

**Committee on Commerce, Science, and Transportation
United States Senate
“Department of Transportation Activities”**

**Statement of Mary E. Peters
Secretary of Transportation**

**Washington, D.C.
October 18, 2007**

Chairman Inouye, Vice Chairman Stevens, and distinguished Members, I am pleased to appear before the Committee today to discuss the various activities of the U.S. Department of Transportation.

The United States has the world’s largest and most capable transportation systems. Those systems have enabled unprecedented growth in domestic and international trade, have brought our diverse States closer and closer together, and have provided a critical foundation for the amazing wealth creation and economic prosperity that have taken place in the U.S. and around the world in the last 60 years.

When I returned to Washington last year, I sought to ensure that the Department was focused on the challenges that were most pressing and solutions to those challenges that would have the most impact. In my view, those challenges are: 1) reversing the decline in overall transportation systems performance that is increasingly imposing costs on American families and businesses, and 2) ensuring a continued reduction in transportation system fatalities and injuries even as traffic volumes grow by emphasizing comprehensive, data-driven approaches and new crash prevention technologies. The results of this focus are a work in progress, but I believe that the Department has made significant strides forward in the past year.

To reverse the decline in our transportation systems, we need to look beneath the surface and explore the foundation of the problems we are facing. It is increasingly clear to me that the transportation policies and programs of the past are poorly suited to the economic, environmental and societal challenges of the future. In order to bring about the type of change that I believe is critical, we must be honest with ourselves and recognize that the financing structure that underpins our aviation, highways, and public transportation systems is failing on multiple levels. The financing structure prevents us from making efficient investments in maintenance and new construction because it does not allow us to allocate resources based on the highest returns to the taxpayer and the customer. The financing structure fails to sufficiently reward innovation and technology development. The failure of this structure can be traced back to the fact that it does not allow us to align prices and charges with true costs. The failures of our current systems are not a result of poor engineering but of poor economics.

Today's transportation systems suffer from congestion and inadequate maintenance, but these are just symptoms of the fact that investment decisions in these

systems are not business decisions, but political ones. Business from movie theaters to cell phone companies charge less during off-peak periods to maximize the use of available capacity -- but political decisions made in the middle of the last century limit our ability to use variable pricing to maximize the use of our transportation systems. Similarly, transportation investment decisions are made politically. During my many years in transportation, I don't recall one ribbon-cutting after a much needed maintenance investment. Transportation spending decisions are frequently not based on estimated return on investment, but on the hometown of the governor or committee chairman. During the course of the next year, I hope we can work together to improve the economics of transportation investments.

As the Members of this Committee well know, there is a pressing need to overhaul the Nation's aviation system infrastructure to improve economic efficiency and maintain an impressive record of safety performance. We operate the world's largest and most complex air traffic system, one that controls aircraft transiting the domestic United States and millions of square miles of international airspace. By any measure, this is the safest period for aviation operations since the dawning of the jet age and the enactment of the modern-era Federal Aviation Administration Act in 1958, with a 65 percent decline in the commercial aviation fatal accident rate over the last decade.

While we have made great strides in safety, we project tremendous growth in the system. We expect over a billion passengers to be flying on U.S. commercial carriers by 2015, partly as a result of the success we have had in gaining access to international aviation markets around the world. This increased demand will bring new airlines, aircraft, flight crew, and controllers into the system. That is clearly a safety challenge, but it also is an increased burden on system performance. More and more, our skies and our airports are choked with aircraft, passengers are badly delayed in reaching their destinations, and the inefficiencies that we see are hampering growth across the economy. Simply put, today's air traffic management system is incapable of meeting the challenges presented by projected air travel demands in the future.

That is why the Administration in February offered a comprehensive proposal to reform the way we finance air traffic control operations and infrastructure to capitalize on market-based tools to ease the congestion that characterizes air travel in more and more of the country today. Rather than settling for a status quo extension of the existing program, our proposal would create a new funding structure that would link what users pay when they fly to the actual costs that they impose on the system.

