GENERAL SERVICES ADMINISTRATION

IN THE MATTER OF: )
) CITY PAIR PRESOLICITATION )
MEETING )

Room C-43
Crystal Mall 3
1901 South Bell Street
Arlington, Virginia

Tuesday,
February 7, 2006

The parties met, pursuant to the notice, at
9:30 a.m.

BEFORE: LINDA SMITH
Contracting Officer, Acting Branch Chief,
GSA

APPEARANCES:

GENE LEE, Contracting Officer, GSA
JERRY ELLIS, Contract Specialist, GSA
RON IVESTER, Sato Travel Consolidated Group
Management Services.
UMEKI GRAY-THORNE, GSA
PAMELA ARBEITER, Midwest Airlines
RICK CIRILLO, American Airlines
MAJOR MIKE KOSSOW, HQ AMC,
Passenger Policy Branch
JOHN LUNDEBY, HQ AMC,
Passenger Policy Branch
JEM BENNETT, Manager, Military and Government
Sales, Delta Air Lines
DENNY CLIFFORD, Northwest Airlines
SARA SISSON, Northwest Airlines
ALLEN CHEN, Northwest Airlines
BOB HASTER, Marketing Planning Analyst,
Southwest Airlines
CRAIG BLEMLY, United Airlines World Headquarters,
Strategic Accounts Manager - Government
GEORGE COYLE, American Airlines,
Manager, Military and Government Sales

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APPEARANCES (continued):

HOWARD HICKS, DTS PMO, Department of Defense
VINCE AQUILINO, GSA E-Travel Program
TERRI WOUNDY, Accounting Officer,
        National Credit Union Administration
DONNA JOHNSON, Department of Defense
FRANK GALLUZZO, Department of Defense
MAUREEN RINEHART, Passenger Programs,
        Department of the Army
CAROLYN PRESLEY-DOSS, GSA
JANICE YOUNG, IRS, Office of Policy and Procedures
DOUGLAS LEIDWINGER, Special Agent, Logistics
        Resource Center, U.S. Secret Service
PAUL HOFFMAN, USDA, USDA/OCFO/CTGPD
ELIZABETH RODRIGUEZ, Veterans Administration
DEBBI STONER, National Security Agency,
        Travel Policy
ROBERT SHANNON, USTranscom, Air Force
JEANETTE McCANTS, DALO-FPT, U.S. Army
EMILY DERN, Executive Services,
        International Travel
MIKE TALSO, Headquarters, Air Mobility Command
GRACIE JONES, GSA
BRENDA SAMUELS, Contracting, GSA
JANE GROAT, GSA
FRANK ROBINSON, GSA EGOV Travel Program
        Management Office
JANET HARRIS, Office of Policy and Procedures.
UMEKI THORNE, GSA, Office of Government-wide
        Policy
DIANE HAWKINS, GSA, Travel and Transportation
DARREN COLLINS, Department of Commerce
ANGELA JONES, GSA
JEROME BRISTOW, GSA
SUSAN FORD, GSA
KAREN VAN BUSKIRK, GSA
GEORGE ALLOWAY, GSA
JUAN LAGUNA, GSA
NATALYA SOLDATCHENKOVA, GSA
DONNA COOKE, GSA
DANIA PARKER, GSA
BRIAN MUNSON, Delta Air Lines
ANN BOYKIN, Lufthansa

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APPEARANCES (continued):

ELLIDE DUREN, ESI Travel
DONNA BRAZIER, USAID
KENNETH HAWKINS, USAID
DIANE CARTER, USAID
CHRISTINA MOSSER, ESI Travel
PROCEEDINGS

(9:30 a.m.)

MS. SMITH: Good morning, everybody, and welcome to the FY 07 presolicitation meeting for the City Pair program. We appreciate your taking the time and effort to attend. What we'll do is go around first with some introductions. Go around the room, and if everybody would state their name and their office or agency, and if you would speak clearly because Paul here is going to be transcribing the whole meeting for us. Afterwards, this will be posted on the Web, together with a copy of all of the comments and questions that we received prior to this meeting and the responses. Those also will be posted on the Web. As we go through the draft solicitation and the major changes that were listed in the executive summary, we'll also give a summary of some of the comments and questions and try to address those as we go, but the specific questions will all be listed on the Web.

Before I get going, for those that haven't been to this area, to this meeting room, there are keys to the restroom in the back for the ladies' and the gentlemen's room, which are to your left and then right and then right.

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We'll probably take a break at about ten-thirty, and we'll see how we're moving along here. We said this would go until 2 o'clock. If we get through faster, we can all leave earlier. I know everybody's time is very valuable. But anyway, we'll see, and we'll take another break accordingly, if needed. Okay?

So that's kind of the logistics. I am Linda Smith. I'm one of the contracting officers on the City Pair program and currently the acting branch chief, and with that said, we'll go around the room--Ron, would you like to start?

MR. IVESTER: Ron Ivester, manager of the Sato Travel Consolidated Group Management Services.

MS. ARBEITER: Pam Arbeiter, Midwest Airlines.

MS. SMITH: Speak up.

MR. CIRILLO: I'm Rick Cirillo with American Airlines.

MR. COYLE: George Coyle, also with American Airlines.

MR. BENNETT: Jem Bennett, Delta Air Lines.

MR. MUNSON: Brian Munson, Delta Air Lines.

MR. BLEMLEY: Craig Blemly, United Airlines.

MS. DERN: Emily Dern with Executive Services, International Travel.
MR. AQUILINO: Vince Aquilino, GSA E-Travel program.

MS. SCOTT: Annie Scott, GSA Audit Division.

MR. SHANNON: Bob Shannon, United States Transportation Command.

MR. TALSO: Mike Talso, Headquarters, Air Mobility Command.

MR. LUNDEBY: John Lundeby, Air Mobility Command, Passenger Policy Branch.

MR. CLIFFORD: Denny Clifford, Northwest Airlines.

MR. CHEN: Allen Chen, Northwest Airlines.

MS. SISSON: Sara Sisson, Northwest Airlines.

MS. PRESLEY-DOSS: Carolyn Presley-Doss, GSA.

MS. JONES: Gracie Jones, GSA.


MS. WOUNDY: Terri Woundy, NCUA, Office of the Chief Financial Officer.

MR. GALLUZZO: Frank Galluzzo of the Office of the Secretary of Defense for Transportation Policy.

MS. RINEHART: Maureen Rinehart, Passenger Programs, Surface Deployment and Distribution Command.
MS. CARLOCK: Andrea Carlock, used to be DTS PMO, now Travel Management Office, OSD Personnel and Readiness.

MR. HICKS: Howard Hicks with the Personnel and Readiness, Travel Management Division, Home Office.

MS. McCANTS: Jeanette McCants, Army G-4.

MS. SAMUELS: Brenda Samuels, Contracting, GSA, Travel and Transportation.

MR. LEIDWINGER: Doug Leidwinger, Secret Service.

MS. GROAT: Jane Groat, GSA.

MR. ROBINSON: Frank Robinson, GSA E-GOV Travel Program Management Office, WD program manager.

JANET HARRIS: Janet Harris, Office of Policy and Procedures.


MS. HAWKINS: Diane Hawkins, GSA, Travel and Transportation.

MR. COLLINS: Darren Collins, Department of Commerce.

MR. HASTER: Bob Haster, Southwest Airlines

MR. ELLIS: Jerry Ellis, GSA.

MS. SMITH: Okay. Thank you very much.
As I said, the purpose of this meeting is to go over and focus on the draft FY 07 solicitation, and we'll go through each section. What I did want to do is give a little bit of an update and background on what's been going on from last year to this year.

Last year, we made some significant changes in the program after much discussion with industry as well as our customer base. We made changes on code shares, and changes in moving the group requirements to commercial practice, and GTRs being mainly used for international, just to name a few of them.

Since then, we continued the dialogue with industry and customer agencies, and as everybody is very much aware, fuel is a hot topic. It has been for the past year or so. We met one on one with the carriers. We also had partnership meetings, which a lot in the room were here also for that. The topic that was of greatest importance was fuel surcharge, so that has been a major focus for us since that time.

We asked for industry input in order to build a business case that we could present to both our management and other stakeholders. We thank you, all carriers who submitted data. It's invaluable, and it's the only way we can make major programmatic changes. It just gave us the data that we needed to
support this.

We had hoped to get this draft done a little earlier, but we wanted to be able to work with the business case, and we did prepare. We didn't get all of the information as quickly as we wanted, so that did put us a little behind. Once we got all of the information, though, from the carriers, we were able to move relatively quickly.

So one of the major changes that you see here and that's highlighted in the executive summary does revolve around fuel surcharges.

We are also this year trying to make the program better. We've hired outside consultants, and we'll talk more about this as we go through each section. But, again, to give you input as to what we have been doing, we have an outside consultant that reviewed the benchmark that we used, the full, premium, walk-up fare, and compared it to the benchmarks that corporations use. So you're going to see in our definitions a revision on the definition of "market fare," which is based on this study, and I'll go into that shortly.

We also have a contractor now who is doing fare audits for us at contract award time as well as throughout the contract period, and we'll go through...
that a little more when we get there, too.

And, thirdly, but not least, we have another contractor who is reviewing another source for getting passenger counts, to provide some validation for our passenger counts, so that is going on also at this time.

So as you see, we're investing a great deal and trying to make it better for all parties involved. That's a little background.

So saying that, we'll go section by section. The first one is Section A, which we'll actually be talking more about when we get down to Attachment 1 at the end. But this is simply to point out that in Section A we state that attachment 1 of the solicitation needs to be in paper with offers. Something I should point out: In the draft solicitation, the proposed changes are in italics. They won't be that way on the final, but at this time, it's to help you through this.

This part A reflects our directive from the president to move more and more towards e-tools. This is part of it. The only parts that you need to submit as far as paper are those sections that are listed in Attachment 1, and we'll go over each one specifically at a later time.
So now we'll go into the definitions. From this study that I was just referring to, where we had the contractor do a review of our program and the benchmark we have been using, which has been the full, high-premium, coach fare. Both from our customer agencies saying, well, "nobody really uses this full coach fare". That was one point that we wanted to look at. We also wanted to know what is corporate America benchmarking against.

Based on the information that we got, we are revising the market fare to read as the lowest logical unrestricted coach fare. The fare we had been using was mainly used for interline and for tariff purposes, but not really used as a selling price. So we're bringing the market fare in line with more commercial use.

There are many different names for the same type of thing (pointing to definition in solicitation). We tried to cover as many as possible so that it is clear what we mean by the market fare, and then also we had the same clarification done under unrestricted fare, unrestricted coach fare. This is the one that you should use when you submit your offers as far as what you're putting down for the market fare.
Now, the next two definitions, "connecting point" and "further international point,". Let me give you a little background on why that's come up, and I'm also going to ask one of our customer agencies, Mr. John Lundeby, to explain what their need is.

Basically, we had up to now for international- we could have no more than one connecting point and 180 minutes connecting time. Well, to many destinations and particularly to points international or from an interior, non-gateway city to an international destination, you had to do two connections. So we were basically not able to accept offers because the service didn't meet minimum requirements.

So, in order to assist the needs of our customer, we are proposing to relax this year the international requirements to certain international destinations, allowing up to two connection points and 300 minutes connecting time.

The list of markets, (we're still in the process of working on that) where this would be allowed-- we will provide the list of markets. That was one of the questions that came up. "Are the carriers going to decide this, or are we going to..."
decide this?" We'll decide which markets on which two
connections and this longer connecting time are
allowed; otherwise, the connecting time and connecting
point would be what it is currently. So that's one
change.

John, do you want to address --

MR. LUNDEBY: Yes. What our dilemma is,
most of our international city pairs that go to a
large, metropolitan area, London, Frankfurt, Tokyo,
there is no problem with that. We've got plenty of
capacity, and it's an easy market to fill. Our
problem comes when we try to continue on into a
smaller international airport, such as Naha, servicing
quite a few folks in Okinawa.

Another example might be Luxembourg, if we
want to service SIMBAC, which has expanded
dramatically in the last few years. You've got SIMBAC
and Pitford both up there, and there could be, I
think, some other Army locations. That's only about a
30-minute drive versus a two-hour drive to Frankfurt.
Aviano; you've got Marco Polo International
Airport, which is right outside of Aviano. Those have
not in the past been normal locations where we have
asked for city pairs because we've had Patriot Express
operating basically worldwide. In the last couple of
years, Patriot Express has been drawn down dramatically, and we're only going to be using Patriot Express to those areas that do not have any commercial lift for security reasons, or they are high-threat areas, such as Inserlik, Turkey, going into Bahrain. Diego Garcia; there is no commercial going in there.

In the Pacific right now, we still have, through the end of this year, we've got Patriot Express doing into Iwukuni and Misawa, and we've got another weekly flight that goes through Yukoda down to Okinawa, and those are due to expire at the end of this year. I know that General McNabb and General Schwartz are considering those. Those may continue beyond the end of this year. They may not. We don't know. We're tracking the costs and trying to determine whether they are losing too much money or if we've got requirements to support the craft.

Those are decisions beyond I can make, but what we're asking is for GSA to take a look at some of these smaller markets and see if we can't find a creative way for us to service those markets and provide international GSA city carriers to those locations, and that's kind of it in a nutshell. I know that prior to the RFP going out, I talked to Denny, and I talked to Gary Sznajder just trying to
get a feel on code shares. I know that Japan is a much more difficult market to do a code share than the European code shares are.

That's really what we're looking for, just trying to find a creative way to service those markets with city pairs so that we can continue moving our DoD travelers both into and out of PCSs, TDYs, and many other official travel that they would be required to move on.

MS. SMITH: Yes.

MR. CLIFFORD: Linda, how do you want this to proceed? Do you want industry's input now or later on the various issues, or how do you want to do that?

MS. SMITH: What I was going to do is if there had been questions submitted on a section, address those, and what we should do is address them as they come up. Would you like to make a comment?

MR. CLIFFORD: First of all, a question. How many markets do you think may exist?

MS. SMITH: We're still in the process of defining that, Denny. Part of the reason, and we're going to address this at the end, that you haven't received the markets yet is because, as I said, we're having an outside source validate the passenger counts, and also we're looking at some of the
possibilities with double connections. So, we expect the markets to be out no later than the end of this month, if not earlier, so everybody knows where we stand on that point.

Yes. Would you like to make a comment?

MR. CLIFFORD: Denny Clifford, Northwest Airlines.

Is it, like, two dozen? three dozen? ten? five?

MS. SMITH: I don't know yet, Denny. Quite honestly, I don't know. We're in the process of working on that. I can't give you a number.

