

**DOCUMENT RESUME**

07020 - [B2227261]

**A Look at the Prohibition on Using Commercial Travel Agents.**  
LCD-78-219; B-103315. August 8, 1978. Released August 9, 1978.  
17 pp. + 8 appendices (30 pp.).

**Report to Rep. Marty Russo, Chairman, House Committee on Small Business: Special Small Business Problems Subcommittee; by Elmer B. Staats, Comptroller General.**

**Contact: Logistics and Communications Div.**  
**Budget Function: Commerce and Transportation: Air Transportation (405).**

**Organization Concerned: Department of Defense; American Society of Travel Agents.**

**Congressional Relevance: House Committee on Small Business: Special Small Business Problems Subcommittee. Rep. Marty Russo.**

**Authority: Dockery Act of 1894 (28 Stat. 206). Budget and Accounting Act [of] 1921 (42 Stat. 24; 31 U.S.C. 44). Small Business Act (15 U.S.C. 631(a)). Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4222). Federal Aviation Act of 1958, as amended. Interstate Commerce Act. Shipping Act of 1916. 49 U.S.C. 1472(d). 49 U.S.C. 2. 49 U.S.C. 6. 49 U.S.C. 317. 49 U.S.C. 906. 46 U.S.C. 812. 46 U.S.C. 815. =4 C.F.R. 7. =4 C.F.R. 51. =4 C.F.R. 52. =14 C.F.R. 399. =32 C.F.R. 3. OMB Circular A-76. 41 Fed. Reg. 46529. Treasury Circular 18. Treasury Circular 62. GAO General Regulation 46. GAO General Regulation 108. SAC General Regulation 123.**

Federal employees are prohibited by regulation from using travel agents to procure transportation for official purposes. A questionnaire was sent to 20 civilian and 5 military agencies to determine the views of the agencies concerning the use of commercial travel agents. Findings/Conclusions: Six civilian and five Department of Defense agencies were opposed to removing the prohibition to commercial travel agents, whereas the remaining 14 agencies had no objection to lifting the ban. Many of those without objections indicated that there would be no cost savings or other advantages in using travel agents except when employees travel overseas. Arguments can be made both for and against lifting the prohibition. Travel agents offer some services now being provided by Government employees, but savings, if any, cannot be measured because Government employees generally have additional duties to perform. The administrative burden and the cost of selecting and monitoring travel agents for Government business would have to be offset against any savings in personnel costs. GAO would not object to lifting the prohibition on an individual agency basis if such action is shown to be more efficient and less costly. (RRS)

7261

REPORT BY THE

*Released Date*

# Comptroller General

8-9-78

OF THE UNITED STATES

**RESTRICTED** — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

## A Look At The Prohibition On Using Commercial Travel Agents

Federal employees are prohibited from using commercial travel agents to procure transportation for official purposes.

This report examines the history of the prohibition and the effect it has on Government expenditures, and presents the views of agencies and industry on using commercial travel agents.

The Subcommittee on Small Business Problems, House Committee on Small Business, asked GAO to compile the report.



LCD-78-219  
AUGUST 8, 1978



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-103315

The Honorable Marty Russo, Chairman  
Subcommittee on Special Small Business  
Problems  
Committee on Small Business  
House of Representatives

Dear Mr. Chairman:

At the request of your subcommittee, we have looked into the prohibition on using commercial travel agents to procure transportation for Government employees traveling on official business. Our findings and conclusions are presented in this report.

Your office requested that we make no further distribution of this report at this time because its contents may be discussed at future hearings. It is our policy to release congressional request reports within 30 days after their issue dates. However, because hearings are planned, we will restrict its distribution until such hearings unless you publicly release its contents earlier. We will be in touch with your office in the near future to make specific arrangements for the release of the report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas B. Stearns".

Comptroller General  
of the United States

REPORT TO THE HOUSE  
SUBCOMMITTEE ON SPECIAL SMALL  
BUSINESS PROBLEMS  
COMMITTEE ON SMALL BUSINESS

A LOOK AT THE PROHIBITION ON  
USING COMMERCIAL TRAVEL  
AGENTS

D I G E S T

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

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 (GAO) assumed the powers and duties of the Comptroller of the Treasury in 1921, it continued the prohibition. (See pp. 6 and 7.)

GAO questioned 25 agencies on their views of prohibition. Eleven (6 civilian and 5 Defense (DOD) agencies) were opposed to removing the prohibition, while the remaining 14 generally commented that they had no objection to lifting it. Many of those without objection indicated that there would not be a cost savings or any other advantage in using travel agents, except where employees travel overseas. (See p. 10.)

GAO asked DOD, the Air Transportation Association, and the American Society of Travel Agents, Inc., for their views on the advantages and disadvantages of using travel agents. Both DOD and the Air Transport Association were opposed to having travel agents involved in Government business. DOD

characterized using travel agents as counter-productive, inefficient, and uneconomical. (See p. 12.)

The American Society of Travel Agents favored lifting the prohibition. Among other things, it believed there is no reasonable justification for excluding one class of businessmen--travel agents--from doing business with the Government. (See p. 13.)

The information GAO has obtained is inconclusive as to whether or not a change in the present prohibition is warranted on a cost-benefit basis. GAO would, of course, not object to lifting the prohibition (on an individual agency basis) to the extent that such action is shown to be more efficient and less costly.

## C o n t e n t s

	<u>Page</u>
DIGEST	i
CHAPTER	
1 INTRODUCTION	1
2 BACKGROUND	2
Government travel procedures	2
Travel agent operations	3
3 HISTORY OF THE PROHIBITION ON USING COMMERCIAL TRAVEL AGENTS	6
4 SPECIFIC INFORMATION REQUESTED BY THE SUBCOMMITTEE	8
Annual transportation expenditure	8
Number and cost of employees involved in travel agent-type work	8
Office space, equipment, and sup- plies dedicated to travel	9
Employee qualifications	10
Agency views on using travel agents	10
Using travel agents could affect hotel and car rental rates	13
5 EARLIER GAO REVIEWS OF THE PROHIBITION	14
6 CONCLUSIONS	16
7 SCOPE OF REVIEW	17
APPENDIX	
I Agencies asked to respond to the questionnaire	18
II Civil agency travel function questionnaire	19
III Cost of Government employees who do travel agent-type work at Defense agencies	27
IV Cost of Government employees who do travel agent-type work at civilian agencies	28

**APPENDIX**

**Page**

V	Travel agents' proposal for involvement in Government business	29
VI	Letter of September 29, 1977, from Assistant Secretary of Defense	30
VII	Leval memorandum from the American Society of Travel Agents	32
VIII	Letter of July 29, 1977, from the Air Traffic Conference of America	43

**ABBREVIATIONS**

ATC	Air Traffic Conference
DOD	Department of Defense
GAO	General Accounting Office
GSA	General Services Administration

## CHAPTER 1

### INTRODUCTION

Federal employees are prohibited by regulation from using travel agents to procure transportation for official purposes.

Prompted by suggestions from travel agent representatives, the Subcommittee on Small Business Problems, House Committee on Small Business, asked us to compile an extensive report on the prohibition. The Subcommittee specifically requested:

- A detailed history on the Federal prohibition of travel agent use dating back to the first regulation, to include any hearings, etc., on the issue.
- A detailed report on the yearly Federal expenditures of all departments and agencies resulting from this prohibition, to include
  - the number of Federal employees (full- and part-time) engaged in procuring passenger services and total salary costs by department or agency;
  - the number of employees holding such positions who would be properly classified as a travel agent, based on prior experience;
  - the amounts of office space utilized for travel services;
  - the amounts and costs of supplies and other expenditures (power, maintenance, etc.) that result from travel use of facilities;
  - each department's or agency's official position on using travel agents including any benefits or handicaps they could foresee; and
- any general views on the subject that they may wish to offer.



## CHAPTER 2

### BACKGROUND

#### GOVERNMENT TRAVEL PROCEDURES

Government travel procedures vary widely among agencies, and even within an agency. However, they generally fall into four phases--getting authorization to travel, getting reservations and tickets, paying for tickets, and auditing carrier bills.

Travel is authorized based on the need to conduct official Government business. The authorization is usually in the form of an approved travel order or general travel authorization.

Once travel is authorized, the next step is to obtain reservations and tickets. Reservations can be made directly by the traveler, a secretary, or by the agency's travel office personnel. The reservation process involves using automated reservation systems, carriers' schedules and guides, and phone calls to carriers' reservation offices.

Many Government agencies have one or more travel offices. These travel offices are staffed by full- or part-time Government employees. These offices' functions include

- giving advice on travel regulations and procedures,
- providing carrier schedule and cost information,
- planning itineraries,
- making passenger reservations and providing tickets,
- controlling and preparing individual and group Government transportation requests,
- obtaining passports and visas,
- providing travel advances,
- making hotel and car reservations, and
- notifying the carrier of cancellations and requesting refunds.

