

THE FEASIBILITY OF ESTABLISHING A STATE TRAVEL AGENCY IN HAWAII

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FOREWORD

This report on the feasibility of establishing a state travel agency is submitted to the legislature pursuant to Section 164, Act 296, Session Laws of Hawaii 1991.

This report would not have been possible without the assistance of the many individuals who contributed their input and expertise toward its development. The Bureau would like to extend its appreciation to the many departments, offices, and programs that responded to the questionnaire developed by the Bureau as a mechanism to gather information to complete this report.

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Chapter 1

INTRODUCTION

Section 164 of Act 296, Session Laws of Hawaii 1991 (see Appendix A), requested the Legislative Reference Bureau to assess the feasibility of establishing a state travel agency or any other arrangement that would allow for cost savings in handling travel arrangements for state employees conducting official state business.

In response to the recent economic downturn, travel expenses have become the focus of possible cost reductions in government as well as the private sector. Businesses in the private sector have made cutbacks on travel expenses in many areas, including the frequency and the style in which employees are allowed to travel.¹ Many governmental jurisdictions have implemented travel savings programs or have drastically limited the frequency of out-of-state travel for official business. State legislators and administrators are among the governmental officials affected, finding it harder to justify out-of-state travel to the public in light of shrinking state budgets.²

The State of Hawaii is no exception. Currently, state administrative rules governing state employee travel require travel to "be by the most economic means consistent with time available and urgency of the trip."³ In general, employees traveling on official state business are allowed to utilize their discretion in choosing the travel arrangement method they determine to be the most appropriate.

In order to determine the feasibility of establishing a state travel agency, a clear definition of the term is necessary. Act 296 describes a state travel agency as an agency that would "handle all travel arrangements of state employees conducting official state business." Presumably, the main purpose of the agency would be to remove the task of arranging travel from those departmental employees who presently perform this responsibility as a normal part of their overall responsibilities. The agency would assist employees in planning official trips, obtaining the most favorable rates, handling all airline, hotel, and car rental reservations, and deal with employee complaints. Thus, a state travel agency would include both in-house or contractual administration of travel arrangements for state employees traveling for official state business.

Although this study will discuss alternatives that include negotiations for discount hotel and motel rates, car rentals, and other travel expenses, the main focus will be on determining the need to establish a central travel agency for the State and examining several possible air travel and purchasing alternatives that may result in cost savings, improved service, and improved recordkeeping.

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Methodology

To obtain information from the various state departments regarding current travel procedures, a questionnaire was prepared and sent to the directors of each department of the State. The Bureau reviewed existing literature on state travel agencies and obtained information from governmental and private agencies. Interviews were conducted with administrators and personnel of the State of Hawaii, East-West Center, City and County of Honolulu, various states, and travel agencies and credit card companies.

Organization of Report

This report is organized as follows:

Chapter 2 discusses the State's policies pertaining to official travel by employees and presents the results of the Bureau's survey.

Chapter 3 discusses the details of several select governmental agencies in Hawaii, including the University of Hawaii, the East-West Center, the City and County of Honolulu, and the federal government.

Chapter 4 discusses the experience of other states in establishing either a state travel agency or a state travel program.

Chapter 5 discusses several alternative airline ticketing and payment programs currently on the market for use by frequent travelers.

Chapter 6 contains findings and recommendations.

ENDNOTES

1. Nina Berglund, "How Hawaii's Businesses Travel," Hawaii Investor, February 1989, p. 44.
2. Linda Wagner, "Justifying the expense of out-of-state travel," State Government News, March 1990, p. 34.
3. Hawaii Administrative Rules, section 3-10-8 (Department of Accounting and General Services).

Chapter 2

CURRENT STATE TRAVEL POLICY AND SURVEY RESULTS

State Travel Rules

The State's rules with respect to employee travel are set forth under Title 3, Chapter 10, Hawaii Administrative Rules (see Appendix B). The rules cover the procedures for departments to follow when arranging travel accommodations, selecting the means of transportation, determining travel routes, and ascertaining travel allowances and other reimbursements.

While the rules do not place restrictions or parameters on the procurement of airline tickets or the arrangement of other related accommodations, the provisions are quite specific in other areas. This section provides a brief description of those provisions in the State's travel rules that relate to arranging travel itineraries and accommodations.

Section 3-10-3 provides that unless otherwise provided by statute, the rules adopted for travel apply to all employees of the State, including persons representing the State on official business. The section also states that the rules apply to all travel sanctioned by the State, regardless of the source of funding.

Section 3-10-4 provides that all travel undertaken by employees of the State must be authorized by the director of the department, and that all travel undertaken by the directors of each department must be authorized by the governor. The section further requires that all the names of other officers granted the power to authorize employee travel through the director be submitted to the comptroller for approval. The section also requires the approval of all travel itineraries that have been amended.

Section 3-10-6 requires that travel routes be arranged in accordance with the most direct routes available. The purpose of the requirement is to minimize stopovers, backtracking, and overall travel costs.

Section 3-10-7 requires that travel be conducted during the normal workweek. The section authorizes the comptroller to disapprove of unwarranted expenditures for weekend or holiday travel.

Section 3-10-8 prohibits inter-state travel by means of surface ship. The section further requires that interisland air transportation be arranged through the most economic means.

Section 3-10-9 requires that every effort be made to utilize direct travel routes and that arrangements be made to avoid delays at transfer points. The section also authorizes the comptroller to disapprove of per diem payments or time lost due to faulty bookings.

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Section 3-10-10 relates to the rate of per diem for travel which is set by collective bargaining agreements.

Section 3-10-12 details the accounting procedures for travel expenses. The section also contains requirements for reporting expenditures.

Although the rules do not identify recommended procurement procedures to utilize when arranging travel accommodations, the general thrust conveyed by the State's travel rules is that travel accommodations should be arranged in accordance with the most economic means available. While the rules appear to be broad, it is quite plausible that this flexibility was adopted by design. The next section of this chapter will illustrate the diverse needs and travel practices of Hawaii's state departments.

Survey of State Travel Management Procedures

One of the primary obstacles encountered by the Bureau in carrying out the tasks identified under section 164 of Act 296, Session Laws of Hawaii 1991, was the lack of available information on state employee travel practices. Although the Department of Accounting and General Services compiles and reports annual statewide travel-related expenditures, records or details regarding the methods and procedures utilized by the various state agencies in arranging state employee travel are not compiled by any single state agency. Because there exists no formal requirement or computerized system to keep detailed records on employee travel practices, information regarding ticket purchasing procedures, the frequency of employee travel, the cost-saving procedures utilized and other details relevant to state employee travel were not readily available. Clearly, accurate and up-to-date information is a primary requirement in the development of relevant conclusions in any analysis.

Because a comprehensive financial audit of the travel management practices of agencies of the State is beyond the scope of this study, the most effective method of compiling the necessary information was to perform a statewide survey of employee travel arrangement practices. In this regard, the Bureau delivered a questionnaire (see Appendix C) to each legislative, administrative, and judicial agency of the State to ascertain the procedures utilized by each agency with respect to arranging state employee travel.

Although the data and comments provided by state agencies in response to the Bureau's questionnaire proved to be informative for the purposes of this study, it is important that the reader be cognizant of several issues while interpreting the information presented in this chapter. The Bureau's survey, like all other surveys, experienced certain problems and difficulties in compelling appropriate responses and collecting accurate data. Some of the problems experienced by the Bureau included:

- (1) Failure to respond. Although some agencies provided fairly detailed information, responses from other agencies were not received. It should be

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noted that because agencies are not routinely required to keep data or records on some of the information requested in the questionnaire, compiling the figures for some of the information requested required considerable effort (see Appendix D for the list of responses received).

- (2) Estimated figures. While some survey participants provided figures that appear to be precise, others submitted figures that are obviously estimates. Respondents often indicated that the data they provided were "estimates." Collectively, therefore, it is difficult to characterize or confirm the overall accuracy of the figures presented in this chapter.
- (3) Inappropriate expenditure figures. Another source of inaccuracy involved programs that expend federal funds to finance travel. Because some programs failed to segregate these funds from gross travel expenditures, it was impossible to determine the State's share of moneys expended. In addition, it is apparent that because figures for fiscal year 1990-1991 were unavailable, several respondents provided information from other fiscal years.
- (4) Erroneous responses. Some of the questions were answered erroneously or incompletely. It is apparent, from some of the answers that were provided on several of the surveys returned, that certain questions were unclear, and were therefore misunderstood by the respondent.

In spite of the problems encountered in compiling accurate data, the information presented in this chapter may provide the reader with an insight into the travel arrangement practices of some state agencies. The following data concerning state travel arrangement procedures are presented and analyzed in accordance with the order of the questions included on the questionnaire sent out by the Bureau.

QUESTION 1. Do employees in your department travel on official state business?

Every agency that participated in the survey answered this question affirmatively. A small number of branches or divisions within several agencies indicated that personnel within their particular subdivision did not engage in travel. Invariably, however, employees in other sections of the department indicated that they engaged in travel, in varying degrees, as a part of their duties. Because of the nature of their responsibilities, the employees of certain divisions are predisposed to travel more often than the employees of other divisions. See Question 7 for data on the frequency of employee travel by state agencies.

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QUESTION 2. How are travel arrangements handled in your department?

Because of the haphazard answers submitted in response to this question, it is difficult to develop a quantitative description of the methods utilized to arrange employee travel. Most agencies indicated that they utilized a combination of two, three, or more methods. Because certain responses, in combination, contradict one another, it is difficult to draw clear conclusions on procedures agencies utilize most often. For example, certain divisions in an agency may allow individuals to prepare their own travel arrangements while other divisions assign one individual to assume these duties. Understandably, because the question requested a response at the departmental level, and the choices that were provided focused on the travel arrangement practices of the department's individual divisions and branches, many survey participants found it difficult to categorize their department's practices under one single category. In this regard, many surveys were returned with this question unanswered.

The only clear conclusion that can be drawn from the responses to this question is that travel accommodations are arranged in many different ways, even within the individual agencies. Indeed, it appears that because no single procedure can fulfill the needs of each and every department, branch, or program, the travel methods utilized by the individual departments and their subdivisions have been designed to suit their particular purposes.

Although the question was not directly included in the questionnaire, one of the most important observations that can be drawn from the responses to Question 2 is that it does not appear to be the standard operating practice of the state agencies to employ personnel to arrange travel accommodations for the department as a singular, full-time responsibility. Most arrangements are made individually or with the assistance of administrative or clerical personnel. In this regard, it is virtually impossible to segregate the personnel cost involved in arranging travel accommodations for the individual departments.

QUESTION 3. Are travel arrangements made through travel agencies, directly through the providers, or a combination of both?

Most agencies indicated that they arrange state employee travel accommodations through commercial travel agencies as well as directly with the airlines.

QUESTION 4. Does your department have any departmental guidelines for arranging travel?

It is apparent from some of the answers provided that this question caused considerable confusion. Thirteen state agencies indicated that employee travel is arranged according to departmental procedures, while nine agencies indicated that they had no departmental procedures for arranging employee travel.

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The confusion is illustrated in the surveys returned by approximately ninety-nine of the Department of Health's programs. The Department of Health provided responses at the program level. Sixteen programs within the Department of Health indicated that they followed departmental guidelines, while eighty-three indicated that departmental guidelines did not exist.

