

TRAVEL MANAGEMENT

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Report on NBTA Government Contractor's Conference

RRTM typically focuses on travel within the realm of Corporate America. We thought it would be interesting—and perhaps advantageous—to tap in to our federal government's undertakings to embrace technology and reduce travel costs.

Nearly 60 people attended the NBTA Government Contractor's Conference in Washington, D.C., April 7, 1999. Among attendees were Runzheimer representatives, Adlore Chaudier, Ph.D., CMC, Director, Government and Consulting, and Gary Bottorf, Government Consultant.

The one-day seminar carried a full agenda covering several new travel responsibility areas of GSA (General Services Administration), DOT (Department of Transportation), and DOD (Department of Defense).

Federal Government Per Diem Rates

William Rivers, Office of Governmentwide Policy, General

Services Administration, presented an overview of GSA's current and future per diem structure, new hotel program, and new travel reform act. The government's current per diem rates reflect:

\$2.5 billion spent on government travel

- \$1.7 billion in lodging
- \$0.8 billion for meals and incidental expenses

8,000 travel locations in CONUS (Continental U.S.)

Currently, standard CONUS rates are \$50 for lodging, and \$30 M&IE (meals and incidental expenses).

RUNZHEIMER COMMENTS: *Most U.S. travel managers might be surprised to learn that federal government expectations are for a budget of \$50 per hotel room night, but, remember, federal rates are competitively bid; also remember that a hotel's average incremental cost to provide a ready room runs between \$10 and \$40.*



Major changes made to per diem structure in 1999 are:

- Lodging rates reflect room only, taxes are paid separately or are not required of federal government employees.
- Laundry and dry cleaning has been moved out of M&IE; IE remains at \$2 per day.
- A fifth tier has been added to M&IE at \$46 for high cost locations.

RUNZHEIMER COMMENTS: *Again, \$46 seems like an inadequate amount for high-cost locations like New York, San Francisco, and Washington, D.C., but we see many restaurants advertising modestly priced breakfasts—less than \$7—and we assume federal administrators have seen these and perhaps sampled them in order to come up with a fair formula. As a matter of record, many travelers on per diems save up for a blow-out dinner by skimping on breakfast and lunch over a couple of days. That’s why per diems can work.*

A significant change is the breakout of metropolitan areas—expanded to 23 areas and 69 other blended locations. Thus far, travelers are pleased with tax and laundry actions; however, some parties, particularly those in the lodging industry, are concerned with new locations and their associated costs. In addition, congressional inquiries have been undertaken into newly created breakouts. In response to these concerns, GSA may change 20+ locations.

Travel Management in the Federal Government

David K. Kleinberg, Deputy CFO, Department of Transportation, discussed DOT’s Travel Management Contract. It is currently the only federal government fee-based travel contract, he noted.

Only the Department of Transportation, not airlines, will compensate Travel Management Centers under DOT’s contract. They will keep commissions and

overrides and pay fees for services. The travel contract is viewed as a “win-win” situation for DOT, TMC, and preferred suppliers.

Fees will be at three levels, reflecting time and work required to arrange travel:

1. Phone
2. E-mail/Fax
3. Self-booking (not yet operational)

Additionally, fees will be charged back to each traveler. This will ensure that travel arrangements and costs are associated with individuals, which ultimately may help identify and control expenditures.

RUNZHEIMER COMMENTS: *Runzheimer questions this approach; instead of tiering fees, which tends to make agencies less entrepreneurial and more dependent on those fees, we would advocate an approach that demands efficiency of process. Evaluate economic circumstances on a case-by-case basis, insist on a pro forma and a commitment by any agency serving government that productivity improvement will be a paramount issue, in order to assure profitability from commissions. We have seen few situations where such an approach will not assure adequate compensation in corporate relationships, using albeit more meager commissions, than what amounts to a business travel entitlement similar in style and political impact to Social Security.*

Runzheimer believes that government may decide, when times get tight, to abandon agencies and deal direct with airlines and hotels, because fees are a financial embarrassment. Such action will not only deprive agencies of legitimate participation, but will also place government employees at the mercy of the airlines. In a sense, it forebodes returning to an era where government refused to use agencies because of questionable added value commensurate with benefit. We believe agencies provide benefits and should depend on commissions mainly to assure their survival.