MR. CLIFFORD: Okay. John, I know you and I talked a little bit. We have a couple of serious issues with respect to expansion. One, the code share issue is a serious one, especially over the Pacific. It's not always easy to develop code shares, for various reasons which I won't get into. That precludes us for certain things that are over there. The other is more concept. Any time there is an expansion to a significant degree in this contract, we're opposed to that, and the reason is we look for revenue. We're in a time of economic stress right now. Any time you expand cities, expand the contract, expand any kind of a concept to add markets...
that are currently under published fares, it hurts us.  
So we're opposed to the expansion with the two stops.  
We would prefer to have it the old way.  You still  
have service.  Just keep it out there as normal, and  
we'll competitively bid on that in the commercial  
sector.

MS. SMITH: Thank you. Any other comments?  
Thank you.

Okay. Then we're going to move on to a  
topic that obviously, as I said, was the center of our  
focus as we prepared the draft.  Yes, John?  
MR. LUNDEBY: This is John Lundeby, AMC. I  
just had one last question on the definitions.

MS. SMITH: Sure.

MR. LUNDEBY: We define "jets," and we  
define "props," but we don't define "regional jets."  
Is there a benefit to us in there to define -- when we  
say "jets," we're talking wide bodies, narrow bodies,  
we're talking regional jets when they really are quite  
different.

MS. SMITH: That's very true. We didn't  
address it here, but we do address it in a more  
general factor in the section that comes later. As  
one of the evaluation factors, we always can look at  
the seat volume in a market, and up to now, we always
did that in the large volume, ABC markets. But what we are proposing to do this year is expand that to all of Group 1 so that as one of the factors, if that's a deciding factor in the market, that would be allowed. So, in that sense, we look at it, but not specifically defined here as a regional jet. We look at overall capacity, and we'll come back to that a little later.

Fuel surcharge. This section obviously was of the greatest interest to all parties, and the gist of most of the comments -- I won't go over each one specifically -- as I said, they will be published on the Web. But the gist of it, one comment was, well, "we would prefer to have a fare increase as opposed to a fuel surcharge." We did a lot of market research on this and basically felt that allowing the fuel surcharge as the need arises is really a better benefit for both sides in a sense as opposed to waiting until, say, mid-term or midway through the contract, and, again, it would either go up or down, depending on whatever index was proposed. As I said, we've answered that, and you'll see the answer on the Web.

The other major point was that we have a requirement for 14 days before any fuel surcharge would be imposed on government fares. The reason for
that is that what we've asked, and here is the
proposed language (on screen), and I have to tell you,
this is a draft, there will be more tweaking of the
language, et cetera, but it's essentially this. The
point that we were saying is that it would be 14 days
so that we know that the fuel surcharge is really
established commercially. We've seen too much where
the fuel surcharge comes in, and two days later it
goes out, and we wanted to make sure that that had
been established because we request notification so
that we can notify, in turn, DTA, eTS, travel agents,
Audits, all of the other e-tools that we use. We need
to publish this on our Web site so our customers can
see it.

So we felt, based on the input that was
submitted to us, since many of the state contracts use
this 14 days, that it would be appropriate for us to
use the same timeframe. Now, some of the comments
that have been made were, to remove the 14 days and
make it purely according to commercial practice. I've
just explained why the government needs the 14 days,
and I see a comment.

MR. BENNETT: Jem Bennett with Delta Air
Lines. It goes back to the comment that I had made
indicating that although we applaud the GSA for going
in this direction, it was something that a number of us had talked about with you in previous meetings, our thought, though, is that if you look at it from a seven-day perspective as opposed to a 14-day perspective, seven days, we feel, is sufficient time in order to establish the fact that this thing is going to stick, which is, I think, what your biggest concern is.

So we feel like that although conceptually you've got a good idea here, we feel like it should be moved to seven instead of 14, and that would be our position on that.

MS. SMITH: Yes, sir? Hi, Bob.

MR. HASTER: Bob Haster, Southwest Airlines.

I was wondering if any consideration was given to carriers that don't charge a fuel surcharge. For example, if two carriers meet the technical merit and are equal in fare, is any leeway given to the carrier that doesn't charge a fuel surcharge?

MS. SMITH: Fuel surcharges; the practice, like so many things, is not the same across the board. We tried to take in as many factors as possible, and we feel that this is the fairest way to do it and that just as the fuel surcharge seems to stay or not stay commercially based on competitive pressures of that
1 market, we felt that that would regulate that issue, 
2 but it's certainly something that we will note. As I 
3 said, this is a draft.  Yes?
4        MR. LUNDEBY:  John Lundeby, AMC.  I think 
5 when you ask for everyone's bids, if their bid does 
6 not include any fuel charges, that should be a level 
7 playing field, shouldn't it?  The fuel charge can 
8 either be added or not during the term of the 
9 contract.
10        MS. SMITH:  That is correct.  The intention 
11 here is as to how it works commercially.  At the time 
12 of bid, you make your offer.  Well, we're saying 
13 what's going to be new this year, we would allow- if 
14 in that market it is being imposed commercially on the 
15 same bucket inventory- that it would be allowable, 
16 then, on the contract fares, and if it's removed, it 
17 must also be removed from the contract fares. 
18        So during the time of the contract period, 
19 yes, you could see a fuel surcharge, if it's imposed 
20 in that particular market commercially, come and go. 
21 But that was the reason we wanted the 14 days because 
22 we want to post this so our customers understand that 
23 they can go to our Web site, and, yes, on this market 
24 they're going to see a five, ten dollar fuel surcharge 
25 and the effective date.  The same thing for the DTS
and eTS and all of the other e-tools; they need to have this notice. Did I answer it?

MR. LUNDEBY: Well, I think what Southwest's concern may be is that when you are reviewing the bid, there won't be a fuel surcharge in April, so I think it will be a level playing field when you award that bid. There won't be a fuel surcharge at that time.

MR. AQUILINO: What Southwest is saying is they won't impose a surcharge for the entire year as the others may impose it. He is asking you if he gets another way of looking at his bid.

MS. SMITH: And, again, we felt that since this is closest to commercial practice, that the competitive market would dictate whether the fuel surcharge is imposed commercially and, therefore, on us.

MR. CLIFFORD: Denny Clifford, Northwest. I would caution against segregating companies that impose the fuel surcharge or don't because you're back to square one if you start doing that. You're defeating the purpose of the fuel surcharge. The bid is based on the bid, and the reason we did that is for economic elasticity, the response to the economic environment.

Let me tell you, whether you hedge fuel or
not, Bob, if fuel goes to 100 bucks a barrel because of some problems in the Middle East, all bets are off for everybody. If you've got 20 percent of your fuel amount hedged, you may have to get into an environment where you've got to have fuel surcharges. So I think you're really playing with a danger zone here of trying to segregate what carriers don't, what carriers do, because that's how we were in the first place when you said we had to include it in the bid in the first place, so why go back to that?

MS. SMITH: I didn't say we would go back. Let me clarify this, Denny. Okay? You have a right to voice Northwest's opinion, he has a right to voice their opinion, and that's all I'm saying here, that we take all opinions into account, and that's not always easy, trust me.

MR. BLEMLY: Just to add to that -- Craig Blemly, United Airlines -- we wouldn't want to segregate a certain different type of operation from other types of operations, other carriers, based on interlining of tickets or seat assignments or any of those things. There are other factors as well. We won't get into that.

MS. SMITH: To your point that depending on what the carrier's particular business practice is,
the wish for what is weighted and the evaluation factor seems to vary, and that is a reflection of the differences amongst the carriers. Again, as far as we're concerned, our goal is to be fair and to provide our customer agencies with the services that they need while also balancing and making this a win-win situation for all parties involved. Now, is everybody always happy? No. We can't make everybody happy, so we try to get as much as possible to meet all needs, particularly for our customer agencies.

MS. CARLOCK: I have a question.

MS. SMITH: Yes?

MS. CARLOCK: Andrea Carlock. Can you help me understand how this is going to work so that we can see what programming or what changes we need to make within our DTS system? I'm confused with how the whole process is going to work, so if you walk me through a particular route, a particular carrier X, and the fuel surcharge was imposed, how is that going to work?

MS. SMITH: If, let's say, take DCA to LaGuardia. If a carrier puts in a fuel surcharge, let's say they have a YCA and an MCA, (a _CA that's in the M class), if they impose a fuel surcharge only on their M fares commercially, all of the fares that are
in that M bucket, then it would apply only to the MCA
fare.
Another example, same route: If they
applied a fuel surcharge on a fare -because it doesn't
have to apply a fuel surcharge on all fares all the
time -- sometimes it does, sometimes doesn't -- the
next is by type of fare within a market, so we've made
that distinction. If it applies to their full coach
and all of the fares that are in that Y bucket, then
it would apply to the YCA.
We're asking for the 14-day notification so
that we can then let you know, and we would be putting
it on our Web site so that our customers can access it
and see," oh, on this route, there is a fuel surcharge
that was assessed starting this date". Also, it's
important for our audits division so that they know
when a fuel surcharge was imposed. If you're going to
have your contract-awarded fare, it might look
different because at a certain point the fuel
surcharge was assessed.
MS. CARLOCK: How do you determine if that
amount is a reasonable amount?
MS. SMITH: This is going to be commercial
practice. Again, the competitive forces are going to
control that, what the amount is going to be, what
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fares are going to bear it, what markets are going to bear it. We're not dictating that, and we feel that that's in the government's best interest because, again, we have competitive forces at work here. We know when we read the papers that fuel surcharges are imposed, and then they are removed the next day because the competitive forces wouldn't bear that.

That's why - the 14 days. If it stays there for 14 days, we feel pretty sure that, you know, the market surcharge is going to stay for a while. Does that make sense? Could you identify yourself, please?

MR. COLLINS: Darren Collins, Department of Commerce. If this is accepted, this will be the published rate for the GDS or the online booking or any other. The surcharge will be added to --

MS. SMITH: No. You can always see the surcharge. It will be listed in the rules, and also you can see your self-booking tools and the GDS price with the surcharge in there, and it will identify it as a fuel surcharge.

MR. COLLINS: It won't come through on the online booking systems. They won't see that, so they won't know or -- the competitors between the airlines for the best fare.

MS. SMITH: The contract fare is the

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contract fare. They have to be using the contract far
fare anyway in that market. They should be unless a
valid exception applies. So that's the point of
notifying us. Then we would have some time to look at
how to program it, but that's why we wanted it
established for a while before we put it out, and we
will have it listed on our Web site, that, okay, "a $5
surcharge took place on the YCA in this market". Yes,
ma'am?

MS. RODRIGUEZ: Elizabeth Rodriguez. So
what you've just said is that when the booking agent
is through and our travelers are booking their fare,
the contractor is not going to see the fuel surcharges
just like they don't see the surcharges right now.

MS. SMITH: It will be included. It comes
into the fare. You can always check it in the rules
and, I believe, in the fare calculation. Now, I'm not
an expert on this. It's broken out as a "Q" charge,
so you know that it's a fuel surcharge. And, again,
we're also going to post it on our Web site.

MR. COLLINS: That would be like the GDS, if
you were doing this for your --

MS. SMITH: And we're going to work with the
DTS and ETS so that there is a way of identifying it.

Vince?
MR. AQUILINO: My question was, how is it going to be shown to the traveler. That's the most important person that needs to see any charges, and they should know exactly what the cost is, including the base fare plus any charges. So that all has to be worked out on how that gets shown. I know Darren obviously has some questions about it. So we need to find out how, in fact, that's going to be displayed in our online booking and for DTS and e-travel.

MS. CARLOCK: We had a similar situation, I believe, with going into certain airports. We had some fares that were coming up that were going into certain airports that were not displaying within the system. So, for instance, if I was going from here to LAX, and I was stopping at, say, Pittsburgh, the fare would be different versus if I was going from here to LAX, and I wasn't stopping in Pittsburgh. We had an issue with our DTS system, and I believe ETS had the same thing, --

MS. SMITH: We've been working with you on that.

MR. AQUILINO: They are not broken out by segment.

MS. SMITH: Well, to your point, at this point, we've worked on the policy side of it and the Heritage Reporting Corporation (202) 628-4888
contractual side of it, and then the next step is the
implementation side of it as far as the technical side
of it.

MR. COLLINS: Is there any reason why we
just award a competitive GSA city pair rate with those
surcharges shown as a published fare?

MS. SMITH: Well, because, again, we're on a
one-year procurement, and it's already pretty tight
paced, and we would be doing modifications constantly,
and we feel that that would be even more confusing to
the traveler because then when it's pulled back, we
would have another modification. So you would end up
really just doing a lot of the same thing. If we can
work this so that technically it's seamless basically
to the traveler, that's our goal.

MR. LEE: Just to add one more thing to the
gentleman's question, at our Web site, we're working
to update it so that the fuel surcharge will be
checked. You'll be able to see which markets will be
charging fuel surcharges.

MR. IVESTER: Are you going to accept or
reject the surcharges?

MS. SMITH: This is what is being put into
as a clause, allowing this adjustment in the contract
now up front, and it says the exact language, at

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ticketing time, we would allow it. If it's being done commercially, again, that's the key word here, if it's being done commercially on that market on that fare specifically, then it would be allowed on our tickets, and, again, it's the market forces that are going to drive it as to whether it's going to stick or not stick and, therefore, whether it's going to apply to the government or not apply to the government. When it applies commercially, it would apply to us. Go ahead.

MR. BENNETT: Jem Bennett, Delta Air Lines.

One thing that was kind of brought up in that conversation that I heard an undertone was that we want to make sure that when this is put in place, and if hypothetically a fuel surcharge is put into, whether it's the GDS or any of the government systems, that there is not -- we're asking your support, I guess, that someone doesn't use this as an excuse to go outside the contract.

In other words, it's still the contract fare, still the YCA or the QCA. In other words, if some carrier implemented $10, and suddenly somebody else with a DG looks like they are a little bit less than $10, obviously $10 less because they chose not to match that, but suddenly they don't use that as their
reasoning behind, you know, I can take a noncontract carrier.

MR. SHANNON: Bob Shannon, US Transcom. I heard the same message, and I think something needs to be added to the contract, and we need to disseminate information to our customers that makes it clear that whether or not a carrier imposes a fuel surcharge, that's not an excuse for accepted mandatory use.

MS. SMITH: And again, I also want to say that this is the reason we want the advance notification, the 14-day notification, so we can also give it to our audit department. I'm going to get to very shortly here a change that we've made in our fare audit section because we do feel that it's right at the beginning that our best line of defense is for compliance, and I'll get to that shortly.

MR. CIRILLO: Rick Cirillo, American Airlines. I'm trying to figure out how this would work exactly. If what you say hypothetically that one of the passengers books a reservation, the fuel surcharge goes into effect in 14 days, but he books his reservation on the seventh day of the fuel surcharge, and he is not traveling until the fifteenth day, what happens?

