

HB

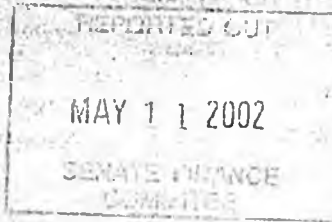
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SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/6/02



FURTHER:

DATE TURNED IN TO OFFICE: 5/11/02

Finance Committee considered **HOUSE BILL NO. 300**
HB 300 PROCUREMENT OF TRAVEL SERVICES

"An Act relating to the procurement of certain travel services."

and recommends:

- be replaced with CS _____ (_____)
- adopt previous S CS HB 300 (STA)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

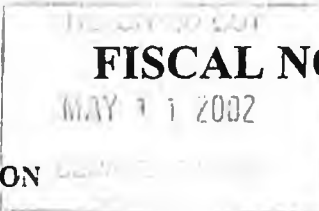
Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DOA	2/7/02	*		1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	DO NOT PASS	No REC	AMEND
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
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COCHAIR: <i>[Signature]</i>			<input checked="" type="checkbox"/>	
COCHAIR: <i>[Signature]</i>			<input checked="" type="checkbox"/>	



FISCAL NOTE

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1
 Bill Version: HB 300
 (H) Publish Date: 2/22/02

Revision Date/Time (Note if correction): _____ Dept. Affected: All
 Title: An Act relating to the procurement of certain BRU: All
travel services Component: All
 Sponsor: Representative Hayes
 Requester: House State Affairs Component No. All

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Estimated impact is based on the following assumptions and calendar year 2001 data, provided by the State's travel card provider. The assumption is that state agencies will absorb the cost in existing budgets.

Total number of tickets purchased	49,308
less purchased direct from Airlines	11,195
Tickets purchased from travel agents	38,113
less tickets from contract travel agents (fees charged)	9,514
Tickets purchased from travel agents who waived fees	28,599
 Cost of paying fees for services currently received at no cost (28,599 tickets X assumed fee of \$8)	 \$228,792

Prepared by: Vern Jones Phone 465-5684
 Division: Division of General Services Date/Time 02/04/02
 Approved by: Jim Duncan, Commissioner Date 2/7/2002
 Agency: Department of Administration

House Committees

Labor & Commerce
Military & Veterans Affairs
State Affairs
Regulation Review

Alaska State Legislature
Representative
Joe Hayes

119 N. Cushman, Ste. 205
Fairbanks, AK 99701
(907) 456-7423 / Fax: 451-9293
While in Juneau
State Capitol
Juneau, AK 99801-1182
(907) 465-3466 / Fax: 465-2937



Sponsor Statement
HB 300

HB 300 will allow for the exemption of contracts for certain types of travel services including airplane travel, hotel accommodations and travel agency services from the procurement procedures of AS 36.30.

In February 2002, Alaska Airlines adopted a policy similar to other major airlines capping travel agent commissions from 5% of the total ticket price to \$10 and \$20 for one-way and roundtrip airline tickets, respectively. March 2002 brought even worse news to the agencies when the airlines declared that all airline commissions would cease. Alaska Airlines has not yet cut their commissions to travel agents, but it is expected that they will by May 2002. Due to the abatement of commissions, it has become necessary for many travel agencies to rely on agency fees to stay in business.

Since HB 300 will exempt certain travel services from the procurement procedures codified in AS 36.30, administrative agencies will be able to choose travel providers on a case-by-case basis. This will foster competition by allowing for the consideration of all agencies. The existence of competition is important to ensure the State will get the best price available. If we allow several travel agencies to go out of business, we can be certain a monopoly will ensue and the state will be forced to pay whatever price is set by the few existing agencies.

Passing the bill will give all travel agencies an opportunity to provide state travel, thus protecting and fostering Alaskan jobs and businesses. I ask for your support in passing this legislation.

District 30

representative_joe_hayes@legis.state.ak.us

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

April 5, 2002

AAA Travel
9191 Old Seward Hwy. # 20
Anchorage, AK 99515-2040

Dear Travel Agent:

The most recent round of commission cuts by airlines is forcing the State of Alaska to change the way it purchases travel. As you may know, unless we conduct a competitive procurement, the State is statutorily able to transact business only with travel agents who have agreed to waive fees for their services. Now that most airlines have quit paying commissions, we believe it is highly unlikely travel agents can continue waiving fees for state travel.