Defense Travel System

The main conference event was a review of the Defense Travel System, presented by **Col. Albert E. Arnold, III, United States Army**. The system is in development and will be in place for all active duty DOD (Department of Defense) uniform personnel, including Reserve personnel on extended active duty, and DOD civilians performing official temporary duty travel. Limited use to include: Reservists on inactive duty, pre-employment travel, all uniformed and civilian personnel for Permanent Change of Station (PCS). Cost reimbursable contractors will not use system at this time.

What is DTS? The Defense Travel System is a new paperless travel system that allows travelers to coordinate and arrange temporary duty (business) travel quicker and easier. It eliminates a need for getting orders from one location, a travel advance from finance, and going to the Commercial Travel Office for transportation, lodging, and (if authorized) car rental arrangements. In addition to alleviating preparation of six-page travel claims, it will significantly shorten reimbursement processes. A standing principle of DTS is use of a government credit card to pay travel vouchers.

A traveler will submit (via e-mail) all travel requirements to the supervisor, more specifically, Authorizing Official (AO). The AO ensures the trip is in support of government business, that money is available, and then authorizes by signing electronically. No paperwork generated—that's the purpose behind the Defense Travel System.

Re-engineering of DOD's travel system is meant to:

- Simplify traveler entitlements
- Decentralize travel budgets
- Make supervisors (AO's) responsible for managing travel
- Use full-service civilian commercial travel contractors to make all arrangements
- Use government charge cards

- Speed travel voucher settlement
- Use electronic funds transfer to speed payment of claims

RUNZHEIMER RECOMMENDS: *Runzheimer applauds this streamlined approach, but why not send the request to travel counselor and supervisor simultaneously, so that the supervisor can quash request also with a joint message to traveler and counselor?*

Through DTS, travelers gain ability to:

- Input and update travel requests from their desk or laptop
- Update travel preferences in a Personal Profile
- Input and digitally sign actual trip information
- Use actual trip information to prepare a claim
- Review status of a trip record at any time
- Input and digitally sign supplemental information for a closed trip
- Receive quicker travel reimbursements

Defense Travel Administrators and Authorizing Officials will:

- Receive electronic trip records faster to speed approving process
- Route documents based on organization and type of action
- Track obligation and expenditure of travel funds
- Automatically verify compliance with travel policy
- Electronically approve travel claims
- Increase productivity and record-keeping capabilities

Commercial Travel Offices will benefit from:

- Improved pre-trip information from traveler to include authorization and accounting information
- Automatically calculated "should cost" data for air, hotel, and rental car reservations
- Automatic delivery of traveler profile updates

- Automatic creation of PNR data in their CTO location-specific pseudo-city code
- Utilization of the same system by traveler and travel agent

How Does It Work

DOD has 46 accounting systems with which a program must interface. The up-front portion of DTS will be used for Permanent Duty Travel (PDT) arrangements only. Each traveler has a profile, enabling rapid electronic routing and approval. Pre- and post-trip approval processes are built into system.

DTS accesses Sabre for airfare; flight data shows city-pairs government negotiated rates, as well as fares at a same or lower cost.

A company called Innovata supplies the hotel database; properties come up by zip code area. The lodging database provides hotel rate and tax. Taking all travel-cost components, DTS then builds a “should-cost estimate” as arrangements are made. The system automatically adjusts total for lodging and partial M&IE, as appropriate—75% first and last day to allow for proportional meal rate. The system also shows hotel availability.

The travel system has an “Add Expense” dialog box that lists type of expenses, where the traveler can add expenses; e.g., Privately Owned Vehicle (POV) to airport, etc. Once a

form is completed, it then goes to the Travel Management Center (TMC) where quality review occurs. Ultimately, the agency, Commercial Travel Office (CTS), will book travel.