Numerous bipartisan commissions have recommended cost-based funding for the FAA over the last two decades, and air traffic control providers in virtually every other developed country have it. This reform is necessary to support our efforts to make the Next Generation Air Transportation System – NextGen – a reality. Failure to adopt a cost-based system will hinder the implementation of NextGen, and for the first time in history we will risk placing the United States behind other countries that are moving towards the future of aviation.

The Administration’s proposal also includes market-based mechanisms, such as auctions or congestion pricing, to allocate scarce airspace and airport resources more efficiently. Charges for flying into congested airspace or airports should more closely reflect the true societal costs of those decisions. To the extent they do not, the cost of delays will continue to accelerate and ripple throughout our aviation system.

While many economists have stressed the potential demand-side impacts of market pricing policies, such as peak period spreading and increased overall passenger throughput, we believe the revenues generated in connection with any form of market pricing can and should be re-invested to expand aviation capacity at or near these bottlenecks. In addition, just as excessive delays send signals about where capacity expansion is most critical, the signals sent by market mechanisms are even clearer. Congestion pricing has worked exceptionally well in other areas of our economy such as highways, electricity and telecommunications, and we believe the time has arrived to pursue similar approaches in the aviation sector.

We commend this Committee for taking the actions that it has taken to date and for appreciating the seriousness of the aviation challenges before us. We look forward to working with the Congress as the legislative process continues, and we urge that any further action remain consistent with our February proposal.

As the reauthorization process progresses, the Department continues to move forward on several fronts to improve system performance in aviation and to ensure that consumers are treated fairly when they fly. We issued the Record of Decision for a thorough redesign of airspace over New York City, New Jersey, and Philadelphia. This redesign alone will reduce delays by 200,000 hours annually. We have convened an aviation rulemaking committee that is focused specifically on the New York City area and that is considering numerous solutions – including market-based tools – to ease the congestion that ripples out from the Tri-State area to airports across the Nation. A third of the Nation’s air traffic moves through New York airspace, and two-thirds of the Nation’s air traffic can be affected when the New York area experiences delays.

We can respond to aviation congestion in the New York region in one of three ways -- (1) continue with current policies and accept the fact that the region will be congested; (2) re-regulate air traffic in this region and have the federal government decide who can fly in this airspace and when; or (3) use some form of pricing to optimize the use of existing capacity. Some have suggested re-imposing slots in the region. That would be a mistake for a variety of reasons. As we have learned, slots limit competition and increase prices for consumers, and I am always leery of any proposal that relies on the federal government picking winners and losers in a market.

In addition to trying to improve the economics of our aviation system, we also have pledged to improve the fairness and transparency that passengers experience when they choose to travel. And we have continued to enforce the Department’s existing consumer protection regulations vigorously. As the President put it when I met with him several weeks ago to discuss this issue, “We’ve got a problem, we understand there’s a

problem, and we're going to address the problem.” I certainly look forward to continuing to work with the President and the Committee to do just that.

The priorities that I mentioned earlier apply to more than aviation. The Department, of course, plays a major role in sustaining and improving the Nation’s highways and transit systems. Here, too, system performance is wanting. Indeed, we are suffering what can only be called an intolerable decline in performance in the form of travel delays and unreliability. This deterioration in our surface transportation system is acute and widespread, and it affects both passenger travel and freight movement.

The numbers tell the tale. In the past 20 years, hours of delay and wasted fuel have each increased by more than 400 percent. In 2005, highway and transit congestion wasted 4.2 billion hours of time and 2.9 billion gallons of fuel. The cost for this wasted time and fuel was over \$78 billion – about 5 times the amount in 1982. If we add the extra time people must allow in planning for congestion delay and the lost productivity associated with it, the annual costs exceed \$170 billion.