It is apparent, from some of the comments written in by several survey participants in an effort to clarify their "yes" or "no" responses, that the term "departmental guidelines" was widely interpreted. Some departments, including the Departments of Human Services, Transportation, Labor and Industrial Relations, and Hawaiian Home Lands, submitted copies of travel arrangement procedures drafted exclusively for employees of their department, while others submitted copies of "Title 3, Chapter 10, Hawaii Administrative Rules." Conversely, some agencies that answered negatively indicated that "we have no departmental guidelines but we follow the travel guidelines under Hawaii Administrative Rules." Some programs interpreted the term to mean "in-house" rules while others assumed that the question referred to Title 3, Chapter 10, Hawaii Administrative Rules.

Regardless of the answers they provided, many agencies noted that employees are directed to seek the least expensive fares when arranging travel accommodations.

QUESTION 5. Does your department monitor travel arrangement procedures?

Again, because there was considerable confusion over meaning of the question and significant disagreement, especially among the programs, branches, and divisions of some departments, as to whether or not a departmental monitoring system did or did not exist, it is difficult to quantify the results of this question. While the answers of one program frequently contradicted the answers of others in the same department, those respondents that indicated that a monitoring process did indeed exist offered some of the following procedures:

- (1) Approval of the travel proposal by the director or a responsible officer;
- (2) Preauditing of all purchase orders for compliance with state and agency procedures;
- (3) Review of airfares, per diem, and other costs by an administrative services officer prior to the approval of the payment;
- (4) Monthly reports from each division on the amount of travel authorized; and
- (5) Written reports from personnel on travel completed.

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QUESTION 6. Has your department implemented any cost-saving measures relating to travel expenses?

The state agencies responding to the survey answered this question affirmatively at a rate of almost two to one. The two most prominent cost-savings methods identified by the departments include:

- (1) Arranging "corporate" rates for hotel and car rental for government agencies; and
- (2) Purchasing discount coupons in bulk for interisland travel.

QUESTION 7. How many employees are in your department?

To consolidate the information submitted in response to this question, the data will be presented in terms of the major branches of Hawaii's government.

Legislative Branch.....	192 employees
Executive Agencies.....	47,973 employees
Judiciary.....	1,874 employees
University of Hawaii.....	7,790 employees
TOTAL.....	57,829 employees

QUESTION 8. How many individuals traveled for official business?

This question requested the agencies to determine the number of individuals who engaged in travel in 1990, not the number of trips taken. Again, because some agencies failed to respond or found it difficult to provide accurate figures for the information requested, the number of employees who actually traveled under each major branch of government, as presented, is likely to be higher. For example, the number of University of Hawaii employees who engaged in travel in 1990 is not reflected in this result because the University was unable to calculate this figure. The effect of the missing data on the accuracy of the overall figure is likely to be quite substantial in view of the large amount expended by the University for travel, which obviously indicates a high number of trips.

Legislative Branch.....	104 employees
Executive Agencies.....	4,033 employees
Judiciary.....	333 employees
University of Hawaii.....	??
TOTAL.....	4,470 employees

QUESTION 9. How many trips for official business were taken in 1990?

The data are presented under the same categories as question number 8. The same caution should also be observed in developing conclusions about these data. Note that the University of Hawaii was unable to estimate a figure in response to this question.

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Legislative Branch	759 trips
Executive Agencies.....	25,793 trips
Judiciary.....	1,343 trips
University of Hawaii.....	??
TOTAL	27,895 trips

Among the administrative agencies that participated in the survey, the Department of Health appears to be the leader with respect to the number of trips taken with a total of 4,844 trips. The Department of Transportation follows with a total of 3,098 trips. Among the departments that report the least number of trips taken were the Department of Personnel Services with 178 trips and the Department of Taxation with a total of 227 trips.

QUESTION 10. Out of the trips taken by your employees, how many were: (A) Intrastate, (B) Out-of-state, and (C) International?

Legislative Branch. During fiscal year 1990-1991, the legislative agencies in the survey reported 682 intrastate trips; 73 out-of-state trips; and 4 international trips.

Executive Branch. During fiscal year 1990-1991, the executive branch in the survey reported 22,317 intrastate trips; 1,985 out-of-state trips; and 77 international trips.

Judiciary Branch. During fiscal year 1990-1991, the Judiciary reported 1,240 intrastate trips; 101 out-of-state trips; and 2 international trips.

University of Hawaii. During fiscal year 1990-1991, the University of Hawaii reported 12,000 intrastate trips; no other estimates were provided.

Obviously the estimate offered by the University of Hawaii for interisland travel under this question accounts for the disparity between the figures under this question and the figures under Question 9. Other factors that account for the disparity between numbers provided in this and the previous question include blank answers and estimates.

QUESTION 11. How much did your department spend on travel in 1991?

Legislative Branch. During fiscal year 1990-1991, the legislative agencies included in the survey reported spending \$49,962 on intrastate transportation, and \$9,388 on in-state subsistence. Out-of-state transportation expenses amounted to \$82,037; the amount expended on out-of-state subsistence was \$67,302. The amount expended on passenger cars was \$2,625, and the amount expended on other expenses was \$6,765.

Executive Agencies. During fiscal year 1990-1991, the executive agencies included in the survey reported spending \$3,373,297 on intrastate transportation, and \$2,866,875 on

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in-state subsistence. Out-of-state transportation expenses amounted to \$1,409,786; the amount expended on out-of-state subsistence was \$1,353,774. The amount expended on passenger cars was \$641,509, and the amount expended on other expenses was \$404,227.

Judiciary. During fiscal year 1990-1991, the agencies of the judiciary reported spending \$117,288 on intrastate transportation, and \$119,744 on in-state subsistence. Out-of-state transportation expenses amounted to \$58,114; the amount expended on out-of-state subsistence was \$80,132. The amount expended on passenger cars was \$32,352, and the amount expended on other expenses was \$19,828.

University of Hawaii. During fiscal year 1990-1991, the University of Hawaii reported expending \$970,343 on intrastate transportation, and \$759,557 on in-state subsistence. Out-of-state transportation expenses amounted to \$2,546,571; the amount expended on out-of-state subsistence was \$1,894,320. The amount expended on passenger cars was \$433,399; the amount expended on other expenses was not available.

Total Expenditures

	Survey	1991 Variance Report
In-state travel	\$4,510,890	\$4,755,817.79
In-state subsistence	4,755,564	4,594,356.90
Out-of-state travel	4,096,508	3,384,360.27
Out-of-state subsistence	3,373,510	3,059,607.27
Passenger cars	1,109,885	1,014,162.02

Unlike some of the other data requested in previous questions of the survey, records on total travel expenses must be maintained. It is important to note, however, that several agencies were unable to provide precise figures for this expenditure. These data, therefore, contain estimated as well as actual expenditures.

Some of the reasons for the discrepancies between the data compiled out of the survey and the data reported in the variance report may include errors in calculation, estimated figures, missing data, and the mixing of federal and state funds.

One plausible explanation for the high figure for out-of-state travel expenses in the survey as compared to the figure in the variance report, may be the inclusion of federal funds in the survey results. Unlike the survey data, the variance report explicitly notes that their data does not contain federal funds expended for travel. Several programs that submitted expenditure estimates for out-of-state travel expenditures indicated that federal funds were included in their estimates. Unfortunately, the amount representing federal funds was not always provided.

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QUESTION 12.

Question 12 requested the respondent to list any frustrations with the department's system of arranging travel accommodations. Again, because responses were often provided at the program level, it is difficult to reconcile conflicting responses to provide an answer at the departmental level. Clearly, however, the large majority of respondents seem satisfied with the current administrative system. While the overwhelming majority of respondents simply replied "none" or "the current system works well," several respondents registered complaints. Some of the more common complaints included:

- (1) "Last minute" changes and the amount of paperwork that is required to process these changes;
- (2) Difficulties in locating the most inexpensive airline or hotel rates;
- (3) The problem of seeking the most inexpensive fares while travel authorizations are pending official approval--travel arrangements cannot be finalized with travel agencies until final approval is granted because they require upfront payment;
- (4) The requirement that three travel quotations be obtained is time consuming;
- (5) The requirement that airfares be paid in advance interferes with the ability to take advantage of the cheapest fares;
- (6) The approval process takes too long;
- (7) Reimbursement (per diem) sometimes takes several months to process;
- (8) Travel budgets do not reflect the escalating cost of travel;
- (9) Purchase orders are not processed fast enough; and
- (10) Airfares are sometimes paid out of the employee's pocket because approvals take so long.

QUESTION 13.

Question 13 requested the respondent to suggest methods of making the process easier. Obviously, most of the survey participants that responded negatively to Question 12 had no suggestions to offer under this question; and most of the respondents that registered the complaints listed under the previous question suggested that those problems be resolved.

QUESTION 14.

Question 14 asks the person responding to the survey if the person had any suggested changes to Title 3, Chapter 10, Hawaii Administrative Rules. The answer provided on virtually every survey returned was "no." While several participants provided brief suggestions to improve the rules, most of the suggestions had very little relevance to the topic of this study.

Chapter 3

TRAVEL PROGRAMS OF SELECTED GOVERNMENTAL AGENCIES

University of Hawaii

Travel arrangements at the University of Hawaii (University) are handled similarly to other state departments. Most employees handle their own arrangements on an ad hoc basis. However, the idea of centralizing and coordinating travel arrangements has been a topic of interest for some time.¹ The University has implemented two travel programs, one for interisland travel and the other for team travel.

The University has implemented an interisland travel program in which employees are required to purchase interisland coupons from a selected contractor. The first year the University implemented the program, the lowest bidder offered only coupons for Hawaiian Airlines.² It was extremely difficult for the University to restrict traveling employees to only one airline. Subsequently, the University received many complaints and determined it was more prudent to revise its bid specifications and request one price for either Hawaiian or Aloha Airlines coupons.³

The contracted travel agency offers both Hawaiian and Aloha interisland travel coupons on an "as required" basis to the University of Hawaii at Manoa, University of Hawaii at Hilo, University of Hawaii West Oahu, Honolulu Community College, Leeward Community College, Maui Community College, and Windward Community College.⁴ Although an estimate is given, there is no guarantee that amount will be actually purchased. The bid price is based upon a regular unrestricted one-way fare and includes delivery costs and all applicable taxes.⁵ The contract is for a period of one year renewable for an additional year upon mutual agreement in writing.⁶ Travel to Lanai, Molokai, and destinations without jet service is exempt from the contract.⁷ Employees still make their own arrangements for interisland travel, but must go through the contracted travel agency. Travel coupons are ordered through the issuance of purchase orders by authorized individuals of the various departments of the University.⁸ The travel agency delivers or mails by certified mail the ordered coupons to the departments.⁹

The contracted travel agency also provides quarterly reports of the number and type of coupons purchased by each department to the procurement and property management office.¹⁰ The office believes the program is operating efficiently.¹¹ There had been initial complaints about loss of business for travel agencies which did not get the bids, but the margin for profit and commissions made on interisland travel is so small that the University has had no real opposition to the interisland travel program.¹²

Another program that has been implemented by the University is a program for team travel. Initially, the University solicited bids for the individual sports teams.¹³ Thus, one travel

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agency could handle travel for the golf team, while another agency could handle the football team. The travel agency that offers the University the highest percentage of rebate or portion of its commission back to the University receives the contract to handle travel arrangements for the sports teams.¹⁴

Currently, one travel agency holds the contract for all teams, saving the University from contracting for each team. The contract is for a period of one year, renewable for a total of three years.¹⁵ The contract requires the contracted travel agency to provide a full service office at the University staffed by a travel agent to work with the coaches on the team travel.¹⁶ The travel agency is required to obtain the lowest possible airfare for team travel.¹⁷ The travel agency provides the University with a management report on team travel conducted, including fares paid and fares for comparable flights.¹⁸ As with the interisland program, the University issues purchase orders to the contracted travel agency for reimbursement of airfares.¹⁹ There are larger commissions to be made with the team travel program than with the interisland program, but most travel agencies cannot match the discounts offered to the University so there have not been any real complaints from the other travel agencies.²⁰

The East-West Center

The bulk of the East-West Center's (Center) travel is international.²¹ International travel involves more complex arrangements and accompanying problems than domestic travel. Travel agencies are expected to assist Center travelers with visas, foreign exchange, and other arrangements. Thus, it is important that the travel agencies used by the Center are experienced in dealing with international travel.

