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UNITED STATES GOVERNMENT

GENERAL ACCOUNTING OFFICE

Memorandum

MAR 26 1984

TO : Comptroller General

THRU : General Counsel *Harry D. Van Cleave*
Frank C. Conahan

FROM : Director, NSIAD - Frank C. Conahan



SUBJECT: Should GAO Continue Its Ban on the Use of Commercial Travel Agents by Government Travelers? (B-103315)

For over a year now, NSIAD has been monitoring test programs being run by the General Services Administration (GSA) and the Department of Defense (DOD) to develop data on the feasibility of using commercial travel agents for official travel. As you know, we have long prohibited federal agencies and their employees from using travel agents in conjunction with travel within or from the United States. The prohibition dates back to 1899 when the Treasury, then responsible for transportation procurement documentation, directed agencies to place their transportation demands directly with transportation companies. The implication in those instructions was that agencies were not to deal with any noncompany agent, such as a travel agent. Our legal decisions, beginning in 1952, and regulations (4 C.F.R. 52.3) since 1955 have continued that direction.

Many reasons have been cited in support of our prohibition. Most have centered on the belief that having the government rely on travel agents would create administrative problems, such as maintaining fairness in distributing the business among the thousands of potential firms wanting a share of government business and ensuring the government was not overcharged. Also, there was doubt that travel agents could stay in business handling government accounts since the airlines had long taken the position they would not pay commissions to agents on government business and the government was not planning to pay any more for tickets through agents than what it was already paying the airlines directly. There was a fear that if the airlines did pay commissions, they would raise their fares to recover the cost of commissions or stop offering government discounts.

Maintaining the prohibition has kept us in the middle of a controversy--the travel agent industry and congressional small business interests on one side and the airlines and their trade association (the Air Transport Association of America (ATA)) on

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the other. Travel agents, obviously, want us to lift the prohibition. The Subcommittee on Special Small Business Problems, House Committee on Small Business, specifically recommended in 1978 that we lift the prohibition. We reported at that time, however, that we did not have enough evidence to warrant lifting it. We felt that no one had demonstrated that travel agents would be more cost effective than existing procurement methods.

The airlines and their association have consistently urged that we maintain the status quo. They have established their own ticketing and travel offices on many government installations and in many federal buildings and have often pointed out the value of their services. Obviously, they have saved money by avoiding payment of commissions on government business, now generally 10 percent of the price of a ticket.

In deference to the House Committee recommendation, we did agree to allow further testing of the use of travel agents. The Department of Labor conducted the first test in 1980, but it proved little. Labor liked the service it received, but the business--essentially without commissions--was not profitable to the agent. Moreover, the test lacked a basis for comparison with other types of service.

In 1981, we authorized GSA and DOD to test the travel agent concept on a larger scale. GSA contracted with agents for multiagency service in several of its regions. DOD had each military department conduct its own test. In monitoring these tests, we decided to look at the results in a somewhat different light. We would no longer look just for cost savings, but rather for reasons, if any, that would justify maintaining the prohibition.

Both GSA and DOD tests got under way in 1982. GSA's test was extensive, using the services of 32 different agents in 25 metropolitan areas throughout the United States. Some agents serviced nearly 50 different agencies or departments within agencies. DOD had tests in the Army, the Air Force, and Marine Corps, each employing one agent at a single installation or location. GSA's 2-year authorization for testing expires on March 31, 1984; DOD's expires on September 30, 1984.

In our evaluation we looked first to see whether travel agents were ready, willing, and able to provide the needed services. Secondly, we wanted to see whether they could comply with the government's travel regulations, including the Fly America Act and other such constraints. Third, we wanted to see whether the administrative problems thought inherent with using travel agents were actually problems. Fourth, we wanted to see whether there would be adequate audit trails in the travel agent billing and payment systems. Also, we wanted to look at those problems, such as commissions on government air fares, which we

had identified in a 1978 report,¹ to see whether they were valid reasons for not lifting the prohibition.

To accomplish our goal, we observed the tests as they were conducted and then discussed all facets of them with each party. This included the GSA and DOD personnel who set up, ran, and reviewed the tests; travelers and administrative personnel from many of the client federal agencies; a sampling of the participating travel agents; and ATA and member officials. We analyzed the GSA and DOD reports prepared for us on the tests.

The tests gave us the data we needed to decide the prohibition question. The data demonstrates that the use of travel agents is feasible and that they offer a suitable option for making official travel arrangements.

More specifically, agents have shown they are ready, willing, and able to provide the needed services. Several thousand agents have asked to be kept apprised of the government's needs. Hundreds of travel agents have offered fully acceptable proposals in response to the GSA and DOD solicitations. Those winning contracts run the spectrum from large companies to very small businesses. Perhaps most importantly, federal agencies and their employees have given the test travel agents nearly unanimous approval for their services.

Agents have demonstrated they can comply with the government's travel regulations--including Fly America, the restrictions on first class travel, and the city pair/contract air fare program. Most agents viewed the regulations as not significantly different from those of their other corporate clients.

Use of agents has not proven excessively burdensome from an administrative point of view. Because the agents' services were procured under the government's procurement regulations, GSA's and DOD's administrative workloads have increased. But the workloads of the client federal agencies have not. In many cases the workloads have decreased. Use of agents has not proven disruptive.

Finally, the audit trail is the same as it was before the use of agents.

The commission issue has not proven to be a problem. Even though agents are receiving commissions in connection with airline tickets covering official travel, there has been no noticeable change in the level or types of airline fares available to the government.

¹A Look at the Prohibition on Using Commercial Travel Agents
(LCD-78-219, Aug. 8, 1978).

While there is no assurance that this situation will not change and in fact there have been threats that it will, there is no basis by which we can presume that it will.

Accordingly, we can see no valid reason why you should not lift the prohibition permanently. Such an action, as we understand it, would give any agency and government employee the right to use travel agents for official business where advantageous. Good travel management would still dictate some controls over agent use, such as limits on which agents could be used. We have advised GSA and DOD informally that language to that effect, published in the official travel or property management regulations, would seem appropriate, and they have agreed to propose it. GSA has also asked that the prohibition, if it is to be lifted, not be lifted before April 1, 1984, the end of its testing period and a reasonable time in which to publish such a regulation. We agree and suggest the lifting be effective April 1, 1984. Under the same premise, you may want to withhold authority to lift the prohibition as applied to defense agencies until October 1, 1984, when DOD's authority to run the tests ends.

The attachment is a detailed discussion of our specific findings and conclusions, including background on the prohibition, the role of travel agents and alternatives to their use, congressional interest in the prohibition and our offer to allow testing, the earlier Labor test, and the GSA and DOD test plans and how the tests were actually run.

