TRANSCRIPT OF PROCEEDINGS

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IN THE MATTER OF:               )
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FY2014 CITY PAIR PROGRAM        )
PRE-SOLICITATION CONFERENCE     )
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GENERAL SERVICES ADMINISTRATION

IN THE MATTER OF:)
)
FY2014 CITY PAIR PROGRAM)
PRE-SOLICITATION CONFERENCE)

Room L1301
Building CP4
2200 Crystal Drive
Arlington, Virginia

Tuesday,
February 5, 2013

The parties met, pursuant to the notice, at 10:36 a.m.

ATTENDEES:

KRISTEN JAREMBACK, Contracting Officer, GSA (Via Telephone)
LEAH BALLIS, Contract Specialist, GSA
JERRY W. ELLIS, Business Management Specialist, GSA
KEITH SMILEY, Director, Travel Acquisition Support Division, GSA
JEROME BRISTOW, Program Manager, GSA
IMAN FREEMAN, GSA Program Office
BARRY TAYLOR, CDC (Via Telephone)
DENNY CLIFFORD, Delta (Via Telephone)
LINDA NELLIS, Sun Country (Via Telephone)
KEITH LOGAN, GAO (Via Telephone)
MARK ROBINSON, AMC (Via Telephone)
ANGIE MILLER, BPD (Via Telephone)
DAN CAROZZA, BPD (Via Telephone)
LARRY PICKERING, Department of State (Via Telephone)
CHERYL ELVEY, Department of Commerce (Via Telephone)
RAYMOND LONG, JetBlue (Via Telephone)
DON SHEPLEY, Gulfport-Biloxi Airport (Via Telephone)
DON CALAHAN, Virgin America
JAY JOHNSON, USTRANSCOM

APPEARANCES: (Cont'd.)

ATTENDEES:

STEPHEN MURA, Air Mobility Command
TOM BILLONE, United Airlines
GEORGE COYLE, American Airlines
ROGER BARSAMIAN, American Airlines
ANDREW RYAN, Department of State
CHRISTINE CHAPMAN, Delta
DAVID GOBER, Delta
LARRY FATTORUSSO, Delta
KAREN CANNON, Alaska Airlines
HOWARD HICKS, DTMO
ANDREA CARLOCK, DTMO
TIM BURKE, GSA
SUSAN FORD, GSA

P R O C E E D I N G S

(10:36 a.m.)

MR. BRISTOW: Good morning, everyone. Welcome again to the City Pair Pre-solicitation Conference that's held annually. And for this year we are doing the FY '14 City Pair Conference, so this is our 34th year of participation in the City Pair Program, so a long-time program for the federal government. It's evolved through a number of different mergers, acquisitions, and the program has changed to benefit not only the carriers but also the federal government, so thank you so much for your participation. Thanks for your attendance here.

We're doing this as a Webex out to our people that cannot officially attend today, so that's why it doesn't look like we have a big crowd here today, but we may have more people on the phone. So thank you very much for attending.

I'm going to have Iman Freeman here do the roll call on the phone here so that we make sure that we have everyone in attendance here, and we'll start here in just a second, okay? Thanks again, and welcome to the presolicitation conference.

MS. FREEMAN: Just a couple of housekeeping. Can everyone hear us clearly on the phone?

VOICE: No. I'm hearing static.

VOICE: Yes.

VOICE: No.

VOICE: There's static about every 15 seconds.

MS. FREEMAN: Yes, I hear that too. I'm not sure.

VOICE: There's somebody typing.

MR. BRISTOW: Those on the phone, if you're not speaking, if you could please place those on mute, that might reduce some of the noise, the background noise. I think that helped a little bit.

I also wanted to advise you that we are recording this session so that those on the phone, when you would like to speak, please introduce yourselves so that we get that recorded as well. So thanks so much. Iman?

MS. FREEMAN: Okay. CDC?

(No response.)

MS. FREEMAN: Delta?

MR. TAYLOR: I'm sorry. This is Barry Taylor with CDC.

MS. FREEMAN: Thank you. Delta?

MR. CLIFFORD: Denny Clifford.

MS. FREEMAN: He's hard to understand

because he's in Germany. Yes.

MR. CLIFFORD: Did you copy that, Iman?

MS. FREEMAN: I did. Thank you. Virgin America?

(No response.)

MS. FREEMAN: Frontier?

MS. CAVOS: Here.

MS. FREEMAN: Sun Country?

MS. NELLIS: Yes. This is Linda Nellis at Sun Country.

MS. FREEMAN: Do we have anyone from GAO?

MR. LOGAN: Keith Logan at GAO.

MS. FREEMAN: NSF?

(No response.)

MS. FREEMAN: OPM?

(No response.)

MS. FREEMAN: AMC?

MR. BAFFLE: AMC here. Kevin Baffle (ph).

MR. ROBINSON: And Mark Robinson.

MS. FREEMAN: IRS?

VOICE: This is Missy.

MS. FREEMAN: Department of Interior?

(No response.)

VOICE: DEA. I'm sorry. DEA.

MS. FREEMAN: Okay. GSA Travel Office?

(No response.)

MS. FREEMAN: Smithsonian?

(No response.)

MS. FREEMAN: BPD?

MS. MILLER: Angie Miller, BPD.

MR. CAROZZA: Dan Carozza.

MS. FREEMAN: Hawaiian Airlines?

(No response.)

MS. FREEMAN: Department of State?

MR. PICKERING: Larry Pickering.

MS. FREEMAN: Department of Justice?

(No response.)

MS. FREEMAN: Do we have anyone else on the phone who I didn't call?

MS. ELVEY: Yes. Department of Commerce, Cheryl Elvey.

MS. FREEMAN: Thank you.

MR. TROTTA: Hi. This is Cliff Trotta from JetBlue.

MR. LONG: And Raymond Long from JetBlue.

MS. SAMP: U.S. Airways.

MS. STOWE: Amy Stowe from HUD.

MS. FREEMAN: Okay.

MR. SHEPLEY: Don Shepley from Gulfport-Biloxi Airport.

MS. FREEMAN: Okay. Anyone else?

MS. JAREMBACK: This is Kristen Jaremback from GSA.

MS. FREEMAN: Hi, Kristen.

MS. JAREMBACK: Hi.

MS. FREEMAN: Okay. That's it.

MR. BRISTOW: And as always, we have the roving mic, so we'll be passing that around. Please introduce yourself and your carrier or your participation. Thanks.

MS. FREEMAN: I guess I can start. Iman Freeman, GSA Program Office.

MS. BALLIS: Leah Ballis, City Pair Program, Contract Specialist, GSA.

MR. RYAN: Andrew Ryan, Department of State.

MR. ELLIS: Jerry Ellis, GSA City Pair Team.

MS. SCRIPMAN: Janelle Scripman, Transportation Audits.

MR. FATTORUSSO: Larry Fattorusso, Delta Airlines.

MR. GOBER: David Gober, Delta Airlines.

MS. CHAPMAN: Christine Chapman, Delta Airlines.

MR. SMILEY: Keith Smiley, GSA Contracting.

MR. BARSAMIAN: Roger Barsamian, American

Airlines.

MR. COYLE: George Coyle, American Airlines.

MR. HAAG: Jeff Hague, Southwest Airlines.

MS. CANNON: Karen Cannon, Alaska Airlines.

MR. BILLONE: Tom Billone, United Airlines.

MR. MURA: Steve Mura, Headquarters, Air Mobility Command.

MR. JOHNSON: Jay Johnson, U.S. Transportation Command.

MR. CALAHAN: Don Calahan, Virgin America.

MR. BURKE: Tim Burke, GSA.

MS. FORD: Susan Ford, GSA

MS. CARLOCK: Andrea Carlock, Defense Travel Management Office, DOD.

MR. HICKS: Howard Hicks, Defense Travel Management Office.

MR. BRISTOW: Thank you all very much, and again welcome to the City Pair Pre-solicitation Conference. I want to run through the agenda for you real quick here, things that are going to happen this morning and this afternoon if we run that long. I just want to make sure we're covering all the necessary subject items for you today.

We'll run through the review of the general requirements. Then we'll take a look at the activity reporting, the FY '14 market selection and market information, contract updates and new contract requirements, City Pair points of contact and general inquiries, and then we'll open it up to questions and discussion points after that.

First up I believe is Jerry Ellis, and Jerry is going to be talking about the -- is that correct, Jerry?

MS. BALLIS: It's me.