The Center solicits bids for two travel agencies. The travel agencies are given the estimates of the total volume of the travel the Center conducts, but are not guaranteed any specific amount of travel.²² All Center sponsored travel must be made through one of the two travel agencies, unless grant funds specify otherwise.²³ Individuals can make their own arrangements directly with two travel agencies.²⁴ The contract specifies that the most economically feasible fare is to be used, with an option to either go with a travel agency offering a cheaper fare or to be reimbursed the difference.²⁵

At one time, only one travel agency was used by the Center. However, it was determined that more problems arise with only one agency, primarily the lack of competition with an exclusive agent.²⁶ With two agencies, there is no guarantee of a specific percentage of volume, thus to get the business the travel agencies must be competitive. Contracts are not negotiated on a yearly basis. If problems or complications arise, a new contract may be negotiated.²⁷ The contract is renewable annually, with an option to terminate at any time.²⁸ The Center uses a monitoring system in which travelers fill out forms after travel to monitor how well the system is working.²⁹

TRAVEL PROGRAMS OF SELECTED GOVERNMENTAL AGENCIES

City and County of Honolulu

In the past, the City and County of Honolulu (City) had no real travel policy and no real control over travel expenses. Currently, the City solicits bids for travel services from travel agencies based upon the discount rate that the agency will deduct from the airline tickets.³⁰ The City determines the estimated amount of travel for each year from city agencies' requests for travel and the actual travel amounts from the previous year.³¹ The contract is for one year with a one-year renewal period for air travel. Hotel reservations, car rentals, and other travel services are also offered.³² The contract requires the contracted travel agency to obtain the lowest possible airfares.³³

The City's travel program is a mandatory one; thus approval is necessary prior to use of another travel agency.³⁴ If a lower fare can be obtained from another travel agency and the contracted agency declines to match the fare, the City is allowed to obtain the lower fare.³⁵ Originally, the City had tried to keep track of frequent flyer miles and employees were required to turn the miles in to the City, but it became too difficult to police and handle administratively.³⁶

The City's program does not include any formal evaluation of the travel agency's performance by the travelers, but the Finance Department has informal discussions with fiscal officers of the departments regarding performance.³⁷ The travel agency sends management reports to the Finance Department including the number of tickets bought, destinations, amounts spent, persons traveling, and other information.³⁸

Federal Government

The federal government has multiple travel programs. One of the programs implemented consists of direct contracts with airlines and rail carriers for service between selected cities at reduced fares. The contracts are made directly with airlines or travel agencies on an annual basis.³⁹ The contracts provide special rates ranging from forty to fifty per cent of the coach fare without any restrictions normally imposed on discounted fares.⁴⁰ A monthly travel directory is published by the General Services Administration and the United States Department of Defense to provide current information to federal travelers on fares and schedules of contract carriers.⁴¹ Also included in the travel directory is information on automobile rentals and hotel and motel rates.⁴² With certain exceptions, all federal employees are required to use the contract air and rail carriers.⁴³

All federal agencies and departments that participate in the travel and transportation expense payment system use charge cards, centrally billed accounts, and travelers checks provided by contracted companies.⁴⁴ The current contractor for the federal government is Citibank/Diners Club.⁴⁵ The participating agencies and departments determine which employees are to be issued individual employee charge cards.⁴⁶ The charge card is issued in

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the employee's name and the employee is liable for payment of all charges incurred.⁴⁷ The employee is reimbursed for all authorized and allowable travel expenses.⁴⁸ In addition, agencies and departments may establish centrally billed accounts for the purchase of transportation, primarily for groups or infrequent travelers.⁴⁹ Lastly, travelers checks are issued to federal travelers to cover subsistence and other allowable travel and minor transportation expenses.⁵⁰

The federal government contracts with commercial travel agencies to supply transportation and travel services for federal employees. The contracts are awarded by geographic areas.⁵¹ Thomas Cook Travel won the bid for Hawaii and has a five-year contract.⁵² The contracted travel agencies are required to offer the contracted city airfares and the lowest fare available, or the travel agency pays the difference.⁵³ The travel agencies provide various services to federal employees, including airline, bus, steamship, or train reservations and ticketing; hotel and motel reservations; commercial auto rentals; assistance with visas and passports; and arranging conferences and seminars.⁵⁴ Other travel agency responsibilities include delivery of travel documents and provision of appropriate management information reports on billing activity, travel data, and policy adherence.⁵⁵

The goal of having some type of travel program appears to be not only the consolidation of the governmental agency's buying power to realize travel cost savings, but also to collect information on travel expenses for negotiation and monitoring functions.

ENDNOTES

1. Telephone interview with Edward Yuen, Director, Procurement and Property Management Office, University of Hawaii, June 5, 1991.
2. Ibid.
3. Ibid.
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Chapter 4

TRAVEL PROGRAMS OF OTHER STATES

A number of states engage in some form of management and coordination of employee travel. (Appendix E provides an overview of efforts in each state.) The purpose of this chapter is to examine the programs of a few selected states in detail.

New Jersey

The New Jersey Travel Services program started in 1979 pursuant to an executive order.¹ The intent of the program was to centralize the procurement of all official state travel, standardize the application of state travel regulations, realize travel savings, and collect and monitor travel information.² In April 1982, the program was established on a pilot basis by the New Jersey Department of Treasury.³

Currently, the program only handles the travel arrangements for the executive branch and the governor's office.⁴ The legislature and the judiciary handle their own travel arrangements.⁵ Originally, the state universities and colleges were participants in the program, but were unable to meet the Department of Treasury's funding rules.⁶ The program only handles out-of-state travel.⁷ However, due to its current fiscal condition, the State has imposed its second ban on out-of-state travel, with exceptions for police investigations, prisoner and child transfers, and other emergency travel situations.⁸

The program has three different contracts for travel arrangements. The first is a contract for financial management services to handle the State's travel billings. The program utilizes a ghost or centralized credit account which uses an account number; no cards are issued.⁹ Only authorized persons may make charges on the charge account, thus individuals are unable to charge personal items on the State's account.¹⁰ The credit company provides detailed statements on charges made on the account which are used to monitor travel expenses.¹¹ The program has two different accounts, one for the executive branch and one for the governor's office.¹²

The second contract is with a travel agency. The program uses only one travel agency which is selected through the bid process. The program handles all of the travel arrangements in-house and is technically a satellite ticket office of the travel agency.¹³ The program makes all the travel arrangements through its computer system and advises the travel agency which in turn issues the tickets by sending them to the satellite ticket printer located at the program.¹⁴ The program's revenue share from the travel agency is eighty-five per cent of the actual commissions received from airlines and rails.¹⁵ The program provides hotel reservations, car rentals, and other travel-related services as a courtesy to state agencies.¹⁶ Employees are allowed to use other travel agencies for travel arrangements other than transportation, air, and rail tickets.¹⁷ Prior to the ban on out-of-state travel, the revenue

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share received from the travel agency would more than pay for all of the program's operating expenses.¹⁸

The last contract is a five-year lease agreement for a computer system. In 1985, the computer system was implemented in order to gain more control over the travel arrangements.¹⁹ This system provides access to the reservations network and enables state agencies to receive immediate confirmation of their reservation requests.²⁰

Maryland

Maryland's travel program uses two basic contracts, a travel agency contract and a credit card company contract. The travel agency makes all the travel arrangements and sends the information to the travel program office prior to issuing the tickets.²¹ The office then reviews the records and determines whether the lowest fares are being selected or if any violations of the travel policy exist.²² The office's main responsibilities include educating state travelers and employees handling travel arrangement for the department, and the review of the contracted travel agency's work for discrepancies.²³

The payment system uses both a centralized billing or ghost account for air and rail tickets and corporate credit cards.²⁴ Each department has its own ghost account number and receives reports to reconcile their accounts.²⁵ The corporate cards are used for hotel and other travel expenses, and are billed to the individual cardholders who are personally liable for payment of the expenses.²⁶ The credit card company generates an aggregate report of all the expenses for management review.²⁷

Maryland has had the same travel agency for three years and is preparing to rebid the travel agency account.²⁸ The State is looking into contracting with two vendors to reduce the amount of time spent on monitoring the travel agency's performance, for example, ensuring the lowest fares have been selected.²⁹

Iowa

Iowa contracts with a single travel agency to handle its travel arrangements.³⁰ This practice has been utilized by the State of Iowa for approximately ten years.³¹ The current travel agency has had an office on site in a state building for four years.³² Each department head is responsible for approving travel requests, and individual travelers are responsible for contacting the travel agency for their travel arrangements.³³

Iowa also has a contract with a credit card company for a corporate credit card account in which the cardholders are liable for payment on the cards.³⁴ The cards are not mandatory and employees are allowed to use the regular purchase order system.³⁵ The travel agency offers a prompt payment discount of four per cent when employees use credit

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cards for payment.³⁶ The travel agency provides monthly reports to the purchasing department that are broken down by departments, listing employee names, airfares, fares suggested by travel agency, savings over normal coach fares, and other management information.³⁷ Although the State is not liable for payment on the cards, it will assist the credit card company if necessary and will cancel or lower credit limits on delinquent employees.³⁸

Michigan

Michigan does not have a travel program of any kind.³⁹ The State has tried to consolidate or implement some type of travel program twice, but was unsuccessful.⁴⁰ The purchasing department believes that it can overcome external resistance and opposition, but it is necessary to obtain total support from top management in order to implement a travel program.⁴¹

Colorado

Currently, Colorado does not have a consolidated travel program.⁴² Colorado implemented a pilot travel program for a year and a half, consisting of a contract with one travel agency and was based upon level of service and amount of rebate to the State.⁴³ Colorado believed that the benefits of the travel program, its performance, and ability to save the state in travel expenses would ensure success, and ignored the political components.⁴⁴ Unfortunately, the program failed, encountering much opposition from the higher education community and small travel agencies doing business with the institutions of higher education.⁴⁵

Colorado is planning a reintroduction of a travel program.⁴⁶ The proposed program will involve approximately 286 travel agencies that would have to register with the State in order to qualify to participate in the program.⁴⁷ The prime benefits from the program would be from direct negotiation with the airlines to get discounted fares.⁴⁸

Colorado is in its second five-year contract with a credit card company for both corporate credit cards and ghost accounts.⁴⁹ The state policy requires that the credit cards are to be used for travel expenses only.⁵⁰ The credit card company provides monthly statements to the state agencies, reducing administrative paperwork.⁵¹ Prior to its credit card company contract, Colorado spent approximately \$100,000 annually on collision damage waivers required by travel agencies booking car rentals.⁵² Currently, the credit card company provides insurance free of charge.⁵³

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Kansas

Kansas established a travel program in 1987.⁵⁴ The State is divided into nine different zones, based upon the geographic distribution of state offices.⁵⁵ The travel agency contracts are awarded based upon the percentage rebate to the State from its travel activity.⁵⁶ Currently, the State has five travel agency contracts.⁵⁷ The State also has a contract for discounted car rentals.