Several travel offices have automated reservation systems with direct access to carrier reservation information. With direct access, these offices can automatically make reservations and request tickets that are printed by teletype.

Other agencies have ticket offices or counters located within the agency. These offices are staffed with carrier personnel; the Government furnishes only the necessary office space. The ticket offices provide a convenient place for Government employees to obtain tickets for both official and personal business.

Government transportation is paid in various ways; generally, carrier billings are sent directly to the agency or the agency initiates "automatic" payments. After the carrier billings are paid by the agency, they are forwarded to the General Services Administration (GSA) for any necessary review. Any discrepancies noted are resolved between the General Services Administration and the carrier.

#### TRAVEL AGENT OPERATIONS

According to the American Society of Travel Agents, a travel agent is a professional travel counselor who provides travel services that include:

- Arranging transportation (air, sea, rail, bus, and car rental).
- Arranging for hotel, motel, and resort accommodations; meals; sightseeing; transfers of passengers and luggage between terminals and hotels; and such special features as music festivals and theater tickets.
- Preparing individual itineraries, personally escorted and group tours, and selling prepared package tours.
- Arranging reservations for such special-interest activities as religious pilgrimages, conventions, business travel, student tours, and sporting trips.
- Handling and giving advice on the many details involved in travel (visas, health and passport requirements, baggage allowances, insurance, travelers checks, and language study material).

To provide customers with carrier tickets, a travel agent must be approved by individual train and bus companies (such as Amtrak, Greyhound, and Trailways), the Air Traffic

Conference (ATC) for domestic air flights, and the International Air Transport Association for overseas flights.

Travel agents get their income from commissions from carriers, hotels, and car rental companies. On point-to-point air travel (which is ordinarily used for official Government travel) the travel agent's commission is 7 percent.

In 1974, according to a Louis Harris and Associates study, the approximately 10,260 ATC approved travel agencies grossed about \$11 billion. About 3,800 grossed over \$1 million each. Sixty-four percent of the total bookings were domestic and 36 percent international, with 34 percent of the total representing business travel and another 13 percent combined business and pleasure. The percent of total bookings for 1974, by type of travel arrangements and based on dollar volume, was:

	<u>Percent</u>
Air travel	56
Steamship travel	11
Rail travel	3
Hotel bookings	13
Car rentals, miscellaneous other ground arrangements	<u>17</u>
Total	<u><u>100</u></u>

In 1974 travel agencies had an average of 7.2 employees-- 5.2 full-time and 2 part-time. About 70 percent of the full-time employees were paid straight salaries. The rest received at least some commissions. About 34 percent of the part-time employees were paid straight salaries; the rest received salary and commissions or commissions only.

By the end of 1975, there were 11,400 ATC approved agencies and about 9,000 agents in the United States. By the fall of 1976, the number of agencies grew to 12,000.

Air carriers will not pay commissions for Government travel. ATC agency agreements provide that: "No commission will be paid to the agent for the sale of any air passenger transportation paid for by Government travel voucher, warrant, or similar Government purchase contract." This statement was originally approved by ATC in 1945 and later approved by the Civil Aeronautics Board.

The International Air Transport Association also restricts commissions paid to agents for providing international travel services to Government employees. Specifically, the agreements provide that:

"No commission shall be paid to, claimed or withheld by the agent for transportation sold to a Government, (i) at a Government discount or (ii) where payments for such transportation are wholly or partly made directly to the Carrier or paid by a Government transportation request, unless such request is drawn in favor of the Agent who cashes it and remits the proceeds to the Carrier."

## CHAPTER 3

### HISTORY OF THE PROHIBITION ON USING COMMERCIAL TRAVEL AGENTS

Section 5 of the Dockery Act of 1894, 28 Stat. 206, authorized the Comptroller of the Treasury to prescribe "the forms of keeping and rendering all public accounts except those relating to the postal service." On February 8, 1899, the Comptroller of the Treasury issued Treasury Circular No. 18, approving a transportation request form for use by the Department of Justice. The circular requested other Government departments and services to use basically the same form. The circular stated that the employee wishing to travel should present the request to a regular ticket agent (or other authorized depot official) of the railway. Apparently, this meant that travel requests should be presented directly to the carrier.

Treasury Circular No. 62 was issued October 29, 1907, to implement Presidential instructions that all travel by Government employees be requested on the standard forms prescribed in the circular. The forms directed the traveler to present the request to a regular ticket agent of a transportation company. Treasury Circulars No. 27 and No. 49, issued in June 1912 and 1915, respectively, revised the transportation forms and extended their use to include sleeping car service and ocean transportation. These circulars continued to direct the traveler to present the transportation request directly to the carrier.

As of June 30, 1921, title 304 of the Budget and Accounting Act (42 Stat. 24, 31 U.S.C. 44) transferred all powers and duties previously held by the Comptroller of the Treasury to GAO. In October 1925, GAO issued General Regulation No. 46, which prescribed new forms and canceled the ones under Treasury Circular No. 49. The new transportation request continued to instruct the traveler to present the request to the carrier's ticket agent.

GAO's General Regulation 108 again revised the form on April 1, 1947. The instructions directing the traveler to present the forms to the carrier were no longer printed on the transportation request. However, these instructions became part of the regulation which stated that, to obtain transportation, transportation requests were to be presented to such transportation companies in the United States as the

Pullman Company, electric railway companies, motor bus lines, airlines, and steamship lines having U.S. ports. Transportation requests were to be used, when practical, for all official transportation over \$1. General Regulation 108 became part of the Code of Federal Regulations (title 4, part 7) on April 1, 1947.

Until this time, travel agencies were not mentioned in the regulations. In July 1952, a Comptroller General decision directly prohibited using commercial travel agencies for Government travel within the United States, its possessions, and in Canada. Travel outside the United States could be procured through travel agents as long as the transaction did not require the payment of any more money than would have been paid if the travel were reserved directly from the carrier involved.

GAO issued General Regulation 123 in 1955. Regulation 123 and part 51.3 of title 4, Code of Federal Regulations, directly prohibited using travel agencies to secure Government travel within the United States, its possessions, Canada, and Mexico. Authority to travel in a foreign country, excluding Canada and Mexico, was the same as in the 1952 decision. From 1955 to 1964, numerous Comptroller decisions cited the prohibition in General Regulation 123 or the Code of Federal Regulations as the source for restricting the use of travel agencies.

The GAO Policy and Procedures Manual superseded the General Regulations and continued to enforce restricting travel agency use. In January 1975, the responsibility for auditing and adjusting travel payments to carriers was transferred from GAO to GSA. At that time, the travel agency prohibition was moved to part 52.3 of title 4 of the Code of Federal Regulations.

## CHAPTER 4

### SPECIFIC INFORMATION REQUESTED

#### BY THE SUBCOMMITTEE

In addition to a detailed history of the prohibition, the subcommittee requested specific information about Government travel and the impact the prohibition has had on Government expenditures. (See ch. 1.)

Recognizing that the cost to extract the desired data from the hundreds of agencies, activities, and installations worldwide would be prohibitive and would preclude any timely reporting, we developed and forwarded a questionnaire to 20 civilian and 5 military agencies. These agencies employ 96 percent of the civilian workforce and most military personnel. The agencies queried are listed in appendix I and a copy of the questionnaire is included as appendix II.

#### ANNUAL TRANSPORTATION EXPENDITURE

The Government agencies responding to the questionnaire spent about \$450 million on commercial travel in fiscal year 1976. The following table shows how that money was spent.

	<u>Airline</u>	<u>Bus and train</u>	<u>Total</u>
	—————(millions)—————		
Defense respondents	\$274.7	\$11.7	\$286.4
Non-Defense respondents	<u>160.6</u>	<u>2.6</u>	<u>163.2</u>
Total	<u>\$435.3</u>	<u>\$14.3</u>	<u>\$449.6</u>

#### NUMBER AND COST OF EMPLOYEES INVOLVED IN TRAVEL AGENT-TYPE WORK 1/

One segment of the questionnaire was designed to identify the number of Government employees doing travel agent-type work and their related salary costs. To make information collection manageable, data on the numerous secretaries, messengers, individual travelers, etc., incidentally involved in travel was excluded from the questionnaire. Data requested

---

1/Those services which are normally available from travel agents, such as planning itineraries, making reservations, and obtaining tickets.

from DOD agencies on employee involvement was limited to travel for temporary duty, in contrast to travel for permanent change of station which often requires extensive advice and assistance to travelers.

From the data available, it was not possible to estimate precisely the cost of the time Government employees spend doing work that travel agents could do. Also, the time employees at individual travel units spent on travel functions does not necessarily represent potential savings. It does mean that some employees might have additional time available for other tasks if travel agents were used.

Overall data from questionnaire responses is summarized below.

