and one that promotes innovation in transportation through market-based policies and through fostering competition in the transportation sector of the U.S. economy. A well-managed organization with a strong customer focus, a skilled and highly motivated workforce, and an emphasis on managing for results is essential to achieving DOT’s goals.

DOT is committed to improving its overall effectiveness and efficiency by listening to customers, providing top-quality service by reducing bureaucracy, enabling employees to develop and utilize their full potential consistent with the Department’s goals, and efficiently managing programs for maximum performance. DOT’s ability to meet its strategic goals is enabled through flattening the entire DOT organization, by investments in information technology for customer transactions with the Department, by improving financial management systems, and by thinking creatively and innovatively. By the 2004 budget, DOT expects to meet “green level” progress in all five areas of the President’s Management Agenda discussed in the following strategies.

<b>Performance Goals</b> Small disadvantaged and women-owned business contracting Environmental Justice
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The FY 2003 budget proposes \$678.3 million in funding to promote organizational excellence and meet the President’s management agenda. Some significant projects which will enable the Department’s performance are:

- Achieve full operating capability for Delphi, the Department’s new financial accounting system (\$18 million);
- Act as the managing partner for an intergovernmental on-line rulemaking project (\$5 million); and
- Implement a Departmental enterprise architecture and capital programming process for shaping information technology investments (\$2.6 million).

A summary performance report for goals included in this chapter, and an analysis of 2003 strategies follow.

**Performance Report: Organizational Excellence**

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2001 Target</b>	<b>Met</b>	<b>Not Met</b>
Percent share of total dollar value of DOT direct contracts awarded to women-owned businesses	3.9	2.4	4.0	3.7	4.1	4.5	3.8	5		✓
Percent share of total dollar value of DOT direct contracts awarded to small disadvantaged businesses	23.4	19.8	19.6	17.0	17.9	17.7(r)	17.6	14.5	✓	
Environmental justice cases that remain unresolved after one year	2	3	3	6	5	10	9	4		✓

## Strategic Management Of Human Capital

### Human Capital Planning and Organizational Restructuring:

By fall 2006 large numbers of DOT employees will become eligible for retirement, and in DOT's critical occupations, such as engineers and executive managers, the numbers are especially high. To maintain the capability we need, DOT will:

- Develop and implement human capital solutions derived from our on-going human capital planning process, including competitive sourcing and restructuring.
- Revise the Department's human resources strategic action plan and existing workforce planning model to ensure alignment with the President's Management Agenda, the Department's updated strategic plan, and the budget process;
- Employ the individual performance assessment system to ensure accountability for performance results from its executives;
- Establish accurate inventories for competitive sourcing;
- Expand telecommuting within DOT.

Transportation Security Administration (TSA) is being created partly from existing resources in the FAA and the Office of the Secretary, in part from the aviation industry's existing security contractors, and in part "from scratch". Since Homeland Security is a critical duty of the Federal Government, first and foremost, the TSA will be focused on performance, and staffed through competitive sourcing and through flexible and agile personnel systems established in law.

Coast Guard is mirroring personnel transformation efforts in the Defense Department. Yesterday's military workforce models clearly are of decreasing relevance for a transformed military service. In parallel with the Deepwater acquisition project, particularly as its operational and logistical concepts come clearly into focus in 2002, the Coast Guard is conducting a workforce re-invention effort to take advantage of the potential that information technology and the commercial

supply chain marketplace offers to fashion a more effective operational Coast Guard.

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

### ***Management Challenge – Strategic Human Resource Planning (GAO/OMB)***

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

The Department's Strategic Human Capital Management Plan will address the President's Management Agenda and GAO's management challenge.

## Competitive Sourcing

DOT's 2001 FAIR Act inventory identified over 11,000 FTE performing commercial functions. By the end of 2003, DOT will have competed 15% (more than 1,500) of those commercial positions.

