

General Services Administration
Office of Governmentwide Policy

Governmentwide Per Diem Advisory Board Report

July 2003

Governmentwide Per Diem Advisory Board

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Ms. Becky Rhodes
Deputy Associate Administrator
Office of Governmentwide Policy
General Services Administration
Washington, DC 20405

Dear Ms. Rhodes,

On behalf of the Governmentwide Per Diem Advisory Board, I would like to thank you for the opportunity to participate in the Federal government policy-making process. The Board recognizes that the Federal government and industry must work together to create recommendations for successful programs and this FACA has allowed us to do just that.

The collective efforts and dedication by Board Members and Participants, including the GSA staff members assigned to our project, have allowed the Board to thoroughly research issues and produce viable recommendations. In addition, the Board met with numerous government and industry personnel who readily offered their time and assistance. These initiatives have the potential to affect all stakeholders and, therefore, deserve ample consideration. The in-depth research and dedication of all participants demonstrates the fact that the Federal government per diem and lodging programs are important to both the Federal government and public, including the travel industry.

We believe that the implementation of our recommendations will enhance both the Federal per diem process and assist in the development of an effective government-wide lodging program. Again, thank you for the opportunity to serve. All Board members are available to provide further assistance.

Sincerely,

Lori L. Brooks
Chair

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Executive Summary

Title 5 Section 5702 of the United States Code [Title 5 U.S.C. Section 5702] authorizes the General Services Administration (GSA) to establish allowance rates (lodging, meals and incidental expenses) for travel within the Continental United States. All individuals traveling on behalf of the Federal government, including civilian government employees, Department of Defense (DoD) personnel, and persons on invitational travel orders must adhere to these rates. These rates also apply to cost reimbursable contractors in most situations.

The Governmentwide Per Diem Advisory Board (the Board) questions the appropriateness of the per diem rates, the methodology used to calculate the allowances, and whether the current processes and programs are the most suitable. To address these questions, the Administrator General Services established the Board to review the current process and methodology used to establish the Federal per diem rates within the Continental United States (CONUS). In addition, the Board was established to provide advice regarding best practices for a governmentwide lodging program. In conducting its work, the Board has been subject to the Federal Advisory Committee Act (FACA), as outlined in its Charter, filed with Congress on May 13, 2002. The Board focused on issues related to transient and extended-stay travel. Travel associated with relocation or permanent change of station (PCS) was not evaluated because it is being addressed by a separate GSA-sponsored group. The Board's membership consists of both Federal and State government officials along with industry experts who have applied their knowledge and engaged in research with other knowledgeable individuals and industry organizations to examine topics related to governmentwide per diems and lodging programs.

To assist in achieving its objectives, the Board created two subcommittees, Governmentwide Per Diem Subcommittee, and Government Lodging Program Subcommittee, to conduct research and provide advice, ensuring that all activities of the subgroups complied with FACA. The subcommittees' deliverables were:

- The Governmentwide Per Diem Subcommittee presented recommendations for improvements to the per diem rate-setting process and methodology for meals, lodging, and incidental expenses within CONUS.
- The Governmentwide Lodging Program Subcommittee presented recommendations for a nationwide government lodging program that provides government travelers with properties appropriate to mission requirements, provides the government with the best price value, and is commercially viable to the industry.

The Board established four specific goals to ensure it achieved its mission:

- 1) Fully understand the methodology and process of the current CONUS per diem rates as well as the current lodging programs in place in the Federal government.
- 2) Review foreign government(s), State governments, and corporate per diem and lodging programs to determine best practices. Present best practices to GSA.
- 3) Determine criteria for a successful CONUS per diem and a governmentwide lodging program.
- 4) Make recommendations to GSA for future CONUS per diem and a governmentwide lodging program, which will provide the most benefit for key stakeholders.

To ensure thorough understanding of both the current processes and methodology of the per diem and government lodging programs, the Board consulted with government personnel tasked with managing these programs. The Board also researched the impact of the current programs as used by government agencies and travelers through interviews with government representatives including Federal Executive Boards (FEB's). Additionally, the Board conducted a survey on traveler satisfaction with the current per diem rates, which resulted in over 12,000 responses. Further, the Board reviewed pertinent published articles and comments in GSA's "No-Vacancy" website to evaluate satisfaction levels. To obtain information regarding "Best Practices" for per diem and lodging programs, the Board

surveyed officials with State governments, Canadian provinces, travel agencies, and corporations, including cost-reimbursable contractors. The Board also obtained assistance from the National Business Travel Association (NBTA) and industry consultants to identify common and best practices. Throughout this process, the Board worked closely with government entities, including GSA, DoD, and various other government agencies.

Based on research analysis and industry expertise, the Board established criteria for a) setting appropriate per diem rates and b) developing an effective governmentwide lodging program. After extensive review of other alternatives, the Board endorsed use of the current per diem reimbursement structure (lodging at actual expense up to the GSA-established maximum and a fixed meals and incidental expense (M&IE) allowance). The Board has developed recommendations that include a total revision of the current lodging per diem methodology, which will cause per diem rates to be set based on substantiated market data. Revision of the incidental expense model and a more regular benchmarking of Federal meal rates are also recommended. In addition, the lodging best practice recommendations provide a streamlined approach to a governmentwide lodging program, which will realize savings for the Federal government while providing Federal travelers with appropriate accommodations, within per diem, and are viable to all stakeholders. The Board concluded that lodging programs, which are effectively managed, are most successful and recommends that GSA take appropriate action to establish and manage one governmentwide program for all Federal government travelers.

The Board recognizes that only one organizational entity within the Federal government should be responsible for the management of a governmentwide lodging program and the per diem process. This entity should serve as a forum for development, education, training, and information sharing among Federal travel officials with significant carryover to Federal travelers. To carry out these duties effectively, this entity's role among Federal travel officials must be strong by implementing training resources, feedback forums, appropriately setting per diem rates, and establishing a successful governmentwide lodging program.

When evaluating recommendations, the Board considered all stakeholders including Federal travelers, taxpayers, and industry as well as Federal budgets. With these stakeholders in mind, the Board identified and supports these fundamental changes in Federal travel management. Although the Board considers the recommendations specified in this report to be most appropriate for resolving the questions that have been raised, it has not examined in detail the implications of implementation. Consequently, the Board recommends a pilot program be established to measure the impact of these recommendations. In addition, the Board recognizes the probable need to adjust statutory regulations and policies. Therefore, the Board recommends that GSA establish a time-line, in coordination with the impacted government agencies, for implementation.

GSA estimates that 93,000 Federal travelers are affected by its established per diem rates on any given business day. Implementation of these recommendations will yield significant but needed changes in the methodology for Federal per diem rates and government lodging programs.

[For the summary of recommendations, see page 60 of this report.]

Background

The government spends approximately \$2.5 billion a year in subsistence expenses for employees on official travel. Title 5 U.S.C. Section 5702 authorizes GSA to establish domestic per diem rates and develop procedures for reimbursing subsistence expenses incurred by Federal employees during official travel. In FY 1986, the Administrator of General Services established the Lodgings-Plus Per Diem Reimbursement Program to provide for payment of a fixed allowance for meals and incidental expenses, plus the actual cost incurred for lodging up to a maximum amount set by GSA.

GSA's Office of Governmentwide Policy (OGP) assumed responsibility for the CONUS per diem rate setting process in Spring 1996. There were at that time a number of problems identified by both the Federal community and lodging industry. These mostly involved communication, data analysis, and use of the Fire Safe Hotel/ Materiel list maintained by the Federal Emergency Management Agency (FEMA).

A concerted effort was started to involve all affected parties in the rate setting process. OMB was invited into the process from the start. Because they were the ultimate approval office, involving them in the rate development process made sense. The FY1997 rates were published on a timely basis — effective January 1, 1998. An outreach program was started that sought advice from the lodging industry and from Federal agencies — both in Washington, DC and in the field. Quarterly meetings were set up with the American Hotel Lodging Association (AHLA — previously known as the American Hotel and Motel Association). These meetings also included Federal agencies and the National Business Travel Association (NBTA). NBTA was invited because its membership included a number of corporations doing business with the Federal government that were impacted by the per diem rates. They could also share their approaches to per diem rate setting from their companies' perspective. Contact was made with FEMA to see what could be done to expand the Fire Safe Hotel/Motel Master List. Communication plans were developed to better inform all parties — including Congress — of what went on in the rate setting process and what appeal rights were available.

Many changes were made to improve the rate setting process for FY 1998 and beyond. First, any upper and lower limits on rate adjustments were eliminated. Second, joint efforts with industry encouraged properties to become FEMA-approved. There are now over 31,000 properties that are FEMA-approved. Third, the process was open to scrutiny by all parties and GSA traveled to any location in the country that indicated a deficiency may exist to see what could be done to ensure fair and equitable rates. The survey questions themselves were shared with AHLA so their membership could recommend changes that might elicit better responses. Finally, the effective dates of the rates were changed to a fiscal year basis to better reflect the government's budgeting process rather than the calendar year basis as before.

While GSA feels the process has improved considerably, concerns about the entire approach still exist. Prime among them is that the survey, which is a telephone survey, is a snapshot of the rate picture at a certain period of time. Properties have no obligation at all to honor the per diem rates — even ones they quote in the survey. In fairness to the properties, they also have no idea as to the volume of business to be expected from the government when they are quoting these rates. Based on feedback from the Federal community, insufficient per diem rates were prevalent in downtown locations (where many Federal buildings are located). Hotels were reluctant to commit to providing rooms to the government year-round — they used government business to fill in holes in their commercial sales.

This became such a problem that the GSA heard from the Federal Executive Board members (FEB's) at their national conference in 1999 about their high level of dissatisfaction with the rates in major travel markets. The outcome was a renewed and stronger working relationship between GSA and the FEB's. GSA discussed an idea it had been developing to reflect good business practices — contracting for hotel rooms in high travel markets. The FEB membership endorsed the concept at their national meeting and asked GSA to implement it in their locations.

The concept of contracting for rooms had been explored by GSA for several reasons. The Board met with the President of AHLA and the Executive Director of NBTA to learn what the private sector does in the lodging market, then followed up with numerous meetings with certain constituents. From these meetings with the AHLA and NBTA, it became clear that contracting was the approach being taken by the majority of private industry. It was indeed a best business practice. This was also confirmed at a meeting with the Canadian Government, which was already contracting for rooms for its travelers when they visited the United States.

It also made sense to better utilize the volume of business that the Federal government brings to the marketplace. The Federal government, viewed on the whole, is the single largest travel entity in the United States. Based on the business being done, the Federal government should be better positioned to ensure room availability in the appropriate locations so travelers' time and resources are used most effectively.

The relationship with the FEB's has developed to the extent that GSA attends their national conference each year to update them on the per diem and hotel contracting efforts. GSA also visited FEB's in Boston, New York, Denver, Chicago, St. Louis, Minneapolis, Los Angeles, San Francisco, Dallas/Ft. Worth, Houston, Portland, Seattle, Baltimore, and Miami to hear directly about their problems. The same message is conveyed to GSA each time — the Federal government cannot get rooms in the right location at per diem year-round. All of the above FEB's — plus others — have

supported the contracting approach. They have hosted meetings with the Federal community and the lodging industry in their cities and provided logistical help for the contracting process itself.

In deciding to pursue the best business practice of hotel contracting, GSA realized that some programs already existed in the government. GSA San Francisco had the Value Lodging Program (previously the Best Value Lodging Program — BVLV), Navy had the Navy Elite Program, and Army had the Lodging Success Program. Many agencies had specific contracts in certain destinations to meet their individual needs, but the above three were the only national approaches. GSA contacted the responsible offices for all three before pursuing the contracting effort.

The U.S. Army's Lodging Success program was similar to the Navy Elite Program. It was geared toward properties near Army installations and available to DoD personnel. However, the Army decided that they could alter the program to meet GSA's needs. Consequently, GSA and the Army entered into an agreement for the Army to conduct a pilot program on hotel contracting in Boston. As intended, the pilot program proved extremely useful in identifying areas needing improvement. It also highlighted some of the difficulties of trying to modify the Army program to fit a governmentwide application. The Army focused its reservation process through its internal reservations center. However, this center was not able to access room data from contract properties electronically. Having civilian agency personnel use the Army reservation center also proved difficult. Upon completion of the pilot project, GSA and the Army mutually agreed to dissolve the agreement, allowing GSA to pursue other avenues of contracting action.

OGP entered into a Memorandum of Understanding (MOU) with GSA's Federal Technology Service (FTS) to have FTS handle the contracting actions. This was a reasonable extension of the fact that FTS already did the contracting for the annual per diem survey.

GSA has spent considerable time and effort in developing enhancements to GSA's Per Diem Program and the development of the hotel-contracting program, now known as the Federal Premier Lodging Program (FPLP). The Federal community, through the FEB's, expressed the need for a lodging program in major metropolitan "downtown" markets. It was supported by the complaint history that GSA had developed from specific travelers (through the "No Vacancy" software program on the GSA per diem website). FPLP was designed to reflect a best business practice as identified by the lodging industry and the business community. GSA feels that it is a program that will grow and improve as better data becomes available to the government.

Brief History

The Federal government spends approximately \$2.5 billion a year in subsistence expenses for employees on official travel. Public Law 99-234 (1986) authorizes GSA to establish domestic per diem rates and develop procedures for reimbursing subsistence expenses incurred by Federal employees during official travel. GSA established the Lodging-Plus Per Diem Reimbursement Program to provide for payment of a fixed allowance to cover meals and incidental expenses, plus the actual lodging cost incurred up to a maximum amount set by GSA.

The GSA Federal Travel Regulation (FTR) defines per diem as "a rate established by GSA for reimbursement of lodging, meals, and incidental expenses for Federal civilian employees while traveling overnight on official business within CONUS. The rate should provide sufficient reimbursement for government travelers to eat in safe and comfortable full-service chain-style dining establishments, and lodge in safe and comfortable accommodations. The per diem rate for a destination is calculated by adding together the lodging and Meals & Incidental Expenses (M&IE) allowances for that destination."

Two categories of per diem rates are established: a standard rate for the vast majority of the country, and specific locality rates for higher cost destinations. The standard rate is commonly referred to as the CONUS rate, which covers approximately 7,500 destinations. In addition, GSA sets specific locality per diem rates for approximately 500 destinations within the CONUS. The locality-specific lodging per diem rates are reviewed annually and the meal rates triennially.

For the lodging per diem study, GSA has historically hired an independent contractor to survey approximately 500 locations annually throughout the country. The survey involves directly contacting

the General Manager or Director of Sales at properties in the designated survey location and gathering information from them to use in rate development. The requirement to contact the General Manager and Director of Sales started in FY 1998. Prior to FY 1998, the contractor contacted the front desk or reservations clerk.

In FY 1999, GSA established the Federal Premier Lodging Program (FPLP). GSA established this program as a “remedy” for the Federal traveler to obtain lodging in downtown areas in major metropolitan locations. For those locations, GSA uses industry reported Average Daily Rate (ADR) data as the basis for negotiating lodging contracts. The highest negotiated rate becomes the lodging per diem for the location.

For the M&IE per diem rates, GSA has historically surveyed restaurant establishments to capture the total meal cost for a specific location. After determining total meal costs, the meal cost data is assigned to an appropriate tier. These tiers are the actual M&IE rates (currently \$30, \$34, \$38, \$42, \$46, \$50) associated with each location.

For both the lodging and restaurant establishments, the contractor is required to contact 2 or 3-star/diamond rated facilities [as rated by the American Automobile Association (AAA) or Mobil]. However, for the lodging study, the establishments must also be on the Fire Safe Hotel/Motel Master List maintained by FEMA. GSA required that the contractor strive to capture sufficient data to achieve a 95-percentage point confidence level, plus/minus a two-percentage point precision level.

Preparation and Review

The Board was tasked by its charter to review the current process and methodology used by GSA’s OGP to determine the per diem rates for destinations within the CONUS. In addition, the Board was asked to provide advice regarding best practices for a governmentwide lodging program. Thus, the Board created the Governmentwide Per Diem and Governmentwide Lodging Program Subcommittees to achieve this goal. During early organizational meetings, the Board defined its mission to respond to the charter objectives.

Mission Statement:

The General Services Administration’s Governmentwide Per Diem Advisory Board (Board) will review the current processes and methodology used to establish the Federal Per Diem rates within the Continental United States (CONUS). Through its review, the Board will present recommendations for improvements to the process and/or methodology. The Board will also provide advice regarding best practices for a governmentwide lodging program.

The Subcommittees agreed that the goal would be reached by following a pre-defined process and project management timeline with clear milestones. In accordance with the schedule set by the Board, in conjunction with the Designated Federal Official (DFO), the Subcommittees agreed to these phases: research, presentation of findings, analysis of research, and a compilation of results from the analysis. This would be followed by a presentation of the final recommendations and a vote on the recommendations for the final report.

To ensure that recommendations were fair and equitable, the Board identified government travelers, civilian and military government agencies, Congress, industry partners, travel agencies, government contracting offices, and U.S. taxpayers for consideration. The Board also reviewed information from a variety of published sources, such as the Washington Post, NBTA papers and studies, the Government Executive magazine, the Military Times publications (Army Times, Navy Times, etc.), and Business Travel News. It has also reviewed survey data on corporate travel management policies, cost, and practices published by commercial industry data sources.

Data and Information Collection

To supplement the review of published information and available data, the Board surveyed numerous groups relevant to decision-making, including Federal travelers, States, and corporations for information on current practices associated with lodging and meals per diems. The Board interviewed representatives of Federal agencies, Federal Executive Boards, the Internal Revenue Service (IRS), and the Office of Management and Budget (OMB). For all surveys¹, the Board developed, approved, and distributed questionnaires in advance. [See Appendix A: <http://www.gsa.gov/travelpolicy> for survey details.]

In focusing on specific matters, the Board investigated every aspect of the topic, from the viewpoint of all stakeholders. The two subcommittees formed working groups as described below:

Governmentwide Per Diem Subcommittee:

- Criteria Working Group – This group developed criteria under which a per diem program should be established.
- Existing Practices Working Group – This group examined and evaluated practices currently utilized by corporate America, State governments, Federal agencies, and the Canadian government.
- End-User Impact Working Group – This group reviewed impact of the current system on travelers, evaluated impact of recommendations, evaluated criteria, and recommended improvements.
- Existing Per Diem Methodology Working Group – This group examined the methodology and process currently in place and identified their strengths and weaknesses.

Governmentwide Lodging Program Subcommittee:

- Best Practices Working Group – This group looked at commercial industry programs that are currently in place for corporate and government travel.
- Distribution Systems Working Group – This group explored all mechanisms whereby a hotel reservation could be completed, and the costs associated with the various models. The group also identified other implications of reservation channels.
- Outsourcing Working Group – This group explored and evaluated the various vehicles for program design, implementation, and management for the government.

Realities

During its research, the Board identified several realities that, in its opinion, were instrumental in assessing the findings and developing recommendations. While the report examines these realities throughout, the Board wants to identify them clearly at the beginning because they had such an impact on the outcome. These realities are:

- Reimbursing travelers at actual expense is not an option. The positive effect of per diems on cost control and budgeting at the Federal government level is too great to be eliminated. Moreover, per diems also have a significant positive effect on State government cost controls and budgets.
- Many laws and regulations affect the per diem setting process. Changing laws will require significant time, effort, and justification.
- Other entities outside the Federal sphere rely on per diems. The residual impact on these entities was considered throughout the process.
- GSA has another advisory group working to improve permanent change of station (PCS). Thus, this report does not address that issue.
- In the course of its work, the Board could not identify precise data to gauge travel occurrences and expenditures. Thus, it was not able to reach conclusions about the cost impact of many of its recommendations. Therefore, GSA will need to conduct a pilot study to determine the feasibility and budgetary impact of the recommendations contained in this report.

Criteria

The Board established program criteria and criteria characteristics to frame discussions and create a method for evaluating per diem and government lodging program options. The elements around which programs were examined are defined below.

A - Complies with laws and regulations

A program should comply with applicable statutes and regulations, including Federal Travel Regulation (FTR), FEMA, Title 5 U.S.C. Section 5702, Americans with Disabilities Act (ADA) requirements, Federal Acquisition Regulation (FAR), and other applicable statutes and regulations or identify the need to change statutes or regulations deemed inappropriate for achieving optimum outcomes.

B - Provides an effective methodology

1. Sets realistic goals – A program should set goals that are attainable and reasonable. For example, changes in expense reimbursement limitations should be justified by changes in market rates, and the lodging industry should be willing to accept the rates.
2. Is auditable, justifiable, cost-efficient – Travel managers must be able to determine whether the expense incurred, or to be incurred, falls within ranges determined to be appropriate. The process around which this determination should be made must be cost-efficient. The lodging program must be auditable and “traceable” by the Federal government and industry.

C - Facilitates travel

1. Provides a repeatable process and applies a standardized approach across locations – The process for calculating travel expense reimbursement rates needs to be consistent among locations and from year to year.
2. Enforceable – The government should be able to determine whether its travelers adhere to established rates.

D - Ensures rooms will be available – Rates should allow Federal travelers to obtain rooms. In other words, rates should be high enough that hotels will make enough rooms available to government travelers to satisfy demand.

E - Facilitates budgeting – Rates to be paid should be predictable or laid out in advance.

F - Easy to communicate – Examples of items that should be easy to communicate include geographical borders around which rates are set, time frames around which rates are to apply, and the rules governing the system.

G - Easy for accounting/vouchering – Rates should be predictable and predefined to preclude problems for completing and approving vouchers and entering the data into an agency’s accounting or financial management system.

H - Accommodates local market conditions

1. Offers flexibility – Procedures for establishing rates should be able to accommodate fluctuations/variations in various markets.
2. Reflects local market conditions – Lodging rates vary by location, time of year, day of week, etc. The established reimbursement rate should accommodate these geographical variations.
3. Equitable allowance and reimbursement – Individuals traveling within established parameters should not be required to subsidize their travel. Reimbursement rate should also be fair to lodging industry.

I - Meets stakeholder expectations

1. Dependable – Lodging industry, OMB, GSA, and travelers should be able to understand and rely upon the rate setting methodology.

Federal government – The rate should be low enough to satisfy OMB, IRS, Congress, and other governmental organizations charged with restraining the costs of conducting government business.

Lodging industry – Reimbursement rates should be fair to the lodging industry, so that they will make rooms available to government travelers.

Taxpayers – The process used to determine reimbursement rates should be efficient, and the rates should be reasonable.

Travelers – Reimbursement rates should be high enough to enable government travelers to obtain suitable lodging.

Corporate entities – The reimbursement rates should be acceptable to Cost Reimbursable Contractors (CRC's).

Other users – The reimbursement rate should be acceptable to companies and States that use Federal government per diems.

2. Cost-efficient – The cost of implementing and maintaining the methodology for determining reimbursement rates, as well as the cost of managing a government-lodging program, should be reasonable.
3. Balances fiscal restraint and need to travel – Reimbursement rates should be high enough to facilitate travel, but reasonable.

Report

Issue One: Lodging Per Diem Rates

Issue Two: Standard CONUS Rate

Issue Three: Meals Per Diem

Issue Four: Incidental Expenses

Issue Five: Current Lodging Per Diem Methodology and Process

Issue Six: Government Lodging Programs

Issue Seven: Lodging Distribution Channels

Issue Eight: Outsourcing Governmentwide Lodging Program

Issue One: Lodging Per Diem Rates

Many travelers who adhere to the current lodging per diem rates claim that the rates do not provide sufficient reimbursement in all areas and restrict access to downtown locations.

Discussion

The Federal government spends approximately \$2.5 billion a year in subsistence expenses for employees on official travel. Title 5 U.S.C. Section 5702 authorizes GSA to establish domestic per diem rates and develop procedures for reimbursing subsistence expenses incurred by Federal employees during official travel. GSA established the Lodgings Plus Per Diem Reimbursement System to provide for payment of a fixed allowance for meals and incidental expenses, plus the actual cost incurred for lodging up to a maximum amount set by GSA.

The FTR [41 Code of Federal Regulations (CFR) Section 301-3.1] defines the per diem allowance (also referred to as subsistence allowance) as a daily payment instead of reimbursement for actual expenses for lodging (excluding taxes), meals and related incidental expenses. As a regulation, the per diem allowance is separate from transportation expenses and other miscellaneous expenses. The per diem allowance covers all charges, including taxes and service charges where applicable for lodging, meals, and incidental expenses.

The FTR (41 CFR Section 300-3.1) specifies that the lodging per diem includes expenses, except lodging taxes, for overnight sleeping facilities, baths, personal use of the room during daytime, telephone access fee, and service charges for fans, air conditioners, heaters, and fires furnished in the room when such charges are not included in the room rate. Lodging does not include accommodations on airplanes, trains, buses, or ships. Such costs are included in the transportation costs and are not considered as lodging expenses.

Two categories of per diem rates are established: a standard rate (currently \$55 for lodging and \$30 for meals and incidental expenses) for the vast majority of the country, and specific locality rates for higher cost destinations. GSA sets specific locality per diem rates for over 500 destinations within the CONUS. There are over 7,500 other destinations that are considered Federal travel destinations. These destinations are covered by the standard rate.

Historically, GSA has hired an independent contractor to conduct an annual survey of approximately 500 locations throughout the country. That survey involved directly contacting the General Manager or Director of Sales in properties in the designated survey location and gathering information from them to use in the rate development. The properties contacted had to be either 2 or 3-star/diamond rated facilities (as rated by AAA or Mobil) and listed on the Fire Safe Hotel/Motel Master List Database maintained by FEMA. The contractor was responsible for gathering sufficient data to achieve a 95-percentage point confidence level, plus/minus a two-percentage point precision level.

Findings

Decision-Making Flow Chart - Lodging

To address the complexities presented by the task at hand, the Board developed a process chart to clarify the decision-making process and help foster a common language and analysis plan among the team members. Each section of the chart is explained immediately below. A more thorough discussion of each section and its impact on the decision-making process follows. Each level of the chart influenced the issues posed by the more micro-levels.

Program Type: At the strategic level, the Board's first task was to identify the potential programs that can govern a travel reimbursement process. Team members engaged in a detailed discussion to

describe each program alternative, identify sample programs, note advantages and disadvantages, and summarize the conclusions.

Determine Demand and Geographic Areas: Issues addressed by this component include: establishing where people travel, determining logical geographical boundaries for locations, and identifying how many room nights are needed in a given area.

Universe Selection: This step of the chart required the Board to identify which properties should be included for rate-setting. Statute currently requires properties to be FEMA-approved. In addition, GSA has a policy that only 2 and 3-star/diamond properties should be included. A challenge of the Board was to determine whether the universe selection was appropriate.

Determine Time Frames: This step was highly influenced by those that preceded it. Questions addressed at this point included: how frequently to update rates, how to deal with seasonality, whether to separate weekend from weekday rates, and, for a governmentwide lodging program, duration of lodging contract or agreement.

Rate Research: A key factor that affects characteristics of per diem rates is data source(s) to rely on for rate information and how to use that information to set per diems. Over the course of its research, the Board analyzed twelve rate research methods.

Property/Chain Selection: This level is also greatly influenced by the previous decision steps, most importantly, "Program Type." This level requires analysis when the program type includes pre-selected properties or chains.

Reimbursement Options: Perhaps the paramount concern for the traveler, this level seeks to identify the most efficient and reasonable way to reimburse the traveler for travel expenses that have been, or will be, incurred.

Lodging Per Diem Program Types

Theoretical

The Board first identified and defined four generic programs under which a lodging per diem program could exist: 1) company-wide discount, 2) hotel property-based, 3) area or location-based, and 4) actual expenses. For each program, the Board documented the associated processes, listed advantages and disadvantages, discussed impact on stakeholders, and, taking all characteristics of each program into consideration, voted to determine which system would be best for a governmentwide solution.

1) Company-Wide Discount Program

This program would be similar to that offered by the American Association of Retired Persons (AARP). Travelers would simply be issued a card indicating that they are a government traveler. Hotels, in turn, would agree to provide a negotiated percentage discount off the typical room rate. Travelers would be reimbursed actual expenses.

Such a program has some advantages. For example, its simplicity would encourage participation among employees. Travelers would have the freedom to select the property in which they would like to stay, and the program would have the potential to offer a wide selection of lodging choices.

The Board, however, believes the disadvantages far outweigh the advantages. Particularly important is that this approach presents a high potential for abuse. For example, there would be no way to verify that the original rate was a low rate. Travelers could ask for a high-end suite, take the discount, and the receipt would show them as being in compliance.

Overall, this program does not qualify under the assessment criteria established by the Board. It does not necessarily save money, and the Board believes it would not pass media scrutiny due to the high probability of abuse. It would also complicate budgeting. For these reasons, the program scored very low in the group's voting process.

2) Hotel Property-Based Program

Currently being experimented with by GSA is the lodging property-based system whereby the government contracts for lodging with specific hotels via a Request for Proposal (RFP) process. Participating hotels guarantee an agreed-upon rate throughout the contract period. Traveler would be reimbursed at the contract rate.

An advantage to this system is that it would enable GSA to manage availability and rate simultaneously and, if properly administered, should provide the lowest rates among the alternatives. Also, generally, black-out dates are few or none, and rates are the same for all seasons and days of the week. Chain and independent hotels are able to participate equally, and budgeting becomes simplified. Determining whether a traveler stayed at an "approved hotel" would be relatively easy.