	<u>Employees engaged in travel</u>	<u>Average annual salary</u>	<u>Percent of time spent on travel agent-type functions</u>	<u>Annual cost</u>
Defense respondents	1,033	\$12,311	46	\$5,897,800
Non-Defense respondents	<u>493</u>	<u>13,586</u>	42	<u>2,908,400</u>
	<u>1,526</u>			<u>\$8,806,200</u>

To estimate the salary cost of employees involved in requesting and buying tickets from carriers, annual salary costs (personnel and grades reported by respondents) were prorated, based on the time spent on travel agent-type duties as estimated by the agency. Estimates for each travel unit within an agency were combined to arrive at an overall agency proportion. (See apps. III and IV for salary costs by agency.)

OFFICE SPACE, EQUIPMENT, AND SUPPLIES DEDICATED TO TRAVEL

Another segment of the questionnaire was designed to establish the estimated value of office space, equipment, and supplies used by employees performing travel agent-type functions. Office space estimates were based on space allowances in the Federal Property Management Regulations and on the average annual cost of space per square foot estimated by a GSA official. Heating, lighting, cleaning, protection, and maintaining office space were estimated. GSA officials



provided estimates of annual office equipment and supply costs per employee. These estimates were applied to all civilian and military employees who provided travel services. The following table presents these estimated costs.

	<u>Annual estimate per employee</u>	<u>Employees in travel services</u>	<u>Average percent of time in travel agent-type functions</u>	<u>Estimated cost</u>
Office space cost	\$518	1,526	45	\$355,711
Office equipment	120	1,526	45	82,404
Office supplies	<u>125</u>	1,526	45	<u>85,838</u>
Total	<u>\$763</u>			<u>\$523,953</u>

Here again, we must caution that the cost of space, equipment, and supplies allocated to travel does not necessarily represent potential savings if travel agents are employed. Elements, such as office space, would still be needed for employees to do their other work.

#### EMPLOYEE QUALIFICATIONS

The Subcommittee wanted to know the number of Government employees who would properly be classified as travel agents based on prior experience. We interpreted this as determining what the qualifications of Government travel employees are. To address this issue, respondents to the questionnaire were asked to identify (1) travel unit employees in that position for over a year and (2) travel unit employees with prior experience with a travel agent or carrier. Responses are tabulated below.

	<u>Total employees performing travel services</u>	<u>Number in position over 1 year</u>	<u>Number with agent or carrier experience</u>
Non-Defense respondents	493	405	22
Defense respondents	1,033	834	29

No attempt was made to evaluate the experience or knowledge of Government employees providing travel services.

## AGENCY VIEWS ON USING TRAVEL AGENTS

The questionnaire described a system proposed by the American Society of Travel Agents, which would have to be approved by the carriers, to get travel agents involved in Government business. Briefly, the proposed system calls for Government transportation requests to continue to be made payable only to the carrier providing transportation. The travel agent would be compensated by the carrier and the Government would not receive bills from travel agents. (For details of the proposal, see app. V.)

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.

Of the 25 agencies asked to respond to the questionnaire, none said that the prohibition should be lifted. Eleven (6 civilian and 5 DOD agencies) were opposed to removing the prohibition, while the remaining 14 generally commented that they had no objection to lifting it. Many of those not objecting indicated that neither a cost savings nor any other advantage in using travel agents would occur, except where employees travel overseas.

Some of the most frequently cited advantages and disadvantages follow.

### Disadvantages

- Increased number of Government transportation requests would result in more carrier bills, thus increasing the cost of paying carrier bills.
- Increased fares would ultimately result from carriers' paying commissions to travel agents.
- Involving a third party would be inherently inefficient.
- Increased administrative costs would be incurred to select and monitor the large number of travel agents serving Government travelers.
- Travel agents are likely to be unfamiliar with Government travel requirements and regulations.
- Reservation changes, ticket cancellations, or refunds, etc., are more readily done directly through carriers.
- Travel agents may not respond to special or unforeseen Government needs, in certain instances.

- Efficiencies associated with teleticketing machines and related automated payment procedures would be lost.
- Agency administrative controls over travel would be decreased with resulting inefficiencies.

### Advantages

- Travel agents could effectively service certain small groups of Government employees, in some instances.
- Travel agents may be able to obtain special group and excursion fares.
- Travel agents could better arrange foreign travel.
- Current costs of renting teleticketing equipment and purchasing official airline guides could be avoided.
- The travel agent would be valuable from time to time in some circumstances, if travel agent use was at the agency's option.

DOD, the Air Transportation Association, and the American Society of Travel Agents, Inc., were also asked for their views on the advantages and disadvantages of using travel agents. DOD and the Air Transport Association were asked for their comments on the system proposed by the travel agents.

Both Defense and the Air Transport Association were opposed to having travel agents involved in Government business. DOD characterized the intervention of travel agents as counterproductive, inefficient, and uneconomical. Their reasons were that (1) equitably distributing travel business among agents would be a major administrative task; (2) savings in personnel costs, if any, would not be great, as DOD personnel involved in arranging transportation would still be required; (3) traffic rates would have to be increased to pay travel agents' fees; and (4) the intervention of travel agents would complicate audit procedures.

The Air Transport Association opposed using travel agents because (1) present regulations require dealing with carriers directly, rather than with carrier agents; (2) airlines pay commissions to agents to entice clients who would not otherwise fly, but Government travel is authorized to meet the requirements of Government business, therefore, promotional activity would be out of place; (3) the ultimate result of

additional commission costs would be that the Government, as well as the remaining traveling public, would pay higher air fares to support a "middleman"; and (4) undue delays in refunds and higher Government administrative costs would result in using travel agents.

The American Society of Travel Agents wanted travel agents to do business with the Government because (1) travel agents are professionals in arranging travel services; (2) there would be no additional cost to the Government; (3) the Government has a policy of relying on private business to provide services reasonably available through business channels; (4) much overhead and paperwork will be eliminated; (5) no reasonable justification exists for excluding one class of businessmen--travel agents--from doing business with the Government; (6) travel agents who have been fully accredited by ATC and the International Air Transport Association have met such stringent criteria, as experience, financial stability, and ethical conduct; and (7) travel agents do not want a preferred position, but simply an opportunity to compete and demonstrate a capacity for usefulness, service, and cost savings.

Copies of responses received from DOD, the Air Transport Association, and the American Society of Travel Agents are included as appendixes VI, VII, and VIII.

#### USING TRAVEL AGENTS COULD AFFECT HOTEL AND CAR RENTAL RATES

A limited number of hotels and car rental agencies were polled to determine the possible effect that using travel agents would have on discounts now offered to the Government for these services.

All of the hotel managers, except one who was undecided, responded that they would have to raise their Government rates to cover travel agents' commissions. Except in one instance, the car rental agencies also said that they would raise their rates to the Government if they have to pay travel agents' commissions. The one exception said the agency would absorb the cost of the travel agents' commission without raising its Government rates.

## CHAPTER 5

### EARLIER GAO REVIEWS OF THE PROHIBITION

Over the years, we have 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 exist to promote new business and, thus, earn 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 air 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 travel 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-American 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.

Most problems pertain to air travel. Since over 90 percent of Government passenger transportation is by air, we focused on air travel.

Assuming the travel agents' proposal for becoming involved in Government business is workable and could be adopted, some problems would be eliminated. However, many problems, such as potentially 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.

## CHAPTER 6

### CONCLUSIONS

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 against any savings in personnel costs.

Thus, 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 an individual agency basis) to the extent that such action is shown to be more efficient and less costly.

## CHAPTER 7

### SCOPE OF REVIEW

A questionnaire was submitted to 20 major civilian Government and 5 DOD agencies. Their selection was based on overall employment and the number of travel specialists employed. The agencies employ about 96 percent of all Government employees. All data collected with the questionnaire covered fiscal year 1976, except for statistics concerning agency personnel involved in the reservation and procurement processes, which include data through March 31, 1977.

The questionnaire was first tested at the Departments of the Navy; Commerce; and Health, Education, and Welfare. Representatives of the American Society of Travel Agents and the Airline Transport Association reviewed the questionnaire. In addition, we interviewed personnel and gathered and analyzed data from the Air Traffic Conference of America and from travel offices of numerous Government activities.



AGENCIES ASKED TO RESPOND TO THE QUESTIONNAIRE

## Civilian agencies:

Civil Service Commission  
Department of Agriculture  
Department of Commerce  
Department of Health, Education, and Welfare  
Department of Housing and Urban Development  
Department of the Interior  
Department of Justice  
Department of Labor  
Department of State  
Department of Transportation  
Department of the Treasury  
Energy Research and Development Administration  
Environmental Protection Agency  
Federal Trade Commission  
General Services Administration  
National Aeronautics and Space Administration  
Nuclear Regulatory Commission  
Tennessee Valley Authority  
United States Postal Service  
Veterans Administration

## Department of Defense agencies:

Defense Logistics Agency  
Defense Mapping Agency  
Department of the Air Force  
Department of the Army  
Department of Navy

CIVIL AGENCYTRAVEL FUNCTION QUESTIONNAIRE (note a)

This questionnaire is intended to obtain both agency-wide travel data and specific statistics and cost data on identifiable organizational units that have a major responsibility to provide assistance to Government employees in making travel arrangements. The questionnaire is also intended to obtain data concerning the estimated cost impact and advantages or disadvantages to Government agencies that would result from permitting travel agencies to service Government employees for official travel.