One strategy suggested by travel agents is to set a fee threshold that could be paid to any travel agent for state travel. This is not permissible under present procurement law, which requires competitively awarded contracts when the State expends money.

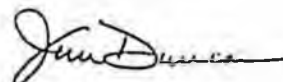
However, the legislature is considering House Bill 300, which would exempt travel services from the normal competitive requirements of the procurement law. Should HB 300 become law, we would have the option of working with travel agents to establish a fee threshold that could be paid by state agencies to any travel agent in locations where we have no existing contracts.

We continue to monitor the progress of HB 300; its ultimate fate will dictate the State's course of action.

In the meantime, we are preparing to pursue a competitive procurement for the locations where we presently have no contracts, in the event HB 300 or similar legislation fails to pass this session. These locations include Anchorage, Fairbanks, and several smaller communities. Under current law, this procurement would result in single vendors in each location. On April 18th, we will mail each travel agent in these locations a copy of the competitive solicitation.

I wanted to let you know where things stand in this fast-changing area. I understand recent changes have made your economic situation difficult. The State of Alaska benefits greatly from the services of professional travel agents. We hope to continue these positive relationships to most efficiently accomplish the mission of government.

Sincerely,



Jim Duncan
Commissioner

House Committees

Labor & Commerce
Military & Veterans Affairs
State Affairs
Regulation Review

Alaska State Legislature
**Representative
Joe Hayes**

119 N. Cushman, Ste. 205
Fairbanks, AK 99701
(907) 456-7425 / Fax: 451-9293

While in Juneau
State Capitol
Juneau, AK 99801-1182
(907) 465-3466 / Fax: 465-2937



Memorandum

Subject: Sectional Summary of HB 300 relating to the procurement of certain travel services

From: Representative Joe Hayes

Date: May 3, 2002

Section 1. Excludes from the state's procurement code (AS 36.30) contracts for travel services, except for motor vehicle rentals.

Section 2. States that sec. 2 of the bill does not apply to ongoing contracts entered into before the effective date of the Act.

District 30

representative_joe_hayes@legis.state.ak.us

HB 300 Testimony
House State Affairs hearing
2/21/02 8:00 am

Room 102 Capital

Hello, my name is Kim Garner and I work as the director of finance in the Department of Administration.

I am not an expert on procurement issues, but I am familiar with the business relationship between the State of Alaska and travel agencies.

State government has a long history of relying on the private sector for professional travel services. Until a few years ago, these services were free to travelers because travel agencies relied on commissions from the travel providers such as airlines and hotels. Because no public funds were spent for these services, each state office was able to use the travel agent of their choice and strong loyalties developed.

In October 1999, airlines cut travel agent commissions from 8% to 5%. This 37.5% reduction was an early step in a trend that has continued to place severe economic pressure on travel agents. With ever declining commissions from airlines, more and more travel agencies have responded by initiating fees for their services.

When fees are introduced for travel services, the issue of competitive procurement arises. The State of Alaska spends over \$16 million a year on airline tickets; a fee as low as 1% results in \$160,000 spent statewide for services. Current procurement law requires formal competitive bids for purchases of this size. The result is that all state travel purchases are then made from the successful bidder.

Our policy has been to obtain travel agent services without paying fees whenever possible. To that end, the Department of Administration has maintained a web site listing travel agents willing to provide services free of charge to State agencies. State agencies may use any of the travel agencies listed or any other travel agency willing to waive fees for their business.

In communities where no travel agencies were willing to provide free services, we competitively established a travel agent contract in accordance with the Procurement Code. This has resulted in single award contracts for the communities of Juneau, Wrangell, Petersburg, Haines, Cordova, Seward, and Dillingham. Fees paid under these contracts range from \$5 to \$20 for an airline ticket.

Effects of the bill

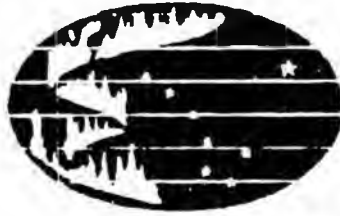
If this legislation passes, travel related services would be exempted from the procurement code. In that case, the Department of Administration will meet with industry representatives to establish a reasonable fee schedule, which will become the "benchmark" for doing business with the State.