On the other hand, the program does have some negative ramifications. Administration of the RFP process and program would be difficult. Selection of properties would require many subjective decisions. Fewer locations would be covered under such a program, so many travelers (and their governmental employers) would not benefit from the program because of its limitations. The program would require a mandate for travelers to lodge in the hotels under contract, and the Board notes that mandates have proven to be extremely unpopular with travelers. Another disadvantage is that participating hotels could sell out while non-participants in the location, but not under contract, could still have rooms available. As for affected stakeholders, the Board notes that government cost reimbursable contractors (CRC's) may not have the necessary identification requirements to obtain the rates. As for GSA administration, contract enforcement would be required at the property level, which adds complexity and effort.

The Board concurred that a well-developed and administered program is indeed a viable option for the government. Further, the Board has recommended that any lodging program operate within the parameters set by the per diem program and this alternative reverses that approach; that is, the lodging per diem rate should drive the lodging program contracts rather than the inverse.

3) Area or Location-Based Program

The Federal government used this program type before the introduction of the Federal Premier Lodging Program (FPLP). This program type involves setting a general rate for an area and setting additional rates for areas that are substantially more expensive.

The program has some significant advantages. The Administrator of General Services does not have to pick "winners and losers" within the lodging community as under the program described above. Administrative hurdles have been defined and are understood, and key aspects of the system have already been established. Travelers are allowed to select their own property within the cost constraints of the lodging per diem and the FEMA requirement, giving them a sense of greater control and the opportunity to select properties near the duty point, which could potentially lead to less transportation expense. The entire country can be covered by rates under this approach. The existing system is already understood by most travelers, and proper identification is not necessarily required for contractors. Foremost, the system has already proven that it suppresses excessively expensive travel.

Like all the other systems the Board reviewed, limitations exist. Hotels may charge higher rates when they are expecting high occupancy levels. Seasonality rates can present a hurdle that is not easily overcome. The lodging per diem rates in some locations would probably be higher than some other options might yield. Rate fluctuation by day of week is not accounted for. Unexpected increases in rates could occur from year to year. The quality of available hotels can vary by time frame. Sometimes travelers may have to change hotels to remain within per diem limits (due to yield management systems that can cause a per diem rate to be closed out during high occupancy). Despite these limitations, the group concurred that this system, when properly established, is the best option for the Federal government.

4.) Actual Expenses

This program is common in private industry. Generally, an entity establishes a benchmark, for example, the government's published per diem rates. When travelers conduct business, they are

reimbursed for actual expenses within a threshold of “reasonableness” as defined by the sponsoring entity.

The program is advantageous in some ways. Bureaucracy is avoided when finding lodging accommodations. Last minute availability of a room is ensured. Travelers are likely to embrace the system as they have more control to select the property and can choose an optimal location. Both chains and independent hotels are able to participate equally. Nevertheless, potential for abuse and lack of efficiency kept this option from serious consideration.

Existing Practices Analysis

The Board committed itself to determining current per diem practices of in Federal and State government and private industry. The Board hoped to find a proven method that could be modified to be effective for the Federal government or at least glean some “best practices” from these entities.

Federal Government Travel Practices

During the last quarter of calendar year (CY) 2002, the Board conducted a survey of eight Federal agencies regarding best per diem travel practices. Analysis of the data revealed several points of interest. [See Appendix A-4: <http://www.gsa.gov/travelpolicy> for survey details.]

- Agencies were found to use little or no centralized methods for tracking employee travel practices.
- When asked how frequently travelers obtained rooms at or below per diem, five out of eight agencies had no available data.
- Similar results surfaced regarding the class of hotels at which travelers stayed and additional expenses incurred (such as for taxis and/or rental cars) because travelers could not find suitable lodging at per diem near their duty point.
- However, four out of eight agencies reported that travelers complained that the meals and incidental expenses allowance was inadequate.

A particularly glaring finding was that a majority of surveyed agencies could not provide definitive information regarding best travel practices among its travelers.

- A majority of the responses collected from Federal agencies yielded “unknown,” “data unavailable,” or “not applicable” comments in this area.
- When asked whether the agency had established a preferred lodging program for its travelers, an overwhelmingly majority of the respondents indicated they had not.

Overall, when it comes to Federal agency best practices regarding travel, specifically relating to a per diem program, one could state that most Federal agencies strictly rely on GSA to set and implement per diem policies governmentwide. Because GSA continually communicates to its customers the various avenues available to address per diem related concerns, it is understandable that the majority of Federal agencies are in a reactive mode in regard to this issue.

State Government Travel Practices

State Survey Background

The Board sought information on State and Provincial practices to assess whether the Federal government might alter its practices regarding the setting of per diems or lodging agreements in light of the per diems in use at the State or Provincial level. The Board developed a State survey instrument then circulated the survey for additions and suggestions. The survey was sent to all States as well as Provinces in Canada. [See Appendix A-2: <http://www.gsa.gov/travelpolicy> for survey details.]

State Per Diem Survey Results

Although the survey was sent to all 50 States, only 17 responded, as well as one Province of Canada: Alabama, Alaska, Arizona, Colorado, Florida, Hawaii, Kentucky, Mississippi, New Jersey, North Carolina, Oregon, Pennsylvania, Tennessee, Texas, Washington, Wisconsin, Wyoming, and British Columbia. Nevertheless, the Board believes that these results fairly represent the practices among all States.

The size of the total travel budgets in the survey sample ranged from \$13,000,000 to \$149,000,000. The Board concluded that most States have some knowledge of their travel patterns because 13 identified their busiest city-pairs. All have, in some fashion, addressed the issue of per diems and determined how to reimburse travelers for meals, incidentals, and lodging. In addition, the survey showed that, of the responding States and Province, six States have contracts or agreements with hotels. Fourteen respondents cited written policies.

State Insight

Although the sample was smaller than expected, some clear observations can be drawn from the results. In general, the findings support maintaining Federal per diems but refining them for greater sensitivity.

- **Maintain Federal Lodging Per Diems**
Six States establish their own lodging per diem and six rely on the Federal lodging per diems for their respective programs. One State, Colorado, pays “actual reasonable lodging expense” but uses the Federal per diems as a benchmark for its lodging agreements with hotel properties. The States that do not rely on Federal per diem have lodging per diems within the State that are either a flat amount, a range, or are determined by union negotiation. In two instances, the States use a combination of Federal per diems and State-determined per diems. The Board found that many States depend on the Federal government per diem program as the basis for their program. Consequently, if the Federal government were to eliminate its per diem program, the States would have to develop their own. This fact lends support to the conclusion that some type of per diem program should remain in place at the level of the Federal government.
- **Increase the local knowledge or specificity of Federal lodging per diems to develop sensitivity to high-cost and lower-cost areas and seasonal variations.**
Results suggest the need for the per diems to be more sensitive to local variations in price. The variations include both seasonal and locational price differences for high-cost areas, such as city-centers, resort locations, and remote areas with little choice in lodging providers.

Per diems seem to draw fire from at least two directions. Comments on the disadvantages of Federal per diems suggested that, for some, the rates are too low. On the other hand, seven States have per diem amounts set below Federal per diems for part or all of their State. Comments also indicated that Federal per diems tend not to keep up prices in less frequented areas. Some comments suggested that Federal per diems are a bit high and that State employees do not need such a high rate or can find accommodations for less. One respondent remarked that per diems for resort or tourist areas are sometimes set high and can cause the surrounding region to price at a higher level than it might otherwise such as Palm Springs, California, and the surrounding area. On the other hand, some resort and tourist areas are not recognized, and the rate is not adjusted for seasonal variations such as Pueblo, Canon City, and Grand Junction, Colorado. Five remarks were made that the rates are not realistic or sufficient, often too low for conferences or conference hotels, or that the hotels where the per diem rate applies are “dives.”

Sensitivity to variations by season or location, however, does not argue for adjustments more frequent than annually. Only four States in the survey follow annual Federal per diem adjustments as their own per diem or benchmark, as does Canada. The rest of the responses yielded seven variations of updating — union negotiations, irregular legislative determination, legislative change driven by Federal change, reevaluation every two years, other/varies, and irregular monitoring. Only three States develop seasonal rates different from Federal seasonal rates. With such variations and irregularity, the Board concludes that all stakeholders will not accept Federal per diem adjustments more frequently than on an annual basis. Rather, the States will tend to follow the Federal government, and hoteliers will face a bewildering array of Federal adjustments and State unpredictability.

- **Maintain Federal M&IE per diems.**
States are more likely to adopt Federal meals per diems than lodging per diems. For in-state

use, eight States pay a lump sum allowance while six pay actual up to a per diem cap. For out-of-state travel, the numbers are nine and five respectively. For in-state use, four respondents rely on Federal per diems, and for out-of-state rates, eight use Federal per diems. One State sets a lodging and M&IE rate of \$75 total. Otherwise, rates for M&IE range from \$29.50 to \$45 for in-state travel and \$30 to \$45 for out-of-state travel. For three States, the M&IE include tips and taxes for meals, but for four respondents, the M&IE is intended to cover laundry, tips for housekeeping staff, telephone calls, baggage handlers' tips, etc.

- Increase the local knowledge or specificity of M&IE per diems. Comments on Federal meals per diems parallel comments on the lodging per diems. States that rely on Federal lodging per diems also tend to rely on Federal meals per diems. Similarly, those States that develop their own per diems for meals tend to use the same methods to set their lodging per diems. Sensitivity to meal-price variations by location is seen in both Federal and State approaches; however, seasonal meal-price variations have not been adopted at either the Federal or State levels. Consequently, the Board recommends that the Federal government continue M&IE per diems with attention to locational adjustments.

State Lodging Program Survey Results

In surveying States on their practices regarding per diems, the Board also investigated lodging programs. Of the respondents, six have lodging programs. Of these six, five negotiate agreements, and one State uses contracts. Two States, Texas and Colorado, have chain-wide agreements in addition to property-specific agreements. Three States use the Federal lodging per diem as a standard or benchmark — price agreement rates are to be at or below the Federal lodging per diem for the area. In this regard, the continuation of the Federal lodging per diems becomes important in rate setting for agreements. Central to these rates negotiated by States is the Federal government per diem as the driver — the per diems drive the negotiated rate rather than the negotiated rate driving the per diems.

The State of Texas uses a discount off the rack rate as its approach to rate setting. In only two States lodging programs were room night estimates given to suppliers. Two States tie their lodging reimbursements to travelers to use of the contract hotel. Although two States offer guarantees of room nights, no repercussions follow if the targets are not met. Three of the programs target all classes of hotels. CRC's can use the negotiated rates under the agreements in four of the six programs. One State gives the hotels discretion on whether to extend the negotiated rate to contractors. One State respondent prohibits use of negotiated rates by contractors. Regarding the Fire Safety Act (FSA) and the Americans with Disabilities Act (ADA), three of the six respondents do not require that participating hotels comply; two do require that hotels comply, and one provides information on compliance.

State Observations

The States are offering the Federal government a laboratory for different lodging programs. While the States, given their smaller total travel budgets, do not impact the marketplace to the same extent, the Federal government can still learn from States' experiences. These were their recommendations:

- Continue the demand for compliance with the Fire Safety Act and the Americans with Disabilities Act. While only three States apply the FSA and ADA, these three represent half of those with lodging programs.
- Disconnect transient rates from conference rates. All six of the lodging programs allow for different conference rates. By separating conference rates from transient rates, the lodging programs are acknowledging that transient rates are not tied to conference rates. Keeping these two rates separate probably increases participation by hoteliers in the lodging programs. Anecdotal evidence supports this view. Because many different factors drive conference rates, GSA might explore the impact of keeping the two types of hotel use separate.

Corporate Travel Practices

Reports

Perceptions of Travel Management and Business Travel

A 21-page report was commissioned for research in 1999 by Deloitte & Touche for NBTA's Institute of Business Travel Management to determine corporate management's perceptions of the value of business travel, business travel management, and business travel professionals in meeting corporate objectives. Twenty-five corporations, 14 of which are Fortune 500 companies, participated in the study. As numerous studies have shown, travel is the second or third largest controllable expenditure for a corporation. The report's major conclusion is that the most successful travel programs should not consider price alone but rather evaluate total lowest cost including time, convenience, and productivity.

Surveys

The 1998 American Express Survey of Business Travel Management

The American Express Consulting Services Group (AMEX) produced the ninth biennial edition of this survey. The data for this survey was obtained from a mail questionnaire distributed to private sector U.S. businesses. The questionnaire was fielded in April and May of 1998. AMEX invited 13,000 companies and organizations to participate in the survey. More than 600 questionnaires, representing an overall response rate of five percent, were returned. For the survey base, 597 completed questionnaires were used. The participants represented a broad spectrum of industry groups and Travel and Expenses (T&E) spend volume. Sixteen percent of the participants had T&E volumes in excess of \$25 million. Survey categories examined were Cost-Control Factors in Lodging Policy and Cost Control Factors for Meals and Per diems.

For cost control factors in lodging policy, 61 percent required employees to stay at hotels with which the company or travel agency had negotiated rates. For companies with T&E volumes of \$5 million or more, the response rate was 89 percent.

For cost control factors in meals and per diems, 42 percent had guidelines but no per diems or spending limits, 15 percent had set spending limits, 24 percent had per diems, and 19 percent had no control factors.

The 2000 American Express Survey of Business Travel Management

Data for the tenth biennial edition of the AMEX survey was obtained from telephone interviews with a target sample of private-sector U.S. businesses with minimum annual revenue of \$50 million. A total of 424 interviews were conducted.

The survey results showed that companies spending between \$1 million and \$5 million and more than \$25 million were more likely to require travelers to stay at hotels with which the company has preferred rates. A possible reason for this difference is that companies with higher T&E spending have more at stake in potential savings than firms with small T&E spending. Thirty-seven percent required use of hotels with preferred rates.

Sixty-five percent of all respondents have negotiated lodging rates, but the proportion increases to 86 percent among respondents with T&E volumes that exceed \$5 million. Price and location, followed by service, were the key determinants when contracting with preferred lodging vendors.

Sixty-six percent of respondents have established guidelines for defining "reasonable" expenses for meals and entertainment policy.

Per Diem Survey of Corporate Travel Managers (CTM)

NBTA agreed to conduct a per diem survey specifically for the Governmentwide Per Diem Advisory Board via electronic format (Web Surveyor). An e-mail, requesting survey participation, was issued to over 1,800 CTM's who are direct members of the NBTA. It read as follows:

The purpose of the survey was to obtain responses from CTM's about their companies' methods for determining and utilizing per diems to contain costs for lodging and meals expense. The NBTA per diem survey was launched on September 17, 2002 and closed on September 27, 2002.

The survey contained 14 questions, plus an additional ten questions to answer if the respondent developed its own per diems.

Responses to the per diem survey totaled 113, representing a six percent response rate from the 1,800 CTM's. Based on the results, 13 percent indicated their company size as Fortune 100 and 42.4 percent indicated their company size as Fortune 500. Sixteen percent had T&E volumes in excess of \$25 million. Approximately 25 percent of the survey respondents worked for CRC's.

For lodging reimbursement, the survey results showed that the majority of companies reimburse at actual but provide guidelines (57 percent), with 18 percent at actual up to per diem (but the per diem could be exceeded), and 15 percent at actual expense with no guidelines.

For meals and incidental reimbursement, the survey results showed that the majority of companies reimburse at actual but provide guidelines (42 percent), with 20 percent at actual up to a maximum per diem, and 14 percent at actual up to a per diem (but the per diem can be exceeded).

For companies that establish their own per diems, the survey results showed a reliance on Federal government per diem rates. Other methods listed were charge card data, travel agency data, Smith Travel Research (STR) data, Runzheimer International data, cost of living index, lodging rates and data. The results showed that 70 percent develop per diems annually. Approximately 68 percent develop seasonal rates for certain cities. Approximately 69 percent do not have a daily allowance for incidental expenses, but 20 percent allow \$5 - \$10, and eight percent allow \$2 - \$5. The corporate rates are set higher than the \$30 per day standard CONUS rate for meals and incidentals: 26 percent are greater than \$50, 29 percent are between \$40 - \$50, and 16 percent fall between \$30 - \$40.

Interviews

Travel Management - Best Practices In Lodging Programs

This document summarizes interviews conducted by NBTA in August and September 2002 with Travel Managers from four corporations. The interviews focused on their lodging programs and how they negotiate discounts as well as lodging per diem rates.

"Company A" does not use per diems, but it has a lodging program with negotiated hotel rates. Employees must stay in the preferred hotels or face non-reimbursement.

"Company B" is required to abide by per diem rates as a Federally Funded Research and Development Center (FFRDC). The company has operations in major cities and finds the per diems too low to cover actual lodging costs. Even with negotiated hotel rates, the rates are still above the lodging per diem.

"Company C" uses per diems for business units that work under government contracts. The company has a large travel program — spending approximately \$95 million annually for lodging. The company has a negotiated lodging program but even with a large volume to leverage, the company still has problems finding hotel rates at or below the lodging per diem. The corporation points out that CRC's are at a disadvantage because they are not government employees and hotels do not always extend the government rate to them.

"Company D" is a not-for-profit government contractor and abides by the per diem rates. The corporation points out that the per diems are too low in certain areas and would like to see exceptions permitted when suitable lodging cannot be obtained.

Magazine Articles

The Corporate Travel 100

Business Travel News, August 26, 2002, Issue 523, Volume 19, No. 16 lists the top 100 companies ranked by air volume. Data shows the top 100 typically saved 29 percent off the corporate lodging room rates published by individual hotels in central reservations systems.

Top 200 Government Contractors

Government Executive magazine, August 15, 2002, lists the top 200 government contractors for FY 2001 contract awards in total volume of \$218.5 billion.

Top Travelers – Government Executive magazine
The August 15, 2002, issue lists travel spending by government agencies for FY 2001 at total volume of \$9.06 billion.

Summary of Existing Practices Research

Despite the tremendous amount of information gathered and reviewed, no single program currently in place sets an example for the Federal government to model. Therefore, the Board's challenge was to design a suitable per diem program given the research gathered. The following discussion conforms to the decision-making process chart reviewed earlier in this report. By segmenting discussions according to the chart, the Board ensured a thorough and penetrating review of the key factors that are the foundation of a firm per diem program.

Determine Demand and Geographic Areas

GSA must establish geographical boundaries to which rates apply. The boundaries must be finite enough to reflect actual changes in market rates, but not so extensive as to puzzle or overwhelm the Federal traveler with unclear or unnecessary detail.

Numerous options are available for parsing the country. The most common methods are:

- 9 Regions (i.e. New England, Mid-Atlantic, etc.)
- 50 States
- 318 Metropolitan Statistical Areas (MSA's)
- 3,141 Counties
- Approximately 70,000 Census Tracts
- STR Markets and Tracts
- 172 Economic Areas (Bureau of Economic Analysis)
- 42,500 ZIP Codes
- Existing Practice

Regions, States and Economic Areas

Any geographic boundary that is too large will not reflect local market conditions. For example, New York City has high rates and is likely to skew a statewide rate significantly upwards, while the rest of the State would skew the city's rate down. The Board determined that Regions, States, and Economic areas were too broad so they were eliminated as options.

Census Tracts and ZIP Codes

On the other end of the "boundary spectrum," census tracts were not seen as viable because they required the traveler to translate their destination into a level of geography that is not easily accessed or understood. ZIP Codes had similar limitations because travelers may not know the ZIP Code to which they are traveling, or a single location may have a mailing ZIP Code and a different physical ZIP Code.

STR Markets and Tracts

The Board considered but dismissed STR markets and tracts because they may not be 1) finite enough (include too large a land area) or 2) widely understood.

Metropolitan Statistical Areas

Because the Federal traveler may need to travel to virtually any location within the United States, any option selected must cover the entire country. MSA's cover a fraction of the geographic areas within the U.S. and, therefore, were eliminated.

The Board identified counties and ZIP Names as the most viable options and proceeded to evaluate the positive and negative aspects of each.

Counties

GSA has traditionally used counties to distinguish lodging areas. Therefore, most travelers are accustomed to this method. In addition, counties are far fewer than ZIP Names, thus lessening the burden for the per diem setting process. One drawback is that county names may not be easily recognizable. For example, not many Nashville, Tennessee-bound travelers would know that they are traveling to Davidson County. Another drawback is that the borders are sometimes geographical (such as rivers) but sometimes arbitrary, which makes it more difficult for the traveler to know to which county he is traveling. Therefore, county lines are difficult to communicate.

Today, generally, GSA uses the highest cost area to determine the rate for the entire county. The existing practice determines which areas receive specific rates by the number of complaints GSA receives about the per diem rate in that area. For example, Amarillo, Texas, has a specific rate. Because Amarillo, Texas, is located in Potter County, the Amarillo per diem is set for the entire county even though the remainder of the county does not warrant a higher rate. This identifies one of the major problems with the current system; that is, overpaying in some areas.

ZIP Names

The U.S. Postal Service, in conjunction with the United States Board of Geographic Names, develops ZIP Names². ZIP Names are driven by the primary location, which is likely to be the largest town or city within a single or group of contiguous ZIP Codes. Note that the largest town within each “zone” determines the name. Although they may not be conscious of it when considering the location they will visit, the Federal traveler will likely find the ZIP Name to be the first name that comes to mind.

An advantage to ZIP Names is that the approach will increase market sensitivity because they are generally smaller in size than counties. Also, the names are usually recognizable; for example, Austin, Texas, is located in the ZIP Name of Austin. The largest city within the ZIP Name is usually the name assigned to it. A possible disadvantage is that geographical borders may still pose a problem because the ZIP Name boundaries are not clearly marked. In addition, the sheer volume of ZIP Names could present a hurdle for GSA in the per diem setting process.

The U.S. Postal Service, in conjunction with the United States Board of Geographic Names, develops ZIP Names. ZIP Names are driven by the primary location, which is likely to be the largest town or city within a single or group of contiguous ZIP Codes. Note that the largest town within each “zone” determines the name. Although they may not be conscious of it when considering the location they will visit, the Federal traveler will likely find the ZIP Name to be the first name that comes to mind.

ZIP Codes and ZIP Names have added benefits. The Federal traveler will most likely be able to search for rates with information currently available, such as cities or ZIP Codes, when traveling to a specific location. As a result, electronic rate look-up will be relatively simple. In addition, by using ZIP Names, GSA will be able to link to economic and demographic data — an important consideration if GSA decides to model the per diem for meals based on economic or demographic data. Finally, ZIP Names enable electronic geographic interfaces — an important consideration under the e-Travel initiative. Geographic interfaces will allow the traveler to drill down on maps, or type in an address to view a map with the closest hotels.

Although the volume of rates may sound intimidating, the Board considers the process to be relatively simple, as can be seen in the remaining steps. Many “off the shelf” software programs are available with appropriate data and capabilities. After being populated with data and programmed for this particular function, the software could identify the ZIP Names and associated per diems, and a list of FEMA-approved properties could be merged into the system. Users could then search for per diem rates by any ZIP Code (mailing or physical), address, or by city with a tool similar to the one currently available on GSA’s website.

Universe Selection

Before determining the rate for a given area, the appropriate level of accommodation for Federal government travelers must be determined. In the realm of Federal travel, the type or segment of hotels used for rate setting, or “universe selection,” has constraints on both ends: taxpayers are likely to consider accommodations that are too luxurious to be excessive, while accommodations that are

too sparse could lead to dissatisfaction within the Federal traveling community. The challenge is to determine a level of quality that all stakeholders would consider “reasonable.”

Quality cannot simply be measured by objective physical attributes. Intangible benefits of staying in specific lodging properties (such as safety, level of service, cleanliness, or location) are important characteristics that must also be considered. In the absence of a precise physical attribute that can be used as a determinant of quality, the Board has found only three methods that can be used as a proxy: 1) ratings from independent reviewers, such as AAA or Mobil, 2) consumer surveys of lodging chains, and 3) rates paid by guests.

Data source 1: Ratings from Independent Reviewers

The Board has not examined the reliability of AAA and Mobil. Instead, the Board has accepted their general reliability based on their wide distribution, general acceptance in the market, and publication history. Some advantages accrue to using such a recognized resource. Each provides an independent review by a third party, and the information can be obtained quickly and inexpensively. The ratings are easily justified and can pass media scrutiny. The information includes both chains and independent hotels.

Challenges with using these ratings include:

- Some criteria are less than scientific and that fact can create a lack of uniformity in ratings. For example, one reviewer may assign a property a rating of “1-star/diamond,” while another may assign the same property a rating of “2-star/diamond.”
- Ratings are heavily skewed towards the lower numbers, with less than one percent of all properties being placed in the 4 or 5-star/diamond categories. [See table below.]
- The rating systems are not uniform, making it possible for a property to be rated as a “1-star/diamond” in one book, while receiving a “3-star” rating in another.
- Less than half of all properties are rated.
- The inspections often occur 18 months or more before the books are published.
- With one of the reviewers, a rating applies across the chain, rather than on a property-by-property basis. This can be problematic as not all hotels within a chain are qualitatively equal. Factors that can vary include safety, parking availability, and numerous other characteristics.

Hotel Ratings	Number of Properties Surveyed by Mobil	Number of Properties Surveyed by AAA
5	24	50
4	194	621
3	3,569	12,521
2	6,017	8,591
1	3,511	1,860

Data Source 2: Consumer Surveys of Lodging Chains

DK Schlifflet and JD Powers routinely conduct consumer surveys. While data is inexpensive and readily available, the Board has not pursued this alternative as it presents six obstacles:

- It does not allow the inclusion of independent properties, which constitute over 50 percent of all properties and 31 percent of all rooms.
- It assumes quality is uniform among all properties within a given chain.
- Lodging product is not evenly distributed by chain or chain type. [See table below.]

- Excluding a specific chain or all independent properties across the entire country is difficult in a political environment.
- Sample sets are not consistent for areas. [See table below.]
- The data is relatively old.

	U.S.	New York
Upper Upscale	14%	38%
Upscale	8%	7%
Mid-scale w/ F&B	15%	10%
Mid-scale w/o F&B	14%	2%
Economy	19%	1%
Independent	31%	41%

Data Source 3: Rates Paid by Guests

If placed within the context of the local market, lodging rates paid (cost) or rates requested (price) can serve as a useful, independent, and objective measure of quality. Assuming placement within the same market and within the same time frame, educated consumers will pay more for a hotel only if they perceive a difference in quality. Rates paid by guests can be obtained from a number of sources, such as surveys, Global Distribution Systems (GDS), or entities specializing in lodging industry research. However, the Board believes the rates must be geographically specific and from the same season to offer a useful benchmark or basis for rate-setting.

With these assumptions in mind, the Board believes this type of data offers some unique advantages. It supplies the largest universe, it is based on the most reliable data available, and chains and independents are treated equally. The rates are generally the most current available. The Board feels confident that this data will pass media scrutiny.

Despite the advantages, the Board identified two drawbacks:

- The method is difficult to explain.
- Cost is higher than the alternatives.

Recommended solution:

- 1) Use lodging industry data and statistical means to establish a representative rate for all lodging properties. Regularly use other data resources to verify reasonableness of the per diem.
- 2) Based on the statistically derived rate, remove properties that are 50 percent above or below the average (mean) rate of the 30 geographically closest properties (closest properties to be determined by radial analysis) for urban areas, 20 closest for suburban, and 10 closest (within a 60-mile radius) for rural areas. GSA should evaluate the actual percentage trimmed from the group of 30, 20, or 10 used to set the lodging per diem rate to determine what proportion is most appropriate to trim and what impact it may have on universe selection.
- 3) Remove all properties that do not conform to other Federal regulations, such as FEMA.

Determine Time Frames

The Board finds three aspects pertinent to the discussion of time frames:

- 1) Frequency of rate updates
- 2) Time frames used to determine rates
- 3) Seasonality

Frequency of Rate Updates

Data suggests that lodging rates paid by the average traveler are subject to frequent year-over-year changes. Under normal conditions, average lodging prices increase annually; however, the events of September 11, 2001, and economic slowdowns have demonstrated that this is not always the case. In addition to cutting costs, many properties lowered their asking rates because of low occupancy rates.

GSA must balance the need to update and publish rates annually for agencies developing their annual budgets against the desire to save funds in a market with declining rates or raise rates in markets that have seen significant and unanticipated increases. The need to stick to the annual budget cycle has to be tempered with the desire to save taxpayers' money and the potential need to raise the per diem to enable continued Federal travel.

Therefore, the Board recommends that lodging per diem rates be set across all areas once a year, and that quarterly reviews of rates be initiated. For markets where GSA observes a \$10 or ten percent rate change since it established the per diem, the Board recommends that rate adjustment be considered.

Time Frames Used to Determine Rates

Lodging companies and Federal agencies have indicated that Federal travelers travel on weekdays more frequently than on weekends. In many markets, one finds a significant difference between weekday and weekend rates. In addition, the percentage change between weekday and weekend is not uniform. Therefore, the Board endorses the conclusion that GSA use weekday lodging rates to guide rate setting.

Seasonality

Within many markets, lodging rates follow a predictable and discernable season or series of seasons. In some cases, the change in seasonal lodging rates can be over 100 percent. These seasons are extended periods of time that repeat year after year. In other cases, rate changes can occur because of special events.

For the Federal traveler to find accommodations, the lodging per diem must reflect local market conditions for the time at which they are traveling. However, this potential need for multiple rates has to be weighed against the need for clarity and predictability. Changing the lodging per diem too frequently would likely confuse many travelers and provide excessive administrative overhead.