When Will It Begin?

The first users of DTS will be Defense Travel Region 6, comprised of 200,000 travelers in Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, North Dakota, South Dakota, Nebraska, and Wisconsin. Expansion to DOD employees worldwide—3.5 million active duty military, reserve, and civilian employees—will take place over the next three years.

RUNZHEIMER COMMENTS: *We are proud to report that DOD, in developing their system, used Runzheimer’s matrix, Anatomy of a Trip, to evaluate process costs. In their report, they cited Runzheimer as their source and noted that our analysis closely matched old process costs and thus encouraged adoption of new efficiencies.*

The Defense Travel System was designed and tested by TRW and is based on commercial-off-the-shelf (COTS) software and leverages the Defense Information Infrastructure (DII). Users may access DTS in multiple methods, ranging from Web browser, client/server access, and character-based environments (DOS environment). Those who are not yet fully automated may utilize DTS via phone or fax through their commercial travel office contractor.

Upcoming Issues

- Airline Negotiations
- Hotel & Car Rental Negotiations

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FEES, FIE! FO FUM

by Senior Runzheimer Consultant Rolfe R. Shellenberger

If our U.S. government does something, it must be right! A contrarian view from Runzheimer may not convince travel professionals to back away from insistent trends, but it may shed some light on future possibilities that could call for caution. This article briefly discusses what is happening now, what will probably happen within two years, and possible consequences.

In April 1995, after Delta introduced commission caps, travel agencies introduced fees as an alternative way of structuring financial relationships between them and corporate clients. Two alternative fee scenarios have become dominant—for about 60% of Runzheimer subscribers—in today's marketplace:

- A flat management fee paid by a corporate client to its agency, ranging between 1.5% and 2.7% of air volume ticketed; all—or most—commissions earned from travel transactions are returned to the corporate client, but the corporate client must pay for all agency expenses related to those transactions.
- A fee per transaction paid by a corporate client to its agency; typically, this fee will be applied to both tickets issued and used plus cancelled and refunded tickets. Again, in most cases, a corporation is billed for agency expenses associated with travel booking, documentation and accounting, but receives commissions that would otherwise go to its agency. In this version, fees generally run less than \$10. In another version, fees may include transaction costs and may thus range from about \$30 up to \$55. Also, some agencies only apply fees to bookings that become completed trips.

In all fee situations observed by Runzheimer, regardless of structure, agencies really get guaranteed profit. We do

not endorse fee arrangements for that reason. Risk borne by agencies must be broader than only potential loss of an account to another agency.

Net Fares

Agency agreements have been further complicated by emergence of net fares. Now, a client must pay for agency services—with fees—when no commissions have been earned to offset those fees. Many companies justify fees by assuming that incremental discounts earned from airline negotiation exceed costs of fees. We do not challenge this practice totally, but we are convinced that it obscures reality. Why?

1. Because net fares are not truly measured against negotiated commissionable fare possibilities. Some corporations proudly declare that they have “triple nets:” net of agency base commissions, net of agency overrides, and net of CRS fees. Note that override commission, because it *is extra commission paid by an airline to an agency for disproportionate local market share production*, disappears when a corporation negotiates for a net fare. As far as CRS fees are concerned, they will be billed by CRS to suppliers regardless of what airlines tell you about their deals. Airlines may be comparatively as generous on commissionable fares as on nets.
2. Because travel booking costs are ignored by net fare deals, we contend that any trip involving a negotiated fare should be intrinsically much easier to process than one where shopping is needed. While some deals are moving toward direct booking, to eliminate as much distribution expense as possible, that kind of scenario bodes ill for agencies.

- Because savings on taxes, one clear advantage to net fares, are declining in value. When net fares began to emerge, taxes on airfares were a flat ten percent domestically. Now, we have a gradually increasing fixed tax component replacing a gradually declining variable component; net fares reduce tax costs only on variable components. Furthermore, expansion and elevation of PFC's (passenger facilities charges) also reduce relative importance of tax abatement from net fares.