MS. SMITH: It would be applied at the time
MR. CIRILLO: So it only applies to the ticket. So whether he is traveling 21 days out, and this has only been in for seven days, he doesn't get charged. Is that correct?

MS. SMITH: I would say he gets commercially whatever is in place at the time of ticketing, commercial practice.

MR. CIRILLO: We've got it in place commercially, and we've got it in place. We're on the seventh day of this. Whether it goes 14 days, we don't know, but he is traveling 21 days out, so if it was a regular customer, they would get charged a fuel surcharge.

MS. SMITH: Not unless they are ticketing on the twenty-first day of --

MR. CIRILLO: No. If we've had the fuel surcharge in for seven days, --

MS. SMITH: Okay.

MR. CIRILLO: -- your government traveler is traveling 21 days from that -- okay? --

MS. SMITH: Okay.

MR. CIRILLO: -- so we're within that 14 days. We don't know if it's going to go 14 days, but we have to anticipate that it is. If it's a
commercial customer, the fuel surcharge has been in place for seven days, if they book 21 days out, they are going to get charged a fuel surcharge. So what you're saying is the government employee is not going to be charged because the day of ticketing we're still at seven days rather than 14 days, even though he is traveling 21 days later. Is that what you're saying?

MS. SMITH: Yes. That's correct. Thank you. It's the time of ticketing.

MS. CARLOCK: Why is time of ticketing and not time of travel?

(Multiple conversations.)

A PARTICIPANT: Time of ticketing will wash out everything else that happens.

MS. SMITH: Okay. All right.

A PARTICIPANT: We're not asking for a refund.

MS. SMITH: Yes, ma'am?

MS. BRAZIER: I'm Donna Brazier. I'm concerned about the comment about not using the fuel surcharge as an exception. Now, you're sending out a flier that was handed to me by my top administrator at AID, and finding the cheaper fare that is available to the general public at a price that the contract carrier had its bid to you is a valid exception to...
using the government's negotiated contract price under
the City Pair program.

So I don't want to start nitpicking it and
saying, oh, well, not the fuel. You know, we're
really having a problem with that, and like some of
the other federal agencies, there is a big operating
expense crunch, and so we are looking at cheaper
fares, and if this is a valid exception, and now you
seem to be --

MS. SMITH: Please let me clarify.

A PARTICIPANT: That is a valid exception,
absolutely. Mr. Shannon suggested that we do
something with the fuel surcharge. That is a valid
exception.

MS. BRAZIER: Right. And I'm saying that
you mentioned that that was a good point about that,
and I want to make the point that I don't think --

MS. SMITH: I need to clarify that whenever
there is a fare that is offered to the general public,
and that's the key part of that, that is always a
valid exception, but, again, the penalty with that
fare would apply.

MS. BRAZIER: Right. I understand.

MS. SMITH: The contract fare is not a fare
that's offered to the general public. That is a
contract fare.

MS. BRAZIER: I understand. I'm talking about the exception of the lower cost. I'm talking about this exception. I'm just saying I don't want to go up and down, just because it's the fuel surcharge that we can't use this exception.

MS. SMITH: No. That's not what we're saying. I guess that's what I'm trying to clarify is that if you have a lower commercial fare, you're always free to use that, whether the contract has a fuel surcharge or not. That's fine. What we're saying is that we don't want the traveler to say, there is a $5 here, so I'm going to go to the DG fare that's $5 less, the government-matching fare, which is not offered to the general public. That's what we're saying.

MS. BRAZIER: Okay.

MR. BLEMLY: Craig Blemly, United Airlines. I just want to make sure that we're clear on this. A lower fare is not an exception to using the contract carrier.

MS. SMITH: Craig, a lower commercial fare offered to the general public.

MR. BLEMLY: A commercial fare, right. I heard that.
MS. SMITH: I just clarified that.

MR. BLEMLY: I understand. I want to make sure that it's clear. I'm reinforcing what you just said, but if there are any questions on that, I would like to have you all raise that now so that we're all clear on that issue.

MR. COLLINS: Yes. I would like a better definition.

MS. SMITH: Okay. Let me explain. The section that allows a fare that's a commercial fare that's offered to the general public, you can find it on the Web, and anybody can access it, and if it's lower than the contract fare, you may use that, again, subject to all of the restrictions and penalties.

What happens is that we make an award. Let's take DCA to LaGuardia again. We make an award to Carrier A. Now, how do we get the fares that we get, the discount, is because we promise all of that government business -- right? -- to that carrier. Therefore, it is mandatory. What happens is that all of the other carriers want a piece of the action and put in a matching fare, unfortunately, confusing the public by calling it a government fare or a government discount fare or a DG fare or a me-too fare. That's what they are, matching fares.
Now, those are not available to the general public. They are only available to the government traveler. That's why we're saying let's say a competitor who is a contract carrier and has the $5 fuel surcharge imposed on the contract fare, and it's been there for two days and all of that, but the competitor undercuts that and puts in a fare that's $10 less, whatever. That fare is completely at the control of the carrier. It can come and go; it can change, et cetera. We have no control over it.

What we're saying is that just because this matching fare is lower than the contract fare with the fuel surcharge is not one of the valid exceptions. You can't go use this fare because the contract fare is slightly higher. That's what we're saying, because this DG fare is not offered to the general public, and it's a competitive fare that carriers put in.

MR. CLIFFORD: But if it were available to the general public on that --

MS. SMITH: Yes. If it's available to the general public, if they have a lower unrestricted fare to your point or a restricted fare, whatever, and it's available to the general public, yes.

MR. BLEMLY: A follow-on to that, which comes clearly in the contract right after that, is...
that there is still an obligation to use the contract carrier if that situation exists. In other words, if the fare is offered to the general public, and it's matched by the contract carrier in that market, you're still obligated to use the contract carrier, and if you do that, of course, the surcharge still applies.

MS. SMITH: Whatever the commercial practice is. Again, yes, the whole point is this is how we gain the benefit. This is the incentive so the carriers provide these discounts - we promise that business to them by contract, and then if they are on contract, they definitely have the priority. Yes?

MR. CLIFFORD: Denny Clifford, Northwest.

Linda, just a clarification. When you were explaining to Andrea MCA and the bucketing issue, it's not done exactly that way, and I don't want you all to think -- it's not necessarily done by buckets. We have some language in our letter to you, but it's just a bit broader explanation to cover that situation. If you're expecting an MCA to convert to an M commercial fare, it's not necessarily done that way, and each airline may be a little bit different, but it's not done that way in all cases.

MS. SMITH: Well, we basically said to the corresponding fare --
MR. CLIFFORD: --imposed commercially to all customers in the booking inventory, there are buckets corresponding to the YCA or YCB. Well, it doesn't work that way exactly.

MS. SMITH: It does not?

MR. CIRILLO: We may have a WCA which the W bucket is really only for government travel, and every other bucket -- for the city pair itself, we impose a fuel surcharge for the city pair. So you're not going to see any other W fares. Any other fare in the W bucket is going to be surcharged, but the entire city pair is surcharged because the W is reserved --

MS. SMITH: You know what? Then you're not imposing it on any other?

MR. CIRILLO: No. You're imposing it on the city pair, say, Boston to New York.

MS. SMITH: No, no. Commercially, what are you imposing?

MR. CIRILLO: We're imposing it on Boston to New York, any bucket.

MS. SMITH: Well, that would cover that.

MR. CLIFFORD: But it isn't necessarily ours. That's what I'm saying. It may be different. If you change the terminology to something like "in a similar fare basis," and you leave the bucket stuff
out of it, you're probably okay.

MR. CIRILLO: A W bucket for us is a military government bucket. Okay? We don't have any other fare classes in that W bucket, so what we would charge is we would put the penalty on the entire city pair.

MS. SMITH: Okay. What we would want to know is what are you putting it on commercially? I don't want to see it imposed just on the W bucket.

MR. CIRILLO: What Denny is saying is a bucket is specifically for that bucket, and it doesn't always work that way.

MR. CLIFFORD: Kick the bucket.

(Laughter.)

MS. SMITH: Okay. Yes?

MR. IVESTER: Back to the ticketing scenario here and whether the fuel surcharge is based on the date of ticketing or travel, if it's based on the date of ticketing, sticking within that 14-day spread, do you charge a fuel surcharge or not if it's traveling after the 14 days?

MS. SMITH: It's the date of ticketing that is going to determine just as it does commercially.

MR. IVESTER: Which means there would be zero fuel surcharge? In other words, what I'm going
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1 to have is for that 14-day spread, anybody traveling
2 after that 14 days is going to want to be ticketed
3 within that 14-day spread if they are not going to pay
4 the fuel surcharge.
5 MS. SMITH: Do you think that everybody is
6 going to be looking at it that --
7 MR. IVESTER: If you're going to post it on
8 your Web page, I can guarantee you they will see it.
9 MS. SMITH: Well, you see, we try to cover
10 every base, but there is always something. We have to
11 look at it, the biggest picture. I mean, I can't give
12 you an estimate off the top of my head. I can't see
13 any way of getting around it.
14 MS. CARLOCK: With the DTS system, we have a
15 three-day-prior-to-departure ticketing, so you can't
16 go in and say, don't ticket me prior to that, but we
17 tell our commercial travel offices that they have
18 their system set up so that three days prior to
19 departure, that is our trigger --
20 MR. AQUILINO: We need to look at that, the
21 scenario before the 14 days. The tickets are issued
22 minus one day, and tomorrow they impose it, and that
23 ticket was issued yesterday traveling on for the 14
24 days.
25 MS. SMITH: Commercially, the time when you
buy your ticket determines what the fare is going to be, what the fees are.

MR. AQUILINO: I just need to know what to do.

MS. SMITH: As I said, we think we've thought of everything, but there is always something we haven't, so it's something we need to keep in mind.

Any other questions on this topic? I was going to cover one last piece, and then we will take a break. Does that sound good to everybody? Okay.

In B-27, if you move down to Section B, as I said, we have enlisted the help and assistance of an outside contractor. We have also been told over the years by industry that we need to do a better job of validating contractor performance, and so that's the purpose of this. As I said, we have them doing a fare audit as we speak. They are going to be doing it at contract award, throughout the contract period, as well as whenever we do a modification.

This is what I was referring to earlier. If the fares are right, and the rules are right, et cetera, that helps with the compliance right up front. These are some of the things that will be looked at, obviously the display and the promoting of fares and minimum service requirements, fuel surcharges. One
thing we forgot to add there, we have also code shares in this, restriction of routes, so you'll see that in the final rfp. As I said, those are some of the factors that will be looked at. Yes?


Can I go back to paragraph A-1, please, where it talks about the contract fares?

MS. SMITH: Well, can we finish this and then do that?

MR. CLIFFORD: Oh, I thought you were done.

I'm sorry.

MS. SMITH: Oh, yes. So we would expect anything that was in there incorrectly to be changed within two days, and if they are not changed, there are some issues here that we could terminate a contract award on a market, re-award it, or there is always a third resource that we have, which is our office of the inspector general. So everybody just be aware of that. If there are any questions on that before we go back? Okay.

What's the question on A, Denny?

MR. CLIFFORD: Okay. When you start talking about the contract fare, the second line there, where Audit is comparing the commercial coach fare versus the contract fare, you are talking about only the YCA
fare, not the blank CA fare. Right?

MS. SMITH: Yes.

MR. CLIFFORD: I think you need to stipulate that. It doesn't cover the blank CA.

MS. SMITH: Let me think this through. We'll look at it. Okay?

Anything else on this section? Well, let's take a 10-minute break -- is that good? -- and come back here.

(Whereupon, a short recess was taken.)

MR. LEE: We have a question in this section on A-20, the price reduction clause. This was not a new clause, but we see one question I would like to read. Again, it's not a new clause. What it's basically saying is that if there is a change in the bucket inventory structure for the contract carrier, and they would want to lower the contract fare in proportion to the linkage between the YCA and their contract fare, then this would address this, where they would want to either temporarily or permanently reduce the YCA fare.

So the question, again, will be posted on the Web, but this is not a new clause. I'm hoping that the confusion will go away.

The next change that we had was in Section
B-23. The change that we added here is merely to state that the GSA contracting officer will only be involved, will only intervene, shall we say, rather, in the cases where the definition of the group travel comes into question. For the most part, we have been referring to commercial practice on this, but, again, only when whether or not we would call this a group comes into question will that matter be brought to the attention of the contracting officer, and we will assist in making the final determination.

MS. SMITH: The language is going to be tweaked to reflect that also.

MR. LEE: That is true, yes.

MR. BENNETT: Jem Bennett with Delta Air Lines. Can you give an example where that dispute either has perhaps come into play in the past that prompted this or something that would say it's 10 or it's more. I just want to make sure I understand what dispute might come up.

MS. SMITH: This was always in there. Actually, we took it out inadvertently when we took out the other group cancellation – moving to commercial practice. We're just putting it back in there for those times where there is not agreement on what is a group and what is not a group, and the
contracting officer- such as if it's a group of people
that are going down to the National Travel Forum,
that's not a group, and the contract carrier and the
TMC cannot come to agreement as to "is this a group or
not". At that point, we would contact the GSA
contracting officer, and the CO would make a
determination.

MR. BENNETT: And your determination would
be solely based on what the definition is in the
agreement, not some other judicial law at that point.

MS. SMITH: That's the definition of
"agreement." As we have said, it always comes at the
beginning. Because carriers do have hidden groups,
but it may not be a group by our definition. Again,
go back to our definition. You have to have group
integrity to it. Ten people going from GSA to Expo is
not a group, and that's always been that way. So we
don't want to go back to that.

MR. BENNETT: Ten people going from GSA
going to Expo in exactly the same aircraft on the same
day.

MS. SMITH: We are not. We are booking
individually. We're not traveling as a group. We
don't have to travel as a group for group integrity.
That's the key point, and this is always been. We
haven't changed that, have we? This has always been. This is not new. We can provide you with some examples. We used to have them in the executive summary. At industry request and because we felt that you understood it, we removed it, but we can provide you with examples. Okay?

MS. CARLOCK: Can I ask a question? In the groups sentence, the second part says, "and identified as a group by the travel management upon booking," are you referring to one of the ETS/DTS systems when you use that term? What do you mean by that term?

MS. SMITH: Well, it has been normally that it's gone through a group desk, and that's what they were trying to talk about. I'm not sure how the groups are handled in the eTS and DTS, but the idea was that the group went through a TMC, and the TMC dealt with the group and the group desk at the carrier.

MS. CARLOCK: But you used the term "system."

MS. SMITH: The system is set up to handle groups, and I believe you are, but if not, then we can work on that. eTS also. So we can work on that. That's why it says "system" because depending on what you're using, whether you're going through a TMC
directly or using an online booking type of thing.

MR. LEE: The key is that the ordering activity will identify who the group is, whether it's a group or not, because they would require a group activity --

MS. SMITH: And this doesn't come up that often, but when it does, there is a place to go.