The Board therefore recommends that seasons be separated from "event" driven rate changes (such as marathons or holidays). Each season should be at least six weeks in length and have a discernable rate change of both \$10 and 15 percent from the season immediately preceding it. In addition, to reduce the administrative overhead that could result from excessive modification, the Board recommends that GSA have no more than four seasons each year.

Rate Research

The team identified twelve sources of rate-setting data: charge card data, Travel Management Center (TMC) aggregate rate reports, lodging industry reports, lodging industry indices, GDS aggregate reports, hotel rate data, e-Travel data, negotiated contract rates, survey methods, RFP negotiated rates and agreements, State rates, and other negotiated rates. For each method, the Board identified various factors to research and review for assessment: description, cost to implement and maintain, advantages, disadvantages, criteria for evaluation (which were identified and described earlier in this report), sources of information, users impacted, and possible benchmarking partners.

Conclusions:

The Board concluded that the data resource systems most likely to work in today's environment include lodging industry reports (and associated databases), lodging industry indices, negotiated contract rates, and surveys (the current per diem methodology).

Per Diem Subcommittee Commentary:

Lodging Industry Reports: The Board recommends this as a data source due to the factual nature of the information. Standard reports are readily available when the government needs them to calculate rates. Customized reports are also available.

In addition, the results are based on empirical data (i.e., what travelers actually pay). The Board endorses the use of ADR to set lodging per diems. This report discusses how to implement this methodology at the end of the lodging per diem section.

Lodging Industry Indices: The Board does not recommend this approach due to the danger an indexing approach holds. Specific risks the Board foresees are: a) swings in the index; and b) the effort of adjusting rates when the index is, and must be, re-set. GSA may apply an index for one or several consecutive years but, at some point, full pricing will be necessary to "correct" rates based upon measuring actual market conditions.

Negotiated Contract Rates: The Board does not recommend using this approach alone to set lodging per diem rates. Rather than using empirical data, hotels are able to determine prices based upon an array of property-specific variables. In addition, rooms may not be available at the contract rate at preferred properties, and rooms may not be available at non-contracted properties at similar rates. Hotels are locked into contract rates for a specific period of time; thus, the contract cannot adjust to changing market conditions. An important and specific recommendation of this Board is that negotiated contract rates come in under lodging per diem rates, rather than using negotiated rates to set lodging per diems in the top localities targeted for contracting. Presently, negotiated rates are used to set the lodging per diem in several localities.

Survey Method: The Board does not endorse this method as a rate-gathering tool for lodging. Information is provided solely by hotels and is not necessarily representative of the lowest rates. However, the questionnaire can be structured to elicit rates in several categories and longitudinal assessments will yield rational comparisons over time. This change would also provide quality control on data gathered each year. Drawbacks include: a) rates are based on the hotel responses (quoted rates), not necessarily on actual rates charged and b) respondents may not be knowledgeable of actual current rates.

Charge Card Data: The Board recommends that charge card vendors under contract with GSA be required to submit the reports outlined in the contracts they signed. In addition, GSA should require that the reports submitted to them include the detailed electronic transaction file. This high-level information could prove useful to any entity attempting to analyze the current travel climate of the Federal government. The information could serve as a future benchmark to measure changes to the program or to defend lodging per diem adjustments. In addition, the Board recommends that the vendors be required to follow one reporting format, so the data can be more easily integrated and analyzed. In the future, charge card data, and other data sources, should be used to evaluate the impact of changes to the program.

Calculating the Rate Using Lodging Industry Data: After the geographic areas are set and rate research data gathered, lodging per diems can be calculated. Within each ZIP Name, the geographical center can be calculated using the average latitude and longitude of the ZIP Name. The software package purchased by GSA should have the capability to perform such an analysis. ZIP Names are also assigned a category by the U.S. Board of Geographical Names. Based on population and other factors, a ZIP Name is identified as urban, suburban, or rural. The software should be able to distinguish these designations.

In addition, the software package should allow for the integration of a list of FEMA-approved properties, their ADR's, and locations. To determine an accurate per diem for the area, an average of hotel ADR's should be calculated. However, for various locations, the number of available hotels may vary. To get an accurate picture of the market, the Board determined the following numbers were most appropriate. For urban areas, where more hotels are traditionally located, the Board determined the 30 hotels closest to the ZIP Name area center-point should be used to calculate the average ADR. For suburban areas, the 20 hotels closest to the center-point were deemed most appropriate. For rural areas, where fewer hotels are generally located, ten hotels were deemed most appropriate. For rural areas, the Board added a second criterion; the hotels used to calculate the average ADR should not be more than 60 miles away from the ZIP Name area center-point. The Board felt that hotels more than 60 miles away should not be used to calculate the average ADR because it is unlikely that a traveler will stay in a hotel that far from their destination. Therefore, those hotels should not influence the per diem rate. In addition, based on the experience of the Board members (representatives of hotels, CRC's, and government agencies), the Board finds that the vast majority of government employees travel on weekdays rather than weekends. Consequently, the Board recommends that

lodging per diems be established based on weekday rates only. Weekend rates are generally lower, and including them when calculating lodging per diems tends to deflate the rates, which could affect availability of rooms at the per diems.

After GSA calculates the average ADR for a ZIP Name, any hotels with average ADR's above or below the average by a statistically valid number (the Board chose 50 percent) should be eliminated from consideration. The purpose of this step is to minimize the statistical effect of properties that would be deemed "excessive" or would not be considered safe and comfortable lodging by the traveler. This approach would replace GSA's current practice of focusing on 2 and 3-star/diamond properties with an objective means of measurement that would more adequately determine the appropriate lodging per diem for a location.

With the remaining hotels, GSA should compute an average. For each hotel, GSA should multiply the rate by the total number of rooms available, then add the results and divide by the total number of available room nights. That produces the average ADR, which should be used to benchmark the per diem rate. GSA should decide whether it is most appropriate to use the average weighted ADR or a percentage above or below it after a review of lodging industry data and the impact on per diem rates. See below for the formula:

$$\begin{aligned} \text{Hotel A} & - \text{rate} \times \text{total rooms} = \\ \text{Hotel B} & - \text{rate} \times \text{total rooms} = \\ \text{Hotel C} & - \text{rate} \times \text{total rooms} = \\ \text{Hotel D} & - \text{rate} \times \text{total rooms} = \underline{\hspace{2cm}} \end{aligned}$$

$$\text{Total/Total room nights} = \text{Average ADR}$$

The Board concurs that weighting hotels offering more rooms more heavily is appropriate. The above calculation is the best way the Board sees to calculate the number. The cost impact of these recommendations has not been calculated. Therefore, GSA should hire a contractor to undertake a cost analysis to determine the overall impact.

While there are approximately 15,000 ZIP Name areas, the Board recommends that GSA reduce the number of areas with distinct lodging per diems by banding those with similar rates (similar to the meals per diem, where, for example, GSA establishes the rate at \$42 if the rate research indicates an appropriate rate between \$42 and \$46). In addition, the Board realizes that, for this procedure to work effectively for travelers, approving officials, and any auditing organizations, GSA will need to adopt an automated rate search engine. Such automated search engines are commercially available.

Property and Chain Selection

With an area or location-based program, such as the one being proposed, no property and chain selections are necessary. Other than compliance with the FEMA requirement, travelers may stay at the property of their choice.

Reimbursement Options

Within a per diem system, several reimbursement options exist. Currently, travelers may stay at any location. However, their reimbursement is limited to actual expenses incurred and the per diem rate for that location is the ceiling rate, unless actual expenses authorization is granted.

The government does, however, have several alternatives.

- 1) Lump sum reimbursement. For each location, a lodging per diem rate is established. Under this alternative, the traveler would receive the lodging per diem allowance for traveling, regardless of the expense incurred. The traveler could, for example, stay with friends and incur no lodging expense, yet still collect a lodging reimbursement.
- 2) Reimbursement up to per diem. Under this alternative, the traveler is mandated to stay in lodging establishments offering only the per diem rate or less. The traveler would then be reimbursed for the actual expense incurred.

- 3) The current reimbursement method. The traveler has the option of choosing the lodging establishment. The traveler is reimbursed for actual expenses incurred, up to the maximum allowable rate. Anytime the traveler elects to stay at a location charging more than the lodging per diem rate, the traveler may be responsible for the additional expense unless prior approval for spending more is obtained from the traveler's approving official.
- 4) Revenue Procedure 97-45. The lodging per diem is a reimbursement requiring substantiation and payment is capped at the per diem, unlike M&IE, which is paid as a lump sum allowance not requiring substantiation. However, under Revenue Procedure 97-45 (Internal Revenue Bulletin No. 1997-41), an agency can satisfy the substantiation requirement without submission of receipts ("documentary evidence") by:
 - Approval by "an appropriate official" of the types and amounts of expenses in advance of, or after, the traveler incurs the expenses.
 - Submission of "an expense voucher" that states amount, time, place, and business purpose.
 - Requiring the employee to keep the documentary evidence for lodging and expenditures of \$75 or more for four years after submitting the expense voucher.
 - Periodically auditing a sample of expense vouchers and "related documentary evidence."
 - Collect from employees (unearthed during the audit) amounts paid in excess of expenditures or tax the unallowable amount as compensation.

The Revenue Procedure enables an agency to pay a lump sum for Lodging, Meals & Incidental Expenses (LM&IE) in advance of travel (where a voucher for expenditures has been approved and a subsequent voucher verifies that travel and planned expenditures occurred) without concern for receipts. This assumes, of course, that the employer has implemented all other requirements of the Revenue Procedure. In addition, the Revenue Procedure enables an agency to pay a lump sum for all identified expenses in advance of travel (where a voucher for expenditures has been approved) without concern for receipts. Again, this assumes that the employer has implemented all other requirements of the Revenue Procedure.

The Revenue Procedure will work exceptionally well where travelers make the same trip and incur the same expenses routinely. Indeed, a trip model can be developed for "standard" trips taken by different travelers who incur the same expenses.

Given the inclination of the Federal government to move to an e-Travel system, the Board believes the infrastructure will shortly be in place to enable greater flexibility in payment to travelers. The Board recommends that GSA "advertise" the flexibility offered by the Revenue Procedure. Beyond that, the Board recommends that GSA ensure that the e-Travel system contributes to successful payment of expenses whether such payment occurs prior to (as a lump sum) or after travel.

Corresponding with the reimbursement options outlined above (lump sum reimbursement, reimbursement up to per diem, the current reimbursement method, and Revenue Procedure 97-45), the Board offers the following alternatives:

Alternative 1: The Board does not endorse this alternative. Instituting this alternative would unnecessarily raise the government's cost of doing business by reimbursing employees for expenses not incurred.

Alternative 2: The Board does not endorse this option because it would be a very difficult regulation to enforce.

Alternative 3: The Board finds that the current process is the most suitable one in the current environment. It is auditable, allows freedom for the traveler, and, because it is the system currently in place, will not require travelers to be retrained.

Alternative 4: The Board concurs that the Revenue Procedure option provides maximum flexibility to the agencies. However, agencies or departments within the Federal government that decide to

implement the Revenue Procedure should ensure they have a sound travel management system in place to ensure compliance. The e-Travel solution being explored by GSA will contribute to successful implementation of the Revenue Procedure.

Recommendations

Issue One: Many travelers who adhere to the current lodging per diem rates claim that the rates do not provide sufficient reimbursement in all areas and restrict access to downtown locations.

GSA should:

- Set the per diem rates as a cap. Any lodging programs should adhere to these rates or seek to improve travel spend efficiency within these guidelines.
- Continue with the area-based per diem program.
- Base the competing rates on ZIP Names as the geographical designation and make a search mechanism available to travelers and TMC's.
- Contract with a lodging industry data resource to obtain ADR data for hotels across the continental United States (CONUS). GSA should develop a software program to average the rate for the appropriate number of lodging properties. Based on the rate, remove properties that are above or below a statistically valid number (the Board chose 50 percent, the average rate). Remove properties that do not conform to the FTR. Regularly use alternative data sources to benchmark the reasonableness of the ADR-based per diem.
- With the appropriate number of hotels within the appropriate range, calculate the average of ADR's to arrive at a recommended per diem for each ZIP Name.
- Establish a model of the program described for the per diem setting process. GSA may then be in a position to assess the impact the new system will have on per diems.
- Conduct a yearly re-evaluation of lodging rates. GSA should also contract with a lodging industry data resource to provide quarterly reports of ADR's, identifying areas showing a ten percent change in lodging costs. GSA should then evaluate whether to change the rates when the ADR's fluctuate by more than ten percent.
- GSA should use weekday ADR's to guide setting the lodging per diem.
- Base seasonal rate changes on comprehensive statistics from a lodging industry data resource. The Board recommends a maximum of four seasons, at a minimum of six weeks in length and a discernable rate change at both a minimum of a \$10.00 price difference and a 15 percent difference from the season immediately preceding it.
- Require charge card vendors to submit the reports outlined in the contracts they signed. The Board further recommends that GSA alter the contracts to allow the reports submitted to GSA to include the detailed electronic transaction file.
- Require charge card vendors under contract to follow one reporting format, so the data can be more easily integrated and analyzed.
- Consider charge card data, as well as other data sources, as alternate sources for evaluating changes in the per diem program.
- "Advertise" the flexibility offered by Revenue Procedure 97-45.
- Ensure that the e-Travel system contributes to successful payment of expenses whether such payment occurs prior to (as a lump sum) or after travel.
- GSA and other Federal agencies should continue with the current reimbursement process.

Implementation of the Recommendations for Lodging Per Diem.

GSA should purchase a software package that has the capability to distinguish ZIP Names, identify whether they are deemed urban, suburban, or rural by the U.S. Board of Geographical Names, perform radial analysis based on latitude and longitude, and integrate a list of FEMA-approved properties, their ADR's, and plot their locations.

For each of the 15,000 ZIP Names, the software can identify the geographical center based on latitude and longitude. From that center point, the software can also identify the closest FEMA-approved hotels. For urban areas, the Board finds that 30 hotels are appropriate; for suburban areas, 20; and for rural areas, 10 hotels, with the distance not to exceed a 60-mile radius. The ADR's for those closest hotels should be averaged. Any properties whose ADR's exceed the average by 50 percent or are below the average by 50 percent should be eliminated. For example, if the average ADR for hotels in Dallas is \$100, then properties with ADR's above \$150 or below \$50 should be eliminated. The average ADR of the remaining hotels should be the basis for recommending the per diem rate.

GSA should conduct a study of this methodology to determine: 1) whether it is a manageable and suitably flexible method, 2) whether banding in logical groupings can occur to reduce the number of rate areas from 15,000, 3) the appropriate number of hotels to use for eliminating outliers, 4) the appropriate percentage for designating a property as an outlier, and 5) whether the weighted ADR of hotels for the ZIP Name area is the appropriate lodging per diem, or whether some percentage above or below the weighted ADR is more reasonable and fair to stakeholders.

Issue Two: Standard CONUS Rate

Many travelers who adhere to the current Standard CONUS rate claim that the rate is not sensitive to local market conditions. These same travelers maintain that, in some areas, the rate does not provide sufficient reimbursement.

NOTE: The Board recommends replacing the current CONUS methodology with a new (proposed) per diem program type.

Discussion

This report reflects an open consideration of alternatives regarding the standard CONUS lodging per diem as a part of the total per diem payment to travelers.

The FTR provides that an employee on official travel may receive a per diem that combines lodging, meals, and incidental expenses (§301 - 11.100 & 102). The meals and incidental expenses sums are combined and paid as an allowance (not a reimbursement), which means that the IRS does not require receipts for substantiation nor does it require proof of business purpose or returning an amount in excess of expenses. The IRS considers all meals and incidental expenses (M&IE) amounts as paid under an “accountable plan.” This is not true of the lodging component, which is a reimbursement requiring substantiation. Moreover, the lodging per diem serves as a cap on what will be reimbursed for lodging. If a traveler cannot find lodging at or under the lodging per diem, the traveler can obtain approval for payment of actual lodging expenses, which cannot exceed more than 300 percent of the lodging per diem, or the traveler can pay the unallowable portion of the lodging expense as a personal expenditure.

The current standard CONUS lodging rate is \$55, which is determined from a survey process. GSA hires a private contractor to conduct the study. The contractor conducts a telephone survey and gathers pertinent information from 2 and 3-star/diamond rated, FEMA-approved lodging properties. The rate is then set based on 80 percent coverage of the properties that were surveyed from a sample number of randomly selected standard CONUS locations. According to GSA, the average number of properties sampled is 141. Obviously, the total number of properties in the universe, both FEMA-approved and non-FEMA-approved, is much higher. The survey to refresh standard CONUS occurs every three years.

Findings

This report details the results of the survey relating to standard CONUS.

Program Type

Program types for the standard CONUS are the same as those discussed for the location-specific lodging per diems, where the Board reviewed practices of other organizations.

Demand & Geographic Area

One lodging rate to cover CONUS, applied to all locations for which a location-specific lodging per diem is not set, can be improved upon without significant cost or effort. The Board recommends that GSA establish regional lodging per diem rates, which will be more sensitive to differences among and fluctuations within the respective market areas. GSA can use a travel research entity to establish State rates at the appropriate level of geographic specificity. When these rates are established, they should be analyzed to identify the bands as to whether State rates, regional groupings, or national rates would be most appropriate.

The Board notes that this recommendation should reduce the number of locations for which GSA establishes location-specific lodging per diems. While acting on that recommendation will reduce the

sensitivity of the lodging per diem program, acting on the above recommendation will increase sensitivity for those locations for which location-specific lodging per diems are not set.

Demand is not an issue under a per diem program if the rates are sufficient. However, if the per diem rates are too low, travelers will, indeed, encounter difficulty in finding adequate lodging under the cap.

Universe Selection

The key is to ensure that the market-rate survey or data set truly captures lodging expenditures or prices within the target market. This has not been possible because Federal law has restricted GSA to surveying only FEMA-approved properties. This limitation has led to setting per diems that do not properly reflect lodging prices (within designated locations or for standard CONUS). Although this practice reduces the number of properties that could be surveyed, the Board has concluded that the limitation should remain.

Time Frame

For FY 2004, the Board recommends that GSA move to develop more geographically sensitive lodging per diems, then re-evaluating these per diems yearly for the next two years. To this end, the Board recommends that GSA contract with a travel research entity to provide data to help determine how to establish the CONUS-replacement bands — whether State, regional, or national rates are most appropriate.

This history (setting the CONUS-replacement rates and re-evaluating them yearly) will provide GSA with sufficient information to assess the need for adjustments to the research and process. For example, GSA may find that it can limit the survey to once every three or five years. This will greatly simplify the rate-setting process, reduce complexity, and reduce personnel time.

Rate Research

GSA can also turn to a lodging industry data resource to supply a larger data set for analysis. The outcome of this effort will be a) regions based upon markets, rates, rooms available, and any available data on travel to those regions by Federal employees; and b) more geographically sensitive lodging per diem rates that will replace the standard CONUS lodging rate.

Property and Chain Selection

This subject was discussed above, under “Demand & Geographic Area.”

Allowance/Reimbursement Options

The reimbursement options are the same as those outlined for the lodging per diem rates.

Cost Impact

The Board finds that it cannot provide a cost impact analysis for its recommendations regarding modifications to the standard CONUS lodging per diem. The Board bases this conclusion upon these facts:

- GSA must perform the work to establish the CONUS-replacement regions (geographical configuration and number) for which lodging per diems will be set. Without knowing these geographical boundaries, no accurate estimate of per diem differentials is possible.
- A comprehensive cost impact would include the recommended reduction in destination-specific lodging per diems alongside the recommended development of regional lodging per diems.

The Board recommends that GSA develop a plan and conduct a pilot program that incorporates features of the recommended changes. Results of the pilot program will provide a basis for further improvement. The Board recommends that GSA commit itself to continuous improvement of its per diem program.

Recommendations.

Issue Two: Many travelers who adhere to the current Standard CONUS rate claim that the rate is not sensitive to local market conditions. These same travelers maintain that, in some areas, the rate does not provide sufficient reimbursement.

GSA should:

- Contract to create a model to establish ZIP Name areas and corresponding rates for those areas.
- Replace standard CONUS with newly defined market areas.
- Turn to a lodging industry data resource to supply a larger data set for analysis as described in the Governmentwide Lodging Per Diem Program Section of this report.

Issue Three: Meals Per Diem

A survey of travelers covered by the Federal Travel Regulation finds that many travelers do not consider themselves adequately reimbursed for meals expenditures.

Discussion

According to Title 5 U.S.C. Section 5702, government employees traveling on official business are generally entitled to reimbursement for the actual and necessary expenses of travel, and the FTR (41 CFR Section 301-11.1) provides that an employee on official travel for more than twelve hours is eligible for a travel allowance for meals and incidental expenses. The government may elect to reimburse the employee a lump sum allowance (a flat amount regardless of the amount actually spent on food) or actual meal costs.

GSA establishes the meals and incidental expenses per diem allowance, and the dollar amount varies by location. Effective October 1, 2002, the rates range from \$30 to \$50. Of these daily totals, \$2 is intended to cover incidental expenses. The remainder is intended to cover the employee's breakfast, lunch, and dinner costs, including taxes and tips. The FTR (41 CFR Section 301-11.101) specifies that the traveler shall receive 75 percent of the applicable rate for M&IE for the first and last days of travel.

The FTR (41 CFR 301-11.18) specifies that employees must deduct certain amounts from the daily meals allowance if meals are provided to the employee at nominal or no cost by the government or are included in the employee's conference/training registration fee. GSA establishes the deduction amounts, and they vary depending on the meal involved and the amount of the full meals and incidental expenses per diem allowance for the location. The following "per meal" deductions apply:

M&IE	\$30	\$34	\$38	\$42	\$46	\$50
Breakfast	6	7	8	9	9	10
Lunch	6	7	8	9	11	12
Dinner	16	18	20	22	24	26
Incidental	2	2	2	2	2	2

The amount of the meals and incidental expenses per diem allowance also has an impact on employees who claim actual meals costs. The FTR (41 CFR 301-11.303) specifies that employees claiming actual expenses may be reimbursed a maximum of 300 percent (rounded to the next higher dollar) of the applicable maximum per diem rate.

The meals per diem is an allowance under an "accountable plan" rather than a reimbursement for expenses incurred, which means that the IRS does not require receipts for substantiation nor does it require proof of business purpose or returning an amount in excess of expenses.

The meals per diem applies to all travelers irrespective of assignment length; that is, travelers receive the meals per diem whether the travel purpose is for Permanent Change of Station (PCS), short-term assignments (less than one year), or Temporary Duty (TDY).

Historically, GSA has contracted for a survey of meal prices every three years. GSA has traditionally based the meals per diem rates on the results of this survey, obtained the approval of OMB, and maintained the rates for three years. In the past, GSA typically published the new approved rates in the Federal Register one month prior to their becoming effective.

The last meals survey was conducted in 1998, and the rates remained constant until October 2002. In October 2002, GSA opted to adjust the meals rates based on the Consumer Price Index (CPI) for Meals Away from Home (providing some geographical sensitivity by aligning locations with the Index for MSA's).

A further characteristic of the meals per diem program corresponds with the lodging per diem; that is, for many specific locations, GSA assigns a meals per diem rate while applying a standard CONUS meals per diem to all other areas. The locations for which specific meals per diems are established coincide with the areas for which specific lodging rates are established.

Findings

The Board approached its analysis of the meals per diem program in the same way it approached the lodging per diem; that is, the Board developed a decision-making flowchart that segmented the program into discrete decision-making steps. These steps included determining a program type, identifying demand and geographic areas, selecting a universe of restaurants, establishing timeframes for per diems, researching prevailing meals rates, determining an appropriate reimbursement option, and communicating rates and operating the per diem program. As with lodging, the Board discussed its findings according to the steps shown in the decision-making flowchart.

While the majority of travelers were generally satisfied with the meals per diem rates and OGP reported that travelers have not filed significant complaints with them regarding meals per diems, the Board's survey of Federal travelers indicated that a significant number of travelers (1,459 out of 12,918) find meal allowances to be insufficient.

In addition, the Board's survey of Federal agency Travel Managers indicated some dissatisfaction with the meal per diem rates. Four out of the eight responding agencies stated that they have received complaints from travelers about these per diem amounts. Further, four out of the ten FEB members who responded to the Board's survey indicated that the meal portion of the M&IE per diem rates is too low.

Program Type

The Board identified two programmatic approaches to reimbursing travelers fairly for their meal costs while controlling meal expenditures and associated budgets. The first program type conforms to that used by GSA today; that is, area or location-based meals per diems. The second program type would pay travelers for their actual meal expenses, which would eliminate the meals per diem entirely. Some of the primary advantages and disadvantages of each program type are shown below:

Actual Costs

Advantages

- No bureaucracy.
- Wide selection of restaurants.
- Likely to be widely embraced by government travelers.
- Allow travelers to select their own restaurants and menu.
- Both chain and independent restaurants able to participate.
- Easy to communicate.
- Flexible.
- Easy to audit, voucher, and perform accounting.
- Applies standardized approach across locations.

Disadvantages

- High possibility that travelers could abuse system.

- Not in compliance with FTR and Title 5 U.S.C. Section 5702.
- If no guidelines are given, reimbursement may not be reasonable and equitable. If guidelines are developed, this process could become as complicated as the current system.
- Receipts required; additional step in process.

Area or Location-Based Rate

Advantages

- Administrative hurdles have been defined and a system has been established.
- Allows travelers to select their own restaurants and menu.
- Can cover the entire country with rates.
- Existing system is already understood.
- Chain and independent restaurants able to participate equally.
- Suppresses excessive meals costs. Travelers are free to select expensive restaurants or menu items, but the government's cost is capped.
- Complies with FTR and Title 5 U.S.C. Section 5702.
- Facilitates budgeting.
- Easy to audit, voucher, and perform accounting.
- No changes required to Federal agency systems and the process because this is the current method.
- Process repeatable and standard across locations.
- Reflects market conditions if properly computed (based on valid data source and valid methodology).
- Politically acceptable to government, taxpayers, travelers, industry, CRC's, and other users.

Disadvantages

- Travelers may not be able to eat at convenient, safe restaurants with the menu items and ambience they prefer if the rates are set too low.
- Government and taxpayer interests may not be safeguarded if the rates are too high.

Based on the above factors, the Board concluded that using actual costs as a reimbursement method should be done on an exception basis, and an area or location-based rate would be the preferred approach.

The foundation for meals per diem rates should be sound data that establishes clear and rational benchmarks. These benchmarks should serve to control costs by setting a cap on what the Federal government will pay. Allowing travelers to claim actual meals costs would increase the administrative burden on the traveler and the traveler's approving official. As a result, the Board has concluded that it is reasonable and necessary for GSA to continue establishing a meals and incidental expenses per diem allowance.

The Board recommends that the meals per diem program reflect the lodging per diem locations. Using actual costs instead of meals per diem would eliminate an important curb on costs. The Board has concluded that the financial arguments are too strong to change this type of program.

Determine Demand/Geographic Area

An important consideration in establishing per diems is determining a logical geographical boundary for each rate. Currently, GSA establishes location-specific meals per diems for all destinations for

which it provides location-specific lodging per diems, and a standard CONUS rate for all other destinations.

The Board sees no compelling reason to shift GSA's current procedure of establishing meals per diems for the same locations for which lodging per diems are set. Therefore, the Board recommends that the meals per diem areas mirror those for setting lodging per diems. The difference will be that meals per diems will conform with those new geographic areas for lodging rates; changes in the lodging per diem geographic areas will drive changes in the meals per diem locations.

An example of how this could affect meals per diems can be demonstrated by looking at the leading destination for government travelers, Washington, DC. FY 1998 survey data indicates the following rates:

Downtown Washington, DC (2)	Suburbs (1) (2)	Average Area Rate (2)
\$61.39	\$47.71	\$55.24

1. Per OGP, this includes Prince Georges County and Bethesda, MD and the following Virginia cities: Springfield, McLean, Leesburg, Vienna, and Alexandria.
2. These rates include taxes, 15% tip, and the \$2 incidental expenses amount.

While it appears that establishing separate per diem rates for downtown and suburban locations will result in lower rates for the suburbs, it is not possible to reach an accurate conclusion regarding the budgetary impact of establishing downtown and suburban meals per diem rates (i.e., segmenting the markets based on higher and lower cost areas), because 1) a thorough analysis of additional locations will be necessary, and 2) OMB and GSA do not automatically accept the survey results as the meals per diem. GSA reviews the methodology to help ensure that rates are neither too high nor too low or rise too rapidly.

The Board finds this enhancement can contribute to addressing concerns expressed by travelers who consider the meals per diem less than adequate. Because the meals per diem will reflect meals costs in higher and lower-cost areas within a city (downtown versus suburban locations), travelers will find the rate more in keeping with their actual expenditures.

Universe Selection

Important considerations related to universe selection include identifying any relevant restrictions or requirements on restaurant quality and restrictions on menu items. In addition, it is important to ensure that the universe selected will be able to successfully withstand the scrutiny of the media and the public.