Current and Future Scenarios

Runzheimer's crystal ball is a bit murky, but we see enough evidence of business travel demand contraction right now to challenge any assumptions of stability in corporate agency financial relationships. We see major corporations aggressively undertaking strategic sourcing initiatives designed to better manage their supply chains. We see big-time corporate travel budget cutting. We see airline yields in gradual decline. We see slowdowns in airline aircraft delivery schedules. We see consolidation in every business category. We see OPEC testing waters for major jumps in fuel costs.

One thing we see clearly: if recession does occur, travel expenses will be seriously curtailed. We believe that corporate controllers will not only slash budgets but will question fee payments to travel agencies on transactions or "management" when they perceive an alternative—booking on the Internet—as free. Corporate controllers, when they realize that process costs in travel booking are extremely wasteful, will demand simpler avenues. They will question a \$10 cost for a \$75 airline ticket or even a \$5000 airline ticket. They will question how much an agency's "value-add" is worth.

A few of us remember when corporate controllers collectively instituted rules for travelers to return rental cars with full fuel tanks, with a stipulation that refueling would not be reimbursable. We also recall when corporate controllers collectively decreed that Collision

Damage Waiver and Loss Damage Waiver on auto rental would be non-reimbursable.

Agency fees may be next on the hit list. They are irresistible targets for cost reduction because they are easily identified and a big number in most companies.

Now we must ask if an agency should earn either a transaction fee or a management fee at a comparable level when travelers use their laptops to communicate through an automated booking system resident on an Intranet, whose content in terms of policy compliance has been designed by travel managers.

Bulk Purchase and Inventory Risk Assumption

Runzheimer predicts that companies and their agencies will buy wholesale blocks of airline seats at costs permitting reasonable markups. These should be net purchases. Smart business buyers of travel will form buying consortia or ask their agencies to act in their behalf for an inventory acquisition fee. These will generate opportunity for agencies to get a respectable return, opportunity for corporations to reduce air travel costs, opportunity for airlines to reduce distribution costs. When everyone wins, things tend to happen sooner than later.

Where Does This All Lead?

Runzheimer recommends a somewhat radical program:

- Go back to a commission-based financial relationship with your agency. Corporations must take steps to reduce agency expense for transactions; we think e-mail instead of phone does it best right now, and also better prepares a corporation for realizing productivity benefits from automated booking. Under a mandated e-mail scenario, current commission levels are adequate to generate reasonable margins for agencies and something left

over for a corporate buyer. We further recommend that a split-of-net financial arrangement be your basis for funding travel services.

2. Convert airline nets and hotel nets to commissionable wherever possible, so as to minimize vulnerability of travel cost centers and maximize cash flow to cover process costs. Virtually every agency relationship we evaluate could be vastly improved through collection of more commissions earned from suppliers.
3. Because commission reduction still may not be over, begin rewarding agencies with fees for specific projects, e.g., generating acceptable trip models for frequently-visited destinations; sharing in savings from joint negotiations with suppliers. Also, encourage your agency to generate on a net basis, corporate travel “packages” and pay them a markup on each unit. Pay them for research and for planning. Agencies are better able to analyze your geography and its travel coverage costs than you are; they should do this far in advance of travel and be paid for their contributions to travel budgeting.
4. Establish a mind-set that your corporate agency is a valuable resource in providing a buffer between you and travel suppliers; that your agency’s value-add ultimately will be to find better ways of managing human distribution.
5. In your strategic sourcing activities, recognize that a single airline does not serve well all destination needs and that, in a market-share-driven environment, your opportunity to gain and retain concessions in price will invariably come from a willingness to look elsewhere when your existing airline contract ends. Recognize also that marginal share for your “partner” airline derives mostly from making your travelers take connections instead of nonstops; that can be a losing proposition in terms of traveler support and satisfaction.