MR. BENNETT: But the intent here is not that you would become involved. It's established that it is a group.

MS. SMITH: Right.

MR. BENNETT: If it's established as a group, then your intent is not to get any further involved with regard to rules with regard to that group and restrictions that were set up in that group.

MR. LEE: It's only in terms of the definition of the group whether it's a group or not.

MR. BENNETT: Defining that particular group or not.

MS. SMITH: Right. In fact, the language we're proposing changed to -- the intent is that once it is determined a group, you follow that carrier's commercial practice, of course, but it's a point of determining whether it's a group or not.

MR. BLEMLY: You are going to clarify that.
Correct?

MS. SMITH: Yes. "If a civilian agency/DoD and the contract carrier cannot reach a resolution regarding the definition of a group, the matter is to be referred to the GSA contracting officer."

MR. IVESTER: Again, my understanding of your definition of a group, when you talk about the 10 individual passengers not having group integrity, the intent was that those 10 people are booking their own individual space on their individual computer, that if one contracting officer/transportation officer sat down and booked 50 on the same CRT or GDS system, that that would be a group if that one person was doing it because they identified it as a group and actually booked them on the same --

MR. LEE: Depending on the purpose of the travel. If it was for GSA Expo, group integrity is not required, so that would not be a group.

MR. IVESTER: So that one person could actually book more than 10 people on the same flight, knowing that they are all going together to the same place at the same time.

MR. LEE: But there is no reason for group integrity. They would not need to be there as a group, such as for transportation purposes, so it's
MS. SMITH: It hasn't changed. It hasn't changed in years now. It hasn't changed.

MR. LEE: Craig?

MR. BLEMLY: Craig Blemly with United Airlines. Our intent in having group policies is to keep us from losing money, and we appreciate the changes that have occurred over the last few years. One issue that's really not addressed by this group that we brought up in our meetings were extraordinary movements such as conventions, meetings. As we experienced last year, there was a pull down of the whole operation where 5,000 individuals were moving out of the Hawaiian Islands back to the U.S. at the peak of our travel period. Our concern is that we don't know about these things in advance, some, again, conventions, where an entity may take up a significant portion of our aircraft and cause us to lose money.

A case in point that initially was brought up was an express partner where there was a meeting, nonaffinity-type travelers, and they overbooked the whole aircraft. It only holds 100 passengers in this scenario, booked to 120 passengers at the government rate, which would automatically cause us to lose money. We need some types of protections built into
the system to advise us and put some type of controls
on the system to prevent that from happening.

A notification process where there is an
extraordinary movement of people and then a voluntary
participation as opposed to a mandatory participation.
We have a 50-percent rule in Hawaii, coming back,
stopovers. There should possibly a cap on the number
of travelers that take up a certain amount of space.

MS. SMITH: We'll take it into
consideration.

MR. AQUILINO: Could I ask, Craig, do your
corporate customers tell you that?

MR. BLEMLY: If there is a negotiated rate,
yes. Will tell us what?

MR. AQUILINO: Tell us that they are going
to use much of the airplane.

MR. BLEMLY: Yes. It's all contract,
special contract. It's all managed.

MR. IVESTER: Just one other issue that
we've run into on occasion where smaller markets where
they have smaller aircraft, particularly like, again,
a regional jet type of thing where we'll see sometimes
the hidden group concept where military will, and I'm
not singling them out, but they will book three
passengers here, four passengers here, six passengers
there. It turns out to be there is truly a group of individuals moving from one place to another, but they have booked them in such individual patterns that they don't establish it as a group.

Now, the problem we run into is things like where they get too much luggage, and we don't know about it ahead of time, so we run into a situation where suddenly we've got 15 to 20 guys on a regional jet both with two-seat, four bags or something. The plane is overweight. We're only half booked.

But if we had known about this as a group ahead of time, we would have tried to make some other kind of arrangements, whatever those might have been, or simply not been able to accommodate them up front, even have them say, We can't do it because you're going to have too much on there. We've seen that happen a fair number of times.

That goes back to it's not trying to sniff them out as far as trying to get them to even become a group and give them the group rate; it's more we didn't know they were there, and this could cause operational issues, both for us and for them, in our inability to deliver their goods with them.

MR. LEE: We may be able to help with that.

MR. IVESTER: That's more of, again, a
compliance thing and a courtesy thing.

MR. LEE: It seems like more of a cost question, but, again, we'll look into it.

A PARTICIPANT: That's been ongoing.

MR. HASTER: Yes. It's not a new issue, by any means, you know, but it's something we still need to address because, again, it goes back to the concept of a group in general.

MR. LEE: Okay. The next question that we had received was from B-26, ordering of services, and the question was limited to, "if there is no contract fare, then the request will be construed to mean a request for contract fares and/or any other available fare." The question was asked whether we should specify that DG fares is a possible combination.

We can tell you that that was not the intent. The intent is to tell the contract carrier, the TMCs, that if there is no contract throughfare awarded, then you are free to book the best combination that will result in the lowest cost alternative to the government and also that will meet the traveler's needs without specifying a different code or a specification. So, therefore, we would rather not specify that DG fares are a possibility within this mix, but it is already included.
MR. CLIFFORD: Denny Clifford, Northwest.

Only on the contract carriers, you're saying that. Right? You can break the fare only if from Point A to Point C there is not a YCA --

MR. LEE: There is no awarded through fare, then you can do whatever you want that will meet the traveler's needs and result in the lowest cost alternative.

MR. CLIFFORD: Whatever you want on any fares? Is that what you're saying?

MR. LEE: Yes.

MS. SMITH: There is no contract fare. You are off contract at that point, and then it's up to the TMC, or however you're booking, to find the best available fare that meets your travel needs and the lowest cost alternative to the government.

MR. CLIFFORD: L.A. to Minneapolis. Let's assume that Washington-L.A. does not have a contract fare. You're saying you can take any fare, that you are off contract at that point.


MR. CLIFFORD: Washington-LAX.

MS. SMITH: If we didn't award Washington-
LAX, then the traveler can find the best fare that meets, the best schedule that meets their needs, and it's always been that way.

Now, if it means combining contract fares, great, you know, because it's unrestricted, et cetera, but they don't have to. Maybe they can live with the penalties, and they can find a lower commercial fare, too. I mean, they are off contract. We're not going to dictate what they are going to take.

MR. CLIFFORD: What about taking a combination of DG and DG?

MS. SMITH: They can take that if that meets their needs, but they don't have to take that. You know, they're off contract. You can't have it both ways.

MR. CLIFFORD: Why are you off contract at that point?

MS. SMITH: Because there is no contract fare, origin-destination. You don't have a contract.

MR. BLEMLY: Another scenario. Let's say the interchange point that's chosen is Detroit, and Northwest does have a contractor to Detroit and a contractor from Detroit to Los Angeles. You're not saying that at that to and from that interchange point that a noncontract carrier can be used, are you?
MS. SMITH: If there is no contract fare --
MR. BLEMLY: The real routing, okay, if
there is a contract between Washington and Los
Angeles, the contract carrier has to be used.
MS. SMITH: Right.
MR. BLEMLY: If there is none, --
MS. SMITH: You can go through Detroit, you
can go through Dallas, you can go through Chicago, or
you can go through Denver.
MR. BLEMLY: The carrier is free to choose
an interchange point. This will all have to connect
somewhere. Right?
MS. SMITH: What are you saying?
MR. BLEMLY: Detroit as the new connecting
point. In other words, our orders are then written to
Detroit and then on to Los Angeles. Right?
MR. CLIFFORD: No.
MS. SMITH: It's origin-destination. If
there is a contract fare -- this is not complicated --
if there is a contract fare, origin-destination, IAD-
LAX, DCA-LAX, BWI-LAX, if there is a contract carrier,
the traveler must use the contract carrier. If there
is no contract award on that market, the traveler can
find the best fare that meets their needs. That's
been from Day One. There is no contract then.
Now, if it's a combination of contract fares, if that's the best alternative, fine, you can combine them. If it's a combination of the contract fare and the DG fare, and that's the best alternative, fine. You can use it. If a restricted commercial fare with a penalty is the best alternative, they can use that. It's up to the traveler and the TMC and the tools that they are using to come up with the best schedule.

MR. CLIFFORD: Is that the way it's audited?

MS. SMITH: Yes.

MR. CLIFFORD: Let's say the traveler does go through Detroit. It's obviously point to point, so it would be Detroit to Los Angeles, and the fare chosen is higher than the Northwest contract rate between that city, what's going to happen to GSA audits on that? Say it's --

MS. SMITH: Well, because there is no contract fare, origin-destination.

MR. CLIFFORD: I'm saying will they look at it as two point-to-points?

MS. SMITH: No. If there is no contract there, then you can use a combination, whatever is best for the government. We'll revisit that.

MR. CLIFFORD: Was it LAX to Naha or
something? The audit department was making up this
Japanese fare between Tokyo and Naha. That's how
abusive it's been.

MS. SCOTT: Denny, we're not making up a
fare. We would use a combination of fares. She
basically just said if there is not a group fare from
your Point A from origin to destination, then we use a
combination. We do not make up the fare. We go into
the tariff. It may not be the online PIPs, but we go
into a tariff that is published by the airline showing
that particular fare. We do not make up a fare.

MR. CLIFFORD: Right. I didn't mean making
it up out of the sky, Annie, I'm sorry, but it's not
right. The basis that you're using is not right.
You're taking advantage of us.

MS. SMITH: All right. You know, we want to
get through this solicitation. This is going to have
to be another meeting where we discuss this,
seriously.

MR. CLIFFORD: We still have problems on the
audit side. We need to sit down with you and
everybody, and --

MS. SCOTT: Any time the airlines would like
to come in, all you have to do is call in, Area Code
202 501-3000. You ask for an appointment, and we will
gladly meet with you as individuals or as a group.

MS. SMITH: Have you got the phone number?


MR. CLIFFORD: We know where you're at.

MS. SCOTT: Until March, and then we'll be over here.

MS. SMITH: Okay.

MR. LEE: I thought I had the easy part.

Okay. The next that we have are B-32 and B-34. I'll lump these two together because they deal with the same issue, and this deals with the previous issue where a connect minimum market and a nonstop carrier had award, and the award was based on the nonstop service. Now we are requiring the carrier to verify that service at contract award and modifications, so B-32 and 34 have been updated accordingly. Denny?

MR. CLIFFORD: Isn't that redundant, Gene?

B-32, I'm looking at. You're saying, "And contract carriers shall confirm in writing that they continue to at least meet the minimum requirement," and then the next sentence you're saying, "for the nonstop service." Isn't that saying the same thing? Why is that added? I don't understand. The italicized portion.

MR. LEE: The first sentence, this is
dealing with where the connect is minimum, and the
award was based on connect. The second sentence is
dealing with the minimum was connect, and the award
was based on nonstop.

MR. CLIFFORD: How do we know that? How do
we know what the award was based on?

MR. LEE: The awardee will know. The
minimum service is available on our RFP.

MR. CLIFFORD: Okay. I know that. In the
RFP, you say C for connect as a minimum, but how do we
know that you're basing on nonstop service, that
you're awarding that city pair for nonstop service?

MS. SMITH: What you need to tell us is that
you still have that nonstop service. That's all we're
asking for. You have the connect service, and you
still have the nonstop service. You've submitted
nonstop service and connect service. There may be
just nonstop service in the connect market. That's
all we're asking for.

MR. CLIFFORD: We need to know we had the
nonstop service that it was awarded on.

MS. SMITH: Well, you know what you
submitted, and you know what was awarded. I don't
understand why it's an issue.

MR. BENNETT: Jem Bennett, Delta Air Lines.
I think what he is trying to say is that when that award is given to us, it's a connect market. We were awarded it based on the fact that it was nonstop service. I don't know what the fare differential is between the two offerors because this kind of goes back to part of my example that I was trying to get the clarification on.

I guess what I'm trying to get to is Denny's point. We don't know what the competitor bid in terms of fare, and unless we take the time to go back and look up their connecting or nonstop services, we don't know that we won that market by virtue of the fact that we had nonstop service in the first place. We don't know that that's the case, and it would be good to know that that was the reasoning behind getting the award.

What I'm hearing you saying is you're saying that's immaterial. All you're telling us is that if you bid any nonstop markets, and I take out a nonstop -- whether it's connect or nonstop required, if I win a market that I have nonstop service in, I'm going to remove that nonstop service at some time. I am now required to tell you that nonstop service is going away or is being reduced or whatever, and then you have the option to re-award that should that change.
the outcome of your algorithm.

MR. LEE: And this has been in place from last year, except that we've added it --

MR. BENNETT: You've added the fact that it's a nonstop issue.

MR. CLIFFORD: Why don't you just make it nonstop instead of connect?

MS. SMITH: Because it's a connect market, and we reserve the right to review that. It had nonstop and connect. You take away your nonstop. In a connect market, you're getting extra value, et cetera, for nonstop service, and then that nonstop service goes away. Well, there may be offerors that had much better connect service, and from the government's viewpoint, that's a change in service, and we reserve the right to reevaluate at that point.

MR. CLIFFORD: It doesn't work the other way around. We had nonstop. I can't go get it from somebody else later.

MR. LEE: Just to answer your question, Denny and Jem, when it's a connect minimum, and you bid nonstop service, and you win, then you pretty much bet that your award is based on the nonstop service.

MR. CLIFFORD: There could be two or three carriers.
MS. SMITH: There could be other factors. We would like to be notified. I think that's fair. That's very fair, you know. We would like to be notified when the service is changed. We're not getting nonstop anymore. That's fair.

MR. LEE: And again, to answer your question, you said, why not make it a nonstop minimum? We did not make it a nonstop minimum because we wanted to maximize the competition, thereby increasing the best value to the government. That's why we could not make it a nonstop minimum, but our award was based on the nonstop service.

MR. BENNETT: I'm with you on this. I guess just one last clarification. Let's assume for the moment, just from a hypothetical standpoint, that we win a market in a nonstop, active October 1st. We had that service in place for three or four months. For whatever reason, we decide to pull that service out. It's gone for two or three months. Then for whatever reason, we decide to put it back. Can we go back to you at that point? Can we get it back again?

MR. LEE: Well, according to the contract clauses, you will let us know. We're asking you to let us know, --

MR. BENNETT: I understand.
MR. LEE: The Government will re-evaluate and we MAY (emphasis) re-award.

MR. BENNETT: You may re-award the first time, or you may re-award the second time?

MR. LEE: Both because if you know that it's discontinuing for two months, we may determine that it's not in our interest not to re-award it, but if you tell us that it's for six months or longer, then, obviously, we'll have to re-award.

MR. BENNETT: It's a case-by-case basis.