Any travel agency willing to provide services at or below the benchmark will be eligible to receive State business. State employees could choose to use any eligible travel agency.

To sum up, passage of the HB 300 would eliminate the requirement for competitive procurement in order to pay fees, but it would not prevent establishing future travel agency contracts when in the State's best interest. It would have no effect on our current travel agency contracts since they are preexisting and legally binding.

I would be happy to answer any questions.

Thank you.



Northern Lights Travel

606 Old Steese Hwy., Suite 117 • Fairbanks, Alaska 99701
Phone (907) 451-7111 • 1-800-478-7048 • Fax (907) 451-8709

January 31, 2002

Representative Joe Hayes
(907) 465-2937 FAX

Dear Mr. Hayes,

I would like to lend my support to HB300. Travel agencies are facing greater financial challenges every year as the airlines continue to decrease our commissions. Service fees are a must for travel agencies to continue to survive.

The STATE should NOT be exempt from paying for services from any business. We provide a valuable service. I do not want to see our public servants wasting time and money trying to be travel agents, when a call to a professional and efficient travel agent can have a state employee off the phone and the internet in minutes. Currently the State does not pay for the service of ticket delivery or the additional time spent if a ticket has to be changed and reissued.

Thank you, Mr. Hayes for supporting HB300. Please let me know if I can assist, in any way, to help pass this bill.

Sincerely,

Northern Lights Travel
Yulanda Johansen, CTC
Owner

Alaska Native Owned

Email: yulanda@northernlightstravel.com



Vagabond Travel

January 29, 2002

Representative Joe Hayes
907/485 2927 Fax

Dear Mr. Hayes;

I would like to lend my support to HB300. Travel agencies are facing great financial challenges as we see our airline commissions shrinking with every passing year. Service fees have become a way of life in the travel agent industry and without them few of us could remain in business. The state should not be exempt from paying for services from any business. We provide a great service, as anyone who has sat on hold with the airlines or fumbled through an internet booking can attest to. Quite frankly, I do not want to see our public servants wasting time and money trying to be travel agents, when a call to a professional and efficient travel agent can have a state employee off the phone in minutes. The state does not even pay for the service of ticket delivery or the additional time spent if a ticket has to be changed and reissued.

My hat is off to you Mr. Hayes, please do not hesitate to contact me if there is anything further I can do in this endeavor.

Sincerely,

Ramona Oxendine
Manager/partner



SENATOR KIM ELTON

F

March 5, 2002

Mrs. Cassandra Ritter Days
PO Box 33716
Juneau, Alaska 99803

Dear Cassandra:

Thanks for your letter concerning the travel industry in Alaska. Small business is an important part of the Alaskan economy and it's discouraging to see that executive and legislative actions may have had a negative impact on small travel businesses in order to save approximately 2 percent on the cost of state travel.

It is not good for our economy to simply focus on the 2 percent and not reflect on what ripples through the private sector. I wanted to let you know that Representative Joe Hayes (D-Fairbanks) has introduced a bill that will eliminate this procurement process for the for travel agents. I've attached the copy of Rep. Hayes' bill, HB 300. Please call my office if you have any questions.

Sincerely,

Senator Kim Elton

cc: Representative Hayes



907-522-1299

F

March 1, 2002

Representative Joe Hayes
Alaska State Capitol, Room 422
Juneau, AK 99801-1182

Dear Representative Hayes:

Thank you for sponsoring House Bill (HB) 300. I also want to thank other members of the House State Affairs Committee for their approval of the legislation on February 21, 2002. Airlines Online & Travel Services Network, Inc (Airlines Online) supports passage of HB 300.

Airlines Online is a full-service travel agency certified by the Airlines Reporting Corporation (ARC). We have been headquartered in Anchorage since 1992. Airlines Online provides both traditional and internet based travel and travel management services on a global basis for corporate, government, and leisure clientele. First and foremost, our professional staff provide unparalleled customer service. Airlines Online is a member of the Alaska Business Travel Association, American Society of Travel Agents, and other travel organizations.

I learned about this legislation by viewing a video of the February 21 hearing. If enacted, HB 300 will amend AS 36.30 to allow travel agencies to charge service fees for travel services purchased by state employees. Director Kim Garnero, Division of Finance, testified the legislation would not sever existing travel agency/state fee based contracts currently in force in a few communities.

