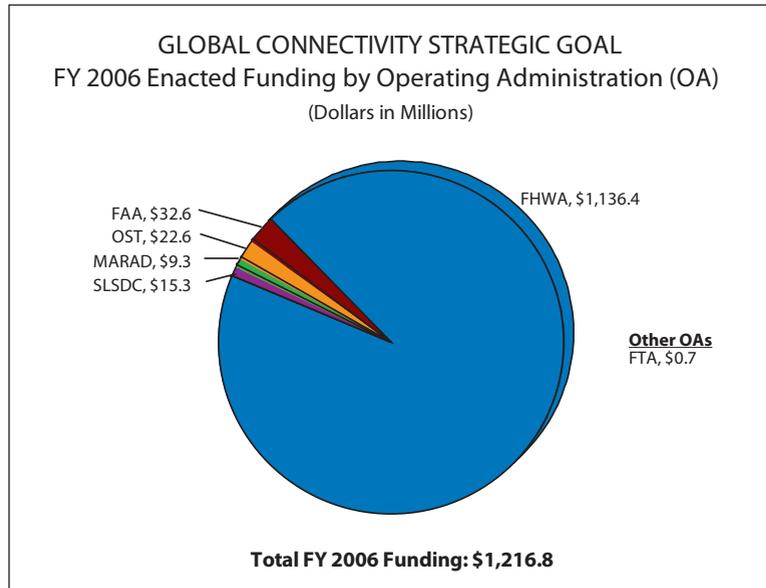




GLOBAL CONNECTIVITY STRATEGIC GOAL

FACILITATE A MORE EFFICIENT DOMESTIC AND GLOBAL TRANSPORTATION SYSTEM THAT ENABLES ECONOMIC GROWTH AND DEVELOPMENT

FY 2006 ENACTED FUNDS: \$1,216.8 MILLION



STRATEGIC OUTCOMES

- Reduced barriers to trade in transportation goods and services
- More efficient movement of cargo throughout the supply chain
- Enhanced international competitiveness of the U.S. transport providers and manufacturers
- Harmonized and standardized regulatory and facilitation requirements
- The most competitive, cost effective and efficient environment for passenger travel
- Expanded opportunities for all businesses, especially small, women-owned and disadvantaged businesses

PERFORMANCE MEASURES

- Percent share of the total dollar value of DOT direct contracts that are awarded to women-owned businesses.
- Percent share of the total dollar value of DOT direct contracts that are awarded to small disadvantaged businesses.
- Percent of days in shipping season that the U.S. portion of the St. Lawrence Seaway is available.
- Number of new or expanded bilateral aviation safety agreements implemented.
- Number of potential air transportation consumers (in billions) in international markets traveling between the U. S. and countries with Open Skies and open transborder aviation agreements (measure revised in FY 2005).
- Number of international negotiations conducted annually to remove market distorting barriers to trade in air transportation (new measure in FY 2005).



EXPANDED OPPORTUNITIES

FY 2006 ENACTED FUNDS \$5.1 MILLION

Expanded opportunities for all businesses, especially small, women-owned and disadvantaged businesses, serves the economic interest of the United States, both nationally and globally. Small businesses routinely develop, manufacture and distribute quality products to the private sector, but continue to face significant hurdles participating in procurement opportunities with the Federal Government. To help these entrepreneurs have a fair opportunity to compete, Congress and the Administration have established procurement goals for the Federal Government. In turn, each DOT Operating Administration develops targets consistent with legislative mandates and anticipated contracting and subcontracting opportunities.

2006 Results. Preliminary data indicates that DOT met the target for women-owned businesses (WOB) but did not meet the target for small disadvantaged businesses (SDB). Data are not final until SBA submits its annual end of fiscal year report, normally in December.

Based on preliminary FY 2006 data, the Department of Transportation issued \$1.3 billion in contract awards. Women-owned businesses received 6.7 percent of all contracting dollars and more than \$152 million, or 11.8 percent, of the total contracting dollars went to small disadvantaged businesses.

In FY 2006, for the second time since its inception, DOT not only met the WOB legislative goal, but exceeded it by more than 20 percent. This is a significant achievement considering that the government-wide participation level is less than 3 percent. While below the target, the SDB participation in DOT contracting is still twice as much as the government-wide level of participation. To ensure that the SDB goal is met, DOT will continue to emphasize more hands-on involvement with its procuring agencies, and an increase in outreach and technical assistance with the SDB community.

FY 2007 Performance Forecast. DOT expects to meet the targets for both measures in FY 2007.

