DEPARTMENTS OF TRANSPORTATION, AND HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR 2010

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF TRANSPORTATION, AND HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS

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NOTE: Under Committee Rules, Mr. Obey, as Chairman of the Full Committee, and Mr. Lewis, as Ranking Minority Member of the Full Committee, are authorized to sit as Members of all Subcommittees.

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Subcommittee Staff

PART 4

Printed for the use of the Committee on Appropriations

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DEPARTMENTS OF TRANSPORTATION, AND HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR 2010

THURSDAY, JUNE 4, 2009.

DEPARTMENT OF TRANSPORTATION

WITNESS

HON. RAY LAHOOD, SECRETARY OF TRANSPORTATION

INTRODUCTION OF WITNESSES

Mr. OLVER. The hearing will come to order.

I apologize. I had suddenly realized that I could barely see out of my glasses, so I had to make a quick trip to clear the fog away.

I would like to welcome the Secretary of Transportation to our hearing this morning, Ray LaHood, a former Member of our august body and a very honored Member as well.

Mr. Secretary, this is your second appearance before the subcommittee this year, and we are pleased to have you with us this morning to discuss the fiscal year 2010 budget request for the Department of Transportation.

You have been on the job now a little over 4 months, and you are getting your political team in place to lead the Department in a new direction. The Department has a unique opportunity to set new policy with major multiyear authorizations that are pending for the aviation and the surface transportation programs.

The budget, which was released nearly 1 month ago, requests a total of $72.45 billion for the agencies and programs within the Department of Transportation and represents a little more than a 2 percent increase over the fiscal year 2009 enacted level, excluding the Recovery Act funding that was passed earlier this year.

In many ways, this budget represents a positive step forward for aviation and passenger rail programs, but there are some urgent challenges that lie ahead for the highway and transit programs.

While the budget proposes modest increases for the Surface Transportation Program, there is a general lack of detail for the specific Highway, Transit, and Safety Programs. The surface budget before us has overall funding levels but little information on the individual programs for each agency. This is underscored by the nearly $40 billion from the General Fund for the highway and transit programs, which is described as a placeholder until the administration comes forward with its reauthorization proposal. This causes the subcommittee some difficulty as we move forward to put together the fiscal year 2010 bill, which is further complicated by the CBO and OMB projections that the Highway Trust Fund will once again face a cash flow insolvency crisis toward the end of the present fiscal year.

Additionally, the current transportation authorization, SAFETEA-LU, expires at the end of fiscal year 2009, and it is uncertain whether a reauthorization will pass before it expires, leaving in doubt future funding and revenue levels.

It is imperative that the long-term solvency of the Trust Fund be addressed. Solutions have been proposed. In the last year, two congressionally designated commissions on transportation infrastructure have recommended substantial reforms and have strongly suggested that we need additional revenues to maintain and improve our aging surface transportation system.

Given the national long-term impacts that a change in the financing structure could have, I believe the administration must exert greater leadership in this area and hope that you will provide more specificity on the budgetary needs of the highway and transit programs as well as the administration's suggestions on how these programs ought to be financed.

As I mentioned at the outset, there is some positive aspects to the budget pending before us. With regard to aviation, I am pleased that the budget request acknowledges the infrastructure needs at the Nation's airports. The previous administration repeatedly sought to cut the Airport Improvement Program by over $750 million a year. The budget also proposes a robust $865 million in the FAA's NextGen program, which was created to modernize our Nation's aging air traffic control system.

However, given the aviation industry's declining performance record, exemplified by the steady drop in on-time arrivals, the successful implementation of the NextGen system is vital to managing air traffic growth and reducing delays, and I fear that your $850 million request is too little and too cautious in addressing that challenge.

I am not sure what is going on here. My light seems to be saying that my microphone is on, but I keep slipping in and out. Apparently, maybe just because I am not really talking directly into it. That might help.

Mr. LEWIS. You sound great, Mr. Chairman.

Mr. OLVER. I actually don't need much of a mike.

Concerning passenger rail, I am pleased that the administration requested $1 billion for high speed and inner-city passenger rail to follow on the $8 billion appropriated in the American Recovery and Reinvestment Act. This is a significant step towards diversifying the Nation's transportation options and reducing congestion on our highways.

Additionally, I am pleased that the administration has embraced the concept of livable communities. For too long, transportation, housing and energy policy have been viewed as separate spheres, with little or no coordination on the Federal, State, and local level.

A few months ago, you and the HUD Secretary, Shaun Donovan, announced the new Sustainable Communities Initiative, and I want to learn more from you this morning on how the Department intends to move forward on that initiative.

Last, I would like to commend your Department's implementation of the Recovery Act. As of May 8, your Department reports that over $7.5 billion in obligations have been invested in infrastructure projects across the country. These funds have been crucial in creating thousands of jobs and repairing our Nation's transportation infrastructure.

Mr. Secretary, as I have just outlined, you are presented with many challenges but equally many opportunities. I strongly believe and I am sincerely hopeful that, under your leadership, we can break out of the historical practice of transportation silos and focus on holistic approaches of reduced congestion, improved modality, increased affordability, and reduced environmental impacts.

Before we have an opportunity to hear from you, I would like to recognize our ranking member, Tom Latham, for any opening remarks that he would like to make.

Mr. LATHAM. Thank you, Mr. Chairman.

And good morning, Mr. Secretary Ray. It is great to have you here, and I look forward to your testimony today. We miss you in Congress, but I am very, very pleased that you are continuing to serve our country in your new role. I think the Department and the administration are going to be a lot better because of your leadership, your commitment to the programs, you are a great asset for the whole Department.

I just want to thank you for your openness and coming to visit to talk about what we are looking at here in the future. I want to continue that dialogue, and as good personal friends, I am sure we will.

I think we need, though, to really today probably cut to the chase about solvency of the Highway Trust Fund. That is a huge problem. There are both immediate needs, obviously with the shortfall, and in the future, the next 5 or 6 years to get through that authorization.

I really appreciate the situation you are in, that you are working for the White House, and you need to represent their position. There is obviously a whole process that the authorizers need to complete, and you need to work with them, just as I hope the T&I Committee would work with us and appreciate the calendar and the process that we have. However, the clock is ticking, and time is short here.

This has been a very bipartisan subcommittee, and Chairman Olver has been very gracious. And we are going to work together to make sure that we come up with as good a product as we can, working with the staff and the entire subcommittee. But you know, we probably won't agree with every provision down the road here, but I really have faith that we are going to come up with a good product.

These issues, as you know, are extremely important for the people at home. And as we go around our districts and our States, all we hear about are the projects that need to be implemented or put in place, economic growth, safety concerns, all of those things.

My concern, and again, I want to reiterate, it is not about you, but in the budget statement, there is the phrase in the testimony, "The administration is developing a comprehensive approach for surface transportation reauthorization. Consequently, the budget contains no policy recommendations for programs subject to reauthorization, including those for the Federal Highway Administration, the Federal Motor Carrier Safety Administration, National Highway Traffic Safety Administration and the Federal Transit Administration."

We are in a bit of a quandary here. Chairman Obey said that we are going to have our bill marked up in July and off the floor before the August break. The Senate, probably, as usually happens, doesn't move quite as quickly. But we want to have a bill signed into law by the end of certainly this calendar year, and I want to work with the Chairman to make sure we get that done.

I think everyone in the room knows full well that there will not be a Surface Transportation Reauthorization bill for signature this year, probably not even in 2010. And that puts us in a real difficult situation with the shortfalls, obviously, in the Trust Fund today. But there will be an appropriation bill, and we need to make sure that we get your input on this now because the train, whether it be high-speed rail or a local, is going to leave the station here pretty quickly, and we want to make sure that we work together to get it done. The States are depending upon their reimbursements beyond August, as you know, and they can't wait 2 years to get this all done.

I really hope today we can just have dialogue. I know you are delivering the administration's budget proposal, but I do think you are going to hear a lot of concerns from the committee about the proposals or lack of some specifics as to what we need to go forward. I just hope you will go back to the administration and our good friends down at OMB, obviously, your being on the committee, we all know and love OMB, and make sure that they know how important it is to get these specifics to us as soon as possible.

With that, Mr. Chairman, I appreciate it.

And look forward to your testimony.

Mr. OLVER. Thank you, Mr. Latham.

We are fortunate to have the ranking member of the full committee here today, Mr. Lewis from California.

And Jerry Lewis, your opening remarks.

Mr. LEWIS. Thank you, Mr. Chairman. I do not have a formal statement, but I really have come to express my appreciation for the service of Ray LaHood in the Congress, and now the Secretary of Transportation. I look forward to the questions. Thank you.

Mr. OLVER. Thank you, Mr. Lewis.

Mr. Secretary, the floor is yours. The full text of your testimony will be placed in the record. If you could contain your remarks to somewhere close to 5 minutes or so, then we can get on with the questioning.

OPENING STATEMENT

Secretary LAHOOD. Thank you, Mr. Chairman, Mr. Latham, and members of the committee, for the opportunity to discuss the administration's fiscal year 2010 budget request for the United States Department of Transportation. I am grateful for the many kind remarks that all of you have expressed, and I appreciate that very much.

The President is seeking a total of $73.2 billion in budgetary resources. This funding level supports the President's ambitious agenda for revitalization and enhancing our national transportation infrastructure.

As you know, transportation is vital to the health of our economy and the American way of life. It is essential we continue to invest in these assets to keep our highways and rails in good repair, keep our freight and maritime shipping lines open, and keep all modes of transportation operating as efficiently and safely as possible.

I am mindful that, on the road, on the rails, in the air, and on the water, safety always has been and will continue to be our chief concern at DOT. That is why over one-quarter of the Department's total budget request supports transportation safety.

I want to highlight the President's funding request for some of our critical modes. First, high-speed and inner-city passenger rail. As you know, President Obama and Congress have made a historic $8 billion investment to jump-start new rail corridors around the Nation.

Yesterday, we brought together eight Governors, along with the Vice President and myself, and we listened to them about their dreams and considerations for high-speed rail. The President's budget proposes to fund a 5-year, $5 billion High-Speed Rail State Grant Program. This represents a major commitment by the government to offer the traveling public a safe and sustainable alternative to driving and to flying. The budget also includes $1.5 billion in grant dollars to support Amtrak.

When combined with the $1.3 billion provided in funding through the Recovery Act, Amtrak is poised at last to address its longstanding capital needs. With respect to aviation, the President's budget requests nearly $16 billion for FAA. This level will enable us to fund the FAA's highest priorities, including $860 million to keep the NextGen Air Transportation System moving forward.

With these resources, FAA will also be able to fund additional air traffic control positions and invest in nearly 3,500 airport infrastructure projects at 1,500 airports. It is vital that we fully fund FAA in order to ensure we can modernize our air traffic control systems, attract and retain the talent that is needed to keep our aircraft flying safely, reduce congestion at the busiest airports, and reduce aviation's impact on the environment.

The maritime industry also plays a vital role in our economy, with nearly half of all U.S. foreign trade by value traveling by water. The President's budget seeks $346 million for the Maritime Administration. This includes $15 million for a new Presidential initiative to enable MARAD to work with the Department of Homeland Security on modernizing our intermodal freight and infrastructure links that tie ports, highways, rail networks into a seamless transportation network.

I am pleased to report that MARAD has addressed budget issues at the U.S. Merchant Marine Academy which have concerned many in the past. And I have directed the agency to establish a Blue Ribbon panel of experts to examine the Academy's long-term capital needs. This is a very high priority for me. I want to make the Merchant Marine Academy the same jewel that Air Force, West Point and Annapolis are. And we are going to do that, and it is going to take some dollars to do it. But the Merchant Marine Academy is in very bad repair. They have 900 cadets there. I visited the facility, and we need to do some work there.

The Blue Ribbon committee will report back in 6 months with a complete plan about what needs to be funded, how much, and what it will take to do it. And our previous deputy assistant secretary, Admiral Tom Barrett, will chair that group and report back, and I will keep all of you posted on that.

I am confident the President's Transportation budget for fiscal year 2010 will help our Nation continue to develop our most vital infrastructure assets for the 21st century.

The most significant challenge our Department faces going forward is the ability to identify resources, to meet our goals and provide the American people with the transportation system they need and deserve. Obviously, I am grateful to Congress for your interest, for providing the $48 billion in transportation funding through the economic recovery plan. This historic investment is making possible thousands of transportation projects around the country. As a direct result, we are helping to save or create good-paying jobs that so many families and communities need right now.

And we are rebuilding, retooling, revitalizing our airports, roads, bridges, ports, transit systems, and more. But we must also recognize the two primary funding sources the Department has relied on, fuel taxes and airline ticket taxes, are no longer sufficient. As you know, last year the Highway Account of the Highway Trust Fund required an $8 billion infusion from the General Fund. The current reduction in economic activity on our roads has made the problem of sustainability even more serious. We remain at risk for another cash shortfall in the Trust Fund later this year, probably by mid August, and this situation puts even greater pressure on the General Fund to supply resources that have historically come from the Trust Fund, and we clearly cannot go down this path.

The administration has inherited a system that can no longer pay for itself. We must think creatively as we search for sustainable funding mechanisms. In the meantime, I want to assure you we are working on a plan to address the potential Trust Fund shortfall this summer. We believe strongly that any Trust Fund fix must be paid for.

We also believe that any solution must be tied to reform of the current highway program. It needs to be more performance-based and accountable to our priorities, including making our communities more livable and sustainable. We have pledged to work with Congress on these important challenges, and I am confident we will find the solutions.

Mr. Chairman, thank you for the opportunity, and I look forward to your questions.

[The information follows:]

House Committee on Appropriations

Subcommittee on Transportation, and Housing and Urban Development and Related Agencies

FY 2010 DOT Budget Overview

Witness List:

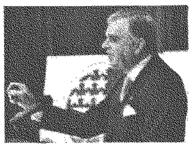
The Honorable Ray LaHood, Secretary of Transportation

Date: June 4th, 2009

Time: 10:00 AM

Location: 2359 RHOB

Ray LaHood
Secretary of Transportation



Ray LaHood became the 16th Secretary of Transportation on January 23, 2009.

In nominating him, President-elect Obama said, "Few understand our infrastructure challenge better than the outstanding public servant that I'm asking to lead the Department of Transportation."

Secretary LaHood's primary goals in implementing President Obama's priorities for transportation include safety across all modes, restoring economic health and creating jobs, sustainability – shaping the economy of the coming decades by building new transportation infrastructure, and assuring that transportation policies focus on people who use the transportation system and their communities.

As Secretary of Transportation, LaHood leads an agency with more than 55,000 employees and a $70 billion budget that oversees air, maritime and surface transportation missions.

Secretary LaHood said he would bring President-elect Obama's priorities to the Department and see them effectively implemented with a commitment to fairness across regional and party lines and between people who come to the issues with different perspectives.

Before becoming Secretary of Transportation, LaHood served for 14 years in the U.S. House of Representatives from the 18th District of Illinois (from 1995-2009). During that time he served on the House Transportation and Infrastructure Committee and, after that, on the House Appropriations Committee. Prior to his election to the House, he served as Chief of Staff to U.S. Congressman Robert Michel, whom he succeeded in representing the 18th District, and as District Administrative Assistant to Congressman Thomas Railsback. He also served in the Illinois State Legislature.

Before his career in government, Secretary LaHood was a high school teacher, having received his degree from Bradley University in Peoria, Illinois. He was also director of the Rock Island County Youth Services Bureau and Chief planner for the Bi-States Metropolitan Planning Commission in Illinois.

LaHood and his wife, Kathy, have four children (Darin, Amy, Sam, and Sara) and seven grandchildren.

STATEMENT OF
THE HONORABLE RAY LAHOOD
SECRETARY OF TRANSPORTATION

BEFORE THE

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES
UNITED STATES HOUSE OF REPRESENTATIVES

June 4, 2009

Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Administration's fiscal year 2010 budget request for the U.S. Department of Transportation. The President's request totals $73.2 billion in budgetary resources, which will support major investments in transportation nationwide that are vital to the health of our economy and the American way of life.

The President's Budget continues record level investments in our Nation's transportation infrastructure. At the same time, the Budget reflects the growing recognition that traditional gasoline taxes and airline ticket taxes, two of the major sources of funding for the Department's surface transportation and aviation programs, respectively, are outdated and not adequate to support 21st Century transportation needs.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009. I want to thank Congress for providing more than $48 billion in vital transportation funding to both help bring about economic recovery and make lasting investments in our Nation's infrastructure. This is both an investment in our transportation infrastructure and in jobs for Americans. The resources made available from the General Fund for transportation infrastructure in the Recovery Act will help to rebuild, retool, and revitalize the vast network of roads, tunnels, bridges, rail systems, airports, and waterways that we have long depended on to keep the economy moving and growing.

America's transportation systems are the lifeblood of our economy, and when properly maintained can be a catalyst for economic growth. These systems allow people to get to jobs and allow businesses to access wider pools of labor, suppliers, and customers. The ability to move freight efficiently will be critical to our economic recovery. Without efficient transportation routes, economies stagnate. We need to protect, preserve, and invest in our transportation infrastructure to ensure that it can meet our present and future demands.

Above all, we must make our transportation systems safe; where public safety is concerned there is no room for compromise. Over $18.5 billion, or one-quarter of the total request for the Department, will support transportation safety. I am mindful that safety – on the road, on the rails, in the air, and on the water – has always been, and must continue to be, the central focus of the Department.

SURFACE TRANSPORTATION PROGRAMS

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) expires on September 30, 2009. The Administration is developing a comprehensive approach for surface transportation reauthorization. Consequently, the Budget contains no policy recommendations for programs subject to reauthorization, including those for the Federal Highway Administration, the Federal Motor Carrier Safety Administration, the National Highway Traffic Safety Administration, and the Federal Transit Administration. Instead, the Budget displays baseline funding levels for all surface transportation programs.

An overarching concern for surface transportation funding is the status of the Highway Trust Fund. The funding levels set in SAFETEA-LU for fiscal years 2005 through 2009 were designed to spend down the accumulated balance in the Highway Account of the Highway Trust Fund. This has left the Highway Account unable to sustain spending from current highway programs into fiscal year 2010. The sustainability issue became apparent when in 2008 the Highway Trust Fund required an $8 billion cash transfer from the General Fund in order to remain solvent.

The current reduction in economic activity has only exacerbated the problem of sustainability for fiscal year 2010, and we remain at risk of yet another cash shortfall later in fiscal year 2009. At my direction, the Department has shared our internal projections on the status of Highway Trust Fund with you and your staff. As you all know, DOT's highway programs continue to pay out more than the receipts coming into the Highway Trust Fund.

To highlight the growing imbalance between projected Highway Trust Fund revenues and baseline spending, the fiscal year 2010 Budget includes lowered Highway Trust Fund funding levels for certain programs (i.e., Federal-aid Highways and Transit Formula and Bus Grants). Such funding reductions would be necessary to maintain positive annual cash balances. For these programs, the budget also includes discretionary budget authority appropriated from the General Fund equal to the difference between the baseline funding and the lowered Highway Trust Fund funding levels.

Under the funding scenario presented in the fiscal year 2010 Budget, the Federal Motor Carrier Safety Administration and the National Highway Traffic Safety Administration would be funded entirely from the Highway Trust Fund. The split between Trust Fund and General Fund expenditures in all accounts funded by the Highway Trust Fund is for presentation purposes only and not a meant to be a policy recommendation on the part of the Administration.

Using the Federal Highway Administration as an example, the baseline funding level presented in the fiscal year 2010 Budget is $41.8 billion, a one percent increase from the amount provided by Congress in the fiscal year 2009 Omnibus Appropriations Act. However, the Highway Trust Fund can only support an estimated $5.7 billion in contract authority, and an equivalent obligation limitation. The balance -- $36.1 billion – is assumed to be provided from a new discretionary General Fund appropriation.

Does this mean that we will have a $36 billion shortfall in the Highway Account of the Trust Fund in FY 2010? No. During any given year, most of the payments from the Highway Trust Fund are for funding commitments that were made in previous years. By fiscal year 2010, the majority of revenues that will be deposited into the Highway Trust Fund will be needed to cover cash outlays from those prior-year commitments.

The President's fiscal year 2010 Budget reflects the fact that over the long term, we will need to identify a new funding solution to ensure that we continue to meet our Federal surface transportation infrastructure investment needs. However, I need to emphasize that this budget is a "placeholder" and this presentation does not reflect the Administration's recommended funding levels or approach for the next surface transportation reauthorization.

The Administration inherited a difficult problem – a system that can no longer pay for itself. There simply is not enough money in the Highway Trust Fund to do what we need to do. The fiscal year 2010 Budget frames the challenging spending decisions facing policymakers. Clearly as we approach the reauthorization of surface transportation programs, we will need to think creatively as we search for sustainable funding mechanisms.

I want to assure you that we will soon have a plan to address the potential Trust Fund shortfall this summer. We believe very strongly that any Trust Fund fix must be paid for. We also believe that any solution must be tied to reform of the current highway program to make it more performance-based and accountable, such as improving safety or improving the livability of our communities – two priorities for me.

FEDERAL AVIATION PROGRAMS

The Federal Aviation Administration is in a similar situation as DOT's surface transportation programs in that its current authorization also expires at the end of the current fiscal year. The Vision 100 -- Century of Aviation Reauthorization Act originally expired at the end of fiscal year 2007, and since that time the Federal Aviation Administration has been operating under a series of short-term extensions. Current aviation taxes and expenditure authority are authorized through September 30, 2009.

The Airport and Airway Trust Fund provides all of the funding for the Federal Aviation Administration's airport improvement, facilities and equipment, and research and development activities, as well as approximately 70 percent of the Federal Aviation

Administration's operations. As of the end of the current fiscal year, DOT estimates that the Airport and Airway Trust Fund will have a cash balance of approximately $9.5 billion and an uncommitted balance of $929 million. The uncommitted balance takes into account the amount of cash needed to cover commitments that have already been made. As such, the uncommitted balance is generally used as an estimate of available resources for new commitments. The fiscal year 2010 Budget projects that the uncommitted balance will drop to $334 million by the end of fiscal year 2010. Although the Budget estimates a small uncommitted balance in fiscal year 2010, the end of year 2010 cash balance is estimated to be $8.75 billion and the Federal Aviation Administration will have more than sufficient resources to implement its programs in fiscal year 2010.

The President's Budget requests nearly $16 billion for the Federal Aviation Administration in 2010. The Budget also assumes some basic elements of a reauthorization proposal. The current financing system is based largely on aviation excise taxes that depend on the price of a passenger's airline ticket rather than the actual cost of moving flights through our Nation's aviation system. Starting in 2011, the Budget assumes that the air traffic control system will be funded with direct charges levied on users of the system. While the Budget does not include a detailed reauthorization proposal, the Administration believes that the Federal Aviation Administration should move toward a model whereby the agency's funding is related to its costs, the financing burden is distributed more equitably, and funds are used to pay directly for services the users need. The Administration recognizes that there are alternative ways to achieve its objectives, and wants to work with Congress and stakeholders to enact legislation that moves toward such a system.

Unlike the budget presentation for surface transportation programs, the fiscal year 2010 budget request of nearly $16 billion for the Federal Aviation Administration is not a "placeholder" and, in fact, would fund the Federal Aviation Administration's highest priority requirements.

The request includes $865 million for the Next Generation Air Transportation System (NextGen) – an increase of close to $170 million from the fiscal year 2009 enacted level. NextGen is an evolutionary process that will transform the way the national air transportation system operates. The outcome will be reduced congestion and delays, improved safety, and reduced noise and emissions.

In addition, the budget request includes funding to increase the number of air traffic controllers by 107 and the number of safety staff by 36. This will improve the Federal Aviation Administration's safety oversight function and meet its current need to continue to hire a new generation of air traffic controllers in advance of the anticipated retirements.

The budget request would provide $3.5 billion for the Airport Improvement Program. This level of funding will support an estimated 3,500 infrastructure projects at an estimated 1,500 airports, including the rehabilitation and maintenance of existing infrastructure, compliance with design standards, and improved airport capacity.

HIGH-SPEED AND INTERCITY PASSENGER RAIL

In the 20th Century, the United States built highway and aviation networks that fueled unprecedented economic expansion, fostered new communities, and connected cities, towns and regions.

The President's fiscal year 2010 Budget proposes to help address today's transportation challenges by investing in a world-class network of high-speed passenger rail corridors that connect communities across America. Building on the $8 billion provided for high-speed rail in the American Recovery and Reinvestment Act of 2009, the President's Budget proposes to fund a five-year, $5 billion high-speed rail State grant program. This represents a major commitment by the Federal Government to provide the traveling public with a viable alternative to driving and flying.

The Budget also includes $1.5 billion in grants to support the National Railroad Passenger Corporation (Amtrak) -- $572 million for operating grants and $930 million for capital and debt service grants. When combined with the $1.3 billion in funding provided for Amtrak under the American Recovery and Reinvestment Act, the fiscal year 2010 request will allow Amtrak to begin to address some of its long-standing capital requirements.

MARITIME PROGRAMS

The U.S. maritime industry plays an important role in today's global economy. In terms of the value of cargo, more than 48 percent of U.S. foreign trade and 6 percent of our Nation's domestic commerce travels by water. The FY 2010 budget request includes $346 million for the Maritime Administration. This request fully funds the Maritime Security Program at $174 million and provides $153 million for Operations and Training, including a $12 million increase for the U.S. Merchant Marine Academy for operational and capital improvements.

In fiscal year 2009, the Maritime Administration took positive steps to address and remediate certain internal control issues related to budget implementation at the Academy. These steps include significant financial management reforms at the Academy and technical assistance for new Academy leadership. I have also directed MARAD to establish a "blue ribbon" panel of experts who will examine and report to me on the Academy's long-term capital improvement needs.

The Budget also provides an increase of $15 million under MARAD Operations for a Presidential initiative to support integrated planning with the Department of Homeland Security for development and modernization of intermodal freight infrastructure that links coastal and inland ports to highway and rail networks.

The fiscal year 2010 request for the Saint Lawrence Seaway Development Corporation includes nearly $17 million for agency operations and fully funds the second year of the Seaway's 10-year Asset Renewal Program.

Before I conclude my testimony I also want to mention two other notable items in the President's fiscal year 2010 budget request for DOT. This request will enable the Pipeline and Hazardous Materials Safety Administration to fill 18 additional pipeline safety inspection and enforcement positions. This will bring the total number of inspection and enforcement positions up to 135 in fiscal year 2010, meeting the target in the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006.

Finally, the Administration is committed to maintaining small communities' access to the National Airspace System. The Budget provides $175 million for the Essential Air Service (EAS) program to fulfill current program requirements as demand for subsidized commercial air service increases. The Budget drops an earlier proposal to restructure the eligibility criteria for airports to receive EAS funding, but also acknowledges that the program design must be updated and made more cost effective. The Administration is committed to working with Congress to develop a more sustainable program that will provide better value for passengers and the American taxpayer.

Thank you for the opportunity to appear before you today to discuss the President's fiscal year 2010 budget proposal for the Department of Transportation. I believe that this proposal offers bold initiatives and charts a new course for transportation infrastructure investment in the United States over the years to come. I look forward to working with Congress and transportation stakeholders to make this reality.

I will be pleased to respond to your questions.

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HIGHWAY TRUST FUND

Mr. OLVER. Thank you, Mr. Secretary, for your statement.

The tradition here is that I and the ranking member will have 5 minutes, and then we will go five by five, back and forth, in the order in which people have come into the room.

So, with that, I will start with the first round of questioning.

I am not sure exactly when, but there is some suggestion we may have votes some time not long after 11 o'clock. We certainly want to be out of here by noon, and we will move on as quickly as we can.

Generally, Mr. Secretary, you have been very direct in your written testimony and also in your oral testimony about the state of the Trust Fund. And you have laid out exactly what we ran into last year, and you have stated quite clearly that we are going to run into the same thing again this year, with the ultimate being that there is the placeholder of about $36 billion in there, coming from the General Fund, which ultimately gets settled somewhere in the reauthorization process.

Mr. Secretary, you would remember that, in the last authorization process back 4 years ago, the position, really coming from, in a bipartisan way, both parties on the T&I Committee at the authorization level was that we needed more than what was being done. We needed more infrastructure. We needed to have more expenditure, but the agreement was finally reached to considerably limit what they had been asking for. And now here, in the next to last year of the authorization, we have already run into a problem, which has been exacerbated by the downslide of the economy as we go into this fiscal year.

Now, the money in the Trust Fund goes pretty directly. Money is raised in specific areas. Money goes directly into all the surface transportation programs, but particularly highway and the transit programs for maintaining and improving and expanding the surface transportation systems.

There is strong evidence that people around the country will support dedicated funding when it is clear, there have been referendum in various places to that effect, when it is clear that what is being asked for is being used for a purpose that people can see and that they may believe in. And I think maybe one of the most dramatic ones of those was in California where the people voted for a $9 billion authorization to build high-speed rail, which we hope that the kick-starting will certainly do.

At the same time that you have been very direct about the problem, you have been like a dancer walking on a field of eggs as to the question of how this is going to be paid for along the way, though we have, clearly, the history of where dedicated funding can come from. And we have also the history of several commissions who have looked at this at great extent and then have made recommendations for some series of ways to raise money.

Can you give us any indication of where we are headed or what you are going to be offering to the Authorization Committee on how one gets out of the pay-for question?

Secretary LAHOOD. I think I have been very frank about the fact that the administration does not want to raise the gas tax. This is about one of the worst economic slumps that our country has seen. I have been in public service for 30 years, and I know many of you have, too. There are a lot of people hurting in America, and there are a lot of people out of work. I think that the last thing you want to say to people is that we are going to raise your gasoline taxes. A lot of people right now can't even afford to put a gallon of gasoline in their car because they don't have a job. We are not going to raise the gasoline tax. I will say that emphatically. We can't. The economy is in very bad shape. And so I don't think I have danced around on that one.

What I have said is the Highway Trust Fund has been a great mechanism for building a state-of-the-art interstate system in America. We have a model for the world. The problem is that people are driving less. And when you drive less, you put less gas in your cars, and we have less money in the Highway Trust Fund. So we need to think creatively about how we can continue to use the Highway Trust Fund and build on it.

And I have talked about some alternatives and hopefully some creative ways to do it. Some people like them, and some people don't like them, but there are about four or five things that we could do. I was in Miami where they, on an existing road, built what they call a "HOT lane" and used tolls to do it. So if you want to go faster and get out of congestion, you get in the HOT lane. And you can add capacity to highways by doing that. You can build bridges by tolling, and you can raise a lot of money to do it.

We have also talked about public-private partnerships. There are people—maybe not right at the moment because the economy is not that great—who are willing to invest. When roads are being built, they are certainly willing to invest in the fiber to put broadband in areas of the country that don't have it. So there are many of these opportunities.

In the Senate, they have talked a lot about the infrastructure bank. There are bills pending over there for that. And so there are other creative ways.

But Mr. Chairman, and members of the committee, we are not going to be for raising the gas tax. We are just not, not right now.

FUNDING MECHANISMS

Mr. OLVER. Okay. Let me just use your quotes. I do commend you very strongly for being so direct about the difficulty with the Trust Fund, as I have said in my own comments. And the two comments that go in your written testimony that particularly come out to me, "There simply is not enough money in the Highway Trust Fund to do what we need to do." And the authorizers are suggesting that we need to do much more than we have been doing in the past, that is my editorial comment. And then the further quote, "We must think creatively as we search for sustainable funding mechanisms." So I am just looking for, what are those creative funding mechanisms?

Secretary LAHOOD. Well, I mentioned three.

Mr. OLVER. You have mentioned several.

Secretary LAHOOD. Some people like them; some people don't.

Mr. OLVER. Thank you very much.

Mr. Latham.

Mr. LATHAM. Thank you, Mr. Chairman.

And I guess, kind of continuing the same line, the Trust Fund bankruptcy is coming. Like you said in your testimony, mid-August you look for it to be out of money. In Iowa, they are planning on doing about a half a billion dollars worth of work this summer, and obviously, a lot of that is to come out of the Trust Fund. And you said that you want to offset the money that goes in to replenish the Trust Fund. Can you give us any idea from the administration as to what those offsets will be, where this money is going to come from?

Secretary LAHOOD. Thank you, Tom, for your earlier comments. I appreciate that very much. You and I and Mr. LaTourette came into Congress together, so we have, I think, developed wonderful relationships. When people ask me if I miss the House, I say I don't miss the roll calls, but I miss the relationships. I really do.

We are trying to figure this out. We have made some recommendations to the administration. OMB gets involved in this. There are people in the White House that get involved with it. The leadership has to be involved with it. And we are going to come back to you with what we think is a way to pay for this. I mean, the administration is committed to paying for the $5 billion to $7 billion that is needed to plus up the Trust Fund in 2009, and it is about $8 billion to $10 billion for 2010. We are committed to paying for it, and I hope sooner rather than later we will be coming back to all of you and saying, here is how we think we should do it.

Mr. LATHAM. In the supplemental just last week, the administration sent a budget amendment to release some stimulus funds for the flu pandemic preparedness. Is that a possibility?

Secretary LAHOOD. Of using recovery funds? That is not something that we have had much discussion about.

Mr. LATHAM. Okay.

Secretary LAHOOD. To be honest with you, that money has really been committed in a lot of different ways. A lot of it is out the door.

RECOVERY ACT FUNDS

Mr. LATHAM. And I commend you for doing—I wish we had a lot more money in your Department in that stimulus package that would have actually created more jobs in that regard—rather than some of the other places that the money has gone.

Secretary LAHOOD. Well, I will say this, a lot of these projects are coming in under the expected cost, and we are going to use that money to fund more projects. So that part is good.

REAUTHORIZATION

Mr. LATHAM. As far as the reauthorization, obviously, it is not going to happen this year, probably not next year; I don't think there is any appetite probably next year, with time limitations. Is there a plan B, or are you just going to continue the SAFETEA–LU programs? Is there any thought as to——

Secretary LAHOOD. Well, there is a part of the debate that is going on among our Department, the White House, OMB, and others, and the leadership here. I mean, that will be a part of how we plan to plus up the Trust Fund, and what we do about the way forward as far as authorization.

Mr. LATHAM. Is there a date that——

Secretary LAHOOD. Sooner rather than later. This discussion is going on just about every day at the White House. I was just on the phone with some folks down there to see if I could give you any more intelligent answers. And I am sorry I can't be more specific, but I want you all to know that this is on people's agendas.

Mr. LATHAM. On the stimulus funds, how many full-time equivalent positions have you hired to get those dollars out? I guess my question also would be, when those funds are disbursed, are those people going to stay at the Department?

Secretary LAHOOD. One of the things that I have discovered at DOT is that, with only a handful of political people, we have been able to do what all of you asked us to do in the time frames you set, and get the money out the door in 120 days with the existing professional staff.

DOT has some of the most professional people that I have ever seen in the 30 years that I have been in government. The professional staff have done the work. These are full-time people that work at the Department and are thrilled to come to work every day because they are doing what they love to do, which is work with the State DOTs and the transit districts and the airport officials. And they are working with them on getting this money out the door.

So the people that we have hired are the political people in the different modes. We didn't bring anybody on to help us with this. We used the professional people in the Department.

Mr. LATHAM. And I commend you for doing a good job.

Secretary LAHOOD. Thank you.

Mr. LATHAM. Thank you, Mr. Chairman.

Mr. OLVER. Mr. Lewis.

MOVEMENT OF GOODS

Mr. LEWIS. Thank you very much, Mr. Chairman.

Mr. Secretary, as you mentioned in your statement, goods movement is pretty critical to the impact of your Department upon our economic recovery. In the west, movement of goods, cargo from Long Beach or from the Port of Los Angeles is pretty fundamental; those goods flow through the Inland Empire in our territory and then go towards the east.

Mr. Secretary, how does your Department plan to address the impact of goods movement throughout the country to help with this stimulus?

Secretary LAHOOD. We have $1.5 billion in discretionary money. We put out guidance. And we believe that we will use some of the money to enhance our ports. The stimulus includes $28 billion for roads and bridges, $8 billion for transit, $1.3 billion for airports, $8 billion for high-speed rail, and $1.3 billion for Amtrak. For the $1.5 billion discretionary program that the Congress put in the economic recovery package, we believe we are receiving some significant projects that are intermodal. And there is nothing more intermodal than a port in order to expand capacity, and to relieve congestion. I think you will see a pretty good chunk of this money being used at ports around the country to do the things that you were just talking about.

I was just at the Rotterdam port, and it is an economic engine for the Netherlands. And I know that ports around this country are an economic engine for the communities where they are located. And if we can use some of our dollars to help expand and relieve congestion, I think we have done a good service to the country.

ENVIRONMENTAL ISSUES

Mr. LEWIS. Thank you, Mr. Secretary.

It might startle you to know that, when I arrived in the Congress a week and a half ago, I was considered to be somewhat of an environmental nut; that is, I was the author of the Air Quality Management District in Southern California. I know of the importance of the movement of goods as well as the movement of vehicles to improving our environment.

Now having said that, there is probably nothing out there that is standing in the way of our efficiently moving forward with many of these programs that are driven by your Department. We do need policy action that will help the Congress interrupt this whole maze of conflicting, overlapping, et cetera, environmental requirements.

I would be interested in knowing what your position may be regarding States waiving some of these requirements. And I specifically mention a relatively new thought, that is, maybe the Congress and the administration should consider helping us look at a special court to deal with environmental concerns to make certain that environmental interests are adequately addressed but at the same time don't stand in the way and drive a no-growth policy.

Comments.

Secretary LAHOOD. Well, I am part of a team of people that works in this administration, but our environmental portfolio has pretty much been around the idea of CAFE standards for automobiles. We have worked as a member of the Automobile Task Force. There is a group that is working at the White House on climate change issues. But our role relates a lot more to CAFE standards than some of the other things that you are talking about, Mr. Lewis.

I would be happy to carry your thoughts back, but we don't necessarily have the jurisdiction, like the EPA would or they do at the Department of Energy, to do some of the things that you would probably like.

Mr. LEWIS. At the table, if, indeed, you are going to be able to directly have an impact upon what the environmental considerations, the lawsuits and otherwise, are doing to your ability to deliver product out there, I mean, it is pretty fundamental. So within that discussion, I would hope that you would at least think about the idea of a special court to deal with environmental concerns.

Secretary LAHOOD. Yes, I will.

Mr. LEWIS. Thank you, Mr. Secretary.

Mr. OLVER. Thank you, Mr. Lewis.

I am going to honor the placeholder that Mr. Rodriguez put into order. He was here before anybody else came and then went to do a quick markup somewhere else.

Mr. Rodriguez.

AIR TRAFFIC CONTROLLERS

Mr. RODRIGUEZ. Thank you very much.

And welcome back, Mr. Secretary.

Let me ask you, on the air controllers, I know that a good number, or 80 percent, are scheduled to retire, and we have to go into a new system. I have been somewhat concerned about the diversity of that, and seeing how, as we provide the new air controller, that we have some diversity in terms of African American gender as well as Hispanic.

I am wondering if you might want to comment on that because we have been working for a couple of years on trying to make something happen, and we just haven't been able to crack that nut in terms of trying to get through there and trying to get a little more diverse. And I know that they are actually picking them up off the street as far as I know in some cases.

Secretary LAHOOD. We have a new administrator at FAA who I am sure will be before your subcommittee when you consider the FAA budget, and his name is Randy Babbitt. I think he has been 3 or 4 days on the job. He is a former airline pilot of 25 years, and also was the head of the pilots' union and a businessman. He knows of the concern in recruiting, that we really want to do a wide reach-out. And we have talked about this in the Department. We have talked about the idea of diversity when we are reaching out to fill a number of these FAA controller positions and other positions within the Department.

This is a very high priority for the administration. It will be a high priority for Mr. Babbitt. And I will let him know of your expression of interest. I know that others on this subcommittee have had concerns. I know that there is a plan in place for us to do a lot more to reach out. And I want to assure you that we will do that. It is a priority.

RAIL

Mr. RODRIGUEZ. Thank you. And I look forward to working with you there.

In Texas, we have a rail, the South Orient, that basically the train runs at about 10, 15 miles an hour because of the conditions there.

Secretary LAHOOD. Is that a passenger rail system?

Mr. RODRIGUEZ. No, it isn't.

Secretary LAHOOD. Freight rail?

Mr. RODRIGUEZ. Yes, cargo rail. And there is a real need to improve the infrastructure there, and seeing what we might be able to do about that.

Secretary LAHOOD. We work with our freight friends all the time on their opportunities to improve the railway grades. And freight is very important in our country. Really, it is very important to our ability to get to high-speed rail because we know that we are not going to have dedicated lines all over America, that freight rail is going to have to be a partner with us. So we have good relationships, and I will have our people look into this.

[The information follows:]

The Texas Pacifico railroad runs 385 miles from San Angelo, TX to Presidio, TX, a community on the US/Mexican border. On the Mexican side, the rail line continues to the port of Topolobampo. This route is potentially the shortest rail route from a Pacific port to the central U.S., Canada, and Eastern ports via land. The Texas Pacifico railroad is owned by the State of Texas and operated by Ferromex, the railroad operating portion of a large Mexican company involved in shipping, among other things. Ferromex was granted a 100 year operating concession in 2001. The Texas Department of Transportation (TXDOT) oversees the operation and maintenance of the railroad, and TXDOT has provided some funds through the years for track improvements. A few trains moved over the line into Mexico early after the concession but transit times, vandalism to the freight cars while in Mexico, and other issues caused these movements to cease. In 2008 the railroad bridge between the United States and Mexico burned down and has not been rebuilt.

Currently freight moves primarily between San Angelo Junction, the interchange between TXPF and the Burlington Northern Santa Fe Railway, and San Angelo, TX. A train operates weekly between San Angelo and Rankin, TX. Freight includes agricultural, oil and gas, and wind turbine components. The track is FRA Excepted Track (10-mph) except for a 25-mph segment between San Angelo and Sulphur Junction, which is primarily continuous welded rail.

FRA Region 5 has been involved during the evolution in control, ownership, and operation of the railroad. FRA representatives have inspected the operations, hy-railed the line from the Mexican port to the San Angelo Junction connection and participated in several meetings with the interested parties.

TXDOT and several other entities, including Ferromex, are funding a $23 million track rehabilitation project between San Angelo and San Angelo Junction. This project includes crosstie replacements, rail replacement, bridge replacement and rehabilitation, and grade crossing renewals. This work will commence in 2009 and continue into 2010.

TXDOT has prepared a rehabilitation plan that addresses track and operating needs from San Angelo to Fort Stockton, TX. The plan seeks to raise track speeds on this portion of the railroad from 10-mph to 25-mph, enhancing the competitive advantage of TXPF. This would also allow TXPF trains to move more than five placarded cars at one time, increasing the attractiveness of shipping by rail to many oil and gas customers. The speed increase could attract more shipments of wind turbine components out of the new plant in San Angelo. Several oil and gas facilities have interest in locating in the Fort Stockton area but require dependable rail access.

The growing wind generation business in the area would also benefit from rail service. There may be significant employment gains resulting from the project. Other benefits include: removing truck traffic from roads; environmental gains from better fuel efficiency of trains over trucks; and the lower hazardous material incident rate of rail transport over highway transport.

The projects in TXDOT's plan total $21.6 million with 20% of that total to be matching funds from a combination of state, local, and private sources. The projects include replacing fifteen miles of 70 pound rail, tie replacements, bridge rehabilitation, grade crossing renewals, ballast, and surfacing work.

TXDOT has an agreement with Ferromex concerning the rebuilding of the railroad bridge into Mexico at Presidio, TX. Plans and specifications, including all necessary permits, are to be completed by TXPF in 2011. The bridge is scheduled to be rebuilt by 2014.

Mr. RODRIGUEZ. I don't know if I have additional time, but also, as we look at major cities, looking at long-term transportation needs, such as San Antonio, and other communities between Austin and San Antonio, for passenger trains, I know there is a real need for them to come back with those master plans, not only for the States, but for the communities and the region. And I know the language is there to require that to occur. Is that my understanding?

Secretary LAHOOD. Yes. On June 17, we will release the information, the criteria, the guidelines, the guidance for high-speed rail corridors or regions, and that will go out to every Governor and every State DOT. We have had regional meetings in which Texas was included, and I am sure your people were there. We will begin accepting applications in the fall and then making some allocations of money later this year.

Mr. RODRIGUEZ. Thank you very much, Mr. Secretary.

Mr. OLVER. Mr. LaTourette.

STAR ALLIANCE

Mr. LATOURETTE. Thank you, Mr. Chairman, for the recognition. Mr. Secretary, it is lovely to see you again.

I was commenting before, and I will say it publicly, that I want to congratulate you and the administration for the naming of John McHugh as the new Secretary of the Army. You couldn't have a better person. The only consternation that it has created on our side is that, as the President's Chief of Staff, Mr. Emanuel, continues to pillage moderate Republicans from the House and increase the Democratic margin, Mr. Latham and I are a little disappointed because he has gone from LaHood, skipped Latham, LaTourette, and went right to the "M"s. So maybe if we could revisit that issue, we would appreciate it.

Mr. OLVER. You might be next in line.

Mr. LATOURETTE. You never know. You never know. Maybe not after these questions. We will see.

Mr. Secretary, you and I have talked about the Star Alliance. And I thank you for your work in getting out some documents on April 7. But as you know, that continues, even though that application has been pending for over a year; that is mired at the Department of Justice.

I am looking for some guidance. The statutory deadline has come and passed, June 1. I talked to the President's Chief of Staff in small, four-letter words that he understands, and I am just wondering what it is that we can do to——

Secretary LAHOOD. Are you talking about the alliance between United and Continental?

Mr. LATOURETTE. I am.

Secretary LAHOOD. That will be resolved to your satisfaction.

Mr. LATOURETTE. And soon?

Secretary LAHOOD. Of course. We will meet the deadline.

HIGH SPEED RAIL

Mr. LATOURETTE. Excellent.

Let's go to high-speed rail. I understood, in response to Mr. Rodriguez's question, that the guidance is out——

Secretary LAHOOD. It will be out on the 17th.

Mr. LATOURETTE. The 17th. And then it is going to be an application process. And who is going to be the decider of who wins and who loses?

Secretary LAHOOD. Well, there aren't going to be any losers. There are a lot of people around America who have been dreaming about high-speed rail. As I said, we had about eight or nine regional meetings. Over 1,100 people showed up at these meetings. We just had eight Governors in town yesterday to meet with the Vice President and myself. And we know there are people all over America dreaming about high-speed rail. We have $8 billion now, and another $5 billion in the budget. But the answer to your question is, DOT is going to make the decisions.

Mr. LATOURETTE. Great. And maybe there won't be losers; there might be some people disappointed. But everybody will win, I am sure, with your leadership.

Secretary LAHOOD. I will try and make a point, Mr. LaTourette, to make sure there are no disappointed people.

AUTO TASK FORCE

Mr. LATOURETTE. Excellent. We look forward to that.

I want to congratulate you as well on the FAA reauthorization in terms of getting Jane Garvey involved in the negotiations with the air traffic controllers. It is a travesty that the former Administrator of the FAA imposed a contract on those people. And Mr. Rodriguez has talked about some of the difficulties of recruiting, but I am a believer that not everybody is entitled to a contract that they love when they go to work, but everybody is entitled to a contract when there is collective bargaining that has been collectively bargained. And so thank you for your work and your service on that.

On the question of the Trust Fund and TEA–LU, as you know, the Blue Ribbon panel appointed in the SAFETEA–LU legislation recommended a 40-cents-a-gallon tax increase. You have been pretty clear about that. It also talked about vehicle miles traveled.

When Mr. Latham was talking, I heard this giant thud around the corner, and I think that was Jim Oberstar falling over when he said that we are not going to have a reauthorization this year or next year. Chairman Oberstar tells me he is going to have the bill on the floor the third week of June. And as you know, the missing piece, and again, I would think it would be a travesty not to have a reauthorization. I think that President Bush was poorly served by some bean counters when they came in at $256 billion over 6 years, which was clearly inadequate. And 2 years later, we delivered that bill, and we continue to have some problems.

So I hope whatever the fix is, if it is vehicle miles traveled, if it is tolling, I guess we are not going to have a gas tax, but whatever it is, we need to have that program in place. It needs to be a solid 6-year program so States can plan and make improvements and do all the things that are necessary.

The last thing I just want to—the yellow light is on, so I will be real quick. This Auto Task Force is a disaster, and it is a disaster because decisions are being made—and I listened to a speech you gave where the administration didn't make any decisions on the auto dealers; it was the car companies. But by creating these structured bankruptcies for Chrysler and General Motors, the task force has created an environment where the car manufacturers are going into court, and they are waiving the dealers' day in court in Federal legislation. They are trampling over State franchise legislation, and people who have sold cars, and each car dealer, according to NADA, employs about 60 people, if you add up the Chrysler and the GM car dealerships and forget about the 30,000 UAW workers that have lost their jobs and the 20 communities that are now suffering, it is over 200,000 people that are losing their jobs. And, quite frankly, the Sopranos would be proud of what General Motors is doing in this letter that they have sent out, that not only if you question them, you are out; if you don't buy more cars, you are out. They wouldn't be able to do that without this structured bankruptcy facilitated by the Auto Task Force.

I know the President, when he announced the Chrysler deal on April 30—I am not one of those Republicans who wants the President to fail. I think if he fails, the country fails. But he said no communities would be disrupted by the bankruptcies and nobody that worked for Chrysler would be disrupted as a result of the bankruptcy. That is not true. And I would hope, since we have had a double delegation; Congress has delegated it to the President, and the President has delegated it to this non-elected task force, I would hope that when the President comes back from the Mideast you would sit down and chat with him. We have to have fairness in this, Mr. Secretary, and it is just not fair.

Secretary LAHOOD. Well, I wouldn't mind responding to that, if you wouldn't mind, Mr. Chairman.

Mr. OLVER. Briefly.

Secretary LAHOOD. I got your point.

Look, I don't know of another President who has done more for the American automobile manufacturer than this President in terms of taking an interest, and devoting a lot of time and energy. And the amount of money that has been loaned to the American automobile manufacturer is substantial. It is real money.

I think the fact that Chrysler is about ready to come out of bankruptcy means that it was a pretty good blueprint for saving Chrysler. And I will just tell you this, Steve, the Auto Task Force did not tell GM or Chrysler which dealerships to close. We didn't. And the President didn't say, okay, now you have got to close this one in Peoria or this one in Cleveland, or whatever. We didn't do that.

I have talked to the GM executive, and I have talked to the Chrysler CEO. These are very painful, hard decisions. They were not made lightly. I will tell you, the GM CEO has worked for the company for 25 years. His father worked for the company for 35 years. He knows a lot of these employees. I am not saying he knows every salesman around the country. But these are hard decisions for these people.

And I think the administration has done all that they could have done to save the American automobile manufacturer. And I think the Chrysler thing is going to show that it seems to be a pretty good blueprint for saving the automobile manufacturer.

Mr. OLVER. Mr. Pastor.

NEXTGEN

Mr. PASTOR. Thank you, Mr. Chairman.

Good morning, Mr. Secretary. Congratulations, and welcome back to the appropriation room.

Secretary LAHOOD. Thank you.

Mr. PASTOR. First of all, I want to congratulate you and also thank you for recommending Victor Mendez as the Federal Highway Administrator. He had his hearing Monday, so I assume he will be coming to work for you very shortly.

Secretary LAHOOD. Well, thank you for recommending him.

Mr. PASTOR. Well, since I gave you one good recommendation, maybe you want to go back to the "L"s. And as you look for a railroad administrator, you might go back to LaTourette.

Secretary LAHOOD. After his statement, I don't think he has a shot right now.

Mr. PASTOR. I want to talk about NextGen. And being on this committee over the years, I see deja vu all over again in terms of how the process is working and the possibility that the system may not come out on time or under budget, and would continue to have some problems. That troubles me because, like you, we fly here frequently.

And then when the report came from ADOT IG, it kind of perked me up again. And one of the comments that is made is that, "The FAA lacks a detailed plan as to how to transition from the existing system to the NextGen architecture. The FAA needs to develop a strategy for assembling a skilled workforce that can appropriately manage and integrate these complex systems and contracts." The one that I think that you will probably resolve, "The FAA needs to develop a stakeholder initiative plan that will ensure that aircraft operators acquire NextGen equipment."

It seems to me, I know you will be looking at it, but in the past, we had problems in getting the Federal agencies that were involved in developing NextGen just getting together and working on it. In conversations I have had with some of the stakeholders, the airline industry, both commercial and general, and the air traffic controllers, there seems to be that there isn't involvement of the stakeholders as this system is being developed. I can tell you that with the existing system, we sat here a number of hours talking about the radar screen and the mouse because the air traffic controllers were concerned about how the equipment affected them and how they could use it.

Talking to some of the airline people, they are saying there is a pilot project, that U.S. Air is going to be involved with NextGen in Pennsylvania. But I think the system needs to develop itself with the stakeholders having meaningful input so that, at the end, the aircraft industry, both commercial and general, knows how it is going to fit and how it is going to work. The air traffic controllers will know whether or not the system is one that they can use effectively, and FAA will have a system that can transition from the old to the new effectively and make our sky safer for the Americans who will be up in the air.

So I bring those thoughts to you. And I know that you are a problem solver, but I am concerned that, in the past, everything has been done kind of isolated in a vacuum, and I would suggest to you that there is probably a better way of doing it.

Secretary LAHOOD. Look, I think, Mr. Pastor, you should know that this is a new day at the Department of Transportation.

Mr. PASTOR. I know that.

Secretary LAHOOD. The President has appointed about as good an FAA administrator as we can have to get to NextGen. That will be Randy Babbitt's number one priority. He was a commercial pilot for 25 years. He knows this stuff. He knows the importance of the airline industry having the best equipment in the planes.

The other thing is, I think there is a commitment from the White House that we have to get to NextGen. The President understands this, and so do his people. I think we will be there sooner rather than later, and sooner than a lot of people would have ever imagined. This is a big, big priority for us. It can really help us in saving a lot of fuel. If you have the right equipment, you can direct planes in and out of airports so they don't have to fly all over kingdom come, and you can relieve some congestion and save some jet fuel. But the safety part of it is the most important part of it. And this will be the number one priority for Randy Babbitt, for his time at the FAA, to get us there. And we think we are going to get some help from the White House on the funding part of it, too.

Mr. PASTOR. Thank you.

Secretary LAHOOD. Can I just also say I was in Phoenix recently and had a chance to meet with the controllers there, but also to tour the air traffic control——

Mr. PASTOR. Did you like the tower?

Secretary LAHOOD. Congratulations. I think you had something to do with that. It is state-of-the-art. It is magnificent. The controllers love coming to work there.

Mr. PASTOR. I can point it out to Jeff Flake that that is what an earmark can do for you.

Secretary LAHOOD. I will let you tell Jeff that.

Mr. OLVER. Be careful, his head will get even larger.

Mr. Carter.

SMART GROWTH

Mr. CARTER. Thank you, Mr. Chairman.

And Mr. Secretary, I am pleased to see you. I always respected your wise counsel while we were colleagues, and certainly respect you on the big job you have taken on.

Secretary LAHOOD. Thank you, Judge.

Mr. CARTER. First off, the first thing I was going to ask about is the first thing that Mr. LaTourette asked about. I have one of those hubs, and I am very happy to know that I will be able to report that that is going to have action very soon.

Secretary LAHOOD. Yes, sir.

Mr. CARTER. Last time we all were here, you all talked to us about your concept of transportation as it relates to growth of cities and city density and so forth. And I had some questions and some concerns that I was trying to figure out. It really was less about transportation and more about density, but you all seem to be teamed on this. This smart growth idea, which would move us more to mass transit, if I understood it, we would basically turn the cities back into themselves and fill in the blanks before we would grow out any farther. And that raised a question that came to my mind, are we looking at a future of Federal land use planning, Federal zoning ordinances? Is there something that is going to restrict our city's outward growths to cause them to grow back into themselves and become a higher density? Is that the plan?

And as part of that question, the EPA is already working on 50—they got $50 million that they are out there working on smart growth already. Is this going to be a joint operation between DOT and HUD or how is this going?

Secretary LAHOOD. Well, Judge, we are not going to create a national zoning department. We have no intention of doing that. We will leave that to local officials to decide what they want to zone and where they want to zone it.

But I will give you an example. When I was in Houston, I took a light rail from downtown out to what I believe was one of the most comprehensive health communities in Houston where they have M.D. Anderson, the Children's Hospital, the Women's Hospital. And the people that I saw on that light rail were people who didn't want to get into their car and get into congestion in Houston and drive out there; and also people that maybe couldn't afford to buy a gallon of gasoline, but needed to go see their doctor. And that's what we are talking about—is creating opportunities for people who maybe don't want to own two or three automobiles.

Look, every family is going to have a car. We are not going to eliminate cars. We are not trying to do that. We are trying to say to people, if you would rather get on a light rail or a bus or a metro line or a bike path or a walking path to go to your doctor, to go to the grocery store—or even a street car—then you should have the option.

I mean, Portland is a classic example. They not only make the street cars there, they use them; and that enables people to think that they don't always have to get in their car to go somewhere, and they don't always have to sit in an hour and a half of congestion to go see their doctor or go to the grocery store.

So we have the opportunity at DOT to work with EPA and HUD to create opportunities for people to use other modes of transportation. We are not going to get in the zoning business, though.

Mr. CARTER. Houston is a perfect example to talk about, because in 1960 I accidently got laid off on the other side of Houston trying to get back over to the southwest side of Houston, and found out to my chagrin that it was 168 miles across Houston by street. And so I wasn't going to walk home. But that's another story.

Secretary LAHOOD. But maybe you could take a light rail.

Mr. CARTER. But a good light rail out of——

Secretary LAHOOD. Yes, right.

Mr. CARTER. But the impression was given last time that the only way you would get the massive urban sprawl cities like Houston, L.A., and others to quit being further urban sprawl was there were going to be some kind of restrictions that say that, first, the cities filled—I believe this is exactly what the HUD Secretary said—would fill in the empty spaces inside the city before they moved out of the city. And they would correct some density areas and maybe make them higher density areas as the growth of the city's issues to provide the incentive for rail issues.

I am all for high-speed rail. I am not knocking rail.

It is interesting that that rail that you rode on, there used to be a trolley that ran up and down that street. They took it out before I was born.

So, anyway, getting back to today, I am not so concerned about the rail as I am concerned about the density issues, because it looks like to me the Federal Government is going to have to impose restrictions to make people do that.

Is that what you think they envision to do?

Secretary LAHOOD. That is not what I envision to do. What I envision to do is create opportunities for people to use a lot of different modes so they have a lot of different options in the event that they can't afford a car or can't afford a gallon of gasoline, and they want to use a clean-burning light rail or a natural gas bus or a diesel bus and create the kinds of communities where you don't have pollution floating around the air, where you feel like you can go out and take a walk or ride a bike—you know, lots of options for people.

Mr. OLVER. And you are not going to get into zoning?

Secretary LAHOOD. We are not going to become a national zoning department.

Mr. CARTER. That is good news. Thank you.

Mr. OLVER. Mr. Berry.

Mr. BERRY. Thank you, Mr. Chairman.

I would associate myself with the nice remarks that have been made about you, Mr. Secretary. We are already talked about most of my issues before today, and I won't take up anybody's time.

Do we have any problems that money won't solve?

Secretary LAHOOD. No, sir.

Mr. BERRY. I was afraid of that. And I am glad to hear we are not going to have a national zoning commission, too. I applaud your efforts there.

The reason they have got that situation in Portland is because Blumenauer won't let them have cars. He makes them all ride bicycles out there.

Thank you, Mr. Chairman. I yield back.

Mr. OLVER. Ms. Kilpatrick.

METROPOLITAN PLANNING ORGANIZATIONS

Ms. KILPATRICK. Thank you, Mr. Chairman.

And good morning, Mr. Secretary. A breath of fresh air—thank you so much—and one of the excellent appointments the President has made.

Secretary LAHOOD. Thank you.

Ms. KILPATRICK. My region of the world is in decimation, as you know, but there is some hope, there is always some opportunity. We have the ports, highways, the freight rail lines, airports, the bridges, the international waterway, high-speed rail that comes from Chicago into Michigan—not across Michigan yet. We hope we will win one of those corridors, and we are working on it.

We are primed to be one of the international gateways that the President talks about, and I want to work with you on it. I have done some work on it. We are ready for it.

Our MPO—and we talked a little about this when we met recently, mine. I don't know about all of them, but all them need to be looked at; I am not sure how they fit. Mine had $100 million out of the Recovery Act—can't yet find out what they are doing with it.

The transportation authorization was due to Chairman Oberstar a week ago or so. We submitted 10 or 15 of them. Many of them—my MPO went to my district and asked them to ask for that. So I again I asked about them: What about the $100 million? One of the things that Oberstar is requiring is that, if and when it is authorized, we have to have local money.

I want to make sure our MPO works—helps on that. I don't know yet what they do.

Secretary Napolitano was in our district last weekend looking at our bridges and waterways and the infrastructure needs and all that. One thousand less trucks a day cross that International Bridge.

We were at $1 billion a day before the demise of the industry. We don't know what that is going to come to, but the whole traffic pattern, I am urging you to take a look at it. I am not opposed to one project over the other project. I want the encompassing vision that I talked to you about.

If we use my hand, and this is the world, this is where Michigan is, back and forth. I want to do world stuff, and I want you to help us. Because as I said, as I started talking, we have the infrastructure for much of what is needed, the international waterway, our friendly neighbors with Canada. And doing what we need to do, not this project or that project based on old projections, but bringing it all together and becoming international to hire, to increase jobs, to increase our universities. I see all of that.

We have a great university community, Wayne State, Michigan State, UofM right there. All of that needs to come together now.

What I don't want you to do—and I think you told me you won't—don't get involved in this or that, because it is neither at this point—it is a bigger vision—a 1,000 less trucks a day, the revenue source decimated, people out of work.

I love what you said before coming this morning. You have the vision, and I believe the President does too. I want to work with you on it. And, like Chairman Olver, as well, don't be bothered by individuals like myself talking about one this or that. It is a new America, and that is what I think we are building.

So my question—it is not really a question, but a commitment from you, this light rail from Detroit to Ann Arbor, we started 5 years ago in the planning. We hope to get it reauthorized in the next session of whatever the LU is going to be, the next transportation bill. And Oberstar has said by October, Chairman Oberstar said he is going to have you an authorization bill, somewhere. I know some people said nothing is coming back.

We need one, because transportation still is the engine that will fuel the development that we want to see.

Can you speak on the MPOs? Have you had a chance to look at it? Are they archaic, need to be turned out? There has been no change in them. I chaired the transportation budget in the Michigan legislature. I have been here 13 years, so it had to be 17 years ago.

Secretary LAHOOD. The MPOs did a good job over the last several years, but there is going to be reform of MPOs. They don't match the structure of America now. They need to provide a much wider opportunity for people. I have learned this from talking to Mayor Daley and other mayors who are hamstrung by the way that MPOs are structured now.

We need to restructure them, reform them, make them look like planning organizations that reflect the area in which they now are operating. And they have to cover suburban areas, rural areas, so that they are much more inclusive.

And I think we are working on that in the Department. That is one of our priorities.

Ms. KILPATRICK. Thank you very much. And our MPOs are seven counties; two-thirds of Michigan's population live in those seven counties. I look forward to working with you on all the vision.

Secretary LAHOOD. Yes. Let me just say also that your governor was with us yesterday for our discussions on high-speed rail. And her suggestion is that if we need facilities to build the high-speed rail equipment because of the Buy America provisions that are in the economic recovery plan, there is a lot of capacity.

Ms. KILPATRICK. And, fortunately, a lot of coal factory capacity can be retooled.

Secretary LAHOOD. But if we used the Department of Labor people to retrain people, to build train cars, equipment like that—that is something that your governor suggested and it is a good idea.

Mr. OLVER. Excellent concepts, excellent concepts.

Ms. ROYBAL-ALLARD. We need to move on.

TRANSIT

Ms. ROYBAL-ALLARD. Thank you.

Welcome, Mr. Secretary, and I also want to associate myself with the praises that you have been given.

Secretary LAHOOD. Thank you.

Ms. ROYBAL-ALLARD. I also would like to associate myself with the comments made by Mr. Rodriguez with regard to the air traffic controller positions; and I will be following up with Mr. Babbitt as well.

Last year, as you know, Americans took 10.7 billion trips on public transit. That was the highest in 52 years. This increase in the use of public transportation requires expanded services and capacity, but with States, State budgets in crises, the opposite is happening. In fact, more than 80 agencies across the Nation have been forced to cut service, lay off workers and raise fares. You have stated publicly in recent weeks that you are open to the idea of providing operating assistance to transit agencies.

One idea that has been promoted by local agencies is to have the flexibility to use Federal capital moneys for operating assistance. Are you open to considering this option and, if not, what ideas are you considering to help transit agencies during this time of crisis to keep up with the current need?

Secretary LAHOOD. I am open to this idea. If we provide money to buy all these buses and you don't have people to drive them or run the organizations, it is counterproductive.

I am open-minded to this idea, and I know there is a provision already drafted. Somebody put an amendment on the Senate side to allow this to happen. I don't know if it will prevail or not, but I think it may be a part of the supplemental.

But for the long term, I think we need to be open-minded. We need to have some flexibility about these things when there is a downturn in the economy.

HIGH-SPEED RAIL

Ms. ROYBAL-ALLARD. Thank you.

There has been a lot of discussion here about high-speed rail, and you said that there will be no disappointed people. I hope that is also going to apply to the communities that are going to be disrupted by high-speed rail, but will not be able to afford to even ride on it, on the high-speed rails.

I particularly, you know, of course, focus on California, and I believe that this mode of transportation does, in fact, have potential for our growing and challenging transportation issues in terms of moving people quickly and efficiently.

However, I have concerns about it, because building a high-speed rail route along existing highways, or existing rights-of-way in places like Los Angeles, for example, may minimize the negative impact to other communities.

But the concern that I have that it would add to the damages that have already been done decades ago, when the new interstate system divided and destroyed poor communities and caused lingering health issues for residents. In my district alone, for example, communities are dissected by no fewer than eight State and Federal highways and several railroads.

So building a new high-speed rail system along existing rights-of-way is far more disruptive and intrusive than proponents would like us to believe. And it certainly would be in communities like mine where, as I said, the residents in those communities aren't going to be able to afford the proposed fees or the charge of riding these rails.

You have listed five elements that are important to the reauthorization of surface transportation, and one of them was creating liveable communities. I think there has been a little bit of discussion about that. I hope that it also means protecting existing communities.

And the question that I have is, what is the administration's commitment to ensuring environmental justice for existing communities already negatively impacted by transit projects? And does the administration have any plans to mitigate any of these additional impacts for these communities, and will the administration promote fairness and justice by making sure that it is not only poor communities that share in the burden of high-speed rail, but you know, all communities.

I am just talking from my experience, for example, growing up in Los Angeles, where freeways just destroyed communities, took away homes, when the logical route was actually to go through an industrial area, but for political reasons and so on, that didn't happen.

So that is the concern that I have. And my question is, what is the commitment of the administration to ensure environmental justice and liveable communities for all communities?

Secretary LAHOOD. Well, obviously there would be a commitment. I think we would be sensitive to some of the concerns that you have expressed here.

I have talked to lots of people from California about high-speed rail. There is a lot of interest there. People have been working on it for 10 years. But, it will be up to the State and the people in California to decide what kind of proposal they put together.

But I think we have to be sensitive to what you have just said here. You know, the last thing we want to do is be promoting liveable communities and then ruin neighborhoods. We are not going to be in that kind of a mode.

And so what I would commit to you is that we will work with you. But I encourage you to also work with some of these high-speed rail advocates to make sure, when they send their proposal to DOT, it is not developing high-speed rail and destroying neighborhoods.

We are not for that. I mean, that goes against what we have been promoting.

And so we will work with you, but I also encourage you to work with some of these high-speed rail advocates because they are going to be sending us a proposal they they have been working on for 10 years. And I know you are well aware of that.

But I will commit to you that we will be sensitive to this idea that these neighborhoods are important.

Ms. ROYBAL-ALLARD. Thank you.

Mr. OLVER. Thank you very much.

We are expecting to have some votes shortly. I think we can manage to finish our round and do so in a reasonable way.

Mr. Price.

TIFIA PROGRAM

Mr. PRICE. Thank you, Mr. Chairman.

Mr. Secretary, I will add my words of commendation, welcome and congratulations. We are very happy to have you where you are.

Secretary LAHOOD. Thank you.

Mr. PRICE. I have a question I will try to make brief, although it is a little complicated. Like many questions we ask on this committee, it is of national import, but it also has local and State implications.

Let me try to formulate this very briefly. It has to do with the TIFIA program.

Secretary LAHOOD. Yes.

Mr. PRICE. I understand the program is somewhat in flux. And this may be a particularly timely question because I understand your credit committee, DOT's credit committee, is going to be meeting tomorrow to talk about this program and to review the new policy the Bush administration sought to impose regarding subsidy fees.

The national concern, I would guess, is obvious. This program has undergone a good deal of fluctuation and change. In North Carolina, it is of interest because one of our major projects, I–540, the Triangle Expressway, is at stake. This is a $1.2 billion project. It is absolutely shovel ready. Our State DOT has completed the ratings process, and is set to issue a AAA bond to fund the remainder of the cost.

But now the goal posts have been moved, and the additional subsidy they have been advised they have to cover is threatening to delay the bond issue, to require them, in effect, to start over. That is why we need to let you know about this situation and ask for your help.

The TIFIA program went from being underutilized in the early years, as I understand it, to now being very much in demand, and is unable to cover the demand. The Department appears to have responded in a haphazard way to this change—abandoning the first-come, first-served principle at one point, dividing the available budget authority equally among projects in the pipeline, rather than on a percentage basis, instituting a new brand of subsidy fees; and imposing a moratorium on projects.

It is kind of a muddle right now. So it is a good thing that you are looking at this. We are caught in the cross currents in our State. We are probably a good example of how this is not working.

Our loan application was approved before the moratorium was imposed. But now we have been advised that we are going to have to pay a substantial subsidy fee under regulations that were not in place at the time the loan was approved.

Initially, the fee was going to be 24 million with 20 million covered by their equal share of TIFIA and 4 million for us to cover out of pocket. But in the spring, following a very minor change in the bond portion of the financing plan, which in no way affected the loan amount, we were told the subsidy fee would be 33 million, which is 17 million out of pocket.

In the meantime, the ratings process had already been completed, earning a AAA score. It really doesn't seem right or sensible to have to go through that all over again to come up with an additional 13 million.

This decision to divide the subsidy pot up equally because of a lack of funds seems to be fairly dysfunctional. It is not holding up well, and I could go into that in more detail, but I won't.

I think you understand the problem and, of course, you have inherited it. But there is an opportunity now to get it right; and I want to say this is not just a matter prospectively of getting it right, but there are some projects in the balance that really are going to depend on some timely adjustment here.

And that is the best I can do for a brief overview, and I appreciate your response.

Secretary LAHOOD. Well, no, I am familiar with this. You have laid it out very carefully. These decisions are recommended to me, and the best thing for me to do is take that piece of paper that you just read from and take into account a number of things that have intervened and do the best that I can with it.

Mr. PRICE. Well, I am very grateful for that. I will make sure you get that piece of paper and everything else you need. We are very grateful for your cooperation. Thank you.

AIR TRAFFIC CONTROLLERS

Mr. OLVER. Ms. Kaptur.

Ms. KAPTUR. Thank you, Mr. Chairman.

Welcome, Mr. Secretary. I am like everyone else. I am sorry you are not here anymore. I am glad for your new appointment, but I miss you; and we wish you very well.

Secretary LAHOOD. Thank you.

Ms. KAPTUR. I will take you through several things fairly quickly.

Air controllers, I don't know if you have a figure with you on the number of air controllers that will be hired over the next several years, but I would certainly appreciate any information your staff could provide us about those recruitment efforts and how we, as a community, could better support—we have such high unemployment—perhaps recruiting future controllers in areas of high unemployment.

I understand once they are recruited they enter a very difficult process where they have to pay their own hotel rooms and go out to Colorado and all this other stuff. I want to try to understand what happens to people when they go into training in this extraordinarily important position, and what we might do to support them during their training period, make the glide path easier.

Would that be possible?

Secretary LAHOOD. Of course, we will give you a report.

The other thing is we are in very serious negotiations with the controllers right now, and it is going very well. I don't know what will happen, but I think we are going to have a happier controller group when the negotiations are over than we have had in the last several years.

But we will give you a report on recruitment, how it is done, what happens after you are actually offered a job, your training and all of that. Some of that may change after these negotiations, but we will give you the update on that.

[The information follows:]

FAA TRAINING

The primary goal of the FAA's technical training and development is to ensure that our air traffic controllers have all the necessary skills and behaviors to perform their jobs effectively and maintain the safety of the NAS. As we continue to replace large numbers of controllers retiring over the next decade, effective training is a key factor in completing a smooth transition and maintaining the FAA's role as the premier air traffic service provider.

The FAA has significant capabilities both at the FAA Academy and in the field to meet the demands for initial certification, refresher, proficiency, skills and remedial training. The FAA continues to invest in making training more effective by gearing it toward the skills needed for successful career-long development. From better screening for new recruits to improved course design and advanced simulation, the agency is building the controller workforce of the future.

The Training Process

The training process begins at the FAA Academy in Oklahoma City. Developmental controllers learn the fundamentals of air traffic control for their particular option: en route, tower or terminal radar. After successfully completing academy training, developmental controllers report to their assigned field facility to continue their training.

During the training process at field locations, developmental controllers achieve certification on each position as they move through the stages of training. Developmental controllers who fail to certify may be removed from service or reassigned to a less complex facility in accordance with agency procedures. The ultimate goal of the training program is for the controller to achieve certification on all positions and attain CPC status.

Developmental controllers who have certified on control positions can work independently on those positions without an on-the-job training instructor. Facilities often allow developmental controllers to work under the direction of a supervisor in order to gain experience and to supplement staffing.

This process results in a more-seasoned trainee. However, no trainee works live traffic independently until the controller has been certified to work that traffic position. Safety is the FAA's No. 1 priority.

Controller Credentialing

FAA's Air Traffic Safety Oversight office issued almost 15,000 credentials for current air traffic controllers for the first time in FY 2008. The credentialing program was designed to increase safety through regulated standards for training, testing, currency and proficiency. The credentialing program recognizes the technical achievements of FAA personnel who perform direct safety-related functions for the flying public. The credentialing program is designed to ensure that all controllers have and maintain the necessary skills to perform their duties. Credentialing is a part of the FAA's larger safety continuum of standards, certification and continued operational safety.

Controllers must hold FAA-issued credentials with rating(s) for their facility to perform direct safety related air traffic control services. Credentials are facility-specific, based upon the functions of the facility. Credential ratings are issued when an employee certifies on their first control position with the area of specialty. Each employee is assigned a credential number when they receive their first rating. This number will transfer with them and all ratings achieved during their FAA career are recorded. The credential rating(s) must be renewed every two years. A secure on-line system stores all the credentialing records.

Reduced Training Time

The FAA continues to make progress toward the established goals to reduce training time for terminal and en route controllers. It no longer takes from three-to-five years to fully train an air traffic controller. Depending on the complexity of the facility, controllers are now being trained in two-to-three years. The FAA achieved this reduction not by cutting training time, but by improving the training and scheduling processes, and through increased use of simulators.

The FAA works constantly to increase capacity at the FAA Academy and improve basic courses. The combination of efforts results in controller developmentals completing training faster. At the academy, developmental controllers must demonstrate the necessary academic knowledge and controller skills demanded by the air traffic control profession.
Simulators in air traffic facilities are reducing on-the-job training time. Use of this training resource also frees instructors to control traffic.

Table 7.1 Years to Certify

Fiscal Year	En Route	Terminal	Overall
2005	4.1 years	3.1 years	3.9 years
2006	3.7 years	2.7 years	3.6 years
2007	3.1 years	1.9 years	2.8 years
2008	2.6 years	1.1 years	1.7 years

National Training Data Tracking System

The FAA's national training database for en route and terminal training provides training histories of developmentals as well as reports on completions, developmentals in training, and failures. The database tracks controller training through certification and provides a timely picture of the FAA's controller training progress. The database is used by multiple organizations within the FAA for monthly training and failure reports.

Developmental controllers go through various stages of training at their facilities with a maximum number of days allotted for each stage. The FAA's goal is to have 90 percent of controller developmentals on track with training. Developmental controllers are considered to be on track when they progress through the required stages at or below the allotted number of days. Developmentals who exceed the allotment are monitored by both the facility and headquarters.

Knowledge Transfer

Today, the FAA brings in retired FAA air traffic controllers as contract instructors to train the new workforce. By harnessing their valuable air traffic expertise, these experts can focus solely on training the next generation of controllers, rather than moving back and forth between working traffic and on-the-job training.
With these improvements and our comprehensive focus on training, the FAA is confident that the agency will be able to successfully train the number of controllers needed to staff the NAS.

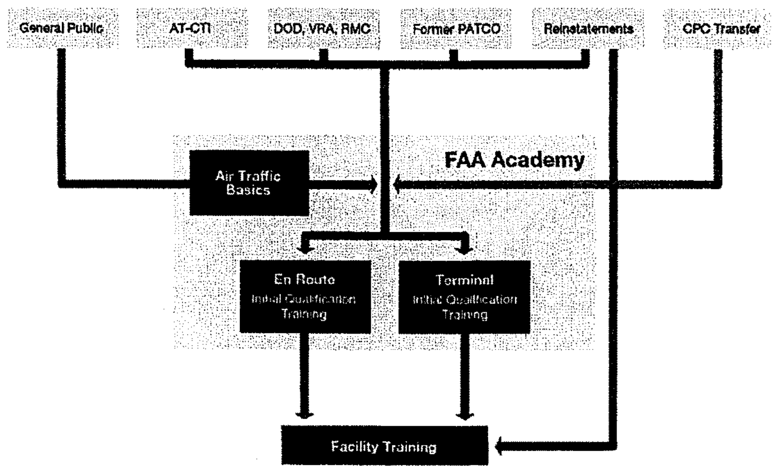
Multi-Path Hiring and Training Model

The multi-path hiring and training model provides a comprehensive view of how controller applicants move through the hiring, screening and training process.

The multi-path training program was designed to accommodate newly hired individuals with a variety of education and experience. The goal of this training program is to provide air traffic facilities with developmental controllers prepared to begin training at the facility.

The FAA can hire controllers from multiple sources. The training process for newly hired controllers differs depending on applicant qualifications and the type of facility assignment. The amount and type of training required depends on the applicant's education, experience and type of facility the new hire will be assigned to support. Figure 7.2 provides a high-level overview of the training process, outlining the different paths of training for new hires.

Table 7.2 Multi-Path Model for AT Controller Training



Academy Training

The FAA Academy trains developmental controllers using lecture, computer-based instruction, medium-fidelity simulation, and high-fidelity simulation. The academy lays the foundation for developmental controllers by teaching fundamental air traffic control procedures that are used across the country. The focus of the academy is to improve the efficiency of the training by using proven adult learning concepts with the latest in simulation technology. When developmental controllers graduate from the academy, they are prepared to adapt to their assigned facility and successfully complete the training required to reach CPC status.

Facility Training

After graduating from the FAA Academy, facility training begins in the classroom where developmental controllers learn facility-specific rules and procedures. Often times, these rules and procedures are practiced in simulation. After classroom and simulation training is complete, a developmental will begin on-the-job training on an operational position. This training is conducted by CPCs who observe and instruct developmental controllers as they work the control position.
Each control position has a minimum and maximum number of on-the-job training hours allotted. Based upon the recommendation of the training team, a developmental can be certified by the supervisor on a control position anywhere between the minimum and maximum number of hours.

Developmental controllers achieve certification on each position as they move through the stages of training. The final result at the end of training is achieving certification on all positions, or CPC. A developmental controller who fails to certify can be removed from service, or reassigned to a less complex facility in accordance with agency procedures.

The on-the-job training process is designed to provide developmental controllers sufficient seasoning time and opportunities to develop their skills as they progress toward becoming CPCs.

FAA Order 3120.4

All controller training requirements are standardized and detailed in FAA Order 3120.4, Air Traffic Technical Training. Facility training is conducted in stages and consists of a combination of classroom, simulation and on-the-job training. Each stage of training represents a different control position, or group of control positions, depending upon whether the facility is en route or terminal. Certification is required at the end of every training stage. Developmentals cannot work live traffic until they have been certified on the appropriate position.

The agency is in final review of a newly rewritten technical training order to incorporate checklists of controller tasks into the on-the-job training program. These checklists will be used to make sure on-the-job training is consistent across the nation.

Academy Simulators

In 2008, the FAA vastly increased the terminal simulation capability at the FAA Academy by installing six new high-fidelity tower simulators, providing a realistic tower environment in which to teach new controllers. The agency also installed a state-of-the-art en route training lab at the FAA Academy. The lab simulates the air traffic control technology currently in use in FAA en route facilities and provides unique training opportunities. The FAA has been using tower simulators for training in Chicago, Miami, Phoenix and Ontario, Calf. since 2006. In December 2007, the FAA awarded a contract to provide another 18 simulators to field facilities in FY 2008 and FY 2009. Current plans are to deploy these simulators at key locations such as Los Angeles, New York, Atlanta, Dallas and Fort Worth, Texas.

Ms. KAPTUR. All right. Thank you, Mr. Secretary, very much. Greatly appreciate it.

Number two, on both MORAD with Maritime Administration and with high-speed rail, I am wondering if you could identify someone in your Department to work with us, A, on convening a meeting of those who represent seaway communities, St. Lawrence Seaway communities, and talk a little bit about the—have a discussion about modernizing those seaway authorities as we move into this new millennium.

I think people have ideas on energy and intermodal, and they need a way to do that. If you can think of a way to do that with Members, I would certainly greatly appreciate it.

Secretary LAHOOD. We will do that.

HIGH SPEED RAIL

Ms. KAPTUR. And then I know both Mr. LaTourette and I, anchoring both ends of the State of Ohio, are very interested in that high-speed rail from the eastern side of Ohio, the greater Cleveland area, west of Toledo into Chicago. We are planning on convening sometime this summer in Ohio on that, and we would love to have someone from your Department join us on that.

Secretary LAHOOD. We will be there. And your Ohio transportation administrator or secretary was with us yesterday, and I had a very good discussion with her. And she is right on top of all of this.

Ms. KAPTUR. Beautiful. I thank you.

And then two final points. One is in the Recovery Act. There is $1.5 billion appropriated for discretionary grants for capital investments and surface transportation. I wondered if in the final moments you could discuss what you are going to be looking for as chief criteria in evaluating those.

And, number two, as you do your work, if I have any suggestion for you through the massive programs you manage, in a place like I live, it would be great to have incentives or directives from DOT to get local communities to consolidate and manage their public fleets.

We have city fleets, transit fleets, county fleets, fleets for the mentally disabled, postal fleets. So you have Federal, State, county, et cetera, with a green—if you could get them to think green and consolidated maintenance facilities with consolidated fueling, the amount of money we could save. And our garbage trucks only get 3 miles a gallon; the postal vehicles, on average, get 10 miles a gallon in regions like mine.

I think that you have an enormous capacity to encourage. And I don't think communities are thinking this way. We could save a lot of money if we were to do this in a more intelligent way and manage our maintenance fleets, those doing the work, in a very proactive way. We could bring up the mechanics of the future, connecting to our local colleges and so forth.

And right now in apprentice programs, this isn't being done. This is all very haphazard, too much duplication. And, frankly, the miles per gallon are proof in the pudding it is not working. And I doubt that my community is the only one that faces that.

So if you could encourage, through the expenditure of some of these dollars that are coming down, that kind of consolidated effort, maybe you could have some prototypes or demonstrations or give awards to the communities that have done it right. But I just put that on the table as something to be considered.

Finally, I have to ask you, you just returned from Europe where you were able to look at high-speed rail systems. I wonder if you could discuss that with us for a moment. I am particularly interested in the Chunnel between England and France. I think it is about 26 miles long or something, but I think about a chunnel between Ohio and Ontario and connecting two economic powerhouses and what it would take to do that in our country.

Could you discuss high-speed rail?

Secretary LAHOOD. Sure. On the 1.5 billion we are asking for projects of national significance, and we are looking at some port projects, just because there was no money for ports, really, in the economic recovery. But it will be more than ports—we will be looking at national significance, and intermodal projects, and we know that some ports are going to apply for expansion assistance.

And on the high-speed rail, we took a train from Paris to Strasbourg. We went 200 miles an hour, state-of-the-art, very comfortable.

In Spain, we went from Madrid to a town I can't think of right now, 250 miles per hour. There were 450 people on the train, they paid $65 one way.

If the train does not arrive on time in Spain, the people get their money back. So anybody that boards that train is hoping it doesn't get there on time as long as it gets there. They get their $65 back. I mean, these are state-of-the-art.

We are not going to have trains going 250 miles an hour in America. But what we are going to have is an opportunity for America to experience passenger rail service that is comfortable, efficient and cost-effective, and provide jobs to people to build these, to build the equipment, to build it in America.

The companies that are doing this now in Europe are going to partner with American companies. They have the technology, they know how to do it. They are ready to do it. They were practically running us over in order to get appointments to talk to us. They are ready to come to America and share their expertise.

So, people who travel to Spain and Europe and ride on the high-speed rail wonder why we don't have it in America. Well, we don't have it because it has never been a priority.

Think if Eisenhower had signed a bill that said "high-speed rail in the interstate system," do you know what we would have? We would have state-of-the-art high-speed rail. But we have state-of-the-art interstate and it is the model for the world.

We are going to have high-speed rail. It is the President's dream. It is something that he is committed to. He is the one that put the $8 billion in economic recovery and another 5 billion—if you all will go along with that—over the next 5 years. Americans want this.

And so—Europe has got it down to a real science, and so does Asia. And I encourage any of you on your next visit to hop on a high-speed rail line. It is coming to America.

Ms. KAPTUR. Mr. Chairman, I just wanted to ask the Secretary. I have heard from so many people, America can't do 250 miles an hour; you have got a teeny little country like Spain and a massive country like the United States.

I really can't understand technologically why we can't do 250 miles an hour.

Secretary LAHOOD. Well, it goes back to what Ms. Roybal-Allard was saying. We have communities shoehorned all over. It is pretty hard to make a train go from Washington through Philadelphia, through Wilmington, to get up to 250 miles an hour. I mean, you can't do it.

Now, in California, you know, they have some dedicated opportunities here, but I think we have to be sensitive to what Ms. Roybal-Allard said about the communities that it is going to go through.

You know, it is conceivable, you could start in Chicago and go to St. Louis and get up— if I predict a speed here, that will be the headlines, so I am not going to do that.

But, anyway, we are not going to get to 250 because America is already built out. If you get on the Spain train, it goes across the rural part of Spain. It is direct. You are going 250 miles an hour, and it is very comfortable.

Ms. KAPTUR. Thank you.

FUNDING MECHANISMS

Mr. OLVER. Thank you.

We are finished with our first round. The votes are holding up, so we will at least start again here and see how far we get.

It is my turn now. I just want to go back to where I was on the funding issue for a moment.

The Policy and Revenue Commission, which was part of the previous authorization bill, had assessed for the year before they made their report that the total expenditure in this country, in Federal, State and local funds for the transit and highway programs was about $85 billion.

A major portion of that, more than half of that, is Federal money. And none of that came from any of the creative revenue solutions—because they offered some creative ideas about what could be done, including the ones that you had mentioned, Mr. Secretary—but also such things as customs duties and imposing fees on vehicle registrations and things of that sort, which we basically do not do from the Federal level. Our dedicated sources of money have been basically from the gasoline tax.

And so it has only been the States that have used tolling and HOVs and public-private partnerships thus far. And it takes a fair amount of time to create those, if we decided to go that way at the Federal level, and a lot of competition with the States because that has been some of the way that they get their money.

So your question of—your quote of, you have to be creative about this, you really are going to have to be creative about it to make it all fit together, I think.

Now, I had wanted to contrast that—and I am going to add on just a little bit and go slightly farther than Mr. Pastor did on the NexGen issue. In your written testimony, your words on the Federal aviation—I will quote them for you. It says, "Federal Aviation

Administration should move toward a model whereby the Agency's funding is related to its costs, financing burden is distributed more equitably and funds are used to pay directly for services the users need."

That sounds very much like dedicated spending, the sort of thing that is most likely to be acceptable to people in general. I mean, I could relate other sorts of instances along the way. And so there—at the moment, we don't yet have a problem with our trust fund; that is what it is that is going on there.

So it puts, again, all pressure on the T&I Committee and on the administration to come up with something that is going to be a funding mechanism that will get the kinds of money we need. The Policy and Revenue Commission had stated that we basically need twice as much money fairly soon and over a 50-year period, two-and-a-half times as much money, on average, year by year to do the kind of transportation, surface transportation system that we really need.

My comment on the NexGen is this—and I am very pleased; you have already said that your new FAA administrator is very concerned about it and is going to move more quickly. I would hope your goal would be a rather specific one, to cut the time. This has been something we have been talking about for all the years I have been on this committee, which is most of the decade now; and it is now being said that we are headed onto a system that will get us NexGen in place by the year 2020. We ought to be able to cut that in half.

Secretary LAHOOD. I agree.

Mr. OLVER. You agree. Okay. Then we don't have anything else. But you can't do it with 865 million. It is going to have to be larger once you get up and ready to go and know really what we have to do. We really have to put some effort; and the money, as Mr. Berry back there said, It comes down to how much money do you need to raise to get to where do you want to go?

You don't need to comment. You have already done very well.

Secretary LAHOOD. I want to tell you, at the White House, they are committed to helping us try and speed this up. And all it takes is money to speed it up, everybody knows—I mean, the stakeholders all know and the people that provide the equipment know.

AIR TRAFFIC CONTROLLERS

Mr. OLVER. Our traffic control system is antiquated.

Secretary LAHOOD. It is. It is.

Could I just comment? Let me just read this for Mr. Rodriguez, Mr. Pastor. I am sorry Ms. Roybal-Allard left, but I will send her a little note.

There are four points here that the staff gave me, and I will put it on the record.

Hispanic recruitment will be addressed in the air traffic controller organization's workforce diversity plan. The plan is currently being finalized and will be delivered to Congress June 16. So if Ms. Roybal-Allard's staff is here, I will give this to them.

FAA, to date, has hired 765 Hispanic controllers, representing 5.14 percent of the controller workforce. But we will have a focus on doing better. But that is sort of the state of play right now.

We will have this report to you in about a week.

Mr. OLVER. Thank you.

Mr. Latham.

ESSENTIAL AIR SERVICE

Mr. LATHAM. Thank you, Mr. Chairman.

Mr. Secretary, as far as the Essential Air Service, there is a substantial increase in that; and basically, from what I see, it is pretty much to maintain normal services. It is important to two cities in my district—probably was for Peoria, too, I would guess.

Secretary LAHOOD. Sure.

Mr. LATHAM. Can you elaborate the reason for the size of that increase?

Secretary LAHOOD. Because we got the memo on this, and we know this is important to Congress, and it is important to communities, and it is important to DOT and FAA that we have Essential Air Service.

Mr. LATHAM. Are there going to be any proposals—and maybe this is a question for later on—to change it in any way, so that that we don't see these huge increases?

Secretary LAHOOD. I will let you know about that. I don't know that there is, but I will check that out.

[The information follows:]

The Essential Air Service (EAS) program provides a vital link to the national air transportation system for many communities across the country. The Administration is committed to maintaining small communities' access to the national air transportation system, and the primary tool to ensure that is the EAS program. In this regard, the President's FY 2010 budget request includes $175 million, a $39 million increase over the 2009 level of $136 million (including the $13 million recently appropriated in the Fiscal Year 2009 supplemental), for the EAS program in order to meet the current needs as the demands for subsidized air service increase.

The EAS program has remained fundamentally unchanged since its inception in 1978 while the aviation landscape has changed dramatically with the spread of the hub-and-spoke system, regional jets, and low-fare carriers. In order to ensure that the program remains responsive to the needs of rural America, we intend to review the challenges facing EAS and we look forward to working with Congress in an effort to restructure the program into a more efficient and sustainable program.

TRANSIT

Mr. LATHAM. Okay. I still have, as far as using stimulus money for operating in the transit, I mean, I understand where you are coming from as far as the difficulties communities and entities are having. My concern is, do you ever get that genie back in the bottle again afterwards, and will there be legislation or a proposal?

Secretary LAHOOD. I think this. I think what people ought to think about is, during hard economic times we should be open-minded about allowing transit districts to do it. And then when things improve, then you could set a date certain on it, assuming that the economy is going to be better 2 years from now, which I think everybody does assume. You could say a date certain is the end of the availability of that amount of money.

Mr. LATHAM. Is there precedent for any program that started up that ever ends?

Secretary LAHOOD. Probably, but I can't think of any right now.

Mr. LATHAM. There is nothing more permanent than a temporary government program. You know that. And that is my concern.

Secretary LAHOOD. Yes.

Mr. LATHAM. I don't think we ever get the genie back in the bottle again.

I mean, I have great empathy for your——

Secretary LAHOOD. You know, I am taking my cues on this. I went to a transit conference where you had transit people from all over the country. This is a big deal for them. I mean, they are hurting. They can ill afford to pay the drivers of their buses and to keep the doors open. I mean, it is a serious issue.

And I think when people like that raise a serious issue, you have to be sensitive and try to figure out a way forward for them.

Mr. LATHAM. No. I understand it, but I am just worried about long term. And it is a precedent that could be carried over in a lot of different areas, too, and that would be my concern.

We tried in the full committee, or I had an amendment, about not supplanting local government shares and things—what they are already doing with the stimulus money, and that was already rejected in the committee. But this kind of goes down that same vein.

Mr. Chairman, in the interest of time and the bells just went, I yield back. Thank you.

Mr. OLVER. Thank you.

Votes have now been called, which means that we should be done here by 12 o'clock, certainly, if we have 15 minutes or so. If we take maybe 2 minutes, we can probably finish the round for everybody and get everybody one more question in.

And Mr. Latham and I don't need to have any more time. We have had our time.

I would say that in a couple of days we should pass the supplementary budget, which does have a 10 percent allowance in that legislation, to my understanding, at least. The problem is that the first round of the transit moneys had already been obligated before the legal authority is being provided. So it would hopefully work for the second round, the second year of the transit distributions.

Mr. PASTOR. I am going to go down the line in seniority as we go, 2 minutes each.

HIGH-SPEED RAIL

Mr. PASTOR. I will ask the question and then maybe in later conversation—in October, the railroad administrator or that office is supposed to come to us with a national railroad plan, as I understood from prior panels.

In June, I think was it June 16, you are going to come out with the guidelines for high-speed rail.

Secretary LAHOOD. Right.

Mr. PASTOR. I would hope that as we develop, that this plan is presented to us in October, and you have the guidelines that there is some kind of connection so that the national plan, if adopted, will follow some of the recommendations—which I am sure is going to include consideration of high-speed rail.

So I would hope that when the national plan is provided that we are able to at least give you some of our comments.

Secretary LAHOOD. Sure. Of course. Of course.

Mr. PASTOR. Because I agree that Amtrak is a great national railroad today, but it can get better, and we should do what Eisenhower did with our interstates and do a great job.

Mr. OLVER. Mr. Carter.

Mr. CARTER. Thank you, Mr. Chairman. I just have kind of a brief—in our last meeting we had, we talked about high-speed rail. We were talking about, unless I missed it, the rail speeds being 120, maybe to 150 miles an hour.

Secretary LAHOOD. Yes, sir.

Mr. CARTER. But I am looking at the 200-plus right now.

Secretary LAHOOD. No, sir. I mean, after meeting with these folks around the country, I think there are very few corridors or regions that are ever going to get to that speed.

Mr. CARTER. Well, we happen to have a proposal that might. Actually, they are going 200-plus on a proposal.

Secretary LAHOOD. Okay.

Mr. CARTER. Dallas and San Antonio, and then Ft. Hood, which is our largest military installation down to Houston.

Secretary LAHOOD. Okay.

Mr. CARTER. I was telling them we were not talking about 200—but if there is a 200-mile-an-hour-plus proposal, it will be considered?

Secretary LAHOOD. Absolutely.

Mr. CARTER. That is all. Thank you.

Mr. OLVER. Mr. Rodriguez.

AIR TRAFFIC CONTROLLERS

Mr. RODRIGUEZ. Mr. Secretary, welcome once again. And in the area of air traffic control, probably, I would ask if there are—I know there are additional resources. And you said it exactly right, the more resources, the quicker we can get into some of these areas. And I think we really need to move into that new technology as quickly as possible.

Secretary LAHOOD. Yes.

Mr. RODRIGUEZ. And if you can, let us know maybe in the future in terms of what might be needed for us to do that. And it just seems that right now, since a lot of those new air traffic controllers are needed, we might as well come up with the new technology and move it up there as quickly as possible.

Secretary LAHOOD. Good point.

Mr. RODRIGUEZ. Thank you very much.

Mr. OLVER. Mr. LaTourette.

AUTO TASK FORCE

Mr. LATOURETTE. Mr. Secretary, one of the reasons I admire you is, in the 15 years that I have know you, you are a tremendously loyal person. And I know that you are now on Team Obama, and appreciate your loyalty, and I think you misunderstood my observations about the President's task force.

I think the President has done a wonderful job. And my criticisms weren't of the President. My observation is that he is being poorly served by this nonelected automobile task force.