At the hearing, Director Garnero also clarified the fiscal note for an \$8 roundtrip ticket service fee was an estimate and indicated it was still subject to input from travel industry representatives. **Airlines Online requests to be among the industry representatives queried for input by the legislature and Director Garnero regarding the fiscal note and bill language.** Airlines Online would also appreciate being informed of future hearings in the House and Senate related to this legislation.

Airlines Online suggests HB 300 should include a provision requiring the state to establish a minimum standard for mandatory data reporting by all travel agencies

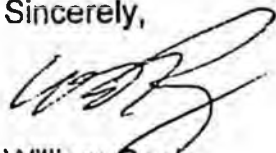
authorized to sell travel to state employees and assess fees. This reporting requirement would generate information needed by state managers to evaluate whether employees purchased fares in compliance with travel parameters established by the state. Such a standard would also enable the state to better monitor whether travel agencies are offering lowest logical fares meeting state travel regulations and policies. These types of record keeping and reporting requirements are currently used for our corporate clientele. The federal government mandates similar requirements.

Please keep in mind that reporting requirements are not intended to make a travel agency into an enforcer of state policies. Instead, they merely require travel agencies to supply reports to the state on a timely basis that identify the costs of the lowest logical fares offered to employees by a travel agency versus the costs of the tickets employees actually chose to purchase. Based on our experiences with other clientele, this reporting can lead to tremendous savings and better adherence to travel policies. There are similar advantages associated with ticket purchases from travel agencies versus direct purchases from air carriers.

Airlines Online also recommends the state reassess its general travel policies to insure they are current and more likely to result in lowest logical fare purchases.

I look forward to contributing to the fiscal note discussions and learning when the next hearing will be held. Please let me know if you require additional information.

Sincerely,



William Beck

President

Bbeck@airlinesonline.com

cc: House State Affairs Committee
House Finance Committee
Representative Brian Porter, House Speaker
Senator Rick Halford, Senate President
Governor Tony Knowles
Lt. Governor Fran Ulmer
Jim Duncan, Commissioner of Administration
Kim Garner, Director of Finance

22February02

House State Affairs
To Representative John B. Coghill, Jr.

House Bill 300

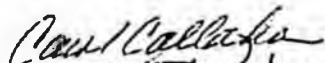
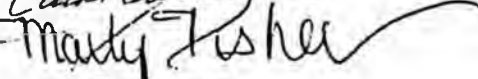
Your statewide travel agency network must implement service fees against the State of Alaska's travel procurement. This implementation is primarily a result of the airline industries commission cuts and subsequent cuts made by related travel industry options.

We believe these fees ultimately save money. We are an unbiased travel source. The airline industry wants to remove itself from the "high rent" computer systems we have and become solely an internet commodity. At that point, price comparisons, itinerary options, and change options become extremely limited and expensive, with Dracula in control of the blood bank.

Sweetwater Travel has been a vital and successful travel agency for over fifteen years, supporting our community and state with revenues and payrolls. We would like to keep our revenue intact, and in the State of Alaska.

Thank you for your consideration of this house bill.

Sincerely,

Carol Callahan 
Marty Fisher 
Sweetwater Travel - Partners

CC: Representative Joe L. Hayes

Cyndi's**Cruise and Travel**

February 13, 2002

HB 258

I am writing this in response to a bill that is going to be proposed. We are totally against this bill because it is unfair to businesses that only earn a portion of the gross sales. As most of you know, the travel industry has changed drastically. The airlines have cut our commissions down to 5% of the gross base fare without taxes and on top of that, it's capped at \$20.00. That is the most money we can make on an airline ticket. If this bill is passed, it will cause our agency to close its doors as well as most other travel agencies in Alaska. Please reconsider passing such a financially devastating bill that will ruin the small businesses of Alaska.

Sincerely,

A handwritten signature in black ink that reads "Cyndi Isaak". The signature is written in a cursive, flowing style.