Historically, GSA has contracted with a private sector company to conduct a survey of restaurants across the country to ascertain prevailing market rates for meals. For the locations where specific lodging per diems have been established, the restaurants must fall within the following quality parameters, according to a GSA Task Order for FY 2003 Lodging and Meals Allowance Survey, dated November 21, 2001, and written by OGP:

- 2 and 3-star/diamond full service restaurants located within the defined boundaries of the specific destinations. These 2 or 3-star/diamond industry rated lodging properties/restaurants are found within the AAA and Travel Guides.
- When 2 and 3-star/diamond full service restaurants are not available, family-style or chain-type restaurants from within the defined boundaries of the destination.
- Survey samples from all destinations should strive to have a statistically valid confidence level of 95 percent with a precision level of +/- two percent.

For the other destinations (referred to as Standard CONUS), the confidence level is required to be 95 percent with a precision level of +/- five percent. Three hundred locations were recommended to fulfill this confidence level, and OGP specified that these destinations would be selected from a random sample.

The survey results have historically been used to establish breakfast, lunch, and dinner rates. However, in FY 1998, an \$8 breakfast rate was established. Thereafter, the contractor needed to survey restaurants for only lunch and dinner rates. Despite the sliding scale deduction, the \$8 calculation continues to apply. To ensure that consistent rate data was collected, OGP established a sample menu, and requested that the contractor provides GSA with information on the average rate for a location and the lowest rate for the location. The rates are to include applicable taxes and a 15 percent tip. GSA's Task Order for FY 2003 Lodging and Meals Allowance Survey, dated November 21, 2001, and written by OGP, states that the sample menu will include:

- (a) A typical lunch will be based on:
 - Medium-priced entree or cold/hot sandwich;
 - Two vegetables;
 - Bread/rolls and butter; and
 - Coffee, tea, milk, or soft drink
- (b) A typical dinner will be based on:
 - Salad;
 - Medium-priced entrée;
 - Two vegetables;
 - Bread/rolls and butter;
 - Coffee, tea, milk, or soft drink

Gathering data from these quality categories of restaurants seems logical because travelers do not always eat in hotel restaurants. In fact, one upscale hotel brand stated that Federal travelers rarely eat in their hotels. However, travelers do sometimes eat one or more meals in their hotel restaurant, particularly when they do not have access to transportation and restaurant choices are limited. Surveying all three types of restaurants ensures that the sample covers all common traveler choices. Also, the types of restaurants sampled help ensure that the meals per diems are neither too high nor too low, something that is particularly important in the government arena, where one's actions must withstand the scrutiny of the public, the media, and the U.S. Congress. This universe selection method is common for corporations that use meals per diems as benchmarks. GSA's approach conforms to common corporate practice, and the Board finds no reason to change this method of universe selection.

The Board finds no compelling reason to amend the sample menu or OGP's determination of an \$8 rate for breakfast. It believes that the specified menu will withstand the scrutiny of the media and public.

Determine Time Frames

Two important issues to address are how frequently to update the rates and whether rates should be separately established for each meal.

Up until October 1, 2002, GSA reset its meals per diems every three years via a survey. In October 2002, GSA adjusted its survey-based rates by applying the Bureau of Labor Statistics' CPI for Food Away from Home.

The Board previously noted that travelers who receive meals per diem allowance frequently consider the amount inadequate. Under "Geographic Area," the Board discussed enhancing geographic sensitivity by setting rates that corresponds to new lodging market areas (i.e., ZIP Names), which would be based on lodging rate differentials. A second enhancement would be to adjust the rates more frequently than every three years. This does carry a cost impact because rates can generally be expected to increase rather than decrease, based on historical trends. To set the FY 2003 rates, GSA used the following inflation factors:

Year	Inflation Factor
1999	2.5%
2000	2.4%
2001	2.9%

Upon researching the approach to indexing used by the Bureau of Labor Statistics, the Board finds that a refreshed survey base is established about every ten years. The Board finds this time-span to be too long for an allowance program that must ensure fair and accurate rates for travelers. GSA's current schedule for updating surveyed meal data is every three years, which the Board finds to be shorter than necessary. A time period between the two extremes — five years — is reasonable. This approach will reduce costs by eliminating the need to have a contractor conduct a new survey every three years. Surveying every five years will ensure that the meals per diem keeps pace with actual market costs.

Annual updating of rates is common for corporations that use meals per diems as benchmarks. GSA's current approach conforms to common corporate practice. Therefore, the Board recommends that GSA survey restaurants every five years, but continue to index the rates annually.

Rate Research

The Board identified and analyzed six different potential rate research sources. The potential data sources included using charge card data, restaurant industry reports, a restaurant industry index, rate data from specific restaurant chains, a survey of restaurants, and State rates. Of these, the Board concluded that the optimum methods are to conduct a survey of selected restaurants every five years, and index the rate in the interim. The primary reasons the other rate research methods were dismissed are discussed below:

- Charge Card Data - Data would be incomplete because many travelers do not charge meals (especially breakfast and lunch), and the charge card data may include charges for items on which the government does not wish to base its rates (such as alcoholic beverages).
- Restaurant Price Data - Obtaining and analyzing data from multiple sources could prove difficult. The price and revenue data would reflect a myriad of meal types, include items on which the government would not wish to base its rates, and cooperating restaurants would not provide a sufficient sample to represent travelers' choices.
- State Rates - Lack of uniformity in State methods for establishing per diems across the country.
- Restaurant Industry Reports - As with "restaurant price data," revenue data would reflect a myriad of meal types, include items on which the government would not wish to base its rates, and would not provide a sufficient sample to represent travelers' choices.

The Board has determined that surveying restaurants and indexing represent the most plausible meals rate research methodologies at this time. The Board identified that a company with the capability of conducting a meals survey comparable to that of GSA must have the following characteristics:

- Historical database of meal costs that reflects GSA meals survey methodology.
- Experience in developing meals allowance programs in the corporate and governmental sectors.
- Experience developing meals research questionnaires suitable for developing meals allowances.

Such a company would publish an annual survey of meals rates that could be obtained at relatively low cost. The Board recommends that GSA conduct its own survey or continue to contract for this service. The cost of surveying additional locations may result in additional contractor costs.

The government does not automatically adopt the meals rates indicated by the survey for which they contract. In the four large markets the Board analyzed the survey data and the resulting rates, the adopted meals per diem rates were lower than the surveys indicated would be appropriate, as follows:

Location	1998 Survey Results **	1/1/99 – 9/30/02 Rate	10/1/02 Rate ***
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Washington, DC	55.24	46	50
Atlanta, GA	60.14	38	42
Virginia Beach area, VA *	41.18	38	42
Boston, MA	62.76	46	50

* Norfolk, Chesapeake, Portsmouth, Virginia Beach

** Including average tax for area, 15% tip, \$2 incidental expense, and two non-alcoholic beverages per day.

*** Based on applying inflation factors of 2.5% for 1999, 2.4% for 2000, and 2.9% for 2001.

GSA considers the following factors when developing M&IE per diem rates:

- Destinations will not increase or decrease more than one meal tier.
- Blending certain destinations together could increase rates by more than one tier or increase their original survey rate. This is due to the fact that, when blending two or more destinations, the one with the highest M&IE rate will be used for all destinations in that particular "blend."
- Likewise, when destinations are "unblended," these destinations will keep their "blended" rate. Hence, their M&IE rates may be higher than the original survey rates.
- When survey rates are between two meal tiers, the lowest meal tier is used.
- For new destinations (previously CONUS), an M&IE survey will be conducted. Rates will not be more than \$34 (one meal tier increase from \$30 CONUS M&IE rate).
- Internal management decisions may result in a deviation from the previously mentioned five factors.

The Board recommends that GSA set meals per diems based upon actual data for each lodging per diem ZIP Name area, eliminating the current meals per diem buckets and algorithms. There will, very likely, be a cost impact for doing so. For example, in the preceding four examples, the rates called for by the survey were higher than the rates adopted by GSA.

Reimbursement Options

Per diem programs come in different guises. The practice of the Federal government is to pay travelers the meals portion of the per diem as a flat, lump sum amount that varies by location (with an option that also provides for reimbursement of actual expenses with approval). Through various research methods, the Board determined that this practice is used by many other entities, but it is not the predominant method. For example:

- Survey data gathered every two years by Runzheimer International between FY's 1994 and 2000 shows that only eight to ten percent of responding organizations pay a flat meal allowance to travelers, regardless of actual expenses. However, in FY 2000, nearly half (48 percent) of the respondents provided guidelines or benchmark data to travelers and another 14 percent reimbursed travelers up to a cap (comparable to how the Federal government pays the lodging per diem).
- The American Express Survey of Business Travel Management 2000-2001 shows that 66 percent of its respondents provide general guidelines that define "reasonable" expenses.
- The survey of private sector companies conducted by the Per Diem Subcommittee in September and October 2002 (113 respondents) indicated that only 9.9 percent of the respondents use lump sum allowances to reimburse travelers for meals and incidental expenses, whereas 75.9 percent of the respondents indicated that they are reimbursed actual expenses within certain guidelines or ceilings.
- Of the 15 States that responded to this question on the survey conducted by the Per Diem Subcommittee, eight States pay their travelers a lump sum allowance for meals on out-of-state trips, and six States pay actual expenses up to a maximum amount. For in-state trips, nine of the 15 States pay lump sum allowances, and five States pay actual expenses up to a maximum.

- The Society of Government Travel Professionals (SGTP) conducted a survey of State practices in FY 2001. The results were published in the report entitled The 18th Annual Survey of State and Provincial Government Travel Practice and Procedures. The report indicated that in FY 2001, 42 States used lump sum allowances for meals costs on out-of-state trips, with the remainder reimbursing reasonable actual costs. The survey indicated that 43 States reimburse employees on in-state trips using a lump-sum allowance.

Merely setting a meal-cost limit can encourage travelers to spend the maximum amount allowed in a time period. The same can be said for merely providing a benchmark.

The meals per diem is paid as a lump sum allowance and is a best practice. The reimbursement option selected by the Federal government not only controls costs, but also achieves efficiency in processing travel vouchers. However, the Board recommends that the option to use actual meals costs with prior approval should still exist.

Recommendations

Issue Three: A survey of travelers covered by the Federal Travel Regulation finds that many travelers do not consider themselves adequately reimbursed for meals expenditures.

GSA should:

- Continue with current area-based meals per diem program.
- Set meals per diems based on lodging per diem ZIP Name areas as banded for the lodging per diem rate.
- Continue using the current universe selection (2 and 3-star/diamond and family-style restaurants).
- Use a data source to establish the base line meals per diem rate. Index the base line for the intervening years. Revisit the base line every five years to re-set the base to 100, which will be more geographically sensitive than the index applied.
- Contract with a private industry vendor to create a model to establish ZIP Name areas and corresponding rates for these areas based on a survey of no fewer than 1,600 respondents and readily available economic and demographic data.

GSA and other Federal agencies should:

- Continue with lump sum and optional actual expenses approval, when necessary.
- Continue offering travelers 75 percent meal allowance for partial travel days.

Issue Four: Incidental Expenses

Many private sector companies do not have per diem allowances for incidental expenses, and they define incidental/miscellaneous expenses differently. In addition, some government employees are uncertain of what the allowance is designed to cover and find the allowance inadequate.

Discussion

This section of the report examines GSA's and other Federal government agencies' treatment of the incidental expense allowance as a component of the travel per diem. It reviews industry and common practices regarding incidental expenses in general and those covered by GSA policy as well as potential approaches to developing an incidental expense per diem.

Title 5 U.S.C. Section 5702 provides that government employees traveling on official business are generally entitled to reimbursement for the actual and necessary expenses of travel. The Federal Travel Regulation (41 CFR Section 301-11.1) provides that an employee on official travel for more than twelve hours is eligible for a travel allowance for meals and incidental expenses. The amount of the reimbursement varies by location. Effective October 1, 2002, the rates range from \$30 to \$50. Of these daily totals, \$2 is designed to cover incidental expenses.

The FTR (41 CFR Section 301-11.101) specifies that the traveler shall receive 75 percent of the applicable rate for meals and incidental expenses for the first and last days of travel. Hence, for the first and last travel days, the employee receives \$1.50 towards incidental expenses.

The FTR (41 CFR Section 300-3.1) defines incidental expenses as:

- Fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign countries.
- Transportation between places of lodging or business and places where meals are taken, if suitable meals cannot be obtained at the TDY site.
- Mailing cost associated with filing travel vouchers and payment of Government sponsored charge card billings.

The incidental expense amount is an allowance under an "accountable plan" rather than a reimbursement for expenses incurred, which means that the IRS does not require receipts for substantiation nor does it require proof of business purpose or returning an amount in excess of expenses.

GSA is responsible for establishing the incidental expense allowance. The amount of the incidental expense allowance has remained unchanged for many years. Because the \$2 amount was established so long ago, GSA officials interviewed by the Board did not know the basis for this amount.

Runzheimer International, a company that conducts travel policy and cost surveys, last studied the incidental expense allowance in FY 1998. As a result of recommendations made by this study, GSA redefined what the \$2 allowance was meant to cover on December 2, 1998, (effective January 1, 1999) to exclude laundry and dry cleaning expenses. After this date, employees could claim actual costs for these expenses.

GSA officials have estimated that the government has approximately 24 million room nights per year (not including travel by cost reimbursable contractors), so even a small change in the incidental expense allowance will have a significant financial impact on the overall cost of government travel.

Findings

The Board sought to determine whether a per diem allowance for miscellaneous expenses should exist, and, if so, what amount would be appropriate, what expenses should be included in the allowance, and how GSA can overcome traveler issues with the allowance.

An Incidental Expense Allowance Should Exist

No survey data was available to the Board to determine whether organizations typically provide a fixed dollar amount as part of its per diems to cover miscellaneous or incidental expenses because organizations that conduct surveys of the travel industry do not ask the question. Based on their extensive industry experience, Runzheimer believes that outside of the Federal government, organizations rarely take this approach. Rather, they typically reimburse employees for actual incidental expenses as specified on a traveler's travel-expense form. Per diems tend to be reserved for meals and lodging. The Federal government is an exception in its practice of paying a fixed, lump sum allowance for incidental expenses. The Board conducted the following two surveys in September and October 2002, and the results agreed with Runzheimer's conclusion:

- A survey of all private sector companies that are members of the NBTA. Sixty-nine point two (69.2) percent of the 113 respondents stated that they do not have a similar allowance.
- A survey of all 50 States. Several of the 17 responding States use Federal per diem allowances for meals and incidentals, while others reimburse travelers for actual expenses for tips to baggage handlers and housekeeping staff.

While information provided by Runzheimer International and the Board's surveys of private sector companies and States indicate that per diem allowances are not common for incidental expenses, the Board recommends that GSA continue to calculate an incidental expense allowance, primarily because:

The approach used by many other entities (reimbursing actual expenses) would create an additional administrative burden on 1) travelers who must keep track of incidental expenses and 2) agencies that must verify the expenses. If the allowance is set at a reasonable amount, this administrative burden will appear to be unnecessary.

Use of an incidental expense per diem allowance caps this nominal expenditure category and contributes to cost control.

The Incidental Expense Allowance Should Include Cost Categories

Whereas the government's allowance is designed to reimburse travelers for tips to baggage handlers and room attendants, transportation to restaurants, and postage costs for charge card payments, the Board found that such costs were not specified as reimbursable miscellaneous expenses in Runzheimer's 2000 Survey & Analysis of Business Travel Policies & Costs (S&A Travel), nor were they written in by respondents to the Runzheimer survey under "Other."

Because the private sector typically reimburses travelers for tips to baggage handlers, room attendants, and postage costs for charge card payments, the Board recommends that the government continue to include these cost categories in the incidental expense allowance insofar as they are normal, identifiable costs of travel. However, the Board recommends that the government exclude the other cost category that is currently included in the allowance (transportation costs to restaurants) because 1) the amount of this cost could vary considerably, and 2) this cost would probably be incurred by only a small percentage of travelers (those in isolated locations who are not renting cars). Consequently, it would appear more reasonable to reimburse travelers for their actual costs for this cost category. Travelers may already claim actual expenses for many of the other miscellaneous travel costs listed in the Runzheimer report, and the Board could find no compelling reason to alter this approach.

Incidental Expense Allowance Amount

To help determine the appropriate amount to reimburse travelers for incidental travel expenses, the Board looked to Runzheimer's 2000 Survey & Analysis of Business Travel Policies & Costs (S&A Travel), the survey of private sector companies that was conducted by the Board, and the research done by tipping expert Dr. Michael Lynn of the School of Hotel Administration, Cornell University. Calculations using both surveys would indicate that a higher daily allowance amount would be appropriate. However, as noted above, the private sector typically defines miscellaneous or incidental

expenses more broadly than the government. Therefore, the Board does not feel that these amounts are appropriate for the government's incidental expense allowance.

To the best of the Board's knowledge, no research organization captures cost data on tips to baggage handlers and housekeeping staff. Although cost data covering these incidental expenses is not easily obtainable, considerable information on standard or accepted practice has been published. Moreover, the travel policies of many organizations allude to standards for tips.

An Internet search on key words such as "gratuities" and "tipping" will bring a searcher to tipping guidelines comparable to those found in corporate travel policies. For a randomly selected example, see: www.tipping.org/tips/TipsPageTipsUS. For a comprehensive bibliography on tipping, go to: www.people.cornell.edu/pages/wml3/Tip_Bibliography.htm. The bibliography and web site are the work of Dr. Michael Lynn.

The Board recommends that the allowance for incidental expenses be based upon two factors: 1) logical and typical services that are sought by and provided to a traveler covered under the FTR, and 2) conservative yet established tipping practices. The Board recommends that GSA adopt the following model of the typical services provided by individuals who assist a traveler during a trip:

Baggage-handling at origination airport	Tip	\$1.00
Baggage-handling during transit to lodging	Tip	\$1.00
Baggage-handling during transit from lodging	Tip	\$1.00
Baggage-handling at destination airport	Tip	\$1.00
Room attendants	Tip	\$2.00
Mailing costs	Postage	\$.40
Miscellaneous tipping		\$2.00
	Total	\$8.40

This model reflects a "per trip" total expenditure for tipping, not a per diem. Because a typical trip lasts three days, the suggested per diem is \$2.78, which the Board recommends rounding to a maximum of \$3 per day. Given that the current incidental expense is \$2 per day, the Federal government will realize a modest increase in budgets and expenditures for the incidental expense per diem.

The Board finds that the model it has provided clearly defines what is covered and what is justifiable for this portion of the per diem. Moreover, because the amount remains minimal and rationally derived, the Board believes it remains acceptable to the IRS as an allowance under an accountable plan. This solution not only ensures appropriate payment to the traveler but also controls against excess.

How GSA Should Address Travelers' Concerns About the Incidental Expense Allowance

OGP officials advised the Board that they have not received complaints regarding the amount of the incidental expense allowance. However, the survey of Federal travelers conducted by the Board indicated that 68.8 percent of travelers (5,662 of 12,918 respondents) did not find the allowance to be adequate. In addition, three out of the eight respondents to the Board's survey of Federal Travel Managers indicated that allowances for meals and incidental are not always adequate. The Board's survey of State Travel Managers indicates confusion regarding what cost categories are included in the incidental expense allowance. For example, some States use the Federal rates, but separately reimburse travelers for expenses that are included in the incidental expense allowance.

Recommendations.

Issue Four: Many private sector companies do not have per diem allowances for incidental expenses, and they define

incidental/miscellaneous expenses differently. In addition, some government employees are uncertain what the allowance is designed to cover and find the allowance inadequate.

GSA should:

- Retain the incidental expense allowance. This policy and practice caps this nominal expenditure category and contributes to cost control. Moreover, it simplifies voucher processing, which saves time.
- Adjust the allowance amount to \$3 per day, then periodically review both the model and tip amounts for adjustments, based upon common practice as well as fair and equitable reimbursement to travelers for expenses incurred while traveling on government business. The allowance should continue to include tips for baggage handlers and room attendants and postage for charge card payments, but that transportation costs to restaurants be excluded and paid to employees as applicable, based on their actual cost.
- Change the terminology to describe what the allowance is intended to cover (tips for services provided by individuals who assist the traveler during the course of a trip) and communicate to travelers better regarding what the allowance is and what it is intended to cover. Change the phrase "Incidental Expenses" to "Postage and Service Gratuities (P&SG)."

Issue Five: Current Per Diem Lodging Methodology and Process

The Board challenges the effectiveness and efficiency of the current per diem lodging methodology and processes.

NOTE: The Board ultimately recommends a revision of the current per diem lodging methodology and processes with the recommendation noted herein. However, these recommendations below are offered to enhance the current (existing) per diem methodology. The Board recommends that these improvements are to be implemented as GSA is conducting studies, piloting, and working with agencies to implement the new (proposed) methodology.

Discussion

GSA's OGP assumed responsibility for the CONUS per diem rate setting process in the spring of FY 1996. GSA's Federal Supply Service had previously handled this process. A quick review of the process revealed several areas of weakness. The process was not open insofar as no effort was made to communicate with affected stakeholders. The methodology was not shared with the lodging industry and concerns expressed by the industry were deflected with answers that the survey process was "confidential" and could not be discussed with outside parties. The same approach was taken with OMB. The entire process was completed each year and then a final package covering over \$2 billion of expenditures was given to OMB for approval on short notice. Because OMB was not involved in the process until the very end, any questions that were raised inevitably delayed the publication of the rates.

A statistically valid survey was done of the marketplace, but GSA then altered the results so that no location's lodging per diem rate could increase by more than \$15 in any year, nor go down by more than \$10. This step in the rate-setting process effectively invalidated the survey results. The properties surveyed came from the Fire Safe Hotel/Motel Master List maintained by the Federal Emergency Management Agency (FEMA). The list had stagnated at about 17,000 properties (approximately 1/3 of the properties estimated to be eligible). Because of this, the survey universe was restricted from the very beginning.

Since 1998, many changes have been made to improve the rate setting process. OMB was invited to participate in the process from the start. An outreach program was started that sought advice from the lodging industry and from the Federal agencies - both in Washington, DC, and in the field. Quarterly meetings were set up with the American Hotel Lodging Association (AHLA). Those meetings also included Federal agencies and NBTA. NBTA was invited because its membership included a number of corporations doing business with the Federal government that were impacted by the per diem rates. Communications plans were developed to better inform all parties, including Congress, of what went on in the rate setting process and what appeal rights were available.

The arbitrary upper and lower limits were eliminated. Joint efforts with industry encouraged properties to become FEMA-approved. The Fire Safe Hotel/Motel Master List now contains over 31,810 properties. The process was opened to scrutiny by all parties and OGP traveled to any location in the country that indicated a problem to see what could be done to ensure fair and equitable rates. The survey questions themselves were shared with AHLA so their membership could recommend changes that might elicit better responses. The effective dates of the rates were changed to a fiscal year basis to better reflect the government's budget process rather than the calendar basis as before.

Although the process has improved considerably, there are still concerns regarding the approach. Prime among them is that the survey is a snapshot of the rate picture at a certain point in time. In addition, it is a telephone survey. Properties have absolutely no obligation to honor the per diem rates — even ones quoted in the survey. In fairness to the properties, they also have no idea what volume of business to expect from the government when they are quoting these rates. Particular problems were prevalent in locations that needed rooms at per diem in downtown areas (where many Federal office buildings are).

Findings

Historically, GSA has hired an independent contractor to conduct an annual survey of approximately 500 locations throughout the country. The contractors are chosen based on ability to perform the specified task. GSA uses the MOBIS schedule to identify potential vendors and then requests that the companies submit their proposals (technical and costs). Proposals are reviewed and evaluated by an internal GSA panel and the award is generally made on best value. However, the decision to award can also be based on cost.

The contractor is required to provide staff and other resources capable of administering surveys for each of the properties/destinations identified in the SOW. The contractor is also required to perform work to produce the final survey reports at the aggregate and detailed levels, provide expert consultation and assistance associated with conducting surveys, and provide guidance and counseling in support of GSA's travel program improvement efforts. Work is generally performed at the contractor's facility.

The survey involves directly contacting the General Manager or Director of Sales in properties in the designated survey location and gathering information from them to use in the rate development. The properties contacted are either 2 or 3-star/diamond rated facilities (as rated by AAA or Mobil) and on the Fire Safe Hotel/Motel Master List maintained by FEMA.

The contractor is responsible for striving to achieve a 95 percent confidence level, plus/minus a two percentage point precision level. The scope of work requires a maximum of five calls to the top 75 cities and three calls to all other locations. The survey call back messages resulted in less than one percent of the phone calls being returned. Three calls resulted in an inadequate sample. The additional two calls to the top 75 markets generated another 17 percentage point response or a total 65 percent response. The survey group consisted of 4,974 hotels in 454 markets. (Under the previous survey method of calling reservations personnel, the response rate exceeded 95%. Statistically, results were more reliable.)

The contractor converts raw data into product ready data and then submits recommended per diem rates based on the existing methodology as specified in the SOW. The GSA staff conducts site-by-site reviews of data. A review ensures that recommended rates are equitable and any changes are reasonable. Management briefings between GSA and OMB are held to present data findings, recommend changes, and submit estimated dollar impact of these changes. The rates are submitted for approval to GSA's Administrator and OMB.

The per diem rates are in effect from October 1st through September 30th to coincide with the government fiscal calendar. Creating the scope of work and hiring the contractor begins in November of the previous year. The survey takes place in March and continues for 90 days. The submission of the data to GSA occurs in June.

OGP created the Federal Premier Lodging Program (FPLP) to ensure that Federal travelers could obtain lodging in the downtown areas of major metropolitan markets. While this process is being evaluated for best practices in a separate section of the report, the Board notes here that the lodging per diem rates are readjusted to reflect the highest awarded contract property's lodging rate in these major metropolitan markets. The readjustment reflects price reasonableness for lodging by determining the overall ADR reported by STR for luxury, upscale, and mid-priced price category properties, less five percent. The custom trend reports are generally ordered based on ZIP Codes for a specific destination. These ZIP Codes are provided by the FEB's in the award cities and used as an indicator for where Federal travelers are lodging. The lodging rates that are set in the FPLP destinations are generally established based on the STR reported ADR, as previously described above, less five percent. GSA also shows, along with the STR established rate, the lodging survey proposed rates based on the traditional lodging rate methodology (i.e., telephone survey/average rate/room night demand) and GSA's internal review of lodging rate recommendations for each FPLP location.

The report to Congress on all changes is submitted a minimum of 30 days prior to becoming effective. Rates are published in the Federal Register and on the GSA web site by September 1st. As noted earlier in this report, the survey to refresh standard CONUS occurs every three years.

The current per diem program requires four full-time GSA associates plus dedicated time from upper management for presentations and review. The contractor typically has a team of five to six people (plus a bank of tele-researchers).

The current per diem process relies on FY 1998 AMEX travel data to determine demand for each of the surveyed locations. Assumptions are made based on expert knowledge and are used to adjust the figures to account for travel not charged to that charge card during that fiscal year. Usage is one of the input items in determining lodging per diems.

Program Strengths

- Awarding a five-year vendor contract provides process continuity.
- The focus of the program is somewhat limited only to hotels that are available to the government traveler.
- Only 6,000 website complaints, which are used as part of the internal review. About 93,000 Federal travelers per day multiplied by 250 workdays would equal 23,250,000 opportunities for complaints.
- Total projected management and contract expenditure for a \$1.7 billion travel budget is less than \$1 million per year.
- Program results in rates showing only a three percent increase in per diem.

Program Weaknesses

- Origin and accuracy of 2 and 3-star/diamond hotel list. By using only the printed book information and not the updated electronic listing from AAA and Mobil, the size of the potential survey universe is being limited.
- In AAA and Mobil guides, independent hotels are under-represented.
- Universe selection is limited by not including all hotels in a market area.
- Accuracy of the FEMA database. Although the size of the database has increased dramatically as a result of work by GSA and the lodging industry, the inaccuracy with regard to brand changes is still apparent.
- Limitations of lodging personnel that are knowledgeable and available to answer survey.
- Origin and age of charge card data to determine usage.
- Standard CONUS rate survey done infrequently.
- Standard CONUS rate not regionally sensitive.
- GSA/OGP's limited resources dedicated to the per diem program.

Impact of Current Per Diem Lodging Methodology

Several methods were used to track satisfaction with the current program and identify areas that travelers felt needed attention.

1. Web-Based Survey of Federal Travelers

One of the most revealing aspects of the Board's research was a survey of Federal travelers. The goal was to build a picture of the Federal traveler via a short web-based series of questions. The Board developed 22 questions designed to identify the travelers, determine when and where they travel, and the impact that lodging, meal and incidental per diem rates had on their trips. [See Appendix A-3: <http://www.gsa.gov/travelpolicy> for survey details.] Due to the related nature of per diem setting and establishing a lodging program, the results of the survey spoke to both topics. GSA contracted with a Herndon, Virginia company, Websurveyor (www.websurveyor.com), on behalf of the Board. Their software product allowed the group to post the survey on their Internet site and distribute the web address to Federal employees to collect and compile their responses.

The survey was distributed via two methods. First, approximately 800 requests were sent to a database of Federal employees who had attended GSA's National Travel Forum in Nashville,

Tennessee, in June 2002. In addition, the URL was distributed at the SGTP Conference in Washington, DC, in September 2002 to Federal Travel Managers (FTM) in both DoD and civilian government. The FTM's were asked to provide the address to their travelers. The survey became active on September 2nd. By September 17th, over 12,000 responses were accumulated and the survey was closed due to the data base limitations.

