

# TRANSCRIPT OF PROCEEDINGS

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

Pages: 1 through 114  
Place: Arlington, Virginia  
Date: February 7, 2006

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## HERITAGE REPORTING CORPORATION

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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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ANNIE SCOTT, GSA Audit Division  
ANDREA CARLOCK, DTS PMO, Department of Defense

## 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

## APPEARANCES (continued):

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

1 P R O C E E D I N G S

2 (9:30 a.m.)

3 MS. SMITH: Good morning, everybody, and  
4 welcome to the FY 07 presolicitation meeting for the  
5 City Pair program. We appreciate your taking the time  
6 and effort to attend. What we'll do is go around first  
7 with some introductions. Go around the room, and if  
8 everybody would state their name and their office or  
9 agency, and if you would speak clearly because Paul  
10 here is going to be transcribing the whole meeting for  
11 us. Afterwards, this will be posted on the Web,  
12 together with a copy of all of the comments and  
13 questions that we received prior to this meeting and  
14 the responses. Those also will be posted on the Web.

15 As we go through the draft solicitation and  
16 the major changes that were listed in the executive  
17 summary, we'll also give a summary of some of the  
18 comments and questions and try to address those as we  
19 go, but the specific questions will all be listed on  
20 the Web.

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

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

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

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

14           MS. ARBEITER: Pam Arbeiter, Midwest  
15 Airlines.

16           MS. SMITH: Speak up.

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

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

21           MR. BENNETT: Jem Bennett, Delta Air Lines.

22           MR. MUNSON: Brian Munson, Delta Air Lines.

23           MR. BLEMLEY: Craig Blemly, United Airlines.

24           MS. DERN: Emily Dern with Executive  
25 Services, International Travel.

1 MR. AQUILINO: Vince Aquilino, GSA E-Travel  
2 program.

3 MS. SCOTT: Annie Scott, GSA Audit Division.

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

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

8 MR. LUNDEBY: John Lundebey, Air Mobility  
9 Command, Passenger Policy Branch.

10 MR. CLIFFORD: Denny Clifford, Northwest  
11 Airlines.

12 MR. CHEN: Allen Chen, Northwest.

13 MS. SISSON: Sara Sisson, Northwest  
14 Airlines.

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

17 MS. JONES: Gracie Jones, GSA.

18 MR. HOFFMAN: Paul Hoffman, U.S. Department  
19 of Agriculture.

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

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

24 MS. RINEHART: Maureen Rinehart, Passenger  
25 Programs, Surface Deployment and Distribution Command.



1 MS. CARLOCK: Andrea Carlock, used to be DTS  
2 PMO, now Travel Management Office, OSD Personnel and  
3 Readiness.

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

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

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

10 MR. LEIDWINGER: Doug Leidwinger, Secret  
11 Service.

12 MS. GROAT: Jane Groat, GSA.

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

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

17 UMEKI THORNE: Umeki Thorne, GSA, Office of  
18 Government-wide Policy.

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

21 MR. COLLINS: Darren Collins, Department of  
22 Commerce.

23 MR. HASTER: Bob Haster, Southwest Airlines

24 MR. ELLIS: Jerry Ellis, GSA.

25 MS. SMITH: Okay. Thank you very much.

1           As I said, the purpose of this meeting is to  
2 go over and focus on the draft FY 07 solicitation, and  
3 we'll go through each section. What I did want to do  
4 is give a little bit of an update and background on  
5 what's been going on from last year to this year.

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

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

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

1 support this.

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

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

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

23           We also have a contractor now who is doing  
24 fare audits for us at contract award time as well as  
25 throughout the contract period, and we'll go through

1 that a little more when we get there, too.

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

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

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

20           This part A reflects our directive from the  
21 president to move more and more towards e-tools. This  
22 is part of it. The only parts that you need to submit  
23 as far as paper are those sections that are listed in  
24 Attachment 1, and we'll go over each one specifically  
25 at a later time.

1           So now we'll go into the definitions. From  
2 this study that I was just referring to, where we had  
3 the contractor do a review of our program and the  
4 benchmark we have been using, which has been the full,  
5 high-premium, coach fare. Both from our customer  
6 agencies saying, well, "nobody really uses this full  
7 coach fare". That was one point that we wanted to  
8 look at. We also wanted to know what is corporate  
9 America benchmarking against.

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

17           There are many different names for the same  
18 type of thing (pointing to definition in  
19 solicitation). We tried to cover as many as possible  
20 so that it is clear what we mean by the market fare,  
21 and then also we had the same clarification done under  
22 unrestricted fare, unrestricted coach fare. This is  
23 the one that you should use when you submit your  
24 offers as far as what you're putting down for the  
25 market fare.