In April, 1995, *RRTM* said:

“Chief advantage of fees to a corporate client is that agencies are being compensated for their work on a standard or unit basis without reference to ups and downs of travel prices. A trip to Kuala Lumpur is no different, perhaps, from a trip on United Shuttle if handled on a straightforward basis, even though commission revenue associated with one is many times greater. If costs of booking are comparable, the client gets that extra revenue instead of its agency. Of course, the opposite could also be true; as airline prices decline, corporate commission revenues decline, but their costs of agency services do not.”

“Chief liability of fees for a corporation is that overall travel costs—prices and servicing costs—may actually increase. Further, when downsizing occurs at some future time, fees will likely be on a chopping block. If a corporate client operates a rent-a-plate and can really control operational expenses, fees make good sense, on either a transaction or management basis. Otherwise, they tend to expose a corporation to net added costs of conducting business.”

Our posture hasn’t really changed that much today; we hope it is because of our prescience rather than stubbornness. Logic still must be considered.

Rolfe R. Shellenberger is a senior consultant with Runzheimer International, specializing in business travel and author of articles for RRTM and other travel industry publications. Mr. Shellenberger was among the first to advocate several innovative techniques for travel management including: ticketless travel (1966); publication of airline meeting fares (1984); automated booking (1989); simplified expense reimbursement (1989); and e-mail for travel planning and booking (1990). Prior to joining Runzheimer, Mr. Shellenberger spent 31 years with American Airlines. He was a principal architect of the first fly/drive program, California Wholesale; the first frequent flyer program, AAdvantage; and he established the first automated transfer of reservation records from airlines to rent-a-car companies in 1966. Mr. Shellenberger can be reached in Palm Desert, California at 760-346-7440.

New Travel Software Saves Time, Money

Major Jeffrey Huisingsh, Co-Director, Federal Travel Optimization Reinvention Laboratory, 34th Education Squadron, United States Air Force Academy, and Major Randy Zimmerman, Operations Research Analyst, Defense Logistics Agency

Permission was granted by Major Jeffrey Huisingsh, to publish the following article that appeared in 9/98 issue of *DLA Dimensions* magazine.

A Defense Logistics Agency element and a major Army command joined forces recently to develop a new easy-to-use travel software program called Offsite. The DLA Office of Operations Research and Resource Analysis, in response to a request from the Defense Contract Management Command, partnered with the U.S. Army Training And Doctrine Command Analysis Center, Monterey, Calif., to create a software program to help optimize travel requirements.

In fiscal 1998, DCMC faced a substantial reduction in its annual training budget while maintaining the same training requirement as in previous years. Travel costs represent a substantial portion of the training budget. These factors led DCMC to find new ways to stretch training dollars.

The usual reason for DLA and other Federal employees to travel is to attend meetings, conferences and professional development training events, and DCMC is a good example of an agency with people working in offices dispersed around the world who need to come together for these kinds of events.

The joint partnership of TRAC Monterey and DORRA produced Offsite to help streamline these travel requirements. Offsite facilitates the site selection for collective training events. It requires event planners to provide minimal input and provides almost instant feedback to the user. The software program was designed, developed and delivered in less than eight weeks and is currently available on CD-ROM from DORRA.

Taking into account GSA contracted airfares, per diems, meals, incidental expenses, and the standard personal vehicle reimbursement of 31 cents per mile, Offsite will calculate the least cost alternative. The program incorporates the 75 percent per diem rate for the first and last days of travel.

Offsite was tested using data of an actual DCMC two-day training event held at the Naval Postgraduate School at Monterey, Calif. Representatives from every DCMC office attended the training event. The test program revealed that DCMC could have reduced the travel for this event by 39 percent if it had chosen to host the event at another location. DCMC implemented Offsite in May 1998 for travel planning.

Meeting coordinators can use Offsite to efficiently compare a wide variety of alternative locations. Considering that each year the federal government spends approximately \$7 billion on travel, the savings potential is tremendous. The larger implication is that a five percent savings in the federal training and meeting travel budget could result in as much as \$100 million a year in savings, according to an estimate of the annual federal travel budget by Dennis Fischer, GSA chief financial officer. Offsite is a good vehicle to get DLA organizations going down the road.