## Financial and Procurement Performance

### Acquisition Management:

#### **Performance Goals:**

For major DOT capital acquisition projects, achieve 90 percent of cost and schedule milestones, and achieve 100 percent of planned capability and performance benefits upon full fielding of the capital equipment.

Award at least 5 percent of direct DOT contracts to women-owned businesses, and at least 14.5 percent of direct DOT contracts to small disadvantaged businesses.

**Performance Plan:**

**Performance measures:**

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Target:</b>	N/A	N/A	N/A	90%#	90%#
<b>Actual:</b>					

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

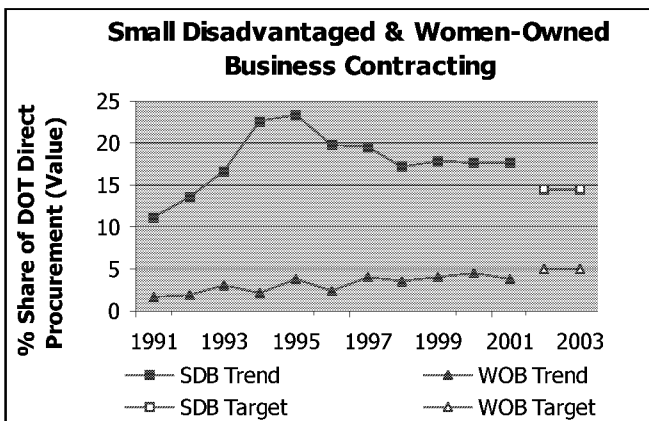
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Target:</b>	5	5	5	5.1	5.1
<b>Actual:</b>	4.1(r)	4.5	3.8		

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Target:</b>	14.5	14.5	14.5	14.5	14.5
<b>Actual:</b>	17.9(r)	17.7	17.6		

(r) Revised.

# DOT will implement an aggressive performance goal to ensure that DOT capital acquisition projects are completed on time, on budget, and deliver the planned performance or capacity benefit to the traveling public. The performance targets are preliminary, since DOT is currently validating cost, schedule, performance, and capacity baselines for all major capital acquisition. The acquisition performance goal will encompass major acquisitions of TSA, FAA, and USCG.



*Performance-based contracting* – DOT’s agency-wide Procurement Performance Management System policy includes a measure for Performance Based Service Contracting consistent with the 20% by FY 2004 goal established in the Government-wide Acquisition Performance Measurement Program. In 2002 and 2003, DOT intends that 20% and 22% respectively, of all service contract dollars will be performance based.

*Expanding on-line procurement* – DOT will continue to require all procurement solicitations appropriate for electronic posting be conducted electronically through ‘FedBizOps’ – the one-stop Federal procurement online gateway.

*Small Disadvantaged (SDB) & Women-Owned Business (WOB) Contracting:* DOT’s SDB and WOB percentage goals are set in cooperation with the Small Business Administration (SBA), and total 19.5 of the total dollar value of direct DOT contracts. WOBs do not have a special set-aside authority allowing them to compete in a restricted market for Federal procurements. Therefore, WOBs must successfully compete with other small businesses for small business set-aside procurements or with all businesses for full and open procurements. To assist WOBs to successfully compete, DOT and the Office of Small and Disadvantaged Business Utilization (OSDBU) conduct outreach, training and offer financial assistance. DOT is increasing its outreach efforts to SDBs and the contracting community itself. DOT’s \$3 million outreach and technical assistance program will help small businesses in general, many of which are disadvantaged or women-owned businesses.

**Financial Management:**

DOT’s FY 2001 Consolidated Financial Statement received an “unqualified” opinion from the IG. DOT is confident that this will be the case for the future as well. DOT continues to implement Delphi, the Department’s commercial off-the-shelf core accounting system replacement.

DOT is making good progress in being able to report quarterly financial results by FY 2003, and we will be better able to manage unit costs of service delivery in all front-line functions for citizens - for example, in issuing airman and merchant mariner documents, and in processing innovative financing or grant applications.

