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193

SENATE BILL NO. 193

POSITION PAPER

SB 193 would require that travel be competitively bid.

Obtaining lower costs for necessary travel is certainly desirable. Given the amount of travel done by State employees, it certainly appears that discounts should be available to such a large user group.

It is necessary, however, to define what is meant by "travel." Presently, a whole list of services come under that broad definition. Travel expenses include a variety of transportation expenses (commercial carrier, taxi, bus, car rental, vehicle mileage), subsistence (meals, lodging), and other items (telephone calls, parking fees, emergency supplies). Per diem is a flat daily allowance in lieu of subsistence expenses.

A review of actual transportation and per diem expenditures by the State for the fiscal years 1978 through 1982 shows a 50% split between the two categories. Further, in-State transportation is about 40% of total travel expenditures, including air fare, car rental, taxi, etc.

In April 1982 a bid related to airline transportation was published patterned after the Federal Government contracts. No bids were received. There are several methods that might be used regarding airline transportation - point-to-point high density route discounts, etc. Flexibility will be necessary to allow feasible implementation of perhaps some travel items subject to competitive bid, and other under regular rates.

Prepared by:

  
Anselm Staack, Deputy Commissioner

4-7-83  
Date

  
Lisa Rudd, Commissioner

4/7/83  
Date

STATE OF ALASKA  
FISCAL NOTE

Revision Date \_\_\_\_\_, 1983

I. REQUEST

Bill/Resolution No.: SB 193  
 Title: Compet. Bid for Travel  
 Sponsor: Faiks  
 Requestor: Senate Labor & Commerce

II. FISCAL DETAIL

Agency Affected: Administration  
 Program Category Affected: General Govt.  
 BRU, Program of Subprogram(s) Affected: ALL

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

SAVINGS COULD RESULT DEPENDING ON EXTENT OF SUCCESSFUL COMPETITION.

IV. ANALYSIS: Attach a separate page for any Analysis (SEE ATTACHED POSITION PAPER)

Prepared By: Anselm Staack, Deputy Commissioner Phone: 465-2200  
 Division: General Services & Supply Date: 4-7-83  
 Approved by Commissioner: Lisa Rudd Date: 4-7-83  
 Department: ADMINISTRATION

Distribution:

Original to Legislative Finance  
 Copy to Office of Management and Budget (for Legislature introduced bills)  
 Copy to Department (for Governor introduced bills)  
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	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
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TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
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Prepared By: Anselm Staack, Deputy Commissioner Phone: 465-2200  
 Division: General Services & Supply Date: 4-7-83  
 Approved by Commissioner: Lisa Rudd Date: 4-7-83  
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STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

I. REQUEST

Bill/Resolution No.: SB 193  
 Title: Competitive Bidding for Travel  
 Sponsor: Senator Faiks  
 Requestor: Senate Labor & Commerce  
 Date of Request: \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected: Administration  
 Program Category Affected: General Gov't.  
 BRU, Program of Subprogram(s) Affected: All state agencies

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	-0-	-0-	-0-			
CAPITAL	-0-	-0-	-0-			
REVENUE	-0-	-0-	-0-			

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						
TOTAL						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Bob Link *Bob Link* Phone: 465-2250  
 Division: General Services & Supply Date: November 23, 1983

Approved by Commissioner: Lisa Rudd *Lisa Rudd* Date: 12/9/83  
 Department: ADMINISTRATION

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

9/14/83

IV. ANALYSIS:

Senate Bill 193  
November 23, 1983

Savings could result, depending on extent of successful competition.

In 1982, a bid related to airline transportation was published, patterned after the federal government contracts. No bids were received. There are several methods that might be used regarding airline transportation -- point-to-point high density route discounts, etc. Flexibility will be necessary to allow feasible implementation of perhaps some travel items subject to competitive bid, and other under regular rates.

SB 193 TITLE & SPONSOR SUMMARY

14:15 5/22/84 PAGE 1 OF 2

AMENDED TITLE:

AN ACT RELATING TO COMPETITIVE BIDDING FOR TRAVEL CONTRACTS

PRIME SPONSOR: FAIKS.