MR. LEE: Precisely, precisely. There was one question that we received on this, and it depicts a scenario --

MR. BENNETT: I'm pretty much --

MS. SMITH: It will be in the notes. I think he got it.

MR. LEE: Okay. Sounds good. Okay.

The next that we had --

MR. CLIFFORD: Sorry. B-33, "Contract Carrier Performance." We've got a real problem with this from a timing standpoint. We believe that there should be two applications, one for GSA in terms of notifying a carrier that they are no longer the contract carrier, and they have got to pull those fares out of there, and there should be a set time
where that carrier has to pull those fares out of that
market.

Now, we've recently had a situation where
one of our competitors has a fare in a large market
that took over a month to get out of there. That's
long. There is a lot of money there, and we think
that there should be some five-day requirement from
the time we notify you to the time that you take
action on it to the other carrier, and no more than a
couple of days for that carrier to fold that fare up.

MS. SMITH: Let me go back. They are going
to be checking at the time of modification, number
one, that said that they no longer met minimum
services and surely do not meet the minimum service
and vice versa, and the carrier that has the re-award
has to put it in his place.

MR. CLIFFORD: Is there a beginning of the
contract award where everything starts rolling?

MS. SMITH: This is going to be ongoing. At
the time of modification, all through the contract
period, as well as at contract award.

MR. CLIFFORD: How do they know when to look
at it?

MS. SMITH: Trust me. We're looking at it.

We're addressing it, I think, in the best way.
is a third party doing it, and as we went over the fare audit section, there are consequences, and --

MR. CLIFFORD: The consequences are you can yank the fare.

MS. SMITH: Do I need to go over the consequences again?

MR. CLIFFORD: No, it's pretty clear. But there is no obligation in terms of time. It could go on for a month. Even if the third party is doing their job, it could go on for a month before it's -- who is on the hook? Who is accountable for it?

MS. SMITH: As I said, there are several routes we can take. One of them is the inspector general. It's a resource for us.

MR. LEE: Plus whenever we submit a notification, you know we have deadlines, that you SHALL (emphasis) respond by this date.

MR. CLIFFORD: You give us deadlines, but you don't follow necessarily your deadlines.

MR. LEE: Whenever we receive notifications, we promptly send out notifications. We really do.

MR. CLIFFORD: The next question was, how soon?

MR. LEE: We get it out as quickly as we can.
MS. SMITH: We do. We're trying to make this process even better, and I can tell you that we've made this investment, and this is what we're doing.

MR. CLIFFORD: Is the IG the third party? Is that what you're talking about?

MS. SMITH: I'm talking about the whole process of auditing, what's being displayed, what's being submitted, et cetera. Give us a chance.

MR. LEE: Anything else in Section B or anybody else?

Okay. Section C-4 is where we made the next change, and Section C-4 deals with the type of contract, by allowing the fuel surcharge, we have had to move away from our firm-fixed-priced-type contract and have made it a fixed price with an economic price adjustment contract. To re-emphasize, the economic price adjustment is limited to the fuel surcharge only.

MR. CLIFFORD: It says here you're contemplating it, but it hasn't actually happened.

MR. LEE: Well, it says contemplating award of a fixed price.

MR. CLIFFORD: Okay. But you've already made the conversion.
MR. LEE: Yes.

MS. SMITH: This is the proposed.

MR. CLIFFORD: This is a done deal.

MR. LEE: It's always contemplated because we haven't made award yet. It's always going to be contemplated.

MR. CLIFFORD: The act of transitioning from the firm fixed to the fixed with price adjustment has been made.

MR. LEE: That's our intent.

MR. CLIFFORD: -- that was an issue at the partnership meeting.

MR. LEE: That is our intent. We can't commit to it.

MR. CLIFFORD: You can't commit to it.

MR. LEE: I'm only saying that because it's in the future.

MR. CLIFFORD: Your commitment will be when the contract solicitation comes out, and the word "firm" is gone. Has anybody signed off on the contract to call it a --

MS. SMITH: Based on our business case analysis, and that's why it's in here. Nothing here is finalized until the final comes out, is what he is trying to say.
MR. CLIFFORD: Okay. I commend you all on making that change, and thank you -- it really was in the last partnership meeting that that was identified that there was a firm-fixed-price contract as opposed to a fixed-price contract.

MR. ELLIS: It wouldn't have happened without industry's input. Linda alluded to it earlier, but I want to reiterate that because of your input to help us make the business case, and you sending in what you do commercially, how it's done, and everything like that, from all of your input, we made the business case to present to our higher echelons to make this happen.

So if we're talking about the partnership, when we ask for an input from industry, we can't overemphasize how important it is for us to make these changes.

MR. LEE: Okay. The next change was in Section C-9, and this was really intended to address the following situation. What if we have a hurricane, and FEMA or the Department of Homeland Security needs a market that was not previously solicited or previously awarded? In those cases, we reserve the right, according to this clause now, to go back out and resolicit for that market, and that's that.
MR. CLIFFORD: As long as this doesn't creep into something that all of a sudden you've got 150 markets that you want to issue that somebody forgot about or that you dreamed up or whatever, we don't want to go back into another bid process.

MR. LEE: We understand that there is a tremendous amount of administrative time spent on the contractors and also on the government, and so, therefore, we will minimize that. As I said, it's only limited to emergency situations.

MR. CIRILLO: Can you put that in there, that it's limited to emergency situations?

MR. LEE: We cannot do that. We'll take that into consideration.

MR. CIRILLO: Well, the reason why I say that is, okay, nine years down the road when we're all gone, and this comes up again, they are going, "Hey, we can do this all the time. It says it right here on the contract."

MR. LEE: Well, that would be -- again, we'll see if we can --

MS. SMITH: Again, the program here is to address our customer needs, and that's our responsibility, and we understand what's involved in making the offers. We are evaluating the language,
and the idea is that this could be used minimally, but
we would like to have that there, so that it's clear.
You will have the language, so you're not saying, "Oh,
my goodness, what a surprise." It's not a surprise.
We said that this would happen from time to time. And
that does happen up front, and we all know that, but
it's not the intent to come out and have a whole new
solicitation; otherwise, we would do that. That's not
the intent. The intent is to address those times when
something comes up that needs to be addressed for our
customer. That's the idea.

MS. BRAZIER: I have a follow-up question.
For the partnership meeting that you referred to, was
that just between GSA and the airlines, or are other
agencies involved in that?

MS. SMITH: We invited all of the agencies
that were invited to this meeting, and they are
invited to the partnership meeting.

MS. BRAZIER: Is it every month?

MS. SMITH: No. Actually, realistically,
it's twice a year because we had the presolicitation,
then we'll be involved with the bid process and
evaluating the offers and making contract awards, and
then in the fall we'll have a partnership meeting.
We'll meet one on one with the carriers as well as
have a partnership meeting.

MR. CLIFFORD: But on this phrase here, does that mean that if some base out there wants to incorporate a market that they don't have a contract on, at any time during the year they can call you up and say, "Hey, can you put this in in XYZ to DBC and put that up for bid?" That can happen all the time.

MS. SMITH: We'll look at the importance of it, and we always do. Okay? We respond to all of our clients and try to service them as best as we can, and obviously we make it clear that this should be a real important request-- and we will assess that accordingly. It's to address those very real needs that are brought to us during the contract period.

MR. LUNDEBY: John Lundeby, AMC. I agree. DoD does not want the additional burden as well, and I think there needs to be something in this portion that says extraordinary circumstances, emergencies, something because, otherwise, -- MAJCOM’s --

MS. SMITH: Yes, exactly. That's not our intent. That's definitely not our intent, but it's a vehicle there for those situations that we cannot predict that might happen. So we'll definitely take that into consideration.

MR. BLEMLY: Craig Blemly. This really goes
along with, in a way, what we talked about earlier, which is extraordinary movements, extraordinary needs, and I think some consideration should be given to the example that I brought up earlier, which was a significant need to reposition and redeploy a significant number of individuals, and the Patriot Express pull-down is another issue. The pull-down, unanticipated earlier in the year; that city pair carrier -- can't sustain the service. So maybe there is some combination with that, a notification process or possibly a special-handling process.

MR. AQUILINO: Craig, I heard you loud and clear. On our side, the federal side, we're going to look at business processes to identify extraordinary movement of persons because we have the booking systems now that, I don't know, identify that or not. You have to identify it by agency. They have to know and let us know. I'm thinking that there may be a central point that would notify airlines where there is some extraordinary movement or larger numbers of personnel. So, yes, we heard that, and that would have to be a change in the business process of booking to give you that kind of information.

MR. LEE: And by the way, now entering the room, I would like to introduce to you our new
assistant commissioner for travel, Mr. Barney Brasseux.

(Applause.)

MR. BRASSEUX: I'm sorry. I didn't mean to interrupt. I just wanted to come down. I wanted to join you when you first kicked off this morning. Good morning, all. I just wanted to come in. I've got 30 minutes before yet another meeting, so I wanted to come in and hear some of the concerns, some of the issues, that I understand you're trying to some of them, have addressed some of them. It just gives us a much better understanding.

MR. LEE: Okay. The next that we have is C-13, which is the economic price adjustment clause that we had alluded to early on. It's basically there for your reading, and, again, the economic price adjustment is only limited to the fuel surcharge -- only. We want to make that very, very clear. And that concludes my section, unless there are any questions.

MR. IVESTER: If I could bring up on the fuel surcharge, the option of zeroing out those days and allowing the carriers to go ahead and start issuing tickets with the fuel surcharge in them, and if, for some reason, they decide to not adhere to it...
and give up on it, then it would fall on the carrier
to refund that fuel surcharge, and as your backup, you
have an extremely good audit department right here to
catch it, and I think that would definitely be better
for everyone in that respect, especially the TMCs,
so that we're not out there trying to issue
tickets well in advance.

MR. LEE: We can assure you that we'll have
multiple checks built into the system. We'll have our
third-party contractor look into the fares. We have
our audit department. As a resource, we also have
Carolyn’s OIG department as well, so it will be well
monitored, and that's our full intent.

MR. IVESTER: So that means you can take
that 14 days out of there and make it zero.

MR. LEE: We will look into that.

MR. AQUILINO: We can't do a process right
here on our feet.

A PARTICIPANT: That may be the best way to
go, Denny. We're not saying no; we're just saying
that we can't here say this is the way it's going to
be. I'm just saying it's a tough-to-change thing when
it's in the draft. It's true.

MS. SMITH: Now, look. You've got fuel
surcharge, Denny.
MR. CLIFFORD: I knew you guys were going to milk fuel surcharges all day long.

MS. SMITH: What we're saying, we're listening. We're not going to make a decision right here. Okay? That's fair.

MR. LEE: Okay. So that concludes my session. I'll hand it over now to my esteemed colleague, Jerry Ellis.

MR. ELLIS: Good morning, ladies and gentlemen. I'm going to address Section D, most especially Sections D-7 and D-8 regarding the composite rates. A change for this year from last year is that we've gone back to the weighting of the 75/25, 75 percent weighted on the capacity control fare and 25 percent weighted on the YCA fare. This is for Group 1, domestic. On the international, both Group 1 and Group 2. The split is remaining at 66 and 34 for the weighting factor.

Also, composite rates are rounded off to the nearest whole dollar. If your composite fare has a 49 cent or lower composite, it will be rounded off to the lower whole dollar. Fifty cents and above, it will be rounded up to the nearest whole dollar.

MR. CLIFFORD: Jerry, a small point, but can you clarify? This only talks about rounding up.
MR. ELLIS: Thank you, Denny. In our meeting yesterday, we brought up the same issue, and the proper term should be "round off" rather than "round up," round off to the nearest whole dollar.

Another note in that section is the last sentence under the composite fares. "The government reserves the right to use all pricing information in its evaluation." This generated a question. The question was, "There is a line that says the government reserves the right to use all pricing information in its evaluation. We do not provide full content to the GDS’s. Our Web fares are only available through our airline Web site. We need clarification on what this statement means and what sources you are referring to."

The answer is we are not referring to the distribution channels for fares. As part of the evaluation and award decision, the government may evaluate all components of the offeror's composite fare, in other words, the YCA fare, the capacity control fare, and the award may be made to one or both or none of the fares offered.

Okay. So we're looking at all components of your response for not looking at the fares in the GDS systems.
Another part that was changed was on the airport and the city codes. There were a couple of minor changes. The first one is Detroit. We used to have DTT as the city code and DTW as the airport code for domestic and international. We recognize that DTT, there is no airport there, and it's both international and domestic, so DTW will be recognized as both the airport code and the city code.

The reason we have done this is we have had input from the airline industry that sometimes when we put the city code in there, it confused their pricing module and their yield management module, and it would not pick those up, so, again, we're listening to industry, and we're making these changes.

Another one was for Orlando, again, instead of using ORL as the city code, we're using MCO both as a city code and the airport code.

For international purposes, Oakland, OAK, will be under SFO for international purposes because we recognize the international flights go out of the SFO instead of OAK. OAK will remain constant for domestic.

Okay. Another change under number two down further, the seat volume in Group 1, and, again, Linda alluded a little bit to this earlier, but I'm just
going to reiterate that a change from last year --
last year said in Group 1 markets A, B, and C,
additional value may be given to the number of seats
available are the seats that you've offered in a
particular marketplace.

The change for this year is that all of the
Group 1 markets are now going to be evaluated in kind.
In other words, we're going to take a look at a market
and possibly evaluate in regards to service whether
you have strictly RJ service, another carrier has a
combination or all full jet or economy, in other
words, particularly, how many seats are available in
that marketplace for the customers. Yes, sir.

MR. CLIFFORD: Denny Clifford, Northwest. I
don't understand why you're making this change though,
Jerry, because already you've covered this four
different ways. You've covered it in the hierarchy,
putting inventory above the two-thirds level. You've
covered it with respect to the frequency of flights.
You cover it with the points given for jets versus
props, and you cover it with the hubs, giving points
for the hubs.

So you've got four different ways that
you're going to attack this so-called capacity issue
in various city pairs. It's like piling on after the
1 whistle has blown.
2    MR. ELLIS: Well, it's also a protection for
3 our customer. It's a protection for you, too. We've
4 talked about how this is all inter-joined here with
5 the RJs not having the capacity to carry possibly
6 military luggage and so and so forth. We've heard
7 from our customers that say they need, in certain
8 cases, a number of seats.
9    To your point, Denny, many times when a
10 carrier takes a large jet off of a market and puts in
11 RJs, they might do a two-for-one swap, a two RJs for
12 one aircraft for one large jet.
13    So basically, in the high-volume markets, we
14 do have to look at the number of seats that are
15 offered by a carrier before awarding a contract.
16    MR. CLIFFORD: How are you going to
17 determine that? You have to know the type of aircraft
18 and the configuration of every airplane in the market.
19 You don't know that.
20    MS. SMITH: On the ABC markets, we've always
21 done that, Denny.
22    MR. CLIFFORD: You've always done what? We
23 only gave you jet versus prop information.
24    MR. ELLIS: We get information from other
25 sources saying what type of equipment.
MR. CLIFFORD: What other sources are you looking at? How do you know how our 747's or 757's are configured? You could do it a dozen different ways.