Performance Measure				
Percent share of the total dollar value of DOT direct contracts that are awarded to women-owned businesses				
	2003	2004	2005	2006
Target	5.1	5.1	5.1	5.1
Actual	4.2	3.8 (r)	6.6 (r)	6.7 *
(r) Revised; * Preliminary estimate				

Performance Measure				
Percent share of the total dollar value of DOT direct contracts that are awarded to small disadvantaged businesses				
	2003	2004	2005	2006
Target	14.5	14.5	14.5	14.5
Actual	15.8	15.6 (r)	12.7 (r)	11.8 *
(r) Revised; * Preliminary estimate				



MORE EFFICIENT MOVEMENT OF CARGO

**FY 2006 ENACTED FUNDS
\$1,151.7 MILLION**

The bi-national St. Lawrence Seaway is the international shipping gateway to the Great Lakes, offering access and competitive costs with other routes and modes to the interior of the country. Commercial trade on the Great Lakes Seaway System annually sustains more than 150,000 U.S. jobs, \$4.3 billion in personal income, \$3.4 billion in transportation-related business revenue, and \$1.3 billion in Federal, state, and local taxes. Since 1959, more than two billion metric tons of cargo estimated at \$300 billion has moved through the St. Lawrence Seaway to and from Canada, the United States, and nearly 50 other nations. Almost 50 percent of Seaway traffic travels to and from overseas ports, especially in Europe, the Middle East, and Africa.

2006 Results. For FY 2006, DOT's Saint Lawrence Seaway Development Corporation (SLSDC) met the performance target with a system availability rate of 99.0 percent. During the year, commercial navigation was suspended for 68 hours, 12 minutes during the 6,685-hour year, due mostly to vessel-related incidents, weather conditions, and other non-navigation related delays.

Performance Measure				
Percent of days in the shipping season that the U.S. portion of the St. Lawrence Seaway is available				
	2003	2004	2005	2006
Target	99.0	99.0	99.0	99.0
Actual	98.9	99.1	99.7	99.0

Vessel incidents in FY 2006 accounted for 29 hours, 41 minutes of delays, or 43 percent of total delays. Vessel incidents involve ship operations, most commonly caused by human error on the part of a vessel's crew. Also included as vessel incidents are vessel breakdowns, which are caused by mechanical problems with a vessel. The majority of vessel incident delays are related to a non-hazardous commercial vessel grounding in September 2006, which resulted in 16 hours, 20 minutes (24 percent of entire year's non-availability) of suspended navigation during its inspection and refloating operations.

Weather-related delays totaled 25 hours, 47 minutes or 38 percent of total delays. These weather delays usually occur at the beginning and end of each navigation season, and are mostly caused by poor visibility, dense fog, high winds, or ice.

Other non-navigation delays were caused by pilotage delays and equipment that had fallen into the lock chamber, causing 9 hours, 37 minutes, or 14 percent of total delays.

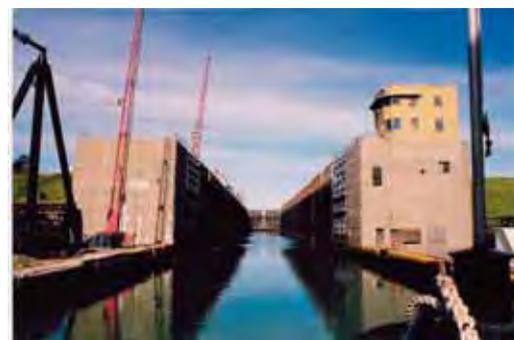
While none of these delay factors are directly under the control of the SLSDC, the agency is taking steps to address these issues and improve vessel transit efficiency. For example, since 1997 the SLSDC has joined with its Canadian counterpart, the St. Lawrence Seaway Management



Corporation, as well as the U.S. and Canadian Coast Guards, to institute a joint boarding program for the foreign vessels that use the Seaway. Each year, SLSDC marine inspectors examine more than 200 foreign vessels to ensure compliance with safety and environmental protection regulations in Montreal, Quebec, before they enter U.S. waters.

In FY 2006, the SLSDC continued this program by inspecting 100 percent of all ocean vessels in Montreal. This improved inspection regime has saved vessels, on average, four hours per transit and ensured that any safety, security, or environmental issues are addressed prior to entering U.S. waters. As a result, delays were reduced and ocean carriers using the Seaway saved more than \$500,000.

The U.S. and Canadian Seaway agencies began enforcing mandatory Automatic Identification System (AIS) use on commercial vessels entering the waterway beginning in 2003. The Seaway became the first inland waterway in the western hemisphere to implement an operational AIS vessel traffic services system. AIS technology uses data from ship-to-ship, ship-to-shore, and shore-to-ship, thereby enabling a constant two-way communication between mariners and the three Seaway vessel traffic control centers. Originally developed primarily for safety reasons, AIS has become increasingly of interest to maritime security officials in the post September 11th environment as it offers the ability for them to track with precision any vessel carrying the transponder. In April 2006, the SLSDC and USCG signed a Memorandum of Agreement that establishes provisions for sharing Seaway AIS data with the USCG as well as provisions for sharing USCG AIS data with the Seaway as their stations in the Great Lakes come on line.



