

TESTIMONY OF
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SECRETARY-DESIGNATE, DEPARTMENT OF TRANSPORTATION
BEFORE THE
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

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Mr. Chairman, Members of the Committee, I am honored to find myself before you again, this time as President Bush's nominee for Secretary of Transportation.

I must confess that I was a little surprised to get the call, and to be offered the job by the President. After some careful consideration and discussion, I decided to say yes to the President's invitation to serve in his Administration, and perhaps I should begin by explaining why.

Three decades ago I was Mayor of San Jose, California, and was focused on how I could improve the community where I had been born and raised. I had the usual range of policy tools that mayors use to try to improve their communities: city planning and zoning authorities, economic development programs, grants for housing, and so on. But what I found in practice was that the tool that made the most difference in my community was transportation. Nothing else had as great an impact on our economic development, on the pattern of growth, or on the quality of life.

What I have found in the years since is that this is true not just locally, but also nationally. Transportation is key to the productivity, and therefore the success, of virtually every business in America. Congestion and delay not only waste our time as individuals, they also burden our businesses and our entire economy with inefficiency and higher costs. The bottom line is that transportation is key in generating and enabling economic growth, in determining the patterns of that growth, and in determining the competitiveness of our businesses in the world economy. Transportation is thus key to both our economic success and to our quality of life.

In short, three decades of experience tell me that transportation is vital to our national well-being, whether measured as economic growth, as international competitiveness, or as quality of life. Congestion and inefficiency in transportation are not just inconvenient and aggravating - though they certainly are that - but they are also a tax that burdens every business and every individual. We have to find ways to lighten that load.

Given my views on the importance of transportation, and my belief that I will be able to work well with the President and others in the Administration, I said yes to the President.

I did so, however, painfully aware of the formidable challenges we now face in transportation. Let me give you my sense of some of the most significant of those challenges.

First of all, guaranteeing the safety of the traveling public is the number one job at the Department of Transportation. We have an enviable transportation safety record in this country - in many modes we are among the leaders of the world in safety. Even in our most difficult category - highways, where 94% of all transportation fatalities occur - we have shown in recent years the ability to hold the number of highway fatalities flat, despite significantly rising numbers of vehicles on the road, thus improving the fatality rate.

Nevertheless, despite our generally solid performance on safety, we need to recognize that we reached this point by constantly searching for the next best safety improvement that could be made. We have to continue to do that, and we have to do it in a way that gets for the public the greatest possible safety improvement for each dollar spent.

A few examples of the safety challenges we face:

A year ago Congress created the Federal Motor Carrier Safety Administration, elevating a function that had previously had been in the Federal Highway Administration. We need to make sure that this is more than just a change in the organizational chart, and that it leads to improved safety and greater compliance with motor carrier safety requirements. We must look at what needs to be done, in coordination with the states, which do most of the enforcement work, to achieve that goal.

A couple of months ago, Congress passed legislation requiring significant new reporting on safety issues involving tires. For that action to produce any real benefit for the public, we are going to have to make sure that we have sufficient resources at NHTSA to effectively use that data to spot adverse safety trends and to do something about those trends if and when they emerge.

In air traffic control, we have long had one of the most envied safety records in the world, due in large part to some very dedicated individuals who work every day to achieve that result. But it is simply not good safety practice, in my view, to have the organization responsible for moving the traffic also be the organization responsible for determining what the safety standards should be and whether they are being met. While it is true that every part of the organization has a safety responsibility, it should be a separate unit of the organization that independently determines whether the rest of the organization has met that responsibility. Combining these two responsibilities, as we have traditionally done, in a single unit simply puts too great a burden on the people who are attempting to meet the very strong demands placed on them in this field. These two functions should be in separate units

in FAA.