Kansas uses both corporate credit cards and a corporate travel account for payment of travel expenses.⁵⁸ One credit card company under contract with the State offers a program in which each state agency pays a discounted amount for all airline tickets charged to that account.⁵⁹ Since the state agencies do not use their spending authority for the amount of the discount, the State recognizes a larger float before payment is made.⁶⁰ Although initially Kansas experienced some difficulty with the credit card accounts, the system seems to be working efficiently now.⁶¹

California

The State of California required the State to negotiate for discount rates with the airlines.⁶² California has contracted with the airlines and car rental agencies for discounted fares and rates.⁶³ Unfortunately, during 1991, the State did not receive as good a response from the airlines as it did in the past.⁶⁴ In 1990, the State entered into contracts for approximately seventy-five city-pair fares. In 1991, however, only twenty-four city-pair fares were contracted.⁶⁵ For travel to cities that are not covered by city-pair contracts, the departments are required to take the most reasonable fare.⁶⁶

California has established a statewide travel card program.⁶⁷ The State conducted a pilot project for nine months with large departments that traveled often, and experienced positive results.⁶⁸ The departments are not required to use either the travel cards or the ghost accounts, and it has taken some time for departments to transfer from the conventional travel advance system.⁶⁹ However, California recently has phased out its permanent travel advance system in which employees automatically receive travel advances, so there is greater incentive for departments to use the travel card program.⁷⁰

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Chapter 5

ALTERNATIVE TRAVEL MANAGEMENT METHODS

Travel Discounts

The 1978 Airline Deregulation Act allowed airlines to determine their own fares and routes, thus creating a competitive environment in which airlines and travel agencies vie for business by offering discounted rates for airfares.¹ In 1981, travel agencies were allowed to share airline commissions with their customers.² Under the law, travel discounts can now be negotiated with travel agencies or directly with airlines. Organizations that have documented high travel volumes are more likely to receive discounts from airlines. Many organizations negotiate through travel agencies to obtain discounts from airlines.

Various types of discounts are available from the airlines and travel agencies, including lowest available fare, commission sharing, and net fares.³ Lowest available fare is a fare below standard coach, and may involve advanced bookings, indirect routing, off-peak times, and promotional fares.⁴ These discounts are obtained through searches on computerized reservation systems by travel agents.⁵ Because fares are constantly revised by airlines, sometimes at a rate of over a thousand times per day, experienced travel agents are able to obtain substantial savings over regular coach fares.⁶

Commission sharing occurs when travel agencies give organizations a portion of the ten per cent standard commission received from the airlines for handling airline reservations and ticketing.⁷ Organizations may receive a percentage of the travel agency's airline commission or may receive direct rebates from the airline.⁸ Many travel agencies offer organizations substantial commissions in exchange for the privilege of handling their travel arrangements. The University of Hawaii receives a portion of the travel agency's earned commission for a contract to handle travel arrangements for the University's sports teams.⁹

Lastly, net fares are direct discounts from the airline to the customer on retail tickets.¹⁰ These tickets are available to customers with high travel volume through city-pair fares or system-wide fares.¹¹ City-pair fares are discount fares offered by airlines to organizations that demonstrate high travel volume between two cities.¹² These city-pair fares are unrestricted fares that carry no penalty for cancellations and are not limited to advance booking.¹³ System-wide fares are discount fares based on an agreement to use a certain number of seats within a set time period.¹⁴ If more seats are used, an additional discount is given, and if fewer seats are used, part of the discount is returned to the airline.¹⁵ The federal government has many contracted city-pair fares that are available to employees and published monthly in the federal Travel Directory.

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Travel Program Alternatives

Individual Travelers. Some organizations allow their employees to handle their own travel arrangements. By dealing directly with the travel agencies or travel providers, the individual travelers have a considerable amount of control over their travel arrangements. However, from the standpoint of the organization, there are various disadvantages to allowing individuals to arrange their own travel arrangements:

- (1) Individual travelers lack the criteria needed to judge the level of service provided by travel agencies and travel providers.
- (2) Individual travelers are unable to determine whether the best fares or rates have been obtained. Also "frequent flier" plans and offers encourage individuals to choose particular airlines, hotels, car rentals, and other travel arrangements that may not provide the best fare or rate, since the benefits accrue to the individual and not to the organization.
- (3) Administrative time used by individuals in making travel arrangements adds to travel expenses.
- (4) Individual travel arrangements made with different travel agencies and travel providers increase the number of billings the organization must handle.
- (5) Use of different travel agencies and travel providers results in fragmented travel information and a lack of consolidated management reports for planning and enforcement of the organization's travel policy.¹⁶

Travel Agency Contracts. Many organizations, including state governments, that allow individuals to handle their own travel arrangements are looking at ways to control travel costs and centralize travel management. One of the key methods used by organizations to control travel costs involves the use of contracts with travel agencies. (Appendix F lists the basic travel services offered by travel agencies.) Traditionally, public sector organizations are less likely to use travel agencies for travel services than private organizations. Their use by private business, however, seems to indicate that the use of travel agencies can be significant in improving travel arrangement and management processes.¹⁷ Seventeen states currently have contracted with one or more travel agencies to handle travel arrangements for state employees traveling on official business.¹⁸

A report published by the State of Maryland summarized the advantages of contracting with a travel agency to handle travel arrangements as follows:

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- (1) All operating and administrative costs of travel services (salaries, office space, furniture, utilities, computer systems, supplies, and other expenses) are borne by the travel agency.
- (2) Depending on the type of contract with the travel agency, commission sharing can defray the cost of employee travel.
- (3) Experienced travel personnel provide a wide range of travel services through up-to-date computer and communication systems, especially in obtaining the lowest possible fares.
- (4) Travel agencies can negotiate corporate rates for hotels and car rentals and discount rates for airfares.
- (5) Administrative expenses, including the time spent by personnel responsible for handling travel arrangements for the organization are reduced.
- (6) Travel agencies can provide consolidated expense and other management reports on employee travel, eliminating the need for detailed organization reports and providing information to the organization for planning and enforcement of travel policies.¹⁹

For various reasons some organizations use more than one travel agency.²⁰ Many times organizations use multiple travel agencies to assuage disgruntled travel agencies that did not receive organizational contracts. Consequently, some of the advantages of a contractual relationship with a travel agency are lost. The primary disadvantages of having contracts with multiple travel agencies are as follows:

- (1) Dilution of the organization's purchasing power when travel volume must be divided between multiple travel agencies and the corresponding loss in commission sharing possibilities.
- (2) Multiple forms of management reports on travel expenses will require the organization to compile the various reports into usable, consolidated information.²¹

Travel Managers or Coordinators. Another travel management alternative is the use of in-house travel managers or coordinators. Seventeen states have established travel coordinators as part of their travel program.²² Generally, travel coordinators are used when an organization decides to establish a centralized travel program. There are different functions of a travel coordinator and different degrees of centralization.²³ A travel coordinator can act as a consultant for the organization's travel policies and procedures, can negotiate for special fares and rates from travel agencies and travel providers, and can monitor and

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enforce travel policies.²⁴ (Appendix G lists some of the major responsibilities of a travel coordinator in an organization.)

Out-plant Travel Department. In some organizations, the travel coordinator can be established as part of an "out-plant" travel department, with trained travel personnel handling the travel arrangements for the organization.²⁵ New Jersey is a state which has established an out-plant travel department. The New Jersey travel program is discussed further in Chapter 4. An out-plant travel department is staffed entirely by organizational employees and has the exclusive control of travel arrangements for the organization.²⁶ The travel department makes the reservations for its travelers, using the same computerized reservation system as the contracted travel agency.²⁷ Once all arrangements have been made, the information is electronically transmitted to the travel agency which conducts a quality-control check on the requested reservations and prints the tickets for delivery to the organization.²⁸ Some travel departments use Satellite Ticket Printers (STP) which are located at the travel department. These devices provide instant delivery of tickets, boarding passes, and itineraries to the organization.²⁹

One of the major advantages of an out-plant travel department is that the travel department does most of the work so the organization is likely to be able to negotiate a higher percentage of commissions and defray travel expenses. Another advantage is that the organization has much more control over its travel expenses and enforcement of its travel policy. This control, however, is not gained without disadvantages. The disadvantages may include the expense of establishing an out-plant department (salaries, equipment, and other overhead expenses) and the lack of experience and cost data on the operation of an out-plant department. Generally, organizations that have been operating a successful centralized travel program are better candidates to establish an out-plant travel department. Organizations just establishing some type of centralized travel management program should be careful about rushing to establish an out-plant travel department without more experience.

Travel Payment and Recordkeeping Systems

Airlines and travel agencies require immediate payment for airline tickets that are issued. Airline tickets are issued on Airline Reporting Corporation (ARC) stock, and travel agencies are required to make payments to the ARC accounts at the beginning of each week following the issuances.³⁰

In order to avoid long delays in payment to the airlines or travel agencies who issue airline tickets, or reduce the amount of working funds advanced to travelers, credit alternatives are available from major credit card companies. There are two types of corporate credit programs, a corporate credit account number or "ghost" account, and a corporate credit card account. Ghost accounts are used primarily for the payment of transportation costs, airline or rail tickets.³¹ Account numbers are issued to various organizational agencies

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without the issuance of physical credit cards.³² The account numbers are known only by authorized organizational employees and airlines or travel agencies that issue tickets to the organization to avoid unauthorized charges by employees.³³

One of the major advantages of ghost accounts is the sixty-day float period from the time the airline reservations are made and the time the payment is made.³⁴ The increased float period for air travel expenses allows the organization to generate additional interest income. For example, if an organization spends \$10 million annually on air travel expenses, the savings would be \$150,000, assuming a sixty-day float period and interest rate of nine per cent:

Total annual airfares	\$10,000,000
	<u>12 months</u>
Monthly airfare	\$ 833,333
60-day float	<u>x 2 months</u>
	\$ 1,666,66
Interest rate	<u>x .09</u>
Annual interest income	\$ 149,999

In general, the advantages of ghost account programs include:

- (1) Centralized billing - tracking and reconciliation are controlled as charges are billed through one account, eliminating the cost of paying several vendors and reducing administrative time and expense.
- (2) Centralized reporting - reports provide necessary information to monitor traveler activity, establish and enforce travel policy, identify travel patterns and high volume city-pairs, and negotiate savings directly with airlines.
- (3) Increased cash float - increases the float time between ticket purchases and payment to the credit card company, time that the State can use to generate interest earnings.
- (4) Immediate credit on unused airline ticket coupons.
- (5) Automatic travel accident insurance coverage.
- (6) Lost baggage insurance coverage.³⁵

The second type of corporate account is a corporate credit card account, which consists of individual credit cards that are issued to employees to charge business expenses.³⁶ Unlike the ghost account, the cards are used for a variety of business travel expenses, including transportation, lodging, car rentals, and meals.³⁷ The liability for

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payment of the charges on the cards are borne by the individual cardholders, not the organization.³⁸ This feature is useful in avoiding employee abuse of cards. In addition, since employees are responsible for payment of charges made on the cards, they have ample incentive to expedite account reconciliation for reimbursement of travel expenses.