Cyndi Isaak, Owner

415-5th Street • Douglas, Alaska 99824

Phone: 907-364-3435 • Fax: 907-364-3475

e-mail: cyndi-travel@gci.net

Becky's Travel Services
3035 Mountainwood Circle
Juneau, AK 99801
(907) 787-5576

Re: Bill 300

I am Becky with Becky's Travel Service and I have been in the Travel Industry for 18 years. With the commission cuts and losing my state travel, I don't know how long I will be able to stay in business. Most of my revenue comes from State Travel and my clients were forced to go through only one agency. That made things really hard on my business. I hope this bill gets passed so they can choose who they prefer to use and help all the agencies stay in business.

Sincerely,
Becky Thomas

January 14, 2002



To: Rep. Hayes
FAX: 907 461-2937

F

From: Carol Callahan, Owner/Partner
Sweetwater Travel
FAX: 907 452-2154

Subject: House Bill No. 300

House bill sounds great. Short and sweet and shows all of the agencies intent of using more than one provider and being able to charge fees, which are essential for the existence of smaller agencies. Hope it flies.

Carol Callahan

December 27, 2000

Kymm Bowthorpe
3262 Mendenhall Loop Rd. #2
Juneau, AK 99801
790-3282-h

Senator Kim Elton
State Capitol Room 504
Juneau, AK 99801-1182

Dear Mr. Elton,

I am writing to you today regarding an issue that I believe is a very serious one, the State of Alaska and its travel.

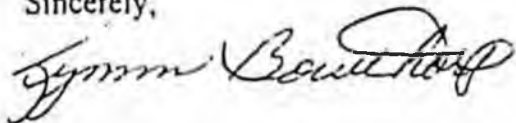
As a former travel consultant of 15 years, I have seen many arguments the state has made against putting its travel out to bid. Enclosed you will find a letter written by Fran Ulmer to our former governor, Walter Hickle, concerning the subject.

At this point I believe it is time for the state to make a major change. Several travel agencies in Juneau, as well as around the state, have gone out of business in the last couple of years. For some, it was due to the airlines cutting their commissions, for others it was a direct result of the states unwillingness to pay service fees in support of local businesses.

I have also enclosed a research paper that I have done on the subject. I do hope you will take the time to look it over. I believe this is a serious issue and one that needs your attention.

Thank you for your time.

Sincerely,



Kymm Bowthorpe

The Future of State Travel

This past year has been a real test for the travel agents in our state. The airlines have cut their commissions in half. What once was a thriving enterprise is now a business struggling to hang on by its fingernails. Even when commissions were 10 percent of airline ticket sales, the agencies were only making it with about a 1 percent profit margin. When the airlines cut commissions, agencies were forced to charge their customers service fees, or risk going out of business altogether. In our little town of Juneau, two years ago there were eight travel agencies, now only three remain (those who started charging the fees). The agencies that tried to hold out on charging fees, just to keep some of their corporate and State of Alaska business, have failed.

The State of Alaska has refused to pay agencies fees from the very beginning. With some agents not charging state travelers a service fee, it was easy for the state to get away with not paying service fees. To me this very practice goes against the state's willingness to support local businesses. Because the state's travel is such a large amount of business, agencies were willing to forgo charging the state travelers a fee, just to get their business. However, the agency not charging a service fee to the state has paid the ultimate price. Southeast Executavel, one of the agencies not charging state travelers service fees, closed their doors this past Friday, December 8th.

Just the mere mention of The State of Alaska and travel in the same sentence is enough to start an argument in some political circles. For many years the state has been trying to cut expenses, but travel seems to be the one area where the government is reluctant to make a change in the way they are currently doing business. At the moment, the State of Alaska has a travel policy listed in The State of Alaska Administrative Manual for its travelers to follow. The state currently has its travelers make their own arrangements with whomever or however they wish. Employees are simply trusted to make their arrangements in the best interest of the state. Kim Gamero, Director of Finance at The Department of Administration, says that the state wants its travelers to have a choice when it comes to making travel arrangements (pers commun). However,

with the state unwilling to pay travel agency service fees, the travelers ultimately will not have a choice.