For more information, visit the Offsite web page at www.dscr.dla.mil/dorra/offsite/homepage.htm.

Editor's note: *As of September 1998, more than 15 federal agencies were using Offsite—since then, that number has increased dramatically. Some of the agencies include the Defense Logistics Agency, Internal Revenue Service, Department of Energy, Treasury Department, National Security Agency, Federal Aviation Administration, General Services Administration, Veterans Administration, and others.*

*The Offsite team was recognized in November 1998 by **Government Executive** for their achievements in travel reinvention. The Offsite team earned the prestigious Travel Manager of the Year Award. Congratulations!*

How is the FAA Affected by Y2K?

Although the Year 2000 issue is not a difficult technical problem to solve, it requires a major coordination effort throughout the agency, due to the large number of computer systems, languages, and platforms the FAA uses.

Many of the FAA's systems are classified as mission critical, such as the majority of those that comprise the National Airspace System (NAS). Several of those Mission Critical systems are impacted by Year 2000, and require repairs to become Year 2000 compliant. Fortunately, those repairs are well underway and many systems have already been renovated and certified compliant.

Will it be safe to travel on and after January 1, 2000?

Safety is the single most important concern of the FAA. The overall goal of the FAA Year 2000 Program Office is to ensure that the National Airspace System (NAS) operates safely through the Year 2000 and beyond. Several steps have been taken toward achieving that goal:

1. A schedule has been established that requires all FAA systems (including the NAS) to be Year 2000 compliant by June 30th, 1999. (As of this writing, the FAA will meet this deadline.)
2. To augment existing operational contingency plans for the NAS, Year 2000 contingency plans are being developed for each FAA system. These contingency plans detail alternate courses of action in the event of system outages due to Year 2000 issues.
3. In addition, an agency level Year 2000 contingency plan is also being developed.
4. Lastly, the FAA would reduce air traffic capacity before compromising the safety of the National Airspace System.

The FAA has always been committed to maintaining the

highest level of air traffic safety, and will maintain that commitment into the Year 2000 and beyond.

Airlines

Will there be a problem with airline reservations systems?

Although the FAA does not own or operate airline reservations systems, early indications show that these systems are not affected by the Y2K problem (source: "Travel Industry Passes Y2k Test," AP Business News, February 5, 1999). February 4, 1999 was the first day most airline systems could book tickets for January 1, 2000, and no Y2K-related problems were apparent. In addition to major airlines, many car rental and other travel industry businesses that also began booking reservations have so far avoided any Y2K-related glitches.

Airplanes

What about the safety of airplanes?

FAA is responsible for monitoring the safety of airplanes, not for making the actual fixes to airplanes' computer systems. The two major manufacturers of commercial airplanes, Boeing Company and Airbus Industries, have both issued statements declaring that neither company has identified any Year 2000-related issues that could affect the safety or normal operation of any aircraft. Dates and times are used mostly for flight planning purposes. Engines, landing gear and flight control systems are not date-sensitive and will function regardless of date or time. Further information can be obtained on the Y2K activities of these companies on their web sites: www.boeing.com and www.airbus.com.

Airports

Are the airports Year 2000 compliant?

The FAA is responsible for certain systems at airports, such as ones that are directly involved with air safety. These systems will be certified Year 2000 compliant by June 30th, 1999. The remainder of the systems, such as the ones that are involved with handling baggage and maintaining security, for example, are the responsibility of the individual airports. The FAA is working closely with the airports across the country to minimize the possibility of travel disruptions on January 1, 2000.

The FAA regulates airfield safety under the Airport Certification Program, and will take all measures necessary to maintain the safety of airfield operations at certificated airports. Certificated airports are required to comply with FAA regulations. If a certificated airport uses computer equipment, that equipment must be Y2K compliant or the airport must have an alternate means of complying with the regulation that doesn't rely on the computer. A change in the Airport Improvement Program (AIP) eligibility rules was made to allow AIP funds to be used to assess any airport-owned system on a commercial service airport.