MS. SMITH: It's not generally in that kind of market. The ABC markets are mainly domestic, and we do look at the seat capacity. That's been in there since Day One, Denny.

MR. CLIFFORD: It's downsized.

MS. SMITH: Let me explain. It's not just ABC, but Group one markets. We reserve the right to look at the capacity for the reasons that Jerry is addressing.

MR. CLIFFORD: It's the first time I've ever seen it.

MS. SMITH: You go back in your archives. That's always been there.

MR. CLIFFORD: Now we're talking about today, and I noticed it, so I'm going to question it. I still don't understand how you can get an accurate picture of seat availability when you don't have the configuration. You have no clue what our planes are configured at.

MR. ELLIS: Denny, you're talking 747's.

MR. CLIFFORD: No. I said 757's, and that's
local. That's North America.

MR. ELLIS: Okay. But that's a real jet as opposed to an RJ.

MR. CLIFFORD: Are you focusing on RJ markets, or are you focusing on mainline jet markets?

MR. ELLIS: We're focusing in on pretty much RJs as opposed to regular jet.

MR. CLIFFORD: You've already weighted that in the jet versus prop.

MR. ELLIS: No, we haven't. That's different. As we have alluded to in the past, there's less and less prop jets out there, and probably, at some point in time, we're going to have to drop that criteria because there are fewer and fewer turboprops out there, and possibly we will even have to make, at that point, a differentiation between real jet and regional jets in the criteria.

So right now, we're kind of at an interim point where we're just doing a seat count, the number of seats that you want on your aircraft in any given market as possibly a grading criterion.

MR. CLIFFORD: Okay. And I could lose the market because you may have used the wrong seating arrangement on aircraft in a particular city pair.

MS. SMITH: It's the size of the aircraft,
Denny. If you're comparing --

MR. CLIFFORD: Well, don't say "seats," say "the type of airplane."

MS. SMITH: The type of airplane determines the number of seats also. Okay?

MR. CLIFFORD: Are you talking about CRJs?

Is that the deal?

MS. SMITH: That's a good part of it. As I said, that's not something new, and we can look at putting in -- but they come down to the same things, the size of the plane and the number of the seats overall, and, yes, if you're doing an RJ compared to the full size, then it's right there. It's not rocket science. We are looking at that as one of the factors, and, again, it goes in priority. Look at your cost technical evaluation factors. We're putting it right up front here. It's not like we're trying to hide anything.

MR. CLIFFORD: I didn't say you're hiding it.

MS. SMITH: Well, that's what you usually tell us, Denny.

MR. ELLIS: Okay. I'm going to go on to Attachment No. 1 now. Now, just to let you know, please pay attention to your proposal checklist. All
offerors shall submit two printed copies of the
completed proposal checklist. This is basically in
paper. Make sure that you look at each one of these,
and make sure you submit each one. The Standard Form
1449 must be submitted and signed. Please pay
attention to the completed small business
subcontracting plan. It must be submitted and
accepted by SBA before we can make an award to an
individual carrier.

Okay. So basically, all of these items must
be submitted in paper form. Okay? Also, on the
completed Section J, the offeror representations and
certifications must be submitted in paper.

Now, one other thing that I must draw your
attention to: As of January 1, 2005, the Federal
Acquisition Regulations require prospective
contractors to complete electronic annual
representations and certifications, and there is the
Web site listed for you at http://orca.bpn.gov, in
conjunction with the required registration in the
central contractor registration, the CCR data base.
Additionally, prospective contractors shall
update representation certifications, reps and certs,
if you will, submitted to ORCA as necessary, but at
least annually to ensure that they are kept current,
accurate, and complete. The representation and
certifications are effective until one year from the
date of submission of our update to ORCA, and, again,
here are your two Web sites for the CCR and ORCA, and
their URLs: http://www.ccr.gov for the CCR and,
again, the ORCA site.
Do you have any questions on that? Okay.
Basically, that concludes my portion, and we thank you
very much.

MR. LEE: I would like to tell you you're
done seeing my face, but that's not true.

MR. ELLIS: We're not?

MR. LEE: Okay. COPS will be updated. There
will be two changes made to COPS. The first one will
be that we are deleting the “no one meets minimum”
column. We told you that we would not be using that
column for FY06, but we could not delete it for
technical purposes. This year, we are effectively
eliminating it completely from COPS.

COPS is the City Pair Offer Preparatory
System by which the carriers submit their technical
proposals and price proposals to GSA, for those of you
who are not familiar with COPS.
The changes that we are making to COPS is
that we are including an e-mail notification to the
contract carriers once you have submitted your
original bids and final proposal revisions. It will
only tell you how many markets have been successfully
loaded, and it will tell you that there may be errors,
and it's still your responsibility to log into COPS
and deal with the errors. So please keep in mind that
it is the responsibility of carriers to verify that
your proposals are properly submitted, but we are
giving this to you as a courtesy to let you know how
many markets were successfully uploaded.

MR. BENNETT: I had brought this up to Eddie
Murphy in conversation over the phone, and it
obviously could be subsequent to this meeting, and
we're willing to come back up here as needed, but we
would like to be able to know how to go into COPS to
know that it accepted specifically what it is that we
submitted.

If we made a change, for example, from a
Group 1 bid to a BAFO, whatever it is, if we've made
some type of change, and that change is not
recognized, by chance, we need to be able to look at
the bid at the very end, the last one, and see what we
put in there was, in fact, received by you. I'm
willing to come back up for training, if I have to do
that or whatever, but I wanted to bring that up.
MR. LEE: We are looking into conducting training sessions. As always, we will have the first few days of COPS opening as a test session, if you will. The carriers are always welcome to upload stuff and see if it sticks, and then once we purge the system for the official bids, that will be your opportunity to get in.

COPS is always open for you to verify your bids. That's why we encourage the carriers to load their fares early on. Do not load at the last minute because that not will give you an opportunity to verify if your markets are properly loaded. But COPS is always available to see. You can view, and it's available in this handbook how you are supposed to view that, which markets you have submitted, and that's always been the case, so you are encouraged to do so.

MR. BENNETT: What we submitted the amount that we want ultimately want to be in there.

MR. LEE: You will be able to see the entire in COPS, and we'll be glad to show that to you, but it's in the system. The COPS handbook will show you, page by page, how you should go through your offers. We're providing it to you as a courtesy. It's still your responsibility to verify that the offers are
correct. Denny?

MR. CLIFFORD: Indirectly related to this: When you have your Group 1 -- column sheet, could you put a column in there for the composite fare? You've got the YCA. You've got the blank CA. Can you just put the column in there that has the weightings in there? It just makes it easier.

MR. LEE: I think that this has come up in the past.

MR. CLIFFORD: It has, but it hasn't been incorporated, so I'm just asking now. You've taken out the one column for the no one meets minimums, and then you can replace that on the right side.

MS. SMITH: We'll have to see. I don't know.

MR. LEE: What will happen is the sheet has to have a formula built into it, and I'm not just sure we can do that in a manner which is compatible with the current COPS system because the COPS system allows you to download it and upload it back again. Building in a formula may not be possible. I think we have discussed it in the past.

Any other questions about COPS? Okay.

A PARTICIPANT: Gene, did you say you will be putting out the markets soon?
MR. LEE: Yes. As Linda had alluded earlier, we expect them to be out by the end of this month, if not earlier. We apologize for the delay. That was my next point, by the way. But again, as Linda has said, we are in the process of validating our numbers because we want to be sure that we have the proper number for our customers and also for our carriers. We apologize for that, but you will have the market no later than the end of this month.

MR. CLIFFORD: Have you all looked into that '06 problem?

MS. SMITH: Yes. We're working with '07. You bring it (FY06) up a year later. We're working with what we can with '07, and I just have to say that the best data that we can get, even though we're going to another source now, is always going to be ticketed information. You have the best data, the flown information. You will be happy to accept that information from you. That would be the best data. With the data sources that are available to us, flown is going to be unavailable-- so we will always use ticketed. So you always have to keep that in mind, but we are making the extra effort to get another source to validate the current sources available to
MR. CLIFFORD: What's your other sources you're going to use now?

MS. SMITH: We're still waiting to make award- for the live procurement.

MR. LEE: It's a live procurement. We cannot tell you.

MS. SMITH: It's a live procurement right now, and we can't disclose that. You can ask us in a couple of weeks.

MR. LEE: Okay. And I wanted to reiterate per what Jerry had said earlier, domestically we have made some changes to the city codes. However, on the foreign side, we're still sticking with city codes, so we remind you that it's not ICN; it's SEL. It's not SVO; it's MOW for the international. So we want to remind you so that you can pass that on to your pricing people before you do your price proposals.

Okay. In Attachment No. 6, we're dealing with the subcontracting plan. We have the new e-tool known as eSRS. I want to remind you that that is not a replacement for a subcontracting plan. The SF 294/295 are the contracting reporting systems, so, therefore, you can upload those using the e-tool. However, you still must file a subcontracting plan in
paper format before an award can be made. That's what we encourage, that you have that in place with us on file. With that I turn it back to our Acting Branch Chief.

MS. SMITH: Before I do, there were some other comments that were submitted in the past couple of days, and I just wanted to mention they will be posted on the Web also, but that we're not ignoring them. One of the things that was brought up was ticketing fees and ticketing time and cancellation fees, et cetera. Again, this is something we would like to open a discussion on.

Obviously, there are many stakeholders to be considered, but it's something that we can start, and we can meet one-on-one, but our idea would be to meet and get each carrier's viewpoints, their business practices, what you do with corporation, et cetera. It's a similar process that we went through with the surcharges that gets everybody involved and all viewpoints considered.

I just wanted to say we're not ignoring it. It's the beginning of the discussion, and our program office will be working with you on that also. Yes?

MR. CLIFFORD: Let me follow up and ask this question. Why should a government or military
passenger be treated any differently in terms of a lot of our fare rules and our procedures and penalties and whatnot than any other commercial traveler?

MS. SMITH: This is a good question that we will be discussing, and it's not something that obviously has an easy answer. And I know that's not what you want to hear, but that's not what we're here to do today. We're just going to start the discussion today.

MR. CLIFFORD: Why are we not going to talk about this? This is germane to this contract.

MS. SMITH: It is germane. We're going to start the discussion on it, but I'm not going to say that we're going to have an answer today. No, we're not. We're not going to have an answer today.

MR. CLIFFORD: We can discuss it today, though.

MS. SMITH: We can discuss it today. Go ahead. Discuss.

MR. BENNETT: Jem Bennett, Delta Air Lines. Can I just ask this? This discussion beginning today, if you will, indicates to me that we're not talking about FY 07.

MS. SMITH: No. I really don't know. Again, we would ask for information like we did, input from
the carriers, specific information. How do you deal
with your corporate accounts, et cetera? You know,
we're on timelines, too, on that. It depends on how
soon we get the data. We work as fast as we can when
we have it, but we're also on deadlines. And our
first priority, obviously, now is that we have this
procurement going. We want to start the discussion.

Now, it's a discussion. I'm not saying that
there is an agreement or anything here. I want to
make that clear. We have to go through a major
process before any program change like this can
possibly be made. Now, if we can do it and accomplish
it before posting the final RFP, great.

MR. CLIFFORD: Let me ask this, then. When
do you expect the final solicitation to be out?

MS. SMITH: As I said at the beginning, at
the end of this month.

MR. CLIFFORD: At the end of February. All
right. So you have three weeks. What we're talking
about here on these issues, we have to get all of the
input from each of the airlines in here within a
timeframe --

MS. SMITH: And those that are not here.

MR. CLIFFORD: Those that are not here, we
don't care about. Right? Just kidding.
The issues have to be basically wrapped up and sent through senior management at the GSA in sufficient time for the final, which means you would need all of that information by when?

MS. SMITH: Okay. Let me clarify. It's not only getting input from the carriers. This will have a huge impact on our customers. We need to discuss this with our customers, too, and we need time for that. We need to get, as I said, all of the stakeholders, everybody's viewpoint on this, so it's not just the carriers. So I can't give you a definite time for that reason.

This is the goal, to post the final, get the markets out to you in the next couple of weeks, two to three weeks- get the final out so you can get going on that, and move forward from there. But in the meantime, we'll start this process, and we'll continue it. If you get it done by then, great, but if we don't, it's not like we're ignoring you. That's what I'm trying to say.

MR. CLIFFORD: It's not like we haven't raised these issues before because they have been raised in the past.

MS. SMITH: We asked last year in the one-on-ones, "what were the topics that were of the
greatest importance to you?" Fuel surcharge was, by far, the winner. We've focused on that, and we've focused hard on that. We did a lot of work on that. We got fuel surcharge. Now, as I say, we're open. We're going to start this discussion, but I'm not going to say it's going to be done in a week because that's not realistic to get everybody's input. I think everybody could agree on that.

MR. BENNETT: We'll sure agree with that.

MS. SMITH: Okay.

MR. CLIFFORD: Let me put it this way. The carriers in this room who think that these fundamental changes can be made; would they not bend over backwards to get them to you in the next week?

MS. SMITH: Well, I have heard that before, and then we don't get the data. Publicly, I hear that, and it's not the same thing getting it. Trust me on that one.

But I think you should make your point because you haven't had a chance. Take this opportunity to explain what it is -- why this is important to you.

MR. CLIFFORD: Well, it's the fundamental reason of how airlines operate with the field management. The key here is we want a commitment by

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every passenger on every airplane for that seat. What kind of a commitment? That they are going to buy the seat, that they are not going to hold that inventory as spoilage. And what we're experiencing now is a very, very high degree of spoiled seats, spoiled in the fact that you go to the ticketing time limit issue.

Most of us have, Northwest has, 24 hours from the time you book to the time you ticket, a 24-hour period. When you talk about midnight involvement and all that kind of stuff, maybe a little bit longer. It's basically a one-day period. All right. There is no ticketing time limit basically right now, and we think the contract should address that head on, and we understand that the military and the government need some flexibility with respect to that, so we're willing to extend that to a three-to-seven-day period, let's say, but not three weeks or two months, and we've got a lot of people that are booking way ahead of time, and they are holding that seat and holding that seat, and nothing is being done with it, and then they don't ticket. Okay?

There are some parts of the government where we're getting duplicates and triplicates, okay, holding seats. That's another thing we're dealing with.
with separately.