1           Now, the next two definitions, "connecting  
2 point" and "further international point,". Let me  
3 give you a little background on why that's come up,  
4 and I'm also going to ask one of our customer  
5 agencies, Mr. John Lundeby, to explain what their need  
6 is.

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

16           So, in order to assist the needs of our  
17 customer, we are proposing to relax this year the  
18 international requirements to certain international  
19 destinations, allowing up to two connection points and  
20 300 minutes connecting time.

21           The list of markets, (we're still in the  
22 process of working on that) where this would be  
23 allowed-- we will provide the list of markets. That  
24 was one of the questions that came up. "Are the  
25 carriers going to decide this, or are we going to

1 decide this?" We'll decide which markets on which two  
2 connections and this longer connecting time are  
3 allowed; otherwise, the connecting time and connecting  
4 point would be what it is currently. So that's one  
5 change.

6           John, do you want to address --

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

15           Another example might be Luxembourg, if we  
16 want to service SIMBAC, which has expanded  
17 dramatically in the last few years. You've got SIMBAC  
18 and Pitford both up there, and there could be, I  
19 think, some other Army locations. That's only about a  
20 30-minute drive versus a two-hour drive to Frankfurt.

21           Aviano; you've got Marco Polo International  
22 Airport, which is right outside of Aviano. Those have  
23 not in the past been normal locations where we have  
24 asked for city pairs because we've had Patriot Express  
25 operating basically worldwide. In the last couple of

1 years, Patriot Express has been drawn down  
2 dramatically, and we're only going to be using Patriot  
3 Express to those areas that do not have any commercial  
4 lift for security reasons, or they are high-threat  
5 areas, such as Inzerlik, Turkey, going into Bahrain.  
6 Diego Garcia; there is no commercial going in there.

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

18           Those are decisions beyond I can make, but  
19 what we're asking is for GSA to take a look at some of  
20 these smaller markets and see if we can't find a  
21 creative way for us to service those markets and  
22 provide international GSA city carriers to those  
23 locations, and that's kind of it in a nutshell. I  
24 know that prior to the RFP going out, I talked to  
25 Denny, and I talked to Gary Sznajder just trying to



1 get a feel on code shares. I know that Japan is a  
2 much more difficult market to do a code share than the  
3 European code shares are.

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

10 MS. SMITH: Yes.

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

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

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

20 MS. SMITH: We're still in the process of  
21 defining that, Denny. Part of the reason, and we're  
22 going to address this at the end, that you haven't  
23 received the markets yet is because, as I said, we're  
24 having an outside source validate the passenger  
25 counts, and also we're looking at some of the

1 possibilities with double connections. So, we expect  
2 the markets to be out no later than the end of this  
3 month, if not earlier, so everybody knows where we  
4 stand on that point.

5 Yes. Would you like to make a comment?

6 MR. CLIFFORD: Denny Clifford, Northwest  
7 Airlines.

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

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

13 MR. CLIFFORD: Okay. John, I know you and I  
14 talked a little bit. We have a couple of serious  
15 issues with respect to expansion. One, the code share  
16 issue is a serious one, especially over the Pacific.  
17 It's not always easy to develop code shares, for  
18 various reasons which I won't get into. That  
19 precludes us for certain things that are over there.

20 The other is more concept. Any time there  
21 is an expansion to a significant degree in this  
22 contract, we're opposed to that, and the reason is we  
23 look for revenue. We're in a time of economic stress  
24 right now. Any time you expand cities, expand the  
25 contract, expand any kind of a concept to add markets

1 that are currently under published fares, it hurts us.  
2 So we're opposed to the expansion with the two stops.  
3 We would prefer to have it the old way. You still  
4 have service. Just keep it out there as normal, and  
5 we'll competitively bid on that in the commercial  
6 sector.

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

9 Okay. Then we're going to move on to a  
10 topic that obviously, as I said, was the center of our  
11 focus as we prepared the draft. Yes, John?

12 MR. LUNDEBY: This is John Lundebly, AMC. I  
13 just had one last question on the definitions.

14 MS. SMITH: Sure.

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

21 MS. SMITH: That's very true. We didn't  
22 address it here, but we do address it in a more  
23 general factor in the section that comes later. As  
24 one of the evaluation factors, we always can look at  
25 the seat volume in a market, and up to now, we always

1 did that in the large volume, ABC markets. But what  
2 we are proposing to do this year is expand that to all  
3 of Group 1 so that as one of the factors, if that's a  
4 deciding factor in the market, that would be allowed.  
5 So, in that sense, we look at it, but not specifically  
6 defined here as a regional jet. We look at overall  
7 capacity, and we'll come back to that a little later.