So, Mr. Chairman, I would ask unanimous consent—and I will get you copies, Mr. Secretary—to insert into the record of this hearing an e-mail that they didn't want out, Chrysler didn't want out, the task force didn't want out, indicating that they tried to work this out. A lawyer on the task force told Robert Manzo at Chrysler, Forget about it; we are going go into bankruptcy.

I want to submit an article that appeared the Detroit News that indicates that the auto task force tried to set the advertising budget for Chrysler, the new Chrysler, during the course of the bankruptcy.

[The information follows:]

One day before April 30, 2009, Chrysler Bankruptcy filing ....

Robert Manzo, the Chrysler restructuring expert, sends an email to Matthew Feldman, an attorney on the Auto Task Force. Manzo offers to take another stab with the holdout lenders – the hedge fund operators that won't agree to the Chrysler deal and are about to force Chrysler into bankruptcy.

Manzo: "I hope you think it's worth giving this one more shot."

Feldman: "I'm now not talking to you. You went where you shouldn't."

Manzo: "Sorry. I didn't mean to say the wrong thing and I obviously did. I was trying to make sure that if we had to contribute to the solution you knew we had some room. Sorry I did not realize the mistake!!"

Feldman: "It's over. The President doesn't negotiate second rounds. We've given and lent billions of dollars so your team could manage this properly.....And now you're telling me to bend over to a terrorist like Lauria? That's BS."**

** Tom Lauria is a bankruptcy lawyer who represented lenders who objected to the Chrysler deal.

Source: Exhibit J, Docket 2778, Case 09-50002 and *Washington Post*

Obama Halves Chrysler's Planned Marketing Budget
Task Force Agrees Automaker Needs Advertising -- Just Not $134 Million Worth
By Jean Halliday

Published: May 11, 2009
DETROIT (AdAge.com) -- Chrysler wanted to spend $134 million in advertising over the nine weeks it's expected to be in bankruptcy -- the U.S. Treasury's auto-industry task force gave it half that.
So if GM, which is wrestling with the possibility of a Chapter 11 filing itself, is wondering how much influence the task force will have over marketing, the answer is: plenty. However, transcripts from the U.S. Bankruptcy Court for Southern District of New York, where the Chrysler case is being heard, proved for the first time that the task force at least understands that advertising is a necessary expense -- even if it doesn't think Chrysler needs $134 million for nine weeks of car ads.
Robert Manzo, executive director of Capstone Advisory Group and a consultant to Chrysler, testified at a May 4 hearing that the task force "believed that it was not feasible to not spend anything on marketing and advertising for fear of eroding the image of the brand," during the company's planned nine weeks in bankruptcy. However, Mr. Manzo also testified that this "hotly discussed" matter resulted in the task force basically slashing in half the amount Chrysler wanted for advertising in the period.

Mr. LATOURETTE. I want to submit an article that appeared in Automotive News on June 1 that indicates that the task force directed—everybody is wondering why the GM bankruptcy is in New York. It is in New York, even though it is incorporated in Delaware and has most of its stuff in Michigan, because they had one poor little guy selling cars in Harlem. And that is how they got the hook to create it.

[The information follows:]

Automotive News | June 1, 2009 - 1:00 pm EST

NEW YORK (Reuters) -- General Motors' bankruptcy will forever be tied to one dealership in an often-ignored neighborhood due to the quirks of U.S. bankruptcy law.

Before GM filed its historic bankruptcy today, Chevrolet-Saturn of Harlem made its own Chapter 11 filing. The dealership's move gave the automaker legal access to its preferred bankruptcy court in Manhattan.

Normally a Detroit-based company such as GM would file in Michigan or Delaware, where it is incorporated. The only way for it to file in New York would be through a subsidiary that did most of its business in New York or was incorporated in the state.

Court papers appear to describe a car dealer that sold significantly more corporate bonds than Cameros, running up $40 billion of debts and obligations to unions.

Rather than try to pinpoint the financial state of the dealership, GM simply listed its own consolidated creditors and assets with the affiliate, which is typical in such a case, said Greg Werkheiser, a bankruptcy lawyer with Morris, Nichols, Arsht & Tunnell in Wilmington, Del.

Once the attorneys handling the GM bankruptcy decided they wanted to file the case in Manhattan, known for its expertise and speed in handling huge bankruptcies such as Enron and WorldCom, they needed to find a way to bring it to Broadway.

The technique has been used before. Chicago-based General Growth Properties, the second-largest mall owner in the United States, recently used its South Street Seaport unit in New York to file for bankruptcy in Manhattan.

The problem for GM: of the 174 affiliates listed in its annual report, none appear to satisfy the requirements for a New York filing. That's where the Harlem dealership came in.

The dealership on Second Avenue in East Harlem opened a few years ago with much fanfare as an investment in a minority-owned business in a struggling neighborhood.

However, the franchise did not work out as planned and GM took it over, becoming a rare company-owned store that the automaker planned to run until another franchisee could be found.

As the government's deadline for GM to restructure neared, the dealership became something far more valuable: a way to file for bankruptcy in Manhattan.

This morning, the dealership was open and showed no signs it had filed for bankruptcy, with employees walking through a showroom stocked with vehicles including Saturn Aura sedans and Cadillac Escalades.

A man who said he was the owner, but declined to further identify himself, told Reuters that he had no comment on the bankruptcy.

Mr. LATOURETTE. On the question of who picked the dealerships, Mr. Nardelli testified—whom you talked about earlier—submit his testimony from the bankruptcy proceeding that indicates when he was asked to quantify how much these things were costing the dealers, he said, We have never computed those costs.

So it is not a matter of cost.

[The information follows:]

Amy Brown, an attorney for the Committee of Chrysler Affected Dealers, which represents more than 330 dealers, asked why it was necessary to eliminate the franchises when neither the government or Fiat asked for it to happen.

Nardelli said that the 789 dealers, which represented 14 percent of Chrysler's 2008 sales, also represent "a host of expenses" for Chrysler related to things such as tooling, service training, advertising and sales incentives.

But when asked to quantify how much those things cost the automaker, Nardelli said he could not and wasn't sure if the automaker had determined those exact costs.

http://finance.yahoo.com/news/Chryslers-CEO-sees-sale-to-apf-15378309.html?.v=10

6/3/2009

Mr. LATOURETTE. I would also submit for the record a transcript the Judiciary Committee had 2 weeks ago, a Wall Street Journal article where the witnesses testified that the auto task force, not one of them has any experience in the automotive business, making cars, selling cars, repairing cars. And as a matter of fact, the Wall Street Journal goes on to report, most of them don't even own cars, and those that do own cars own foreign cars.

[The information follows:]

JORDAN: Okay, does anyone else know if they have any expertise in how cars – manufacturing or car dealership businesses operate?

Andrew Grosssman of Heritage foundation: The Wall Street Journal actually did a service of the members of the automotive taskforce and discovered that a substantial portion of them don't even own cars.

And earlier:
JORDAN: ....Do we know if any of these individuals have, as Mr. Sherman just said, any expertise in the auto industry?
Treasury Secretary Geithner; Diana Farrell, deputy director of the National Economic Council; Gene Sterling (ph), counselor to the decretary of treasury; Jared Bernstein (ph), chief economist to the vice president; Edward Montgomery, senior advisor at the Department of Labor; Lisa Henderling (ph), senior climate policy counsel to the EPA; Austin Goolsby, staff director, chief economist for the Economic Recovery Advisory Board; Dan Eutech (ph), senior advisor to the secretary of energy; Heather Zichal, deputy director, Whitehouse Office for Energy and Climate Change; Joan Deboer (ph), chief of staff at the Department of Transportation; and Rick Wade (ph), senior advisor to the Department of Commerce.
Do these individuals have any expertise on the manufacturing side, on the dealer side?

(UNKNOWN): None.

Mr. LATOURETTE. The hearing is going on in New York currently in the Chrysler case, and the Chrysler dealers are testifying that the decisions were made by the car companies, not the task force, not based on upon how productive they were, how much money they were making, how good their service was; it is based upon how many times they got in a fight with Chrysler. And the same thing is going on with GM.

So, Mr. Secretary, I am not criticizing the President, but I am now telling you we will own 61 percent of General Motors or will soon. The President has the opportunity to rein this stuff in and stop it.

And I am just here to tell you that 300,000 Americans are not being treated fairly by these decisions, and they are not the fault of the administration. But by aiding and abetting this structured bankruptcy, the President has the ability to rein it in.

I will give you these documents and ask you to look at it.

Secretary LAHOOD. Mr. Chairman, may I just say this?

I have told——

Mr. OLVER. Without objection, the items will be placed in the record of the hearing.

Secretary LAHOOD. I have told Mr. LaTourette this privately, but I will say it publicly.

When I saw him represent Mr. Traficant on the House floor, I told him, when I needed a lawyer, he would be the one that I would pick. This is the reason right here. He does his homework, and he obviously has done his homework.

I did see your press conference that you held at the Capitol; and it, as usual, was very well documented and very thorough. And I appreciate that. I appreciate the points that you made.

Mr. LATOURETTE. Thank you.

Mr. OLVER. Mr. Secretary, you really are good.

Ms. Kaptur.

Ms. KAPTUR. I would just like to say, I would like to associate myself with the remarks of Mr. LaTourette and say that I think it is an abomination that the automotive task force has not come before this Congress, either Chamber.

And I would have handled it as we did back in the 1970s with the Chrysler warrants and restructuring. The fact that this has been handled internally is shocking to me, as a citizen and a believer in our Constitution.

And the automotive industry is in the trouble that it is in because of the damage that five major Wall Street banks did to this country and it brought down an industry that has been the lifeblood of the communities that I represent.

I am very angry as a Member. I am doing everything I can to enlighten what is happening. I think what has been done is outside the authority of the TARP. And so I thank Mr. LaTourette for putting those items on the record.

I just wanted to make a comment about a totally different subject, and that is the condition of medium-sized communities that lose air service because of the prejudice towards the large hubs. And Mr. Secretary, though I don't really have a formal question to you, I would say there are many communities in this country that have been terribly harmed with the lack of air service.

And I see these large hubs getting bigger. Every couple of months the names of the airlines seem to change. Now I think we have got Delta Northwest or Northwest Delta, and the result of that for 1 month is cookies on the flights, but those are going to leave in a month.

And we see this massive—these massive companies. And these large hubs get bigger and bigger, and the majority of communities across our country being forced to go further to have airline business taken from them.

We haven't seen the robust development of the smaller flights serving these medium-sized communities. I would really urge you to look at the medium-size communities and the research that exists over there at DOT and see what can be done to strengthen service to medium-size communities that have lost carriers and service. I—just in my service here in the Congress, I can't believe the difference in terms of service from the communities that I represent.

So I thank you very much and wish you well in your service, sir.

Mr. OLVER. Well, thank you very much, Mr. Secretary, for being with us today and for your responsiveness. You really do understand what we have to deal with as people who take our exams every 2 years.

Thank you very much for being with us.

And the hearing is closed. Thank you.

Questions for the Maritime Administration (MARAD)
from Chairman Olver
Fiscal Year 2010 Budget
House Committee on Appropriations,
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

APPROPRIATION HISTORY

QUESTION: Please provide MARAD's appropriations history over the last ten fiscal years.

RESPONSE: See table next page

DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
HISTORY OF APPROPRIATIONS
FY 2001 - FY 2010

($000)

	FY 2001 P.L.106-553	FY 2002 P.L. 107-77	FY 2003 P. L. 108-7 P.L. 108-11	FY 2004 P.L.108-199	FY 2005 P.L.108-447	FY 2006 P.L. 109-115 P.L. 109-148 19/	FY 2007 P.L. 110-005	FY 2008 P.L. 110-161	FY 2009 P.L. 111-8	FY 2010 Request
Operations & Training (O&T) 1/	86,719 1/	88,951 4/	92,092 6/	105,674 10/	106,952 14/	136,027 20/	111,522	121,992	123,360	152,900
Ship Disposal	0	0	11,088 7/	16,115 11/	21,443 15/	20,790	20,790	17,000	15,000	15,000
Maritime Security Program	98,483 2/	0	98,058 8/	98,118 12/	97,910 16/	154,440	154,440	156,000	174,000	174,000
Assistance to Small Shipyards	0	0	0	0	0	0	0	10,000	17,500	0
Assistance to Small Shipyards ARRA	0	0	0	0	0	0	0	0	100,000	0
National Defense Tank Vessel Construction	0	0	0	0	74,400 17/	0	-74,400	0	0	0
Ship Construction	0	0	0	0	0	0	0	0	0	0
Rescission of unobligated balance	0	[4,400]	0	[-4,107]	[-1,979]	[-2,071]	[-2,000]	[-6,673]	[-1,383]	0
Maritime Guaranteed Loan (Title XI) 3/	33,912 3/	36,978 5/	29,099 9/	4,471 13/	4,726 18/	9,085	4,085	8,408	3,531	3,630
Guarantee Subsidy	29,934	33,000	25,000	0	0	5,000 21/	0	5,000	0	0
Administration	3,978	3,978	4,099	4,471	4,726	4,085	4,085	3,408	3,531	3,630
Rescission of unobligated balance	[-7,644]	[-5,000]	0	0	0	0	0	0	0	0
Subtotal, DiscretionaryAppropriations	**219,114**	**125,929**	**230,337**	**224,378**	**305,432**	**320,342**	**216,437**	**313,400**	**433,391**	**345,530**
Federal Ship Financing Fund	0	378	0	0	0	0	0	0	0	0
Ocean Freight Differential 2/	80,495	54,331	113,360	687,816	814,859	526,260	496,343	201,726	175,000	175,000
Special Studies	75	31	27	70	0	0	0	88,842	5,000	5,000
Gifts & Bequests	1,318	0	500	0	0	0	640	161	0	0
Maritime Guaranteed Loan (Title XI)	20,522	208,309	71,250	20,920	28,323	5,231	22,660	276	55,619	0
Reestimate	20,522	208,309	71,250	20,920	28,323	5,231	22,660	276	55,619	0
Subtotal, Mandatory Appropriations	**102,410**	**263,049**	**185,137**	**708,806**	**843,182**	**531,491**	**519,643**	**291,005**	**235,619**	**180,000**
Total Budget Authority	**313,880**	**379,578**	**415,474**	**929,077**	**1,146,635**	**849,762**	**734,080**	**597,732**	**667,627**	**525,530**

Footnotes (Actual Dollars - not in thousands):

1/ Includes $191,202 rescinded in P.L.106-553.

2/ Includes $217,140 rescinded in P.L.106-553.

3/ Includes $74,771 rescinded in P.L.106-553.

4/ Includes $103,000 rescinded in P.L.107-77.

5/ Includes $5,000 rescinded in P.L.107-77.

6/ Includes $602,524 rescinded in P.L.108-7.

7/ Includes $72,546 rescinded in P.L.108-7.

8/ Includes $641,550 rescinded in P.L.108-7.

9/ Includes $26,819 rescinded in P.L.108-7.

10/ Includes cancellation of expired funds of $721,878 plus $1,323,159 rescinded in P.L.108-199.

11/ Includes $95,645 rescinded in P.L.108-199.

12/ Includes $582,330 rescinded in P.L.108-199.

13/ Includes $26,538 rescinded in P.L.108-199.

14/ Includes Working capital fund of $1,650,000 plus $875,824 rescinded in P.L.108-447.

15 Includes $172,928 rescinded in P.L.108-447.

16/ Includes $789,600 rescinded in P.L.108-447.

17/ Includes $600,000 rescinded in P.L.108-447.

18 Includes $38,112 rescinded in P.L.108-447.

19/ Across the board reduction of 1%

20/ Includes $7,500,000 in supplemental funding for Hurr. Repairs.

21/ Transferred from Highway Priority Projects (Sec. 1113).

MARAD OPERATIONS FUNDING DETAIL

QUESTION: In table format, please show the line item budgetary elements that constitute MARAD Operations. Please include the associated funding level provided for each line item and line item subdivisions for the last five fiscal years and requested level in 2010. Please do not provide this information by performance goal.

RESPONSE:

MARAD OPERATIONS ($000)						
Program Activities 1/	**FY 2005 Enacted**	**FY 2006 Enacted**	**FY 2007 Enacted**	**FY 2008 Enacted**	**FY 2009 Enacted**	**FY 2010 Request**
Salaries & Benefits	25,903	26,089	26,531	26,314	26,772	28,602
Non-Discretionary Operations 2/	9,883	6,764	6,616	10,506	9,298	9,731
Information Technology 3/	3,149	4,766	4,766	6,113	6,183	6,214
Discretionary Operations & Travel 4/	1,152	1,173	1,173	1,171	1,818	1,777
Discretionary Program Expenses 5/	992	9,900	0	0	1,531	1,488
Maritime Transportation System (MTS)	0	0	0	1,960	1,900	0
Maritime - Homeland Security Initiative	0	0	0	0	0	15,000
Supplemental: New Orleans Pier	0	7,500	0	0		0
Total	$41,079	$56,192	$39,086	$46,064	$47,502	$62,812

1/ MARAD has established new line item budget elements for FY 2010 to better align with the program categories mapped in MARAD's accounting system and used for day to day management of the agency's operations.
2/ Includes GSA Rent, WCF and other non-discretionary costs such as accounting, payroll and personnel systems support, utilities, maintenance, records management, and security.
3/ Does not include WCF-funded IT expenses.
4/ Discretionary operations are of an administrative nature such as supplies, equipment, printing and support services
5/ Discretionary program expenses are dedicated to direct program costs in the areas of Environment and Compliance, Intermodal System Development, National Security, and Business and Workforce Development

QUESTION: Please update the table on page 38 of the fiscal year 2009 congressional justification to reflect the changes by program as defined in fiscal year 2009.

RESPONSE:

It is important to note that previous budget submissions had included an attribution of personnel costs and non-discretionary operating expenses to various categories that cross walked with elements of MARAD's Strategic Plan, but these did not in all cases align easily with the program categories mapped in MARAD's accounting system and used for day-to-day management of the agency's operations. The FY 2010 budget presentation better aligns spending categories with how MARAD actually manages its programs and funding.

To provide greater transparency on the salaries and benefits request, the following table includes a break-down by major program the number of full-time permanent positions supported by FY 2010 salaries and benefits funding. A comparison of FY 2009 enacted and FY 2010 requested levels for salaries and benefits, non-discretionary operations, information technology, discretionary operating expenses (including travel), discretionary program expenses and program line items is also outlined below.

Salaries & Benefits FY 2010 - $28.6 million	**Full-time Permanent Positions (FTP)**
Environment and Compliance	17
Intermodal Systems Development	25
National Security	22
Business & Workforce Development	42
Support Activities 1/	97
Total MARAD Operations-Direct	**203**

1/ Staffing principally includes senior Agency Officials, Administration, CFO, Counsel, and other support offices.

MARAD Operations					
Program Activities 1/ ($000)	**FY 2009 Enacted**	**Salary Adjustment 2/**	**Non-Salary Adjustment**	**Program Increases/ Decreases**	**FY 2010 Request**
Salaries & Benefits	26,772	1,830			28,602
Non-Discretionary Operations 3/	9,298		433		9,731
Information Technology	6,183		31		6,214
Discretionary Operations & Travel 4/	1,818		9	-50	1,777
Discretionary Program Expenses 5/	1,531		7	-50	1,488
Maritime Transportation System (MTS)	1,900			-1,900	0
Maritime - Homeland Security Initiative	0			15,000	15,000
Total	**$47,502**	**$1,830**	**$480**	**$13,000**	**$62,812**

1/ MARAD has established new line item budget elements for FY 2010 to better align with the program categories mapped in MARAD's accounting system and used for day to day management of the agency's operations.

2/ Includes annualization of 2009 pay raises, 2010 salary increases, and annualization of 8 FTE.

3/ Includes GSA Rent, WCF and other non-discretionary costs such as accounting, payroll and personnel systems support, utilities, maintenance, records management, and security.

4/ Discretionary operations are of an administrative nature such as supplies, equipment, printing and support services

5/ Discretionary program expenses are dedicated to direct program costs in the areas of Environment and Compliance, Intermodal System Development, National Security, and Business and Workforce Development

CARRY-OVER BALANCES BY ACCOUNT

QUESTION: In table format, please show carryover balances available by account or subaccount for fiscal years 2008 (available in FY09) and 2009 (available in FY10).

RESPONSE:

Unobligated Carryover Balances ($000)			
	FY 2007 Actuals (available in FY 2008)	FY 2008 Actuals (available in FY 2009)	FY 2009 Estimate (available in FY 2010)
Account:			
Operations and Training	1,649	19,399	1,000
Gifts and Bequests	59	268	0
Special Studies and Programs	1,300	2,675	0
Ship Disposal	14,081	20,325	0
Maritime Security Program	475	1,000	0
Ship Construction	6,674 1/	1,382 2/	2,500 3/
Ready Reserve Force	2,253	2,299	0
Operating-differential Subsides	822	822	0
Ocean Freignt Differential	0	90	0
Federal Ship Finacing Fund Liquidating Acct	20	20	0
Vessel Operations Revolving Fund	19,708	52,292	0
War Risk Insurance Revolving Fund	43,293	44,001	46,001
Maritime Guaranteed Loan Program:			
Subsidy	7,352	12,352	0
Administration	0	0	0
Total	**97,686**	**156,925**	**49,501**

1/ Balance rescinded in FY 2008
2/ Balance rescinded in FY 2009
3/ Unobligated Balance anticipated to be rescinded in FY 2010.

FUNDS ADMINISTERED BY ACCOUNT

QUESTION: Please list those funds that are administered by MARAD, but not appropriated to the organization. Please include where each account fund is credited to, the fund source, the intended us, the actual use, and the associated amount for each of the last five fiscal years.

RESPONSE: See table next page

Funds Administered by the Maritime Admiistration
Not appropriated to the Maritime Administration
Summary FY 2008

Total Vessel Operating Revolving Fund	$363,631,815
Total Operations & Training	$48,701,697
Total Gifts and Bequests	$160,990
Total Special Studies, Services, and Projects	$88,842,400
Total FY 2008 Funding Authority	$501,336,902

Not appropriated to the Maritime Administration
Summary FY 2007

Total Vessel Operating Revolving Fund	$239,952,543
Total Operations & Training	$44,556,545
Total Gifts and Bequests	$2,617,536
Total GMATS	$9,741,487
Total Special Studies, Services, and Projects	$7,500,000
Total FY 2007 Funding Authority	$304,368,111

Funds Administered by the Maritime Admiistration
Not appropriated to the Maritime Administration
Summary FY 2006

Total Vessel Operating Revolving Fund	$256,361,916
Total Operations & Training	$50,123,365
Total Gifts and Bequests	$2,182,796
Total GMATS	$7,815,454
Total Special Studies, Services, and Projects	$6,338,921
Total FY 2006 Funding Authority	$322,822,452

Funds Administered by the Maritime Admiistration
Not appropriated to the Maritime Administration
Summary FY 2005

Total Vessel Operating Revolving Fund	$289,043,342
Total Operations & Training	$57,165,077
Total Gifts and Bequests	$2,504,019
Total GMATS	$7,600,205
Total Special Studies, Services, and Projects	$6,511,725
Total FY 2003 Funding Authority	$362,824,368

Funds Administered by the Maritime Admiistration
Not appropriated to the Maritime Administration
Summary FY 2004

Total Vessel Operating Revolving Fund	$234,665,833
Total Operations & Training	$52,634,157
Total Gifts and Bequests	$1,749,479
Total GMATS	$7,710,816
Total Special Studies, Services, and Projects	$154,575
Total FY 2004 Funding Authority	$296,914,860

STAFFING HISTORY

QUESTION: Please provide a table showing the following information by fiscal year 2005 through 2010 (request): FTE requested in the budget request; FTE enacted by Congress; and actual FTE on-board. Please provide this information by account and include a total.

RESPONSE: See table next page

STAFFING HISTORY

Program	FY 2005 Req.	FY 2005 Enact.	FY 2005 2/ Actual	FY 2006 Req.	FY 2006 Enact.	FY 2006 Actual	FY 2007 Req.	FY 2007 Enact.	FY 2007 Actual	FY 2008 Req.	FY 2008 Enact.	FY 2008 Actual	FY 2009 Req.	FY 2009 Enact.	FY 2009 Actual	FY 2010 Req.	FY 2010 Enact.	FY 2010 Actual
Direct Funded																		
Operations and Training (O&T)	481	455	453	455	455	431	455	424	446	424	438	430	446	452		498		
Ship Disposal	9	7	7	7	7	0	7	7	7	7	7	7	7	11		11		
Alternation of Bridges	0	0	0	0	0	0	0	0	0	23	0	0	0	0		0		
Subtotal, Direct Funded	490	462	460	462	462	431	462	431	453	454	445	437	453	463		509		
Reimbursements/Allocations/Other																		
O&T	413	365	366	365	365	354	358	354	303	354	303	298	303	0				
Vessel Operations Revolving Fund (VORF)	0	0	0	0	0	0	0	0	0	0	0	0	0	326		333		
Subtotal, Reimbursements	413	365	366	365	365	354	358	354	303	354	303	298	303	326		333		
TOTAL FTE	903	827	826	827	827	785	820	785	756	808	748	735	756	789		842		

FTE REQUEST, FTE ON-BOARD, AND VACANCIES

QUESTION: Please provide a table showing the current number of FTE on-board, vacant FTE, and "new" FTE (additional FTE MARAD is requesting over that provided in FY09) by account and total.

RESPONSE:

Program	FY 2009 On-Board FTE	Vacancies	NEW FTE IN FY 2010	FY 2010 Requested FTE
Operations and Training:	418	34	46	498
Ship Disposal	11	0	0	11
Subtotal, Direct Funded	**429**	**34**	**46**	**509**
Reimbursements/Allocations/Other				
Vessel Operations Revolving Fund:	306	20	7	333
Subtotal, Reimbursements	**306**	**20**	**7**	**333**
TOTAL FTE	**735**	**54**	**53**	**842**

RETIREMENT PROJECTIONS

QUESTION: Please update the tables on page 274 of the FY08 hearing record that shows the percentage of the MARAD's employees that will be eligible for retirement over the next 10 years.

RESPONSE:

Future Fiscal Year Retire Eligible	# of Employees	% Year	Cum. %
2010	235	30.1%	30.1%
2011	39	5.0%	35.0%
2012	47	6.0%	41.0%
2013	35	4.5%	45.5%
2014	26	3.3%	48.8%
2015	29	3.7%	52.6%
2016	25	3.2%	55.8%
2017	41	5.2%	61.0%
2018	25	3.2%	64.2%
2019	27	3.5%	67.6%
2019+	260	32.4%	100.0%
Grand Total	789	100.0%	

NUMBER OF VESSELS ON SHIP DISPOSAL LIST

QUESTION: How many inactive, obsolete National Defense Reserve Fleet vessels are on the ship disposal list?

RESPONSE: As of May 1, 2009, there were 101 non-retention vessels on the National Defense Reserve Fleet (NDRF) ship inventory list. The inventory includes ships under recycling fee-for-service contracts, which remain on the inventory list until the disposal action is completed. Of the 101 non-retention ships in the inventory, eight (8) ships are in the process of being recycled and two (2) ships are under contract award awaiting removal from the fleet sites. Non-retention vessels sold for disposal, or disposed of via donation and artificial reefing, are removed from the inventory list upon transfer of the vessel to the new owner.

QUESTION: How many NDRF vessels are available for disposal? How does this number differ from the total number of the ship disposal list?

RESPONSE: As of May 1, 2009, there were 91 vessels at the Maritime Administration's three fleet sites that are not yet under contract and, as such, are available for disposal. The difference between the 101 non-retention vessels on the inventory list and the 91 ships available for disposal at the fleet sites is, as stated above, 8 ships that are currently in the disposal process and two already under contract and awaiting removal from the fleet sites.

QUESTION: Please provide a table showing the beginning year balance of vessels on the ship disposal list, the number added, the number removed, and end of year balance by year for 1998 through 2010 (estimate).

RESPONSE: The table below reflects the beginning and ending year balance of vessels on the ship disposal list for the years 1998 through 2010 (estimate). The beginning and ending year balance only includes vessels physically located at the fleet sites for the given time periods.

OBSOLETE VESSELS IN MARAD's CUSTODY BY FISCAL YEAR, FY 1998 - 2010													
	FY 1998	**FY 1999**	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009***	**FY 2010 ***
On Hand, Start of Year	74	77	111	115	132	133	132	138	143	152	130	111	101
Transfers In	6	42	7	19	7	2	16	17	33	1	11	4	4
Transfers Out	3	8	3	2	6	3	10	12	24	23	30	14	16
On the books end of year	77	111	115	132	133	132	138	143	152	130	111	101	89
Removed from the Fleets	3	5	3	6	6	2	15	18	25	20	25	14	15

Definitions:

"Transfers In" refers to vessels from all sources that have changed in status from retention to non retention.

"Transfers Out" refers to vessels that have been taken "off the books" because of a completed disposal, title transfer through vessel sale, donation or other transfer action. "Removed from the fleet" refers to vessels that have been physically removed from the fleet sites.

Except for vessel sales and donations, vessels removed from the fleet are not counted as "Transfers Out" until the disposal action is completed.

* FY 2009 is actual through May 1, 2009 and FY 2010 is a projection.

QUESTION: What is the Department of Defense's (DoD's) projection for the size of the fleet of inactive, obsolete vessels for the next five years? What is MARAD's projection of the number of MARAD-owned, NDRF vessels to be reclassified as non-retention, obsolete, over the next five years?

RESPONSE: The U.S. Navy staff has not indicated there will be a transfer of any additional non-retention DoD-owned merchant type vessels to the Maritime Administration (as the Government's disposal agent) over the next five years. The Agency's projection for the number of Maritime Administration-owned, NDRF vessels to be reclassified as non-retention over the next five years is approximately 3-5 vessels per year.

RISK LEVEL AND LOCATION OF VESSELS ON SHIP DISPOSAL LIST

QUESTION: How many and what percentage of ships on the list are rated as high risk? How many and what percentage are rated as moderate risk?

RESPONSE: A vessel condition rating system, using multiple factors, is used to evaluate the material condition and determine the disposal priority of each obsolete vessel. The condition rating system and distribution of the 91 vessels awaiting disposal is shown in the following table. The number of ships in the chart below applies to the obsolete vessels currently located at the Maritime Administration's reserve fleet sites and not yet under contract for disposal. Non-retention vessels are disposed of on a "worst first" basis, which is a material condition-based priority that includes several assessment factors in addition to hull condition. Actual assessment of the vessel condition factors are converted to a numerical score. A vessel with a condition score of 2.00 or less is considered a "high" disposal priority; a score of 2.01 to 2.99 is a "moderate" disposal priority; and, a score greater than 3.00 is a "low" disposal priority.

Vessel Condition Score	Disposal Priority	Number Of Ships	Percentage Of Total
≤ 2.00	High	11	12.1%
2.01-2.99	Moderate	17	18.7%
≥3.00	Low	63	69.2%

QUESTION: Please list the distribution of the obsolete vessels by number and location relative to their risk/priority designation. What is the percentage of ships that are considered seaworthy to the extent that they could withstand an international voyage for overseas disposal?

RESPONSE: The distribution of 91 obsolete vessels awaiting disposal by number and location relative to their priority is shown in the following table.

Number Of Ships	Disposal Priority	Fleet (Location)
0	High	BRF (Beaumont, TX)
0	Moderate	
11	Low	
0	High	JRRF (James River, VA)
1	Moderate	
22	Low	
11	High	SBRF (Suisun Bay, CA)
16	Moderate	
30	Low	

The large number (27) of high and moderate disposal priority vessels in the SBRF, relative to the Agency's other two fleets, is a direct result of the environmental and legal challenges in California and the curtailment of vessel removals from the SBRF, since January 2007, resulting from litigation.

One hundred percent (100%) of the Maritime Administration's obsolete vessels awaiting removal from the fleets are considered seaworthy and able to withstand an international tow for overseas disposal. No vessels are currently designated for or restricted to domestic disposal because of the vessels' material condition. All vessels, whether destined for domestic or foreign recycling, undergo a trip and tow survey by an independent marine surveyor prior to the start of tow preparations to ascertain vessel condition prior to the commencement of a tow and to identify specific tow preparations that are needed. All vessels considered seaworthy for an open ocean tow are issued a load-line certificate by the U.S. Coast Guard.

Since FY 2001, the Maritime Administration has removed 123 non-retention ships from its three fleet sites for disposal. All 123 ships received load-line certificates from the U.S. Coast Guard and were safely towed to the disposal destinations.

OIL DISCHARGES FROM OBSOLETE VESSELS

QUESTION: Please update the chart on page 277 of the FY09 hearing record on oil discharges from obsolete vessels.

RESPONSE: The following discharges of oil from obsolete vessels have occurred since 1995 at the Agency's three fleet sites and were addressed without significantly adverse environmental impacts.

James River Reserve Fleet:

- An unknown quantity of oil was released from the EXPORT CHALLENGER (July 1998)
- An unknown quantity of oil was released from the EXPORT CHALLENGER (September 1998)
- Twenty-five (25) gallons of oil were released from the EXPORT CHALLENGER (July 1999)
- Twenty-five (25) gallons of oil were released from the BUILDER (July 1999)
- One Thousand (1,000) gallons of oil were released from the DONNER (August 2000)
- An oil sheen was released from the DONNER (September 2000)
- Ten (10) gallons of oil were released from the MORMACWAVE (October 2000)
- Two (2) gallons of oil were spilled from the MIRFAK (March 2003)
- Ten (10) gallons of oil were released from the MORMACWAVE (May 2003)
- Five (5) gallons of oil were released from the COMPASS ISLAND (August 2003)
- Six (6) gallons of oil were released from the WACCAMAW (January 2005)
- Twenty (20) gallons of diesel fuel were released from the SOUTHERN CROSS (June 2005)
- One (1) gallon of preservation oil was released from the GEN. HOYT S. VANDENBERG (August of 2006)

Beaumont Reserve Fleet:

- Ten (10) gallons of diesel/water mix was released from the TEXAS CLIPPER I (May 2006)
- One (1) gallon of oily water was released from the DEL VIENTO (August 2007)
- One (1) gallon of hydraulic fluid was released from the CAPE FLORIDA (September 2007)

Suisun Bay Reserve Fleet:

- One (1) pint of hydraulic fluid released from the SAGAMORE (May 1998)
- Six (6) drops of preservation oil released from the AGENT (June 2001)
- One (1) liter of diesel fuel released from the HASSAYAMPA (May 2007)

In 2007, the Agency began instituting, at all three fleet sites, an Environmental Management System (EMS) as part of the Maritime Administration's commitment to environmental stewardship. One objective of the EMS is to reduce the risk of the release of oil and other hazardous materials. The Maritime Administration also developed and implemented best management practices for fleet operations that further enhance our stewardship of the environment.

SHIP DISPOSAL APPROPRIATIONS AND DISTRIBUTION OF FUNDS

QUESTION: Please update the table on page 277 of the FY09 hearing record listing and explaining the actual distribution of all funds appropriated for ship disposal over the last ten years. Please include the subdivided line items that constitute the enacted, annual appropriation designated for the purpose of ship disposal over this time period.

RESPONSE:

Ship Disposal Program
Summary of Annual Appropriations and Expenses

Fiscal Year	Appropriation Level / Source	Distribution of Funds Vessel Disposals & Support Actions	Amounts
FYs 1993-2000	$0	N/A *48 ships sold for foreign recycling* *13 ships sold for domestic recycling* *4 domestic legislative donations*	N/A
FY 01	$10M / DOD	EXPORT BUILDER EXPORT CHALLENGER LYNCH GEN. ALEXANDER M. PATCH WAYNE VICTORY WOOD COUNTY General Agent Services Contracting Expenses *1 ship domestically reefed*	$1,613,348.00 $2,473,600.00 $544,417.00 $2,033,956.00 $901,759.00 $789,715.00 $1,406,980.00 $236,225.00
FY 02	$0	None	$0
FY 03	$20M / DOD $11.088M / DOT	LORAIN COUNTY MIRFAK PRP/Able UK 15 Ships CATAWBA VICTORY SANTA ELENA MORMACDAWN	$180,000.00 $414,768.00 $14,846,338.00 $1,135,915.00 $1,349,185.00 $1,313,697.19

		ALBERT. E. WATTS	$3,966,254.28
		MARINE FIDDLER	$1,245,011.70
		OPPORTUNE	$135,412.70
		PETREL	$166,995.00
		ROBERT C. CONRAD	$100,485.00
		GAGE	$490,000.00
		Salaries	$231,313.00
		Contract Support	$146,090.00
		Fleet Support	$305,403.00
		Travel/Misc	$55,779.00
FY 04	$16.115M / DOT	AMERICAN BANKER	$1,289,848.23
		SANTA CRUZ	$1,009,885.00
		AMERICAN RANGER	$796,051.55
		SANTA ISABEL	$970,772.00
		MORMACWAVE	$1,375,135.00
		DONNER	$559,554.93
		PROTECTOR	$533,042.14
		GEN. WILLIAM O. DARBY	$1,092,878.00
		GEN. NELSON M. WALKER	$1,336,350.00
		MORMACMOON	$1,284,503.00
		LAUDERDALE	$956,520.00
		DOT Overhead/Rent	$195,435.00
		Salaries	$519,401.00
		Environmental Assessments	$217,021.99
		Env, Safety & Health Support	$110,860.00
		Travel/Misc	$84,758.06
		2 vessels sold for domestic recycling	
FY 05	$21.443M / DOT	SHIRLEY LYKES	$849,800.00
	$19.549M	NEOSHO	$1.00
	Ship Disposal	WABASH (EX AOG 4)	$1,366,580.00
	$1.984M	WAHKIAKUM COUNTY	$1,102,850.00
	Savannah	TIOGA COUNTY	$1,122,850.00
		SUNBIRD	$85,920.00
		MIZAR	$238,900.00
		NEPTUNE	$398,601.00
		ALBERT J. MEYER	$396,371.00
		SANTA LUCIA	$565,827.00
		NEMASKET	$1,224,100.00
		MARSHFIELD VICTORY	$335,000.00
		PRESERVER	$107,640.00
		CONNECTICUT	$1,299,327.00
		WACCAMAW	$496,319.00
		PAWCATUCK	$515,309.70
		PYRO	$747,722.63
		MAUNA KEA	$754,549.55
		MONTICELLO	$889,972.35

		MISSISSINEWA	$0.02
		DOT Overhead/Rent	$233,359.00
		Salaries	$858,000.00
		Env, Safety & Health Support	$163,608.00
		Travel/Misc	$63,801.00
		Historic Artifact Removals	$22,009.00
		1 vessel sold for domestic recycling	
FY 06	$20.79M / DOT	POINT LOMA	$897,792.00
	$17.82M	FLORENCE	$996,992.00
	Ship Disposal	HOWARD W. GILMORE	$742,675.00
	$2.97M	BEAUJOLAIS	$1,047,137.00
	Savannah	PRIDE II	$591,584.00
		BRINTON LYKES	$555,211.81
		ORION	$734,230.00
		SAUGATUCK	$549,999.00
		OCCIDENTAL VICTORY	$1,297,207.00
		HANNIBAL VICTORY	$1,236,530.00
		SIOUX FALLS VICTORY	$978,698.00
		BARNARD VICTORY	$1,376,699.00
		RECLAIMER	$363,484.00
		CLAMP	$363,484.00
		FLORIKAN	$396,384.00
		DOT Overhead/Rent	$233,250.00
		DHS Overhead	$74,926.00
		Salaries	$794,154.00
		Environmental Expenses	$984,081.00
		Env, Safety & Health Support	$447,250.00
		Travel/Misc	$102,245.00
		Historic Vessel Assessments	$87,813.00
		5 vessels sold for domestic recycling	
FY 07	$21.10M / DOT	TEXAS CLIPPER I *(Reefing)*	$1,500,000.00
	$12.52M	MARYLAND (TEXACO)	$400,000.00
	Ship Disposal	MAUMEE	$405,726.00
	$8.27M*	VULCAN	$494,000.00
	Savannah	QUEENS VICTORY	$1,180,000.00
	* Incl. $5.3M		
	Reprogramming	JASON	$1,426,035.00
		GEN VANDENBERG *(Reefing)*	$1,250,000.00
		CAPE CLEAR	$537,726.00
		STATE	$851,194.00
		LAKE	$454,690.00
		DUTTON	$997,294.00
		SAVANNAH (Reprogramming)	$5,300,000.00
		DOT Overhead/Rent	$250,000.00
		Salaries	$790,086.00
		Environmental Expenses	$1,767,458.00

		Env, Safety & Health Support Travel/Misc Historic Vessel Assessments *3 vessels sold for domestic recycling*	$402,500.00 $138,004.00 $142,750.00
		3 vessels sold for foreign reuse *2 vessels domestically reefed*	
FY08	$17.00M / DOT $12.30M Ship Disposal $4.70M* Savannah * Incl. $1.7M Reprogramming	HOIST SPHINX PRIDE CAPE CHARLES SOUTHERN CROSS SCAN BANNER CAPE CARTHAGE CAPE CATOCHE DEL VIENTO SAVANNAH DOT Overhead/Rent Salaries Environmental Expenses Env, Safety & Health Support Travel/Misc *16 vessels sold for domestic recycling* *1 vessel donated to Greece*	$95,000.00 $695,000.00 $468,609.00 $488,965.00 $617,600.00 $479,678.00 $532,726.00 $400,726.00 $454,726.00 $280,654.00 $4,857,542.00 $75,000.00 $890,764.00 $3,784,477.00 $400,000.00 $135,186.00
FY 09*	$15M / DOT $12M Ship Disposal $3M Savannah	SAVANNAH (EX-AOR-4) PIONEER CONTRACTOR HATTIESBURG VICTORY SAVANNAH* DOT Overhead/Rent Salaries Environmental Expenses Env, Safety & Health Support Travel/Misc *2 vessels sold for domestic recycling*	$515,726.00 $321,000.00 $1,016,000.00 $3,300,000.00 $315,000.00 $1,100,000.00 $3,209,295.00 $286,000.00 $135,186.00

Notes:
1) * FY 09 Figures for Disposal Actions are for contract awarded through May 29, 2009. Figures for Non Vessel Expenses are projections.
2) Contract amount figures are final amounts where applicable. Final contract amounts are subject to requests for equitable adjustment, contract dispute resolutions or litigation.

SHIP DISPOSAL DEADLINE

QUESTION: How many ships downgraded to non-retention status are currently in the Maritime Administration's ships disposal queue?

RESPONSE: As of May 1, 2009, there were 91 vessels at the Maritime Administration's three fleet sites that are not yet under contract and, as such, are available for disposal.

QUESTION: What is the total number of ships MARAD expects to have in its queue by the end of FY10?

RESPONSE: By the end of FY 2010 it is anticipated there will be approximately 89 non-retention ships in the disposal queue.

QUESTION: California determined that MARAD must comply with environmental laws regarding ship cleaning. How is this affecting MARAD's ship disposal program currently? What future impact will it have on the program?

RESPONSE: The Maritime Administration continues to face environmental challenges that started in FY 2006 and that will significantly impact disposal costs for the foreseeable future. Continuing challenges to the program include constraints and lawsuits related to environmental laws and regulations, such as the Clean Water Act (CWA), National Invasive Species Act (NISA), the National Environmental Policy Act (NEPA), and the Resource Conservation and Recovery Act (RCRA). A lawsuit by the National Resources Defense Council (NRDC) in California has stopped the removal of Suisun Bay Reserve Fleet (SBRF) obsolete ships for disposal. No obsolete ships have been removed from the SBRF since January 2007 because of the legal challenges.

MARAD is pursuing a settlement of the issues with the plaintiffs and believes that dry docking of the vessels will satisfactorily address many of the legal challenges associated with aquatic invasive species and non-permitted discharges (NISA and CWA respectively). The Agency is in discussions with a San Francisco area dry dock facility which may result in contacts to dry dock obsolete vessels for marine growth removal. For vessels that are not going into dry dock and/or disposed of in the near term, MARAD has begun an in-water effort to remove loose and exfoliating paint from exterior surfaces. MARAD is working with the California State Water Quality Control Board (WQCB) with the goal of obtaining the appropriate state permits under the CWA, and is also seeking to obtain the appropriate CWA permits from Texas and Virginia, where its other two fleet sites are located.

To date, the mitigation costs associated with the in-water removal of marine growth have ranged from \$100-\$200K per ship. Actual cost data for the dry docking of non-retention ships to remove marine growth will not be available until dry docking contracts are awarded. However, rough estimates for future dry docking services range from \$200K to \$450K per vessel, which is two to four times the cost of in-water cleaning of marine growth. It is possible that these costs will be incurred with all 57 non-retention ships currently in the SBRF in addition to the costs normally associated with dismantling and recycling the ships. Prior to 2006 there were no disposal costs associated NISA and the removal of marine growth from vessel hulls.

In addition to costs, these legal challenges also affect the removal rate of ships for disposal. Regulatory compliance in the form of activities related to administration, remediation, mitigation, permitting and litigation all lengthen and delay the ship disposal process and cycle. These delays in turn decrease the rate at which vessels can be awarded and removed from the fleets and to recyclers for disposal. The last ship to be removed from the SBRF was over two years ago in January of 2007. There are currently fifty-seven (57) ships in the SBRF awaiting disposal. These high and moderate disposal priority vessels remaining in California pose a greater threat to the environment than those ships currently removed and disposed of in Texas and Virginia.

While diligently pursuing a resolution in California including settlement talks with the plaintiffs, the Maritime Administration is also in the process of developing a new programmatic Environmental Assessment (EA) to supplement and update an EA prepared in 1997. When the EA is completed, the Agency will evaluate the results of the assessment and consider what ship disposal options are available for the SBRF ships.

SAVANNAH DISPOSAL

QUESTION: Please provide the most recent cost and schedule estimates to dispose of the Nuclear Ship Savannah.

RESPONSE: MARAD respectfully directs the Committee to its December 2008 Post Shutdown Decommissioning Activities Report (PSDAR) for a comprehensive discussion of all matters related to decommissioning and disposal of the N.S. *Savannah*, including detailed cost and schedule estimates. The PSDAR is a required submittal to the Nuclear Regulatory Commission (NRC), the agency that licenses and regulates the nuclear facilities housed onboard the *Savannah*. The PSDAR can be downloaded from the NRC website at the following address: http://www.nrc.gov/reading-rm/adams.html under accession number ML083500100. Copies of the PSDAR can also be provided by MARAD.

Issues pertaining to the *Savannah* include decommissioning of its licensed nuclear power plant, and subsequent disposition of the ship itself. As a federally-owned National Historic Landmark, MARAD does not propose to dismantle (scrap) or reef the *Savannah* immediately following decommissioning. Instead, MARAD plans to develop an affirmative preservation program for the ship, although the design of such a program is not yet known. Such action is consistent with the statutory and regulatory obligations placed on federal stewards of historic properties (with specific emphasis on National Historic Landmark properties/structures) under the National Historic Preservation Act of 1966, as amended, and the 2003 Preserve America Executive Order. This plan does not, however, preclude the eventual disposal of the ship if preservation efforts are not successful.

MARAD is pursuing a phased approach towards decommissioning of the *Savannah* nuclear facilities. Two decommissioning methods are being implemented; first the facilities will be prepared for an inactive retention (NRC SAFSTOR) period of approximately 15 years; thereafter the facility systems, structures and components will be remediated, dismantled and disposed of using the DECON method. When DECON is complete, the NRC license will be terminated. Chapters 5 and 6 of the PSDAR set out the schedule and estimates for these activities. A summary of the PSDAR discussion is provided below.

There are three cost and schedule elements described in the PSDAR: a) SAFSTOR preparation and license compliance; b) SAFSTOR operations (retention with intermediate drydocking); and c) industrial decommissioning and license termination. The PSDAR does not address preservation or vessel disposal costs or schedule. All cost estimates are effective from October 2008. SAFSTOR preparation costs are those costs necessary to bring *Savannah* into compliance with NRC requirements for facilities in inactive retention, and certain marine activities necessary for continued retention of the 50-year old ship. A discrete industrial estimate for the full scope of work is $7.9M. This figure is exclusive of ship custody and direct MARAD license management expenses. The work can be completed in two calendar years once funds are made available. The SAFSTOR radiological scope of work is duplicative of the same items in the DECON scope of work – if DECON were being pursued at this time. Consequently, a credit for SAFSTOR work items is taken against the DECON estimate that follows.

SAFSTOR operations (retention and intermediate drydocking) costs are those costs required to husband the ship; manage and maintain the NRC license; and drydocking for underwater hull inspection and maintenance on a ten-year cycle. License management includes direct FTEs and contractor support for core competencies, including radiation protection and nuclear quality assurance. The PSDAR schedule assumes that SAFSTOR operations will begin in December 2011 and continue until April 2023. The estimated cost in 2008 dollars is $31.325M, of which $5.3M is the 2018 drydocking. Also inclusive in this total is the current value of *Savannah* decommissioning appropriations in FY 2008, 2009, 2010 and the baseline for 2011; approximately $12M. This estimate is conservatively based on the most expensive retention layberthing alternative from among the several described in Chapter 3 of the PSDAR.

The final decommissioning phase is industrial decommissioning using the DECON method, followed by license termination and free release of the ship. The PSDAR schedule assumes DECON begins in April 2023 and completes in June 2027; with license termination completed one year later. This schedule provides a margin against the regulatory license termination deadline that occurs in 2031 (60 years after permanent cessation of operations). The October 2008 estimates for the 2023 DECON scope of work and performance period is $63.3M. The estimated real cost in 2023 dollars is $123.8M. If DECON were funded and implemented now, the cost is estimated to be $71.43M in 2008 dollars.

From a programmatic perspective, the actual cost in real dollars of the extended decommissioning program from now until 2028 is estimated to be $172M. The PSDAR provides a detailed discussion of escalation factors and cost assumptions over the extended decommissioning period.

QUESTION: Please provide a table showing the amount by year provided to SAVANNAH disposal (include FY09 requested level).

RESPONSE:

N.S. SAVANNAH Decommissioning Funding Approximate ($ in millions)					
	FY 05	FY 06	FY 07	FY 08	FY 09
Request	$2.000	$3.000	$9.970	$4.704	$3.000
Appropriation	$1.900	$2.970	$8.270*	$4.704**	$3.000
Difference	($0.100)	($0.030)	($1.700)	($0)	($0)

*Includes reprogramming of $5.3 million in addition to the $2.97 million initially provided.

** Includes reprogramming of $1.704 million in addition to the $3.0 million initially provided.

SHIP DISPOSAL FUNDING AND COSTS

QUESTION: What is the average overhead cost to dispose of a vessel using a domestic facility? What is the median overhead cost using a domestic facility? Please provide the actual overhead costs for all vessels disposed of using domestic facilities since 2002, when MARAD was authorized to expend appropriated funds for purchase of ship disposal services.

RESPONSE: The average cost per vessel and cost per ton to dispose of vessels using domestic facilities from FY 2002 through May 1, 2009 was $124 per ton. This data does not include vessels sold for domestic recycling. This data includes initial contract costs for projects that are not completed, so final cost figures will be greater.

Annual Ship Disposal Program Cost Per Ton and Cost Per Vessel (Based on Vessels Awarded in each Fiscal Year)								
Annual Amounts	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09***
Actual Cost/Ton	$127	$248	$118	$113	$139	$114	$62	$74
Avg Cost/Vessel	$484,858	$1,715,483	$1,022,481	$657,947	$811,980	$780,382	$417,208	$617,575
Median								
Cost/Ton	$126	$204	$105	$98	$135	$85	$73	$43
Cost	$484,858	$1,313,697	$1,009,885	$565,827	$738,453	$485,520	$427,726	$515,726

Through May 2009
Figures are for service type contracts only

The acquisition vehicle for the award of vessel disposal contracts is a commercial services contract. Under the guidelines for this type of contract only the single total bid amount is used for evaluation purposes therefore no labor, material or overhead figures are available or collected from the contractors.

MARITIME GUARANTEED LOAN PROGRAM (TITLE XI)

QUESTION: What is the current composition of the MARAD's Title XI Program in terms of outstanding loan guarantees and commitments?

RESPONSE: As of May 31, 2009 the Title XI portfolio was over $2.56 billion.

QUESTION: What is the current, unobligated balance of this account?

RESPONSE: As of May 31, 2009, there is $44.7 million of unobligated subsidy authority available for new Title XI financing.

QUESTION: Of the funds provided for title XI in the FY06 and FY09 appropriations bill, how much has been obligated, and for what purposes. How much remains unobligated?

RESPONSE: The full $4,950,000 in subsidy appropriations for the Title XI program received in FY 2006 through FHWA's surface transportation program account has been expended for the Vessel Management project approved earlier this fiscal year. There is no subsidy appropriation in FY 2009, however $3.531 million was appropriated for Title XI administration expenses, which we plan to fully obligate.

QUESTION: Over the last five years, how many loans have defaulted and what is the associated total value of these defaulted loans?

RESPONSE: During the last five years there have been only three loan defaults with a total combined payout of $82.7 million.

QUESTION: Please list the loans awarded (approved applications) over the last ten years. Please include the status of each loan.

RESPONSE: Since FY 1999, the Title XI program has approved 51 loans (not including loans approved and subsequently terminated) with a total amount of approximately $ 3.9 billion. The following table provides a list of approved applications and the status of each project.

10-Year Title XI Portfolio History ($000)			
Cohort	Company	Original Loan	Status
1999	Empressa Energetica Corinto	$50,000	Active
1999	Cashman Equipment Corp. (2)	$7,887	Active
1999	Bender Shipbuilding & Repair Co.	$14,598	Paid Off
1999	Petrodrill Offshore Four	$171,271	Active
1999	Petrodrill Offshore Five	$170,527	Active
1999	Trico Marine International (2)	$18,867	Active
1999	Project America Ship #1, Inc.	$539,763	Defaulted
1999	Ensco Offshore Co.	$194,855	Active
1999	Secunda Marine Atlantic	$23,963	Paid Off
1999	Canal Barge Company (5)	$26,004	Active
1999	Eastern Shipbuilding Group	$6,638	Active
2000	Rowan Companies, Inc. (3)	$185,398	Active
2000	Global Industustries, Ltd (3)	$99,000	Active
2000	Manson Construction Co. (2)	$8,690	Active
2000	Cape Cod Light LLC	$38,500	Defaulted
2000	Cape May Light LLC	$37,900	Defaulted
2000	Port Imperial Ferry Corp. (2)/Billybey Ferry LLC	$5,398	Active
2000	Penn Tug & Barge, Inc.	$20,918	Active
2000	Pasha Hawaii Transport Lines	$70,442	Active
2000	Cal Dive I – Title XI, Inc.	$160,182	Active
2000	Maybank Navigation Co. (2)	$5,000	Paid Off
2000	Vessel Management Services (2)	$35,750	Active
2000	Puerto Quetzal Power	$73,000	Paid Off
2000	ENSCO Barbados (Chiles Galileo)	$81,000	Active
2001	Vessel Leasing LLC	$43,513	Paid Off
2001	Rowan Companies, Inc. (4)	$187,295	Active
2001	Great Pacific NW Cruise Line	$35,471	Defaulted
2001	Vessel Management Services (3)	$58,207	Active
2001	Totem Ocean Trailer Express	$172,500	Active
2001	Alter Barge Line, Inc	$20,327	Paid Off

2001	Sterling Equipment	$8,879	Active
2001	Reinauer Maritime Co.	$52,131	Active
2001	Penn Transport, Inc	$38,409	Active
2001	Canal Barge Company (6)	$13,128	Active
2001	Vessel Management Services (4)	$60,909	Active
2002	America West Steamboat Co	$45,137	Active
2002	Superior Energy Liftboats	$20,241	Active
2002	Perforadora Central S.A. de C.V.	$87,933	Active
2002	K-Sea Transportation LLC	$40,441	Paid Off
2002	Port Imperial Ferry Corp. (3)/ Billybey Ferry LLC	$7,959	Active
2002	Guam Industrial Services	$4,244	Active
2002	Vane Line Bunkering, Inc.	$11,444	Active
2002	Port Imperial Ferry Corp. (4)/ Billybey Ferry LLC	$7,954	Active
2003	Matson Navigation Company, Inc.	$150,000	Active
2003	Rowan Companies, Inc. (5)	$180,856	Active
2003	Lake Express, LLC	$14,500	Active
2004	Totem Ocean Trailer Express (2)	$140,000	Active
2004	Vane Line Bunkering, Inc. (2)	$11,969	Active
2004	Petrodrill Four & Five Increase	$21,869	Active
2005	Hawaii Superferry, Inc.	$139,731	Active
2009	Vessel Management Service	$269,230	Active
Total		$3,889,828	

QUESTION: Please summarize any rescissions in this program in table format by year for the last 10 years. Please provide an explanation of the rescission in the table.

RESPONSE:

Federal Ship Financing Program (Title XI)
Rescission by Fiscal Year ($000)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2007	2008	2009
Subsidy	$0	$23	$7,710	$5,000	$0	$0	$0	$0	$0	$0	$0	$0

Over the last ten years there have been three occasions when Title XI subsidy funds have been specifically rescinded. The first rescission occurred in FY 2000 when $22,800 in subsidy appropriation was rescinded from the unobligated subsidy balance. The second rescission occurred in FY 2001 when $7,710,000 in subsidy appropriation was rescinded from 1997 appropriated funds. The third rescission occurred in FY 2002 when $5,000,000 in subsidy appropriation was rescinded from the unobligated subsidy balance. In addition, over the last five fiscal years (FY 2002 through FY 2007) a total of $96,469 in administrative appropriation was rescinded.

QUESTION: Please delineate the line item costs that constitute administrative expenses for this program.

RESPONSE: The FY 2010 spending projection for administrative expenses includes the following: Salary and benefits $2.680 million, Allocated Overhead and Other Support Costs $0.950 million. The total projection is $3.630 million.

TITLE XI OVERSIGHT

QUESTION: The FY05 Appropriations Act allowed MARAD to use up to $2 million of the $25 million provided for title XI loans in P.L. 108-11 for development of a comprehensive computer based financial monitoring system. Has all the funding been expended? Is the system operational and in-use?

RESPONSE: The full $2 million in appropriations from P.L. 108-11 has been obligated (of which $265K is currently unexpended) for the development of a computer based portfolio monitoring system for all DOT credit programs. The system became operational in December 2007, and was fully functional and in use by December 2008.

SHIP CONSTRUCTION ACCOUNT

QUESTION: What is the unobligated balance in the dormant ship construction account?

RESPONSE: There is currently no unobligated balance in the Ship Construction Fund.

STATE MARITIME SCHOOLS

QUESTION: Covering each of the last 5 years, please provide a table showing total enrollment for state maritime schools, the total number enrolled in the student incentive payment program and the percentage of enrolled students that are SIP participants.

RESPONSE: See table next page

TOTAL ENROLLMENT AT THE STATE MARITIME ACADEMIES			
Class Year	Total State Maritime Academy Enrollment	Total State Maritime SIP Enrollment	Percentage of SIP Enrollment to Total Enrollment
2004	3,564	151	4.2%
2005	3,794	138	3.6%
2006	4,040	141	3.5%
2007	4,672	151	3.2%
2008	4,933	192	3.9%
5 Year Total	**21,003**	**773**	**3.6%**

QUESTION: Covering each of the last 5 years, please provide a table showing total graduates from the state maritime schools, the total number of graduates in the SIP program and the percentage of graduating students that are SIP participants.

RESPONSE:

TOTAL GRADUATES OF THE STATE MARITIME ACADEMIES			
Class Year	Total Graduates	Total SIP Graduates	Percentage of SIP Grads to Total Graduates
2004	628	47	7.5%
2005	607	35	5.8%
2006	683	40	5.8%
2007	845	48	5.6%
2008	911	48	5.3%
5 Year Total	**3,674**	**218**	**5.9%**

QUESTION: What is MARAD's current estimate for the total demand (number of students) for the SIP program in FY10?

RESPONSE: Analysis by the State Maritime Academy program indicates an estimate of demand for the FY 2010 SIP program to be 350 cadets.

QUESTION: How much would it cost in FY10 to ensure that all six training ships are in a state of good repair, consistent with statute?

RESPONSE: The Maritime Administration is mandated by law to maintain each ship in a state of "good repair", i.e. all regulatory requirements are fully met, and ensuring that the ship is structurally and mechanically sound, well preserved and equipped, and operates reliably. The requested level of $11.24M is adequate to meet this requirement.

QUESTION: Please provide a table with the total dollar amount obligated on maintenance for each of these ships for the past five years.

RESPONSE:

SCHOOLSHIP MAINTENANCE AND REPAIR OBLIGATIONS
($,000)

	FY04	FY05	FY06	FY07	FY08	FY09 Est.
STATE OF MAINE	$1,215	$1,166	$964	$3,898	$1,879	$1,820
EMPIRE STATE	$1,702	$1,727	$657	$2,103	$621	$2,407
ENTERPRISE	$1,763	$1,935	$1,499	$2,417	$1,424	$1,500
TEXAS	$1,099	$866	$132	$430	$627	$550
GOLDEN BEAR	$1,327	$1,553	$1,242	$1,358	$3,988	$4,997
STATE OF MICHIGAN	$14	$520	$68	$92	$719	$1,373
TECHNICAL SUPPORT					$148	$150
TOTAL	$7,120	$7,767	$4,562	$10,298	$9,406	$12,797

Notes: TS ENTERPRISE was renamed to the TS KENNEDY in FY 2009.
Carryover funding from one fiscal year to the next fiscal year balance annual work requirements, address 1st quarter funding requirements, and maintain funds for unanticipated requirements.

- $2.3M was carried over from FY 2008
- $1.2M was carried over from FY 2007
- $3.7M was carried over from FY 2006, in order to fund 3 major drydockings in FY 2007

QUESTION: In table format, please provide an estimate of the total dollar amount that will be needed for on each ship to keep them in good repair for the next five years.

RESPONSE: See table next page

SCHOOL SHIP OUTYEAR WORK PLANS AND BUDGETS ($000)								
	ITEMS	STATE OF ME	KENNEDY	EMPIRE STATE	TEXAS CLIPPER	GOLDEN BEAR	STATE OF MI	TOTALS
FY10	**Drydock**		$2,000					$2,000
	Major Upgrades						$400	$400
	Regulatory Items	$200	$200	$200	$200	$200	$100	$1,100
	M & R	$1,600	$1,600	$1,600	$640	$1,200	$100	$6,740
	Other				$1,000			$1,000
		$1,800	$3,800	$1,800	$1,840	$1,400	$600	**$11,240**
FY11	**Drydock**			$2,000	$1,500			$3,500
	Major Upgrades				$250			$250
	Regulatory Items	$200	$200	$200	$150	$200	$100	$1,050
	M & R	$1,600	$1,600	$1,800	$700	$1,300	$300	$7,300
	Other				$6,000			$6,000
		$1,800	$1,800	$4,000	$8,600	$1,500	$400	**$18,100**
FY12	**Drydock**	$2,000						$2,000
	Major Upgrades							$0
	Regulatory Items	$200	$200	$200	$200	$200	$100	$1,100
	M & R	$2,000	$1,800	$1,800	$1,800	$1,800	$300	$9,500
	Other				$10,000			$10,000
		$4,200	$2,000	$2,000	$12,000	$2,000	$400	**$22,600**
FY13	**Drydock**		$2,200			$2,200		$4,400
	Major Upgrades							$0
	Regulatory Items	$200	$200	$200	$200	$200	$100	$1,100
	M & R	$1,800	$2,000	$1,800	$1,800	$1,500	$400	$9,300
	Other			$25,000				$25,000
		$2,000	$4,400	$27,000	$2,000	$3,900	$500	**$39,800**
FY14	**Drydock**			$2,200	$2,200			$4,400
	Major Upgrades							$0
	Regulatory Items	$200	$200	$200	$200	$200	$100	$1,100
	M & R	$1,800	$1,800	$2,000	$2,000	$1,800	$400	$9,800
	Other			$50,000				$50,000
	TOTALS	$2,000	$2,000	$54,400	$4,400	$2,000	$500	**$65,300**

QUESTION: Please explain any cost increases for each year's projection (relative to that of the prior year) for each ship from the previous question.

RESPONSE: The increases reflect the escalation of funding required to maintain the schoolship fleet in good repair and in accordance with statute. Additional costs are reflected across all schoolships in the outyears to ensure vessels meet statute requirements for nautical schoolships. Costs will escalate on the schoolships as they age and regulatory bodies instill closer inspection requirements and new environmental protection processes are mandated. This will result with components and systems requiring greater maintenance, replacement and upgrade. Failure to maintain vessels to statute requirements and, also, in a reliable manner will result in a greater risk to vessel safety, failure to support school requirements, and not able to depart on schedule.

In FY 2011, an additional $6 million will be required to convert an NDRF vessel to a certificated public nautical schoolship for Texas Maritime Academy. This is a minimal upgrade but provides a functional schoolship to the school at a capacity of approximately 92 personnel. An additional $10M is estimated in FY 2012 to continue with the conversion of the vessel to better meet the requirements of Texas Maritime Academy. Included in this continuation will be increased berthing, messing, and associated auxiliary systems for a total capacity of approximately 200 personnel on the ship. Additionally, starting in FY 2011 and beyond, full funding for the maintenance and repair of the TEXAS CLIPPER as a functional and certified schoolship will be required.

The EMPIRE STATE will exceed the age of 50 years in 2014 and it is not expected to be cost effective to accomplish the necessary overhauls to retain the vessel in safe and reliable service. To meet the requirements of SUNY Maritime College, a replacement vessel, converted to meet public nautical schoolship requirements, will need to be procured. Based on the current age and material condition of vessels in the NDRF, it is not expected that a suitable candidate will be available for conversion to a schoolship. The total cost is estimated to be approximately $75 million for a replacement vessel with a 750 person capacity to support the school's requirements. Procurement of the vessel for $25 million is identified in FY 2013. An additional $50 million is identified in FY 2014 to complete the conversion.

An additional undefined requirement is procurement of machinery systems and re-engining of old propulsion and power generation plants, in order to comply with new EPA and IMO regulations concerning effluent discharges and air emissions. While these requirements have not been fully defined, it is expected major upgrades and replacements of key shipboard equipment will be required in the future.

SCHOOLSHIP M&R

QUESTION: Please provide a tabular summary of the FY08 State Maritime Academy School Ship M&R program including all related and antecedent costs per School Ship.

RESPONSE: See table next page

SCHOOLSHIP MAINTENANCE AND REPAIR OBLIGATIONS
($,000)

	FY04	FY05	FY06	FY07	FY08	FY09 Est.
STATE OF MAINE	$1,215	$1,166	$964	$3,898	$1,879	$1,820
EMPIRE STATE	$1,702	$1,727	$657	$2,103	$621	$2,407
ENTERPRISE	$1,763	$1,935	$1,499	$2,417	$1,424	$1,500
TEXAS	$1,099	$866	$132	$430	$627	$550
GOLDEN BEAR	$1,327	$1,553	$1,242	$1,358	$3,988	$4,997
STATE OF MICHIGAN	$14	$520	$68	$92	$719	$1,373
TECHNICAL SUPPORT					$148	$150
TOTAL	$7,120	$7,767	$4,562	$10,298	$9,406	$12,797

Notes: TS ENTERPRISE was renamed to the TS KENNEDY in FY 2009.
Carryover funding from one fiscal year to the next fiscal year balance annual work requirements, address 1st quarter funding requirements, and maintain funds for unanticipated requirements.

- $2.3M was carried over from FY 2008
- $1.2M was carried over from FY 2007
- $3.7M was carried over from FY 2006, in order to fund 3 major dry dockings in FY 2007

ENROLLMENT IN UNITED STATES MERCHANT MARINE ACADEMY/STATE MARITIME SCHOOLS

QUESTION: How does enrollment at State Maritime Schools compare to enrollment at the USMMA? Please provide a 5 year historical trend on enrollment at all schools.

RESPONSE:

CLASS YEAR	USMMA ENROLLMENT TOTAL[1]	STATE MARITIME ACADEMY ENROLLMENT TOTAL
2004	951	3,564
2005	979	3,794
2006	996	4,040
2007	974	4,672
2008	976	4,933
5 Year Total	**4,876**	**21,003**

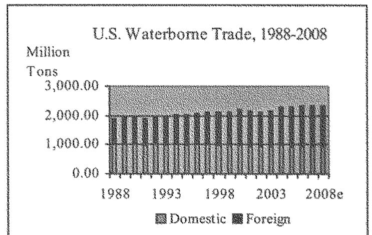
[1] These USMMA enrollment totals reflect the number of students enrolled in a four year program that centers on a rigorous combination of academic, sea based and regimental training and education leading to a Bachelor of Science Degree, a US Coast Guard license for service on unlimited tonnage oceangoing vessels, and a commission upon graduation. All graduates incur an obligation to the Maritime Administration, and if awarded a commission, to the Department of Defense.

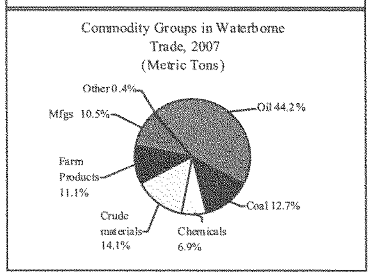
Note: USMMA data provided for the classes of 2006, 2007 and 2008 were provided by the USMMA Office of the Commandant. These are the enrollment totals recorded the 1st day of classes of that academic year.

MARINE TRADE

QUESTION: Please present the data pertaining to the total volume of domestic and international marine trade over the last ten years and projected for the next five years. Please distinguish between domestic and international statistics.

RESPONSE: In 2008, U.S. waterborne trades amounted to 2.3 billion metric tons. Foreign trades accounted for 61 percent of the total, up from 53 percent ten years earlier. In the mid 1990's, foreign and domestic trade was about 1 billion metric tons each. By 2008, foreign trade had increased to about 1.4 billion metric tons while domestic trade had fallen to about 0.9 billion metric tons. The decline in the domestic segment was due largely to import substitution in U.S. oil trades.





Primary commodities including petroleum, coal, chemicals, farm products and crude materials accounted for about 90 percent of all U.S. waterborne trade in 2007 based on metric tons. Because they are stockpiled, there can be significant year-to-year fluctuations in the trades as commodity prices change (draw-downs when prices are expected to fall and vice versa), and the long-term growth of these trades is generally below real GDP growth.

For example, over the last 10 years, each 1 percent increase (or decrease) in U.S. real GDP was associated with a 0.35 percent increase (or decrease) in total waterborne trade. The growth (or decline) of foreign trade, which has a larger manufacturing component than domestic trade, was closer to real GDP growth (or decline). Notwithstanding the 2008 financial crisis, waterborne trade showed little change from the previous two years.

Growth of Waterborne Trade and Real GDP, 1998-2008 (Million Metric Tons)	
	% Ch.
	1998-2008
Domestic	-7.2
Foreign	25.3
Total	10.1
Real GDP	28.5

Thus, on this basis if the economy were to grow by 10 percent over the next five years, waterborne trade would increase by about 3.5 percent and foreign trade would increase by about 9 percent. Over the same period, domestic trades would decline by about 2.5 percent due largely to the decline in Alaska crude oil production (See EIA Annual Energy Outlook 2009, www.eia.doe.gov)) and coastwise crude oil shipments.

Sources: Waterborne Commerce – U.S. Army Corps of Engineers, Waterborne Commerce of the United States, www.iwr.usace.army.mil/ndc; Real GDP – U.S. Bureau of Economic Analysis, National Income Accounts, www.bea.gov

INFORMATION TECHNOLOGY

QUESTION: How much is MARAD requesting for IT in FY2010? Please delineate the composition of this request.

RESPONSE:

Maritime Administration
FY 2010 IT Request
($000)

IT Portfolio	Amount
Operating Environment	$ 2,816
Content Environment	$ 2,971
E-Government	$ 427
Working Capital Fund (WCF)	$ 2,038
Total	**$ 8,252**

BALLAST WATER

QUESTION: What efforts has MARAD made in regards to preventing invasive species transmitted via ballast water discharge?

RESPONSE:

1. East Coast Activity. The Maritime Administration has been involved in the effort toward preventing the transmission of invasive species via ballast water for several years. A large part of the Agency's effort has involved the provision of Maritime Administration ships as research platforms. Maritime Administration staff, many of whom are Naval Architects and Engineers have provided design support for the modification of several of the ships and other watercraft to serve as "plug-and-play" platforms to test promising ballast water treatment technologies and other research activities. Two of the Agency's modified vessels are located in Baltimore and are part of a research partnership that was formed in 2008 with the Baltimore Port Administration, the University of Maryland Center for Environmental Science. The partnership, the Maritime Environmental Resource Center (MERC), provides independent performance testing and facilitates the transition of new treatments to the operating ship environment. To date one treatment technology has been tested in accordance with International Maritime Organization (IMO) guidelines, with two other technologies scheduled to be tested by the end of 2009.

2. Great Lakes Activity. The Maritime Administration has also assisted in the development of the land-based test facility in the Port of Superior, Wisconsin for the Great Ships Initiative (GSI). Now a member of the Advisory Board, the Agency continues to work with GSI toward completing the development of an assembly that can be installed aboard a ship for the purpose of obtaining samples of treated ballast water. That technology would assist in the future sampling and performance verification for in-service treatment technologies. In addition, the Agency has funded GSI for pilot and bench-scale testing of technologies and/or substances that showed promise in eradicating aquatic nuisance species.

In 2008 and 2009, the Maritime Administration brought together the GSI researchers and MERC in a cooperative effort to sharing talent and lessons learned from different activities. Through collaboration these entities interact on a regular basis, avoid duplication of effort and share information common to their research efforts.

3. West Coast Activity. During the past year, the Agency has also been active on the West Coast, providing resources for the modification of the Agency's California Maritime Academy training ship the GOLDEN BEAR. The effort has been in collaboration among the Federal and state government, academia and the private sector. Funds were provided by NOAA and the California State Lands Commission for modifying the vessel for ballast water treatment technology testing. Maritime Administration personnel were involved with reviewing design specifications and the Agency funding part of the final design. It is anticipated that the ship will be modified by the end of 2009 and that technology tests will begin during 2010.

4. Ad Hoc/International Activity. In short, the Maritime Administration has cooperated with sister Federal and state agencies as well as academia involved in the search for viable treatment technologies and to determine methods of moving research forward without duplicating work already completed by others. As a non-regulatory agency with deep ties to the maritime transportation industry, the Maritime Administration is in a unique position to foster a spirit of cooperation and teamwork among the diverse interests focusing on ballast water and aquatic invasive species. We are also able to serve as a liaison between vendors and the scientific community and provide a voice to the regulated shipping community.

QUESTION: What plans does MARAD have in the future to assist in this effort?

RESPONSE:
1. East Coast. Ballast water treatment technology research continues aboard the CAPE WASHINGTON; at least two more promising technologies will be tested by the end of 2009 and a solicitation for proposals for work in 2010 will soon be issued. There are plans to modify a deck barge (provided by the Port of Baltimore) to serve as a mobile test platform in the Chesapeake Bay. Agency naval architects and marine engineers will work with researchers from the University of Maryland Center for Environmental Science to develop the proper layout of the barge. This mobile platform will enable research to be conducted in a variety of salinities and test environments.

2. Great Lakes. The Agency will continue work with the Great Ships Initiative as well. Late in 2009 and through 2010, as part of the Great Lakes Restoration Initiative, we will provide assistance to GSI with the testing of treatment technologies aboard vessels that operate on the

Great Lakes. These tests will be conducted in cooperation with the United States Coast Guard, NOAA, and other Federal partners. Several land-based tests would be funded as well. Research associated with the development of the International Standard for a ballast water sampling assembly is expected to be completed and the standard finalized for use by the U.S. and international shipping community.

3. West Coast. The Agency will continue to pursue resources to complete the modifications to the GOLDEN BEAR to provide a testing platform on the West Coast.

4. Ad Hoc: The Maritime Administration continues to pursue its vision of a united academic, research, and government community to expedite the development of solutions to this critical international environmental issue. Linking the various ballast water technology testing facilities located in the United States is essential to establishing and maintaining the proper infrastructure for testing equipment, monitoring compliance aboard ships, and to ensuring comparable test protocols with reliable results.

TUESDAY, JUNE 16, 2009.

FEDERAL AVIATION ADMINISTRATION FISCAL YEAR 2010 BUDGET AND NEXT GENERATION AIR TRANSPORTATION SYSTEM

WITNESSES

HON. J. RANDOLPH BABBITT, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

HENRY KRAKOWSKI, CHIEF OPERATING OFFICER, AIR TRAFFIC ORGANIZATION, FEDERAL AVIATION ADMINISTRATION

MARGARET GILLIGAN, ASSOCIATE ADMINISTRATOR FOR AVIATION SAFETY, FEDERAL AVIATION ADMINISTRATION

VICTORIA COX, SENIOR VICE PRESIDENT, NEXTGEN AND OPERATIONS PLANNING, FEDERAL AVIATION ADMINISTRATION

NANCY LOBUE, DEPUTY ASSISTANT ADMINISTRATOR FOR AVIATION POLICY, PLANNING AND ENVIRONMENT, FEDERAL AVIATION ADMINISTRATION

OPENING REMARKS OF CHAIRMAN OLVER

Mr. OLVER. Okay. The hearing will come to order. I would like to welcome the new FAA administrator, Randolph Babbitt, to the subcommittee. Congratulations on your swearing in. You have been on the job just a little over 2 weeks, but you are well respected, with a long history in the aviation industry. You are going to need that.

It is a pleasure to have you before the subcommittee to testify on the FAA's fiscal year 2010 budget request and give us an update on the status of the next generation air traffic system, so-called NextGen.

FAA is requesting a $15.9 billion budget, which is a 3-percent increase over the fiscal year 2009 enacted level. This request recognizes that our Nation faces many aviation challenges driven by the conflict between explosive passenger growth and aging infrastructure. The aviation industry's declining performance record is just one symptom of this overburdened interface.

For this reason, I am pleased that your budget rejects the previous administration's practice of severely overfunding the Airport Improvement Program, the AIP program, and requests $3.5 billion, which is at or slightly above the 2009 enacted level. Over 3,400 eligible airports rely on these funds to invest in safety capacity, noise mitigation, and efficiency improvements.

Additionally, I appreciate the important steps you have taken to improve morale within the FAA's workforce. The first step was committing to enter mediation with the air traffic controllers and move beyond the imposed work rules of the previous administration. The budget reinforces this commitment by requesting funding to hire almost 250 additional controllers and safety and technical staff. The subcommittee will carefully examine whether the resources requested in the budget are adequate to meet the Agency's operational and safety requirements.

I also look forward to discussing the budget's request of $865 million for the NextGen aviation system. This program will replace our antiquated air traffic control system. This multiyear, multibillion dollar initiative is clearly a complex management undertaking, but I believe it is vital to reducing congestion, improving safety, and reducing the aviation's environmental footprint. So I am looking to you for suggestions on how this subcommittee can expedite NextGen's deployment timeline.

The modernization of the world's most sophisticated yet outdated air traffic control system is a daunting challenge. It will require significant resources. Resources is the euphemistic term that we have around here for money. It will require diligent management and oversight on the part of the administrator and the FAA's senior leadership, and it will require careful implementation and coordination among the Agency's safety, operational and research lines of business. And that is why I see before me this array of important operational people that are involved in this. We look to each of you to ensure that the program stays on schedule and within its planned budget.

Finally, I hope to hear of your vision for the development of renewable jet fuels. As you know, the aviation industry is responsible for 3 percent of our greenhouse gas emissions. That is expected to go up to maybe 5 percent within a 20-year period. Additionally, fuel costs now represent the largest portion of airlines' operating costs, about 30 percent. Developing a renewable fuel that meets aviation's unique operating requirements will be vital to an industry looking to provide affordable service in a carbon constrained economy.

Before I recognize our ranking member, Tom Latham, I would like to acknowledge some of the members of your leadership team who have joined you at the witness table.

We have Hank Krakowski, your chief operating officer, who is a fellow pilot, previously safety executive at United Airlines. And you, of course, as operating chief operating officer, are in charge of making all the workforces function properly in this process, I think, among other things.

We have Margaret Gilligan, the Associate Administrator for Aviation Safety. We are always very interested in safety. And Peggy Gilligan is a 29-year veteran of the FAA and former Chief of Staff to four different FAA administrators.

We have Victoria Cox, Senior Vice President for NextGen and Operations Planning, that is a really daunting task, a veteran of research and development programs at DOD and NASA.

And, last, Nancy LoBue, who is the Deputy Assistant Administrator for Aviation Policy, Planning and Environment. And there, of course, is the area of alternative jet fuels.

With that, I would like to turn it over to Mr. Latham for his opening comments.

Opening Remarks of Ranking Member Latham

Mr. LATHAM. Thank you, Mr. Chairman. And good morning, everyone, on the panel here. It is good to have you. It is going to be an interesting hearing, I think. And Mr. Babbitt, you have had a lot of committees to address in your first few weeks on the job, and I appreciate your willingness to accommodate us as you continue to work into your role. I also thank you very much for coming by and to visit. I appreciate that very much. I look forward to working with you in the months ahead, and want to make sure that we help usher the transformation of our national airspace system in the most expeditious and effective way possible. I do have a few issues about which we hope to have a dialogue today, and they won't be a surprise probably to you or any of your great staff.

One area, of course, is the strategic plan for hiring new controllers, and the succession planning that will ensure that able and adequate controller services are always available for the public. There are very few agencies in the government that are engaged in as large a hiring exercise as the FAA, and I think that all of us want to make sure that turns out to be successful. I have a few questions about the staffing increases for controllers, particularly in light of the renegotiation of the union contracts and the additional staff needed to oversee aviation safety. Clearly, your efforts in this area will be key to our success, or your success, in your tenure as administrator.

I think, like everyone else, I am disappointed at the pace of the implementation of the NextGen project, just as I know the chairman is also, and I am sure many other people have real concerns. The FAA, perhaps, raised expectations unrealistically in the beginning, but now I think it is time to reassess and determine how we can best reap near- and mid-term benefits until waiting until 2020, which is the latest estimate for completion. And that delay probably also means higher costs, and I am sure the original estimate of $14 billion is maybe no longer valid.

Whether it is NextGen, the upgrading of legacy systems, or the placement of controllers, I am concerned about the relative treatment of smaller airports compared to large airports. It is probably not a big surprise to anyone that is important to me that investments in and deployments of capital and human resources recognize that rural economies and towns depend on the air space system just as much as our urban counterparts.

You must have a special position down there. I just want to point out, as a new member of this subcommittee, I have been a bit overwhelmed by the sheer number of acronyms and abbreviations in your Agency. Again, you must have an acronym czar down there or something, but you hold the record probably in government. Last count you had 527 distinct acronyms and abbreviations to describe various aspects. What do you pay this person? That is just incredible.

With that, Mr. Chairman, I look forward to the testimony, and I yield back.

Mr. OLVER. Thank you, Mr. Latham.

Mr. Babbitt, your complete written statement will be included in the record. If you can give an oral summary in around five minutes, then we can move quickly to questions. We intend to be out of here within the two-hour period.

OPENING REMARKS OF THE HON. J. RANDOLPH BABBITT

Mr. BABBITT. All right, sir. Well, good morning again, Chairman Olver, Ranking Member Latham, and other distinguished members of this subcommittee. It is a pleasure to be able to appear before you this morning to discuss the administration's budget request for fiscal year 2010. I want you to know that I certainly respect and appreciate the important role in this budget process, and I look forward to working with you in the short term and for years to come.

Because aviation safety is my primary duty, and I do not take that charge lightly, let me start by saying that this is a budget that enables the FAA to pursue its paramount mission, advancing operational safety throughout the national Airspace system. That being said, I think we are all aware you do not have to turn too many pages in the newspaper to understand that we find ourselves in a very complicated financial time, and the airlines are not excluded from that. I also want to stress that this is a fiscally responsible request that will help us deliver on all of our performance goals.

Our fiscal year 2010 budget request of $15.9 billion maintains safety and capacity gains while providing investments to meet our future system demands. We have made commitments to you, to the President, and to the taxpayer about controller and safety staffing, aviation research, as well as investments in infrastructure, airports, and NextGen. This budget will help us meet those commitments while we deliver the aviation system of the future. If you will, I would like to take the liberty here to detail some of the larger numbers in our Operation's submission.

The fiscal year 2010 request of $9.3 billion includes $7.3 billion for the Air Traffic Organization, or for those who like acronyms, ATO; $1.2 billion for Aviation Safety; and, the balance for support staff as well as Commercial Space Transportation. The equation for us is simple: Run the system safely and look to the future through NextGen and commercial space investments. You will be pleased to know that the budget also funds the hiring of additional air traffic controllers, aviation safety staff, and NextGen staff as well.

I would also like to discuss our 10-year strategy for the air traffic control workforce. It calls for a net increase of 107 controllers in fiscal year 2010. We are expected to hire more than 1,700 controllers over the next year to reach that goal, obviously considering retirements. More importantly, our controller workforce strategy allows us to put the right number of trained controllers in the right place at the right time.

In the last 4 years, the FAA has hired more than 5,600 new air traffic controllers. That exceeded the original goal by 40 percent. And flying as much as you and I do, knowing that the government is taking steps to match the number of controllers with traffic volume and workload is reassuring. I have heard that there are areas where we do not have the balance right. We have plans to make sure that we continue to bring these new employees on board, and we hope to carefully manage that process to ensure that our trainee program is accomplished in a timely manner and that they are hired in the places that we can employ them and where we need them.

I also want to assure you that I intend to consider the staffing and training concerns of our controller workforce. They are truly out on the front lines. I respect their hard work and their input, and I want you to know that we are hiring controllers now faster than we ever have. We are providing them with quality training. They are making the grade, and that will help us to make the grade with them.

Let me diverge for a second and address labor stability at the agency. As you know, labor talks are underway with the air traffic controllers. I am fairly optimistic that talks are proceeding well. Both sides are at the table and reporting good progress, and I think we will reach an agreement with them. The best agreements are reached when everybody involved at the table wants an agreement. And I believe that is the case now. We certainly have everybody there, and there is a good atmosphere that is overarching those talks.

As far as labor stability is concerned, I want you to know too that I am not just talking about getting our largest union, NATCA, squared away. I am also talking about the other seven unions that we have, and I am also talking about the other 15,000 employees that work at the FAA that are not part of the union. We have got to restore the confidence in our entire workforce. We need to make sure that we all have accountability and credibility within that workforce and across the board. It is my goal to see that all 45,000 employees of the FAA move with confidence in their skills and pride in their work. We have got to get that restored.

With all of that as context, I appreciate the help that you are providing as we make headway with our inspector workforce as well. The result of staffing additions in 2007 through 2009, we now have 4,245 safety inspectors. This fiscal year 2010 request maintains this increased level while adding aviation safety staffing by 30 additional positions. The requested staffing increase is consistent with the updated Aviation Safety Workforce Plan.

Recognizing that the FAA's future workforce may be very different than it is today, last year we engaged the National Academy of Public Administration to help us identify the skills needed to accomplish the transition to NextGen. To respond to their recommendations, the FAA included $7 million to hire 104 new staff in the ATO, the Air Traffic Organization's operational service units to support the development and deployment of the NextGen and of applications. These additional staff will help identify transition requirements, develop procedures, coordinate with the industry and stakeholders, and perform operational impact analyses.

For Facilities and Equipment (F&E), this budget maintains the capacity and the safety of our National Airspace System while keeping our comprehensive modernization and transformation efforts on track.

The request of $2.9 billion does represent a healthy increase of 6.7 above fiscal year 2009. The bulk of our investment—just slightly above $2 billion—will be spent in legacy areas. In many ways, this is the heart of the current system's infrastructure, and includes things like power systems, information technology, navigational aids, and weather systems.

Looking to the future, the NextGen portfolio for F&E grows by 790 million. That is a 24 percent increase. The NextGen transformational program, such as ADS–B, Systemwide Information Management, Data Communications, National Air Space Voice Switch, are funded at $372 million. Approximately $392 million is provided for NextGen demonstrations, system development, and "enabling" activities.

Our Research, Engineering and Development (R,E&D) funding request is a 5.3 percent increase. This year, we are increasing our emphasis on fire safety, propulsion and fuel systems, advanced materials, as well as aging aircraft; we are requesting a 15 percent increase for our R,E&D NextGen portfolio to about 65 million. This will support the enhanced NextGen research and development efforts in the areas of air-to-ground integration, weather information directly into the cockpit, and environmental research for aircraft technologies, fuels, and metrics. Our request also takes care of airports, which we believe this administration recognizes as an essential part of the aviation system infrastructure. As you know, their design, structural integrity, and ongoing maintenance have a direct impact on safety, capacity, and efficiency. The fiscal year 2010 request of $3.5 billion will allow us to continue our focus on safety related projects including runway safety area improvements, runway incursion reduction, aviation safety management, and improving infrastructure conditions.

In closing, I would like to emphasize that our fiscal year 2010 budget provides a total of $865 million in support of NextGen. That is a 24 percent increase. Step-by-step and procedure—by procedure, we are increasing the integration between aircraft and ground-based technologies. Both Secretary LaHood and I have made the delivery of NextGen one of our highest priorities, and I will be looking hard at every opportunity we can find to accelerate this transformation and the efficiency and environmental benefits it will bring.

But I must underscore that the drive toward NextGen will find only success through collaboration, by bringing all the parties to the table, our employees, the industry, and the manufacturers to make sure that our focus remains where it belongs. The tragic accidents over the past few months are ever present reminders that we must maintain our vigilance. My testimony this morning is a commitment that we intend to do just that.

So with that, I thank you. In closing, my staff and I look forward to any questions. I appreciate the consideration for letting me bring a team with me for recognizing my short tenure.

[The statement of Mr. Babbitt follows:]

STATEMENT OF
J. RANDOLPH BABBITT, ADMINISTRATOR
FEDERAL AVIATION ADMINISTRATION

BEFORE THE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES

JUNE 16, 2009

Good morning, Chairman Olver, Ranking Member Latham, and Members of the Subcommittee. Thank you for the opportunity to appear here today to discuss the Administration's Fiscal Year (FY) 2010 budget request for the Federal Aviation Administration (FAA).

FY 2010 Budget

The FAA operates and maintains the most complex air traffic control system in the world. While we have made progress over the past several years in increasing the system's safety and efficiency there will be a particular focus on safety initiatives and moving our Next Generation Air Transportation System (NextGen) forward in 2010. We are also investing responsibly in capital programs and in our highly capable workforce in order to prepare for a future marked by growing demand for aviation-related services as the economy recovers and expands. Our FY 2010 budget request of $15.9 billion maintains safety and capacity gains while providing investments to meet future system demands. This budget allows us to execute our published plans for controller and safety staffing, research and development, and capital investments, thus further enhancing aviation safety while we implement the aviation system of the future.

Operations

The FY 2010 request of $9.3 billion for the Operations account includes $7.3 billion for the Air Traffic Organization (ATO), $1.2 billion for Aviation Safety (AVS), $15 million for Commercial Space Transportation (AST), and $802 million for Staff Offices. This 3.2 percent increase over the FY 2009 enacted level will fund salary increases for FAA employees, annualization of FY 2009 new hires, adjustments for inflation and GSA rent increases, maintenance and operating costs of new National Airspace System (NAS) systems and equipment, and contractual wage increases for flight services and contract towers. Major policy initiatives funded by the request include the hiring of additional air traffic controllers, aviation safety staff, and NextGen support staff. The request also incorporates $48 million of new cost efficiencies realized by the ATO.

As part of FAA's ten-year strategy for the air traffic control workforce, FAA plans to hire 1,702 controllers in FY 2010 for a net increase of 107 controllers. The budget supports this effort so that FAA can continue to ensure that the right number of trained controllers are in the right place at the right time. In the last four years, FAA has hired more than 5,600 new air traffic controllers, ensuring the flexibility to match the number of controllers with traffic volume and workload. As we continue to bring these new employees on board, we must carefully manage the process to ensure that our trainees progress in a timely manner and are hired in the places we need them.

The agency recognizes that this Subcommittee is particularly interested in our efforts regarding aviation safety inspector staffing. The FY 2010 request provides a net increase of 30 positions and maintains the 446 staff added to our Aviation Safety workforce in FY 2008 and 2009, which includes 4,245 safety inspectors and 1,977 other safety critical staff. The FY 2010 requested staffing increase is consistent with the updated Aviation Safety Workforce Plan and enables FAA to review additional applications for aeronautical products, and increase industry drug and alcohol inspections.

Recognizing that our future workforce may be very different from today, last year FAA engaged the National Academy of Public Administration (NAPA) to help identify the skills needed to accomplish the transition to NextGen and strategies for acquiring the necessary workforce competencies. To respond to their recommendations, the FY 2010 budget includes $7 million to hire 104 technical staff in the ATO operational service units to support the development and deployment of the NextGen suite of applications. These additional staff will identify transition requirements, develop procedures, coordinate with industry and stakeholders, and perform operational impact analyses.

Facilities & Equipment

The FY 2010 budget allows FAA to meet the challenge of both maintaining the capacity and safety of the current NAS while attempting to keep our comprehensive modernization and transformation efforts on track. The request of $2,925 million is an increase of $183 million (6.7 percent) above the FY 2009 enacted level. Of this amount, $2,135 million will be in legacy areas, including aging infrastructure, power systems, information technology, navigational aids, and weather systems. However, the largest growth is in the F&E NextGen portfolio, which increases to $790 million. This 17 percent increase over FY 2009 includes growth in FY 2009 programs as well as the inclusion of other line items under the NextGen umbrella[1]. The NextGen transformational programs (such as Automatic Dependent Surveillance – Broadcast (ADS-B), System Wide Information Management (SWIM), Data Communications, and NAS Voice Switch) are funded at $372 million. Approximately $392 million is provided for NextGen demonstrations, system development, and "enabling" activities conducted under our seven solution sets.

Research, Engineering, and Development (RE&D)

The FY 2010 request of $180 million is an increase of $9 million (5.3 percent) above the FY 2009 enacted level. This funding will allow us to continue our work in research areas, including fire research and safety, propulsion and fuel systems, advanced materials research, and aging aircraft. The RE&D NextGen portfolio grows to $65 million. This 15 percent increase over FY 2009 supports enhanced NextGen research and development efforts in the areas of air ground integration, providing weather data in the cockpit, and environmental research for aircraft technologies, fuels, and metrics. The request also continues to support the Joint Planning and Development Office (JPDO) to coordinate partner agency research and development in support of NextGen.

Grants in Aid for Airports (AIP)

Airports are an essential part of the aviation system infrastructure. Their design, structural integrity, and ongoing development have a direct impact on safety, capacity, and efficiency. The FY 2010 request of $3,515 million allows us to continue our focus on safety-related development projects such as runway safety area improvements, runway incursion reduction, and aviation

[1] Beginning with the 2010 Budget, the NextGen portfolio includes amounts for Collaborative Air Traffic Management Technologies and NextGen staffing in Activity 5. The 17 percent increase is calculated using both the FY09 and FY10 amounts for Collaborative Air Traffic Management Technologies and Activity 5 within the NextGen portfolio.

safety management. It also supports the completion of necessary planning and environmental reviews needed to provide additional capacity (such as commissioning new commercial service runways or major runway extensions) and improve airport infrastructure.

The request provides programmatic increases of $1.8 million in Personnel & Related Expenses to successfully administer the Airport Improvement Program (AIP), provide leadership in the airport planning and environmental process, to fully implement Safety Management Systems (SMS) in the Office of Airports, and hire additional employees supporting international aviation, information technology, engineering support, airspace studies, Airports Geographic Information System (AGIS), and wildlife hazard management. The budget also provides $22.5 million for Airport Technology Research – an increase of $3.1 million over FY 2009 – to support enhanced safety and pavement research efforts, and $15 million for Airport Cooperative Research.

FAA Reauthorization

The Vision 100 -- Century of Aviation Reauthorization Act originally expired at the end of fiscal year 2007, and since that time FAA has been operating under a series of short-term extensions. Current aviation taxes and expenditure authority are authorized through September 30, 2009.

The budget assumes some basic elements of a reauthorization proposal. The current financing system is based largely on aviation excise taxes that depend on the price of a passenger's airline ticket rather than the actual cost of moving flights through our Nation's aviation system. Starting in 2011, the budget assumes that the air traffic control system will be funded with direct charges levied on users of the system. While the budget does not include a detailed reauthorization proposal, the Administration believes that FAA should move toward a model whereby the agency's funding is related to its costs, the financing burden is distributed more equitably, and funds are used to pay directly for services the users need. The Administration recognizes that there are alternative ways to achieve its objectives, and wants to work with Congress and stakeholders to enact legislation that moves toward such a system.

The Airport and Airway Trust Fund

The Airport and Airway Trust Fund provides all of the funding for the FAA's airport improvement, facilities and equipment, and research and development activities, as well as approximately 70 percent of FAA's operations. As of the end of the current fiscal year, we estimate that the Trust Fund will have a cash balance of approximately $9.5 billion and an uncommitted balance of $929 million. The uncommitted balance takes into account the amount of cash needed to cover commitments that have already been made. As such, the uncommitted balance is generally used as an estimate of available resources for new commitments. The budget projects that the uncommitted balance will drop to $334 million by the end of fiscal year 2010. Although the budget estimates a small uncommitted balance in fiscal year 2010, the end of year 2010 cash balance is estimated to be $8.75 billion and FAA will have more than sufficient resources to implement its programs in fiscal year 2010.