MR. BRISTOW: I'm sorry. Leah Ballis. Jerry's going to be doing the market selection. I got it. Thank you very much. Leah?

MS. BALLIS: Good morning, everyone. As I said earlier, I'm Leah Ballis. I'm the Contract Specialist on the City Pair Program Contracting Team, and we're just going to review the general requirements.

So first off, the Attachment 1 proposal checklist, which is located in the RFP, just please ensure all your reps and certifications are current before you submit your offers, including CCR and ORCA. And new this year, if you're not already familiar, they're on the system for award management. The system is also known as SAM, and it's actually consolidation that maintains all the federal procurement systems, so you don't have to go to the separate websites for CCR and ORCA. And that website is located in the RFP, and it's also acquisition.gov if you're ever unsure of where to go.

In addition, new this year all submissions will be done electronically, and they're due March 21, 2013, so no FedExing of paper proposals, and the addresses will be listed in Section A1 or they are listed in Section A1 of the RFP, a couple email addresses for you.

In addition, subcontracting plans are a requirement and must be approved for the contract. The FY '14 subcontracting plan template is attached to the RFP and it's embedded, and I know some people had difficulty opening it, so I sent it out as a separate attachment, but if you still need it, please let me know and I'll send it out. Speak louder? Sure.

Moving on with general requirements, all offerors' technical and price proposals are submitted in the City Pair Offer Preparation System, also known as COPS, and for those of you that aren't familiar it's set up in three phases. The first phase is a test application, and I'll be sending out user IDs and passwords to everyone so you can get into the system, and I encourage you to go in and test it out and try it out if you're not familiar with it so then you're comfortable with the system before you submit your offers.

And this test application will begin Monday, February 25, and close Friday, March 1, and then after the test application we open it up for Group 1 offerors, and that upload will begin Monday, March 4, and close on Thursday, March 21, so you have about three weeks. And then last, after the Group 1 is the Group 2 offeror upload, and that will begin Monday, March 25, and close Thursday, April 11, and if anything changes on these dates, we will of course let you know well in advance, but those are the dates for now.

And I'm going to hand it over to Jerry Ellis now to discuss activity reporting and market selection.

MR. ELLIS: Good morning, ladies and gentlemen. As far as the dual fare reporting system, it has not changed at all. I would just like to reiterate and remind you that when you do your dual fare reporting please only include those markets in which you made a bid and were awarded a dual fare, the YCA fare and your capacity control fare.

Only include those markets because if you include all your market awards, if you only had one offer, the YCA level, obviously that's going to be used 100 percent of the time and it throws our calculate off. So please again only include those markets as indicated in Section B36, those markets where you have a dual fare. Again, we appreciate you submitting those reports in a timely fashion. We understand it's done on ticket lift and so we allow 60 days after the close of the month for you to submit your activity report.

The market selection process was done the same way we did it last year. We took data from ARC and from Smart Pay and we massaged that or filtered that through our MIS program. We identified government usage in over 66,000 markets worldwide. Obviously that is a number that we cannot administratively handle, nor is it the number of markets that the industry would like to see us put in the solicitation.

We tried to pare it down to the most used 6 to 7,000 markets worldwide. This is what we came up with this year. As you can see, we are soliciting 7,012 markets, which is seven more markets than we solicited last year. We again have looked at the extended connection markets, both domestic and international. Most of your extended connection markets are in and out of Hawaii and/or Alaska. Your international markets, quite a few of those are into points in the Middle East, central eastern Africa and places where normally we need the extra connection time and/or a double connection.

So this is how it has played out as far as the markets go. We again have a total of 7,012 markets, 5,402 domestic and 1,610 international. We actually show an increase in the number of international markets that we're soliciting and a decrease, a slight decrease in the domestic markets that we are soliciting.

There is a large gain. Over 125 markets have moved from Group 2 to Group 1, namely because we want to review both service and price offered in those markets. So this is how the market dynamics changed. As you can see, as we get better information, we feel that we are getting more better defined passenger usage, so we are showing about 205,000 less estimated users this year than last year.

You read the papers. You see the news media as well as we do. That travel is one of those areas which the federal government has taken a very hard look at as far as the economics of running the government go.

So are there any questions either from the audience or on the phone regarding the market selection process? Or if you've reviewed the markets that we set out in the draft solicitation, I would enjoin you please feel free to contact me if you have a question about a market that we have solicited that you have a question about.

MR. CLIFFORD: Jerry, this is Denny Clifford. Can you hear me?

MR. ELLIS: I can hear you. Yes, sir.

MR. CLIFFORD: Say, on the difference on the total passenger count, the prospectus went down 200,000. How does it play with the GAO's 30 percent reduction in travel and all the things we do read in the paper? Those numbers don't seem to suggest that any serious reduction was made with respect to travel spending.

MR. ELLIS: Well, as we indicated, that 10 percent reduction, that 30 percent reduction, that includes total government spend. As we indicated last year, we don't know how much of that percentage decrease is going to come out of travel, so we can't speculate. Again, these are estimated based on historical usage, actual historical usage. We did not put an arbitrary percentage in there, not knowing what percentage of the government spend cutback would include the travel portion.

MR. CLIFFORD: So you kept it basically the same. In other words, the GAO's 30 percent, which was travel -- it wasn't any other type of spending. It was specifically for travel reduction costs. That's not taken into consideration here really to any extent, is that right?

MR. ELLIS: That's right.

MR. CLIFFORD: And extrapolating some of the numbers from prior years, would this be about a $3 billion contract though?

MR. ELLIS: Well, you know, the spend is a product of the markets that are bid, the price bid, but I would say it would probably be in that range. Yes, sir.

MR. CLIFFORD: Thanks.

MR. ELLIS: Okay. Any other questions?

(No response.)

MR. ELLIS: Okay. I'll turn it back over to Jerry Bristow.

MR. BRISTOW: Actually Kristen Jaremback is going to be discussing the FY '14 contract language updates. And, Kristen, you logged in here to see this?

MS. JAREMBACK: Yes. Thank you. Yes. Thank you, Jerry. Can everyone hear me on the phone in the room?

MR. BRISTOW: Yes.

MS. JAREMBACK: Okay. Great. Okay. Good. I'll be talking about the contract update and some of the language and some of your requirements for the current RFP.

The first one is the auto cancellation language. There's just a small update in there. We are still remaining -- it's going to be domestic reservations only for the 48 hours prior to departure, and it applies only to the reservation booked 72 hours or more prior to departure.

You can see the language up on the screen. If anyone has any questions about it, we can talk about it, but it's pretty much the same as it was last year. We're just making it a little more clear for both the carriers and our travelers as to what is included in the auto cancellation.

MR. BRISTOW: I've got a question here in the audience here.

MS. JAREMBACK: Okay.

MR. BILLONE: It's Tom Billone, United

Airlines. Looking at that wording, it's a little bit deceptive in the fact that you're saying 72 hours or more, and then you're dropping down to 48 hours. It says domestic reservations made 48 hours or less prior to departure time may be exempted and may require a ticket.

Well, what about 71 hours to 48 hours? I think you need to clarify that because most of us are looking at if it's outside the 72 hours or inside the 72 hours that 48 hours doesn't come into play. So you're kind of confusing the issue there when you're throwing that 48 hours in there again.

It should basically in my opinion say domestic reservations made 71 hours or less prior to departure rather than 48 hours, because you've got a whole gray area between 48 and 72. That's in my opinion.

MR. BRISTOW: Okay. We'll take a look at that and revisit that. Any other questions on this one?

MR. CLIFFORD: Jerry, Denny Clifford here.

MR. BRISTOW: Okay, Denny. Go ahead.

MR. CLIFFORD: Yes. Kristen or whomever, can you walk through the -- of flying international? It was not included in here.

MS. JAREMBACK: I'm sorry, I couldn't hear the question. You're breaking up a little bit.

MR. CLIFFORD: Yes. I'm getting feedback here also. Can you talk to why the international component was not considered this year as we were told it would be as a carryover from FY '13?

MR. BRISTOW: Actually I'll go ahead and take that one, Denny. We'd done some reviews on the international information that was supplied by the carriers. We looked through and did the analysis on that 48-hour auto cancellation. We made the determination at that time not to provide it for the international for the fact that the amount of spoilage we were seeing was actually decreasing.

We did have a meeting with the carriers a couple weeks ago, the international carriers, with regards to that. They have responded with some questions on that and actually have provided us a request to re-review that. We're going to take that and re-review this information on the 48 hour for the international and get back to you before the final solicitation is going to be put out for award, okay?