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

23           The other major point was that we have a  
24 requirement for 14 days before any fuel surcharge  
25 would be imposed on government fares. The reason for

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

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

23           MR. BENNETT: Jem Bennett with Delta Air  
24 Lines. It goes back to the comment that I had made  
25 indicating that although we applaud the GSA for going

1 in this direction, it was something that a number of  
2 us had talked about with you in previous meetings, our  
3 thought, though, is that if you look at it from a  
4 seven-day perspective as opposed to a 14-day  
5 perspective, seven days, we feel, is sufficient time  
6 in order to establish the fact that this thing is  
7 going to stick, which is, I think, what your biggest  
8 concern is.

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

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

14           MR. HASTER: Bob Haster, Southwest Airlines.  
15 I was wondering if any consideration was given to  
16 carriers that don't charge a fuel surcharge. For  
17 example, if two carriers meet the technical merit and  
18 are equal in fare, is any leeway given to the carrier  
19 that doesn't charge a fuel surcharge?

20           MS. SMITH: Fuel surcharges; the practice,  
21 like so many things, is not the same across the board.  
22 We tried to take in as many factors as possible, and  
23 we feel that this is the fairest way to do it and that  
24 just as the fuel surcharge seems to stay or not stay  
25 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

1 and eTS and all of the other e-tools; they need to  
2 have this notice. Did I answer it?

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

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

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

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

25 Let me tell you, whether you hedge fuel or



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

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

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

24 MS. SMITH: To your point that depending on  
25 what the carrier's particular business practice is,

1 the wish for what is weighted and the evaluation  
2 factor seems to vary, and that is a reflection of the  
3 differences amongst the carriers. Again, as far as  
4 we're concerned, our goal is to be fair and to provide  
5 our customer agencies with the services that they need  
6 while also balancing and making this a win-win  
7 situation for all parties involved. Now, is everybody  
8 always happy? No. We can't make everybody happy, so  
9 we try to get as much as possible to meet all needs,  
10 particularly for our customer agencies.

11 MS. CARLOCK: I have a question.

12 MS. SMITH: Yes?

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

21 MS. SMITH: If, let's say, take DCA to LGA  
22 LaGuardia. If a carrier puts in a fuel surcharge,  
23 let's say they have a YCA and an MCA, (a \_CA that's in  
24 the M class), if they impose a fuel surcharge only on  
25 their M fares commercially, all of the fares that are

1 in that M bucket, then it would apply only to the MCA  
2 fare.

3           Another example, same route: If they  
4 applied a fuel surcharge on a fare -because it doesn't  
5 have to apply a fuel surcharge on all fares all the  
6 time -- sometimes it does, sometimes doesn't -- the  
7 next is by type of fare within a market, so we've made  
8 that distinction. If it applies to their full coach  
9 and all of the fares that are in that Y bucket, then  
10 it would apply to the YCA.

11           We're asking for the 14-day notification so  
12 that we can then let you know, and we would be putting  
13 it on our Web site so that our customers can access it  
14 and see, " oh, on this route, there is a fuel surcharge  
15 that was assessed starting this date". Also, it's  
16 important for our audits division so that they know  
17 when a fuel surcharge was imposed. If you're going to  
18 have your contract-awarded fare, it might look  
19 different because at a certain point the fuel  
20 surcharge was assessed.

21           MS. CARLOCK: How do you determine if that  
22 amount is a reasonable amount?

23           MS. SMITH: This is going to be commercial  
24 practice. Again, the competitive forces are going to  
25 control that, what the amount is going to be, what

1 fares are going to bear it, what markets are going to  
2 bear it. We're not dictating that, and we feel that  
3 that's in the government's best interest because,  
4 again, we have competitive forces at work here. We  
5 know when we read the papers that fuel surcharges are  
6 imposed, and then they are removed the next day  
7 because the competitive forces wouldn't bear that.

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

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

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

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

25           MS. SMITH: The contract fare is the

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

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

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

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

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

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

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

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

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

24           MS. SMITH: Well, to your point, at this  
25 point, we've worked on the policy side of it and the

1 contractual side of it, and then the next step is the  
2 implementation side of it as far as the technical side  
3 of it.

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

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

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

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

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

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

11 MR. BENNETT: Jem Bennett, Delta Air Lines.  
12 One thing that was kind of brought up in that  
13 conversation that I heard an undertone was that we  
14 want to make sure that when this is put in place, and  
15 if hypothetically a fuel surcharge is put into,  
16 whether it's the GDS or any of the government systems,  
17 that there is not -- we're asking your support, I  
18 guess, that someone doesn't use this as an excuse to  
19 go outside the contract.