FAA continues to address asset management problems through detailed corrective action plans extending over multiple years and involving numerous offices. FAA will complete actions in FY 2002 to provide an integrated financial and asset management system.

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

As indicated by the IG, GAO, and OMB, the introduction of all DOT activities to the Department's financial accounting has presented a significant management challenge, requiring DOT to develop more comprehensive cost accounting systems, and – most critically – to develop improved record keeping and valuation procedures for property, plant, and equipment. This last requirement remains a significant challenge for FAA, whose direct provision of services to the public involves significant capital assets. DOT has tackled its financial management challenges full force.

The foregoing discussion in its entirety covers these management challenges.

**Performance Report:**

**2001 Results:** DOT met the performance target for small disadvantaged businesses' share of DOT direct contracts, and did not meet targets for environmental justice, and cases women-owned businesses' share of DOT direct contracts. SDBs received \$372 million and WOBs received \$78 million of DOT's direct procurements. Total DOT procurements were \$2.1 billion, which is an increase from the \$1.9 base estimated for the year. Though short of the 5.0% WOB goal, the 3.7% achievement is above the government-wide average of approximately 2.3%.

OSDBU conducted outreach through its Transportation Equity Act Model and through Marketplace and Training Conferences. OSDBU also operates the National Information Clearinghouse that assists SDBs and WOBs to identify potential contracting opportunities. OSDBU made more electronic marketing and contract information available to WOBs, assisting them in becoming better informed on how to do business with DOT and in accessing transportation-related contract opportunities. OSDBU provided funds to the National Women's Business Council to promote and encourage women-owned businesses in procuring Federal

contracts. DOT's ongoing Bonding Assistance Program and Short Term Lending Program improved WOBs' access to financing and bonding.

Financial Stewardship:

**Performance goals:**

Achieve 95 percent of schedule milestones for major Federally funded transportation infrastructure projects, or miss those milestones by less than 10 percent.

Achieve 95 percent of cost estimates for major Federally funded transportation infrastructure projects, or miss them by less than 10 percent.

Adhere to government-wide small disadvantaged business and women-owned business contracting goals.

**Performance Plan:**

**Performance measures:**

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Target:</b>	N/A	N/A	N/A	95%*	95%*
<b>Actual:</b>					

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Target:</b>	N/A	N/A	N/A	95%*	95%*
<b>Actual:</b>					

*\* DOT will implement an aggressive performance goal to ensure that major Federally funded transportation infrastructure projects are completed on time, on budget, and deliver the planned performance or capacity benefit to the traveling public. The performance targets are preliminary, since DOT is currently validating cost, schedule, performance, and capacity baselines for all major infrastructure projects. The transportation infrastructure project performance goal will encompass major projects funded by, and subject to oversight of, FHWA, FTA, and FAA.*

DOT operating administrations will also ensure that controls against fraud, waste and abuse of Federal infrastructure grant funds are strengthened. DOT will conduct outreach to grant recipients and will work with States to heighten awareness of ways to curtail fraudulent activities, and to maintain good accountability for grant expenditures. In its relationships with State and local highway agencies, FHWA and FTA will continue to stress fraud indicators and reporting procedures, and will work with the transportation and highway industry to include the IG as a resource for reporting allegations of fraud, waste, and abuse on Federal-aid infrastructure construction projects. FAA will continue its coordination with airport authorities for fraud awareness.

DOT requires its contracting officers to: (1) review all completed contracts on an annual basis to ensure that only those funds necessary to pay the contractor's final invoice are retained under the contract, (2) determine the need for an independent audit, (3) take full advantage of contract quick closeout procedures, (4) comply with DOT policy on monitoring of contract closeouts, and (5) reduce the backlog of completed contracts that need to be closed out. Doing so will ensure that excess funds obligated to contracts will be timely de-obligated and redeployed to the government's advantage.