MR. CLIFFORD: You mentioned, Jerry, that your data suggests that you -- sorry for the crossover here. There's a time lag. There was a decrease in spoilage. Did you say that?

MR. BRISTOW: That's correct. We're seeing a decrease in the spoilage on the international. It appears that some of the information or some of the business processes that the government agencies have in place may have reduced the international spoilage as well. The business process that they had put in place for the domestic has shown that it's also helping to reduce the spoilage on the international.

MR. CLIFFORD: By what percent was the reduction?

MR. BRISTOW: We believe that reduction was from 6 percent down to 2 to 3 percent.

MR. CLIFFORD: All right. So it was a 3 percent reduction basically roughly?

MR. BRISTOW: Correct. Overall.

MR. CLIFFORD: All right. But we still have significant spoilage, right? Even with a reduction you've still got significant spoilage.

MR. BRISTOW: That's correct. And like I said, as we stated, we will re-review that for the 48 hour on the international. I do need to hear from our government customers as well to make sure that the things that they are doing is helping to offset the spoilage. Any information --

MR. CLIFFORD: Okay. Now was it the domestic piece that you are indicating decreased, or did you say the international was looked at as well? And if so, how did you figure that out?

MR. BRISTOW: No, the international was looked at as well. Information provided shows that there was a decrease in the international as well.

MR. CLIFFORD: From which carriers? I mean, not from which carriers, but I'm trying to understand how you could analyze something when there's been nothing in place to credit the reduction in.

MR. BRISTOW: The information that was provided last year versus this year showed that reduction in the spoilage.

MR. CLIFFORD: Well, you've gotten Delta's spoilage numbers.

MR. BRISTOW: Right.

MR. CLIFFORD: And they certainly haven't been reduced.

MR. BRISTOW: And I believe you said you're going to resubmit those as well, correct?

MR. CLIFFORD: Right.

MR. BRISTOW: Okay.

MR. CLIFFORD: Well, my point is you've got significant spoilage, and even if it's a 3 percent reduction it's unacceptable to have millions of dollars of spoilage and simply not have an international piece put in this program. And that was committed to by the GSA last year. In fact, it was a condition of Delta last year to pass the domestic piece on the condition, and we have that in writing, on the condition that the international piece be included in FY '14.

MR. PICKERING: Denny, this is Larry Pickering at State. We were one of the primary objectors to taking out the international. The last thing we want to have is our travelers stranded in an international airport because of cancellation. That's just not something that we're willing to move forward on.

MR. CLIFFORD: You're not willing to move forward on?

MR. PICKERING: We are not going to do that internationally, at least not this year.

When you look at the overall loss rate that you're claiming, are you not filling the seats with passengers? Or are you just saying because the preferred traveler, the government traveler, didn't get on it that you lost money?

MR. CLIFFORD: Well, David Gober, who is in the room there, from Delta can address the details of that now. I can tell you this. The State Department is not experiencing the $12 million in spoilage that we are annually.

MR. PICKERING: Well, we're spending a lot more than that in airfare though. I'll tell you that.

MR. CLIFFORD: I'm not talking about airfare. I'm talking about spoilage.

MR. PICKERING: Yes, I know. And we're talking about customers getting stranded at international airports because they can't get tickets.

MR. BRISTOW: Okay.

MS. JAREMBACK: I think you have a comment in the room.

MR. BRISTOW: I've got a comment in the room here. George?

MR. COYLE: Actually, Denny did hit on the question that I wanted to bring up, which is international. We share the same concerns. It was our understanding that we would be looking at some type of protection on the international spoilage this year. Our numbers indicated as much as 16 percent from what originally booked to what ultimately didn't ticket, so we're hopeful that this conversation is going to continue. It sends absolutely the wrong industry message that government is comfortable with millions of dollars of spoilage than putting it back in the coffers.

MR. BRISTOW: Thank you, George.

MR. BILLONE: This is Tom Billone from United Airlines. First of all, the spoilage data was not part of the formula for FY '14. It was presented why we weren't getting it in FY '13 was certain systems and processes need to be addressed during the year, particularly from the State Department.

As Larry said, Larry does not want to do this because his people may possibly get stuck overseas, but that's a process issue. That's not an airline issue. Persons who have their ticket issued on time and they can get it, it's within the 48 hours or in the 72 hours, they should be able to get one at the airport.

Now Larry brings up the issue about well, how do we know it's really spoilage? None of the airlines are running 100 percent load factors, so there's spoilage. In fact, some of the airlines on the commercial side are charging for no-shows. All right. We don't do that, so you get an advantage there.

But it's a process issue. It was presented as a process issue. It had nothing to do with the data. We presented the data last year and all of a sudden you ask for the data again, which really had nothing to do with what we were doing. It was a process thing, and you had a year to fix the process. And apparently that hasn't been done. It's been a major pushback.

You know, I met with State Department Thursday and I was told the same thing. They don't like it because of the potential of somebody getting stranded overseas. Process, process, process, all right? Then the thing comes up. You bring up that argument about how do we know there's less spoilage? Well, how do you know anything? I mean, we're not running 100 percent load factor. Do we run a 100 percent load factor? I can see your argument. But I'm not. None of the airlines are.

So, I mean, we've made our position known in an email earlier. We're very disappointed at this nonagreement. I know there were a couple other carriers that may be on the phone that made concessions last year under the promise that this was going to be in place for FY '14. And it's very disturbing that a promise that was made to us, and I went back and read the proposal. I saw it. I'd love to go back to the transcripts of the committees and see how it was presented. But we find that it's very disingenuous to go back on that promise.

MR. BRISTOW: Your email is noted, and like I said, we're going to reopen this, okay? Andrea?

MR. CLIFFORD: Jerry, this is Denny Clifford again. What concrete efforts have been made with the State Department to clear up the same issues as Tom just said from a year ago? It sounds like nothing was done. Is that true or not?

MR. PICKERING: Number one is that I couldn't hear what Tom said, so I don't know. If this is being recorded, we've got no problem giving you and Jerry a response as we go through this process.

But, you know, when you guys talk spoilage, you're saying that you're losing money. Everybody knows the airline pricing model is the closer you get to departure date the higher the cost. If that seat went empty, are you sure you're not going to lose money buying bulk in this process?

MR. BRISTOW: Now we're not going to debate it on the floor here, okay? We're going to get the information.

MR. PICKERING: I can't hear what's being said on the other side. Everything is based supposedly on the fact that there's spoilage and that you're losing money.

MS. JAREMBACK: All right. Denny?

MR. CLIFFORD: Why is that a problem, Larry, to try and correct that problem? Isn't that what we're all after, to save money?

MR. PICKERING: Absolutely, but the other side of that is that this is a contract for U.S. Government travelers overseas. I don't want my people stranded in foreign cities because they missed the flight or because somebody canceled an airline ticket somewhere in there. I want to make sure that when they depart that they have got a safe journey to their end destination, and this automatic cancellation process could facilitate that.

MR. BRISTOW: Okay.

MR. CLIFFORD: Well, then let me enter the subject that I would like or wanted to bring up anyway, and that's on the front end of the equation.

Delta is saying that we need ticket time limits front end, which will have a lot more to do with mitigating the spoilage issue than it will on the back end without a cancellation. And we're asking the GSA to seriously consider again ticket time limits of 72 hours on the front end. Larry, then your people won't have those issues.

MR. PICKERING: Well, I know that, but then the other thing that came right after that when this was initially brought up -- this was about four years ago -- as you will recall, we followed that up with penalties if the ticket time limit wasn't there of $100 million. And, of course, this is all money driven too.

MR. CLIFFORD: Well, we can debate the numbers that came out of that analysis in the first place.

MR. PICKERING: I haven't seen your numbers.

MR. BRISTOW: Okay.

MR. CLIFFORD: I'm talking about the GSA's numbers.

MR. BRISTOW: All right. Excuse me. We're not going to debate over the phone here, okay? We're going to work through this process with our carriers as well as our customers, all right, so we'll be advising them as well. I believe Andrea has got a comment?

MS. CARLOCK: I do have a comment.

MR. BRISTOW: I've got one request here. Denny, I think that interference, that sporadic interference, is coming through yours. I don't know if you mute your phone if that will allow it to stop.

MS. JAREMBACK: Yes.

MR. BRISTOW: Thank you.