Another point Garnero makes in regard to contracting out the state's travel business is that right now the procurement code requires the state to competitively bid where competition exists, and choose the lowest cost provider of the services needed. This is being interpreted to mean that if an agency is not charging a fee, then they must be the lowest cost provider. But what guarantee is there? How does the state know it is not being overcharged for an airline ticket? Maybe a lower fare was available, but the agent was instructed to sell the state traveler the higher fare. Maybe there was a lower rate at the hotel, but the agent gave them the higher one because they knew it was within the allowed per diem. At this time some travel agencies are charging fees and some are not. In Juneau, for instance, there is one that does not charge fees and two that do charge service fees. Since some are not charging a fee, there is no need for the state to competitively bid out its travel. Therefore, travelers are forced by the state to use the agencies that do not charge service fees regardless of the level of service the agency is providing. The state wants its travelers to book whatever is in the best interest of the state, but how do travelers know if they are getting the best deal for the state? Why does the state leave it up to the traveler to ensure it is getting the best deal? Why is it assumed by the state that if it is not paying a fee for a service, it is getting the best deal?

If the State of Alaska contracted out its travel, it would ensure that its travelers received the best possible service, as well as saving the state time and money in the long run. Travel agencies currently can help businesses negotiate with vendors (car rental companies, hotels, and airlines), track travel expenses, provide very detailed reporting for accounting purposes, and save the travelers time when arranging travel. Some agents will even reconcile billings and travel claims. All of these services can be negotiated in a contract. Travel companies will usually try to negotiate as much service into a contract as a customer calls for.

Sharon Lowe, Administrative Manager for Public Health, Department of Health and Social Services, says that when she needs to travel, all she wants to do is call someone up, tell them where she is going, that she needs a car and a hotel, and have them fax the confirmation to her (pers commun). She does not want to spend time searching

travel agency to be licensed and bonded by the Airline Reporting Committee (ARC) and to maintain an office in the community. Feedback from state agencies on the draft document is expected by January 14th, and procurements could proceed before the end of January.

2000

Recommended Action:

Proceed with competitive bids in the proposed communities. Solicit every travel agency in each community. Contract awards would be mandatory for state travel purchases in that location when the services of a travel agent are used.



☒ Sec. 39.20.140. Travel costs and travel outside the state.

(a) The Department of Administration may not pay an official or employee for per diem or transportation costs unless the travel is clearly necessary to benefit the state.

(b) The Department of Administration may not reimburse an official or employee or pay for more than the lowest tourist class fare for the most direct route unless

(1) tourist class accommodation is not available;

(2) waiting for tourist class accommodation would occasion a delay harmful to the state; or

(3) the Department of Administration finds that travel by tourist class accommodation is not in the best interest of the state, and authorizes other accommodation.

(c) When the Department of Administration authorizes more expensive travel under (b) (3) of this section, it shall file a justification for that authorization with the travel voucher. When fares other than tourist class are authorized under (b) of this section, the Department of Administration may not reimburse the official or employee or pay for more than the lowest first class fare available.

(d) Officials and employees are authorized to travel only the least number of days necessary to transact the business involved, to secure return passage, and to return.

(e) Every official and employee shall, unless otherwise authorized by law to travel outside the state, obtain prior approval for travel outside the state from the head of the official's or employee's department or from an immediate supervisor, or from the Department of Administration if the official or employee is not within a department or is not under the direct supervision of an official or supervisor. If an employee deviates materially from the travel authorized under this section, the employee must obtain approval for the deviation from the person who approved the travel before the Department of Administration may reimburse the employee for the travel.



Good Afternoon Chair members of the committee.

Thank you for hearing HB 300.

Given the rather full agenda, I will keep my introduction of this bill brief as to give those waiting on line and here in Juneau the opportunity to testify.

HB 300 will allow for the exemption of contracts for certain types of travel services including airplane travel, hotel accommodations and travel agency services from the procurement procedures of AS 36.30.

When I first introduced this bill, the travel agencies were not facing as dismal of a situation as they currently are. When I introduced this bill at the beginning of session, 3 AK Airlines had recently followed the rest of the airlines and capped commissions at 10 and 20 for one way and round trip tickets, respectively. Now all major airlines excluding AK Airlines have cut commissions completely. This presents a dire strait situation for AK travel agencies.

2 Currently, Alaska only allows the use of agencies that do not charge fees. This has excluded many agencies in the state from competing for State travel because it is difficult to provide travel without charging a fee. Especially since these businesses already operate on small margins, usually 1-2%.