Responses are expected to reflect the travel activities of the entire agency. Accordingly, data from all field and headquarters activities should be obtained and aggregated into a single summary response. Enclosed as an attachment is a questionnaire to be used in gathering information from individual travel units.

Official travel within an agency often requires the support of many persons. This questionnaire is concerned only with agency personnel primarily responsible for handling passenger travel arrangements. These consist of travel clerks classified by the Civil Service Commission as GS-2132's and any other travel office personnel. Secretaries classified as GS-318's and any other similar clerical and administrative personnel who may be only incidentally involved in making travel arrangements are intended to be excluded from the questionnaire. Completed questionnaires are to be sent to:

Regional Manager  
U.S. General Accounting Office  
803 West Broad Street  
Falls Church, Virginia 22046  
(Attention: H. Donald Campbell)

Any questions concerning the questionnaire should be directed to Mr. Campbell who can be contacted on 703-557-2151.

---

<sup>a</sup>/A similar questionnaire was sent to Defense agencies but modified slightly due to their different operating procedures.

Agencywide travel information

1. Within the Washington, D.C., metropolitan area, please indicate the approximate percent of all official business trips for which tickets are procured in each of the following methods:
  - a. Employee is provided with Government Transportation Requests, (GTR) either individually or in block which are then used by employee to procure ticket. \_\_\_\_\_ %
  - b. Travel unit personnel using GTR obtain ticket from teleticketing machine. \_\_\_\_\_ %
  
2. For activities outside the Washington, D.C., metropolitan area, please indicate the approximate percent of all official business trips for which tickets are procured in each of the following methods:
  - a. Employee is provided with Government Transportation Requests, either individually or in block which are then used by employee to procure ticket. \_\_\_\_\_ %
  - b. Travel unit personnel using GTR's to obtain ticket from teleticketing machine. \_\_\_\_\_ %
  
3. Indicate to the nearest thousand the number of Government transportation requests issued in fiscal year 1976. \_\_\_\_\_
  
4. Indicate to the nearest hundred thousand the estimated total value of all airline tickets purchased during fiscal year 1976.
 

Total value  
of tickets  
(000 omitted)

  - a. Domestic travel \_\_\_\_\_
  - b. Overseas travel \_\_\_\_\_
  
5. Indicate the estimated total value of all bus and train tickets purchased during fiscal year 1976. \_\_\_\_\_

Travel offices/sections

- 6. Within the organization for which you are responsible, how many separately identifiable organizational units (departments, sections, offices) are there in which more than 20 percent of the staff hours per week are expended in arranging and procuring official business travel services for Federal Government employees? \_\_\_\_\_

(Attach to the questionnaire the organizational identification and address of each of the units referred to in question 6.)

- 7. Indicate to the nearest thousand for these travel units in total the number of Government transportation requests issued in fiscal year 1976. \_\_\_\_\_
- 8. Indicate to the nearest hundred thousand dollars for these travel units in total the estimated total value of all airline tickets purchased during fiscal year 1976.

Total value of tickets

(000 omitted)

- 9. Indicate for these travel units in total the estimated value of all bus and train tickets purchased during fiscal year 1976. \_\_\_\_\_
- 10. Within all the agency travel units as of March 31, 1977, how many full-time employees are there in each of the following grade levels?

GS-1 _____	GS-6 _____	GS-11 _____
GS-2 _____	GS-7 _____	GS-12 _____
GS-3 _____	GS-8 _____	GS-13 _____
GS-4 _____	GS-9 _____	GS-14 _____
GS-5 _____	GS-10 _____	GS-15 _____

- 11. How many of the travel unit employees in question 10 have been employed in their current unit for at least 1 year? \_\_\_\_\_
  - 12. How many of the travel unit employees in question 10 have at any time been employed by a commercial travel service or carrier for at least a year? \_\_\_\_\_
  - 13. On the average, what proportion of the total workweek do the travel unit employees engaged in providing travel services typically spend on the following activities (a thru j). For example, if staff hours for personnel in all travel offices totaled 2,000 for a week, the total allocation of these hours by individual activity (a thru j) should equal 100 percent.
    - a. Answering inquiries about schedules, fares, and ground transportation. \_\_\_\_\_ %
    - b. Determining and advising travelers of mode and carrier; most economical and suitable routes and accommodations; alternative routes; and any U.S. or foreign government restrictions and/or requirements pertinent to the proposed trip. \_\_\_\_\_ %
    - c. Making reservations and obtaining tickets. \_\_\_\_\_ %
    - d. Processing ticket changes, including additions, cancellations, and revalidations. \_\_\_\_\_ %
    - e. Processing refunds, and filing claims with carriers. \_\_\_\_\_ %
    - f. Preparing data and reports for use in disbursing and accounting. \_\_\_\_\_ %
    - g. Assisting traveler, other than dealing with carrier, for permanent change of station moves. \_\_\_\_\_ %
    - h. Processing and/or typing travel orders. \_\_\_\_\_ %
    - i. Processing and/or disbursing travel advances. \_\_\_\_\_ %
    - j. Performing other functions. \_\_\_\_\_ %
- 100%

- 14a. As of March 31, 1977, how many employees does your agency have classified as GS-2132's? \_\_\_\_\_
- 14b. As of March 31, 1977, how many of the agency travel unit employees are classified as GS-2132's? \_\_\_\_\_

General agency comments

Now that the questions on current agency travel units are completed, we request your comments concerning the following system proposed by the travel agent industry to participate in providing services to Government employees traveling on official business:

- a. Government departments and agencies would be authorized to use travel agents for employees on official duty travel when considered desirable by the agency administrative officer. Each Government department or agency would independently determine the extent, if any, that employees' travel would be accomplished with travel agent assistance.
- b. Once a decision has been made to use the services of a travel agent, each Government department or agency would determine procedures to select and equitably distribute Government travel business among travel agents desiring to service Government travelers and authorized by carriers to issue tickets.
- c. Payment procedures for Government travel will be based on a Government transportation request (GTR). GTR's would be drawn to the carrier, but presented to travel agents if used by the Government traveler. Each Government agency or designated component would receive for each carrier a periodic itemized billing, listing tickets purchased. Payments for the period would be made to each carrier by the agency. Any adjustments required would be made directly between the agency and the carrier.
- d. Upon request, delivery of tickets to Government employees would be made by the travel agent at no additional cost to the Government.
- e. Education and training of travel agents concerning Government transportation regulations and requirements would be the responsibility of travel agents.

Adoption of the proposed system would, of course, be subject to the approval of the carriers and the Government.

15. Under this proposed system (previously described a thru e)

--how many agency positions could be eliminated and what is their total annual salary?

Number                      Salary

--how many employee hours could be saved weekly?

Hours

16. What other cost savings, type, and amount would the agency obtain if Government employees were permitted to use travel agents?

17. How much additional cost would the agency incur in selecting and monitoring travel agents? \_\_\_\_\_

18. How much additional cost would the agency incur in reviewing bills and making payments to carriers? \_\_\_\_\_

19. What other additional costs, type, and amount, would the agency incur if Government employees were permitted to use travel agents?

20. Approximately what percent of agency travel would be obtained through travel agents. \_\_\_\_\_ %

21. Furnish the agency's position on the merits of travel agents providing services to Government employees for official travel and any other general views on the subject you may wish to offer.

TRAVEL UNIT QUESTIONNAIRE

1. Organizational identification  
 Address \_\_\_\_\_
  
2. Indicate the approximate number of Government transportation requests issued in fiscal year 1976. \_\_\_\_\_
  
3. Indicate the estimated total value of all airline tickets purchased during fiscal year 1976. \_\_\_\_\_
  - a. Domestic travel \_\_\_\_\_
  - b. Overseas travel \_\_\_\_\_
  
4. Indicate the estimated value of all bus and train tickets purchased during fiscal year 1976. \_\_\_\_\_
  
5. Within the travel units as of March 31, 1977, how many full-time employees are there in each of the following grade levels?
 