MS. CARLOCK: Andrea Carlock, Defense Travel Management Office. I would just like to add that we at the Defense Travel Management Office, we've done a lot of things over the last year to try to educate our travelers on the auto cancel. We're also making system changes for the domestic.

When we educate our travelers, we are not seeing now international versus domestic. We're educating our travelers on 72-hour auto cancel for all travel. So we are listening to the carriers. We're taking this very seriously. We're working with GSA. We have monthly meetings where we discuss where we are, what progress we have made, and we will continue to educate our travelers on the need to ticket in advance.

MR. CLIFFORD: Jerry, can the State Department do the same thing as Andrea is suggesting for DOD?

MR. PICKERING: We have been doing the same thing as Andrea has been doing. We're just not ready to put the thing in effect overseas. We are applying it internationally and domestic. But we don't want to have that automatic ticket time slot go through. Let's take a look and see what happens in this year and then see how many of these are attributed to State.

MR. CLIFFORD: We've already waited a year, Larry.

MR. BILLONE: We've waited six.

MR. PICKERING: And our objections are going to stay the same for the same reasons.

MR. CLIFFORD: And so are ours.

MR. BRISTOW: And we'll continue to have that dialogue through GSA. Thank you. Any other questions on this one for us?

(No response.)

MR. BRISTOW: Going once? Okay. We're going to go on to contract language updates. Kristen, back to you.

MS. JAREMBACK: All right. Thanks, Jerry.

In continuing with the auto cancellation updates here, we have added an auto cancellation implementation profile, and a chart has been added to the RFP. And you'll see on the screen what is required if you choose to participate in the auto cancellation. We need some bimonthly reports, and those items that are listed on the screen are what is needed to provide to the GSA. Everything is contained in the template that is in the draft RFP.

The document would need to be submitted to GSA within 20 days after award if you choose to participate in the auto cancellation, and this is for the Contracting and the Program Team to understand and gain a better understanding of the 48-hour auto cancellation and each of your target plans to implement it. Is that clear? Does anyone need any more information?

MR. BRISTOW: We have a --

MR. BILLONE: Yes. This is Tom Billone, United Airlines. I'm looking at the requirements listed by GDS and Contract Carrier PNR -- date of reservation, date of departure, date of auto cancellation. The number you're looking at is for a PNR that may have five, six segments on it, which are actually six flights.

Do you need to know the number of segments? Because you may have one PNR and five segments that get canceled. So do you want to add number of segments in there? I think you get a better picture as to if there are people auto canceling or who are auto canceling because of there are five flights that the seats are not being sold. I think you need to add one more bit of data in there. I don't know how the other airlines feel.

MR. BRISTOW: But wouldn't those be --

MS. SAMP: This is Heather. We also have a comment that PNR doesn't give you also the number of passengers. You could have enough segments with three passengers taking that all the way up to 18 potential seats that are not being ticketed.

MR. BRISTOW: Passenger count in a PNR.

MR. BILLONE: And segments in there.

MR. BRISTOW: Segment-wise we weren't requiring that only for the fact that there was that originating flight that actually would have triggered that cancellation.

MR. BILLONE: Yes, but you've still got the down link flights that would cancel also, so you get those seats are going.

MR. BRISTOW: But I guess that's the question. Do you count yours as segments or PNR cancellations?

MR. BILLONE: Ours would be counted as segments and --

THE COURT REPORTER: Can you use the mic, please?

MR. BRISTOW: You do for both?

MR. BILLONE: The data we sent in showed actual passengers and segments, so you would get a true picture of actually how many seats were going out as spoilage.

MR. BRISTOW: Does this encumber any other carriers in providing that report?

MS. SAMP: We'd prefer to do it.

MR. BRISTOW: Okay.

MR. RYAN: Andrew Ryan, State Department. Do you count spoilage for like if a passenger missed their flight and they get rescheduled? Is that still in the spoilage factor, or is that rescheduling not factored in?

MR. BRISTOW: The definition of the spoilage is an airline reservation that was never ticketed nor canceled, okay? So, if it wasn't ticketed, then that type of scenario would apply.

MR. RYAN: Okay.

MR. BRISTOW: If it was already ticketed, it won't apply.

MR. BILLONE: Yes. This is Tom Billone again with United Airlines. If you really want to look at the numbers, all right, that would be considered spoilage because that seat was empty. Or a no-show where a government employee has a ticket but doesn't show up and gets a refund.

Again, that could be if you want to really go out to the limits, that's spoilage also because we're not getting any revenue for that seat that you held a ticket on and you refunded that. So, I mean, the spoilage factor can go from all the way on the left side to all the way on the right side depending on how you look at it.

So we've pretty much proposed the definition of spoilage to anything not ticketed within 48 hours prior to departure. But if you want to expand that, I mean, there's a way to do it and come up with the figures.

MR. PICKERING: Can I get some clarification? Larry Pickering, State. As I understand it, spoilage is, the definition you used, as far as a government reservation and ticketing being done. That doesn't mean that the airline did not sell that ticket, correct, or that seat?

MR. BRISTOW: No, Larry, it doesn't mean that the airline didn't sell the ticket. It's allowing the airlines to have the capability to resell that seat because we didn't have our tickets issued in a proper timeframe, and it's giving them that 48 hours to resell that seat.

MR. PICKERING: But the real spoilage would be if you didn't sell the seat, and if you sold it at the gate, it's going to be at the standard, commercial walk-up rate.

MS. JAREMBACK: There is a --

MR. PICKERING: I guess I'm asking what the actual loss is.

MR. BRISTOW: Yes. The actual loss would be what the carriers would be able to sell that seat for. Yes.

MS. SAMP: This is U.S. Airways. There's no guarantee that seat would ever be flown, but we calculated that and we give it to you in the way that you want it but also the way that we look at it in that the seat was never flown. So it was either never ticketed or it was ticketed, but no one actually flew the individual leg.

MR. BRISTOW: Let me clarify that. Does that mean a ticket that was issued and then not flown?

MS. SAMP: Correct. That's still a spoiled seat.

MR. BRISTOW: I understand that, but that's not the definition of spoilage under the City Pair contract.

MS. SAMP: We're giving the information to you in the way that you've asked, but we are saying that spoiled seats also are ticketed tickets that are never flown. Those are also spoiled seats.

MR. BRISTOW: I understand that, but for this part of this, it's those tickets that were not issued. I understand what you're trying to say, but ours is to make sure that the tickets get issued in a timely fashion and that those that aren't, that we reduce the spoilage by giving you the ability to auto cancel those prior to departure. I mean the 48 hours prior to departure. Is that correct? I just want to be clear on this. That's all.

MS. SAMP: Yes, that's correct. We just definitely have a difference of opinion because on your side you're making sure that they're ticketed. On our side, we're actually making sure that the seat is occupied and we're getting the revenue that was ticketed for that flight prior to departure.

MR. BRISTOW: I understand, and that's a different scenario as well. Thank you.

MR. PICKERING: Let me clarify one thing for State that probably hasn't been said this year that probably needs to be, and that is that one of our biggest reasons for the concern is we have a lot of high visibility, last minute travel, VIP travelers and whatever. And when we book this travel, it's often at the last minute, and we can't afford to have those type of travelers get canceled automatically. We just can't have it.

MR. CLIFFORD: Well, Larry, this is Denny. If they're last minute, they're not going to be subject to that within the 48 hours.

MR. PICKERING: Well, when I say that, it's touch and go right up to the time that we would have to ticket it. Some of them go. Some of them stay. The Secretary's detail has people in four different countries based on an itinerary that may or may not even happen.

MR. CLIFFORD: Well, that's why we pushed it out to 48 instead of 72 hours here.

MR. PICKERING: You know, domestic, we can live with that. Internationally, that would be a nightmare for us.

MR. BRISTOW: Okay. I believe we had that discussion earlier as well, so we won't debate on the phone. We'll have our conversations with each sector here. George?

MR. COYLE: George with American Airlines. Jerry, can I request that we have a meeting with the State Department? I think there's some misinformation based on what I'm hearing as it relates to these speculative bookings, but I think there is some common ground that we can come to without just pushing it back on the airlines to absorb millions of dollars that we could potentially be reselling in inventory.

MR. BRISTOW: Thanks, George. Larry, the offer from George Coyle from American Airlines was to have a meeting of the carriers with the Department of State through GSA to be able to have this discussion and walk through these issues, okay?

MR. PICKERING: That would be great.

