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Testimony before the House Committee on Small Business: Special Small Business Problems Subcommittee; by Donald J. Horan, Deputy Director, Logistics and Communications Div.

Contact: Logistics and Communications Div.

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A recent GAO review on the prohibition against using commercial travel agents to arrange transportation for Government employees traveling on official business included a history of the prohibition and provided information on the yearly expenditures of Federal departments and agencies resulting from the prohibition. Responses to a questionnaire indicated that 1,526 Government employees spend, on the average, over 40% of their time on travel agent-type functions at an estimated cost of about \$8.8 million. Agencies were asked to discuss a proposed system for involving travel agents in Government business. Eleven agencies were opposed to the proposal, and 14 had no objections. If the proposal could be adopted, some problems would be eliminated but many problems, such as potential increased fares and how to deal with thousands of competing travel agents, would have to be resolved. No conclusion was drawn as to the desirability of changing the present prohibition, but there were no objections to doing so on a case by case basis. (HTW)

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STATEMENT OF
DONALD J. HORAN, DEPUTY DIRECTOR
LOGISTICS AND COMMUNICATIONS DIVISION
BEFORE THE SUBCOMMITTEE ON SMALL BUSINESS PROBLEMS
OF THE HOUSE COMMITTEE ON SMALL BUSINESS
ON
GOVERNMENT PROHIBITION ON USING
COMMERCIAL TRAVEL AGENTS

Mr. Chairman and members of the Subcommittee:

We are pleased to be here to discuss the results of the review you requested us to make on the prohibition against using commercial travel agents to arrange transportation for Government employees traveling on official business. I have with me today Mr. Henry W. Connor and Mr. L. Mitchell Dick. Mr. Connor is my Associate Director and Mr. Dick is our Assistant General Counsel.

We were asked to prepare a complete history of the prohibition and to provide information on the yearly expenditures of Federal departments and agencies resulting from the prohibition, including:

- the number of Federal employees (full- and part-time) engaged in purchasing passenger services and their total salary costs,
- the amount of office space used for travel services,
- the amount and cost of supplies and other expenditures (such as, power and maintenance) involved in providing travel services,

--each department or agency's position on using travel agents, including any benefits or handicaps they could foresee, and
--any general views on the subject that the departments or agencies may wish to offer.

Our August 8, 1978, report (LCD 78-219) contains details on each of these matters. My statement today will cover briefly the history of the prohibition, its effect on Government expenditures, the views of departments and agencies, and our current position on the prohibition.

HISTORY OF PROHIBITION

The prohibition dates back to 1899, when the Comptroller of the Treasury approved a transportation request form and directed that it be presented only to a regular ticket agent of a carrier. When the General Accounting Office assumed the powers and duties of the Comptroller of the Treasury in 1921, it continued that requirement. In July 1952, a Comptroller General's decision specifically prohibited using commercial travel agencies for Government travel. That decision is reflected in Government regulations which directly prohibit using commercial travel agencies to secure Government travel within the United States, its possessions, Canada, and Mexico.

EARLIER GAO REVIEWS OF THE PROHIBITION

Over the years, GAO has reviewed various aspects of the Government's travel agent policy. We have consistently found serious problems with the suggestion that commercial travel agents handle Government business. Major problems include:

- The airlines have taken the position that they will not pay commissions to travel agents who handle Government travel. Their theory is that travel agents earn their commissions primarily by promoting new business. Government travel is not promotable--it is required to meet Government needs--and travel agents should, therefore, not get commissions.
- The additional cost, if the airlines did pay a commission on Government travel, presumably would be passed on to the Government and to the public through higher air fares.
- Only major travel agents could afford to wait the time it takes to process payments to carriers for Government travel services.
- Selecting travel agents would be a problem. To be fair, the Government would have to allocate travel among all qualified agents willing to participate. This allocation process would cause the Government added administrative expense.
- Travel agents efforts to promote their services with Government agencies and personnel could be an administrative burden.
- Travel personnel in the Government do such administrative work as issuing travel orders and controlling travel costs. These administrative functions would continue even if travel agents were used.
- Postpayment audit problems would be compounded by dealing with thousands of travel agents who constantly come in and go out of business. Instead of dealing with 23 domestic air carriers,

over 6,500 agents might be involved. Thus, collecting overcharges would be extremely difficult and the Government's accounting and administrative burden would be increased.