GS-1 _____	GS-6 _____	GS-11 _____
GS-2 _____	GS-7 _____	GS-12 _____
GS-3 _____	GS-8 _____	GS-13 _____
GS-4 _____	GS-9 _____	GS-14 _____
GS-5 _____	GS-10 _____	GS-15 _____
  
6. How many of the travel unit employees have been employed in their current unit for at least 1 year? \_\_\_\_\_
  
7. How many of the travel unit employees have at any time been employed by a commercial travel service or carrier for at least a year? \_\_\_\_\_



8. On the average, what proportion of the total workweek do the travel unit employees engaged in providing travel services typically spend on the following activities (a thru j). For example, if staff hours for personnel in all travel offices totaled 200 for a week, the total allocation of these hours by individual activity (a thru j) should equal 100 percent.

- |  |             |
|--|-------------|
| a. Answering inquiries about schedules, fares, and ground transportation.  | _____ %     |
| b. Determining and advising travelers of mode and carrier; most economical and suitable routes and accommodations; alternative routes; and any U.S. or foreign government restrictions and/or requirements pertinent to the proposed trip. | _____ %     |
| c. Making reservations and obtaining tickets.  | _____ %     |
| d. Processing ticket changes, including additions, cancellations, and revalidations.   | _____ %     |
| e. Processing refunds, and filing claims with carriers.  | _____ %     |
| f. Preparing data and reports for use in disbursing and accounting.  | _____ %     |
| g. Assisting traveler, other than dealing with carrier, for permanent change of station moves.   | _____ %     |
| h. Processing and/or typing travel orders.   | _____ %     |
| i. Processing and/or disbursing travel advances.   | _____ %     |
| j. Performing other functions.   | _____ %     |
|  | <u>100%</u> |

9. As of March 31, 1977 how many of the travel unit employees are classified GS-2132's? \_\_\_\_\_

COST OF GOVERNMENT EMPLOYEES  
WHO DO TRAVEL AGENT-TYPE WORK AT DEFENSE AGENCIES

	<u>Personnel</u>	Adjusted average annual compensation (note a)	Average time spent on travel agent functions	Annual cost
Air Force:				
Civilian	146	\$13,336	.36	\$ 700,900
Enlisted	<u>185</u>	9,016	.36	<u>600,500</u>
	331			<u>1,301,400</u>
Army:				
Civilian	368	13,030	.55	2,637,300
Officer	6	13,207	.55	43,600
Enlisted	<u>89</u>	10,117	.55	<u>495,200</u>
	463			<u>3,176,100</u>
Navy (notes b and c):				
Civilian	193	14,193	.40	1,095,700
Enlisted	<u>7</u>	8,495	.40	<u>23,800</u>
	200			<u>1,119,500</u>
Defense Logis- tics:				
Civilian	33	13,215	.59	257,300
Defense Mapping:				
Civilian	<u>6</u>	15,436	.47	<u>43,500</u>
	39			<u>300,800</u>
Total	<u>1,033</u>	<u>12,311</u>	.46	<u>\$5,897,800</u>

a/No "fringe" benefit cost applied to uniformed DOD members compensation. To recognize the cost of "fringe" benefits, annual salary costs for General Schedule employees were increased by 18.1 percent (14.1 percent retirement, 3.5 percent health insurance, and 0.5 percent life insurance) according to OMB Circular A-76, revised June 13, 1977.

b/Navy data extrapolated from selected travel units responsible for about 25 percent of total activity.

c/Excludes Marine Corps.

COSTS OF GOVERNMENT EMPLOYEES WHO DO

TRAVEL AGENT-TYPE WORK AT CIVILIAN AGENCIES

<u>Non-Defense agencies</u>	<u>Personnel</u>	<u>Adjusted average and Annual compensation (note a)</u>	<u>Average time spent on travel agent function</u>	<u>Annual Cost</u>
Agriculture	50	\$ 13,200	.49	\$ 323,400
Commerce	26	15,545	.56	226,300
Health, Education, and Welfare	24	13,868	.59	196,400
Housing and Urban Development	3	15,651	.60	28,200
Interior	18	13,687	.36	88,700
Justice	1	16,054	.83	13,300
Labor	10	16,185	.55	89,000
State	11	27,198	.50	149,660
Transportation	18	15,165	.87	237,500
Treasury	8	15,030	.57	68,500
Energy Research and Development	26	14,566	.46	174,200
General Services Administration	5	16,522	.67	55,300
National Aeronautics and Space Administration	30	13,590	.62	252,800
Nuclear Regulatory Commission	16	15,415	.40	98,700
Veterans Administration	247	12,234	.30	906,500
Total and weighted average	<u>493</u>	<u>\$ 13,586</u>	<u>.42</u>	<u>\$2,908,400</u>

a/To recognize the cost of "fringe" benefits, annual salary costs for General Schedule employees were increased by 18.1 percent (14.1 percent retirement, 3.5 percent health insurance, and 0.5 percent life insurance) according to OMB circular A-76, revised June 13, 1977.

TRAVEL AGENTS' PROPOSAL FOR INVOLVEMENT  
IN GOVERNMENT BUSINESS

Briefly, the system suggested by the American Society of Travel Agents for involving travel agents in Government business is:

- a. Each Government department or agency would determine procedures to select and equitably distribute Government travel business among travel agents desiring to service Government travelers and authorized by carriers to issue tickets.
- b. Payment procedures for Government travel will be based on a Government transportation request (GTR). GTRs would be drawn to the carriers, but presented to travel agents by the Government traveler. Each Government agency or designated component would receive for each carrier a periodic itemized billing, listing tickets purchased. Payments for the period would be made to each carrier by the agency. Any adjustments required would be made directly between the agency and the carrier.
- c. Upon request delivery of tickets to Government employees would be made by the travel agent.
- d. Education and training of travel agents concerning Government transportation regulations and requirements would be the responsibility of travel agents.



MANPOWER,  
RESERVE AFFAIRS  
AND LOGISTICS

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301

SEP 1977

Mr. F. J. Shafer  
Director, Logistics and  
Communications Division  
U. S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Shafer:

This letter is in response to your request of August 26, 1977, for comments pertaining to the use of travel agents by Department of Defense employees traveling on official business.

The prohibition against travel agents arranging transportation for Department personnel should remain in effect. While recognizing the desire of the travel agent industry to expand its horizons and the concomitant interest of the Government in encouraging small business opportunities in the public environment, the infusion of this industry into Department travel operations would be counterproductive, inefficient and uneconomical. Interposing a travel agent in U. S. Government transportation arrangements adds an unnecessary additional party to the traveler/carrier relationship.

A review of the travel agent industry proposal supports our conclusion.

a. To equitably distribute travel business as called for in the industry proposition would engender a major administrative workload. On June 30, 1977, there were 12,818 travel agents, approved by the airlines, operating in the United States. Maintaining an equitable workload allocation on a national, regional, or local basis considering the multitude of Defense installations would be a major undertaking.

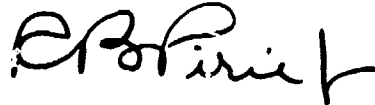
b. Manpower savings, if any, will not be substantial. Department of Defense personnel involved in arranging transportation will continue to be required to determine travel entitlements, authenticate travel authorizations, prepare transportation authorization instruments, trace documentation and control travel expenditures.

c. The proposal does not indicate anticipated revenue to the travel agents. Currently, the Department of Defense, dealing directly with the carrier, pays the published tariff rate and the air carriers have repeatedly stated their opposition to paying travel agents any commissions on Government travel. It would appear that under the travel agents' proposal, the tariff rates would have to be increased in order to generate the fees to be paid to the travel agents.

d. A multitude of travel agencies involved in Department of Defense travel arrangements would complicate audit procedures.

We do not discern any advantage that would accrue to the Department of Defense by virtue of this proposal. The current prohibition set forth in Title 4, Section 52.3 of the Code of Federal Regulations should not be altered.