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Of the remaining factors that cause system non-availability, the SLSDC has the most control over the proper functioning of its lock equipment. During FY 2006, there were 3 hours, 7 minutes of delays, or 5 percent, related to lock equipment malfunctioning incidents. Lock equipment delays represented five one-hundredths of 1 percent of the total navigation time during FY 2006.

In order to ensure that the two U.S. Seaway locks are in sound working condition, the SLSDC performs an aggressive infrastructure winter maintenance program each year focusing on inspections, preventative maintenance, concrete rehabilitation, and repairs to lock equipment and parts. This program has been instrumental in the SLSDC's long-term success in providing a safe, efficient, secure, and reliable commercial waterway.

FY 2007 Performance Forecast. DOT expects to meet the FY 2007 target of 99.0 percent.



MEASURE UNDER DEVELOPMENT—FREIGHT TRAVEL

Freight transportation is a critical enabler of international economic activity and highways are a critical component of the freight transportation system. A doubling of international trade over the last decade placed a strain on many of the Nation's intermodal ports and gateways and contributed to an increase in traffic congestion. A further increase in freight activity on the Nation's highways is anticipated in this decade due to continued growth in international trade. Traffic congestion hinders freight movement and undermines business productivity and international trade.



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2006 Results. The FHWA began measuring travel speeds along significant freight corridors in 2005. As illustrated below, travel speed measurements were used to calculate the average travel speed and average buffer index for five Interstate corridors in which data were collected. Data collection is expanding to 25 freight corridors in 2006. The buffer index represents the extra time freight carriers should add to their average travel time in order to ensure on-time arrival, at least 95 percent of the time, for an end-to-end trip along the corridor. The extra time is added to account for any unexpected delay. The buffer index, which is expressed as a percentage, decreases as trip reliability improves. The DOT and FHWA have adopted the number of freight corridors with an annual decrease in their annual average buffer index rating as a measure of improvement in freight travel in significant corridors. As travel speeds become more consistent and reliable in these significant corridors being monitored, the number with a declining annual buffer index rating should increase.

For the period from January 1 to March 31, 2006, the change in quarterly average travel speed for the five corridors was less than 0.3% from the same quarter last year. At the same time, the change in the quarterly average buffer index for all five corridors combined was 18.8%, an increase of 2% over the same period last year. While there was a combined increase in the average buffer index, three of the five corridors experienced a decrease. Significant increases in two corridors, I-70 and I-45, resulted in the overall combined increase in buffer index.

It is unlikely that the FY 2007 target, which is based on reducing the buffer index in 100 percent of the corridors monitored in FY 2006, will be met. However, we expect to see improvement in a majority of the corridors under study.



Average Travel Speed and Buffer Index on Freight Significant Corridors FY 2006			
Corridor Name	Description (Start and End Locations)	Average Travel Speed (miles per hour)	Average Buffer Index (%)
I-5	San Diego, CA (Mexican Border) to Blaine, WA (Canadian Border)	49.7 mph	18.9%
I-10	Santa Monica, CA to Jacksonville, FL	55.9 mph	20.8%
I-45	Galveston, TX to Dallas, TX	54.1 mph	30.8%
I-65	Mobile, AL to Gary, IN	57.7 mph	6.8%
I-70	Cove Fort, UT to Baltimore, MD	54.3 mph	11.1%

The DOT National Freight Policy (NFP) was announced in January 2006. The NFP provides a national framework that enables Federal, State and local governmental organizations, and the private sector to coordinate their resources and efforts to advance key objectives to improve multimodal freight mobility on the U.S. transportation network. FHWA is contributing to the deployment of this policy in a variety of ways.

- DOT developed courses in freight financing, engaging the private sector in transportation planning activities, freight and environment, for the Freight Professional Development program.
- DOT held a national conference with the Transportation Research Board to advance forecasting and analysis models used to support decision makers in freight transportation. This conference identified numerous research initiatives that will improve freight modeling.
- The Freight Analysis Framework, a database tool used extensively in both the public and private sector, was recalibrated using data from the 2002 Commodity Flow Survey and integrated with key international gateway data. In addition to recalibration, the FHWA updated the highway network with 2002 freight flows, generated forecasts of freight movement to 2035, initiated current year estimate methodologies, and began comparing prior survey data with current data so an accurate trend line can be developed.



- Numerous test pilots and workshops were initiated with States and Metropolitan Planning Organizations (MPOs) to enable local transportation planners to integrate local data with national data to support investment decisions.