Our tentative findings and conclusions were discussed informally with GSA and DOD officials, with personnel from several federal agencies using the agents, with ATA and a number of its line members, and with several travel agents and agency association staff. Some of our views have also been printed in the trade media. Congressmen Elliot H. Levitas of Georgia and Michael DeWine of Ohio have written us expressing their concerns in this matter. We have advised their offices of the status of our work and will keep them informed as warranted.

Two points deserve special mention. First, our findings and conclusions relate solely to the feasibility of using travel agents and not to whether travel agents are better than anyone else making travel arrangements. We make no judgment as to whether the government ought to use agents over in-house travel offices or airline or airline association traffic offices. We defer such judgment at this time to GSA and DOD and the agencies requiring the travel services. Secondly, by recommending the ban be lifted, we do not imply that the test programs were run perfectly. We found problems. Early in the program, one of GSA's agents defaulted on one of its contracts, resulting in a period of uncertainty. GSA, we believe, learned something from

the experience, but some management problems still remain or have potential for resurfacing. None of these problems are serious enough to threaten the program, but we are bringing them to GSA's attention in a letter to the Administrator.

Attachment

SHOULD GAO CONTINUE ITS BAN
ON USE OF COMMERCIAL TRAVEL AGENTS
TO MAKE OFFICIAL TRAVEL ARRANGEMENTS?

INTRODUCTION

GSA and DOD are testing the use of commercial travel agents to make official travel arrangements. They are looking for ways to obtain more flexibility in meeting their travel needs and to improve the management of the government's travel programs. Tests are being run in these 27 geographical areas.

GSA test locations

Philadelphia, Pa.	Kansas City, Mo.	Los Angeles, Calif.
Pittsburgh, Pa.	Oklahoma City, Okla.	(five contracts)
Baltimore, Md.	Dallas/Fort Worth, Tex.	San Francisco,
Washington, D.C.,	Houston, Tex.	Calif.
area (six con-	Denver, Colo. (two	Portland, Ore.
tracts)	contracts)	Spokane, Wash.
Research-Triangle	Salt Lake City/Ogden,	Seattle, Wash.
Park, N.C.	Utah	Juneau, Alaska
Miami, Fla.	Billings, Mont.	
Cleveland, Ohio	Boise, Idaho	
Des Moines/Ames,	Phoenix, Ariz.	
Iowa and Omaha,	San Diego, Calif.	
Neb.		

DOD test locations

U.S. Army Tank-Automotive Command, Warren, Mich.
Travis Air Force Base, Calif.
Marine Corps Development and Education Command, Quantico, Va.

GSA's test authority expires March 31, 1984; DOD's expires September 30, 1984.

GAO is monitoring the tests to ensure that they are providing data to support a lifting or continuing of the travel agent prohibition. Both GSA and DOD have provided us their interim evaluations of the first tests, all of which are still running. They have indicated that use of travel agents, although not perfect, appears to be feasible and offers a satisfactory alternative to the government's present system for making travel arrangements.

WHAT WE LOOKED FOR AND HOW WE
EVALUATED THE TESTS

The GSA and DOD tests were approved under the guidelines established by our August 20, 1979, circular letter, "Individual Agencies May Request GAO To Lift Its Prohibition on the Use of Commercial Travel Agents for Government Travel". We intended that these tests give us sufficient data to answer the following questions:

1. Are travel agents ready, willing, and able to provide services to the government?
2. Can agents comply with government regulations?
3. Does the use of agents place too great an administrative burden on the government?
4. Do agents' billing and payment procedures leave an adequate audit trail?

In addition, we were looking for information to respond to the problems cited in our 1978 report. (See note 1 on p. 3 of the letter.) These problems were:

- The airlines had taken the position that they would not pay commissions to travel agents that handled government travel. Their theory was that travel agents existed to promote new business and, thus, earned their commissions. Government travel is not promotable--it is required to meet government needs and travel agents get no commissions.
- The additional cost, if the airlines did pay the commission on government travel, presumably would be passed on to the government and to the public through higher fares.
- Only major travel agents could afford to wait the several months 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 process would cause the government added administrative expense.
- 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 functions would continue even if agents were used.
- Postpayment audit problems would be compounded by dealing with thousands of agents that 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.

The bulk of our work was done through discussions with officials running the tests, beginning with preparation of the solicitation through their performance evaluation; on-location observations of the travel agents under contract; and discussions with client federal agencies. At the GSA Office of Transportation, we spent several months examining solicitation paperwork, contract files, proposals, review sheets, and operational activity reports. At the Army Military Traffic Management Command (MTMC), we discussed, at length, matters bearing on the solicitation and contracts.

As part of the agreement to allow the tests, GSA and DOD gave us interim evaluation reports on the tests. GSA prepared a report on the test locations involved in its initial solicitation and submitted it to us in April 1983. DOD submitted an evaluation of its Warren, Michigan, test on June 1983. Each report provided insight into the problems and accomplishments resulting from the tests.

After completing most of the work at GSA and MTMC, we made trips to Baltimore, Dallas, Kansas City, and Quantico and around the Washington, D.C., area, to (1) observe the tests, (2) meet the contractors and discuss their views about the tests, (3) meet with GSA and military officials administering or coordinating the tests to obtain their comments, and (4) meet personnel from as many client agencies as possible to obtain their views about the success of and problems related to the program. The five agents contacted were:

- Four Seas and Seven Winds Travel, Inc., Baltimore, Md.
- Viking International, Inc., Dallas, Tex.
- Leisure Travel and Tours, Inc., Kansas City, Mo.
- Omega World Travel, Washington, D.C.,
- International Business Travel, Ltd., Quantico, Va.

In addition, we visited the GSA travel management center run by ATA at the Environmental Protection Agency to observe its operations and compare it with the other offices run by travel agents.

We briefly discussed the tests and our evaluation with the following parties:

- the Office of Management and Budget;
- ATA (the primary trade group of the scheduled airlines in America), including a number of its members;
- Associated Travel Nationwide (a trade group of travel agents);
- staffs of Congressmen Elliot H. Levitas and Michael DeWine; and
- reporters for the trade publications Travel Agent, Travel Weekly, and Travel Management Daily.

All the discussions, interviews, comments and, observations were considered in assessing the concept of using travel agents and making a recommendation on the authorization of such a program.

THE PROHIBITION AGAINST USING TRAVEL AGENTS

GSA is the civilian agency travel manager. DOD, specifically the Commander of the Army's Military Traffic Management Command, is the defense agency travel manager. Each issues regulations governing travel management and monitors how well the government manages its travel budget.