Sincerely,



**ROBERT B. PIRIE, JR.**  
Principal Deputy Assistant Secretary  
of Defense (MRA&L),

## WILKINSON, CRAGUN &amp; BARKER

LAW OFFICES

1735 NEW YORK AVENUE, N. W.

WASHINGTON, D. C. 20006

(202) 833-9000

CABLE ADDRESS

"WILCBAR"

December 8, 1976

ERNEST L. WILKINSON  
 JOHN W. CRAGUN  
 GLEN A. WILKINSON  
 ROBERT W. BARKER  
 CHARLES A. HOEBS  
 ANGELO A. TADARO, A  
 PAUL S. QUINN  
 LEON T. KHAYER  
 RICHARD A. BAENEN  
 JERRY C. STRAUS  
 HERBERT E. MARKS  
 PIERRE J. LAFORCE  
 FRANCES L. HORN  
 GORDON C. COFFMAN  
 PATRICIA L. BROWN  
 STEPHEN R. BELL

ROSEL H. MYCE  
 DONALD C. GORMLEY  
*Counsel*

R. ANTHONY ROGERS  
 WILLIAM P. LOFTUS  
 THOMAS J. BACAS  
 FOSTER BREITZEL  
 ALAN I. RUBINSTEIN  
 JOHN M. FACCIOLA  
 PHILIP A. NACKE  
 THOMAS E. WILSON  
 JERRY R. GOLDSTEIN  
 EDWARD M. FOGARTY  
 S. STEVEN KARALEKAS  
 ROBIN A. FRIEDMAN  
 JAMES E. HAGEE  
 ROBERT B. MCKENNA, JR.  
 JOSEPH P. MARIOSKI  
 MICHAEL B. GREEN  
 STEVEN C. LAMBERT  
 STEPHEN A. HILDEBRANDT  
 CHARLES I. APPLEBY  
 RICHARD R. CARR

\* ADMITTED IN VIRGINIA ONLY

Mr. H. Donald Campbell  
 Supervisory Auditor  
 General Accounting Office  
 803 West Broad Street  
 Falls Church, Virginia 22046

Re: Legal Memorandum from ASTA

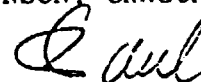
Dear Mr. Campbell:

Enclosed is a Legal Memorandum concerning certain issues relevant to the Government Accounting Office report on travel agents in Government transportation. The Legal Memorandum considers the following matters: the structure of ASTA; legal and economic reasons for eliminating the prohibition on travel agents doing business with the Government; the anti-rebating and non-discrimination provisions of the Federal Aviation Act; suggested procedures for the Government's selection of travel agents; the reporting mechanism of the Area Settlement Bank Plan; and recommendations for Government payment of travel expenses.

We hope this Memorandum will be helpful to you in your report. Please contact us if there are any questions or if we can assist you further in any way.

Sincerely,

WILKINSON, CRAGUN &amp; BARKER



By: Paul S. Quinn

Enclosures

## WILKINSON, CRAGUN &amp; BARKER

## LAW OFFICES

1735 NEW YORK AVENUE, N. W.

WASHINGTON, D. C. 20006

(202) 833-9800

CABLE ADDRESS

"WILCBAR"

December 8, 1976

ERNEST L. WILKINSON  
 JOHN W. CRAGUN (1928-1988)  
 GLEN A. WILKINSON  
 ROBERT W. HARNER  
 CHARLES A. HOEBS  
 ANGELO A. IADAROLA  
 PAUL S. QUINN  
 LEON T. KNAUER  
 RICHARD A. BAENEN  
 JERRY C. STRAUS  
 HERBERT E. MARKS  
 HERRE J. LAFORCE  
 FRANCES L. HORN  
 JORDON C. COFFMAN  
 PATRICIA L. BROWN  
 PEPHEN R. BELL

OSSEL H. HYDE  
 DONALD C. GORMLEY  
*Counsel*

R. ANTHONY ROGERS  
 WILLIAM R. LOFTUS  
 THOMAS J. BACAS  
 FOSTER DEWEITZES  
 ALAN I. RUBINSTEIN  
 JOHN M. FACCIOLA  
 PHILIP A. NACKE  
 THOMAS E. WILSON  
 JERRY R. GOLDSTEIN  
 EDWARD M. FOGARTY  
 S. STEVEN KARALEKAS  
 ROBIN A. FRIEDMAN  
 JAMES E. MAGEE  
 ROBERT B. MCKENNA, JR.  
 JOSEPH P. MARKOZEK  
 MICHAEL B. GREEN  
 STEVEN C. LAMBERT  
 STEPHEN A. HILDEBRAND  
 CHARLES I. APPLER  
 RICHARD P. CARR

\*ADMITTED IN VIRGINIA ONLY

## LEGAL MEMORANDUM

RE: Elimination of Prohibition on Use of Travel  
 Agents in Government Travel

At the October 18, 1976 meeting between officials of the Government Accounting Office (GAO) and representatives of the American Society of Travel Agents, Inc. (ASTA, Society) concerning the advisability of travel agents providing services to Government employees, certain questions arose which warranted a more detailed treatment than was possible in the course of the meeting. The inquiries dealt with the structure of ASTA; legal and economic reasons for eliminating the prohibition on travel agents doing business with the Government; the anti-rebating and non-discrimination provisions of the Federal Aviation Act; suggested procedures for the Government's selection of travel agents; the reporting mechanism of the Area Settlement Bank Plan; and recommendations for Government payment of travel expenses. Partial responses to certain of these questions have been provided to Mr. Don Campbell of the GAO, both by telephone and in writing. This memorandum will attempt to provide a more complete summary of each of these issues.

Structure of ASTA

Of the 12,000 approved travel agency locations in the United States, approximately 7,600 are members of ASTA. In addition to meeting the standards of the Air Traffic Conference (composed of domestic air carriers) and/or the International Air Transport Association (composed of international air carriers), these members must comply with the Society's Principles of Professional Conduct and Ethics. A copy of the Principles is attached as Appendix A.



ASTA has 28 chapters in the United States and Canada, which are best depicted by reference to a map, attached as Appendix B. From a structural standpoint, the organization and administration of the chapters is almost identical to that of the Society, in that each chapter has its own president, vice president, secretary, and treasurer, as well as its own executive committee, membership committee, finance and budget committee, and nominating committee. Each chapter devotes its efforts to pursuing the national objectives established for the Society and to dealing with local issues, problems, and needs. Attached as Appendix C is a copy of the 1970 Chapter Manual, which is being revised and updated during the current year.

Approximately 20 national committees composed of ASTA members are active regarding issues that affect travel agents. The 1976 committees together with a brief, general description of their function are as follows:

- (1) The Air Committee represents the Society in matters pertaining to air transportation, recommending Society policy; conducts Dialogue meetings with senior air carrier representatives; seeks broad participation and protection of Society members in relations with the CAB, other government bodies, ATC, IATA, and various air industry trade groups.
- (2) The ASTA/DATO Liaison Committee is engaged in cooperative work with the Discovery America Travel Organizations program.
- (3) The Automation Committee is involved in assisting ASTA members to utilize computer technology more fully.
- (4) The Bonding and Insurance Committee reviews and develops ASTA's bonding and insurance programs.
- (5) The Bylaws Committee develops and reviews recommendations involving changes in the Society's bylaws.
- (6) The Bypass Committee encourages proper recognition for retail travel agents in advertising by air carriers.
- (7) The Car Rental/Motor Coach and Sightseeing Committee handles all relations with principals in these subject areas.

- (8) The Chapter Services Committee attempts to facilitate the orderly growth and full participation of Society members at the chapter level.
- (9) The Consumer Affairs and Industry Ethics Committee handles consumer and industry complaints involving members.
- (10) The Education and Training Committee determines members' needs as well as necessary programs in the areas of agents' education and training.
- (11) The Finance Committee is engaged in planning and oversight of the Society's fiscal affairs.
- (12) The Government Affairs Committee represents ASTA generally in its relations with Federal and local government units.
- (13) The Hotel Committee represents the Society in matters pertaining to relationships with hotel proprietors and trade associations.
- (14) The Legislative Committee coordinates and monitors legislative affairs for the Society on the Federal and State level.
- (15) The Maritime Committee represents the Society in matters pertaining to steamship transportation.
- (16) The Membership Committee concerns itself with general matters pertaining to the Society's membership.
- (17) The Non-Profit Organizations Committee represents the Society in its relations with non-profit organizations (e.g., educational, religious) which maintain travel departments.
- (18) The Rail Committee represents the Society in matters relating to rail transportation, conducts Dialogue meetings with Amtrak management, and makes policy recommendations.
- (19) The Redistricting Committee reviews the effectiveness and viability of present Society structure.
- (20) The Tour Relations Committee represents the Society in matters involving the interests and concerns of tour operator members.

Elimination of the Government Ban on Travel Agent Services

There are a number of reasons -- grounded in both policy and economics -- which dictate the elimination of the ban on travel agents providing transportation services for Government employees.\*/ These reasons were discussed at length in the October 18, 1976 meeting and need only summarizing here.

First, as professionals, well versed in air fares and air routes (as well as rail and bus transportation), tour and group arrangements, and ground accommodations and automobile rentals, travel agents can offer travel services to Government employees with a savings of time, cost and aggravation. No additional expense to the Government is involved in utilizing travel agents.

Second, travel agents who have been fully accredited by the ATC and IATA have met stringent criteria such as experience, financial stability, and ethical conduct. In addition, as noted, ASTA members must abide by the Society's Bylaws and Principles of Professional Conduct and Ethics.

Third, a comprehensive regulatory scheme administered by the CAB -- e.g., anti-rebating provisions, sanctions for unfair and deceptive practices, etc. -- governs the ongoing business conduct of travel agents. These provisions are discussed in detail below.

\*/ 4 C.F.R. §52.3 provides, in part:

"(a) Travel agencies may not be utilized to secure any passenger transportation service (1) within the United States, Canada, or Mexico, (2) between the United States, Canada or Mexico, (3) from the United States or its possessions to foreign countries, and (4) between the United States and its possessions and between and within its possessions.