Increased Safety

Safety continues to be our number one priority, with approximately 44 percent of the agency's FY 2010 budget supporting our mission to safely operate and maintain the air traffic control system, inspect aircraft, certify new equipment, ensure the safety of flight procedures, and oversee the safety of commercial space transportation. Over the past ten years, the commercial accident rate has been reduced by eighty percent. Even with this success, our goal is to proactively identify and work to implement further safety improvements. In our responsibility for safety oversight, we work with stakeholders to establish safety management systems to identify potential areas of risk. Then we work together to address these risk areas.

We at the FAA mourn the tragic loss of Colgan Air Flight 3407 deeply. This is an agency dedicated to aviation safety; any loss is felt keenly by us all. It is clear to us in looking at the February Colgan Air crash in Buffalo that there are things we should be doing now. Secretary LaHood and I are gathering representatives from the major air carriers, their regional partners, aviation industry groups and labor in Washington, D.C. on June 15th to participate in a "call to action" to improve airline safety and pilot training. This review addresses pilot training, cockpit discipline and other issues associated with flight safety. In addition, FAA has ordered inspectors to immediately focus on training programs to ensure that regional airlines are complying with federal regulations.

Controller Workforce

Our highly trained air traffic controllers play a critical role in achieving the outstanding level of aviation safety we enjoy in the U.S. Looking forward, I am dedicated to maintaining and improving the levels of safety we have achieved thus far while continuing to improve working conditions and expand the diversity of this workforce.

Over the next decade, FAA must hire almost 15,000 air traffic controllers. Last year we hired 2,196 controllers, exceeding our original target by more than 300. This hiring, combined with lower than projected retirements, brought our total controller workforce to 15,381 at the end of FY 2008. There are as many controllers on board today as there were in 2000, and on a per-operation basis, there are more Certified Professional Controllers (CPCs) on board today than in 2000. Our new plan calls for hiring an additional 1,742 controllers this year and 1,702 more in 2010, bringing the total controller workforce to 15,692 by the end of 2010. Our FY 2010 budget includes the funding necessary to carry out this plan.

The agency continues to recruit high-quality candidates into the controller workforce. Of the 2,196 controllers hired in FY 2008, 823 (37 percent) were graduates of CTI schools while an additional 720 (33 percent) had previous air traffic control experience, either gained in the military or at the FAA. Thousands continue to apply for air traffic controller jobs. The number of people in the hiring pool varies during the year as the agency recruits applicants, evaluates them and draws from the pool. During FY 2008, our recruitment and advertising activities allowed us to maintain a pool in the target range of 3,000 to 5,000 candidates available for consideration by selection panels at any one time.

To augment the centralized hiring activities regularly conducted in Oklahoma City, FAA has implemented Pre-Employment Processing Centers (PEPCs) to save time and money for applicants and to get qualified air traffic controller candidates into the FAA pipeline faster and more efficiently. In the past, an applicant had to travel to multiple FAA facilities and needed 6 months to complete the pre-employment evaluations. The PEPCs have cut this time to 4-8 weeks, and permit all the processing to take place under one roof, on the same day. The FAA conducted 10 PEPCs in FY 2008, at which the Agency processed more than 1,800 controller applicants. We will have conducted 6 PEPCs so far this year including Chicago the week of June 22-26, with one more expected by the end of the fiscal year.

The partnership between the FAA and the colleges and universities in the Air Traffic Collegiate Training Initiative (AT-CTI) program will continue to contribute to meeting air traffic controller hiring goals in the coming years. In the past five years, AT-CTI schools have graduated more than 4,000 students from their aviation programs, 3,000 of whom were hired by the FAA. Last year, FAA selected eight new colleges and universities to be part of the AT-CTI program, increasing the total number of schools to 31 spread across 21 states and Puerto Rico. This year, we have received applications from 20 new schools across the country. We are evaluating those applications now and expect to make decisions on how many and which schools to add this summer. By FY 2010, we anticipate at least 35 AT-CTI schools in the program graduating 2,000 to 2,500 students per year.

We are issuing our second annual comprehensive outreach plan that outlines our efforts to promote aviation occupations to a broad-based pool of applicants. The FAA's recruitment approach utilizes a variety of media outlets to reach the widest population of candidates. Recruitment materials are designed to capitalize on markets that provide information to a variety of age groups, all ethnicities, people with disabilities and military veterans. These strategies include community outreach events, job fairs, employee association events, military sponsored events, direct e-mailings, Internet recruitment, internship opportunities, newspaper and magazine advertisements, promotional videos, television, radio and bus advertisements.

As we continue to bring these new employees on board, we must carefully manage the training process to ensure that our trainees progress in a timely manner. To do this, last September we awarded a new Air Traffic Controller Optimum Training Solution (ATCOTS) contract to supplement facility training instruction and resource support. This contract currently provides training support to 240 facilities and will expand to cover all 315 facilities. ATCOTS will improve training times, both at the FAA Academy and when developmental controllers get to their facilities. In 2008, we vastly increased the terminal simulation capability at the FAA

Academy by installing six new high-fidelity tower simulators, providing a realistic tower environment in which to teach new controllers. We also installed a state-of-the-art en route training lab that simulates the air traffic control technology currently in use in en route facilities. We have been using tower simulators for training in Chicago, Miami, Phoenix and Ontario, CA since 2006 and have awarded a contract to provide another 18 simulators to field facilities. Current plans are to deploy these simulators at key locations such as Los Angeles, New York, Atlanta, Dallas and Fort Worth, Texas. By improving our training techniques and using high-fidelity simulators, we have reduced the training period from an average of 3-5 years down to 2-3 years.

Our goal is to limit the trainee ratio to less than 35 percent of the total controller workforce, ensuring there are adequate numbers of fully trained controllers in all facilities. The current ratio falls into the historical range of 23 to 44 percent. The FAA's current hiring plans return trainee percentages to their historical averages. By phasing in new hires as needed, the FAA will level out the significant training spikes and troughs experienced over the last 40 years.

<u>Aviation Safety Workforce</u>

Last year, the Aviation Safety (AVS) organization increased its total staffing by 264 positions, to a total of 7,002. This has enabled AVS to increase safety oversight and surveillance of 116 air carriers, increase production certification services for applicants, and expand its safety oversight of the Air Traffic Organization. This year, AVS plans to increase total staffing to 7,184, enhancing activities such as safety attribute inspections and manufacturer inspections. The FY 2010 budget provides additional funding to hire aircraft certification staff, drug inspectors and safety program analysis staff, bringing total AVS staffing to 7,214.

One of the primary challenges facing the AVS organization is to hire, train, and retain a highly qualified workforce with the skills necessary to implement the Safety Management System (SMS) needed to keep the U.S. aviation system the safest in the world. To guide this effort, in May we published an updated Workforce Plan that lays out the strategies that will allow us to successfully meet these challenges. The new plan contains updated aviation industry forecasts as well as revised workforce losses and hiring targets. As AVS moves to a system safety approach for oversight and surveillance, staffing levels will not increase at the same rate as industry traffic. We will therefore focus resources on the areas of highest risk, expand the use of designees, and increase our use of data to drive decision making.

In 2007, the National Academy of Sciences recommended FAA develop a new staffing model to predict where safety inspectors should be located in the future. AVS has made significant progress in creating a new model for inspectors, and we plan to expand its use to include the entire safety critical workforce in the future. In the first quarter of this year, we implemented the initial prototype for Aircraft Certification inspectors and established initial variables for the Flight Standards inspector model.

Enhanced Safety Oversight

Through our Air Carrier Evaluation Program (ACEP), independent air carrier evaluation teams are now performing safety and regulatory compliance assessments at the nation's commercial airlines. These assessments focus on the design and performance of critical airline systems, and provide objective review of oversight practices by the certificate holding office. We have also implemented policy changes in our Voluntary Disclosure Reporting Program that require airline officials to be directly involved and fully informed on all disclosures of potential regulatory violation. We now require that FAA managers provide second level review and approval of the proposed comprehensive resolution for each submission under the program. The Inspector General's recommendations and those from the Independent Review Team (IRT) are being implemented through the FAA Integrated Safety Plan which details twenty-six specific activities associated with consistency and standardization, management accountability and training, communications, and risk assessment.

While we have made progress over the past several years in increasing the system's safety, new means are required to ensure safety remains and surpasses its current level. The FAA's Aviation Safety and Information Analysis and Sharing program (ASIAS) provides a suite of tools that extract relevant knowledge from large amounts of disparate safety information and will aid as we move into the future. ASIAS uses safety data collected from the public sector and proprietary data from 17 major air carriers to assess identified safety issues and monitor multiple data sources for potential high-risk safety vulnerabilities to focus resources and prevent accidents. In use today, ASIAS will ensure that the operational capabilities that produce capacity, efficiency and environmental benefits are first and foremost inherently safe. ASIAS has already demonstrated the ability to measure the performance of safety solutions to known problems, such as Loss of Control, Controlled Flight Into Terrain, Runway Incursion, Approach, and Landing Accident Reduction. Additionally, ASIAS has demonstrated the ability to detect new safety issues, such as terrain avoidance warning system alerts (TAWS) at mountainous terrain airports, and to identify solutions that have the potential to virtually eliminate these threats. Combined with the implementation capability of the Commercial Aviation Safety Team (CAST), ASIAS has demonstrated incredible success in advancing safety. CAST just received the Collier Trophy for its role in improving commercial aviation safety. Between now and fiscal year 2013, the FAA intends to increase the number of databases ASIAS can access; expand ASIAS to include maintenance/air traffic information; increase membership by adding regional air carriers; increase community stakeholders to include general aviation, helicopter operators and the military; and increase the automated search capabilities.

Runway Safety

The FAA places a high priority on initiatives to reduce runway incursions, and will continue to implement recommendations that reduce their occurrence. In August 2007, FAA put out a Call to Action to improve runway safety, and we have made significant progress on a number of these initiatives. Since then, there have been five serious runway incursions at the 20 airports, subject to detailed reviews during the first phase of the Call to Action, compared to 13 serious runway incursions in the 17 months prior. The 75 medium and large airports completed painting enhanced markings in advance of the June 2008 deadline, and 292 of the 485 small airports have completed the marking process. Detailed reviews of 42 airports selected on the basis of runway incursion and wrong runway departure risk are complete and have resulted in approximately 200 short-term and 200 mid- and long-term initiatives. Almost all of the short-term initiatives have been completed.

The FAA continues to deploy new technologies to enhance runway safety such as the Airport Surface Detection Equipment Model X (ASDE-X). Currently, 19 of the planned 35 ASDE-X systems are operational, with 13 more coming on line by the end of FY 2010. Deployment of the remaining three systems at LaGuardia, Las Vegas, and Memphis are dependent on those airports' new airport traffic control tower construction schedules. We have also initiated a pilot program to investigate the suitability of Low Cost Ground Surveillance (LCGS) technology to provide increased capability at airports where ASDE-X technology cannot be cost-effectively implemented. The FAA has approved a program to implement Runway Status Lights (RWSL) technology at 22 major airports by 2011. RWSL technology leverages ASDE ground surveillance technology to illuminate red in-pavement lights when it is not safe for an aircraft or vehicle to enter or take-off on a runway. We currently have RWSL systems installed at San Diego, Dallas/Ft. Worth, and Los Angeles. In addition, we are continuing to test additional runway lights. In Boston we are testing Runway Intersection Lighting (RIL) to guard runway intersections, and at Dallas/Ft. Worth we are testing the enhanced Final Approach Runway Occupancy Signal (eFAROS) to alert landing traffic that a runway is occupied.

We are continuing our high priority initiative to improve runway safety areas (RSAs) to the extent practicable. By the end of 2010, 87 percent of the RSAs at priority runways will have been improved. We are on track to complete upgrades of all RSAs at certificated airports to the extent practicable by 2015.

Wildlife Hazard Mitigation

The forced landing of US Airways Flight 1549 into the Hudson River last January focused the nation's attention on the risks wildlife poses to aircraft. The number of strikes has increased consistently since 1990, largely due to increased reporting, air traffic, and wildlife populations. The FAA has a robust wildlife mitigation research program that develops new techniques to make airports unattractive to wildlife. The results are published in the FAA's Wildlife Hazard Management Manual that provides practical methods airport operators can use to mitigate wildlife hazards. We are conducting assessments of low cost portable radars for detecting and tracking birds on or near airports. A radar assessment is underway at Seattle Tacoma Airport and additional radars will be installed for assessment this summer at John F. Kennedy and Chicago O'Hare. Although we have learned that these radars can detect and track birds, it is still not clear if they are practical for use as a real-time bird alerting system at commercial airports.

In the short-term, we believe the radars will be used by the airport operators to determine daily and seasonal bird transit routes and behaviors. This information will help them implement mitigation measures both on and off the airport.

NextGen

The FY 2010 budget provides a total of $865 million in support of NextGen, an increase of 18 percent over FY 2009. This includes over $790 million in the F&E program, $65 million in RE&D, and $9 million in the Operations account.

The Need for NextGen

The aviation sector will be an important factor in the nation's economic recovery, and updating our air traffic control is an important element of economic growth. NextGen represents a wide-ranging transformation of the entire national air transportation system to meet future demand and support the economic viability of aviation while improving safety and protecting the environment. NextGen will change the way the air transportation system operates – reducing congestion, noise, and emissions, expanding capacity and improving the passenger experience.

NextGen will mean new technologies, procedures, standards, and roles and responsibilities for pilots and controllers. Given the scope of this undertaking, substantial investment is required now to achieve near-term deployment of mature technologies, accelerate moderately mature concepts for operational viability, and perform research to better define long-term capabilities. As it is implemented, NextGen will enable aircraft to safely fly more closely together on more direct routes, reducing delays, and providing benefits for the environment and the economy through reductions in carbon emissions, fuel consumption, and noise.

NextGen also provides an opportunity to manage the environmental impacts of aircraft noise and emissions and concerns about energy usage and climate. Increased efficiency with NextGen operations will lead to reduced fuel consumption resulting in lower carbon emissions. NextGen investments in engine and airframe design and alternative fuels will accelerate the changes needed to reduce the environmental impact of aviation.

Implementing NextGen

As FAA lays the groundwork for this dramatic transformation, new technology and procedures are already being implemented to provide immediate benefits to operators. An example is the recent flight from Paris to Miami that tested the new space-based signaling system. This test involved the NextGen initiative that focuses on satellite guidance. It also engaged in unrestricted climbs and descents to determine the efficiency of the new procedure. Another test flight will be conducted without any kind of delay to determine the maximum benefit that can be achieved from the tailored arrival concept.

Step by step and procedure by procedure, we are increasing the integration between aircraft and ground-based technologies; however, the installation of certified avionics in the cockpit will be essential to the realization of NextGen capabilities. Significant investment by aircraft operators is necessary. This budget request positions FAA to continue to deliver the promise of NextGen, as outlined in FAA's NextGen Implementation Plan published in January 2009, and the NAS Enterprise Architecture. It also supports NextGen's provision of environmental benefits to reduce aircraft noise and emissions.

FAA is moving forward with a dual-pronged approach for implementing NextGen: maximizing the use of untapped capabilities in today's aircraft and ground infrastructure, while working aggressively to develop and deploy new systems and procedures that will form a foundation for more transformative capabilities that will be delivered in the mid-term. This approach allows both government and industry to extract the greatest value from existing investments, while positioning the industry to gain exponential benefits in the mid-term and beyond.

NextGen is expected to yield significant benefits in terms of delay reduction, fuel savings, additional capacity, improved access, enhanced safety, and reduced environmental impact. Last year we estimated that NextGen would reduce delay by 35-40 percent in 2018 compared to what the system would experience without NextGen. We are currently preparing an updated, detailed breakdown of the near- to mid-term NextGen benefits. This analysis will be completed soon, and updated annually in conjunction with FAA's budget submission.

Because the realization of NextGen benefits is integrally linked to how quickly the operators equip their aircraft, it is imperative that the FAA work closely with industry on NextGen deployment. As such, the FAA has established a NextGen Implementation Task Force with Radio Technical Commission for Aeronautics (RTCA), an industry association that serves as a federal advisory committee. The task force is expected to deliver its recommendations this August on how to move forward together on implementation.

The DOT Inspector General has urged FAA to complete a "gap analysis" of the current system and the future NextGen system of 2025, and develop an interim architecture or technical blueprint. We have completed a preliminary internal gap analysis against the mid-term NAS Enterprise Architecture that was completed in January 2009 as part of an on-going assessment. In August, we expect to deliver a gap analysis that includes requirements for addressing identified shortfalls.

Current Status of NextGen

Implementation of ADS-B ground infrastructure is on budget and on schedule. ADS-B is a key component of NextGen that will move air traffic control from a system based on radar to one that uses satellite-derived aircraft location data. ADS-B provides surveillance, like radar, but offers more precision and additional services, such as weather and traffic information for pilots. ADS-B essential services have been deployed in southern Florida and are being deployed in the Gulf of Mexico, where we have never had radar coverage. ADS-B deployment will allow us to use surveillance based procedures with their reduced separation and save an estimated $546 million through 2035.

Other NextGen transformational programs made significant advances over the past year. The SWIM program, Data Communications, and NAS Voice Switch achieved major acquisition milestones, and NextGen Network Enabled Weather (NNEW) conducted demonstrations of the integration of weather data into automated decision support tools. This is a necessary step in the realization of improved management of weather in the NAS.

The FAA is working closely with all aspects of the aviation community to make NextGen a reality sooner rather than later. Moreover, through the efforts of the JPDO this past year, we have seen the contributions to NextGen resulting from cross-department and cross-agency cooperation increase significantly. Through the cross-agency support provided by the JPDO and its Senior Policy Committee, we are collaborating within the Department of Transportation (DOT), the Department of Defense (DoD), the Department of Commerce, the Department of Homeland Security (DHS), and the National Aeronautics and Space Administration (NASA). Because of these efforts, DoD has established a division at JPDO to work on efficient and secure information sharing, and the Departments of Commerce, Defense and FAA have collaborated to deliver the first NextGen weather capability in 2013. JPDO has also conceived and facilitated the formation of Research Transition Teams to further the effective transition of research from NASA to implementation in the FAA over the longer term.

Performance-Based Navigation

Performance-based navigation is another building block for NextGen which we are accelerating with cooperation from industry. The FAA maximizes the use of airspace, especially in congested areas, through targeted airspace and procedures enhancements. Performance-based navigation includes Area Navigation (RNAV) and Required Navigation Procedures (RNP), which allow equipped aircraft to fly more direct and precise paths, reducing flight time and fuel use, as well as localizer performance with vertical guidance (LPV) procedures, which can increase access to airports, especially in low visibility conditions.

Today, more than three-quarters of commercial aircraft are equipped for RNAV, and almost half of these are equipped for RNP precision procedures. This level of equipage provides an excellent opportunity for the aviation community to use what it already has to produce ever-greater benefits. Operators like Southwest Airlines recognize the value of performance-based navigation. The airline made the business decision early last year to equip its entire fleet for RNAV and RNP procedures. Southwest believes its $175 million investment can be recouped within the next three to five years because of the operational efficiencies RNP offers. The FAA has responded: last year we published more than 600 performance-based navigation procedures and routes, versus our goal of almost 400. We plan on keeping up this pace each year for the next four years.

Reduced Congestion

The Operational Evolution Plan (OEP) has helped communities, airports, and the FAA to continue to work together to build new runways and major runway extensions, which provide significant capacity and operational improvements. Four runway projects have been commissioned so far this fiscal year. On November 20, 2008, three major new runways opened: at Seattle-Tacoma, Washington Dulles, and Chicago O'Hare International Airports. The Seattle runway is expected to cut local delays in half by increasing capacity in bad weather by 60 percent, while the new runway at Dulles will provide capacity for an additional 100,000 annual operations. The new Chicago runway, which added capacity for 52,300 annual operations, is a part of the greater O'Hare Modernization Program (OMP) that will reconfigure the airport's intersecting runways into a more modern, parallel layout. The OMP will substantially reduce delays in all weather conditions and increase capacity at the airfield, allowing O'Hare to meet the region's aviation needs well into the future. On February 12, 2009 a runway extension at Philadelphia was completed, helping reduce delays at the airport. Looking forward for the next three years, new runways will open at Charlotte and Chicago O'Hare. Eleven other runway projects are in the planning or environmental stage at OEP airports through 2018.

While airfield improvements offer significant capacity increases, they alone are not enough to address current problems at certain airports, or the growth in demand we expect in the future. New technology and procedures can help us gain extra use from existing runways.

Today, capacity for closely spaced parallel runway operations (CSPO) is dramatically reduced in poor visibility conditions. We are working on capabilities that allow for continued use of those runways in low visibility conditions by providing precise path assignments that provide safe separation between aircraft assigned on parallel paths, restoring capacity and reducing delays throughout the system. In November 2008, we published a national order that allows us to safely reduce separation between aircraft approaching parallel runways at Boston, Cleveland, Philadelphia, St. Louis and Seattle. In good visibility Seattle's pair of parallel runways, together, could handle roughly 60 operations per hour; poor visibility conditions cut that rate in half. Even in poor visibility, the new order now safely allows a rate of about 52 operations per hour, a significant improvement for the airport and its users. We are beginning to see similar benefits in Boston.

This order is a first step in a phased approach for safely increasing the use of CSPOs through a combination of procedural changes and new ground and aircraft equipment. Down the road, new rules for CSPOs could give airports more design flexibility so that they can safely build runways more closely together, increasing their capacity within their existing boundaries, providing better service to their communities without requiring additional land.

Environmental Stewardship

The FAA is committed to managing aviation's growth while ensuring the health and welfare impacts of aviation community noise and air quality emissions are reduced. The primary environmental and energy issues that will significantly influence the future capacity and flexibility of the NAS are aircraft noise, air quality, global climate effects, energy availability, and water quality. Aviation accounts for approximately three percent of direct greenhouse gas emissions, and national and international concerns about climate impacts could constrain the industry in the future, if not properly addressed. An environmental management system approach will be used to integrate all environmental and energy considerations into core NextGen business and operational strategies.

In 2009, we are moving forward on a research consortium called Continuous Low Emissions, Energy and Noise (CLEEN), which will allow us to work with industry to accelerate the maturation of technology that will lower energy, emissions and noise. CLEEN also seeks to advance renewable alternative fuels for aviation. These fuels not only improve air quality and reduce life cycle greenhouse emissions, but also enhance energy security and supplies. FAA helped form – and is an active participant in – the Commercial Aviation Alternative Fuels Initiative, or CAAFI. Alternative fuels will be the "game changer" technology that can enable the aviation sector to achieve carbon neutral growth. Significant deliverables in the FY 2009-2013 period include demonstrations of clean and quiet aircraft technologies that can be transitioned into new products and used to retrofit existing products, approval of generic renewable fuels for aviation, and models and guidance to improve our ability to quantify environmental costs and benefits and to optimize solutions, including those to address CO2 and non-CO2 aviation climate impacts.

Global Connectivity

The FY 2010 budget request supports an expanded global presence, training, and technical assistance to foreign aviation authorities and maintenance of aircraft certification work. Specifically, FAA's will implement an Aviation Cooperation Program in Latin America, based on our successful China and India models.

Through strategic activities in FY 2010, FAA will support safety programs in Afghanistan, Africa, and Iraq and build mutually beneficial partnerships with civil aviation organizations in the Middle East, China, India and Latin America. The FAA continues to support government-industry partnerships and strengthening the capabilities of regional aviation authorities and organizations through technical assistance and training. Over the next year, FAA will be reviewing our global presence to more strategically align resources to be better positioned to influence aviation policy in rapidly growing world markets.

The FAA provides direct or indirect assistance to over 100 countries around the world to help them improve their aviation systems. The United States is the largest contributor of technical and financial support to the International Civil Aviation Organization (ICAO), which represents 190 of the world's civil aviation authorities. While the worldwide air accident rate has improved over the last ten years, the rate is higher in parts of the world where major growth is forecast to occur over the next century. In this environment, FAA will work with our international partners to ensure that the flying public is able to travel as safely and efficiently abroad as at home.

Security, Preparedness and Response

The FAA continues to promote aviation safety in support of national security. The FY 2010 budget request provides resources for critical infrastructure protection, emergency operations, contingency planning, and the safe transportation of hazardous materials in air commerce. In particular, the budget supports enforcing hazardous materials regulations issued by the DOT

Pipeline and Hazardous Materials Safety Administration (PHMSA) and implementing a strategic plan with PHMSA to strengthen those regulations.

The FAA's current information protection model was structured to protect and control information in paper form. However, recent trends show a continuing decrease of paper documents with nearly all information being received on electronic media. Ensuring the protection and control of electronic information at the same level of protection we afford our paper based information requires a cultural and business process change in the program. The budget supports the agency's efforts to implement the necessary security measures and oversight for the electronic protection of classified and controlled information.

In February 2009, the FAA experienced a large privacy breach, exposing personally identifiable information (PII) from 2006 on over 45,000 employees. As a result the agency had to notify its employees, many of whom had left the agency, and provide credit monitoring protection. It cost the FAA approximately $2 million to manage remediation activities associated with the breach, including notification and protection of its employees. This does not include any potential legal costs that may result from this incident. In FY 2010, the costs associated with acceleration of activities needed to protect FAA information assets from unauthorized disclosure, and prevent loss of privacy sensitive data and other types of PII, are expected to exceed $2 million. The FY 2010 request supports the acceleration of these activities. This will give us the ability to terminate malicious activity in near real time and reduce significant loss of data. We expect to achieve a reduction in privacy incidents to pre-2007 levels.

Organizational Excellence

The FY 2010 budget request ensures the success of FAA's mission through stronger leadership, a better-trained workforce, enhanced cost control measures, and improved decision-making based on reliable data. Working with employees and industry partners, FAA strives to invest in high-performing programs and services. At the same time, it must end those that are redundant or ineffective. Likewise, the agency must minimize costs and use resources wisely while maintaining its focus on customer requirements and aligning its products and services to their needs.

The FAA continues to implement strategies to address the need for cost reduction and improved financial management, including a centrally managed cost control program, better financial and procurement oversight, and improvements in the tools and training necessary for financial management. To date, our Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) initiative has achieved over $35 million in cost savings. Since the 2005 implementation of a contract review process for all contracts with a value of $10 million or more, the Chief Financial Officer has evaluated over 165 proposed acquisitions with an estimated contract value of over $9 billion. FAA is also implementing DOT's federal real property management initiatives. Since they were established, the Department's efforts have resulted in removal of more than $170 million in real property assets from the FAA portfolio. 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.

Earlier this year, the Government Accountability Office (GAO) removed FAA's air traffic control modernization program from its High Risk List because of the progress made in keeping programs within budget, on schedule, and for meeting performance measures and program commitments. We have improved management capabilities on major projects, developed and refined an enterprise architecture, implemented a cost estimating methodology and a cost accounting system, implemented a comprehensive investment management process, and assessed our human capital challenges. We have also developed an updated corrective action plan for 2009 to sustain our improvement efforts and enhance our ability to address risks, efforts that become even more critical as we transition to the more technically complex NextGen system.

Conclusion

The FAA is doing more than ever to manage itself responsibly, and it is paying off. Without question, we must prepare for the future, and the future begins with responsible investments in capital and a highly capable workforce. Given the vital role aviation plays in the Nation's economy and the need to prepare for the future, our funding request is designed to support America's growing demand for aviation-related services.

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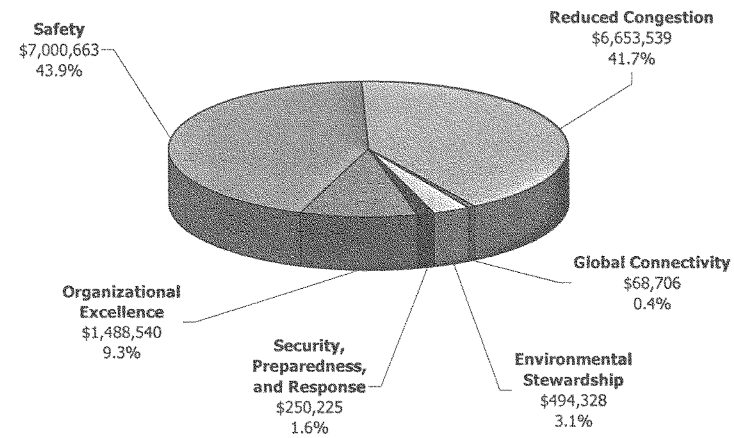
FY 2010 FAA Budget Request by Goal
($000)



Comparison of Budgets FY 2008 – 2010
($ in thousands)

Accounts	FY 2008 Actual	FY 2009 Enacted (OMNIBUS)	FY 2009 Enacted (Total)*	FY 2010 Request	2009-2010 Change
Operations	8,740,000	9,042,467	9,042,467	9,335,798	3.2%
Facilities and Equipment	2,513,611	2,742,095	2,742,095	2,925,202	6.7%
Recovery Act Supplemental			200,000		
Research, Engineering & Development	146,828	171,000	171,000	180,000	5.3%
Grants-in-Aid for Airports					
Obligation Limitation	3,514,500	3,514,500	3,514,500	3,515,000	0.0%
Recovery Act Supplemental			1,100,000		
FAA Total	14,914,939	15,470,062	17,075,562	15,956,000	3.1%

*Includes funding provided by the American Recovery and Reinvestment Act of 2009. This act provides supplemental funding of $200 million to Facilities & Equipment and $1.1 billion to Grants-in-Aid for Airports.

Mr. OLVER. Well, under those circumstances, I will certainly allow you to use whoever it is on the staff that really needs to answer the question that is being brought up as this goes on.

Our usual procedure is to have rounds of 5-minute questioning by first myself and the ranking member, and then the other members who are present or as they come in.

NEXTGEN

Let me just start, sort of kicking off some words that you said earlier. And I won't quote them. But in this issue of NextGen, this is an enormous undertaking. Has the FAA involved its employees, its controllers, its inspectors, its safety technicians and such? Have you involved them in the planning at this stage? Can you give me some sense of that?

Mr. BABBITT. Yes, sir. Let me speak to that, and I might ask Vicky or Hank to step in. We have not involved them to the extent that I would be comfortable with at this point. I think I could best describe it as a distraction with some labor concerns. I hope to put those concerns behind us with this new agreement that we are negotiating with the controllers. And I hope that both of us can focus on getting their participation. We certainly have had a lot of other components within the FAA deeply involved. But we are sorely missing the involvement of the controllers. And I do hope to engage them.

Mr. OLVER. Well, given the earlier words that you used about that being good form, at least I am willing to accept at this stage that that will be something that will be worked on; that will make an effort to engage those people who are very much affected by what it is that goes on.

So we will pass that opportunity for Hank and Vicky to weigh in at this point. That is probably the best way to deal with it.

My staff tells me that the NextGen program is expected to cost something in excess of $20 billion—I have long since forgotten that it was 14—through the year 2025, which implies that there is a timeline for the complete implementation of NextGen of somewhere around 2025. When Secretary LaHood was before us 3 or 4 weeks ago, I had made the comment and I have to sort of qualify the comment. But when I first served on this subcommittee, the key issues, the key controversies in new equipment and so on was STARS and common arts and so forth, and that argument went on for quite a while, probably through 2002.

So probably we weren't really talking about NextGen until probably 2003. And I think looking back at the budgets, the first time that there are things assigned in the budgets—I have a little chart here. The first time that there was assigned money is actually 2007. But there was considerable talk before that time about the deficiencies of the present system, the problems with the present system, and the benefits from upgrades that we really needed to do.

So I had said we have got to do this, to the Secretary, in half that time. And he said he agreed. So now I am left with the question of how—whether I was completely misunderstanding. I don't think he was particularly. He was very careful about the words that he uses. But I know you have an implementation plan that came before us that was issued in January of 2009. You referred to it in your testimony. It was very careful testimony about all the different things, all the problems, all of the needs and requirements and so forth in your written testimony about why we are doing this and what are the benefits that we hope to accrue. But I think that that plan actually is a sort of a mid-term plan that gets us to about 2018.

Now, I had in my mind that we ought to be in full implementation of NextGen maybe by 2016 or 2017 at the latest. So I am out of sync here. I am impatient. But that is, in part, because I am older than everybody else at the table, at this side or that side of the table. And I had hoped to see NextGen in place at some point along the way. So would you like to—are you moving this? You said you would like to move it faster. What is your sense of a timeline for realistically getting NextGen in place? And then we will go from there.

Mr. BABBITT. RTCA is a company that is allowed to bring in all the parties within our industry. We have tasked them with bringing in the users, the manufacturers, and the FAA; really looking at NextGen for the single purpose of, what are the priorities that the industry wants?

We have two sides to this equation. We have all the technical equipment. And that too——

Mr. OLVER. And the $20 billion, that estimate is for the work that has to be done at the Agency?

Mr. BABBITT. Yes, sir.

Mr. OLVER. And then there is another estimate of 20 billion, which may be inflated.

Mr. BABBITT. It could be. The other thing——

Mr. OLVER. Done by the industry.

Mr. BABBITT. What we are doing is finding the areas. We know, for example, that many of the carriers have already put some of the equipment on board. They are capable of shooting these Required Navigation Performance approaches. Many of them have Area Navigation (RNAV), which is a very sophisticated navigation capability. They already have this equipment. We simply need to design the procedures so they can use them. The essence of this is that we are going to look back and see what they have, what we have, and what could we implement right now. I think what we drew out originally, and I will be corrected if I am wrong, is more of a linear implementation, and we put everything on the same plane we are going to put all the parts in.

But some of the things do not bring us the savings. For example, in some of the big congested areas we get a much bigger benefit by redesigning the air space, implementing some of the technology, and shifting over to voiceless communications. So, we want the voiceless communications. It will improve safety. But that is not necessarily something we want to do first because we will not get the benefit for it at that point.

The other thing that I want to mention in the budgeting is that this budget, while it might seem expensive, remember that we have to run systems in parallel. We are going to be introducing the very first leg of implementation of NextGen, which you will be happy to know is actually going live here shortly, and we are going to begin to use the first en route modernization technique. But, we have to run a parallel system. We are not going to shut the old system down and turn on the new one and really hope that it works well. We have the highest degree of confidence that it will. We are going to back it up with our other systems for a while. So there is some overlap in that area.

Mr. OLVER. Look, I am way out of time. But that is not your fault, it is my fault. In just finishing, and then I will give my ranking member similar time. But there are just so many moving parts to this. Your budget for this, this year, is $865 billion. It is divided into more than 25 different line items that I suspect cover topics in every one of the people here and some other people who have also managerial—I suspect, managerial control.

So the coordination of this is not running in series but in parallel. To get out the best that you can out of this and move as quickly as possible is an incredibly difficult and complicated task for all of you. And I just commend you for undertaking it.

I will stop there and then come back, because I am going to try to understand this system a little bit better.

Mr. BABBITT. All right, sir.

Mr. OLVER. Mr. Latham.

Mr. LATHAM. Thank you, Mr. Chairman.

NEXTGEN

I am told that a number of NextGen components—I am just going to follow up on the chairman's comments. Like the next generation enabled weather program and the voice switch, to name a couple, their completion dates have slipped by at least a year, 2 years, 3 years. And that slippage always costs more money, obviously.

Just to get a handle on it. Is the $20 billion what you actually expect this to cost?

Mr. BABBITT. If you don't mind, I will defer to Hank. They have worked with these budget numbers a lot more closely than I have.

Mr. KRAKOWSKI. And I will give it also to Vicky for some granularity.

The one thing about the time line I would like to talk about, and this is important, we can not think of this as strictly a United States only system. Our airplanes fly in our border air traffic airspace and their airplanes fly in ours. So what we are embarking on is actually truly an international effort. There is an awful lot of work here to get this right, and we have to be so careful because we are going to be implementing the system in layers in a live system with real airplanes and people in it. When you think about accelerating it, you have to think about it very, very carefully.

Ms. COX. Thank you. If I could go to the question of the investment delays. Actually, we have transformational programs, the Automatic Dependent Surveillance Broadcast (ADS–B) is one. The program that you mentioned, the NextGen Network Enabled Weather and the NAS Voice Switch are transformational programs. Of the five current transformational programs, only two have gone to an initial investment decision. So they are not delayed. In fact, ADS–B and System-wide Information Management are the two programs that have awarded contracts and are actually proceeding.

ADS–B achieved its inservice decision for broadcast services just 14 months after contract award and the program has been performing very well.

For other programs, because we have not even gone to initial investment decision, which means we have not completed the investment analyses that are necessary for us to move forward, it is very difficult to come up with an accurate number for the total cost of the system. These five and next year's six transformational programs are going to be the bulk of the cost of the system going forward. Our estimate of $15 billion to $20 billion—we think—is a good estimate out to the 2025 timeframe, but that estimate will get better as we complete the detailed engineering studies, prototyping and development, and demonstrations that are necessary for us to truly understand where we are going.

Mr. LATHAM. So you really can't—the problem we have is we have to deal with real numbers here rather than guessing out there. But that is fine.

One thing that concerns me, even after certification and approval of technologies and ground systems, procedural design criteria have to be set by the FAA aviation systems standards. And according to your agency, as many as 7,200 procedures remain to be developed, and the GAO has identified this as one of the largest obstacles for the timely implementation of the NextGen.

What, if anything, do you think you can do to streamline activities and the NextGen workload without compromising safety? And one question, too. Is there any pushback from the industry as far as the costs or the implementation of the NextGen?

Mr. BABBITT. I think the biggest concern of the industry, and it is a fair one, is we do not want to do the equipage unless we know we can, in fact, use it. And it is a little bit of a, I think the responsibility falls on us, as it rightly should, but we need to be credible when we say we are going to have a system. If you put equipment in your airplane by 2010, you are going to be able to go in and out of airports using this equipment. That is a responsibility that we are going to have to accept. If we make that statement, then we need to be sure that we can do that.

With regard to the high number of procedures, that is a very valid point. There is a pretty good history in this industry. We have a number of areas where we have broadened our ability to monitor and oversee and do various programs by authorizing other people. Airlines are a good example. I would not even want to guess how many inspectors we would need to check all of the pilots and mechanics in this country. So what we do, is the carriers send and recommend their bright senior pilots, and we certify them, we oversee them, we monitor them, and allow them to do some checking.

I am asking that we look into something similar. We do the same exact thing for certification of airlines. We have provisions out there. There are companies that meet very strict FAA criteria that are allowed to essentially put together the certification package for an airline, saving the FAA an enormous amount of time. We sign off on it, we review it, but we do not do all of the legwork. That is something we are going to have to look at here. There are companies today that can design very sophisticated approaches.

We acknowledge that we don't have the manpower, and we have to ask ourselves does it make sense to ramp up to build 7,000 procedures with a lot of staff, and once they are built we do not need them. I do not know if this is the wisest decision, but we will have to look at it. This is something that we may say, look, it will be worth our while to allow companies that are qualified and competent to design some of these approaches. We would certify their work as opposed to doing the work.

Mr. LATHAM. Thank you, Mr. Chairman.

Mr. OLVER. Thank you, Mr. Latham. Mr. Rodriguez.

Mr. RODRIGUEZ. Thank you very much. And welcome, Mr. Babbitt. I want to, first of all, congratulate you in making those comments about making sure we don't move to technology if they are not going to be utilized. I was a school board member one time, and when we moved to computers way back in the late 1960s and early 1970s, and they sat there for a long time because we forgot the training component to it. So let me ask you about integrating the staff and making sure that the training as we move on—and if you have to refer it to Ms. Cox, how are we going to move on that? Because I know Ms. Cox mentioned not pilot projects but demonstration projects. How far are we from that as we move on that? Either yourself or Ms. Cox.

TRAINING

Ms. COX. Thank you. We recognize that training is an integral part of the NextGen development and deployment. Training is built into our major acquisition programs, and we never introduce a new program just as we are introducing the En Route Automation System Modernization system (ERAM) today. Training is ongoing now, with Automatic Dependent Surveillance Broadcast, training is an integral part of the delivery and deployment of that capability just as it will be with all of our capabilities.

We are looking at how we integrate a training plan, because we are going to be delivering so many of these new capabilities in a very shortened timeframe. We are working with our new training vice president in the Air Traffic Organization to develop the appropriate approach to that.

Mr. RODRIGUEZ. I have been working with a junior college for about 3 years to try to work with a Federal—the controllers. We have had some difficulty getting recognized there. And I know that some of your staff, for air controllers who were picked from I guess from the field with no training whatsoever, for training. So I was concerned in terms of what it would make sense that you would start looking at some facilities that would, for training, for the future.

Let me be a little more specific on the demonstration once again. Do we have, is it best to approach some of these areas to look at specific demonstration projects? Or how do we—we don't transfer real quickly from one to the other. But how do we make that happen? Have we come up with some conclusions there?

DEMONSTRATION WITH CONTROLLERS

Ms. COX. We are working a number of demonstration projects in the field now, particularly focusing on procedures that take advantage of capability existing in the aircraft today. We are working with active controllers. We can't put a demonstration in place without working with the controller workforce. We have had a lot of success in several areas.

LAX is a prime example of developing procedures for optimized profile descents. Today, about half of the arrivals in LAX take advantage of NextGen procedures called controlled descent approaches, and they are saving a lot of fuel there. The controller workforce is very supportive of those. There are 400 flights a day utilizing that. We are looking at expanding that and are working in other airports and areas around the country for that.

Mr. RODRIGUEZ. As the chairman indicated, we want to move quicker on this. What do you need to do in order—from us in order to make that happen in some of these areas? I know there were a variety of six or eight areas that you have identified in moving forward. What do we need to do to—you know.

AIRSPACE DESIGN

Ms. COX. We are looking at areas that we can advance. The procedures area is one. We need an integrated national approach to both airspace design, putting in place routes that take advantage of satellite-based navigation capability in the aircraft today. These approach procedures allow us to get higher capacity at our most congested airports. We are looking for industry to make the recommendations through the task force that Mr. Babbitt referenced. We will be getting recommendations in August about which airports they would like for us to concentrate on and prioritize our efforts. We are looking at acquisition programs that we may be able to significantly advance in terms of delivery timeline without introducing significant risk to the programs. We are looking at what additional funding would be required to get us to that because the funding requests that we have in place today supports the implementation plan for NextGen that was published in January.

Mr. RODRIGUEZ. Quickly, as you look at that, how do you view the rural America in terms of this whole process? Can they play a major role in that implementation?

RURAL AMERICA

Mr. BABBITT. Absolutely. Let me add, that is one of the key components I think we may have overlooked. We focused on the key congestion areas. This is what NextGen will bring us, for example, if we are focused on probably the top 20 airports, we have commercial service into another roughly 400 airports. There are thousands of other airports in this country, and a lot of our commerce depends on getting in and out of those airports. Currently, we need equipment on the ground. If we are going to have an approach facility into any airport, it is required that we put facilities on the ground to give the airports horizontal and vertical guidance to runways.

With NextGen, all of that comes from space. All we need to do is design the approaches. I have asked that at a minimum we should be able to design approaches that would give visual, horizontal and vertical guidance to the primary, prevailing wind runway of the next biggest airports of the country. If nothing else, the same people that are going in there under visual conditions will be able to go in there under safer visual conditions. The next step would be to give them an actual approach procedure in there, so when the weather is not good they have an approach to shoot into those airports. The only cost of doing this is designing the approach. We need no facilities. The equipment is in the aircraft. The navigation capability comes from the sky and the satellites.

Mr. RODRIGUEZ. Thank you.

Mr. OLVER. Thank you. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman. Mr. Chairman, in your opening remarks you mentioned renewable jet fuels, and it hasn't come up in testimony today, but my understanding is the Air Force is changing their RFP on jet fuel to take out the word "petroleum" to permit renewable competitors. If the chairman has a minute, Ms. Kaptur and I would be happy to take the chairman to Ohio where we are growing algae that is being turned into jet fuel. We used to grow algae by mistake in Ohio; now we are growing it on purpose, for that specific purpose.

Mr. Administrator, I want to congratulate the President of the United States, Secretary LaHood, and now you, for the approach that is being taken with the air traffic controllers. I have been a pretty vocal critic of the previous administrator and administration when it came to imposing a contract. I don't think you have a happy workforce when people don't get there and believe that their contract has been reached fairly. Mr. Forey is a constituent of mine, and he reports that you are down to three or four issues, and I congratulate you on that.

Mr. BABBITT. Thank you.

AIR TRAFFIC CONTROL FACILITIES

Mr. LATOURETTE. On the issue of air traffic controllers, though, now that I have thanked you, I am going to spank you. The Ohio Congressional Delegation sent a letter earlier this year asking that there be a moratorium on some of the realignments relative to air traffic control facilities. We got a nice letter back from the acting administrator saying that the review process is going to be transparent. We hear that a lot this year, transparent. But despite that, and despite the fact that when the FAA reauthorization bill that has passed the House and one day will pass the Senate, has a review process, it is my understanding that there is a continuation to the moving forward on the realignment on air control facilities and services in Ohio without the stakeholder input and some of the things that Mr. Oberstar's bill talks about.

So I guess my question is—and I should also mention such notables when they served in the United States Congress as Ray LaHood, Rahm Emanuel, and Barack Obama, all supported the notion endorsed by the Inspector General. So I just would ask you where you fall now.

Mr. BABBITT. Sure. We find ourselves in an odd situation. You know, we want to do everything possible. We talk about the amount of money that we are spending toward and the implementation of NextGen. That also contemplates a different deployment of the workforce and how we deploy the workforce. For example, we need to be somewhat flexible and scalable. The example that I have used recently and I think everyone is aware is Pittsburgh Airport came to us with a rather ambitious forecast. One of their primary subsequent airlines there forecast flight operations up to 400 flights a day. So we built a very robust air traffic control facility there. We staffed it completely, but because of a corporate realignment, instead of 400 flights a day, I think they operated 35 flights a day. We now have a giant facility there, and a lot of people that simply are not needed. Any other business in the world, if this was a company that you and I owned, you would not leave the people in the empty factory. So how we realign those people, we can do these things digitally today.

For example, it does not surprise anyone that we have events happen in the country, Super Bowl would be a good example, where air traffic just blossoms for two weeks. We are forced to fly literally hundreds of controllers into some of these facilities and put them up in hotel rooms to handle the overload. Under NextGen, we can do this digitally. We do not have to sit under the airplanes we control. For example, we are currently controlling all of the air traffic in Afghanistan from the Miami Center.

Mr. LATOURETTE. I understand that. My observation would be and my request to you would be what the inspector general has endorsed. It is in 915. It calls for stakeholder input. And you really don't impress me, a guy from Cleveland, when you talk about Pittsburgh, I want to tell you. But we are just looking for stakeholder input.

Mr. BABBITT. Sure. Hopefully, to round that out, when we get the controller contract, we will get their input. I would welcome their input into how we move with these facilities.

BURKE LAKEFRONT AIRPORT

Mr. LATOURETTE. I appreciate that. While the yellow light is on, I just want to bring up a parochial issue. A former member of this committee, Lou Stokes, served 35 years and now he is representing a bunch of folks that want to put some windmills near Lake Erie in a place called Euclid, Ohio, which is in Marcia Fudge's district. And the FAA has issued a noticed of presumed hazard, and we are arguing about windmills being 450; the FAA has indicated that they can be 403. It is impacting—the potential impact is on Burke Lakefront Airport in the city of Cleveland. And I would ask you and your staff to take a look at that, and if we could take a dialogue about whether or not we can get the extra 47 feet for our windmills so we can produce electricity.

Mr. BABBITT. Yes, sir. I am very familiar with that regime and Part 77. I have actually done some work there myself. So absolutely, we will get back to you and coordinate.

[The information follows:]

WINDMILLS NEAR BURKE LAKEFRONT AIRPORT, OH

The Federal Aviation Administration has conducted an aeronautical study (2009–WTE–933–OE) of one wind turbine generator (WTG) at a height of 450 feet above ground level (AGL), 1,083 feet above mean sea level (AMSL), approximately 2.13 nautical miles (NM) northwest of the Cuyahoga County Airport (CGF) reference point and 8.1 NM southwest of the Burke Lakefront Airport (BKL) reference point.

The study has found that the structure exceeds Title 14, Code of Federal Regulations, Part 77 obstruction standards and would require an increase in the Minimum Descent Altitude (MDA) at BKL from 1,400 feet AMSL to 1,500 feet AMSL.

The FAA has determined the proposed WTG could be erected today at a height of 403 feet AGL, 1,036 feet AMSL. Further, if the proponent agrees to submit a "2c" survey, the FAA could approve a WTG at that location at a height of 417 feet AGL, 1,050 feet AMSL.

A Notice of Presumed Hazard letter serves as the FAA's first attempt to negotiate with a proponent the height at which a structure would not have an adverse impact to air navigation. Further discussion with the FAA can be initiated at the proponents' request by contacting the FAA obstruction evaluation specialist or the office of System Operations Airspace and Aeronautical Information Management, Obstruction Evaluation Services Team.

While further discussion cannot guarantee a resolution favorable to the proponent, the FAA will consider all mitigation proposals in an attempt to allow for a structure on the ground that would not adversely impact aviation.

Mr. OLVER. Ms. Kilpatrick.

CONTROLLER TRAINING

Ms. KILPATRICK. Thank you very much, Mr. Administrator and team. Good to see you this morning. How close are we—let me start over. Former Administrator Garvey has been appointed to continue the negotiations. In my own town of Detroit and surrounding areas, we have mold, a mold problem in my new airport, number one. If you could get back with me on the status of that. They say it is one way. I want to hear from you all on the mold in the new Detroit metro towers for the controllers. Mr. Administrator, you mentioned earlier that you have hired 5,600 controllers over the last 4 years, and the budget, I think, is 1,702 or something like that that we are asking for. I am worried about the safety and the training. When I was on this committee before, they were retiring at a large rate and I know that is why you have the big influx of new employees. Are we safe? Is the training going well?

Mr. BABBITT. Yes, we are. I think there is a little bit of a misunderstanding, and I am going to let Hank expand a great deal on this because he knows a lot more. But one of the things, I want to assure people that we certainly are safe. There is a misunderstanding when people say, well, there were trainees in the tower. Everyone starts somewhere. Everyone picks up a microphone and speaks for the first time once. But when they do that, they have a qualified controller with them. They are being mentored and monitored and so forth. So, yes, the system is safe.

We did have the issue that a lot of the controllers were hired in a very short time span, which is unusual in business, because those people are all about the same age, and of course they all age together. And we are seeing a big retirement bubble that we are faced with. And so, Hank, you may want to expand on how we are dealing with that.

Mr. KRAKOWSKI. I can tell you that a year and a half ago, I think we were in quite a bit of trouble trying to keep up with the system. But I think we are over the hump right now. I am going to give you some statistics.

Right now we are seeing controller retirements lower by about 35 percent. Perhaps it is a function of the economy right now, but the controllers are not retiring as fast. So that adds some stability to the system. The ratio of new people, new hires in the system right now is at 26 percent, and that is kind of like a 40-year average of what we have always had. We have had it as high as 52 percent right after the PATCO strike.

The other thing that is different is how we are training. Vicky alluded to a new Vice President for Technical Training. This is a new position just filled over the last two months. I will tell you that when I came into FAA a year and a half ago, coming from the airline industry like Randy, where we were used to high-fidelity flight simulators and distant learning and electronic training techniques, we were still training controllers in very old-fashioned ways.

Ms. KILPATRICK. Antiquated.

TOWER SIMULATORS

Mr. KRAKOWSKI. Absolutely. So we are in the process of acquiring 24 high-fidelity control tower simulators. About half of those are deployed right now. We will get the rest of them out this year.

Ms. KILPATRICK. Are they in the 2010 budget?

Mr. KRAKOWSKI. Yes, they are. They are already budgeted. But to a budget question, we have asked Mr. Sean Clark, our new Vice President for Technical Training who comes to us from industry, to take a look at everything we do with training, because we want to be leading edge. Not just training the people for the current system that they have to operate. We do have to get them ready to train NextGen as it comes on line. And as we sit here right now, I do not think my training organization is ready yet. That is why we brought Mr. Clark on.

TRAFFIC CONTROL SYSTEM

Ms. KILPATRICK. I am convinced that you are moving in the right direction. I think you have a yeoman's job to do yet, though, to get them trained. In the reading in the briefing for the committee, it said that the traffic control system will be paid for by direct user charges levied on users of the system. Is that revenue adequate? Which users are we talking about? How much do you hope to gain from that?

Mr. BABBITT. Having inherited that phrase, let me talk to it a bit. One of the problems that we have in this industry, and it has been around a long time, and that is we have a fixed budget that is established, and you do that for us and help. But the other side of it, where the money comes from, is highly variable. And we saw a downturn in the aviation industry. Traffic is off 15, 18 percent. When we tax those tickets, obviously our revenue goes right down with it. Ironically, the lower fares get, the lower the monies that we collect in fees get. So we are suffering the double whammy of airlines drastically reducing fares to try and keep traffic, and the reality is that they are even reducing traffic.

The other side of that, not nearly as big an impact, but we collect and tax fuel. In general aviation, we tax the weigh bills in the cargo world. All of those are going the wrong way for us.

Ms. KILPATRICK. Just came on. But Mr. Chairman, one last point. Because of that, and I think I woke up this morning that the airline industry is about to come to Congress and ask for a bailout like the autos. I am from auto country. Please don't do that. I don't know if that is the right answer. And your last comment, is that how we are moving?

Mr. BABBITT. That would be a different group. I mean, that would not be our issue. I think it is important how we move our goods and services around, and the airlines are a key part of that. But that is not an FAA direct issue.

Ms. KILPATRICK. Thank you.

Mr. OLVER. Thank you. Mr. Carter.

Mr. CARTER. Thank you, Mr. Chairman. I apologize that I was not here earlier. I had another subcommittee I had to meet with.

3–D PATH ARRIVAL MANAGEMENT TOOL

In fiscal year 2010, FAA plans to identify a second location to demonstrate the 3–D path arrival management tool, which is designed to enhance the arrival efficiency and reduce fuel consumption, we have already talked about that, and emissions. It is my understanding that Bush Houston Intercontinental Airport was the original site selected for this demonstration, but the FAA moved the demonstration to another location because of other projects going on at Houston at that time. Will Houston be selected for the second demonstration location? If not, why not?

Mr. BABBITT. I am going to plead a little ignorance on that one and get a little staff support here, if I may.

Ms. COX. As you know, there was a lot going on in the Houston area with the airspace redesign that was in place then, and we moved the 3–D path arrival management to Denver where we have been doing the demonstrations.

Once we have gained confidence, and the demonstrations are about gaining confidence around the process, we will be doing an assessment for other areas that we can move that to. And certainly, Houston will be an area that we will look at in making that determination.

Mr. KRAKOWSKI. And if I may add, we are deploying ADS–B in the Gulf of Mexico controlled from Houston for the helicopters, which is a real leading edge NextGen capability, which will be coming on line this year.

Mr. CARTER. Thank you, Mr. Chairman. That is all I have.

Mr. OLVER. Mr. Pastor.

Mr. PASTOR. Thank you, Mr. Chairman.

Good morning. Congratulations. I join my colleagues for your work with the air traffic controllers, I think that is the right thing to do.

On the wildlife hazard mitigation, at the suggestion of Brendan Kenney, about 5 years ago, we—I think about $800,000 was allocated to do a study and I am sure that study is there somewhere. You may want to dust it off and see what that study showed, because obviously birds and planes, particularly engines sucking up birds is a problem.

Mr. BABBITT. Yes, sir.

Mr. PASTOR. But that study is there. So you may use that to implement whatever needs to be implemented.

NEXTGEN

We recently went through a television converter box to go from analogue to DH, and it has been one hell of an experience because we have been on, we have been off. Personally, for me, I think there are two converter boxes. But television is not that important because it only deals with entertainment. But NextGen deals with my life, so it is very important. And that is why, I guess, you sense that the members are concerned that it comes on time and hopefully not too much above budget. But you made a comment that the airlines are giving some pushback because of credibility, whether or not the system is going to be utilized.

Well, Next-Gen kind of reminds me about the converter box. I am not going to buy the converter box because I don't know if it is going to work. Similarly, I sat here for a number of hours dealing with STARS. The air traffic controllers came in and said the mouse was not the type that gave them the efficiency, the screen was not what would give them the efficiency. And I am saying, what the hell am I doing here worried about a mouse. And those concerns are being voiced today on Next-Gen. The airline industry is voicing them. I know there are some pilots that you have—pilot projects that you have out there. The air traffic controllers hopefully will come on board soon. And I think it is very important to get credibility from the airlines, and to make sure that the users, the air traffic controllers who will be using the equipment are happy with it. They are going to be happy with their contract, and now they are going to be happy with their equipment. So somehow you have to integrate these concerns. And I don't know whether this task force is the right way to do it.

Not too long ago, I had Secretary Chu and he says we have to look at Mini Bell. Maybe what you need to do is bring in some of the industry, such as the air traffic and the technology people, to see if they are going in the right direction. Because I hate to see all this money, and then at the end we are here talking about whether or not the mouse is one that they like, and the industry is telling us it doesn't fit our aircraft and we didn't have a role. And so maybe what you need to do is kind of think out of the box and, say, bringing people in because the users, people are going to pay for it. I am very interested because of my safety. We can all see the progress made and be supportive. So I encourage you to do that the best you can and under the rules and regulations.

RTCA PROJECT

Mr. BABBITT. We are hopefully doing something very close to that with this RTCA project, where we have just that. We have the folks of the industry, the users, the manufacturers of the equipment. We have folks from Mitre to look at the science. And, again, I hope when we get the controller contract, we will get a lot higher level of involvement. I look to them for their input. We do look at these things. The human interface, we have learned a lot of things in science.

NASA has been a wonderful source for us in how you design controls. Things like a mouse and the screen that you look at. We learned hardware, with the first generation of digital aircraft. The analogue displaying were better in depicting information to you. So we redesigned them. So we do learn. You are absolutely correct, and I take very seriously that we need to be accountable and credible to the industry, and I take that as a serious priority.

Mr. PASTOR. My time is up. And I appreciate and I look forward to working with you.

Mr. BABBITT. Likewise.

Mr. OLVER. Ms. Roybal-Allard.

BACKUP PLAN TO SATELLITE

Ms. ROYBAL-ALLARD. Thank you, Mr. Chairman.

I am going to try and get in three quick questions. But first, I want to know exactly if there is a backup plan to once you move to satellite. When satellite loses a signal, is there a backup plan? For example, I have satellite TV. During the storm, the signal was lost three times. So what is that backup plan?

Mr. BABBITT. You are right to ask. There are several layers of it. We are not going to do away with radar completely. We do not need as robust coverage, but we do need to separate the airplanes. But I will let Hank and/or Vicky add to that.

Mr. KRAKOWSKI. And just for clarity, the satellites that are used around television transmission are very different than the GPS satellites. The GPS satellites are well proven in all kinds of weather and atmosphere and conditions. So we are at a high level of confidence that it will be okay.

As Randy said, we will keep radars running. We are going to keep a lot of the radio technical infrastructure running. We are not going to turn it off, turn any of that legacy system off until we are absolutely assured that we have a level of safety necessary in NextGen.

RECRUITMENT EFFORTS IN MINORITY COMMUNITIES FOR AIR TRAFFIC CONTROLLERS

Ms. ROYBAL-ALLARD. Administrator, in June of 2008, the FAA produced a report detailing its recruitment efforts in minority communities for open air traffic controller positions. The good news is that African Americans are nearly about 34 percent of the incoming applicant pool. The bad news is that Latinos are only 6.3 percent of the applicant pool. So it appears that the FAA has had a very successful outreach in the African American community but was considerably less successful in the Latino community.

In fact, I have been told by several people that the outreach in the Latino community was not seen as an aggressive outreach program. So in reviewing the report, I notice that there was no mention of using local Hispanic news media or national Hispanic television networks such as Telemundo and Unavision, both of which are both highly viewed by the Latino community.

Could you just elaborate to what you about tribute to this lack of response in this Latino community, and what steps are being taken to correct it so that you can develop a more robust and effective program?

Mr. BABBITT. Sure. I will be happy to do that. I cannot really look back and tell you why it did not, but I can tell you looking forward what we are going to try and do. I did see a report, and I know that the outreach programs were a focus of that concern. Apparently we were not looking in the right places. So I have been assured that we are evaluating. I take your input very constructively and what I would like to do is suggest that we might have staff get back in touch with you if there are better ways to communicate. I might even employ my wife, who was born in Puerto Rico, to add to the case. But what we would like to do is utilize every vehicle. And the numbers, candidly, as you pointed out, are showing us just exactly that. We are not reaching into the right places. We are not asking in the right places, and we need to fix that. So what I would like to do is get back with you and your staff, if you would not mind, and maybe you could help us.

[The information follows:]

HISPANIC RECRUITMENT

The FAA is participating in the following outreach and recruitment activities to increase the applicant pool of the number of Hispanics.

COMMUNITY OUTREACH

Hispanic Association of Colleges and Universities (HACU)

- Since 1994, FAA has hosted 528 interns and hired 57 into full-time positions.
- Last summer, 14 Hispanic National Internship Program (HNIP) interns were assigned to work within various FAA organizations.
- This summer, 10 students will be selected for FAA internships.
- FAA will be participating in the 2009 HACU Annual Conference this October in Orlando, FL.

Outreach to Hispanic American Veterans

- FAA attended the League of United Latin American (LULAC) Conference in Orlando, FL co-sponsored by the U.S. Department of Veterans Affairs, LULAC, and the American GI Forum.
- FAA attended the LULAC Veterans Summit in San Antonio, TX in January 2008 and highlighted employment opportunities for Air Traffic Controllers.

National Hispanic Coalition of Federal Aviation Employees (NHCFAE)

- FAA's Assistant Administrator for Civil Rights (ACR-1) briefed the members of NHCFAE during their Annual Training Conference in San Juan, Puerto Rico, on July 10, 2008.
- The FAA collaborates and coordinates recruiting events, seeking Hispanic applicants with the NHCFAE when possible.
- The FAA will be attending this conference in Chicago, IL. July 2009.

USDA-HACU Career Fair

- The US Department of Agriculture (USDA) and HACU hosted a student career fair in Washington, DC last July.
- The fair was attended by a large number of Hispanic college students and prospective applicants interested in FAA career and internship opportunities
- The FAA will participate again in this event in 2009.

Society of Mexican American Engineers & Scientists (MAES) 2008 International Symposium & Career Fair in Las Vegas, NV.

Annual LULAC National Convention

- FAA attended the 79th LULAC National Convention in Washington, D.C. last July and will participate in the 80th LULAC National Convention in San Juan, Puerto Rico this summer.

National Image Inc. Conference, Las Vegas, NV April 2008.

FAA National and Regional (Hispanic Employment Program) HEP Manager Initiatives

- FAA Human Resources and Office of Civil Rights participate in a variety of outreach events and activities to support the HEP.
- Examples include:
    1. Vaughn College of Aeronautics and Technology Career Fair, New York, NY, a Hispanic Serving Institution (HSI).
    2. Society of Hispanic Professional Engineers Inc., Philadelphia, PA
    3. University of Texas - San Antonio - Career Fair, May 2008

RECRUITMENT

- FAA participated in well over 60 different recruitment outreach events in FY 2008 and over 70 so far in FY 2009. FAA participated with DOT in the One-DOT Recruitment efforts nationwide.

- Three of the 31 Air Traffic Collegiate Training Initiative (AT-CTI) schools are Hispanic Serving Institutions (HSI's).

- The Air Traffic Organization (ATO) Outreach Program provided funds for recruitment advertisements in Latina Magazine and Atlanta Latina.

- FAA posts ads in magazines, newspapers and on recruitment websites such as Careerbuilder.com, Aviationemployment.com, Monster.com, Ihaveadreamjob.com and Migente.com

- Recruitment materials include flyers and brochures that give a summary of the agency's major occupations, some translated in Spanish; and a recruitment CD, which features FAA employees' testimonials about their experience working at the agency.

- Recruitment dioramas have been posted in major airports throughout the country.

- Other student educational employment and internship programs with significant Hispanic participation include:
    1. DOT and FAA Summer Employment Programs
    2. DOT Workforce Recruitment Program
    3. DOT Summer Transportation Internship Programs for Diverse Groups
    4. FAA Student Intern Program
    5. Employment of Persons with Disabilities

Ms. ROYBAL-ALLARD. I am sure there are other members of the Hispanic Caucus who would also want to be helpful in that area.

HUMAN INTERVENTION MOTIVATION STUDY

Funding for the human intervention motivation study, which is an air safety program, is going to expire this year. And this is an ongoing FAA program which provides substance abuse education and intervention to the airline industry, and it will be up for renewal in 2010. And according to the Pilots Association, this is an important and very valuable program and one which they would like to see expanded to cover the flight attendants as well. Yet, the administration budget has no funding for the HIMS.

Making sure that pilots and flight attendants are not abusing alcohol and drugs is certainly an important safety issue, and so I am just wondering why there is no funding in the budget for this program. And if Congress were to put money into the program, what are your views in expanding it to flight attendants?

Mr. BABBITT. First, we are funded through 2009. I do understand that. I found out myself, with my second week here on the job that the HIMS was missing. In my background as president of the Pilots Association, I appreciate what the HIMS program does. I was around when it was formed. I am a big advocate of it, and I would strongly support putting that in, and all safety related employees. We do not have any tolerance for alcohol abuse in this industry and this is a program that has been proven to be very effective. So I would be quite supportive of finding a way to put that in our budget.

LAX

Ms. ROYBAL-ALLARD. I have one more question that is more specific to LAX. And I have been told that the FAA-imposed work rules on controllers have eliminated incentives to work in high density facilities like LAX. And the one example that is given is that to work at LAX, most experienced controllers have to take a pay cut, and this has forced the FAA to hire controllers with limited experience to work at LAX and other busy radar facilities like the Southern California TRACON. It is also my understanding that, to date, not one of these trainee new hires assigned to LAX was certified, and that there are similar problems at the radar facilities. And also, facilities are very short-staffed, with the increasing wave of experienced controllers requiring.

In testimony before our subcommittee, Secretary LaHood stated the FAA budget request includes funding to increase the number of new air traffic controllers. What is being done to address the more immediate and most serious problem of attracting and retaining experienced controllers at the most busy airports like LAX?

Mr. BABBITT. If you do not mind, I will defer to Hank.

Mr. KRAKOWSKI. We know Los Angeles has been a challenge for us, particularly with the fact that we got into the hiring program late some years ago. We had the large number of retirements that occurred. Some of it was the labor relations situation, which is starting to stabilize. I am encouraged that the retirement rate is going down right now and the new hires are qualifying. I am not familiar with your point that nobody is getting certified over there.

That sounds inaccurate to me. I would like to get back to you on that.

[The information follow:]

Trainee Status at LAX

With 38 fully certified (CPC) controllers and 55 total employees, staffing levels at Los Angeles International Airport (LAX) are well within its prescribed range of 35-43. The FAA is closely monitoring the progression of developmentals at this facility.

LAX is a very complex, high volume Level 11 airport traffic control tower. Historically, these types of facilities only received CPC transfers, and subsequently, have training programs that favor transfer employees rather than new hires with limited air traffic experience.

In 2007, we hired 12 controllers, some with military experience (under the Veterans Recruitment Appointment or VRA program) and others from the Collegiate Training Initiative (CTI). Six of those 12 made it to full certification at the CPC level. We hired another eight VRA and CTI applicants in 2008 and to date, one has certified through Ground Control. The others have only certified through clearance delivery. We have placed another seven hires into the facility in 2009; these hires have not yet had time to certify on a position.

To address the challenges new hires face in achieving certification at LAX, FAA will be implementing a new training strategy. Soon, half of the trainees will begin on local control training after they certify through clearance delivery. This will prevent the backup of training on ground control and allow for more hours of on-the-job-training per day.

In addition, we have purposefully increased the staffing at the lower level facilities in the area. Often, FAA will place some controllers in lower level facilities for them to become better acquainted with the air traffic control environment. Once they become more familiar, they are in a better position to succeed at larger, and generally more complex, facilities. We are actively exploring options for recruiting experienced CPCs from those facilities to bid up or transfer to LAX.

Incentive Plans at Busier Facilities

The FAA can offer both incentive and retention bonuses in an effort to draw and retain qualified personnel at larger facilities.

In 2008, FAA successfully used bonuses to retain 21 employees and attract 13 experienced employees into the Southern California TRACON. That same year, FAA also used a similar program at LAX that attracted seven experienced controllers.

- Employees that accepted *retention bonuses* received $25,000, paid out over three years.
- The amount of the *incentive bonuses* fluctuated because it was based on the employee's current salary – 15 percent of their base pay plus locality. However, the payment could not exceed $24,000.

Unlike retention bonuses that were paid out only through installment plans, incentive bonuses were dispersed in two halves. Half of the money was paid through installments throughout the year, and at the end of the one-year agreement, a one-time payment was made for the balance. For example, if an employee was eligible to receive the full $24,000, he or she would receive $12,000 dispersed throughout the year, and then a one-time payout of $12,000. Controllers that accepted the incentive bonus also received a one-time, Permanent Change of Station payment of

$27,000. This program was very successful and the FAA intends to use these same types of bonuses again.

To date, there have been no instances where an employee lost money in accepting either an incentive or a retention bonus. Acceptance is not compulsory, even if an employee meets the criteria, and is selected, they can refuse the terms of the offer. The 2006 contract did not discourage experienced employees from applying for these bonuses. In fact, under that contract, employees earning more than the pay band were allowed to maintain their pay. In many cases, employees received pay increases by transferring to higher-level facilities, which was a goal of the program.

Ms. ROYBAL-ALLARD. Let me just explain. My understanding is that while they are at LAX they are not certified. They haven't been able to pass the test to be certified. So then, they are moved to a less busy airport and they get their certification there. That is what we have been told. So I would appreciate your looking into it, because we really need to make sure that those that work at LAX are certified to work at such a busy airport. And also, if you would look into the incentive and the rules that are discouraging experienced people to go. Thank you.

Mr. OLVER. Thank you very much. Ms. Kaptur.

CONTROLLER HIRING

Ms. KAPTUR. Thank you. Thank you, Mr. Chairman.

Welcome. Great to have you here today. Thank you for your work and your service. I wanted to, Mr. Babbitt, address the issue of employment levels. In your testimony—I am interested, coming from a region with double digit unemployment and rising, I am interested in the hires that you have here in your budget. You indicate a net increase of 107 controllers. You are going to hire 1,702. Does that mean that those people are retiring?

Mr. BABBITT. I will let Hank talk about the staffing levels.

Mr. KRAKOWSKI. The 1,702 that we are hiring will be 107 more additional head count for controllers. So it takes into account those people who are not just retiring but other typical attritions that you have.

Ms. KAPTUR. So, essentially, how many more new interviewees would you have come through your door next year? 1,702?

Mr. KRAKOWSKI. That is what we will end up hiring. You typically have two or three times as many actually go through the process of going through the interview. As an example, right now we have over 7,000 applicants in the pipeline for those jobs; 400 or 500 people are in process right now for the current hiring. So it is just a matter of going through the interviews and getting them out to the academy.

Ms. KAPTUR. So the window is still open for people to apply?

Mr. KRAKOWSKI. It will always be open. We put out bids continuously. We have preemployment processing centers which travel around the country to actually process applicants faster. And that is all on the FAA web site and that is all available.

Ms. KAPTUR. It is interesting, because I ran into somebody the other day, quite a well known military person from our region who is retiring from one position and tried to get a job, was looking for Federal work and went to the government web site and so forth and ended up now working for DIA, Defense Intelligence. But that wasn't on the U.S.A. Jobs web site. That individual had to go into the DIA web site and dig around and so forth.

All I want to know, I want to have an announcement in my area that basically says who you want to hire for next year in every category. How do I get that?

Mr. KRAKOWSKI. We can take that back to HR.

Mr. BABBITT. You mean throughout all government?

Ms. KAPTUR. No. Just FAA. I see you have got aviation safety, you have got technical staff here. So I am sure that—I would just like—any job in my region now, it is like a golden egg. And they are not connected to the Federal Government for the most part. We are not a government center like this place, Washington, D.C., where the top employers are all government. We live in the free market, and it is really hurting. And I feel part of my responsibility is to bring information. One thing I can do is to let people know where positions are available, The people who might not have families who work at the FAA or might have no connection to the union or anything else. But just to let them know. So I would greatly appreciate. Any position for which the FAA will be hiring, assuming you get this budget and even based on your 2009 budget, any information you can give me would where be greatly appreciated.

The other question I have on the controller piece is, I understand from talking to individuals who have applied for the comptroller program, some of the difficulties that they have had in going through the academy out, where is it, Colorado or somewhere. Oklahoma City. And it is very difficult. They have to pay their own hotel bills and everything, and then they don't know whether they are actually going to be hired or something after that. What is the process for somebody that wants to be a controller? How difficult is it? If you are unemployed and you get in the line to get this job, and you try to get it, what happens to you?

[The information follows:]

ATC TRAINING PROCESS

The primary goal of the FAA's technical training and development is to ensure that our air traffic controllers have all the necessary skills and behaviors to perform their jobs effectively and maintain the safety of the NAS. As we continue to replace large numbers of controllers retiring over the next decade, effective training is a key factor in completing a smooth transition and maintaining the FAA's role as the premier air traffic service provider.

The FAA has significant capabilities both at the FAA Academy and in the field to meet the demands for initial certification, refresher, proficiency, skills and remedial training. The FAA continues to invest in making training more effective by gearing it toward the skills needed for successful career-long development. From better screening for new recruits to improved course design and advanced simulation, the agency is building the controller workforce of the future.

THE TRAINING PROCESS

The training process begins at the FAA Academy in Oklahoma City. Developmental controllers learn the fundamentals of air traffic control for their particular option: en route, tower or terminal radar. After successfully completing academy training, developmental controllers report to their assigned field facility to continue their training.

During the training process at field locations, developmental controllers achieve certification on each position as they move through the stages of training. Developmental controllers who fail to certify may be removed from service or reassigned to a less complex facility in accordance with agency procedures. The ultimate goal of the training program is for the controller to achieve certification on all positions and attain CPC status.

Developmental controllers who have certified on control positions can work independently on those positions without an on-the-job training instructor. Facilities often allow developmental controllers to work under the direction of a supervisor in order to gain experience and to supplement staffing.

The on-the-job training process is designed to provide developmental controllers sufficient seasoning time as well as opportunities to develop their skills as they progress towards becoming CPCs.

This process results in a more-seasoned trainee. However, no trainee works live traffic independently until the controller has been certified to work that traffic position. Safety is the FAA's No. 1 priority.

CONTROLLER CREDENTIALING

FAA's Air Traffic Safety Oversight office issued almost 15,000 credentials for current air traffic controllers for the first time in FY 2008. The credentialing program was designed to increase safety through regulated standards for training, testing, currency and proficiency. The credentialing program recognizes the technical achievements of FAA personnel who perform direct safety-related functions for the flying public. The credentialing program is designed to ensure that all controllers have and maintain the necessary skills to perform their duties.

Credentialing is a part of the FAA's larger safety continuum of standards, certification and continued operational safety.

Controllers must hold FAA-issued credentials with rating(s) for their facility to perform direct safety related air traffic control services. Credentials are facility-specific, based upon the functions of the facility. Credential ratings are issued when an employee certifies on their first control position with the area of specialty. Each employee is assigned a credential number when they receive their first rating. This number will transfer with them and all ratings achieved during their FAA career are recorded. The credential rating(s) must be renewed every two years. A secure on-line system stores all the credentialing records.

REDUCED TRAINING TIME

The FAA continues to make progress toward the established goals to reduce training time for terminal and en route controllers. It no longer takes from three-to-five years to fully train an air traffic controller. Depending on the complexity of the facility, controllers are now being trained in two-to-three years. The FAA achieved this reduction not by cutting training time, but by improving the training and scheduling processes, and through increased use of simulators.

The FAA works constantly to increase capacity at the FAA Academy and improve basic courses. The combination of efforts results in controller developmentals completing training faster. At the academy, developmental controllers must demonstrate the necessary academic knowledge and controller skills demanded by the air traffic control profession.

Simulators in air traffic facilities are reducing on-the-job training time. Use of this training resource also frees instructors to control traffic.

TABLE 7.1 Years to Certify

Fiscal Year	En Route	Terminal	Overall
2005	4.1 years	3.1 years	3.9 years
2006	3.7 years	2.7 years	3.6 years
2007	3.1 years	1.9 years	2.8 years
2008	2.6 years	1.1 years	1.7 years

NATIONAL TRAINING DATA TRACKING SYSTEM

The FAA's national training database for en route and terminal training provides training histories of developmentals as well as reports on completions, developmentals in training, and failures. The database tracks controller training through certification and provides a timely picture of the FAA's controller training progress. The database is used by multiple organizations within the FAA for monthly training and failure reports.

Developmental controllers go through various stages of training at their facilities with a maximum number of days allotted for each stage. The FAA's goal is to have 90 percent of controller developmentals on track with training. Developmental controllers are considered to be on track when they progress through the required stages at or below the allotted number of days. Developmentals who exceed the allotment are monitored by both the facility and headquarters.

KNOWLEDGE TRANSFER

Today, the FAA brings in retired FAA air traffic controllers as contract instructors to train the new workforce. By harnessing their valuable air traffic expertise, these experts can focus solely on training the next generation of controllers, rather than moving back and forth between working traffic and on-the-job training.
With these improvements and our comprehensive focus on training, the FAA is confident that the agency will be able to successfully train the number of controllers needed to staff the NAS.

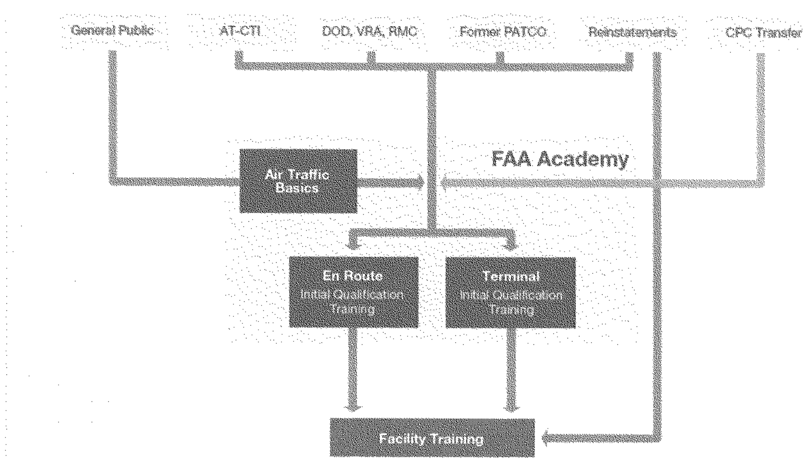
MULTI-PATH HIRING AND TRAINING MODEL

The multi-path hiring and training model provides a comprehensive view of how controller applicants move through the hiring, screening and training process.

The multi-path training program was designed to accommodate newly hired individuals with a variety of education and experience. The goal of this training program is to provide air traffic facilities with developmental controllers prepared to begin training at the facility.

The FAA can hire controllers from multiple sources. The training process for newly hired controllers differs depending on applicant qualifications and the type of facility assignment. The amount and type of training required depends on the applicant's education, experience and type of facility the new hire will be assigned to support. Figure 7.2 provides a high-level overview of the training process, outlining the different paths of training for new hires.

Table 7.2 Multi-Path Model for AT Controller Training



ACADEMY TRAINING

The FAA Academy trains developmental controllers using lecture, computer-based instruction, medium-fidelity simulation, and high-fidelity simulation. The academy lays the foundation for developmental controllers by teaching fundamental air traffic control procedures that are used across the country. The focus of the academy is to improve the efficiency of the training by using proven adult learning concepts with the latest in simulation technology. When developmental controllers graduate from the academy, they are prepared to adapt to their assigned facility and successfully complete the training required to reach CPC status.

FACILITY TRAINING

After graduating from the FAA Academy, facility training begins in the classroom where developmental controllers learn facility-specific rules and procedures. Often times, these rules and procedures are practiced in simulation. After classroom and simulation training is complete, a developmental will begin on-the-job training on an operational position. This training is conducted by CPCs who observe and instruct developmental controllers as they work the control position. Each control position has a minimum and maximum number of on-the-job training hours allotted. Based upon the recommendation of the training team, a developmental can be certified by the supervisor on a control position anywhere between the minimum and maximum number of hours.

Developmental controllers achieve certification on each position as they move through the stages of training. The final result at the end of training is achieving certification on all positions, or CPC. A developmental controller who fails to certify can be removed from service, or reassigned to a less complex facility in accordance with agency procedures.

The on-the-job training process is designed to provide developmental controllers sufficient seasoning time and opportunities to develop their skills as they progress toward becoming CPCs.

FAA ORDER 3120.4

All controller training requirements are standardized and detailed in FAA Order 3120.4, Air Traffic Technical Training. Facility training is conducted in stages and consists of a combination of classroom, simulation and on-the-job training. Each stage of training represents a different control position, or group of control positions, depending upon whether the facility is en route or terminal. Certification is required at the end of every training stage. Developmentals cannot work live traffic until they have been certified on the appropriate position.

The agency is in final review of a newly rewritten technical training order to incorporate checklists of controller tasks into the on-the-job training program. These checklists will be used to make sure on-the-job training is consistent across the nation.

ACADEMY SIMULATORS

In 2008, the FAA vastly increased the terminal simulation capability at the FAA Academy by installing six new high-fidelity tower simulators, providing a realistic tower environment in which to teach new controllers. The agency also installed a state-of-the-art en route training lab at the FAA Academy. The lab simulates the air traffic control technology currently in use in FAA en route facilities and provides unique training opportunities. The FAA has been using tower simulators for training in Chicago, Miami, Phoenix and Ontario, Calf. since 2006. In December 2007, the FAA awarded a contract to provide another 18 simulators to field facilities in FY 2008 and FY 2009. Current plans are to deploy these simulators at key locations such as Los Angeles, New York, Atlanta, Dallas and Fort Worth, Texas.

Mr. KRAKOWSKI. Just like with the pilot career, which Randy and I had to go through, you start down a career path. But not everyone is successful. It is a tough, challenging job, and we have to make sure that the people who apply for this kind of work are prepared to function in it correctly. So just because we hire you as a new hire, and your first year is probationary as well, which is typical in the airline industry with pilots, it is a pretty tough rigor of work that you have to go to prove that you can do this work.

Ms. KAPTUR. I am not worried about that. What I am worried about is that they have to take their own money. And if you come from Toledo south end and you graduated from high school and you went into the military and came home, and now you need a job and there are no jobs, you are interested in maybe being a controller. What happens to you? And I am asking myself, can our community do anything to support them if they have to pay their own hotel bills while they are over there in Oklahoma City. What happens to them economically as they try to do this?

Mr. KRAKOWSKI. They make per diem, so it pays their lodging and expenses, about $132 a day. Their base salary is about $17,000 while they are at the Academy. And then when they get deployed out to the field, it typically jumps on the average up around $30,000.

Ms. KAPTUR. Could you provide me with that information as a part of this effort?

Mr. KRAKOWSKI. Yes.

Ms. KAPTUR. Thank you very much I truly appreciate it.

Mr. OLVER. Thank you. Mr. Berry.

Mr. BERRY. Thank you, Mr. Chairman.

Mr. Administrator, congratulations. You have probably wondered in the last few weeks whether you won or lost.

Mr. BABBITT. I have actually reached a conclusion.

MEMPHIS AIRPORT

Mr. BERRY. And we thank all of you for your service. And forgive me for being parochial. Even though Memphis is not in my district, I fly in and out of there, and it serves a good portion of the State of Arkansas that I represent.

I can't imagine a worse situation than we have had for the last several years between the staff and the administrators of that facility. The administrators are arrogant, dismissive, and completely unresponsive, as far as I can tell, to anyone, their employees, me, or anyone else. And the morale there is horrible.

Now, the decision has been made by the FAA to separate the tower and the TRACON. One of them, I can't remember which but one of them contains most of the experience in that operation, and now they are going to separate them where most of the experience is going to be in one place, and the inexperienced people, whether they are certified or not, I don't know, in another. But they are not going to be available to help somebody out when trouble arises.

And I know that there would be no great loss if I perish because of a failure in the air traffic control system in there, but I have got a lot of constituents that don't deserve that. And so, I would ask you to reconsider that separation, at least until there can be some progress made between the workers and the bosses in that situation. And somebody needs to go down there and get somebody by the hair of the head, if it is available, and see if we can't get that mess straightened out. Because it is not a safe situation. Those people go to work mad every day, and I don't think that is a good thing.

Mr. BABBITT. No, sir, it is not. I think you may recall in my opening statement, or if you were not in here one of the things I want to focus on is getting labor stability back. Again, I am not looking in the rearview mirror, I am looking forward. But I can tell when things are not quite right, and we have got a difficult atmosphere right now. We are going to try to start off and fix the controller contract. There are other agreements. There are a lot of other people that work for the FAA, and we want to change their attitude and their outlook and the culture here.

Secondly, you will be, I hope, encouraged to know that I am meeting with some representatives from the Memphis facility and the president of the union to look at this. Having that out there, one of the issues that we discussed earlier with one of your colleagues, is that there is a rationale behind the separation of the TRACONs and the towers. Part of it has to do with adapting to get ready for NextGen. I think Hank may know a little more information and some of the fundamentals behind reductions in overtime and staffing. I can assure you that the level of safety was not compromised. Hank.

Mr. KRAKOWSKI. I think that is the big point. I come from a strong background in safety, and we would not do this if we did not think it was safe. Safety has been enhanced at Memphis with the split, and here is why. Prior to the split, you had 45 controllers who were certified and 19 trainees. When we did the split, we went to 62 certified controllers and only two trainees. Over time, it went down 77 percent. So the experience in the tower, the certifications, plus the mandatory overtime, that Memphis, Orlando, and a lot of the other facilities were struggling with because of this big churn of retirements and new hires coming into the system, we felt we needed to do some things to stabilize the overtime, the fatigue, and all those sorts of things. Memphis was part of that.

I am hoping that, with this new labor agreement, if we can achieve it with NATCA, we can work out a heck of a lot better process than what we have been using.

Mr. BERRY. With all due respect, you are the only person I know who thinks it is things are any better in Memphis. And I don't know about the separating them and all that. That is your job. And I respect your obligation and expect that you will do it responsibly. But that is still a mess down there and it needs to be cleaned up. And I thank you for listening to me.

TRACON

Mr. OLVER. Thank you, Mr. Berry. We will start a second round here. I would like to get a little bit better picture of what we are doing here. Are we going to end up—when NextGen is fully implemented, are we going to have a legacy program that is there for backup? Or have we been building more TRACONs, more TRACONs, tearing them apart or putting them together and so on? Are we going to have all those things that are necessary?

Mr. BABBITT. No, sir. I will use an example to show where the system gets more efficient and while everybody has concerns in their own area. We look at a state that has maybe 10 TRACONs. We could operate perhaps with two TRACONs. They would not necessarily be sitting under the——

Mr. OLVER. That is going to be quite an interesting job for you to get these stakeholders involved in that process. Every time you try to change the—I wanted to ask—let me just get a sense of what is going on here without really any of the examples of details, because the examples just get to one more place.

Vicky, you talked about the Houston air space redesign. How long did it take to do that?

Ms. COX. It was a multi-year effort.

AIR SPACE REDESIGN

Mr. OLVER. How many of the 20 largest airports now have airspace design complete? Is it done in L.A., Southern California? It's not done in New York. That will be a big one. Multiyear effort, too, probably?

Ms. COX. Absolutely that one is. The Chicago airspace redesign is virtually complete.

Mr. OLVER. Which?

Ms. COX. Chicago.

Mr. OLVER. And which are the major ones that are complete now? Maybe Chicago and Houston?

Ms. COX. We are operating with new procedures in Atlanta that take advantage of satellite-based navigation.

Mr. OLVER. Is that the three that are farthest along in this process?

Ms. COX. I would say those are the top three.

Mr. KRAKOWSKI. Those are the ones that are operational.

ADS–B

Mr. OLVER. And how many of these airports have ADS–B in place now?

Ms. COX. Well, ADSB is not scheduled to be delivered with the ground stations that are required for full implementation until 2013. And the rule does not——

Mr. OLVER. For all places?

Ms. COX. For everywhere. It will be fully implemented domestically in 2013 in terms of ground stations.

Mr. OLVER. And we haven't done the rulemaking, and the nearest base design is the delivery of the ADS–Bs of any particular value at that point? Some values I get that you can get right away?

Ms. COX. We should be able to get value right away from equipped operators. So as soon as operators begin to equip, we can start to take advantage of the capability that ADS–B provides. So by 2013—and even next year in the Gulf of Mexico, we will have surveillance services with ADS–B where we never had any before.

Mr. OLVER. And the 20 largest places are likely to be the places that you have the most international involvement. But we do have to have the backup at least for a while. I am not sure the backup ever goes away.

Ms. COX. The backup may change. The nature of the backup may change. We are looking at about 50 percent of current radars as backup for the near term. In the far term we are looking at other capabilities such as multi-lateration as backup which won't require the radars.

Mr. OLVER. You see, I am still thinking in terms of how could one do by 2018 full implementation of what is only a partial, a mid-term implementation in the route to 2025? Because it seems to me we ought to be able to make some progress here. But what you are telling me is all of these features, all of these moving parts, all of them have to be moving at the same time. This is a horrendous job that you are involved in.

AIRLINE DELAYS

Mr. BABBITT. One thing that I think we should point out is we can focus on key areas. For example, if we fix the delays of the 10 largest airports in the country, we have essentially eliminated most of our end route delay.

Mr. OLVER. Of your delays. That would be great. There are problems that you can probably focus upon, but we aren't going to be fully implemented anywhere nearly as quickly as I would hope would be the case. That is a little depressing for me. But so be it. I am learning here a little bit. I wanted to ask Nancy LoBue on the fuel issue, what do you think are the most promising research programs that are going on? A couple of those. Could you describe very briefly a couple of those that are very promising?

Ms. LOBUE. Certainly. Right now, for aviation, we have a commercial aviation alternative fuel initiative. It is a cooperation by industry, manufactures, and the FAA. We have participation by DOE, NASA, and DOD. So it is a place where we can pull together a lot of the different initiatives. We have a number of demonstrations using different types of renewable fuels.

Mr. OLVER. Using them?

Ms. LOBUE. Actually using them in demonstration flights. Correct. Using feedstock——

RENEWABLE FUELS

Mr. OLVER. Where and by what mechanism are we producing renewable fuels that are—these are also carbon based fuels, I take it.

Ms. LOBUE. Right now we are in the process of——

Mr. OLVER. Of renewables.

Ms. LOBUE. Renewable fuels. Correct. We have a certification process ongoing as we speak. We are hoping to have certification by the end of the year on something that is a 50 percent petroleum, 50 percent Fisher-Trope system. By 2012, we should have 50 percent biofuel, 50 percent petroleum. By 2013, 100 percent biofuel, certified to use drop in in the current engines of airplanes. That certification process is ongoing as we speak and the first piece of that when we get this 50/50 with the Fisher-Trope fuels——

Mr. OLVER. Let me just ask you. The Fisher-Tropes is making syngas and then putting together things again from the sin-gas that has been produced.

Ms. LOBUE. Correct.

Mr. OLVER. But it starts with fossil fuel.

Ms. LOBUE. 50 percent, 50 percent can be biomass.

Mr. OLVER. The other route is the biomass, which is probably oxygen pure pyrolysis that gets you some green oils essentially out of the biomass trying to get to ethanol.

Ms. LOBUE. No. Ethanol does not work for aviation.

Mr. OLVER. Fine. I will stop. I just wanted to get a sense of where—you have indicated the two procedures that you seem to be working on.

Mr. LATOURETTE. Mr. Chairman, did you say pyrolysis?

Mr. LATHAM. Did you know that he is a chemistry professor? A long time ago.

Mr. OLVER. Not in this field at all.

Mr. LATHAM. I am becoming a little—being from Iowa, a little sensitive. Maybe your feeling about ethanol or something here. Soybeans are the answer. Soy diesel.

Ms. LOBUE. Yes, sir.

FAA COMPUTER SECURITY

Mr. LATHAM. I am going to change the subject a little bit. Mr. Administrator, on May 7, the IG reported that hackers broke into the FAA computer several times in recent years, gaining access to personal information, including the Social Security numbers of 48,000 FAA employees, and took control of critical network servers. The report goes on to say that malicious codes were installed, passwords were stolen, and that the problems could have easily spread from operation support to mission control and operational networks.

My question, I guess, would just be, what has been your response, the agency's response in trying to fix these problems? It is obviously of extreme concern to a lot of folks.

Mr. BABBITT. You are absolutely correct. I am aware that we have a fairly robust review. I also know that we are meeting with Mr. Shapar who was recently confirmed. I am not quite sure of his technical title, but Chief Information Officer essentially.

Mr. LATHAM. I am sure you have an acronym for it.

Mr. BABBITT. I am sure we will come up with one. We will work on it. By the way, I am just as lost in there as you are. We really want to make sure and there is a very in-depth review going on. We would be happy to share with you. I also have a meeting scheduled next week with the Inspector General to review that report and to give him the track that we are on and make sure that he is comfortable that we are doing the right thing.

Mr. LATHAM. Would any one of your able staff here be able to speak to it?

Mr. KRAKOWSKI. I actually testified with our Chief Information Officer at a roundtable by the T&I committee last week on the IG report and the things we are doing.

We concurred with all of the IG recommendations, and they express that they are satisfied with our commitments and our time tables for it. One thing I would like to say though is one of the advantages of an old crusty air traffic system is it is almost impenetrable.

The systems that were attacked do not directly relate to controllers talking with pilots or what can happen on the radar screen. It is this old, hard-wired system. Some of the support things that do ground delay programs and things like that that had vulnerabilities.

Mr. LATHAM. So the stovepipe thing actually works in this case.

Mr. KRAKOWSKI. Yes.

AIR TRAFFIC CONTROLLERS

Mr. LATHAM. On another subject. The budget submission makes no allowance at all for any kind of additional funding that will be needed relative to any air traffic controller negotiations. If fiscal year 2010 costs increase or materialize because of new contracts, are you going to come back with—and submit a budget amendment? Or how do you expect us to handle that?

Mr. BABBITT. We are trying right now to work within the confines of the budget, and I think that we have, based on the numbers that I have heard. And interestingly, the majority of the negotiations—while anybody who says it is not about the money, it is probably about the money. The majority of these negotiations have not been about the money. They have been about work rules and about some professional things that concern the controllers and how they relate with their supervisors and their accountability and a lot of things that I find interesting were at the core of some of these issues. I would not say, however, that I could expect that we could achieve this and not face any increase.

I would like to think that we could handle it, but to be candid with you, if we could not, I would tell you precisely where we went over and come back. Hopefully we would be finished with these negotiations and know the full impact before you are actually finished with this appropriation. So I would not want to delude anybody and say that we could do this all for free. I do not think that is realistic.

Mr. LATHAM. If there is a plan, we would like to know about it, I guess. In the negotiations, is there any discussion at all about how you ensure—again, coming from a state of small regional airports—that there is a blend of the new and the seasoned controllers and the mix, for both small airports and the larger ones. Is there any discussion or is that part of any negotiation going on?

Mr. BABBITT. I will defer to Hank. He has been a little closer to these negotiations. He has been briefing me on a high level.

Mr. KRAKOWSKI. And I can give you the list of what those mixes look like in those facilities. Typically, we try to put a little higher level of training in the smaller facilities because that is where the apprenticeship starts. But, quite frankly, we have had some new hires, literally off the street hires who qualified at O'Hare Tower in a year, year and a half, who are just naturally good at what they do.

So I think the difference is with a 26 percent trainee ratio across the country, some are a little higher, some are a little lower but that feels good to me, because you have got about 75 percent of the old guard mentoring the new people into this profession. That is what Randy and I are used to from our airlines career.

Mr. LATHAM. Very good. Thank you, Mr. Chairman.

Mr. OLVER. Thank you. Mr. Rodriguez.

Mr. RODRIGUEZ. Real quickly. You mentioned earlier the design approach that would be something that we could take care of fairly quickly, and especially in rural America and throughout. Is that something that could be done nationwide in terms of just designing the approaches that would help I guess for future encroachment and that kind of stuff that could—and why not? So do you have a phase-in of that?

Mr. BABBITT. We are looking at it right now. We haven't made the decision. I need to have a better understanding. I think all of us need to have a better understanding because there are certain parameters and guidelines that would have to be created to certify people that could do this. Other folks are going to be involved. Is this a road we want to go down to farm out some of the work traditionally done within the FAA?

Mr. RODRIGUEZ. You mentioned yourself, and I would ask you to not to—because you said that the rural America is kind of like an afterthought. I would ask that you take into consideration—not in those words, I know, but something that you need to prioritize also as we bring them in and how important that is.

Real quickly, just on the fuel, and in talking about the fuel and cyber and air traffic control training. Has there been any collaboration with the Department of Defense, DOD? Because I know there is some new fuel research and I don't know how long it is going to take before it comes from the research to the actual implementation that doesn't burn, for example, that is being looked at for Afghanistan and Iraq. When it is hit, the gasoline—it is a new fuel that—some research that where it doesn't burn. And so is there any collaboration with the DOD in terms of some of the stuff that they are doing?

Ms. LOBUE. Absolutely. DOD is spending quite a bit of money obviously on fuels. The Air Force has a commitment that by 2016 they will be using 50 percent alternative fuels. We have actually been able to leverage a lot of the work they are doing on the commercial side for a lot smaller amount of money. So they have been working with us in this CAFE initiative that I mentioned.