So ticketing time limit. We lose money when there are spoiled seats, obviously, and if you want this contract to be attractive economically, you have to address these issues of ticketing time limit, penalties when there are cancellations, rebooking fees, reissue fees, all those kinds of things, what we normally do with commercial passengers because let me tell you, we are in a situation right now economically, with the price of fuel and everything else, even though some of our airlines, including Northwest, is protected by bankruptcy right now, there still are challenges economically. We make money on yield management and not having seats spoiled. That's why you need to address that in this contract.

MS. SMITH: Okay. Fair enough. Jerry?

MR. BRISTOW: But that's also why there is an open discussion. You also have to understand who our customers are and how they operate.

MS. SMITH: Speak up.

MR. BRISTOW: My money is not allocated until a week prior to my travel and if you impose a ticketing time limit on our tickets we don't have the money yet. It's not appropriated yet. It's not allocated yet. That's where we're having a problem.
It's a change for us but also a significant policy change as well. It's not just a matter of, yes, let's go ahead and accept the ticketing limit change we understand your ticketing problem, but we also have constraints on how we purchase tickets.

MR. CLIFFORD: But, Jerry, your budget would be over budget now if you ticketed now, but in May you would be under budget, so it's just an explainable variance. Right? It's a wash.

MR. BRISTOW: I don't get reimbursed for my trip until after I've completed it. That's what the problem is. It comes out of my pocket until I am reimbursed. There is a significant policy shift that we would have to make. It will take time to make these changes and now that the table is set it will take time to understand all of the issues and resolve your requests. Additional meetings and forums such as this would help to get us to that point. Just like the fuel surcharge, it didn't happen all of a sudden -- we did open the door, and even though some carriers still don't benefit from it at the moment it does allow for them to implement one in 2007.

MR. CLIFFORD: Fuel surcharge was a huge issue, but right behind it or equal to it, we've never made this issue subservient to anything. All of my
colleagues can chime in here whatever they want to say, but this is a big deal for us.

MS. SMITH: I understand that, and I think that's what we're trying to say. We understand it's a big deal. We would like you to understand it's a big deal on both sides and that we need to consult and find out more and discuss much greater on all sides. That's what we're saying, that it's not something that can be done instantaneously.

MR. LUNDEBY: John Lundeby, AMC. For our DoD customer, for our travelers, it's an education process as well because what we're telling them now, book early so you can get the dash CA. The earlier you book, the more likely you will get this cheaper fare. Now, if we turn around and say, don't book early; book a week out, book it four or five days out, they are probably not going to get the dash CA, and that becomes much less --

MR. CLIFFORD: We're saying they can book early. We just want them to ticket or apply it early. That's what we're saying. They can travel in a month. It's purchasing the ticket, walking in the seat, committing to the seat. That's the problem. When they don't commit to the seat, when they keep that seat open, we can't sell it to anybody else. When we
1 can't sell it to anybody else, we lose money. If we
2 lose money, we're out of this contract, and our bosses
3 start looking at other options and channels to look
4 for to fill that seat.
5     MS. SMITH:  You know, you have to make your
6 business decisions. Okay? We're not going to start
7 getting into these kinds of little threats- we're
8 listening to you. We are starting the dialogue. I
9 didn't even have to bring this up. I knew you would.
10 I started to bring it up. We have customer agencies.
11 We have contract carriers. You're not the only
12 contract carrier. Okay? We want to discuss it with
13 everybody and not just in this forum.
14     So there is more to this, and it's not that
15 we're not listening. We are, but you need to listen
16 to every viewpoint. John Lundeby just gave you one
17 viewpoint. You're hearing others, and I think --
18     MR. CLIFFORD:  I don't believe I've closed
19 my ears to anything right now, and you're indicting me
20 that I am, and I take exception to that. That was not
21 a threat.
22     MS. SMITH:  All right.
23     MR. CLIFFORD:  If it's a threat, you'll know
24 it. You'll know it privately.
25     MS. SMITH:  All right. I've generally been
very patient.

MR. COLLINS: Changing a flight, if we book it now and pay for it, and six months out there, changing a flight, I think I can sell that to the taxpayer. Losing that money when that mission changes altogether, that $500 ticket because you canceled, I don't think we can sell that to the taxpayer. I don't think we can ever sell that. That's what would happen. If you go towards those flights, and you pay for them now, when you cancel them --

(Multiple conversations.)

MR. AQUILINO: The other thing is we're on a transaction-fee basis. We've got to cancel your tickets. We've got to issue new tickets if, in fact, they do have the mission again. That's all money that we have to come up with. We never had that in our contracts before, so there again the airline has got problems with holding inventory, but we have problems as well with costs in terms of ticket exchanges and reissues and what have you.

So I need to hear from the airlines, how do we handle that particular issue when we're paying TMCs, you know, extra money to make the change because we booked it out three months before and paid for it, and now that mission goes away? So that's our side.
MR. COLLINS: In the original discussion, Denny talked about why the same? The same restrictions --

MS. SMITH: I think I need to clarify that he was not talking about making the tickets nonrefundable. He was referring to ticketing time limits, and once it's ticketed, applying ticketing change fees.

MR. AQUILINO: And the government is -- I need a finance guy to tell me, for paying something that you have not used, and the obligation has to be created at the time, so if he wants a ticket three months out, there is the obligation that's created. That goes through the system, goes through the credit card system. It happens in 30 days or whatever, so there is an obligation. We haven't even taken that flight yet. The government is prohibited from paying for something that they may not use, so that is an issue we have to work through as well on the finance side.

So there are some things that we need to work with here in order to understand the need, some of your requirements. We're sensitive to them, and I think we understand them. So here is some of the government's side and its problems.
MS. BRAZIER: You get the contract, and you're providing a service, but, you know, there is a benefit. What bothers me is that we're sitting here. I'm the customer, and I'm not getting everything I want either. I had to sit here and listen to a discussion about, you know, that you didn't even like that we're not choosing contract carriers when you don't have a contract -- prior to destination. You're all up in arms about that. You wanted us to beef up contract carriers to Detroit that are getting to Los Angeles, and then you want me to go that way. So you're not looking at what's good for me. What I don't like is that you all -- okay, you've raised an issue, and we should discuss them, okay, but don't think I'm going to get everything that you have. I'm not getting everything that I want either.

MR. CLIFFORD: Do you think we do?

MS. BRAZIER: Well, you're getting a lot.

MS. SMITH: All right.

MS. BRAZIER: Let me say this. When I do my analysis, okay, which is what I'm doing, and I am a financial person, when I get on there, and I've done some analysis, what I'm doing is, you know, these fares -- we're looking more at restrictive fares. I
understand restrictive fares. I understand, but that's what I'm looking at because you all aren't meeting our needs. You know, it's costing us that some of these things that you're offering I really don't need. Costs.

I'm just making a point to say that you sat here. I'm getting the impression that when you raise an issue, you're supposed to get it. I've raised it before. Well, we're going to discuss the issues, but there are also issues that we're bringing to them also, and we're not getting everything that we want. Okay? So just really you're getting the benefit of having this contract, these government fares. We're a pretty big customer.

MR. CLIFFORD: You are, and we're not getting 100-percent compliance that you promised us either for those pairs.

MS. SMITH: Well, we're doing, as I said, a lot of steps. We may not always work as fast as you want, but we're certainly moving with the fare audits as the first step towards that goal, and the DTS and the ETS tools coming on. There's a lot going on, Denny, and the goal is to make the compliance better all the way around for all of the carriers involved and participating.
I think we've stated what everybody's interests are, and as I said, this is the start of the conversation, and it needs to go on more one on one, and with the customer agencies one on one, from that point, and then we can proceed. Jerry?

MR. BRISTOW: We thank everyone for their participation. That's what we're here for, to ensure that this program continues and continues with an effort on both sides.

MS. SMITH: And I think, if I can reiterate, how far we have come in the past few years in meeting the needs on both sides. This is an ongoing process.

MR. CIRILLO: I would like to ask a couple of questions to the government folks that travel. Rick Cirillo. You folks get a credit card you use when you travel. I heard you say that you're not allocated until a certain time. So if you do anything on your credit card, you get a bill, you have to pay it, and then if it's not allocated, you have to wait until you get money allocated and then put in for reimbursement, so you can't put in for reimbursement for anything --

A PARTICIPANT: That's correct.

MR. ELLIS: To reiterate what Jerry Bristow said is that we're all going to this national conference in Los Angeles in June. We take Denny's
scenario. We have to purchase that ticket within 48 hours. I would make reservations possibly next week. I have a ticket within 48 hours, so February to June, I'm going to get billed by my credit card company, and that comes out of pocket because I'm not going to be reimbursed for my travel until post-audit.

MR. CIRILLO: So that is something that the government needs to look at to adjust because of the way things work today. That's just the way things work today. You can't always -- business people who travel will buy their tickets a month in advance and can put in for reimbursement because they are going to that. You can't because you're a government employee, and --

MS. SMITH: And there are certain legal ramifications, and I think -- there are a lot of ramifications to changes like that.

MR. CIRILLO: And I think that's where you start. Obviously, we would like to have you ticket within two days like our normal passengers do, and I can understand that that's a piece that the government is going to have to look at to say, well, can we do this? Can we pay them before they go to buy the ticket or whatever?

From our standpoint -- you have to look at

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two standpoints. I see your standpoint. As a
government employee, I agree. I don't want to buy my
ticket early, but as an airline employee, I'm looking
at seats being held four months, five months, six
months down the road.

Most of our flights, as you know, are pretty
full these days anyway. Let's say a market, L.A. to
Honolulu, which is always full. So you book a seat
six months in advance, I probably could have sold that
thing 10 times. So in the meantime, I'm losing money,
we're losing money, because that seat was -- in
advance, and you guys can't pay for it because the
government has this constriction.

So I think where we need to go on this is
how we change the government outlook on doing that.
It's not money that's going to be lost because if you
don't go, we refund it. It's not going to be money
that's going to be lost because if you change it, we
don't charge you today. But on the other hand, it's
something that causes us a great deal of concern
because we lose money having it that far in advance.

So I think what we need to look at is how do
we change the government's rulings on this so that
they can accept the fact that if you're doing
something like this, you might have to buy it in
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1 advance, and they should pay for it.
2 MS. SMITH: That's a good point to look at.
3 MS. RODRIGUEZ: Elizabeth Rodriguez, VA.
4 When you're looking at this from the government's
5 point of view, because I'm in travel policy, I tell
6 people what they can and can't do pertaining to their
7 government travel cards, how they are going to travel,
8 where they are going to travel, and all of that. It
9 would be ideal if I could know ahead of time that my
10 budget had that money and that they were going to
11 allocate it to me so I could purchase all my tickets,
12 hotels and everything in advance.
13 But looking at what needs to be changed --
14 I'm not saying you're going to get your way, but if
15 your suggestion were to go forward all the way up,
16 there are several things you're going to have to
17 change. You're going to have to change the way the
18 government looks at its credit card policy. You're
19 going to have to change the way the government
20 obligates its funds for the travel. You're going to
21 have to change what we do with credit cards.
22 Right now, if -- people or myself were to
23 ticket this trip to the National Travel Forum, and my
24 credit card gets charged for it, if I don't have -- I
25 don't pay my bill, my AOPC for my credit card is going
to come out to my supervisor, and I'm going to have to explain why I haven't done this. There are only certain things that we can do. We have to pay for the ticket. If you can't pay for the ticket, -- because you have to get reimbursed. Then again if you don't pay for a ticket, then you become counseled by one of our supervisors because now we have an outstanding debt.

MR. COLLINS: Some of that stuff could be solved with a CDA, though.

MS. SMITH: I think you've made a good point that there are multiple areas.

MS. RODRIGUEZ: We're going to have to be looking at several different areas.

MS. SMITH: Right, and that's a big issue, but it's one that is well worth looking into. I think this is important. I understand that there are multiple parts to this.

MR. CLIFFORD: And we recognize that there are multiple parts, Linda. There's a lot of issues here, sure, and you've got to listen to that, and we've got to tell you, though, and everybody else does, too, I'm saying, let's get out of the dock and let's do it. If it requires -- next week or us coming up for meetings or whatever, let's do it.
MS. SMITH: You let us know. Contact us.
Tell us when you want to meet, and just let us know.
I've said that.
MR. CLIFFORD: These are issues related to
ticketing time limit, but the penalties for
cancellations and rebookings and all that kind of
stuff; that doesn't fall into quite the same category
of these financial problems in terms of time and all
that kind of stuff. You've got to air those out.
MS. SMITH: As I said, we're open. Contact
us. We'll set up a meeting. Yes, ma'am?
A PARTICIPANT: I'm hearing partly that,
okay, we just want you to buy the ticket. It's
completely refundable, but I think the other side of
that story is that you do want to start imposing
penalties.
MR. CIRILLO: No, I don't.
(Multiple conversations.)
A PARTICIPANT: I thought the unrestricted
fares meant no penalties. That's a big change now if
you're going to say, well --
MR. CLIFFORD: That's exactly what I'm
saying.
A PARTICIPANT: -- to start buying the
ticket. If I don't pay, don't -- early, you've got to
purchase within a certain amount, and then, yeah, now
we're going to change it. You're going to start
getting penalties. I can go out there and get me
another -- I have to say this. I understand what
you've said, but there is a belief from some of your
customers on the government side that the city pairs
are a little bit lagging behind the reality of what's
going out there in the air industry on the Internet,
and some of these are not even restricted fares. Okay?
I can get a lower commercial fare, and it's not even
restricted. Okay?

(Multiple conversations.)

MS. THORNE: Umeki Thorne with government-wide policy. Obviously, we're not going to be able to
-- there are many factors that come into play from the
government's standpoint as well as from the --
standpoint. I would suggest that your office work
with the airline industry to come up with stating the
problems specifically. Once we have the stated
problems specifically, then I would ask the Office of
City Pair to get with the legal counsel involving the
government, as well as the Office of Government-wide
Policy, so that we can address these things.

We know there are a lot of statutory
limitations on what we can and what we cannot do.
There are a lot of barriers here. We have a big issue going on. We're not just talking about looking at tickets, not taking a trip, delinquencies. There are a whole lot of factors that come into play here, and we're not going to solve it today.

We can start to work with policy; however, we need to bring a legal counsel in to see what are the limitations and what we're dealing with. Are we talking statutory changes, or are we talking about something that we can have in the regulations?

MS. SMITH: I would like to just say, okay, as far as these comments, they were just submitted in the past few days. Now we want to take the time, and I think that's how I opened it, and I think we've kind of come to a point where we've agreed, that we've started to hear the discussion. There is not even agreement between all of the carriers. We'll meet one on one, meet with the carriers, get an overall view from all of the participating carriers of what the issues are and what's most important. Again, the same thing for agencies, and then go through the process that we were just talking about. That's one part of it.