The Board was inundated with responses to the web-based survey. There was no inducement for travelers to participate, other than their desire to express their opinion, and the numbers were astounding. The Board recommends that GSA consider instituting a regular or on-going travel survey that will allow them to benchmark satisfaction rates of users with the travel program and measure the impact of changes. This type of survey is a "best practice" in corporate travel programs and should be a foundation for future Federal efforts.

Of the 12,918 Federal travelers who responded to the survey, 59.1 percent indicated they were Federal civilian employees, while 35.9 percent indicated they were DoD uniformed and non-uniformed travelers. The only significant difference between the answers of the two groups appeared in the questions pertaining to destination. DoD travelers selected military bases as their primary destination, while civilian travelers indicated that they were most often traveling to downtown areas of larger cities. Military travelers indicated that downtown areas were their second most frequent destination. Overall, the survey responses showed common themes, and the Board considered the combined answers of all respondents when making recommendations.

The travelers were asked to rank themselves within their organization. Most of the travelers placed themselves in middle to upper-middle grade levels within their organization. Of the responses, 60 percent indicated that they travel five or more times per year, while trip length varied from overnight (six percent) to six nights or more (18 percent). These facts may indicate that frequent travelers were more prone to answer the survey, as well as confirm that these respondents are traveling a significant amount of time.

The most popular method of making hotel reservations (44.3 percent) was to book directly with the hotel or hotel chain. Another large group of travelers (39.5 percent) indicated that they were booking their reservations through their agencies' TMC. A small number were using hotel branded Internet sites (4.7 percent), Internet discounters (2.5 percent), and their agency's desktop booking program (1.6 percent). Since FY 2000, the FTR requires all Federal travelers to reserve their lodging arrangements through their agency's TMS, yet the majority (60 percent) continues to book outside of the system.

These facts point out a fundamental problem in managing lodging program compliance. In corporate travel management, employee compliance with their airline travel programs is normally high (80 - 90 percent) and fairly high with car rental programs (70 - 85 percent). However, compliance with lodging programs (40 - 80 percent) always seems to fall behind the other components of a travel program.

CTM's have concentrated first on airline negotiations (60 - 70 percent of corporate travel spending is on airfares), secondly on car rental negotiations (40 companies control most of the rental cars), and finally on hotels. This has been mirrored in the Federal government. GSA has a deeply discounted air program that receives high participation and the Military Traffic Management Command (MTMC) negotiates an aggressive car rental program with high compliance. The various lodging programs of the Federal government have sporadic compliance. Building a lodging program poses two problems for the Travel Managers that does not impact air and car programs as highly. There are over 46,000 hotels in the U.S. alone, and many of these are individually owned. Thus, many low-volume negotiations are required to build a program rather than a few, centralized negotiations.

Travel vendors require a commitment on the part of the purchaser to secure discounts. The relationship is parallel — the larger the commitment, the larger the discount. However, this requires the purchaser, or in this case, the government, to direct travelers to one hotel or another to fulfill its commitment to the hotel. As seen in both government and private sector programs, convincing the traveler to use a hotel program is quite problematic. The United States Code (5 U.S.C. 5911) addresses where Federal travelers may stay. Some contention exists in regard to the interpretation of this law and whether the Federal government is prohibited from telling travelers where they can stay. However, precedence has been set requiring travelers to use FEMA-approved hotels. In addition, the

airline city pair contract mandates usage of particular airlines with exceptions. Therefore, GSA should thoroughly review the interpretation of this law.

The survey seems to confirm that GSA's targeting of the top 75 cities, which GSA indicates accounts for 80 percent of the Federal travel dollars spent, is a viable strategy on which to springboard a lodging program.

Concerning hotel selection, the survey asked travelers to rank factors such as location, recommendations of fellow employees, hotel brands, or price of hotel to indicate what influenced their choice. Not surprisingly, the key factor for most travelers is location — travelers prefer to be close to their duty-point destination. Also highly rated was "recommendations of fellow employees." "Recommendations from my travel agent" was one of the lowest rated responses, reinforcing that the hotel decision is unique to the traveler and somewhat different than selecting a car or airline.

The survey asked, "Are the established per diem rates adequate for you to find acceptable hotels for your trip, when the destination is a downtown location?" Half of the travelers said "yes" (44.8 percent "adequate" and 4.3 percent "more than adequate") and half said "no" (42.3 percent "less than adequate" and 8.5 percent "well below adequate"). When asked the same question for travel "NOT in a downtown location," 70.8 percent indicated that the lodging rates were adequate or more than adequate.

These results confirm the feedback the FEB's gave to GSA. They stated that the lodging per diem rates do not address the issue of finding acceptable hotels in downtown areas, where many Federal activities and offices are focused. The results also demonstrate, from a customer service perspective, that 50 percent of the customers are dissatisfied. In private industry, this type of performance would be unacceptable. As indicated earlier, regular satisfaction and performance surveys must be built into a travel program and the results must be considered in order to improve the program. Although a mechanism exists (actual expense authorization) to solve the problem of inadequate per diem rates in some locations, the travelers indicated that they rarely used this option. Some anecdotal information indicated that some agencies do not allow "actual expense" authorization or that the required approval was so difficult to obtain, it was "better not to ask." The Board considers this to be a problem that needs to be addressed. Many of the current issues with per diem could be resolved by simplifying the process of authorizing "actual expenses" and allowing its use more often, when appropriate.

When asked a similar question regarding the meals per diem allowance, the results were very interesting. Only 40.8 percent (34.2 percent "adequate," 6.6 percent "more than adequate") were satisfied with the meals per diem. Another 41 percent thought the rates were "low" and 17.7 percent said they were "much too low." This should serve as an indication to GSA that this issue should be addressed.

Finally, when asked if the \$2.00 per day incidental per diem rate was adequate, 69.9 percent of the travelers said "no."

In summary, as a result of this survey, the Board observed the following:

- 1) GSA should establish satisfaction and performance measures for the per diem program to help benchmark the efficiency of the program and develop an annual or ongoing survey that tracks traveler satisfaction and benchmarks their travel initiatives against this feedback. Valid information is key to improving the current situation. Based on the success of the web-based survey, the Board recommends a similar approach.
- 2) Federal travelers prefer to book their own hotel rooms. Programs that mandate compliance and completely remove the traveler's choice will probably not be well received. Lodging programs that are mandatory in nature, consequently managed, while still allowing travelers some choice, will be more successful.
- 3) Travel Managers and Budget Officers may exercise their right to approve actual expenses in downtown and high demand areas, when appropriate. Allowing this flexibility will greatly improve the traveler's options and improve satisfaction.
- 4) The meal allowances should account for events that take place at high demand locations. Travel Managers should be encouraged to approve actual expenses where appropriate.

2. Review of the comments on GSA's "No Vacancy" website.

GSA maintained a survey link entitled "NO VACANCY" on the GSA website, under the per diem heading at: (<http://www.policyworks.gov/org/main/mt/homepage/mtt/perdiem/travel.shtml>). The survey asked the traveler to complete the form when the per diem rate in a location did not meeting the traveler's needs.

The Board reviewed the comments from FY's 2000 and 2001 on this website to look for trends and further insight into the travelers' experiences with per diem rates. One question on the web survey asked whether the respondents were aware of the availability of the "No Vacancy" site where they could file complaints. Approximately 89 percent of these travelers indicated they were not aware of the GSA site.

Approximately 4,700 complaints from this site were reviewed — about 2,200 from FY 2000, and 2,500 from FY 2001. Specifically, the Board analyzed changes in the number of complaints when the per diem rate was adjusted from one year to the next and other patterns in the distribution of the complaints.

The data collected from the website indicates that travelers' complaints are generally validated by a change in rates. In 41 of 72 cities where the number of FY 2000 complaints were in excess of ten, GSA increased the rates the following year. In 30 of these locations, the number of complaints decreased, while in ten cities, the number of complaints increased. What is unclear is what this information actually represents. Are the complaints a reflection of the overall sentiments of travelers to this location, or the opinion of a small group of travelers?

In addition, the Board was unable to ascertain any cause for the dissatisfaction. Did this hotel offer the travelers government-priced rooms, and then retract? Were no rooms at government rates offered? From the given data, the Board could not distinguish which was the case. Collecting contact information from respondents could be helpful should GSA adopt a survey approach. If unclear feedback were submitted, GSA could follow up with the traveler directly.

Hotels receiving the largest portion of complaints were clearly those brands classified as "upper-middle to upper" priced hotels. Because "upper-middle to upper" priced hotels are generally all that are available in downtown districts of more expensive cities, this is consistent with the feedback received from several sources, indicating that it is difficult to obtain hotels in downtown areas because the per diem is too low.

This site, and the data generated, left many questions unanswered. The Board was unable to tell what was the actual complaint, and was left to assume that the per diem rate was inadequate. No information was available about the method of finding the hotel, the date of arrival, the day of week, the reservation method (or lack thereof) or the eventual resolution of the issue.

The Board's final observation stems from the web survey, yet applies directly to the website. Of over 12,800 respondents, 89 percent indicated they knew nothing about how to lodge a complaint with GSA. The "No Vacancy" site is buried well into the GSA website. It is difficult to find, even when one is looking for it. In general, the value of this data has to be suspect.

The Board recommends the following changes be made to improve this process:

- 1) Move the "No Vacancy" site to the front of the GSA website and place links to the form in many more locations.
- 2) GSA should collect feedback from travelers. This could be accomplished by setting up a survey, similar to the web survey discussed earlier, and gathering data year-round. Most of the TMC's contracted with GSA have electronic booking sites, agencies have desktop booking software, and the e-Travel site will soon be operational. Links to the survey could be placed prominently on all of these sites. In addition, TMC's should have paper complaint forms based on the survey available for travelers who are unable to access the web. GSA should also offer this link to the traveler via Federal employee and union sites.
 - a. Work with professional CTM's from industry and TMC's to develop a survey that produces timely, robust data, which clarifies issues that affect the traveler, rather than raises more questions. Requesting contact information can be useful in the event a traveler needs to be contacted to clarify a concern.

- b. Use this data to address issues with individual vendors, program deficiencies, and TMC performance. If the survey collects a large enough sample, this data could be used to benchmark customer satisfaction and evaluate changes made to the travel system.
 - c. Ensure that the survey requires enough qualifying information to enable GSA to identify chronic complainers and unfounded issues.
- 3) Change the “No Vacancy” name of the site to “Travel Experiences,” “Tell Us About Your Trip,” or another title that asks the traveler for feedback on the entire travel experience, not just hotels.

3. Survey of the Federal Executive Boards

GSA informed the Board that feedback from various FEB's indicated that travelers were unhappy with the per diem rates, especially in downtown areas, and that this feedback was one of the major driving forces behind the creation of the current lodging program.

The Board developed a survey to elicit insight into these matters and distributed this survey via e-mail to the FEB's. [Please see Appendix A-1: <http://www.gsa.gov/travelpolicy> for survey details.] Board Members and Participants followed up with phone calls to prompt responses to the survey from the FEB's.

The responses from the FEB's echoed the information gathered from the web survey and the GSA “No Vacancy” web site. They indicated that per diem rates in downtown locations made it difficult for Federal travelers to find rooms in downtown areas and that this caused problems for the agencies trying to accomplish government business.

The survey also pointed out another issue in the government travel system. No centralized entity directs, updates, and enforces travel policies. The FEB's all have “travel councils” which meet occasionally to discuss travel in their area and pass feedback on to GSA. The council members do not, however, take it upon themselves to address travel problems. In private industry, travel managers would create an appropriate lodging program, where needed. This does not happen in the Federal government. Some individual agencies and services [Department of Transportation (DOT), Navy, Army, GSA, etc.] have created travel systems and lodging programs, but these have very specific focus and usually do not look at governmentwide travel. In private industry, CTM's are responsible for ensuring a) the most responsible use of company travel funds; and b) traveler satisfaction — allowing the traveler to accomplish their business in safety and comfort. No such role seems to exist within the Federal government.

From this research, the Board formulated the following observation:

The Board endorses reviewing and expanding the role of the Travel Managers to include initiating change in the travel system, streamlining processes, and undertaking improvements at a more rapid pace. The Board further suggests that a centralized travel manager could prove valuable in creating change in the travel system and implementing improvements. On behalf of the Federal government, GSA should thoroughly examine this option.

4. Review of Relevant Press Articles

The Board noted that articles appeared in a number of publications commenting on government travel and GSA's administration of the per diem process. The Board reviewed these articles to gain additional insight into the effect of the per diem process on the traveler.

The Board reviewed articles published between FY's 2000 and 2002 from the Washington Post, the Federal Executive magazine, the Military Times publications (Army Times, Navy Times, etc.), and Business Travel News magazine.

In general, the information reviewed in press articles did not suggest any “new” information to the Board. In the Board's view, these articles were generally negative and adopted a tone that suggested that government travelers have limited options available to them.

In addition, much of the information reported in the articles, according to the Board's analysis, tends to be incomplete and, therefore, incorrect. Although the Board does not feel its responsibility extends to commenting on the editorial tone of selected articles, it will make one observation in regard to the press.

GSA should make more of an effort to inform the press on travel related issues. In all of the Board's surveys, travelers and managers indicated a lack of communication in regard to various travel issues, for example, the "No Vacancy" website location, press articles, and the FEB survey. Many Federal employees and the public get some of their information on travel policy changes from the press. It will be in the Federal government's best interest to make sure this information is clear and accurate, which will entail educating the press. Improving this communication will help, rather than impede, the adoption of new programs and decrease the effort spent re-educating travelers. The Board recognizes that GSA has no authority to dictate what is actually published. However, the Board recommends that GSA improve and expand its efforts to inform the press on these issues.

Recommendations

Issue Five: The Board challenges the effectiveness and efficiency of the current per diem methodology and processes have been challenged and questioned.

GSA should:

- Continue with area-based per diem program.
- Contract with vendors to obtain directly from AAA and Mobil their current electronic list of 2 and 3-star/diamond properties to compensate for yearly lag time in the publishing of directories.
- Eliminate 2-star/diamond properties from the survey in urban centers.
- Increase the number of survey respondents by increasing the number of survey distribution channels; for example, through on-line and FAX communications. Follow up with properties that do not respond via telephone.
- Revise the survey questions to give them a marketing edge and increase the number of completed surveys.
- Reduce the number of designated cities that are surveyed based on demand (currently 486).
- Create regional standard CONUS rates (via survey or indexing method).
- Adjust regional standard CONUS rates more frequently than every three years.
- Use data from a travel research firm as a benchmark to determine fair pricing.
- Review the seasonality method to ensure that changes are based on comprehensive statistics from a lodging industry data source. Per diem rates should have a maximum of four seasons and the price difference must be \$10 or above to constitute a new season.
- Adjust lodging market areas to reflect market rates.
- Increase the resources needed to support GSA/OGP's Per Diem Program.
- Facilitate and encourage feedback from travelers. GSA should modify existing mechanisms to accommodate this objective (i.e., the "No Vacancy" web site).
- Develop an annual or ongoing survey that tracks traveler satisfaction and benchmarks travel initiatives against this feedback.
 - Based on the success of the web-based survey, the Board recommends a similar approach.
 - GSA should work with professional Travel Managers from industry and TMC's to develop a survey that produces timely, meaningful data that clarifies issues that affect the traveler.
 - Request contact information in the event a traveler needs to be reached to clarify a concern.
 - Use feedback data to address issues with individual vendors, program deficiencies, and TMC performance.

- Make sure the survey seeks to capture enough “qualifying” information to enable GSA to sort out chronic complainers and unfounded issues.
- Make more of an effort to inform the press on travel related issues.

Issue Six: Government Lodging Programs

Government lodging is divided among multiple competing programs, causing confusion among travelers and the travel industry. This erodes the Federal government's buying power.

Discussion

Travelers have three primary considerations when selecting lodging – price, location, and FEMA compliance. Because Federal agencies have an annual travel budget, it is essential that travelers control their travel expenditures to the greatest extent possible. It is also important, for both cost savings and convenience that travelers stay close to where they need to conduct business. A final factor is that 90 percent of Federal lodging is required by law to be at lodging properties that are FEMA-approved. These considerations must fit within the parameters of lodging per diem rates established by GSA. These per diem rates are the maximum amount that Federal travelers are reimbursed for lodging expenses incurred while on official business travel. To help ensure travelers meet this requirement, the FTR requires travelers to book their travel arrangements (including lodging) through their Federal agency's travel management system (i.e., TMC, on-line booking engine, etc.). Almost 50 TMC's are under contract with the government to provide such travel arrangement services.

To help travelers find lodging at FEMA-approved properties for rates at or below per diem, GSA co-hosts the [Hotels@PerDiem](http://www.hotelsatperdiem.com) <http://www.hotelsatperdiem.com> web site with OAG, Inc. This web site includes hotels that have indicated that they offer rooms priced within the allowable per diem for their area and are FEMA-approved. However, finding affordable lodging at FEMA-approved properties can still be a daunting task, particularly in large downtown areas or popular travel destinations where Federal travelers are competing with higher paying corporate or leisure travelers. Therefore, rather than finding affordable lodging close to where travelers need to conduct business, they find themselves seeking lodging far from their work location, or finding lodging that sacrifices safety and security.

Lodging properties are under no obligation to provide a room to travelers at the established lodging per diem rate for their location. To help ensure that travelers find suitable lodging, Federal agencies have developed lodging programs. The government lodging travel spend was \$1.6 billion for FY 2001, as reported by Government Executive magazine in its Top Travel Vendors report: (<http://www.govexec.com/top200/02top/s6chart2.htm>). This volume could be considered a liability because of the difficulty of managing various Federal agencies and their missions. Although the public sees the Federal government as one entity, the Federal government does not consider itself to be one entity. Therefore, Federal agencies compete among themselves to control their own lodging program and expenditures. The Army Lodging Success Program, the Navy's Navy Elite Program, and GSA's FPLP are just a few of the multiple government lodging programs in place. The Board reviewed the following lodging programs to determine commonality, differences, and best practices.

Army Lodging Success Program

The U.S. Department of the Army created the Army Lodging Success Program in 1991. This program is meant to provide economical rates at quality commercial facilities located in the top Army official travel destinations, including Washington, DC, Hampton, VA, Newport News, VA, Atlanta, GA, Miami, FL, San Antonio, TX, and San Juan, Puerto Rico. The Army contracts with each participating property to provide between 5,000 and 40,000 room nights annually based on local demand requirements, at rates below the government per diem. The contracts are one base year plus four option years.

Available to uniformed military and DoD civilian travelers on official business, this program offers travelers a choice of properties, and reservations are made through the Army's central reservation center. Participating properties pay a fee of \$3 per room night to the Army's Community Family Service Center. However, the rate is net/non-commissionable to travel agencies. Under this program, travelers must give first consideration to Army Lodging Success participating properties. If contracted properties are not available, travelers must supply a non-availability number on their official travel document to receive reimbursement.

This program is an ongoing process; hotels can join the program or be released from it as needed. The contract awards are based on best value to the Army and traveler. Factors considered are facility conditions, management operations, and complimentary amenities and services. A comment card is posted on the Army's lodging web site for traveler feedback or travelers can contact the central reservation center via e-mail or telephone.

Navy Elite Program

The Navy Elite program was created in 1991. This program was designed to satisfy lodging needs beyond the capacity of the Bachelors Officers Quarters (BOQ) and obtain economical rates at quality commercial facilities located in the top Navy official travel destinations. Twelve locations are in the program, including San Diego, CA, Port Hueneme, CA, Washington, DC, Jacksonville, FL, Pensacola, FL, Honolulu, HI, Chicago, IL, New Orleans, LA, Norfolk, VA, and Seattle, WA.

The Navy Elite program rests upon an agreement between the lodging facility and the Navy TMC on behalf of the Navy. It is important to note that the U.S. Navy is very involved in the development of the program and the selection process. The U.S. Navy requires rates below per diem, often with value-added amenities.

Each agreement extends for one year, requires last room availability, and is commissionable at ten percent to the Navy TMC. The Navy Elite rates are accessible only through the TMC, which must make reservations via the GDS. This program is available to active duty and civilian U.S. Navy personnel when traveling on official business only. Although travel arrangements must be made through the TMC, usage of Navy Elite properties is not mandatory. Navy travelers are required first to attempt to utilize a BOQ and, if that is not available, to obtain a non-availability number prior to booking a commercial property. Penalties to travelers for not utilizing Navy Elite properties include verbal warnings and internal reprimands; however, the traveler will still be reimbursed. Sufficient properties are in the program to allow traveler choice. Traveler feedback can be provided to the TMC regarding the Navy Elite program through the TMC website or Navy Command.

Federal Premier Lodging Program

To address affordability and availability issues, particularly in the large downtown metropolitan areas, GSA created FPLP. Under the current program, GSA contracts directly with various properties in a location, and each property agrees to reserve 5,000 room nights annually for Federal travelers. GSA makes no specific guarantee of business for the participants and each property pays a program funding fee (\$3 per room per night) to GSA for each booking. Travel agency commission is not required. However, if a property so chooses, it can implement a travel agency commission program. In addition, due to Federal Acquisition Regulations, lodging properties must provide an upfront payment to submit a proposal for consideration. Historically, reservations have been booked via telephone. In the future, GSA plans to establish the FPLP in the GDS environment. Finally, with this program, the highest contracted rate under FPLP would establish the per diem rate for respective locations.

The FTR now requires that, when seeking lodging, Federal travelers must give first consideration to properties participating in GSA's FPLP as all of these properties have to prove they meet FEMA's requirements to be accepted into the program. To provide travelers maximum flexibility to achieve their missions, the FTR requirement gives six reasons or exceptions for allowing travelers to book at non-FPLP properties.

These six exceptions are:

- There are no FPLP properties in the travel location.
- FPLP properties exist but are full.
- The traveler's Federal agency already has contract arrangements with other lodging properties in the travel location.
- The traveler's lodging is associated with or included in the registration to a conference or meeting.
- The traveler's agency decides on a case-by-case basis that FPLP properties cannot meet the mission requirements of a particular trip.
- The traveler needs lodging outside the CONUS.

In addition to the Army Lodging Success Program, Navy's Navy Elite program, and the FPLP, countless smaller government-sponsored programs exist that agencies have created to meet specific needs. Looking beyond the Federal government, industry has also developed programs directed toward government travelers.

The Board identified TMC government lodging programs and researched what the Board Members considered to be the strongest. This program type has the following criteria:

- Participating properties must guarantee TMC rates five percent below the property's government rate.
- Participating properties must provide a government rate that meets Federal per diem guidelines.
- Program is available to all government travelers who utilize the TMC for reservations.
- TMC government rate must be available when GOV rate is available. However, last room availability is not required.
- One-year agreement with a 30-day out clause.
- Inclusion fee and commissionable.
- Properties can join program at anytime. However, a solicitation is done annually for the printed directory.
- Global aspect, with rates available in the GDS.

Having reviewed Federally focused lodging programs, the Board also researched State governments to identify their processes and methodology. The State legislature of the State of Texas developed the State of Texas Hotel Program in 1989 and mandated it for all travelers. Travelers can obtain lodging outside the program only when participating properties have no vacancies or do not meet the travelers' mission requirements.

For reimbursement purposes, the State of Texas uses a two-tiered approach — a flat rate (currently \$80.00) for in-state travel and a discounted rate benchmarked against Federal per diem rates for out-of-state travel. Hotels are required to offer 20 percent of their inventory for this program but can opt to offer last room availability. The participation fee is \$20.00 paid to the State of Texas. The State's solicitation is conducted annually with a one-year agreement. Similar to other government lodging programs, travelers (over 1,000 participants, the majority of them in-state) have a choice of properties. Travelers can provide feedback on the program and participating properties via the State of Texas web site and e-mail.

To manage their travel spending, many corporations (including Federal CRC's) have implemented lodging programs. The Board identified several key characteristics of CRC lodging programs. The programs are accessible through the contracted travel agency and have rates at or below the government per diem. The corporations enter into agreements with specific properties and manage their own lodging programs to ensure usage of participating properties. Although the corporations enter into agreements with specific properties, negotiations occur at the lodging company's national account level. Many of these lodging programs provide travelers an ample choice of properties, which furnish rooms on a last room available basis. The program is marketed to travelers via the travel agency and internal corporate communications. When soliciting for properties, the corporation provides room night estimates for locations, and corporations track and report usage of participating properties. The programs are available to employees on official company business only. Travelers have the opportunity to provide feedback to their corporation regarding the program and participating properties.

Corporations follow similar processes when implementing their lodging programs. In researching the corporations, the following practices were identified:

- Use of the NBTA standard RFP with customization as needed.
- Web-based information collection process.

- Contracting the entire program at the same time.
- Program administered in-house or outsourced.
- Build partnerships with suppliers.
- Net-non/commissionable rates.
- Distribution through a limited set of approved agencies or tools.
- Regular reporting developed and analyzed to measure usage and cost-savings.
- Measure savings based on company specific performance metrics or methodologies.
- Manages program to influence travelers' behavior.

In comparing commercial lodging programs to current government lodging programs, the Board identified that government programs reflect many of these characteristics. However, the Board identified some key differences:

- Distribution through multiple agencies or tools.
- While corporations can withhold reimbursement, the government cannot because it is an entitlement by law.
- Lack of ease in regard to the contracting process.
- Multiple solicitations and contracts.
- Differing needs for varying entities and missions within the Federal government.
- Data collection is sporadic and its accuracy suspect.
- Corporations have no requirement to comply with Federal regulations or laws (i.e. FEMA, FAR).
- Corporations have no requirement to comply with a per diem program.

The Board has identified similarities and differences in all of these programs. One important note is that none of these programs guarantee business to participating properties.

The Board elicited assistance from the NBTA Hotel Committee, which reviewed the processes used in commercial situations. From its research, the Board determined that the Federal government should create a comprehensive lodging policy and program that:

- Gains strong traveler endorsement.
- Gains strong lodging industry endorsement.
- Adheres to Federal selection standards.
- Drives lodging cost downward.
- Streamlines administrative processes.

The Board concluded that, when seeking lodging, travelers can find a multitude of rates geared toward government travelers (any government traveler, whether local, State, Federal or foreign) that are posted by hotels and that may or may not be within the allowable lodging per diem for that area. These rates are typically capacity controlled (and closed out early and often) and are loaded into a GDS, making them accessible to all travel agents. These government-related rates may or may not be commissionable. Finally, FEMA and non-FEMA-approved hotels alike offer these rates.

Findings

Government lodging is divided among many competing programs. Because of this division, their effectiveness has been challenged and questioned. The Board has concluded that having numerous government lodging programs causes confusion among Federal travelers and the travel industry, eroding the Federal government's buying power.

The Federal, competing preferred-lodging programs include the Army Lodging Success Program, Navy's Navy Elite program, TMC programs, Regional GSA Value Lodging Program, and FPLP. The lodging industry questions the integrity of these various lodging programs because their multiplicity dilutes movement in market share. Identification of the appropriate market segmentation, which is commonplace in the commercial sector, is necessary for Federal travelers. A sustained marketing/promotional effort of a government program directed toward the industry and travelers is a critical component for long-term program viability.

The upfront costs (\$225-\$250 for required Dunn & Bradstreet financial and past performance reports) to a property just to be able to submit an offer to GSA to participate in its current lodging program is a hindrance. This issue focuses not so much on a property's financial resources, but its authority to issue a check. Properties may have to go two or three steps up the corporate ladder to have a check issued. This process is time consuming and sometimes cannot be accomplished in the time allotted by the Federal government to submit offers. Additionally, participation costs of some of the other programs cause industry concern.

Survey data collected by the Board confirms that travelers do indeed have difficulty finding affordable lodging in downtown areas. Commissions between hotels and travel agents affect the rates and services made available to government travelers, and the Federal government's high demand for lodging may actually be a liability when seeking negotiated rate deals with the lodging industry. Properties are increasingly relying on yield management systems, which could result in wide fluctuations of daily room rates.

The Federal government should identify and manage all distribution channels. Federal agencies' travel budgets may not allow adequate increases in per diem rates to ensure year-round availability of rooms. To support this, aggregated Federal travel data (where travelers stay, how much they spend, where they need to stay) is not currently collected nor is it available on a routine basis. A per diem rate that drives the lodging program in a location rather than a lodging program that drives the per diem rate should exist. Appropriate mechanisms to manage a lodging program to ensure maximum adoption by travelers and encourage maximum industry participation are needed.

The current lodging programs were created to address gaps in the per diem program; however, the programs are difficult to administer and usage cannot be tracked easily. The Board has determined that one government-lodging program should exist with flexibility to allow appropriate deviations and alterations to enable individual agencies to meet special mission requirements. Aspects of this program should include:

- Contracted or negotiated rates are necessary to demonstrate the ability to move market share — an ability required to achieve the rates and availability desired by the government.
- Participating hotels must be appropriate to mission requirements and provide a standard service level to the traveler.
- Participating hotels must be compliant with the Fire Safety Act of 1990 as it is a current provision under the FTR. The Board also found that properties, which may otherwise meet local and State fire codes, face a potentially large investment to meet FEMA requirements. Therefore, these lodging companies are concerned about making this investment without a commitment from the Federal government.
- The program must allow for the appropriate number of properties to increase availability while still limiting participation sufficiently to move market share.
- Room rates should be commissionable or non-commissionable — not both.
- The lodging program should address seasonality issues.
- The lodging program should address required participation and booking fees.
- The program must have the ability to collect and report reliable usage and compliance data.
- The program must be enforced or managed via some type of mechanism to maximize program adoption by travelers and encourage industry participation.
- The program should be limited to the top Federal travel markets as defined by room night demand.