Second, a central challenge for the Department is to close the gap between demand for transportation and the capacity of our transportation infrastructure. That gap is what generates the traffic you face on the highways, the delay you experience on the taxiway or at the gate, the inefficiencies shippers face when their shipments are jammed up in a rail bottleneck, a beltway traffic jam, or a port operation struggling with constrained landside transportation access. Congressional enactment of TEA-21 and AIR-21 has put in place levels of capital investment that will be important in resolving these jams, but there will need to be more than just funding provided.

Nowhere is this more evident than in Air Traffic Control. In 1997, the National Civil Aviation Review Commission, which I chaired, warned that, due to rapidly growing demand and a system that was just not keeping up with that rapid growth, our nation's aviation system was approaching gridlock. And by the summer of 1999 Americans faced skyrocketing air traffic control delays. We had the same experience in 2000.

And I need to be very candid with you on this point - we are very likely to have similar - or worse -- delay problems this year as well. We simply have an air traffic control system that, despite real improvements, has not been able to keep pace with rapidly rising demand. At the highest demand times, and at times when there are additional considerations, such as adverse but routine weather, we find more and more often that demand reaches or exceeds the capacity of at least part Of the system.

When that happens, the system quite rightly elects to take that capacity shortfall as ground holds and other forms of delay, rather than compromise public safety. But even though that is the right choice, it still imposes very real penalties on passengers and ultimately on our economy.

We all understand that severe weather can require airports to close or aircraft to be rerouted. But now we have reached the point where, particularly during the high-traffic summer months, a routine line of thunderstorms in Indiana can back up traffic from coast-to-coast. We are after operating right at the capacity of the system, so it takes relatively little to precipitate the aviation version of gridlock.

It is essential that all of us first understand the origin of this problem, and that is the dramatic growth in the number of passengers trying to fly and shippers trying to move packages by air. In the year 2000, we had nearly 215 million more enplaned passengers than we did in 1991. 215 million more people showing up per year than we did just nine years ago is a number nearly equal to the entire population of the United States. We only had about 450 million show up in 1991, so that's nearly a 50% increase in just 9 years. Given the fact that it is impossible to quickly expand air traffic control capacity, airport capacity, and airline capacity, it is not surprising that the result is that everything is crowded- not just the ATC system, but the airport

parking lot, the counters, the terminal corridors, the passenger cabin, the baggage carousel, the customs checkpoint... everything.

That surging demand is partly due to a surging economy, and partly due to the fact that deregulation has made air travel more affordable for more people - average airfares have declined in real terms by nearly 20% over the past decade, by nearly 40% since the Deregulation

Act was passed. People have more money and air travel on average costs less - the result is that lots more of them show up.

The challenge before us now is, given that surging demand, what can we do about the congestion and the delay?

First, we have to recognize that airlines, airports, and air traffic control are all struggling to keep up with demand, all are having problems, and 'all have significant work to do to catch up. Each of those parties placing blame on the others is not a solution. Each must instead get serious about addressing its own part of the problem. And let's start with our part of the problem -the federal government has sole responsibility, for air traffic control. Let's make it the highest priority of the federal government to find better ways to meet the challenges of air traffic control.

Second, let's not make an excuse out of the fact that there is relatively little we can do that will have any big effect in the short term. Let's take whatever steps we need to, no matter how large or small, even if the payoff is not immediate. Delay and/or inaction are not responsible options.

The only sure remedy for air traffic control congestion in the near term would be a recession, which would suppress demand. Who among us wants to advocate that to the American people - or to the President - as our alternative to expanding capacity?

There are measures that are worth looking at, because they could have some beneficial effect in the near term. They include such things -as:

Better utilization of radio spectrum. We add capacity to the system by adding sectors, and every sector we add means adding more radio channels in a given area. In some parts of the country, most notably the Northeast, we are bumping up against the limits of the amount of radio spectrum available to civil aviation. We should look into technology that would allow us to get more channels into the existing amount of available spectrum.