**Management Challenge – Financial Stewardship (IG/OMB)**

**Contract Closeout (IG/OMB);**

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

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

consistent reporting of basic standardized financial data. Fully developed finance plans have been useful in identifying emerging cost and funding shortfalls in projects.

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

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

DOT has taken the following actions:

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

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

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



## Citizen Centered Government

### Performance Goal:

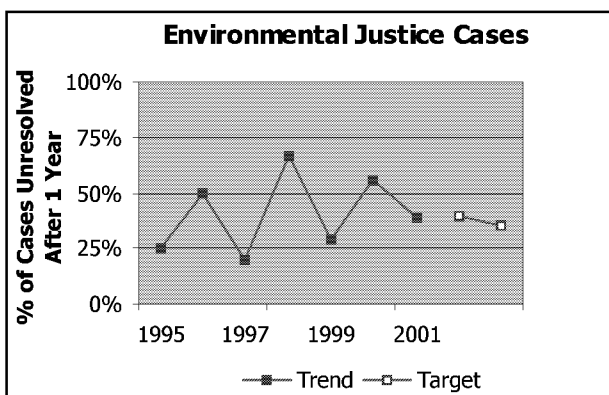
Ensure that transportation projects are accomplished even-handedly, so that no community or group bears a disproportionate burden.

### Performance Plan:

#### Performance measure:

Percent of Environmental Justice cases that remain unresolved after one year.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Target:</b>	N/A	N/A	N/A	40%	35%
<b>Actual:</b>	29%	56%	39%		



Executive Order 12898 directs each Federal agency to identify and address disproportionately high and adverse human health or environmental effects of its programs, policies, and activities on minority populations and low-income populations. To achieve this objective, DOT operates under existing authorities, such as the National Environmental Policy Act (NEPA) and Title VI of the Civil Rights Act of 1964. DOT's Environmental Justice policy incorporates these considerations in all DOT programs, policies, and activities.

DOT works with stakeholders and officials at the State, regional, and local levels to ensure environmental justice concerns are integrated into the transportation planning process. To counter the factors that delay resolution, DOT employs two strategies: 1) emphasizing public involvement by minority and low income communities at a very early stage of transportation project planning; and 2) encouraging improved analysis by metropolitan planning organizations (MPOs) and State DOTs of

the potential equity impacts of transportation projects.

DOT will educate stakeholders, provide Title VI training, and ensure public participation in the concept stage -- before project designs are chosen -- by reaching out to potentially affected populations.

**Other Federal Programs with Common Outcomes:** DOT works with other agencies to share expertise and resolve jurisdictional overlaps and duplications, principally through an interagency working group, chaired by EPA.

### Performance Report:

#### Discontinued performance measure:

Number of Environmental Justice cases that remain unresolved after one year.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Target:</b>	12	10	4	*	*
<b>Actual:</b>	5	10	9		

\* Performance measure discontinued after 2001 and replaced with percent of cases remaining unresolved after a year.

**2001 Results:** DOT did not meet the performance target. A complicating factor for speedy case resolution is the long planning process for transportation infrastructure projects – sometimes as much as 20 years. Points at which third parties seek to intervene in project decision making vary, and can lead to lengthy resolution efforts.

Quantification of the adverse effects of transportation projects on minority and low-income communities, determining causality of effects, and showing disproportionate civil rights impacts continue to be difficult, and alternative dispute resolution does not always succeed.

Activities included stakeholder partnership meetings with civil rights and environmental activists, and metropolitan planning organization and governmental representatives in the Atlanta, Georgia area. This model effort included development of an equity analysis and public participation work plan in response to a threat-to-sue letter on grounds that included EJ issues.

Customer Service Focus and E-Government:

In FY 2003, DOT plans to increase its use of knowledge management and information technologies to improve the services we provide to citizens, businesses and State and local governments by making best practices and innovations available to all DOT staff via DOTnet. DOT will also encourage customer service training for all front line employees and open lines of communication from the front line to program managers to improve our products and services. We recognize that our front line employees may provide vital information to build partnerships and other long-range relationships with customers as well as obtain feedback that can be used to help improve customer satisfaction.

