

SCR

24

State asks airlines to bid on state's business

Juneau
Empire
3/24/83

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 Faiks, 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 spent yearly on state air travel, and special rates provided by the airlines could save the state about \$8 million, said a Faiks 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.

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 CAP 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 nontransferable, but they cannot accept tangible (gold ingots) assets.

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

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. GAOOMB 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

* * * * *

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

COMMITTEE REPORT
SENATE

4/30/83

FURTHER:

Date: 5-10-83

Mr. President:

The Committee on State Affairs has had SCR 24
Relating to competitive bidding for travel.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Tom Kelly

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Bill Kay Do Not Pass with

V. Fischer - No Rec

CHAIRMAN

ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS COMMITTEE

SENATOR VIC FISCHER, CHAIRMAN

POUCH V, JUNEAU 99811

(907) 465-4954



May 10, 1983
3:00 p.m.

Butrovich Room
Capitol Bldg.

Members Present

Senator Vic Fischer, Chair
Senator Bill Ray, Vice-Chair
Senator Pat Rodey
Senator Tim Kelly
Senator Arliss Sturgulewski

Agenda

SB 115 Rights of Peace Officers

SCR 24 Competitive bidding for travel

Drunk driving and related issues (SB 61, SB 226, HB 17)

SB 115 Rights of Peace Officers

Teleconference with Anchorage

Holli Ploog, representing the Anchorage Police Officers Association, testified in support of the committee substitute prepared by staff.

Senator Ray stated his opposition to the committee substitute. He felt that this bill is inappropriate given the nature and responsibilities of this type of occupation.

Officer Sterling, Anchorage Police Officers Association, testified for the committee substitute.

Brian Porter, Anchorage Chief of Police testified against the committee substitute. He thinks it is a special interest bill which doesn't have wide support.

Robert Henderson, Alaska Chiefs of Police Association, testified against the committee substitute.

Senator Rodey moved and asked unanimous consent to pass the bill from committee with individual recommendations. There was no objection.

SCR 24--Competitive bidding for travel

Senator Jan Faiks, prime sponsor, spoke for the bill. She said that the state travel budget is approximately \$43 million, 60% of which is airfare. She sees an opportunity for substantial savings if air travel were subject to competitive bidding procedures.

Senator Ray was of the opinion that one of the unintended consequences of such a change would be to drive air carriers out of the Juneau market.

Senator Faiks stated that the federal government has successfully used competitive bidding for travel for some years now.

Anselm Staack, Deputy Commissioner of the Department of Administration, said that some savings should be achievable but that more study was needed to select among the various options. In the past the state put out requests for bids for travel and did not receive a single bid.

Senator Kelly moved and asked unanimous consent that the bill pass from committee with individual recommendations. There was no objection.

Drunk driving and related issues (SB 61, SB 226, HB 17)

This was an informal work session to consider CSSB 61 [which is identical to CSHB 6(Jud)] along with a series of amendments agreed upon by the committee. The committee was joined at the table by Gayle Horetski, Department of Law, Peggy Berck, Public Defender Agency, Russ Josephson, Legislative Legal Services, and Karla Forsythe, Alaska Court System.

Six of the proposed seven amendments were adopted by the committee (see attached). Two other changes were considered and added to the bill. Senator Rodey wanted to have "sobriety check points" included as a purpose clause to the bill as he didn't think that a letter of intent would have enough impact. Karla Forsythe of the Alaska Court System related the concerns of the court system about the impact of having the license revocation hearing under the court system. She said that one of the most important aspects of the administrative license revocation process is the swiftness in which the hearing could be done.

She said that this hearing would bog down the court system, and that the purpose of the administrative license revocation process would not be accomplished. She suggested that the hearing be done administratively under the Department of Public Safety. The committee agreed to put the administrative under the Department of Public Safety.

Some questions were raised about the impoundment provision that was in the original HB 6. Senator Rodey agreed to look into impoundment and come back to the committee with conclusions about its feasibility.

The meeting adjourned at 5:12pm.

by
David Dye
Committee Aide

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SCR 24
 Title: Compet. Bid for Travel
 Sponsor: Faiks
 Requestor: Senate State Affairs

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
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
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						
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

Prepared By: *A. Staack*
Anselm Staack, Deputy Commissioner
 Division: General Services & Supply

Phone: 465-2200
 Date: 5-9-83

Approved by Commissioner: Lisa Rudd
 Department: ADMINISTRATION

Date: 5-9-83

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)

SENATE BILL NO. 193

POSITION PAPER.

SB 193 would require that travel be competitively bid.

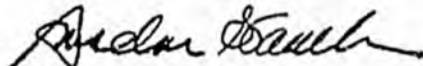
Obtaining lower costs for necessary travel is certainly desirable. Given the amount of travel done by State employees, it certainly appears that discounts should be available to such a large user group.

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



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

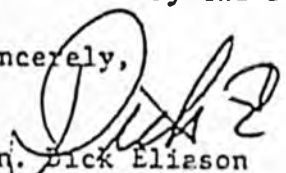
Lisa Rudd, Commissioner
Dept. of Administration
Pouch C
Juneau, Alaska 99811

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