Better use of existing technology. In several areas, FAA sometimes has a tendency to want to phase out an existing technology because it believes that a newer and better technology will be available in the near future. Sometimes the near future then turns out to be not so near. An example is precision approach. The current technology is Instrument Landing Systems. FAA is working on a GPS-based replacement known as Local Area Augmentation

System. It looks quite promising, but it is several years from being ready, even if everything stays on schedule. Meanwhile, a number of large airports, doing their part to catch up with demand, are bringing major new runway projects toward completion. Philadelphia and Phoenix recently completed new runways. Denver, Detroit, the Twin Cities, Orlando, and Seattle are in construction, and Cleveland, Miami, Houston, Atlanta, St. Louis, and Charlotte are close to construction. In short, lots of concrete is on the way. Yet many of these airports are being told that ILS's might not be available from FAA when the new runways are completed, meaning we would not have full use of this new runway capacity when it becomes available. In a situation where we cannot keep up with demand, we cannot afford to stop installing today's technology until tomorrow's technology actually arrives and is ready to use.

Third, we have experienced in the past decade an extraordinary leap in technology in this country. Dramatically new approaches to computing and software have been developed. Computer power that was unimaginable a decade ago not only exists today, it is cheap and it is common. A 'whole new' class of technology managers has emerged who are expert at applying this new technology to complex real-world problems throughout our economy. It is a point of enormous frustration to me that we have not been able to put this new technological power and talent to the task of modernizing air traffic control.

Key positions in the ATC modernization effort, including FAA Deputy Administrator and the new ATO Chief Operating Officer position, remain vacant, despite heroic efforts by Administrator Garvey. If confirmed, I will take it as my personal assignment to get top quality people into these positions. I know the hi-tech industry, and I know that there are talented people out there who are ready to prove their talent by tackling one of the biggest technology challenges ever.

Fourth, in the longer term, we have to recognize that the pace of growth in demand and the pace of change in technology require a degree of nimbleness that the traditional federal agency, for all its strengths, simply cannot keep up with. What we have all adopted -- the Congress, the National Civil Aviation Review Commission, and the Executive Branch -- is the concept that we will keep the modernization and operation of the Air Traffic Control system in the FAA, but we will give FAA many of the attributes of a private entity. These attributes have been provided by various actions over the past 5 years, and they include procurement reform, personnel reform, a cost accounting system, a COO, oversight boards that function much as a board of directors might in a private corporation, and so on. We are building a hybrid, and this is still a work in progress. We are, in some respects, in uncharted territory, and this is in many ways an ongoing experiment. I want to commend in particular Jane Garvey for her energetic commitment to change at FAA. But we all need to recognize that this will not be a perfectly smooth ride; and the success of this approach is not guaranteed. It is something we have to make work. And we are going to have to keep in mind that we simply cannot afford the high cost of having an air traffic control system that cannot meet the needs of this nation.

Fifth, I have emphasized the management changes needed to make ATC modernization work, but we should also understand that it will take both improved management and adequate resources. Enactment of AIR-21 was a very notable and positive step toward an Air Traffic Control system adequate to meet demand, but we need to make sure that we not only enact it but also fully implement it.

Congestion is not only a problem in the air, it is a problem in virtually every mode of transportation. I want to mention in particular the problems we have in highways and transit.

The Eisenhower Interstate Highway System did an extraordinary job of knitting our country together and making efficient nationwide highway transportation a reality for people and for goods. The result was a quantum leap in the productivity and the competitiveness of our economy. But we are now losing that productivity to specific bottlenecks in the system, and gains made nationwide are too often being lost locally.