AIR TRAFFIC CONTROLLERS

Mr. RODRIGUEZ. And on the training face of it for the air controllers, they do a pretty good job of training their air controllers. I know I have Laughlin Air Force Base that does the training; I have Randolph Air Force Base that the pilots that come in, thousands, hundreds of them. Is there any coordination being done with the type of training that they do to the air controllers?

Mr. KRAKOWSKI. It is all trained to standard, because civilian controllers control military traffic and military controllers control civilian traffic as well through their airspace. The concept works very, very well. However, I actually think there are opportunities to work closer with DOD in our approach to training and savings for the government.

Mr. RODRIGUEZ. Whatever you can do for us to help. Because I know how difficult it is. We have been trying to get the VA and DOD to work together for the last 15 years. It has just been like pulling teeth. So whatever you can do to make that happen, you know, and not reinvent the wheel in some of those areas where they might be doing a better job.

And let me ask you a quick question on cyber. Have you done any cyber exercises on anything? You wouldn't know, but any of you?

Mr. KRAKOWSKI. There is penetration testing and things like that have gone on.

Mr. RODRIGUEZ. Any cyber exercises that have actually taken—you know. We had one in San Antonio, a dark screen exercise where we actually went through a two-year process of—have you all done any exercises?

Ms. GILLIGAN. Yes, sir. Traditionally, we coordinate with the Department of Homeland Security and TSA. We do tabletop exercises as well as exercise our continuing operation of government facilities. So we do a lot of that integration. I do think the experience FAA had will become a part of one of the exercises that we will go through to assure that we have addressed all the gaps.

Mr. RODRIGUEZ. Because as you go into the new system, you will probably open yourself up more to more vulnerability.

Mr. KRAKOWSKI. It is a concern.

Mr. RODRIGUEZ. Make sure you keep that in mind from the cybersecurity perspective. Thank you.

Mr. OLVER. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman.

REGIONAL JETS AND THE SCOPE CLAUSE

Mr. Administrator, I want to rely on you and Mr. Krakowski because of your experience as pilots, and talk to you about two things that are driving me crazy. And that is regional jets and the scope clause. Maybe you can educate me. I think the scope clause is one of the things where the industry and the pilots are in cahoots with each other. The pilots like it because it guarantees slots for the type of aircraft that they carry. The airlines like it because they can fly people on little planes and don't have to pay them so much. I think a lot of us were shocked that the co-pilot on the Culligan flight on the Bombardier crash in Buffalo was making $18,000 a year.

I guess I am wondering if the scope clause hasn't seen its day. And the reason, I was recently in Brazil. And not to diss Boeing or Airbus, but I was visiting Embry Air, and they have come up with this new generation of regional jets, the 170 series and the 190 series. Cleveland is a hub to a great airline, but flying in their 140 series is like flying in a hypodermic needle. It is ridiculous. These 170s and 190s are nice, comfortable jets comparable to a 737 or a 300 series for Airbus. And I said, how come you don't fly some of these around? And they said the scope clause prevents them from coming into new markets, with things of that nature.

I saw you on TV with Secretary LaHood talking about some new training for people who fly regional jets. And so I guess that is sort of a rambling question, but how do we—if we are going to update to NextGen, how do we update and treat pilots fairly, treat the airlines fairly, but also treat the traveling public fairly and get them nice, new comfortable planes? Basically, it should be a market-based decision. I mean, if you can fill 80 seats, you fly an 80-seat plane. If you can fly 140 seats, you do that. So I throw that out to you because you two are pretty experienced pilots.

Mr. BABBITT. Well, it is something I think you are aware that would not be under FAA's jurisdiction, neither the pay nor the scope clauses. Those are derived between negotiations in the carriers.

Mr. LATOURETTE. I am just asking what you think about it.

Mr. BABBITT. Well, ironically, I was a signatory to one of the very first scope exceptions. Because the term scope clause is actually not reflective of what it is. It is the reverse. It is——

Mr. LATOURETTE. Lack of scope clause.

Mr. BABBITT. Exactly. The original agreement was the pilots of one carrier agreed to do all the flying for that carrier. What they signed was exceptions to that rule to allow them to go outside and contract with other people.

What I said yesterday in direct answer to that question to the press was, this is something that is a concern. I think it has been expressed by a couple of pretty seasoned pilots, the two gentlemen that did a marvelous job landing in the Hudson, just an absolute stellar performance of professionalism, cockpit discipline. Both of them were quoted—and I don't disagree with their quotes—that if you as an industry want to continue to attract the best and the brightest, you are going to have to do better than offer somebody $22,000 or $24,000 a year.

I can look to my own—Hank. I am probably a few years older than Hank. When I was hired, probably half the pilots that I was hired with came from the military, and half of them were trained from military academies. If you had offered them a career that paid about $30,000 or $40,000, they would have gone and done something else. Even though they might enjoy flying and they enjoy this professional career, if there is no compensation, they will find another career path.

Mr. LATOURETTE. And I think that leads to turnover, too. I mean, three times I have flown into DCA and we have touched down and taken back off. Making discreet inquiries, I was lucky enough to be on training flights from Cleveland to DCA. I am all for people getting training, but I like it when we land, we stay landed, and we don't leave again.

Mr. BABBITT. So do the pilots.

Mr. LATOURETTE. But you know, I have to tell you, they don't tell you anything. While the plane is shuddering and the plane is you are going back in the air, they don't talk to you for about five minutes. Then they come on and say, well, we couldn't land because a big gust of wind took us. And I got off the plane and there was no wind. So that wasn't it.

Mr. Krakowski, how do you feel about the scope clause and sort of the——

Mr. KRAKOWSKI. So, I agree with my boss, number one.

Mr. LATOURETTE. Nice.

Mr. KRAKOWSKI. But I think the effort that was started yesterday is going to be important, because I can tell you that the hardest flying that I have ever done in my life was flying turbo props for a commuter airline, the most fatiguing flying. The easiest flying I did was a DC–10 to Honolulu. The real rigor of intensity is in the regional carriers, and I think the steps started yesterday are going to help identify that.

Mr. LATOURETTE. Thank you very much.

Mr. OLVER. Mr. Pastor.

Mr. PASTOR. It used to be that the pilots would blame the air traffic controllers.

Mr. LATOURETTE. I know.

ALTERNATIVE FUELS RESEARCH

Mr. PASTOR. I guess you don't do that anymore.

I basically have three questions. One deals with research and development. In a report that I have it says that alternative fuels research. We have the USDA, we have DOE, we have EOD, and you guys. And I wonder, do the four of you get together? And where are we on developing a fuel that will be nonpetroleum based? For example, algae, which I think we use in Arizona. The second question I have is, what are the priorities of the FAA on the AIP program? And, thirdly, we recently passed a law that said that we would inspect foreign aircraft repair locations at least twice a year. How is that going to affect your budget? Those are the three questions. And you can start either way.

Ms. LOBUE. Sure. So, for alternative fuels, we have a commercial aviation alternative fuels initiative. It is done in conjunction with all those other departments. We meet regularly. We have quarterly meetings. All of the different initiatives being done in many of the different organizations are talked about and coordinated. For instance, agriculture has money they got through the farm bill for biorefineries and green jobs. That is going to feed from things that the FAA is doing to create and certify the types of fuels that could be used for commercial airplanes.

The reason that you have pieces of this broken up is the FAA is responsible for certifying and the safety of aircraft engines. We have that piece of the expertise. A lot of things like ethanol do not work at high altitude because it has a tendency to freeze.

So there are some differences between the different types of fuels and the different types of things being produced. That is why we coordinate a lot of these efforts. We are, as I mentioned, this year going to get a certification of the first 50 percent regular fuel, 50 percent Fisher-Trope, which is just really the first step. What we are really looking for to get to carbon neutral growth in aviation is that 100 percent renewable fuel or a biomass based fuel that will have a life cycle of less carbon. We are looking at in that the 2013 timeframe.

In the meantime, when you get this first piece, then biorefiners will start producing and building up to be able to create the types of fuels we are going to need by 2013, 2014, 2015.

AIP

Mr. BABBITT. The other two questions. The AIP, I can't—if you are looking for specific, I can get those to you. But in general terms, they are based upon the priorities of, you know, any particular airport's needs. Have they made their case? How do they contribute to the national transportation system? And I think to the most part my understanding is that we can accommodate the majority of those requests. Obviously, you want to see that that money is well spent and they are contributing.

The last——

Ms. LoBue. If I could mention something on that too. About 60 percent of AIP goes to maintaining the current system, and you see a lot of the jobs there. About 40 percent goes to new capacity projects. So things like O'Hare Airport modernization and Philadelphia has new runways. We opened three new runways last November. That is that kind of other 40 percent of AIP.

Mr. Babbitt. In the last year, the foreign repair station, that is under consideration. Actually, this has not been enacted yet. But we are prepared, and Peggy may want to speak to that. We have anticipated that, if it happened, we will be prepared to deal with it.

Ms. Gilligan. We have estimated approximately 60 additional inspectors, 40 that would be based here domestically and would travel to do the oversight, and probably about 20 that we would put overseas. Positions overseas are quite expensive, as you know, and we are estimating somewhere around $16 million. That is not in the 2010 request, because when we built our budget the provision that is under consideration now had not gone forward. We will begin that process and probably look to add that into 2011 or 2012, whatever the appropriate budget level or year would be.

Mr. Pastor. Thank you. Thank you, Mr. Chairman.

INSPECTORS

Mr. Olver. Are we also getting into the business of having foreign inspectors working here in this country? We are not paying for them. That, I take it, is their interests or their airlines interests?

Ms. Gilligan. Yes, sir. The Europeans indicated that if FAA goes to two inspections a year of their repair stations, they will do the same for the 1,600 repair stations in the U.S. that hold their certificate. Right now, we do the oversight at those stations and we provide that information to the Europeans. They instead will come in and do their own inspections.

Mr. Olver. Ms. Roybal-Allard.

HIMS

Ms. Roybal-Allard. I would just like some clarification on my previous questions. Am I correct in understanding that you have no objection to expanding the HIMS program to flight attendants?

Mr. Babbitt. No, I do not.

AIR TRAFFIC CONTROLLERS

Ms. Roybal-Allard. And Mr. Krakowski, you, as I understand, will be looking into what I have been told are imposed work rules on controllers that take away the incentives to work at places like LAX. And, secondly, the issue about trainees being—that fail at LAX, fail getting certified at LAX, then being sent to less busy and smaller airports to get their certification.

Mr. Krakowski. That one is of interest to me because I was not aware that there is a lot of that going on. My perception is it happens occasionally.

On the first point though, the current contract negotiations we are doing with NATCA, is having discussions with them on a plan that does reward the people at the intense facilities better. I think the old incentive concept that we used to use to get people to work at O'Hare or New York or Los Angeles got diluted over the years, and there are some refocused discussions going on right now.

Ms. ROYBAL-ALLARD. Great. Thank you.

Mr. OLVER. Would you like to make another round?

Mr. LATOURETTE. I would love to.

Mr. OLVER. Go ahead. I promised we would close around 11:30.

FOREIGN REPAIR STATIONS

Mr. LATOURETTE. I thank the Chair for the courtesy, and I will attempt to be brief. This foreign repair station question, I understand that you are ready to go. I also understand that the European Union and others have indicated that it is going to start a trade war, and basically they are going to insist on the same thing. And full disclosure, my brother is in the repair station business for General Electronic.

I guess to you and Mr. Krakowski, what is your opinion of this? I mean, I will tell you it is—we all know it is a labor issue. You can call it a safety issue if you want to. I happen to like organized labor. But this is job protection. But it is being billed as a safety issue. So I guess, based upon the experience that all of you have around this table, is it really a safety issue? Are we seeing shoddy repairs at foreign repair stations, and will two FAA inspections at foreign repair stations on an annual basis make us safer?

Mr. BABBITT. Well, I will give you my personal opinion.

Mr. LATOURETTE. That is what I was looking for.

Mr. BABBITT. The current system is covered by a bilateral arrangement. All the stations are inspected. If I understand the full ramifications, we would just switch inspectors and create a lot of additional travel and expense to create the inspections.

I personally have not seen any degradation or any signs that the repair stations, regardless of where they are, are doing less than work that is up to the standards. Now, I am certainly open to people's review or if people have information that would suggest that we could improve the safety, it is worth looking at. But currently, I have to candidly say I have not seen any sign of that.

Mr. LATOURETTE. Mr. Krakowski.

Mr. KRAKOWSKI. Actually, you are looking at someone who was head of quality assurance for maintenance for my airline when we outsourced to Korea and to China. We had to put our stamp of approval on it, not only to us, but to the FAA that the quality of work there was equal to or better than what we had in the United States. I can tell you unequivocally we found that.

Mr. LATOURETTE. Okay. And anybody else have a thought on foreign repair stations? I don't want to exclude anybody. I thank the Chair. And I thank all of you for your testimony.

CLOSING REMARKS OF CHAIRMAN OLVER

Mr. OLVER. I think, if I don't close out, we aren't going to get closed out. So I am going to do that. Nothing that has been said here today changes my view that we need to move away from the radar based system which we have been doing now for some time and putting in a certain amount of money. We will with your appropriation, if we give you that full appropriation this year, we will have spent almost $2 billion in moving in that direction. I have been interested that under ADS–B, the largest sum of money—the larger sum of money was last year's, the 2009 appropriation there. The 2010 is asking less. It sort of implies that we are farther along on ADS–B and we don't need big sums of money as what is viewed as the key backbone of this whole NextGen operation. I thought we would be moving on to ever higher numbers for ADSB. But nothing has changed my view that we need to move away from the radar-based system which had its genesis in the bon fires that were—I am told, to my great surprise, that were part of the first transcontinental air flights, so forth, that sort of thing. And to move on to a very important new technology for a whole series of reasons, you have all alluded to in your comments the benefits that one can get from that in terms of congestion and on-time performance and handling a much greater capacity through the NextGen system.

I am disappointed that I am going to have to change my preconception that this was something that we would be—that would be possible to complete in a time frame I thought by maybe 2017 or thereabouts. And so the idea that we are—and I do recognize that you are talking about how careful one has to be; you have to make certain that each of these moving parts fits together and the gears are running. It is going to be a really daunting task and for all of you to take it on. There are just so, so many moving parts to this process. We have touched on a lot of them, and briefly here, but we are going to have a lot.

Is there any way that we can get that, move that? It means very much with, very careful coordination. And I think if you are going to be able to move more quickly you are going to have to have the acquiescence of the workforce, in essence. Because if you end up—to go back to the first question I asked you, Mr. Babbitt, that if you don't have that, then there is sand in those gears all the way along.

So thank you very much for being here. Thank you for doing this. This is an important, important project that we are involved in. And it is going to be costly. But there are I think really critical savings and benefits down the road. So thank you very much. We are adjourned.

TUESDAY, MARCH 10, 2009.

DEPARTMENT OF TRANSPORTATION OVERSIGHT: TOP MANAGEMENT CHALLENGES AND HIGH RISK SERIES

WITNESSES

HON. CALVIN L. SCOVEL, III, INSPECTOR GENERAL, U.S. DEPARTMENT OF TRANSPORTATION

KATHERINE SIGGERUD, MANAGING DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

OPENING REMARKS, CHAIRMAN OLVER

Mr. OLVER. This hearing will come to order. My new Ranking Member, Tom Latham, has told me he is always ready to go, so we are all ready to go.

The Subcommittee is in order. Today's Subcommittee meeting begins our Fiscal Year 2010 hearing schedule for the Fiscal 2010 budget.

First, I do welcome the new Ranking Member, Tom Latham. I look forward to working with him during this 111th Congress, and I trust we can have a good bipartisan relationship that builds over time out of working together.

I also would like to welcome a new Member to the Committee. As other new Members come into the meeting today, I will welcome them and introduce them to everyone who is here. Steve LaTourette from Ohio is the new Member. You are the last of the line. You are there, the end of the line. I thought you were one before the end of the line. Steve has had a long time on the T&I Committee, so he brings a real understanding of the transportation issues with him, so we are very pleased to have him with us.

Calvin Scovel, the inspector general of the Department of Transportation, and Kate Siggerud, managing director of physical infrastructure at the Government Accountability Office, are with us for today's hearing. Both the IG's Annual Top Management Challenges Report and the GAO's High Risk Series continue to highlight the nation's ongoing transportation challenges.

The 110th Congress and the new administration will have to tackle many of these issues, so it is particularly important that we bring attention to the challenges that you have identified.

The IG issued his Fiscal Year 2009 in November, and, as with previous years, the newest report continues to identify and make recommendations to enhance aviation safety, develop next-generation improved mobility, reduced congestion, and address surface transportation budget shortfalls, among other challenges.

The GAO updated its High Risk Series in January and only lists one high-risk area related to transportation, that being funding the nation's surface transportation system, and that is a big area.

The FAA's air traffic control modernization, which has appeared on the high-risk list since 1995, was removed this year, though it still remains, to a degree, because of next-gen, on the IG's, so we may have questions in relation to that.

While I hope you will be able to spend time exploring the challenges in your reports, I will be particularly interested in an issue that does not appear in your published work; namely, the challenges associated with efficient and appropriate expenditure of the funds provided in the recently passed economic recovery package. There is over $40 billion provided for transportation programs in the new recovery law, and, within the 75 percent that will be distributed through existing formulas, we are requiring grantees to move rather quickly, 120 days to obligate for highways, 180 days to obligate for transit. It is imperative, with such short timelines, that funds are being used as intended.

In addition, there are a couple of sizable new grant programs: $8 billion for high-speed rail and inner-city passenger rail and one and a half billion for surface transportation grants, taken in a very broad kind of a way, discretionary fund, in a very broad kind of way, whereas the earlier two are associated with extensive authorizations that were passed last year.

The Recovery Act included $20 million for the IG to conduct audits and investigations, and I will be interested in how you, the IG, will be using those funds. I am also interested in any work that the GAO may do on the recovery package.

So, in addition to the management challenges we both identified, I hope you will share your insights in these and other areas during the course of today's hearing.

With that, I will introduce another new Member to the Subcommittee. Judge John Carter from Texas is here with us today. Thank you very much for being here.

Mr. CARTER. Chairman, thank you.

Mr. OLVER. And with that, I recognize the Ranking Member, Mr. Latham, for his opening remarks.

OPENING REMARKS, RANKING MEMBER LATHAM

Mr. LATHAM. Well, thank you very much, Mr. Chairman. Having never served on this Subcommittee before, there is going to be a learning curve, but I really look forward to working with you, and doing this on a bipartisan basis. We will probably have disagreements, but I pledge, I will never be disagreeable about it.

I am very excited about the opportunities. We are at the epicenter, I think, of what is going on, when you look at transportation needs and the housing crisis that is out there. There are a lot of very important issues that we will be dealing with, trying to find the proper level of funding for the initiatives that we oversee. We are going to have real challenges in making sure that the funding that has been provided is spent wisely, and that is why I think this is a very appropriate and important hearing this morning.

I look forward to the testimony, and I, too, would like to welcome our two new Members to the Subcommittee, Mr. Carter from Texas and Mr. LaTourette, who gave up 14 years on T&I, Steve, to come to the Appropriations Committee. I look forward to working together and to a very productive year, so thank you, Mr. Chairman.

Mr. OLVER. I appreciate the comments. Now, we would like to hear from the panel. Your complete written statements will be included in the record, and if you could keep your oral remarks to somewhere close to five minutes, within shouting range of five minutes, then we can move on to questions, and we will start with you, Mr. Scovel.

OPENING REMARKS, HON. CALVIN SCOVEL, III

Mr. SCOVEL. Thank you, Chairman Olver. Good morning. Ranking Member Latham, Members of the Subcommittee, we appreciate the opportunity to testify today on the top management challenges facing the Department of Transportation.

Each year, DOT spends about $70 billion on a wide range of efforts to enhance mobility and safety. The American Recovery and Reinvestment Act infuses an unprecedented additional $48 billion for departmental programs, presenting new challenges on top of longstanding ones that we have identified over the years.

To achieve the goals of the economic recovery program, it is important to recognize that an inherent tension exists between spending quickly and making sure that contracting and business practices are sound and that expenditures maximize efficiencies. To this end, we are encouraged by the initial steps DOT is taking to promote accountability, efficiency, and effectiveness over the recovery program; namely, its creation of a DOT-wide TIGER team.

Secretary LaHood has expressed his commitment to these efforts, and my staff stands ready to do its part to further protect these funds from fraud, waste, and abuse.

Today, I would like to discuss the Department's top management challenges across three cross-cutting areas.

First, we need to ensure accountability, effectiveness, and efficiency in federal funding for transportation projects. Our work identifies four broad areas of potential vulnerability that DOT will need to address.

They are, first, an effective acquisition workforce at the Department and with grantees to ensure that the goals of the economic recovery program are achieved.

Second, effective contracting and grant mechanisms and financial processes that result in timely and sound decisions while avoiding wasteful spending.

Third, proactive actions to combat fraud, waste, and abuse in an environment of significantly increased funding to state and local levels.

Four, sustained oversight of highway and transit investments.

DOT has initiates underway to address some of these vulnerabilities. In addition to the creation of the TIGER team, DOT managers are taking actions, such as modifying financial-management systems to track recovery funding and report on results and working with potential grantees so they can quickly submit proposals that will meet federal requirements.

My staff has been working with DOT officials to support their efforts, and we have assembled cross-cutting teams to further review each operating administration's management of recovery program funds. We expect to issue the first in a series of reports by the end of this month.

DOT's second top challenge is to improve oversight of aviation and surface safety. Our work has shown that DOT needs to focus on three vulnerabilities: maintaining public confidence in FAA's ability to oversee a dynamic aviation industry; addressing obsolescence in the nation's aging surface infrastructure and enhancing surface safety programs; and protecting against cyber security risks.

DOT has taken actions this past year to improve safety on a number of fronts, including launching an industry-government partnership to improve runway safety and committing to data-driven, risk-based oversight of bridge safety.

We have a significant body of ongoing work to identify risks in aviation and surface safety programs and will issue reports covering these topics in the next several months.

DOT's third top challenge is to ensure the solvency of transportation trust funds, thereby improving mobility and reducing congestion. Specific challenges our work has shown in these areas include maintaining the solvency of the Highway and Aviation Trust Funds; operating and maintaining the National Airspace System while developing and transitioning to next-gen; and continuing efforts to reduce aviation and surface congestion.

We will continue our ongoing work to report on DOT's efforts to address these challenges.

In summary, it is critical that DOT reassess its business practices and investment-management portfolios to mitigate the inherent risks associated with a substantial increase in grants and procurement actions that will result from the recovery program. Such assessments should include a focus on building an effective acquisition workforce to hold grantees accountable for effectively managing their programs; establishing efficient contracting and financial-management practices to prevent fraud, waste, and abuse of new Recovery Act programs; and developing comprehensive oversight strategies to maximize highway and transit investments.

These actions, together, are critical for successful implementation of the recovery program and advancing the Department's primary mission of transportation safety.

That concludes my statement, Mr. Chairman. I would be happy to answer any questions you or any other Members of the Subcommittee may have.

[The information follows:]

Before the Committee on Appropriations
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
United States House of Representatives

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Top Management Challenges Facing the Department of Transportation

Statement of
The Honorable Calvin L. Scovel III
Inspector General
U.S. Department of Transportation

Chairman Olver, Ranking Member Latham, and Members of the Subcommittee:

We appreciate the opportunity to testify today on the top management challenges facing the Department of Transportation (DOT). As you know, we report annually on these challenges as required by Congress and the Office of Management and Budget (OMB). Our latest report in November 2008[1] addressed both short- and long-term actions that we identified and that DOT should take to maximize investments in transportation and ensure transportation safety.

The U.S. transportation system is vital to the Nation's economy and the quality of life for all Americans. Each year, DOT spends about $70 billion on a wide range of efforts to enhance mobility and safety. The American Recovery and Reinvestment Act[2] infuses an unprecedented additional $48 billion for Department programs, presenting new challenges throughout the Government and particularly for DOT.

While such a rapid infusion of new funds is needed to create or preserve jobs and improve the U.S. transportation system, it will at the same time create significant oversight issues for DOT and all of the Operating Administrations receiving stimulus funds. These include the Federal Highway Administration (FHWA), the Federal Railroad Administration (FRA), the Federal Transit Administration (FTA), and the Federal Aviation Administration (FAA). It is therefore critical that DOT reassess its business practices and investment management portfolios to address and mitigate the inherent risks associated with the substantial increase in grants and procurement actions that will result from the stimulus program.

DOT has proactively responded to the stimulus program, particularly by creating the Department Transportation Investment Generating Economic Recovery (TIGER) team to coordinate DOT-wide efforts. This past year, DOT also made progress on a number of important fronts. These include commissioning several new runways to improve capacity within the National Airspace System; committing to data-driven, risk-based oversight of bridge safety; and receiving a "clean" opinion on DOT's financial statements. However, more remains to be done in the areas of maintaining the safety of the traveling public, relieving congestion, and establishing long-term financing mechanisms for aviation and surface transportation programs.

Strong leadership will be a prerequisite for meeting the numerous issues facing the Department, and Secretary LaHood has expressed his commitment to ensure that stimulus funds are effectively used and protected from fraud, waste, and abuse. Our office stands ready to do its part to further ensure accountability, efficiency, and transparency over DOT's portion of the massive economic recovery program.

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[1] OIG Report Number PT-2009-005, "DOT's FY 2009 Top Management Challenges," November 17, 2008. OIG reports and testimonies are available on our website: www.oig.dot.gov.

[2] Pub. L. No. 111-5 (2009).

While responding to the economic stimulus is critical, we cannot overlook the fact that transportation safety is DOT's primary mission. My comments today will summarize the Department's top management challenges along three cross-cutting areas: (1) ensuring accountability, effectiveness, and efficiency in Federal funding for transportation projects; (2) improving oversight of aviation and surface safety; and (3) ensuring the solvency of transportation trust funds, thereby improving mobility and reducing congestion. I will also address DOT's actions to date in addressing some of these challenges and conclude with what remains to be done.

ENSURING ACCOUNTABILITY, EFFECTIVENESS, AND EFFICIENCY IN FEDERAL FUNDING FOR TRANSPORTATION PROJECTS

The Department is taking steps to promote accountability and transparency in transportation funding associated with the recovery program. In addition to the creation of a DOT-wide TIGER team to coordinate the Department's role and ensure accountability, Operating Administration officials told us they are (1) modifying financial management systems to track recovery funding and report on results, including the number of jobs created; (2) working with potential grantees so they can quickly submit proposals that will meet Federal requirements; (3) considering the redeployment of current agency employees or the use of "retired annuitants" to meet the increased workload; and (4) conducting outreach to grantees on procurement and other issues through the use of frequently-asked-questions on recovery internet sites and a planned "help desk" e-mail site.

We have been working with DOT officials to support their efforts and have assembled a cross-cutting team of auditors, analysts, investigators, and attorneys to review each Operating Administration's management of recovery program funds. Specifically, we are examining potential risks related to program structure, Operating Administrations' oversight process and staffing, state and local grantees' management and technical capabilities, cost and schedule estimates, contract management and oversight, and fraud deterrence efforts. We began our work in January and plan to issue the first in a series of reports by the end of this month. Based on our initial assessment and our past and ongoing work, we see four immediate, broad areas of potential vulnerability that DOT will need to address to ensure accountability, effectiveness, and efficiency of Federal funds.

- Building an effective acquisition workforce to achieve the goals of the economic recovery program;
- Establishing effective contracting mechanisms and financial practices to make sound decisions under tight timeframes and avoid wasteful spending;

- Proactively reforming mechanisms to combat fraud, waste, and abuse in an environment of significantly increased funding to state and local levels; and
- Developing comprehensive oversight of highway and transit investments.

Acquisition Workforce

DOT must ensure that it has sufficient personnel with relevant expertise to meet the increased workload and accelerated timeframes associated with overseeing stimulus spending. A sufficiently trained acquisition workforce is key to holding grantees accountable for contract actions and realistic cost and schedule estimates and ensuring that state or local recipients can effectively manage their projects and the risks associated with the recovery program.

Our work has shown that DOT faces substantial challenges in developing and maintaining a competent acquisition workforce to support its mission. In September 2007, the Department completed a strategic workforce plan, as required by OMB. However, the plan only addressed part of DOT's acquisition workforce—contract officers and contract specialists. Although the strategic plan included a skills assessment of these positions and a general discussion on retention and hiring strategies, it did not include essential workforce statistics such as retirement and attrition information, accession planning, or long- and short-term needs.

Additionally, DOT continues to face challenges in developing a comprehensive strategic plan for its acquisition workforce, other than for contracting positions. DOT officials told us they are having difficulty determining the total number of other key acquisition workforce positions, such as contracting officer technical representatives and program managers. This is because DOT lacks key information on these positions, including workforce size, knowledge and skills requirements, and attrition and retirement rates. Without these critical data, DOT is unable to identify employment trends and assess the current condition of the workforce to determine the ideal composition, skill mix, and talent for its future.

Last month, DOT officials compiled a succession plan for the acquisition workforce. The plan includes a competency assessment for the entire acquisition workforce, some retirement information, hiring plans, and training strategies for contracting positions. The Operating Administrations are now designing strategies to address those weaknesses identified in the competency assessment.

Contracting Mechanisms and Financial Practices

To manage its portion of the economic recovery program, DOT and its grantees will need to ensure that effective contracting and financial practices are in place to make sound decisions under the tight timeframes and quick roll-out of the program. Actions needed include: (1) specifying contract requirements early, maximizing competition, and using appropriate contract types; (2) preventing unallowable costs, improper payments, and excessive overhead charges during contract execution; and (3) using financial management systems to track recovery spending and publicly report on results.

The magnitude and timing of the economic recovery program could exacerbate contract award problems we have previously identified, such as use of inappropriate contract types, inadequate competition, and failure to ensure contract prices are fair and reasonable. For example, audits of DOT and state contracts used to respond to the Hurricane Katrina emergency found instances in which DOT money was spent inefficiently because grantees used riskier contracting methods in spending Federal funds, such as sole-sourced and lump-sum contracts, resulting in significantly higher costs. In one instance, a state Department of Transportation awarded two sole-sourced contracts without assurance of fair and reasonable prices. This resulted in the state paying about $1.7 million more than necessary for bridge repairs.

DOT must also have financial practices in place to ensure that $27.5 billion in stimulus funding for FHWA is used effectively and in compliance with program requirements. Our work on FHWA's oversight of funding for structurally deficient bridges has highlighted this issue. For example, we reported that FHWA is unable to determine how much funding that was provided to states is actually spent on structurally deficient bridges. This is because its financial management system does not differentiate between spending on structurally deficient bridges and other bridge-related expenditures. It is imperative that FHWA better measure how states are spending Federal bridge funds so it can assess the impact of these dollars on bridge conditions and help Congress consider what changes, if any, it wants to make to the Highway Bridge Program.

Combating Fraud, Waste, and Abuse

DOT will need to tailor its counter-fraud efforts to adapt to the increase in capital funding associated with the recovery program and the expected surge in construction activity throughout the country. To do so, DOT must strengthen outreach efforts to ensure that grantees and their contractors understand how to recognize, prevent, and report potential fraud to the appropriate authorities (a list of common fraud schemes seen by our office is included at exhibit A).

Last year, we reported that DOT needed to develop and maintain a robust ethics program to promote integrity across the myriad of transportation programs. To its credit, in June 2008, the Department instituted an enhanced annual ethics training program for all DOT acquisition and grants management personnel. This year presents a two-fold ethics challenge for DOT and the Operating Administrations. First, they must follow through to fully implement this important annual training requirement. Second, they will need to increase outreach efforts to ensure that recipients of Federal funds, both grantees and their contractors, have meaningful ethics programs and sound internal controls to prevent and detect fraud.

DOT will also need to take timely actions to suspend and debar individuals or firms who have defrauded the Department. Federal regulations prohibit firms and individuals without satisfactory records of integrity and business ethics from receiving Federal contracts or assistance agreements.

DOT revised its policy in June 2005, in part, to improve timely decision making on suspension and debarment actions. However, our ongoing audit work shows that the Department needs to improve the policy—and its implementation—as Operating Administrations still do not consistently take suspension and debarment actions in a timely manner.

Last month, the Government Accountability Office testified that they confirmed allegations that businesses and individuals suspended or debarred for egregious offenses were continuing to receive Federal contracts. Our work did not find any DOT contracts or assistance agreements awarded to suspended or debarred firms or individuals. However, the suspension and debarment program's policy and implementation deficiencies leave DOT and other Government agencies vulnerable to doing business with fraudulent or unethical firms or individuals. The program also does not ensure such parties will be excluded from gaining future contracts and assistance agreements. This risk will increase significantly under the recovery program, which will include thousands of new contracts and contractors.

Sustained Oversight of Highway and Transit Investments

DOT must ensure that FHWA continues to provide strong stewardship of major highway projects to maximize the return on Federal highway funding provided to states (over $41 billion in fiscal year [FY] 2008). To its credit, FHWA has enhanced its oversight of major projects and states' management practices in recent years, but sustained focus is needed to ensure that these efforts attain their goals. In the past, we have reported on major oversight deficiencies on highway projects, such as Boston's Central Artery/Tunnel Project.

To strengthen oversight of highway funds, Congress made several important changes in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users.[3] One major change involved reducing the threshold of major projects from $1 billion to $500 million. As a result, FHWA must provide enhanced oversight to projects now defined as major projects, including a review of the required finance plan. A finance plan is an important oversight tool that provides managers and the public with information on how much a project is expected to cost, when it will be completed, whether adequate funding is committed, and whether there are risks to completing the project on time and within budget.

[3] SAFETEA-LU, Pub. L. No. 109-59 (2005). This law expires September 30, 2009.

Another major change in the legislation involved adding a requirement for major highway projects to have project management plans as well as finance plans. Project management plans serve as a "roadmap" to help the project team deliver a project in an efficient and effective manner by clearly defining roles, responsibilities, processes, and activities. FHWA needs to strengthen the use of these tools and remain vigilant in its oversight of major highway projects.

Likewise, FTA must ensure that the capital cost estimate for each proposed transit project is credible and complete. This is a key element for determining whether a project is cost effective. To its credit, FTA is now requiring its project management oversight contractors to review cost estimates earlier in the New Starts process. FTA has also implemented a program establishing a consistent format for estimating, reporting, and managing capital costs on New Starts projects. However, FTA must carefully evaluate whether each New Starts grantee has demonstrated stable and dependable financing sources to construct, maintain, and operate a proposed transit system or extension as well as the existing transit system.[4]

Finally, FTA must provide strong oversight to keep major transit projects on schedule and within budget during construction by exercising sound project and financial management. FTA must focus on the Lower Manhattan Recovery Projects in the coming year, which are facing significant challenges, including ensuring that project sponsors commit sufficient funding sources to complete the projects. The Permanent Port Authority-Trans Hudson Terminal Project alone has had cost estimate increases of up to $1 billion. These high-priority projects (which are separate from the New Starts program) constitute a $4.55 billion Federal investment to reconstruct and enhance New York City's transportation infrastructure after the September 11, 2001, terrorist attacks.

IMPROVING OVERSIGHT OF AVIATION AND SURFACE SAFETY

Improving transportation safety is DOT's primary goal. DOT has taken actions this past year to improve safety on a number of fronts, including launching an industry/government partnership to improve runway safety and committing to data-driven, risk-based oversight of bridge safety. However, we identified numerous and significant vulnerabilities in aviation and surface transportation programs. To enhance the margin of safety in the Nation's transportation programs, our work has shown that DOT needs to focus on three key areas:

[4] Local financial commitment is a major criterion that FTA uses to determine which New Starts projects are ultimately approved for a full funding grant agreement and therefore able to begin construction.

- Maintaining public confidence in FAA's ability to oversee a dynamic aviation industry,
- Addressing obsolescence in the Nation's aging surface infrastructure and enhancing surface safety programs, and
- Protecting against cyber security risks.

Maintaining Public Confidence in FAA's Ability To Oversee a Dynamic Aviation Industry

The past several years have been one of the safest periods in history for the aviation industry. This is largely due to the dedicated efforts of the professionals within FAA and throughout the industry. In January, we saw a dramatic example of aviation professionalism when U.S. Airways flight 1549 made an emergency landing in the Hudson River, and, miraculously, all 155 passengers and crew survived due to the skillful efforts of the pilot and crew. However, the tragic accident last month of Continental Connection flight 3407, which resulted in 50 fatalities, underscores the need for constant vigilance over aviation safety on the part of all stakeholders. Additionally, airline consolidation and downsizing continue to drastically change the industry, and widely publicized lapses in FAA oversight in 2008 emphasize the need for FAA to continually adapt its oversight of air carriers, external repair facilities, and runways.

Oversight of Air Carrier Operations

Last April, we testified[5] that an FAA safety inspector had an overly collaborative relationship with Southwest Airlines. The inspector violated FAA safety directives by permitting the air carrier to operate 46 planes without required inspections for fuselage cracks. Our work at Southwest and other carriers has also found weaknesses in FAA's national program for risk-based oversight, the Air Transportation Oversight System (ATOS). At Southwest, multiple, missed ATOS inspections allowed safety directive compliance issues in Southwest's maintenance program to go undetected for several years.

Our current review of ATOS has disclosed that this problem was not limited to Southwest—FAA oversight offices for seven other major air carriers also missed ATOS inspections. Over the past 6 years, we have identified system-wide problems with ATOS, such as inconsistent inspection methods across FAA field offices or incomplete inspections. We have recommended, among other things, that FAA strengthen its national oversight and accountability to ensure consistent and timely ATOS inspections.

[5] OIG Testimony Number CC-2008-046, "Actions Needed To Strengthen FAA's Safety Oversight and Use of Partnership Programs," April 3, 2008.

Our report on Southwest recommended additional actions to help maintain public confidence in FAA's oversight of air carriers. These included protecting whistleblowers, improving risk-based systems for targeting inspector resources, establishing mechanisms at the national level to provide quality assurance and independent assessments of field office inspection efforts, and creating an independent organization to investigate safety-related concerns raised by inspectors. In response, FAA took a series of actions, including creating a national review team to conduct quality assurance reviews and implementing a process to monitor field office ATOS inspections. We continue to monitor the progress and effectiveness of FAA's actions and will be reporting on these issues later this year.

External Repair Facilities

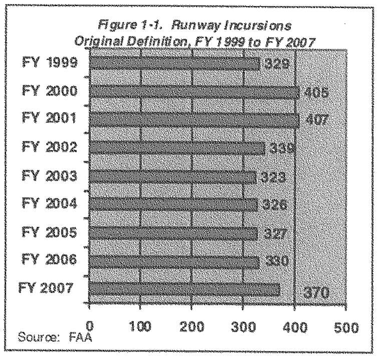
FAA continues to face challenges in identifying where critical aircraft maintenance[6] is performed. A key issue is that FAA's risk-based oversight system does not include information on critical repairs performed by non-certificated repair facilities. Currently, FAA does not require that air carriers report *all* repair stations performing repairs to critical components or that FAA inspectors validate voluntarily submitted information. FAA needs to advance risk-based oversight of outsourced maintenance providers (both foreign and domestic) by developing and implementing a system for determining how much and where aircraft maintenance is performed.

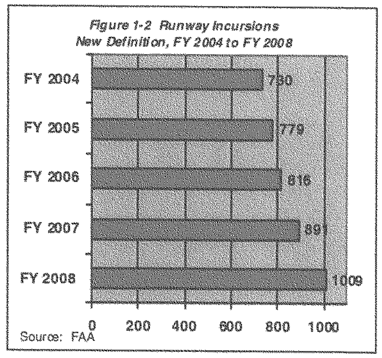
Runway Safety

Runway incidents continue to be a substantial threat to safety. A specific concern is runway incursions (any incident involving an unauthorized aircraft, vehicle, or person on a runway). Since 2003, the number of runway incursions has begun climbing again, reaching a high of 370 in FY 2007, a 13-percent increase over FY 2004 (see figure 1-1 below). Under FAA's new definition for categorizing runway incursions (effective October 2007),[7] the number of runway incursions continues to rise even more dramatically, with a 38-percent increase since FY 2004 (see figure 1-2 below). During FY 2008, 25 serious runway incursions occurred (where a collision was barely avoided); this equates to about 1 serious runway incursion every 15 days.

[6] "Critical maintenance" describes mandatory maintenance activities that, due to their importance to the overall airworthiness of the aircraft, must be independently inspected by a specially trained inspector after the work is complete.

[7] Effective October 1, 2007, FAA began categorizing runway incursions using the International Civil Aviation Organization (ICAO) definition. The new definition of runway incursions includes incidents that were previously defined by FAA as "surface incidents" (where a potential conflict did not exist).





Many see new technology as the key to runway safety solutions. However, our reviews of three major FAA technologies for improving runway safety disclosed serious concerns about what can be effectively deployed within the next several years. Important steps to meeting this challenge in the near term include implementing airport-specific infrastructure and procedural changes and reinvigorating existing FAA national programs for improving runway safety.

FAA has taken steps to renew its national focus on runway safety, including hiring a new Runway Safety Director, initiating a government/industry "Call to Action Plan," and issuing a National Runway Safety Plan. It is vital that FAA continue this momentum. While FAA reported no serious runway incursions during the first quarter of FY 2009 (a significant metric), the total number of runway incursions has remained relatively constant (224 in the first quarter of FY 2009 versus 226 in first quarter of FY 2008).

Addressing Obsolescence in the Nation's Aging Surface Infrastructure and Enhancing Surface Safety Programs

Fatal infrastructure failures in 2006 and 2007 have focused attention on obsolescence in the Nation's aging surface transportation infrastructure and the need to strengthen oversight. DOT must work with states and localities to ensure the safety of our bridges and tunnels and restore or replace those that present the highest risk of catastrophic failure. This is a daunting task because the average bridge in the United States is 43 years old, and almost one in four bridges is either structurally deficient and in need of repair or functionally obsolete and too narrow for today's traffic volumes.[8] Likewise, DOT must address aging transit systems that are increasingly becoming obsolete.

[8] American Association of State Highway and Transportation Officials, "Bridging the Gap: Restoring and Rebuilding the Nation's Bridges," July 28, 2008.

DOT must also continue to focus on programs for improving surface safety. Motor vehicle traffic crashes cause more than 40,000 deaths and 2 million injuries annually in the United States. Department safety improvement programs, such as Federal motor vehicle safety standards for new cars, have contributed to major improvements in surface safety. Specifically, the fatality rate in 2007 reached a historic low of 1.37 deaths per 100 million vehicle miles traveled, and the preliminary estimate of injuries in 2007 was, for the first time, below 2.5 million. However, to meet the Department's goal, the fatality rate will need to drop to 1.0 by 2011. This presents a substantial challenge since DOT does not directly control some of the most effective tools, such as states' enactment and enforcement of laws for seat belt and helmet usage, alcohol-impaired driving, vehicle inspection, and speed limits.

Bridge and Tunnel Safety

Recent fatal infrastructure failures underscore the significance of bridge and tunnel safety as major challenges. In 2006, ceiling panels collapsed in a tunnel in Boston's Central Artery/Tunnel Project, killing a motorist. In 2007, the catastrophic failure of the I-35W Bridge in Minneapolis killed 13 people. These tragic incidents brought renewed national attention to the safety of our bridges and tunnels. To strengthen bridge and tunnel safety oversight, FHWA needs to take action in two key areas:

- First, FHWA must implement a data-driven, risk-based approach for overseeing the safety of the Nation's bridges. FHWA has concurred with our recommendation to develop a comprehensive plan to routinely conduct systematic, data-driven analysis to identify nationwide bridge safety risks, prioritize them, and target those higher priority risks for remediation in coordination with states. FHWA committed to developing the plan by the end of this month. The key now is following through to complete the plan and execute its new processes and priorities.

- Second, FHWA needs to establish a national tunnel inspection program. While the National Bridge Inspection Program has existed for decades, FHWA currently lacks a highway tunnel inspection program. FHWA should implement a system to hold states accountable for inspecting and reporting on tunnel conditions. FHWA officials recently issued an advance notice of proposed rulemaking in November 2008 to seek input on the development of national tunnel inspection standards. FHWA must ensure that finalizing the rulemaking remains a top priority.

Aging Transit Systems

The Nation's largest transit systems are becoming increasingly obsolete. Many of our transit systems are concentrated in large, urban areas and are very old and in need of substantial upgrades or repairs. FTA must work with state and local transit agencies to identify ways to repair, rehabilitate, or replace their infrastructure to meet current demand, keep up with projected ridership, and prevent any catastrophic failures caused by aging or obsolete infrastructure.

Unsafe Motor Carriers

The Federal Motor Carrier Safety Administration (FMCSA) is the lead agency for establishing and enforcing motor carrier and commercial motor vehicle driver safety requirements and standards. FMCSA needs to take stringent enforcement actions against carriers that repeatedly violate safety regulations. Specifically, FMCSA must renew efforts to strengthen its repeat-violator policy in a timely manner, as nearly 2 years have passed since its original commitment to do so.

Enforcement actions alone, however, will not ensure compliance with Federal safety regulations because some individuals avoid sanctions by creating new motor carrier identities. In August 2008, FMCSA started a vetting process to review new carrier applicants to ensure the applicants are not trying to avoid enforcement sanctions. We are reviewing this vetting process as part of our ongoing audit of FMCSA's oversight of motor coach safety.

The Commercial Driver's License Program

The Commercial Driver's License (CDL) Program's purpose is to improve highway safety by ensuring that drivers of large trucks and buses are qualified to operate those vehicles and to remove unsafe and unqualified drivers from the highways. FMCSA must enhance the CDL program by rigorously enforcing existing standards in cooperation with state and local law enforcement agencies. In the past 5 years, our joint investigations of fraudulent schemes for obtaining CDLs through corrupt means, such as bribery, have led to the prosecution of CDL fraud schemes in 15 states.

FMCSA must also strengthen the CDL program by adopting and implementing new standards. FMCSA has proposed new, stronger CDL standards that will reduce the possibility that unqualified individuals can obtain CDLs. FMCSA will have to work with states to ensure sustained cooperation in implementing these new standards because some changes will need additional state resources.

Protecting Against Cyber Security Risks

Another important oversight challenge we identified for DOT is protecting its networks and computers from increased cyber security risks—a problem facing all Government agencies. DOT has made progress in addressing its overall statutory responsibility to protect personally identifiable information (PII). For example, in recent years, DOT has designated its Chief Information Officer as Chief Privacy Officer; issued a privacy benchmark report to Congress; and established procedures for assessing the need for PII collection, use, and security. However, last month's cyber attack—in which hackers penetrated DOT networks and captured PII information on 48,000 current and former FAA employees—demonstrates that more remains to be done to fully secure PII on DOT systems.

ENSURING THE SOLVENCY OF TRANSPORTATION TRUST FUNDS, THEREBY IMPROVING MOBILITY AND REDUCING CONGESTION

We identified significant challenges for DOT regarding funding for Federal highway, transit, and aviation programs. Ensuring solvency in the transportation trust funds is critical to DOT's ability to carry out its mission of enhancing mobility and reducing congestion. Congestion-related problems have impacted all modes of transportation; DOT estimates that congestion costs the Nation almost $200 billion per year.

Flight delays and cancellations continued to be a concern in 2008, and the Nation's highways continue to experience record levels of congestion. In the near term, DOT must take steps to prevent recurrence of this summer's Highway Trust Fund (HTF) cash flow crisis and ensure that new projects that will maximize the use of airspace are properly managed. Specific challenges in these areas include:

- Maintaining the solvency of the Highway and Aviation Trust Funds,
- Operating and maintaining the National Airspace System while developing and transitioning to the next generation air transportation system (NextGen), and
- Reducing aviation and surface congestion.

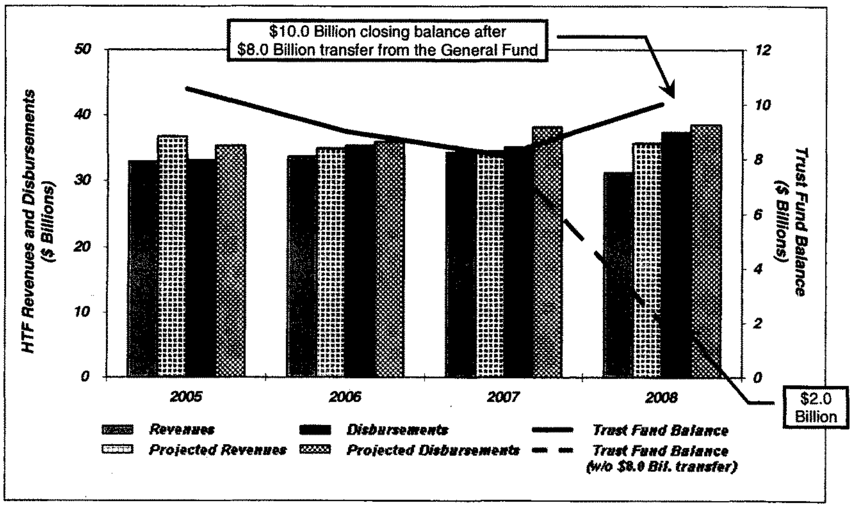
Maintaining the Solvency of the Highway and Aviation Trust Funds

The Highway Trust Fund

DOT recognized the urgency of a cash flow crisis in the HTF last August and requested Congress to approve legislation that would transfer $8 billion from the General Fund to the HTF. While DOT successfully managed the HTF cash flow to minimize negative impacts on state departments of transportation, pending the transfer of the $8 billion from the General Fund, it is uncertain how long this infusion of funds will last.

DOT's ability to pay bills submitted by states for authorized costs incurred depends on the amount of funds in the HTF. That balance largely depends on Federal motor fuel excise tax receipts, which have been declining steadily in response to volatile fuel prices and a deteriorating economy. Motorists are cutting back on their driving, purchasing more fuel-efficient vehicles, and buying less gasoline, thereby generating fewer receipts for the HTF. As a result, the cash balance in the Highway Account of the HTF declined from $10.0 billion at the end of FY 2008 to $5.7 billion at the end of January 2009 (see figure 2 below).

Figure 2. Highway Trust Fund – Highway Account Balance (FY 2005 – 2008)



Source: FHWA for actual Trust Fund revenues and disbursements and the President's Budget for projected revenues and disbursements.

Compounding the Department's near-term challenge is the fact that it does not directly control the rate at which funds are drawn from the HTF. Instead, the pace of state highway construction is driven by when states submit bills to DOT to be paid from the HTF. While DOT has taken steps to better manage the cash in the HTF, the potential exists for a recurrence of this summer's HTF insolvency crisis before a long-term solution can be reached. Therefore, DOT needs to maintain its focus on the HTF cash flow.

Given that the current highway authorization expires at the end of FY 2009, DOT needs a framework to guide surface transportation decisions and investments, the level of highway funding needed, and its expenditure plans.

Surface transportation funding levels are generally determined by projected receipts into the HTF. The projections of HTF receipts for the upcoming surface reauthorization period are unlikely to support current funding levels, let alone increased funding levels. The growth in highway construction and maintenance costs, which we reported on last year, and the growing demand for higher levels of surface infrastructure investment raise significant questions regarding the adequacy of a funding structure that heavily relies on the 18.4 cents per gallon Federal gasoline tax.

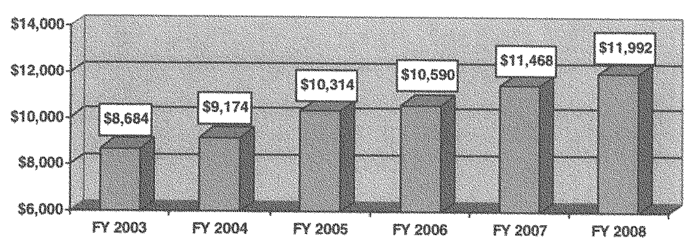
DOT needs to work with the various stakeholders and Congress on what an appropriate level of Federal surface infrastructure investment should be and how that investment should be financed. Alternative or supplemental funding mechanisms that might be considered include increasing the current fuel tax, imposing additional vehicle registration or sales taxes, new tolls, or customs duties. Each revenue source would have a significant impact on highway users and the economy, which DOT would need to consider carefully.

The Aviation Trust Fund

FAA is currently financed by two mechanisms: excise taxes deposited into the Airport and Airway Trust Fund and a General Fund contribution. Over the past 5 years, the Trust Fund has paid for approximately 81 percent of FAA's total budget with the remaining 19 percent paid out of the General Fund. However, since FAA submitted its reauthorization proposal in 2007, the aviation environment has changed significantly. The current economic downturn following record-high fuel prices has caused air carriers to dramatically scale back operations. This trend has resulted in declining revenues for the Airport and Airway Trust Fund, the main funding mechanism for FAA programs.

According to Treasury Department data, Trust Fund revenues declined by more than 11 percent during the first quarter of FY 2009. Over the past 5 years, Trust Fund tax revenues have steadily increased (see figure 3). However, given the drop in aviation traffic and the resulting decline in passenger taxes, it is almost certain that future Trust Fund tax revenues will drop significantly during the balance of FY 2009 and in FY 2010 as well.

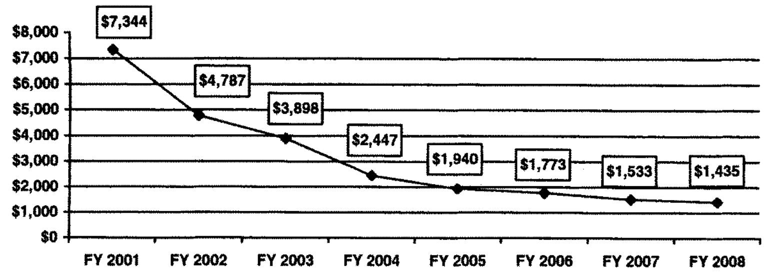
Figure 3. Airport and Airway Trust Fund Tax Revenues FY 2003 to FY 2008 ($ in Millions)



Source: FAA

In addition, past differences between FAA's budget, the Trust Fund revenues, and the General Fund contribution have been made up by drawing down the Trust Fund's uncommitted balance. However, these actions have depleted that balance to the point where only a limited cushion of funding remains. As shown in figure 4 below, the uncommitted Trust Fund balance has declined by more than 80 percent, from $7.3 billion at the end of FY 2001 to $1.4 billion at the end of FY 2008. As a result, this practice may no longer be a viable option for funding new and existing projects.

Figure 4. Airport and Airway Trust Fund Uncommitted Balance FY 2001 to FY 2008 ($ in Millions)



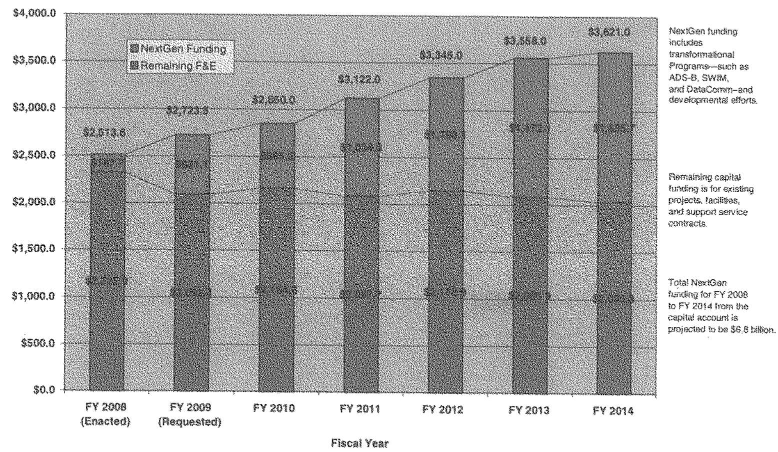
Source: FAA

As Congress moves forward with FAA's annual appropriations and multi-year reauthorization legislation, it should monitor the status of the Trust Fund to ensure its long-term solvency while ensuring sufficient funding for Agency programs.

Operating and Maintaining the National Airspace System While Developing and Transitioning to NextGen

FAA will face challenges in balancing the needs of the current National Airspace System, which is showing signs of strain, with future training, technological, and facility requirements associated with NextGen. Developing NextGen is a high-risk effort involving billion-dollar investments from both the Government and industry. After more than 4 years of planning, FAA must shift to implementation. FAA plans to spend more than $630 million in 2009 on NextGen-related programs, which include Automatic Dependent Surveillance-Broadcast (ADS-B) and System-Wide Information Management (SWIM). Figure 5 below illustrates FAA's planned investments in ongoing projects and NextGen initiatives from FY 2008 to FY 2014.

Figure 5. FAA Capital Funding for FY 2008 to FY 2014
($ Totals in Millions)



Source: FAA

In FY 2010, FAA will request more than $800 million for NextGen. In addition to specific capital projects totaling $685 million as shown in figure 5, FAA is also requesting $57 million for Research, Engineering and Development projects, $48 million for support service contracts, $26 million for personnel, and $13 million from the Operations account. To reduce risk, we recommended last April[9] that FAA conduct a "gap analysis" of the current system and the vastly different NextGen system planned for 2025 and develop an interim architecture. FAA has focused considerable attention on mid-term objectives, but fundamental issues remain to be addressed. These include the following:

- **Completing the gap analysis of today's system and NextGen as promised and refining the NextGen mid-term architecture.** These two efforts are important because FAA intends to rely on existing automation systems to provide the basis for NextGen through the mid term. However, until FAA establishes the detailed changes needed to transition to NextGen, it will be impossible to determine requirements that can be used to develop reliable cost and schedule estimates to achieve NextGen's mid-term goals.

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[9] OIG Report Number AV-2008-049, "Air Traffic Control Modernization," April 14, 2008.

- **Establishing priorities and Agency commitments with stakeholders and reflecting them in budget requests and plans.** It remains difficult for decision makers to determine what to invest in first from the wide range of operational improvements in NextGen planning documents. Also, stakeholders have asked FAA to clearly state mid-term Agency and operator commitments in its NextGen plans.

- **Managing NextGen initiatives as portfolios and establishing clear lines of responsibility, authority, and accountability.** It is important to manage NextGen capabilities in an integrated way because new systems as well as procedure and airspace changes will be needed to deliver benefits. However, FAA's Acquisition Management System was not designed for managing NextGen investments. Rather, FAA's system focuses on baselines and specific capital programs—not a collection of investments. FAA recognizes that it must adjust its process for approving acquisitions. FAA could also strengthen its NextGen Implementation Plan by assigning responsibility, authority, and accountability for specific NextGen portfolios.

- **Identifying the number and type of facilities that will be needed to support NextGen.** FAA has not made key decisions regarding facility consolidations and infrastructure needs—a key cost driver for NextGen. FAA plans to spend $17 million in FY 2009 to examine various alternatives for revamping its facilities. The realignment or consolidation of FAA facilities is a controversial undertaking. Therefore, FAA must ensure that this analysis clearly addresses the technological and security prerequisites, cost drivers, benefits, and logistical concerns associated with consolidation so decision makers will know what can be reasonably accomplished. Timely completion of this analysis is particularly critical as the economic recovery program includes an additional $200 million for FAA facilities and related equipment.

- **Hiring and training the next generation of air traffic controllers.** Through 2017, FAA plans to hire and train nearly 17,000 new controllers to replace those who were hired after the 1981 strike and are now retiring. A major challenge will be training and certifying the huge surge of new controllers at their assigned location, a process that currently takes up to 3 years. Controllers in training now represent nearly 26 percent of the workforce (up from 15 percent in 2004). However, many key facilities, such as the Southern California Terminal Radar Approach Control (which expects to have nearly 100 controllers in training later this year or over 40 percent of its workforce), already exceed the national levels. Ensuring there are enough certified controllers at FAA's more than 300 air traffic control facilities will remain a significant watch item for the Department and Congress for at least the next 10 years.

In September 2008, FAA made a major change to its training program by awarding a 10-year, nearly $900 million contract to the Raytheon Technical Services Company to support the Agency's training of newly hired and existing air traffic controllers. The contract calls for Raytheon to provide training support at both the FAA Academy in Oklahoma City, Oklahoma, and at air traffic facilities nationwide. We are beginning a review of this contract program later this month.

Reducing Aviation and Surface Congestion

DOT has made progress in implementing several congestion-mitigation initiatives this past year, and it is imperative that these remain a key Federal priority across all modes. For example, DOT has taken steps to ease aviation congestion by reducing flights in the New York City area and establishing new routes through airspace redesign and air traffic control procedures. DOT is also building new runways nationwide.

Reducing delays, particularly at already congested airports, and improving airline customer service are important issues facing the Nation. Peak-year 2007 trends continued into the first 6 months of 2008, with more than 1 in 4 flights (29 percent) delayed or cancelled. However, in the second half of 2008, flight delays declined by 24 percent over the same period in 2007. This improvement was largely the result of huge cutbacks in scheduled flights implemented by airlines beginning in September.

These cutbacks resulted in a 13-percent reduction in domestic flights and lowered flight delays and cancellations at most airports to levels last seen in 2002. However, delays continued to be a problem over the summer at heavily congested airports such as Newark (up 0.4 percent), John F. Kennedy, LaGuardia, and Chicago O'Hare (down only 5 percent each).

Although DOT decides where to invest Federal funds to operate and expand the air traffic control system, state and local authorities select most highway and transit projects for funding. Therefore, DOT will need to work with these stakeholders to target Federal infrastructure funding to congestion relief for surface transportation.

New Runways

The long-term solution to increasing capacity and reducing delays depends largely on expanding capacity through NextGen. While there is no "silver bullet" for addressing delays, several near-term initiatives can help relieve congestion. According to FAA, building new runways provides the largest increases in capacity. In November 2008, FAA commissioned three new runways—at Chicago O'Hare, Seattle, and Washington-Dulles—and estimates that these runways have the potential to accommodate an additional 300,000 operations annually. Currently, there are four runway projects underway at four major airports, which are expected to be complete by 2014. The table below provides details on the four runway projects.

Table. Current Airfield Construction Projects

Airports	Airfield Construction Projects	Est. Completion	Cost Estimate
Chicago O'Hare	Runway (10C/28C)	2012	$1.3 billion
Charlotte	Runway	February 2010	$300 million
Boston	Centerfield Taxiway	November 2009	$55 million
JFK	Multiple Taxiways	2014	$200 million

Source: FAA

Airspace Redesign and New Routes

Airspace redesign efforts are critical to realizing the full benefits of runways and can also enhance capacity without new infrastructure. Currently, FAA is pursuing six airspace redesign projects nationwide, including a major but controversial effort to revamp airspace in the New York/New Jersey/Philadelphia area. However, FAA's airspace redesign efforts still do not function as a "national" program since FAA facilities are now using their own resources to redesign airspace without coordinating with Headquarters. FAA needs to complete guidelines for managing airspace projects across the Agency's lines of business and establish realistic funding profiles for airspace projects.

Another factor for maximizing the use of airspace is establishing new routes that rely on equipment onboard aircraft. These new routes rely on procedures (called Area Navigation/Required Navigation Performance or RNP) that allow aircraft to fly more precise routes, which also reduces fuel burn. At this stage, the challenge facing FAA is shifting from localized operations to networking city pairs, like Washington, DC, and Chicago, IL, which will require considerable simulation modeling as well as close coordination with airspace redesign efforts and stakeholders. Last month, we began a review to assess FAA's use and oversight of third parties for developing new RNP procedures.

Intercity Passenger Rail

Intercity passenger rail is an integral part of America's transportation system, particularly in light of growing highway and aviation congestion and fluctuating fuel prices. Amtrak, the Nation's intercity passenger rail service provider, experienced record revenue and ridership until October 2008 when ridership began to decline. Amtrak now forecasts a 3.6 percent decline in ridership in FY 2009.

The economic recovery program contains a one-time capital infusion of $1.3 billion for Amtrak, and a separate infusion of $8.0 billion for capital assistance for high-speed rail and intercity passenger rail service. However, given the likelihood of a further constrained Federal funding environment and Amtrak's continuing struggles with poor on-time performance, Amtrak's long-term ability to continue to grow as a viable transportation alternative and reduce congestion remains uncertain.

Amtrak's poor on-time performance also weakens its financial position by reducing its revenues and increasing its operating costs. Between FY 2003 and FY 2008, Amtrak's on-time performance for its strongest service, *Acela*, ranged between 71 percent and 88 percent, while on-time performance for long-distance routes off the Northeast Corridor only reached an average high of 54 percent; for non-corridor routes, on-time performance fell from an average of 76 percent to nearly 69 percent.

The recently enacted Passenger Rail Investment and Improvement Act (PRIIA)[10] enables DOT, through the Surface Transportation Board, to improve Amtrak's on-time performance on freight railroads (over whose track Amtrak travels). Also, DOT needs to work with the freight railroads and Amtrak to develop and implement the performance improvement plans called for under PRIIA.

CONCLUSION

The Administration and the 111th Congress face an array of challenges and difficult decisions with respect to transportation programs. While we have seen improvements on several fronts, important challenges remain that DOT must address. The significant increase in funding for transportation projects associated with the economic recovery program adds new challenges to long-standing ones. DOT will need sustained efforts to ensure that accountability, efficiency, and effectiveness are maintained in its portion of the recovery program.

Specifically, DOT should focus on: (1) building an effective acquisition workforce to ensure that the goals of the economic reeovery program are achieved; (2) establishing effective contracting mechanisms and financial practices to facilitate sound business decisions, ensure returns on investment, and avoid wasteful spending; (3) reforming mechanisms to prevent fraud, waste, and abuse; (4) developing comprehensive oversight of highway and transit investments; (5) enhancing FAA's ability to provide oversight of a dynamic aviation industry; (6) addressing obsolescence in the Nation's aging surface infrastructure and enhancing surface safety programs; and (7) ensuring solvency in the Highway and Aviation Trust Funds to carry out its mission of enhancing mobility and reducing congestion.

That concludes my statement, Mr. Chairman. I will be happy to answer any questions you or other Members of the Subcommittee may have.

[10] Pub. L. No. 110-432 (2008).

EXHIBIT A. TYPES OF FRAUD SCHEMES INVESTIGATED BY OIG

The following are brief descriptions of fraud schemes commonly seen by U.S. DOT OIG Special Agents.

- **Bid Rigging & Collusion**: In bid rigging and collusions, contractors misrepresent that they are competing against each other when, in fact, they agree to cooperate on the winning bid to increase job profit.
- **Materials Overcharging**: Under this fraud scheme, a contractor misrepresents how much construction material was used on the job and then is paid for excess material to increase job profit.
- **Time Overcharging**: In a time overcharging scheme, a consultant misrepresents the distribution of employee labor on jobs in order to charge for more work hours, or a higher overhead rate to increase profit.
- **Product Substitution**: In a scheme involving product substitution, a contractor misrepresents the product used in order to reduce costs for construction materials.
- **Disadvantages Business Enterprises**: Under this scheme, a contractor misrepresents who performed the contract work in order to increase job profit while appearing to be in compliance with contract goals for involvement of minority/women-owned businesses.
- **Quality-Control Testing Fraud**: In this scheme, a contractor misrepresents the results of quality control tests to earn contract incentives falsely or to avoid production shutdown in order to increase profits or limit costs.
- **Bribery**: Bribery occurs when a contractor misrepresents the cost of performing work by compensating a Government official for permitting contract overcharges to increase contractor profit.
- **Kickbacks**: In kickback schemes, a contractor or subcontractor misrepresents the cost of performing work by secretly paying a fee for being awarded the contract and therefore inflating the cost to the Government.
- **Conflicts of Interest**: In fraud involving conflicts of interest, a contracting or oversight official misrepresents that he or she is impartial in business decisions when he or she has an undisclosed financial interest in a contractor or consultant who inflates job cost to the Government.

Mr. OLVER. Thank you have them, Mr. Scovel.
I will move on to Kate Siggerud.

OPENING REMARKS, MS. KATE SIGGERUD

Ms. SIGGERUD. Thank you, Mr. Chairman, Ranking Member Latham, and Members of the Subcommittee. Thank you for your invitation to testify about the challenges facing the Department of Transportation and the Congress as we work to aid economic recovery and address reauthorization of surface transportation and aviation programs.

We appreciate the opportunities we have had to work with this Subcommittee on this and other important issues. This hearing comes at an important time for the Department and the nation. We know that a safe and efficient transportation system is critical to the nation's economy and affects the daily life of most Americans, but the system is under strain, and estimates to repair, replace, and upgrade aging infrastructure—as well as to expand capacity to meet increased demand—top hundreds of billions of dollars, and there are growing strains on traditional funding for transportation projects exacerbated by the economic downturn.

My statement today covers the efforts required of DOT, under the American Recovery and Reinvestment Act of 2009, and GAO's decisions regarding high-risk programs at DOT. I will also discuss the funding, safety, and mobility challenges facing DOT and the Congress in reauthorizing surface and aviation programs.

With regard to the Recovery Act, DOT received about $48 billion for investments in transportation infrastructure, with many of these dollars flowing through established programs with known strengths and weaknesses. The Act also established several new grant programs. For these, the Department will be challenged to create new criteria and new mechanisms.

The Act gave GAO the immediate responsibility of reporting bimonthly on how states and localities are using the recovery funds, and, of course, it is at that level where projects are already being selected and where the results will be measured. Additionally, we will work with Congressional committees and cooperate with the Inspector General to determine other important areas needing oversight, using a risk-based approach.

GAO's Biannual High Risk Report identifies federal programs at high risk for waste, fraud, abuse, mismanagement, or in need of a broad-based transformation. In our January update, GAO removed FAA's air traffic control modernization from the list and retained surface transportation financing. We removed ATC modernization because FAA demonstrated a strong commitment to resolving the underlying causes we had identified of cost overruns, schedule delays, and performance shortfalls. However, the next phases of the modernization include transition to the Next Generation air transportation system, which involves cooperation and investments by many stakeholders outside of DOT and for which the Department is requesting $800 million just for next year. We will monitor the projects closely and apply our high-risk framework in evaluating them.

For surface transportation, the need to transfer $8 billion, on an emergency basis, to the Highway Trust Fund last fall is a symptom of a larger problem. As shown in the graph to my right, under "SAFETEA–LU," the decisions to spend down the Highway Account's balance and change methods meant to maintain a sufficient balance led to a crisis when revenues failed to meet projections. Even with the rescue last fall, today's Highway Account balance is lower than at this time last year.

As Congress considers this crisis and the larger question of reauthorization, it will need to make important decisions about the size of these programs, whether and when to seek alternate sources of funds, and how to align users and benefits.

We recently observed that improving or restoring mechanisms intended to preserve highway account solvency could help DOT better manage the account balance. Also, DOT could better monitor and communicate key indicators of revenue and spending to anticipate sudden changes in Highway account balances.

With regard to reauthorization, besides the trust fund issue I just mentioned, DOT and the Congress will need to face decisions about how to maintain an appropriate balance in the Airport and Airway Trust Fund that funds FAA operations and airport-improvement projects. This graph shows that the balance declined steadily in recent years.

Safety will also be a key issue as the number of crashes, injuries, and fatalities on the nation's roads have declined slowly, as shown on this graph, and the level remains unacceptable. DOT has effectively implemented programs aimed at the most intractable problems: unbelted driving and impaired driving. Nevertheless, fresh thinking is needed for these stubborn areas.

For aviation, key concerns we have identified are the ability to continue the generally high level of safety, given problems with collecting and analyzing data, data that are called "precursors," or indicators of safety risks in the absence of a crash. Regarding precursors, runway incursions remain an important focus of our work. The Inspector General's work on FAA's oversight of air carriers raised important issues about the quality and independence of this oversight.

Improving mobility continues to be a difficult challenge. DOT and its partners struggle with steadily growing congestion, as shown here for highways, over the past two decades, even as we made significant investments in transportation. The need to maintain existing infrastructure often crowds out new capacity or efforts to make better use of existing infrastructure. The resulting congestion wastes time and fuel, impacts air quality, and, for freight traffic, constrains economic growth.

In reauthorizing the key aviation and surface statutes, Congress and DOT have the opportunity to address systemic issues with current approaches, including tying funding to performance-related outcomes, addressing modal storepiping, and obtaining better data on performance.

Finally, Mr. Chairman, DOT faces all of these challenges, including assisting this Committee and other committees with Recovery Act and reauthorization issues, with few officials named or confirmed to appointed posts.

I am happy to answer any questions you may have.

[The information follows:]

United States Government Accountability Office

GAO

Testimony before the Subcommittee on Transportation, Housing and Urban Development, and Related Agencies; Committee on Appropriations; House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EDT
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TRANSPORTATION PROGRAMS

Challenges Facing the Department of Transportation and Congress

Statement of Katherine Siggerud, Managing Director

Physical Infrastructure Issues

GAO
Accountability * Integrity * Reliability

GAO-09-435T

GAO
Accountability·Integrity·Reliability

Highlights

Highlights of GAO-09-435T, a testimony before the Subcommittee on Transportation, Housing and Urban Development, and Related Agencies; Committee on Appropriations; House of Representatives

Why GAO Did This Study

A safe, efficient, and convenient transportation system is integral to the health of our economy and quality of life. Our nation's vast transportation system of airways, railways, roads, transit systems, and waterways has served this need, yet is under considerable pressure due to increasing congestion and costs to maintain and improve the system. Calls for increased investment come at a time when traditional funding for transportation projects is increasingly strained. The authorizing legislation supporting transportation programs will soon expire.

The Department of Transportation (DOT) implements national transportation policy and administers most federal transportation programs. DOT received funds for transportation infrastructure projects through the American Recovery and Reinvestment Act of 2009 to aid in economic recovery. DOT also requested $72.5 billion to carry out its activities for fiscal year 2010.

This statement presents GAO's views on major challenges facing DOT and Congress as they work to administer recovery funds and reauthorize surface transportation and aviations programs. It is based on work GAO has completed over the last several years. GAO has made recommendations to DOT to improve transportation programs; the agency has generally agreed with these recommendations. To supplement this existing work, GAO obtained information on the recovery funds provided to DOT.

View GAO-09-435T or key components. For more information, contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov.

March 10, 2009

TRANSPORTATION PROGRAMS

Challenges Facing the Department of Transportation and Congress

What GAO Found

The Department of Transportation received about $48 billion of recovery funds for investments in transportation infrastructure from the American Recovery and Reinvestment Act of 2009. As with other executive agencies, DOT is faced with the challenges of using these funds in ways that will aid economic recovery, making wise funding choices while spending the money quickly, and ensuring accountability for results. GAO will report to Congress bimonthly on how states and localities use the recovery funds received from DOT.

DOT and Congress will also be faced with numerous challenges as they work to reauthorize surface transportation and aviation programs.

- ***Funding the nation's transportation system.*** Revenues to support the Highway Trust Fund are not keeping pace with spending levels and the Highway Account was nearly depleted last summer. In addition, the excise taxes that fund Airport and Airway Trust Fund revenues have been lower than previously forecasted, and forecasts of future revenues have declined. Declining revenues in both trust funds may adversely affect DOT's ability to continue to fund surface transportation and aviation programs at levels previously assumed.
- ***Improving transportation safety.*** Although the number of traffic crashes and the associated fatality rate has decreased over the last 10 years, the number of fatalities has remained at about 42,000 annually. The continued high level of fatalities and difficulties experienced by states in implementing grant programs raise issues for Congress to consider in restructuring these programs during reauthorization. While the U.S. commercial aviation industry is among the safest in the world, accidents can have catastrophic consequences. The lack of performance measures and complete data limit DOT's ability to improve safety and manage safety risks.
- ***Improving transportation mobility.*** Despite large increases in transportation spending, congestion on our nation's highways has increased over the last 10 years and increased demand will further strain the system. Flight delays and cancellations at congested airports continue to plague the U.S. aviation system. For example, almost one in four flights either arrived late or was canceled in 2008, and the average flight delay increased despite a 6 percent annual decline in the total number of operations through December 2008. Congestion poses serious economic as well as environmental and health concerns for the nation.
- ***Transforming the nation's air traffic control system.*** The air traffic control modernization program is technically complex and costly. The Federal Aviation Administration will need to accelerate the implementation of new and existing technologies, consider incentives for aircraft operators to acquire those technologies, and sustain the current system while transitioning to the new one, among other things.

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to participate in this hearing to discuss the challenges facing the Department of Transportation (DOT) and Congress as they work to aid economic recovery and address the reauthorization of the surface transportation and aviation programs. A safe, efficient, and convenient transportation system is critical to the nation's economy and affects the daily life of most Americans. However, this system is under strain, and estimates to repair, replace, or upgrade aging infrastructure—as well as expand capacity to meet increased demand—top hundreds of billions of dollars. Calls for increased investment in transportation coincide with growing strains on traditional funding for transportation projects. For example, revenues to support the Highway Trust Fund are not keeping pace with spending levels, and the fund's Highway Account was nearly depleted last summer.[1] Similarly, excise tax revenues to support the Airport and Airway Trust Fund have been lower than previously forecasted, a trend which is likely to continue given the downturn in the economy.[2] The federal government's current financial condition and the nation's weakening economy will further strain funding sources for transportation projects.

DOT will immediately be faced with overseeing the distribution of economic stimulus funds that were provided in the American Recovery and Reinvestment Act of 2009 to states and localities.[3] Congress and DOT will also soon face the challenge of allocating federal resources to meet demands for a wide range of surface transportation infrastructure projects, as the current authorization of federal surface transportation programs expires at the end of fiscal year 2009. Furthermore, federal aviation programs have been operating under a series of funding extensions since the authorizing legislation expired at the end of fiscal year 2007. Timely reauthorization is critical to

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[1]The Highway Trust Fund is the mechanism used to account for federal highway user taxes (e.g., federal excise taxes on fuel) that are dedicated for highway- and transit-related purposes. The Highway Trust Fund has two accounts: the Highway Account and the Mass Transit Account.
[2]The Federal Aviation Administration (FAA) is primarily funded by an appropriation from The Airport and Airway Trust Fund, which comes from various excise taxes paid by passenger and cargo airlines and general aviation operators. FAA also receives an appropriation from the General Fund to support its operations.
[3]Pub. L. No. 111-5, 123 Stat. 115 (2009).

ensuring the continuity of the Federal Aviation Administration's (FAA) current programs and progress in transforming the nation's air traffic control system. DOT faces these challenges with few officials named or confirmed to appointed posts.

My statement is primarily based on work that we have completed over the past several years. (A list of related GAO products is included with this statement.) To supplement our existing work, we also obtained information on the American Recovery and Investment Act of 2009 and the President's budget for the Department of Transportation for fiscal year 2010.[4]

Background

The safe, efficient, and convenient movement of people and goods depends on a vibrant transportation system. Our nation has built vast systems of roads, airways, railways, transit systems, pipelines, and waterways that facilitate commerce and improve our quality of life. However, these systems are under considerable strain due to increasing congestion and the costs of maintaining and improving the systems. This strain is expected to increase as the demand to move people and goods grows resulting from population growth, technological change, and the increased globalization of the economy.

DOT implements national transportation policy and administers most federal transportation programs. Its responsibilities are considerable and reflect the extraordinary scale, use, and impact of the nation's transportation system. DOT has multiple missions—primarily focusing on mobility and safety—that are carried out by several operating administrations. (See table 1.) For fiscal year 2010, the President's budget requested $72.5 billion to carry out these and other activities.

[4]We conducted our work in accordance with all sections of GAO's Quality Assurance Framework that were relevant to the objectives of each engagement. The framework requires that we plan and perform each engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analyses conducted, provided a reasonable basis for the findings and conclusions in each report.

Table 1: Primary Missions of the Department of Transportation

DOT operating administration	Mission
Federal Highway Administration	Enhancing the quality and performance of the nation's highway system and intermodal connections
Federal Aviation Administration	Promoting the safety and efficiency of the national airspace system
Federal Transit Administration	Supporting locally planned and operated public mass transit systems
National Highway Traffic Safety Administration	Reducing motor vehicle crashes and their associated deaths and injuries
Federal Motor Carrier Safety Administration	Reducing commercial motor vehicle-related (large trucks and buses) fatalities and injuries
Federal Railroad Administration	Improving safety on the nation's rail systems and providing grants for intercity passenger rail activities
Pipeline and Hazardous Materials Safety Administration	Maintaining the safety and integrity of the nation's pipeline transportation system and the safety of transporting hazardous materials
Maritime Administration	Strengthening the nation's maritime transportation system, including infrastructure, industry, and labor

Source: DOT.

Note: This table does not include the Research and Innovative Technology Administration or the Saint Lawrence Seaway Development Corporation. In addition, the Surface Transportation Board, which has jurisdiction over such areas as railroad rate and service issues and rail restructuring transactions, is an economic regulatory agency that is decisionally independent but administratively affiliated with DOT.

DOT carries out some activities directly, such as employing more than 15,000 air traffic controllers to coordinate air traffic. However, the vast majority of the programs it supports are not under its direct control. Rather, the recipients of transportation funds, such as state departments of transportation, implement most transportation programs. For example, the Federal Highway Administration (FHWA) provides funds to state governments each year to improve roads and bridges and meet other transportation demands, but state and local governments decide which transportation projects have high priority within their political jurisdictions.

We have previously reported that current surface transportation programs—authorized in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)—do not effectively address the transportation challenges the nation faces. As a result, we have called for a fundamental reexamination of the nation's surface transportation programs to (1) have well-defined goals with direct links to an identified federal interest and federal role, (2) institute processes to make grantees more accountable by establishing more performance-based links between funding and program outcomes, (3) institute tools and approaches that emphasize the return on the federal investment, and (4) address the current imbalance between federal surface transportation revenues and spending.[5]

We have also called for a timely reauthorization of FAA programs that expired at the end of fiscal year 2007 and have continued under a series of funding extensions. Such short-term funding measures could delay key capital projects and may affect FAA's current programs and progress toward the Next Generation Air Transportation System.

Aiding Economic Recovery and Ensuring Accountability for Recovery Funds' Use

Congress and the presidential administration have fashioned the American Recovery and Reinvestment Act of 2009 to help our nation respond to what is generally reported to be the worst economic crisis since the Great Depression. DOT received about $48 billion of these funds for investments in transportation infrastructure—primarily for highways, passenger rail, and transit—mostly for use through fiscal year 2010. (See table 2.) As with other executive agencies, DOT now faces the challenges of using these funds in ways that aid economic recovery, making wise funding choices while spending the money quickly, and ensuring accountability for results.

[5]GAO, *Surface Transportation: Restructured Federal Approach Needed for More Focused, Performance-Based, and Sustainable Programs*, GAO-08-400 (Washington, D.C.: Mar. 6, 2008).

Table 2: 2009 Recovery Act Funds Provided to the Department of Transportation

Area	Uses	Amounts (dollars in billions)
Highway	Capital assistance to states and localities to restore, repair, and construct highways and passenger and freight rail transportation and port infrastructure	$27.5
Intercity passenger rail	Capital assistance for high-speed rail, intercity passenger rail, and Amtrak	9.3
Transit	Capital assistance for transit projects	8.4
Supplemental discretionary awards[a]	Capital assistance to states and localities for capital improvements in surface transportation infrastructure	1.5
Aviation	Capital assistance to airports for improvements and for FAA facilities and equipment	1.3
Maritime	Capital assistance to small shipyards	0.1
Total		**$48.1**

Source: GAO summary of information in the American Recovery and Reinvestment Act of 2009.

[a] These funds are for investments in surface transportation infrastructure in addition to the other amounts listed in the table. The funds are to be awarded competitively for highway, bridge, public transportation, passenger and freight rail, and port infrastructure projects.

The act largely provided for increased transportation funding through existing programs—such as the Federal-Aid Highways, the New Starts transit, and the Airport Improvement programs. Channeling funding through existing programs should allow DOT to jump start its spending of recovery funds. However, there is a need to balance the requirement in the recovery act to get funds out quickly to help turn around the economy with the equally powerful need to make sure that funds are spent wisely on infrastructure investments and are not subject to waste, fraud, and abuse.

We have reported on important design criteria for any economic stimulus package including that it be timely, temporary, and targeted.[6] This is a difficult challenge for transportation infrastructure projects.[7] First, they require lengthy planning and design periods. According to the Congressional Budget Office (CBO), even those projects that are "on the shelf" generally cannot be undertaken quickly enough to provide a timely stimulus to the economy.[8] Second, spending on transportation infrastructure is generally

[6] GAO, *Long-Term Fiscal Outlook: Action Is Needed to Avoid the Possibility of a Serious Economic Disruption in the Future*, GAO-08-411T (Washington, D.C.: Jan. 29, 2008).
[7] GAO, *Physical Infrastructure: Challenges and Investment Options for the Nation's Infrastructure*, GAO-08-763T (Washington, D.C.: May 8, 2008).
[8] Congressional Budget Office, *Options for Responding to Short-Term Economic Weakness*, January 2008.

not temporary because of the extended time frames needed to complete projects. Third, because of differences among states, it is challenging to target stimulus funding to areas with the greatest economic and infrastructure needs.

The act will substantially increase the federal investment in the nation's surface transportation system. However, the current federal approach to addressing the nation's surface transportation problems is not working well. Many existing surface transportation programs are not effective at addressing key challenges because goals are numerous and sometimes conflicting, roles are unclear, programs lack links to the performance of the transportation system or of the grantees, and programs in some areas do not use the best tools and approaches to ensure effective investment decisions and the best use of federal dollars. In addition, evidence suggests that increased federal highway grants influence states and localities to substitute federal funds for state and local funds they otherwise would have spent on highways. In 2004, we estimated that states used roughly half of the increases in federal highway grants since 1982 to substitute for state and local highway funding, and that the rate of substitution increased during the 1990s.[9] Our work has also shown that there is still room for improved oversight in surface transportation programs including the Federal-Aid Highway program. For example, we and the DOT Inspector General have each recommended that FHWA develop the capability to track and measure the costs of federally-aided projects over time.[10]

[9]GAO, *Federal-Aid Highways: Trends, Effect on State Spending, and Options for Future Program Design*, GAO-04-802 (Washington, D.C.: Aug. 31, 2004). The recovery act requires that each governor certify to DOT that their state will maintain its efforts for the types of projects that are funded by the act.
[10]GAO, *Federal-Aid Highways: FHWA Needs a Comprehensive Approach to Improving Project Oversight*, GAO-05-173 (Washington, D.C.: Jan. 31, 2005). We recently reported on the need to better oversee states' increased use of contractors and consultants to assure the public's interest is adequately protected. See GAO, *Federal-Aid Highways: Increased Reliance on Contractors Can Pose Oversight Challenges for Federal and State Officials*, GAO-08-198 (Washington, D.C.: Jan. 8, 2008). See also Office of Inspector General, *FHWA Needs to Capture Basic Aggregate Cost and Schedule Data to Improve Its Oversight of Federal-Aid Funds*, MH-2005-046 (Washington, D.C.: Feb. 15, 2005). In addition, the department's Office of Inspector General recently reported that the department needed to better oversee states' oversight of design and engineering firms' indirect cost billing. See Office of Inspector General, *Oversight of Design and Engineering Firms' Indirect Costs Claimed on Federal-Aid Grants*, ZA-2009-033 (Washington, D.C.: Feb. 5, 2009).

Among other things, the act gives our office the responsibility of reporting to Congress bimonthly on how selected states and localities are using the recovery funds. We will work with the department's Office of Inspector General and with the state and local audit community to coordinate our activities.[11] We also anticipate that committees of jurisdiction will seek that we assess specific issues related to the department's use of recovery funds. We look forward to working with this subcommittee and others to meet Congress's needs.

Addressing Funding, Safety, Mobility, and Modernization Challenges in Surface Transportation and Aviation Reauthorization Efforts

DOT and Congress will be faced with numerous challenges as they work to reauthorize the surface transportation and aviation programs. In particular, the department and Congress will need to address challenges in (1) ensuring that the nation's surface transportation and aviation systems have adequate funding, (2) improving safety, (3) improving mobility, and (4) transforming the nation's air traffic control system. Surface transportation program funding is one of the issues on our high-risk list.[12]

Funding the Nation's Transportation System

Revenues from motor fuels taxes and truck-related taxes to support the Highway Trust Fund—the primary source of funds for highway and transit—are not keeping pace with spending levels. This fact was made dramatically apparent last summer when the Highway Account within the trust fund was nearly depleted. The balance of the Highway Account has been declining in recent years because, as designed in SAFETEA-LU, outlays from the account exceed expected receipts over the authorization period. Specifically, when SAFETEA-LU was passed in 2005 estimated outlays from Highway Account programs exceeded estimated receipts by about $10.4 billion. Based on these estimates, the Highway Account balance would have been drawn down from $10.8 billion to about $0.4 billion over the authorization period. This left little room for error.

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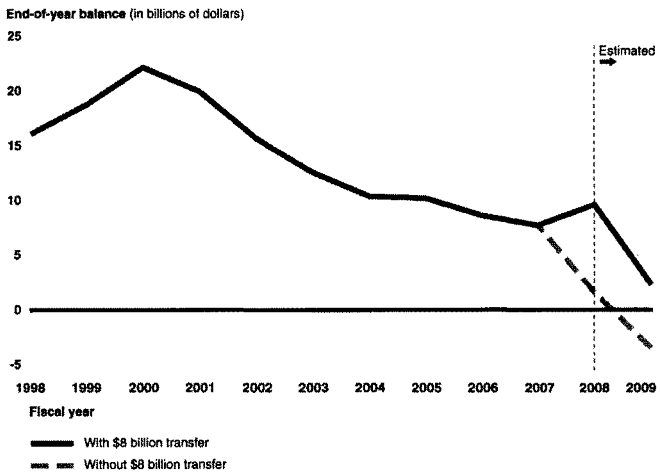
[11]GAO, *American Recovery and Reinvestment Act: GAO's Role in Helping to Ensure Accountability and Transparency*, GAO-09-453T (Washington, D.C.: Mar. 5, 2009).
[12]GAO, *High-Risk Series: An Update*, GAO-09-271 (Washington, D.C.: Jan. 22, 2009). Surface transportation modes included in the high-risk report include highways and transit, intercity passenger rail, and freight rail.

Assuming all outlays were spent, a revenue shortfall of even 1 percent below what SAFETEA-LU had predicted over the 5-year period would result in a cash shortfall in the account balance.

Figure 1: Highway Account Balance, Fiscal Years 1998 through 2009



Source: GAO analysis of FHWA data.

In fact, actual Highway Account receipts were lower than had been estimated, particularly for fiscal year 2008. Account receipts were lower in fiscal year 2008 due to a weakening economy and higher motor fuel prices that affected key sources of Highway Trust Fund revenue. For example, fewer truck sales, as well as fewer vehicle miles traveled and correspondingly lower motor fuel purchases resulted in lower revenues. As a result, the account balance dropped more precipitously than had been anticipated and was nearly depleted in August 2008—1 year earlier than the end of the SAFETEA-LU authorization period. In response, Congress passed legislation in September 2008 to provide $8 billion to replenish the account. However, according to CBO, the account could reach a critical stage again before the end of fiscal year 2009. Without either reduced expenditures or increased revenues, or a combination of the two, shortfalls will continue.

In the past, we have reported on several strategies that could be used to better align surface transportation expenditures and revenue.[13] Each of these strategies has different merits and challenges, and the selection of any strategy will likely involve trade-offs among different policy goals. The strategies related to funding sources are also included in the recent report from the National Surface Transportation Infrastructure Financing Commission.

- Altering existing sources of revenue. The Highway Account's current sources of revenue—motor fuel taxes and truck-related taxes—could be better aligned with actual outlays. According to CBO and others, the existing fuel taxes could be altered in a variety of ways to address the erosion of purchasing power caused by inflation, including increasing the per-gallon tax rate and indexing the rates to inflation.
- Ensure users are paying fully for benefits. Revenues can also be designed to more closely follow the user-pay concept—that is, require users to pay directly for the cost of the infrastructure they use. This concept seeks to ensure that those who use and benefit from the infrastructure are charged commensurately. Although current per-gallon fuel taxes reflect usage to a certain extent, these taxes are not aligned closely with usage and do not convey to drivers the full costs of road use—such as the costs of congestion and pollution. We have reported that other user-pay mechanisms—for example, charging according to vehicle miles traveled, tolling, implementing new freight fees for trucks, and introducing congestion pricing (pricing that reflects the greater cost of traveling at peak times)—could more equitably recoup costs.
- Supplement existing revenue sources. We have also reported on strategies to supplement existing revenue sources. A number of alternative financing mechanisms—such as enhanced private-sector participation—can be used to help state and local governments finance surface transportation. These mechanisms, where appropriate, could help meet growing and costly transportation demands.

[13]GAO, *Surface Transportation: Restructured Federal Approach Needed for More Focused, Performance-Based, and Sustainable Programs*, GAO-08-400 (Washington, D.C.: Mar. 6, 2008).

However, these potential financing sources are forms of debt that must ultimately be repaid.

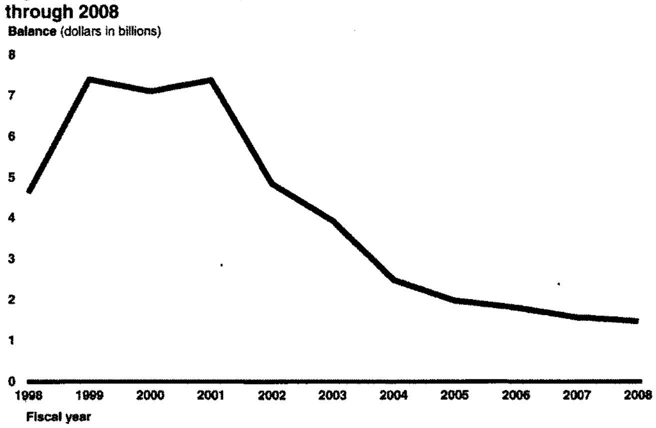
- Reexamine the base. Given the federal government's fiscal outlook, we have reported that we cannot accept all of the federal government's existing programs, policies, and activities as "givens." Rather, we need to rethink existing programs, policies, and activities by reviewing their results relative to the national interests and by testing their continued relevance and relative priority.
- Improve the efficiency of current facilities. Finally, better managing existing system capacity and improving performance of existing facilities could minimize the need for additional expenditures. We have reported that the efficiency of the nation's surface transportation programs are declining and that the return on investment could be improved in a number of ways, including creating incentives to better use existing infrastructure.

In addition to better aligning revenues and outlays, improving existing mechanisms that are intended to help maintain Highway Account solvency could help DOT better monitor and manage the account balance, thereby reducing the likelihood of a funding shortfall. For example, statutory mechanisms designed to make annual adjustments to the Highway Account have been modified over time—particularly through changes in SAFETEA-LU—to the extent that these mechanisms either are no longer relevant or are limited in effectiveness.[14] Furthermore, monitoring indicators throughout the year that could signal sudden changes in the Highway Account revenues could help DOT better anticipate potential changes in the account balance that should be communicated to Congress, state officials, and other stakeholders. We recently made recommendations to help DOT improve solvency mechanisms for the Highway Account and communication on the account's status with stakeholders.

[14]Two mechanisms are intended to help keep the Highway Account solvent by making annual adjustments to ensure there are adequate funds to reimburse states (through the Byrd Test) and align outlays with actual revenues (through Revenue Aligned Budget Authority).

Turning to aviation funding, the excise taxes that fund Airport and Airway Trust Fund revenues have been lower than previously forecasted, and forecasts of future revenues have declined because of a decline in airline passenger travel, fares, and fuel consumption.[15] Moreover, the uncommitted balance in the Trust Fund has decreased since fiscal year 2001 (See fig. 2). For the short run, lower-than-expected excise tax revenues will reduce the Trust Fund balance even further and could affect funding for FAA programs this year and next. In the longer run, continued declines in Trust Fund revenues may require Congress to reduce spending on FAA operations and capital projects, increase revenues for the trust fund by introducing new fees or increasing taxes, or increase FAA's funding provided by the general fund.

Figure 2: Airport and Airway Trust Fund End-of-Year Uncommitted Balance, Fiscal Years 1999 through 2008



Source: Treasury Income Statements.

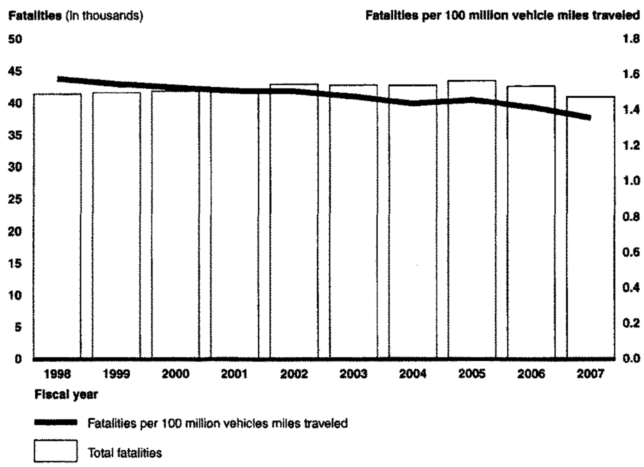
<u>Improving Transportation Safety</u>

Improvements in transportation safety are needed to reduce the number of deaths and injuries from transportation accidents, the vast majority of which occur on our nation's roads. We recently reported that although the number of traffic crashes and the associated fatality rates has decreased over the last 10 years, the number of fatalities has,

[15] Airport and Airway Trust Fund excise taxes expired at the end of fiscal year 2007 but were extended through March 31, 2009.

unfortunately, remained at about 42,000 annually and some areas are of particular concern.[16] For example, in 2007, over half of the passenger vehicle occupants killed were not using safety belts or other proper restraint, nearly one-third of the total fatalities were in alcohol-impaired driving crashes, and motorcyclist fatalities increased for the 10th year in a row.