(b) Travel agencies may be used only when authorized under administrative regulations to secure air, bus, rail, water, or any combined passenger transportation service within foreign countries (except Canada or Mexico); between foreign countries; or from foreign countries to the United States and its possessions; provided:

(1) The request for transportation is made first to a company branch office or a general agent of an American-flag air or ocean carrier if the travel originates in a city or its contiguous carrier-servicing area in which such branch office or general agent is located and through ticketing arrangements for the transportation authorized cannot be secured, or

(2) No company branch office or general agent of an American-flag air or ocean carrier is located in the city or its contiguous carrier-servicing area in which the official travel originated."

Fourth, the Government has on many occasions enunciated and adhered to a policy of "relying on the private enterprise system to provide those services which are reasonably and expeditiously available through ordinary business channels." 42 U.S.C. §4222 (Section 302 of the Intergovernmental Cooperation Act of 1968). \*/ A recent OMB Circular reaffirmed this general policy, "In preference to [the Government's] engaging in commercial or industrial activity." The Circular noted,

"This policy reflects the fundamental concept that the Government should generally perform only those functions which are governmental in nature and should utilize the competitive incentives of the private enterprise system to provide the products and services which are necessary to support governmental functions." OMB Circular No. A-76, contained in 41 Fed. Reg. 46529 (Oct. 21, 1976).

Fifth, no reasonable let alone compelling justification exists for totally excluding one class of businessmen -- travel agents -- from doing business with the Government.

Sixth, dealing directly with travel agents will eliminate much of the overhead and additional paperwork associated with Government agencies' travel departments. Furthermore, as described below, utilizing the Area Settlement Bank procedures is a far more efficient and economical practice than the Government's present system of dealing separately with 26 individual carriers.

Seventh, travel agents seek not a preferred position with the Government, but simply an opportunity to compete and to demonstrate a capacity for usefulness, service, and assistance through cost savings.

#### Anti-Rebating and Non-Discrimination Regulatory Framework

Travel agents are subject to a comprehensive regulatory scheme under the Federal Aviation Act of 1958, as

\*/ See also 15 U.S.C. §631(a) (declared congressional policy in the Small Business Act to assist small business concerns and to insure their receipt of a fair proportion of Government contracts).

amended (Act).\*/ Section 403 of the Act, as amended by the International Air Transportation Fair Competitive Practices Act of 1974, provides:

"No air carrier or foreign air carrier or any ticket agent shall charge or demand or collect or receive a greater or less or different compensation for air transportation, or for any service in connection therewith, than the rates, fares, and charges specified in then currently effective tariffs of such air carrier or foreign air carrier; and no air carrier or foreign air carrier or ticket agent shall, in any manner or by any device, directly or indirectly, or through any agent or broker, or otherwise, refund or remit any portion of the rates, fares, or charges so specified, or extend to any person any privileges or facilities, with respect to matters required by the Board to be specified in such tariffs except those specified therein." (Emphasis supplied.)

Criminal penalties are prescribed for granting rebates or concessions, including fines of not less than \$100 nor more than \$5,000 for each offense. See 49 U.S.C. §1472(d)(1).

In addition, the Civil Aeronautics Board (Board) may, upon its own initiative or upon third party complaint, investigate and determine whether a travel agent has been or is engaged in unfair or deceptive practices or unfair methods of competition in the sale of air transportation. See 49 U.S.C. §1381. The Board's regulations identify various travel agent practices as unfair and deceptive, such as misrepresentations, false advertising, and retating or discriminating in air fares. See 14 C.F.R. §§ 399.80, 399.83-84. If the Board, after hearing, finds that a travel agent has engaged in unfair and deceptive practices, it is empowered to issue a cease and desist order.

\*/ Analogous provisions prohibiting rebates and discrimination are contained in the Interstate Commerce Act and in the Shipping Act of 1916. 49 U.S.C. §§2,6(7), 317, 906; 46 U.S.C. §§812, 815-16. These sections govern common carriage by rail, motor coach, and water. However, since the provisions are very similar to those in the Federal Aviation Act and since the vast majority (i.e., approximately 70%) of travel agent business involves air transportation, this memorandum will focus on the Federal Aviation Act.

It should also be noted that various States have enacted regulatory statutes covering travel agents' conduct. See, e.g., Truth in Travel Act, N.Y. General Business Law, Art. 16-A, §§155 to 159-a (McKinney, Supp. 1975-76).

A final series of regulatory provisions is contained in the Air Traffic Conference resolutions. Under Resolution 80.15, 511, a travel agent is prohibited from either directly or indirectly dividing the commission allowed by an air carrier. Violation of this Resolution or of any other provision of the Sales Agency Agreement that is entered into with air carriers may result in suspension or removal of a travel agent from the approved ATC Agency List. See Resolution 80.10, Section IV, I.

#### Selection of Travel Agents to Serve Government Employees

As indicated at the October 18, 1976 meeting, ASTA favors an open selection process among travel agencies. In other words, each Government agency would be free to select and deal with whatever travel agency it wished -- as long as the travel agency is on the approved ATC and IATA list, a requirement which the air carriers themselves, with Board approval, have established for eligibility to engage in the sale of air transportation. Certain natural factors would tend to limit the actual number of travel agencies available for Government business. For example, only a limited number of travel agencies are located in cities and areas where there are Government agencies or offices. Some travel agencies deal primarily in cruises or vacation trips. Other travel agencies do not handle commercial or Government accounts. Thus, an unrestricted selection process would provide freedom to the Government traveller as well as competition among travel agents, while at the same time containing built-in limitations on the number of agents potentially involved in Government transportation.\*/

As an alternative to the open selection process, or possibly a supplement for particular Government agencies, a negotiated procurement process might be proposed. Under this approach, a contracting officer would assign values or points to various criteria -- e.g., size of business, experience, bonding, employment policy, previous record -- and award the contract to the highest rated travel agency or

\*/ ASTA opposes an "equal distribution" system for travel agents, such as that utilized by the Department of Defense in regard to the moving industry. A quota system like this would militate against the efficient, economical and administratively simple use of travel agents and travel agent services.

travel agencies. Cf. 32 C.F.R. Part 3 (Defense Department regulations for procurement); see also 10 U.S.C. §3204(a)(4) (negotiated procurements authorized for personal or professional services). ASTA suggests this procedure only as a secondary possibility in the event the open selection system proves undesirable or unworkable.

#### Area Settlement Bank Plan

There are presently five area settlement banks which handle reports by travel agents: Boston, Atlanta, St. Louis, Los Angeles, and San Diego. Beginning in 1973, a mechanized reporting process for travel agents' sales was tested in one area of the country. Since that time, the entire nation has gone onto a mechanized reporting system, except for Manhattan, New York City, which will report to the Boston area bank starting in early 1977.

Since the GAO has received copies of the Board orders establishing the Area Settlement Plan, \* a brief comparison of the manual and the mechanized systems will suffice to describe the present Area Settlement Plan. As summarized in a 1974 Board order:

"[T]he normal reporting and remitting procedures under the Area Settlement Plan require agents to prepare and submit sales reports three times each month to the designated area bank, along with a check to cover sales made during that period. For each ticket issued, the agent must compute and record the commission amount and the net remittance. Report preparation includes arrangement of the auditor's coupons of the tickets in numerical sequence, and preparation of an agency sales report which lists airline code, ticket number, and remittance for each item. In addition, for credit card sales the agent must prepare and submit, on a daily basis, to each airline whose validation plate is used in a credit card transaction, a credit sales transmittal, and to include all of these for that period in the next sales report.

"Under the mechanized reporting system, much of this clerical work will be eliminated. The agents will not be required

\*/ Orders L-20741 (April 24, 1964), 72-4-93, 73-11-33, 74-8-81.

to compute commission and net remittance amounts for each transaction, but need only record tax and commission codes on the auditor's coupons. There will be no separate and daily reporting to each airline of credit card sales: Instead, there will be a weekly 'report' submitted to the area bank, consisting of gross cash sales reflected on an adding machine tape and auditor's coupons, gross credit sales also reflected on an adding machine tape and auditor's coupons, and a Sales Report Settlement Authorization form. The area bank computer will make all necessary computations, and, in addition, will prepare a detailed weekly sales summary for each agent." Order 74-8-81, at 2-3 (footnotes omitted).

The practical procedures governing travel agents' reports under the Area Settlement Plan are spelled out in Section 12.1 of the Travel Agents Handbook, attached as Appendix D.

#### Payment for Government Travel

Probably the simplest and most desirable way of settling the Government's transportation expenses is through the continued use of the Government Transportation Request (TR), which functions as a type of negotiable instrument. The travel agency involved in providing services to Government employees could submit the TR's to the local area settlement bank, perhaps with a special code for each Government agency or department. The travel agency would then have its accounts reconciled by the bank. The Government agency would receive a weekly itemized report on air tickets issued against each airline, and would be able to remit payment in full to airlines for all air tickets issued over a particular period of time.