MR. BRISTOW: Thank you. Anything else on this slide? And we'll go to the next.

MS. JAREMBACK: Okay. The next contract language update is for evaluation criteria. Under Factor 1 for Meeting Minimum Requirements, we have added all eastbound flights crossing three time zones. They will now be counted towards meeting the minimum requirement, meeting the minimum number of flights, for flights that depart on or after 11 p.m. and prior to 5:59 a.m. It's basically the same as we do for the Alaska and Hawaii market, and that's just for the Factor 1, Meeting Minimum Requirements. And you see the sections that are affected there, B9 and D5.

The next language update is a composite fare weighting for international markets, and the new weighting will be 40 percent YCA and 60 percent dash TCA.

MS. SAMP: Kristen, this is U.S. Airways. To go back to the other, to the time zones, near to our heart, Arizona. What are you going to qualify that? What time zone?

MS. JAREMBACK: It depends if the flight crosses three time zones. So, if an Arizona flight crosses three time zones, then it would count towards the minimum requirement. So it just depends. I'm not sure. I believe it's only going to be the west coast.

MS. SAMP: Well, Arizona becomes west coast time for part of the year, and we're Mountain time for the other part of the year. We don't change.

MS. JAREMBACK: Okay. We're going to have to think about that.

MS. SAMP: Okay. Thank you.

MS. JAREMBACK: We'll get back to you. Any questions? Any further questions?

MR. CLIFFORD: Kristen, this is Denny.

MS. JAREMBACK: Okay. Go ahead, Denny.

MR. CLIFFORD: Denny Clifford. Yes. You know, you get your monthly input on the usage, 40/60. Is that changed? It used to be 60/40, or is it the inverse I think, but is that what the usage reports came out to be?

MS. JAREMBACK: It's closer to the usage reports. Jerry Ellis, do you have the exact numbers?

MR. ELLIS: Yes. International has gone up to about 56 percent capacity controlled usage for international.

MR. CLIFFORD: Thanks.

MR. BILLONE: This is Tom Billone from United. As much as we have voiced some differences of opinion here in this meeting, we want to thank you for making that change in the international evaluation. We really appreciate it. We've been asking for that for a while, so thank you.

MR. BRISTOW: You're welcome. And as Jerry said, we're at 56 percent. We felt that the award of these markets would take it up higher, so we wanted to make sure we had the full value of the 40/60 in here for you.

MS. JAREMBACK: Any more questions?

(No response.)

MS. JAREMBACK: Okay. We can move on.

MR. BRISTOW: Hold on a second. Technical difficulty with the operator. She's got the magic touch here. Okay, Kristen.

MS. JAREMBACK: Okay. Okay. Good. The next contract language update is the fuel surcharge, and you see the affected sections. B19(a), the highlighted section has been added and it's just saying fuel surcharges are currently in place and any other similar charge will be included in all fares offered where applicable.

So that's just going to be in line with that Section B19(b) for international markets, and for domestic markets, if you have a fuel surcharge in place currently when you make your offer, it should be included in your fare.

Then the next update is to C13, which is the fuel surcharge clause, and it is in the draft RFP, so you can read the full text of it, but basically it has stayed the same. The only things that have really changed are that you must report to the contracting officer in writing that the fuel surcharge has been imposed, identifying start date. The 14 days stays the same, and you must receive written approval from the contracting officer before applying the fuel surcharges on City Pair fares.

That is not any other member of the contracting team except the contracting officer and no other member of the Program Office either. It will be the contracting officer, if it's myself or another contracting officer.

MR. BRISTOW: Tom Billone has his hand up.

MR. BILLONE: This is Tom Billone from United. B19. Domestic only, right?

MS. JAREMBACK: I'm sorry, I can't hear you very well. Could you speak a little more clearly?

MR. BILLONE: Okay. Can you hear me now? I feel like I'm on Verizon.

MS. JAREMBACK: I can.

MR. BILLONE: Section B19, all fares to domestic markets shall include existing -- and fuel surcharges. Okay. I don't know if the next slide is going to cover international, all right, but we had this issue last year. Anything that is incurred after the submission and prior to the contract date, when are we allowed to put those on the new FY contract? So in other words --

MS. JAREMBACK: Okay.

MR. BILLONE: -- if they have $100 in fuel surcharges that have occurred May to September 30, then can I put those on in place for the FY '14 on October 1, or do I have to wait until October 14?

MS. JAREMBACK: Okay. That is actually if you read the full text in Section C13, it explains that, but the answer is the very first day you can apply a fuel surcharge to the City Pair fares would be October 1 or the effective date of the contract if it happens to be later than October 1. So that is included in the C13 update. It should be very clear. So that is your answer. If it's after the date you submitted your offer but prior to the start of the contract period, then it's the effective date of the contract period.

MR. BILLONE: Thank you.

MS. JAREMBACK: Okay.

MR. BRISTOW: That's good. Thank you.

MS. JAREMBACK: Any other questions?

(No response.)

MS. JAREMBACK: No questions? Then we can move forward. Okay. The next update is the CRAF Program. In order to have a City Pair Program contract, you must participate in the CRAF Program in one of three ways.

The three ways are listed on the screen in front of you. One is to participate in the CRAF Program, receive a letter of technical ineligibility from the CRAF Office or be actively undergoing the CRAF approval process, and in order to be actively undergoing the approval process, you have to meet three requirements, as you see on the screen. They are complete a CRAF statement of intent, complete a CRAF proposal for the current solicitation and comply with the Defense Security Service requirements.

So those are the three things that need to be done in order to be actively participating in the CRAF Program, and that is new for the FY '14 solicitation. Questions?

MR. BILLONE: This is Tom Billone with United. This language was changed in a modification -- I guess it was and I don't know how many carriers signed that, but we did. I know a number of carriers refused to sign it. What happens if the other carriers refuse to sign it? Apparently that language is not in place for this FY '13 then. Am I incorrect or correct or what? I don't want to be the only airline out there that's signed this thing.

MS. JAREMBACK: Okay, Tom, the only thing I can tell you is that with your airline, and all airlines are responsible for meeting those new requirements of that modification you're speaking of, and they also are required to meet the requirements of the new FY '14 RFP language. That's all.

If you're a CRAF participant, you have nothing to worry about as far as that modification goes or this new language. If you're a CRAF participant, you have everything taken care of. Otherwise you have to meet those requirements that we talked about, that I just talked about and that are also in that modification that you're speaking of.

MR. BRISTOW: I have another question.

MR. HAAG: Jeff Haag with Southwest Airlines. We didn't sign the modification. We don't agree to this change in contract language, but I have some questions about what you're proposing. So how long can a carrier be undergoing the CRAF approval process?

MR. BRISTOW: What we've found is that some of the CRAF approval processes take longer than our contracting initiative does, so that's part of the issue, and that's why we want to make sure that each of these carriers are undergoing a CRAF technical ineligibility or the certification. That's really our biggest issue here.

MR. HAAG: But how long will they be allowed to go through the processing? Indefinitely?

MR. BRISTOW: It's not indefinite. It is as long as they continue to answer the questions from the CRAF certification process and as long as they're actively participating in that process.

MR. HAAG: Okay. So moving on to the last bullet point, comply with Defense Security Service requirements, is that something that you're looking for approval on on the front end, or they just have to be going through that approval process?

MR. BRISTOW: It's actually they just have to go through that process. We've had discussions with CRAF, and they're able to move this along a little bit quicker so that that process goes in concurrent with the other certifications and not afterwards. Is that correct?

MR. HAAG: It's my understanding that the CRAF eligibility can come fairly easy, and it's the Defense Security piece of it that delays the process sometimes for years.

So the reason they've brought us all to this point, GSA awarding contracts to carriers who weren't meeting the CRAF requirements as previously outlined in solicitations, mind you violating the contract for multiple years in that manner, that they could be going under the facility clearance, the security for facility clearance five, six, seven years and sometimes may not ever receive that clearance.

So how do we know that there's an end to this process and is this just GSA's attempt to delink the CRAF Program with the City Pair Program, because for as long as my understanding it's been that they go in tandem. You want to participate in the City Pair Program, you have to participate in CRAF. GSA violated your own contract language in that.

Now you're trying to modify it to make up for it and allow somebody to go through a process that could be going on for years. It could be going on forever. They could ultimately not get CRAF certification or never receive the level of security clearance, so I just don't understand how we're meeting both requirements by making these changes knowing that the process can be going on and has been going on for some carriers for several years now.