DOT will complete improvements in its customer support web site by providing one-stop shopping for transportation consumers and providers. The new web site will make it easier and faster for the public to locate information about DOT's products and services by linking to existing web pages under topical headings. For example, the new page on regulations will contain links to DOT's dockets as well as to all of DOT's web pages devoted to specific modal regulations. The customer support web site will also be the primary administrative mechanism that provides the public the opportunity to seek correction of information disseminated by DOT under OMB guidelines for ensuring the quality, objectivity and integrity of information. The goals of the customer support web site are to provide rapid and reliable answers to the public's questions, and to analyze the inquiries to determine customer requirements and needs.

DOT is an active contributor to OMB's E-Government Task Force. The Task Force has identified high payoff, crosscutting opportunities that improve services and implement E-Government. Several DOT initiatives such as the Docket Management System, our executive correspondence system, and the Transportation Virtual University are components of the initiatives selected for government-wide implementation.

DOT has enjoyed several successes in "e-government" and will continue to do more along these lines:

- FHWA implemented an improved, paperless financial management information system in early 2002. The new system is a user-

friendly, web-enabled system, including electronic signatures, so that State DOT's can report data with about 30 percent less internal reporting. More than two-thirds of States are now using this improved system, and users of the system's information and reports have increased by 25 percent. State users of the system total 50 percent of the user base.

- Coast Guard is upgrading its computer system to enable forms associated with the collection of marine casualty, chemical, drug and alcohol testing information to be completed and submitted electronically.
- FAA is currently working on a rulemaking proposal that will allow electronic collection of data associated with their anti-drug program for personnel engaged in specified aviation activities. In addition, they are exploring the use of electronic signatures to further reduce the information collection burden for medical standards and certification.
- FAA processes approximately 770,000 airman certifications and/or rating applications annually. An automated form is currently being beta tested that will allow this information to be completed on-line.
- FAA processes approximately 450,000 pilot medical certification applications annually. A pilot project is under way to allow for electronic signature and submission of all documentation electronically.
- FMCSA customers can now obtain and pay for a variety of DOT goods and services on-line by using their credit card or electronic fund transfer from their bank account. This site was established to allow FMCSA customers to conduct business at their convenience. The site is available 24 hours a day.
- FMCSA customers can apply for motor carrier certificates of authority, request name and address changes for existing certificates of authority, request reinstatement of certificates of authority, or pay fines or filing fees for motor carrier insurance via the internet.
- Since the summer of 1999 more than 17,000 FMCSA customers have used these on-line services. Currently more than 30% of motor carrier registration applications are done via the internet.

Information and Technology Management:

DOT will complete development of an Enterprise Architecture (EA) in FY 2003, will implement the Capital Planning and Investment Control (CPIC) processes this year, and will make progress in inventory actions required by the Government Paperwork Elimination Act (GPEA). During the course of EA development, we will look at all business processes throughout the Department and identify those that have applicability across multiple organizations. The degree to which existing processes can benefit from increased automation will be factored into proposed solutions. DOT will develop IT business case investment information for use in strategic planning, budget formulation, and decision-making. For investments that are critical to achievement of DOT missions, particular emphasis will be placed on providing investment information covering alignment with DOT's strategic goals and the appropriate acquisition, management, and use of such IT capital investments. Also, systems common to multiple DOT organizations that offer the opportunity to achieve significant operational and economic efficiencies through coordination and consolidation of efforts will be identified and analyzed for synergy and efficiencies.

DOT will reduce information collection burden hours imposed on the public and meet GPEA requirements to deliver information and transact business electronically by October 2003. A 5% reduction in paperwork burden hours from FY 2000 was not achieved. DOT will continue to mitigate paperwork burdens on the public, but substantial reduction is particularly difficult without changes to Congressional mandates. An online system (completed in 2002) for monitoring and reporting progress on complying with the Government Paperwork Elimination Act should aid in these efforts.