So as I said, we're open. Contact us. We can start setting those meetings up.
MR. HOFFMAN: Paul Hoffman, USDA. I think not only just prioritizing them but finding the extent of the problem, quantifying it to say, okay, this is what it's cost us because these are the amount of days that we've lost or dollars, and that would give us a better idea because we can do things through policy and adjusting business roles, but then there's also regulations that encumber us from what we cannot do.

MS. SMITH: Absolutely. That's exactly the purpose of getting the data that we need to build a business case, and to discuss with all of the parties involved, all of the stakeholders, yes.

MR. BLACK: Joe Black with the Secret Service. To me, the value for us, the value of the contracts -- there are no change fees. There are no smoking fees. Everything we do is last minute, mission critical, and I may need 20 bodies today, 20 bodies going tomorrow. That's the only value of the contract, fixed value.

We're going to pay -- anyway. We can find better fares on the Internet for certain routes, not all routes, but certain routes. Everything we do -- I don't think I've pulled a trip in quite a while.

MR. CLIFFORD: Are you willing to take the Web fares --
MR. BLACK: No, not right now, but I'm saying if they are going to start charging us penalties, we travel -- we have to go somewhere. If they make the change tomorrow and say I'm not going to go, I've got 40 guys flying to Houston that I'm going to pay a penalty for.

MR. CLIFFORD: We can talk about the penalties and whatnot. "Penalties" may be too strong a term, but they are charges, charges for rebooking, whatever you want.

All we're saying is that you all, the military, government passengers, should be treated more like our commercial travelers. Why? Because that's the way the world works.

MS. SMITH: Okay. We all have places to go, and we appreciate it --

MR. CLIFFORD: I just want to stay here.

(Laughter.)

MS. SMITH: Thank you.

MR. LEE: We have an important matter to do.

This is the final award for the naming contest we started at the last partnership meeting. The agency requirement market system name was finalized as FARMS, the Federal Agency Requirement Market System, and the winner is Ms. Annie Scott. Thank you very much Annie.
MS. SMITH: Thank you, everybody. Thank you for participating.

(Whereupon, at 12:25 p.m., the presolicitation meeting in the above-entitled matter was concluded.)
REPORTER'S CERTIFICATE

DOCKET NO.: N/A
CASE TITLE: City Pair Presolicitation Meeting
HEARING DATE: February 7, 2006
LOCATION: Arlington, Virginia

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

Date: February 7, 2006

Paul Intravia
Official Reporter
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Comments, Questions and Responses
City Pair FY07 Draft Solicitation

The comments and questions submitted together with responses regarding the FY07 draft solicitation are listed below. Proposed changes are identified in italics. The Presolicitation meeting was held February 7, 2006.

1. B.10 INTERNATIONAL ROUTES (MARKETS)

"C – Connecting service with no more than one connecting point en route. Connecting time shall not exceed 180 minutes. The exception is to further point international destinations where connecting time shall not exceed 300 minutes and two connecting points. The offeror shall only list valid connect points. No change of airports at connecting points is allowed in offers for international routes."

Q. Is the intent to potentially encompass more city pairs (considering code share opportunities) for bid within the agreement based on increasing the connecting time and stopovers?

A. Yes- GSA would like to solicit offers to more international markets such as to further points in Asia, Africa, and the Middle East.

Q. In FY07 Draft Solicitation re 2 stops for intl markets: is it GSA’s intent to provide those specific markets where 2 stops is authorized? i.e. Does GSA give prospective bidders the list of markets or do bidders have to determine figure those markets out for themselves?

A. GSA will provide a list of markets where 2 stops are authorized.

Q. Regarding: "proposal to add 2-stop international markets as the minimum criteria in some markets. We strongly disagree with this concept, as we do with the FedFares proposal which would do the same thing for domestic markets. The contract has been expanded sufficiently, or more precisely, even too much – we’ve even suggested abandoning all Group 2 markets to cut down on the number of markets to bid. Expansion of the city pair contract is simply one more unfavorable element that contributes to negative economics of bidding, and makes the contract unattractive. We have repeatedly asked GSA to consider proposals that help our economics (in addition to the fuel surcharge, not in lieu of), not the opposite."

A. Thank you for your response to this proposed change. We will take this point of view into consideration.

2. B.19 Taxes, Fees and Fuel Surcharges

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B.19 Paragraph 1

"1. Fuel surcharges are allowed on markets where a fuel surcharge has been imposed commercially to all customers in the booking inventories (buckets) corresponding to the YCA, _CA and _CB contract fares for a minimum of 14 consecutive days. Fuel surcharges that have been imposed and terminated can only be re-instated after being imposed in the marketplace for 14 consecutive days."

Q. This Airline does not charge a separate fuel surcharge to passengers. When necessary to increase fares due to the increase to the cost of fuel, we do so by increasing our base fares. B.19 AND C. 13 do not address our need to apply a fuel increase. We would prefer a methodology that allows an increase one-time mid-contract in line with the fare increases taken commercially. Perhaps based on the Airline Price Index.

A. Thank you for the comment. As a result of market research, we've determined that the method proposed in the draft solicitation (fuel surcharges) is the one most suited to meet the government's requirements, but will take this under advisement.

Q. The language in the Draft regarding buckets is not compatible with how our inventory system works. In order to be consistent, we recommend saying something similar to “If the fuel surcharge is generally applied to fare types that don't carry restrictions, the surcharge should apply to government fares that do not have restrictions.”

A. We will need clarification on this comment in order to provide a response.

Q. Why must we wait to 14 days after general public implementation of a fuel surcharge to implement it on government fares?? Please explain the reasoning behind the wait? Why not implement in 7 days.

And, similarly,

Q. How do you plan to implement this? Will it be on the honor system? Why 14 days and 7 days? If a fuel surcharge has been in place for 7 days, it should be considered "established.

Q. We request that all references to “14 consecutive days” be removed from this language. We have agreed to treat the government the same as our commercial customers on the issue of fuel surcharge.

Q. Recommend the 14 day consecutive day provision be eliminated to be consistent with the practice of commercial fuel surcharges.

A. GSA has a requirement that fuel surcharges be in place for some time to be considered "established", to give us the necessary time to communicate such changes to our customers, vendors, and effectuate such notifications in our eTools.
B.19 Paragraph 2
“2. Carriers shall report to the GSA Contracting Officer in writing when a fuel surcharge is imposed, when the surcharge will apply, the applicable markets and booking inventories (buckets), and the fuel surcharge amount.”

Q. In Paragraph # 2, "...when the surcharge will apply..." - At the outset, we can tell the GSA when the fuel surcharge will be implemented (Day 15 if you will), but not necessarily when it will be terminated. Is this what you mean?

A. No. We mean – when was the surcharge implemented on commercial items, then on government fares.

B.19 Paragraph 3
3. Carriers shall remove immediately from all points of distribution and display any fuel surcharges applicable to the contract when such fuel surcharges are no longer imposed commercially. Carriers shall also notify the GSA Contracting Officer in writing when the fuel surcharge is removed along with the applicable markets and booking inventories (buckets), and the fuel surcharge amount. In no instance shall the government be charged a higher fuel surcharge than that imposed in the commercial marketplace, but the government may be charged a lower amount.

Q. As is written in B.19.1, we feel the language in point 3 needs to be tightened up to also reference the relationship of corresponding booking (inventory) classes as well. We suggest the following language: "In no instance shall the government be charged a higher fuel surcharge than that imposed in the commercial marketplace in the booking inventories (buckets) corresponding to the YCA, _CA and _CB contract fares, but the government may be charged a lower amount."

A. Thank you for the suggestion. We will take it under consideration.

3. B.20 PRICE REDUCTION
“...the Contract carrier may at any time reduce the contract fare of the service(s) to the Government, either temporarily or permanently. Any price reduction offered by a contract carrier shall be for a minimum of 30 days. The contract carrier shall notify the Contracting Officer and the price reductions will be implemented by contract modification.”

Q. We would not reduce the contract fare - we would expect the government to purchase the fare that is available to the general public.

Similarly,

Q. Outside of your clarification, in the 2nd paragraph, it basically states that if the traveler desires and qualifies for a "restricted" fare, we are to allow them to purchase it
even if lower than the contract fare. Is it implied that all the rules of that restricted fare, including non-refundability, change fees, etc., also apply? They in essence become a commercial traveler.

A. This price reduction clause is not new. We are referring particularly to situations where carriers have changed their fare classification structures and may wish to reduce contract fares proportionately. The added language is just to clarify that these changes will be done by contract modification.

4. **B.23 ARRANGING FOR GROUP TRAVEL**

"Transportation offices are the initial points of contact for resolution of questions/disputes for locally arranged group travel. If the civilian agency/DOD and the contract carrier cannot reach resolution, the matter is to be referred to the GSA Contracting Officer."

Q. Please explain why a GSA Contracting officer needs to be involved regarding a dispute or questions between a TMC and the airline over group travel. Group travelers are non-mandatory users and therefore should fall under the category of "General Public”. Those types of disputes should be handled between the airline & the TMC only.

Q. As these group fares and associated rules are not part of the GSA city pair bid, the GSA would not have any enforcement ability nor be in a position to negotiate a "settlement.” Please explain your intent.

A. This language was inadvertently removed in FY06. While GSA encourages all to resolve conflicts, this language is being reinstated for those infrequent times that mutual agreement between parties cannot be reached. The contracting officer will make a determination as to whether or not the travelers meet the definition of a group. The above language will be changed as follows to better reflect the intent:

*If the civilian agency/DOD and the contract carrier cannot reach resolution regarding the definition of a group, the matter is to be referred to the GSA Contracting Officer.*

5. **B.26 ORDERING OF SERVICES**

“(a) For travelers governed by the scope of this contract (see B.4), a request for coach service will be construed to mean a request for the contract fare, unless the traveler specifies otherwise. If there is no contract fare, then the request will be construed to mean a request for a combination of contract fares and/or any other available fare that results in the lowest cost alternative to the Government and meets the traveler's needs.”

Q. Only government contracted fares are controlled by the government. The last sentence could be construed to mean the inclusion of Match fares (DG). Could that sentence be rewritten for clearer understanding?? EXAMPLE: If there is no contract fare, then the request will be construed to mean a request for a combination of contract fares and/or matching fares (DG) or any other available fare offered to the general public.

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that results….

A. If the traveler is off-contract, we prefer not to specify types of fares due to the multitude of fares available. The goal is for the traveler to find the lowest cost option that also meets the travel needs.

6. **B.34 SERVICE BELOW THE MINIMUM**

"…the contract may be canceled (in whole or in part) and re-awarded when the contract carrier no longer provides service meeting all of the contract requirements in the awarded market (or ceases to provide nonstop service in a connect market, when the nonstop service was the basis for award)."

Q. Please tell me if this example demonstrates the additional language you added in the first paragraph:

A city pair requires a minimum of 2 connecting flights.

- Carrier A has 2 non stop flights and 2 connecting flights. Offers a $300 YCA
- Carrier B has 2 connecting flights. Offers a $295 YCA
- Carrier A is awarded the city pair based on the non stop service.
- Carrier A discontinues the non stop service but simultaneously adds more connecting flights maintaining a superior level of connecting service.

Based on your award algorithm, could Carrier A potentially lose the city pair when they continue to have superior service but a higher fare?

A. The Government would re-evaluate all factors including service and price in such situations and review each situation individually to determine what is in the Government’s best interests.

7. **C.9 FAR 52.252-4 Alterations in Contract (April 1984)**

"The government reserves the right to solicit additional items during this solicitation and resultant contract period. This action precludes any revisions by offerors to current offers and awards unless otherwise specified herein. Submission of offers may be in COPS, by email and/or by fax. Evaluation and award criteria will follow those delineated in sections D.5-D.8."

And,

From the executive summary:

"If needed, additional items may be solicited during the contract period."

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Q. This one seems to be completely reworded. Can you provide me with some clarification as to what is currently in place versus your intent for CY07?

A. This is a new clause to address times when markets are identified after the contract cycle as new requirements, or new routes are created in the commercial market for which there was a government need for, etc.

8. **D.7 Price Evaluation for Group 1**

"The composite fare is used for evaluation purposes only. The Government reserves the right to use all pricing information in its evaluation."

Q. There is a line that says "The Government reserves the right to use all pricing information in its evaluation". We do not provide full content to the GDS's. Our web fares are only available through our airline web site. We need clarification on what this statement means...what sources are you referring to?

A. We are not referring to the distribution channels for fares. As part of the evaluation and award decision, the Government may evaluate all components of the offers and of the composite (e.g., percent off market fare, YCA, _CA). Award may be to one, both or none of the fares offered.

9. **Other comments and topics:**

Q. **Ticketing time limits/cancellation Fees:** Under yield management processes we want every passenger on the airplane to have some commitment to the flight, including government passengers. When a seat is sold and, therefore, "off the shelf", we cannot sell it any longer especially under "close-in" (to departure) conditions— it is spoiled inventory. The industry needs to be protected from this exposed position, especially in this environment of very high load factors where each seat is a valuable commodity.

We therefore strongly recommend the following critical changes to the Solicitation:

1. **Ticketing Time Limits** – We find many instances where government passengers hold seats open for an indefinite period of time, thus contributing to our spoiled inventory and diluting revenues. The Solicitation needs to expressly state a minimum time period that a passenger must ticket from the time of booking. Most commercial fares have a 24 hour ticketing time limit. We understand the need for the government traveler to have more flexibility and are recommending between a 3 and 7 day period. If the passenger needs to subsequently cancel the tickets are totally refundable, but we want a firm commitment from the traveler rather than keeping space open.

2. **Rebooking/Reticketing/Cancellation Fees** – government passengers should be subject to the same penalties incurred by our commercial travelers for these
situations for the same reasons as outlined above. This is standard airline business practice as well as necessary yield management procedures.

A. We welcome discussions on this topic in one-on-one meetings, in order to better understand how these fees are applied commercially as well as on corporate accounts, together with the business practices unique to each carrier. We can meet in the next couple of days or at a time that is mutually convenient. After that, we will also need to open discussions with our stakeholders on this topic.

Q. Last Seat Availability
To further clarify the definition of “Last Seat Availability” and the anomalies that may exist between airline systems, we recommend adding the following language: “YCA fare cannot have less availability than commercial Y fares in an awarded city pair.”

A. We will seek clarification to better understand the intent of this proposed change in language.

Q. Passenger Counts
Request a discussion on the determination of FY06 passenger counts and that process’s application to FY07. As we have indicated in prior correspondence, FY06 passenger counts are significantly overstated based on our actual data.

A. Currently, we are procuring assistance from an outside source to validate the FY07 passenger counts. For this reason, the markets will not be posted until closer to the end of February.

Q. FedFares
Request an update on status of FedFares program.

A. We will be meeting with industry one-on-one to discuss best ways to make this a win-win program for all parties. The FedFares program is separate from the City Pair Program and is not addressed, therefore, in the draft solicitation.