CO-SPONSORS

CURRENT STATUS: 3/22/83 IN (S) LABOR & COM

SB 193 SENATE ACTION

14:15 5/22/84 PAGE 2 OF 2

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/22/83	01	0458	FIRST READING -- COMMITTEE REPORTS LABOR & COMMERCE RULES
***	**	**	*** ** *





OFFICIAL BUSINESS

ALASKA STATE LEGISLATURE - SENATE  
COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON  
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811  
(907) 465-3844

April 11, 1983

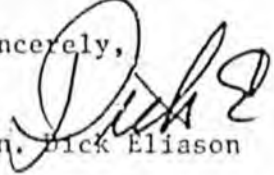
Lisa Rudd, Commissioner  
Dept. of Administration  
Pouch C  
Juneau, Alaska 99811

Dear Commissioner Rudd:

During a recent hearing on SB 193, "An Act relating to competitive bidding for travel contracts", Deputy Commissioner Anselm Staack stated that the Department of Administration was reviewing several cost-saving alternatives for state employee travel. As Chair of the Senate Labor and Commerce Committee, I am most interested in keeping abreast of your findings.

I look forward to receiving a list outlining the various methods considered by the Department.

Sincerely,

  
Sen. Dick Eliason

April 7, 1983

TESTIMONEY OF RICHARD GARVIN, GENERAL MANAGER, AMERICAN TRAVEL SERVICE,  
ANCHORAGE, ALASKA.

In a letter dated March 31, 1983, Sen. Jan Faiks wrote that the budget for 1984 would be approximately \$43,000,000 and 50% to 60% will go toward air travel. She further states that, "We also found that these agencies pay full coach fare in most cases and that as a result of airline incentives, such as the "Amigo Fares", offered by Western Airlines, many trips have been taken which may not have been necessary. This is contrary to state policy."

The problem with these points are:

- a. Incentive fares are only offered over a short period of time and not on a year around schedule.
- b. If there is a problem with purchasing the fares for unneeded trips this is a problem of administration of travel, not the air fares, nor the travel agent.
- c. It is not a fair statement that all or most tickets are sold at full fare. When ever the rules apply for a super saver or other lower or money saving fares, this is the fare used and applies to all state purchases.

Sen. Faiks, "We envision that the competitive bid process would allow any airline, travel agency or other germane business entity to bid for the contract on any serviceable route so you will not be precluded from bidding for state travel contract. This basically follows federal travel policy." The fact is that federal policy addresses its own military personnel who travel. They are issued a travel requisition, and we are talking about a few million people who travel. All Federal employees travel at the regular airline fare. These two types of purchases are made through a 'joint airlines' office on the base. These offices are made up of all participating air carriers with revenues going to the carriers. Again, these fares are right from the tariff, the same as your local travel agent and all carriers sells to state employees.

In fact the federal government is now experimenting with allowing travel agencies <sup>to</sup> write tickets for government travel. The trend is toward more deregulation.

According to "Western Travel Sales Guide", there are listed 73 travel agencies in the state and growing. Many of these agencies are doing business with the state at this time. I can assure you that the tickets we deliver to state offices are questioned as to proper fare and that all considerations to the traveler have been extended to provide the lowest level fare. In most cases a department head has authorized the travel for the traveling state employee. We remind you that there is competition out there. A travel agency will do all they can do to provide, professional and cost concious service.

In conclusion a major consideration in your deliberations should be that this bill could be overriding our free enterprize system of letting the market seek it's own level.

By establishing a single carrier or a single agency you are creating a monopoly. Need I remind you of the problems that is inherent in a monopolistic system. This will mean a return of one carrier problems. This could mean a restriction on time of travel, days of travel, availability of space on a particular carrier and many times leads to a particular level of service by a carrier. If state employees are restricted to traveling on one carrier or dealing with one agency you would be taking a lion by the tail because of so much travel originating from so many areas in the state. The exceptions would be too many to list here.

As you know Alaskans have never been very enthusiastic about monopolies.

**AMERICAN**  
★ TRAVEL SERVICE ★

April 4, 1983

Senator Richard I. Eliason  
Chairman - Labor and Commerce  
Pouch V  
Juneau, Alaska 99811

Re: SENATE BILL NO. 193  
Hearing, Room 211  
Set for April 7, 1983 - 1:30 P.M.

Dear Senator Eliason & Members of the Committee:

I am Richard H. Garvin, General Manager of American Travel Service, of Anchorage, Alaska. I have lived in the State since 1942 and have been a member of the travel industry for the past 14 years. Please accept this letter as my personal testimony in this matter. Thank you.