Typically these agencies have authority to institute new programs without consulting GAO. The travel agent matter, however, is different. GAO has long prohibited use of travel agents in connection with most types of travel, most importantly, all travel originating in or within the United States.

The prohibition dates back to 1899, long before the travel agent industry was a major force in selling transportation services. In 1899, the Comptroller of the Treasury, then responsible for prescribing the public forms used in procurement, approved a Justice Department request to use a transportation request form. He instructed other federal agencies to use similar forms and directed that travelers issue them directly to the company involved. That led to the practice of avoiding the use of any noncompany agent.

No specific mention was made about nonuse of agents until a 1952 GAO decision prohibited their use. The first regulations stating this premise were issued in 1955. They have been carried forward to the present day and are now published in part 52.3, title 4, of the Code of Federal Regulations.

Reasons generally cited for the prohibition include (1) administrative concerns, (2) the problem of commissions of government travel, (3) concern over the financial capability of a travel agent to handle a government account, and (4) lack of more cost effective alternatives.

The administrative problems have centered on the impact of the government having to deal with upward of 20,000 different travel agents, particularly when compared with the present system of dealing with only about 20 major airlines and a hundred or so carriers overall. Concern has been voiced about fairness in allocating business among so many agents and about the ability of government agencies to control their promotional tactics in government buildings. Furthermore, there were concerns about auditing agent bills and questions as to whether agents could understand and comply with government administrative regulations.

Second is the issue of commissions on government travel. The airlines have historically said they would not pay travel agents commissions on government travel. Without the commissions, it was generally felt no agent would risk taking on a government account. Because the government maintained it would not pay more through an agent than what was charged by the airlines, the only source of income would have to be commissions on personal travel of government employees and that was not considered to be sufficient for an agent to operate profitably.

There was also doubt that many agents would possess the financial capability to handle a government account. Government agencies often took several months to pay their bills and because agents had to pay their principals more quickly than that, there was doubt that any but the largest agents could afford that wait.

Finally, there was doubt that use of agents would produce any savings for government agencies. Whether administrative savings through fewer travel clerks would result seemed questionable since such personnel would have other administrative duties to perform anyway. Also, if the airlines did pay commissions, government fares might have to be raised or fewer discount fares offered for government travelers.

All of these reasons weighed against the idea of the government successfully using commercial travel agents. Federal agencies had alternatives and there seemed little reason to change.

TRAVEL AGENTS AND OTHER MEANS FOR ARRANGING TRAVEL

Travel agents are one of several means available to the public and businesses for making travel arrangements. They provide an alternative to having to deal directly with transportation and travel companies or having some type of in-house employee-run facility to make the arrangements.

Agents view themselves as professional travel advisers. They are generally considered experts on travel destinations, transportation alternatives, fares, accommodations, tours, and most administrative details connected with travel. Most visible, however, is their role in making reservations and issuing tickets.

Travel agents also serve as an important outlet for sales by the transportation and travel industry. They sell about two-thirds of all airline tickets sold in the United States. They obtain accreditation to sell airline tickets through the Air Traffic Conference of America (ATC) and the International Air Transportation Association. For their services they receive commissions. In the case of the airlines, the commission is usually about 10 percent of the ticket price. Commissions serve as the basis for almost all the industry income.

Currently there are about 22,000 accredited agents. Most services they offer can usually be obtained from another source, i.e., directly from the airlines or other carriers. Because GAO regulations have prohibited federal agencies from using travel agents, the agencies have had to secure their travel needs directly from the airlines and other transportation companies. They have done this in several different ways. Smaller agencies have generally required their employees to contact the airlines themselves. Larger agencies have often set up in-house employee-staffed travel offices to handle all the contacts with the airlines for their travelers. Travel office personnel can write tickets or receive them via teleticketing machines or have them printed in their offices on airline reservation system printers.

Some civilian agencies and many military facilities have used Scheduled Airline Traffic Offices (SATO) or Consolidated Airline Ticket Offices (CATOs). These are ATA or airline staffed and run travel and ticketing offices placed in government buildings or on military posts at the request of a particular federal agency. There are about 325 SATO service locations, most on military posts or in federal buildings. There is a handful of CATOs, all in the Washington, D.C., area. SATOs and CATOs have existed for over 30 years.

CONGRESSIONAL CONCERN ABOUT THE TRAVEL AGENT BAN

Over the years there has been much congressional interest, pro and con, in the need for the Comptroller General to ban use of travel agents. Perhaps the most interest was generated in January 1976 when the Chairman of the Subcommittee on Special Small Business Problems, House Committee on Small Business, wrote the Comptroller General asking for a study of the matter. His request was prompted by the travel agent industry asking his subcommittee to look into the Comptroller General's regulation.

On August 8, 1978, we reported (see note 1 on p. 3 of the memorandum) that although there were arguments on both sides of the issue, we did not have enough data on cost versus benefit to support a change to the ban. We did indicate we would not object to lifting the ban selectively, on an agency-by-agency basis, if it were shown that use of agents was more efficient and less costly than existing travel arrangement procedures.

The Subcommittee in 1979 recommended we lift the prohibition and asked us what action we planned to take. In response, the Comptroller General, on August 20, 1979, issued a circular letter advising agencies of his willingness to waive the travel agent regulations to allow travel agent tests. The

basic criterion for the test was that it be designed to provide us data to support a permanent lifting of the ban.

THE FIRST TEST

The Department of Labor (Employment and Training Administration), the Department of State, the National Credit Union Administration, GSA, and DOD submitted acceptable test plans and were the first agencies to receive permission to run tests. Labor was the first to get started when it awarded a contract to agent O. Roy Chalk International, Ltd., on October 19, 1980. The contract was for 1 year, but the experiment actually ran from March to August 1981.

Labor reported at the end of the test that it had significantly reduced its overhead and travel expenses and had improved quality of service using the travel agent. However, the agent had not been able to obtain commissions from the airlines on its sales and aside from the income from a little nonofficial personal travel for which commissions could be paid, the experiment was financially unsuccessful. Labor was convinced, however, that if the commission problem could be overcome or other sources of income found, the concept would be feasible. The test ended and was not restarted.

GAO subsequently reviewed the Labor experiment but could neither substantiate nor refute the agency's conclusions. On the matter of savings, there was no pretest data against which the experiment's results could be compared. Moreover, we felt some of the benefits pointed out by Labor could have been achieved whether a travel agent was used or not.