The Border Information Flow Architecture (BIFA) was widely disseminated to stakeholders and efforts began to replicate this successful endeavor on the southern border. The goal is to use BIFA, which maps systems and information flow between stakeholders, as a tool to develop and implement bi-national technology solutions to problems at borders, such as delay, congestion, and unpredictable crossing times. Examples include advanced traveler information and border wait time systems, expedited cargo clearance and processing systems, and incident management systems.

HARMONIZED AND STANDARDIZED REGULATORY & FACILITATION REQUIREMENTS

**FY 2006 ENACTED FUNDS
\$40.2 MILLION**

Bilateral Aviation Safety Agreements (BASA) promote aviation safety and environmental quality, enhances cooperation and increases efficiency in civil aviation matters. The agreements are based on recognized comparability of U.S. and foreign systems for approval and surveillance of the aviation industry. By building a network of competent civil aviation authorities and concluding agreements with additional countries and/or regional authorities, FAA increases safety globally.

Improved global understanding of U.S. safety regulations, processes, and procedures leads to better international regulatory oversight. The BASAs allow FAA to focus on domestic safety priorities by relying on capabilities and technical expertise of other civil aviation authorities and minimizing duplication of efforts.

2006 Results. FAA met the target. FAA is cooperating with partners in Europe and Asia to negotiate executive agreements and associated implementation procedures to support the transfer of aviation products and services. These agreements lay the essential groundwork for cooperation between the United States and the respective target country's aviation authority. In FY 2006, the FAA concluded:

Performance Measure				
Number of new or expanded bilateral aviation safety agreements implemented				
	2003	2004	2005	2006
Target	N/A	2	2	2
Actual	N/A	3	2	4

- An expanded implementation procedure for airworthiness with New Zealand;



- A revised simulator implementation procedure with Switzerland; and,
- A maintenance implementation procedure and implementation procedures for licensing with Canada.

These implementation procedures will promote a safer aviation environment for U.S. travelers.

FY 2007 Performance Forecast. DOT expects to achieve the target in FY 2007.

ENHANCED COMPETITIVE ENVIRONMENT FOR PASSENGER TRAVEL

FY 2006 ENACTED FUNDS \$4.0 MILLION

Since the 1940's, international air transportation has been subject to restrictive bilateral agreements that limit price and service options and artificially suppress aviation growth. DOT's policy is to negotiate bilateral agreements to open international air travel to market forces, thereby removing limitations on the freedom of U.S. and foreign airlines to increase service, lower fares, and promote economic growth. These Open Skies agreements have made it possible for the airline industry to provide the opportunity for better quality, lower priced, more competitive air service in thousands of international city-pairs to an increasing portion of the world's population.

2006 Results. DOT is working with foreign civil aviation authorities throughout the world to negotiate and execute Open Skies agreements. The new Open Skies agreements concluded each year continually increase the total world population brought under the umbrella of Open Skies. This year DOT concluded a number of new agreements that allowed it to exceed its target goal of 2.99 billion. In FY 2006, the Department reached Open Skies agreements with Canada, Cameroon, Kuwait and several other countries. We now have 75 Open Skies agreements with countries all over the world.

Performance Measure				
Number of potential air transportation consumers (in billions) in international markets traveling between the U.S. and countries with Open Skies and open transborder aviation agreements (measure revised in FY 2005)				
	2003	2004	2005	2006
Target	N/A	1.51	1.53	2.99 (r)
Actual	1.48	1.72	2.97	3.01 *
(r) Revised; * Preliminary estimate				

FY 2007 Performance Forecast. DOT expects to meet the FY 2007 target of 3.05 billion.



REDUCED BARRIERS TO TRADE

**FY 2006 ENACTED FUNDS
\$15.8 MILLION**

DOT’s policy is to negotiate liberalized bilateral aviation agreements to open international air travel to market forces resulting in increased services, lower fares, and economic growth. These negotiations require DOT to arrange, conduct and fully participate in a number of formal international meetings with the goal of achieving less restrictive agreements and ultimately “Open Skies” agreements with foreign countries or associations of foreign countries, such as the European Union.

2006 Results. DOT continually works with foreign civil aviation authorities throughout the world to negotiate and execute less restrictive aviation agreements with the ultimate goal of reaching “Open Skies” agreements with our international partners. During the course of FY 2006 the Department achieved its performance measure. In FY 2006, it had negotiating rounds with the European Union, China, Japan, Canada, Kuwait and others. The number of rounds it takes in order to reach a new agreement varies from partner to partner based on the evolution of the aviation relationship.

Performance Measure				
Number of international negotiations conducted annually to remove market-distorting barriers to trade in air transportation (new measure in FY 2005)				
	2003	2004	2005	2006
Target	N/A	N/A	10	10
Actual	N/A	N/A	10 (r)	10
(r) Revised				

FY 2007 Performance Forecast. DOT expects to meet the FY 2007 target of 12 rounds.