Figure 3: Traffic Fatality Rates and Total Number of Fatalities, 1998 through 2007

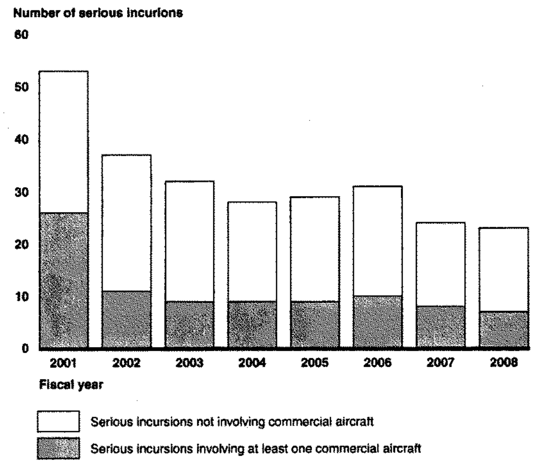


Source: NHTSA and FHWA.

While the U.S. commercial aviation industry is among the safest in the world, aviation safety is also a major concern because when accidents or serious incidents occur they can have catastrophic consequences. Moreover, last year there were 25 serious runway incursions—nine of these involved commercial aircraft—when collisions between aircraft on runways were narrowly avoided. Runway incursions can be considered a precursor to aviation accidents.[17] Figure 4 shows the number of serious incursions involving commercial aircraft from fiscal year 2001 through fiscal year 2008.

[16]GAO, *Traffic Safety Programs: Progress, States' Challenges, and Issues for Reauthorization*, GAO-08-890T (Washington, D.C.: July 16, 2008).
[17]GAO, *Aviation Safety: FAA Has Increased Efforts to Address Runway Incursions*, GAO-08-1169T (Washington, D.C.: Sept. 25, 2008).

Figure 4: Total Number of Serious Runway Incursions Involving at Least One Commercial Aircraft, Fiscal Year 2001 through Fiscal Year 2008



Source: FAA.

DOT has taken steps to address surface and aviation safety concerns. To improve traffic safety, the National Highway Traffic Safety Administration (NHTSA) has made substantial progress in administering traffic safety grant programs and high-visibility enforcement programs which, according to state safety officials, are helping them address key traffic safety issues, such as safety belt use and alcohol-impaired driving. NHTSA has also taken steps to improve the consistency of its process for reviewing states' management of traffic safety grants. To maintain and expand the margin of safety within the national airspace system, FAA is moving to a system safety approach to oversight and has established risk-based, data-driven safety programs to oversee the aviation industry. FAA has also taken recent actions to improve runway safety, including conducting safety reviews at airports and establishing an FAA-industry team to analyze the root causes of serious incursions and recommend runway safety improvements.

Despite NHTSA's progress in administering and overseeing traffic safety programs, several challenges may limit the effectiveness of the programs and NHTSA's ability to measure and oversee program effectiveness:

- The grant programs generally lack performance accountability mechanisms to tie state performance to receipt of grants.
- Some states have faced challenges passing legislation required to qualify for some traffic safety incentive grants.
- Each safety incentive grant has a separate application process, which has proven challenging for some states to manage, especially those with small safety offices.
- Some states also would have preferred more flexibility in using the safety incentive grants to focus on key safety issues within the state.

Over the past several years, we have made recommendations to help NHTSA further improve its ability to measure and oversee surface traffic safety programs and to help FAA improve its oversight of aviation safety. However, some challenges related to traffic safety—such as state challenges in administering the programs and the lack of performance accountability measures—result from the structure of the grant programs established under SAFETEA-LU. These challenges and the persistence of substantial numbers of traffic fatalities nationwide raise issues for Congress to consider in restructuring surface traffic safety programs during the upcoming reauthorization. Furthermore, to maintain the high level of safety in the aviation industry, FAA needs to address challenges in accessing complete and accurate aviation safety data, and improving runway and ramp safety. For example, recent actions by some major airlines to discontinue participation in an important data reporting program limit data access. Moreover, a lack of national data on operations involving air ambulances, air cargo, and general aviation hinders FAA's ability to evaluate accident trends and manage risks in these sectors. Improving runway safety will require a sustained effort by FAA that includes developing new technologies and revised procedures to address human factors issues, such as fatigue and distraction, which experts have identified as the primary cause of incursions.

Improving Transportation Mobility

Congestion has worsened over the past 10 years, despite large increases in transportation spending at all levels of government and improvements to the physical condition of highways and transit facilities. Furthermore, according to DOT, highway spending by all levels of government has increased 100 percent in real dollar terms since 1980, but the hours of delay during peak travel periods have increased by almost 200 percent during the same period. These mobility issues have increased at a relatively constant rate over the last two decades.[18] (See table 3.)

Table 3: Urban Congestion Impacts on the Nation's Urban Areas

	1985	1995	2005
Travel delay (billions of hours)	1.1	2.5	4.2
Wasted fuel (billions of gallons)	0.7	1.7	2.9
Congestion cost (billions of 2005 dollars)	$20.5	45.4	78.2

Source: Texas Transportation Institute.

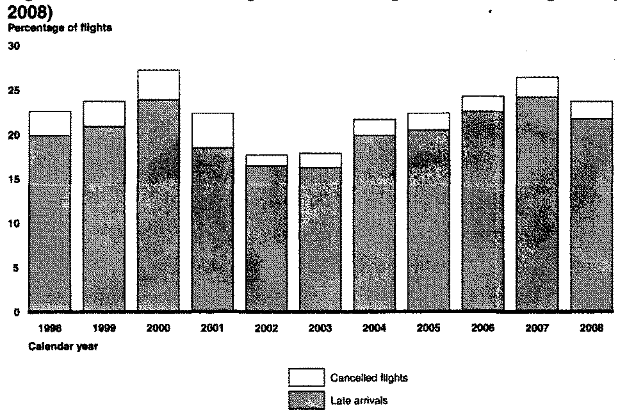
In addition, demand has outpaced the capacity of the system, and projected population growth, technological changes, and increased globalization are expected to further strain the system. Likewise, increased demand and capacity constraints have threatened the mobility of the nation's freight transportation network. According to DOT, volumes of goods shipped by trucks and railroads are projected to increase by 98 percent and 88 percent, respectively, by 2035 over 2002 levels, at the same time that the ability to increase capacity will be constrained by geographic barriers, population density, and urban land-use development patterns. One study estimates that highway congestion alone costs shippers $10 billion annually. Constraints on freight mobility can also result in undesirable environmental effects, such as air pollution, and contribute to increased risks for illnesses, such as respiratory disease.

Flight delays and cancellations at congested airports also continue to plague the U.S. aviation system. Flight delays and cancellations steadily increased from 2002 through 2007 and decreased slightly in 2008. (See fig. 5.) For example, almost one in four flights

[18]Texas Transportation Institute, *The 2007 Urban Mobility Report*, September 2007. The statistics cited are for the 437 urban areas in the United States.

either arrived late or was canceled in 2008, and the average flight delay increased despite a 6 percent decline in the total number of operations through December 2008. Delays are a particular a problem at a few airports, such as those in the New York area, where less than 70 percent of flights arrive on time. Because the entire airspace system is highly interdependent, delays at one airport may lead to delays rippling across the system and throughout the day.

Figure 5: Trends in Percentage of Late Arriving and Canceled Flights—Systemwide (1998 through 2008)



Source: DOT.

Commissions, proposals, and actions have attempted to address mobility issues in past years. To address concerns with the performance of the surface transportation system, including mobility concerns, Congress established two commissions to examine current and future needs of the system and recommend needed changes to surface transportation programs, and one of which called for significantly increasing the level of investment in surface transportation. Various other transportation industry associations and research organizations have also issued proposals for restructuring surface transportation programs. DOT has also taken several steps in the last 5 years to address key impediments to freight mobility by developing policies and programs to address congestion in the United States. For example, it has drafted a framework for a national freight policy, released a national strategy to reduce congestion, and created a freight analysis framework to forecast freight flows along national corridors and through gateways.[19] DOT and FAA began implementing several actions in summer 2008 intended to enhance capacity and reduce flight delays, particularly in the New York region. These actions include redesigning the airspace around the New York, New Jersey, and Philadelphia metropolitan area and establishing schedule caps on takeoffs and landings at the three major New York airports.[20] In addition, as part of a broad congestion relief initiative, DOT awarded over $800 million to several cities under its Urban Partnership Agreements initiative to demonstrate the feasibility and benefits of comprehensive, integrated, performance-driven, and innovative approaches to relieving congestion.

We have previously reported on several challenges that impede DOT's efforts to improve mobility:

- Although all levels of government have significantly invested in transportation, and recommendations have been made by transportation stakeholders for increasing investment in surface transportation even further, we have previously reported that federal transportation funding is generally not linked to specific performance-related goals or outcomes, resulting in limited assurance that federal funding is being channeled to the nation's most critical mobility needs. Federal funding is often also tied to a single transportation mode, which may limit the use of those funds to finance the greatest improvements in mobility.
- DOT does not possess adequate data to assess outcomes or implement performance measures. For example, DOT lacks a central source for data on congestion—even though it has identified congestion as a top priority—and available data are stovepiped by mode, impeding efficient planning and project selection.
- Although DOT and FAA should be commended for taking steps to reduce mounting flight delays and cancellations, as we predicted this past summer, delays and cancellations in 2008 did not markedly improve over 2007 levels

[19]GAO, *Freight Transportation: National Policy and Strategies Can Help Improve Freight Mobility*, GAO-08-287 (Washington, D.C.: Jan. 7, 2008).
[20]GAO, *FAA Airspace Redesign: An Analysis of the New York/New Jersey/Philadelphia Project*, GAO-08-786 (Washington, D.C.: July 31, 2008).

despite a decline in passenger traffic.[21] The growing air traffic congestion and delay problem that we face is the result of many factors, including airline practices and inadequate investment in airport and air traffic control infrastructure. Long-term investments in airport infrastructure and air traffic control, or other actions by Congress, DOT, or FAA could address the fundamental imbalance between underlying demand for, and supply of, airspace capacity.

Modernizing the Air Traffic Control System and Ensuring a Safe and Efficient Transformation to the Next Generation Air Transportation System

FAA has made significant progress in addressing weaknesses in its air traffic control modernization. It established a framework for improving system management capabilities, continued to develop an enterprise architecture, implemented a comprehensive investment management process, assessed its human capital challenges, and developed an updated corrective action plan for 2009 to sustain improvement efforts and enhance its ability to address risks, among other things. Because FAA has shown progress in addressing most of the root causes of past problems with the air traffic control modernization effort and is committed to sustaining progress into the future, we removed this area from the high-risk list in January 2009. Nonetheless, we will closely monitor FAA's efforts because the modernization program is still technically complex and costly, and FAA needs to place a high priority on efficient and effective management.

FAA's improvement efforts are even more critical because the modernization has been extended to plan for the Next Generation Air Transportation System (NextGen)—a complex and ambitious multiagency undertaking that is intended to transform the current radar-based system to an aircraft-centered, satellite-based system by 2025. As the primary implementer of NextGen, FAA faces several challenges that, if not addressed, could severely compromise NextGen goals and potentially lead to a future gap between

[21] GAO, *National Airspace System: DOT and FAA Actions Will Likely Have a Limited Effect on Reducing Delays during Summer 2008 Travel Season*, GAO-08-934T (Washington, D.C.: July 15, 2008).

the demand for air transportation and available capacity that could cost the U.S. economy billions of dollars annually. Challenges facing FAA include the following:[22]

- Accelerating the implementation of available NextGen technologies, which, according to some industry stakeholders, are not being implemented fast enough to have NextGen in place by 2025.
- Working with stakeholders to explore a range of potential options that would provide incentives to aircraft operators to purchase NextGen equipment and to suppliers to develop that equipment. These options could include some combination of mandated deadlines, operational credits, or equipment investment credits.
- Rreconfiguring facilities and enhancing runways to take full advantage of NextGen's benefits. FAA has not developed a comprehensive reconfiguration plan, but intends to report on the cost implications of reconfiguration this year.
- Sustaining the current air traffic control system and maintaining facilities during the transition to NextGen. More and longer unscheduled outages of existing equipment and support systems indicate more frequent system failures. These systems will be the core of the national airspace system for a number of years and, in some cases, become part of NextGen.

To implement NextGen, the department is undertaking several initiatives. For example, FAA has formed partnerships with industry to accelerate the availability of NextGen capabilities. These partnerships include (1) entering into agreements with private sector firms to conduct NextGen technology demonstration projects; (2) working with industry and the local community on their plans to build an aviation research and technology park where FAA can work with industry on the research and development, integration, and testing of NextGen technologies; and (3) establishing a NextGen midterm task force to forge a consensus on operational improvements and planned benefits for 2013 to 2018. In addition, to increase the capacity of existing runways at busy airports, FAA has begun implementing the High-Density Terminal and Airport Operations initiative that changes requirements for aircraft separation and spacing, among other things.

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[22]GAO, *National Airspace System: FAA Reauthorization Issues are Critical to System Transformation and Operations*, GAO-09-377T (Washington, D.C.: Feb. 11, 2009).

One step for moving forward with the NextGen transition was proposed in the 2009 House reauthorization bill, which directed FAA to establish a working group to develop criteria and make recommendations for the realignment of services and facilities—considering safety, potential cost savings, and other criteria, in concert with stakeholders, including employee groups. Until FAA establishes this working group and the group develops recommendations, the configurations needed for NextGen cannot be implemented and potential savings that could help offset the cost of NextGen will not be realized.

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Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other Members of the Subcommittee might have.

GAO Contact and Staff Acknowledgement

For further information on this statement, please contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov. Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement. Individuals making key contributions to this testimony were Sara Vermillion, Assistant Director; Steve Cohen, Matthew Cook, Heather Krause, Nancy Lueke, James Ratzenberger, and Teresa Spisak.

Related GAO Products

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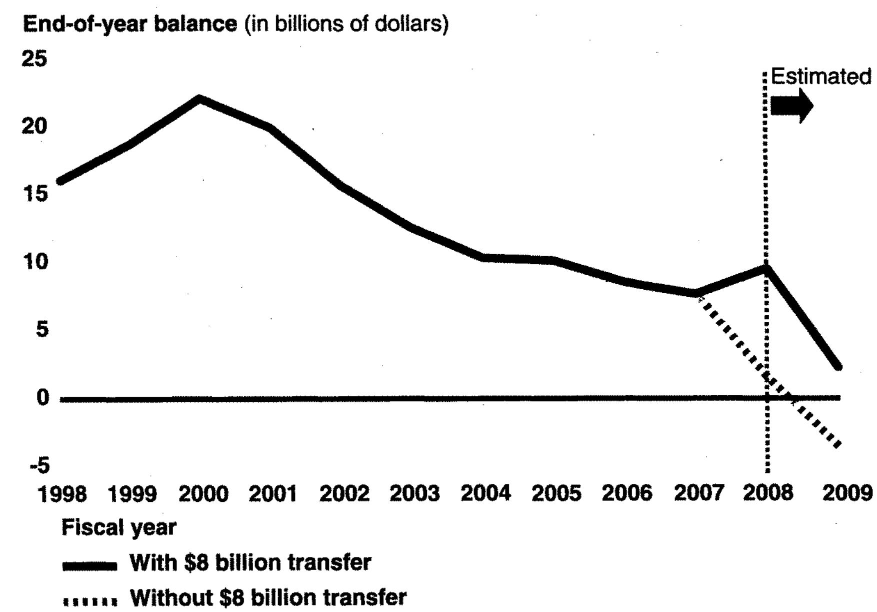
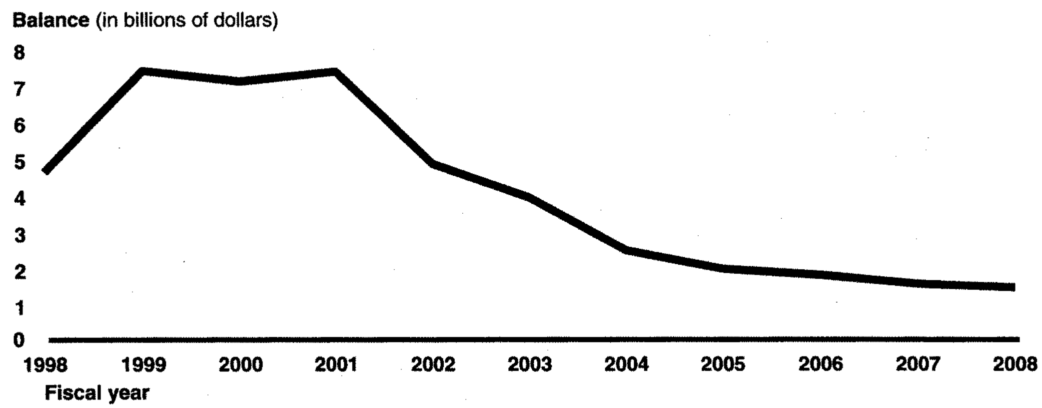
Highway Account Balance, Fiscal Years 1998–2009



Source: GAO analysis of FHWA data.

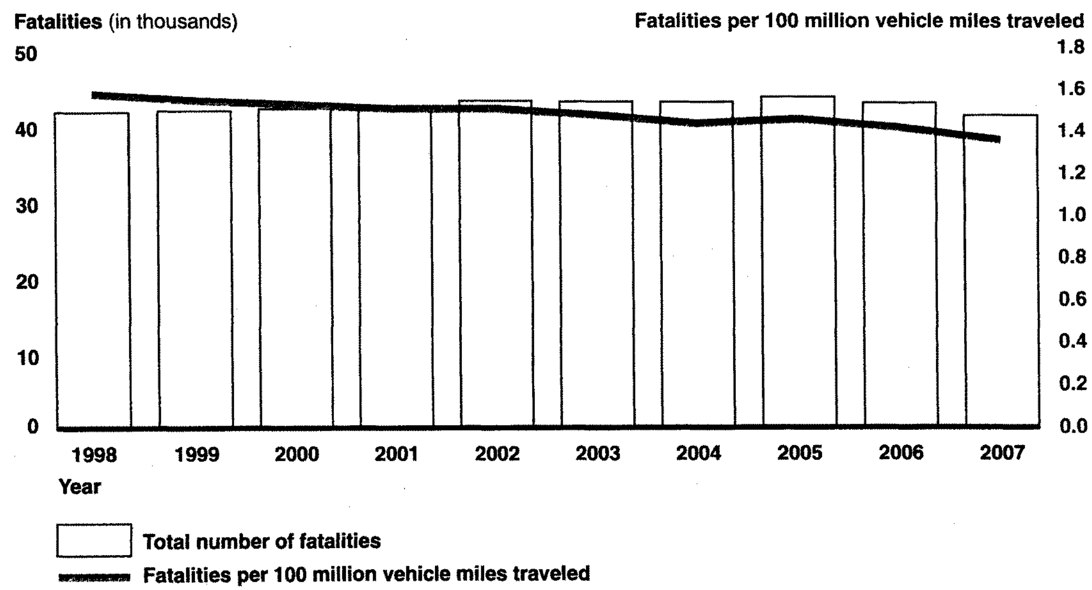
GAO

Airport and Airway Trust Fund End-of-Year Uncommitted Balance, Fiscal Years 1998–2008



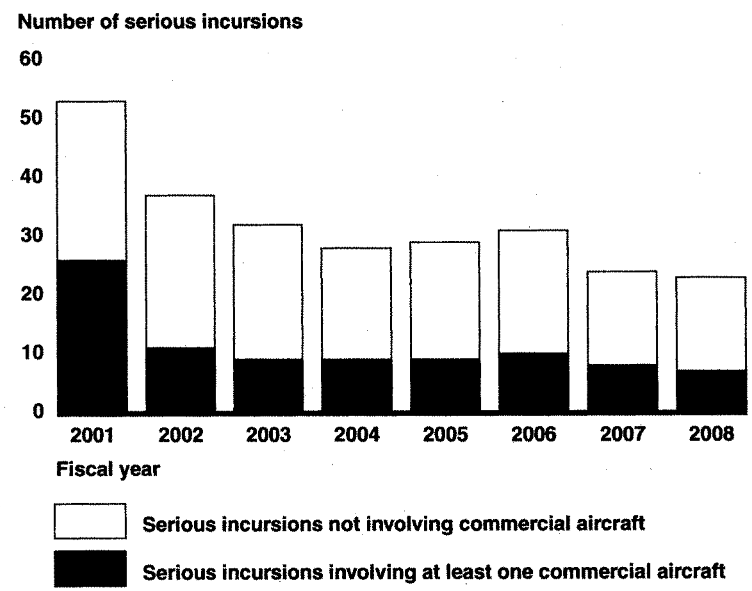
Source: Treasury income statements.

Traffic Fatalities and Fatality Rate, 1998–2007



Sources: NHTSA and FHWA.

Number of Serious Runway Incursions Involving at Least One Commercial Aircraft, Fiscal Years 2001–2008



Source: FAA.

GAO

Urban Congestion Impacts on the Nation's Urban Areas

	1985	1995	2005
Travel delays (billions of hours)	1.1	2.5	4.2
Wasted fuel (billions of gallons)	0.7	1.7	2.9
Congestion cost (billions of 2005 dollars)	$20.5	45.4	78.2

Source: Texas Transportation Institute, *The 2007 Urban Mobility Report.*

Mr. OLVER. Thank you very much.

Well, I note from this that, Ms. Siggerud, you have now laid out GAO's interests as recovery and the FAA's trust funds, the funding issue there——

Ms. SIGGERUD. Right.

GAO HIGH RISK SERIES

Mr. OLVER [continuing]. And then congestion and safety, as those going above and beyond your high-risk issue of the Surface Transportation Trust Fund and the funding of the Surface Transportation program.

So you have expanded your high risk to four subs, I think, which are virtually the same ones that I give as the litany of things which the IG does face. So it suggests that the IG and the GAO are already working very closely together, and that sort of goes along with the new deputy IG, who comes out of GAO.

So I am glad to see that working relationship is already there, and we will see how closely you work and how independently you work. There has to be some independence, but also some clear collaboration, I think, in the process for it to work truly well.

For Mr. Scovel, you have laid out a series—I have tried to write them out as fast as you were speaking—a series of points, which started out with four points about the program for recovery, which I did manage to get down "acquisitions workforce, contracting and granting, proaction to avoid waste, fraud, and abuse"—that is a series of words that I know we use often rather loosely, and I cringe, to a degree, every time the whole phrase is used—and then "sustained oversight."

But then you went deeper into a series of three or four that bound the pyramid in threes and fours. After a while, I kind of got just a little bit lost in the series.

So, in any case, I get from both of you that you are committed and will work collaboratively and cooperatively on issues, where it is possible, related to the recovery to make certain that that happens.

I would like to just ask, we also have a 2009 budget, which is out there in process, and we are trying to prepare a 2010 budget. The regular operations of all of these agencies that are a part of the transportation system have got to go on, and so we have imposed on top of the regular workings of the agencies a system of very fast, expedited kind of things which we have been focusing on for the issues of acquisitions and contracting and the avoidance of what could happen in there with that long phrase, and the kind of oversight that is needed.

Do you see any problems with having these two? Are we going to run into problems with having these two tracks going on simultaneously? Either of you, would you care to comment on that?

USE OF RECOVERY ACT FUNDS

Mr. SCOVEL. Mr. Chairman, I will take that on first.

I think there is a risk. The Department, of course, is responsible for significant duties in the areas of safety, primarily, and the Department has long viewed that as its primary mission, as well as successful stewardship of sizable amounts of funds devoted to surface and aviation programs.

The Recovery Act, of course, has infused an additional $48 billion on top of that. Much of that Recovery Act money is going to flow through existing programs, but the staffs that will administer those existing programs in the various operating administrations are limited. On top of everything they have been doing before, they are now being asked to do much, much more, and, of course, it has the attention of the nation, from the president on down.

I know Secretary LaHood and others at the Department—I certainly do—worry that attention, to some degree, will be focused on recovery matters, and we may lose sight of other serious interests like safety. So there is a risk.

Mr. OLVER. All right. Clearly, we need to keep an eye on that.

Mr. SCOVEL. Yes, sir.

Mr. OLVER. I will take that as a suitable answer: There is a risk.

Let me ask each of you if you quickly can tell me, what do you think are the two things that you would tell the secretaries, the new secretary of transportation, are the most pressing things that they should be concerned about? Would you like to answer that, two, just broadly, quickly?

Ms. SIGGERUD. Absolutely. I am going to answer that in two ways.

HIGHWAY TRUST FUND

First, on top of everything else that Mr. Scovel mentioned is the stress on the Department. Right now, we also have a Highway Trust Fund issue and the need to reauthorize the program by the end of the fiscal year, and that will require significant brainpower and support from the Department for the Congress to do that.

GRANT MANAGEMENT

With regard to the Recovery Act, though, and handling that well, I think Mr. Scovel had the focus on the grant management and the acquisition workforce right on. That is an extremely important issue for this Department and for every other department in the government, to make sure that this Recovery Act is successful and that the projects that are funded are ones that the American people have faith will have the results that the Act intended.

Mr. OLVER. Do you wish to add to that a different one in your two than the two that the GAO has just identified?

SAFETY

Mr. SCOVEL. I would certainly agree with Ms. Siggerud, but I would ask the Committee's permission to add a third, if I could, and, of course, that has to be safety.

We have got solvency of the trust funds, we have got proper administration of Recovery Act programs, but the Department has to keep its eye on safety.

Mr. OLVER. Thank you very much. Mr. Latham?

Mr. LATHAM. Thank you, Mr. Chairman. In both of your testimonies, and, actually, I read the testimony—my wife was shocked last night that I was doing that—you both identified the trust funds as being a major concern, and I assume you are monitoring as to when it is going to be depleted again and will give us fair notice on that.

SOLUTION FOR HIGHWAY TRUST FUND

What solutions do you have for the trust funds? Is the concept obsolete? Should we find a different way of funding, as far as structurally inside the government? Do you have any suggestions?

Ms. SIGGERUD. I think there is a big-picture answer and a small-picture answer to what you said, and I will start with the big picture.

Assuming, as we reauthorize these programs, we want to keep with the trust fund concept, it is very clear that decisions made in SAFETEA–LU to spend down the balance had a very disastrous effect when, in fact, revenues did not live up to the projections that were made, back in 2005, when the economy was in a different place.

Both of the commissions that were assigned to study this issue have also talked about the importance of looking at alternative sources and the erosion of the value of the gas tax over time, and I think we need to take those thoughts and those recommendations very seriously, moving forward.

The small-picture answer is that we have also taken away two mechanisms that were meant to monitor and try to keep the account in a solvent status over time, and that was changes to the way the Revenue Aligned Budget Authority concept worked, as well as changes to the Byrd test. That meant that, in fact, when we approach a very low balance in the highway account, there were not the kinds of alarm bells that would normally have been provided to the Department and the Congress with regard to the situation, and we have made recommendations in a report yesterday as to some technical fixes on that issue.

Mr. SCOVEL. So we have assumed that the advantages to the Congress and to the Department and, of course, the nation of maintaining a separate trust fund for purposes of funding transportation projects would continue to be paramount and that we would prefer to continue with that system.

It is clear that the bottom has fallen out of the Highway Trust Fund. I spoke, last week, with the Department's acting CFO, and, last night, with the secretary. They are keeping a very close eye on it. They have plans for meetings with OMB, in the very short term, to get it up on their radar scope. They anticipate being able to predict with much greater specificity this year than last year when we will be in the danger zone, and it is going to come quicker, sooner, than it was last year.

Mr. LATHAM. Can you give us that projection today?

Mr. SCOVEL. Well, I cannot today, but they are looking at a matter of a couple of months, certainly, and not mid-to-late summer, as happened last year.

Ms. SIGGERUD. On that issue, I can say, the numbers we have seen indicate that revenues are lower than last year at this time, outlays are higher than last year at this time, and the overall balance is lower than last year at this time.

Mr. LATHAM. In your testimony, Ms. Siggerud, you talk about the economic stimulus package and say that it is designed to be timely, temporary, and targeted, but you say it is a difficult challenge. First, they require lengthy protocols for transportation initiatives through lengthy planning and design periods. According to the CBO, even the projects that are on the shelf generally cannot be undertaken quickly enough to provide a timely stimulus to the economy.

Second, spending on transportation infrastructure is generally not temporary because of the extended timeframes needed to complete projects.

And, third, because of differences among states, it is challenging to target stimulus funding to areas with the greatest economic and structural needs.

First, can you elaborate on that, and tell us if there is anything in place where we can make these dollars meet the needs, economically and infrastructurally, more quickly and to have them actually do what they are intended to do?

RECOVERY ACT FUNDING

Ms. SIGGERUD. A couple of observations. This Act, unlike past acts that focused on infrastructure as an economic stimulus, does set specific deadlines for the major formula transit and highway programs by which states must obligate funds. So the Act does try to address the concept of spending this money in time to actually have an effect while the recession goes on.

Mr. LATHAM. Does that compromise the other side about targeting where it is needed?

Ms. SIGGERUD. Well, the decision made in the Act was that we would use existing formula programs rather than target the dollars based on, say, unemployment rates in states, so the Act was not responsive to that concern, yes.

We will be in states, as I said, in 16 states, starting next week, looking at what procedures states are putting in place to spend this money, what their internal controls are, and how they are selecting projects. Our first report to the Congress on that issue will be April 17th and every two months thereafter.

Mr. LATHAM. I see my time has expired.

Mr. SCOVEL. Just to add, sir, the natural tension between the speed that the Congress and the president have instructed the Department to get the money out and the need for proper accountability.

Mr. LATHAM. Thank you, Mr. Chairman.

Mr. OLVER. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman. Mr. Chairman, I am very much looking forward to working with you and Ranking Member Latham. In 14 years on the Transportation Committee, we always had an expression that “There is no such thing as a Republican road or a Democratic bridge,” and we did not find a lot of partisan bickering, which is why I enjoyed that service so much.

Thank you both for being here. I want to talk a little bit about the trust fund and its solvency.

HIGHWAY TRUST FUND AND BUDGET AUTHORITY

Mr. Scovel, you are aware that the president, in his budget submission, has requested not dissolving the Highway Trust Fund but moving to budget authority and removing the firewalls that were established in T–21 and continued in SAFETEA–LU. I think I heard you say that you thought that the idea of a separately dedicated Highway Trust Fund continued to be important. Is that a fair?

Mr. SCOVEL. I did. It was simply a practical observation that, to the extent there are designated revenues coming for this particular purpose, it certainly eases the burden on the Congress year to year.

Mr. LATOURETTE. Do you agree with that, Ms. Siggerud?

Ms. SIGGERUD. We have not looked at the details of what the president is proposing, so until we have had a chance to do that, I am not sure exactly what the effect of the president's proposal is.

Mr. LATOURETTE. I think I have a pretty clear picture, and I think that the study that was authorized in SAFETEA–LU, when the report came back, and I can tell you, some of the recommendations are never going to be implemented. A 40-cent-per-gallon federal tax increase is probably a nonstarter, particularly during an election year. There was also emphasis on tolling, and then the whole notion of vehicle miles traveled has caused the resurface of the Black helicopter guys who talk about invasion of privacy and everything else.

Clearly, we have to figure out how to get more money into the Highway Trust Fund, whether President Obama is successful in using budget authority or we continue with contract authority, as we have in the past.

During the Bush administration, on SAFETEA–LU, we had a pretty big dust-up, in that his Department of Transportation recommended that we needed $375 billion over the six-year period to do maintenance and maintain our system in good repair.

O.M.B, based upon looking at where the revenues were, said, 256, and, as a result, we delivered SAFETEA–LU two years late, and we all agreed on about $300 billion for the six-year program.

Secretary Peters repeatedly came to Capitol Hill and indicated that it is not a funding problem; it is an incursion problem, in that there are things that are paid out of the Highway Trust Fund that have nothing to do with highways, and probably the biggest one is transit. We all love transit, and we all know that mass transit is the key to the future, but mass transit does not participate to the Highway Trust Fund, and it siphons off about $58 billion a year over the six-year period.

Would we be better to work with the new administration to say that the Highway Trust Fund is for highways and the things related to highways, and put offline some of the incursions, like transit, and the responsibility would be upon the federal government, this Committee, and the United States Senate to find a way to fund transit that did not invade the Highway Trust Fund? Mr. Scovel?

Mr. SCOVEL. Sir, we have not had a chance to look at that. I can certainly see advantages to the position that you outlined, but, in the absence of work by my office, I would be remiss if I expressed an opinion here today.

Mr. LATOURETTE. Ms. Siggerud.

Ms. SIGGERUD. We also have not made that kind of specific recommendation you are talking about, Mr. LaTourette, but let me make a couple of observations where we have done work.

What we have said is that the growth of the programs funded out of the Highway Trust Fund, starting from back in 1956, when we began the Interstate Highway program, have grown from a couple of programs to over 105 different programs that are funded—transit, safety, motor carrier safety, and a variety of others—all of which have important constituencies and important interests.

We have said, nevertheless, in a time where we have constrained resources, it is important for the Congress to decide where it wants to focus those dollars most specifically and then determine where the federal government needs to make an investment in order to have the kind of transportation system that we would like.

RABA

Mr. LATOURETTE. You mentioned RABA. After the passage of T–21, we were pretty fat and happy here because, under RABA, revenue was exceeding our expectations in T–21, and extra dough was flowing out the door. When those revenues decline, you begin to see the fact of these incursions, if you will, and it is easy. People sort of treated it as a private slush fund.

I happen to come from the covered-bridge capital of North America, and there is a Covered Bridge Fund that comes out of the Highway Trust Fund. I think that the concrete and asphalt guys would effectively argue that that has nothing to do with highways, it has nothing to do with safety, and perhaps the Congress should sort of step up to the plate and say, "This is a Highway Trust Fund funded by an 18-cent gas tax, and this other stuff, if you want to do it, find the money someplace else." Does that sound reasonable?

Ms. SIGGERUD. As I said, we have not made specific recommendations in that area, but we do think that the upcoming reauthorization provides an opportunity to rethink the goals of this program and the federal role in financing it.

Mr. LATOURETTE. Mr. Scovel, anything?

Mr. SCOVEL. I would agree. What you and Ms. Siggerud have been talking about are the tough policy calls for the administration and Congress.

Mr. LATOURETTE. Which is why it will never happen.

Mr. LATHAM. Just a point of personal privilege: I have the covered bridges in my district. The Bridges of Madison County are in my district.

Mr. LATOURETTE. With no disrespect to the Ranking Member, I have the longest covered bridge in the United States of America. I also have the shortest covered bridge in the United States of America.

Mr. OLVER. Mr. Carter.

Mr. CARTER. Thank you, Mr. Chairman. I am looking forward to working on this Subcommittee.

It is a real current issue where I come from, and I have, to my knowledge, no covered bridges.

To get back to what we were talking about, the stimulus package that we have got, I spent a lot of time, back in my early years of practicing law, working with people who built roads, and these are supposed to be shovel-wet-ready projects, but the reality of the building of highways is, even if you have done everything ready for the movers to be out there, there are contracting issues and other issues that have to be dealt with before you are going to be pushing dirt.

Do you all have in place, or as part of your four-point things that you were talking about that you are looking at on these projects, that makes sure that the quickness of pushing dirt is part of the formula, to try to get this into the stimulus? Are you working on that?

FAST ACTION ON STIMULUS

And as you do that, I am very proud to see you are looking at oversight as at least two of your four formulas because when you get in a hurry, it is my experience, in almost anyplace you go, when you get in a hurry, there is an easy possibility of waste, fraud, and abuse becoming a major part of what happens. Would you like to comment on some of those things?

Mr. SCOVEL. Certainly, Mr. Carter. Right now, we are working on the first phase of our Recovery Act work, in terms of trying to proactively identify for the Department what the risks and challenges are with Recovery Act funding and some of the best practices or lessons learned from the work that we have already completed. We are trying to highlight that for them so they will go in, eyes open, knowing what the problems might be.

Phase 2, for us, will be a more in-depth examination of how each of the modes executes its programs with Recovery Act money and, at that point, sir, we will certainly be looking, not at every single project, but we will be trying to sample those projects and determine where the Department executed its responsibilities properly and where it might have fallen short in terms of maybe funding projects that were not shovel ready, were not generating the jobs that the Act is intended to accomplish and so forth.

TIMEFRAMES

Mr. CARTER. Are you looking at timeframes to try to see how quickly you can get them in there, being secure that, in the Recovery Act, you are going to be doing the proper spending?

Then also, there is talk of eliminating e-Verify, and part of this issue, in my part of the world, is jobs on the highways. Most of the contractors that are on the highways use e-Verify very extensively, and, with the elimination of e-Verify, this could be an issue in the State of Texas. Would you have any comment whatsoever on the use of or the elimination of e-Verify as it relates to jobs for Americans?

Mr. SCOVEL. Well, my office has not yet had a chance to embark on this particular phase of our work, so I cannot comment on that. It is certainly a topic that we will consider as one of our objectives.

Mr. CARTER. I noticed, when we asked, how are we going to fund the trust fund, there was a lot of real nice talk, but nobody said, "Well, this idea is thrown out there, or this idea is thrown out there." You just want to stay away from that. Is that what it is?

Ms. SIGGERUD. I would be glad to talk about that. There have been recommendations from a number of commissions in this area, and they fall into a couple of categories.

GAS TAX

The first one, of course, is maintaining or increasing the gas tax. The gas tax has certain attractive properties that we need to think hard about in making decisions to move away from it. It is a well-established tax that is collected at low cost with low enforcement costs from a small number of excise taxpayers, and, over time—that is starting to change now—it has been a reliable tax. But that is starting to change, and so, hence, the look for other opportunities.

There is a lot of talk about a vehicle-miles-traveled tax. As Mr. LaTourette pointed out, there are privacy issues. There are several demonstration projects going on that are testing how these privacy issues can be dealt with in the VMT arena, and I think we will see results from those soon that should help us determine how to move forward in that direction, if that is where the Congress wants to go.

Finally, there are a number of debt proposals that people have made with regard to infrastructure bank funding, et cetera. From GAO's point of view, we are always concerned about whether that is the most cost-effective way to provide the infrastructure investment dollars.

Mr. CARTER. You are going to find that I am new on this Committee, and I do not know some things that I ought to know.

NATURAL GAS TAX

On the use of natural gas, which is one that T. Boone Pickens has thrown out there for the public, to the tune of about $60 million of his own money, do we put a tax on natural gas that runs in cars?

Ms. SIGGERUD. I have no idea what the answer to that question is.

Mr. CARTER. Neither do I. That is why I asked you.

Mr. SCOVEL. I do not either, sir, but the advocates of the VMT fees would say that whether you are running with natural gas or any other alternative fuel, that would capture the use of the roads and more closely link use with cost to build and maintain the infrastructure.

Mr. CARTER. That is going to be a pretty unpopular thing to do. Thank you. Thank you, Mr. Chairman.

Mr. OLVER. Thank you, Mr. Carter.

Well, I am going to continue for a moment. Let me just, before I do, recognize Carolyn Kilpatrick, who is returning to this Subcommittee after a two-year hiatus. She thought it was such a nice thing to go someplace else, that she decided to move, but now she is coming back, and we are very glad to have her back.

Carolyn Kilpatrick is from Michigan, and she has decided she will wait one round, but go ahead.

Ms. KILPATRICK. Yes. Thank you, Mr. Chairman, just for the opportunity. I was at another 10:00 meeting. I cannot do two at once, but thank you for your service, and I will yield for the second round.

Mr. OLVER. All right. Then I am going to continue, to a degree, where my colleagues that I should have to say, "on the left," but "on your right," were here.

I am going to follow up a little bit since both of you have spoken cogently about the needs of the trust fund, and just in answer, you covered two issues—the gas tax and the VMT—with Mr. Carter, and neither of those shows up in the president's budget. In fact, it would appear that, in his budget, he has carefully avoided stepping on anything which would be the normal purview of the authorizing committee to decide how these monies are to be raised, but, Mr. Scovel, you were bold enough to actually list several options in your Management Challenges Report, and I will just list several of them.

VEHICLE MILES TRAVELED TAX

One was increasing the current fuel tax. The second was imposing fees on vehicle miles traveled, and then imposing fees on vehicle registrations or sales, new tolls, and customs duties. I think the list might have gone on.

Well, let me start with the vehicle-miles-traveled issue. Ms. Siggerud already made some comment on that, but this is not something that gets by on brief comment. How long might it take to implement such a thing, and what kind of demonstration projects have we had, here or elsewhere? Can you give us sort of a description of those sorts of things that are now going on here or in other countries? Where is the source of opposition to that mechanism?

Mr. SCOVEL. I could take a stab at some of your questions, sir, we do not have work on that would permit me to address all of them. I am not familiar with what may be done in other countries regarding VMT. I am familiar with the demonstration project in Oregon involving a limited number of vehicles, and the report that I heard was basically an anecdotal report from the administrator of the program that thought it was feasible and fairly easily administered.

In my testimony, I had instructed my staff to put together for this Committee a list of funding options, just kind of brainstorm it. So, of course, we came up with increasing the gas tax, VMT fees, heavy vehicle user fees, additionally, customs duties, tolls, registration, sales tax. Those are policy options for the Congress and the administration to consider.

The key number of sticking points with regard to VMT, specifically, have to do with the privacy concerns that have already been mentioned. There is an equity concern as well for low-income, long-distance drivers, and the initial administrative startup fees for a VMT system, we believe, would be higher, certainly, than what we encounter now with the gas tax.

The advantages, as I outlined earlier, with VMTs: It is simply a closer link between use and cost and the ability to incentivize drivers with the desire to use the resource (the road) efficiency and wisely.

Ms. SIGGERUD. May I add, with regard to the Oregon Project and privacy, there were a number of steps taken there to protect the drivers' privacy, including having the transponder not retain a record of where the person had driven and also have it not be in a broadcast mode.

The ongoing project at the University of Iowa that was funded in SAFETEA–LU is national in scope in a number of localities and tests. It tests how data can be collected, how the fees can be collected, and what are the different options for protecting privacy, and that is an ongoing project.

Mr. OLVER. Well, I guess this is more in the purview of the authorizing committee, but if either of you have more extended lists of the sorts of things that one might do in any further assessments of the relative merits, advantages, disadvantages, reasons for opposition, and public benefits versus private concerns, the issue of privacy is one, as you have pointed out, an issue there, and there are those who think, I understand, that that can be covered fairly easily.

We would be interested, for the record, and we will put this in a question for the record in a broader way. Okay? Thank you very much. Mr. Latham?

Mr. LATHAM. Thank you very much. I was interested in testimony earlier about the new programs that are brought forth in the stimulus package, and the supplemental grants for the surface transportation programs. I think there is $1.5 billion in transit set aside, transit improvements, plug money set aside for green transit. For rail, I guess, another $8 billion.

How long does it take to set up, in this stimulus package, set up the rules and get the programs up and operating? What is the timeline?

OPERATING RULES

Mr. SCOVEL. Well, sir, the timeline is running, and it is contained in the bill. The Department is working flat out in order to make those deadlines.

Mr. LATHAM. Do they not have to write new rules and go through the whole process?

Mr. SCOVEL. Yes, sir. They certainly will. Much of the money that flows through existing programs can be more easily accommodated in those timelines than will the new money, and high-speed rail is probably the biggest question mark on the Department's scope right now because it will be administered by the Federal Railroad Administration, which does not have a great deal of experience in this area.

So they are talking about the need to write the criteria and the requirements to work with potential grantees to train their own workforce to properly administer that program in a very short period of time without an experience base.

Mr. LATHAM. What is their timeline?

Mr. SCOVEL. On that one, it is, if I am not mistaken, 90 days in order to set out the criteria with applications required to be received within 180 days.

Ms. SIGGERUD. That is correct. With regard to the recipients' use of the funds, there are not the same requirements to spend the dollars within a specific amount of time that apply to the formula money flowing out through the highway and transit programs.

STATES AND LOCALITIES

Mr. LATHAM. I was interested in some of your testimony where you talk about supplanting funds from the states, and you say evidence suggests that increased federal highway grants influence states and localities to substitute federal funds for state and local funds they otherwise would have spent on highways.

In 2004, we estimated that the states used about half of the increases in federal highway grants since 1982 to substitute for state and local highway funding, and that rate of substitution increased in the 1990s. I had an amendment to prohibit supplanting, basically, the states' projects that they would have done anyway with the federal funds, which was not made part of the bill. Would you elaborate on that?

Ms. SIGGERUD. I think there are two important points there.

The first is that the Recovery Act does require the governor to certify that he or she is not, in fact, supplanting federal dollars for state dollars. We will be focusing very specifically on that issue in the bimonthly reviews we are doing at the state level to see exactly how that concept is being implemented and what it means in various states.

The concern about substitution is not quite as strong when we are in a severe recession, and states are facing very severe revenue crunches. It is really more when there are more dollars available to states that you see a higher substitution effect, but it is a concern, and we are working it into our plans for use at the state level.

Mr. SCOVEL. I would agree with Ms. Siggerud. Particularly, GAO has the statutory responsibility to examine use of funds at the state and local levels, so they will be pursuing that.

Mr. LATHAM. I find it interesting that some states have put up websites asking their constituents or citizens of those states to give them suggestions as to how to spend the money. Is there that much extra here or something? Have you been made aware of any of these projects?

Ms. SIGGERUD. We are going to send our first teams out to states next week, and that looks like something that we ought to put on our list of things to check.

Mr. LATHAM. Anyway, so everyone has a chance, I think I will be quiet.

Mr. OLVER. Thank you, Ms. Kilpatrick, would you like to pass again?

Ms. KILPATRICK. Thank you. Thank you very much, and, again, AG and ALG, who are really crucial to what we do here.

I am from Michigan, and I just met with the director and his team last week as it relates to a vision for transportation, and some of the dollars that are put into the recovery package, Michigan, of course, needs it, and really an ailing infrastructure all over America. I do not see that there will not be a shortage of funds sitting around, hopefully, which is one of the discussions we had as we passed the Recovery Act.

Chairman Oberstar and Chairman Olver thought that it needed more and could do better. It is a quick stimulus. It does put people back to work quickly. One of the specifications was "travel-ready projects"—that is the word being used right now—in 90 days, you all are going to do the criteria, and, in 180 days, you must have shovels in the ground.

I heard you say, ALG, that next week you all will be sending people to states to monitor and see what they have. What will be that process?

Ms. SIGGERUD. That is right. In fact, Michigan is one of the states that we will be going to, either this week or the next week.

Ms. KILPATRICK. Good. What kinds of things will you be looking for as we come for the resources?

Ms. SIGGERUD. This will be a broad-based review, focusing on the various funds that are flowing to states, not only transportation but education, energy, and other programs that are going out to states.

We will start with a look at the governor's office, of what the plans are for coordinating and putting in place ways of tracking these dollars, a key criterion for decisionmaking, and what kinds of internal controls are being put in place.

We will then work with individual state departments to understand their approaches for selecting projects, monitoring projects, and making sure that they are delivering on the goals of the Act.

Ms. KILPATRICK. Okay. And the timelines—it is in the law—let me just reiterate them again. Now, you will be making sure that whatever they put forth can adhere to those timelines as well?

Ms. SIGGERUD. That will be one of the things we will be looking for, yes.

Ms. KILPATRICK. Okay. And any projects that do not meet that; is there something in place where you would eliminate it or not let them do it or something to that effect?

Ms. SIGGERUD. Well, GAO does not have the power to tell states what they can do, but we could certainly bring it to the attention of the Department and to the Committee as well.

Ms. KILPATRICK. And the same for you, sir?

Mr. SCOVEL. Yes, ma'am.

Ms. KILPATRICK. Thank you very much. Thank you, Mr. Chairman.

Mr. OLVER. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman. Since I have already incurred the ire of the Ranking Member by claiming the covered capital of the world, I am going to go all in and talk about ethanol.

ETHANOL

Have either of you done an analysis? In Ohio, for instance, 40 percent of the fuel we burn is ethanol based. Ethanol is federally taxed at 10 cents; conventional gasoline is at 18 cents.

As we look to the solvency of the trust fund, have either of you looked at the impact on the trust fund if the ethanol subsidy were eliminated?

Ms. SIGGERUD. Mr. LaTourette, we have work that is several years old on that issue, so I do not have the numbers right at my fingertips, but we could certainly submit that to your office.

AVIATION TRUST FUND

Mr. LATOURETTE. If you would, I would appreciate that.

I want to talk about the Aviation Trust Fund for just a second. In the last Congress, the House did its work on the FAA reauthorization, and the Senate—no big surprise there—did not, and my understanding is that the T&I Committee marked up the FAA modernization last week or the week before, and the key ingredient of that is the way that we are going to fund the Aviation Trust Fund for Next-Gen and some of the other things.

Have either of you done an analysis of if the House T&I FAA bill became law, the impact that it would have on the funding stream and the balances in the Aviation Trust?

Mr. SCOVEL. Our quick look at it, sir, and it is not based on lengthy research, is that the Aviation Trust Fund is going to decline, continue to decline, somewhat in balance, and there may be the need for a larger contribution from the general fund in order to make up that difference.

Mr. LATOURETTE. Okay. And, Ms. Siggerud, you have not done that yet?

Ms. SIGGERUD. What our work shows is, of course, there is a decline that we talked about, driven, in part, by the concept that spending amounts are based on revenues estimated early in the year. I believe that the House marked-up version has a requirement that, in fact, the Department should spend 95 percent of anticipated revenues, which should help to avoid the problems we have seen in the past with balances at the end of the fiscal year.

COLLECTIVE BARGAINING

Mr. LATOURETTE. Okay. Then the last couple of things are related to collective bargaining and things of that nature.

One of the things that held up the FAA reauthorization in the last Congress was the dispute between the air traffic controllers and the Bush administration.

Both of you have emphasized safety, and there are some people in this Congress that think that air traffic controllers make too much money and that we should pay them less and have less-experienced people.

Have either of you done any work on the issue of the importance of a well-trained air traffic control workforce, and, in conjunction with that, my understanding is that about 7,000 of them are retiring a year, the most experienced people. Just from my perspective, I do not think it is a job where you can just wake up and go in and say, “I am going to guide 20 aircraft today.” It seems like pretty intensive work. Have either of you looked at the issue of the air traffic controller contract relative to the safety issue?

AIR TRAFFIC CONTROLLER STAFFING

Ms. SIGGERUD. Not directly at the contract and its relation to safety. My office has done a lot of work, sir, regarding air traffic controller staffing levels and training requirements. We have ongoing work with fatigue and facility-level training.

Clearly, it is a job that does require extensive training, and, in fact, it takes about three years for a controller to move from zero to the certified professional controller level, where he or she is able to work the scopes at all of the positions at his or her location. To the extent that the contract affects that, it is critical.

Mr. LATOURETTE. I think it is demoralizing. What happens when you have a demoralized workforce is you get goofy things to happen.

There was a report, a couple of years ago, that a controller was sent home because he was wearing gender-inappropriate pants, and so then, in retaliation, some other TRACON controllers came in wearing dresses. So that is the kind of stuff you get when you do not deal with people in good faith.

DAVIS-BACON

Last question before the red light goes on: Davis-Bacon. After the hurricanes in the Gulf Coast, the Bush administration suspended Davis-Bacon, and, to President Bush's credit, and also to his chief of staff at the time, Mr. Card, they did an analysis that showed that taking away Davis-Bacon did not save them any money on reconstruction, and, in fact, because of the anti-kickback provisions that are in the Davis-Bacon statute, it actually gave greater accountability and reliability.

Have either of you done work on the effect of Davis-Bacon relative to efficiencies, cost, things of that nature?

Ms. SIGGERUD. We recently issued a report looking at several federal requirements and how they apply to highway programs and the extent to which they are essentially pain points for state DOTs and whether, in fact, state DOTs are then opting out of using the federal highway program to avoid some of those requirements. This includes NEPA, Davis-Bacon, the DBE program, and a few others.

The Davis-Bacon program was not among those that the state officials viewed as problematic in terms of their ability to comply with it or significant cost driving when compared to the other federal requirements that I just mentioned, and I can send that report to your office, if you would like.

Mr. LATOURETTE. That would be great. Thank you so much, and thank you, Mr. Chairman.

Mr. OLVER. Mr. Pastor.

Mr. PASTOR. Thank you, Mr. Chairman, and sorry for being late, but other hearings get in the way.

What I am going to do is go into the air traffic control system. I know that you pulled them off the high risk January of this year, and I do not know why, and I would hope you would continue to put them in the high-risk area because we still have great problems.

STARS

You took them off the list, but you say they have great challenges, and one of them, you talk about sustaining the current air traffic system and maintaining the facilities during the transition to Next-Gen. I have been here long enough to see the problems of

STARS, and last year I got caught where one of the radar centers went down, and controllers were calling each other, on their cell phones trying to figure out what the hell was happening.

What is the status of STARS? Have we solved some of those problems because they are going to be in place for 2025 is the anticipation it will be in place.

Ms. SIGGERUD. Well, Mr. Pastor, if I can address the issue of the high risk decision that we made.

Mr. PASTOR. Sure. Right.

Ms. SIGGERUD. It was not an easy decision, and we looked to our aviation experts, along with our IT experts in GAO, to make this decision. But the fact was we had identified a series of management and acquisition issues in the nineties that were leading to cost overruns, schedule delays, and a variety of other mismanagement problems.

The Department has addressed those particular issues, and we felt that because the Department had addressed those issues, it was the right time to take those issues off the high-risk list. Moving to a new set of challenges really would have been moving the goal post in the middle of the game for the Department.

We will continue to monitor the Next-Gen system very closely and look for particular issues, things like schedule slippage, whether the various stakeholders that need to participate in Next-Gen for it to be successful are, in fact, doing that, as well as the cost of the projects, in making a decision of whether this would, in fact, meet our high-risk criteria the next time we issue a report.

Mr. PASTOR. And your fourth one, challenge? You do. I read it to you.

Ms. SIGGERUD. Okay.

Mr. PASTOR. It is basically that you have to sustain a system on the current system, and I have to tell you that what we saw last year when one of those radar centers went down, we went into chaos. Planes could not land, planes could not take off, and people were calling airports wondering what the hell was happening.

Ms. SIGGERUD. That is a very, very important issue.

Mr. PASTOR. Well, I know it is, and STARS still has problems. So are we going to stay with the same system until 2525 and then hope Next-Gen is transitioned in and will not have any problems?

Ms. SIGGERUD. We have an ongoing request from the House Transportation Infrastructure Committee to monitor Next-Gen on an ongoing basis. The issue that you just raised will be an important part of what we are doing.

Mr. PASTOR. I understand. I know it is an important part. It has to be because for the next 15 years, the current system is what is going to keep the air traffic system afloat.

So I will go back to the question. We had major problems with STARS. What are we doing for the next 15 years to ensure that the current system is going to keep planes up in the air with safety?

Mr. GERALD DILLINGHAM. Mr. Pastor, my understanding is that STARS is in place at 50 sites. A system called "Common Arts" is in place at about 100 other sites. Together, those two systems are responsible for controlling traffic at the terminal radar approach control facilities, the TRACONs. Those are going to form the basis, in part, for Next-Gen, and FAA is going to have to modernize those TRACON systems at the same time they are imposing Next-Gen on top of it. It is going to be a tall order, but they are aware of the challenge.

Mr. PASTOR. Where is the money going to come from? Because that is your third point: To reconfigure, to enhance runways, to reconfigure facilities; that is another ton of money. So what are we doing in anticipation for 2025 so that the runways are extended, and the facilities are reconfigured so that Next-Gen can come in, and that is if it is even in place to come in?

Mr. GERALD DILLINGHAM. I know FAA has had a program of runway construction. In late 2008, they commissioned three runways, including one right out here at Dulles, and they have four or five others underway. They would argue that runways are the most efficient way to increase capacity.

Mr. PASTOR. I understand, but here you point out to me that runway construction is key to Next-Gen being part of it. Now, did Dulles consider Next-Gen when they were doing the runways? Are other airports using the stimulus money going to consider Next-Gen in doing their runways? There has to be some order to this thing.

Ms. SIGGERUD. Yes. A couple of things. With regard to how it is funded, clearly, in reauthorizing the FAA statute, decisions about taxes and the general fund contribution will be an important part of what the Congress needs to think about.

With regard to the runway issue, Next-Gen really depends on a partnership with airports, with airlines, and with a number of other federal departments, in addition to the Department of Transportation, to make it work, and to the extent that those partners are working together, it will be successful. To the extent that they are not, it will have problems.

Mr. PASTOR. Could I just finish one more question, Mr. Chairman?

I guess what I am getting at, everybody is anticipating Next-Gen coming in by 2025. According to you, how we reconfigure the facilities and how we enhance runways is very important to bringing in the system and making sure it is successful. Is anybody paying attention, as runways are being built, and airports are asking for airport-improvement money to deal with runways and to reconfigure their facilities to say, how does this fit with Next-Gen?

Ms. SIGGERUD. I would like to ask my colleague, Gerald Dillingham, to answer that question, if he could. He is our expert on Next-Gen.

Mr. PASTOR. I will ask my chairman here.

Ms. SIGGERUD. Or we can submit a question for the record.

Mr. OLVER. Let him answer; otherwise, we will just have it for the record.

Mr. GERALD DILLINGHAM. Mr. Pastor, FAA's capital improvement plan and its operational evolutional plan include factoring in runways and the transition to Next-Gen. Next-Gen will not turn over at 2025. It is a transformation and transition that includes all of those kinds of things, and it is part of what they have submitted to Congress.

They are watching to make sure that what you have pointed out as a serious issue is, in fact, addressed because, as you say, what we have now will, in fact, be a part of our system for the next 10 to 15 years and has to be integrated into with the new kinds of systems.

Mr. PASTOR. Thank you, Mr. Chairman.

Mr. OLVER. Ms. Kaptur.

Ms. KAPTUR. Thank you, Mr. Chairman, and, again, I apologize for being late. We had a concurrent defense appropriations hearing this morning.

Thank you for your work. I have four short questions.

One is, on the $48 billion in the recovery bill, as those are distributed to the country, will all of that money go through the states, or is any of it slated to go directly to municipalities or other transportation-related organizations?

FEDERAL-AID HIGHWAY PROGRAM

Ms. SIGGERUD. For the Federal-Aid Highway Program, much of that money will go to states, but there is a requirement to suballocate to lower levels of government.

However, when it comes to the programs for transit funding and for airport funding, that money will go to organizations like transit authorities and airport authorities to carry out the programs.

Ms. KAPTUR. All right. I thank you for that. The vast bulk of the money will go through the states.

Ms. SIGGERUD. Because the largest part of the money to DOT is through the Federal-Aid Highway Program, yes.

Ms. KAPTUR. My question areas, in any of the formulas related to transportation in the recovery bill, is need or unemployment a factor, or is it merely funds distributed to COGS? In other words, if I look at the distribution for Ohio thus far, a region like ours, which has 14 to 17 percent unemployment and rising, gets a rather small slice compared to other places in the state.

Our understanding, at the local level, is that is the case because the formula being used is a COG formula, not impacted by other factors, such as unemployment or need. Is that a correct understanding? Do I have a correct understanding?

Mr. SCOVEL. That is my understanding as well, Ms. Kaptur.

Ms. KAPTUR. Thank you very much. How can we assure that the state is giving us everything we are due?

Ms. SIGGERUD. In terms of the Recovery Act?

Ms. KAPTUR. Yes.

Ms. SIGGERUD. Well, there is a fairly unprecedented level of reporting and transparency built into this Act, in terms of states needing to post their investment decisions, contracts let, et cetera. So the amount of information available will, in fact, be far more than is available through typical transportation spending at the state and local level.

In addition, the Inspector General and GAO have both received specific funds for the purpose of monitoring and reporting on the implementation of this Act.

Ms. KAPTUR. If I were to ask you to compare areas of high unemployment in a state like Ohio, taking the COG districts, versus the distribution of funds, could you do that?

Ms. SIGGERUD. I suppose it would be possible. Among the questions that we are going to be asking the states, and, in fact, Ohio is one of the states that we do plan to visit, is, how is the state making the decisions, once it has the money, with regard to the Federal-Aid Highway Program, and certainly among the criteria that the state could consider would be unemployment levels in different parts of the states, but those decisions are, right now, at the state level.

Ms. KAPTUR. At the state level. I thank you. That is very important information to us.

The next question deals with green energy. Just really quickly, of the $48 billion, does DOT have a mentality about green energy and the expenditure of these dollars. The reason I ask the question is, whether it is our airport in my region, or whether it is a major bridge that is an I–280 bridge that spans one of our major rivers, the hardest job I have had with the transportation people at the state level and, frankly, at the federal level, is getting them to think about green energy powering our airport, our bridge projects. It has been unbelievable.

GREEN ENERGY

So my question is, is there a green energy mentality over at the DOT regarding facilities and how one integrates new green energy into the expenditure of funds?

Mr. SCOVEL. Ms. Siggerud has been answering some of your questions as they pertain to the state level. You have just asked a question that has to do with the Department's implementation of Recovery Act funds.

That would fall under my purview, and that is a topic that we could take on as one of our audit objectives——

Ms. KAPTUR. Oh, great.

Mr. SCOVEL [continuing]. To determine if that is a criterion that any of the modal administrations are considering as they allocate money.

Ms. KAPTUR. I can tell you, you are going to run into a wall, and I do not understand it, but I know it exists. So I thank you for that. That is very good information.

Finally, my last question is, high-speed rail, which is very important to us—I am so happy this is in the bill. I know Congressman LaTourette is on the eastern end of Ohio. I am on the western end of Ohio.

What I want to know is, in terms of what you said about FRA's ability to really muscle up here, what do we do at the state level to assure right-of-way is available?

AMTRAK

I see, in your testimony, you talk about Amtrak's schedule. The problem with Amtrak in northern Ohio is they are on the same track as freight rail, and freight rail gets priority. So we need separate right-of-way so we can move those trains fast, not 70 or 80 miles an hour. I think, in the bill, it is 110 minimum. Hey, I want to go 300.

So we are nowhere on the same page, but we have to have that right-of-way. How do we work with FRA to help us do that quickly in Ohio? What do we do?

Ms. SIGGERUD. Ms. Kaptur, I do not have an easy answer to your question. There are a number of high-speed rail corridor groups around the country that are working to try to plan corridors and to acquire right-of-ways. I am not sure of the status of the project in Ohio.

HIGH SPEED RAIL

We do have a report coming out next week on high-speed rail issues that I think will be helpful to the Department, looking at, essentially, what is it that can make a successful high-speed rail project, in terms of its ability to deliver ridership to be cost effective and to compete with other modes of transportation?

Ms. KAPTUR. What do we have to do between now and 90 days and now 180 days to be ready on the FRA money in a state like Ohio on the high-speed rail? And that will be my last question, Mr. Chairman.

Ms. SIGGERUD. At the state level, I think the corridor needs to be working with the Department to understand the criteria that the Department will develop, in terms of funding projects.

Ms. KAPTUR. The state department or the federal department?

Ms. SIGGERUD. The federal department, the Federal Railroad Administration will be developing these criteria and submitting a strategic plan that will inform the funding decisions that follow for the $8 billion.

Ms. KAPTUR. I cannot speak for Mr. LaTourette, but if you could give us the name of the person we should meet with, we would sure appreciate it. Thank you. Thank you, Mr. Chairman.

Mr. OLVER. Thank you, Ms. Kaptur. On the last one, yes, Ms. Siggerud has pointed out that the law requires a strategic plan to be created by the Department of Transportation by the end of April for how the $8 billion for high-speed rail and inner-city passenger rail is to be laid out for the states to apply for. Then there is another longer period as well.

So it is understood that those monies are not going out for ready-to-go projects, for shovel-ready projects.

Ms. SIGGERUD. That is right.

Mr. OLVER. It is a long process involved in that.

Ms. SIGGERUD. That is right.

Mr. OLVER. So after that strategic plan, then we will define what kind of guidance may go to the various places that could use high-speed rail, which, under the law, are the high-speed rail corridors that are already designated under authorizing law, and yours fit into that.

So it is understood to take quite a period of time before the states can actually operate them, but then you should try to anticipate clearly the process because it will move eventually. Mr. Berry?

Mr. BERRY. Thank you, Mr. Chairman. I realize you guys do not run agencies that you are representing, but I just think it needs to be said, we have got so many areas in transportation that are way behind the curve, and for a great nation to allow itself to get into this situation, I think, is just inexcusable.

Having said that, this situation between the FAA and the air traffic controllers is idiotic. Now, when they make a mistake, we cannot sit here and have you all or someone else sitting in those chairs saying, “Well, gosh, that was a top priority, and we were really concerned about that, and we talked about that many times, and we are sure going to try to do something about that because somebody is going to already have gotten hurt real bad.” And I hope that you will take this back to the agencies and, for crying out loud, get that fixed.

We should not be talking about that the next time this Committee comes together. It should already be fixed. I have never seen anything to compare with the way that the controllers were jerked around by management in some of the towers that I represent, or represent an area awful close to them.

To be on a plane going into one of those airports, knowing that everybody that was looking at a screen was mad, and they were mad when they woke up that morning, and justifiably so, in my opinion. This has got to be fixed right now. We cannot keep studying it, talking about it, or anything else, and it is just a matter of simple recognition of the dignity and having respect for your fellow workers and your fellow man. Thank you. Thank you, Mr. Chairman.

Mr. OLVER. I guess there is no answer required for that, so it goes back to me.

I want to go back to Mr. Scovel. When you were given the opportunity to indicate what you thought were the critical questions for the new secretary to take up, you added to the list safety, in a general kind of way, and that, of course, is always a concern of our agencies, and we, in the Congress, are continually stressing safety in all aspects, whether it be highways or rail operations or air operations.

Your office has identified aviation safety as a top management challenge year after year, and your most recent report highlights the need for FAA to exercise vigilant oversight of the aviation industry in three key areas, and those key areas, I think, are inspection and certification of air carriers, the inspection procedures for outsourced aviation repair facilities, and the implementation of technologies and systems to improve runway safety.

Now, I want to examine one case of last year. I do not remember particularly the radar case that my colleague from Arizona was mentioning, but, last week, the FAA did announce that Southwest Airlines would pay a large civil penalty, seven and a half million, which could double if Southwest does not accomplish specific improvements.

This is a case from last year. You must know the situation well. What is your assessment of their enforcement actions with regard to that, and has the FAA implemented adequate procedures to address the systemic problems beyond just one airline that they uncovered in that particular case? It probably has some carryovers in other situations. Would you care to assess that case a bit? If Ms. Siggerud wishes to comment, that is fine, too.

SOUTHWEST AIRLINES

Mr. SCOVEL. Thank you, Mr. Chairman. We are, of course, familiar with the FAA civil penalty against Southwest Airlines. It originally started about a year ago at the $10 million-plus level. It has since been settled through negotiations at $7.5 million.

A key component, as you outlined, is the fact that Southwest must take compliance actions in order to bring its own maintenance practices fully up to FAA standards under the settlement, and the penalty can double, should the airline fail to do that.

I think that is a prudent measure, on FAA's part. While $7.5 million may not strike many as a large sum of money, in the world of civil penalties for FAA violations, it is large. It is one of the largest on record, in fact.

For FAA to build into the settlement the requirement for the airline to take further compliance measures, I think, is a wise one, rather than simply settling on trying to squeeze money out of the carrier.

The much broader question is one that you mentioned as well, and that has to do with system-wide FAA measures to correct what certainly did happen at Southwest. Our work from last year shows that FAA's administration of its oversight, specifically at Southwest, was deficient. We recommended a number of measures that the agency should take in order to correct those.

To its credit, the agency has moved out on a number of them, particularly concerning the voluntary disclosure reporting program, implementing a cooling-off period for inspectors who are leaving FAA before they can work for the airline that they used to supervise.

They have also begun steps to put in place a national program to review inspection efforts at the local level. We think those are all commendable.

However, we did have two other recommendations that FAA continues to study and that we continue, frankly, to push them on, and that has to do with creating a separate investigatory body to handle safety complaints raised by safety inspectors. Under the current method, such complaints are investigated largely at the local or regional level. We think that there is the danger that has happened at Southwest for those investigations to lack objectivity and credibility.

We also recommended, in order to deter what we labeled "an overly collaborative relationship" between a couple of inspectors at Southwest and the carrier itself, that FAA rotate or transfer certainly supervisory inspectors at designated periods at three years, four years, whatever might be feasible.

F.A.A has informed us that, for budgetary reasons, they do not consider that feasible, and they have proposed, as an alternative, further assessing or inspecting the climate between the inspection office and the carrier.

We are evaluating that. We have some reservations. We will continue to work through those with the agency.

Mr. OLVER. Do you think that the actions and the back and forth between the IG and the FAA, as public as this one obviously has become, that that has caused other carriers to examine those very same issues? Have you sensed that that kind of movement is occurring so that those kinds of things will not happen with the others?

Mr. SCOVEL. We have work underway for the House Aviation Subcommittee along those lines, and we are looking at the air transportation oversight system implementation at other carriers besides Southwest.

We have found problems with the timeliness, largely, of inspections that are required under this ATOS system at other carriers as well.

Mr. OLVER. Thank you very much. Mr. Latham.

Mr. LATHAM. Thank you very much, Mr. Chairman.

Ms. Siggerud, I see Iowa is going to be one of the 16 states that you are going to be monitoring, auditing, whatever.

Ms. SIGGERUD. Yes.

Mr. LATHAM. Can you tell us what factors you are going to be looking at? How do you measure the success, and are there some things different that you are going to be doing with the stimulus package than what you would normally do under regular programs, or are there some things that maybe we should think about incorporating into regular programs that you are going to be looking at?

GAO

Ms. SIGGERUD. Sure. What we have done at GAO so far to get ready to do this is look among the various parts of the package, including the transportation parts of the package, where are the large dollars, in terms of money flowing to states and localities, and where might there be risk based on past IG work on these programs.

We are then putting together an overall program at the governor's office and the controller or state auditor office to look at internal control concepts across the state in all of the different departments and drilling down on specific issues related to the goals of the Act and how the individual departments in the state are setting up their programs to deliver on those goals and then reporting on it bimonthly. That is really what is different for GAO, is that rather than taking, say, a year to do the work, which we often do, and then reporting any problems we find at the end, we will be reporting to the Congress and the Department on a very real-time basis on issues as we identify them.

CYBER SECURITY

Mr. LATHAM. Very good. Mr. Scovel, on cyber security, last month, the FAA informed the Congress that they discovered a breach of security at one of their servers. It did not affect safety and operation of the airspace, but a lot of the employees were exposed, from a personal information standpoint.

One of the issues that was identified by the IG, as far as your cyber security risk, was a need to enhance protection of personal identity information—basically, everything you warned Congress about, I guess, previously. Is there any way the FAA could have prevented the attack? Go ahead and answer that.

Mr. SCOVEL. Well, FAA, as well as other agencies in the Department and other agencies across government, in fact, suffer from the same vulnerabilities when we are talking about implementing

Internet-protocol-based software programs instead of proprietary programs developed for use in a closed system. That increases the vulnerability, and FAA has moved in that direction.

Many of FAA's systems are interconnected, meaning that if there is a breach in one system, other systems can also be compromised.

ADS–B PROGRAM

Finally, to the extent that FAA has outsourced, that, naturally, too, increases its vulnerability, and FAA has outsourced some functions. The ADS–B program, which is a cornerstone of next-gen, has been outsourced and is under contract now, and the ground stations are being built, but that is not under the direct control of the agency, again; that is outsourced, and so there is further risk there.

We have ongoing studies concerning Web application security, specifically as it pertains to air traffic control systems, and we have also been requested to look at the agency's security precautions with regard to the medical data it holds for pilots and others who have FAA licenses.

We will be in a position to comment in detail on the agency's precautions once we finish that work.

Mr. LATHAM. How many people were exposed, as far as their personal information?

Mr. SCOVEL. Mid-40,000 is my recollection, 45,000, 48,000, or thereabouts, in the most recent breach at FAA last month.

Mr. LATHAM. Did you wonder if the Department is putting enough emphasis on the issue? I see that they no longer have a designated senior official responsible for managing the information security program because that official was reassigned to Operations, apparently. You state that the chief information office has only issued a final policy on 11 of 52 topics that require IT security policy.

Mr. SCOVEL. Right.

Mr. LATHAM. Is there anybody actually minding the store there? It does not look like there is the emphasis it should be.

Mr. SCOVEL. Right. The Department suffered over the last couple of years when it comes to information security, and our annual FISMA report last year really called them to task for that.

I know it had the attention of Secretary Peters last year and the deputy secretary as well, and it was one of the highlights from us to Secretary LaHood when he was coming in.

The Department, as you know, does not now have an approved CIO, so we have an acting official in that capacity, as we do in a number of other key roles in the Department.

Mr. LATHAM. But that has nothing to do with the transition, as far as the administration.

Mr. SCOVEL. No, it does not. What we highlighted last year in our FISMA report was an ongoing problem, and when it comes time for the Department to get its grade from Congress, it probably will not be good this year.

Mr. LATHAM. Thank you, Mr. Chairman.

Mr. OLVER. Mr. Pastor.

Mr. PASTOR. If you hear us with great concern about air safety, it is because we are on a plane twice a week, so, for us, it is very important.

During the hearings with the FAA, we were told, and I think we have been told for the last three years, about the great number of air traffic controllers who are retiring, and this Committee, through the Chairman and Ranking Member, has been providing more money so that we can go out and recruit and get people into training.

What is the balance, in terms of the retirement, and where are we on the recruitment so that we will not find ourselves short?

Mr. SCOVEL. I can comment on that, Mr. Pastor. We have done extensive work on that in my office.

You are absolutely correct. Air traffic controllers are retiring in large numbers. These are the controllers who were first hired after the 1981 PATCO strike.

Since 2004, about 5,000 controllers have left the Service, not all of them due to retirement; others simply due to more routine attrition, but large number of them were retirees.

To its credit, FAA has managed to hire up to fill those gaps, and, in fact, today, FAA has on its air traffic controller rolls more controllers than it did four or five years ago. What has changed, though, is the experience level across the workforce. In 2004, 15 percent of the controllers on the rolls were new. Today, it is 26 percent.

A rule-of-thumb in the field in air traffic control is they can accommodate generally at most facilities a rookie level of about 25 percent. That means they can train them up at the facility level in fairly good confidence. Above that, it gets dicier. My office has studied a number of air traffic control facilities. Some are upwards of 40 percent in terms of the number of new controllers assigned to those facilities.

It is a worrisome point because of the extensive training that is required when a new controller reports to a facility in order to bring him or her up to the certified professional controller level, and that entire process can take up to three years.

Ms. SIGGERUD. Mr. Pastor, our analysis is very much in agreement with what Mr. Scovel said, and we have actually characterized FAA as being ahead of the curve, in terms of hiring up and staffing up to deal with the situation.

Mr. SCOVEL. We are ahead of the curve, but by being ahead of the curve in the facilities themselves, we may be, in terms of training and experience, at more risk. I will put it that way.

Ms. SIGGERUD. Right.

Mr. PASTOR. What is your assessment? As I understand, you have a decentralized system of training. You have various facilities, and at least, in my opinion, it may lead to unequal training, stressing different priorities.

Now, what is your assessment of the current training, and is the decentralization something that we ought to look at, or is it working well?

Mr. SCOVEL. We are looking at that, at the request of Chairman Costello on the House Aviation Subcommittee, and we will have a report on that later this year.

A certain extent of decentralization is necessary because facility-to-facility conditions change, and requirements change, and the controller workforce at each facility needs to be trained to the local conditions.

We have recommended, based on our past work, that FAA pay closer attention to lessons that can be applied nationwide across the entire air traffic control facility body, but we will be taking a look further to see whether FAA has attempted to implement that recommendation.

Mr. PASTOR. I guess you are using simulators more than they did in the past. Have you had a chance to evaluate that?

Mr. SCOVEL. We have, and it is part of our ongoing work as well. Simulators have been in use fairly extensively for the en route centers and for the TRACONs for a number of years and successfully. What is new for FAA most recently is the use of simulators for the tower facilities. FAA and the controllers that we have spoken to are enthusiastic about the success of that program. We are taking a close look at it, but we think it holds great promise.

Mr. PASTOR. As I recall, and maybe you can correct me if I am wrong, but, as I recall, the contract that was negotiated with FAA and the air traffic controllers was a two-tiered system where basically the benefits and salaries of the experienced controllers that were in place were one way, as the new recruits come in and are put in the towers, or TRACONs, that they had differential pay, meaning that it was less, and also a difference in benefits and retirement, et cetera. So there is a two-tiered system.

Have you had a chance to evaluate how effective that has been or how ineffective that has been?

Mr. SCOVEL. We have, and we are, of course, aware of the most recent contract work arrangements provisions for a two-tiered system, but we have not been asked, and we have not been able to undertake any kind of study of its effectiveness, in terms of perhaps recruiting or retention.

We do know, from talking to controllers, that the state of the contract is a matter of great concern to them. Some have indicated that that is a primary reason for the large number of retirements. We have found that controllers anecdotally have told us, in some cases, it is a reason. We could not peg it certainly as the prime reason. There are just so many individual reasons why controllers do retire.

Mr. PASTOR. That seems to be one that pops up and gets your attention.

Mr. SCOVEL. It does, in terms of their satisfaction with the general work quality environment.

Mr. PASTOR. Thank you, Mr. Chairman.

Mr. OLVER. Mr. Berry? It was my intent to ask one more round of questions.

Mr. BERRY. Thank you, Mr. Chairman. Can you tell us where those centers are that had 40 percent new people?

Mr. SCOVEL. Mr. Berry, I was thinking specifically of the Southern California TRACON. I am also aware of at least one other that has upwards of 40 percent. I can get you the list, as we have it, based on our current work after the hearing.

Mr. BERRY. That would be someplace Mr. Pastor and I would not want to go.

Mr. SCOVEL. [Laughter.] I understand.

Mr. BERRY. Thank you.

Mr. SCOVEL. Sure.

Mr. BERRY. Thank you, Mr. Chairman. The question is very important.

MARAD

Mr. OLVER. Kate Siggerud, I want to cover one item here.

Last April, I and the former ranking member, Mr. Knollenberg, along with the chair and ranking member from the Senate, wrote a letter to the GAO asking you to do an audit of past and present financial practices at the U.S. Merchant Marine Academy, which came after MARAD's acknowledgement of some troubling financial practices there.

That final audit, my understanding is, it is supposed to be done within the next month or so, sometime next month. That gives about six weeks or so, to the end of that time.

Is there anything you can tell us about that review, at this point, about any of the key findings of the audit, and do you find that there has been an Antideficiency Act violation in the process? Are we on target for the actual release of that report on time?

Ms. SIGGERUD. Our accounting division in GAO has put a lot of work into that project, and what they have told me is that you can anticipate a mid-April report on this topic.

I can give you a high-level overview of what they have found so far, and there are some significant concerns. Specifically, they have identified significant internal control weaknesses at the academy and some inappropriate activities between the academy and its affiliated organizations. In particular, this had to do with parking funds in inappropriate accounts at the end of fiscal years and those sorts of activities.

The report will cover a couple of things: academy policies and procedures, as well as oversight that MARAD has conducted, and, as well, it will highlight selected activities and expenditures that we viewed as problematic.

We have reached out and made senior MARAD and academy officials aware of some of these issues and are starting to see some action on them.

Mr. OLVER. But you are not, at this moment, ready to say that there is or is not an antideficiency violation?

Ms. SIGGERUD. I would like to get back to you, for the record, after we talk to our accountants on that. What they have told me is significant internal control weaknesses.

Mr. OLVER. And you think the report is still on track.

Ms. SIGGERUD. Absolutely.

Mr. OLVER. All right. Well, we will expect that.

You were, at least, aware of this program, though I think the audit was certainly being done there. Do you have anything to add to that, Mr. Scovel?

Mr. SCOVEL. Thank you, Mr. Olver. I do. As you know, the IG is responsible for auditing the Department's financial statements each year. In 2007 and 2008, we identified the payrolls at the Merchant Marine Academy as potential ADA violations.

The Department, last year, undertook a study of that, a review. That was underway at the time GAO was asked to conduct its audit.

I was informed, last night and this morning, that the Department has determined that there were, in fact, three Antideficiency Act violations, and the secretary, I am informed, has signed a letter to OMB to that effect.

Mr. OLVER. I see. I see. Well, of course, what the penalty is for that, whether it is hanging or something else, I do not know, but if the corrections are made, that is, of course, important.

I thank you for that. We will follow up when we hear more about that.

This has been a very good hearing. I am very pleased that you were able to join us today. We have had at least two rounds of questions from everybody who wished to have two rounds of questions, and I thank you very much for being here, and, with that, we will declare the hearing closed. Thank you very much.

THURSDAY, MARCH 12, 2009.

TRANSPORTATION CHALLENGES OF RURAL AMERICA

WITNESSES

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OPENING REMARKS OF CHAIRMAN OLVER

Mr. OLVER. This hearing will come to order.

I have found the written testimony that you testifiers have provided extremely interesting, and I must say that it has made my mind—I could hardly sleep last night—the mind was working.

In any case, I am expecting we will have a very interesting discussion.

There are about five or six other Subcommittees of Appropriations that are holding hearings at the same time. Earlier this week, there was a time when 10 of the 12, I think, were all running at the same time. It makes things very difficult. So we will have people coming in and out, as others of their responsibilities take them elsewhere.

I thank you very much for being here. Today's hearing will focus on the transportation challenges facing rural America, and I think, from the discussions, it would be fair to say that much of rural America is in, or close to, crisis at the present time.

According to the Census Bureau, 21 percent of the U.S. population lives in rural areas. That comes to some 60 million people.

Now, two years ago, my staff and I prepared this map that is shown here on your right to illustrate the disparate growth between the urban areas and the rural areas, the swiftly growing green areas, and the pink is not all of the rural areas, but it is the areas, the counties, that are actually losing population, have lost population, between the 1990 and the 2000 Census. That map is actually the genesis for today's hearing and discussion of the transportation challenges facing rural America.

Those rural counties, as they lose population, are aging, and that is likely to result in a steeper drop in population in the next census, which is only a year and a half or so from now, as people of child-bearing age move, migrate, in order to get to opportunities, to education, to better medical services, and so forth. So that is why I suggested we may be close to crisis.

Every Member on this side has communities and counties that are losing. We have two Texas Members, and if you look at the map and realize where New Mexico ends and Texas starts, there is a lot of territory there that is losing population. If you look up farther north, we have Dr. Fruin here, who comes from Minnesota, and if you take Minnesota, you will note that some of that territory is in southwestern Minnesota, and it is dramatically in the States of Iowa and South Dakota and North Dakota. My Ranking Member is from Iowa.

So it affects all of us. Even I have areas. We do not have strong counties in Massachusetts, so we go by communities. I have lots of communities that are losing population in particular areas.

In North Dakota, there are 53 counties; 47 of them lost population between the last two censuses, and 40 of those that lost population, counties with 1,000 square miles, have fewer than 10,000 people, and they are probably going to lose some more.

Iowa, my colleague's home state; nearly half of its counties have lost population in the same census, and the same thing is likely to go on there. Not so many of them are under 10,000 in total; only about 20 of them are under 10,000. So that sort of is a backdrop.

Our topic is really the transportation issue, but it goes much more broadly, as you, who will be speaking to us shortly, have already indicated in your testimony. Rural transportation needs are often overshadowed by the transportation and mobility challenges in metropolitan areas, yet the rural areas also face unique transportation and mobility challenges that should not be overlooked by policymakers.

Out of the 2.9 million miles of public roads classified as rural, less than 25 percent of these rural road miles are on federal-aid highway systems and, therefore, eligible for federal resources. Access to public transit within and across county lines; bus or rail service to metropolitan areas; and air service is also limited in most rural counties.

While the vast majority of rural residents rely on cars to commute to work or school, some rely on public transportation where available, and where it is not available, they rely on Shank's mare or family and friends for where they need to get to.

So, today, there is a handful of major federal programs that improve rural transportation access within federal highways. Urban and rural roadways and bridges compete for resources under the Federal-aid Highway program.

The Federal Rural Transit Formula program provides transit capital and operating assistance to communities with fewer than 50,000 people. Within that program, states are required to spend at least 15 percent of their formula funds for rural intercity bus services access, but that is waivable, it turns out.

The Essential Air Service was created after airline deregulation, in 1978, to preserve air service into small airports in rural and small urban areas. The program provides assistance to more than 100 communities in the Lower 48 States and more than 40 communities in Alaska. Alaska is a bit of its own story.

Regional airlines serve more than 600 airports across the nation and provide the only scheduled air service to 470-plus airports, and the general aviation community, while not scheduled, serves thousands of other small and rural communities. Each of these providers is essential to our national transportation network and critical to our ability to move people and goods to communities of all sizes.

Now, our panelists today have a range of experiences using federal and state programs to provide transportation in rural areas or, in the case of Professor Fruin, someone who has done extensive research on rural issues and rural transportation. I hope that they will share with us what they see as major transportation challenges in rural America, and I am sure they are going to tie it to other matters that are part of the rural scene and the crisis that I say that we are at or near in those areas.

Let me introduce the panel. Dr. Jerry Fruin, on my left and the audience's right, is an associate professor of applied economics at the University of Minnesota and has written extensively on the broader, road-related challenges in rural communities.

Ms. Faye Malarkey is vice president of legislative affairs of the Regional Airline Association and has experience with the Essential Air Service program.

Dale Marsico is the executive director of the Community Transportation Association of America, also known as 'CTAA,' and, through their member organizations, they are expanding mobility and transit options for people in rural and urban America, but they think deeply about a lot of other issues related to rural America.

Bob Schwarz is the executive vice president of Peter Pan Bus Lines, which provides intercity bus service throughout the Northeast.

With that, with the introductions, let me recognize my Ranking Member, Tom Latham, for any comments that he would like to make.

OPENING REMARKS OF RANKING MEMBER LATHAM

Mr. LATHAM. Thank you, Mr. Chairman; I appreciate your having the map up here to show the changing demographics that we have in rural America today.

In my district, I have 28 total counties, some of which are losing population. The elderly population is increasing, percentage-wise, quite dramatically, but I also have what could be considered to be rural counties that are some of the fastest-growing counties in the country. Dallas County, just west of Des Moines, was number 10 in the nation, as far as growth.

So we have got a real problem, as far as trying to figure out the best way to look at both the change in demographics, as far as decrease in population, but also in more rural areas where there is actually some growth going on, and to balance those needs. I think, as you point out, it is extremely important.

I, too, want to welcome the panel here this morning and look forward to your testimony. I am particularly pleased to see that my part of the country is represented here, with Dr. Fruin from Minnesota. We can get into some Iowa-Minnesota jokes, if you would like. We have a history of doing that, as Deena from Minnesota here will attest to, but I think you can speak to the unique transportation needs, certainly, that we have in rural America.

Throughout this hearing and, I think, other forums that we will have in the Subcommittee, I hope that we really are focused on the needs of my rural constituents in areas such as the safety of rural roads, the efficient movement of agricultural products, including the renewable products, which are offering such an economic boost to rural America, and the importance of maintaining the vast road structures that we have today in rural America.

The State of Iowa is number 12 in the country in terms of the size of the road system. You may not believe that, but we have market-to-market roads. Every four miles, we have hard-surface roads in the State of Iowa. It is a pretty incredible system that is needed to get products from point to point, including the intermodal transfer areas, on points from which we need to ship not only within the state, and to other parts of the country, but internationally. So our needs are really a lot different than the more urban areas, and we have got to take that into consideration, I think, in the reauthorization of the new highway bill and looking at funding levels.

On the rail side we really need to focus on the needs of states like Iowa, agricultural states, where we have got to maintain the connectivity. The short-line rail infrastructure is extraordinarily important to us for the smaller communities, as far as economic growth.

I am the youngest of five boys, and when we were 10 years old, we each got a bicycle, and I remember, when I was 10 years old, that my bicycle was delivered in Alexander, Iowa, in a town of 160 people on the rail. We would buy from Montgomery Ward through mail order.

Certainly, that system has been gone for a long, long time. There is no rail service there, and the whole thing has changed, but the change that has occurred in my lifetime is amazing.

In aviation, certainly, we need to continue a dialogue. The importance of the rural airports, the small airports, general aviation—all very important, as far as attracting businesses and growth in those smaller communities. At the same time, we need to make sure that we are fiscally responsible, as far as what we do in aiding the rural areas.

I look forward to this hearing, Mr. Chairman. Thank you.

Mr. OLVER. I hope I do not have to referee between Iowa and Minnesota.

I do want to point out that, the current authorization bill, the SAFETEA–LU Authorization Bill, I was the author of an amendment, which was to be a three-part pilot program to put broadband down three different interstate highway rights-of-ways, one in your area being Route 90 westward from Madison all the way across South Dakota. That was supposed to go close enough to the Iowa line so that the build-out, by way of cell towers or something like that, from fiber optics that would be laid down the interstate right-of-way was supposed to help either of them. I do not know whether that has moved forward. I know some studies have been done about it, in the meantime.

Anyway, I think I have mispronounced your name previously.

Mr. FRUIN. It is Fruin.

Mr. OLVER. It is Fruin.

Mr. FRUIN. It is Fruin.

Mr. OLVER. Okay. I thought it was perfectly reasonable. I thought that Tom knew something better when he said 'Freun.' That was what I heard, in any case, so I was going to correct myself.

In any case, now to our panel. Your complete written statements will be placed in the record, including, I think, each of you may have some glossy booklets or whatever that you want to put in the record. If you could keep your oral summary to around five minutes, then we will have a better discussion up here.

So, with that, Dr. Fruin.

OPENING REMARKS OF DR. FRUIN

Mr. FRUIN. Thank you. Mr. Chairman and Members of the Subcommittee, thanks for inviting me here to this hearing. I am Jerry Fruin. I am an associate professor of marketing, transportation, and logistics in the Applied Economics Department at the University of Minnesota. I have been studying these agricultural and rural transportation issues since 1975. My comments and opinions expressed here today are my own and do not represent an official position of the University of Minnesota.

I want to cover, in this five minutes, if I can, six topics: first, the rural roads and rural road financing; a little bit about the effects of ethanol; something about the financial needs of the regional railroads and the need for container service throughout the rural areas; concern about the monopoly returns to the Class 1 railroads in some of the areas; and, finally, finishing transportation deregulation, and a little bit on the importance of water transportation for rural America.

Rural roads. Because of the advances in technology, rural residents need better and safer rural roads. Because of the faster speeds of vehicles, there is a need for wider roads and safer intersections.

Some of our roads today do not meet reasonable standards for today's use; other roads are adequate but will deteriorate if funds are not available for the required maintenance.

A little bit about the reasons:

First, the number and mileage of rural roads in some areas is excessive. Technological advances in transportation, agriculture, and related industries have eliminated the need for many roads, but habits, customs, and institutions have hindered the rationalization of this rural road system.

Secondly, the traditional methods of funding rural roads and all roads have not kept up with inflation and the new demands, especially as programs to reduce gasoline consumption become effective.

The traditional sources of highway funding have been gasoline taxes, vehicle operator license, and general taxation in rural areas, especially the property tax.

As technology evolves, I know that road funding sources should include vehicle mileage taxes that would place hybrid, biofuel, and electric autos on the same basis as conventional gasoline vehicles.

I am an advocate of congestion pricing, but that will not help the rural counties very much. On the other hand, I think, in the long run, it should be possible for commercial vehicles to develop weight, distance or ton-mile fees that we can use for truck user fees, and, in fact, the truck user fees should probably be able to be varied depending on road surface so that the appropriate agency can be reimbursed for road damage by the various-sized vehicles.

And I might mention that, in the railroad system, we should be very careful about connectivity. In the 1980s, after the increase in truck weight limits on the federal highway road system from 73,000 pounds to 80,000 pounds, Minnesota made a commitment that all Minnesota towns would be served by at least one highway with an 80,000-pound road outlet. Meeting this commitment was then a priority of the Minnesota DOT and was accomplished.

Now, I expect that the favorable economics of larger, heavier trucks, and the heavier weight limits allowed in both Canada and Mexico, will eventually lead to regulations allowing heavier vehicles on the U.S. truck highway system. When that happens, we will need to carefully design the rural road network so that communities will continue to have year-round access to whatever that newer weight system is.

Ethanol. Corn ethanol and biodiesel had the advantage of fitting into the existing agricultural transportation system. Most, if not all, corn ethanol plants have been sited with adequate transportation, both in and out, although some of the earlier plants lack good access to rail service.

The additional transportation needs were primarily for handling liquids; that is, tank trucks, tank cars, and so forth, liquid barges, and, in the near future, pipelines. But there have been changes in the pattern of corn shipments from farm to market. These were probably no greater than those we go through when farmers shift from a local elevator to a more distant, unit-train loading terminal.

However, there is a big difference here. When we switched from a local movement to ethanol plants, the benefits stay in the community. When we are forced to haul grain long distances to the unit-train facilities, the benefits accrue primarily to the railroads and not the local community.

Cellulosic ethanol. Biomass feedstocks for cellulosic ethanol will present transportation problems. Feedstocks such as wood chips and dry land grasses will have to be hauled from areas that frequently lack adequate farm-to-market roads. Even where adequate roads exist, many potential feedstocks are light, or less dense, than corn and soybeans. An efficient collection system will require larger vehicles, which will increase road hazards and have a safety impact on rural roads.

Something about the financial needs of the regional railroads: The current system of short-line railroads is composed of discarded branch lines that were uneconomic. The equipment on the short lines was obtained and inherited from the older things and were obsolete at the time. Many of these railroads have not been able to generate the funds needed for further rehabilitation, for faster speeds, and the replacement of aging and obsolete bridges. Many of the short lines need funds to obtain more modern equipment, like jumbo hopper cars, to get favorable rates from Class 1 railroads.

We should also do away with the paper barriers that tie the branch lines to their original parent railroad. A road should be allowed to exchange traffic with any railroad and not just the one it came from. Twenty years of servitude to the old master is too long.

Mr. OLVER. May I? I was a professor at one time, and I am still sort of—but you need to spend not more than a minute or so on each of your last three items, on each of them.

Mr. FRUIN. Okay. Containers. We need container yards in rural areas. The mainline railroads have closed the rural container yards, and we need the containers.

Capitalism and monopoly returns to railroads. A portion of the mainline railroads' capital return is not unique technology management but the monopoly ownership of the lines. I do not advocate reregulating, but captive shippers should be protected, one way or another, including the possibility of allowing access by sophisticated shippers to the lines.

Deregulating transportation. Finally, "economic deregulation" means allowing the free entry of firms into a business and the freedom to set prices. We think that free entry and the freedom to set prices will allow competition to keep prices in line. We do not look at economic deregulation as having anything to do with the states' need to set safety issues and things like that.

Finally, water transportation. Any survey of agricultural and rural transportation would be remiss if it did not include water transportation. The majority of U.S. corn and soybean exports are barged down the Mississippi River. The Great Lakes and St. Lawrence Seaway connect the corn and wheat belts and the industrial heartland with the Atlantic community.

Water transportation is the lowest-cost, safest, and most energy efficient, and environmentally friendly method of moving large quantities of bulk commodities.

In my opinion, we are underinvesting in our nation's waterways, thereby contributing to transportation logistical inefficiencies, both in rural America and in the U.S. economy.

So thank you, and I will answer questions you may have.

[The information follows:]

ISSUES IN RURAL TRANSPORTATION

Statement presented Mar 12 2009 at the

"Transportation Challenges of Rural America."

Hearing of the Transportation and Housing and Urban Development

Subcommittee of the Committee on Appropriations

Mr. Chairman and Members of the Subcommittee, thank you for inviting me to this hearing. My name is Jerry Fruin. I am an Associate Professor of Marketing, Transportation, and Logistics in the Applied Economics Department, a Center for Transportation Studies Faculty Scholar, and an Extension Specialist in Marketing and Logistics, at the University of Minnesota. I have been studying agricultural and rural transportation issues since 1975. My comments and opinions expressed here today are my own and do not represent an official position of the University of Minnesota. I have provided the Committee staff with a copy of my curriculum vitae.

IMPORTANCE OF RURAL TRANSPORTATION

An adequate transportation system is essential for the economic and social well-being of the rural population of the U.S. The typical rural family relies on the transportation system for communications locally, with regional service centers, and with rest of the nation. Children are bused to school on a daily basis. Agricultural commodities are shipped to local, national and world markets, farm supplies are delivered, and repair parts, groceries, and household supplies are required constantly. Many rural families have one or more members who commute to factory or service jobs as regularly as families who live in the cities. It is neither possible nor desirable for rural families to live in isolation in the country. Rural America depends on transportation to stay in the mainstream of economic activity and social development.

RURAL ROADS

As a result of advances in technology, rural residents need and demand better and safer rural roads. Faster speeds of passenger vehicles require smoother road surfaces for easy control and wider roads and intersections for safety. School buses and milk trucks require year round accessibility. All vehicles, from autos to semis, require well maintained roadbeds and adequate bridges. Some of our rural roads do not meet reasonable standards for today's use. Other roads are now adequate but will deteriorate if funds are not available for required maintenance. In many areas funds for maintenance and new construction are decreasing, or at least not increasing fast enough to keep up new demands or inflation. These are symptoms, not causes, of rural road problems.

To find solutions it is necessary to look beyond the symptoms to the causes. Broadly speaking, basic reasons for these problems are:

1. The number and mileage of rural roads in some areas is excessive. Technological

advances in transportation, agriculture, and related industries have eliminated the need for many roads but habit, customs, and institutions have hindered the rationalization of the rural road network.