THE MAJOR TESTS--GSA AND DOD

GSA and DOD submitted the most ambitious plans to test the travel agent concept.

On December 10, 1980, DOD requested a 1-year waiver to our regulation to conduct a test. We approved it on February 10, 1981. DOD then canvassed all segments of the commercial travel industry, i.e., travel agents, mode operators, commercial vendors, carrier associations, and other transportation-related organizations, to provide (1) a single point of contact for air, rail, bus, lodging, and rental car services, (2) ready telephone access, (3) ticket and itinerary delivery, (4) detailed management reports, and (5) increased use of transportation, lodging, and rental car discounts.

DOD based its selection process on unrestricted competition and asked offerors to submit both technical and managerial proposals. DOD planned to reimburse the contractors only for actual transportation costs. DOD pointed out that the travel agents were expected either to be recompensed on a commission basis by carriers or others with whom they booked the travel in accordance with the custom of the trade. Consequently, cost was not to be a factor in evaluating proposals. The winner was to be selected on the basis of its offering DOD the most comprehensive and advantageous service possible.

GSA requested an exemption to test the use of travel agents on April 30, 1981. It advised that it wanted to establish one or more commercial travel agent-contracted operations in each of its 11 regions over a 2-year period. Its plan was to establish pilot projects in two or three regions where it felt that travel agent offices could feasibly operate as travel centers servicing a group of agencies in a federal center environment and then expand the program into other regions when conditions warranted. GSA viewed these centers as a means to replace smaller single-agency travel offices and existing SATOs. Its objectives, contractor selection process, factors used to evaluate the proposals, and plan to compensate the agents were all similar to those in DOD's test plan.

The contract solicitation process

The acquisition of travel agent and travel management service was conducted under terms of the civilian agency and defense procurement regulations. GSA issued nine separate solicitations--the earliest on September 15, 1981, and the latest on January 3, 1983. DOD issued three separate solicitations, all from April to August 1982. Procurements were negotiated pursuant to 41 U.S.C. 252(c)(10) and 10 U.S.C. 2304(a)(10).

The GSA solicitation process consisted of several phases. First, GSA identified those regions where there appeared to be sufficient federal travel to warrant contracts. Then it asked its regional staff to quantify the demand in those regions. Next it notified interested travel agents of the impending tests and issued a request for proposals (RFP). Interested parties were given 30 days to respond to the RFP. GSA spent the next 30 days evaluating the proposals and visiting the highest evaluated respondents. Then it awarded contracts for particular sites and gave the contractors 45 days to begin operations. Regional staff were assigned responsibility to monitor the contracts and coordinate the agents' activities with the client federal agencies.

The first locations selected for the GSA test were Washington, D.C.; Philadelphia; Denver; Dallas; Seattle; and Raleigh-Durham, North Carolina. GSA held prebidders conferences for the Washington, Philadelphia, and Seattle solicitations. From these conferences GSA established a mailing list of interested agents to supplement the required advertising in Commerce Business Daily.

The first solicitation was issued September 15, 1981, for multiple (six) sites in Washington, D.C. and single sites in Philadelphia, Denver, Dallas, Seattle, and Raleigh-Durham. In it, GSA advised that the prospective agents were expected to provide or arrange for

- transportation reservations and ticketing for air, rail, bus and steamship carriers;
- reservations for hotel/motel accommodations;
- automobile rental services;
- seminars, meetings and workshops at sites selected by the government (including conference rooms, lodging, meals, ground transportation, audiovisual equipment, and related services);
- international travel, including assistance in obtaining passports, visas, and advice regarding health requirements;
- preparation of travelers' itineraries;
- generation of detailed management reports;
- issuance of travelers checks and travel insurance policies; and
- personal travel for government employees (optional).

Management reports were deemed to be an important part of the test. GSA asked the agents to develop the following reports:

- A monthly narrative of the contractors' activities with problems, solutions, an assessment of the overall operation of the program and suggestions for enhanced services.
- Billings for each participating government agency, with the frequency of billings and the exact format to be established during the negotiation process. The reports were to include an itemized listing of:

1. The full name of each traveler, the class of service, the carrier, the origin and destination points, and the government transportation request (GTR) number assigned to the trip.
2. Transportation charges by mode of travel for each trip, an indication of whether GSA's discount programs (AMTRAK, airline contract) were used, the full coach fare for the trip, and the difference between the full coach fare and the actual transportation charge.
3. Total transportation charges for the agency, for the billing period, and for the year to date.

--A quarterly summary of billing data indicating:

1. Total number of official travelers using the contractors' services, by agency.
2. Percentage of official travelers, by agency, using the airline contract program or Amtrak discount.
3. Estimated cost savings (calculated by the difference between the regular coach fare and the discount fare), achieved by the program.
4. The number of working days between contractor billings and receipt of payment, by agency.
5. The number and percentage of tickets refunded or reservations canceled, by agency.

--A quarterly report on the use and cost of car rentals including the name of the using government agency, the traveler, the car rental organization, the city location, the number of rental days, the car type (subcompact, compact, intermediate, or large size), and the rental discount obtained.

GSA also asked that the agents locate in government-selected sites. It said it would give them adequate office space for their operations at no cost, but any renovation to the space, such as erection or removal of walls and partitions, electrical or plumbing connections, painting, carpeting, and any related work, would be at the contractors' expense.¹

¹In subsequent solicitations, GSA advised that it preferred that the agent not locate in government space.

GSA also advised it would give the agents copies of the Federal Travel Regulations (FTR), all necessary information relative to the GSA contract airline program, the GSA hotel/motel directory, and government telephone directories. The agents, however, were expected to provide all necessary office equipment, furniture, supplies, tariffs, automated reservation and ticketing equipment, data systems, telephone and teletype services, and related items necessary to conduct their operations and to fulfill the contract requirements.

GSA encountered a problem on whether any of the proposed awards should be "small business set asides." The Small Business Administration (SBA) wanted all the awards set aside for small businesses. GSA did not want any small business set asides. Compounding the problem was the question of what constituted a small business in the travel agent industry. SBA initially wanted to have GSA classify travel agents as service industry enterprises, and in that grouping, a small business was any enterprise with annual revenues not exceeding \$2 million. Whether the revenues were the net or gross figures was not clear.

Eventually SBA agreed to classify travel agents as part of the transportation industry, and the definition for a small business in that grouping was 500 or fewer employees. Of the 43 sites where services were asked for, 23 were set aside by GSA for small business.

GSA's solicitation asked prospective bidders to address two broad sets of factors: (1) technical management and (2) business management. Within each set were a number of specific elements.