The organization determines which employees will be issued cards. (Appendices H and I list the benefits offered by two major credit card companies that offer corporate credit card accounts.) Other benefits available to government employees include no annual fees, no interest or late charges, issuance at government direction without prior credit approval, no preset credit limit, and immediate ability to cancel individual cards at government direction.³⁹

Two of the major benefits of corporate credit cards are the elimination of the need for travel advances and the generation of vendor information necessary to negotiate discounts with travel providers. Because cardholders wait for their monthly credit card statement before submitting reimbursement claims, the organization can obtain at least an additional thirty-day float period over travel advances, purchase orders, or immediate employee reimbursement.⁴⁰ If employees are charging airline tickets, lodging, meals, and car rentals, the funds that normally would be expended in traditional payment systems could be used to generate additional interest income.

Credit card companies offer a multitude of management reports to help organizations monitor and enforce travel policies and procedures. Although the corporate account number and corporate credit card programs both offer various management reports, the corporate account number program can only offer information regarding air travel activity. The corporate credit card account can offer information on airlines, hotels, car rentals, restaurants, and other vendors. In this way the organization has information it can use to negotiate discounts with various vendors, not just airlines.

Thirty-six states currently use some type of travel charge program and three states are in the process of implementing a program.⁴¹ The federal government uses a combination of charge cards, centrally billed accounts, and travelers checks provided by the contracted credit companies.⁴²

Satellite Ticket Printing Systems

Computer technology in the airline ticketing industry has revolutionized user access to airline, hotel, and car rental tickets and reservations, travel savings, and other discounts. While there are many automated services available or emerging on the market, the information presented in this section was derived from materials supplied by the satellite ticket printing service of the Airline Ticketing Network.

The satellite ticket printing of the Airline Ticketing Network involves the installation of "automated ticketing machines" (similar to bank "automated teller machines") in locations

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convenient to the client to provide instantaneous delivery of itineraries, tickets and boarding passes, and other types of information. The unit includes a touch screen monitor and a direct access telephone that allows the user to verify arrangements and make any necessary changes. The system provides travel services to clients twenty-four hours a day, seven days a week. The service installs the machines free of charge; provided that the unit is located in a secure area.

The ticketing process of the ticket printing system involves two steps. The first step requires the arrangement of all ticketing, hotel, and car rental information over the telephone with a network travel assistant. The second step involves the retrieval of the traveler's itinerary, airline ticket, boarding pass, and other reservations at the nearest automated ticketing machine by inserting a predetermined identification card. Only after the card is inserted will the itinerary of the traveler appear on the video display screen of the unit. If approved by the user, airline tickets, boarding passes, travel itineraries, and hotel and car rental confirmations are printed out instantaneously at the machine. Should there be any further changes, a direct access telephone built into the unit allows the user to speak directly with a network travel assistant. A primary advantage provided by the system is the ease at which changes in itineraries can be made.

Aside for the advantage of fast ticket delivery, another advantage of the system is the power of the system to process tickets, itineraries, and other reservations in accordance with the preprogrammed preferences of the user. The foundation of the system's database of user information is a confidential profile/questionnaire form completed by the user. By filling out the questionnaire, users are able to identify the airline they prefer to travel with, the class of travel (i.e., first class, coach, etc.) they generally desire, and even the seat and meal arrangements they prefer.

Because of the ability of the system to arrange travel in accordance with preprogrammed instructions, government agencies utilizing the service would be able to place restrictions as well as require the system to search for the least costly alternatives. If so instructed, all employee travel arrangements would be arranged utilizing the lowest airfare existing at the time. Individual users would not be able to alter the preset instructions, restrictions, and limitations programmed in the system.

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Chapter 6

CONCLUSION

Section 164 of Act 296, Session Laws of Hawaii 1991, requested the Legislative Reference Bureau to determine the feasibility of establishing a state travel agency. The following discussion presents the findings and recommendations of the Bureau.

Discussion

During periods of economic austerity, reducing government spending becomes an important priority and concern for states throughout the country. Expenditures in many areas of government spending become the subject of deeper examination. Invariably, funds budgeted for government travel become a target for cost reduction. The most common, and obviously, the most effective means of controlling governmental travel costs is to cut back on the frequency of employee travel. Other strategies include placing restrictions on class of airline travel allowable and placing caps on the amount expendable on hotel accommodations.

While the notion of reducing travel costs through the establishment of a state travel agency appears to be based on plausible assumptions, there is no evidence to confirm that significant savings will be realized by the State as a result of undertaking this strategy. Additionally, although this report indicates that several states have developed centralized travel management systems in an effort to improve control over travel affairs, there is no evidence to suggest that a large number of states are contemplating this strategy to achieve the same objective.

Indeed, establishing a new agency to take on the responsibility of arranging all state travel is a significant undertaking. Clear and irrefutable evidence should be presented to demonstrate that this alternative will accomplish the objectives envisioned in a manner more effective and more efficient than all other options available.

One method of determining the need to establish a state travel agency is to examine the factors that would compel or justify the creation of such an agency. The Bureau finds that there are several key factors that would compel or justify the establishment of a central state travel agency to authorize, oversee, coordinate, and arrange all travel accommodations for state employees. If the following conditions did indeed exist, it is conceivable that the State's only alternative, aside from severely curtailing all state travel, would be to establish a central authority to administer employee travel. These factors include:

- (1) Widespread dissatisfaction among employees and administrators with the current system of arranging employee travel accommodations;

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- (2) Widespread and uncontrollable use of travel budgets by state department administrators and employees for inappropriate travel purposes; and
- (3) High cost of salaries in each department of staff whose duties are dedicated solely to arranging travel for departmental employees.

Factor One

Because of the broad flexibility provided to each department of the State, the travel arrangement methods currently utilized by the individual departments have, presumably, been tailored to fit the needs of that particular department, office, division, branch, or program. Indeed, state departments vary in size as well as function. The survey results show that while some departments or programs have employees travelling on a daily basis, others engage in virtually no travel at all. The current flexibility allows departments and programs to design travel arrangement procedures based on factors such as the type of travel, the frequency of travel, and the number of employees that travel. Some programs have opted to allow individuals to arrange their own accommodations while other programs rely on certain designated administrative, clerical, or other employees. Obviously, if employee arrangements for travel were not being completed on a timely basis by designated staff members due to the burden of other duties, individuals requiring airline ticketing could perform these arrangements on their own.

Perhaps the sections of the survey that offer the most insight into the concerns and attitudes of state departments and programs that arrange travel on a regular basis are the sections that request the respondent to list significant problems and suggest methods that would make the arrangement of employee travel easier (Questions 12 and 13).

When asked to list the problems experienced in arranging employee travel accommodations, the overwhelming majority of respondents indicated "none". Others pointed to difficulties in obtaining the most up-to-date price lists for airfares, and others complained of "last minute" changes in travel itineraries. While not insignificant, these difficulties hardly warrant establishing a new system to arrange travel accommodations.

In fact, many of the problems identified by employees under Questions 12 and 13 are likely to be exacerbated by placing the responsibility of arranging travel with a central agency. Several respondents commented that they believed a state travel agency would only create a new bottleneck in the process. The time ordinarily required to process travel arrangements may be lengthened due to such basic problems as a long waiting list of travel arrangements to process at the agency. In addition, due to the heavy work load the agency will undoubtedly face, it is difficult to conceive that "last minute" itinerary changes will become any less of a problem to process.

CONCLUSION

While several respondents remarked that a state travel agency may be a good idea to pursue, the general thrust of the overwhelming majority of comments received was that the current system works well. Based on these responses, there was absolutely no indication from any department, division, branch, or office of the State that the travel arrangement procedures being utilized in any program are failing to complete travel arrangements on a timely basis.

Factor Two

Controlling inappropriate travel is an important concern for any public agency that expends public funds for employee travel. Disciplinary action against individuals who sanction or participate in unnecessary travel is presumably the best method of deterring this practice. Public rebuke or dismissal of administrators that fail to control their personal or agency's travel practices has proven to be an effective method of curbing such abuses.

Currently, every agency of the State requires administrative review and approval of travel plans and budget expenditures. In addition, employees are usually required to submit written reports of all business performed during these trips. Presumably, employee travel is authorized if the purpose of the trip is consistent with and justified under the functions, duties, and responsibilities of the agency.

Clearly, any effort to determine the propriety or the impropriety of the individual trips taken by state employees in any fiscal year would represent a monumental task in and of itself. Clear standards would have to be developed to determine what type of travel is and is not appropriate, and a case-by-case inspection of travel records would have to be performed.

For the purposes of this study, however, without evidence to verify that controlling employee travel is beyond the means and capabilities of departmental administrators presently responsible for the approval of travel, there is no reason to suggest that another bureaucratic layer should be developed to replace or augment the current system.

Factor Three

As stated earlier in this report, departments and programs of the State arrange travel accommodations in various ways. Most departments provide their programs, branches, and offices with the flexibility to arrange travel accommodations in the manner they determine to be the most efficient. Based on the findings of the survey, however, it is apparent that it is not the practice of any department, program, or office to hire employees or operate travel desks to arrange employee travel on a full-time basis. Indeed, the establishment of such positions would be unjustifiable, especially in those departments that authorize employee travel only intermittently. Instead, most programs either allow individuals to make their own arrangements or designate certain clerical or administrative personnel to provide assistance.

THE FEASIBILITY OF ESTABLISHING A STATE TRAVEL AGENCY

Because of the present arrangement, the establishment of a state travel agency would not result in the elimination or transfer of "state travel agent" positions from each department to a central state travel agency where idle time would be less of a factor because of a more consistent work load. From an administrative perspective, therefore, it is not likely that a state travel agency would result in substantial personnel cost savings to the state departments. Instead, it is very likely that such an agency would result in new personnel costs to the State. The new agency would require a new staff of considerable size to take on the tasks presently performed, literally, by thousands of state department employees as a part of their normal routine.

The question with respect to the number of employees a state travel agency would require to function efficiently is difficult to answer. One factor that can be predicted with certainty is that the work load that must be addressed by the agency will be quite substantial. As stated earlier in this report (see Question 10 of the survey), the state departments participating in the Bureau's survey estimated a total of nearly 38,558 interstate, interisland, and international trips. (It should be noted that this figure includes the University of Hawaii's interisland trips but not its interstate trips.) With approximately 260 working days in a year, the agency would have been required to process more than 150 travel arrangements each day during fiscal year 1990-1991. Because of this work load, the agency will undoubtedly require the installation and use of a fully automated or computerized ticketing system--a service that can already be utilized and implemented by existing state departments through ticketing and payment services similar to those reviewed in this report.