To be brief, I'll state points that will be oposition to the consideration of the new wording of this bill. (Senate Bill No. 193)

1. There is no guarantee that the airlines will reduce fares to any particular level. Airfare alone is not all of the travel costs.
2. Therefore hotels, taxi's and other travel expense items such as these and even meals would be put on bid for the same reasons if this was to be carried out to the full entent of "savings". Rent-a-car companies would be included too.
3. If the state is dealing directly with the airlines then the travel agent who provides service would not be able to write tickets, make reservations and provide delivery service as well as hotel and rent-a-car reservations for state employees. Travel agencies employee Alaskans.
4. If this was to pass state employees could not take advantage of special fares that are offered from time to time by carriers, i.e., \$100 or free tickets to points in Alaska, Mexico and Hawaii.
5. Should an airline offer a special fare below the bid price what would this do to the system. Or should the system of calculation change, e. from the present structure to a mileage or zone fare, will this mean re-bidding for fares?

The above represents only a small part of my thoughts, but the impact that this bill would have would be harder to deal with than a status-quo. In a time of deregulation, you are inforcng more regulation. The Federal Government is under deregulation and also the State is also taking steps to deregulate travel and transportation. I do not see this bill as a giant step forward for the betterment of the state. Free enterprise, deregulation in the market place will bring down prices and will not cause unemployment in one of Alaska's largest renewable industries...Travel Thank you for your time and consideration.

  
Richard H. Garvin  
General Manager

Captain Cook Hotel Plaza P.O. Box 459 - Anchorage, Alaska (907) 279-2471 • TELEX: 090-28659

Travel Policy  
re: SB 193

1. Federal Policy

a. General Federal Employees:

- Travel policies vary from office to office
- GSA has contracts for certain routes. They accept bids for specified maximum flight times. This has been in effect for the past ten years. The variables for acceptance of low bids are:

- .. the time of day of the flight
- .. airport(s) served
- .. price

They have not received any criticism from travel agencies; GSA has travel agencies on contract.

b. Travel agency policy re: Federal Travel

Data from Omega Travel Agency, DC area (GSA Contractor)

20% of Federal employees obtain tickets without the idea of a travel agency or SATO.

\$720 million business done by SATO (Scheduled Airline Ticket Office, an airline sponsored office providing free government travel service to Feds.)

This costs the airlines approximately 9% to maintain. United Airlines controls 70% of SATO business yet has no contract with the government. Travel agencies have about 7% of SATO's business. They collect a commission of 8-9%. Although the airlines won't admit they are paying TA commissions, Omega TA collects a commission on every airfare, including contract (low bid airfare). This has provided excellent business to the TA

Note: Five years ago, when CAB approval was required, the airlines offered a 5 day (Monday-Friday) excursion for business people.

c. The U.S. Senate Allows:

- vacations adjacent to official business trips
- detours in route for personal business
- Senate staff to accept rebates under certain "complicated" conditions, if the benefit accrues to a person and is nontransferrable, but they cannot accept tangible (gold ingots) assets.

Because each agency must stay within the budget, it is in

Submitted by Sen. Faiks

their best interest to monitor and stretch their budget.

d. Federal History:

In 1940 the airlines convinced GAO to prohibit the use of travel agencies in ticketing government employee airfares. GSA recently obtained permission to test the need for this ruling, with the idea of eliminating the rule. GSA has a letter awaiting signature (ref: Omega TA) to encourage the use of travel agencies. GAO/OMB now say travel agencies make a lot of sense and are often better than SATO or individuals. However, Defense Department won't follow the lead to use travel agencies (probably because DOD offices/military bases have SATO offices). GSA will continue their test. Everyone will be able to use a travel agency as long as they travel agency is approved by GAS, who is only using the best after recent problems with one agency.

2. Selected States Policy

Most states use "coach, lowest fare, supersaver when possible, first class if necessary, cheapest, most economical" bonuses/coupons must be turned in (Data from: Hawaii, Arkansas, California, Kentucky, Maryland, Michigan, Minnesota, Illinois, Oklahoma, and Washington; collected by telephone survey and written reports from NCSL)

Special provisions: Hawaiian interstate airlines offer a discount to any passenger who holds a \$5 Travel Club card. Now the fare has been extended to government employees without a Travel Card.

3. Alaska

Currently, travel vouchers are reviewed, before approved, by administrative services to assure maximum financial benefit to the State for each employee's travel. However, the per diem cost (\$80-90/day) to stay over the required Saturday night does not usually offset the savings of the supersaver.