In the technical management area, GSA asked that the prospective agents demonstrate their understanding of what GSA was looking for. Also, GSA asked the agents to demonstrate how they would provide authentication that any transportation billed to the United States was for official travel and to certify that they would comply with government travel regulations, such as those governing use of contract air carriers, the Fly America program, and restrictions on first class travel.

Second, the contractors were required to provide full-time onsite project managers responsible for the administration, supervision, and coordination of their operations. They were required to show how the projects were to be managed and carried out, including how staff needs were to be established, how the workload was to be organized, and how quality control was to be instituted. Also, the agents were to provide an implementation

plan and explain the type of automated equipment and reservation/ticketing system to be used. They also were to explain how each client federal agency's billing and reporting requirements were to be met.

Third, GSA required that the agents' personnel be experienced in arranging transportation via all modes and be familiar with lodging establishments and vehicle rental firms. Personnel also had to be experienced in operating state-of-the-art automated reservation and ticketing equipment. The site manager had to have at least 3 years' experience, and key personnel had to have at least 1 year of experience in delivering volume travel services. "Volume travel services" were defined as corporate or governmental accounts with annual billings exceeding \$100,000.

In the business management area, the prospective contractors had to show their capability to perform the requirements specified. This included a narrative describing the agents' organization, demonstration of financial capability to carry the government's accounts; proof of accreditation or authorization to act as agents for air, rail, bus, and steamship carriers; and information on previous experience in providing volume travel services.

Proposal review and contract award

The interested agents had 30 days to submit their proposals to GSA. At that point, all bids were given a cursory review by the contracting officer to ensure that all bids had addressed the technical and business management criteria. Then they were given to a technical review panel for evaluation and scoring. The panel consisted of at least two, but generally five, personnel, either all GSA personnel or a mix of GSA, prospective client federal agency, and Federal Executive Board personnel.

The solicitation spelled out the evaluation criteria, including each factor under review, its weight in the overall evaluation, the basis for analysis, and the critical elements related to each factor. In subsequent solicitations, the review factors were slightly revised.

After each member of the panel had scored the proposals covering a location, the average scores were established. The competitive range consisted of all scores above the average or median score.

In most cases, at least one member of the panel visited those agents in the competitive range to corroborate the information in the proposals. After the visits, the agents were given an opportunity to submit "best and final" offers. After

these were reviewed, the contracting officer selected the agents for contracts and made the awards. Generally, the agents were given 45 days to begin operation on the government accounts. The contracts generally were to run for 1 year; the government had the option to extend them for an additional year. All contracts were to expire at the end of the testing period, March 31, 1984.

Contract implementation and quality control

Once GSA headquarters officials had awarded the contracts, the day-to-day administration of the contracts was turned over to the GSA regional staff. Technically, the regional staff were not contract administrators but rather project coordinators. They took care of the day-to-day problems and referred the more difficult problems to headquarters.

Regional staff were also responsible for monitoring the negotiation of agreements between the travel agents and their client federal agencies on matters such as the frequency of issuing government transportation requests, billing and paying cycles, ticket delivery schedules, and time frames for preparing management reports. Regional staff were also responsible for monitoring the contracts and identifying areas when the contractors were not meeting the contract terms.

Similarities and differences between the GSA and DOD tests

The DOD test was much the same as the GSA test, although it was somewhat smaller in scale and was managed somewhat differently. Its basic objective was testing an alternative travel procurement concept through competitive bidding by any and all segments of the commercial travel industry. DOD was hoping the concept would give DOD travelers a single point of contact for comprehensive travel services, all at no cost to the government.

The Army's Military Traffic Management Command, as DOD's travel manager, initiated the test on behalf of all DOD. It asked the services to identify potential test sites and then completed a draft RFP and contract for local installation contracting officers' review and implementation.

While GSA had requested service at 45 locations, DOD asked for service at only 3. The sites selected were the Army's Tank-Automotive Command, Warren, Michigan; the Marine Corps' Development and Education Command, Quantico, Virginia; and Travis Air Force Base, California.

The first solicitation was issued April 15, 1982, for the Warren, Michigan, site. Contract award was made to Davis Agency, Inc. (later known as Warren Davis Agency, Inc.), on August 2, 1982, and the test began October 1, 1982. The Quantico and Travis Air Force Base tests began in early 1983.

DOD had not planned to set aside any contracts for small business but eventually agreed to requests from SBA to set aside at least one. This was the Travis Air Force Base site. DOD, as had GSA in its first solicitation, stipulated the prospective contractors had to locate on the military posts or federal properties if they received contracts.

Two differences between the DOD and GSA contracts were that DOD's spelled out the billing time frames and required that local installation officials have access to the agents' reservation systems. In the GSA contracts, there were no statements about minimum and maximum billing time frames. This was to be negotiated between the agents and clients after contracts had been awarded. On the other hand, DOD's contracts stated that the billing period could not be less than 1 week or longer than 2 weeks. Also DOD, but not GSA, required the agents to give each installation an airline reservation system terminal which allowed local officials to monitor the agents' work.

FINDINGS AND CONCLUSIONS

The GSA and DOD tests have shown:

- The travel agent industry is very interested in serving the government.
- Travel agents can provide services as required and overcome previously cited problems, such as the commission and slow payment problems. Procuring, administrative, and using federal agencies are over-whelmingly satisfied with services received.
- Travel agents can and will comply with the government's administrative regulations, such as Fly America.
- Federal agencies can overcome all administrative problems in procuring and using travel agent services.
- Adequate audit trails are established to facilitate audit of travel agent billing and payment systems.
- Payment of commissions on government travel did not result in any identifiable changes in fare levels or discount fare availability to government agencies.

Accordingly, we find no valid reason why the prohibition against use of travel agents should not be lifted permanently.

Details of our findings and conclusions follow.

Travel agents were interested in providing services and made responsive bids despite major concerns

For many years, we have received many letters and other expressions of interest in government business from travel agents. Most agents wrote us directly. Others wrote their congressmen or small business interests in the Congress that forwarded their concerns to us.

When GSA announced its plan to test the use of travel agents, it received nearly a thousand letters expressing interest. In 1982, GSA reported it had received another 1,000 letters expressing interest. Since then it has received 1,800 more. Likewise, there is much interest in DOD's program.

The industry's response has been more than just interest. Many agents, where RFPs were issued, submitted fully responsive proposals even though there were factors which tended to curtail the response.

After issuing its initial solicitation on September 15, 1981, covering requests for service in Washington, D.C.; Dallas; Denver; and Research-Triangle Park, GSA received 23 responsive proposals. After issuing its last major solicitation, January 3, 1983, covering 17 sites, GSA received from 6 to 25 proposals for each site. DOD, for its three solicitations, received from six to eight proposals for each site.