2. The traditional methods of funding rural roads are incapable have not kept up with inflation and new demands -- especially as programs to reduce gasoline consumption become more effective. This situation has been aggravated in higher standards for road capacity and safety due to the increased size and specialization of trucks and the higher speeds of modern automobile that has gradually increased the construction and maintenance costs per mile of road.
3. Regulations and policies affecting rural roads are made at all levels of government to accomplish a multitude of objectives ranging from weed control to national defense. These policies are seldom optimal, can conflict and often work at cross purposes.

The impacts of these three causes are not necessarily independent or limited to rural roads but should be considered when forming rural transportation policy.

1. <u>The Number of Rural Roads</u>

In some areas, there are just too many rural roads. The situation is analogous to that of the railroad industry prior to deregulation when one of the major causes of the financial problems of railroads was an overabundance of low density branch lines that had been built to provide transport throughout the countryside prior to the development of motor trucks. The rural road system also was generally in place before the development of motor vehicles. The network of roads at one mile intervals in most farming areas in the Midwest was developed for horse and buggy transportation. When the roads were initially laid out they were narrow and required little land. If the Midwest were virgin territory being settled today, the rural road system would be designed for larger farms and motorized transportation. It would be reasonable to place roads at least two miles apart so that "sections" would consist of at least four square miles. This would allow more accessibility to 1000 acre farmsteads as one mile intervals allow to 160 acre farmsteads but would require only one-half of the road mileage. Farmland per square mile would be increased by 4 acres if the eliminated roads had the minimum 33 foot right of way. The maximum that one-way distances would increase under such a system is two miles or 2 to 6 minutes driving time depending on the type of vehicle. This contrasts with the fact that a horse and wagon would generally take 20-30 minutes for an extra two miles.

A major cost of any transportation system is the opportunity cost of the resources committed to that system. These resources include the land required for the roadbed and right of way, the capital costs of physical structures such as bridges, culverts and road structure, and the capital goods committed to annual maintenance of the road.

The solution for those areas with excess road mileage is obvious, although the method may not be. The number of rural roads should be reduced. This would return valuable farm land to production, reduce current expense on roadway maintenance, and require fewer expensive structures like bridges, culverts, and railroad crossings to be maintained and eventually upgraded or replaced. Safety would be improved as hazardous areas such as intersections and railroad crossings are reduced.

To obtain these benefits, local officials must determine the road requirements necessary to provide reasonable access and convenience and develop systematic plans to reduce their road network to that level. Such plans should consider current and prospective traffic patterns, homestead and business locations, and the design and condition of roadbeds. Other considerations include the age, condition, and weight or size restrictions on bridges and viaducts, as well as road safety hazards, and the costs and problems of converting roads to alternative uses.

Adequate access must be furnished to existing homes and business not on the final road system. This could be done by providing and maintaining private drives at public expense to existing structures as long as residences or businesses remain and by providing easements over the to-be-abandoned roadways to any unoccupied parcel that would become land locked. Rights to public maintenance would end when the existing use was terminated. A change in property use that required an increase in maintenance expense would be allowed only if the property owner relinquished his rights to public maintenance. In some cases it might be necessary to make compensatory payments to injured landowners. It might be advantageous to build some new roads in order to eliminate poorly located existing roads.

2. Financing Rural Roads

The traditional sources of highway funding are gasoline taxes; vehicle and operator licenses; and general taxation, primarily the property tax. The situation varies from state to state, but local roads in Minnesota supported by property or other local taxes except for our important system of "county state aid "roads. The state constitution provides that this system receives a portion of the state "Highway Trust Fund" which consists of state and federal gasoline taxes, license fees and a percentage of the sales tax on automobiles.

Highway oriented fees and taxes, such as drivers' licenses and auto and truck licenses, are usually stated in fixed dollar amounts and are increased only by legislative action. Attempts to obtain significant increases generally meet fierce opposition and lobbying from the affected user groups (who generally are also the primary beneficiaries of road and high-way expenditures).

As technology evolves, I think that road funding sources should include vehicle mileage taxes that would place hybrid, biofueled and electric autos on the same basis as conventional gasoline vehicles. (I am also an advocate of congestion pricing but that isn't much of a solution for rural counties.) For commercial vehicles weight distance or ton-mile fees should be instituted. In the long run it should be possible to develop systems to vary charges so that truck fees can be varied depending on pavement strength with the appropriate agency being reimbursed for pavement wear.

3. Policies Toward Rural Roads and Rural Transportation

Because of the many jurisdictions involved at all levels of government and because of the multiple funding sources, conflicts arise about the objectives of the rural road system and how they should be achieved. In addition, coordination between levels of government and adjacent jurisdictions is often lacking. A common example of this lack of coordination is network discontinuities, such as a 9-ton all weather road connecting with a 5-ton road at a county or township line.

Other examples are less obvious. For instance stringent construction, safety or even funding requirements imposed by higher level governments can limit the options of local governments, causing the construction of fewer roads and bridges than would be possible under more flexible conditions. For example, it may be necessary for a county to replace a structurally sound but low clearance bridge in order to receive state aid when rebuilding a road. This might be the result of state policy aimed at upgrading all state aid roads to given standards, such as those established for the federal system. This objective, however, might conflict with the need of the county to overlay many miles of deteriorating roads which have bridges with adequate clearance or with the need to replace an unsafe bridge on a good road. Construction decisions requiring large capital outlays such as bridges, right-of-way purchases, and upgrading roadbeds should be made by conscious decision and not imposed by regulations.

At the local level, regulations pertaining to road weight limits and their enforcement may not be effective in getting the maximum use out of the roads. It is necessary to haul dense commodities such as grain, milk and fertilizer over our rural roads. Recognizing this, any vehicle is allowed to travel on rural roads as long as it meets basic axle weight and total weight restrictions. It might be better if heavy vehicles were more closely controlled on rural roads with respect to weight, type, and possibly even purpose. For example, one way to compare the potential damage caused by different vehicle sizes, axle configurations, or load limits is to compute the cumulative number of "axle stress units" used to move a given tonnage of a commodity. Using this method it can be shown that transporting a given quantity of grain with larger vehicles with more axles will do less damage to flexible pavements than hauling the same amount of grain in than conventional 3 axle semi-trucks.

Roads can deteriorate from weathering as well as from use. A bituminous roadway's lifespan is limited even if the road is never used, so being too restrictive also can be futile. On the other hand, a road receives little permanent damage from moderate overloads provided that it occurs infrequently. In some cases the best strategy might be relatively low load limits with a permit system that allowed the judicious movement of overweight loads.

4. Connectivity

In the 1980's, after the increase in truck weight limits on the federal highway road system from 73,000 pounds to 80,000 pounds Minnesota made a commitment that all Minnesota towns would be served by at least one highway with an 80,000 pound limit. Meeting this commitment by upgrading highways into the small towns was a priority of the Minnesota DOT and was accomplished sooner than I expected.

Now, I expect that the favorable economics of larger, heavier trucks and the heavier weight limits allowed in both Canada and Mexico will lead to regulations allowing heavier vehicles on the US trunk highways system. There will again be a need to carefully the rural network so that as many communities as possible have year round access to the national system.

Corn Ethanol

Corn ethanol (and similarly biodiesel) has had the advantage of fitting into the existing agricultural transportation system. Most, if not all, corn ethanol plants have been sited with adequate transportation both in and out although some of the earlier plants lack direct access to rail service. In Minnesota, some plants might have required a mile or two of new or expanded highways and turnouts etc. The additional transportation needs have been capacity for handling liquids, e.g. tank trucks, tank cars, liquid barges, and in the near future, pipelines. In many cases there have been changes in the pattern of corn shipments from farm to market but these are probably no greater than those we go though when farmers shift from a local elevator to a more distant unit-train loading terminal. Similarly the disposition and marketing of the very important byproduct, distillers dried grains and solubles (DDGS) has changed feed markets and marketing patterns within the existing system.

Cellulosic Ethanol

Biomass feedstocks for cellulosic ethanol will probably present significant transportation problems. Feedstocks such as wood chips and dry land grasses and hay may have to hauled from areas that lack adequate (or any) farm to market roads. Most corn ethanol plants are located in areas with corn surpluses that were routinely shipped to national or international markets. (The exceptions are generally plants that located on railroads in feed deficit areas with favorable rail rates for corn. The strategy for these plants is to locate so they supply both the local ethanol market as will provide the DDGS byproduct to nearby feedlots.)

The optimal location for a cellulosic biomass plant using feedstocks other than agricultural residue (corn cobs, stover, straw etc.) will often be in areas with few roads. Even where adequate roads exist, one problem is that many potential feedstocks are lighter or less dense than corn and soybeans. This means an efficient collection system will require larger vehicles. Under most scenarios this will increase hazards and impact safety on the affected routes.

Financial Needs of Short line/Regional Railroads

There is a need to provide financial aid to many of our rural railroads.

The current system of short line or region railroads is composed primarily of "discarded" branch lines that were not uneconomic when the major railroads rationalized their systems after deregulation. The equipment that the short lines obtained or inherited was generally older and nearing retirement. The roadbeds frequently required substantial rehabilitation. This was frequently in the form of state and federal subsidies and shipper aid and guarantees. Many of these rural railroads have not been able to generate the funds needed for the further rehabilitation needed for faster speeds and the placement of aging and/or obsolete bridges.

In addition, some of the short line roads need to obtain newer or more modern equipment such as jumbo hopper cares and ethanol tank cars to be able to obtain favorable rates from the Class 1's for their shippers.

Rural Container Intermodal Transfer Facilities and Container Supply

There is a need to establish intermodal container transfer facilities in rural areas –probably on the regional railroads. The economies of scale in intermodal transfer yards required by Class 1 railroads have caused the closure of many transfer yards in rural areas. Containers may be trucked several hundred miles to the nearest mainline transfer yard. There is growing demand for identity preserved grains and other agricultural and rural products that are shipped in containers that should utilize the rail system as soon as possible.

Capitalism and Monopoly Rates of Return on Railroad Capital

My understanding of our system of democratic capitalism is that we rely on individual and organizational skills and initiative to innovate with new products or technologies to improve societal wellbeing. In return, the firm and/or innovator is rewarded for a period of time with profits and financial rewards. This is just and provides the incentives for innovation and risk taking. In the long run, however, in mature industries, competition from other firms will push the returns down to where they provide an appropriate return to the organization's capital and

management but not much more.
A portion of the returns to mainline railroads is not due any unique technology or management skills but their monopoly ownership of legacy routes. Public policy should ensure that these returns from these routes are reasonable and not allow the exploitation of captive shippers. I am not advocating re-regulation but stating that captive shippers should be protected where there is no effective competition. One possibility- as track management technology evolves- is to establish "open access" procedures where sophisticated shippers could run their own trains on the tracks of Class1 railroads and reimburse the Class 1 railroad suitable amount for track maintenance expenses.

Finish Deregulating Transportation

When economists refer to deregulation we typically mean economic deregulation that is allowing free entry of firms into a business and the freedom set prices. We generally expect that the state will still issue permits or licenses and set rules for safety, insurance, limits on hours of work, vehicle inspection and so forth. Free entry means that licenses or permits are granted to all applicants who are fit, willing, and able to perform the duties implied in the request. The fit, willing, and able standard should replace the depression era public convenience and necessity standards. These are adversarial and allow existing firms to protest and attempt to stop new entrants and new services as they are proposed. With freedom of entry and freedom to set prices, economists expect that competition will be able keep prices in line.
In Minnesota in the past two years we have deregulated taxicab service in Minneapolis and the intrastate movement of household goods statewide. Both industries had relied on adversarial public convenience and necessity hearings to keep out new entrants and innovative services. The value of a taxicab license in Minneapolis prior to allowing new entrants was about $25,000 per cab. This meant that one way or another, in addition to covering expenses and wages to the driver, fares had to provide a market return on a $25,000 investment to the license holder.
The remaining regulation of transportation may not be noticeable problem in rural areas but it does exist through out the nation. Examples are bus or limousine services connecting rural and metro airports and other specialized movements. A Minnesota example was moving pianos intrastate. The only piano mover could not afford the cost of the adverbial hearings to be licensed but was subcontracted to move the valuable pianos by licensed household goods movers. (They could not afford liability and damage insurance coverage for pianos.)

Water Transportation

Any survey of agricultural transportation would be remiss if it did not include water transportation. The majority of US corn and soybean exports are barged down the Mississippi River system along with substantial quantities of DDGS and other agricultural products for export Large quantities of fertilizers and other farm and industrial raw materials are shipped on the river system. The Great Lakes–St Lawrence Seaway system connects the Corn and Wheat Belts and our industrial heartland with the Atlantic Community. We should recognize that water transportation is the generally the lowest cost, safest, most energy efficient, and environmentally friendly method of moving large quantities of bulk commodities. With out going into specifics, it is my opinion that we have been under investing in our nation's waterways thereby contributing to transportation and logistic inefficiencies both to rural America and the US economy.

Mr. OLVER. Thank you. Ms. Malarkey Black.

Ms. MALARKEY BLACK. It makes me feel like a newlywed.

Mr. OLVER. Okay.

OPENING REMARKS OF MS. MALARKEY BLACK

Ms. MALARKEY BLACK. Good morning, Mr. Chairman and Members of the Subcommittee. My name is Faye Malarkey Black, and I represent the Regional Airline Association.

On behalf of RAA, thank you for the opportunity to share our thoughts with you today.

For the past 30 years, regional airlines have played a critical role in our nation's air transportation system, providing safe, efficient, cost-effective, and convenient air service to every corner of the country.

As you noted, today's regional airlines serve more than 600 airports and provide the only source of schedule airline service at just about 75 percent of our nation's commercial airports.

The drastic fuel cost fluctuations of recent years, alongside the severe downturn in our nation's economy, have created a very challenging operating environment for regional airlines. Capacity is down across all segments of the commercial airline industry, yet regional airlines are experiencing the deepest cuts.

In 2008, regional airlines suffered a net loss of 243 nonstop routes. That is compared to a net loss of 101 mainline routes.

The Essential Air Service program, designed to provide continued air service to smaller communities in a deregulated airline market, has been underfunded and, frankly, under attack in recent years. In fact, more than 80 years of air carrier operational experience was lost when EAS providers Air Midwest, Big Sky, and Skyway stopped providing service last year.

Simply put, these airlines were no longer able to tolerate the financial losses forced upon them by EAS program policy. When these carriers shut down, more than 40 EAS airports lost all of their scheduled air service. Although other airlines are stepping in to restore the service as quickly as they can, some of these routes remain without air service today.

As a result of these disruptions, DOT experienced substantial cash savings in 2008. This makes forecasting the EAS budget a complex undertaking. Many of the EAS carriers who went out of business were operating in sizable financial losses. It is just not feasible for replacement carriers to profitably serve the same markets at the same rates.

Significant carrier cost increases further complicate forecasting. In some instances, fuel costs have more than tripled in current DOT rate-making procedures compared to previous years.

These factors are substantially increasing EAS program costs overall. This means Congress must look beyond historic spending levels when projecting current funding needs.

Despite these challenges, EAS carriers remain firmly committed to the program. While we agree with other stakeholders on the need for reform, RAA urges Congress to make only those changes that would truly enhance air service under the program.

To this end, we applaud this Committee for prohibiting troublesome community cost-sharing proposals that have threatened this program in the past.

In order to restore health to the program, RAA urges Congress to implement a number of simple reforms.

First, if the EAS program is to succeed, it needs funding of at least $200 million annually. This represents the absolute minimum funding level necessary just to continue service to current EAS communities. It does not account for newly qualified communities, and it does not allow for expenditures on things like marketing or other programs.

Second, we advocate an increase in the air carrier profit margin allowance from five to 15 percent. This modest adjustment would not represent a windfall to EAS providers but would simply provide insulation against cost fluctuations and reduce instances of service termination notices being filed as the sole means of a carrier's survival. Eliminating these service termination notices would go a long way towards restoring faith in the program.

Third, we urge Congress to increase the per-passenger subsidy cap to $300 and index it for inflation.

Fourth, we advocate lengthening DOT contract life spans from two years to five. Longer contracts help airlines finance aircraft and would stabilize air service, from both the carrier and community perspectives.

Finally, we encourage Congress to embrace the commitment made to communities back in 1978, when it promised they would not lose their air service in a deregulated airline market. I can assure you, you will find the EAS providers to be your engaged and committed partners in this important effort.

Thank you for the opportunity to testify on this important issue today. I look forward to responding to your questions at the conclusion of the panel.

[The information follows:]

RAA
Regional Airline Association

United States House of Representatives
Committee on Appropriations
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

Hearing: Transportation Challenges of Rural America
March 12, 2009

Written Statement of Faye Malarkey Black, Vice President, Legislative Affairs
Regional Airline Association

Good morning Mr. Chairman and Members of the Subcommittee. My name is Faye Malarkey Black and I am here today representing the Regional Airline Association. On behalf of all of RAA's member airlines and industry supply partners, thank you for the opportunity to share our thoughts on rural air service and the Essential Air Service program.

For the past thirty years, regional airlines have played a critical role in our nation's air transportation system, providing safe, efficient, cost-effective and convenient air service to every corner of the country. Today's regional airlines carry approximately 160 million passengers annually, with nearly one in five U.S. domestic passengers traveling on a regional airline. Regional aircraft constitute approximately 40 percent of the nation's commercial passenger airline fleet and regional airlines operate nearly 50 percent of all scheduled airline departures.

Most importantly, regional airlines serve more than 600 airports across the nation and provide the only source of scheduled airline service at 476 of these airports. This means just about 75 percent of our nation's commercial airports receive scheduled air service *exclusively* by regional airlines. While regional airlines provide valuable air service to communities of all sizes, regional airlines are often the only airlines capable of serving small and mid-sized markets efficiently.

The drastic fuel cost fluctuations of recent years, alongside the severe downturn in our nation's economy last year, have created a very challenging operating environment for regional airlines, especially those providing EAS service. To put this into proper perspective, consider that between December 2006 and December 2007, regional airlines added 77 new nonstop markets. In just one year, however, these numbers were turned upside down. As major airlines were forced to make extensive capacity cuts in order to remain viable, regional airline growth has tapered off and the industry is currently contracting. In 2008, regional airlines suffered a net loss of 243 non-stop routes, compared to a net loss of 101 mainline routes.

Capacity is down across all segments of the commercial airline industry, yet regional airlines are experiencing the deepest cuts. The Essential Air Service Program, which was designed to provide continued air service to rural communities, has been under-funded and under attack in recent years. Moreover, the regional airlines that serve EAS communities have struggled through years of financial losses due to program structures and DOT policy.

In fact, more than 80 years of air carrier operational experience was lost in 2008 when EAS providers like Air Midwest, Big Sky and Skyway were lost, simply because these airlines could no longer tolerate the financial losses being forced upon them by EAS program policy and funding levels.

When these carriers shut down, more than forty EAS airports lost all scheduled air service (please see Figure 1). Although other airlines are stepping in to restore service as quickly as possible, some of these routes remain without air service today.

As a result, DOT experienced substantial cash savings in 2008, due to the financially-forced shutdowns of these EAS providers. As a result, forecasting a budget for the EAS program is now a complex undertaking. Because many of the EAS carriers who went out of business were operating at sizable financial losses, DOT must look beyond historic funding levels when projecting current funding needs. It is not feasible, for instance, for replacement carriers to profitably serve markets at the same subsidy rates that failing carriers previously held. Significant carrier cost increases further complicate forecasting; in some instances, fuel costs have more than tripled in current DOT ratemaking procedures compared to previous years.

In addition to the forecasting difficulties caused by departing carriers, the resulting air service disruptions across the country have eroded community confidence in their local air service, which in turn diminishes use of the air service when it is restored. Moreover, substantial recovery of historical traffic levels cannot be expected when hub connectivity has been dramatically reduced due to mainline airline capacity reductions. The rapid decline in consumer air travel spending is also adding tremendous risk in community revenue forecasting. Inherently, these revenue and cost changes are substantially increasing overall EAS program costs. We therefore urge lawmakers to take these factors into account when determining a budget for the program.

Despite these challenges, the EAS specialty carriers among RAA's membership remain firmly committed to the program. While all EAS stakeholders agree on the need for reform, RAA urges Congress to make only those changes to the program that would truly improve air service and restore health to the program. RAA does not believe it is appropriate, for instance, to require EAS providers to establish joint fares beyond the hub airport. Aside from the regulatory issues in play under joint fares, EAS carriers simply do not have the ability to set through-fares. On the other hand, we applaud this Committee for its work in prohibiting the troublesome community cost-sharing proposals that have threatened this program in the past.

Specific Recommendations

In order to make vital changes that will restore health to the EAS system, RAA urges Congress to implement the following program improvements:

1) Increase overall program funding by retaining the current standing appropriation of $50 million and authorizing and appropriating an additional $150 million, bringing total program funding to $200 million. If this program is truly to succeed, Congress must authorize and appropriate at least $200 million annually for basic program continuity. $200 million represents the absolute minimum funding level necessary to continue service to those EAS communities currently receiving service. Funding EAS at this level does not account for new communities that may potentially qualify for EAS subsidy and does not allow for expenditures on marketing or other programs. It does, however, allow carriers to continue providing service to communities currently on the EAS program roles.

2) Amend the carrier profit allowance from a margin of five percent to a margin of 15 percent. This would allow carriers to weather cost fluctuations, which are often significant, over the lifetime of a contract. This modest upward adjustment would not represent a windfall to EAS providers but rather, would simply provide direly-needed insulation against cost fluctuations, which can erase profitability and lead to great losses over the lifespan of a contract. Such an increase in the profit margin would reduce instances of service termination as the sole means of carrier survival, which would, in turn, help to restore community trust in the program.

3) Increase the per-passenger subsidy cap to $300 and provide for the annual adjustment of the cap to account for inflation thereafter. Such adjustment and indexing for inflation is absolutely necessary in order to bring the subsidy cap current with market realities and in order to accommodate unavoidable cost increases associated with fuel and other rising costs going forward.

4) Lengthen DOT's commitment to carriers from the current two-year model to a period of five years for EAS contracts. Longer contracts help airlines access capital when seeking to finance aircraft and would also serve to stabilize air service from both the carrier and community perspective.

5) Continue to reject cuts to the program disguised as enhancements and enact only those reforms that truly serve Congress' original purpose in crafting the program. Congress made a commitment to communities under deregulation, which held that they would not lose the air service that is so essential to their economic well being under a deregulated airline market. We urge Congress and our partners at DOT to uphold that promise.

History of the Essential Air Service Program

When Congress passed the Airline Deregulation Act of 1978, lawmakers promised that communities receiving scheduled air service before regulation would continue to receive scheduled air service after deregulation. In order to uphold that promise, Congress established the Essential Air Service (EAS) program, which guaranteed a certain level of scheduled air service to communities that otherwise would have lost access to the nation's air transportation system under a deregulated airline industry.

The EAS program was initially authorized for ten years with funding provided by the general fund of the U.S. Treasury. It was modified and extended by the Airport and Airway Safety and Capacity Expansion Act of 1987 and was later made permanent as part of the FAA Reauthorization Act of 1996 with a standing annual appropriation of $50 million. Subsequent legislation has supplemented this funding with additional appropriations from other FAA revenue sources, including foreign overflight fees and the Airport and Airway Trust Fund.

The EAS program has undergone numerous criteria adjustments since its inception, mainly limiting eligibility. At present, communities are no longer eligible for subsidized air service if they are located within 70 driving miles of an FAA-designated large or medium hub airport, or if their per-passenger subsidies exceed $200. Communities located 210 or more highway miles from the nearest medium or large hub airport are exempt from the subsidy cap.

The EAS program is administered by the Department of Transportation (DOT), with DOT determining the level of service required at each eligible community, certain characteristics of the aircraft used, and the maximum number of permissible intermediate stops before the hub. If a carrier is the only airline serving an EAS-eligible community and wishes to exit the market, DOT regulations require that airline to file a 90-day service termination notice. At this time, DOT may require the airline to continue flying in the market indefinitely while it reopens the competitive bidding process to competing carriers.

In cases where no airline is willing to provide unsubsidized air service to an EAS-eligible community, DOT solicits "best and final" competitive proposals from carriers to provide subsidized service. As part of this process, airlines must submit financial data and project revenues and costs over the duration of the proposed two-year contract. DOT then reviews these proposals, selects a carrier, and sets a subsidy amount to cover the difference between the carrier's projected cost of operations and its expected passenger revenues, providing the carrier with a profit margin equal to five percent of total operating expenses.

Under the current program, airlines may not seek rate adjustments for the duration of the contract; instead, as mentioned previously, airlines must file 90-day service termination notices in order to trigger a rate renegotiation should costs increase significantly during the lifetime of the rate agreement. DOT responds to these service termination notices by opening a new competitive bidding process. This inflexible policy, combined with the resulting service termination notices, undermines the overall health of the program and damages community trust in the incumbent air carrier and the continuity of air service under the program.

In recent years, airlines, communities, and other stakeholders have cited these service termination notices, among other issues, as evidence of the program's failure to keep pace with changes in the airline industry and other modes of transportation that impact passenger traffic at EAS points. New highways and increased speed limits, for instance, have resulted in greater numbers of passengers driving to nearby airports in search of lower fares. The increased operational costs of 19-seat turboprop aircraft, coupled with skyrocketing fuel prices and passenger migration to nearby airports, have also caused EAS program costs to climb sharply.

As part of the Century of Aviation Reauthorization Act enacted in December 2003, Congress provided DOT with a tool to index airline cost increases and adjust EAS compensation accordingly without first requiring airlines to file termination notices. Unfortunately DOT failed to implement the cost-adjustment mechanism in the six years since it was awarded the authority to provide relief. Consequently, carriers have suffered severe financial losses for many years under the failed policy of requiring service termination notices to trigger necessary rate adjustments. In fact, in the years since RAA first suggested this relatively simple solution, several airlines providing EAS flights have gone out of business. At this point, the fuel cost indexing tool, alone, will no longer provide enough help.

The few remaining EAS carriers have tried to backfill the air service losses resulting from extinct carriers, but these surviving carriers face limitations on how quickly they can restore service. Moreover, the slim profit margins allowed by the program make this niche service less attractive to non-EAS specialty carriers who might otherwise play a valuable role in restoring or maintaining air service to abandoned markets were they not afraid of inflexible hold-in policies and rate structures. These policies, combined with cuts proposed to the program in recent years, have led carriers and communities alike to question DOT's commitment to program. For instance, well-intentioned but nonetheless harmful community cost sharing requirements, such as those proposed by the Bush Administration but prohibited by Congress, would have resulted in more than half of the communities in the program losing their air service.

While the present DOT has already made great strides toward restoring funding for and airline and community faith in the program, airline and community confidence remains shaken. Unfortunately, hold-in policies remain constant yet funding and program continuity seem constantly at risk.

Current Program Status

This Committee's Transportation, Housing and Urban Development Appropriations Consolidated Appropriations bill sets EAS funding for 2009 at $123 million, which is $13 million above 2008. Similarly, the President's Budget request for this year provides the EAS program with $180 million, a $55 million increase over recent enacted funding levels, but short by about $20 million in funds needed to run the program in 2010.

We greatly appreciate these increased funds, especially in light of the tough economic times we are all facing and the limited funds available for all programs. Nonetheless, we strongly urge the Committee to add an additional $77 million in funding for this critical program in 2010 in order to ensure this important program can continue. Without a major adjustment to the funding levels offered this year, bringing funding to at least $200 million in 2010, the EAS program is not likely to survive in its present form.

Conclusion

Mr. Chairman, thank you for the opportunity to testify on this important issue today and thank you and the Committee for continuing to protect this important program. On behalf of the strong contingent of EAS carriers represented by RAA, I assure you that we remain likewise committed to the health of the EAS program and we remain committed to working with DOT, this Committee, and this Congress in enacting meaningful reform. I look forward to responding to your questions at the conclusion of the panel.

Addendum

Figure 1: **EAS Communities that experienced shutdowns of all service in 2008 were as follows:**

State	HUBS		Communities	Docket # DOT-OST
AZ	PHX/LAS	1	Kingman	1996-1899
	PHX/LAS	2	Prescott	1996-1899
AR	DFW	3	El Dorado/Camden	1997-2935
	MCI	4	Harrison	1997-2935
	MCI	5	Hot Springs	1997-2935
	STL	6	Jonesboro	1997-2935
CA	LAS	7	Merced	1998-3521
	LAS	8	Visalia	2004-19916
KY	STL/CVG	9	Owensboro	2000-7855
MI	MSP	10	Escanaba	2003-15128
	MSP	11	Iron Mountain	1999-5175
	MKE	12	Ironwood	1996-1266
	MKE	13	Manistee	1996-1711
MS	ATL		Meridian, MS	2008-0112
MO	STL/MCI/CVG	14	Cape Girardeau	1996-1559
	MCI	15	Columbia	2006-23931
	MCI	16	Joplin	2006-23932
	STL	17	Kirksville	1997-2515
MT	BIL	18	Glasgow	1997-2605
	BIL	19	Glendive	1997-2605
	BIL	20	Havre	1997-2605
	BIL	21	Lewistown	1997-2605
	BIL	22	Miles City	1997-2605
	BIL	23	Sidney	1997-2605
	BIL	24	Wolf Point	1997-2605
NE	MCI	25	Grand Island	2002-13983
NV	LAS	26	Ely	1995-361
NH	LGA	27	Lebanon	2003-14822
NM	ABQ	28	Alamogordo	1996-1901
	ABQ	29	Carlsbad	2202-12802
	ABQ	30	Hobbs	2002-12800
NY	PIT	31	Jamestown	2003-14950

	ALB	32	Massena	1997-2842
	ALB	33	Ogdensburg	1997-2842
	BOS	34	Plattsburgh	2003-14783
	BOS	35	Saranac Lake	2000-8025
	PIT	36	Watertown	1997-2842
OR	PDX	37	Pendleton	2004-19934
PA	PIT	38	Du Bois	2004-17617
	PIT	39	Oil City/Franklin	1997-2523
		40	Williamsport	2008-0200
		41	Lancaster	
SD	MSP	42	Brookings	2000-7138
TN	STL/MCI/CVG	43	Jackson	2000-7857
VT	BOS		Rutland	2005-21681

Mr. OLVER. Thank you very much. Mr. Marsico.

OPENING REMARKS OF MR. MARSICO

Mr. MARSICO. Good morning, Mr. Chairman, and thank you for your invitation to be here. I am Dale Marsico from the Community Transportation Association.

I would begin by saying, as usual, I agree with your observations on many things but, particularly, your observation that there is a crisis in rural America's mobility. I think that as best we could sum this current situation up is that we have been fighting a holding action, for many years, on the subject of mobility in rural America, and we are losing ground.

Although all of the modes have great difficulty, we are most concerned about the ones that affect people and their movement, and in the glossy piece of, I guess, attachment that we did mention, we talk about that in some great length. But let me just say that we have four priorities in rural transportation that we feel are absolutely essential for this year and the years ahead.

One of them is improving surface mobility in rural America by strengthening regional and intercity connections that rural residents and communities require.

The second thing is that we think that we need to continue to guarantee adequate transportation resources in the healthcare field for medical patients, especially those who live in rural areas that participate in Medicaid and Medicare.

The third: We think we need to invest more resources in helping local communities design transportation programs that help rural residents work outside the areas that they call home, and we think that there are special needs of our veterans and their families, especially those in the veterans' medical care area that also require attention.

First, about connecting rural America. For 30 years we have been trying to stave off disaster in rural America by using a new definition of "public transportation" to serve communities and people that live in rural America. These are often identified as the Section 5311 programs that are currently administered by the U.S. Department of Transportation.

As you mentioned, Mr. Chairman, 15 percent of those funds are set aside for intercity buses, but 15 percent, when you consider the size of the rural program, is insufficient to maintain the connectivity between communities. We think that the next reauthorization needs to identify new ways to connect those communities, either by rail or by intercity bus, to create a flexible, cost-effective network to connect communities so that people in rural areas have the same option as those in urban areas to go from place to place.

We think that the decreasing size, in the last 10 years of our intercity bus system, as well as our intercity rail system, has been extraordinarily hard on the rural communities who are on the lines of those services and makes it very difficult for people to go from place to place in a cost-effective manner.

On the healthcare side, we would just point out that almost every one of the healthcare solutions that has been offered and the discussions that have taken place on healthcare reform are always about outpatient medicine, and outpatient medicine clearly requires strong transportation, especially for our seniors, who are now participating in very complex medical strategies, like dialysis and outpatient chemotherapy, that often mean that they cannot drive themselves or have a friend take them back and forth for these continuous treatments, and we were very concerned about proposals to dismantle the transportation benefit provided for dialysis patients and other seniors in Medicaid.

I want to thank you, at this time, Mr. Chairman, for your work in H.R. 7122 to continue those benefits for our seniors and for people who are low income in our Medicaid program, especially in rural areas because without that access, they can, obviously, not maintain the quality of their health, or their lives, when it comes to chemotherapy or dialysis, really hang in the balance.

We also think that it is time that Congress took a look at this from the Medicare perspective because Medicare currently has no nonemergency transportation benefit for people living in rural areas, and people who need the kind of service, like we talked about for dialysis, often dial 911 when they have no alternative, costing the taxpayers a lot more money than if we had a benefit to help people who have those special needs.

We know that Congress has been very busy trying to address the employment situation in rural America. We think that the programs and ideas that take place in the stimulus bill were good, but we think that our efforts in JOBLINKS are important because communities cannot design transportation programs to serve special populations without help, and we think that the technical-assistance opportunities that we have provided with others in JOBLINKS in the last several years have been important ways to stretch those dollars further.

As you mentioned about our numbers of people living in rural America, 40 percent of our veterans live in rural America today, and, as you know, the complications of outpatient methodologies for them, the kinds of specialized equipment that they often need to come back and forth for outpatient treatment, especially our younger veterans with very complicated, outpatient methodologies for recovery, is at a critical level by a lack of good service in rural communities for lift-equipped vehicles and specialized vehicles and services that help veterans and their families stay at home and also help the returning wounded warriors by providing the kind of help that they can get closer to home, as opposed to being institutionalized.

All of these issues affect the transportation of people in rural areas, and almost every one of the issues, whether they be transportation related to economic situations or healthcare situations, all have transportation as an important ingredient which needs to be addressed.

We have no national strategy for moving people in rural communities. We think the reauthorization is a good idea in transportation, to take a look at it, but we must have a much broader, national strategy that addresses these problems so that we can just stop fighting that rear-guard action and actually work with rural communities in rural states to solve these problems.

So we hope that your Committee, Mr. Chairman, will continue to address these basic needs that are absolutely necessary for everyone who calls rural America their home. Thank you.

[The information follows:]

Transportation Challenges of Rural America
March 12, 2008

Testimony to the House Appropriations Committee
Subcommittee on Transportation, Housing
and Urban Development

Dale J. Marsico, CCTM
Executive Director

Community Transportation Association

Mr. Chairman and Members of the Subcommittee:

I want to express my appreciation for your invitation to be here today to discuss some of the important issues concerning transportation in rural areas of our country. Our organization, the Community Transportation Association of America was originally founded by those providing and advocating for new mobility strategies — not just within rural communities but also in connecting these communities to each other and the broader urbanized areas that lie over the horizon.

Connecting Rural America

Our advocacy mission as an organization reflects the broad and sometimes complicated series of federal activities that support rural transit. Our work in recent years has included efforts to expand rural transit investment in our national transportation programs currently funded under SAFETEA-LU as well as by its predecessors; maintaining the transportation benefits currently provided by the Medicaid program; seeking additional resources for non-emergency medical transportation for seniors in Medicare; supporting an expanded inter-city bus and passenger rail network; working to develop innovative demonstrations to enhance rural transportation and connectivity; and special activities conducted within our public private financial services effort, Community Transportation Development Lending Services Inc., to bring private capital to the rural transportation effort — especially in badly needed facilities and other capital expenditures. These efforts in helping to expand rural transportation are a reflection of the multi-faceted approach that requires the involvement of government at all levels, the private sector, and those who reside in rural communities.

Although it is sometimes easier to separate communities by size and distance, it is important to remember that there is no way to separate the future of rural America from the rest of our nation, particularly as it relates to mobility. The inter-relationships between these areas is always vital — but they are especially important today because of the terrific pressure on our transportation and mobility system created by the current economic crisis, the ongoing problems in our energy area, the changing ways in which health care is being delivered, and an aging population that requires additional needs to remain in the places they call home. Each of these situations — taken alone — represent a significant challenge but combined they create a crisis that requires leadership and investment that our federal government can provide. For the people living in rural America the stakes are high, and without mobility they risk losing access to education, employment, basic health services and other opportunities that smaller communities can no longer provide.

There are tools available to Congress to address this situation and my testimony is an attempt to highlight those that are the most significant. The most important of these tools include opportunities that will soon begin to make their way through the legislative process concerning the reauthorization of our highway and transit legislation, health care initiatives, energy legislation, and our continued legislative response to the economic crisis. Since no single issue is responsible for the mobility problems we face, no single piece of legislation will solve the rural mobility crisis. That being said, the most important opportunity to address the situation lies in the reauthorization of SAFETEA-

LU. This legislation is the cornerstone of our national mobility strategy and is both the most important piece of policy making that affects existing mobility for rural Americans, as well as the premier opportunity to create new ways of developing services that are needed.

In preparation for the reauthorization of our nation's surface transportation programs, our Association has released it's own blueprint to improve our ability to provide mobility for all Americans. Our concept for the nations mobility future entitled, *A New Surface Mobility Vision For America*, reflects work and discussion of over two years of reviewing our current transportation situation and creating an opportunity for input from our members, riders, service providers, transportation advocates, and officials and other representatives in every state. I have included a complete copy of this report in my written testimony.

Our Surface Mobility Vision addresses many areas of need, and includes ideas and solutions for rural communities. First, our report recognizes the important strides in meeting the demand for rural service that have been met by the expansion of the rural public transportation programs in SAFETEA-LU. These rural initiatives — originally created as a demonstration in the Carter Administration — have provided important access and services in rural areas that are often taken for granted in larger communities.

Rural transit in our country has taken the traditional concepts of public transportation and service and adapted them to the special role they fill in small towns and rural areas. Smaller vehicles, flexible services, low cost, and a high commitment to customer service are all hallmarks of the rural transportation programs serving our nation today. Federal funds available for rural transit flow through our states and help create a constructive partnership between federal, state, and local officials that is also a unique factor in the successes of our current rural transit programs. Because of the success of the rural transit program, these services play important roles in creating access for millions of our fellow citizens — especially our seniors and those with limited financial resources. Our proposals in our *New Surface Mobility Vision* call for increasing these important partnerships and services, building on the successes we currently enjoy. Enhancing these services will improve rural mobility, but alone they cannot solve the problems created when our rural communities are disconnected from each other as well as from the rest of our country. Our plan calls for a new series of steps to connect communities by building a new expanded effort we call a new era of connectivity.

Surface transportation between communities by rail or bus has proved to be extremely cost effective and successful in reducing emissions and improving the environment. For lower income individuals without their own personal transportation, such efforts are not just a choice but also a necessity. Our current difficulties lie in developing the surface transportation connections that link rural and smaller communities together. Historically, this function was fulfilled first by state lines that went from location to location with stops in smaller places along the way. This early connectivity was taken over by an expanding rail system that linked all parts of our country, with stops along the way in communities great and small. The end of railroad passenger services created a tremendous void that was taken up, to a lesser degree, by intercity bus carriers who have seen a tremendous reduction in service in recent years and a dramatically altered market.

We believe that the combination of events created by the energy situation as well as the environmental concerns we face require a new effort to invigorate the surface connections of communities that are both financially reasonable and environmentally friendly. The technology to create a network linking rural communities is available today and we believe that the off-the-shelf technology of our current bus and rail products can give our country a reasonable way to enhance its connectivity.

Our proposal calls for the creation of a united federal mobility effort blending all surface transportation into one agency — the Federal Surface Mobility Administration within the U.S. Department of Transportation. Having rural transit, urban transit, and intercity services in one agency would facilitate the national connectivity and intermodalism we think is vital. It also helps design similar programmatic efforts to create a commonality of missions focused on getting people to their destination and back again in the most convenient way possible. Based on the experience of the current intercity program within the rural transit program funded by SAFETEA-LU, we also have an effective model of how we can use the existing intercity service within the private sector to help us complete our mission. We think of larger urbanized areas as the hub of a wheel where employment opportunities, health care, and education, are more readily available. The links to those hubs must be addressed in this reauthorization.

Special Challenges for Seniors, Medicaid and Veterans

No more is this increased regionalism readily seen than in the area of health care services and delivery. National health care trends clearly point to outpatient medicine as the important way we address the future health care needs of our citizens, especially the elderly.

We need no additional studies to remind us that procedures that were once common inpatient services requiring lengthy hospital stays are now done on a daily outpatient basis. Other services like outpatient dialysis, physical therapy, outpatient chemotherapy, are also reminders of the increased potential of reducing costs as part of our health care strategy. However, all the outpatient services are useless without access and rural transportation has become the connection for millions to these services — especially to our senior citizens and those in our health care programs assisted by Medicaid. We must continue to make mobility for those who need it a vital part of our outpatient health care efforts. To do that we must maintain the requirements for outpatient non-emergency medical transportation for those enrolled in the Medicaid program with special effort to protect those in rural America. The termination of these benefits, as threatened in the last administration, threaten the very lives of recipients but falls heaviest on those in rural communities who must travel further to receive their outpatient services. Since many of them lack their own transportation, or are too weak to manage their own transportation, the lives of these people hang in the balance. We are deeply grateful to you, Mr. Chairman, for your advocacy in this area particularly in your efforts to prevent the dis-establishment of this important effort in the Medicaid program. Rural America needs the benefits provided by your legislation —HR 7122 as introduced last year — and we need it today while the regulations affecting this service are being re-considered.

But it is also true that if our seniors on Medicaid need these services, what of our seniors with physical limitations whose primary medical care is provided by Medicare? There is no non-emergency transportation benefit in Medicare, but we need one — especially as this population continues to expand. The cost of non-emergency transportation in rural areas is also a bargain when measured against inpatient, emergency or institutional cost. Any plan to reform Medicare must include reforming its delivery, and outpatient options with a good transportation benefit will bring us both the financial benefits as well as the social and personal benefits that are created when a person gets to stay in their own home. Sharing these costs with community based services and those funded through the various transportation programs are the off-the-shelf solutions we have before us. In our reauthorization proposal we seek to enhance these efforts by transferring funds into a new Surface Mobility Fund that will be based on the approach currently utilized to provide public transit in rural areas. We believe that using this approach adds to the existing network as opposed to creating entirely new structures.

In a very similar way we have been looking at the special needs for outpatient rehabilitation and services to others in our country, like our veterans and their families. As more complicated therapies are administered through community based service and clinics, more mobility must be part of any successful treatment plan or options. We believe that the need for greater kinds of lift-equipped vehicles or accessible taxi-like vehicles means that these services must also be planned and developed together as part of a seamless way that people receive services. Our plans call for a greater investment in planning for these activities with efforts that focus on the most in need and the most in need of a dependable and reliable system that links people to care — which is sometimes further from home than it has been in the past.

As you may know, 40 percent of our veterans live in rural communities. These veterans are at a distinct disadvantage due to a lack of reliable, systematic access to healthcare and other essential services. A 2004 study in the Journal of Public Health found that veterans living in rural America are in poorer health than those living in urban areas — which is not surprising when you consider the current shortcomings in veteran's mobility infrastructure.

Returning servicemen and their families must have expanded, more consistent access to their medical facilities. This is particularly the case in small cities and rural communities. The nature of health care services administered through the U.S. Department of Veterans Affairs (VA) is changing toward outpatient care services just as it is elsewhere, and future demand for transportation assistance for veterans and their families will increase.

Right now the veteran population is diversifying and is made up of multiple age groups from World War II veterans, Vietnam-era veterans entering age 60 and above, and younger Gulf War and Iraq/Afghanistan veterans who are likely to be disabled and need more long-term care. Veterans young and old may need different services, but all will need transportation to access those services.

Many of CTAA's member organizations have witnessed first-hand that the existing transportation infrastructure dedicated to serving veterans is not adequate to meet the needs of the current and growing veteran population. The VA estimates there are 25 million veterans today. Too often our existing veteran service networks or state resources are stretched thin and veterans and their families are left without adequate travel options.

A new VETLINKS transportation program would help supplement existing efforts at the local level, and build upon successful models to address the mobility needs of veterans in more remote rural areas. About 8 million veterans are enrolled in the VA health care system according to the VA, so there is a built-in customer base that can benefit from coordinated transportation options right away. Creating regional transportation brokerage systems will ensure that everyone who needs access to care has access to care – in urban, suburban *and* rural communities.

A couple of years ago Congress enacted a program called HUD-VASH (Housing and Urban Development – Veterans Affairs Supportive Housing) to address the needs of homeless veterans. These Section 8 housing choice vouchers allow veterans to live in communities within the service area of their VA medical facility.

With your attention and assistance, we can build on this collaborative model to ensure that veterans receive transportation links; not only to and from their housing to medical care, but transportation links to job training, places of employment and other services. A VETLINKS program can be modeled after the successful JOBLINKS program, particularly now that the stimulus bill provides resources for workforce training and green job training for underserved populations including veterans. Now more than ever, veterans need and deserve a way to access services and employment opportunities.

If these mobility difficulties exist in programs that are targeted, we know they exist for others who live outside targeted benefits. We hope that Congress will address the transportation issue for any national health care effort as well. We do not want to create a situation like the one we originally had in Medicaid where people had service but lacked access to it because they didn't have the mobility required to meet their needs. We urge the Committee and the Congress to make sure the mobility of patients — whether Medicaid, Medicare or veterans, and especially those in rural America — will be considered in any health care reform proposals or plans.

The JOBLINKS Experience

Employment opportunities have become an increasing challenge for rural residents. That's why the linkage efforts we seek are so important. The ideas from our plan that we propose to use as part of the foundation for connecting rural America as well as expanding existing services are based not just upon the collective experiences of the last decade, they are also products of important demonstrations that we have done through a number of national efforts — the most important of these being our JOBLINKS initiative.

JOBLINKS was created to test the ideas of service delivery for smaller communities and rural areas. Former President Clinton once called JOBLINKS an important step in providing new ways to provide employment transportation. Throughout its nearly two decades, JOBLINKS has been on the cutting edge of unique adaptations of public transportation, especially programs designed to help people in rural areas go to work, or maintain their employment when traditional public transportation is unavailable or they cannot afford their own vehicles. Three of our most successful efforts have been in the Chairman's district.

One, the Community Transportation Service (CTS) in Athol, Massachusetts, developed from a small, pilot van project to a combination of fixed-route and demand service providing employment and health care transportation. The service has been very successful and is currently based in a historic railroad facility that might have been lost to the community without the transportation effort. CTS has been a progressive and important transportation service to the people of Athol and the surrounding community. Over the last five years, ridership has grown from 32,000 trips per year to 55,000 trips last year. This represents a 75 percent increase in service at a time that their annual allocation of operating funding has remained the same. The average costs for a CTS trip is $12.72, the national average for public transit bus or paratransit based on the latest National Transit Database numbers is $23.90. CTS's primary ridership is employment transportation at 48 percent, followed by medical transportation at 16 percent, with the balance devoted to general service trips. CTS enjoys a very good relationship within the community and with all those it serves.

A second service, Berkshire Rides, is also a unique effort that provides both coordination with local social service agencies to provide needed transportation while also providing service to employment through existing community based taxi companies that have managed to stabilize their own businesses in difficult economic times by working with this transportation project. Berkshire Rides has had an excellent record of success much like Athol. Over the last five years, ridership has grown to 51,000 trips per year from 28,000. This represents a 46 percent increase in overall ridership while operating funding has remained the same. Of the total trips provided, 78 percent have been for employment purposes. The average cost per service is $13.83 a trip, which also compares most favorably with the national average of $23.90.

JOBLINKS was also instrumental in developing and financing the G Link Service, an example of the need to link communities together in a way that makes affordable transportation possible for those who live in one rural community but must travel greater distances to work in another. These demonstrations are important ways our members and we have worked cooperatively to develop tools to meet the mobility challenges facing rural America. I have incorporated information relative to these activities into the written material I have submitted to the committee with this testimony and I want again to express our thanks to the Chairman for helping to make these efforts possible. The G Link has been providing funding to MART for use in conjunction with FRTA in maintaining the existing services. Toward that end, we used JARC funds to respond to their first year's need for help from the JOBLINKS program through last year. Overall ridership for the last year has risen from 30,000 trips five years ago to 42,000 trips last year. This represents a 42 percent increase in ridership. The program has now been financed through state and transit authority assistance.

In Conclusion

In closing I recognize that we are faced with a host of challenges that have strained our resources and ability to respond to the needs of our country. Our transportation programs that help move people are linked to many of the larger challenges we face in energy, health care, employment, and economic development.

Investments in transportation pay dividends that can be used to help us better manage our assts and resources to meet the other challenges. The history of our efforts in rural transit also remind us that success, although hard and difficult, can be accomplished when we come together to address important needs and concerns. The fundamental partnership of the federal government, the states, local citizens, and people in communities has worked well for rural transit. Now is the time to expand and connect that system so that it will be there for us to create the successes in the future we will all need.

Thank you and I would be pleased to respond to any questions.

A NEW SURFACE MOBILITY VISION FOR AMERICA

The Community Transportation Association of America's national Surface Transportation Mobility plan asserts the vital role of public and community transportation in helping the nation through some of the most vexing and critical issues it has ever faced. Crafted in concert with our Board of Directors, State Delegates and members, our new vision for surface mobility is a bold departure from business-as-usual policies and seeks true reform, innovation and partnerships in mobility for all Americans.

Presented here in its entirety, we offer not only the Association's New Surface Mobility Vision for America, but also a series of Priorities in Practice — selected Community Transportation *articles and columns that highlight the Association's reauthorization priorities in action.*

The role of moving Americans effectively and efficiently has never been more directly tied to our collective success and prosperity than it is today. The American way of life is, in fact, made possible by the freedom of movement we have always enjoyed. This New Surface Mobility Vision proposes the foundation for the next great American transportation era — one where all forms of public and community transportation are more significantly invested in and more seamlessly connected together.

As the landmark SAFETEA-LU federal transportation legislation comes to an end, with a new Administration and new Congress, and most importantly with a renewed interest in cost-effective, efficient mobility on the part of the public, the Community Transportation Association of America and its more than 4,000 members offer a New Surface Mobility Vision for America. The past 40 years of national transportation policy have built to this moment; we have reached a point where we're done conceptualizing and testing various transportation and public transit strategies. Every single one of today's key national issues — energy independence, environmental safeguarding, congestion mitigation, economic development and health care — is impacted by public transportation policy. It is time to take what we've learned, incorporate the lessons from the rest of the world, and build the premier public and community transportation network the nation needs. We need action! An infusion of targeted resources will bring this vision into reality and move the nation forward.

Public and community transportation finds itself at the crossroads of a successful past and a swiftly emerging future. The events of the past two years have placed transit at the forefront of the local news, in policy discussions and in the very lives of Americans. The need for energy independence, congestion mitigation, preserving our natural environment and aiding an aging society have all combined to drive record numbers of people to the doors of public and community transit's buses and trains. In cities and towns, suburbs and rural areas, transit ridership is eclipsing all-time highs, and transit systems are scrambling to react. Lacking the capital and operating investment to meet these increased demands, too many transit operations are left with no choice but to raise fares and reduce service. Within this climate it becomes increasingly clear: A time of great opportunity and challenge for transit is upon us.

PRINCIPLES

We believe that every American must be assured accessible, affordable, convenient, reliable and safe transportation to the local destinations of their choice, without regard for disability, age, or economic status.

We believe investment in public and community transportation is a sound investment and that it can have a resoundingly positive impact on the national economy.

We believe that the federal government must be a guarantor of mobility for all Americans, because freedom in our modern society is defined by mobility.

The timing could not be better for public and community transit to shape its role in the next great American transportation era. Energy legislation, health care reform, a housing bill, new labor policies and infrastructure investment concepts are all pending. An infusion of resources into the public and community transportation field will help rebuild the economy by spurring new vehicle purchases and jump-starting the construction industry with new system and facility projects. Our vision: we must think and act anew.

The Community Transportation Association of America consists of a diverse collection of organizations and individuals, and this detailed proposal is strengthened by a confluence of their ideas and vision. From transit operators to state officials, investors and manufacturers, riders and advocates, the Association believes that the mobility future of all Americans will be best served by pursuing a broad-based transportation policy in the next two years that includes — but is not limited to — reauthorization of SAFETEA-LU. Private investment must be brought into the industry in a substantive manner and the other interests transit serves — health care, energy, labor and the environment — must invest in transit at a level commensurate to the benefits they receive. This is not a time to merely reauthorize what's been a good bill and move on; it's a time to take bold action, to break away from the industry's dependence on a dwindling gas tax revenue source and find a new way forward for transit's future.

PRINCIPLES

Before covering the particulars of the Association's plan, it is vitally important to reiterate our basic organizational principles and mission. These principles imbue the entirety of this policy document and though often taken for granted, must be clearly communicated as the foundation from which the transit field will move forward. In the legislative battle sure to be waged in the next year or two over transportation reauthorization and the future of public and community transportation, we consider the following very good ground from which to operate.

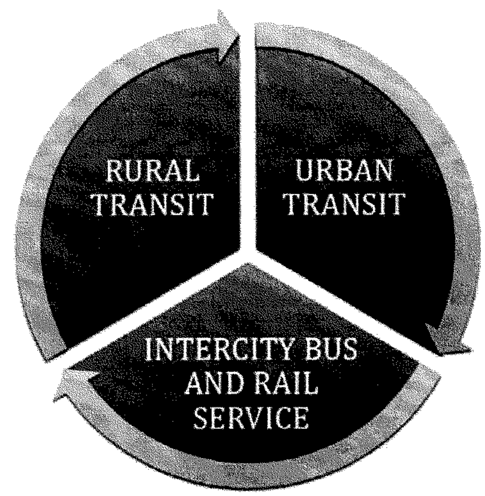
• We believe that every American

must be assured accessible, affordable, convenient, reliable and safe surface transportation to the destinations of their choice, without regard for disability, age or economic status.

• We believe investment in public and community transportation is a sound investment and that it can have a resoundingly positive impact on the national economy.

• We believe that the federal government must be a guarantor of mobility for all Americans, because freedom in our modern society is defined by mobility.

These central tenets in our Surface Mobility Vision were developed in concert with the Association's Board of Directors, State Delegates and general membership in various forums in the past year. From these core beliefs, the rest of this proposal springs. In addition to forging a central set of beliefs, the Association also created a more specific set of objectives for the SAFETEA-LU reauthorization process, one that encompasses goals beyond reauthorization.



Support for equal mobility in both rural and urban areas, as well as between communities is a fundamental aspect of our new approach to surface mobility.

OUR REAUTHORIZATION PRIORITIES

• **Streamlining the transit program and its administration.** Time and again, our members professed strong interest in a simplified approach that more effectively delivers the transit program and encourages local decision-making and leadership. This streamlining will offer a more rational framework for financing, planning and developing mobility investment.

• **Increasing investment in all forms of surface mobility** is clearly necessary in order to build upon the lessons we've learned thus far. And this increased funding is a clear investment in local economies by boosting capital expenditures and developing new employment opportunities.

• **Diversifying mobility investment sources.** The Surface Mobility vision enunciated in this plan absolutely depends upon investment from sources beyond the traditional gas tax revenue stream.

• **Building on the past.** We've spent the better part of the past 40 years developing the prototype. Now it's time to build the world-class mobility network we need.

• **Developing a new approach to connecting urban and rural transit.** It is not enough to build successful, stand-alone public transportation operations in urban and rural areas. We must reliably and cost-effectively connect these two service modes regionally if public transportation is to respond to the real mobility needs of the American public. Linking mobility is the future path for consumers, regardless of the origin of the trip.

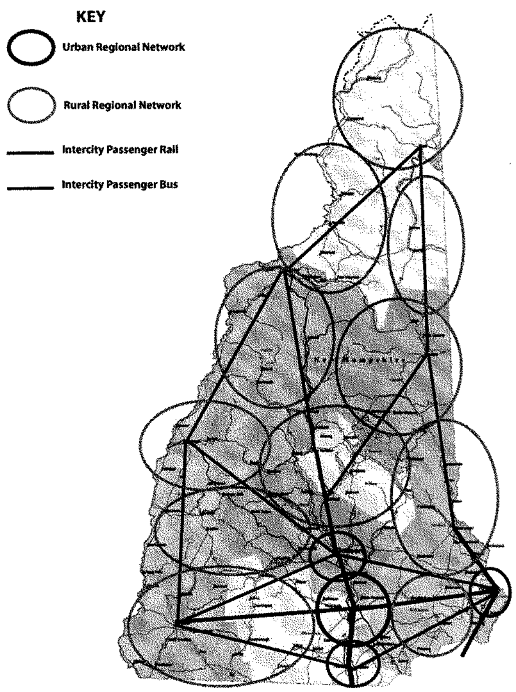
• **Trusting transit operators at the local level to serve all Americans.** As President Kennedy said, "we can only have faith in the future if we have faith in ourselves." Quite fundamentally, this legislative proposal is predicated upon the underlying premise that given the resources and freedom, the nation's public transportation leadership will ably and conscientiously serve the greater good.

• **Providing greater flexibility for local transit operators** and the communities they serve to decide how best to meet their mobility needs. Stimulating innovative new partnerships between the mobility community and various levels of government to achieve higher levels of service and service quality.

• **Inspiring new opportunities** for job growth, economic development, environmental improvements and an end to isolation with increased surface transportation investment and integration.

• **Expanding the mobility of all Americans** — including seniors and people with disabilities — through all forms of public and community transportation. Expand our nation's commitment to passengers with disabilities with a revamped New Freedom program.

• **Tapping the energy and skill of the American workforce.** Public and community transportation is a $44 billion industry that employs nearly 400,000 people.



What does our plan look like? Here is a graphical representation of how we see these programs wrking in concert in a state like New Hampshire.

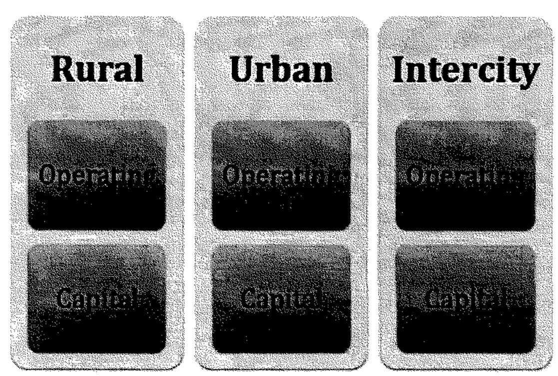
STREAMLINING

The direction of our New Surface Mobility Vision proposal is to rationalize the public transit operating environment into a more commonsense structure that increases the mobility options for all Americans, both in the communities in which they reside and between communities. In the past decade, too many separate transit funding programs have emerged, each with its own set of specific rules and regulations. The net effect of this trend has been to obscure the true intent of the federal transit program: to invest in local public and community transit operations. To meet the growing demand for transit in communities of all sizes, our proposal brings this purpose back into sharp focus.

The accompanying map of the state of New Hampshire represents how we envision our plan, not only increasing the number and intensity of local urban and rural transit, but just as importantly how intercity bus and rail will be deployed to connect together the local operations. It succinctly illustrates our plan's rational framework and guiding philosophy: build local urban and rural operations, and then connect them together with increased intercity bus and rail. We believe this framework best supports the needs of all transit passengers.

Our programmatic priorities are to provide a more rational frame of reference for financing, planning and developing the mobility investments that make up the public transit network. We will bring all major federal investment in surface transportation together in a more commonsense approach to foster the easier integration and coordination of mobility programs at the state and local level, making the most out of increased transit investment. This linking of mobility programs together at the local level is clearly the easiest for transit consumers.

In our plan, all federal surface transit investment would be brought together into one of three programs: Rural Transit, Urban Transit or Intercity Bus and Rail Service. This significantly simplified approach to federal transit programs will end the proliferation of stand-



alone programs, each with its own set of often conflicting guidance, regulations and intentions. We propose to develop within each of these programs a set of assurances that current populations being served by Section 5310, JARC, New Freedom programs will continue to be served.

In each of the three categories — rural, urban and intercity — we will include new definitions of operating and capital assistance; definitions that provide the flexibility needed by all types and sizes of transit and intercity operators to best serve their communities and their customers.

In rural areas (those with populations under 50,000) operating investment in transit will be based on the current program as defined in the Section 5311 statutes, but adding all items currently listed as administrative as allowable operating costs. For rural operating costs, all local share allocations will change from 50/50 to 80/20. At least 5 percent of operating allocations are to assist in the provision of transportation services that assure mobility for seniors and persons with disabilities. Capital costs in rural areas will, as with operating charges, continue to be based on definitions in the 5311 statutes. However, all local share for rural transit operators will be waived for purchases that meet three categories: (1) those for alternative-fueled vehicles; (2) those for meeting or exceeding ADA compliance; and (3) those incurred meeting clean air act standards. All other rural capital costs will remain at 80/20 except where current rules offer additional local share relief due to federal lands. Local community-based organizations will receive at least 5 percent of capital assistance allocations for the purposes of addressing the capital investment needs in providing transportation services for seniors and persons with disabilities. Finally, we propose a formula-based allocation of 5 percent of rural funds for tribal transit programs.

For urban transit systems (populations greater than 50,000) operating costs will be based on the definitions in the existing Section 5311 statutes, which include cost categories added from the "Administration" included in the rural program, and paratransit costs, as well. All local share allocations will change from 50/50 to 80/20. As with the rural program, all local share for urban transit operators will be waived for purchases that

> ***We need investment into the transit program that acknowledges and rewards such activities as keeping people healthy and avoiding emergencies, helping seniors stay out of institutions and remaining independent, connecting employers with employees, lowering harmful carbon emissions, mitigating congestion and more.***

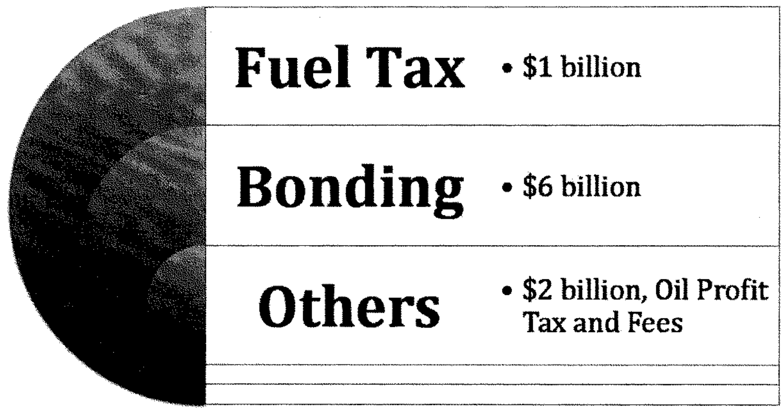
meet three categories: (1) those for alternative-fueled vehicles; (2) those for meeting or exceeding ADA compliance; and (3) those incurred meeting clean air act standards. Also, as with the rural program, urban operators will set aside least 5 percent of operating and capital allocations to assist community-based organizations in the provision of transportation services that ensure mobility for seniors and persons with disabilities.

Our plan is committed to the fundamental principle that the time has come to allow local transit agencies — those who know best, both rural and urban operators — to decide when and where to use operating and capital investment. We know that these local operators

OPPERATING SUPPORT IN YEAR ONE

Fuel Tax	•$7 billion
General Revenue	•$2 billion
Transfers	•$3 billion

CAPITAL INVESTMENT IN YEAR ONE



best understand the needs of their customers and service areas, and will make informed, sound decisions. They are governed by local boards and subject to planning processes.

Within the intercity bus and rail area, operating assistance for bus service will be based on the current program as defined by the Section 5311 statutes, adding items currently listed as administrative as allowable operating costs. All local share allocations will change from 50/50 to 80/20. Operating investment for rail service will be consistent with the current operational definitions used by Amtrak. Capital costs for intercity bus services will be based on the current definitions in the Section 5311 statute. As with rural and urban, all local share will be waived for purchases that meet three categories: (1) those for alternative-fueled vehicles; (2) those for meeting or exceeding ADA compliance; and (3) those incurred meeting clean air act standards. All other capital expenditures will be matched at 80/20. Capital costs for intercity rail service will be consistent with the current definitions used by Amtrak.

Our plan brings Amtrak and any future rail efforts into a unified surface mobility program and makes it a viable component and partner in moving Americans between cities and in interfacing effectively with local urban and rural transit operations, as well as with intercity bus providers. When more properly deployed, Amtrak will greatly enhance the traveling public's connectivity and in regional and small- to medium-distance trips makes vastly more sense than air travel. Long-distance rail service is really alongated point-to-point intercity rail service and must be maintained and made part of our intermodal system. Like the overall public transportation program, the age of experimentation with intercity rail and with Amtrak must now draw to a close. It's time to take the lessons we've learned during the past four decades and make Amtrak into a viable intermodal surface transportation link.

FINANCING

Our new Surface Mobility Vision includes, as stated in the previous section, ongoing operating and capital assistance, with new local-share ratios designed to increase local flexibility and decision-making and to jump-start the impact of this investment on the economy. Because an increasing number of states and cities are experiencing significant shortfalls in local tax generation and other revenues traditionally used as local share, our proposal calls for flexibility in match ratios to ensure that this investment reaches its targets as soon as possible. In this section, we propose investment levels in both operating and capital over the six-year life of our program. *(Please note that all figures are in billions of dollars).*

The increased investment in our plan is more a direct result of diversifying the base of transit investment than simply increasing or indexing the federal fuel tax. The gas tax has proven over time to be a reliable source of investment for public transit, but recent events have highlighted how fuel prices can spike, increasing the demand for public transit alternatives to driving while at the same time diminishing fuel tax returns. The result: less investment available at a time of great transit interest. What's more, relying solely on the fuel tax ignores much of what having good, effective transit does for the communities it serves. We need investment into the transit program that acknowledges and rewards such activities as keeping people healthy and avoiding emergencies, helping

OPERATING SUPPORT

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Urban	8	8	8	8	8	8	48
Rural	2	2	2	3	3	3	15
Intercity	2	2	2	3	3	3	15
Total	12	12	12	14	14	14	78

CAPITAL INVESTMENT

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Urban	5	5	5	6	6	6	33
Rural	2	2	2	3	3	3	15
Intercity	2	2	2	3	3	3	15
Total	9	9	9	12	12	12	63

note: All figures are in billions of dollars

Like the overall public transportation program, the age of experimentation with intercity rail and with Amtrak must now draw to a close. It's time to take the lessons we've learned during the past four decades and make Amtrak into a viable intermodal surface transportation link.

seniors stay out of institutions and remaining independent, connecting employers with employees, lowering harmful carbon emissions, mitigating congestion and more.

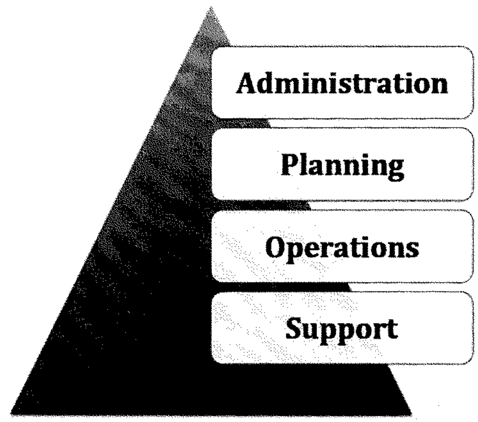
We propose to effectively double the investment in surface mobility at the outset of the new program and to hold that investment level steady for the first three years and then add to both the rural and intercity sections for the final three years of the proposal. In effect, we break down the plan into two separate three-year programs, with time to evaluate and study the effectiveness and impact of the first three years before moving forward with the second.

To pay for the operating portion of the program, we propose to utilize $7 billion in fuel tax revenues, $2 billion in general revenue — recall that Amtrak currently receives $1.5 billion in investment from general revenue sources (*see box on p. 24 – ed*) — and some $3 billion in transfers from other federal programs, most significantly from both Medicaid and Medicare (*see box on p. 27 – ed*). This transfer from Medicaid and Medicare would be directed into our streamlined urban/rural/intercity programs and is designed to guarantee access to these clients but not be tied to specific Medicaid or Medicare patients.

For capital investment, our Surface Transportation vision is split into two three-year sections. In the first section, capital investment totals $9 billion, while the second phase sees that number rise to $12 billion.

Capital expenditures in public transit have never been more vital than today. Our proposed increases in capital funding will not only help America rebuild its deteriorating

STRUCTURING A FEDERAL SURFACE MOBILITY ADMINISTRATION



transit infrastructure, but will have a direct, positive impact on the national economy. Our plan proposes to increase purchasing of vehicles from American automobile companies, which will obviously have a positive impact on their supplier networks, as well. Transit capital investment will also affect jobs, as many such investments include major construction projects like new rail lines and intermodal stations.

Revenue for our capital investment program would emanate from a combination of fuel taxes, bonding, a tax on oil company profits and user/ticket fees. We take our bonding concepts directly from those promulgated by Senator Max Baucus of Montana during the run-up to SAFETEA-LU. Tax credit bonds, we believe, would be both marketable and cost-effective, particularly when deployed in high-profile, large capital infrastructure and building projects. These bonding ideas made sense as part of an overall transit finance strategy five years ago, and they still make sense today.

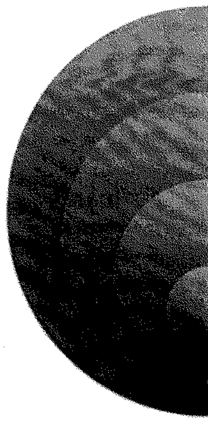
We propose a tax or surcharge on energy company profits to help augment our transit capital plan because, simply, why should the public bear the entire burden or roads, highways, bridges and transit investment through fuel taxes, while the oil companies achieve historic and record-breaking profit margins each quarter? We propose a small tax on these profits to ensure that the oil companies are fully invested in America's transportation future.

A NEW FREEDOM

Our plan calls for the creation of a new position in the U.S. Department of Transportation: an Assistant Secretary for Accessible Transportation, reporting directly to the Secretary. The new Assistant Secretary will coordinate and develop a national mobility strategy to make all of America's mobility programs, including transit-oriented development, smart growth and complete streets, fully accessible.

We propose that the Assistant Secretary be assigned an annual allocation of $50 million for use in the research and development of systematic approaches to mobility technology that can be used to improve mobility devices and securement technology in the United States and support the export of products and services internationally. As well, we support the continuation

FEDERAL SURFACE MOBILITY SUPPORT FINANCING IN YEAR ONE



Administration	• $150 million
Planning	• $200 million
Operations	• $21 billion
Support	• $250 million

of the national activities previously called the New Freedom grant program to enhance the focus on innovative solutions at the state and local level that move beyond the narrow purview of vehicles and levels of service to make the nation more accessible. We propose that $300 million be assigned for these tasks in each of the next six fiscal years.

Finally, we propose that the research activities created by the Assistant Secretary be developed through negotiated rule making with advocates for accessibility for people with disabilities, representatives of agencies dealing with highways, transit providers, and transit equipment manufacturers.

EMERGENCY RESPONSE

In light of the events that have occurred since SAFETEA-LU's passage in the emergency preparedness and response arena, our proposal urges improving transit's capacity to respond to a natural disaster or a major terrorist attack. A vital part of this improvement will include the establishment of National Reserve Fleet of transit vehicles and rail cars, stockpiled for use in local communities should the need arise. This fleet, kept in a fully operational standby status will be able to respond to emergencies as needed. We also believe that some indigenous fueling capacity for this fleet will be developed as well as a stockpile of common transit fuels provided for not just its use, but for transit's general use in an emergency. Finally, investment for this emergency response role for transit must not come at the expense of current investment streams.

A FEDERAL SURFACE MOBILITY ADMINISTRATION

To effectively manage this streamlined, simplified federal transit program — one without the "stove-piped" philosophy endemic to the current federal transportation programs — we propose the creation of an all-new Federal Surface Mobility Administration. This new administration, which reflects a partnership dedicated to helping local transit entities serve their customers and communities, will manage the traditional public and community transportation systems through direct grants and grants to states much as the current Federal Transit Administration operates. Significantly, the new program will combine increased attention to intercity bus and rail and Amtrak rail services into a more connected surface transit program.

A key aspect of our envisioned Federal Surface Mobility Administration is engaging its staff more regularly and impactfully with transit operators in the field, to ensure a productive dialogue and better understanding of operational realities. Our plan also calls for increased use of negotiated rulemaking to develop federal rules and guidance — and that these negotiations must include representatives from those operators and grantees most likely to be effected. We envision a collaborative, affirming model where administration and operators consider themselves partners and not adversaries.

We propose dividing the new Federal Surface Mobility Administration into four key areas: (1) administration; (2) planning; (3) operations; and (4) support. In the first year of our plan, we propose the following funding levels — administration, $150 million; planning, $200 million; operations spending will be, as detailed in the Program Package section, $21 billion; and, support $250 million.

SUMMARY

The role of moving Americans effectively and efficiently has never been more directly tied to our collective success and prosperity than it is today. The American way of life is, in fact, made possible by the freedom of movement we have always enjoyed. This New Surface Mobility Vision proposes the foundation for the next great American transportation era — one where all forms of public and community transportation are more significantly invested in and more seamlessly connected together.

Our New Surface Mobility Vision for America includes a commitment to the following:

- **Increasing investment in surface mobility, in both rural and urban areas**
- **Developing a new approach to connecting urban and rural transit to connect the nation**
- **Diversifying investment**
- **Strengthening our committment to mobility by using common-sense rules and regulations that are based on inclusion**
- **Simplifying the transit program and its administration and**
- **Trusting transit operators at the local level to serve all Americans.**

Mr. OLVER. Thank you very much. Mr. Schwarz.

OPENING REMARKS OF MR. SCHWARZ

Mr. SCHWARZ. Good morning, Mr. Chairman, Congressman Latham, Subcommittee Members. It is a pleasure to come before you today.

It is a little scary to be sitting here, particularly in front of Congressman Latham, because Iowa offers the best rural intercity bus program in America, and I would probably be well advised to listen to you, sir, and hear why rather than try to offer my suggestions to you, but I will do my best.

Perhaps if Peter Pan was located in Iowa, we could have delivered your bicycle in our baggage bays, or, certainly, we could have delivered the seed from your family business to major markets.

Peter Pan Bus Lines is the largest independent bus company in the United States. We provide fixed-route, intercity bus service throughout New England and partner with Greyhound Lines to provide bus service throughout the Northeast Corridor.

Although Peter Pan continues to operate numerous rural routes in New England, we have had to reduce that service because of its increasing unprofitability and the lack of government support for it. Our experience mirrors the decline in rural service provided by Greyhound and other intercity providers throughout America.

Although the spread of the private automobile has been the main reason for the decline, the imbalance in federal support has also been a major contributing factor.

Nathan Associates did a comprehensive study of net federal subsidies to public transportation entities and found that over the 45-year period, 1960 to 2005, intercity bus received only three-tenths of one percent of total federal subsidies, compared to 43.6 percent for mass transit, 22.3 percent for commercial airlines and 9.8 percent for intercity rail.

Motor coaches are the most affordable transportation mode. When subsidies are needed for rural services, intercity buses can provide those services at the least cost. Peter Pan and other bus companies are very interested in expanding their rural services. In fact, Congressman Olver, I think, by looking at your map, maybe Peter Pan should consider relocating. But this can only be done in conjunction with government programs that encourage and even remove impediments to the provisions of these services.

Here are our recommendations on how those government programs should be structured or modified.

Section 5311[f], rural intercity bus program. Congress established this program in order to strengthen and enhance rural intercity bus service. The program has not been successful in providing essential operating subsidies for rural routes. This is because of the requirement that subsidies be limited to 50 percent of net operating costs, which means that a local community must come up with the other 50 percent. That rarely happens in the context of intercity service.

FTA proactively addressed this problem by establishing a pilot program. The private-matched pilot program is already producing results. At least 10 states have started, or are planning to start, a new federal feeder service under the program, but there are many other states that are hesitant to do so until the program is made permanent.

Thus, we recommend that the Congress enact legislation making permanent the FTA private-match program.

Another issue with the Section 5311[f] program is that if the governor certifies that there are no unmet intercity bus needs in his or her state, the state may use the 5311[f] funds for local transit. Some states have certified without any meaningful examination of rural intercity bus needs. I have personally experienced this situation.

SAFETEA–LU attempted to fix this problem by requiring states to engage in a public-consultation process prior to making any determination about the adequacy of rural bus service. We recommend that the Committee oversee FTA's efforts to enforce this requirement and require FTA to withhold or deny funding to any state that fails to comply with the requirement.

Intermodal terminals. I know, Congressman Olver, intermodal terminals are very important to you. You have been a leader in this field, and we appreciate it very much.

In order for rural intercity bus services to succeed, they must be linked, not only to trunk line bus services but also to the services of other modes, such as air, rail, and local transit. This enables people in rural communities to move seamlessly to and from the national transportation network.

SAFETEA–LU took a significant step towards the inclusion of intercity buses and intermodal terminals by making the intercity bus portion of those terminal facilities fully eligible for FTA funding. However, we believe much more needs to be done to enhance the development of intermodal terminals.

In too many communities, there is no intermodal transportation center, and the intercity and local modes of public transportation are not linked in a manner that facilitates their usage. This is largely due to the stovepipe nature of federal transportation funding, which makes it very difficult to plan and fund intermodal terminals.

Thus, we recommend that Congress enact an intermodal transportation center fund for the purpose of constructing intermodal passenger terminals that link all transportation modes, including intercity bus.

I have other suggestions, but I have exceeded my time, and I apologize.

[The information follows:]

TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT SUBCOMMITTEE

APPROPRIATIONS COMMITTEE, U.S. HOUSE OF REPRESENTATIVES

HEARING ON RURAL PASSENGER TRANSPORTATION

Testimony of Robert Schwarz, Executive Vice President, Peter Pan Bus Lines, Springfield, MA

On

The Role of Intercity Buses in Providing Rural Passenger Transportation

March 12, 2009

Mr. Chairman and Members of the Subcommittee, it is an honor to appear before you today to discuss the critical role of intercity buses in providing transportation to and from rural communities. Peter Pan Bus Lines is the largest independent bus company in the United States. We provide fixed route, intercity bus service throughout New England and partner with Greyhound Lines, Inc. to provide bus service throughout the Northeast Corridor. Peter Pan also partners with Greyhound in providing curbside intercity service through BoltBus.

Peter Pan, which is headquartered in Springfield, MA, provides substantial rural service throughout the Commonwealth, including the following:

- **Greenfield MA to Springfield MA, via Deerfield, Amherst, Northampton, South Hadley, and Holyoke.** This route provides the only intercity bus service to Greenfield, and serves the primarily rural counties of Franklin, Hampshire, and Hamden.
- **Springfield MA to Pittsfield MA (continuing to Albany NY) via Lee and Lenox.** This route serves Berkshire County, and connects in Pittsfield to the Berkshire RTA serving the entire Berkshire County area.
- **Springfield MA to Boston MA, via Chicopee and Palmer.**
- **Williamstown MA to New York City, via Pittsfield, Lenox, Lee, Great Barrington, and Sheffield.** This is a north-south route through the Berkshires, also serving rural areas in Western CT.
- **Cape Cod routes serving Boston and Providence, via Woods Hole, Falmouth, Bourne, Wareham, and Hyannis.**

Although Peter Pan still provides significant rural service in Massachusetts, certainly more than any other intercity transportation provider, its current rural transportation network is a fraction of what it was in the past. For example, we used to provide 6 schedules a day on the Berkshire service described above; that is now down to 3 schedules per day. Furthermore, our efforts to restore rural service have not succeeded.

We instituted service between North Adams, MA, and Boston along Route 2 and ran this service for a year. Unfortunately, patronage and revenue was insufficient for us to continue.

Peter Pan's experience mirrors the decline in rural intercity bus service nationwide. Going back to the 1960s, intercity buses provided service to more than 20,000 communities. Currently, the nationwide intercity bus network provides service to less than 3000 communities. Despite this extraordinary decline, intercity buses still serve far more non-urbanized areas than any other form of intercity transportation.

Although the spread of the private automobile has been the main reason for this decline, the imbalance in federal support has also been a major contributing factor. Most recently, the emergence of cultural and low-cost bus services -- whose regional city-pair business model favors urban-to-urban service over stops in intermediate rural communities -- have forced Peter Pan and Greyhound to refocus their combined network mainly on urban-to-urban markets, while still trying to maintain as much of its rural feeder network as possible.

From this Committee's standpoint, the subsidy imbalance may be particularly interesting. According to one of the most comprehensive studies of federal subsidies for passenger transportation modes in the U.S., during the 45-year period 1960-2005, intercity buses have received only .3% (three-tenths of one percent) of total federal subsidies compared to 43.6% for mass transit, 22.3% for commercial airlines and 9.8% for intercity rail.

In the decade 1996-2005, the results were comparable. Mass transit received 54.9%, commercial airlines received 20.2%, intercity rail received 8.2% and intercity bus service has been unchanged at .3%. During that period, the net subsidy per passenger trip for intercity bus service was $.06 (six cents) per trip, compared to $46.06 per passenger trip for Amtrak, $4.32 per passenger trip for commercial air carriers, and $.77 per trip for public transit. (Source: "Federal Subsidies for Passenger Transportation, 1960 – 2005, Focus on 1996-2005," Nathan Associates, Inc.)

This lack of federal support is particularly striking when one considers what intercity buses bring to the table.

Energy efficiency. Energy Department statistics demonstrate that intercity buses are over 8 times more energy efficient than the single occupant auto; 5 times more energy efficient than transit buses; and 3 times more energy efficient than Amtrak on a BTU per passenger mile basis.

Greenhouse gas reduction. A recent study by M.J. Bradley & Associates found that intercity buses emitted less CO2 per passenger-mile than any other form of motorized transportation. Intercity buses emitted only 56 grams per passenger mile compared to 371 grams for a single occupancy vehicle; 179 for intercity rail; and 243 for intercity air. Similarly, the Union of Concerned Scientists recently issued a report which concludes that for every length of trip and every size group studied, motorcoaches were the best way to go if travelers want to minimize their carbon footprint.

Congestion reduction. A single motorcoach has the potential to take 55 single occupancy vehicles off the road.

Convenience. Unlike trains and planes, buses can go wherever there are roads and loading spaces. This means we can serve many more communities and many more convenient locations in major cities.

Cost effectiveness and affordability. With a fully allocated cost of $3.51 per mile, Peter Pan's operating costs are far lower than any other intercity mode of transportation. These lower costs make motorcoaches the most affordable transportation mode. And when subsidies are needed for rural services, intercity buses can provide those services at the least cost.

Peter Pan and other bus companies are very interested in expanding their rural services either directly or through interline arrangements with other bus companies or rural service providers. But this can only be done in conjunction with government programs that encourage and/or remove impediments to the provision of these services. Here are our recommendations on how those government programs should be structured or modified.

Section 5311(f) rural intercity bus program. Congress established this program, which is funded by a 15% set-aside from the section 5311 rural transit program, in ISTEA in order to strengthen and enhance rural intercity bus service. The program has had mixed results. Although it has funded buses and terminals, it has not been successful in providing essential operating subsidies for rural routes. This is because of the requirement that subsidies be limited to 50% of net operating costs, which means that a local community must come up with the other 50%. That rarely happens in the context of intercity service.

FTA proactively addressed this program by establishing a pilot program under which those providing rural feeder services can have their local match provided by the capital cost of the unsubsidized intercity bus network into which they feed and thus receive 100% of their net operating deficit for providing the service. This pilot program helps address the usual struggle of local, rural transit agencies to meet the local match requirements of the FTA grants.

The private match pilot program is already producing results. At least 10 states have already started, or are planning to start, new rural feeder services under the program. But there are many other states that are hesitant to do so until the program is made permanent. **Thus, we recommend that Congress enact legislation making permanent the FTA private match pilot program.**

Another issue with the section 5311(f) program is that if the Governor certifies that there are no unmet intercity bus needs in his/her state, the state may use the 5311(f) funds for local transit. At one time or another, nearly half of the states have so certified and often have done so without any meaningful examination of rural intercity bus needs.

SAFTEA-LU attempted to fix this problem by requiring states to engage in a public consultation process prior to making any determination about the adequacy of rural bus service. FTA has promulgated implementing regulations, which if properly enforced, will lead more states to take a serious look at their rural intercity bus needs, but enforcement and oversight is key. **Thus, we recommend that the Committee oversee FTA's efforts to enforce this requirement and require FTA to withhold or deny funding to any state that fails to comply with the requirement.**

Intermodal terminals. In order for rural intercity bus services to succeed, they must be linked not only to trunk line bus services, but also to the services of other modes such as air, rail and local transit. This enables people in rural communities to move seamlessly to and from the national transportation network. SAFETEA-LU took a significant step towards the inclusion of intercity buses in intermodal terminals by making the intercity bus portions of those intermodal facilities fully eligible for FTA funding. Peter Pan is proud to be a part of the Holyoke, MA intermodal transportation center, which was the first terminal approved by FTA under this expanded eligibility.

However, we believe much more needs to be done to enhance the development of intermodal terminals. In too many communities, there is no intermodal transportation center and the intercity and local modes of public transportation are not linked in a manner that facilitates their usage. This is largely due to the "stovepipe" nature of federal transportation funding, which makes it very difficult to plan and fund intermodal terminals. **Thus, we recommend that Congress enact an intermodal transportation center fund for the purpose of constructing intermodal passenger terminals that link all transportation modes, including intercity bus.**

Essential bus service. The inadequacies of the essential air service program have been well documented. One of the problems with that program is that using air service to link smaller communities to hub airports is often not effective from a cost, comfort, convenience, and reliability standpoint. For communities that are 100-150 miles or less from a hub airport, motorcoach service is likely to be much less costly from both a subsidy and ticket standpoint than air service; far more frequent and comfortable; and more reliable in bad weather. Yet, under the existing EAS program, communities do not have the option to opt for a surface transportation alternative. **Thus, we recommend that Congress modify the EAS program to allow communities to use their EAS funds for motorcoach service to airports and establish a separate Essential Bus Service program, which supplements the EAS program by funding motorcoach services from eligible rural communities to hub airports.**

Over-the-road bus accessibility program. The over-the-road bus accessibility program administered by FTA, although a very small program, provides significant benefit to intercity bus passengers, particularly disabled passengers. This program, which is comparable to the lift subsidies for transit and intercity rail, helps OTRB operators comply with the federal mandate for wheelchair lifts on buses. It is strictly for the capital costs of the wheelchair lifts; bus operators pay all of the operating costs of providing accessibility, as well as all the capital costs of making facilities accessible.

This program is particularly important for bus companies that provide fixed route, intercity service, like Peter Pan, because they face an ongoing federal mandate to have a wheelchair lift on every bus they acquire. This is a uniquely costly mandate, roughly equivalent to requiring a hotel to make every single room accessible. Without this program, the rural services of Peter Pan and other bus companies would be jeopardized because those services are already marginal from a cost standpoint. **Thus, we recommend that Congress reauthorize the OTRB accessibility program and that it continue to be fully funded.**

Mr. Chairman, Peter Pan greatly appreciates what you and this Subcommittee have done to support rural intercity bus service, and we look forward to continuing to work with you to improve and expand rural transportation options. Thank you very much for holding this hearing, and I would be happy to answer any questions.

Mr. OLVER. Thank you very much. I think you have laid out quite a table of thoughts here, and so I think we will have a good discussion as we move along.

We will take five minutes per person. I get to define who speaks next, and it is basically in the order of how people came in.

So let me take my first five minutes here. Really, there are so many things that I could now discuss, but I want to get to one thing.

Dr. Fruin, in the time that I was already constraining you, you pointed out that you wanted to complete—in fact, the subtitle of one of your sections is "Finish Deregulating Transportation."

Here, we have three folks who are saying and defining what greater needs there are because of what we did in air service to try to ameliorate the problem of the loss of service that would have occurred if there had not been anything done to the Essential Air Service.

We have Mr. Marsico, who is talking about the enormous needs in rural communities for healthcare issues. I will use that one, but it is all of the issues along the way that there needs to be considerable federal input in that, and we have Mr. Schwarz also.

And I might point out that you, just before the comments on finishing deregulation, had pointed out that, in the short-line rail systems, there was much too little being done by the federal government to keep them viable so that the rural areas could themselves be viable.

Now, I do not know. Is there a contradiction here, or would you like to explain yourself, and I will let them comment?

DEREGULATION OF TRANSPORTATION

Mr. FRUIN. Basically, I said deregulate. I did not say stop subsidizing. I did not say stop aiding. I was pointing out that we still have areas that are not served because we have regulations that prohibit it. My experience recently in that has been taxicab deregulation and deregulating household good movement, things like that that are holdovers.

When I say "deregulation," I mean freedom of entry and freedom to set prices. I do not mean put people out of business. Let them be there. If they can make a case for subsidies, then we will spend the money, but do not let them stand up and say, "That guy should not come into business because he will take business away from me," or, "I do not want that new service because that will interfere with mine." That is the sort of deregulation that I am talking about.

Before that, I think I was talking about the returns on capital that go to the mainline railroads because of the legacy positions and no competition. I believe in competition and let two competing modes compete on the basis of their service, and if there is a need that we cannot fill, then subsidize them.

Mr. OLVER. So could I summarize that? I am beginning to understand your sense that, yes, you want to deregulate, but you do not have a problem with subsidies, and the subsidies that are being suggested are significant. Both Mrs. Black and Mr. Schwarz were saying that, and, obviously, one has to make certain that you have a balanced transportation.

So would you agree that we need a balanced transportation system for the rural area that covers rural needs, if they are to be viable, and that the government really will have to step in in places to make certain.

Mr. FRUIN. Absolutely.

Mr. OLVER. That would suggest that some modes might not be appropriate for particular areas, and they would have to be cut off perhaps in this mixture.

Mr. FRUIN. Well, in the long part of my testimony, I am saying that we should cut back on the number of rural roads because that system has not yet been rationalized. We rationalized the railroad system, and we have the branch lines that are providing service but are not generating sufficient funds to rehab their track and to buy the sort of equipment they need to be able to exchange traffic with the mainline railroads.

Mr. OLVER. Okay. I think we will have more time to talk about that later. Mr. Latham.

Mr. LATHAM. Thank you, Mr. Chairman, and I guess I would kind of follow up on that.

How do you suggest that we address the connectivity on the rail? There is a proposal in Congress, to use tax credits for the companies to help improve their rail lines with the spurs, but what do you suggest?

TAX CREDITS FOR RAIL LINES

Mr. FRUIN. I have no problem with the tax credit. I actually think it would be more efficient if we were able just to allow grants to those railroads that need it to maintain their track and to modernize their fleets. It is a matter of the mechanism, and I think that outright subsidies are probably more transparent and may be better designed than a general tax credit that relies on the tax code rather than specific, proven needs.

Mr. LATHAM. Okay. I am not sure if I totally agree with you on that because I do not know if the government is then picking the winners and losers rather than allowing a market solution.

Mr. FRUIN. Yes.

Mr. LATHAM. Did you see a similar problem in the rural roads, as far as connectivity? You mentioned that you do not think some of the rural roads are necessary. I can tell you from where I grew up, there used to be, on every section of land in Iowa, four families living there. Today, though you have one family that is actually involved in agriculture, that land is still there, and you still need to move the product off the land itself. So what do you say?

CONNECTIVITY

Mr. FRUIN. I say that that system was designed in the 1850's for 160-acre farms, and I wrote this paper originally in 1977 and said 320-acre farms. If you look at my text, I say it was 160-acre farms. Now, it should be adequate 1,000-acre farms. So close down those roads and put it back in farmland, four acres for every mile of roads you close.

Mr. LATHAM. You would go over big at home. [Laughter.]

See, that is why the wind comes from Minnesota down through Iowa. I have a big argument whether Minnesota blows or Iowa sucks. [Laughter.]

Anyway, here we go. At least we are not doing Norwegian jokes.

HIGHWAY CONSTRUCTION

I guess I will ask you this question, too, about highway construction. It is often described as a local economic stimulus. Can you tell me, how many of those jobs are actually taken by people in rural America versus how many are filled from urban areas, employees who come out? Are there any particular types of road projects that maybe would be more effective, as far as job creation in the rural parts?

Mr. FRUIN. Well, when we let road contracts, I cannot guarantee that any local guys get jobs, but, remember, all of the subcontractors, if you build a road, you are going to get local gravel, you are going to go to the local asphalt pit, and they will be spending money in the small towns. So there is a big stimulus there.

There might not be too many jobs that are apparent, but asphalt, gravel, truck drivers, and the spending in the community have definitely a stimulus impact.

Mr. LATHAM. Are there any particular types of projects that are better, do you think, than others? Do you have any thoughts on that?

Mr. FRUIN. I think the shovel-ready concept is the fastest.

Mr. LATHAM. Okay. Thank you, Mr. Chairman.

Mr. OLVER. Mr. Carter, having been here at the time that the Big Apple came down.

GOVERNMENT REGULATION

Mr. CARTER. Thank you, Mr. Chairman.

I had other questions, but, Doctor, you said something that tweaked my memory of something we are dealing with in my district, so I am going to ask you about it because it is basically a government-regulation situation.

I live in one of those green areas, but, as far as our neighbors to the south, Austin, Texas, are concerned, we are still the rural folks up north. Now, we are almost as big as they are, but they do not realize that.

So they regulate their taxi service in Austin, Texas, and they determine who gets to provide taxi service.

Meanwhile, they would never come up to our county, which is 35 miles away, in their taxis. So we have had an entrepreneur that has come into our county and put in a taxi service, a very good taxi service.

Now, the City of Austin, when he takes people to the airport, is trying to prevent him from being able to stop or park at the airport because he is not part of their approved taxi service. I like the idea that everybody ought to be able to freely provide transportation services, if they can compete.

Would you like to comment on that, that I can take back to my folks back in Austin?

Mr. FRUIN. These are the exact reasons that we deregulated taxicab service in Minnesota because a suburban cab can go to a hotel and take somebody downtown, but they are not allowed to pick them up and take them back, and all of those other sorts of things. That is why, for the very same reasons, we deregulated, and we are very happy.

Mr. CARTER. Well, that is an issue that I am constantly getting phone calls over.

Mr. FRUIN. Uh-huh.

RURAL TRANSPORTATION

Mr. CARTER. I want to talk, one more question, about rural transportation. I believe it was Mr. Marsico. You were talking about the veteran transport. Well, that is a real issue in my district.

Like I say, I am the big green spot in the middle, but all of the surrounding counties around that green spot are rural counties, and there are some pretty good miles out in Texas, and so it is like 160 miles from the top of my district down to the bottom of my district.

I have vets that live 130 miles from the nearest vet clinic that they can get to. They are very unhappy about the fact that it costs them a lot of money, especially when the gasoline went up through the roof on us, just to go get ordinary healthcare services for vets. Would you like to comment on that and what solutions are out there?

Mr. MARSICO. Well, actually, I would like to comment that there is an innovative demonstration that is going on near you, in Lufkin, Texas, that was originally started by a former member of Congress, working with the local community transit system, Charles Wilson, who has got a contract situation that was put together between the transit folks, the local community, and a private bus company to provide fixed service, specialized for veterans, from Lufkin to the VA centers in Lufkin and also further down toward Houston, but it is a scheduled service where everybody came together, and the local transit providers provide feeder service to get those veterans there.

The problem that has occurred over the last year, I mean, we had a tremendous fight that we worked with to help people get the reimbursement raised for veterans on the mileage. I mean, we were down around 14 cents a mile, but the other side of that is that our veterans, especially the younger ones, require lift-equipped vehicles, which drives the cost of service up.

We have not had much luck dealing with the Veterans Administration about these kinds of services because they say, "That is not our issue or concern. People will get there." But it does not recognize the tremendous burden that families also have to provide that care, and, aside from that, we have this mentality over there that everybody who participates in the VA healthcare system looks like they did in maybe 1945, where everybody has got a car in a one-person family, and they can take a whole day to drive somebody for their treatment.

The truth is, and we have held hearings around the country with our friends in the veterans area, that we have people, especially by themselves—single, elderly people—young people by themselves—who cannot imagine it. So we think it needs a comprehensive review, and we also think it needs, you know, more looking at demonstrations, like the one in Lufkin, that seems to work. Until we get that, we are going to continue to have difficulty, and I hope that we could talk to you further about supporting our efforts.

The whole issue of whether it is veterans or Medicare is that our government does not see the transportation as essential, even though they believe that all outpatient methodologies are better for the patient.

Mr. CARTER. Thank you, Mr. Chairman.

Mr. OLVER. Mr. Rodriguez.

Mr. RODRIGUEZ. I happen to represent a district that is probably the largest in the nation. I have 785 miles that stretch through the Mexican border, from El Paso to San Antonio, so I have both urban and rural, and I know I have a great deal of difficulty with my veterans getting access. Some of them go 300 to 400 miles in order to get access, and so a lot of them do not get access.

So the need, in terms of transportation, is something that we need to continually work on. I find some difficulty, in terms of the road closures. I still have areas that do not even have any roads.

GAS TAX

Anyway, I was going to ask you about, on the rationale for, at least, when we pay for gas now, for every gallon, we pay taxes on it, and the mileage on it. We had a vehicle that put 60,000 for the office in just less than a year, and they do not want to lease them out to us anymore.