A memo is currently being developed by the Department of Administration to reacquaint State departments with the use of supersavers.

State employees do not have to turn their discount coupons in and, like many other states, can take concurrent vacations (without per diem) in association with business.

State written procedure for travel: State Administrative Manual #73

\$43 million total travel (50-60% airfare)

NOTE:

The Governor wrote to Western, Alaska, and Wein Airlines requesting

information on low bid contracting. No reply as of 4/6/83.  
However, several travel agencies have replied with negative  
comments about the bill.

4. Conclusions:

1. Competitive bid for airfares will result in a reduction in  
state costs of travel
2. The competitive bid process should not be restricted to  
airlines but opened up to travel agencies as well

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Information collected by Senator Faiks Office  
(April 6, 1983)

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(d) Votes required to be conducted under (c) of this section may be conducted by teleconference. (§ 1 ch 170 SLA 1980)

**Cross references.** — For the 1980 special appropriation to the reserve for emergency operating expenses account, see Chapter 171, SLA 1980, in the Temporary and Special Acts binder.

### Article 4. Uniform Purchasing.

#### Section

- 230. Competitive bids
- 240. Award of contracts and purchases

**Sec. 37.05.230. Competitive bids.** In the manner provided in AS 37.05.010 — 37.05.330 and rules and regulations established under it

(1) a contract for construction and repairs, or a purchase of and contract for supplies, materials, equipment, and contractual services must be based on competitive bids; an award shall be made to the lowest responsible bidder after advertising for bids, except that (A) Repealed by § 2 ch 92 SLA 1967; (B) a bid shall be awarded to an Alaska bidder if his bid is not more than five per cent higher than the lowest nonresident bidder's; and (C) competitive bids need not be required (i) for contractual services where no competition exists; (ii) for sales involving fair trade items; (iii) when, in the judgment of the purchasing agent, food, clothing, or medical supplies, or materials for use in laboratory and experimental studies may be purchased otherwise to the best advantage of the state; (iv) where rates are fixed by law or ordinance; (v) for items traded in on like items; or (vi) for professional services;

(2) if the amount of the contractual services, purchase, or sale is estimated to exceed \$5,000, sealed bids shall be solicited, when practicable, by publication in a newspaper calculated to reach prospective bidders and by posting notices in public places within the area where the work is to be performed or material furnished and in addition the department may also designate a trade journal for publication; the department shall also solicit bids by sending notices by mail to all active prospective bidders known to it and all bids shall be sealed when received, and shall be opened in public at the hour stated in the notice; the department may limit the solicitation of bids or negotiate directly if it finds that it is in the best interests of the state;

(3) a contractual service, purchase or sale where the known requirements are estimated to be less than \$5,000 may be made either upon competitive bids in accordance with (2) of this section or in the open market, in the discretion of the department; but, so far as practicable, shall be based on at least three competitive bids and recorded as provided in AS 37.05.240; small purchases of less than \$500 in the discretion of the department may be made on the open market, and may be by cash payment from petty cash accounts set aside for that purpose;

the department shall determine the amount of the petty cash accounts needed by each state agency, and inspect the petty cash accounts at least once each year to determine that the total plus amounts of receipts for unreplenished disbursements is equal to the fixed sum of cash set aside; shortages in petty cash accounts are a personal liability of the responsible head of the agency to whom the account is set aside; the department shall make all necessary rules and regulations governing use and replenishment of petty cash funds;

(4) the provisions of this section relative to competitive bids do not apply to contracts for the operation of transportation systems for students to and from the schools within the state, as are authorized under AS 14.09.010; and these contracts may be awarded by bid or negotiation and, at the discretion of the Board of Education, may be awarded for periods of three years or less;

(5) an "Alaska bidder," for the purpose of bid awards under (1) (B) of this section, is a person who

(A) holds a current Alaska business license,

(B) submits a bid for goods or services under the name as appearing on his current Alaska business license,

(C) has maintained a place of business within the state for a period of six months immediately preceding the date of his bid;

(E) the competitive bid requirements of this section do not apply to air taxi services used by state employees when no formal contract is executed; the department affected shall pay the air taxi operator the tariff rates as published by him with the Air Transportation Commission for the type of aircraft required; the tariffs need not be uniform throughout the state and may reflect the diverse conditions of various areas of the state; the air taxi service used in each case shall be selected by the state employee who is to fly in the aircraft, or if more than one state employee is flying in the aircraft by the employee in charge; in all cases the air taxi operator shall have complied with AS 02.05.010 — 02.05.260 and other prequalifying regulations established by the department;

