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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D C 20548

LOGISTICS AND COMMUNICATIONS  
DIVISION

090237

APR 24 1978

Mr. Robert P. Graham  
Commissioner, Federal Supply Service  
General Services Administration

Dear Mr Graham

We have completed our survey of the General Services Administration (GSA) short-term car rental contract program. We found that the program provides an economical means of transportation for Government travelers. Rental rates obtained through this program are well below available commercial rates and are also lower than the rates obtained by the Department of Defense through informal arrangements with commercial car rental firms.

However, there are some aspects of the program which we believe warrant your attention. It appears that (1) contract vehicles are insufficient to meet the needs of Government travelers, (2) there is a need to issue a more useful and timely travelers pocket guide to provide information on this program, and (3) full insurance coverage included in contract rates is not necessary.

Contract Vehicles are Insufficient  
to Meet the Needs of Government Travelers

As evidenced by our survey and a GSA 1976 report, the number of vehicles available under contract arrangements are insufficient to meet the needs of Government travelers.

We tested the availability of vehicles under the 1977-1978 GSA contract agreements and found that vehicles were not available 40 percent of the time. However, some of the contractors did offer other vehicles at higher rates. A 1976 GSA Market Research Report showed that over 50 percent of Government travelers had never attempted to use GSA car rental contracts and travelers who attempted to rent cars found that about 27 percent of the time none were available.

Another indication that sufficient numbers of vehicles are not available through GSA's rental contracts is the volume of car rentals obtained through DOD's informal arrangements with six national car rental firms. DOD travelers are required to obtain vehicles through GSA contracts before trying to rent a car under the DOD agreements. It appears that DOD travelers also experience a high incidence of denial because in fiscal 1977 alone just one of the six firms reported car

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rentals of \$3.5 million to DOD travelers and \$1.6 million to other Government travelers. Another commercial firm reported \$4 million for government rental of vehicles at regular commercial rates during fiscal year 1977. A measure of lost opportunity for savings on this volume of business is evidenced by the fact that our survey showed that GSA contract rates were generally about 18 percent lower than rates available through DOD's informal arrangements.

Based on the above, it appears that substantial savings could be achieved if GSA increased its vehicle contract rental program. This might be achieved by (1) increasing advertised requirements, (2) awarding contracts to other than low bidders but assure that low bidders are contacted first, (3) awarding multiple contracts, and (4) awarding contracts to larger firms in lieu of confining the program to small business organizations.

#### Need for More Useful and Timely Car Rental Guide

Government travelers need a more timely and useful pocket-sized car rental guide. As of April 1, 1978, GSA had not provided a guide of any kind to give travelers needed information on contractors and rental rates for the current contract period (March 1, 1978, to February 28, 1979). The guide for the previous contract year was not issued until 3 months after the new contracts were in effect.

Information in GSA car rental guides issued in previous years was not presented in a simple ready-to-use format. To determine effective rental rates, travelers had to refer to different sections of the guide and use percentage discounts to compute the net daily rental rates. The guide would be more useful if it showed net rental rates after each type of vehicle. This would enable travelers to select the most economical vehicle that would meet their needs and to determine if charges billed were accurate and proper.

#### Full Insurance Coverage is Not Needed

GSA vehicle rental contracts require the contractor to have liability insurance coverage which in many instances exceeds the amount of liability insurance required by respective state statutes. By requiring contractors to carry liability insurance in excess of state insurance laws, GSA is increasing the contractors' insurance premium expenses which are undoubtedly passed on to the user in the vehicle rental rates.

Also since the contract provides that the contractor bears full responsibility for damages to his vehicles, GSA is in effect requiring contractors to carry full collision coverage. Such coverage exceeds regular insurance provided on commercial car rentals which generally include deductible waivers of \$100 to \$250. To obtain full insurance coverage a traveler must pay an additional \$2 to \$3 which is not reimbursable under the Standard Government Travel Regulations. Since

Government travel regulations do not allow reimbursement to travelers for additional insurance to cover the deductible amount, it is questionable if full coverage under rental contracts is warranted.

In view of our observations it would appear that provisions for insurance under the contracts should be evaluated in terms of both reasonableness and cost

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Survey work was conducted at GSA headquarters, GSA Region 3, Washington, D C ; GSA Region 6, Kansas City, Missouri, Department of Defense, Army's Military Traffic Management Command, and two car rental contractors.

We want to thank you for the cooperation extended to our staff during this study and would appreciate it if you would advise us of your thoughts on the matters discussed in this letter and any actions taken in response to our suggestions for improvement in the short-term car rental contract program.

In the meantime, should you desire, we would be happy to meet with you and your staff to furnish additional information and more fully discuss the matters contained in this letter

Sincerely yours,



Henry W. Connor  
Associate Director