



Society Of Government Travel Professionals

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The National Forum Of The \$20 Billion Government Travel Market®

June 3, 2004

The Honorable Stephen A. Perry
Administrator
U.S. General Services Administration
18th & F St., NW #6137
Washington, DC 20405

The Honorable Hector V. Barreto
Administrator
U.S. Small Business Administration
409 Third St., SW
Washington, DC 20416

RE: Opportunities for small business travel agencies under the E-Travel Services and Travel Services Solution Contracts

Dear Mr. Perry and Mr. Barreto:

The U.S. General Services Administration currently is promoting two different procurement initiatives that involve travel services. The first is the eTravel Services (eTS) contract which was awarded to three large prime contractors (EDS, Northrop Grumman Mission Services, Carlson Wagonlit Government Travel, Inc.) to provide an end-to-end travel management system to federal agencies subject to the federal travel regulations. The second is the Travel Services Solution (TSS) schedule contract, which is a typical federal supply schedule contract for which eligible and qualified contractors are approved. From either of these two contracts, federal agencies may select a contractor to provide travel services.

However, from the perspective of travel agencies who currently qualify as small businesses under existing criteria of the Small Business Administration (SBA), both initiatives may have a significant negative impact upon these small businesses. We will outline these impacts below.

Our comments on these GSA programs are offered on behalf of the small business travel agencies who are members of our Association – the Society of Government Travel Professionals (SGTP). SGTP is the national, non-profit forum for all components of the \$28 billion government travel market, founded in 1983. Our members represent government and all travel industry supplier categories. Our members are very active in the Federal procurement arena. More than 25 of our travel agency members would be considered as small businesses under SBA's current size standards. During our May 2004 Board meeting, a resolution was passed requesting that we call GSA, SBA, and other interested parties' attention to the concerns of our small business travel agency members. That is the purpose of this letter.

Under current contracts for travel services in the Federal Government arena, small businesses have significant opportunities to directly compete for prime contracts that are restricted to small businesses. Under GSA's Master Contract for Travel Services, administered by Region 9, which does not expire until mid-2005, GSA has set aside specific task order opportunities for small businesses only. This system has worked well for all parties. In addition, small businesses may compete for any unrestricted task orders on the same terms and conditions as mid-sized to large businesses. Within the Department of Defense, the Defense Travel System Program Office has established

unique small business set asides. Likewise under the Defense Travel System contracts, small businesses may compete with mid-sized to large competitors essentially on the same terms and conditions. Unfortunately, this is not the case under GSA's two new travel services initiatives—eTS and TSS.

Under eTS, the prime contractor is only one of the three large businesses awarded the prime contract by GSA. Under eTS, there are no opportunities set aside for small businesses—a problem heightened by the fact that GSA has mandated through amendment of the Federal Travel Regulations that all federal agencies must migrate to this system, and to one of the three large prime contractors, by 2006. If this mandate is enforced, small businesses will have little or no opportunity to be prime contractors in their own name. Furthermore, even though GSA has requested subcontracting plans from the three large prime contractors, there is no requirement that any of the subcontracting opportunities be reserved for the travel services portion of the contract. At least with respect to one of the prime contractors under eTS, there is no opportunity for a travel agency to be a first tier subcontractor as that prime contractor requires its travel services be procured through its first tier subcontractor.

Under TSS, unlike the current GSA Master Contract which is similar to a schedule contract, there are no specific opportunities set aside for small businesses. Small businesses must compete along with mid-sized to large businesses for any travel opportunities. However, any opportunities under TSS will be limited only to those federal agencies that are not required to participate in eTS—which is the GSA-mandated solution. This further limits any small business opportunities. While GSA Program officials have stated that a federal agency may select its travel service provider from the TSS schedule and its "system" under the eTS schedule, and therefore opportunities "may" be available, there are several obstacles that exist in doing so which affect all travel agencies—but likely more so with regard to small businesses.

The first obstacle is the higher cost to the federal agency of selecting a travel agency off the TSS schedule to work with one of the systems under eTS. There are two cost disadvantages under GSA's two travel initiatives:

1. The first cost differential is entirely within GSA's control. It is the Industrial Funding Fee of \$1.50 imposed on each ticketed transaction serviced by a TSS contractor. GSA requires an IFF of \$1.50 for each ticketed transaction under TSS. GSA will already collect an IFF of \$3.50 on each invoice processed under the eTS system. Collecting another IFF for travel services under TSS only serves to place the travel agencies on the TSS schedule, the only means by which small businesses may directly compete as a prime contractor for federal agency business, at a significant cost disadvantage. Why would a federal agency consider paying a higher cost for identical services?
2. The second cost differential is the higher fees that each of the three prime contractors impose upon the federal agency to select a contractor from the TSS schedule. Each of the prime contractors was permitted by GSA to charge higher fees to "plug and play" with other travel agencies not under contract with the prime contractor. For example, if a federal agency chooses Northrop Grumman Missions Systems (NGMS) under eTS to provide both the online system and fulfillment of that online reservation, the federal agency would pay only \$5.25. However, if the federal agency chose NGMS under eTS for the online system, but also chose a small business travel agency to provide its travel services, the federal agency would pay a fee of \$4.75 to NGMS for use of its online system, a fee ranging from \$9.75 to \$13.50 (the online fulfillment fees from small business travel agencies currently available for viewing on GSA's website for TSS) and an IFF of \$1.50 to GSA. Nor is this cost disparity limited to NGMS, as the other two eTS large businesses have similar fees in place. The cost disparity places small business travel agencies at a significant cost disadvantage even though GSA had once promoted the eTS contract as a simple plug and play that would not impact small businesses.

Another obstacle for small businesses is the timing involved in eTS and TSS for selection of contractors. Again, this obstacle is within the control of GSA. Most importantly, GSA is urging federal agencies to select an eTS prime

contractor as soon as possible even before GSA has processed all TSS proposals from small businesses that have been pending for months. This backlog virtually eliminates these small business travel agencies from even being considered by any of the federal agencies. GSA is publicizing the fact that eight federal agencies that collectively represent twenty-five percent of the government travel business are in line to select one of the eTS contractors by the end of June and be up and running by September 2004. (See Federal Times, May 24, 2004, page 7). Some of these federal agencies are serviced in part by small business travel agencies. However, since many travel agencies still have their TSS proposals pending before GSA, they will not be eligible to be selected by any federal agency interested in doing so. One small business travel agency originally submitted its TSS proposal in September 2003 and is still being processed eight months later.

It is our understanding that one federal agency, the Department of Transportation, is actively seeking to contract directly with small business travel agencies to service part of its travel budget under eTS. However, many qualified agencies are still awaiting GSA's processing of their TSS submissions. Our members applaud DOT's efforts in this regard, but such efforts need GSA's active encouragement and support.

Small business travel agencies would have a better opportunity if GSA would reexamine its own policies and requirements under eTS and TSS. We urge GSA to take the following actions:

1. GSA should delay any vendor selection under the eTS schedule until such time as all pending applications from small business travel agencies for the TSS schedule have been processed. We are not asking that they be approved as we understand that certain offerors may not be approved and that is normal in the course of such schedules.
2. Prior to any selection of an eTS vendor, GSA should promote to federal agencies that they may indeed select travel agencies, including small business travel agencies to provide travel services, as an alternative to using the eTS named vendors. While GSA's Office of Governmentwide Policy has promoted eTS and its Office of Federal Supply Service has promoted the TSS schedule, these two offices have not coordinated their efforts to maximize opportunities for small businesses.
3. GSA should review its contracting processes under both eTS and TSS to determine if any opportunities could be set aside for small business travel agencies as GSA itself has done in the past, and which DOD is doing under its Defense Travel System initiative.
4. GSA should reexamine its need for an IFF of \$1.50 on each ticketed transaction if a federal agency is using separate vendors under both eTS (under which there is an IFF of \$3.50 per voucher) and TSS. Does GSA really require a collection of \$5.00 on each transaction (under eTS there will be a voucher involved in every transaction and on most travel requests, a ticket as well) as part of its industrial funding fee? We understand that the IFF is required to offset GSA's costs of providing its services, but we believe based in part upon recent GAO audit reports that the amounts GSA is collecting may be significantly higher than its actual costs (See i.e., GAO Report 02-734, Contract Management – Interagency Contract Fees Need More Oversight, July 2002). We ask that GSA re-examine whether the IFF amounts here are in fact consistent with its costs.
5. We ask that GSA re-examine whether the cost differentials imposed by the three eTS prime contractors for using a travel agency selected from the TSS schedule are an appropriate reflection of actual additional costs in working with other vendors.

We have included The Honorable Hector V. Barreto, Administrator, U.S. Small Business Administration, on this letter so that any recommendations his agency may have as to how GSA can maximize the opportunities for small business travel agencies can be shared with GSA. We likewise are providing a copy of this letter to the various

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Congressional committees for any additional oversight or inquiries that may be appropriate: House Appropriations, Government Reform and Small Business; and, Senate Budget, Governmental Affairs, and Small Business and Entrepreneurship.

We are available to meet with you or other appropriate agency officials for any additional information or discussion. I can be reached at my office number 703-276-2038.

As added information, I am forwarding this letter in my capacity as President of SGTP on behalf of our small business travel agencies. In my business capacity, I am with a large business with arrangements with one of the eTS teams.

Sincerely,

A handwritten signature in black ink, appearing to read 'M/Stec', written in a cursive style.

Marc Stec,
President, SGTP