You made some comments on the veterans, in terms of how best, because I have communities that have to travel hundreds of miles before they get to healthcare and to go to the grocery store. People in Sanderson, Texas, have to go a good distance to find the first Wal-Mart, you know, and so they do not exist in those areas.

But I wanted to see how we can expand on not only the bus system but also air travel. I can hardly wait for me to be able to take the flight that even a smaller plane that will take us, and I thought we were moving in that direction, in terms of with the new air-control systems and all of that.

What do we need to do, number one, for getting flights, Mrs. Black, in terms of for small, and maybe some feedback on whether we ought to look at rail or bus or alternatives because my small towns are connected through rail—Sanderson, Alpin, and all of those communities—but we do not see them go through there that often, and that creates a problem.

So, Mrs. Black, if you could help me, in terms of what we might need to do to enhance?

CARRIERS

Ms. MALARKEY BLACK. Sure. From the carrier perspective, one of the most important things that a carrier looks at when assessing the community aside from traffic and obviously whether or not they can profitably serve the market is the commitment of the community. We have a lot of communities that are very committed, but they do not have the funding or the airport facilities. So, you know, the first step, I think, is to have the committed community and to look at your population and do some assessments and figure out who would be traveling, what would be the use, and make the case to the airlines.

One thing with regional airlines is to the extent that they are interlining and co-chairing with the majors, we do not always make scheduling decisions for those smaller communities. So the best approach is to talk to a mainline carrier and demonstrate to that carrier that this is a profitable market; that you would provide speed in terms of traffic to the airline system, and once you make that case, there have been some examples where there has been new air service. There are programs out there.

I am not an expert on the small community air service development pilot program, but that is a program that is in use by smaller communities in the past as well for the community partners either with an airline or another factor, and is able to get some grant money to set up that service so you can perhaps have some incentives to the airlines to come do a marketing program, things like that. But I think the bottom line is the committed community and the fact that the community is willing to put some funding in a partnership with the airline is one of the best steps that you all can take from the community perspective.

BUS SYSTEM

Mr. RODRIGUEZ. On the bus system, let me ask you, I would think that in some cases I see these huge buses and a lot of them are sometimes less than half full. Does a mini-bus make any difference in terms of use of gas? I guess the staffing looks good, you know, as an expenditure.

Mr. SCHWARZ. Congressman, I think that it does not become necessarily a question, a lot of people think that a mini-bus versus a normal regular motorcoach, there is a big difference in the economics. The answer is no, quite frankly, and also, quite honestly, if you are a young person that is a soccer player that is traveling with your team to go play soccer, a mini-van is a great experience, but perhaps someone of my age would not appreciate riding in a mini-van.

But I would like to share an experience with you that I am very encouraged about. As I visited this distinguished building this morning, I was introduced to Congresswoman Brown from Florida, and Congresswoman Brown said when she found out I came from a bus company, Peter Pan, she said, "why do you not provide bus transportation to veterans?" and, sir, I have to tell you I am very proud to say Peter Pan Bus Line provides free transportation to veterans.

But she is going to be holding hearings that she invited us to come to on testimony because she feels that there should be a transportation program transit as well as intercity bus that provides free bus passes to veterans. And why I think bus companies, intercity bus companies such as Greyhound, which is obviously very prominent in Texas, is perfectly suited for this. Those of us that obey the law and are ADA compliant, motorcoaches have wheelchair lifts, and therefore it is easy for us to accommodate those veterans that need to ride in intercity buses. In fact, it would be great if this committee could help oversee the continued funding of the OTRD accessibility program so that those of us that try to obey the law can continue to make sure that our buses are wheelchair-lift equipped.

Mr. RODRIGUEZ. Thank you.

Mr. OLVER. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman, and Mr. Schwarz, I had the pleasure of having Congresswoman Brown as my Ranking Member when I was Chairman of the Railroad Subcommittee, and she is from Jacksonville, Florida, and is a passionate advocate of all forms of transportation.

Dr. Fruin, I do not want to pick on you, but I promised our Ranking Member I would not talk at all about the ethanol portion of your testimony, and instead I want to talk to you about the Class 1 railroads and your observations, and I wrote down that you are not for re-regulation, so being from Minnesota, I assume you are familiar with the distinguished Chairman of the Transportation Infrastructure Committee, Mr. Oberstar.

Mr. FRUIN. Yes.

CARE COALITION

Mr. LATOURETTE. Are you familiar with his efforts and the CARE Coalition to re-regulate the railroads?

Mr. FRUIN. When we say "re-regulate"——

Mr. LATOURETTE. Right.

Mr. FRUIN [continuing]. I am not quite sure what we are saying because I think what I am saying is that there are routes that we do not have competition.

Mr. LATOURETTE. Right.

Mr. FRUIN. And that it has been impossible for the shippers to get rate relief even though in the law we are supposed to continue to provide moderate—shipments at moderate cost, and my philosophy is that transportation is a public good, and the mere fact that I have a monopoly position and no competition does not give me the right to get monopoly profit, and it is the law of our government, not necessarily to regulate, but to ensure that the rules are there so that the shipper gets a fair deal.

Mr. LATOURETTE. Fine, and I think we are all with you on that, but are you aware of the recent rulings and adjustments by the Surface Transportation Board in that area relative to captive shippers, small shippers?

Mr. FRUIN. Well, the one I am aware of recently was a very large shipper, a major one, and it was a $300 billion ruling, but that does not protect the—the small shipper cannot afford to roll the dice and spend two or three million dollars trying to get a $500,000 back.

Mr. LATOURETTE. Right, I get you on that, but you know, sometimes when I ask people in this coalition—I have a box manufacturer in my district that is a member of the coalition. I said, well, why do you not put it on trucks, and they say, well, it is more expensive. So what is the deal? I mean, if it is more expensive, then why is not the train transportation that exists in the area, there is competition. It just does not happen to be from another railroad.

Mr. FRUIN. There are areas of the country that are in commodities like coal and grain that are just very expensive, and in fact in some cases are shipped anyway, and we pay for it in our utility bills, and we should not be. In other cases, the grain just is not grown there because the rates would be prohibited.

Mr. LATOURETTE. Let me talk to you about financing and the short lines in particular. You are familiar with the RIF program, Railroad Investment Funding that was made available and really beefed up in SAFETEA–LU, I think it is about $40 billion?

Mr. FRUIN. I am not that familiar with it.

Mr. LATOURETTE. Okay. In addition to what Mr. Latham was talking to you about relative to tax relief, the RIF program, as a Republican, I had a great deal of disappointment in the Bush Administration, and it made it almost impossible for any short-lines. I do not think they approved any applications except DME up by you. You are familiar with that?

Mr. FRUIN. Yes.

Mr. LATOURETTE. And it seems to me that the blending of tax relief that Mr. Latham was talking about together with a robust utilization, hopefully the Obama Administration will utilize, was not free money as you advocated, but it was very, very low interest money to make significant improvements on short-lines in particular to create an improved connectivity is the way to go. Would you agree?

Mr. FRUIN. I would agree with that, and now that you mention the program and explained it, that is the one that we never got any money out of it.

Mr. LATOURETTE. That is what I am talking about. One person did. I think the only new railroad that I am familiar with in the country was DME.

Mr. FRUIN. But did they really give it?

Mr. LATOURETTE. DME?

Mr. FRUIN. Yes.

RIF PROGRAM

Mr. LATOURETTE. Well, I think they did, but I will tell you I am aware of a lot of short-lines in other parts of the world that made application, and for whatever reason, even though we had this—I know what the reason is. OMB scored it poorly, and they made the determination it was not cost-effective. But I am going to tell you that I hope that now, you know, the new sheriff is in town. I keep hearing that, the new sheriff is in town. I hope the new sheriff decides that the RIF program is worthwhile and his OMB permits those funds to flow forward.

Mr. FRUIN. Well, many of the cost benefit analyses we do are inadequate because we are not really looking at all the benefits or all the costs.

Mr. LATOURETTE. Well, I am a big believer. I think we should build railroads all over the country because it not only helps the railroads, it puts people to work as well.

So thank you for this round, Mr. Chairman.

Mr. OLVER. Thank you. This is going very well, but I wish we had invited the whole of the rural caucus to listen to this set of conversations. It would have been quite interesting, I think.

What have I done? I have forgotten what I wanted to ask. Mr. Marsico—well, I think maybe I would like this to go to all. The President has as one of his key initiatives in this stimulus bill the expansion of broadband to rural areas around the country. Given what we have talked about, and let me make a comment here that I forgot to make in my opening statement, if you can believe that. While our major metropolitan areas are just continuing to grow, over 60 percent of all rural counties have lost populations in the period between 2000 and 2007, and such de-populations usually carries with it disinvestment in all kinds of public services, not just transportation, but education and medical services, and job opportunities all up and down the line.

So can the broadband initiative, if it really reaches ubiquitously to all parts of the country, can it stem the tide of disinvestments in job opportunities, can it be used to stem that for medical purposes and such? I ask it first to you, Dale, and then comments from the others.

BROADBAND INITIATIVE

Mr. MARSICO. Well, you know, that is the kind of question you answer by saying I am not so sure that all of our futures will be solved by the Internet. But I would say that based on the kinds of issues that I addressed in our testimony and the kinds of needs by the people, for instance, we talked about whether they would be our veterans or our health care issues, I do not think the expansion of broadband is going to solve their problems.

Their problem is in direct relation to what you were speaking about, that we know that health care facilities move further and further away from rural communities because all public health expenditures have to have a high rate of return and they have to have a large mass of people to maintain their efficiency.

So just having medical records easily available or activities related to the web will not solve that problem because we have declining facilities, and many of the job opportunities that still exist will always be in more urbanized areas where work will be created, so we will not be able to reverse it with one single item.

Quite frankly, as you look at the employment situation, maybe that has an impact longer term, but in the short term unless that would generate a lot of jobs in rural America, I do not think it is going to affect any of our primary concerns.

Mr. OLVER. Okay, let me ask Dr. Fruin. Do you have a feeling about the benefit of broadband ubiquity?

Mr. FRUIN. From a rural development point of view, broadband is important, but just as important as the transportation infrastructure, the labor force, the education of the workforce and things like that, broadband will help a community maintain its position, but it has got to have those other things there also.

Mr. OLVER. Broadband can also have an effect upon those very things—the education aspect and doing things by distance learning, of course.

VETERAN LIVING IN RURAL AREAS

Let me ask you, Dale, you have talked about veterans and the Census Bureau says 20 percent of Americans live in rural areas by their definition. You say 40 percent of veterans live there. Now, that may not be the same areas, but it sounds to me as if there is a disproportionate number of veterans living in the rural areas. Would you give me why you think that is?

Mr. MARSICO. Well, I think that is essentially true, and if you think for a second about some of the ways, particularly the army has reorganized, especially that relates to our National Guards, you will find, for instance, that almost a huge percentage of the support elements that provide logistics come out of South Dakota, and you will find that other guard units in our states, especially in the rural areas, are specialized. You will find a lot more of those people who have been called up in the last war having a rural base.

So, I think that is where we start to get that issue, and also, quite frankly, we from time to time have lots of strange discussions with the Veterans Administration about the status of our National Guard people who come from rural areas and are called up for military service overseas not getting the same level of benefits, and, of course, transportation as well.

So, that kind of plays into our vision and the numbers that we get from the VA that, you know, 40 percent of them are living in rural communities.

Mr. OLVER. I think you have touched on—I think it is broader in that sense. I think that people in the military have disproportionately come from rural areas in the first place in order to get—because there were no job opportunities or poorer educational opportunities, and they get educational benefits, and some push forward on the job opportunities when they come back, but a lot of them want to go back into those areas so they are there, and that is where they came from and that is where they are likely to go for awhile.

Mr. MARSICO. Well, that is particularly true——

Mr. OLVER. Anyway, I have overused my time.

Mr. MARSICO. Right. The older people who are retired, and, you know, cost of living being what it is.

Mr. OLVER. Mr. Latham.

Mr. LATHAM. Thank you, Mr. Chairman.

DISABLED VETERANS

Just talking about transportation for veterans. Would you get major pushback from DAV, the Disabled American Veterans Association, because I know that they take great pride in what they do and offer a lot of—in Iowa, the transportation services to the VA hospitals. I mean, is there a lot of pushback with that?

Mr. MARSICO. I think what actually we gather is a lot of fear. We do have examples, as I mentioned, in Texas. We have had—we did a major demonstration and it is currently working in the Pacific Northwest, around Seattle, where we try to explain that these services can be integrated but not displayed, and I think if you talked with our friends at the DAV or the DVA, you will see that most of their transportation needs are directed towards ambulatory individuals and not those in wheelchairs. So, there is a special subculture of service needs that they cannot address.

So, we have been dialoguing with them about that, and, quite frankly, we have had a difference of opinion with them from time to time, that the mileage reimbursement program is not the solution, especially for the people who need specialized care.

But I think in lots of places we have been able to demonstrate that this can be a working coordinated partnership and we need to continue to discuss that with them.

IOWA SYSTEM OF TRANSPORTATION

Mr. LATHAM. Mr. Schwarz, you mentioned earlier, and I appreciate the compliment—you said Iowa had the best system in the country. Would you explain why that is the best or what makes it the best?

Mr. SCHWARZ. Mr. Chairman, excuse me.

Congressman, I do not know why that is. But in preparing for this hearing——

Mr. LATHAM. Well, you are honest anyway. [Laughter.]

I like that.

Mr. SCHWARZ. Thank you. In preparing for this assignment, we did research and it said Iowa had the best rural intercity bus program in America. You can rest assured, sir, I would be happy to follow through on this and I will be happy to send you my thoughts as to why. It just came to our attention that for some reason Iowa has these programs and it is very successful, but at this point I cannot tell you exactly why. I was kind of hoping you would tell me.

Mr. LATHAM. Well, I can assure you we have a very active group of people involved in transit in Iowa, and every county and every community is very much involved with it; not that we ever get any requests for funding or anything from those folks, but——

Mr. MARSICO. I could help in that category.

Mr. LATHAM. I am sure you could.

The essential air service. I have got two communities in my district where it is absolutely critical to maintain. They are in the lower end as far as per passenger boarding, with over $600 in per passenger subsidies, and several in the three-four hundred dollar category.

Have you ever done any study in which you compare with Amtrak? There are some Amtrak subsidies that are several hundred dollars per passenger, also. I mean, is that sustainable? How can we use it? Can we justify that?

COMPARISON TO AMTRAK

Ms. MALARKEY BLACK. We have not done a direct comparison with Amtrak. We would like to have the resources to do that kind of research, but lack them, unfortunately. But we do think that it is justifiable, and it just comes down to whether you think philosophically it is an important program or not.

When the program, during its inception in 1978, we never really envisioned that it would cost this much to provide the service, but the realities are that fuel costs have just skyrocketed in some recent years. There are other issues—the cost of operating a 19–seat aircraft has gone up quite a bit, and the market realities are such that these costs have increased.

For those communities that are within 210 miles, there is a subsidy cap now of $200. We think it is appropriate—it has not been looked at in—I do not have it in front of me, but I think about 17 or 18 years, and we think it is appropriate to make adjustments to that given the cost increases facing the program and carriers. We think it should be indexed for inflation. We think that is appropriate.

But some sort of a cap is realistic on the closer-in communities. That said, when you are far out, that is what you need. You need that air service. It really is essential, we believe. It is an economic driver of the communities. We make the argument that there is no better stimulus to the rural economy than air service because if a business is looking to relocate there, one of the first things they ask is, can I get there. So we think it is very important, and we do justify the expenditures.

Mr. LATHAM. Okay. Very good. Thank you, Mr. Chairman.

Mr. OLVER. Mr. Carter.

Mr. CARTER. This may be a totally philosophical question, but I thought about this. As we see transportation start to have major issues about change, fuel usage, conversions, electric cars, and all these things, we are a state that is bound by the automobile and the pickup trucks. I mean, that is the nature of being in Texas.

But in truth, as my colleague Ciro points out, we also have distances that need air miles, need train miles, and other things because we are using cars to cover those miles, and as the world looks like it is going to make a change on that, if you are designing the perfect world for a large rural area, and when I say large, you can look at ours, I mean, it is large, what kind of combinations would you put together that would be a good system that would allow people to move to the critical medical areas, to the VA services areas and so forth, because you get out around Sanderson or some place like that in Texas and you just do not have any choice but to drive 300 miles.

If you had your perfect world, how would you design it? Doctor, I will start with you, and let everybody talk about it.

Mr. FRUIN. I would expand two things: the bus service, I would not expand rural rail service for passengers because that just does not mix because of the need for speed and stops, but I would emphasize the bus service, and in my perfect world we would have a lot of point-to-point pickups. I am talking about taxi service and stuff like that. I am not at all sure that I want to spend the $200 to go on an airplane. Why do I not spend $150 and have a limousine service to go from one airport out actually to where the person's home is.

Now how I would pay for that, I do not know, but I think it would be cheaper than maintaining airports, airplanes and things like that for the few people that do that traveling.

Mr. CARTER. Air service?

Ms. MALARKEY BLACK. You know, that is the issue Dr. Fruin brings up, and regional air service, in particular our short-haul service, we compete against the cars and trucks and buses, and so that is something that we have to keep in mind.

That said, again, the businesses do not want to necessarily have to take that long car ride, and so I think investment in the area is important. But there are some other factors. Airport access is critical in some of the more remote communities getting into an airport.

You know, two years ago or last year we had some talk of spot auctions and things like that at the hub airport. So one of the things we find important is to make sure the spokes can actually get into the hubs. We start talking about limiting access there, and that has a real effect on rural transportation.

Highway safety is important so that you can get to the airports and airport access and development there, so that is an intermodal concern of ours, and I guess the final thing is to remember that the airlines are competing against the car and the automobile, and in many cases we are taxed at much higher levels than they are. So one of the things that the government can do is to watch those taxes and fees because they do have an impact on how much the airlines can reinvest in the system and provide that important access to air service.

Mr. MARSICO. I think that states like Texas and the rest of our country need a balanced system where we have options for local communities to help them make the best decision of how they need to meet their service needs, but we also need a system that is fair in the allocation of resources.

INTERCITY BUS PROGRAM

My colleague discussed this intercity bus program, that is a DOT program, the 53.11[f] program. It is 15 percent of the smallest programs in USDOT, and obviously if you believe, as we do in our efforts, and I agree with the Doctor, the intercity bus program is absolutely vital to solving the connectivity problem. You cannot do it by setting aside 15 percent of the smallest program and then say that we are going to have a fair and balanced system for rural America, and I think that is the issue that is in play for all of the issues as it relates to transportation.

It costs more money to provide service in rural America and it does not matter about the number of people sometimes. For instance, in Congressman Oberstar's district, we have less rural transportation money than we had in the last reauthorization because of a population change. But it cost just as much money to provide the service from point A to point B as it did before, and that now that we have less people aggregate does not solve our problem. It still costs a lot of money to go from point A to point B. And when those people are older and they cannot drive and there is no intercity bus for them, it is an extraordinary issue. It is a resource allocation. So I think we have enough experience to solve the problem. We do not have enough resources and we do not have enough fairness.

Mr. OLVER. Would you like to add briefly to this? Because you are down the line near the end of the line here.

Mr. SCHWARZ. I would only say I should probably not add much more comment after what this gentleman said. I think he said it all. Except I would just simply say, Congressman, I really believe that intermodalism is the way to go. It is a tremendous asset to bringing all modes of transportation, whether it is the taxicab, whether it is the train, whether it is the railroad or the airlines or intercity bus. It does provide, and you can set up, intermodal facilities. They can be large or they can be small.

I was really encouraged when I read recently that Vice President Biden and the new Secretary of Transportation were in Miami, Florida, and they allocated a tremendous new intermodal facility that is going to take old dilapidated bus terminals and other modes of transportation, and it is going to breed new life into that mode of transportation, and I just think it is the way to go. And as you begin to look at allocating resources and making things available, I think that is going to begin to contribute.

One other thing that I think, particularly for Congressman Olver, that we need to be concerned about if you think there is a crisis on the horizon now, you come from a community or a state such as Massachusetts that has huge fiscal problems with the transportation infrastructure. Apparently the way we are going to get out of it is by fuel tax; raising the tolls. So those people that depend on automobiles, quite frankly, and that have economic constraints will no longer be able to use their automobiles to get from rural communities to whatever major city or tertiary city that they choose to go to. It simply will no longer be an effective mode of transportation.

Mr. OLVER. Mr. Rodriguez.

Mr. RODRIGUEZ. Let me just—I know we have talked in terms of some of the needs. Maybe I will direct a little more question in terms of—because I know the funding, how do we go about that because when I heard about the mileage figure, well, that is going to discriminate against rural communities, and so I wanted to see if maybe you can give me some feedback on vehicle mileage, you know, as to why—you know, would you not believe that that would hamper rural communities?

VEHICLE MILES TRAVELED

Mr. FRUIN. No more than high gasoline taxes have in the past. I mean, if we look at how we fund things now, we rely primarily on the gasoline tax and other taxes. There is a major concern about—well, we reduced fees for green automobiles, so that is less money coming in. So my feeling is that a well designed mileage tax would basically impact people on how many miles they drive, and also you would put the weight/distance tax back in the position of being on the goods that are shipped these distances.

So, yes, if you are too far away from some place you are going to pay more, but you are now and I do not know how you ever get around the problem of distance and——

Mr. RODRIGUEZ. Yes, because they are already paying more because of the number of gallons that they are utilizing, and you add in on top of that, and so they still have to travel 150 miles to go see a doctor or go get groceries.

Mr. FRUIN. No, I am not really adding that on top. I am saying change the gasoline tax system today to a mileage tax because now you have a gasoline tax that is related to fuel consumption.

Mr. RODRIGUEZ. The possibility of going back to rail and bus and air travel, I know that they told me if I wanted to do some—a train that is already going, I think it goes every three days from L.A. to New Orleans, through a bus in San Antonio, and a lot of my communities, but it only does it every three days. They almost become self-sufficient if you do it daily because people are able to go to San Antonio and come back in the same day.

Does some of that make sense in terms of moving and initially subsidizing some of that for the long term?

Mr. SCHWARZ. Well, relative, sir, to intercity bus, I think absolutely. You have the road network connecting closer places. Providing subsidies to intercity bus service is the cheapest form of transportation. You certainly could provide it on a continuous basis so that people become familiar with it and plan their lives around it to utilize it, whether it is to buy their groceries or go to Wal-Mart or get medical care, certainly, and it is the easiest form of transportation to set up and get going quickly. The road network is there. The infrastructure is there. You can do it.

TUBULAR RAIL

Mr. RODRIGUEZ. There is some new technology also, the tubular rail, you know, because the first thing I encounter is property rights and things like that, but does the new concept of tubular rail go on top of the existing roads on that, and sometimes it makes it a little more—I do not know whether it makes more sense to look in terms of long term and seeing those transportation modes might need to change. Any of you have any comments on that, not only just tubular, but also—you know, because I am looking forward to small planes that I can just get on actually in San Antonio without having to go through Dallas or Houston.

Mr. SCHWARZ. I will offer a comment on that, sir.

In Massachusetts, there has been talk of similar devices with commuter rail or types of rail service to follow, for example, the turnpike system, and I think it is fair to say the cost of providing sets of service is just impossible, quite frankly. It is just impossible.

Ms. MALARKEY BLACK. Speaking to your interconnectivity issue, that is very important to airlines, having the other forms of transportation to get to that city airport, to bring passengers to the airport is important. That would create traffic on the routes, particularly on the regional routes where we need more passengers, and so that is very important.

So philosophically we think subsidizing programs like that are important. I think the caution I would counsel is to be very careful that you do not set up a competitive environment between the programs. The essential air services are underfunded as it is, so talking about taking some of the subsidy dollars available for that program and spending it on intermodal access would not be appropriate because you simply would run out of the money just to provide the air service that you have. So that is the caution that I would throw out there.

FAIRNESS

Mr. RODRIGUEZ. Let me just—you mentioned something about the unfairness, Mr. Marsico. Do you want to elaborate a little bit more, any of you, in terms of the way we have it structured now in terms of how it might be unfair?

Mr. MARSICO. I would just say that in the last three major reauthorizations we have waged vigorous campaigns to change the allotment on the public transit side for rural transportation and the intercity bus, and again, just looking at the map, we need to figure out how we arrive at a system that provides more than 15 percent of the rural program, which is the smallest program in the public transit budget, for transportation needs of all of the communities that are in rural America and build a process of connectivity.

I think, you know, until we have a better way of doing that or better applications we are not going to get there.

Mr. OLVER. I think that may be a case where we are going to need to send our ambassador to the TNI committee to carry that case this time. Thank you.

Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman, and Dr. Fruin. I am just going to make one observation and get off you and talk to the other witnesses.

This whole issue of the railroads and regulation and rates and everything else, it has long been my view that everybody has got to put everything on the table to get there from here. You just cannot take the skin out of the hide of the Class 1 railroads.

By that I mean if you talk to the railroads, they have a common carrier obligation. So if you look at what happened to Minot, North Dakota, they will tell you that it is only one percent of their business but it is probably about 90 percent of their liability and risk and everything else, and a chlorine spill can shutdown or bankrupt the short line and another railroad.

So if we are going to talk about pricing and taking care of the captive shippers, we have got to get the lawyers out of it. They cannot continue to make a ton of money. We have to consider, I think, the same system that we have with the airlines where there is a capped responsibility in case of a disaster. They have to have some predictability so they can get insurance, and if you are going to make them carry chlorine, you should recognize that has a responsibility cost and everything else, and then we could have a rate adjustment.

So if you, since you are from Minnesota, if you could go up there—go up to Duluth and beat on Mr. Oberstar just a little bit, maybe we can get some of these things resolved.

PASSENGER SUBSIDY

Ms. Malarkey Black, did you say that you were advocating say a $300 per person customer subsidy?

Ms. MALARKEY BLACK. Well, there is a cap right now——

Mr. LATOURETTE. Right.

Ms. MALARKEY BLACK [continuing]. On the per passenger subsidy. So the DOT does not go down and give money to the passengers. They obviously make payments to the airlines. That is broken down so $200 is the subsidy cap. But that has not been adjusted for inflation.

In the meantime, air carriers have had, as I mentioned, tremendous cost increases, not just the fuel, but with other places. And so DOT has been flexible actually in recent years with its exercise of that per passenger subsidy cap, and we think that is appropriate and absolutely necessary because otherwise you would have communities who really needed the service not getting the service because the outdated subsidy cap does not reflect the current market reality.

Mr. LATOURETTE. I am all with you, and the Chairman and I have been on the same side of the Amtrak discussion. There are some people around this town that do not think that Amtrak should have any federal subsidy, and they point to the fact that if you are going to travel a long distance on Amtrak it is pretty expensive. I mean, the subsidy part is pretty expensive, but I think to provide service to people that do not have service you have to recognize that is just like the postal service. When we require them to go to every address no matter where the address is, it has a cost that is different than others.

How many members are in your association? How many different airlines?

Ms. MALARKEY BLACK. Well, we only have maybe four that do essential air service.

Mr. LATOURETTE. Okay.

Ms. MALARKEY BLACK. But we have maybe three dozen airline members.

Mr. LATOURETTE. What is the biggest aircraft that any of your members fly?

Ms. MALARKEY BLACK. I think we have, and that is a moving target——

Mr. LATOURETTE. Right.

EMBER AIR

Ms. MALARKEY BLACK [continuing]. Because we have got manufacturers that are bringing larger aircraft online. I think the 90-seat passenger aircraft manufactured by Ember Air——

Mr. LATOURETTE. Yes. Apparently there is a 170 series that is new.

Ms. MALARKEY BLACK. Yes.

Mr. LATOURETTE. That is a beautiful plane, by the way. And do your members get into the SCOPE clause discussion at all?

Ms. MALARKEY BLACK. They sure do. We do not at the association level, but our members do inasmuch as—let me rephrase that. Our members do not necessarily get involved in SCOPE clauses. As you know, that is a major airlines' issue with their organized labor, but it is certainly something that impacts regional airlines, and it sounds like you are alluding to the type of aircraft.

Mr. LATOURETTE. Right.

Ms. MALARKEY BLACK. The size of aircraft that they can operate. So that has been a factor. We have seen some relaxation in SCOPE. Certainly it had to happen after the terrorist acts of 9/11, but SCOPE is still a factor and it is still impacting the aircraft choices of some of our members.

Mr. LATOURETTE. I will tell you that I was just at Ember Air last month, and looked at the 170 series and the 190 series that they are coming up with, and I said—my major airline is Continental, and I said, why fly these hypodermic needles that they have. These RJ–140s are horrible, and the 50 seaters.

Ms. MALARKEY BLACK. We like those too.

Mr. LATOURETTE. I am sure you think they are swell, but as a customer, I think it is like flying in a hypodermic needle. So I said, why cannot, you know, since Continental really helped Ember Air take off in the mid-nineties, why can you not help them sort of roll out and divert from the 140 series, give them to other airlines that find them to be good for those markets, and they said it was the SCOPE clause. They said you cannot permit an 80-seater or a 90-seater or an 188-seater to come into and compete with others, and that seems like something that came about as a result of—well, it seems outdated to me, and perhaps we should revisit it.

Mr. Chairman, I think I am going to ask you and Mr. Oberstar to do that.

To the bus and transit gentlemen, Mr. Marsico, I think it might have been you that mentioned regionalism, and if it was not you, I apologize, it was you, Mr. Schwarz.

One of the problems that we have from my outlook with rural transportation is it is twofold. Some people move to the country because they do not want buses and airplanes and things. I can remember when I proposed a water line in one of my rural areas, there is still an effigy hanging from a tree if you drive down State Route 528, because they do not want a water, they do not want a sewer because that means development, that means city folk, that means a whole lot of other things.

But regionalism, I think, is key. When you talk about not only intermodalism, but regionalism, and one of the problems that we have is we have all these local bailiwicks, and so I have a county that has a bus service that is supported by the sales tax, but you cannot take that bus out of the county. It stops at Ashtabula, it cannot go into Lake County. Got one in Lake County, it cannot go into Cuyahoga County.

So it seems to me as we look at efficiencies, and we have this problem no matter what the service is. Talk about the police service, for instance. They used to be in charge of the crime lab when I was prosecutor, and every police chief wanted their own bomb kettle, you know. And I said, well, we only have one bomb a year, so how about if we buy one bomb kettle for the county, and when you have got a bomb, we will bring it to you. But you know, every police department wanted their own to put in the 4th of July parade.

It is the same way with a lot of this other stuff. And so as we look at efficiencies and if, Mr. Marsico, we take your observation to heart and say that you need to be bigger than a 15 percent set aside, do you think it is unreasonable that we also demand that you and your members are regional in scope, and maybe if we are going to buy a bus at a rural agency, they should have to team up with the rural agencies around them and make sure that you can actually get from point A to point B.

Mr. OLVER. That should be a simple answer.

Mr. MARSICO. No. How could you disagree with that?

Mr. LATOURETTE. That is what I am thinking.

Mr. MARSICO. I think that some of the examples we pointed out as well as in the glossy material that was cited says that around the country that does work well, but it requires leadership, and also some of the dynamics that are involved also about the future of the intercity bus systems because we think instead of just giving the rural people, you know, additional equipment to build more rural service, that kind of displaces the intercity bus system. We need to develop, as I pointed out in the Lufkin example, a system where you integrate intercity bus with those local services for the connectivity that is missing in our current transit vision and looking at that as an unmet need.

That can actually be met, we believe, by working strongly with our partners in the bus industry primarily for all the reasons, including cost effectiveness. We had a very good intercity bus system linking and stopping in rural America until it became uneconomically infeasible to manage from the Fairbock.

Mr. OLVER. Okay.

Mr. MARSICO. That issue is a little bit different but I do believe that on the other side, you are absolutely right, and I think we have a good record to show for it, and I think our longer testimony discussed it. But we do not want to displace the good work that is currently being done in the intercity area because that has its basic advantage to rural America that could be lost forever.

Mr. OLVER. Okay. We are getting close to time here. I would like to get one more round which may put a little bit of pressure of three or four minutes per person on the round as we go. I would like to engage all of you. We have had some discussions here that I think could be integrated. In fact, Mr. Carter kind of started.

RURAL DEVELOPMENT

I am wondering if there is room somewhere here, we all worry about rural development, and it seems to me we have done little bits and pieces, and maybe we ought to think in a broader kind of a way. There are some places here where there are such large blocks of territory where the crisis in rural America is at its worst, I think, where there might be room for big demonstration. I am wondering, for instance, Doctor, whether there are a group of counties that might get together and think about your idea of creating more useful land by not having so many roads. Maybe it is even four miles apart rather than two miles apart down the road, and in that process you take into account the need for short-line railroad, and its role in a comprehensive kind of a system that carries that, that in a group of counties you might have one essential air service that allows—you might take 10,000 square miles or something like that in a group, and think about it in a block.

There are places where that could be done in those big blocks of areas. There are a couple of huge Indian reservations out in—connected Indian reservations which have the worst unemployment, the worst kinds of opportunities, the worst house, the worst medical services, and anything you can think of, were to try to do something that would be beneficial for the whole of them over time; that you could get into the bus issues, the medical issues, and the service kinds of thing all in some kind of relationship.

I would like to see if there is not some way that the kinds of things we have been talking about this morning could educate us and allow us to get a more comprehensive look at rural development in general, not just transportation, but to integrate these other issues. The transportation, obviously you can deal with it. If you have others, cover it quick; thoughts from anyone of you.

Ms. MALARKEY BLACK. I think from the airline perspective what you are talking about is regionalization. We have heard this before. The GAO has come up and said things like you ought to just consolidate a couple of EAS airports and it would increase your traffic and so on. Two observations.

The first is that we would just ask consideration that the airlines have made investments in these airports where they are currently serving, and the service is incumbent upon connecting to a hub. So it does get to be logistically challenging to try and put all——

Mr. OLVER. We have computers these days. We can challenge—we can do planning. We can figure out—I have not been able to figure out how you get water transportation in most of the high plains regions. You need a navigable river unless you are going to let your Corps of Engineers build to Oklahoma City with a navigable waterway or something again.

Ms. MALARKEY BLACK. That is certainly frightening. The other side of it is that there are some members of Congress, senators, who might have a primary opposition on that.

Mr. OLVER. Really?

Ms. MALARKEY BLACK. Yes.

Mr. OLVER. Well, that is okay. I would not be surprised. Judge Carter is leaving. He is. [Laughter.]

Mr. OLVER. Quick comment, quick comment so I can get onto the other two?

Mr. MARSICO. I would like to make a quick comment. One, there are such efforts going on across the country now. There is a very good one which we participated in last year that is called the Yellowstone Business Partnership where they bring local elected officials, community leaders, economic development people together to talk about trying to prioritize areas within their region to develop an economic strategy that would address some of the issues that you do, and I think I can find you a list later and send you some, but I think they are worthy of taking a look at.

Mr. OLVER. If we could get groups like this to talk with them and raise all the issues that are of great importance to a group that was intending to do something like that, or willing to, that might work.

Do either of you need to say anything more?

Mr. SCHWARZ. Mr. Chairman, I would just say when do we begin.

Mr. OLVER. Okay, that is a good answer.

Mr. FRUIN. Regionalization brings efficiencies in many of these areas, and how do we do it. That is what we have got to do.

Mr. OLVER. Okay. All right. Mr. Latham. I will not speak again.

Mr. LATHAM. I am enjoying it. It is wonderful. [Laughter.]

You mentioned Iowa's transportation system or bus system, that has been one of the key elements. In Iowa, we do not talk about this community as a bus system or whatever, but it is usually multi-county system orientation in Iowa, and that is what we have really worked on as far as economic development.

The rural communities have finally figured out that they cannot fight the one next to them, and have them both succeed, so what they are trying to do is figure out each of their own roles and to work together on a regional basis, and that really has been much more successful. But that is I think a model we have all got to look at, but I do think there are some different issues as far as the air service.

Dr. Fruin, in the local governments, you know, in rural areas, we are facing a lot of things such as out-migration obviously, population, lower education levels oftentimes as far as independent colleges, and immigration issues, which are manifest. Postville, Iowa is in my district: It has obviously gotten a lot of publicity as has the consolidation of the farms.

How do the communities and counties on a regional basis make good economic decisions as far as transportation or infrastructure investments with this kind of changing? Is there a formula? Is there some way for them to really know what they should be doing and what is a waste of money?

Mr. FRUIN. I have not seen any formula.

Mr. LATHAM. Is there best practices or best ideas?

Mr. FRUIN. Well, basically, I think one has to study the transportation patterns and put the resources into improving the infrastructure where it is used. We cannot afford for a road every place. We have to say, okay, where are our population centers, and what are our connectors. Connectivity is the key, not a perfect uniform system all over, I think together with good infrastructure, and let the rest of it go to pot. [Laughter.]

Mr. LATOURETTE. Would that be all of Iowa? [Laughter.]

Mr. FRUIN. I do not want to answer that.

Mr. LATHAM. Closing the roads sounds like a really great idea unless you live in the area. [Laughter.]

Mr. FRUIN. But, Congressman, some of those roads nobody lives on. Some of them are not even——

Mr. LATHAM. What they are called is dead roads.

Mr. FRUIN. Yes.

Mr. LATHAM. Certainly. They are not maintained as it is, there is very little cost.

Mr. FRUIN. Well, when the bridge goes out, that's 30 to 100 thousand dollars.

Mr. LATHAM. But if it is low, we call it dead roads. They do not fix it. Maybe you do in——

[Laughter.]

Mr. FRUIN. I am afraid we sometimes do. [Laughter.]

Mr. LATHAM. Well, you have Mr. Oberstar. [Laughter.]

I am going to quit there unless anyone has any comments or if you have the golden plan for the communities.

Okay, thank you, Mr. Chairman.

Mr. OLVER. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman. The Ranking Member chastised me for not knowing about the light system, so maybe at the next hearing you could turn it just a little bit and I can——

Mr. LATHAM. We will put a light in front of you.

Mr. LATOURETTE. Thank you. I appreciate that very much.

Just some clean up from the last question. Mr. Schwarz, I heard you say that SAFETEA–LU perhaps has fixed the 5311 governor certification problem from your perspective, at least the tools are in place and now it is a matter of enforcement. Is that right?

Mr. SCHWARZ. Yes, sir. That is absolutely correct.

Mr. LATOURETTE. And then, I had a lot of my transit guys in last week, and they indicated that, and I understand, Mr. Marsico, that 15 percent is too small in the smallest program, but are you experiencing the same difficulties that are relative to capital versus operational ability to allocate funds?

Mr. SCHWARZ. Absolutely, and quite frankly, originally in the stimulus discussion there was some possibility of having some operating cost and it began as a process about a year ago setting aside 1.6 billion in the TNI committee at least to try to offset the energy cost that local transit systems experienced during the high energy period, which really wiped out a great deal of the reserves for operating and forced people to make these very severe decisions in raising the fares that are very much a penalty for a lot of low-income workers who left the transit in high numbers.

Yes, it is a big issue. We could not get it into the stimulus bill. Our recommendations for safety is that the current system says that if you are in a community of 199,999, you can use your federal funds for transit, for operating if you need to, or for capital. But if you have 200,001 people, you are automatically excluded.

Mr. LATOURETTE. Right.

Mr. MARSICO. And when local transit agencies had such a write-off on the cost of energy, it seems crazy to us to pursue that, and one last thing is we think that people can decide that at the local level, and, you know, there are some proposals that, well, maybe 10 percent could go for this, 10 percent for maintenance, 5 percent for this. We do not believe that we need any more boutique programs. We think people ought to be able to decide that based on their needs. But yes, that is a huge issue, and quite frankly, we have these significant service cuts that are going on now. It is only going to increase because local and state governments that fund the operating costs of transit are going to be the last to recover.

Mr. LATOURETTE. Right. And I am a big fan of flexibility and I hope that TNI committee gives additional flexibility on operations versus capital because the observation was we can buy buses, but we have no one to drive them.

Mr. SCHWARZ. That is right.

Mr. LATOURETTE. So that is your experience as well on the rurals?

Mr. MARSICO. At all levels.

Mr. LATOURETTE. Okay. Then last, Dr. Fruin, I will come back to you. I mean, as we talk about rail and everything else. One of the problems that some of us have in this country with the whole transportation funding mechanism, regardless of whether it is tied to vehicle miles traveled, is that we continue to have this disparity between donor and donee states, and I think that, again, back to the rail discussion: If we are going to talk about fixing things, I think that if we are going to fix the 1956 model based on gasoline excise tax, we should perhaps not be rewarding states like Massachusetts that have a tremendous amount of interstate highway system, and so they get a greater percentage of the funds, and it is not really based on what they pay into the system.

How do you feel about that?

Mr. FRUIN. We have a national highway system.

Mr. LATOURETTE. Right.

Mr. FRUIN. And we should collect the funds for the entire system and allocate them to where they are needed.

Mr. LATOURETTE. Right.

Mr. FRUIN. And I will not make any judgment about Massachusetts. [Laughter.]

Mr. LATOURETTE. Fine. You are a much smarter guy than I am.

Mr. FRUIN. We need a national highway system.

Mr. LATOURETTE. Right.

Mr. FRUIN. And we do have that donor/donee problem.

Mr. LATOURETTE. Right.

Mr. FRUIN. And we have got to overcome it, and have the interconnection and all that stuff that goes into it.

Mr. LATOURETTE. Thank you. Thanks, Mr. Chair.

Mr. OLVER. Well, thank you. I am going to close. Thank you all very, very much for the comments. You may want to communicate with us and where we need corrections, correcting or whatever it happens to be, or education.

To Mr. Marsico, I trust you have about a dozen or so copies of your glossy——

Mr. MARSICO. Yes, I have.

Mr. OLVER [continuing]. So that at least each of our members can have a copy of your glossy. If you have other such things of that nature, that would be great.

Mr. MARSICO. Okay.

Mr. OLVER. And with that I very much appreciate your comments this morning. I really intended to explore that last one that I was starting on a little more thoroughly, but we will not do it now. So thank you very much, and with that the hearing is over.

WEDNESDAY, APRIL 1, 2009.

THE FUTURE OF HIGH SPEED RAIL, INTERCITY PASSENGER RAIL, AND AMTRAK

WITNESSES

SUSAN FLEMING, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

JOLENE M. MOLITORIS, DIRECTOR, OHIO DEPARTMENT OF TRANSPORTATION

MATT ROSE, CHAIRMAN, PRESIDENT, AND CEO, BURLINGTON NORTHERN SANTA FE RAILWAY

JOSEPH BOARDMAN, PRESIDENT AND CEO, AMTRAK

OPENING REMARKS OF CHAIRMAN OLVER

Mr. OLVER. The subcommittee will come to order.

My apologies, but sometimes those bells go off at odd times, and we have left all of you sitting like starlings on a line here for quite a period of time. But I think we will probably not be disturbed now, so we can go on to 5 o'clock, or later.

Today's hearing is about the future of high speed rail, intercity passenger rail, and Amtrak. On March 10th this year, our Nation lost Robert Nelson, who headed the Northeast Corridor Project for President Kennedy and the Office of High Speed Ground Transportation for President Johnson. Dr. Nelson was the father of the Metroliner in the Northeast Corridor, precursor to Amtrak's Acela service, and accomplished much for high speed rail. Yet over 40 years later we are still trying to accomplish the greater rail speeds that Dr. Nelson and his researchers envisioned for the United States.

Travelers on intercity passenger rails in industrialized parts of Europe or Asia experience high speed trains on dedicated track with top speeds of nearly 200 miles per hour. As the GAO found in their most recent report on high speed rail, about which we will be hearing shortly, the national governments in those countries funded the majority of the capital costs for these high speed lines.

Within the current budgetary climate, the U.S. Government is unlikely to pursue the type of funding arrangement and cover the capital costs for the types of dedicated intercity high speed rail systems found in the rest of the world.

Yet, with a modest capital investment, we could implement higher speed rail in a number of intercity corridors. The Passenger Rail Working Group which was part of the National Surface Transportation and Revenue Study Commission issued a report that showed a $7 billion investment per year over 8 years would maintain and upgrade the existing Amtrak system, continue the development of planned new rail corridors, and create new routes to link major urban areas.

And now, for the first time since Dr. Nelson established the Metroliner service in the Johnson administration, the United States under the leadership of President Obama is again recognizing the economic and environmental benefits of a robust intercity rail program.

The recent recovery law contained $8 billion for the development of high speed and intercity rail in the United States. The President will also include an additional $1 billion for this initiative in the fiscal year 2010 budget request with a total 5-year commitment of $5 billion for high speed rail. These are modest investments that will help reduce train travel time between major metropolitan areas, but even with these commitments, challenges will remain.

Building true high speed rail with dedicated lines would require billions more, and increasing speed on existing lines must be reconciled with freight rail usage and ownership in many cases.

In the case of the Northeast Corridor, where Amtrak owns the majority of the line, funding may not be available directly to Amtrak because the Northeast Corridor is not technically a designated high speed rail corridor, though it is the only corridor which operates at commonly accepted high speeds. This is particularly troublesome, as a number of needed capital improvements would reduce travel time in what is our most heavily traveled corridor.

We have a distinguished panel today to help us understand these challenges. Susan Fleming is the Director of Physical Infrastructure Issues at the GAO, the Government Accountability Office, and was in charge of the GAO's new report on high speed passenger rail.

Jolene Molitoris is the director of the Ohio Department of Transportation and former Federal Rail Administrator under President Clinton, and has some big projects in Ohio to tell us about.

Matt Rose is the chairman, president and CEO of Burlington Northern Santa Fe Railway and former member of the National Surface Transportation and Revenue Study Commission.

And finally, Joe Boardman is the President and CEO of Amtrak and, before joining Amtrak, was the Federal Rail Administrator under President Bush.

With that, I would like to recognize our ranking member, Tom Latham, for any comments that he would like to make.

OPENING REMARKS OF RANKING MEMBER LATHAM

Mr. LATHAM. Thank you, Mr. Chairman.

And I, too, apologize for being late because of the votes we had on the floor, but welcome the panel.

Mr. Boardman, I wasn't a member of the subcommittee last year, but I guess you were testifying on behalf of the budget for Amtrak, and this year, you are Amtrak. So it is kind of a different position to be in.

But the topic of the high speed intercity rail really got a lot more interesting this last year with the final stimulus agreement that came down with the never-seen-before $8 billion in it. Add to that the fact that we as a Nation have not entirely come up with a plan or program for rail while everyone was speculating as to who got the $8 billion in the bill—is it L.A. To Las Vegas or the Northeast Corridor or the Midwest—a lot of questions out there.

I think the assumption that this $8 billion had to be some sort of an earmark is a testament to how much work needs to be done in the area of planning and vetting and negotiating and implementing a passenger rail investment policy. While the $8 billion is a lot of money, when we look around at a list of hopefuls out there, it is plain to see that it is not a lot of money and is not going to go very far with high speed rail today.

I also want to say that I am supportive of passenger rail, and I think there are a lot of areas of the country where it is the best solution. I actually wish Amtrak would go through some of the more populated areas in Iowa rather than skirt through all the rural areas. I think we could have a lot better ridership.

But I do think that there are a number of communities that really dream of having rail today, but the local investment climate probably just isn't there, and it is going to be very difficult to get it in place.

But I look forward to the testimony and the questions.

And I thank you, Mr. Chairman.

Mr. OLVER. Thank you.

We will now turn to the panel. Each of you has written testimony, which will be included in its entirety in the record. If you can summarize your testimony within 5 or 6 minutes each, that would be fine. I would appreciate that.

And we will start with Ms. Fleming, with your statement.

OPENING REMARKS OF MS. SUSAN FLEMING

Ms. FLEMING. Thank you, Mr. Chairman, Ranking Member Latham, members of the subcommittee.

Thank you for the opportunity to discuss the economic viability of high speed rail in the United States.

As we have all experienced firsthand, existing capacity limitations on the highways and in air travel have caused and will continue to cause severe congestion and delay. Adding physical capacity in these modes has proven difficult, and the dependence of these modes on fossil fuels raises significant environmental concerns.

This has led to new interest in examining how high speed rail systems can fit into the national transportation system. My testimony today has three parts. I will discuss corridor and service characteristics that suggest potential for a viable high speed rail system; key challenges in developing high speed rail; and actions the Federal Government must take to maximize the investment of stimulus and other Federal funding in high speed rail.

First, high speed rail tends to attract riders in corridors of up to 500 miles in length, with high population and density along the corridor, and heavy travel demand and strained capacity on existing transportation modes. In addition, corridors where right-of-way is available for rail purposes and that are relatively flat and straight can help lower the substantial upfront construction costs.

Characteristics of the proposed high speed rail service are also important as high speed rail attracts riders where it compares favorably to travel alternatives with regard to door-to-door trip times, frequency of service, reliability, safety and price.

Project sponsors typically must trade off some level of ridership to reduce the substantial costs. For example, most domestic projects under consideration are incremental projects on tracks shared with existing passenger and freight rail, a choice that limits the travel time, competitiveness, and reliability attainable on more expensive dedicated track or guideway.

Moving on to my second point, I would like to highlight two of the key challenges to the development of high speed rail. The biggest challenge cited by all of the project sponsors and stakeholders we interviewed both here and abroad is securing the upfront investment to fund the substantial construction costs. High speed rail systems, whether they constitute incremental improvements or new dedicated tracks, are expensive.

In our study, incremental projects ranged from $4 million to $11 million per mile, while projects on dedicated track ranged from $22 million to over $130 million per mile. While the $8 billion in stimulus funding is a major down payment for high speed rail, given the high costs of the proposed projects, it may not stretch very far.

Second, while corridors may exhibit characteristics of economic viability, decision makers face challenges in obtaining accurate forecasts of ridership, costs, and public benefits. Uncertainties regarding these forecasts can undermine confidence in proposed projects' claimed benefits, erode public and political support, and exacerbate challenges in securing public and private financing.

Finally, we believe that the Federal Government must develop a strategic vision and plan for how high speed rail fits into the national transportation system. This step is critical in order to establish a clear Federal role, clearly identify expected outcomes, and establish performance and accountability measures.

The Federal Government also must develop incentives, methods, and analytical tools to ensure that credible and reliable ridership, costs, and public benefits are developed.

In conclusion, it is important to recognize that high speed rail does not offer a quick or simple solution to relieving congestion. High speed rail projects are costly, risky, and take years to develop and build.

Given the rare opportunity for the Nation to invest substantial sums in these projects, it is imperative that we establish a framework to invest this money wisely and ensure that the Nation reaps the benefits of a more integrated and performance-oriented transportation system.

Mr. Chairman, that concludes my statement. I would be pleased to answer any questions you or any members of the subcommittee might have.

[The prepared statement and biography of Susan Fleming follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, Committee on Appropriations, House of Representatives

For Release on Delivery
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HIGH SPEED PASSENGER RAIL

Future Development Will Depend on Addressing Financial and Other Challenges and Establishing a Clear Federal Role

Statement of Susan A. Fleming
Director, Physical Infrastructure Issues

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GAO-09-560T

Mr. Chairman, Ranking Member Latham, and Members of the Subcommittee:

I am pleased to be here today as you examine the potential viability of high speed rail in the United States. Federal and other decision makers have had a renewed interest in how high speed rail might fit into the national transportation system and address increasing mobility constraints on highways and at airports due to congestion. My statement today is based on our report issued March 19, 2009, entitled *High Speed Passenger Rail: Future Development Will Depend on Addressing Financial and Other Challenges and Establishing a Clear Federal Role.*[1] In preparing the report, we reviewed federal legislation; interviewed federal, state, local, and private sector officials, as well as U.S. project sponsors; and reviewed high speed rail development in France, Japan, and Spain. More detailed information on our scope and methodology appears in the March 19, 2009, report. We conducted our work in accordance with generally accepted government auditing standards.

In summary, high speed rail does not offer a quick or simple solution to relieving congestion on our nation's highways and airways. High speed rail projects are costly, risky, take years to develop and build, and require substantial up-front public investment as well as potentially long-term operating subsidies. Yet the potential benefits of high speed rail—both to riders and nonriders—are many. Whether any of the nearly 50 current domestic high speed rail proposals (or any future domestic high speed rail proposal), may eventually be built will hinge on addressing the funding, public support, and other challenges facing these projects. Determining which, if any, proposed high speed rail projects should be built will require decision makers to be better able to determine a project's economic viability—meaning whether total social benefits offset or justify total social costs.

Like the report, this statement focuses on (1) the factors affecting the economic viability of high speed rail projects, including difficulties in determining the economic viability of proposed projects; (2) the challenges in developing and financing high speed rail systems; and (3) the federal role in the potential development of U.S. high speed rail systems.

[1] GAO-09-317 (Washington, D.C.: March 19, 2009).

The factors affecting the economic viability of high speed rail lines include the level of expected riders, costs, and public benefits (i.e., benefits to non-riders and the nation as a whole from such things as reduced congestion), which are influenced by a line's corridor and service characteristics. High speed rail tends to attract riders in dense, highly populated corridors, especially where there is congestion on existing transportation modes. Characteristics of the proposed service are also key considerations, as high speed rail attracts riders where it compares favorably to travel alternatives with regard to door-to-door trip times, prices, frequency of service, reliability, and safety. Costs largely hinge on the availability of rail right-of-way and on a corridor's terrain. To stay within financial or other constraints, project sponsors typically make trade-offs between cost and service characteristics.

Once projects are deemed economically viable, project sponsors face the challenging tasks of securing the up-front investment for construction costs and sustaining public and political support and stakeholder consensus. In the three countries we visited, the central government generally funded the majority of the up-front costs of high speed rail lines. By contrast, federal funding for high speed rail has been derived from general revenues, not from trust funds or other dedicated funding sources. Consequently, high speed rail projects must compete with other nontransportation demands on federal funds (e.g., national defense or health care) as opposed to being compared with other alternative transportation investments in a corridor. Available federal loan programs can support only a fraction of potential high speed rail project costs. Without substantial public sector commitment, private sector participation is difficult to secure. The challenge of sustaining public support and stakeholder consensus is compounded by long project lead times, by numerous stakeholders, and by the absence of an established institutional framework.

In addition, the recently enacted Passenger Rail Investment and Improvement Act of 2008 will likely increase the federal role in the development of high speed rail, as will the newly enacted American Recovery and Reinvestment Act of 2009.[2] In the United States, federal involvement with high speed rail to date has been limited. The national rail plan required by the Passenger Rail Investment and Improvement Act of 2008 is an opportunity to identify the vision and goals for U.S. high speed

[2]Pub. L. No. 110-432, Div. B (2008)(PRIIA) and Pub. L. No. 111-5 (2009)(ARRA).

rail and how it fits into the national transportation system, an exercise that has largely remained incomplete. Accountability can be enhanced by tying the specific, measurable goals required by the act to performance and accountability measures. In developing analytical tools to apply to the act's project selection criteria, it will be important to address optimistic rider and cost forecasts and varied public benefits analyses.

In our report, we recommended that the Secretary of Transportation, in consultation with Congress and other stakeholders, develop a written strategic vision for high speed rail, particularly in relation to the role that high speed rail can play in the national transportation system, clearly identifying potential objectives and goals for high speed rail systems and the roles that federal and other stakeholders should play in achieving each objective and goal. We also recommended that the Secretary develop specific policies and procedures for reviewing and evaluating grant applications under the Passenger Rail Investment and Improvement Act of 2008 that clearly identify the outcomes expected to be achieved through the award of grant funds and that include performance and accountability measures. Finally, we recommended that the Secretary develop guidance and methods for ensuring the reliability of ridership and other forecasts used to determine the viability of high speed rail projects and to support the need for federal grant assistance. The Department of Transportation (DOT) said it generally agreed with the information presented but did not take a position on our recommendations. DOT said the strategic plan required by the American Recovery and Reinvestment Act of 2009 may include a vision for high speed rail. DOT also said that this act will accelerate its involvement with high speed rail.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions you or other members of the subcommittee may have.

For future contacts regarding this statement, please contact Susan Fleming at (202) 512-2834 or flemings@gao.gov. Contact points for our Offices of Congressional Relations and Public Relations can be found on the last page of this statement. Andrew Von Ah, Assistant Director; Catherine Kim; Richard Jorgenson; and Gretchen Snoey also made key contributions to this statement.

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Mr. OLVER. Thank you, Ms. Fleming.
Ms. Molitoris.

OPENING REMARKS OF MS. JOLENE MOLITORIS

Ms. MOLITORIS. I will try to follow that 4.5-minute lead.

Thank you, Mr. Chairman, Ranking Member Latham.

And if you permit me to recognize Congressman Kaptur and Congressman LaTourette, my colleagues and advisors from your committee to Ohio. They have been so very helpful to us.

I want to thank you so much for inviting me here today, and to describe Ohio's vision about passenger rail in Ohio.

And it might be noted that, as we speak, Mr. Chairman, the Ohio General Assembly is voting on Ohio's transportation budget. And for the first time, it includes a statement of support and encouragement on passenger rail in Ohio.

And during the last few weeks, during the discussion and sometimes debate on this issue, it has been remarkable the kind of outpouring that has come from every part of Ohio, from university students and developers and contractors and environmentalists and city leaders, mayors and so on. It is remarkable, but yet it is understandable because the result, the return on investment for investing in passenger rail and rail of all kinds, is definable and important. And it would be interesting if, perhaps later, with regard to the words "expensive" and "investment climate," it might be a topic that could be discussed.

The Governor of Ohio, Ted Strickland, included in his State of the State the importance of beginning our process with the beginning of service on the 3–C Corridor, as it is called, going through the heart of our major population centers, touching more than 60 percent of our population, and reaching almost 6 million of our citizens.

At the same time, we are doing what we call parallel tracks, if you talk in rail lingo, and we are pursuing the institution of service, which has not been on that corridor since 1971.

And we are working hand in hand with critical partners, and that is the freight railroads and Amtrak. These are critical partners to be successful in establishing the first step towards high speed rail.

It is also important to note that in the 14 States where passenger rail is sponsored by State investment, none of the higher speed services ever started at 110 or 120. They started at the 79-mile-an-hour speed.

So the 3–C Corridor is one track, and the Ohio Hub Study is the other track. That is the Regional High Speed Plan, which was passed by the legislature in 2007. And we are using stimulus money to do the beginning engineering work on that multicorridor study, and it will include corridors like Toledo to Pittsburgh, Toledo to Columbus, and Cleveland to Cincinnati.

I want to mention the freight partnership, because I think it is very important. And I am not mentioning it just because Matt Rose is sitting next to me. The fact is, Matt Rose doesn't come to Ohio, unfortunately, but we have two remarkable major Class I railroads, CSX and Norfolk Southern. Our Governor has spoken to the CEOs of both railroads, and the lead passenger people from each railroad have begun to come several times already to Ohio because that partnership is crucial. And we have made a commitment that any investment in passenger will be a win-win for both passenger and freight.

Let me just mention that our stimulus funds are multimodal in investment, and we have invested in freights there. For example, we have approximately $119.8 million invested in rail projects and intermodal projects, and our State stimulus has $100 million in logistics investment because we recognize the importance of freight to our economy and that of our country.

In terms of my closing comments, Mr. Chairman, I would like to encourage a couple of things. First of all, this country needs a transportation plan. We are coming up on our authorization, and we still, after almost 20 years of talking about one Transportation Department, still have silos that separate us. And until we understand how each investment can leverage the benefit for not only the initial investment but the other transportation modes, we can't get the best bang for our buck.

That is why, in the Department of Transportation in Ohio, we are in the midst now of what we call a transportation futures plan. And even though departments traditionally around the country spend perhaps 80 percent of the dollars on highways and bridges—because, for example, in Ohio State transportation dollars, gas tax money can only be used for that—we must be able to leverage those other dollars and integrate our systems to get the best return on investment. And that is what we are all about at the department.

We believe that it is crucially important that passenger service and high speed rail become a recognized investment, a recognized part of our system. And we are excited about the fact that, bipartisanly, in Ohio, that is the statement that is being made.

Finally, I would like to recommend that the $8 billion have some recognition of the importance of service that is beginning, like the 3–C Corridor would be, or maybe reintroduced could be said, since it has not been there since 1971, because although there are 14 other States with wonderful opportunities to go faster, startup service in Ohio and perhaps elsewhere can really affect the map. And if you look at map of this country, there is a void right in the middle, and it is the State of Ohio.

So we hope that we can present a compelling message to our Secretary. We thank you very much for bringing forward this opportunity to discuss this critical issue. And we believe that, with the leadership of the President and this Congress, that high speed rail and rail passenger service will come to the map in the center of the State, and Ohio will be part of the connected system in our country.

Thank you very much, Mr. Chairman.

[The information follows:]

U.S. House of Representatives
Appropriations Committee
Subcommittee on Transportation and Housing and Urban Development and Related Agencies
"The Future of High Speed Rail, Intercity Passenger Rail, and Amtrak"

Testimony of Jolene M. Molitoris
Director, Ohio Department of Transportation
April 1, 2009

High Speed Passenger Rail's time has come to the United States. Ohio is embracing President Obama's commitment to invest in a national passenger rail network that serves more Americans than ever before. The hunger for true transportation choice grows in Ohio each day. Just last night, Ohio Governor Ted Strickland signed the state's Transportation Budget Bill which specifically supports Ohio's intention to compete for a portion of the $8 billion in high speed rail funds made available through the American Recovery and Reinvestment Act of 2009. Over the past two months while the budget was discussed and debated, the issue of passenger rail service created a groundswell of support that was remarkable - from every region of Ohio, from citizens, city leaders, sports teams, students, contractors, labor, developers, chambers of commerce, and businesses - literally a phalanx of Ohioans who passionately support passenger rail. Because of the leadership of President Obama and the Congress, Ohioans knows that at last they have a federal partner who will be a true partner in creating a national high speed passenger rail network for the 21st Century.

Like no other time in recent history, our country has the opportunity to promote a new passenger rail culture because we believe the investment decisions being made in Washington and among the states will be bold enough to truly transform our country. We believe that Ohio's central position in the nation makes us an ideal partner in this transformational initiative.

The American Recovery and Reinvestment Act of 2009 and the Passenger Rail Investment Act of 2008 represent groundbreaking federal investments in passenger rail service across the nation. Together, these acts are revolutionary steps to help expand and improve existing service, which is clearly needed in Ohio. Our state is fortunate to have some connectivity to the existing passenger rail network, but the service is limited, at best. Trains depart Cincinnati for the East Coast only at 1:10am; in Toledo, you have a few more choices to go east - leave at 3:50am or 6:15; and Cleveland may have the best option - at least if you don't mind rising before the rooster - with three trains giving riders the option of departing at 2:25am, 3:45am, or 6:20am. More daylight service is needed, without a doubt.

Beyond the passenger lines that already exist, federal funds dedicated to high-speed rail are an excellent opportunity to bring service to one of the most densely populated corridors in the country with no passenger rail at all. We have the chance to introduce a new form of transportation to hundreds of thousands of Ohioans who have been denied choice for so long. Today I want to share with you the story of Ohio's 3-C Corridor.

OHIO's 3-C CORRIDOR

Passenger rail is an essential component of a balanced and integrated multi-modal transportation system. Bringing back service to Ohio's 3-C Corridor, a designated High Speed Corridor connecting Cleveland, Columbus, Dayton and Cincinnati is a first step toward implementing Ohio's high-speed rail plan. Reintroducing service along the 3-C Corridor will use 260 miles of existing track and touch 5.9 million Ohioans, almost 60% of the population.

Ohio has been studying how to restore passenger rail between its three largest cities since 1974, just three years after service in the 3-C Corridor ceased. Study after study has confirmed the strong potential and viability of the corridor. It has one of the densest populations of any un-served corridor in the country and connects to Columbus, one of the largest un-served cities in the nation. It would connect the state capitol and Central Ohio to two existing East-West Amtrak routes that run through Cincinnati and Cleveland, which are already seeing increased ridership demands despite their exceedingly inconvenient service times. The 3-C Corridor fills a crucial void in the current passenger rail network and connects Ohio to the nation.

The State's most recent plan - the Ohio Hub High Speed Rail Passenger Plan - highlights the potential for passenger rail service in the 3-C Corridor:

> "The 3-C Corridor is an attractive travel market because it has large end-point populations and many intermediate cities along the route. The population density along the line provides a balanced directional passenger flow and creates the potential to keep the seats filled for the entire trip. The average trip length of 130 miles is much shorter than the length of the corridor, implying high passenger turnover in Columbus, with the ability to fill the seats twice between the corridor's end-point cities. These factors, along with a high percentage of business travel, a lack of competitive air service and the potential to serve multiple commuter markets boosts the projected ridership as well as the corridor's revenue yields. In all network options, the 3-C corridor has the highest projected load factors with the greatest revenue potential."

Of the seven corridors studied, the Ohio Hub Plan concluded that the 3-C should be the first corridor implemented in Ohio.

In his 2009 State of the State address, Ohio Governor Ted Strickland announced his commitment to restoring passenger rail service to the 3-C Corridor. In support of the Governor's efforts, Ohio's General Assembly approved the 2010-2011 State Transportation Budget encouraging the state to seek stimulus funds for passenger rail. This is just the latest step in a long standing commitment by the Ohio General Assembly to promote rail development. With the creation of the Ohio Rail Development Commission in 1994, the General Assembly codified that the Ohio Rail Development Commission plan, promote, and implement a rail transportation network connecting Ohio to the nation and the world. Additionally, the code instructs that the Commission's initial passenger rail development efforts should connect Cleveland, Columbus, and Cincinnati.

Studies indicate that expanding passenger rail in Ohio into a fully built out system connecting the regions metropolitan areas could ultimately create 16,700 permanent jobs - in addition to thousands of construction jobs - and generate more than $3 billion in development near stations. Expansion of rail service to the interior of Ohio will bring new travel opportunities, promote economic development in cities along the rail line, create jobs, and reduce strain on existing infrastructure. In addition, it will promote regional connectivity with our neighboring states and create an infrastructure to help spur light rail growth and other connectors, such as green buses and street cars. Other benefits are found in cleaner air due to reduced automobile air emissions, decreased wear and tear on roads, and improved rail lines for freight rail.

Several states have realized the economic development potential associated with initiating passenger rail service:

- Maine's "Downeaster" Corridor of passenger rail has led to a $100 million investment into retail and office space in an abandoned mill site along the line. The state's recently published economic forecast estimated $3.3 billion in investments and 8,000 new jobs.

- The expansion of passenger rail in North Carolina has created jobs, facilitated economic development and helped attract young professionals to the area. If North Carolina's train services disappeared for a year, its residents, businesses and visitors would have to fork over nearly $30 million dollars more to drive, take the bus or fly.

- The Wisconsin Department of Transportation invested $20 million to give Milwaukee's 40-year-old railroad station a facelift; now complete, the station features restaurants, shops and services and is drawing new businesses and residents to the station's downtown neighborhood.

- The private sector has already taken note of Michigan's effort to increase train speeds in the western part of their state; a real estate developer spent $1.5 million of his own money to build a train station in New Buffalo, next to condominiums and townhouses.

Given the extensive history of study and the proof of potential found in other states, Ohio has long wanted to reintroduce service and develop the 3-C Corridor, but could never do it alone. For the first time, however, Ohio has a federal partner that could turn this vision into a reality.

A BUSINESS INVESTMENT WITH GROWING SUPPORT

The outcry from Ohioans demanding passenger rail grows each day. A March 2009 statewide Quinnipiac University Poll showed 64 percent of those Ohioans polled favored re-establishing passenger rail in the 3-C Corridor. Further, a combined 46 percent stated they would be either "very likely" or "somewhat likely" to ride passenger trains in the 3-C Corridor. Even more significant is that people polled in areas outside of the 3-C Corridor showed strong support for the service and that support was particularly strong among men and women under the age of 25.

Over the past several weeks, Ohio's mayors and local officials announced their support for restoring passenger rail service in Ohio:

- Cincinnati Mayor Mark Mallory
- Cleveland Mayor Frank Jackson
- Columbus Mayor Mike Coleman
- Dayton Mayor Rhine McLin
- Lima Mayor David Berger
- Springfield Mayor Warren Copeland
- Cincinnati City Council
- Cleveland City Council
- Columbus City Council President Michael Mentel
- Delaware City Council
- Delaware Mayor Windell Wheeler
- and the commissioners of Cuyahoga, Franklin, Hamilton and Montgomery counties

Governor Strickland's efforts also have strong support in the business community, with endorsements from business organizations and chambers of commerce:

- Columbus Chamber of Commerce
- Cincinnati USA Regional Chamber
- Cleveland Partnership
- Toledo Metropolitan Area Council of Governments
- and organizations in Ohio's smaller cities, including Mansfield and Galion

"The Cincinnati USA Regional Chamber supports the Governor's efforts to secure federal funds that would assist in the development of passenger rail service in the 3C," wrote Ellen G. van der Horst, President and CEO of the Cincinnati chamber. "This new direction can promise Ohio an expanding mix of transportation infrastructure, service, related economic development, environmental and energy benefits and systemic payoff in which a system of roads, rail, transit and air service are complementary, efficient and competitive."

Ohio's environmental community is also strongly supportive. The Ohio Environmental Council testified to what it called, "a bold but thoughtful move toward a network of fast, frequent and reliable passenger train and increased capacity for moving more freight by rail."

Even Ohio's professional sports teams have announced that they are on board with the plan for start-up rail service in the 3-C Corridor:

- Cleveland Cavaliers
- Columbus Crew
- Cincinnati Bengals
- Columbus Blue Jackets
- Columbus Clippers

"Our sports teams bring tremendous energy to our cities and attract people from across Ohio and outside the state for games and other activities that contribute to our economic vitality," wrote Governor Strickland in announcing the endorsement. "In addition to important job-creating benefits, passenger rail will also provide more Ohioans with a practical and safe transportation alternative to enjoy Ohio's world-class professional athletics."

A PARTNERSHIP WITH OHIO'S FREIGHT RAILROAD

Freight - no matter which mode is used to move it - is the backbone of our economy and an indispensable part of our recovery. For our railroads, Ohio is committed to making the 3-C initiative a win-win for passenger and freight so that it advances Ohio as a logistics and distribution leader.

Supporting this commitment, the State of Ohio has had positive discussions with our Class I freight railroads, including them in our modeling study discussions. Our governor has spoken with the CEOs about our passenger rail plans and indicated the State's commitment to addressing their safety, capacity and liability issues.

This commitment to freight can also be seen in Ohio's federal stimulus investment plans. As part of the state's $774 million transportation stimulus investment, $68.9 million is being directed to 22 separate railroad projects, targeting the state's busy freight rail system. The state will invest an addition $50.9 million in federal transportation stimulus funds to support improved intermodal connections, including $14 million at Franklin County's Rickenbacker Intermodal Terminal and Global Logistics Park, and $6.5 million at Toledo's Airline Junction Intermodal Terminal to connect freight shipments by air, rail, and truck.

I know these partnerships can be successful. While I was Administrator of the Federal Railroad Administration under President Clinton, our team created new protocols with a focus on customer service, safety partnerships with labor and management, and efficiency and effectiveness for all. Customers and employees were informed and empowered, with open dialogue and relationships based on trust. Working together with all stakeholders helped us develop a historic feasibility study to examine the economics of bringing high-speed ground transportation to well-populated groups of cities throughout the United

States. We learned that successful public/private partnerships were essential to the construction and implementation of any successful system.

A wonderful example of partnership lies in the newly formed "OneRail Coalition" - comprised of groups including the Association of American Railroads (AAR), the American Short Line & Regional Rail Association (ASLRA), Amtrak, APTA, the National Association of Railroad Passengers, the States for Passenger Rail, the National Resources Defense Council, and other groups. The basis of OneRail is that passenger and freight interests need not conflict because effective rail passenger projects will enhance host freight railroad operations.

On March 24, 2009, Ed Hamberger, the President and CEO of the AAR stated: "America has the best freight railroad system in the world; there is no reason why we can't have the best passenger rail system as well."

SECURING FEDERAL SUPPORT FOR OHIO

Ohio is building its own version of the OneRail Coalition, with Governor Strickland, Ohio's legislature, freight railroads, businesses, Ohio cities and a majority of Ohioans. This commitment to true transportation choice has generated great excitement at every level of both the public and private sectors. The time for action is now. The time for a passenger rail partnership is long overdue.

The State of Ohio plans to seek ARRA funding for start-up service in the 3-C Corridor. Like the President, our goal is high speed; we must, however, start first with conventional service. We will ask the U.S. Department of Transportation as it develops the High Speed Strategic Plan - to be presented to Congress in April - that allocation of ARRA funds should set aside at least $1 billion for the incremental development of designated high-speed rail corridors that do not currently have passenger service. We believe attention must be given to these corridors to lay the groundwork for the eventual enhancement to high-speed rail.

Ohio's 3-C Corridor passenger rail service can be in operation quickly on existing infrastructure at conventional speeds. Recent history demonstrates that successful high-speed passenger rail projects have their foundation in a robust, incremental development of rail infrastructure and improvements starting from conventional speed service. The much publicized passage of California's high-speed rail funding plan in a statewide ballot issue last November has its basis in decades of development of one of the nation's most sophisticated and well-run conventional speed systems.

We need federal leadership and partnership. Only the federal government can take State innovations and get them built as part of a national multi-modal transportation system. The time is right for the development of a national transportation plan, policy, and framework. The National Surface Transportation Policy and Revenue Study Commission - the group at the cutting edge in transportation infrastructure - stated in its Final Report that, "surface transportation programs cannot fully contribute to economic growth, international competitiveness, or other national goals without a national investment strategy."

The States have called for a national plan through the American Association of State Highway and Transportation Officials (AASHTO). In the Passenger Rail Investment Act of 2008, Congress called upon the States to produce State Rail Plans as a prerequisite for funding passenger rail projects. It is time for the Congress to call for the US Department of Transportation to develop a truly nationwide passenger rail investment plan – the likes of which we haven't seen since the National Interstate Act of 1956 when President Eisenhower pushed to develop a truly modern interstate highway system.

A GREATER VISION FOR THE FUTURE

I have been honored to serve many roles in championing the importance of rail, both at the state and federal levels and in the private sector. My passion for rail is well known and my commitment to its continued support is unwavering. In my role as Director of the Ohio Department of Transportation, however, it is my responsibility on behalf of the people of Ohio to recommend and pursue transportation investments - all types of transportation investments, no matter the mode - that best respond to Ohio's needs and set us on a path to move Ohio into a prosperous new world.

In closing, I would ask that we not be constrained to the transportation thinking of the past: highways working toward one goal, rail, maritime, aviation and transit aimed at many other separate goals. Our country deserves a national multi-modal transportation futures plan - a strategy to create a truly integrated transportation system that gives all Americans safe and reliable choices for travel, gives all businesses efficient options for shipping, and gives the country a foundation for new growth and prosperity. I believe we have a President and a Transportation Secretary who understand how our strategic investments in transportation can have a transformational impact. Ohio is ready to be a partner in that transformation. Thank you.

Mr. OLVER. I can't help but say, having come from the eastern part of the country and been a mountain climber, I always thought the void was everywhere from the Appalachians to the Rockies, and you defined it as Ohio.

Ms. MOLITORIS. Only for rail passenger service.

Thank you.

Mr. OLVER. Mr. Rose.

OPENING REMARKS OF MR. MATT ROSE

Mr. ROSE. Good afternoon, Chairman Olver, Ranking Member Latham.

As a freight railroad CEO and member of the National Transportation Service Revenue Study Commission and an early supporter of the One Rail Coalition, I have had a lot of time to think about what the national vision for passenger rail ought to be.

In my testimony today, I would like to outline the vision that the commission embraced for intercity passenger rail and also give you a technical view of high speed rail from the perspective of a freight railroad.

In sum, the commission's model for intercity passenger rail in America is to develop several regional corridors for high speed rail—110 miles per hour and above—where feasible and economically viable, coupled with a more reliable 79-to-90-miles-an-hour passenger rail service in other key corridors where it will continue to make sense from a density, utilization, and cost perspective. We believe this vision could generate the public support and the political will necessary for a successful passenger rail system in this country.

Hopefully the Federal Government, in partnership with the States, can operationalize this vision, given the strong support for intercity passenger rail signaled by Congress and the administration.

Since you have my written testimony, let me state my conclusions and recommendations to you and then discuss some of the technical elements of passenger rail that I think are relevant to them.

First, develop a realistic national vision for passenger service that works for all stakeholders, including freight railroads and the Nation's shippers, and fully fund it. The commission model I just mentioned is a good starting point.

Second, in developing passenger rail policy, I urge you to observe some of the basic principles of fairness for passenger use of freight right-of-way and be realistic about the kind of passenger service that can be achieved given the limitation of joint use. Generally those limitations are based on the laws of physics and the consequences that flow from them.

During the commission's deliberations, the Wisconsin DOT Secretary and chairman of the States for Passenger Rail, Frank Busalacchi, and the late great Paul Weyrich and I spent a lot of time debating the issue of freight and passenger rail interface. It is a worthy exercise because we came to a good understanding of these issues which formed the basis of trust for the development of a One Rail Coalition, a group consisting of passenger, freight, and environmental interests which advocates for the public benefits of both freight and passenger operations.

We agreed on certain key principles, the same ones that have assisted BNSF and many other communities on our network, including Seattle, Chicago, Albuquerque, St. Paul, Minneapolis, and L.A., which realized a partnership that achieves outstanding commuter rail service without degrading the present or future freight service. These communities rightly recognize their stake in both passenger and freight rail service.

You have outlined in more detail in my testimony, but in sum, they are to negotiate with the freight railroads at an arm's length, protect the Nation's present and future freight rail capacity, ensuring that the liability indemnification is comprehensively addressed.

Speaking as a freight railroad CEO, let me turn to the issue of passenger service operations. I want to make three points about train speeds. First, increasing reliability, example on-time performance of current 79-miles-per-hour Amtrak service, is often the best use of public funds and enough to meet market demand in certain corridors.

Second, increasing Amtrak speeds from 79 to 90 miles per hour is possible in some corridors, although not all because it can be costly and complicated in joint freight-passenger train environments. Track would need to be upgraded from Class IV to Class V, which would lead to a step level increase in maintenance with related outages needed for work. But increasing passenger train speeds to 90 miles per hour can be done in some freight tracks.

Third, sustained train speeds of 110 miles per hour and above require separating passenger from freight operations. Further, I believe that these high speed passenger rail lines should be grade separated from the highway interfaces as well.

At these higher speeds, freight and passenger rails don't mix for the following reasons: First, maintaining track surfaces to very high passenger rail engineering standards, given the damage done by heavy freight trains; second, managing the traffic flow of superfast trains overtaking slower trains; and finally, engineering the different curve elevation requirements at 110 miles per hour.

Where it is possible for the public to purchase freight railroad right-of-way, we must assure sufficient capacity remains in the corridor to operate safely and protect the ability to serve current and future rail shippers.

I would like now to address an issue important that has become very important in the discussion of passenger and freight interface, Positive Train Control, or otherwise known as PTC. Congress has placed a multibillion dollar mandate to install PTC on what effectively could be 90 percent of the freight railroad network. The unprecedented costs, which we estimate could be in excess of $1 billion when fully implemented just on BNSF in 2015, is driven by the requirements in the mandate that are mostly outside of our control, namely passenger trains where passenger trains utilize the network and where, pursuant to our statutory common carrier obligation, we haul toxic chemicals.

BNSF began developing this train control technology in 1984, which led us to create what we now call Electronic Train Management, or ETMS. It was never intended to be implemented on the scale envisioned by the 2015 mandate included in the Rail Safety Bill passed by Congress last year.

It represents a tremendous financial burden to the freight railroads, but also on Amtrak and commuters on jointly used lines, and the costs will have to be fairly allocated between all participating parties. If you have not heard about this from these constituents, you soon will.

In response, you should consider a variety of funding sources to assist the rail sector in meeting the PTC mandate. I urge you to fully fund the PTC grant program created in the Rail Safety Bill and use intercity passenger and high rail speed programs funded in the American Recovery and Reinvestment Act to fund PTC, since these kinds of programs have previously been paid for, for safety technology investments.

In addition, Congress has made train control tracking and communications systems eligible for Department of Homeland Security rail security grants, given the mandate's inclusion of rail lines carrying these highly hazardous materials.

Finally, the freight railroads continue to support a rail infrastructure tax credit which makes PTC eligible for the 25 percent tax credit for the rail infrastructure expansion activities.

I look forward to your questions.

[The information follows:]

Written Testimony of Matthew K. Rose

Chairman, President and Chief Executive Officer

BNSF Railway Company

Before the House Committee on Appropriations

Subcommittee on Transportation, Housing and Urban Development

For a Hearing on "The Future of High Speed Rail, Intercity Passenger Rail, and Amtrak"

Wednesday, April 1, 2009

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Good afternoon Chairman Olver, Ranking Member Latham and members of the Subcommittee. I am Matt Rose, the CEO of the BNSF Railway, and I appreciate the opportunity to testify before the Subcommittee today on the issue of high speed rail. As a freight railroad CEO, a member of the National Surface Transportation Policy and Revenue Study Commission, and an early supporter of the One Rail coalition, I've had a lot of opportunity to think about what our country's vision for passenger rail ought to be.

I, too, have traveled to Europe and Asia and appreciate the perspective of those in the United States who ask why Americans can't have what they have – 200 mph corridor service connecting dense population centers which, themselves, have efficient regional transit distribution. However, as I discovered in my work on the Commission, while many passenger rail advocates and policy makers at all levels of government are intercity passenger rail advocates, they are somewhat skeptical of this vision. Their appetite is for a more incremental approach of improving existing intercity passenger rail service. Perhaps conditioned by years of scant Amtrak budgets and Congress's disinterest in a formal federal intercity passenger rail program, many also are concerned that some large metropolitan areas might not be included in a "bullet train" network, either due to unavailability of right of way or other market-based demand reasons. In the Commission deliberations, we had a very robust discussion about these issues.

The Commission clearly called for the kind of investment needed to support passenger trains operating at the highest speeds in sealed, passenger-only, separated right of way. It called upon Congress to see the future, as Europe and Asia have, and begin the process of developing a corridor system of truly high speed rail. Make no mistake about it – this is a trillion-dollar funding proposition. Such a system may be beyond our current means; but one certainly can envision the development of five to ten truly high speed passenger regional rail corridors that make economic and operational sense. California – where you would expect some of these corridors should be – has taken the difficult yet necessary steps toward a vision of 200-plus mph passenger trains, despite a challenging budgetary environment.

Importantly, the Commission report also specifically recognizes the contribution that less-than-highest speed passenger trains in corridors of fewer than 500 miles can make to the Nation's transportation system. Existing Amtrak service outside the Northeast Corridor generally achieves 79 mph on freight rail tracks. Public investments made to enhance reliability of this service can yield tremendous on-time performance reliability benefits, which is often all that is needed to successfully satisfy demand for passenger service in certain markets. There are many examples of this, but most recently, BNSF completed several double track construction projects on behalf of the State of California, which are intended to further improve already good on-time performance levels for 79 mph service.

Speaking as a freight railroad CEO, it is possible to increase speeds from 79 mph to 90 mph on tracks that both freight and passenger trains use. Upgrades would include the implementation of Positive Train Control (PTC), which I'll touch on again shortly. Track would need to be upgraded from Class IV to Class V track, which would lead to a step level increase in track maintenance and track component replacement. For example, a larger number of ties per mile would have to be replaced each year. Rail joints would have to be eliminated. Extensive and regular undercutting would have to be undertaken to eliminate sub-grade defects. Rail would have to be re-surfaced much more often. All of this, in turn, would lead to more frequent outages for needed work, which will make joint freight/passenger operations more challenging and expensive.

At sustained speeds in excess of 90 mph, passenger train operations will need to be segregated from freight operations on separate track. The level of maintenance work required, the very different impacts passenger and freight rolling stock have on the surface of the rail and managing the flow of train traffic with such differences in speeds would make the joint use of track uneconomic and impracticable. Furthermore, it is my belief that at these speeds all interface between passenger trains and road crossings will need to be eliminated by grade separations or crossing closures. While it may be possible in some instances to co-locate higher speed passenger tracks with freight tracks in a freight railroad's existing right of way, that won't always be the case, and other right of way should be obtained. Where it is possible for the public to purchase freight railroad right of way, we must ensure sufficient capacity remains to operate safely and protect the ability to serve freight rail shippers, present and future, on a corridor.

In sum, the Commission's model for intercity passenger rail in this country is to develop the highest speed rail where feasible and economically viable, coupled with more reliability for 79-90 mph passenger service in other key corridors where it will continue to make sense from a density, utilization and cost perspective. We believe that this vision could finally generate the public support and political will necessary for a successful passenger rail system in this country.

During the Commission's deliberations, Wisconsin DOT Secretary and Chairman of States for Passenger Rail Frank Busalacchi and the late, great Paul Weyrich and I spent a lot of time debating the provisions of the report that dealt with the passenger and freight rail interface. It was a worthy exercise because from it came a clear understanding of the importance of how freight and passenger rail are interdependent in today's policy, political and economic environment. This is the origin of the OneRail coalition, which consists of passenger, freight and environmental interests and advocates for the benefits of both freight and passenger operations.

There were some basic principles around this interface upon which the Commission agreed. These are basic rules of fairness, which make public-private cooperation possible and fruitful. In my own experience, they have helped BNSF and many communities on the BNSF network – including Seattle, Chicago, Albuquerque, St. Paul/Minneapolis, and Los Angeles – realize a partnership that achieves outstanding commuter rail service without degrading present or future freight service. These communities recognize their stake in both passenger and freight rail service.

The first key principle is that access by passenger providers to freight rail networks, where reasonable, must be negotiated at an arm's length with freight railroads. This includes joint use tracks and rights of way, as well as opportunities for shared corridors with separate track structure for freight and passenger service. The second is that the impact on present and future corridor capacity must be mitigated to ensure that rail freight capacity is not reduced, but enhanced. This recognizes that speed differences between passenger and freight trains and certain well-defined passenger service requirements must be taken into account. There must be a fair assignment of costs based on the ongoing cost of passenger services, including the cost of upgrading and maintaining track, signals and structures to support joint freight and passenger operations and the cost of maintaining and improving the safety and reliability of highway/railroad intersections in joint use corridors. Finally, all host railroads must be adequately and comprehensively protected through indemnification and insurance for all risks associated with passenger rail service on their lines and in their rights of way.

I'd now like to turn your attention to an issue that has become very important in the discussion about the passenger-freight interface: positive train control (PTC). Congress has placed a non-risk based, multi-billion-dollar mandate to install PTC on what effectively could be 90% of the freight rail network. This is driven by the requirement to implement this technology where passenger rail or shipments of certain hazardous materials utilize the network.

BNSF began developing this train control technology in 1984, which led us to the development of what we now call Electronic Train Management System (ETMS). However, it was never intended to be implemented on the scale envisioned by the mandate included in the rail safety bill enacted last year by Congress. The unprecedented cost – which we estimate could be in excess of $1 billion when fully implemented on BNSF in 2015 – is driven by factors mostly outside of our control, such as the presence of passenger trains and our statutory common carriage obligation to haul toxic chemicals. The cost will have to be fairly allocated between BNSF, its shippers and the public.

This mandate represents a tremendous financial burden not just on the freight railroads, but also on Amtrak and the commuter lines. If you have not yet heard about this issue from these constituencies, you soon will. They are partners in the cost of implementing this technology across jointly used lines. While the rail safety bill did authorize a relatively small technology grant program ($50 million per year for Fiscal Years 2009-13), no funding has yet been appropriated. I urge you to fully fund this program.

However, you should also ensure that other funding sources are available to the public passenger and private freight railroads to help defray the tremendous financial impact the mandate will have. For example, the intercity passenger and high speed rail programs at the Federal Railroad Administration received significant funding in the American Recovery and Reinvestment Act. The intercity passenger program has previously been tapped for safety technology investments like centralized traffic control and cab signal systems and makes sense as a funding source going forward, given the PTC mandate's intense focus on passenger train operations.

In addition, the Department of Homeland Security's rail security grant program was created by Congress with specific statutory language making train control, tracking and communications systems eligible for funding. The Transportation Security Administration's long time focus on reducing security risks surrounding shipments of Toxic Inhalation Hazards fits squarely with the mandate's inclusion of rail lines carrying these highly hazardous materials.

Finally, the freight railroads continue to support a rail infrastructure tax credit bill, sponsored by Congressman Kendrick Meek (D-FL) and Congressman Eric Cantor (R-VA) in the House. This bill provides a 25% tax credit and expensing for rail infrastructure expansion activities, of which PTC implementation is eligible. I believe this is a significant way that Congress can soften the impact this mandate will have on the railroads, in what is one of the most economically challenging times we've seen in decades.

In closing, my recommendations to you are two-fold:

1) Observe the principles for passenger/freight joint use of rail right of way that the Commission recognized, and be realistic about the kind of passenger service that can be achieved, given the limitations of joint use. Generally, those limitations are based on nothing less than the laws of physics and the consequences that flow from them.

2) Develop a realistic vision for passenger service that works for all stakeholders – including freight railroads and the nation's shippers – and fully fund it.

It took $4 a gallon gas to show us that passenger train options are important to providing a fuel efficient alternative to the highway for millions of Americans. In addition, though, a comprehensive passenger rail program may shift a portion of the congested short-medium haul air traffic to rail, expand employment in the passenger rail industry and engender vibrant economic development around these networks. The choice to fund passenger rail over the next 20 years can have as significant an impact on this country as funding Air Traffic Control and runways have had in the last 20 years.

I appreciate the opportunity to present these views and I would be happy to answer any questions you have about passenger rail or freight rail policy.

Mr. OLVER. Thank you, Mr. Rose.
Mr. Boardman.

OPENING REMARKS OF MR. JOE BOARDMAN

Mr. BOARDMAN. Mr. Chairman, Mr. Latham. This morning, I thought the best place to start was to talk about where we are today in terms of higher speed transportation or higher speed rail.

First of all, we are America's intercity passenger railroad. We operate in 46 states, 310 daily trains, and we serve 515 stations.

Our central operation, though, for high speed is on the Northeast Corridor. Even though we do many of the shorter corridors and some of them at a higher speed, the real high speed for us is on the Northeast Corridor. And I think what I picked up from your original comments was that this was about an incremental process. And as I listened to the other three presenters here today, GAO is really talking about this as a very high speed or a high speed rail at 150 miles an hour. What Matt is talking about is a rail at an incremental increase to 90 or to 110 miles per hour. And then beyond that, you have significant costs. And what Jolene was really talking about is there are lots of things we can leverage to get to 110 miles per hour.

So, to me, there is a deal here today to be talked about. And that deal is what you talked about up front, and that is that what we need most to do with the $8 billion that is out there today is take that incremental step to 110 miles per hour for high speed rail. It is the safer way to go. It is Positive Train Control as needed. We don't need to change or close grade crossings at 110 miles per hour. We need to make changes in the grade crossings and install four quadrant gates, perhaps.

All railroads are resistant to increasing beyond the 79 miles per hour, whether it is 90 or to 110. But there is no requirement in that range of speeds to make such changes. And we are now in a situation where we have to do Positive Train Control on all intercity passenger routes and HAZMAT as well.

So I think there is an opportunity here to see this incremental improvement, which I think is what is most important for America for energy self-sufficiency, for the environment, and for our future mobility.

If you look at slide 3, and you can look very quickly to see what happens when you get to high speeds, especially beyond 110 miles per hour, because what you see in the south end of the service that we do Acela on, which is generally speaking New York City to Washington, today we have 63 percent of the combined air-rail ridership.

On the north end, you can also see, which is closer to your heart, Mr. Chairman, that we have picked up percentage increases every single year, 2006, 2007, and 2008; up now to 49 percent going by rail as opposed to air.

And slide 4 just gives us a quick history of where this really was all pulled together from, from 1935 to 1971, but it wasn't until the DOT invested large sums of money that we could get the service at 125 miles per hour and extend the electrification on the north end of that line and raise our speeds really to 135 to 150 miles per hour.

And in the next slide, it really talks about, what did we do to get that done? Where were we pre-1976, and now where are we today? Where we had signal and train control, we now have universal Automatic Train Stop, and ACSES is now available on the Northeast Corridor. ACSES is the Positive Train Control. That is operating today, and it is the only place that positive train control is operating today, with the exception, Matt, of your ETMS systems that you are testing out in the West.

So when you look at our interlockings, our grade crossings or electrified segments, we are now an electrified railroad on the whole corridor. That is where we need to be once we are above 110 miles per hour. We see that as something that we can continue to improve.

In slide 6, it gives us—and you and I talked about this a little bit—an idea or snapshot of, where are the pinch points, the difficulties for us on the Northeast Corridor? And I just picked out one particular section from Newark into New York City, and can you see we have a 90-mph territory where we have to slow down to 70 mph for Portal Bridge, which is one of our pinch points, and a major investment is needed there. The back up to 90, down to 75 as we go into the approaches to the tunnel, and then 60 miles per hour as we go into the tunnel itself. So we see lots of bottlenecks on the south end of this operation.

When you get to the north end, the first thing—and I think we talked about this privately as well—the first thing we could do is to look at the fact that Amtrak doesn't control the whole line. There are about 60 miles that Connecticut and New York actually operate. And in many cases, we are down to as low as 30 to 45 miles per hour. And it is really a section that could change immediately if Amtrak controlled and operated that particular section of the railroad. We could reduce time almost immediately with no investment.

When you look at how would we make investments, we talked about a couple different ways to do this. Right now we operate between New York City and Washington in 2 hours and 45, or 2 hours and 50 minutes. If we were going to take 15 minutes out of that time, the cost today is a little over a half a billion dollars, $625 million. And the breakdown for that, in terms of what we would have to do, is up on the slide.

If you take the next 15 minutes to get down to 2 hours and 15 minutes, the total cost is at $5 billion because every time you add to the reduction in time for us, we have huge costs. And I identify some of those on slide 9. For example, the B&P tunnel, the Baltimore tunnel built right after the Civil War, to really make the changes we would need to make there and you could probably save 8 to 10 minutes, you are talking about over a billion dollars to rebuild that tunnel.

We have other bottlenecks. I talked about the Portal Bridge. We are talking about $1.5 billion to replace the Portal Bridge. As some of the other folks here have said here today, for us to find the dollars to make the real changes that are out there today, we have a backlog of projects that need to be done to stop those kinds of bottlenecks.

But there is hope, and there is an opportunity, because when you look at what was done for the Keystone Corridor, for example, one of the only corridors that is still growing in ridership at a double digit, 14 percent a year, we were able to cost-share with the State of Pennsylvania for $145 million, and Amtrak upgraded that particular line. And that service now has allowed us to cut 15 minutes off the Harrisburg-to-Philadelphia trip and about 30 minutes off the Harrisburg-to-New-York-City trip. We replaced nine diesel-powered locomotives and round trips to 12 electrified round trips, and ridership has grown as much as 20 percent and nearly 20 percent again in 2008. And we are still seeing it grow at 14 percent, even in the environment we are in today.

So we know making these investments in the state of good repair and increasing the speeds, and I think when you really look at, again, that incremental speed, when you look at really what does 110 miles per hour do? It uses that existing freight railroad right away. We need to make some changes in capacity, but it diverts passengers mainly from their autos, so we are trip-time competitive with autos to a large extent over a 200–to–250-mile range.

It doesn't attract quite so many air passengers, except in the case of Harrisburg because they stopped air service. So it definitely does in that particular case. It produces congestion relief, especially in the urbanized areas. It requires Positive Train Control, but we require that now all over the county, or equivalent signaling and control systems. And it allows highway and rail grade crossings to remain in place, but it upgrades their safety, and it is one of the things again that Jolene talked about the section 130 program and the highway program, the surface transportation reauthorization. This is where highways can help rail and reduce congestion on the highways by making rail safer and allowing us to run faster. And it uses conventional rolling rail stock.

On slide 11, rail is an inherently efficient smaller footprint, greener. It has lower fuel costs overall, and it is a clean operation, whether you look at it for the Hiawatha service, and I think that is one where Matt talked about, in some cases, you don't need to increase the speed. And Hiawatha would be one of them, and Frank Busalacchi would tell you that they can make the increases in passenger ridership at 79 mph between Milwaukee and Chicago. And the San Joaquin in California is a great model for communities and States, like New York State, that need to increase the kinds of connectivity that is necessary to make rail passenger service work. And then we have a Southwest Chief that really talks about the fact that the real benefit for Amtrak is the thread that it provides on surface transportation coast to coast, border to border, for connectivity for anybody on the surface transportation mode in the United States.

Slide 12 is the picture that GAO painted, and that is that we have, and I think Matt painted this to some extent, this is the trillions model. This is the model of getting to the very high speed rail. This particular rail is what we look at for Europe and other kinds of locations. Where there is a need to do that, and an opportunity to do that, and you have the investment potential for a straight line rail in an area that you don't have to—and I think Susan said it right—where it is flat and where you can really build this at a reasonable cost, there are places for that kind of rail in this country. It is not on the Northeast Corridor, and it is not the incremental process that we can see for the future, because what we really have and we are very good at is adaptive reuse.

This bridge on slide 13 was built by Whistler's father, and I myself looked up George Washington Whistler—I guess his wife was Whistler's mother in the famous painting—and this particular bridge in the north end of our service was built in 1835. It was double-tracked in 1860. It was widened with a cantilever in 1910, and electric catenary in 1999, and Acela operated on it in the year 2000. It is a 125-mile-per-hour bridge in a 150-mile-per-hour railroad, but it is adaptive reuse. And that is what we are dealing with so much of the investment out there today.