Passing this bill will give all travel agencies in the state an opportunity to provide state travel. Additionally, it time for the state to pay for services rendered. Since the airlines have cut commissions, any travel the agency arranges for the state will essentially cost the agency money.

I have agents on line and here in Juneau ready to testify, so I would like to entertain any questions you have at this time so they can testify.

TONY KNOWLES, GOVERNOR

DEPARTMENT OF ADMINISTRATION

DIVISION OF GENERAL SERVICES

P.O. BOX 110210
JUNEAU, ALASKA 99811-0210
PHONE: (907) 465-2250
FAX: (907) 465-2189

May 11, 2002

Senator Jerry Ward
State Capitol, Room 427
Juneau, AK 99801-1182

Dear Senator Ward:

In today's Senate Finance Committee hearing on HB 300, you asked several questions about establishing a contract in which Alaska Airlines would provide the State of Alaska with the frequent flier mileage benefits accrued by its employees.

I have had several discussions with representatives of Alaska Airlines in the past regarding this issue. Alaska Airlines has been unwilling to enter into a contract with the State. I know of no legal method to compel an airline to respond to a solicitation or enter into a contract with the State, regardless of the terms or conditions. Such an agreement would have to be voluntary.

Notwithstanding the issues surrounding union bargaining agreements and employee contract rights, if the State were to require its employees to establish Alaska Airlines mileage accounts that would accrue to the State, they would only be of significant value if the State were able to combine the miles. However, Alaska Airlines has been unwilling to allow the combining of mileage benefits. Even if Alaska Airlines did provide mileage benefits to the State, without the ability to combine the mileage accounts of its employees, there would be negligible benefit - the miles would be widely distributed in individual accounts.

I hope this answers the questions you asked regarding HB 300. Please feel free to contact me if you need further information.

Sincerely,



Vern Jones
Chief Procurement Officer

Cc: Senate Finance Committee members

State of Alaska
Department of Administration
Division of Finance



Authorized Travel Agencies

Anchorage and Southcentral Region
Fairbanks and Interior/Northern Region
Juneau and Southeast Region
Kodiak and Southwest Region
Seattle, WA and lower 48

Loading
 Navigation...

Travel Agency

Contact Information

Anchorage and Southcentral Region

Arctic Travel	423 E. 5th Avenue Anchorage, Alaska 99501
AST Travel	3858 Lake Street, Ste. 21 Homer, Alaska 99603
Beyond Travel	7110 Arlene St. Anchorage, Alaska 99502
Cordova Travel Services (See <u>Section 12</u> of the Contract Award Manual for fee structure)	P.O. Box 118 Cordova, Alaska 99574
Frontier Travel (e-tickets only)	3601 C St., Suite 234 Anchorage, AK 99503
Homer Travel Services	90 Sterling Highway No. 10 Homer, Alaska 99603
Navigant / World Express Travel (To avoid STR fee, use only CTA or credit card) <u>Contract information</u>	300 4th Ave. Seward, Alaska 99664
One Stop Travel	Non Stop Air Service 1501 Huffman Rd. Ste. 197 Anchorage, AK 99515
	Sears Mall 600 E. Northern Lights Anchorage, Alaska 99503
	Muldoon 7731 E. Northern Lights Blvd., Ste 291 Anchorage, Alaska 99504
	Northway Mall 3101 Penland Pkwy, G29 Anchorage, Alaska 99508
	5th Ave. Mall 320 W. 5th Ave. #302 Anchorage, Alaska 99501
	Dimond Mall Location 800 E. Dimond Blvd., Ste 123 Anchorage, Alaska 99515
	Palmer 1150 S. Colony #5

Palmer, Alaska 99654

Soldotna Branch
131 C Warehouse Ave.
Soldotna, Alaska 99669Kenai
11312 Kenai Spur Hwy Ste 3
Kenai, Alaska 99611Eagle River
11901 Business Blvd. Ste 103
Eagle River, Alaska 99577Wasilla Branch
500 Main Street
Wasilla, Alaska 996541415 East Tudor Road
Anchorage, Alaska 99507100 Meals Avenue
Valdez, Alaska 996861590 Financial Drive
Wasilla, Alaska 99654US Travel
(To avoid STR fee, use only CTA or credit card)**Fairbanks and Interior Northern Region**

Allegro Travel

29 College Road, Suite 11
Fairbanks, Alaska 99701

Northern Lights Travel

505 Old Steese Hwy.,
Suite 117
Fairbanks, Alaska 99701

One Stop Travel

Fairbanks Branch
3627 Airport Way, Ste 11A
Fairbanks, Alaska 99701

Progressive World Travel, Inc.