Several factors, however, curtailed a large response to the tests, at least the earlier ones. Initially, the Small Business Administration's definition of a small business prevented GSA from soliciting the high dollar volume travel agents. Many of these agents, however, did express interest in the program. Eventually SBA changed its definition of a small business in the travel agent industry, and this allowed many previously restricted agents to respond.

An even more significant factor limiting interest in the tests was the agents' concerns over commissions on airline tickets. The airlines had always refused to pay commissions on government travel, arguing that commissions were reserved for promotionable-type travel, which did not include government travel. When GSA began to advertise its test program, the airlines restated their policy. Some officials in DOD felt the airlines were using "scare tactics."

Other agents appeared reluctant about participating because of the oft-stated problem of the government's payment system. Many times the airlines had to wait 60 to 90 days to get paid. The airlines had long complained of these problems, and what with most agents having even lesser financial capability, the concern of the travel agent industry was real.

Finally, agents were concerned about having to locate on government property. Both GSA, in its early solicitations, and DOD, throughout, asked prospective agents to locate in government space and in some cases to serve all of several locations within a metropolitan area. This entailed significant financial risks of getting started in new locations in a timely manner. Also, it raised further concerns as to whether the new offices could be considered full service offices serving the public, thereby qualifying for full airline commissions, generally 10 percent versus 3 percent for in-plant offices.

Major concerns were overcome and agencies have been satisfied with services received

For the most part, GSA, DOD, and each of the nearly 100 client agencies were satisfied with services of the travel agent industry. Major concerns were overcome, although there were serious startup problems.

GSA and DOD required the agents to provide a wide range of services, including making transportation reservations, procuring and delivering tickets, making reservations for accommodations and car rentals, preparing itineraries, preparing management reports, furnishing travelers checks, and generally providing assistance in all matters related to travel and conferences.

The two most important considerations in the tests were agents' ability to procure and deliver in a timely manner the lowest priced airline tickets meeting travelers' needs and conforming to the government's regulations and to provide specified management reports. Key to meeting these needs were

- finding a source of income to operate profitably,
- maintaining financial solvency because of payment problems, and
- matching resources with requirements.

There was no question more important to the ability of travel agents to provide service than finding a source of income to operate profitably. Since the government had never planned to pay the agents anything for their services, they had to look to the airlines. Yet the airlines had historically stated their refusal to pay commissions.

The industry attacked the problem directly. The federal agencies issued their transportation requests to the agents in the agents' names. When the agents issued tickets, they simply deducted their commissions from the amounts otherwise owed the airlines and paid them what was left. They then billed the government and collected the full amounts. Some airlines threatened to take back the amounts withheld, but they did not. Once the precedent was set, it became much easier for the travel industry to operate profitably.

The question of financial solvency was related to whether any but the largest agencies could carry the government accounts. Most agents had to deal with many different agencies and different terms of payment; i.e., when a bill could be presented for payment and what constituted a reasonable period in which to expect payment. GSA had not stated these terms in its contracts. It had left this to the agents and client agencies to negotiate.

Some agencies were at least 60 days behind in their payments to agents. Others were letting agents invoice them only every 30 days. However, once these problems were discussed with all parties, they were generally resolved. Most agencies appeared to be paying their bill between 14 and 30 days after receipt of proper invoices.

Passage of the Prompt Payment Act (Public Law 97-177) on May 21, 1982, and issuance of the Office of Management and Budget's implementing instructions (Circular No. A-125), dated August 19, 1982, helped resolve this issue. These directed federal agencies to pay their bills within 30 days of receipt of proper invoices or be subjected to interest expenses. Neither the law nor the circular ended the problem of slow pay, but they at least established some basic standards of compliance. Most agents, large and small, indicated they could live with them.

To prevent any undue financial hardships related to carrying too many government contracts, GSA also revised its thinking about giving any one agent more than one contract or requiring one agent to serve multiple locations in one area. Originally GSA had awarded contracts to single agents at a number of different locations in one metropolitan area or at widely dispersed areas across the country. For example, early in the program, one agent was awarded a contract serving several locations in Washington, D.C., and another site in Denver. The contractor subsequently defaulted, and GSA had to react quickly to fill in with new agents and maintain the program. To avoid any future problems associated with one contractor defaulting on several different contracts or one agent spreading its financial capability too thin, GSA stopped asking that one agent serve all sites in an area and gave preference, all other things being equal, to agents in new areas that had no other contracts.

Another problem was matching resources--personnel and automatic data processing equipment--with the government's requirements. Initially, some agents experienced problems in staffing. They either had too little or too much staff. Most of this was not the agents' fault but rather the government's inability to accurately forecast the volume of business it expected the agents to handle. In the GSA tests, GSA canvassed the civilian agencies to find out which would participate in this test program and to what extent. Once the contracts were let, often agencies did not immediately join in as they had said they would or the estimates proved significantly inaccurate. Most agents eventually adjusted their staffing levels to the requirements, but there were some delays and problems in service.

All agents that were awarded contracts owned or leased one of the major state-of-the-art reservation systems, but not all had good automated systems to produce the management reports the contracts called for. Some problems persisted for long periods, although most were eventually solved to the contracting officials' satisfaction.

Travel agents have shown they can
and will comply with the government's
administrative regulations

One measure of agents' success in the test was their ability to understand and comply with the Federal Travel Regulations (FTR) which established the basis by which all transportation and travel was procured and performed in the government. Some existing federal travel programs were administered and regulated through the FTR; others relied upon voluntary agency compliance. In the "Statement of Work" and "Specific Tasks" sections of the GSA and DOD contracts, compliance with these regulations was mandated. Failure to comply could result in default of the contracts.

The largest of the federal travel programs in operation, which was regulated by the FTR, was GSA's contract airline city-pair program. GSA contracted with the airlines for specifically discounted fares on routes heavily traveled by the government travelers. The FTR stated agencies must use these fares when they were available, unless there existed one of five exceptions. The next most prominent policy involved the Fly America Act. In brief, all government travelers were required to use U.S. certificated air carriers when performing official business overseas. Failure to use these carriers, unless an exception was authorized, could carry a stiff financial penalty for the traveler. This too was required by the FTR.

Two programs not regulated by the FTR were GSA's Hotel/Motel Discount Program and its Contract Rental Vehicle Program. Both relied upon voluntary agency compliance to ensure the programs were used. GSA contracted with lodging establishments and car rental firms to obtain discounted rates for government travelers. These programs are relatively new and are gradually becoming more successful as GSA is able to negotiate better terms. These programs and the Fly America policy are publicized by the travel agents, and, where regulated, must be enforced.