- A governmentwide lodging program should comply with and support the government per diem program.
- The Board concluded that a successful lodging program should include the aforementioned criteria. In addition, it must be managed while still allowing the traveler a choice when selecting lodging.
- The Board also identified important considerations that the government should address when developing a lodging program.

Define program goals.

- Employee comfort and convenience.
- Cost savings.

Analyze data and identify industry partners.

- Top hotel spend by location.
- Average length of stay.
- Location within destination.

Understand lodging trends.

- Average rates for location.
- Average occupancy levels for location.

Manage RFP process.

- Standardized approach with solicitation type.
- Notify hotels of acceptance or rejection.

Implement Lodging Program

- Communicate and market it to Federal agencies and travelers.
- Collect and analyze report information.
- Gather feedback from Federal agencies and travelers.
- Report results to Federal agencies, travelers, and the travel industry.

The Board considered whether to recommend a 100 percent negotiated rate program in the top markets but determined that it wouldn't meet the travelers' need. This type of program does not offer the flexibility required and cannot meet emergency travel needs. Additionally, the Federal government has significant travel requirements outside of these areas, and a negotiated rate program would not be viable in rural areas.

The Board also considered a hybrid program, characterized by negotiated rates in top travel destinations and a consortia-like program for the remainder of the country. This type of program would enable the government to leverage its buying power more effectively. Negotiated rate programs provide guaranteed rooms at guaranteed rates. In addition, if managed correctly, such programs include usage tracking and associated incentives for industry participation. For such a program to succeed, the Federal government must ensure proper management.

Recommendations

Issue Six: Government lodging is divided among multiple competing programs causing confusion among travelers and the

travel industry. This causes erosion of the Federal government's buying power.

GSA should:

- Implement a strategic plan that creates one overall/umbrella program that allows individual activities to meet unique mission goals while supporting the Federal government's overall goals. In addition, use the per diem program to guide lodging program selections. Finally, consolidate programs to umbrella the government lodging program, where possible, but align programs that cannot be consolidated.
- Refine per diem rates and ensure that a government-lodging program supports the per diem program. In addition, ensure that per diems are specific enough for hotels to use them as a benchmark against peer properties.
- Develop a consolidated spend analysis to understand GSA's leverage position. This may necessitate the hiring of a data collector/consolidator by the Federal government.
- Determine whether the program is commissionable or net/non-commissionable to travel agents and third parties.
- Create a program mandatory in nature; consequently managed.
- Create a hybrid program with negotiated rates in top travel destinations and a consortia-like program that is outsourced to a private company to cover the remainder of the country.

Issue Seven: Lodging Distribution Channels

Varying distribution channels exist whereby hotel reservations are being secured under competing programs. Diverse costs to stakeholders are associated with these models.

Discussion

The Board evaluated methods by which a hotel reservation could be made. The goal was to determine the preferred method of making reservations for a government-lodging program. Factors considered when evaluating reservation methods included: cost to the government, cost to traveler, cost to hotel property, ease of making reservations, reporting associated with usage of preferred properties, and aggregated reporting for the government.

Distribution systems were defined, for the purpose of this report, as: Telephone; Internet; Travel Agent/GDS; Self Booking Tools/GDS; Self Booking Tools/Direct Connect; and Walk-Ins.

The first method of making reservations that the Board explored was via telephone. According to a survey conducted by the Board, 40 percent of travelers surveyed reserved their lodging via this method. The Board defined telephone reservations as reservations that go through a central "800" number (either hotel or call center-based), a travel agency call center, or a support organization such as the Army Lodging Success Program's call center.

The Board determined that the most cost-effective method to reserve a room, for both traveler and property, is to call a hotel directly. Despite this, the lodging industry spends millions of dollars to staff call centers and maintain telecommunications lines. The Board also determined that reservations made by telephone rather than other identified methods had a greater probability for cancellation and did not provide robust reporting on usage of contracted properties. The Board also noted that telephonic reservations made by the traveler are not compatible with the e-Travel initiatives currently in place in the Federal civilian government and not compliant with the FTR requirement that travelers make reservations through their Federal agency's travel management system.

For purposes of this project, the Board defined the Internet as a system that enables a traveler to make a reservation on-line, which could be via third party ".com" websites such as Orbitz, Travelocity, Expedia, Lodging.com, or via hotel specific or brand web sites. According to the survey conducted by the Board, five percent of those surveyed reserved their lodging using the Internet. The Board determined that, while the Internet may provide a fast and economical model for making reservations for the Federal traveler, the method raises some concerns. For example, Internet fees may include both Internet and GDS charges. Using several web sites does not provide consolidated reporting by the government agency or branch. Additionally, assurance of policy compliance for per diem rates and FEMA requirements is problematic, and customer service support is limited.

Travel Agent/GDS bookings have been defined as those reservations made by a TMC or travel agent during the creation of an itinerary. Forty percent of the travelers surveyed by the Board booked their lodging via a TMC. The current situation allows travel agents to book the government rates through the public rate access code GOV within the GDS. One of the problems associated with this process is that not all rates within this rate-access code are within per diem, and not all hotels participating are compliant with the Fire Safety Act of 1990, holding a FEMA certification number. Additionally, no parameters around this rate structure guarantee the government the availability necessary. In this situation, the traveler chooses the hotel.

Findings for the Self-Booking Systems/GDS model for making hotel reservations mirrored those of the travel agent/GDS model, with the exception of being able to limit the properties shown to the traveler. Five to ten percent of those travelers responding to the Board's survey used this booking method. By applying the compliance tools within a self-booking system or online booking tool, the government can limit properties to those that the travelers are supposed to see. Although the GDS models enable increased compliance with lodging programs, increased tracking and reporting, and accessibility to travel agents, the model also adds a cost of doing business to the reservation at the property level. In

addition, hotels are potentially burdened with the labor and costs associated with loading and maintaining viewership tables.

In evaluating the Self-Booking Tool/Direct Connect-type option for making reservations, which involves a direct connection to a hotel or hotel management company's inventory and CRS system, the Board determined that this would require too much change for industry to be adopted in a timely manner. Furthermore, this option places independent properties and smaller companies or brands at a disadvantage as they may be unwilling or, more importantly, unable to make the necessary financial investments to implement this option.

Walk-In's as another distribution method. Logically, no organization can eliminate the occasional traveler needing to "walk in" to a hotel and get a room at a government rate. However, the Board concluded this was not a best practice because it is inefficient, cannot be tracked, and lacks any guarantee that the traveler will receive the appropriate rate at the time of booking.

Findings

To achieve maximum price value, the Federal government will need to provide hotel properties with the level of volume necessary to achieve a discounted rate and last room availability. Establishing "preferred" or "participating" properties and steering government travelers to those that have been selected would achieve this outcome.

Government lodging program rates should be accessible to all Federal travelers and contract TMC's through GDS' and other distribution channels and from multiple communication points. Appropriate mechanisms to manage a lodging program to ensure maximum adoption by travelers and encourage maximum industry participation are also necessary. Furthermore, better communication and coordination are needed between GSA and DoD (which comprises 70 percent of the Federal travel market).

Properties are increasingly reliant on yield management systems, which could result in wide fluctuations in daily room rates. Commissions between hotels and travel agents and between hotels and GDS providers affect the rates and services available to Federal government travelers. The Federal government relies on fees collected by the properties from those travelers to offset the administrative and contracting costs of a lodging program. The standard published GOV rate code is the most popular and overwhelmingly booked at properties that may also have negotiated rates with government entities, possibly pointing to a large difficulty in maintaining viewership tables. Other governmental entities (States, local, and foreign governments) also use the GOV rate code. This makes tracking Federal business difficult, thus hindering the Federal lodging program's ability to move (and prove) market share. A successful lodging program depends on the ability to collect and report reliable usage and compliance data.

The Board researched several lodging program options to extend and complement the program built on recommended properties where negotiated rates are in place. The first option considered was a standard, blanket consortia-like program. This program type would require a universal rate code available to all Federal travelers via all distribution methods. The Board-proposed rate code is USG and would be restricted to Federal government travelers and include the following criteria:

- USG Rate within allowable U.S. government limit for area (per diem).
- USG Rate is a set percentage off corporate rate (guarantees market competitiveness).
- USG Rate is valid for all room types, excluding suites.
- USG Rate is available on a last room availability basis for at least 80 percent of total inventory.
- USG Rate may be blacked out by hotel properties for a total of 30 days per year. (This is consistent with other industry programs.)
- USG Rate is either commissionable or net/non-commissionable to travel agents and third parties.
- USG rates will be available in GDS; therefore, third party booking fees will apply.
- Program should be outsourced for implementation and management.

- Program should be mandatory in nature; consequently a managed program.
- Program lodging rates will be available through all channels: GDS (Travel Agent/TMC, Self Booking System), telephone, and property direct. The preferred method of reservations is via a Federal Travel Management System (TMS) to include TMC's or electronic methods to provide increased reporting and regulatory compliance. This supports an evolutionary approach in conjunction with e-Travel initiatives.
- All TMC's should have the ability to view rates.
- There are no pseudo city codes (PCC) to identify and no agency viewership tables to maintain.
- Hotels can elect to restrict rate access to U.S. travel agencies only and deny viewership to a specific PCC such as Expedia, Orbitz, or Travelocity.
- Streamlined implementation will position GSA for converting contracted rate discounts into realized savings.

As the Board considered this option, the question arose as to whether corporate or per diem rates should be the appropriate benchmark. The following chart demonstrates that a USG rate discounted from the corporate rate closely parallels market conditions and tiered pricing. Discounting the USG rate from corporate rates also allows for segmentation of property types, which is consistent with the Federal government's tiered travel patterns (i.e., not every employee stays in a certain level of hotel and those who don't should not have to pay the same price).

	Per Diem for Location	Example Property	Corporate Rate	Resulting USG Rate
10% Discount from Corporate Rate Model	\$99	Property "A"	\$110	\$99
		Property "B"	\$69	\$63
10% Discount from Per Diem Rate Model	\$99	Property "A"	\$110	\$90
		Property "B"	\$69	\$90

Using the same criteria as the discount from the corporate rate, the Board considered a second lodging program option with the government per diem rate as the benchmark for the discount. Again, the Board-proposed rate code is USG and would be restricted to Federal government travelers and include the following criteria:

- USG Rate within allowable U.S. government limit for area (per diem).
- USG Rate is a set percentage off the government per diem rate.
- USG Rate is valid for all room types, excluding suites.
- USG Rate is available on a "last room availability" basis for at least 80 percent of total inventory.
- USG Rate may be blacked out by hotel properties for a total of 30 days per year. (This is consistent with other industry programs.)
- USG Rate is either commissionable or net/non-commissionable to travel agents and third parties.
- USG rates will be available in GDS; therefore, third party booking fees apply.
- Program should be outsourced for implementation and management.
- Program should be mandatory in nature; consequently, a managed program.

- Program lodging rates will be available through all channels: GDS (Travel Agent/TMC, Self Booking System), telephone, and property direct. The preferred method of reservations should be via a Federal travel management system (to include TMC's or electronic methods) to provide increased reporting and regulatory compliance. This supports an evolutionary approach in conjunction with e-Travel initiatives.
- All TMC's to have the ability to view rates.
- There are no PCC's to identify and no agency viewership tables to maintain.
- Hotels can elect to restrict rate access to U.S. travel agencies only and deny viewership to a specific PCC such as Expedia, Orbitz, or Travelocity.
- Streamlined implementation positions GSA to convert contracted discounts into realized savings.

Although the benefits are similar to the first option, the disadvantage is that a USG rate based on ten percent discount from the per diem rate will erode yield for properties. An additional benefit to the Federal government is the ability to recognize the benchmarked rate and easily audit participating properties' rates.

The benefits of both approaches are numerous and address many of the issues identified by the Board.

Program Strategy Development Benefits

- Ensures rate integrity by tying government rate to published rates.
- Changes the contracting process from property level negotiations to primarily chain-level negotiations.
- Simplifies relationship management between travelers, properties, GSA, etc.
- Allows for independent hotel participation.
- Encourages participation through the development of win-win deals between hotel companies and GSA, based upon unique requirements of each company.
- Does not require the intensive maintenance required by negotiated rate and defined viewership programs in the various GDS.
- Simplifies relationship management.
- Positions GSA to manage market share shifts.

Implementation benefits include:

- All agencies would have the ability to view rates, just like the current GOV rates, AAA, AARP, etc.
- There are no PCC's to identify and no agency viewership tables to maintain.
- Hotels can elect to restrict rate access to U.S. agencies only and deny viewership to a specific PCC such as Expedia, Orbitz or Travelocity.
- Streamlined implementation positions GSA to convert contracted discounts into realized savings.

Recommendations

Issue Seven: Varying distribution channels exist whereby hotel reservations are being secured under competing programs. Diverse costs to stakeholders are associated with these models.

GSA should:

- Simplify the development of the program by using the consortia approach to property participation.:
- Establish a minimum allowable discount off the lodging per diem for participation, leveraging the Federal government's unique position in the marketplace.
- Property inclusions would be governed by compliance to the per diem program.
- Create a standard blanket consortia-like program centered on the USG Rate Code. The USG Rate Code would be specific to Federal travelers in GDS and lodging reservation systems.
- USG Rate within allowable U.S. government limit for area (per diem).
- USG Rate is a set percentage off per diem rate.
- USG Rate is valid for all room types, excluding suites.
- USG Rate is available on a "last room availability" basis for at least 80 percent of total inventory.
- USG Rate may be blacked out by hotel properties for a total of 30 days per year (This is consistent with other industry programs.).
- GSA should determine if the USG Rate is commissionable or net/non-commissionable to travel agents and third parties.
- USG rates available in GDS, and therefore, third party booking fees apply.
- Program outsourced for implementation and management.
- Program/Lodging rates will be available through all channels: GDS (TMC, Self Booking System), telephone, and property direct. The preferred method of reservations is via travel agent or electronic methods to provide increased reporting. This supports an evolutionary approach in conjunction with e-Travel initiatives.
- All TMC's will have the ability to view rates.
- There are no PCC's to identify and no agency viewership tables to maintain.
- Hotels can elect to restrict rate access to U.S. travel agencies only and deny viewership to a specific PCC such as Expedia, Orbitz, or Travelocity.
- Streamlined implementation positions GSA to convert contracted discounts into realized savings.

Issue Eight: Outsourcing Governmentwide Lodging Program

Currently, the Federal government implements and manages various lodging programs using internal resources.

Discussion

The interest in outsourcing some aspects of the lodging process resulted from the Lodging Programs Competitive Analysis. Programs exist that were developed through the cooperative efforts of a number of companies. There are hotel programs offered by most of the large travel agencies and travel agency consortia. Hotel companies offer brand-specific hotel programs. There are numerous hotel programs for certain locations around the country. The proven success of any hotel program relies heavily on the data from which contracts can be established at acceptable prices. Broad-scope data for government lodging is not available from a single source. Lodging programs also rely heavily on location, room availability, amenities, and acceptability to the traveler and to the authorizing Federal agency.

The Board searched for companies that could provide cost-effective alternatives for government hotel lodging contracting, provide adequate data collection, billing payment, and other related travel services that are available in the private sector. With this objective in mind, the Board turned to the Internet to research the availability of these services rapidly and thoroughly. The Board used three web search engines to identify potential companies, and, in each case, focused on key phrases such as "Corporate Lodging," "Government Lodging," "Temporary Housing," "Hotel Contracts," "Hotel RFP," and "Hotel Data Resource."

Based on these phrases and the selected search engines, the Board unearthed over 800 web sites for review. The specified lodging programs were categorized and identified in order of frequency:

- Location specific.
- Hotel brand specific.
- Travel agency programs.
- Consortia programs.
- Temporary and extended-stay programs.
- Professional association programs.
- Hotel RFP service programs.
- Hotel RFP technology programs.
- Data analysis and warehousing programs.

The Board selected organizations for consideration according to whether they appeared to offer services that GSA could use to facilitate the contracting for, the management of, and the administration of a hotel lodging program (focusing on transient lodging needs — not extended-stay needs). Secondly, the companies were selected from the Internet-based searches outlined above, and, to ensure comprehensive consideration, from the NBTAs vendor resource list.

Organizations selected for more in-depth assessment not only met the criteria mentioned above but also indicated an ability to offer some or all of these services:

- Hotel RFP programs for participant identification, negotiation, contract maintenance, and administration of a hotel-lodging program.
- Hotel RFP services were similar to the services above with the added feature of leveraging computer-based or Internet technologies.

- Provided data collection, analysis, hosting and/or warehousing services.
- Reservations and billing services.
- Consideration for reverse auctions, allocation management, program costs and expected savings to the government.

Based on the criteria above, the Board gathered information from: Corporate Lodging Consultants, Procure Point Travel Solutions, Hotels.com, DirectConnections, eBuyersolutions.com, Innovata, RFP Express, and Tr-IPS.com.

Finally, for clarity in our research process, the Board notes those categories of companies excluded from this outsourcing survey:

- 1) Those companies or properties that were site specific because the area or areas served were too limited for the geographic coverage required by GSA.
- 2) Consortia groups that represented a limited number of properties for specific clients and brand-specific entities that limited coverage to an unacceptable level.

NOTE: Companies excluded did not have access to point-of-sale data, which is important to the rate negotiation process.

- 3) Travel agency programs and/or services because access to room availability would have to be universal and independent (some travel agent companies only managed programs if they had a government travel services contract).

NOTE: The Board is aware that there are some "travel agent services" that would propose to provide this service and are confident that they would be independent from the "travel agency" aspect of their businesses and could provide an unbiased offering to GSA. They deserve consideration in GSA's final assessment process.

The contacted companies provided valuable information on outsourcing services.

Hotel RFP programs for the identification, negotiation, contract maintenance, and administration of a hotel lodging program — The survey revealed that, of the responding organizations, only one might have the extensive experience required in all aspects of a comprehensive hotel lodging program: defining customer needs and contracting for, implementing, administering, capturing, and reporting point of sale data. Further, included in the program offered by this organization is assurance of lodging rate compliance by participating properties and travelers, a quality assurance performance, service level customization, and lower than government-per-diem-negotiated rates on a last room available basis. The organization can connect with an e-Travel booking engine or a travel agency and can load rates into a GDS system.

Hotel RFP services were similar to the services above with the added feature of leveraging computer-based or Internet technologies — Many of the private sector organizations surveyed have automated significant portions of the process that allow for computer-assisted RFP contracting, automated data updating, Internet and extranet hosting, compliance reporting, auditing and comprehensive billing, reporting and tracking capabilities. Many of these organizations are disciplined and are accustomed to working with a well-defined process.

Data collection analysis, hosting and/or warehousing services — Some of the organizations are completely automated and others offer varying degrees of automation. They can internally collect and host the data across all of the travel program activities. Further, they can interface with e-Travel distributors and provide rate data to the GDS. Providing reporting on the lodging programs activities, mentoring rate compliance, and synchronization with internal accounting systems is fairly easy to accomplish.

Billing and reservation services — A number of these vendors are able to provide automated billing, reservation, and reporting services. Other vendors are in a position to complement partner travel-vendor activities as well as e-Travel service providers and GDS.

Consideration for reverse auctions, allocation management, program costs, and expected savings to the government — A number of respondents felt the “Reverse Auction” concept was not as effective as active market negotiations in specific markets. Many large corporations that have tried reverse auctions, according to the respondents, have not continued the approach. If required, a subcontract vendor is available with at least one of the respondents; however, as stated above, most respondents do not recommend the method.

None of the respondents had specific programs or services in the allocation management area. A number had services and/or data that would facilitate or complement the activities of travel agencies, e-Travel service providers, or other entities providing direct access to the travelers.

As the scope and magnitude of a hotel-lodging program serving the Federal government have not been defined, most respondents could not provide information as to program costs or expected savings to the government. One of the organizations operates on a “room night fee” which they believe, when netted against the negotiated discounts they presently achieve with existing customers, will result in a net savings to the government. The savings will come from lower net-rates and expected reductions in administrative costs. Further, in all jurisdictions that allow for State tax exemptions, one of the vendors’ programs would assure that Federal travelers receive the exemption. Without knowing the present level of compliance, neither the Board nor the firms could quantify potential savings from this service. The Board believes that the Federal government will experience significant cost savings from outsourcing.

Findings

From its research, the Board offers these observations regarding the viability of outsourcing:

1) Improved Service: Potential companies for outsourcing utilize best practices (automated processes, experienced negotiators, established administrative systems, database hosting, and comprehensive administrative reporting). By following tested and proven analytical and process-refined service steps, these experienced organizations can implement a comprehensive initiative to help the Federal government collect and analyze lodging-related travel data, effectively define program goals, and efficiently manage an RFP process. Industry has automated systems with improved

efficiencies and experienced staff to design, implement, audit, and administer such a program.

2) Reduced Costs: Industry vendors have significant track records of consistently negotiating contacts below Federal per diem rates at numerous hotels. The leverage of the government volume would enhance this ability. Further, assuring room-tax credits is part of one of the vendors’ program.

3) Assure Room Availability: By working carefully with appropriate government organizations to define the needs and the desired scope of travel services, these organizations have extensive experience negotiating contracts with last room availability. The efficiency of the processes within some of these organizations would allow them to cost effectively establish contracts in markets with as few as 400 room nights per year.

4) Customized Services: By working diligently to define the needs of all government organizations, level of room demand/availability, class of hotels to be contracted, and other standard offerings services can be customized to meet the Federal governments needs. Further, automated quality assurance tools, along with active auditing programs, can provide for timely responses and corrective initiatives.

5) Elimination of overtime and of competing and confusing government programs: By GSA extending the degree of program customization, the Board believes that special programs would be unnecessary. Lower negotiated-rate availability would allow migration to the new program, because lower costs will be a motivation, along with accurate reporting, rate verification, and Tax Exempt treatment where available.

The cost to the government to administer a large lodging program seems to be high and very labor intensive. Not having the ability to react to a quickly changing market place, including price fluctuations or room inventory fluctuations, affects the government’s ability to secure rooms for travelers at reasonable rates for all seasons.

The current contracting program requirements, as established by the FAR, covering areas such as wages, subcontracting, and small-disadvantaged business requirements may act as a deterrent to doing business with the government in the formal contracting environment. These requirements add to the shear volume of the solicitation (to intimidating proportions) and add to the time frame needed to respond correctly to the solicitation.

Outsourcing a lodging program to the private sector is a viable option. The Board's research of the marketplace has revealed that there are vendors, individually or in partnership, that are capable of providing outsourcing services for the administration of all U.S. Federal government lodging needs (exclusive of extended-stay or relocation needs, which were not investigated at this time).

There is a great potential for dramatic improvements in a governmentwide lodging program that fits into the government's e-Travel initiatives. The Board has observed that an interface is needed between FEMA and the comprehensive lodging program. Then the data as to which properties are deemed fire-safe by FEMA would be kept more current, and it would be assured that all contracted properties were FEMA-approved.

Based on industry data, the Board has concluded that outsourcing will improve service, reduce costs, improve compliance, assure room availability, customize services as needed, eliminate overlapping existing programs, and truly leverage the combined purchasing volume of the world's largest travel volume consumer.

Based on discussions with GSA officials, the Board has concluded that GSA has innovative techniques to collect information using an RFI process. Using information collected through the RFI process, GSA should test potential business and e-business solutions through a pilot project or similar process. After conclusion of this project, GSA will have the information necessary to issue an RFP and begin implementation of outsourcing.

Recommendations

Issue Eight: Currently, the Federal government implements and manages various lodging programs.

GSA should:

- Immediately commence an RFI process to begin the formal search for outsourcing vendors capable of providing comprehensive lodging services.
- Initiate a pilot project with a private sector company as a way of gaining additional insights into the dynamics, structure, benefits, and potential savings available. The Board suggests that such a company have the following characteristics:
 - The capability of interfacing with the government's TMC's.
 - The ability to manage an RFP process, from identifying potential lodging program participants, conducting negotiations and contracting with said participants, as well as handling administration and maintenance of the program.
 - The ability to collect, analyze, and provide reports on accurate Level 3-like point of sale transaction data.
 - The capability of linking to the selected online booking engine and/or e-Travel solutions to create a seamless interface for the travelers.
 - The ability to provide reservation and billing services to Federal travelers.
 - The ability to demonstrate improved customer service for travelers and Federal agency Travel Managers, cost savings to the government, and increased room availability for Federal travelers.
- Implement an RFP solicitation process for the provision of a comprehensive Federal government-lodging program to be developed by a thorough government needs analysis specification that is mapped to the significant capabilities existing with private sector vendors.

Summary of Recommendations

Per Diem Methodology

Proposed Per Diem Program for Lodging Expenses

Issue One: Many travelers, who adhere to the current lodging per diem rates, claim that the rates do not provide sufficient reimbursement in all areas. In addition, they claim the rates restrict access to downtown locations, where most Federal business occurs.

GSA should:

1. Set the per diem rates as a cap. Any lodging programs should adhere to these rates or seek to improve travel spend efficiency within these guidelines.
2. Continue with the area-based per diem program.
3. Base the competing rates along ZIP Names and make a search mechanism available to travelers and TMC's.
4. Contract with a lodging industry data resource to obtain ADR's for hotels. GSA should develop a software program to average the rate for the appropriate number of lodging properties. Based on the rate, remove properties that are above or below a statistically valid number (the Board chose 50 percent, the average rate). Remove properties that do not conform to the FTR. Regularly use alternative methods to benchmark the reasonableness of the per diem.
5. With the appropriate number of hotels within the appropriate range, calculate the average of ADR's to benchmark per diem.
6. Establish a model of the program described for the per diem setting process. GSA may then be in a position to assess the impact the new system will have on per diems.
7. Conduct a yearly re-evaluation of lodging rates. GSA should also contract with a lodging industry data resource to provide quarterly reports identifying areas showing a ten percent change in lodging costs. GSA should then evaluate whether to change the rates when the rates fluctuate by more than ten percent.
8. Use weekday rates to guide rate setting.
9. Base seasonal rate changes on comprehensive statistics from a lodging industry data resource. The Board recommends a maximum of four seasons, at a minimum of six weeks in length and a discernable rate change at both a minimum of a \$10.00 price difference and a 15 percent difference from the season immediately preceding it.
10. Require charge card vendors to submit the reports outlined in the contracts they signed. The Board further recommends that GSA alter the contracts to allow the reports submitted to GSA to include the detailed electronic transaction file.
11. Require charge card vendors to follow one reporting format, so the data can be more easily integrated and analyzed.
12. Consider charge card data, as well as other data sources, as alternate sources for evaluating changes in the program.
13. "Advertise" the flexibility offered by Revenue Procedure 97-45.
14. Ensure that the e-Travel system contributes to successful payment of expenses whether such payment occurs prior to (as a lump sum) or after travel.

GSA and other Federal agencies should:

15. Continue with the current reimbursement process.

Standard CONUS Recommendations

Issue Two: Many travelers adhering to the current Standard CONUS rate claim that the rate is not sensitive to local market conditions. These same travelers maintain that in some areas, the rate does not provide sufficient reimbursement.

GSA should:

16. Contract to create a model to establish ZIP Name areas and corresponding rates for those areas.
17. Replace standard CONUS with newly defined market areas.
18. Contract with a lodging industry data resource to supply a larger data set for analysis as described in the Governmentwide Lodging Per Diem Program Section of this report.

Meals Reimbursement Recommendations

Issue Three: A survey of travelers covered by the Federal Travel Regulation finds that many travelers do not consider themselves adequately reimbursed for meals expenditures.

GSA should:

19. Continue with current area-based per diem program.
20. Set meals per diems based on lodging per diem ZIP Name areas as banded for the lodging per diem rate.
21. Continue using the current universe selection (2 and 3-star/diamond and family-style restaurants).
22. Use a data source to establish a base line. Index the base line for the intervening years. Revisit the base line every five years to re-set the base to 100, which will be more geographically sensitive than the index applied.
23. Contract with a private industry vendor to create a model to establish ZIP Name areas and corresponding rates for these areas based on a survey of no fewer than 1,600 respondents, readily available economic, and demographic data.

GSA and other Federal agencies should:

24. Continue with lump sum and optional actual expenses approval, when necessary.
25. Continue offering travelers 75 percent meal allowance for partial travel days.

Incidental Expenses Recommendations

Issue Four: Many private sector companies do not have per diem allowances for incidental expenses, and they define incidental/miscellaneous expenses differently. In addition, some government employees are uncertain what the allowance is designed to cover and find the allowance inadequate.

GSA should:

26. Retain the incidental expense allowance. This policy and practice caps this nominal expenditure category and contributes to cost control. Moreover, it simplifies voucher processing, which saves time.
27. Adjust the allowance amount to \$3, then periodically review both the model and tip amounts for adjustments, based upon common practice as well as fair and equitable reimbursement to travelers for expenses incurred while traveling on government business. The allowance should continue to include tips for baggage handlers, room attendants, and postage for charge card payments, but that transportation costs to restaurants be excluded and paid to employees as applicable, based on their actual cost.
28. Change its terminology to describe what the allowance is intended to cover (tips for services provided by individuals who assist the traveler during the course of a trip) and communicate to travelers better regarding what the allowance is and what it is intended to cover. Change the phrase "Incidental Expenses" to "Postage and Service Gratuities (P&SG)."