If an airport operator fails to make Y2K repairs to critical equipment or to develop an alternate means of complying with requirements, the FAA will restrict or suspend air carrier operations at that airport as necessary to maintain safety. There are also many other computerized systems at airports, typically owned by the airport operator, air carriers, or tenants, which do not affect aviation safety but which could affect efficient use of the airport by airport users and passengers. Airport operators and air carriers are very aware of these potential impacts and are working to identify, assess, and repair all of their computer systems on the airport that could affect air transportation.

Will there be a problem with security at the airports?

The FAA Civil Aviation Security Year 2000 Program Office distributed a survey to most large- and medium-sized hub airports. All those surveyed responded, confirming that either they are already Y2K compliant or will be so in the near future. All new explosive detection systems are Y2K compliant. Older explosive detection systems have been modified to be Y2K compliant. Metal detectors do not have any date-related operations and thus do not require any Y2K repairs.

Further information on the FAA and other related topics can be found on their web site: www.faa2k.com.

R U N Z H E I M E R R E P O R T S O N G O V E R N M E N T

MOBILITY TRENDS & PRACTICES

Runzheimer publishes a complimentary newsletter focusing on trends and practices within government mobility. To request your free subscription, please e-mail June Leisky at jfl@runzheimer.com, providing your complete name, title, organization, address, city, state/province, zip/postal code, phone, fax, and e-mail.

International Business Travel Price Index

Second Quarter 1999

Index Increases 0.3% from 1st Quarter 1999

Runzheimer's International Business Travel Price Index increases to 198.6 for second quarter 1999.

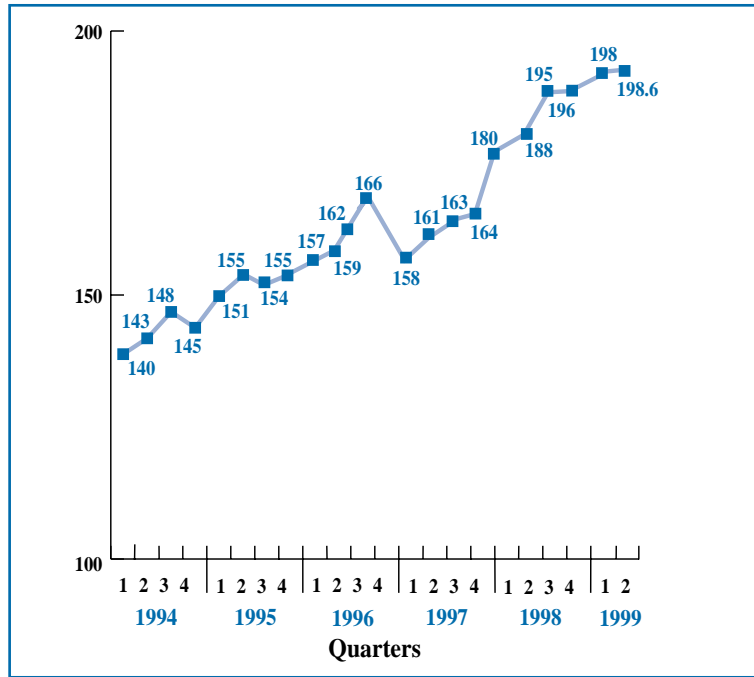
2nd Quarter 1999

**Travel Price Change
from 1st Quarter 1999**

Total: +0.3%

Components

Airfares: +1.6%
Lodging: -3.8%
Meals: -3.8%



The index consists of a weighted average of three key cost areas: airfare, meals, and lodging. The airfare portion of the index includes 20 city-pairs, with origination in North America, and travel to key cities outside of North America. The destination cities cover five continents. Runzheimer based the city selections on their prominence within their region of the world and their desirability as business destinations, as determined in part by survey data from *Runzheimer's Survey & Analysis of Business Travel Policies & Costs*. We have rounded the index numbers shown in the graph, but the percent changes to the left of the graph are not rounded.