According to GSA's files on the individual solicitations to establish travel centers and their interim evaluation reports, the agents generally understood the requirements and carried them out. The agents met with their client agencies and were taught how to implement their travel policies and regulations. In most cases, the employee travel authorization forms also conveyed this information. These instructions usually covered authorized mode of transportation (air, rail, bus, etc.), class of carrier permitted for use, and authorization to use a rental car.

Our interviews with client agencies and review of management reports, and GSA's interim evaluation report showed that travel agents were generally complying with the regulations. They met these requirements by booking contract air fares when available or the most economical fares available to meet the travelers' needs when a contract flight was unattainable and by obtaining government discounted rates for lodgings and car rentals. Some agents even offered to absorb the difference in fares if they failed to book the lowest available. Much of the agents' success appeared to be attributable to their use of up-to-date state-of-the-art reservation systems, creation and use of their own programs for researching fares, and staying in contact daily with all the major carriers for fare changes. Client agencies also reported no problems with travelers meeting the Fly America Act requirements when booking flights through the agents.

Two other areas of concern for GSA and the client agencies dealt with the use of the government transportation request for procuring passenger services and the handling of ticket refunds. GSA encouraged agencies to use a "blanket" GTR--a single GTR covering procurement of all of an agency's tickets for a week, 2 weeks, or even a month. Most agencies used blanket GTRs during the tests; many, for the first time. Use of the blanket GTR provided savings to many agencies because all their tickets could be paid for in lump sum, whereas before individual travelers' GTRs had to be processed and paid separately. Savings from use of blanket GTRs could not be attributed solely

to the use of travel agents; however, the travel agent experiment did facilitate and encourage the use of blanket GTRs.

Refunds presented no greater problems than experienced before the tests. Some agencies, but not all, reported refunds had been processed faster by travel agents than by the airlines. Others stated that there were problems, but that they were being worked out.

Other problems cited in our 1978 report appear to have been solved

As we noted earlier (see p. 2 of the memorandum), a number of problems have been cited as reasons for the prohibition and these were mentioned in our 1978 report to the House Committee on Small Business. The GSA and DOD tests have demonstrated these problems have been solved.

The commission question, as discussed earlier, has been resolved. The contracted travel agents are taking their commissions on government travel. Even though the airlines can withhold commissions or prevent the agents from taking them, they have not. There appears to be no movement to change this situation, and we see none in the future.

We observed no effect on the level of air fares charged the government or the availability of discounts because of the payment of commissions. If all government travel were booked through travel agents, there would be an additional cost for the airline industry but there would be at least some offsetting savings. In fiscal year 1982, government airfare costs were estimated to be \$1.2 billion. Using a 10-percent commission factor, the cost to the airline industry would have been about \$120 million assuming all travel was booked through travel agents. Offsetting this added cost, however, would have been the savings from (1) eliminating the expense of SATO offices, (2) reducing the administrative and carrying costs associated with billing and collecting from government agencies, and (3) improving cash flow through more expedient payment required of travel agents.

In our brief look at air fares and discounts available to the government, we have found nothing to indicate any effect caused by the payment of commissions. Our evidence shows the government, particularly through GSA's contract airline city-pair program, is paying very low fares in many markets compared with fares published for nongovernment travel. There is nothing to show that fares or discounts in markets where travel agents are used are at any different levels from those that apply in non-travel-agent markets.

We have already discussed the concern about smaller travel agents having the financial capability to wait for slow-paying agencies. Two events have tempered that concern. First, as pointed out earlier, the Congress enacted the Prompt Payment Act (Public Law 97-177, May 21, 1982), which required agencies to pay their bills in 30 days or else face interest charges. Second, in 1983, GSA began a credit card test program whereby certain federal travelers are instructed to use specifically issued credit cards for buying official transportation. This program, to the extent implemented by federal agencies, transfers much of the slow payment problem from the travel agents to the credit card company.

Problems related to allocating business among thousands of travel agents have been avoided by having GSA and DOD centrally contract for agents through the formalized procurement regulations. While this adds an administrative expense, it has promoted fairness.

The concern about agents' promotional efforts in federal buildings has been tempered, particularly in the GSA program, by lessening the need for agents to locate in federal buildings. GSA's recent solicitations have welcomed interest by agents wanting to serve federal customers from nongovernment facilities. If the agents are located outside the federal properties, there are fewer opportunities for promotional activities.

Adequate audit trails are being maintained

Concern had been expressed that the use of travel agents would not provide adequate audit trails. Of particular concern was that the government could not tell whether it was paying only for its own travelers' tickets, that it was paying only for those travelers' official travel, and that it was paying the lowest fares. We found that there were adequate, though not necessarily uniform, audit trails.

Both the GSA and DOD contracts spell out how agents are to bill the government. Each agency requires agents to prepare standard form invoices, keyed to each GTR number, and documentation, including all travelers' names, origins and destinations, ticket numbers, and ticket prices. Agencies in many cases have negotiated, or at least reached agreement, with agents to provide some additional data. The contracts also require the contractors to provide fare data on all tickets issued so that the fares can be audited by GSA's Office of Transportation Audit, the federal government's auditor of transportation charges. Basically, this requirement is met by having contractors attach copies of all tickets to the invoices submitted for payment. The paying agencies then submit these copies along with the paid vouchers to GSA for audit.

Travel agent defaults

Despite an overall successful program, GSA did experience two contractor defaults. The Davis Agency, Inc., on September 17, 1982, defaulted about 5 months after the tests began. This default threatened the entire experiment. Nevertheless, it served a valuable learning experience for GSA.

In GSA's first solicitation on September 15, 1981, the Davis Agency, Inc., of Arlington, Virginia, won contracts for serving seven of the eight sites: Denver, Research-Triangle Park, and five separate locations in Washington, D.C. Davis had to establish new offices and staff and equip them for an early 1982 start. About 40 new people were hired in the Washington, D.C., area alone. Only two offices opened on time on April 1, 1982, and they were managed by new personnel. Davis installed new airline reservation systems with which the new staff were not entirely familiar. It had to install new telephone systems which arrived late and required debugging.

The time invested by Davis' personnel in trying to meet the opening deadline left little time for learning the Federal Travel Regulations and GSA travel programs or establishing adequate billing and payment procedures. Perhaps the worst problem was the unacceptability of Davis' own ticket stock. Davis had chosen to use its own stock as opposed to the universally accepted Air Traffic Conference stock. When Davis opened for business, most major airlines that had previously honored its ticket stock canceled their interline agreement with Davis. When carriers refused to accept Davis' tickets, many travelers were forced to use cash or issue individual GTRs.