In the ISTEA legislation in 1992 we attempted to address this critical problem, and it is something we are going to have to continue to address. We recognized that effective solutions to these bottlenecks would have to involve a high degree of local, metropolitan, and state involvement in order to build the broad spectrum of support necessary to overcome resistance and to get the problem solved. We also recognized that this could not be a one-size-fits-all approach, and that the combination of solutions needed in one location would not be the same combination of solutions needed in another location. Every instance requires its own mix of new highway capacity, better management of existing capacity, Intelligent Transportation Systems, transit, pedestrian improvements, and so on. To be effective in dealing with these bottlenecks we have to be prepared to use whatever mix of transportation alternatives will work, and we have to take a balanced approach to all alternatives. We have to constantly be looking for what works and what is the most cost-effective solution to the problem. We simply do not have the excess resources to do otherwise.

TEA-21 has continued that approach, while providing badly needed additional capital investment.

A third major area of challenge facing the Department is in the area of economic deregulation. We have come to rely far more on the marketplace to regulate transportation economics, and far less on government bureaucracies. In general, under deregulation the result has been to generate real benefits for many more people than was the case under regulation. As I indicated earlier, average airfares, for example, have declined nearly 20% in real terms in the past decade, and about 40% since the enactment of the Airline Deregulation Act. Every business in America is more productive and can offer its customers more for the money because of the efficiencies that have resulted from a more market-oriented system for the movement of freight. These are direct pocketbook benefits to every citizen.

Nevertheless, we need to remember that these benefits rely on actual competition in the marketplace. No industry in America operates in a perfectly competitive market, but we need to

make sure that every industry, including every transportation industry, operates in a market that is at least as competitive as it needs to be to protect the interests of consumers.

This is not simply a case of government abandoning the field and leaving the marketplace to do it all. We have an affirmative responsibility to make sure that competition continues to be sufficient to protect the interests of consumers.

The first of those responsibilities is one we have already discussed here today, and that is the responsibility to make sure that we have a transportation infrastructure adequate to meet demand. Nothing so surely restricts competition as inadequate infrastructure capacity. The result is not only the increased costs associated with congestion, as we have already discussed, but also the increased prices that come with the scarcity artificially imposed by infrastructure bottlenecks. It is the equivalent of double jeopardy for the consumer.

Second, government needs to be the watchdog of competition, not to determine any particular outcome, but to assure that competitive conditions continue to exist. That means government needs to work with the marketplace and not against it, but it also means that there is a role for government.

For example, in 1984, all consumer protection and fair competitive practices statutes at DOT with regard to airlines were set to expire by law. I led the effort to amend the law to retain those statutory authorities, and with them such consumer protection roles as the denied boarding compensation rules, the CRS rules, the smoking rules, and the notice to passengers about tariff conditions and the right to inspect the tariff. I am pleased to say that with the support of colleagues in both houses and on both sides of the aisle, we prevailed.

By the same token, I have been increasingly concerned in recent years that in order to effectively use those authorities for the genuine benefit of consumers, we need far greater ability to analyze these complex industries and to better determine which proposed remedies will, in the real world, benefit consumers and which, however well-intentioned, will not. The analytic resources of the Department to do this kind of work have been greatly reduced, and we have to reverse that trend if we are to be effective in looking out for competition and for the consumer. I have made this a personal priority, and have discussed it with the President.

And a fourth major challenge for the Department is that it serves in many ways as the nation's first line of defense and serves an important law enforcement function. I refer primarily to the Coast Guard, which accounts for 40% of the Department's personnel and some of its most important missions. The task of keeping that protective function of the Coast Guard up to the task is one that we will all need to focus on in the coming months.

Let me close and mm to your questions with this thought. If I am confirmed, you get me as I am, and I am well-known to most of you. My style is inclusive. I want at DOT the greatest possible

involvement of all levels of government, of all points of view, of all those committed to finding the solutions to the transportation problems that delay our citizens and burden our economy. And I want this Department to be a completely bipartisan department. I do not believe there is such a thing as Democratic or Republican traffic jams or Democratic or Republican solutions to those traffic jams. We all have the same interest in better-working transportation systems, and the only way we will get there is by all working together. I don't know any other way to do it.

I thank you for your kindness in inviting me back yet once more, and I am prepared to try to answer your questions.