(7) the provisions of this section relative to an "Alaska bidder" do not apply to contracts estimated to exceed \$5,000, of either the Department of Transportation and Public Facilities, which are authorized under AS 35.15.010 -- 35.15.120, or the Department of Highways, which are authorized under AS 19.10.010 — 19.10.280;

(8) the provisions of this section relative to competitive bids do not apply to the purchase of products or services manufactured or provided by a sheltered workshop;

(9) the provisions of this section relative to competitive bids do not apply to the purchase of products or services provided by the correctional industries program established under AS 33.32;

(10) requests for and acceptance of bids or other proposals for professional services shall comply with AS 24.23 or AS 36.98. (§ 3 art IV ch

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# State asks airlines to bid on state's business

Juneau  
Empire

3/27/83

By Empire Staff

Based on a suggestion from Sen. John Sackett, R-Ruby, Gov. Bill Sheffield has asked Alaska's three major commercial airlines to consider competitive bidding for state government travel rates between Juneau, Anchorage, Fairbanks and Seattle.

Sheffield has written to officials of Western and Alaska Airlines and Wien Air Alaska informing them he is considering such a proposal and asking for any ideas on the subject.

"The state spends approximately \$40 million per year for travel, and we are in need of cost savings, as is every other business," the governor said in his letter.

Since the federal government asks for competitive bids from airlines for official government travel, the state might want to consider the same thing, said John Greely, deputy press secretary to the governor.

In addition to the administration's request, legislative steps are being taken to help save money on the state's travel budget.

Sen. Jan F'aiks, R-Anchorage, introduced a bill earlier this week to require competitive bidding for state air travel. Com-

petitive bidding is already required for many state services, and the bill seeks to extend that to air travel as well.

About \$24 million is spend yearly on state air travel, and special rates provided by the airlines could save the state about \$8 million, said a F'aiks spokesman.

Wien Air Alaska already does competitive bidding for federal government air travel, but Jim Flood, company president, is in Chicago and has not seen the governor's letter concerning bids for state travel.

Jim Johnson, vice president for public affairs for Alaska Airlines, told the Empire this morning the company hadn't had time to review Sheffield's letter or form a response to it.

However, Johnson hoped a method could be worked out with the state that could overcome some of the problems encountered with competitive bidding on federal travel.

The major problem with the federal competitive bidding system is when a low bidder is selected, other airlines flying the same routes simply match the low bid. Then, whenever a federal

Continued on Page 2

## Air bids...

Continued from Page 1

traveler finds a full plane or a schedule conflict on the low-bidder airline, they just go to the competitors at the same price, Johnson said.

"We opted not to bid on the federal program because it's not a competitive bid as such," Johnson said. "Besides, we felt the rates were already very fair, and we would be denying seats to the general public."

Western Airlines has not bid for any of the federal contracts on its routes and does not have any similar contracts with any other states, said Glenn Bozarth, manager of press relations for the airline.

George Sullivan, senior vice president for Western, who received the letter from Sheffield was unavailable for comment at press time.

Bill Fact Sheet

Date Received 3/22/83

Bill Number SB193 Title Competitive bid/Travel contracts

Fiscal Note - Date Requested 4/1/83 Date Received \_\_\_\_\_

- Of Whom Rebecca Burch (Dept Admin)

Dept. Position Paper - Date Requested 4/1/83 Date Received \_\_\_\_\_

- Of Whom Rebecca Burch (Dept Admin)

Resource People

Initial Hearing - Date 4/7/83

People Contacted

Rebecca Burch - Admin - 2200 (4/1)

Faiks - (4/1) (Cynthia)

Judy McGraw - (4/1) 263-6200

Ben Harding - Gov's Office 4/5/83 (Louis Dischner)

Jim Johnson - AL Airlines - 206-433-3169 - (4/1) - left m

Glenn Bozarth George Sullivan 266-2201 - Western - 4/1 - left n.

Wien - 243-2400 - Jim Flood - (4/1) (Ashley Reed)

Wally Kubly

Follow-up Hearing - Date \_\_\_\_\_

asked Rebecca  
to testify 4/5

Final Action \_\_\_\_\_ Date \_\_\_\_\_