MR. BRISTOW: Yes. We've not delinked the process. It's not a move to delink it. It's a move to continually encourage participation in the CRAF process as well as the City Pair Program. To have all of the CRAF certification done prior to the City Pair awards, it may take us two or three years to get even a carrier on board, and it could be your carrier --

MR. HAAG: That's exactly what we have to go through, Jerry. Those of us that adhere to the contract language had to wait potentially those two to three years to receive the CRAF certification or to chase down a letter of technical ineligibility to be able to participate in the City Pair Program. Why is that not applicable anymore? Why is it that let's say you've got carriers who don't want to go through CRAF, that aren't required to jump through the same hoops that we were?

MR. JOHNSON: Jerry, if I could? This is Jay Johnson at USTRANSCOM. I understand a lot of the sensitivities around going through the CRAF process, but this is what I can tell you from a DOD perspective on this is what is happening now is that as long as the carriers go through those three steps, we are working with the Defense Security Service, so what's different about this whole process is timelines will be put in place.

The process that's going on right now, this is for FY '13. So, for instance, if an airline is going through that security facility clearance process today, as long as steps are being taken, that is due diligently going toward that conclusion, then there won't be an issue.

However, the minute -- and this is based on Defense Security Service assessment. The minute they see that we can't get there from here then they will make the call and say okay, I understand. The airline can still continue to go down that process for future contracts, but for this solicitation, the Defense Security Service will make a call that they think that hey, based on what they see the prospects are for this airline to qualify, they'll make that call.

MR. HAAG: And we'll be brought in that conversation and we're going to be -- so when will the other carriers that are adhering to the contract be notified if a carrier is disqualified or will not meet the security clearance, the security facility clearance within a given period of time, and how will those contract awards be handled?

MR. JOHNSON: I can't speak for GSA, but I can just say from Defense Security Service that information will be forwarded to GSA, and then of course as the contracting officers, you know, we defer to GSA.

MR. BRISTOW: Kristen?

MR. HAAG: That'll be prior to the awards going out? So will that determination be made prior to awards, so on March 21 when Group 1 awards or April when the Group 2 awards will be made, at that point, will you determine what carriers have met this CRAF certification and award accordingly, or will you continue to award to whoever you want like you have in the past?

MS. JAREMBACK: For a carrier to get a contract award for FY '14, the requirements of the RFP will need to be met. You can see what the requirements are. If they're actively undergoing the approval process, they will be awarded a contract. If they have a technical letter of ineligibility, they will receive a contract. If they participate in the CRAF program, they will receive a contract.

I'm not sure that this information regarding the CRAF program is something that I'm going to willingly give to all carriers, but what you know is what's publicly available, and that's information that you will get. If they're awarded a contract, they are meeting the requirements of the RFP.

MR. CLIFFORD: But, Kristen -- this is Denny Clifford at Delta -- in years past, the most recent couple years, three years, there were airlines that were receiving awards in violation of the terms of your own contract, as Jeff said. How did that happen? Where is the accountability? How do we know that it won't happen again? You've got this verbiage in the contract and they changed verbiage here, but, you know, as I just said, we've got carriers that are getting awards without meeting the terms of your own contract.

MS. JAREMBACK: The current terms of the contract, yes, they do meet them. Every carrier meets one of the three terms that you see and that were in the aforementioned modification, so they do meet them.

You know, I don't feel it's the appropriate forum right now to talk about individual carriers and things like that. If there's something that we need to talk about at a different time, I think there's a better forum for that, but I can tell you right now that each carrier that's been awarded a City Pair Program contract meets all of the requirements of the current contract. And for FY '14, if a carrier does not meet one of those three items that you see on the screen, they will not be awarded a contract. It's very clear.

MR. JOHNSON: This is Jay Johnson at USTRANSCOM. Also, just to add a little bit more clarity, particularly with Denny's concerns about what had happened in the past, I can tell you this, and this is coming from the office that has the most interest in having that strategic mobility, so we have a CRAF program, so I can tell you coming from that side of the aisle we will make sure that if a carrier plans on participating in CRAF that that process proceeds on a set timeline based on that carrier's ability to meet what those requirements are.

The minute that that is shown that that cannot be met, then we will be notifying GSA that based on the assessment -- and this will probably come from Defense Security Service because that's usually where the hang-up is. Most carriers, you can put in the same letter of intent, you can apply for CRAF contracts, but going through that facility clearance process to get that security clearance, it's going to be on Defense Security Service, the DSS. The minute they see that, hey, we can't get there from here, then they will make the call.

So I can't really go back and tell you in 2010 what took place, but I can tell you today this is a very critical part of this whole process because we rely on CRAF and we rely on the fact that the carriers that we have participating in CRAF are part of the City Pair. So I can just say no timeline is out there, but at the same time, when DSS makes the determination that says, hey, they can't get there from here, we're going to have to pull the plug.

MR. BRISTOW: We have been actively discussing this along the way as well, make sure that everyone has the capability to participate in both.

That's been our mantra together, and that's how we continue to walk down this for CRAF and City Pair Program. Any other comments?

(No response.)

MR. BRISTOW: I'm going to move on then.

MS. JAREMBACK: Okay. The next new requirement for the City Pair Program this year, there will be a new requirement for active duty military checked baggage fee waiver. That's Section B-32. And what this says is that checked baggage fees shall be waived for a minimum of three bags for all active duty military personnel of DOD and their dependents when traveling on orders and authorized by the Department of Defense.

And then the carrier may also waive more bags at their discretion and can include that as part of their offer. There is a section, B-32, for that.

MR. BILLONE: Question?

MS. JAREMBACK: Questions?

MR. BILLONE: Yes. Okay. Right now most carriers provide more than three bags.

MR. BRISTOW: Tom Billone.

MR. BILLONE: Tom Billone, United Airlines. I believe all carriers offer more than three checked bags for free. Now you're putting it in the contract, three bags. You don't think the four and five bags are going to go away? It's going to go down to three because you're putting it in the contract?

You're also saying active duty military, all right? We have issues with verifying whether they're active duty, number one, because 90 percent of the travelers, the military travelers, don't bring a copy of their orders, so we did away with orders. We said, you know, you got an ID card, that's good. Again, supposed to be active duty military on orders.

National Guard, their ID cards don't change when they're activated. Their cards remain the same, so we have no idea whether they're on active duty or not, and they get the baggage free.

So putting this in the contract could have a negative effect on the flexibility that the airlines are already showing to the military members because I don't want some private coming in and doesn't have their orders and doesn't have a personal credit card issued to them or their own credit card and be hitting them with a bag fee. I mean, so you put something in the contract, you can bet that's going to be how it's perceived. And if you can't verify whether somebody's on active duty orders, what's going to happen?

I think it's a bad thing to do. You know, I understand what people want, but all the carriers are doing a lot of things for our military because they're our protectors. I mean, some of us allow them pre-boarding, you know, some of us allow them to upgrade if they're in uniform or whatever, you know?

So you start putting stuff like this into the contract, a lot of things may go away, and I don't want to see that happen. Being ex-military, I don't want to see that happen. I want to see it to be as flexible as possible, and you start putting things in the contract, it's going to cause issues.

The other thing is you put this in the contract, we have a group called the Foreign Service who aren't part of the military. We've had that specifically with pets and our waiver for pets and they say, well, we're just like the military, we want that too. That's what's going to happen here. They're going to come back and say we're just like the military, we want the free bags. So you've got some real issues with this language. So that's our input.

MR. BRISTOW: -- of you to request that it is in the contract so that travelers when they got to the airport were not having to pay for some of those bags out of their own pockets. So that's where part of that came from.

MR. BILLONE: I don't know anybody that charges them. I mean, that's the whole thing. You have congressmen jumping all over this that don't really do the due diligence, you have Congress that's really not doing the due diligence as to what's happening here. You know, occasionally, yes, somebody may get charged, all right, they don't have orders, but if you want to get real sticky by putting it in the contract, you don't have your orders, you're going to pay. I mean, I don't want to do that. I want to be able to be flexible and say, hey, you know, this guy's got an ID card, let him go.

And so now you're going to make it so, you know, and then we're going to get another thing where a guy's got four on his orders and he says, hey, they didn't give me four free bags, and then it goes on YouTube and we get dinged like Delta did. I mean, you know, we're as flexible as we can be. We want to be more flexible. I understand the congressional issues. They want to know what are you doing for the military? What are you doing for the military? But when you put it in the contract, it's actually going to be detrimental in a way because they may not get what they got in the past.