Conspicuously absent in the list of factors that would justify the creation of a state travel agency is the objective implicitly stated in section 164 of Act 296, Session Laws of Hawaii 1991. While "cost savings" through the use of new procurement methods is an important and logical objective to pursue, there exists no compelling reason or justification to recommend that a new agency be established to carry out this objective. The absence of a state travel agency does not preclude the State from seeking or capitalizing on cost savings alternatives. Indeed, state rules encourage agencies to seek the most inexpensive alternatives available. Ostensibly, because of the flexibility provided under Hawaii's law and rules on procurement and travel, virtually any airline ticketing or travel payment system presently available on the market to reduce costs or improve efficiency would be eligible for trial and examination by the State's agencies.

Experts interviewed in the course of developing the Bureau's conclusion, agreed without exception, that while the notion of establishing a state travel agency offers appeal, undertaking a transition of this magnitude at this time may result in questionable results. In fact, a state travel agency may result in even greater inefficiency in the process, perhaps higher administrative costs (i.e., salaries, equipment, overhead costs, etc.), and would not appreciably increase the State's position and authority to pursue new alternatives. Indeed, it seems highly illogical for the State to bear the cost of establishing and administering a state

CONCLUSION

travel agency when commercial travel agencies throughout Hawaii already offer these services to the State--free of charge.

Given the flexibility offered by the various automated ticket and payment services in developing programs to fit the travel needs of the State's existing departments, and given the power of automated technology to instantaneously provide flight information, process travel arrangements, charge payments, seek the lowest airfares, make itinerary changes, and keep records, there seems to be little justification to recommend the establishment of a new state travel agency.

Recommendation

The feasibility of any proposal or alternative cannot be confirmed by examining hypothetical scenarios. Clearly, automated ticketing and payment systems offer numerous advantages. However, unless these alternatives are tested in demonstration or pilot projects within the departments that will actually be utilizing their services, there will be no means of identifying the benefits and drawbacks of each alternative.

In order to determine the effectiveness of the best available travel arrangement technologies, the Legislature should provide the funding necessary for the Department of Accounting and General Services to oversee and coordinate pilot projects among several state departments to demonstrate the effectiveness of some of the most advanced travel arrangement and management systems available on the market, including but not limited to, automated ticketing systems and corporate credit card accounts. Performance evaluations should be made available to each department of the State to permit each department to select the alternative or the type of service that would most appropriately address their travel needs.

APPENDIX A

SECTION 164. Provided that in an effort to obtain more efficient state government operations, the legislative reference bureau (LRB) shall conduct a study to assess the feasibility of establishing a state travel agency; provided further that this study shall:

- (1) Examine the feasibility and the costs and benefits of establishing a state travel agency to handle all travel arrangements of state employees conducting official state business that will allow for cost savings with a minimum loss in service;
- (2) Examine whether the securing of a single or multiple vendors to obtain discount rates would be a more feasible alternative; and
- (3) Examine any other arrangement which may be superior to either a state travel agency or the securing of a single or multiple vendors;

provided further that LRB shall consult with the department of accounting and general services and the university of Hawaii regarding their experience in obtaining travel cost savings; and provided further that LRB shall submit findings, recommendations, and proposed legislation, if necessary, to the legislature twenty days prior to the convening of the regular session of 1992.

Section 164, Act 296, Session Laws of Hawaii 1991.

APPENDIX B

TITLE 3 DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

CHAPTER 10

TRAVEL RULES

- §3-10-1 Purpose
 - §3-10-2 Effect of Rules
 - §3-10-3 Applicability
 - §3-10-4 Approval required for out-of-state travel
 - §3-10-5 Travel status
 - §3-10-6 Routing of travel
 - §3-10-7 Preferred times of travel
 - §3-10-8 Means of transportation
 - §3-10-9 Allowable traveling time involving air transportation
 - §3-10-10 Travel allowances
 - §3-10-11 Taxes, fees, and commissions on transportation
 - §3-10-12 Travel expense accounting and reporting
 - §3-10-13 Allowances for privately owned vehicles
 - §3-10-14 Rulings by the comptroller
- Historical Note: Chapter 10 of Title 3, Administrative Rules, is based substantially upon the Rules and Regulations Governing Travel and Transportation Expenses. [Eff. 1/15/76; am 12/21/78; R JUN 01 1981]

§3-10-1 Purpose. The purpose of these rules is to provide uniform application of the Hawaii Revised Statutes and administrative policies, as they relate to travel expenses incurred by state employees and representatives in connection with official business of the state. [Eff. JUN 01 1981] (Auth: HRS §40-13) (Imp: HRS §40-13)

§3-10-2 Effect of Rules. These rules replace comptroller's rules and regulations governing travel and transportation expenses which became effective December 21, 1978. These rules also make void any travel-related communications previously issued by the comptroller. [Eff. JUN 01 1981] (Auth: HRS §40-13) (Imp: HRS §40-13)

§3-10-3 Applicability. (a) Except as otherwise provided by statute, these rules apply to all persons in the employ of the state and to all other persons representing the state on official business.

(b) Except as otherwise provided by statute, these rules apply to all travel expenses regardless of the source of funding.

(c) Wherever there is a conflict between these rules and the provisions of a collective bargaining agreement that is in force, the provisions of the collective bargaining agreement take precedence; excluded employees under Chapter 89, H.R.S., shall receive the same application of such provisions as employees included in the related bargaining unit.

(d) These rules take precedence over conflicting travel policies, written or unwritten, that may be identified in any department or agency of the state. Written travel policies for internal administration within departments and agencies are encouraged, but are subordinate to these rules. [Eff. JUN 01 1981]
(Auth: HRS §40-13) (Imp: HRS §40-13)

§3-10-4 Approval required for out-of-state travel.

(a) Unless otherwise directed by the governor, and except as otherwise prescribed by statute, a department head's written approval is required for out-of-state travel by any officer, employee, or other authorized representative of the department or of an agency under the department. The governor's written approval is required for out-of-state travel by a department head or the head of any other executive agency not under a department.

(b) Any delegation by a department head of authority to approve out-of-state travel (where the department head's approval is required) must be filed with the comptroller in writing.

(c) An amended approval for out-of-state travel is required whenever there is a change in the itinerary, dates, or purpose of the previously approved travel.

[Eff. JUN 01 1981] (Auth: HRS §40-13)
(Imp: HRS §40-13)

§3-10-5 Travel status. An employee or representative is considered to be on travel status only during the time when conducting official business away from the employee's or representative's regular place of business and while traveling to and from the place at which official business is transacted. Unless otherwise specified and approved by the comptroller, travel status begins with departure of

common carriers from the island on which the traveler's regular place of business is located and terminates upon the traveler's return to that island.

[Eff. JUN 01 1981] (Auth: HRS §40-13)
(Imp: HRS §40-13)

§3-10-6 Routing of travel. (a) Travel routes shall be the most direct routes available.

(b) Travel tickets shall be for complete routes, inclusive of stopover privileges whenever and wherever practical, to minimize the cost of special or short-run trips, stopovers, or backtracking. [Eff. JUN 01 1981]
] (Auth: HRS §40-13) (Imp: HRS §40-13)

§3-10-7 Preferred times of travel. Official business and related travel shall be conducted, whenever practicable, within the normal work week, Monday through Friday, and within the normal work day. The comptroller may disallow any unwarranted expenditure for weekend or holiday travel. [Eff. JUN 01 1981]
] (Auth: HRS §40-13) (Imp: HRS §40-13)

§3-10-8 Means of transportation. (a) Departments and agencies authorizing travel shall, in all cases, be sure that the means of transportation are justified by the circumstances.

(b) Unless otherwise justified and approved by the governor, travel shall be by the most economical means consistent with time available and urgency of the trip.

(c) Out-of-state trans-ocean travel by surface ship shall not be allowed. Travel by train, bus, or private automobile will be allowed only when travel by air is not available or feasible or, for good cause shown, is otherwise inappropriate.

(d) Inter-island travel shall be by regularly scheduled transportation whenever available, feasible, and otherwise appropriate. In selecting the means of transportation for inter-island travel, departments and agencies shall consider travel time and per diem costs in determining the most economical means. The head of each department and agency is responsible for compliance with the requirements of subsections (a) and (b). [Eff. JUN 01 1981]
] (Auth: HRS §40-13) (Imp: HRS §40-13)

§3-10-9 Allowable travel time involving air transportation. (a) Unless otherwise authorized by the comptroller, allowable travel time is the time necessary to travel by the most direct route to and from the points specified in the approved travel plan or request, plus the time necessary to conduct the required official business.

(b) Every effort shall be made to reserve complete travel schedules well in advance to avoid delays at transfer points.

(c) Per diem for time lost due to faulty bookings by the traveler may be disallowed by the comptroller.

(d) Travel time in excess of allowable travel time as provided in this section may be required by the comptroller to be charged to vacation time or to leave without pay. [Eff. JUN 01 1981] (Auth: HRS §40-13) (Imp: HRS §40-13)

§3-10-10 Travel allowances. (a) Funds for travel expenses. Funds for travel expenses, including per diem allowances and reimbursable expenditures, may be secured by way of a cash advance, or by way of reimbursement of expenditures upon completion of the trip. Advances shall be limited to the cost itemized on the approved travel plan or request, plus other determinable anticipated expenses.

(b) Per diem allowances. A per diem is a specific allowance for each day to cover the personal expenditures of a traveler, such as meals, lodging, tips, laundry, and other necessary expenditures incident to travel. It is not intended to include expenditures having to do with the conduct of official business.

(1) The rate of per diem is prescribed in the statutes in Section 78-15, H.R.S. When quarters (living accommodations; lodging) are made available to the traveler without charge, a department head may prescribe a lower rate of per diem. The per diem allowance shall be granted for time on travel status. (See §3-10-3(c)).

(2) For intrastate travel, per diem allowances are as follows:

(A) While traveling within the State requiring overnight absence from the traveler's regular place of business, a traveler shall be allowed per diem as prescribed by statute. The rate shall apply uniformly and equitably for all travelers in all cases, except that when

quarters are made available to the traveler without charge, a department head may prescribe a lower rate of per diem.

- (B) To compute allowance for fractional parts of a day, paragraph 3-10-10(b)(3) applies.
 - (C) Subsistence allowances for trips not requiring overnight absence and for trips when quarters are made available to the traveler without charge shall be as follows:
 - Breakfast - Eight percent of per diem (rounded to the nearest dollar)
 - Lunch - Twelve percent of per diem (rounded to the nearest dollar)
 - Dinner - Twenty percent of per diem (rounded to the nearest dollar)
 - (D) Breakfast shall be allowed when the travel time begins before 8:00 a.m.
 - (E) Lunch shall be allowed for departing travelers when the travel begins before 12:00 noon; lunch shall be allowed for returning travelers when travel time ends after 12:30 p.m.
 - (F) Dinner shall be allowed when the travel time ends after 7:00 p.m. The exhibit entitled "Appendix II", dated 10/29/80, at end of this chapter is made a part of this section.
- (3) In computing the per diem allowance for overnight travel, the calendar day (midnight to midnight) shall be the unit. For fractional parts of the day included at the beginning or end of continuous travel, one quarter of the rate of a calendar day shall be allowed for each period of six hours or fraction thereof.
 - (4) Except as otherwise authorized by the governor, no per diem or transportation allowance, as such, will be granted when out-of-state travel by train, bus, or private automobile is authorized and air transportation is available and feasible, but the traveler shall be reimbursed to the extent of the total cost by air transportation by the most direct route, including per diem necessitated by such air transportation, as if such air transportation had been utilized.