1922 Peger Road
Fairbanks, Alaska 99709

Santa's Travel World

133 Santa Claus Lane
North Po.e, Alaska 99705

Sunshine Travel

1200 Noble Street
Fairbanks, Alaska 99701

The Travel Cafe, Inc.

3206 Airport Road
Fairbanks, Alaska 99709US Travel
(To avoid STR fee, use only CTA or credit card)P.O. Box 357
Barrow, Alaska 997231211 Cushman Street
Fairbanks, Alaska 99701Prudhoe Bay Hotel
Prudhoe Bay, Alaska 99734

Vagabond Travel

805 Airport Road, Suite 2
Fairbanks, Alaska 99701**Juneau and Southeast Region**

Kruzoff Travel

204B Katlian St.
Sitka, Alaska 99835

Ohana Travel

3304 Ohana Court
Ketchikan, Alaska 99901

The Travel Connection

(See Section 12 of the Contract Award Manual for fee structure)

P.O. Box 645
Haines, Alaska 99827

Tyee Travel, Inc.

(See Section 12 of the Contract Award Manual for fee structure)

P.O. Box 738
112 Federal Way, Suite 206
Wrangell, Alaska 99929

US Travel

(More Information)

111 South Seward Street
Juneau, Alaska 99802

(To avoid STR fee, use only CTA or credit card)

1007 Water Street
Ketchikan, Alaska 99901

(To avoid STR fee, use only CTA or credit card)

P.O. Box 498
Mellakalla, Alaska 99926

Viking Travel, Inc.

(See Section 12 of the Contract Award Manual for fee structure)

P.O. Box 787
Petersburg, Alaska 99983

Kodiak and Southwest Region

Navigant / WorldExpress Travel

(To avoid STR fee, use only CTA or credit card)
Contract information

104 Main Street
Dillingham, Alaska 99576

Arctic Travel

423 E 5th Avenue
Anchorage, Alaska 99501

US Travel

(To avoid STR fee, use only CTA or credit card)

565 Ballyhoo Drive
Dutch Harbor, Alaska 99692

340 Mission Road
Kodiak, Alaska 99615

Seattle, WA and lower 48

US Travel

(To avoid STR fee, use only CTA or credit card)

5470 Shilshole, Suite 600
Seattle, WA 98107

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W3C **WAI - A**
WCAG 1.0

MEMO TO FILE

DATE: May 3, 2002

TO: Finance Committee

BILL/RES. NO.: **HB 300** Procurement of Travel Services

ATTENTION: Heidi, Vicki
Senate Secretary's Office

This bill/resolution has not yet received a do pass recommendation.

Please leave this note in the file.

Thank you.

SENATE COMMITTEE REPORT

DATE: 4/22/02

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 5/3/02

State Affairs Committee considered **HOUSE BILL NO. 300**
HB 300 PROCUREMENT OF TRAVEL SERVICES
 "An Act relating to the procurement of certain travel services."

and recommends:

- be replaced with S CS HB 300 (STA)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DDA	2/7	 		1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Kathleen E Kelly</i>			✓	
<i>Ben Sherman</i>			/	
CHAIR: <i>Gene Ferrisault</i>			✓	

HB 300-PROCUREMENT OF TRAVEL SERVICES
SENATE FINANCE COMMITTEE

SIGN-IN

NAME: Van Jones Subject/Bill No: HB 300
Co./Dept./Title: Dept. Admin Chief Procurement Officer Phone: 965-5684
Address: PO Box 110210' Bureau Zip: 99301
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

SITE: ANCHORAGE LIO

COMMITTEE: Senate Finance

DATE: 5-11-02

SUBJECT OF MEETING:

HB 300

UPDATE #: 1



P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

DO YOU WANT
TO TESTIFY?
Y or N

<input checked="" type="checkbox"/> Sally Huntley		Frontier Travel	Y - HB300
Email address:			
<input checked="" type="checkbox"/> Bill Beck		Airlines - Online	Y - HB300
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			