MR. BRISTOW: Thank you.

MR. CLIFFORD: Jerry, this is Denny Clifford.

MR. BRISTOW: Denny, hold on.

MR. CLIFFORD: Delta's in full agreement with United's position on this for the same reasons. It doesn't need to be in terms in a contract. We've got our policies and they're out there.

MR. BRISTOW: Thanks, Denny.

MS. CARLOCK: Andrea Carlock with Defense Travel Management Office, and I guess this question is more from a contractual perspective. I understand what Denny and Tom, they're saying that they do offer more, and we appreciate that. Does that have to change? Can they still not offer the same thing that they're offering today as well as in the second airplane mode it says carrier may waive more bags at their discretion? So, if you are offering four bags or five bags, again, we appreciate that, can that not still continue to be the case?

MR. BILLONE: Tom Billone with United. Yes, it could, but when you put something in a contract, you're going to work for the contract. We may do anything we want to do, but if you're telling me three bags, I mean, yes, I'd like to give them free bags all the way, but you know what, three bags is going to be three bags, period. We'll go back to what it was before that brouhaha with Delta.

You know, it's been three bags for years. I mean, as far as back as I can go we've always given three bags. Why it has to be put in the contract is beyond me. I don't understand that. We do it for the military, and to be honest with you, if we ever pulled that away from the military, Heaven help us. You know, the front page of *The Washington Post*: Airlines diss military by not giving them bags. Congress would be all over us. So that's not going to happen.

We'd like to leave it the way it is. We have the option of giving them more. We don't want it in the contract because, to be honest with you, we've got to work toward what the contract says and it's going to be a detriment to the military vendors.

MR. PICKERING: This is Larry Pickering at State again. Is there a reason why we're not just going back to what we used to have with the, you know, two checked, one hand carry, you know, just as a standard contract requirement?

MR. BRISTOW: We've never had that in the contract requirements, Larry.

MR. PICKERING: Well, it was whatever the carrier offered for free it was before.

MR. BRISTOW: What the carriers offered. Right.

MR. PICKERING: Yes. I know. But that's what it was previously, and that's why I'm wondering if, you know, that seemed to work across the board, the carrier then would get paid because it stowed those bags and he would still be competitive because he's competing against other carriers for the same service.

MR. BILLONE: This is Tom Billone again. Man, I was not going to say anything, and that would be a miracle. Okay. As far as the bags go, all right, there's a financial issue here that you're not fully on board with and I guess you really don't care, Larry, but the fares today are 55 percent lower in real dollars or, you know, adjusted dollars than they were in 1980. They're 55 percent lower than they were in 1980. We as airlines can't move the price of tickets.

And how do we get revenue, okay? The way we get revenue are the ancillary fees, and bags for the past six years, seven years have been a way to get fees. We haven't given three bags in a long time, you know. It's like wanting to go back to, you know, the Model-T, Larry. We're moving forward. We're trying to get money.

Got an airline just imposed, came up with a fee that, hey, you want to board early, it's going to cost you $40, okay? This is how the airlines stay in business. We all lost money this year basically, I mean, so don't give us this thing we're making tons and tons of money in profit. We're in business to make money and a return for our investors, all right, and give you the best deal possible. You guys get the best deal ever, you know.

I know, Larry, you don't like this program, you want to go out on your own and do your own thing, and I guarantee you no carrier's going to give you what you get from this program.

MR. PICKERING: Well, I would just state that each carrier would focus on collecting what his baggage requirement is. He's bidding his own fare. Based on the international orders, it would be nice to see the baggage included in the fares.

MR. BILLONE: Well, some of it you do get. If you're flying on some of the coach air partners, they give you internationally one free bag. So, you know, you want to put it in, everybody wants to put this in the fares, everybody wants to put it in the fares. You're trying to reduce costs overall on the government, and now you're saying, well, put the baggage fee in the fare so the people who don't have bags will pay. That doesn't even make sense, Larry.

MR. PICKERING: I don't know anybody who travels internationally that goes bagless, Tom.

MR. BILLONE: Well, I'll tell you what. You get on some of those planes and see the carryon and don't tell me they don't, that they're checking bags, because they're not. I flew internationally and everybody, very few checked bags. Everybody was putting them on the carryon. You'll be gone for three days. What do you need a checked bag for? So, you know, you want people to pay and it's going totally against what the government is trying to do in reduced cost.

MR. PICKERING: Well, maybe it would be interesting to solicit it both ways, one with the bag fee, the two bags checked, one hand carried, and one at the current market.

MR. BRISTOW: Next one, Kristen.

MS. JAREMBACK: Okay. The next one is baggage fee consideration has been added to the cost technical tradeoff, and that's Section D-7. This is the price evaluation for Group 1. Under the cost technical tradeoff, additional value will be given to a carrier that does not impose a checked bag fee if that lower priced offer is within 2 percent or if that offer is within 2 percent of the lower priced offer.

If a carrier is awarded that market, they must maintain that baggage fee waiver throughout the contract period, meaning that they would not have a bag fee for that entire contract period if they are the awarded carrier for that market. Questions?

MR. BILLONE: Well, this is Tom Billone, United, again. You know, I wonder where the arbitrary 2 percent comes from. You have some carriers don't charge for bags. There's two I guess it is, Southwest and JetBlue. You've got one charges $15, one charges $25. That's an arbitrary 2 percent, which is not much. I mean, I'll agree with that.

But the question becomes where do we stop the evaluation process. We've got carriers that don't interline bags, okay? Are we going to take that into the process? We've got carriers that don't protect the passengers on other airlines. Are we going to evaluate that? I mean, it all comes out in the wash.

So because a couple of carriers are pushing for this evaluation change, I don't think it's correct because we could push for it and say, okay, look, this is what we do, why aren't we getting credit for that and they don't do that? I mean, it just doesn't make sense to come up with 2 percent, which is minimal, but still it's an arbitrary figure in our minds.

MR. CLIFFORD: This is Denny Clifford at Delta. We strongly object to this -- can you hear me?

MR. BRISTOW: Yes, we heard you, Denny.

MR. CLIFFORD: I'm getting feedback here, so it's kind of tough to talk.

MR. BRISTOW: No, we heard.

MR. CLIFFORD: You're really getting away from the, you're moving away from the longstanding evaluation criteria of fare and schedule. I mean, when would it stop, like Tom says. Are you going to have on time performance as a criteria? Are you going to have complaints or reliability? I mean, it unfairly works against the largest carriers you've got in this program who have consistently bid on this program, and it's not right. Tom's right. There's too much variability in all of their various policies. You can't now lay those into it.

MR. PICKERING: I think one of the things from the traveler -- this again is Larry Pickering from State -- is that the traveler shows up at different gateways with different charges at each location and ends up paying them out of pocket and going for reimbursement afterwards. That's what's causing a lot of problems. So, if we could get that included in the rate, it does a lot for our travelers.

MR. CLIFFORD: But, Larry, we're not talking about fixing that process. That is a separate issue. We're talking about how is a bid fare going to be evaluated in this program? The only two things it should be evaluated on is the schedule and the fares.

MR. PICKERING: Well, and the services, and it's include the baggage fee. That should be one of the options.

MR. CLIFFORD: Where do you stop? I mean, there was a time -- we've been down this road before. I mean, the GSA has proffered this before where reliability could be put in there, you know, on time performance, all of those kinds of things. There was even one a couple of years ago --

MS. JAREMBACK: Denny, let me interrupt you really quickly. We do look at all those things that you're referring to. That's not part of the evaluation criteria. It never has been, it never will be. What that does is that's your responsibility determination, and every carrier undergoes that, so that is part of it anyway currently. It's been part of it for the last 30, 34 years. We would not award you a contract if you didn't have good on time performance, if we didn't check all of the responsibility determination. We wouldn't do it.

What this is, this is not being assigned a weighting. What this is is it's being used as far as the cost technical tradeoff. We look at a whole host of different items under that technical portion. It's not simply schedule and fare, as you're saying. It's the level of service that is offered, nonstop versus connect, there are the type of aircraft used. There's a whole list of things that we look at. This is just another one of those things we look at in making our best value determination. So not by the choice that you're trying to say.

MR. CLIFFORD: You put a metric on this of 2 percent, and even if you didn't, it's still unfair to certain groupings of the participants in this contract and it favors others, and that's not right. It's got to be across the board a level playing field.