- (5) When meals are furnished to the traveler in connection with an approved training program or other program approved by a department head, the department head must require adjustment of per diem, at the prescribed subsistence rates, to avoid duplicate payment for the meals.

(c) Adjustment for vacation or leave without pay. When vacation or leave without pay is added at the beginning or end of official travel, the allowance for transportation at the beginning or end of the official travel, as the case may be, shall be the cost of transportation allowable under §3-10-8 by the most direct route, as if such allowable transportation had been utilized.

(d) Expenses allowed in addition to transportation and per diem:

- (1) Taxi fare to and from transportation terminals for official travel shall be allowed only when buses and limousines are not available or accessible, when government transportation cannot be economically obtained, and when private automobiles on a mileage basis cannot reasonably be used. Taxi and private automobiles used on a mileage basis shall be shared by travelers whenever possible.
- (2) Other miscellaneous necessary and reasonable expenditures when incurred by the traveler in connection with official business may be claimed for cash advance or reimbursement. The following types of expenses may be allowed provided they meet the stipulated conditions and are supported by receipts in those cases where receipts are issued in the normal course of business: car rentals; parking fees; registration fees; telephone fees; telephone calls; radiograms; secretarial fees; baggage transfers (does not include tips for portage); currency exchange fees or cost of traveler's checks for out-of-state travel to the extent that the currency or checks do not exceed the amount of per diem and allowable expenses; fees for passports and visas; cost of photograph; certificates of birth, health, and identity; costs of affidavits necessary; and charges for inoculation which cannot be obtained through state facilities.

- (3) Rental of cars shall be allowed only under exceptional circumstances. In general, such exceptional circumstances are situations where it would be impractical to obtain necessary transportation in government owned vehicles or privately owned vehicles on a mileage basis, and where public carriers are not available to the point to be visited.
[Eff. JUN 01 1981] (Auth: HRS §40-13)
(Imp: HRS §40-13)

§3-10-11 Taxes, fees, and commissions on transportation. No separate agency fees or commissions of any kind levied against the state will be allowed.
[Eff. JUN 01 1981] (Auth: HRS §40-13)
(Imp: HRS §40-13)

- §3-10-12 Travel expense accounting and reporting.
- (a) Travel advances:
- (1) Payments of travel advances are accounted for as expenditures at the time the related travel advance vouchers are paid. One copy of any approval required under §3-10-4 must support a voucher for payment of a travel advance.
 - (2) On the accounting records of the comptroller, payments of travel expenses are not recorded as advance receivables; the respective expending agencies are responsible for accounting for the advances as receivables for the purpose of settlement upon completion of travel.
 - (3) Any person receiving a travel advance must report to that person's expending agency the actual travel expenses incurred. The exhibit entitled "Appendix I, statement of completed travel", dated 10/29/80, at end of this chapter is made a part of this section and may be used for this purpose, supported by any expenditure details and related receipts that may be required for full disclosure.
 - (4) Expending agencies are responsible for obtaining and depositing any overadvanced amounts due to the state under this chapter.

- (5) When additional payments are due to the traveler for underadvanced amounts, the voucher for the additional payment must be supported by a statement of completed travel, any expenditure details that may be required for full disclosure, and any related receipts applicable to amounts to be reimbursed to the traveler.
- (b) Travel without advances:
 - (1) Payments of travel expenses not involving travel advances are accounted for as expenditures at the time the vouchers are paid for actual travel allowances under §3-10-10. One copy of any approval required under §3-10-4 must support each voucher for payment.
 - (2) Any person traveling on an "overnight" basis must submit, for voucher support, a statement of completed travel. A person traveling on a "less than overnight" basis must submit, for voucher support, a statement as illustrated in the exhibit entitled "Appendix II", dated 10/29/80, at the end of this chapter, which is made a part of this section. These statements must include any expenditure details that may be required for full disclosure, and any related receipts applicable to amounts to be reimbursed to the traveler.
[Eff. JUN 04 1981] (Auth: HRS §40-13) (Imp: HRS §40-13)

§3-10-13 Allowances for privately owned vehicles.

(a) Flat allowances. Flat monthly allowances for the use of private automobiles on official business may be secured in special circumstances by direct request to the comptroller. The amount of flat monthly allowance shall be adjusted proportionately in case the payee has not used such payee's own car on official business for more than a week because of vacation, sickness, or any other cause.

(b) Mileage reimbursements:

(1) Authorization for mileage reimbursements:

(A) Department heads or their authorized representatives may authorize any subordinate to use privately owned vehicles on official business on a mileage allowances basis when publicly owned vehicles of the department or from the motor pool of the department of accounting and general services are not available or are not practical to

use. Whenever possible, the motor pool shall provide vehicles. Department heads or their authorized representatives may authorize employees to use privately owned vehicles only if vehicles are not available from the motor pool.

- (B) Each department shall submit to the motor pool, on March 31 and September 30 of each year, a mileage report listing the position and the miles traveled during the preceding six months for each employee who uses such employee's private vehicle an average of 750 miles or more per month on official business.
- (2) When authorized as provided in paragraph (1), mileage reimbursement is allowed for transportation from place to place as required in the normal course of an employee's or official's performance of assigned duties, including transportation to and from transportation terminals in conjunction with official travel off the island on which the employee's or official's regular place of business is located, and including parking fees incurred in connection with such transportation.
- (3) Transportation between the home and the regular place of business of an employee or official is not considered official business, and no mileage or other reimbursement is allowed for such transportation, except:
 - (A) If an employee or official, with the approval of the employee's or official's department head or any one of the department head's authorized representatives, finds it more practical to travel directly between home and a job site or other place of official business, rather than to go first to the employee's or official's regular place of business, the employee or official may be reimbursed for miles between home and the job site which are in excess of the miles normally traveled between home and the regular place of business. Except as set forth in subparagraph (C), no employee or official will be allowed mileage for traveling directly between

home and a job site if the miles traveled are less than the miles normally traveled between home and the regular place of business.

- (B) If an employee or official, with the approval of the employee's or official's department head or any one of the department head's authorized representatives, finds it more practical to travel directly between home and the transportation terminal, in conjunction with official travel off the island on which the employee's or official's regular place of business is located, the employee or official may be reimbursed for miles between home and the transportation terminal which are in excess of the miles normally traveled between home and the regular place of business. In no case, however, will mileage reimbursement be allowed if there is no such excess, except as set forth in subparagraph (C) below.

- (C) Mileage reimbursement is allowed to employees or officials for use of privately owned vehicles, when travel between home and a business destination, or between home and the transportation terminal, is approved by the department head or any one of the department head's authorized representatives, and occurs other than during the employee's or official's normal working hours. If the travel occurs on the employee's or official's normal working day at a time the employee or official usually commutes to or from work, such mileage reimbursement is allowed only for miles that are in addition to the usual commuting trip. If such travel is due to overtime work, such mileage reimbursement is allowed only for miles that are in addition to one roundtrip between home and the regular place of business.

- (4) The mileage allowance rate for automobiles applicable to any officer or employee for whom the rate is not otherwise set by law shall be, for each fiscal year beginning on July 1, the highest rate lawfully applicable to any officer or employee on that date, and the mileage allowance rate for motorcycles shall be one-half of such rate for automobiles. (See §3-10-3(c)).

- (5) To qualify for this allowance, each employee or officer is required to carry liability insurance as required by Chapter 294, H.R.S.
- (6) State Accounting Form C-33 shall be used in recording and reporting mileage traveled on official business and related parking fees incurred.
- (c) Mileage allowance for employees serving as jurors:
 - (1) Section 612-8, H.R.S., prescribes a mileage rate for each mile actually and necessarily traveled in going to court.
 - (2) Each employee serving as juror shall state on oath to the clerk of the court the number of miles traveled for which he is entitled in reimbursement. [Eff. JUN 01 1981]
(Auth: HRS §40-13). (Imp: HRS §40-13)

§3-10-14 Rulings by the comptroller. When the application of any rule in this chapter would create undue hardship for the employee or substantial injury to the interest of the state, the comptroller may waive any part of the rules contained herein as is necessary and proper to prevent undue hardship for the employee and to protect the state against substantial injury to its interest and determine the amount of a reasonable and necessary allowance in each case. Each waiver by the comptroller pursuant to this section shall be by written memorandum, one copy of which shall be promptly transmitted to the governor.
[Eff. JUN 01 1981] (Auth: HRS §40-13)
(Imp: HRS §40-13)

APPENDIX C

QUESTIONNAIRE

PROCEDURES IN HANDLING STATE TRAVEL ARRANGEMENTS

The Legislative Reference Bureau is conducting a study in response to H.B. No. 139, passed in the 1991 regular legislative session. The Bureau is exploring the feasibility of establishing a state travel agency or any other alternative that would allow for more efficient and cost effective handling of travel arrangements for state employees traveling on official state business. In order to determine which alternatives are best for the State, certain information is needed regarding current procedures for handling travel arrangements by the departments. In responding, please assume that your "department" includes all agencies attached for administrative purposes. Please take the time to complete this questionnaire and return it to your department head. Thank you for your cooperation.

State Department: _____

Division or Branch: _____

Contact Person for Follow-up Questions:

Name: _____

Title: _____

Phone Number: _____

Instructions:

1. Please answer each question fully and to the best of your ability. You may qualify your answers or make additional comments by writing in the margins or on a separate sheet.
 2. Use fiscal year 1990-1991 data. If this is unavailable, please use fiscal year 1989-1990 data and label it "FY 1989-1990".
 3. If you are unable to supply data in response to a question, denote whether the information is unavailable "U/A", or not applicable "N/A", to your department.
 4. If only estimated data are available, please include and label "estimate".
-

1. Do employees in your department travel on official state business?

☐ Yes ☐ No

If your answer is yes, please go on to question 2. If your answer is no, please proceed to question 14.

2. How are travel arrangements handled for your department? Please check only one response.

- ☐ One person is assigned to handle arrangements for the entire department.
☐ One person is assigned to handle arrangements for each division.
☐ One person is assigned to handle arrangements for each branch.
☐ Individuals handle arrangements for themselves.

If your department's situation is not listed above, or is a combination of any of the above methods, please explain.

3. Which of the following situations is applicable to your department:

- ☐ Travel agencies are used to book airline reservations, hotel accommodations, and car rentals.
☐ Airlines, hotels, and car rental companies are contacted directly by the person assigned to handle travel arrangements.
☐ A combination of both methods.

4. Does your department have any departmental guidelines for travel arrangements (i.e., requirements that employees must obtain the lowest fare, purchase tickets in advance to take advantage of discount fares, or obtain multiple quotes for fares)? If yes, please enclose a copy of the guidelines.

☐ Yes ☐ No

5. Does your department have any type of monitoring system to determine whether persons handling the travel arrangements are abiding by the guidelines? If yes, please explain.