Even as it has been deepening, this problem has also broadened, to cover more and more travelers and freight operations. Highway congestion increased from affecting 33 percent of travel in 1982 to nearly 70 percent of travel in 2005. Rush hours increased in duration from 4.5 hours per day in 1982 to 7 hours per day in 2005. And the delay associated with the average rush hour driver’s trip increased nearly three-fold – from 11 percent of normal trip time in 1982 to 30 percent in 2005. The cost to the trucking industry alone is estimated to be \$10.7 billion every year, and if the indirect but very real costs to shippers are included, the total rises to about \$20 billion.

This problem now affects the transportation of waterborne freight, too, as several of our leading ports have become chokepoints for intermodal container traffic, with others not far behind. Seattle/Tacoma, Galveston/Houston, LA/Long Beach, New York/New Jersey – nearly all our major ports are projected to experience enormous growth in volumes within several years. In calendar year 2006, approximately 27 million cargo containers were unloaded at U.S. ports and reloaded onto vessels, trucks, and railroad cars. Since many container ports are near or at capacity, the Department is addressing freight and passenger transportation issues from a system-wide perspective to support improved port efficiency and intermodal connections to better enable ports to handle increased volume and maintain growth.

Congestion is not merely an irritant to one’s morning commute; it has real ramifications for American economic competitiveness. The efficient networks that we as a Nation have come to rely on have allowed businesses freedom of location and the ability to quickly reach customers across the Nation and around the world. Large U.S. firms that depend on the international supply chain tell us that growing system failures are propelling them to make inefficient decisions in the form of facility re-locations, delivery time shifts, and building in more and more expensive buffer time. The trend poses a real threat to a "just-in-time" inventory management revolution that has helped smooth business cycles and reduce economic volatility. And with the costs of building

new capacity growing far more quickly than inflation, the challenge is not getting any easier.

The good news is that we are focused on the problem as never before. The initiative that we have undertaken is aimed at identifying and then attacking in a targeted way existing and projected traffic congestion. Our urban partnership program will provide over \$800 million to support tolling and other congestion-relief demonstration projects in Seattle, San Francisco, Minneapolis, Miami, and New York City. New York's congestion pricing plan, if fully authorized by legislation now before the General Assembly in Albany, will help incentivize off-peak travel in Manhattan and finance substantial upgrades to the Nation's largest transit system. The other cities plan to partner with us as well to experiment with tolling and transit improvements that we believe can have tremendous impact.

Through our Corridors of the Future program, we have identified six critical multistate corridors that together carry nearly 23% of the Nation's traffic, and have begun to work with applicants on making improvements to these facilities. Elements of the program include building new capacity, adding lanes to existing roads, building truck-only lanes and bypasses, and integrating real-time traffic technology such as lane management that can match available capacity on roads to changing traffic demands. These advances offer the hope of reduced congestion, reduced emissions, and greater value to the users.

As a former state transportation chief, I know that in some circumstances there is no substitute for expanding physical capacity. But, in other situations, it is simply not possible to build our way out of the problem. The Department, therefore, also is focused on bringing technological advances to bear on congestion. Let me offer several examples.

In aviation, we have recently taken several major steps forward in the deployment of what is known as ADS-B capability, a NextGen technology that will give pilots real-time awareness of the location of nearby aircraft and other information essential to improved operations in crowded corridors. At our airports, we have continued to expand the use of procedures such as area navigation (RNAV) and required navigation performance (RNP) – advances that allow aircraft to fly more precise routes for takeoffs and landings, thus reducing congestion and emissions at crowded hubs and affording airlines greater flexibility in point-to-point operations.

In our surface transportation programs and regulations, we are seeing similar progress. Intelligent transportation systems technologies are recognized as valuable tools not only to reduce traffic congestion, but also to improve safety. We are witnessing a rapid proliferation of real-time traffic information that is giving drivers more choices and more awareness of system conditions. New traffic signalization technologies can help to increase throughput and provide smoother operating conditions in metropolitan areas.