MS. JAREMBACK: Well, this is the more level, the playing field. Some carriers don't charge for bags. This is leveling the playing field.

MR. CLIFFORD: No, this is not.

MS. JAREMBACK: So everyone can compete on a more level playing field as far as getting an awarded market in a certain place.

MR. CLIFFORD: It slants it to the east end of the field.

MS. JAREMBACK: Two percent has not been slanted in any which way.

MS. SAMP: This is U.S. Airways. We also strongly object to this assumption that everyone is checking a bag. It's also under the assumption that everyone is charged for a bag that checks it. We have certain elite programs that your members are also in where they're already getting baggage waivers, and that's not being taken into consideration.

And as far as the policy, the DOT has already come out with a mandate saying that the first marketing carrier is the one whose rules apply. So from a policy perspective, there's another government entity working on that.

MR. PICKERING: Yes, but then again, this is a U.S. Government requirements contract and we determine what the requirements are.

MS. SAMP: So does that supersede DOT?

MR. HAAG: Jeff Haag with Southwest Airlines. We're in strong support of this modification to the contract. We have been championing this cause for several years. I'm thrilled to see the government's finally recognizing the tens of millions of dollars that you're saving annually as a result of Southwest Airlines not charging bag fees.

And I would assume that my colleagues in industry, and government would be open to this, could waive their checked bag fees for the government if they feel that this favors one carrier over another.

But I do have the same concern that Tom and Denny does on the 2 percent number. If the goal of this contract modification is to truly achieve cost savings, which it will, and I'm not good at math, but if your average fare is $300 and 2 percent of that is $6 and the average bag fee is $25, the math just doesn't add up. I don't know that you're going to see the savings with the 2 percent margin in this contract change that you're after. I'd be happy to share with you the hard numbers that you're saving on us on an annual basis, but I don't think the 2 percent is going to get you there.

MR. BRISTOW: The 2 percent is the variance in the offer. It's not a 2 percent of those costs.

MR. HAAG: Sorry. Jeff again with Southwest. You're potentially saving $25 let's say if you're going to check one bag. And you're saying that in order to take that baggage fee into assessment, if I'm understanding it correctly, the offer needs to be within 2 percent of the lower fare, correct?

MR. BRISTOW: Correct.

MR. HAAG: So how is the $25 savings justified within that 2 percent margin?

MR. BILLONE: It's an arbitrary thing.

MR. HAAG: It is. Yes. Completely. I mean, if the goal is to save $25, why wouldn't there be a $25 threshold within the lowest priced fare or $20. Then you save $5, you know? And that's just on the assumption of one bag. But I just don't know that the -- I mean, the 2 percent I think was just kind of thrown out there, but it isn't going to represent any real savings.

MR. COYLE: This is George with American Airlines. Actually, we oppose this as well, but I do have a question if it excludes military markets, because our airline, we offer five complimentary bags, we waive the excess baggage fee, which could be 100 pounds for an adult, we waive the dimensions, we offer complimentary upgrades, we offer free Admiral's Club admittance. A very small percentage of travelers actually pay baggage fees because of our Advantage Program.

So I'm not sure a lot of study has actually been done on what percent or how much actual bag fees a government traveler is spending. I know we also have to consider DOD, the prime DOD markets where we're offering more than our competitors or at least in line with majors.

MR. BRISTOW: Thanks. Jerry?

MR. BURKE: This is Tim Burke. I oppose having to stay here any longer -- but I think if I can comment on the answer to the question about the 2 percent -- the government, different oversight groups, both with Congress, the Inspector General and the people in this room, right, the Inspector General reviewed the program for City Pair based on my request on a couple of different items. One of those items was the evaluation criteria.

My evaluation criteria elements had to do with the cost of a trip today versus what it was five years ago. The cost of a trip, respectfully to Denny, he said that the longstanding fare and schedule model has also changed with the airlines. You're no longer fare and scheduling model. You have ancillary fees, so ancillary fees are being looked at.

But the option for bags, it's not arbitrary, but it's not actually complete yet either. So this would press down onto Jerry's program I think from the IG, correct, Jerry?

MR. BRISTOW: The IG, yes.

MR. BURKE: So they made an assessment, and in the spirit of full transparency, I want to share that with everybody. It lacked some of the feedback from industry. So the purpose of a meeting like this is to draw this exact feedback. So I don't want to jump in and insert, Jerry, where you and Iman and others are working on this, but I think isn't that what the finding was? They gave you a number that wasn't arbitrary, but it probably did not include the feedback we're hearing from industry, am I correct?

MR. BRISTOW: Correct.

MR. BURKE: Okay. So our walkaway from these meetings are take this and seriously reconsider those things that we haven't fully considered, and I would have to say that that 2 percent number has not been fully considered. Is that a fair statement?

MR. BRISTOW: Correct.

MR. BURKE: Okay. Good. Thank you.

MR. BILLONE: This is Tom Billone, United. One of these days somebody is going to tie my hands behind my back and I won't be able to talk.

MR. BRISTOW: It could be today, Tom.

MR. BILLONE: This rule, this evaluation, okay, primarily affects domestic markets, probably domestic markets only since it's mostly geared for Southwest. I think JetBlue is the only other one that doesn't charge for bags. Very limited in international markets there.

So if revenue, pricing and revenue management is doing their job, you get very competitive bids in the markets where Southwest is and the other carriers are, okay? So you're talking about a minimal effect totally. I mean, this just seems like it's a gnat basically just to annoy the major carriers or to placate Southwest. I mean, let's be honest. It's you guys who were pushing it.

MR. BRISTOW: Well, we can talk about it.

MR. BILLONE: No, I don't want to point fingers or anything. I just think it's primarily only domestic where the effect is going to be. You already have competitive fares in those markets. I guarantee they're probably within 2 percent. So, you know, I mean, the 2 percent, like I said, is minimal. And if we feel it should be higher and we don't want it, you know, so be it, but we're against putting any kind of that into an evaluation. That's all. Nevermind.

MS. SAMP: This is U.S. Airways. What

percentage of the government travelers are actually being charged bags today?

MR. BRISTOW: Yes. We don't have that on a per agency basis yet. No.

MS. SAMP: So you're unsure of how much you're trying to save by doing this?

MR. BRISTOW: Yes, but this is evaluation criteria, which is different than a savings number. Exactly. Anything else on this?

(No response.)

MR. BRISTOW: Okay. City Pair points of contact are as follows. We're also going to put this out on the site, correct? So we'll have this out on the site for everyone to use as they want so they can take that back to their headquarters or do whatever. So we will be posting that. These are the points of contact: Kristen Jaremback is Contracting Officer; Leah Ballis, Contract Specialist; Jerry Ellis, Business Management Specialist; Keith Smiley, Director, Travel Acquisitions; myself, Jerry Bristow. All of those are our points of contact for you to be able to utilize and have discussions.

Any contract or City Pair Program general inquiries, contract related issues should go onthego at gsa.gov. Program-related issues would be travel.programs@gsa.gov. And again, our toll-free numbers are for you to be able to contact us. Any questions?

MR. LOGAN: Yes. This is Keith Logan from GAO. Is it possible when you have a meeting to talk about whether or not we're going to institute the 48-hour rule, cancellation rule, with the State Department that others can be invited to that? Because I think we have a good program in place to mitigate that, but I don't know what I don't know.

MR. BRISTOW: Okay. Thank you. We'll take that in consideration.

MR. LOGAN: Okay.

MR. BRISTOW: Any other items for discussion? Anything else that we missed for this year?

(No response.)

MR. BRISTOW: As always, it's been active. We always have active discussions here amongst us with our industry partners. We appreciate you being here. And we'll take these takeaways here, get back to you and see how we move forward on these in the next couple weeks. So we'll be back in touch with you, and we'll be able to schedule via webcast any other meetings that we would have on this, okay? Thank you so much, and appreciate your attendance. Good to see you.

(Whereupon, at 12:06 p.m., the FY2014 City Pair Program Pre-solicitation Conference in the above-entitled matter was concluded.)

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REPORTER'S CERTIFICATE

CASE TITLE: FY2014 City Pair Program GSA Pre-Solicitation Conference

HEARING DATE: February 5, 2013

LOCATION: Arlington, Virginia

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the General Services Administration.

Date: February 5, 2013

Chris Mazzochi
Official Reporter
Heritage Reporting Corporation
Suite 600
1220 L Street, N.W.
Washington, D.C. 20005-4018