Hotel and meal data are based on hotels and restaurants frequented by North American business travelers overseas. Lodging and meal costs are based on 5 nights of lodging and 6 days of meals (breakfast, lunch, and dinner).

Runzheimer's International Business Travel Price Index is designed to give the North American travel manager the ability to evaluate the movement of international travel costs quarterly, and to anticipate any impact to his or her travel budget. ▲

*Airfare portion of Index data is provided by Amadeus Global Travel Distribution.

Domestic Business Travel Price Index

Second Quarter 1999

Index Increases 3.8% from 1st Quarter 1999

Runzheimer's Domestic Business Travel Price Index increases to 199.7 for second quarter 1999.

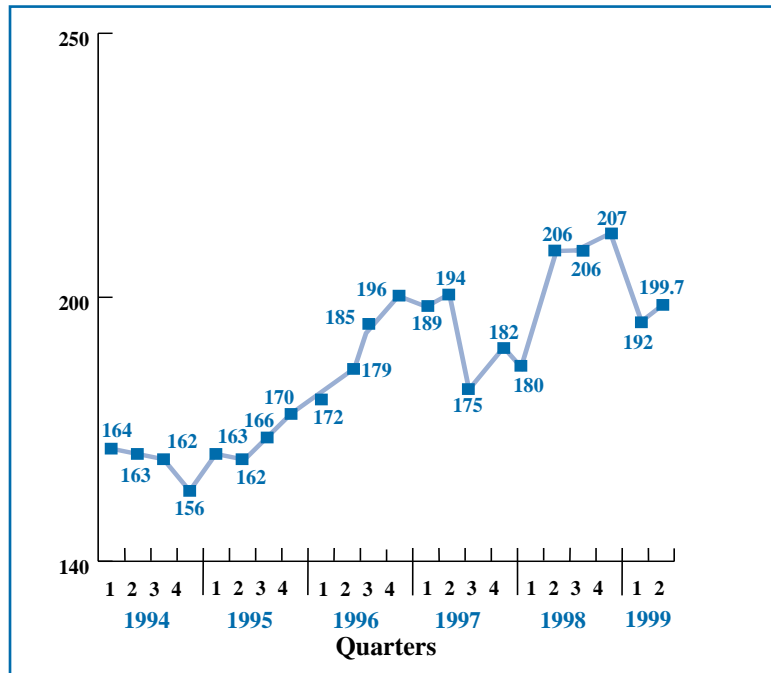
2nd Quarter 1999

Travel Price Change
from 1st Quarter 1999

Total: +3.8%

Components

Airfares: +5.6%
Lodging: -0.4%
Meals: +3.6%
Car Rental: -5.5%



Basis of the index through first quarter 1994 is: Average roundtrip business discount airfares between 20 heavily traveled business city-pairs, as reported in an airline reservation system; per diem and car rental rates for three days from the *Runzheimer Guide to Daily Travel Prices*. The base year is 1988, equaling 100. The total Travel Price Change is figured from a weighted average of the components (airfares, lodging, meals, car rental). The Runzheimer Domestic Business Travel Price Index reflects recent trends in business travelers' airline ticket-purchasing habits.

From Second Quarter 1992, after much of the airline industry significantly altered its fare structure, the basis of the index remains unchanged with the following exceptions: The airfare portion of the index is determined by combining "business discount" airfares (which are calculated in the same way in which they were calculated prior to Second Quarter 1992) and "actual coach" fares (i.e., those reduced-rate fares designed to appeal to travelers who had formerly purchased "full coach" or "Y-fares" prior to the restructuring. Note that "actual coach" fares are not necessarily "Y-fares" because some of the airlines have maintained the "Y" designation on some of their fares in markets where travelers are able to purchase "actual coach" tickets at considerably reduced prices. However, in markets where "actual coach" fares are not offered, "Y-fares" are included in the calculation of the index). Note also that the index does not take into account the effects of any losses of negotiated corporate discounts that companies are likely to have experienced. ▲

*Airfare portion of index data provided by Amadeus Global Travel Distribution.