Inexperienced personnel using unfamiliar reservation systems and issuing tickets on unacceptable stock led to a preliminary notice of default on April 16, 1982, less than a month into the operation. Complaints from client agencies over erroneous reservations and discourteous service began to mount. Davis responded 10 days later and addressed some of the problems temporarily, in effect buying more time to correct others. The continuation of complaints, the threat of the Environmental Protection Agency's withdrawal from the program in June, and the discovery of Davis' failure to bill its client agencies was slowly pushing GSA toward its first default. The final blow came on September 17, 1982, shortly after Air Traffic Conference officials pulled their ticket stock and validation plates from the Crystal City, Virginia, offices of Davis. Davis had been several weeks and a couple of million dollars behind on its account. On September 17 GSA declared that Davis had defaulted since it could no longer deliver acceptable tickets.

The Davis experience was costly to the credibility of the travel center program and, in particular, the use of travel

agents. Nonetheless, lessons were learned. GSA no longer awarded multiple contracts to a single agent as a general rule. Billing and payment procedures were worked out and generally put in writing. GSA gradually moved away from agency in-house operations by travel agents, thus reducing start-up time and problems. However, the Davis Agency was not exclusively a travel agent, but was an indirect air carrier. We believe this was a factor in causing the multitude of problems experienced by GSA and the cause for its eventual downfall as a travel agent.

In Warren, Michigan, DOD encountered identical problems with the Davis Agency. Davis had won DOD's first contract on August 2, 1982. There were unacceptable delays, unanswered telephone calls, late tickets, erroneous tickets, and generally poor service. According to MTMC's interim evaluation report, Davis' contract was almost terminated before the test was a month old because of start-up problems. Two notices for improvement were sent to Davis on October 15 and November 8, 1982, citing deficiencies in its performance.

The agency did commit additional resources and staffing at the Warren site. It also changed ownership. Under the new owner, Warren Davis Agency, Inc., the situation rapidly improved and MTMC narrowly escaped a default.

GSA's second default came when Passport Travel failed to open for business in Oklahoma City on July 21, 1983. Passport advised GSA that equipment previously scheduled for installation had yet to arrive. On several occasions, Passport gave GSA assurances regarding the purchase and installation of equipment at the Oklahoma City site. On August 2, 1983, GSA sent Passport a notice to improve. Passport was given 10 days to have the necessary equipment installed and ready for operation. However, it could not deliver on time and defaulted on August 16, 1983. Logistics seemed to be a major part of the problem. Passport's home office was located in Overland, Kansas, as opposed to Oklahoma City or anywhere nearby. Consequently, considerable time was required to open a branch office. It took 30 to 90 days alone to acquire ATC accreditation, not to mention procuring and installing new equipment.

CONCERNS RAISED BY THE AIR
TRANSPORT ASSOCIATION

On December 20, 1983, ATA wrote to us raising concerns about the GSA and DOD tests and our evaluation of them. We had briefed ATA officials about our evaluation in October 1983 and had met with them again in November. A synopsis of these comments and our evaluation follows.

ATA urged we compare SATOs with travel agents

ATA wrote:

"The travel service and transportation system provided by the scheduled airline industry through the Scheduled Airlines Traffic Office (SATO) program must be compared to the travel agent approach. This comparative analysis of the SATO program and travel agent approach should address the impact on the government transportation services program in the area of efficiency, effectiveness, administrative burdens, audit trail, additional costs, centralization and standardization."

We have consistently advised all interested parties during our work that our objective was not to compare one system of procurement with another, but rather to determine the feasibility of the government's using travel agents. We did briefly look at a SATO during our evaluation and obtained an insight into its operations. We met with the people using the SATO, and they were satisfied with its activities. There are other systems besides SATO. These include CATOs and in-house employee-run travel offices. We made no comparisons between travel agents and them either.

What we did look at was whether problems were brought out during the tests that would warrant keeping the travel agent prohibition in place.

ATA questioned the scope of the interim evaluation

ATA further stated:

"The total GSA test results should be considered by GAO, in its evaluation process. The GSA interim evaluation only covered a small portion of the thirty-one (31) travel agents now in operation. Furthermore, the evaluation was based on only six (6) months of the twenty-four (24) month test. The remaining eighteen (18) months, incorporating the results of all travel agent tests could have a significant impact on the final GAO decision."

We used GSA's interim evaluation as the foundation for our work. That report covered only the first part of the test. We expanded on that report by investigating travel agent activities covering the time from September 1982 through September 1983. We believe we have covered the major part of the 2-year test. Our onsite visits to agents were in September 1983. We found

nothing to indicate there would be anything different in the tests between September 1983 and April 1984, and we have kept in contact with GSA and DOD since September 1983.

ATA also wrote:

"GAO policy direction should be provided relative to the government's management of the SATO and travel agent program, if the prohibition is lifted. This policy should address the preservation and uninterrupted continuation of the existing GSA and DOD Scheduled Airlines Traffic Office (SATO) programs, under appropriate Memoranda of Understanding. Further, with respect to new travel management centers, ensure that the airline industry, through the SATO program has an equal opportunity to compete for future contract awards."

We believe it is up to GSA and DOD to determine if SATOs make sense.

ATA wanted us to expand our analysis to other areas

Finally, ATA wrote:

"Expansion of the GAO analysis to include other important issues relative to the travel agent program, as we have outlined in the accompanying correspondence."

These other issues relate first to our evaluation factors. ATA stated that we ought to substitute the following for those factors.

- "1. Is the travel agent's approach as efficient and effective for the government as the industry's SATO program?
- "2. Is the travel agent approach as conducive to standardization and availability of total airline industry resources as the SATO program?
- "3. Pursuant to government policy, a large ingredient in servicing the government travel requirements is the capability of the system to provide national defense and emergency transportation services for

both passenger and cargo. Is the travel agent approach as capable of providing these services as the SATO program?

"4. Does the travel agent approach provide indirect and direct cost savings to the government equal to that provided by the SATO program?"

Other areas it felt were worth considering included:

. . . not only will the increased costs of doing business with travel agents result in increased transportation costs for the government, but depending on the magnitude of these costs, which correlate positively with the travel agent share of government market, the airlines may find it economically impossible to maintain two distribution systems (SATO and travel agent) to service the government."

We do not believe we need to comment on this. Our purpose in the evaluation was simply to determine the feasibility of using agents.