☐ Yes ☐ No

6. Other than the guidelines mentioned in question 4, has your department implemented any cost saving measures relating to travel expenses (i.e., negotiated for interisland coupons, reduced rates for hotels, rental cars)? If yes, please explain.

____ Yes ____ No

7. How many employees are in your department (including all agencies attached for administrative purposes)?

____ Employees

8. Of those, how many employees traveled for official business last year? (This question concerns the number of different individuals, not the number of trips.)

____ Employees

9. How many trips for official state business were taken last year?

____ Trips

10. Out of the trips taken by your employees in the last year, how many were intrastate, out-of-state, and international trips?

____ Intrastate ____ Out-of-state ____ International

11. How much did your department spend on travel last year? Please list the expenses into separate categories as defined in the state accounting manual, section 686, pages 686.03-686.04, for intrastate and out of state transportation, subsistence, hire of passenger cars, and other travel related expenses.

Intrastate transportation

\$ _____

Out-of-state transportation

\$ _____

Intrastate subsistence

\$ _____

Out of state subsistence

\$ _____

Hire of Passengers Cars

\$ _____

Other travel expenses

\$ _____

12. What frustrations or problems have you experienced with the current system for making travel arrangements?
13. Is there any way the State can make handling travel arrangements for your department easier?
14. Do you have any recommendations for changes or amendments to the State's current travel policies as stated in Title 3, Chapter 10, Hawaii Administrative Rules?

APPENDIX D

Survey Responses Received

OFFICE OF THE GOVERNOR

1. Governor's Office
2. Executive Office on Aging
3. Office of International Relations
4. Office of State Planning
5. Governor's Agriculture Coordinating Committee
6. Office of Collective Bargaining
7. Statewide Volunteer Services
8. Office of Affirmative Action
9. Office of Information
10. Office of Children and Youth

ADMINISTRATIVE AGENCIES

1. Department of Health
2. Department of Land and Natural Resources
3. Department of Education
4. Department of Personnel Services
5. Department of Accounting and General Services
6. Department of Commerce and Consumer Affairs
7. Department of Taxation
8. Department of Business, Economic Development, and Tourism
9. Department of Transportation

10. Department of Human Services
11. Department of Agriculture
12. Department of Labor and Industrial Relations
13. Department of the Attorney General
14. Department of Hawaiian Home Lands
15. Department of Public Safety
16. Department of Defense

LEGISLATIVE

1. Speaker of the House of Representatives
2. Legislative Reference Bureau
3. Office of the Ombudsman
4. State Ethics Commission
5. Office of the Auditor

JUDICIARY

1. Administrative Director of the Courts

HIGHER EDUCATION

1. University of Hawaii

APPENDIX E **State Travel Arrangement Procedures**

<u>State</u>	<u>Centralized Coordinator</u>	<u>Centralized Contract Travel Agency</u>	<u>Travel Charge Program</u>
Alabama	No	No	Yes
Alaska	No	No	No
Arizona	No	Yes	Yes
Arkansas	No	No	No
California	No	No	No
Colorado	No	No	Yes
Connecticut	No	Yes	No
Delaware	No	No	In progress
D.C.	Yes	No	No
Florida	No	No	Yes
Georgia	No	No	Yes
Hawaii	No	No	No
Idaho	No	No	No
Illinois	Yes	No	Yes
Indiana	Yes	No	Yes
Iowa	No	Yes	Yes
Kansas	No	Yes (5)	Yes
Kentucky	No	No	Yes
Louisiana	Yes	Yes	Yes
Maine	In progress	In progress	Ye
Maryland	Yes	Yes	Yes
Massachusetts	Yes	No	No
Michigan	No	No	Yes
Minnesota	No	Yes	Yes
Mississippi	Yes	Yes	Yes
Missouri	No	No	Yes
Montana	No	No	Yes
Nebraska	No	No	Yes
Nevada	No	No	Yes
New Hampshire	In progress	In progress	No
New Jersey	Yes	Yes	Yes
New Mexico	No	No	Yes
New York	No	No	Yes
North Carolina	No	No	Yes
North Dakota	No	No	Yes
Ohio	No	No	Yes
Oklahoma	No	Yes	Yes
Oregon	Yes	Yes	Yes
Pennsylvania	Yes	Yes	Yes
Rhode Island	No	No	No
South Carolina	No	No	Yes
South Dakota	Yes	No	No
Tennessee	Yes	Yes	Yes
Texas	Yes	Yes	Yes
Utah	Yes	Yes (3)	Yes
Vermont	No	No	In progress
Virginia	Yes	Yes	Yes
Washington	No	No	Yes
West Virginia	Yes	Yes	Yes
Wisconsin	No	No	In progress
Wyoming	Yes	No	No

Source: Seventh Annual Survey of State & Provincial Government Travel Practices & Procedures (Washington, D.C.: Society of Travel Agents in Government, 1990), pp. 21-24.

APPENDIX F

Basic Travel Services and Capabilities

The basic travel services required from a travel agency include:

- . Transportation reservations, issuance and delivery of tickets for air, rail, bus and steamship carriers, and, where possible, advance seat assignments and advance boarding passes.
- . Reservations for hotel/motel accommodations.
- . Commercial automobile rental services.
- . International travel, including assistance in obtaining passports, visas, and advice regarding health requirements.
- . **Detailed travelers' itineraries.**
- . Daily delivery of tickets, plus pre-paid tickets and delivery by express mail when necessary.
- . Management information and billing reports derived from the booking data base.
- . Automated reconciliation of transportation charges incurred by credit account number (airline tickets).
- . Seminar, meeting and workshop arrangements at selected sites, including conference rooms, lodging, meals, ground transportation, audio-visual equipment, and related services.
- . Information pamphlets and travel training seminars for client employees using the contractual travel agency.

Source: Maryland, Department of Budget and Fiscal Planning, Analysis of State Travel Management, July 1986, pp. 55-56.

APPENDIX G

Central Travel Agency Responsibilities

The Responsibilities of a Travel Manager

Even in a medium-sized company, there are plenty of key functions a travel manager may perform. Listed below are 20 responsibilities to potentially assign a travel manager, if you have not already done so:

- Serve as liaison between company and travel agency.
- Function as a communications center for employees.
- Review company travel policy annually and make recommendations to top management.
- Keep abreast of developments in the travel industry and respond to changes with policy recommendations.
- Issue company newsletter on business travel and/or memos/bulletins with travel news for traveling employees.
- Conduct informative seminars for travelers/secretaries.
- Analyze the firm's management information needs.
- Review MIS reports, consolidate data, and report the key findings to management.
- Negotiate hotel and car rental discounts.
- Develop company-vendor relationships.
- Assist senior management in developing travel budgets.
- Maintain city files for travelers' benefit.
- Function as liaison with auditing department.
- Identify cost-reduction opportunities and recommend action plans to management.
- Administer the company's incentive travel programs.
- Plan company meetings or serve as liaison with meeting planner.
- Administer the company's corporate card program.
- Conduct orientation on travel policy for new employees.

Source: AMEX, The AMEX Survey of Business Travel Management (4th biennial edition; New York: AMEX Travel Related Services Company, Inc., 1988), p. III-32.

APPENDIX H

Summary of Benefits

A complete description of Corporate Card benefits is mailed to each Cardmember the month after the Card is issued. Below is a summary of these benefits:

- *24-hour toll-free Customer Service*
- *\$1,250 Baggage Insurance*
- *No pre-set Spending Limit**
- *Accepted at over 3.4 million Establishments*
- *Over 1,600 American Express Travel Service, Affiliate and Representative Offices Worldwide*
- *Global Assist Emergency Referral Service*
- *Emergency Card Replacement*
- *Check Cashing Privileges*
- *American Express Card Assured Reservations and Express Check-in/Check-out*
- *Eliminates employee funding of expenses*
- *Easier record-keeping with accurate receipts and bills*
- *\$200,000 Business Travel Accident Insurance (24-hour)*

** Purchases are approved based on the Cardmember ability to pay as demonstrated by past spending and payment patterns and other factors.*

Source: AMEX Corporate Card Program Implementation and Reference Manual (1991 AMEX Travel Related Services Company, Inc.), Appendix 30.

APPENDIX I

BUSINESS TRAVEL



MANAGEMENT SERVICES

1 9 9 1

Diners Club Corporate Card System... Putting You In Control Of Your Business Travel.

Travel has been estimated to be the third largest controllable expense businesses face (behind salaries and overhead costs). What you get out of this considerable investment depends on how well it is managed. The Diners Club Corporate Card System (CCS) lets you take command of your corporate travel and entertainment expenses, making them work best for you. This complete system incorporates the advantages of centralized expense tracking with the flexibility of individually issued Cards—without preset spending limits or corporate liability for employee charges. Diners Club is accepted wherever business people travel—at more than 1,500,000 locations in 200 countries.

Here's What CCS Can Offer Your Company

- **COMPLETE MANAGEMENT REPORTS...**Our comprehensive management reports can help you realize fiscal goals by providing the information you need to maintain and enforce travel policy, reconcile expenditures and analyze charges by vendor. Detailed reports can provide leverage for negotiating rates and help you eliminate or reduce cash advances.
- **FLEXIBLE BILLING OPTIONS...**Do you need a central or individual bill plan? We give you a choice to best fit your needs.
- **\$350,000 AUTOMATIC TRAVEL ACCIDENT INSURANCE...**Covers death or dismemberment on any common carrier. Coverage extends to non-fare tickets earned through mileage or bonus programs! Supplemental insurance up to \$1,000,000 available for a fee.
- **\$1,250 EXCESS LOST BAGGAGE COVERAGE...**Provides substantial protection in the event of lost or stolen baggage?
- **\$25,000 RENTAL CAR COLLISION/LOSS DAMAGE COVERAGE...**Primary coverage against collision, fire, theft, and vandalism?
- **CORPORATE CLUB REWARDS...**Points earned for dollars spent can be redeemed for frequent flyer miles, hotel frequent guest points, and a wide range of gifts and premiums.
- **ELECTRONIC FUNDS REIMBURSEMENT SERVICE (Diners Club EFRS)...**Reduces check processing and related costs, enhances float opportunities.



We Take Care of Business™

CITIBANK

CITICORP DINERS CLUB INC.

• P.O. BOX 5064

• DENVER, COLORADO 80217-5064

• 1-800-458-4085

- **CALLING CARD PROGRAM...**An exclusive Diners Club/MCI program that allows Cardmembers to make one payment, with billing services for MCI charges through the Diners Club Card.
- **ATM CASH ACCESS...**Club CashSM Program is funded by Diners Club at more than 55,000 outlets worldwide.
- **CLUB ASSISTANCESM EMERGENCY SERVICE...**Pre-trip assistance as well as assistance with emergency legal, medical, and other problems that occur on trips more than 100 miles from home³

1) Automatic Travel Accident Insurance is underwritten by Federal Insurance Company, a member of The Chubb Group of insurance companies, Warren, New Jersey.

2) The Excess Baggage and Rental Car Insurance coverage is made available through Citicorp Diners Club Inc. but is provided by third-party insurers and administered by Interclaim. This coverage is subject to certain clauses, conditions and exclusions.

3) Club AssistanceSM Emergency Assistance is provided by American International Assistance Service, Inc. (A.I.A.S.).

Source: CitiCorp Diners Club Business Travel Management Services (1991).