Technological advances are in some circumstances primarily about safety. In April, we finalized a rule requiring automakers to equip their vehicles with electronic stability control (ESC), a technology designed to improve the driver's ability to retain control of a motor vehicle under certain adverse conditions. This technology is expected to dramatically reduce the frequency of crashes due to the driver's loss of control, particularly rollover crashes. We estimate that, once all vehicles are equipped with ESC, the technology will prevent 5,300 to 9,600 highway deaths and 156,000 to 238,000 injuries every year.

In addition, new technology is now on-board trucks to help the motor carrier industry automate the process of recording its drivers' duty status, technology that eventually will allow for real-time transmission of a vehicle's location and other operational information. This technology has the potential to help reduce driver fatigue and allow trucking companies to keep better information about far-flung routes across the country. Also, DOT works closely with State and local-level highway organizations to assure that effective life-saving strategies and comprehensive, data-driven programs are advanced. The touchstone for all these efforts, of course, is to reduce the number and rate of fatalities on our highways, so that Americans can confidently and safely take to the roads.

Earlier this year, the Federal Railroad Administration announced approval of the first Positive Train Control system capable of automatically controlling train speed and movements to prevent certain accidents, including train collisions. The approved system, which includes both digital communications and a global positioning system, utilizes an in-cab electronic display screen that will first warn of a problem and then automatically engage the train's braking system if a locomotive engineer fails to act in accordance with operating instructions. This is an encouraging preliminary development, and DOT will work with industry and other stakeholders to consider cost-effective options for broader implementation of PTC.

Turning to fuel economy, I was pleased that this Committee responded to the President's proposal in his State of the Union address to improve the fuel economy program for passenger automobiles. This Administration demonstrated through its innovative light truck rule that fuel economy can be increased while preserving consumer choice, maintaining safety and not needlessly sacrificing jobs. We achieved these goals by emphasizing that the path to greater fuel efficiency is through utilizing fuel saving technologies. Following the President's directive, we continue to address our Nation's energy security policy goals and to reduce carbon dioxide emissions from vehicles by improving fuel economy and displacing gasoline with alternative fuels. Working with EPA and other agencies, the Department intends to propose new standards for fuel economy and carbon dioxide emissions from vehicles before the end of this year. These standards will be based on sound science and a cost-benefit analysis. This will ensure that for every dollar in a fuel saving technology cost added to a vehicle, motorists and society in general would see a dollar or more returned in benefit. However, as the President stated, our efforts are not a substitute for effective legislation. Accordingly, the Administration has articulated clear principles to move America toward a strong, cleaner

energy future, and we continue to want to work with Congress as it moves ahead with its fuel economy legislation.

The Administration also looks forward to working with the Committee and Congress to improve the nation's intercity passenger rail system, not with technological advances but with financial reform. We currently have a flawed model for providing intercity passenger rail service that does not encourage innovation or emphasize accountability. The Administration's goal is to create sustainable, demand-driven service by, among other steps, empowering States and localities to direct rail investment and fostering opportunities for participation by alternative rail service providers. I think these are goals that everyone can agree on, and I urge Congress to collaborate with the Administration to develop a common vision for this important mode of transportation.

The challenges that lie ahead are difficult, though they are not difficult to identify. Our transportation networks need improvement, but as I and many others have made clear, the challenge is not to simply spend more and more money, but to insist that we utilize Federal resources with an eye to the performance improvements that we urgently need. As the President has noted, we need innovation and creativity. We should embrace real solutions, such as advanced technologies, market-based congestion tools, private sector financing, and flexibility for state and local partners. If we do this, the potential for improving system performance and safety – and in the process to aid the Nation's continuing economic vitality – is enormous.

My message today is simply that the time has come to acknowledge that the financing structure that underpins our aviation, highways, and public transportation systems is failing on multiple levels, prevents us from making efficient investments in maintenance and new construction, and needs fundamental reform at the statutory level.

Mr. Chairman, I appreciate this opportunity to appear before the Committee today, and I would be pleased to respond to questions that you or other committee members may have.