But aging really is an irreversible process. And I particularly liked this AEM–7 locomotive on slide 14 since it has 911 on the front of it. This particular slide was meant to identify equipment types, and you started out with a tribute to somebody that was around at the time that our baggage cars were built. Our diners were built over 60 years old. We are talking about locomotives that are over 30 years old. The newest category of cars on this line are between 15 and 20 years old. We need to replace equipment. And that is a large part of what we need to do to improve high speed rail or reliability in this country for all railroads.

We have got several corridors that have strong developmental potential; an extension and perhaps electrification between here and Richmond. It is a natural feeder to the Northeast Corridor. It can be a 110-miles-per-hour corridor with less investment than many corridors, but it needs to be electrified.

There is the Michigan-to-Chicago corridor where we are already running some service at 95 miles per hour. There is a strong interest by the State as there is a strong interest by Ohio and a strong interest by New York and many other States to improve their service, but there is not a great deal of State money these days. They are in very difficult situations all across the country, and that drives a different discussion on policy and how we spend this $8 million that is available for high speed rail or higher speed rail in the United States.

Even Amtrak in slide 16, you can almost see if you look at this slide, and this is just Amtrak's annual capital needs, what was requested and what was received or appropriated over the last several years. This is the first year in 2009, where the appropriation was greater than the requested funding. And if you went back through the years, you could begin to see that the areas that were short or scarce of the funds that were requested have a large part to do with the state of good repair backlog. To address that backlog, we need to make the improvements that are necessary for the Northeast Corridor and other projects throughout Amtrak.

But we have a great opportunity today, I think, because the stimulus request that came out was a request that we took very seriously, very quickly; $850 million for our capital projects; and an additional $450 million for security that we also included for safety programs, especially for the tunnels in and out of New York. It was to preserve and create jobs and stimulate the economy.

We will finish these projects, totaling $1.3 billion, within the 2-year period that we have been given to do that. We have received most our approvals from the FRA on the projects at this point in time. And they are projects like the Niantic River Bridge that was on one of my earlier slides, like ACSES on the Northeast Corridor and the ITCS line in Michigan, which is part of the Positive Train Control, and additional investments in Positive Train Control to support what Matt was talking about earlier in terms of his ETMS system and the interoperability between all the PTS for the future, and ADA compliance, and a frequency converter to make our electricity more reliable on the Northeast Corridor, and maintenance facility improvements and smaller fixed bridges. Nearly more than half of the dollars that will be spent will be outside the Northeast Corridor to improve what we know is necessary across this country.

We think that, if there is any future stimulus, we need to talk about equipment. And I think Matt put his finger right on it that we need to talk about how we roll out Positive Train Control across the United States and take advantage of more travel at the 110 miles an hour.

And with that, I will end by saying that we see it as an improvement in a safer, greener, and healthier system to make these things happen. Thank you.

[The information follows:]

TESTIMONY OF

JOSEPH BOARDMAN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
AMTRAK

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT

OF THE

COMMITTEE ON APPROPRIATIONS

WEDNESDAY, APRIL 1, 2009
2:00 P.M.
2358 RAYBURN HOUSE OFFICE BUILDING

The Amtrak system

- We are America's intercity passenger rail provider
  - Operate in 46 states
  - 310 daily trains
  - Served 515 stations in 2008
- National network provided by sixteen long distance services and twenty-six short distance services
  - Most Long Distance trains are daily
  - Short Distance services offer variable frequencies – up to 32 per day
  - Amtrak is working with states to develop short distance networks and hubs in California, Illinois, and the Pacific Northwest
- The Northeast Corridor is the centerpiece of our system
  - About half of Amtrak's daily trains
  - The vast majority of its infrastructure
  - It's a legacy system – but a great one

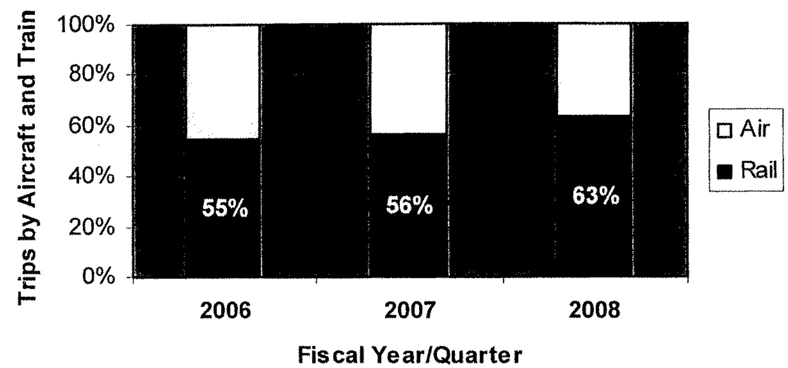
This is an important moment

- Congress passed the Passenger Rail Investment and Improvement Act (PRIIA) in 2008
  - Acknowledges the role Amtrak and passenger rail have in the national transportation scheme
  - Provides a vision – and a tremendous opportunity
- Our job is twofold
  - Improving and sustaining our current services
  - Addressing future demand
- Getting to the system of the future
  - Must be safer – improve operations, update our plant, equipment, and signaling
  - Must be healthier – financially, and for the nation and the environment
  - Must be greener – reduce emissions, reduce demand for imported oil

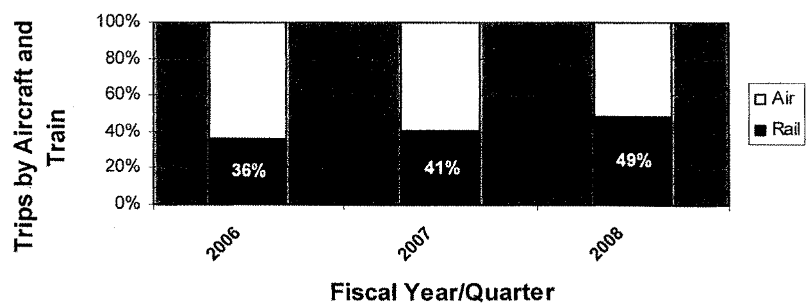
Let's take a look at the system we have now – its performance, and its needs

Northeast Corridor Air/Rail Shares

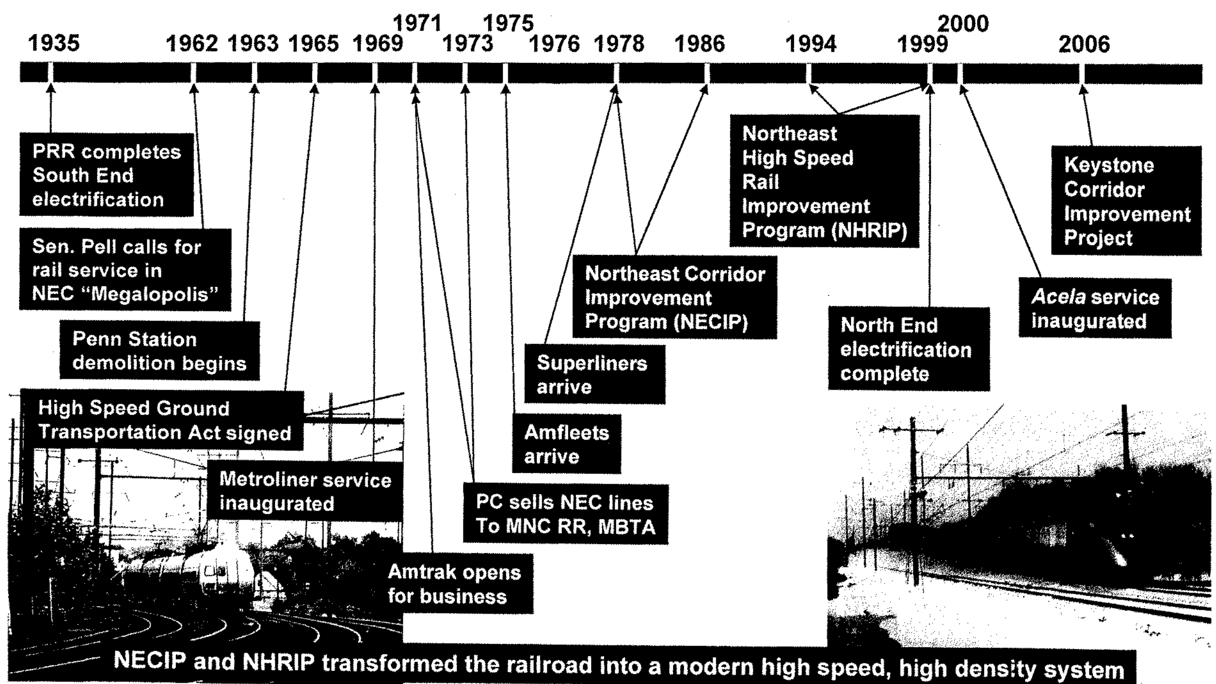
South End



North End



Amtrak inherited the NEC in 1976......



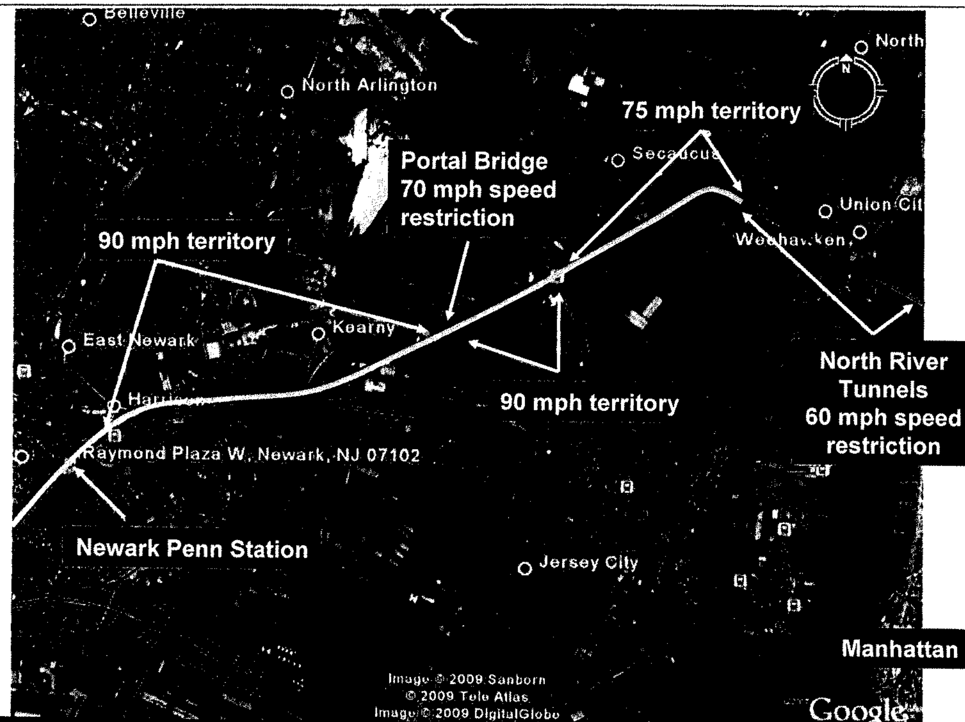
AMTRAK

....and worked hard at improving it

	Pre-1976	Today
Signaling and control	About a fifth of the NEC bidirectional territory; rest unidirectional territory	Mostly bidirectional territory, Automatic Train Stop universal, ACSES in service
Interlockings	104 of 124 mechanically operated	No mechanical interlockings remain
Grade crossings	49 grade crossings	11 grade crossings (6 smart crossings)
Electrified segments	DC to New Haven	Whole Corridor
Maximum speed	About 110 mph*	150 mph
Total daily passenger trains (All carriers)	1,199	1,999

These are significant achievements – but they don't liberate us from our existing infrastructure

Portal bridge – a bottleneck at the entrance to New York

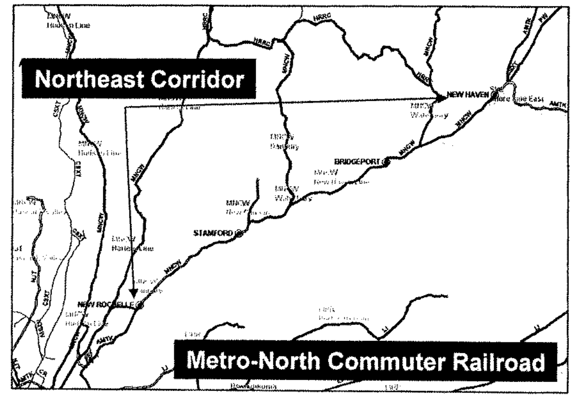


Line narrows from four running tracks to two at Newark Penn - and speeds are restricted

AMTRAK

Metro-North Commuter Railroad

- Sixth-largest Amtrak host railroad, in terms of annual train miles
- Controls 55 miles between New Rochelle and New Haven
- Densely populated with commuter trains
- *Not* a high speed railroad
  - About 4 miles of 90 mph line (Potter Ave overpass to West Street overpass)
  - Most of the rest is 75 mph – with plenty of 30-45 mph sections

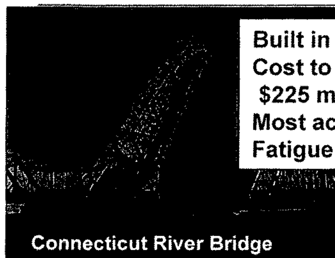


Getting to 2:30 on the South End with five stops

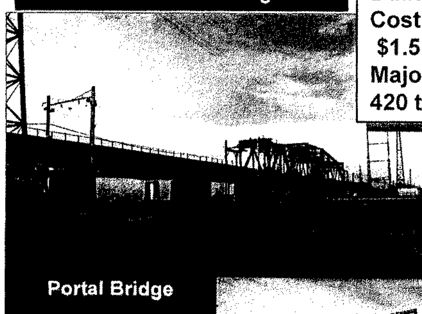
Program	Cost ($ M)	Includes
135-150 mph track upgrades	240	ACSES wayside; other track, signal and capacity improvements
Equipment modifications	40	Door mods and new trucks to allow 130 mph service on *Acela* with 9" of cant
ACSES onboard equipment (Positive Train Control)	75	Freight, SEPTA, and a portion of the MARC fleet
Constant Tension Catenary	270	Can be dispensed with in the short term, if catenary can be brought to SOGR; over long term, must be replaced.
Total	625	

AMTRAK®

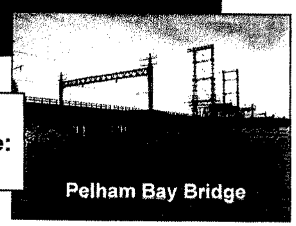
But a lot remains to be done, and the cost is substantial



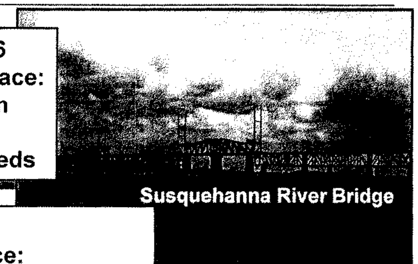
Built in 1907
Cost to replace:
$225 million
Most active – 4K openings/yr
Fatigue issues



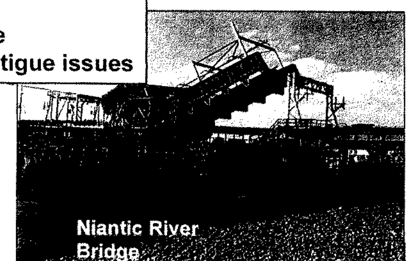
Built in 1906
Cost to replace:
$1.5 billion
Major bottleneck
420 trains/day



Built in 1907
Cost to replace:
$210 million



Built in 1906
Cost to replace:
$550 million
SOGR and
capacity needs



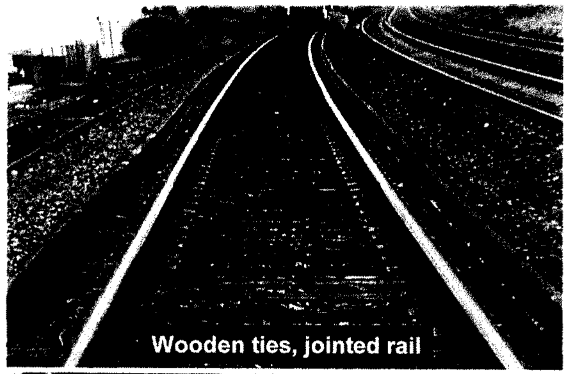
Built in 1907
Cost to replace:
$100 million
2nd most active
Reliability & fatigue issues

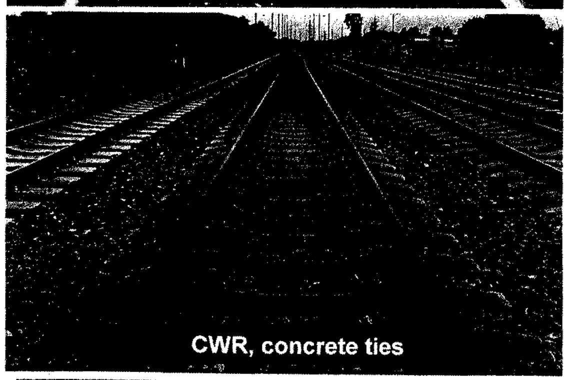
Built in 1873
Cost to replace:
$1.2 billion
Major bottleneck
30 mph speed restriction
Water infiltration problems

AMTRAK

All of these structures predate the Model T (1908)

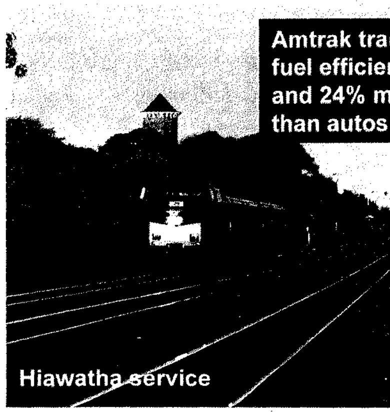
Investment in SOGR brings immediate benefits



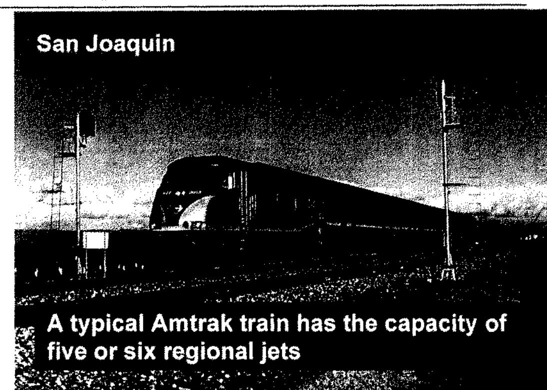


- Cooperative project to rehabilitate 104 miles of the "Main Line" between Philadelphia and Harrisburg
- Cost of $145M shared by Amtrak and the state of Pennsylvania
  - Upgraded catenary and right-of-way to permit 110 mph service
  - Reconfigured interlockings
- Allowed us to speed up service
  - Cut up to 15 minutes off Harrisburg-Philly trip
  - Cut up to 30 minutes off Harrisburg-NY trip
  - Replaced 9 diesel-powered round trips with 12 electrified round trips
- Ridership grew by about 20% in FY 07 and 19.8% in FY 08

And allows us to maintain a greener operation

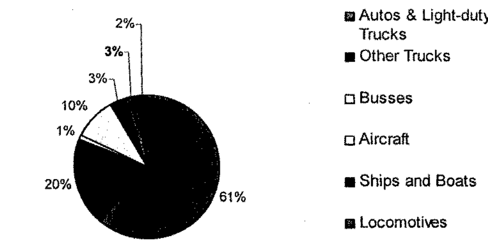


Amtrak trains are 18% more fuel efficient than airplanes and 24% more fuel efficient than autos



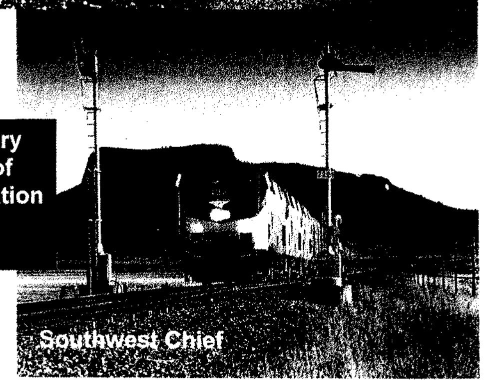
A typical Amtrak train has the capacity of five or six regional jets

Transportation-related CO_2 Emissions

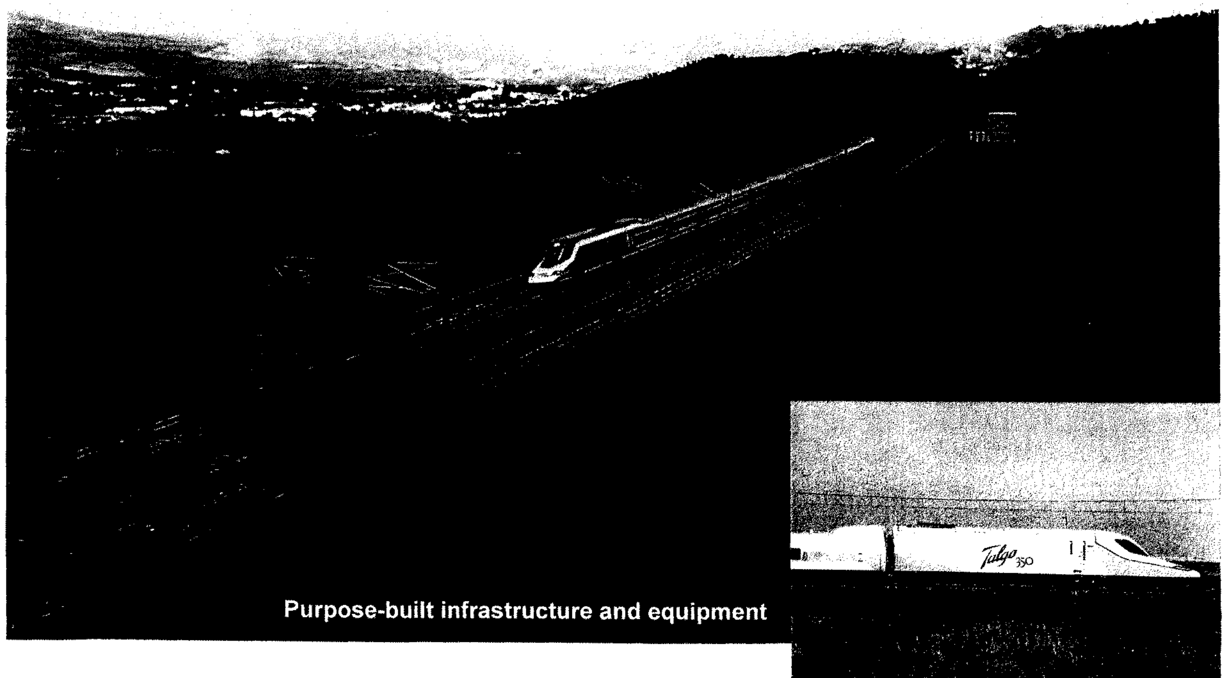


Source: EPA *Inventory of U.S. Greenhouse Gasses and Sinks, 1990-2005*

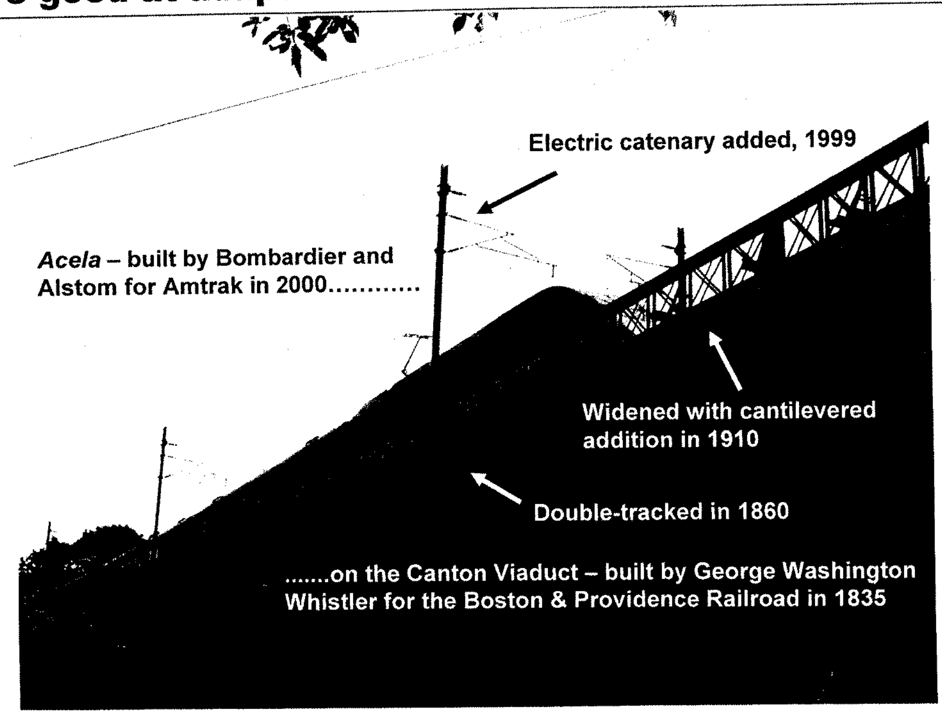
Rail emits a very small portion of the transportation industry's CO_2 output



High Speed Rail in Europe

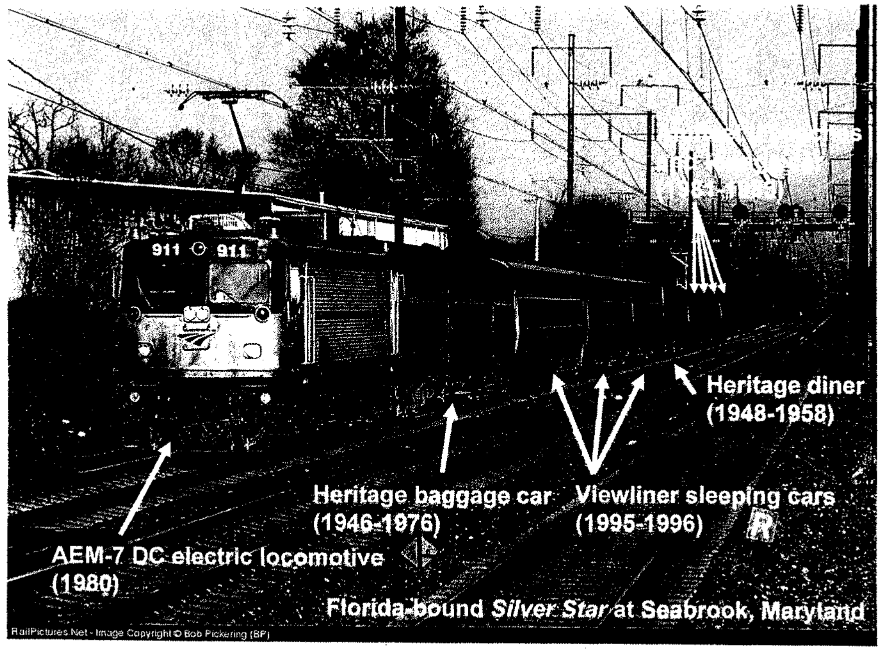


We're good at adaptive reuse.....



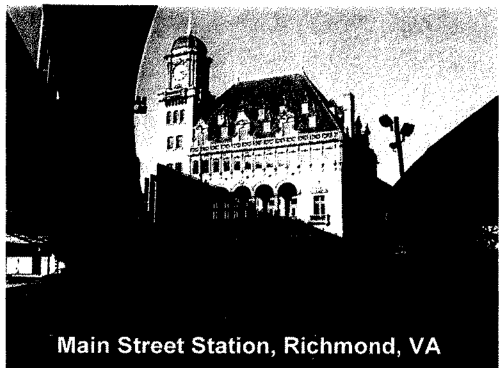
But *still* a 125 mph speed bump in a 150 mph railroad

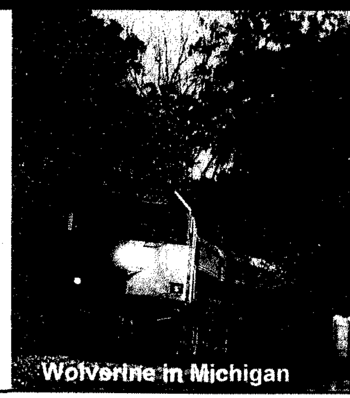
......but aging is an irreversible process



We must replace the Heritage fleet, and augment the electric locomotive and sleeper fleets

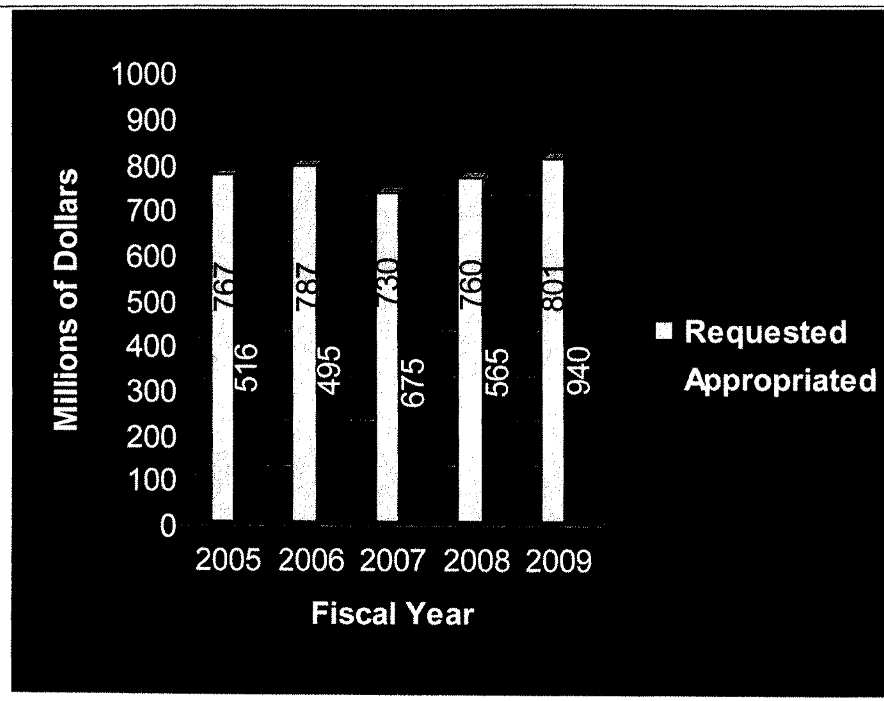
Low hanging fruit


Main Street Station, Richmond, VA


Wolverine in Michigan

- Several corridors have strong development potential
- Virginia (DC-Richmond)
  - Natural feeder to NEC
  - Electrified connection could potentially accelerate existing services to 110 mph
- Michigan (Chicago-Detroit)
  - PTC system in place – some 95 mph service
  - Strong state interest (MI) and potential freight partner (NS)
  - Chicago hub provides range of travel choices

Amtrak's annual capital needs



Amtrak needs about $700 million per year just to keep its SOGR problem from getting worse

Amtrak's stimulus request

- Stimulus allocated a considerable sum to Amtrak for capital and other projects
  - $850 million
  - Additional $450 million for security
- This represents about a year and a half of capital funding
- All of our investments will support the goals of the bill:
  - Infrastructure
  - Equipment
  - Mandatory compliance needs
    - ADA
    - PTC

Stimulus Goals
To preserve and create jobs and stimulate the economy
Preference to projects that support development of intercity high speed rail service
Preference to projects for the repair, rehabilitation, upgrade, or purchase of railroad assets or infrastructure that can be awarded within 180 days of enactment of this Act. To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
Preference to activities that can be started and completed expeditiously

Planning for the future.....

Attract ridership on successful routes

Build the quality service that will make demand less elastic

Improve the company – financially, operationally, ethically

Transition to an enduring, affordable, and clean form of power

SAFER

- Install PTC on Amtrak-owned lines by 2012 – other technology where warranted
- Implement Risk Reduction
- Behavior
- Complete ADA compliance by 2015

GREENER

- Electrify to Richmond
- Seek to capture market share from airlines and autos
- Reduce oil dependence
- Implement recycling programs
- Ensure new facilities/cars/locos are environmentally friendly

HEALTHIER

- Improve our financial health
- Implement mandated metrics and standards
- Fix on-time performance
- Live our values
- Manage our mission

HIGH SPEED RAIL

Mr. OLVER. Well, thank you very much, Mr. Boardman.

Toward the end of your comments, I had been wondering where the timer was that flashed red at a particular time. You spent almost as much time as the other three together, I think, in going through that presentation. But yours is one train that actually runs, as I commented earlier, within the range of high speed rail.

So what we will do now is go 5 minutes, myself, and then the ranking member. And then questions by the other members of the subcommittee. We have a good turnout today. This is a matter of greater interest, not just because we have two members from Ohio, one right on the edge of Ohio and Detroit, Michigan. And so it goes.

We are in quite an interesting time here. My staff has given me questions, and I usually don't think much about those questions. So you will have to bear with me. I am ad-libbing in a sense here. They sort of understand that that happens and is likely to happen.

We are in a very interesting time. We have rail advocates all over the country, everywhere around the country, who want passenger rail to come back. They haven't thought about all of the different levels of problems that you four have seen and worked with along the way.

But we have had probably 50 different proposals for high speed, for higher speed rail, improvements to passenger rail in various places around the country. All the way to Maglev projects which didn't go. We never had any money for them. And now, with the PRIIA authorization last fall, there are authorizations for high speed rail of a billion and a half and for intercity passenger rail of roughly a billion and a half, and for Amtrak improvements, mostly to be distributed, but much of it on the Northeast Corridor, totaling something like $7 billion or thereabouts, roughly $11 billion of authorizations there.

And it started out with the request for a plan. A plan which was to be done by the Secretary of Transportation, or the Administrator of the Federal Railroad Administration, I am not quite sure, that would take until 1 year after the enactment of that, which would take us into October.

Now, we went out of session, so Members of Congress had much time to think about that shortly thereafter. And then in February, we have also an $8 billion amount which appeared not quite out of the blue—well, maybe out of the blue in the sense of "blue" versus "red" in the Presidential campaigns and so forth. And that one comes up with $8 billion for high speed rail, but for both the high speed rail and the intercity passenger rail program combined, and further, it calls for a plan within 60 days of the enactment, which for a much larger sum of money is now asking for the plan to be done within 3 weeks from now, 60 days from the enactment.

Now each of the first three testifiers have pointed out that there ought to be a national plan, and my guess is that, at this point, the plan is whatever is the sum total of all—the floodgate is open. All that money has been thrown there with the expectation that there is going to be more coming in. We will be working within authorizations on the intercity passenger rail and the Amtrak arrangement most likely on high speed rail. They are already well beyond the authorization levels in last year's PRIIA bill—of the last fall's PRIIA bill, and the President has indicated that our budgets are going to have an additional $1 billion each year for the next 5 years. I suspect we are headed up to $5 billion to $10 billion per year in this bunch of combinations.

But the plan now becomes the dreams and aspirations of every Member of Congress, every man, woman and Member of Congress or the Senate put together in a combination in sum total. Here we are in a startling position of where we might go over the near future.

Ms. Fleming has indicated that we can be concerned at least if we are going to go to the high, the really high speed rail kinds of things on questions of topography and questions of the accurate estimation of ridership and potentials along those, and very much an indication of where really high speed rail for the kind of investments, as she has pointed out, are between $22 million and $130 million per mile, whereas the incremental approach from starting out with Class III at 59-miles-per-hour, 60-miles-per-hour road and getting up to Class IV and then on to the Class V, which Mr. Rose, you have talked about, gets you up to the 90 miles an hour. I don't know whether it is Class VI that gets you to the 110, but something along those lines; that these are incremental, and you may be able to make grand progress in those areas between $4 million and $7 million per mile.

And I must say, Mr. Boardman's estimate of what is needed to bring up above the 110-miles-per-hour range—they are able to operate in much of the area, but to do so safely and reliably and so forth, even the $5 billion of the 200 miles of the south end, essentially, is—I am already on red. I am already on red.

But I just wanted—my last comment was going to be, because I am not going to ask you a question, I am going to let you think about that and see what may come out of it and then turn to my ranking member.

But the number of billions of dollars for the little over 200 miles is already in the $25 million per mile just for the improvements on what is already a much improved kind of a program that is running in substantial parts of it up in those higher speed ranges.

So we have a problem. And the States don't have any money now. The feeding frenzy that is developing basically, it is developing because it is 100 percent Federal money. I don't know that anybody thinks that there can be 100 percent money at the Federal level over the long haul in the ranges or sizes of money that are needed.

I lay all of that out, and I turn over to my ranking member, Mr. Latham.

Mr. LATHAM. Thank you, Mr. Chairman. That was a great question.

Anyway. I just like you to know, I really respect my staff. They are all wonderful.

Okay. Mr. Rose, in Iowa, we have a lot of railroad, and it is very important as far as moving our agricultural products or manufacturing goods; also, a lot of coal goes across the State. Extremely important. Your vision as to the idea of cooperation in having freight and passenger rail on your lines, is that shared universally by your other associates or counterparts in the railroad industry?

FREIGHT/PASSENGER RAIL

Mr. ROSE. I think there is probably a little bit of difference. At BNSF, we have been successfully out executing these agreements. We have what we call commuter principles. The first one is "Do no harm to the freight side of the business." The second one is, "Do no harm to the freight side of the business." The third one is, "Do no harm to the freight sides of the business." You get it.

If you do it right, it is a benefit for the public to be able to provide this passenger service. If you get it wrong, then you have really harmed your State in terms of industrial development and economic commerce to move things around. I have been in my job now for 9 years, and I will tell you, 9 years ago, that every railroad almost was against this type of public-private partnership in passenger rail. And in 9 years, we have moved a long ways. We realize that there is a lot of interest for public need, public good to make accommodations. We just have to make sure that we don't mess up the freight railroad side of it as we do these kind of things.

BALANCE OF TRANSPORTATION AND ENVIRONMENTAL POLICY

Mr. LATHAM. One of the really large complications such as where I live in Ames, Iowa, is the mainline of the UP that goes east to west across Iowa and going right through downtown; 110 trains a day, mostly coal trains going through. And it would be very difficult to intersperse passenger rail in that. But it would be great, also, if we could do that. We have a great depot at which nothing stops in Ames, Iowa.

Is there anything that we can do? I suppose money, but as far as incentives to change that equation? And also, the Amtrak in Iowa goes through southern Iowa. It doesn't go through any populated county.

Mr. BOARDMAN. My family is from Clarinda County—Clarinda in Page County.

Mr. LATHAM. Easy for you to say.

Mr. BOARDMAN. I never lived there.

Mr. LATOURETTE. He doesn't write them so much.

Mr. LATHAM. He knows how to spell it, but not how to say it. I am sorry, go ahead.

Mr. ROSE. So I think the biggest thing that could come out of there is a national vision which would include a national priority. One of the things we have not done well in the past is tie together our needs for our energy policy, as well as our transportation policy. And I would submit that we really do live in a different world today than we did just 10 years ago.

And if you take a step back and think about the energy needs, the climate issues in our country, and transportation, and start to think about what the future could be. So my point is that, right now, you are exactly right; every State is calling us saying how—this is free money. Manna from heaven. How can we get some of this? And quite frankly, you all are in very difficult positions.

I traveled to China, and they do it differently there. It is called communism. One guy makes a decision; this is where we are going to put a high speed passenger rail or Maglev, and I am planning my society, and I will have my people here, and they will take this train to their work location, and don't ask any questions. There is only one guy in charge. And it is pretty effective. But I know that is not the reality here that we live in.

And so—but what is going to happen is, during this time, we are going to get a lot of people saying, I got to have passenger rail and probably what, unfortunately, will happen from this is that there will be dollars thrown at passenger rail operations and lanes that won't make any sense.

AGENCY NEGOTIATION

Mr. LATHAM. If I could ask, in your statement, "a negotiation has to be at arm's length," can you tell me what that means between the passenger and freight? And who is going to start this negotiation?

Mr. ROSE. It is really where an agency, typically a State commuter agent, comes to us and says, we would like to run a commuter operation. So at arm's length, instead of Congress getting involved and mandating, we have shown that we have been successful. These are very difficult. We just recently completed one in Minneapolis with the North Star where we were able to come to agreement on liability, services and costs. And that was through using outside or modeling and using capital costs that everybody could agree upon the methodology and the liability.

Things are very, very difficult. This is, again, the freight rail; on our freight rail, 99 percent of all of our revenue comes from freight; 1 percent comes from passenger.

Mr. BOARDMAN. Could I comment on that? Amtrak is the arm for intercity passenger rail. The arm that he is talking about. It is Amtrak legally and in terms of what we are responsible for.

Mr. LATHAM. Thank you, Mr. Chairman.

Mr. OLVER. In order of arrival here, next would be Mr. Rodriguez.

POSSIBILITIES OF HIGH SPEED RAIL

Mr. RODRIGUEZ. Thank you.

Let me thank you for being here with us. I think the Chairman talked a little bit I guess because we don't have I think a vision in terms of where we want to go. And I think each area and each sector has their own group.

I know, in Texas, we talked about fast rail from San Antonio to Houston, Houston to Dallas. Back to Austin and San Antonio in the 1970s, and as you well know, that has not materialized.

But in the report that GAO had talked about the importance of coming up with a strategic vision in terms of high speed and that kind of thing. And nationally as well, as you know, the importance of looking at intercities. Houston has moved with some intercity types of thing. Dallas. San Antonio is looking at that.

The potentials, I am not sure in terms of the funding. Maybe some of you can talk about that, because we have a major area medical center where a lot of concentration as well as the intercity where we could possibly have some rail back and forth. And I would want you to comment on how we go about looking at funding those aspects.

I also represent a lot of rural area and for freight. I have actually a rail that is owned by the State that goes from Presidio to San Angelo that travels about 10 or 15 miles per hour, but it has a lot of potential because it comes from Mexico, from the Pacific side. Usually we get it from the Atlantic side; this is from the Pacific side, and the potential there. Can you elaborate on the possibilities of what might be viable not only in terms of rural but urban areas?

I will just throw it out. And I know from the strategic plan, maybe from the GAO first?

Ms. FLEMING. You want me to kick it off?

We recommend that the Department of Transportation work with Congress and other stakeholders to develop a vision and clear goals linking it to the national transportation system in terms of rail. This has been done in other countries. I think it is an important step. It is very critical in order to establish what the clear Federal role is; to determine what expected outcomes are; as well as setting up some performance and accountability measures. And again this is learning from folks who have been doing this, this is kind of the first lessons learned.

Mr. RODRIGUEZ. We don't have a requirement now from the States or on the national on that vision?

Ms. FLEMING. No.

STATE RAIL PLANS

Mr. BOARDMAN. Can I comment on that, please?

The FRA does have a requirement for all States now to have a rail plan. It is not the entire process, but there is a requirement.

And the kinds of things that you were talking about, Congressman, would make it into the rail plan. And the reason the rail plan was put together was to make it the same as the highway system, because the highway system today in every State has to have a State Transportation Improvement Program, or STIP as they call it. And once you make a project on that STIP, you have to find a way to finance or fund that project.

Rail projects did not traditionally make it on that list. And part of the thing that you did in the last two authorizations is, the first year you put I think about $30 million out that would provide assistance to the States and now about $90 million, I think, this past year on a different program, and it requires there to be a State rail plan. On the stimulus, that requirement doesn't exist at this point in time. But in terms of getting the kinds of projects that you are talking about, the States are required to do that if they want that funding.

Ms. FLEMING. Can I just add one more thing? Again, it is a plan for a national vision and linking in terms of the overall national transportation system. But then the next step is coming up with clear procedures for evaluating the various high speed rail projects and proposals to look at costs and benefits. So I think it is a several-pronged approach; you need basically a framework in order to be sure that your money is being spent wisely and it is a worthy investment.

NATIONAL TRANSPORTATION PLAN

Ms. MOLITORIS. Mr. Rodriguez, I would like to comment the need for a national transportation plan. As Joe mentioned, the State rail plan is a requirement. However, there is State highway plan requirement as well. I think it is critical that we understand as a Nation how those investments affect the entire system. And right now there is no such requirement. That is why our department in Ohio has begun a transportation futures plan.

And the cost-benefit analysis is very important, because if you only look at bottom-line investments and do not value the impact on the environment, the impact on the availability of this kind of transportation choice, the impact by getting people off the highways, those are all very important. Because the more autos you get off the highways, the more trucks that can go to the intermodal yards where they connect with trains, and we need to understand all of that. Right now, without a total integrated transportation plan, we don't really know the cost and benefit of what we are investing and what we are getting in return.

Mr. RODRIGUEZ. And I gather that also includes both freight?

Ms. MOLITORIS. Yes.

Mr. RODRIGUEZ. Thank you very much.

Mr. OLVER. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman.

And thank you all for your testimony. And it is nice to see all of you.

I didn't meet you before, Mrs. Fleming, but it is nice to meet you.

And when you two got dressed this morning, did you consult with each other? I am talking to you, Jolene.

I have to tell you, and let me say something nice about the director of the Ohio Department of Transportation. I met her when she was the FRA administrator in the Clinton administration, and in our part of the world, Conrail's assets were acquired by CSX and Norfolk Southern. If it had not been for Commissioner Molitoris, we would have had a larger mess than we wound up having, and I am eternally grateful to her assistance for that.

The problem with this, and I invite your observations, without a national plan, we are not going to get this done. And I would point to the last highway bill, SAFETEA–LU, where we had designated the projects of regional and national significance, above-the-line funding, and each thing had to be half a billion dollars. And we behaved ourselves in the House, and I know that Chairman Olver and Ranking Member Latham will behave themselves over here. But when it got over to the other body, they were just pigs. What they did, they divided that $17 billion up, and everybody got $150 million so they could go home and put out a press release. But you can't build anything significantly for $150 million, and the reason that that program was initiated was so that you could really build something. Like the Inner Belt in Cleveland and the Inner Harbor in Toledo and like the Spence Bridge in Cincinnati. But we have money just sitting there.

If we don't approach this universally, and by that, I mean, not only do we have to have a national plan, I think all the interest groups have got to have some skin in the game. And by that, I mean, if I were Matt Rose or if I were CSX or I was Norfolk Southern, I would never let a passenger train on my system until you solve a bunch of problems. You have to get the lawyers out of the situation. You have to have a way to determine what liability is going to be, like we have in the air travel system. That is, if we have an accident, you know what it is, so you can buy insurance and adjust the risks.

I don't know what your liability agreements are, Matt, but the lawyers are smart enough, that if they are your tracks, they will run through the State's budget; they will run through Amtrak's budget; and then they will come get you. And until we include them in this process, I think you are going to have a problem.

The other thing you mentioned is your common carrier responsibility. A lot of people don't recognize that you said 99 percent of your revenue is from freight; 1 percent is passenger. How much of your revenue is from carrying chlorine?

Mr. ROSE. One-tenth of 1 percent.

LIABILITY

Mr. LATOURETTE. One-tenth of 1 percent. How much of your liability is tied to carrying chlorine and hazardous materials?

Mr. ROSE. Sixty to 80 percent.

Mr. LATOURETTE. Can you decline to carry?

Mr. ROSE. No.

Mr. LATOURETTE. Because of your common carrier responsibilities. So if you are talking about taking a train that goes 79, in Jolene's case, or 90 or 110, and against trains that are going 35, 40 miles per hour, and they are carrying chlorine, we have to do something about the freight's common carrier responsibility as well. And so that is what I mean by, this has to be a universal solution. We just can't come to the freights and say, give us a bunch of right-of-way, and we will pay you a little bit of money, and yes, you can still be sued and, yes, you have to carry all of this bad stuff. Anybody have an observation about that?

Mr. ROSE. I would just say, in the GAO report, I think they identified the issue of the liability question that needs to be clarified, and it has got to be clarified right here in Washington, D.C. We are very much in support of that.

And the liability issue, Congressman, is really at heart of this issue, because the railroads, the way that these commuter arrangements work, the railroads really will make de minimis amounts of money on these. The railroads the get some additional capacity, which will be good, but that pales in comparison to the potential liability.

Mr. LATOURETTE. This government made a decision in air transportation that we are going to have a national air system. When you make that decision, we have to do certain things. If we are going to have a national passenger rail system, we are going to have to do the same things relative to liability and common carrier, and I would throw in the FRA and other agencies.

TRAIN SPEED AND BULK

Mr. Boardman, the reason that your Acela train doesn't go as fast as it could is because it is like an elephant on roller skates.

They junked it up so much with weight and restrictions and everything else that it couldn't handle the curves on the existing infrastructure that you have; isn't that correct?

Mr. BOARDMAN. No, I would say—I understand what you are saying in terms of the size and the buff strength. But I think, in a mixed freight corridor, you have to do that to adjust the risk. And that is the same with a lot of locomotives that we operate. But I think today, between New York and Washington, it takes 4 to 5 hours to drive. It takes 4 hours and 45 minutes. We are already high speed in terms of that.

Mr. LATOURETTE. It is a great system, but am I wrong, because of the configurations that was required by some of the regulations, you got a bigger set of cars than you needed and the brakes broke and fractured under the stress and you had to slow down on curves because the car was too wide because the yaw—or whatever you engineers talk about when you go around the corner—it was yawing this way, it was running into stuff potentially, right?

Mr. BOARDMAN. I think we would not buy another set of trains in a consortium the way we did it.

Mr. LATOURETTE. There you go.

Thank you, Mr. Chairman.

Mr. OLVER. Ms. Roybal-Allard.

ENVIRONMENTAL PLANNING

Ms. ROYBAL-ALLARD. Mr. Boardman, first of all, let me take this opportunity to thank you for working so closely with California to maximize the State's significant capital investments in passenger rail service so that we can meet our transportation needs.

There are many Americans who are familiar with the Amtrak's Northeast Corridor from Washington to Boston. But I think there are many that are not aware that the Southern California Corridor is Amtrak's second most popular route. So, on behalf of my constituents and my State, I want to thank you and your employees for working so well with California. And there are many that believe that that partnership is really a model for others to follow.

Mr. BOARDMAN. Thank you. I have suggested to my friends in New York upstate that they go to California and look at that model.

Ms. ROYBAL-ALLARD. I have for some time listened with keen interest to conversations about high speed rail in our Nation and in California in particular. And I believe that this mode of transportation has the potential to meet our growing challenges of moving people quickly and efficiently.

Nevertheless, I have noted with concern that presentations on proposed routes in, for example, my State have focused on using existing rights-of-way along our freeways and our railroads. Now this may seem less intrusive and disruptive than creating new routes in already heavily urbanized areas, and I know that cost also is probably a factor. However, we cannot ignore the historical fact that many of the existing rights-of-ways for freeways and for railways disrupted and divided poor and minority communities.

In my Los Angeles district alone, communities are dissected by no more than eight State and Federal highways and several railroads. Building a high speed rail route along existing rights of way in Los Angeles may minimize the negative impact to other communities, but I fear that it will add to the damages already done decades ago when the new interstate system divided and even destroyed poor communities, one, for example, where I was born, and has caused lingering health issues for children and residents who today are still suffering from those environmental impacts.

Therefore, building a new high speed rail system along existing rights-of-way is far more intrusive and disruptive than many proponents will have you believe. And it certainly would be to my constituents, many of whom probably won't even be able to afford the price of riding the high speed rail that is being proposed for the Los Angeles area.

And so I just felt that it was important, because in none of the discussions that I have heard, regardless of where I am, has any attention been paid to the fact that some of these proposals are going to again impact poor, minority communities that have had historically and even now do not have the influence or political clout that more affluent areas have to fight these projects.

So my question is for Ms. Fleming and also for the panelists. In your experience, is adequate weight given to environmental justice issues such as the ones I have described in the review and planning process of new transportation infrastructure projects?

Ms. FLEMING. I think you raise an important issue. One of the things that we recommend is that there needs to be better methods and analytical tools to quantify costs as well as benefits. And that is something that is not currently done in this country as well as in some of the other countries that we visited. So it is an area that is very critical and important, because determining viability for high speed rail is really looking at those particular factors.

So you absolutely raise an important question, and it is an area that we feel needs to be further explored and have better methods and tools.

Ms. ROYBAL-ALLARD. What weight do your agencies give to environmental planning when you are planning major new capital projects?

Ms. MOLITORIS. Representative, the whole NEPA process really is very important as it looks at the impact on people and neighborhoods. And we give it a very high priority. One of the difficulties is that, in the history of our country, much of our population centers built up around railroads, rivers, and ways of transporting goods. And—

Ms. ROYBAL-ALLARD. And historically, through the poor minority communities, who were not able to fight those projects. I mean, I think that is an important point that has to be recognized.

And with these projects that are being proposed, then it is just continuing the harm and the damage that has been done to these communities. And in the case of high speed rail, if the cost of a ticket is what I am hearing for Los Angeles, I guarantee you that those who are going to be the most negatively impacted are not going to be using it.

Ms. MOLITORIS. Well, may I just say that I believe—I can only speak for our department, but our administration is focused on an involvement process that is real, where all of the participants who are going to be affected have an opportunity to be part of the decision-making.

One of the challenges is, where else can you go? Mr. Rose mentioned sort of the Chinese model, and you know, they kind of put a string between here and there where they want to go, and they just take out everything. And we can't do that, and we won't do that. And so the opportunity for these kinds of systems sometimes can be something that can bring economic viability to communities as well.

If you look at some of the State-sponsored systems—I will just mention Maine as an example—with a small population and few cities, and they did institute service in 2001 or 2002, and they have realized 8,000 new, or will realize by I think 2020, 8,000 new jobs and investments equaling $3.3 billion. So this can bring opportunity for work and have a positive impact. I don't think it is an easy equation. It is a very important part of the process of bringing these to fruition.

And I would say that our goal in starting at the 79-miles-per-hour level is to work with people all along that corridor. In fact, the process is going on right now. And I have gotten a lot of good feedback from these very populated meetings by many, many different parts of our society. And there is great interest. We just have to do it right. And I think understanding that this is service that should be serving the people is really our first priority.

OUTREACH

Ms. ROYBAL-ALLARD. I would like to talk to you about the outreach because, historically, the outreach done in these kinds of communities, it really doesn't reach the people themselves, the ones that are going to be impacted, and you hear from those that mostly will benefit. So I would like to talk to you further about the kind of outreach that needs to be done.

Ms. MOLITORIS. I would be very pleased to do that.

Mr. OLVER. Mr. Carter.

RAIL IN CITIES

Mr. CARTER. Thank you, Mr. Chairman.

I am new at all of this and this is all very interesting. I guess I have to fall back on the experiences that I have got. It seems to me, listening to what Louise was talking about over there, I kind of agree that existing track issue is, of course, the easy way to do it. But it has also got problems.

We have a transportation institute at Texas A&M, and when I first came to Congress, I represented Texas A&M. And I went there, and they told me the solution for moving everybody and everything is to get out of the cities. And so we came up with this brilliant idea to create the Trans-Texas Corridor to get everyone out of the cities. Sort of the Chinese model with a Texas flavor. The Chinese model with a Texas flavor is just about as popular as terminal cancer in Texas. There are people who are arming themselves to stop the Trans-Texas Corridor as we speak, and everybody thinks it is going through their backyard, and they are very unhappy with it.

So, I guess I would really like to ask Mr. Rose, because when I went to visit you folks, we also talked about getting the trains out of the cities, as far as freight is concerned. That is a model that you all would like to see, right?

Now, but the passenger trains are going to have to go to the cities. So would the better solution be, they keep your tracks and pay for moving you out of the cities?

Mr. ROSE. Okay, so you have said a couple of things. I think, first off, when we do build rail lines, it is always hard. It is just different degrees of hard.

I would say, though, if we today were trying to build the interstate highway system back that we built in the 1950s and 1960s, we would find the same issue. And until we have a national priority to say that we are going to focus on energy conservation, to change our mode of transportation in this country, and there are going to be huge sacrifices, done right and remediating the environmental impact to people and communities, then we are always going to be stuck and nobody is going to want to do anything.

As far as your specific question of freight railroads and cities, there are probably half a dozen cities on our railroad that would like for us to move out of the city, and we are more than willing to do that. But we don't get the economic benefit of that that accrues to the city. So the issue always comes back to cost.

And I can go through, whether it is downtown Denver or downtown Fort Worth or Houston rerouting around the city or San Antonio, or you can just go on and on and on, and when you think about rerouting around a city, it probably starts with $100 million and goes up from there.

Mr. CARTER. I guess my question is, if you are going to start a passenger rail system for the United States, and obviously, Texas is probably last on the list—you have got California and the East Coast that are going to be where all of this is going to be done. But my question is, if we are going to have to build new tracks, you also mentioned in your testimony that the solution may be a new track for high speed rail. If they want to get to 150 miles per hour, it is going to be a new track. Wouldn't you agree?

Mr. ROSE. Correct.

Mr. CARTER. Even if it is Amtrak operating it, they are not going to do 150 miles per hour with the tracks running through Taylor, Texas, I promise you that. If they are going to build new tracks, wouldn't it be better, because they have to go into the city, wouldn't it be better that the rural tracks be built for you rather than for them?

Mr. ROSE. I understand your concept, and if you think about, for passenger, you have to go to the main area of population. You have got to get to the population concentration, and that is why the European service works so well, because you go right downtown London, right downtown Paris.

But we have to—one of the things that we all talk about, gee, we would really like the European rail network; why can't we do that? We have taken two different paths. Europe taxed their gas significantly. Back when gas was a buck–25, which seems like a long time ago, gas in Europe was $4.50 a liter. Gas today, you add up all these little bottles of water, these bottles of water are still more expensive than gas. And until we recognize a national environmental, national energy policy, which then butts up to a national transportation policy, this is all going to be really frustrating for everybody. Europe has done it.

Mr. CARTER. I agree we are not talking about the energy issue right here.

Mr. ROSE. But we should.

Mr. CARTER. Because it is part of the problem.

Mr. ROSE. It is part of the equation.

Mr. CARTER. I am not going to get into that. But I wanted to make sure that I understood that you still think you all ought to be outside of town.

Mr. ROSE. Yes, it is just a matter of dollars.

Mr. CARTER. So the truth of the matter, what we need to do is rebuild the freight system and the passenger system?

Mr. ROSE. Not so much. The vast majority of freight systems really do operate outside of the major cities. But there has been a number of cities that would like for us to relocate out, and again, we have got to figure out how to pay for it.

Mr. BOARDMAN. Just a comment, if I could. First, I would like to correct the idea around here that we don't have a national passenger rail system. That is why we exist, or we think one of the strongest reasons why we exist. And we think, also, that it has a large part to do with what the strategic plan is, if you look at how you connect to that system for the future.

Matt, I didn't know you had a downtown Texas. You have a downtown in Texas? No, I am kidding.

Mr. CARTER. Come to Dallas. We will show you a downtown.

Mr. BOARDMAN. The idea is that railroads still need to get their products to where the people live. If you fill up the roadway with trucks, Jerry Nadler would argue with you that what he wants to do is get a tunnel in New York so that rail gets back into New York, so they don't have as many trucks downtown. So it is a bigger problem than just deciding to operate rail outside of the city.

And part of the difficulty with the growth of the interstate system is that we have had this spread-out development, so that it is hard to serve that population base with anything but a truck or automobile, and that is trouble for passenger and for freight rail.

Mr. CARTER. I know my time is probably up, but one more question. If you looked at Houston or Los Angeles, bringing something into downtown Houston, you are a long way from your destination. And from my limited experience in Los Angeles, I think you are there, too. And that is other issues that you are going to have to move people inside the city to get them to where they need to go.

Thank you, Mr. Chairman.

Mr. OLVER. Ms. Kilpatrick.

Ms. KILPATRICK. Thank you, Mr. Chairman.

And thank you all for your testimony.

Michigan will spend $5.8 million next year to Amtrak to assist us as we move forward. I was happy to see, under page 15, of the low-hanging fruit, because we are there. I think when President Obama put in the recovery package the $8-plus billion for intercity rail, high speed passenger corridor that we are talking about today, high speed rail, that it may have been a little premature just in terms of the discussion that we are having now.

Everyone doesn't need it. Everyone doesn't want it. Certain corridors of the country do. In Michigan, one of our main problems now that we have everybody on board, and it is high speed rail from Chicago and about 75 miles into Michigan; we are trying to build the next 75 miles that will take it across to Detroit. There are a lot of things that are happening there. We want it, but I do believe, too, that we need a plan.

I think we do ourselves a disservice, with limited funds; $8 billion sounds like a lot, but it is not a lot of money for these United States of America, number one. Nor does everybody want or need it. And there needs to be, as you said, GAO, some parameters, and that has not happened yet.

I don't know if this committee, Mr. Chairman, probably not, the authorization committee or maybe our new Secretary. But there needs to be something before we start chipping away, as Congressman LaTourette said earlier; it is sporadic and we don't have a plan.

Where I come from, we want high speed rail. As a matter of fact, when it leaves to Chicago, it goes to high speed, and then it gets to Michigan and stops, and then it gets to the university level; Kalamazoo is the city where it changes.

Amtrak, we love you. I have been on this committee a couple of other times, and you are in a positive environment now. I have been on this committee when they hated Amtrak. I am happy to see you have a role to play, and we support you, and so does the Chairman at the time, too.

The plan, that is number one. We need a national plan, a vision. I think the President putting the money out there is a carrot, because many of the States are broke, Michigan anyway. What else? This $8 billion plan that we talk about, the use of the railroad lines that you mentioned, sir, that is one of the prospects.

PASSENGER AND FREIGHT RAIL

We are having—I used to want to help with this line I am talking about and use the rail lines. I am convinced, after working with North Carolina and Houston and the others, that freight needs to be used just for freight. Your concern is that the passenger trains may take your schedule. I am trying now to look for new lines that would parallel, and it is 100 lines, 50 to be exact and then another 50 that would make it possible. But from the railroads point of view, would you rather not use passengers on your rail? Would you rather keep it freight? You and other rail lines?

Mr. ROSE. No, I mean, I think, generally, if we had to choose one or the other, we would rather keep them pure for freight. But that is not the alternative we were offered.

Ms. KILPATRICK. That is not what you were offered? Right. Well, they will if we think it will mess with your freight lines. Much of your revenue is from freight, and this mixed, whether it be one or the other or both, I think it is problematic. At least what we see now. And we have been on for like 5 or 10 years, just trying to get to that.

I see that Norfolk Southern has some lines in our area that they may want to sell. We would rather buy them from them, our State and Federal Government, and let them do the freight and us do the line, and it would run parallel. It is a great opportunity.

Mr. ROSE. Yes, in some cases—we sold a line to the State of New Mexico, and then we run our freight lines back on their line. There are different configurations of what we can do.

Ms. KILPATRICK. Right. And in all of that, Amtrak has a role to play. I like your vision, and you get it, and you are the director, and you better get it.

Mr. BOARDMAN. Or I am going to get it.

Ms. KILPATRICK. I look forward to working with you.

We do need a plan. Every part of the country doesn't want it or need it. And with the limited dollars that are available—they can grow over the next decade. And we look at other countries. They do it in their sleep. There is no reason we don't. Except the automobile, which unfortunately is in a different situation now, and people are now looking at rail lines.

I look forward to working with all of you, and Mr. Chairman, as we put the budget together and some foresight, we might initiate the discussion about, what is the vision, and what is the plan, and who does get it and who doesn't? Everybody doesn't want it.

With that, I yield back. Thank you.

Mr. OLVER. Thank you. We probably we are supposed to see a plan in another 3 weeks.

Ms. KILPATRICK. Yeah, right.

Mr. OLVER. Mr. Pastor.

DESIGN OF A NATIONAL PLAN

Mr. PASTOR. Good afternoon.

It is very interesting. Sometimes when you are on a committee long enough, it is deja vu all over again, but in a different sense. For the past 10, maybe 8, years, my goal up here, and I wasn't affected by it personally because the Amtrak line runs 200 miles south of; me—was to protect Amtrak because it was our national passenger system. And I remember one year the President zeroed it out. It was just a matter of trying to——

Mr. OLVER. Not the Amtrak President.

Mr. PASTOR. Not the Amtrak President. The Decider, the Decider decided. And we were talking about how many peanuts in a bag that we would sell, and whether or not we would have plastic containers for the food and how many times you would clean the train. It was very interesting.

Two years ago, the Chairman and the Ranking Member at the time decided that they were going to set up a fund for $30 million for intercity rail system, and we all said hallelujah, we are now going beyond Amtrak and looking where other needs are.

But as I sit here, and I took advantage of it. I called the administrator and said, we have a line between Phoenix and Tucson, and send me a guide, and we applied. I don't know how many cities applied or how many States applied to get that initial grant. So we were going along.

But I am persuaded today that, even in the authorization and in the appropriation, it depends on a member's initiative and drive to develop whatever they can for their particular State or their district. And yet we have lingering questions that we will never develop a national plan.

So where is Eisenhower when we need him? I am told he decided as a decider to do an interstate highway plan, and it was laid out, and we were motivated to do that plan, and I guess we have accomplished it. We have added to it.

But in all reality, who has and who should have the responsibility of designing or coming up with the national plan that would accommodate passenger and freight rail, and deal with the issues?

The ones I have seen in Europe, they are dedicated lines. Dedicated lines to passenger. I asked them, where is the freight? Freight is over there. Why do you do that? Well, because having freight and passenger is a conflict. And we decided that we were going to have a dedicated passenger line and a dedicated freight line. You go to the Chinese in Shanghai with Maglev and the lines they are putting in, and they said we decided as a country, freight, if they have a freight system, I don't know, but passenger was very important to us, and this is where the lines are. I imagine same thing happened in Japan. And it was a political determination of the nation as a people to say it is what we want, and we will provide the resources to do it.

And I agree with my friend, Steve LaTourette, that until we have the political will to say we want to have a national passenger line, to make sure that Amtrak goes throughout the Nation and connects these metropolitan areas, because it saves the environment, the congestion you don't have, et cetera, et cetera, that we will be discussing, Mr. Rose, how much of your line do you want to give up between here and there, and do you want to give it up or not?

And somehow, I think I agree with Steve that we need to sit down and say, hey, let's have the political will. If we want to do it, do it. Amtrak is there. How do we build with Amtrak? And not put the issue to the freight lines saying, you have to share or else, you know it is not at arm's length.

And every country I have seen where they have a national line that does passengers, it is because they had the political will to do it, and they were willing to pay for it. And until we get to that point, I think we are here counting this, that, and the other, and we will not move forward in creating. And I think our country should have and has and should continue to improve the national passenger line that we have and just have the political will to separate where we can, and where it makes sense, the freight and the dedicated lines for passengers. But I am glad we are not talking about how many peanuts in a bag.

Mr. BOARDMAN. Just to comment back on that, because I think one of the things I am seeing here, and I think, Mr. Pastor, I hope our planning the—I can't say "our" anymore—FRA's planning process is working well on your line.

Mr. PASTOR. It shouldn't be my line; it should be our line.

Mr. BOARDMAN. This is not a strategic plan that we can deal with. And I have thought about this in terms of a strategic plan and thought about the different strategies. This is a tactical plan. And while we might have a desire to have a strategic plan, and in some senses we do, strategic plan to implement Positive Train Control across the United States, but now it becomes tactical. It becomes, how do we get this done?

We have a sense of urgency, or at least I do. I have got to get $1.3 billion spent right in the next 2 years, by February of 2011, period. We have got to get it done. We were already deciding before this came out, how would we spend this? How do we get the right projects there, and how do we know it is going to get done?

What I am most worried about, and I would think, Jolene, that you might be the most worried in this process, because in order for us to get the $8 billion spent within the 3 years, which is what we have been given, we have got to decide right now what needs to be done.

And if you are going to run a new service from Cleveland to Columbus to Cincinnati, you have to figure out, how do you pay for it later on operationally? That is not in the cards right this minute at all. It is only capital.

So when you go out to look at, what do we do, from my perspective, and you look at the national map where Amtrak operates, or the national map where the high speed rail pieces are and how they fit together, we have in a sense, without having it written, a strategic plan that needs to have the pieces of tactical ability or tactical resource adopted to it. And we don't have much time to do that.

So Matt Rose and Joe Boardman and Jolene or whoever else from the State have to go in together to the FRA and say, this is what we are going to do to reduce travel time, to improve the reliability of the track in the next 3 years; can we get this to 90 miles per hour? Can we be 90 percent on time? Can we take 30 minutes out of the schedule?

Right now is beyond right our ability for us to get the larger thinking done. And I believe that the larger thinking, in many ways, has been done in bits and pieces all the way along.

When the commission was put together—I know this is a long answer, I am sorry—but when the commission was put together, the idea was not to have a commission that the administration ran. The language was put in Sherry Boehlert's hands in the Science Committee from New York State, from us, when I was commissioner of transportation in New York, we wanted Congress to do this just like we did in the past. And I have a copy of a book that—Hamburger, are you still here? When did get that out? The one you were on, the old one. About 1976. And if anybody doesn't have a copy of that, that gives you an idea of the kinds of things that were addressed back then. I will stop.

Mr. OLVER. Ms. Kaptur.

EFFICIENT TRAINS IN THE WORLD

Ms. KAPTUR. Thank you, Mr. Chairman.

There is nothing more awesome to me as a Member of this Congress, and we thank you all for coming today, than to go to Kuwait and to see the full military power of the United States at the end of a sword. If you have never been to camp—how many people here have been to Camp Arifjan? Well, America, as you know, is totally dependent, if the Saudis pulled their money out of this economy, we would crash even harder, one-seventh of it is held up by their dollars. There is no more important strategic objective for this country than to become energy independent in our lifetime for the sake of our kids and grandkids.

The idea that we are putzing around on high speed rail, I am looking at these pictures here. We knew how to cut through mountains to build roads. We knew how to go through deserts. And we even bridged oceans and bays when we were serious about doing something great for America. We have forgotten we can do it domestically. We don't have to put all of our soldiers' lives at stake halfway around the world because we haven't figured out how to run this country.

So I operate by two rules for this, representing the fifth largest rail center in the United States of America and the busiest Amtrak passenger terminal in the State of Ohio, with over 50,000 ridership annually: Make no small plans, Robert Moses told us how to do that. And for me, my rule is rail has got to be three to four times more efficient than the automobile; 120 miles an hour doesn't do it for me. It is almost laughable that we are in the 21st century, and we are talking about 90 or 110? We have to be competitive.

And so it seems to me that we need a big vision. And I know just the place to do it. Where the land has no mountains, and it has no water, and it is as flat as it can possibly be because they invented bowling there. And that is from Toledo to Cleveland and Toledo to Chicago. And that is the line. That is the line.

Anybody here ever ride the Lake Shore Limited. Okay. Well, sometimes it starts in Chicago, and if you can get to Toledo in 13 hours on a journey that by car takes 4, you are lucky. You are lucky. And if you want to go east, you get on the train at 3:30 a.m. Or 6:15 a.m., and despite that, 50,000 people still get on and get off at Toledo. And I have been in that corridor many times, and I say to myself, what is wrong with us? We landed a man on the moon, and we cannot move rail, high speed rail around this country? You go to other countries, and you see it. It is embarrassing.

And in addition to our strategic vulnerability, we don't live in the same world as our parents did. When I was born—and you can figure out the year—there were 146 million people that lived in this country. By 2050, there will be 500 million, and it is growing every day, and we are acting like it is 1946, and it isn't.

So you don't have to figure out where I am on this issue. I have three questions. Number one, in terms of, and these are for the train guys, what is the most, in terms of mileage and energy efficiency, what is the most efficient train system that exists in the world today as far as amount of fuel used and speed? What speed maximizes the efficiency? What system can you tell me about for passenger? What exists?

Mr. BOARDMAN. We will research that, and get back to you. I don't know.

FUNDING HIGH SPEED RAIL

Ms. KAPTUR. Question number two, what percent of high speed rail anywhere in the world, after we build the thing which is the easy part, in terms of finance, how do you pay for it? The passenger fees or whatever you have to do, sell gimmicks in your train stations, whatever you do, what do we do, put something on the gas tax? What is the transportation solution in terms of paying for it?

And then, Director Molitoris, I loved your testimony. The only thing is when you identified the high speed rail corridors in Ohio, you mentioned Cleveland, Columbus, Dayton or Cincinnati. And I am just curious why you didn't mention the one that we put in the Federal legislation. So those are my three questions, and I am in time.

Mr. BOARDMAN. I answered the first.

Matt, yours is next.

Mr. ROSE. Go ahead.

Ms. MOLITORIS. Mr. Chairman, Representative Kaptur, in my oral testimony, I did. I apologize that it was not listed. But the PEIS, we are going on two tracks right now, and the PEIS for the Ohio Hub Plan includes Cleveland to Pittsburgh, Cleveland to Columbus, Toledo to Cleveland, and Toledo to Columbus, and Columbus to Cincinnati. And we are doing that PEIS work now, and we are also looking at ways to apply for grants to do the EIS, which, the PEIS is at $7.5 million internally for Ohio and the actual EIS, the full-blown out, is $50 million. So we are looking at an application for a grant for that.

Let's see——

Ms. KAPTUR. Somewhere we are listed, even though it was not in the formal testimony?

Ms. MOLITORIS. And I apologize. We will send an amended and corrected version. And I apologize for that.

Ms. KAPTUR. Thank you for that. And thank you for being here. We admire your work so much.

Yes, Mr. Rose wanted to make a statement.

Mr. ROSE. I appreciate your vision. I think you have hit the nail on the head. One of the things that you mentioned was, how are other networks paying for this? And we get into this trick logic that passenger rail doesn't pay. Well, passenger rail doesn't pay anywhere in the world. And by the way, highway systems don't pay either.

And so, Congressman, you asked the question, who should be in charge of this? Well, it should be the DOT. That is logical, right? It should be the Department of Energy. That is a little less logical. But I mean, how can we possibly plan our society in the future without thinking about the energy impact of transportation? I know that we are bifurcated in the way we govern, but energy is as critical to transportation; it is like bread and water.

Ms. KAPTUR. And I look at that and think, that is not what should be up there. That is 1946. We need something better.

Mr. ROSE. The third group that should be responsible for this, you will be shocked, the Department of Commerce. I mean, think about, as a society, what we—what you all do up here is find ways to make sure that our people can have work and that we can produce goods, right? And yes, even transport them within the United States as well as globally. And then the fourth group is the housing group, because there are some cities in our country that are taking a whole different approach to housing, which combines with transportation, and yet we always come back to say, well, DOT is in charge of all of this; that is just one slice of it.

And again, I hate to get back to places like China and other places, but they are kind of figuring this out. They have got to put their transportation systems next to where people are going to live, and they are going to provide transportation systems to get them to work and their goods to market.

And by the way, the environmental thing is probably the latest issue to the party, but that is very much an important issue, along with energy, that literally, 5 years ago, when we were thinking about transportation systems, we weren't thinking about a carbon-restrained market, and we really weren't thinking about fuel either at all. And life has changed.

Ms. FLEMING. May I add a couple points? One, we believe that public benefits need to be valued and quantified. Again, internationally, they do a better job at that. For instance, France right now is working on doing a multivariational analysis where they are going to consider the pollution reduction, economic development, congestion reduction.

And the second point is, there are some real lessons learn from the international countries. First, I would highlight that there is a commitment or priority by the national government to develop high speed rail. These systems would not have occurred without the financial investment by the national governments.

And what they started in most of the countries was an initial trunk, and that was really, in most cases, 75, 100 percent financially funded by the national governments. And then they expanded along the way.

And the last point is that, in Europe, the systems basically are steel wheel on steel rail. And the reason for that is in order to be able to connect with downtown areas, but also to be able to connect with other country systems. You can't do that with Maglev type technology. You may get the faster speeds, but you are not going to be able to utilize and connect with existing rail networks.

Mr. PASTOR. Can I ask a question very quickly? When you said flat, no water, and ready for train, I thought we were talking about Arizona.

Ms. KAPTUR. Hey we are happy to connect to Arizona, just so you don't take our water.

Mr. Chairman, I just want to express the opinion: I support a national plan. As a planner by profession, I support planning.

However, I liked what you said, Ms. Fleming, about start with a trunk line where you have people who have the will to do this, and let's get it done and show the rest of the country. And I think Congressman LaTourette and I know just how to do that.

Mr. LATOURETTE. We do.

LENGTH OF PLAN

Mr. OLVER. Well, I don't know that I am in any better position than I was in the first situation. This is a wonderful conversation.

But quickly, if I could, how long would it take to develop a plan that incorporated all of these different ideas?

Ms. Fleming, your comments here at the last moment, very, very important. The cost benefits. How do you do this without, as you said in your earlier comments, without spending a lot of money? At one point you said you are afraid we are going to spend a lot of money without the best benefits, with far from the optimum benefits the way this goes. We have a stimulus bill which has an exemption from planning, except that that money has to be spent on the one thing that has been created at an earlier time, sort of piecemeal, by T&I but with added—I helped to add to it and so forth—of the 11 corridors which are designated high speed rail corridors.

They didn't bother to put in the designation of our one really appropriate corridor, most appropriate corridor maybe from the original comments that you made, Ms. Fleming, of populations, high population density in a very restricted kind of an area, very short-term area.

You are not going to build high speed rail in the terms of European rail if there are 500 miles between two stops. You are going to do it where it is three stops maybe in that 500 miles rather than only long distances between major metropolitan areas.

How long would it take to incorporate all of these things that you have been talking about around the edges of this idea? Everybody agrees there has to be a plan. How long it would take to do such a plan properly, by the Federal Government leading that planning process through the Secretary of Transportation and so forth?

Mr. BOARDMAN. Too long. It will be too long. And a cost-benefit analysis——

Mr. OLVER. Even 3 weeks from now, we are going to be operating on something that has to be done in 3 weeks.

Mr. BOARDMAN. Mr. Chairman, in all due respect, you said to us, to me, that we, all of the sudden, got this $8 billion, amazing. I don't know if that is the word that you used. You may have used stronger words than that. But here we were with $8 billion to spend, and we don't have a plan to spend it, and yet we need a plan to spend it.

Mr. OLVER. As Ms. Kaptur pointed out, we have never had a Federal commitment to money. The Federal commitment to money first appeared in the authorization bill last fall and then is implemented with a big new sum of money coming down the road. And here we are all running to catch up. We have done that planning before.

Mr. BOARDMAN. But a lot of the interstate highway system was never built that passed any muster for cost-benefit analysis. But because of a political decision, it was because this place needs to be connected to that place, and therefore, it gets built, and we need to get it done.

Part of what we need to do here today is a collaborative—it is the freight railroads, it is Amtrak, and the States.

Mr. OLVER. You have to bring freight in.

Mr. BOARDMAN. Bang, go do it.

Mr. OLVER. I am getting close to the end of my time again, already. Europe—Cleveland, no disrespect meant to Toledo or Ashtabula. That is your big city, isn't it?

Mr. LATOURETTE. No.

Mr. OLVER. What is your big city? You do come into the Cleveland suburbs.

Mr. LATOURETTE. I do come into the Cleveland suburbs, and I am a Clevelander.

Mr. OLVER. But Cleveland to Columbus to Cincinnati sounds like one of those very best appropriate places that Ms. Fleming has been talking about.

But in even what planning had been done, the high speed rail corridors, only one of those 11 corridors is on dedicated track. The kind of thing that really is intended to go 150 miles an hour, that is the California system. All of the others are intended to go incrementally, which gets you right into the face of the problem that we were talking about with freight. We can incrementally go up from Class III to Class IV, to Class V, and so forth, with those expenditures in the $4 million to $7 million per mile. And when we get there, we will not have figured out what we are going to do with freight.

That is the point at which freight and passenger cannot operate on the same track. Then it has to be separated. Then you have to have grade separations and dedicated track and so forth if you want to go farther.

So we really are stepping off here without looking to see where we are going, in a way.

Ms. FLEMING. May I make a couple of comments, Mr. Chairman?

Mr. OLVER. Yes.

Ms. FLEMING. I think two points. One, we did not use speed as a threshold in our work. We really used the FRA definition, which is the time competitiveness with other modes. So speed was not what we used.

Mr. OLVER. Authorizers have used a rather vague 110 limit. It doesn't really—it isn't a fixed line.

Ms. FLEMING. That is right. That is right. That is right. So, as you know the corridor characteristics are extremely important. Having that population density——

Mr. OLVER. But her density is almost perfect for that. There are 100 miles between each one——

Ms. FLEMING. But it is also very critical, not just what the corridor looks like today, but how that service is set up. It has to compare favorably with other alternatives. You want to get people out of their cars, maybe not considering airports. So the door-to-door trip time is critical, as well as the frequency and reliability of service. So those things, I just wanted to make sure you understood that.

Going back to the plan, a couple points. The plan could just be, what are the goals for this high speed rail system? You know, it should clearly articulate that as well as, what is the Federal role as well as other stakeholders, and then you can build upon that. So I think clearly articulating, what is the national vision and goals for having a high speed rail system? How does it fit into the national transportation system?

So you know, you can build with that kind of framework. And then you will have all of these projects that we have heard about today, so you really want to develop policy and procedures for making those important decisions in trying to decide, you know, where to put your money, so to speak.

Mr. OLVER. Mr. Latham.

Mr. LATHAM. Thank you, Mr. Chairman.

DISTANCE

Ms. Fleming, in the GAO report you studied a number of rail systems in other countries, and many of those countries are much smaller than the U.S.—I mean, Japan is about the size of Montana. Spain is Oregon doubled. France is about the size of Texas. And in your report on page 16, you have got a chart about utilization of rail over different distances. And it becomes apparent that it really peaks between 314 and 469 miles, and then just falls off dramatically from there.

And I guess in a way that kind of begs the question as to whether we should be looking for utilization more in these ranges of distances that are more convenient? And we are competing with air. You know, it takes 6, 7 hours to take the train down to Charlotte from D.C.; hour and 20 minutes in an airplane. You have airport and all of that time involved. But where is the best place we can go? Do you know? Can you tell us what we should be focusing on first, distance wise? Where the biggest utilization is?

And I have ridden the trains in France and across Europe. And they are electric. And if you are going to have high speed rail, it is going to be electric. One huge advantage France has is they are 80 percent nuclear energy. So you are very environmentally clean to start with. You have a cheap supply of energy to run those trains on. Isn't that also part of the whole equation, too, if we are going to have high speed rail?

Ms. FLEMING. To answer your first question, what our work found that, 100 miles or less, passengers are not really willing to leave their car. That is the threshold on the lower end. On the higher end, anything over 500 miles, folks would rather hop on a plane and go use that mode of transportation. So what we really found is up to 100 to 500 miles seems to be the threshold that folks, again, if it is time competitive, and it is door-to-door, are willing to consider, particularly if all of those other things are in place in terms of the service is reliable, it is frequent, the price point is there. And that seemed to be the threshold for, again, the systems that we looked at.

Mr. LATHAM. Mr. Boardman, do you have any comment?

Mr. BOARDMAN. Yes, I do. You used Charlotte as one of the examples, but the example is not Washington to Charlotte; the example is Charlotte to Atlanta, 245 miles and 110-miles-per-hour or 150-miles-per-hour rail service becomes very competitive. If you want to fly from Atlanta to Charlotte, oftentimes you will fly from Atlanta to Newark or Atlanta to LaGuardia and then back to Charlotte. Because of those long distances, and the FAA's studies show you that part of the reason you have congestion, air congestion, in New York City is not because people want to go to New York, but they have to go to New York to get to where they want to go. So they fly, to get from Atlanta to Charlotte, they fly to New York and back to Charlotte. It makes no sense from a policy standpoint to do that when you could have exactly what is being talked about with rail in that corridor, and it is a perfect corridor.

Mr. LATHAM. But to have that high speed train, you have to have electric trains.

Mr. BOARDMAN. To do over 110. But I think, personally, that we should electrify everything in this country on rail.

Mr. LATHAM. Then we get back to the whole debate, do we build more coal energy? If we can't build nuclear, how are we going to produce all of this energy that we need? We don't have a grid in this country to make it uniform so that you can have electricity everywhere you go.

Mr. BOARDMAN. I think you are exactly right when you connected the two. I think the electricity and rail and the—not only the environmental but the mobility issues are connected to rail and to electricity, clearly.

Mr. LATHAM. Anybody else have any comment?

RANGES OF HIGH SPEED RAIL

Mr. ROSE. I just think, again, somebody mentioned population growth; 300 million people in this country. We are going to 337 million by 2030. Our airports, we have a number of airports that are jacked up; 30 percent of all the take off and landings at American airports are less than 350 miles. So we are going to end up building a whole new set of airports and new airplane capacity. Again, if we looked at of this holistically, you would make a different decision.

Mr. LATHAM. So is the answer to my question that we should, first of all, focus in on that range for high speed rail?

Mr. ROSE. From my standpoint, Congressman, and this answers your frustration, too, the elephant in the room is that when you are talking about high speed rail with these 11 or 12 corridors that is bantered around, you could be easily looking at a trillion dollars. And when we say that, everybody steps back and says that is not doable.

But if you think about a trillion dollars over 10 years, and you think about how it could change travel and change energy dependency and change environmental issues, and change commute times, that, to me, is the issue why we get into this. I call it "passenger rail on the cheap" when we want to go on a freight rail and put it to 79, and we can incrementalize ourselves into it because we don't want to deal with the real deal. And the real deal is probably a trillion dollars for these 11 or 12 separated corridors, high speed, 150.

And then, if you want to do it, you have got the issue of how you are going to power them; probably electrification. If you are going to do those, then you could put a transmission line in the railroad.

Mr. BOARDMAN. You are still going to have to have the regular rail service that meets it because you are not going to stop at every station. So you will need that. For the 10 years that I was commissioner of transportation for New York, I spent $30 billion on highway and transit. Just about $3 billion a year. So the numbers to me are not as big as what they appear to be when you really pull them all together, and that is exactly what Matt is talking about.

Mr. LATHAM. I just have one closing point. I don't want to make it political or anything. But the fact of the matter is, in the last 9 months, we have obligated or spent in this government $5.3 trillion. If we had taken one of those trillion dollars and put it into this, the whole country would have been a hell of a lot better off.

Mr. BOARDMAN. You are right. Exactly.

Mr. OLVER. If we planned first. If we had a comprehensive plan.

Mr. LATHAM. No, let's get a plan and spend it there rather than waste it.

Mr. OLVER. Mr. Pastor.

Mr. PASTOR. The other issue that we tend to forget is the population shift that is occurring and where the population growth is. It is all going towards Texas and west. And so if that is what is happening to this country, what consideration are you going to give it in terms of protecting the environment it still has and the cost benefit, et cetera?

But I don't think many people are willing to say that is what is happening, but that is the reality. More congressional districts are going to shift west, and so that is another reality. And I am just going to open it up. I know that you wanted to make a comment.

I still would like to get your thoughts on this development of a plan. You already told me who should be involved and how realistic it is to get it done in time. We are not going to get it done in time to spend $8 billion, but where should we put the priority?

Ms. MOLITORIS. Mr. Pastor, a couple of things, first of all, on the plan, I think we need to do a plan that has both the incremental and the high speed elements. That is what we are doing in Ohio. There has been a lot of comment that sounds like it is an either/or situation. And I don't want to do Joe's work for him, but if you look at the 14 corridors that have State-sponsored service right now and you look at the needed support from the State every year—somebody talked about, I think you did, Joe, the annual investment that is required—out of those 14 corridors, 12 of them are—the highest one is 11.2 and below. Only California and Illinois spend more.

Plus, they create a lot of opportunity to grow ridership. When you talk about France and Spain and China and Japan, they never gave up their rail passenger service. They have invested in it over the last 50 years. When we made other decisions. I think Matt said it; we had a different plan.

So I remember riding on a New Jersey Transit train into New York, and I was talking about somebody saying, this is really great; I am happy I am on this train. And she looked at me kind of blankly as if, what was I talking about? And I said I was from Ohio, and we don't have as much as you do. And she looked at me as if it was unimaginable because it is so much a part of life in the northeast. We need to make it a part of life in Ohio for the majority of our citizens.

We have an opportunity, I think, with the vision of Congresswoman Kaptur and Congressman LaTourette to really focus on high speed in that north corridor and in other areas. At the same time, we can create opportunity for other corridors to build up from 79. I don't think we have to say it is all or nothing, one or all.

And I think a plan, if partnerships are involved, can be done in a reasonable amount of time, a year, I think we can do that. We are going to have our plan done by the end of the year, but we are not a country. We are a State.

Mr. OLVER. Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman.

First of all, it makes me nervous that you studied the map, and you know about Ashtabula. I am very nervous. Actually, Ashtabula has a storied history. It is where the Ohio crime families smuggled whiskey from Canada in during prohibition and distributed it to Cleveland and Youngstown. Probably didn't go to Toledo, Marcy.

Ms. KAPTUR. Other gangs controlled us.

Mr. PASTOR. They used the train, right?

Mr. LATOURETTE. They did. The Interurban.

One of the disappointments—and I don't want to overemphasize this plan business, but one of the disappointments I have had as a Republican was that we always—in one case, President Bush gave zero, as Ed mentioned. And in other cases, we always had to fight to give Amtrak enough to fail. I mean, we always nibbled around the edges; $800 million, a billion, a billion 2, a billion 4, never enough to take care of your backlog or never enough to put new rolling stock on the tracks.

And part of the plan has to be, we are either going to make the societal decision that we are going to be in the passenger rail business, or we should get the hell out of it and close down Amtrak and be done with it. But this sort of nibbling along is ridiculous. I for one think that a trillion used to be a lot of money around here. It is not so much any more. And I for one say spend the trillion, get this thing done, and get it done right.

You know, I think this hearing has demonstrated, and I am glad we are all in agreement that this pilot line is going to be from Chicago through Toledo to Cleveland, and so we don't have to worry about it anymore.

Mr. LATOURETTE. And I do think that if you build it, they will come. And I think we have to have one really nice service—I would like it to be where Marcy and I want it, but if it has to be someplace else—but I think if you show people, hey, this is a better way than getting down in your underwear at the airport and waiting for an hour and taking the plane, or driving in your car, they will do it. And that's how they have been successful.

The other thing we have to get out of our head is that we're not going to have to subsidize this as a government. We're going to have to make that choice.

When we were in France, I asked somebody, what was the cost of a ticket? How much is subsidized? Seventy percent.

So this complaining that, oh, Amtrak, we've got to give them $1 billion. It's nuts, if you're going to be in the passenger rail business, it's not a money maker. It's a way to get your people to work and to get people around. And so I hope we go in that direction.

But we're really whistling in the wind until we solve the Chicago problem. My friend, Jim Oberstar, always talks about the fact that if Matt offloads a container, a C-tag, it takes 18 hours on his train to get from Seattle to Chicago. It takes 18 hours to get from the west side of Chicago to the east side of Chicago before it can come east.

So when you talk about the plan, I hope that part of the plan—and this is where the Senate screwed it up in the highway bill—is to fully fund the CREATE program and get the bottlenecks taken care of, whether it's Long Beach, whether it's Chicago, and get this show on the road.

The question that I have—and, Mr. Boardman, I have been waiting 3 years to ask you this question. Since you no longer work for the Bush administration, when you were the Administrator at FRA, we had really bumped up the RIF program, the Railroad Investment Fund, to $40 billion, I think was the——

Mr. BOARDMAN. Thirty-five.

Mr. LATOURETTE. Close enough, $35 billion. And we could never get you guys to spend it.

Now we had a professor from Minnesota in here the other day, and he was proposing to rip up all the roads in Iowa. And he was complaining—he had consumed, I think, some of the Kool-Aid with these guys who want to re-regulate the railroads and roll back, go back to the Staggers Act days.

So what's the bias? That money was sitting there, and I think you only approved the DM&E line, right? Did anybody else get any money?

Mr. BOARDMAN. I don't think we ever approved the DM&E line, did we, Matt?

Mr. ROSE. No. You gave money to the DM&E but not the——

Mr. BOARDMAN. No, we didn't ever approve the DM&E. That was competitive with another railroad.

Mr. LATOURETTE. Right. Well, it was competitive with another railroad.

But as we move forward, I mean, just like we are talking, this is like sewers to me. You've got a main line, and then you've got all these laterals that have to run off it. And that's the way it's going to have to be with rail, too.

So what was the problem with getting that money out to short lines so they could connect to the main line so that the chemical guys and the rural coal guys would quit complaining?

Mr. BOARDMAN. There was a policy point of view in the administration that didn't allow the money to come out very quickly—or at all, in some cases. That policy point of view has changed. And it's changed also I think with the railroads that are interested, the freight railroads, at least some of them, and now the larger ones are interested in that particular fund as well. And we see it as a realistic way to do financing for longer assets like locomotives.

Mr. LATOURETTE. Right. And, Mr. Chairman, I would just say, you obviously have great sway with the new administration. I would just urge you to ask the President and Secretary LaHood to let our money go and make these improvements.

Mr. OLVER. Ms. Kaptur.

Ms. KAPTUR. I would just like to place some recent American history on the record.

If we think back to the first Arab Oil Embargo in 1978 and the capture of the Iranian hostages—some of us lived through that, and we saw a President of the United States lose an election for many reasons, but the primary one was because our entire economy was sent into a terrible nosedive and he had no ability to pull us out.

The oil imports and the cost of those drove this economy into a terrible, terrible recession; and I began my career in Congress shortly thereafter trying to pick up the pieces in districts like I represent.

Then I served in Congress during the 1980s; and then we approached the first Persian Gulf war, which was fought over the oil field between Kuwait and Iraq. We tried to establish the international line again between those two countries. They said that was the reason for our going in there. We can't seem to extricate ourselves from there again, now the second largest set of oil fields in the world.

And we also watch the movement of our military and other strategic assets into the area of Georgia, Azerbaijan, everything that just surrounds the Caspian Sea.

We have to fight a political fight in this country to convince the American people that our soldiers' lives are worth more than protecting oil. That's my closely held view. And this is part of the answer.

We seem to forget that we are totally dependent upon imports, totally. And I don't know why it's so hard to remind ourselves that it really is our lifeblood and that it circulates through our veins every day, and that we simply have to build our way out of this as a country. This is an important part of the solution.

We also have something happening in our country that is truly amazing. The three Os—Olver, Oberstar and Obey. We just need to put those circles together, and we get our high-speed rail.

Mr. BOARDMAN. You might want to have Obama in that as well.

Ms. KAPTUR. Obama. Oh, that's a good line. I can use that. Great. Great. Great. Great. There you go. Do we have another O? Is there one in the Senate? All right. Let's add Obama to it.

So this will never happen again, this alignment. I served in Congress 27 years. This will never happen again. We have an opportunity we cannot let get by us.

The other thing, getting down to the nitty-gritty, I want to place on the record passenger ridership on Amtrak for the State of Ohio. I want to brag, as a representative from the station that has the most passengers in Toledo. But I also represent Sandusky, Ohio. Those combined have an annual ridership of over 56,322, double the ridership out of the Cleveland system and quadruple out of Cincinnati.

I think it's important to understand that, to really see where the people are, where they are going. And to also say that I think we ought to reward communities and any trunk lines we establish, those places that have not torn down their rail stations but have improved them, those that have put in infrastructure to handle passengers. And there are opportunities in other places where services have truly been underutilized. I think we ought to reward good measure as part of this plan where people have been trying.

So I wanted to place that on the record.

I also want to ask—the people that are before us today, Mr. Chairman and members, really are the best our country has. You know more about this on the national basis than anybody. You might be able to add some additional private carriers to the group, but, nonetheless, really, you know——

I know what Director Molitoris did before, Mr. Boardman, what you're doing now. And I truly ask your advice, and could you provide to the record the best individuals you know that we could privately consult with, or maybe bring up to a briefing, responsible for passenger rail development in other countries that are the most efficient, the most well-financed, the most well-thought-through.

I went to one presentation by—is it Alsten—out of New York. I was very impressed with that presentation, but it's the only one that I have really had on the actual systems. And I think we need a little inspiration beyond what we have had today from all of you. So if you could give us additional suggestions, I would truly appreciate for the record.

Mr. Chairman, I would like to place the record of Amtrak in Ohio into the official record of today's hearings.

Mr. OLVER. Well, it is almost 5 o'clock. I will try not to go beyond about 1 minute after 5 in my own comments, and we are going to close.

I want to thank you all. This is almost the end of a series of hearings that we are having where people testifying are supposed to help us think, make us think, which is a major part of what has been going on here. It's been a good conversation. I think it's been a good conservation. You really—as Marcy just said, you have a huge amount of experience and a huge amount of knowledge about the system. I wish we could put it together. We should sit you around and make the plan.

I do want to just mention that in a series of similar hearings from 2 years ago it was out of that that the sustainable Communities Initiative that was just announced by two of the secretaries that Mr. Rose mentioned ought to be part of it. And I have spoken to each of them how really there is a three-legged stool, which should include Energy, and you add in Commerce. Because I usually talk about how we have the responsibility for housing and for transportation, for HUD and for transportation. We don't have either Commerce or Energy.

And so in the housing, you are driven to the business of what are the communities going to look like and where are you putting your housing to—and then, of course, where are you putting your jobs? I talk about the jobs, but I've never really talked about it in terms of bringing the Commerce Department in. But the Energy Department, that three-legged stool I think is very critical.

We are surrounded here by Ohio. We are besieged by Ohio on the right and on the left, essentially.

Ms. KAPTUR. There are two Os in Ohio.

Mr. OLVER. Well, in any case, I appreciate it very much. I thank you very, very much for being here, for helping us to think and making us think today.

With that, the hearing will be closed. Thank you.

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