Such credit and payment arrangements are quite familiar to the average travel agent. He is accustomed to providing weekly reports to the area settlement bank. He is also experienced in dealing with a variety of credit programs and transactions (see, e.g., Section S of Travel Agents Handbook), and would have little difficulty in treating the TR as a form of charge card and the Government as a type of credit company. In fact, this is the exact procedure used in handling the occasional Government TR's presently received by the travel agents. Alternatively, as mentioned at the October 18, 1976 meeting, special credit/identification cards



could be issued to travelling Government employees. These would be similar to those issued by various credit card companies and banks. Adequate safeguards could be incorporated to prevent possible misuse or abuse of such cards.

### Conclusion

This memorandum has attempted to clarify for the Government Accounting Office the nature of the travel agent industry and the regulatory framework in which it operates, some policy and economic justifications for eliminating the ban on travel agents providing services for Government employees, and certain practical suggestions for selecting travel agents and paying for transportation services. ASTA trusts that this summary will be helpful to the GAO in preparing its report for the 95th Congress. If additional matters need clarification or if ASTA can assist in any aspect of the GAO report, ASTA remains willing to aid the GAO in whatever way it can.

## Air Traffic Conference of America

A Division of Air Transport Association of America

1709 New York Avenue, N.W. • Washington, D. C. 20006 • Phone (202) 872-4000

July 29, 1977

Mr. F. J. Shafer  
Director  
Logistics and Communications Division  
United States General Accounting Office  
Washington, D. C. 20548

Dear Mr. Shafer:

I am writing in response to your June 24, 1977 inquiry regarding the position of the air carrier members of the Air Transport Association of America (ATA) on the restrictions imposed on the use of travel agents in the procurement of official government travel.

The present regulations embody a policy of dealing with the carriers directly, rather than with agents of the carriers. This is a soundly conceived policy and demonstrably serves the government's interests in expeditious, economical and efficient procurement of air transportation. We find this policy to be superior to the system proposed by some travel agents and summarized in your letter.

In order to more fully describe the basis of our position, it may be helpful to summarize the primary government transportation requirements, the primary function of the travel agent, and the reasons for the establishment of Scheduled Airlines Traffic Offices (SATO) at certain government locations.

The primary government transportation requirement is for travel on government transportation requests, and for air freight and personal property shipments in connection with government bills of lading.

The primary function of a travel agent is, of course, to promote and sell air travel. Airlines pay commissions to travel agents in the belief that their creative selling and promotional efforts develop a significant increment of traffic that would

Mr. F. J. Shafer  
July 29, 1977  
Page Two

not otherwise fly. In short, this principal-agent relationship is established in order to find and tap new markets. The additional traffic generated by travel agents contributes to lower revenue unit costs, which in turn contribute to the maintenance of low fare levels.

At the request of certain government agencies, as a matter of convenience to their personnel, scheduled airlines traffic offices have been located on approximately 150 U. S. military and government installations. Although the primary functions and responsibility of these offices are to provide total transportation services in connection with travel on GTRs or transportation on government bills of lading, services may also be provided in connection with other than official travel as a secondary function. As you well know, these offices operate at no additional cost to the government.

As to the primary government transportation requirement, there is no justification for introduction of a travel agent to the transaction. Government travel is authorized to meet the requirements of government business; promotional activity to develop more official travel would be out of place. Despite assurances to the contrary, the travel agent, as any sound businessman, would be eventually obliged to seek reimbursement for services rendered. Whether he sought to recover his costs directly from the government purchaser at the local level or indirectly by way of commissions from the airlines, the cost of the transportation would be raised. Indeed, the ultimate result of additional commission costs, should that be the approach, would be that the government--as well as the rest of the traveling public--would pay higher air fares, not for better air service, but solely to support the unnecessary introduction of a "middleman" in this area. This would flow from the simple fact that the airlines would incur additional costs without obtaining additional traffic. We estimate these additional costs at \$18-19 million annually.

The airlines have long recognized that the federal government is the largest single purchaser of air transportation and that they can most effectively and economically serve that purchaser directly. Accordingly, the first Air Traffic Conference Agency Resolution, adopted in 1940, included a prohibition

Mr. J. J. Shafer  
July 29, 1977  
Page Three

against the payment of commissions on official government travel. The provision has been carried forward in each revision of the Agency Resolution, and now appears in the ATC Sales Agency Agreement, in the following language:

No commission will be paid to the Agent for any air passenger transportation paid for by travel voucher, warrant, or similar Government purchase contract.

Likewise, the International Air Transport Association, in its Agency Resolutions of world wide applicability, has provisions which, while involving different mechanics, have had the effect of precluding commission payments to domestic travel agents for international air travel by government personnel.

These carrier agreements have been approved by the Civil Aeronautics Board, the independent government agency which regulates the air transport industry. That approval carries with it an implicit recognition that the denial of a commission in this area represents an eminently proper application of the principal-agent relationship. It is most appropriate for the principal to define and delimit the types of business for which the agent will, or will not, be compensated.

The good and valid reasons for declining to introduce the travel agent into the government-airline transaction of business are not confined to economics alone. There are today 12,818 travel agency locations in the United States, including those in Alaska and Hawaii. The selection of travel agents to do business with a given government location would raise enormous difficulties.

The difficulties which would arise for the government should it choose to depart from its traditional manner of doing business with the airlines are perhaps self-evident, but nonetheless worthy of your serious consideration.

1. The GAO is now provided a relatively simple means of seeking refund for unused tickets or ticketing errors. If travel agencies were used for GTRs, undue delays in the refund process, and increased administrative costs

Mr. F. J. Shafer  
July 29, 1977  
Page Four

could result. The present ease of recourse against twenty-six airlines would be replaced by follow-ups with an extremely large number of potential entities, all of whom would have to be digested in the auditing process. Moreover, we experience a 5% turnover of our accredited travel agents every year, plus approximately a 10% change in ownership every year. This is particularly characteristic of the small business category. Thus, aside from frequent difficulty in determining who carries the responsibility within an agency, there would be a significant percentage of cases in which the responsible party had disappeared from the scene.

2. Assuming that the government would desire to limit entry into this business relationship with a given government location in order to preserve efficiency and avoid a hopeless volume of paperwork and accounting transactions, it should be noted that not all travel agents are "approved agencies" for dealing with the airlines. The selection of an agency would obligate the government to make a proper determination under the circumstances. Needless to say, there would inevitably be myriad pressures to select a certain travel agent for a given location or, conversely, to permit all interested agents to serve that location--in which case there would be far more than were needed, not to mention the problems of providing physical accommodations.

3. The requirements of government passengers are not confined to passenger transportation but include the shipment of material as well. Thus, these passengers frequently are accompanied by footlockers or other impedimenta which are accommodated as air freight. Since travel agencies do not handle domestic air freight shipments, the government would be forced into a situation of having to be selective for its ticketing reservations services on an individual basis.

Mr. F. J. Shafer  
July 29, 1977  
Page Five

4. The military currently benefits from special reduced tariffs, group fares and the like, which have been developed by the airlines to attract an already known potential. Introduction of unnecessary and costly "middlemen" to the transaction will inevitably mitigate against the ability to offer these cost-saving fares.

5. With respect to the operation of SATOs on government properties, even insofar as they currently engage in their secondary function of providing services for other than official travel, these facilities have restricted themselves through a self-imposed resolution of the carriers to handling traffic inside the location so as not to infringe on the travel agencies.

6. As evidenced by the recent opening of additional SATOs at several non-military installations throughout the country, the carriers are willing and able to meet additional government travel needs, as they arise.

Today, twenty-six scheduled airlines participate in agreements approved by the Civil Aeronautics Board offering good competitive service through the Scheduled Airlines Traffic Offices. These Offices continue to be, we believe, a most efficient way to conduct this type of business: their salaried employees offer a single direct source of responsible, expert people to meet all transportation needs.

Additionally these Offices are relied upon by the United States Government for national defense purposes. Should a national emergency arise, the day to day function that they perform on Government Property, would only have to be expanded upon, in order to meet the Department of Defense requirement.


In view of the above comments, we do not see advantages, either to the government and its employees or to the

Mr. F. J. Shafer  
July 29, 1977  
Page Six

scheduled airline industry, in permitting travel agents any participation in the procurement of official government travel. To the contrary, we envision additional complications for all concerned, and additional costs for the government and the airlines. These additional costs will ultimately be passed on to all travelers.

For all of the foregoing reasons, we believe that the soundest conclusion you can reach following your reexamination of the policy and regulations is to reaffirm and continue the prohibition as set forth in Title 4, Section 52.3 of the Code of Federal Regulations.

Sincerely,



Phillip R. Archer  
Director  
Military and Government  
Transportation Services