Current Per Diem Program for Lodging Expenses

Note: The Board ultimately recommends a revision of the current per diem lodging process with the recommendations noted herein. However, the recommendations below are offered to enhance the current (existing) per diem methodology.

Issue Five: The Board questions the current per diem methodology and processes. The Board has made some overall recommendations that will increase the reliability of the current approach.

GSA should:

29. Continue with area-based per diem program.
30. Contract with vendors to obtain directly from AAA and Mobil their current electronic list of 2 and 3-star/diamond properties to compensate for yearly lag time in the publishing of directories.
31. Eliminate 2-star/diamond properties from the survey in urban centers.
32. Increase the number of survey respondents by increasing the number of survey distribution channels, for example, through on-line and FAX communications. Follow up to properties that do not respond via telephone.
33. Revise the survey questions to give them a marketing edge and increase the number of completed surveys.
34. Reduce the number of designated cities that are surveyed based on demand (currently 486).
35. Create regional standard CONUS rates (via survey or indexing method).
36. Adjust regional standard CONUS rates more frequently than every three years.
37. Use data from a travel research firm as a benchmark to determine fair pricing.
38. Review the seasonality method to ensure that changes are based on comprehensive statistics from a lodging industry data source. Per diem rates should have a maximum of four seasons and the price difference must be \$10 or above to constitute a new season.
39. Adjust lodging market areas to reflect market rates.
40. Increase the resources that are needed to support GSA/OGP's Per Diem Program.
41. Facilitate and encourage feedback from travelers. GSA should modify existing mechanisms to accommodate this objective (i.e., the "No Vacancy" web site).
42. Develop an annual or ongoing survey that tracks traveler satisfaction and benchmarks travel initiatives against this feedback.
 - Based on the success of the web-based survey, the Board recommends a similar approach.
 - GSA should work with professional Travel Managers from industry and TMC's to develop a survey that produces timely, robust data that clarifies issues that affect the traveler.
 - Request contact information in the event a travelers needs to be reached to clarify a concern.
 - Use feedback data to address issues with individual vendors, program deficiencies, and TMC performance.
 - Make sure that the survey requires enough "qualifying" information to enable GSA to sort out chronic complainers and unfounded issues.
43. Make more of an effort to inform the press on travel related issues.

Governmentwide Lodging Program

Issue Six: Government lodging is divided among multiple competing programs causing confusion among travelers and the travel industry. This causes erosion of the Federal government's buying power.

GSA should:

44. Implement a strategic plan that creates one overall/umbrella program that allows individual activities to meet unique mission goals while supporting the government's overall goals. In addition, use the per diem program to guide lodging program selections. Finally, consolidate programs to umbrella the government lodging program where possible, but align programs that cannot be consolidated.
45. Refine per diem rates and ensure that a government lodging program supports the per diem program. In addition, ensure that per diems are specific enough for hotels can use them as a benchmark against peer hotels.
46. Develop a consolidated spend analysis to understand GSA's leverage position. This may necessitate the hiring of a data collector/consolidator by the Federal government.
47. Determine if the program is commissionable or net/non-commissionable to travel agents and third parties.
48. Create a program mandatory in nature; consequently managed.
49. Create a hybrid program with negotiated rates in top travel destinations and a consortia-like program that is outsourced to a private company to cover the remainder of the country.

Issue Seven: Varying distribution channels exist whereby hotel reservations are being secured under competing programs. Diverse costs to stakeholders are associated with these models.

GSA should:

50. Simplify the development of the program by using the consortia approach to property participation.
51. Establish a minimum allowable discount off of standard corporate rate for participation, leveraging the government's unique position in the marketplace.
 - Property inclusions would be governed by compliance to the per diem program.
52. Create a standard blanket consortia-like program centered on the USG Rate Code. The USG Rate Code would be specific to Federal travelers in GDS and lodging reservation systems.
 - USG Rate within allowable U.S. government limit for area (per diem).
 - USG Rate is a set percentage off the government per diem rate.
 - USG Rate is valid for all room types, excluding suites.
 - USG Rate is available on a "last room availability" basis for at least 80 percent of total inventory.
 - USG Rate may be blacked out by hotel properties for a total of 30 days per year. (This is consistent with other industry programs.)
 - USG Rate is either commissionable or net/non-commissionable to travel agents and third parties.
 - USG rates will be available in GDS; therefore, third party booking fees apply.
 - Program should be outsourced for implementation and management.
 - Program should be mandatory in nature; consequently, a managed program.
 - Program lodging rates will be available through all channels: GDS (Travel Agent/TMC, Self Booking System), telephone, and property direct. The preferred method of reservations should be via a Federal travel management system (to include TMC's or electronic methods) to provide increased reporting and regulatory compliance. This supports an evolutionary approach in conjunction with e-Travel initiatives.
 - All TMC's to have the ability to view rates.

- There are no PCC's to identify and no agency viewership tables to maintain.
- Hotels can elect to restrict rate access to U.S. travel agencies only and deny viewership to a specific PCC such as Expedia, Orbitz, or Travelocity.
- Streamlined implementation positions GSA to convert contracted discounts into realized savings.

Issue Eight: Currently, the Federal government implements and manages various lodging programs.

GSA should:

53. Immediately commence an RFI process to begin the formal search for outsourcing vendors capable of providing comprehensive lodging services.
54. Initiate a pilot project with a private sector company as a way of gaining additional insights into the dynamics, structure, benefits, and potential savings available. The Board suggests that such a company should have the following characteristics:
 - The capability of interfacing with the government's TMC's.
 - The ability to manage an RFP process from identifying potential lodging program participants, conducting negotiations and contracting with said participants, and handling administration and maintenance of the program.
 - The ability to collect, analyze, and provide reports on accurate Level 3-like point of sale transaction data.
 - The capability of linking to the selected online booking engine and/or e-Travel solutions to create a seamless interface for the travelers.
 - The ability to provide reservation and billing services to Federal travelers.
 - The ability to demonstrate improved customer service for travelers and Federal agency Travel Managers, cost savings to the government, and increased room availability for Federal travelers.
55. Implement an RFP solicitation process for the provision of a comprehensive Federal Government Lodging Program to be developed by a thorough government needs analysis specification that is mapped to the significant capabilities existing with private sector vendors.

Acronyms

AAA	American Automobile Association
AARP	American Association of Retired Persons
ADA	Americans with Disabilities Act
ADR	Average Daily Rate
AHLA	American Hotel Lodging Association
AMEX	American Express
BGN	Board on Geographic Names
BOQ	Bachelors Officers Quarters
BVLP	Best Value Lodging Program
CFR	Code of Federal Regulations
CPI	Consumer Price Index
CONUS	Continental United States
CRC	Cost Reimbursable Contractor
CRS	Central Reservation System
CTM	Corporate Travel Manager
CTO	Commercial Travel Offices
CY	Calendar Year
DC	Direct Connection (or Direct Connectivity)
DFO	Designated Federal Officer
DoD	Department of Defense
DOT	Department of Transportation
FACA	Federal Advisory Committee Act
FAR	Federal Acquisition Regulation
FEB	Federal Executive Board
FEMA	Federal Emergency Management Agency
FFRDC	Federally Funded Research and Development Center
FPLP	Federal Premier Lodging Program
FSA	Fire Safety Act
FSS	Federal Supply Service (GSA)
FTR	Federal Travel Regulation
FTS	Federal Technology Service (GSA)
FY	Fiscal Year
GPDAB	Governmentwide Per Diem Advisory Board
GDS	Global Distribution System
GSA	General Services Administration
HUD	United States Department of Housing and Urban Development
IE	Incidental Expenses
IRS	Internal Revenue Service
LM&IE	Lodging, Meals & Incidental Expenses
LRA	Last Room Availability
M&IE	Meals & Incidental Expenses
MOU	Memorandum of Understanding
MTMC	Military Traffic Management Command
MSA	Metropolitan Statistical Area
NBTA	National Business Travel Association

NDTA	National Defense Transportation Association
NTSB	National Transportation Safety Board
OGP	Office of Governmentwide Policy (GSA)
OMB	Office of Management and Budget
P&SG	Postage and Gratuities
PCC	Pseudo City Codes
PCSM	Permanent Change of Station Moves
RFI	Request for Information
RFP	Request for Proposal
SCA	Service Contract Act of 1965
SGTP	Society of Government Travel Professionals
SBT	Self-Book Tool
SOW	Statement of Work
STR	Smith Travel Research
TAC	Travel Agency Consortia
T&E	Travel and Expenses
TDY	Temporary Duty
TMC	Travel Management Center
URL	Web Address
U.S.	United States
U.S.C.	United States Code
USG	United States Government
VL	Value Lodging

Glossary of Terms

AAA: The American Automobile Association. Works with hotel companies to provide discounted rates to AAA members.

AARP: The American Association of Retired Persons. Works with hotel companies to provide discounted rates to AARP members.

Actual Expenses: One of the programs identified by the Governmentwide Per Diem Subcommittee under which a lodging program could exist. Under this program, an entity establishes a benchmark, for example, the government per diem rates. When travelers conduct business, they are reimbursed for actual expenses within a threshold of “reasonableness” as defined by the sponsoring entity.

Area or Location-Based: One of the programs identified by the Governmentwide Per Diem Subcommittee under which a lodging program could exist. Under this program an entity would set a general rate for an area and set additional rates that are substantially more expensive.

Average ADR: For each hotel, multiply the rate by the total number of rooms available. Those numbers should be added together and divided by the total number of available room nights.

Available Room Nights: The total number of room nights that can be sold (often referred to as “inventory”).

Benchmarking: The search for best practices that will lead to the superior performance of a company.

Best Value Lodging Program: Also known as BVLP. A negotiated rate lodging program created by one of the General Services Administration’s regional offices to provide lodging to Federal travelers on official business travel. This program is being gradually phased out as the Federal Premier Lodging Program expands.

Census Tracts: For each county or statistically equivalent entity, these county-based maps show the boundaries and numbers of the census tracts, and name the features underlying the boundaries. They also show the boundaries, names, and codes for American Indian areas/Alaska Native areas/Hawaiian homelands, counties, county sub-divisions and places.

Central Reservation System: Also known as CRS. Used in the hotel industry to refer to a hotel company’s central reservation system, an internal computerized system used by hotel staff to accept, verify, and confirm lodging reservations from travelers.

Commercial Travel Offices: Also known as CTO’s. A CTO is another name for a Travel Management Center.

Commission: The payment a travel agent receives from a supplier for selling transportation, accommodations, or other travel related services. Global Distribution System providers also receive commissions or fees from suppliers for the use of their systems.

Company-Wide Discount: One of the programs identified by the Governmentwide Per Diem Review Subcommittee under which a lodging program could exist. Under this program, an entity would issue its travelers a card indicating that the traveler is an employee of the sponsoring entity. The hotel, in turn, agrees to provide a negotiated percentage discount off the typical room rate. This program would be very similar to the American Association of Retired Persons (AARP).

Connectivity: The data communication process linking a global distribution system to a hotel's central reservation system.

CONUS (Continental United States): All areas in the 48 contiguous states and the District of Columbia.

Corporate Rate: A discounted rate offered by hotel properties to corporate or business clients.

Cost Reimbursable Contractor (CRC): An employee of a privately owned firm performing business on behalf of the government as a subcontractor. Generally, these employees are reimbursed at the government per diem rates.

Determine Demand and Geographic Areas: One of the components of the decision-making process Flow Chart. This defines where people are traveling to, logical geographical boundaries for locations, and identifies how many lodging options are needed in a given area.

Determine Time Frames: One component of the decision-making process Flow Chart. This component addresses how frequently rates should be updated, how to deal with seasonality, separate weekend versus weekday rates, and contract or agreement length.

Direct Connection (or Direct Connectivity): A data communications product that enables users to view a hotel's rates, availability, and other property information drawn directly from the hotel's central reservation system.

Distribution Channels: Term used to collectively refer to the various ways hotels allow their rooms to be booked. Includes, but is not limited to, telephone systems, central reservation systems, Internet web sites, and global distribution systems.

Dun & Bradstreet: A financial information company that the Federal government uses to collect financial and past performance information on potential contractors as required by the Federal Acquisition Regulation.

e-Travel: Name given to the Federal Government's effort to create an end-to-end electronic environment encompassing travel authorization to travel arrangements, and procurement, travel expense auditing, and reimbursement.

Federal Premier Lodging Program: A negotiated rate program created and managed by the General Services Administration to contract directly with hotels to provide lodging to Federal travelers (on official business travel) in top Federal travel markets at guaranteed rates.

Federal Travel Regulation: Also known as the FTR. The FTR comprises Title 41 Code of Federal Regulations, Chapters 300-304. Chapter 301 governs travel and transportation allowances and other travel related policies for Federal civilian employees. Visit <http://www.gsa.gov/travelpolicy> for information.

Global Distribution System: Also known as GDS. These are computerized reservation networks through which users (travel agents, airline employees, internet travel web sites, and travelers) view data on a wide range of travel services including air, hotel, and auto rental reservation services.

Fire Safety Act of 1990: Public Law 101-391, September 25, 1990. An Act to amend the Federal Fire Prevention and Control Act of 1974 to allow for the development and issuance of guidelines concerning the use and installation of automatic sprinkler systems and smoke detectors in places of public accommodation affecting commerce, and for other purposes. A copy of the Act can be obtained by writing: Hotel/Motel Fire Safety, Office of Fire Prevention and Arson Control, Fire Administration, 16825 S. Seton Ave., Emmitsburg, MD 21727.

Fire Safe Hotel/Motel Master List: List of places of public accommodation that meet the fire prevention and control guidelines under the Fire Safety Act of 1990. Current information is also available on the Internet at <http://www.usfa.fema.gov/hotel>.

Hotel Property-Based: One of the programs identified by the governmentwide Per Diem Subcommittee under which a lodging program could exist. Under this program the sponsoring entity would have contracts with specific hotels through a Request for Proposal (RFP) process. Participating hotels guarantee the rate through the contract period.

Incidental Expenses: Fees paid to porters, baggage carriers, bellhops, hotel maids, and for transportation between places of lodging/business, where meals are taken, and postage to mail in travel vouchers.

Last Room Availability: Also known as LRA. Term given to a travel agent's ability (or a hotel's willingness) to book the last room available in a hotel at a particular rate.

Lodging Success Program: Also known as LSP. A negotiated rate program managed by the Department of the Army which contracts directly with hotels to provide lodging to the Army's civilian and uniformed personnel on official business travel.

Metropolitan Statistical Area (MSA's): The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core.

MOBIS: Management, Organizational, and Business Improvement Services -- is a multiple award schedule offered by GSA's Federal Supply Service that lists many contractors that have been awarded a contract by GSA that can be used by all Federal agencies to acquire services and/or products to help improve their management and organizational effectiveness through the use of specialized consulting, facilitation, survey, and training services.

Navy Elite: A negotiated rate program created by the Department of the Navy and operated by SATO Travel to provide lodging to Navy's civilian and uniformed personnel on official business travel. Limited to Navy personnel making reservations through SATO Travel.

Negotiated Rate: A commercial rate that has been offered to a travel agency or a consortium of travel agencies to be used for any of their clients in return for volume business. These are sometimes called Preferred Rates. Viewership of these rates in the GDS by users is restricted unless an authorized code is entered.

Per Diem: A rate established by the GSA for reimbursement of lodging, meals, and incidental expenses for Federal civilian employees while traveling overnight on official business within CONUS. The rate should provide sufficient reimbursement for government travelers to eat in safe and comfortable full service/chain style dining establishments, and lodge in safe and comfortable accommodations.

Program Type: One of the components of the decision-making process Flow Chart. The basic procedures governing a travel reimbursement process.

Pseudo City Code: Also known as a PCC. An identifier that distinguishes one travel agency location from another within a Global Distribution System. Generally, a three to five character code (alpha, numeric, or a combination thereof). PCC's are necessary when adding negotiated rates to a GDS, as these rates can be "defined," secured, or limited to a travel agency by using their PCC.

Property/Chain Selection: One of the components of the decision-making process Flow Chart. This component determines which properties or chains are included in the program.

Rack Rate: The regular (or non-discounted), public rate for a hotel room.

Rate Research: One component of the decision-making process Flow Chart. The component dictates which data source(s) to rely on for rate information and how to use that information to set per diems.

Reimbursed Expenses Accountable Plan: Payment(s) made to an individual for charges incurred on behalf of the affiliate. If the payment represents reimbursement to the individual for actual expenses paid, documented and submitted to the affiliate, the payment to the individual is treated as a non-taxable reimbursed expense. The individual must submit paid receipts for all expenses incurred. By submitting paid receipts to the affiliate, the individual has accounted for expenses and neither the individual nor the affiliates are required to report the payments or the expenses to the IRS.

Reimbursed Expenses Non-Accountable Plan: Payment(s) made to an individual as compensation for costs incurred or expected to be incurred in performing union services. No expense report or other accounting for these funds is required. All payments made under the "Non-Accountable Plan" are considered compensation and are treated as taxable income to the recipient. Examples of these payments include car allowances, officer allowances, stipends and convention advances for which no accounting is required or expected.

Reimbursement Options: One of the components of the decision-making process Flow Chart. The component identifies the most efficient and reasonable way to reimburse the traveler for travel expenses that have been, or will be, incurred.

Request for Information: Also known as RFI. Before it purchases a product or service, the government may issue a request for information seeking to gauge a market's ability to meet the Government's needs, identify potential suppliers, identify technical issues, identify potential risks, and seek guidance from the market place on how best to fulfill the government's needs.

Request for Proposal: Also known as RFP. "Solicitation" means any request to interested parties to submit offers or quotations to provide services or products to the government. Solicitations under negotiated procedures are called "Requests for Proposals."

Revenue Procedure 97-45: The lodging per diem is a reimbursement requiring substantiation and payment is capped at the per diem, unlike M&IE, which is paid as a lump sum allowance not requiring substantiation. However, under Revenue Procedure 97-45 (Internal Revenue Bulletin No. 1997-41), an agency can satisfy the substantiation requirement without submission of receipts.

Reverse Auction: A process for hotel companies to sell/book rooms. Unlike traditional auctions where buyers bid against each other and the supplier sells an item to the highest bidder, reverse auctions feature suppliers bidding against each other and the buyer purchasing an item from the lowest bidder.

Seasonality: Within many markets, lodging rates follow a predictable and discernable season. In some cases, the change in seasonal rates can be over 100%. These seasons are broad trends that repeat year after year, and are characterized by their broad sweep across many weeks.

Self-Book Tool: A system or software package that provides reservations functionality to a user and allows that user to independently book hotel and other reservations via a desktop computer, an Internet site, personal digital assistant, or some other device.

Service Contract Act of 1965: The Act (see Title 41 United States Code, Chapter 351, et seq.) requires that contractors providing the Federal government products and services worth over \$2,500 shall follow mandatory provisions regarding minimum wages and fringe benefits, safe and sanitary working conditions, notification to employees of the minimum allowable compensation, and equivalent Federal employee classifications and wage rates.

Travel Agency Consortia: A group of travel agents banding together to negotiate special rates with hotel companies. These rates are generally restricted to consortia members and their clients.

Travel Agent: A business entity that provides to clients travel services such as hotel reservations, rental car arrangements, cruise-line reservations, airline reservations and ticketing, etc.

Travel Management Center: Also known as a TMC. A commercial travel firm under contract to GSA to provide reservations, ticketing, and related travel management services to Federal travelers.

Universe Selection: One of the components of the decision-making process Flow Chart. This component identifies which properties should be included in the rate-setting review process.

USG Rate Code: Proposed new rate code to represent the published or public lodging rates offered to Federal travelers by hotels within the Global Distribution Systems.

Viewership Tables: Electronic lists within Global Distribution Systems used to limit who can view and reserve hotel rooms at certain negotiated rates.

Biographies

Board Members

CHAIR: Lori L. Brooks

Director, Government Sales
Six Continents Hotels

Ms. Brooks has 13 years experience working in the military and government travel markets, including Director of Government Sales for Six Continents Hotels. Six Continents is the parent company of Holiday Inn, Holiday Inn Express, Crowne Plaza, Intercontinental, and Staybridge Suites. In her position, Ms. Brooks markets Six Continent Hotels to the government community. She works with key government accounts and decision makers to develop business for these hotel brands. In addition, she works with DoD and civilian government agencies including GSA to positively influence government travel policy.

Prior to Six Continents, Ms. Brooks was the Director of Government Sales for Cendant Corporation's Hotel Division. She has also held various management, operations, and sales positions with American Airlines and SatoTravel. In her position as the Washington, DC Government Sales Manager, she was responsible for the management and development of American Airlines' government business in the Washington, DC metropolitan area. At SatoTravel, she oversaw the operation of large government contracts including DOT, HUD, NTSB, and The National Gallery of Art.

Ms. Brooks is currently a Co-Chairperson of SGTP Supplier Council, a member of the NDTA Passenger Transportation Committee, Chairperson of the NDTA Hotel Subcommittee, and Chairperson of GSA's GPDAB.

VICE CHAIR: William T. Rivers

Deputy Director
Office of Transportation and Personal Property/General Services Administration

Currently the Deputy to the Deputy Associate Administrator for Transportation and Personal Property, Mr. Rivers also serves as Program Manager for FPLP and Director for the Federal Vehicle Policy Division. He was previously the Acting Director, for four years, of the Travel Management Policy Division, Office of Transportation and Personal Property/OGP/GSA.

Mr. Rivers has been in travel management for five years and also has five years experience in freight transportation. His responsibilities in travel management covered the FTR and setting the per diem rates, along with other activities.

Mr. Rivers, a 1970 Graduate of Georgetown University, has been with GSA for 32 years and, as the Director for the Federal Vehicle Policy Division, is responsible for policy setting to cover the Federal motor vehicle fleet of almost 600,000 vehicles.

Claudia Bonetti

Business Manager
Lockheed Martin Corporation

Ms. Bonetti is Business Manager, Hotels Meetings & Groups for Lockheed Martin Corporation. She joined the Corporation's Human Resources Department at corporate headquarters in Bethesda, Maryland in November of 1983 as Manager, Travel Services. In her present position, she manages Lockheed Martin Corporation's global hotel program and is in the process of implementing a consolidated meetings and groups program. Her responsibilities include the negotiation and administration of the global hotel program, implementation of a meetings management program, and coordination of the hotels, meetings & groups program with Lockheed Martin's travel management company.

Prior to joining Lockheed Martin Corporation, Ms. Bonetti was District Travel Manager for American Express in Washington, DC. She was born in Zurich, Switzerland, received a Bachelor's Degree in political science from American University in Washington, DC in 1971, and is a member of NBTA and the Starwood Hotels Advisory Board.

Timothy J. Burke

General Services Administration
Travel Management Policy Division
Office of Transportation and Personal Property
Office of Governmentwide Policy

Mr. Burke is presently the Project Manager of the e-Travel Program Management Office and is responsible for managing the design and implementation of e-Travel, the e-Gov travel initiative outlined in President Bush's Management Agenda. E-Travel, upon implementation, promises to deliver a trusted, easy-to-use, integrated travel service tool to the desktop of every government employee.

In addition to these responsibilities, Mr. Burke also serves as the Division Director for GSA's Travel Management Policy Division in OGP. Created as a central policy-making office for the Federal government, OGP works with the Executive Branch to develop policies and guidelines. The Travel Management Policy Division is responsible for establishing travel management policy for the Federal government and setting domestic per diem rates that affect lodging, meals, incidental expenses and FPLP. He oversees all policy-related matters pertaining to the Federal government's \$8 billion travel budget.

Mr. Burke's private sector experience includes over 20 years of travel-related management, and business and franchise development activity. Prior to GSA, he was Executive Vice President & Principal with WorldTravel Partners, a globally ranked management & technology company. While at WorldTravel Partners, Mr. Burke managed the company's acquisition and merger strategy, effectively creating an organization with annual sales of \$2.5 billion. He has also served as COO of Concord Resorts, as well as Vice President of Sales & Marketing for the Carlson Travel Group and began his career at United Airlines in the areas of account management and national sales.

Ashley DeJesu

Director, Business Development
Highwire, Inc.

Ms. DeJesu has 16 years of experience in the travel industry and ten years in the government travel environment. She is currently serving as Director of Business Development for Highwire, Inc., a wholly owned subsidiary of Galileo, a Cendant company. In this capacity, Ms. DeJesu is responsible for design, development, and positioning of integrated travel solutions in response to GSA's e-Travel initiative. Prior to joining Highwire/Galileo in March of 2002, she served as Vice President of Worldwide Sales for Cendant's hotel division, representing nine mid-priced hotel brands. During her ten-year tenure with Cendant's hotel division, Ashley was responsible for all aspects of sales and distribution for the corporate, government, association, tour and travel, and international sales market segments.

Ms. DeJesu has also held leadership positions with Travel Trust International (now Woodside Travel Trust); USTravel Systems (now BTI Americas); and SatoTravel, a leader in government and military marketing. Her contributions to the travel industry also include service with SGTP as the Chair of their Allied Council and positioning with NDTA as the lodging representative on their Passenger Travel Committee. During her tenure at SatoTravel, Ms. DeJesu was responsible for the design, development, and implementation of the Navy Elite Lodging Program, which is referred to in this document. She is best known for her distribution vision and her ability to reposition business models to accommodate environmental change.

Cheryl Hutchinson

President
Association of Corporate Travel Executives (ACTE)

ACTE President Cheryl Hutchinson is the Managing Director of Strategic Development for GetThere, a Sabre Company. She is a recognized authority on online booking, travel process redesign, real-time expense reporting tools, and large-scale travel data warehouse strategies. Ms. Hutchinson is best known for using breakthrough technologies to achieve cost savings in a difficult economy. She has served on the ACTE Board of Directors for five years and also serves on the Corporate Advisory Board for Frontier Airlines.

Scott Lamb

National Director of Sales – Government
Prime Hospitality Corporation/AmeriSuites/Wellesley Inns & Suites

Mr. Lamb is the Director of National Sales – Government for Prime Hospitality Corporation, Inc. He represents Prime's AmeriSuites and Wellesley brands to government buyers, travel agents, and cost reimbursable contractors. Prior to his current position with Prime, he served as La Quinta Inn's Government Sales Manager and has over 20 years of hospitality industry experience with a variety of companies.

During a ten-year hiatus from the hospitality industry, he developed his professional skills with organizations such as Harris/3M, Mathew Bender, and Wang Labs.

Mr. Lamb is a member of the Georgia Business Travel Association, NDTA, and the Society of Government Travel Professionals, where he is currently Chairman of the Supplier Council and serves on the organization's Board of Directors.

Jerome C. Molitor

Travel Manager
Northrop Grumman Corporation

Mr. Molitor serves as the Chairperson of the Government Contractors Committee of the NBTA, headquartered in Alexandria, VA. He is employed as the Travel Manager for the Electronic Systems Sector of Northrop Grumman Corporation, located in Linthicum, Maryland and has been an employee of Westinghouse/Northrop Grumman for 25+ years working in procurement and materials management, with the last eight years spent in travel. He is a graduate of the University of Pittsburgh and a member of NBTA and the Baltimore Washington Business Travel Association (BWBTA). Mr. Molitor is a Certified Corporate Travel Executive (CCTE) through NBTA/Cornell University and serves on an advisory board to BWI Airport.

Roy Sammarco

Chief, Economics and Statistics Branch
Department of Defense

Mr. Sammarco is the Chief of the Economics & Statistics (E&S) Branch of the Per Diem, Travel, and Transportation Allowance Committee (PDTATAC). The Branch is responsible for the methodology, data collection, and prescription of the overseas housing, overseas cost of living, temporary lodging, and CONUS cost of living allowance programs for all seven Uniformed Services. The Branch is also responsible for tracking currency fluctuations between the U.S. dollar and foreign currencies and adjusting allowances on a daily basis, as warranted. Approximately 300,000 members receive a cost of living allowance, at an annual cost of \$900 million. Approximately 45,000 members receive an overseas housing allowance at an annual cost of \$300 million.

Mr. Sammarco began his Federal government service in November 1971 as a price and industry statistician with the Bureau of Labor Statistics. After seven years of working on the Producer Price Index, he worked as a cost/benefit economist with the Consumer Product Safety Commission for several years. In July 1981, he obtained his present job, starting as the Chief of the Overseas Housing Allowance Program, where he was instrumental in implementing the Rent Plus Program. In April 1991, he was promoted to his present position of Chief of the E&S Branch.

Mr. Sammarco is a graduate of Carle Place High School (1967). He obtained a Bachelor's Degree in Economics from the State University of New York at Stony Brook (1971) and a Masters in Political

Science from the University of Maryland (1977). In addition, he has earned over twenty semester credits in computer science.

Mary Sarkis

Regional Vice-President of Intermediary Marketing
American Hotel Lodging Association/Choice Hotels International

Ms. Sarkis has been active in the lodging industry for the past 30 years. For the past 12 years she has been employed with Choice Hotels International, the franchise company for all the world-wide Comfort Inns, Comfort Suites, Clarions, Sleep Inns, MainStay Suites, Clarions, Econlodges, and Roadway Inns.

Currently, Ms. Sarkis is the Regional Vice-President of Intermediary Marketing, responsible for the marketing programs focused on the government/military markets, affinity groups, and travel membership clubs.

Additionally, she is responsible for teaching the hotel marketing modules for the company's Total Lodging By Choice program. Prior to being promoted to Regional Vice President, Ms. Sarkis served Choice Hotels in various capacities, including Marketing Support Director and Franchise Service Director.