--Implementing section 5 of the International Air Transportation Fair Competitive Practices Act of 1974 (the so-called Fly-America Act) would be extremely difficult. Introducing thousands of travel agencies into the complex justification and disallowance process involved in screening the use of foreign-flag air carriers for Government travel would further complicate the already difficult task of administering the act.

IMPACT OF PROHIBITION ON GOVERNMENT EXPENDITURES

To determine the impact of the prohibition on Government expenditures, we submitted a questionnaire to 20 civilian and 5 Department of Defense agencies representing 96 percent of the civilian workforce and most military personnel. In fiscal year 1976 these agencies spent about \$450 million on commercial travel, of which \$435 million was for air travel.

Responses to our questionnaire indicate that 1,526 Government employees spend on the average over 40 percent of their time on travel agent-type functions. By travel agent-type functions, we mean those services normally available from travel agents, such as planning itineraries, making reservations, and obtaining tickets. To make information collection more manageable, data on the numerous secretaries, messengers, and individual travelers incidentally involved in arranging and purchasing travel services was excluded from our survey.

The estimated cost of the time Government employees spend doing work that travel agents could do is, at best, imprecise. However, we estimate that about \$8.8 million of the annual salaries of the 1,526 employees is attributable to travel agent-type functions. In addition, annual Government expenditures for office space, equipment, and supplies to support these employees while accomplishing these functions would be about a half-million dollars.

Of course this does not necessarily mean that the Government could save \$9.3 million a year by using commercial travel agents. It does mean that some employees might have additional time available for other tasks if travel agents were used. In addition, some of the cost of space, equipment, and supplies allocated to travel agent-type functions would still be incurred for these employees to do their other work.

AGENCY VIEWS ON USING TRAVEL AGENTS

Our questionnaire described a system proposed by the American Society of Travel Agents for involving travel agents in Government business. The proposed system calls for the Government transportation request to continue to be made payable only to the carrier issuing the ticket. The Government would only receive bills from carriers and not travel agents. The proposal was offered in an effort to overcome the administrative, billing, and audit problems inherent in dealing with thousands of individual travel agents.

Agencies were asked to discuss advantages and disadvantages of the proposed system and to comment on the merits of travel agents providing service to Government employees. Eleven (6 civilian and 5

DOD agencies) were opposed to removing the prohibition, while the remaining 14 generally commented that they had no objections. Many of those not objecting, however, indicated that using travel agents for domestic travel would result in neither a cost savings nor any other advantage.

Disadvantages cited by agencies included (1) the increased number of Government transportation requests would result in more carrier bills, thus increasing the cost of paying and auditing carrier bills; (2) increased fares would ultimately result from carriers paying commissions to travel agents; (3) increased administrative costs would be incurred to select and monitor the large number of travel agents serving Government travelers; and (4) travel agents are likely to be unfamiliar with Government travel requirements and regulations.

Some of the advantages cited were that travel agents; (1) could effectively service certain small groups of Government employees; (2) may be able to obtain special group and excursion fares; and (3) could better arrange foreign travel.

GAO WILLING TO LIFT PROHIBITION
WHEN EFFICIENT AND COST EFFECTIVE

If the American Society of Travel Agents' proposal for their involvement in Government business could be adopted, some of the problems would be eliminated. However, many problems, such as potential increased fares to cover commissions and how to deal with thousands of travel agents that would be competing for Government business, would have to be resolved.

Arguments can be made for and against lifting the prohibition on using travel agents. The agents offer some services now being provided by Government employees. However, savings, if any, cannot be precisely measured because Government employees generally have other duties in addition to their travel agent-type functions. Also, the administrative burden and cost of selecting and monitoring thousands of agents for Government business would have to be offset by any savings in personnel costs.

In our opinion the information we have obtained is inconclusive as to whether or not a change in the present prohibition is warranted on a cost-benefit basis. We would, of course, not object to lifting the prohibition (on a case by case basis) to the extent that such action is shown to be more efficient and less costly.

Mr. Chairman, that concludes our prepared testimony. My associates and I will try to answer any questions you may have.