In 2001, DOT:

- launched a new DOT intranet (DOTnet). The new site has tools for communication and collaboration; and allows employees to choose the information they see on their homepage.
- made significant progress implementing Section 508 of the Rehabilitation Act to ensure that all of the Department's electronic and information technology (EIT) systems are accessible to people, including both

employees and members of the public, with disabilities. Progress in FY 2001 included: published policy and guidance on issues in the areas of legal, civil rights, acquisition, personnel, and electronic and information technology; conducted extensive awareness and training sessions; established a procurement vehicle to enable operating administrations to obtain Section 508 compliance tools and assistance; and implemented a Department-wide 508 web page compliance status monitoring and reporting tool.

- Transitioned the Department from the previous Capital Programming Database to the Office of Management and Budget's recommended Information Technology Investment Portfolio System (ITIPS).

Fostering Competition:

The DOT General Counsel, FAA, and the Bureau of Transportation Statistics collect and report consumer information to the traveling public to enable the air travel market to operate more efficiently. Reports are regularly made public on airline service quality, flight delays and cancellations, passenger oversales and denied boardings, flight departures and passengers transported. DOT has the authority to prevent unfair methods of competition in the airline industry, and this authority is exercised when appropriate to benefit both consumers and competition. The airline industry itself is also responsible in the marketplace to treat its customers well.

In accordance with existing statutory authorities and as a member of the Air Transportation Stabilization Board established by the Air Transportation Safety and System Stabilization Act, DOT is acting to ensure that the Nation's airline industry remains viable, safe, and secure after the events of September 11, and to ensure that market forces, not terrorist acts, determine the long-term economic future of the industry.

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

As stated by the IG, airlines have committed to improving air travel by improving communication with passengers, quoting the lowest available fare, timely return of lost baggage, and taking

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

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

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

DOT has a significant backlog of allegations of unfair competition, hoarding airport capacity, oppressive computer reservation system practices and civil rights violations. Congress provided additional FY 2002 funding for additional staff to address the complaint backlog and provide more help to individuals with disabilities under the Air Carrier Access Act.

## **Budget and Performance Integration**

### Results-oriented decision-making:

By clearly focusing on investments on programs that work, and by exerting effort to make well-designed programs achieve their intended results; DOT will increase the value it creates for the American people. The chief means to accomplish our intended results is to hold executives and managers accountable for those results. DOT has thoroughly revamped its performance plan and is

taking steps to revitalize and refocus its system of individual and organizational accountability. Departmental leaders, senior executives, and flag officers will be included in this system, which will increase alignment of resource decision-making and programmatic effort with DOT's strategic purposes.

In the 2004 budget, DOT will propose additional budget accounts for realignment to more closely integrate performance goals in the budget structure, similar to what is being proposed in FAA's Facilities and Equipment, and Research, Engineering and Development appropriation accounts.

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

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

DOT has acknowledged that increasing the validity, reliability, timeliness, and comparability-over-time of performance data will be a challenging task. In its most recent strategic plan, DOT included a data improvement strategy under each strategic goal. To improve DOT's data capacity, BTS is leading the development of standards for DOT's data, training people in the collection and interpretation of transportation data, and coordinating data series among operating administrations. In FY 2002, DOT will develop leading indicators for its strategic goals and most DOT performance measures to help anticipate trends in each of these outcomes. DOT will also complete an assessment of data quality for the major data collection systems in DOT, and document the major sources of error in all of DOT's performance measures. By the end of FY 2004, consensus data standards will be in use throughout DOT.

Beginning with the FY 2002 performance plan, DOT has more closely linked budgeted amounts with each performance goal. This performance plan allocates the Department's budget request to

specific outcome and performance goals, not just strategic goals. The Department will continue to refine its attribution process in subsequent plans to aid strategic decision-making.