Her previous employment in the lodging industry includes positions with such companies as Sheraton, Marriott, and Six Continents (previously Holiday Inns). She is a past National Board Member of Hospitality Sales and Marketing Association International (HSMAI) and is on the Supplier Committee for SGTP.

Juanita P. Stokes

Deputy Director
Office of Allowances/Department of State

Ms. Stokes has been with the Department of State since 1963. She has held several positions within the Department, serving the majority of her time in the Office of Allowances. She has held virtually every position in the office to include those of Special Projects Officer, Director's Assistant, Information Systems Manager, and Allowances and Differentials Analyst. Ms. Stokes is currently serving as the Deputy Director and the Department of State's expert on the civilian overseas allowances and differentials and foreign per diem rates. She represents the Department on all matters concerning allowances. She has worked with foreign benefits comparisons study groups at the United Nations. Ms. Stokes also serves as an U.S. Department of State Senior Consultant to private industry and foreign governments on allowances issues. She advises USG civilian agencies, the National Foreign Trade Council, and foreign governments on USG civilian allowances under the Department of State Standardized Regulations (DSSR). She travels worldwide representing the Department on all matters concerning allowances and associated regulations and routinely makes presentations to USG civilian officials, the armed services, foreign dignitaries, and, on occasion, members of the United Nations.

Ms. Stokes holds a B.S. Degree in Management from the National Louis University in McLean, VA. She is a member of the Leadership Board and a Deaconess at First Mount Zion Baptist Church in Dumfries, VA.

Julienne Sugarek

Section Manager
State of Texas Comptroller of Public Accounts

Ms. Sugarek is an honors graduate of the University of Texas in Austin. She served as an Investment Representative for Edward Jones Investments before joining the Texas state government in May of 2001. A relatively new addition to the management team of the State of Texas Comptroller of Public Accounts, Ms. Sugarek is responsible for the analysis of fiscal management legislation and agency compliance with fiscal guidelines and has already made her mark as a guest lecturer for the Texas Fiscal Officers' Academy, Board member for the Texas e-Travel initiative, and Board Member and

Subcommittee Chair for GSA's Governmentwide Per Diem Advisory Board. She is also a member of the Texas State Emergency Response Team.

Ms. Sugarek is an accomplished writer and will pursue her M.B.A. in the Fall of 2003.

Norman B. Wilson,
State Travel Manager
Statewide Travel Management Program
Division of Central Services
Department of Personnel & Administration

Mr. Wilson has served as the State Travel Manager for the State of Colorado since 1990. He is responsible for the oversight of all travel and travel-related contracts. Managing a program with statewide authority, Mr. Wilson is the lead subject expert on travel management for the State. The State's program has taken several innovative approaches. Colorado relies on its payment system for its travel management information. While limited in capability, the system offers actual spending information. This approach also enabled the State to mount the first public sector, multiple-travel agency distribution system. This innovation has been emulated in several other States.

The State of Colorado also took an early lead in the use of restricted fares for business travel and is unique in having three types of contract airfares: an unrestricted fare and two restricted fare categories. These fare types roughly parallel the traditional yield management approach and so align State fares with typical airline pricing practices.

Mr. Wilson is a graduate of Oberlin College with a B.A. in English and Government and received a Ph.D. from the University of Michigan in Comparative Literature in 1980. His dissertation centered on comparing four models of social theory to well known utopias. He has worked for the State of Colorado in a variety of roles since 1980.

Board Participants

Adlore C. Chaudier, Ph.D., C.M.C.
Vice President, Government Services
Runzheimer International

In 1998, Dr. Chaudier was assigned responsibility for managing Runzheimer's government contracts. In 1999, he was promoted to Director for Runzheimer's government business development efforts and its consulting services and in January of 2000, was promoted to Vice President, Government Services. During this time, he has worked on projects for the IRS, DoD, GSA, U.S. Postal Office, Navy Facilities and Construction, and U.S. Coast Guard. Prior to 1998, he was a key team member for projects with the Office of Administration (1988). From 1989 to 1998, Dr. Chaudier was responsible for managing Runzheimer's consulting contracts in travel management, fleet management, relocation, and site selection. He has undertaken consulting engagements for more than 50 recognizable firms and organizations, including: Andersen Consulting (Accenture), AT&T, Baker & McKenzie, Bank of America, Chicago Cubs, Citicorp N.A., DuPont, General Motors, Livermore Labs, Promus Hotel Corporation (Hampton Inns, Embassy Suite, DoubleTree, Red Lion), Uniglobe Travel Agencies, and Westinghouse.

Dr. Chaudier is a consulting editor for Runzheimer's fleet, travel, and relocation publications, including Runzheimer Reports on Travel Management and Survey & Analysis of Business Travel Policies & Costs. He has written hundreds of articles, some of which have appeared in Business Insurance, Employee Benefit News, and Sales & Marketing Management. In 1985, Dr. Chaudier received the Editorial Achievement Award from Mobility Magazine. His research work has been cited in the Congressional Record.

He has addressed numerous government and industry gatherings, including a CFO Travel and Relocation Benchmarking Conference sponsored by GSA, SGTP, members of NBTA, the Conference of State Fleet Administrators, and regional gatherings of Interagency Motor Equipment Advisory

Council (IMEAC). He has appeared on NBC's Today show and numerous radio programs and is a former member of IMPA and NBTA.

Dr. Chaudier has attained the designation of Certified Management Consultant (CMC), the qualifications for which are set by the Institute of Management Consultants. He received his M.A. in 1969, and Ph.D. in 1976, from the University of Wisconsin at Madison.

Paul C. Chrestensen

CEO/President
Innovata

Mr. Chrestensen has consulted for, and worked in, manufacturing and service industries for the last 28 years. He is co-founder of Innovata, LLC, a data management company that is a source of travel and hospitality content and integrated distribution solutions. Prior positions include: COO/CFO of Dittler Brothers, Inc., Atlanta, GA; CEO of the Mayflower Group, Boston, MA; and CFO and Vice President of Encode Technology, Inc, Nashua, New Hampshire. Mr. Chrestensen has also been employed in other executive positions and as a Manager with Price Waterhouse. Mr. Chrestensen served in the U.S. Army as a First Lieutenant.

Mr. Chrestensen is a Certified Public Accountant and has an A.E. Degree from the Wentworth Institute, a B.S. from Northeastern University, and a M.B.A. from New Hampshire College.

David A. Drabkin, Esquire

Federal Procurement Advisor
Office of Acquisition Policy
General Services Administration

Mr. Drabkin is the Deputy Associate Administrator for Acquisition Policy, GSA. He is a member of the Bar of the Commonwealths of Pennsylvania and Virginia and Co-Chair of the Board of Advisors and a member of the Council of Fellows of the National Contract Management Association. He was formerly the Deputy Program Manager, Pentagon Renovation Program and is certified at Career Level III in the Acquisition Career Field of Contracting, DoD Acquisition Corps. Mr. Drabkin has also served as the Assistant Deputy Under Secretary of Defense, Office of the Deputy Under Secretary of Defense, and Director, Regulatory Reform and Implementation, where he served as the Project Manager for FASA Implementation.

Mr. Drabkin is a Distinguished Military Graduate of Washington and Jefferson College and a graduate of the Cumberland School of Law. He serves as Vice Chairman of the Acquisition Reform Subcommittee and served as the Vice Chairman of two other committees of the American Bar Association -- Government Procurement and Alternative Dispute Resolution. He also chaired an inter-agency working group under the auspices of the Administrative Conference of the United States on the implementation of Alternative Dispute Resolution within the Federal government.

Since graduating from law school, Mr. Drabkin has served as: Deputy District Counsel, the Associate Counsel (Contract Law), the Defense Contract Management District West (DCMDW), Defense Logistics Agency (DLA); Associate General Counsel (Procurement), Alternative Dispute Resolution Specialist, Office of the General Counsel, DLA; Chief Counsel, Defense Contract Management Region - New York; Chief, Administrative and Civil Law Division, Headquarters (HQ), USASETAF and 5th TAACOM, Vicenza, Italy; Administrative Law Officer, HQ, V Corps, Frankfurt, Germany; Hearing Officer, Virginia Alcoholic Beverage Control Commission, Richmond, VA; and, the Chief, Military Justice, USASC and Ft. Gordon, Ft. Gordon, GA.

Mr. Drabkin received numerous awards recognizing his performance. Most recently he was recognized as one of the Top 100 Federal IT Executives. He is also the recipient of: DoD's Meritorious Civilian Service Award and Exceptional Civilian Service Award, Office of the Secretary of Defense Award for Excellence, Defense Logistics Agency Meritorious Civilian Service Award, Department of the Army's Meritorious Civilian Service Award, Superior Service Award, Commander's Award, and the CINCUSAREUR Award. He is a recipient of the Vice President Heroes of Reinvention

(Hammer) Award. Mr. Drabkin has authored several articles and manuals on contract, international and labor law, and Alternative Disputes Resolution. He has served as an adjunct faculty member at the Florida Institute of Technology and a visiting lecturer at the Defense Systems Management College where he taught Contract and Intellectual Property Law.

Brian Ferguson

Director, New Product Development
Smith Travel Research

Mr. Ferguson is the Director of New Product Development for Smith Travel Research, the recognized leader in providing accurate, actionable information and analysis to the lodging industry. Before joining Smith Travel, he founded and operated RealTime Hotel Reports, an independent research company serving decision makers in the U.S. lodging industry.

Mr. Ferguson has worked in a management capacity in four of New York's finest hotels, including the Waldorf-Astoria and the Carlyle, and at the Metropolitan Hotel in Tokyo, Japan. He was Special Projects Manager for Africa Expeditions in Nairobi, Kenya, an entrepreneurial company specializing in safaris, restaurant management, and servicing of UN relief camps. Mr. Ferguson has been a guest lecturer at the Tokyo International Hotel School and the School of Hotel Administration at Cornell University, and has appeared on numerous industry panels. He is also a member of the HSMIA Research Advisory Council.

Mr. Ferguson received his B.A. from Queens College and his Masters Degree from the School of Hotel Administration at Cornell University.

Dennis Fischer

Vice President, Sales and Integrated Solutions
VISA U.S.A., Inc.

Mr. Fischer joined VISA U.S.A.'s Sales and Integrated Solutions Division as a Vice President on April 3, 2000. VISA is the world leader in payment card services and, through their member banks, VISA provides travel, purchase, and fleet card services to Federal agencies. He has responsibility for Visa's various commercial programs for the Federal government through the GSA SmartPay contract.

Mr. Fischer served as the Commissioner of FTS/GSA from November 1997 to April 2000. He was the CEO for over \$4.5 billion a year in information technology and telecommunications support to Federal agencies. In his tenure, FTS business grew from \$2.7 billion to \$4.5 billion.

Mr. Fischer served as the first CFO of GSA from 1992 to 1997, directing GSA's financial and budgetary policy and operations. Prior to his GSA appointment, he served as the Deputy Assistant Secretary, Finance and Deputy CFO with the U.S. HHS between 1986-1992. Between 1984 and 1986, Mr. Fischer served as the Associate Director for Policy and Management, U.S. Mint, within the DOT. In 1970, he began his public civil service career with the U. S. Department of Health, Education and Welfare. He rose to the position of Financial Management Officer and then Executive Officer for the Health Care Financing Administration of HHS. Mr. Fischer served on the Government Information Technology Services Board, was elected as the first Secretary/Treasurer of the Federal CFO Council in May 1994, was named to the GAO Advisory Council in 1996, was twice the representative for all departments on the Joint Financial Management Improvement Program (JFMIP) Steering Committee, and represented all civilian agencies on the Cost Accounting Standards Board.

He received his Bachelor's Degree in mathematics from Vanderbilt University in 1961 and his Master's Degree in Financial Management from George Washington University in 1969.

Diana Hanson

President
Travel Management Consultants, Inc.

Ms. Hanson is a 1964 graduate of the Madison Business College, Madison, WI, and is a member of SGTP and the National Contract Management Association. She participates in ACTE, NBTA, NDTA, SGMP, and the Master's Program.

Ms. Hanson is a recognized travel industry consultant in the area of government, corporate, and contractor travel management. Her 18-year association and ongoing involvement with Government Travel Management, travel industry innovations including e-Travel, and travel demographics are almost unequaled in the area of government travel. Ms. Hanson established Travel Management Consultants, Inc., a small, woman-owned business, in 1986. She is known for her extensive knowledge and understanding of Federal, state, and local government requirements and travel industry capabilities in the Federal Travel Management market, including e-Travel and e-Commerce.

The following is a partial listing of completed projects:

- Served as the first travel agency Project Manager for the State of Wisconsin travel pilot project.
- Successful and proficient writer of Federal, state, and local government and corporate travel services proposals, and developed model RFP's in the United States, Canada, and Europe.
- Completed consulting projects for computer reservation system companies and creators of e-Travel systems to create enhancements and programs consistent with comprehensive government travel management and accounting requirements.
- Travel Management Systems, Inc., Milwaukee and Madison, WI (now Omega Travel). Opened Madison office and directed corporate and government sales.
- Served as an advisor to travel industry on the first U.S. Army Europe commercial and leisure travel services RFP, providing analysis of USAREUR travel operations.
- Charter, Honorary member, Allied Council and former National Director of SGTP.
- Founding Chair of the SGTP Annual Government Travel Management Education Conference in Madison, WI, and session leader at all SGTP conferences.
- Initiated the Annual Survey of State and Local Government Travel Management Practices and Procedures with National Institute of Governmental Purchasing and SGTP.
- Member of National Contract Management Association, Wisconsin Chapter.
- Negotiated with Congressional Representative and the Department of the Army to increase subcontracting opportunities for small and small disadvantaged travel agencies.
- Member of industry committee to review and make recommendations on the "Report of the DoD Task Force to Reengineer Travel."
- Member of SGTP 2001/2002 Small Business Advocacy Committee and Mentor Committee.
- Publications, including:

Travel Management For Government - 1985, Federal Travel Regulations: The Government Contractor's Guide – 1987, Principles of Government Travel Management – 1988, Government Contractor Travel: Issues & Answers – 1988, Federal Contractor Travel: Regulations, Controls, and Audit – 1989, Federal Contractor Travel Report – 1990, Government Contractor Travel Managers' Reference Guide – 1990, Corporate Travel Policy Compliance Review – 1991, "The Travel Process" description and flow chart for the Joint Financial Management Improvement Program, President's Council on Management Improvement, "Travel System Requirements" of the Federal Financial Management System Requirements, JFMIP, 1991 and 2000, Responding To A Request For Proposal For Government Travel Services – 1992, Capitol Gains – 1994, SGTP's "Survival Guide" - 1997, 2000, Course revision for "Principles of Government Travel Management" - 1993, 1995

Curtis Jensen

Director of Government Segment Sales and Strategies
Marriott Lodging Sales

Mr. Jensen has worked in the hospitality industry for 18 years. He is the head of Marriott's Government Sales and Marketing Strategies in their comprehensive government sales web-based

training tool for over 2,400 Marriott branded properties that focuses on teaching sales managers how to understand the nuances of working with government agencies. Since 1994, Marriott hotels have been the number one provider of lodging rooms to the government, with Marriott Hotels Resorts and Suites, Marriott Conference Centers, Courtyard by Marriott, Residence Inn, TownePlace Suites, Fairfield Inn, ExecuStay, Renaissance, The Ritz Carlton, and Spring Hill Suites.

John (Jack) Kelly

Policy Analyst

Office of Management and Budget

Mr. Kelly began his Federal career over 25 years ago as a Senior Policy Analyst on what was then known as the "management side" of OMB. Over the years, he has been involved in a wide variety of governmentwide reform efforts, including reorganizations, the first governmentwide review of Federal travel policies and costs, setting and enforcing workspace utilization standards and real property disposal targets, developing a generic real property management system and improvements to the worldwide inventory of Federal real property, establishing the Cooperative Administrative Support Unit (CASU) program, and writing OMB's policy on the management and use of Federal aircraft.

For several years, Mr. Kelly was OMB's lead analyst on the reinvention of GSA and on GSA's implementation of the Government Performance and Results Act (GPRA). His current responsibilities include examining the budgets of OGP and several administrative accounts within GSA. He continues to be involved in the development of policies related to travel, transportation, aircraft, motor vehicle fleets, personal property and real property management, and the reviewing of the implementation of those policies.

Mr. Kelly is a member of OMB's Program Evaluation Team (PET), which developed the Program Assessment Rating Tool (PART). OMB and the agencies are currently using the PART to assess 20 percent of the Federal programs in the FY 2004 Budget Review.

Kathy Lane

National Account Manager, Federal Sales

Oakwood Worldwide

In 1999, Ms. Lane was tasked to develop a National Federal Sales Program for Oakwood Worldwide. During this time, she developed a strategic Federal program to assist Oakwood Worldwide in positioning the organization to partner with the various governmental agencies and is actively involved with the NDTA, SGTP, and the Employee Relocation Council. She sits on the American Hotel and Lodging Association's Extended Stay Council and the U.S. Organization of Metro Washington Senior Enlisted Advisory Committee.

In addition, Ms. Lane has addressed numerous government and industry gatherings, including the Professional Housing Management Association, NDTA, and GSA's National Travel Forum. She has written articles, some of which have appeared in Defense Communities and Defense Transportation Journal.

Ms. Lane has attained the designation of CRP (Certified Relocation Professional), the qualifications of which are set by the Employee Relocation Council. She is a licensed Realtor in the State of Virginia. She received her B.A. in 1982 from the University of Northern Iowa.

Kevin Maher

Vice President, Governmental Affairs

American Hotel & Lodging Association

As Vice President of Governmental Affairs for AHLA, Mr. Maher represents the lodging industry on a wide range of issues before legislative and regulatory bodies in Washington, DC. The lodging industry consists of more than 53,000 properties and generates more than \$103 billion in annual sales while employing nearly two million people. With ten years of experience at AHLA, he assists members with regulatory compliance, lobbies Members of Congress, coordinates grass roots action, and communicates directly with local and national media and key constituencies in the lodging industry.

Previously, Mr. Maher worked for the Travel Industry Association of America, and on Capitol Hill for Michigan Congressman Bob Carr. A graduate in Journalism and Political Science from Marquette University, he grew up in Chicago, IL and mid-Michigan and currently resides in Takoma Park, MD.

Ted Miller, CHME, CHSP

Global Account Director
Starwood Hotels and Resorts

For nearly four years Mr. Miller has been the National Director of Government Accounts, handling the Meeting and Business Travel Markets for Starwood Hotels and Resorts. In that time, he has guided the company through the Premier Lodging Program and other opportunities to increase its market share in the government market. The effect of the company's involvement in the Business Travel Market has dramatically grown its Group Meeting Market Share.

Prior to this time, Mr. Miller was in the National Sales Office for Wyndham Hotels for 12 years, handling primarily the Group Market. His current memberships include the Society of Government Meeting Professionals and Meeting Professionals International.

Gary Shaw

Executive Vice President – Marketing
Corporate Lodging Consultants, Inc.

Mr. Shaw joined Corporate Lodging Consultants, Inc. (CLC), in 1992 as Executive Vice President – Marketing. In this role, he is responsible for the sales and marketing of lodging programs to Corporate America, as well as the government. Corporate Lodging Consultants, Inc. is the largest purchaser of hotel rooms for non-governmental travelers in the United States. In 2002, more than 25,000 people per day will stay in a CLC-contracted hotel. CLC has hotel contracts with over 9,500 hotels in the United States, Canada, and the Virgin Islands. The contracted hotel rates for CLC customers are generally 15% to 25% below corporate business rates. CLC also handles all of the hotel billing and hotel payments. CLC has a very diverse customer base ranging from the rail, trucking, and airline industries to the American Red Cross and corporate America. Mr. Shaw is involved in the development of a web-based hotel check-in system that will feed any e-travel system with audited hotel billing. The system has the ability to electronically distribute lodging costs to the proper accounting functions of any company.

Prior to joining Corporate Lodging Consultants, Inc., Mr. Shaw worked for Mobil Oil, Crown Central Petroleum, and Coastal Refining and Marketing at senior management levels. He is also a Director on the Board of the American Association of Railroad Superintendents.

Mr. Shaw is a native of Denison, IA and earned his B.A. Degree in Marketing from Northwest Missouri State University in Maryville, MS. He has attended executive management courses at Penn State University in College Park, PA and currently resides in Wichita, KS.

Candace L. Sneberger

President and CEO
VacationWired.com

Ms. Sneberger is the Founder and CEO of VacationWired.com, a full-service leisure travel agency with a strong corporate client base. Currently, over 400,000 employees of major companies, including Aon, BP, Novartis, and Price Waterhouse Coopers, are able to make personal and vacation travel arrangements through their customized travel sites, hosted and supported by VacationWired, on their companies' intranets. VacationWired.com is open to the public.

Prior to starting VacationWired in January of 2000, she held a number of leadership positions in both the travel industry and eCommerce. The following are previously held positions:

- Founder, President, and CEO of Cruise 411.com. Cruise411 is a cruise only travel site offering services to the general public.
- Vice President and General Manager of Andersen Consulting's via World Network, a business-focused eCommerce travel service for booking travel reservations.

- Senior Vice President Multi-National Business Development for BTI America's, a travel company with sales approaching \$4 billion. During her employment with BTI, Ms. Sneberger was directly responsible for the attainment of and client satisfaction of some of BTI's largest customers, including Goldman Sachs, ABB Europe, Bear Stearns, Ikon, Quantum, and Unisource.
- Corporate Director and Vice President at Rosenbluth International. During her 11-year tenure, she was responsible for directing sales growth from \$50 million to over \$3 billion and personally secured over \$1 billion in major corporate accounts, which included Du Pont, General Electric, Chevron, Prudential, Philips, Bristol-Myers Squibb, to name a few.

Ms. Sneberger is currently serving on the Board of Advisors for TechTravelers, a company providing online managed-travel solutions. She has also held advisory board positions with Corporate Travel Magazine and Sheraton Hotels and been a speaker at a number of major travel conferences, including those sponsored by NBTAA and ACTE.

William B. (Bill) Tirrell, Sr.

Chief, Travel and Transportation Branch
Department of Defense

Mr. Tirrell retired from active duty in the Navy in 1988 as a Commander. While on active duty, he served for over nine years from 1978 to 1988 as a Navy representative to the Military Advisory Panel (MAP) of the Per Diem, Travel, and Transportation Allowance Committee. While in that position, he drafted numerous law changes and participated in the early to mid-1980's in the overhaul of the JFTR, Volume 1 that annually affects the travel of over two million uniformed personnel and their dependents.

Following retirement from the Navy, Mr. Tirrell's positions have included: Being a functional expert in the area of military travel and transportation entitlements supporting the Compensation Directorate of the Office of the Secretary of Defense, working for GSA as a technical writer of the FTR, and serving as the Military Advisory Panel representative from the U.S. Coast Guard for three years, leading to the position he's held from September 1995 as Branch Chief of the Travel and Transportation Branch of the Per Diem, Travel, and Transportation Allowance Committee. He has taught entitlements to various groups of military and civilian personnel and taught for GSA's Interagency Training Agency. Mr. Tirrell has also been a regular presenter at MTMC, GSA, Department of State/GSA, and Navy workshops, expos, forums, conferences, and symposia.

GSA Staff

DESIGNATED FEDERAL OFFICER (DFO): Robert L. Miller, Jr.

Travel and Personal Property Analyst
General Services Administration

Mr. Miller is a senior program analyst for GSA's Office of Transportation and Personal Property (MT). In that capacity, he works as a principal interface between the Deputy Associate Administrator (DAA) and MT Program Managers (Division Directors) to coordinate program activities among various Divisions within MT including Aircraft Management, Travel Management, Personal Property Management, Transportation Management, Mail Management, and Federal Vehicle Management. This position requires a broad array of technical knowledge of laws and guidelines governing Governmentwide processes including the Code of Federal Regulations, Federal Travel Regulation, Aircraft Cost Accounting Guidelines, Comptroller General Decisions, Federal Property Management Regulations, and many others.

Prior to joining GSA's Office of Governmentwide Policy, Mr. Miller served honorably in the United States Marine Corps, supervised a team of avionics technicians at McDonnell Douglas Corporation, and worked for the State of Georgia as a personnel compensation analyst. Mr. Miller earned his Bachelor of Science in Aviation Management (Cum Laude) from Southern Illinois University at Carbondale, IL, Masters of Public Administration from Troy State University, Troy, AL, and attended Georgia State University College of Law, Atlanta, GA.

Martha (Marty) College

Executive Assistant/Independent Contractor

Ms. College is the Sole Proprietor of Executive Recruiting Services, a small, woman-owned business specializing in the recruitment of senior-level executive assistants. She advises individuals on matters related to interview preparation, resume writing, and career advancement.

Ms. College also works on selected projects for the Federal government and provides executive assistants on a subcontracting basis, as required.

Peggy G. DeProspero

Acting Director, Travel Management Policy Division
General Services Administration

GSA created OGP in December 1995. OGP is the central policy making office that works with the Executive Branch in developing policies and guidelines for real property, personal property, travel and transportation, acquisition, information technology, electronic commerce, the Regulatory Information Service Center, and Federal Advisory Committees.

Ms. DeProspero, having been employed with GSA for 32 years, is currently the Acting Director for the Travel Management Policy Office, a division of OGP. This office is responsible for setting travel management policy for the Federal government, which includes setting the per diem rates, among other activities. The Federal travel budget is over \$8 billion per year, with per diem rates alone covering 24 million room nights annually.

Joddy Perkins Garner

Per Diem Program Manager
General Services Administration

Ms. Garner is the Manager of the Per Diem Program for GSA's Office of Governmentwide Policy. She has over 16 years of experience in GSA's travel management policy and program area and is considered to be the "Per Diem" subject matter expert. Ms. Garner leads a team of Senior Program Analysts who assist her in setting the per diem rates for over 500 locations across the Continental United States. She also manages the flow of the Per Diem Program's day-to-day operations.

Patrick F. McConnell

Program Manager, Federal Premier Lodging Program
General Services Administration

Mr. McConnell has been a Program Analyst for GSA for over 11 years. Originally starting out as a management intern in GSA's Fleet Management Program, he eventually became a Team Leader within the Federal Vehicle Policy Group, which issues policies and guidance on how Federal agencies manage and operate the government's 580,000 motor vehicles. Mr. McConnell's work focused on performance measurement, interagency communications, alternative fuels, and analysis of legislative issues in Congress that affected the Federal fleet. In September of 2000, he was asked to join GSA's Travel Management Policy Group and become the Program Manager for FPLP. Mr. McConnell finds the travel industry to be very fascinating and finds establishing a corporate lodging program for government travelers to be a very rewarding challenge.

Non-Voting Ex-Officio Advisors

A. Larry Elkin

Regional Inspector General for Auditing – Kansas City
Office of Inspector General
General Services Administration

Liza C. Meidinger

Auditor

Office of Inspector General – Kansas City
General Services Administration

Lennard S. Loewentritt

Supervisory Attorney, Personal Property
General Services Administration

John G. Pollock

Auditor

Office of Inspector General – Kansas City
General Services Administration

Federal Travel Regulation*

<http://www.gsa.gov/travelpolicy>

Per Diem allowance—The per diem allowance (also referred to as subsistence allowance) is a daily payment instead of reimbursement for actual expenses for lodging (excluding taxes), meals, and related incidental expenses. The per diem allowance is separate from transportation expenses and other miscellaneous expenses. The per diem allowance covers all charges, including any service charges where applicable for:

- (a) Lodging. Includes expense, except lodging taxes, for overnight sleeping facilities, baths, personal use of the room during daytime, telephone access fee, and services for fans, air conditioners, heaters and fires furnished in the room rate. Lodging does not include accommodations on airplanes, trains, buses, or ships. Such cost is included in the transportation and is not considered a lodging expense.
- (b) Meals. Expenses for breakfast, lunch, dinner and related tips and taxes, specifically excluded are alcoholic beverage and entertainment expenses, and any expenses incurred for other persons.
- (c) Incidental expenses.
 - 1. Fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign countries;
 - 2. Transportation between places of lodging or business and places where meals are taken, if suitable meals cannot be obtained at the TDY site, and
 - 3. Mailing cost associated with filing travel vouchers and payment of Government sponsored charge card billings.

*(For more information, see Federal Travel Regulation 41 CFR Section 301.)

1 The members of the End-User Impact Working Group that produced the “on-line survey” are neither professional statisticians, pollsters, nor survey experts. The Committee makes no claim as to the accuracy of the collected data or its validity outside of the actual set of responses. The Board recommends in its report that GSA conduct “end-user” surveys of the Federal travelers, and that GSA consult with professional data collectors in order to obtain accurate, statistically valid results. While the results have not been statistically validated, they do provide a fairly significant snapshot of Federal travelers’ opinions, thus the survey results are included in the report.

2 The U.S. Board on Geographic Names (BGN) is a Federal body created in 1890 and established in its present form by Public Law in 1947. Comprised of representatives of Federal agencies, appointed for 2-year terms, the Board is authorized to establish and maintain uniform geographic name usage throughout the Federal government. Sharing its responsibilities with the Secretary of the Interior, the Board has developed principles, policies, and procedures governing the use of both domestic and foreign geographic names as well as undersea and Antarctic feature names. Although established to serve the Federal government as a central authority to which all name problems, name inquiries, and new name proposals can be directed, the Board also plays a similar role for the general public. (<http://geonames.usgs.gov/bgn.html>)