20 In other words, it's still the contract  
21 fare, still the YCA or the QCA. In other words, if  
22 some carrier implemented \$10, and suddenly somebody  
23 else with a DG looks like they are a little bit less  
24 than \$10, obviously \$10 less because they chose not to  
25 match that, but suddenly they don't use that as their



1 reasoning behind, you know, I can take a noncontract  
2 carrier.

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

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

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

25 MS. SMITH: It would be applied at the time

1 that he is ticketed.

2 MR. CIRILLO: So it only applies to the  
3 ticket. So whether he is traveling 21 days out, and  
4 this has only been in for seven days, he doesn't get  
5 charged. Is that correct?

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

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

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

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

19 MS. SMITH: Okay.

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

22 MS. SMITH: Okay.

23 MR. CIRILLO: -- so we're within that 14  
24 days. We don't know if it's going to go 14 days, but  
25 we have to anticipate that it is. If it's a

1 commercial customer, the fuel surcharge has been in  
2 place for seven days, if they book 21 days out, they  
3 are going to get charged a fuel surcharge. So what  
4 you're saying is the government employee is not going  
5 to be charged because the day of ticketing we're still  
6 at seven days rather than 14 days, even though he is  
7 traveling 21 days later. Is that what you're saying?

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

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

12 (Multiple conversations.)

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

15 MS. SMITH: Okay. All right.

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

18 MS. SMITH: Yes, ma'am?

19 MS. BRAZIER: I'm Donna Brazier. I'm  
20 concerned about the comment about not using the fuel  
21 surcharge as an exception. Now, you're sending out a  
22 flier that was handed to me by my top administrator at  
23 AID, and finding the cheaper fare that is available to  
24 the general public at a price that the contract  
25 carrier had its bid to you is a valid exception to

1 using the government's negotiated contract price under  
2 the City Pair program.

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

10           MS. SMITH: Please let me clarify.

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

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

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

23           MS. BRAZIER: Right. I understand.

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

1 contract fare.

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

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

17 MS. BRAZIER: Okay.

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

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

24 MR. BLEMLY: A commercial fare, right. I  
25 heard that.

1 MS. SMITH: I just clarified that.

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

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

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

15 What happens is that we make an award. Let's  
16 take DCA to LaGuardia again. We make an award to  
17 Carrier A. Now, how do we get the fares that we get,  
18 the discount, is because we promise all of that  
19 government business -- right? -- to that carrier.  
20 Therefore, it is mandatory. What happens is that all  
21 of the other carriers want a piece of the action and  
22 put in a matching fare, unfortunately, confusing the  
23 public by calling it a government fare or a government  
24 discount fare or a DG fare or a me-too fare. That's  
25 what they are, matching fares.

1           Now, those are not available to the general  
2 public. They are only available to the government  
3 traveler. That's why we're saying let's say a  
4 competitor who is a contract carrier and has the \$5  
5 fuel surcharge imposed on the contract fare, and it's  
6 been there for two days and all of that, but the  
7 competitor undercuts that and puts in a fare that's  
8 \$10 less, whatever. That fare is completely at the  
9 control of the carrier. It can come and go; it can  
10 change, et cetera. We have no control over it.

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

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

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

24           MR. BLEMLY: A follow-on to that, which  
25 comes clearly in the contract right after that, is

1 that there is still an obligation to use the contract  
2 carrier if that situation exists. In other words, if  
3 the fare is offered to the general public, and it's  
4 matched by the contract carrier in that market, you're  
5 still obligated to use the contract carrier, and if  
6 you do that, of course, the surcharge still applies.

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

13 MR. CLIFFORD: Denny Clifford, Northwest.  
14 Linda, just a clarification. When you were explaining  
15 to Andrea MCA and the bucketing issue, it's not done  
16 exactly that way, and I don't want you all to think --  
17 it's not necessarily done by buckets. We have some  
18 language in our letter to you, but it's just a bit  
19 broader explanation to cover that situation. If  
20 you're expecting an MCA to convert to an M commercial  
21 fare, it's not necessarily done that way, and each  
22 airline may be a little bit different, but it's not  
23 done that way in all cases.

24 MS. SMITH: Well, we basically said to the  
25 corresponding fare --



1           MR. CLIFFORD: --imposed commercially to all  
2 customers in the booking inventory, there are buckets  
3 corresponding to the YCA or YCB. Well, it doesn't  
4 work that way exactly.

5           MS. SMITH: It does not?

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

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

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

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

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

21           MS. SMITH: Well, that would cover that.

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

1 out of it, you're probably okay.

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

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

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

13 MR. CLIFFORD: Kick the bucket.

14 (Laughter.)

15 MS. SMITH: Okay. Yes?

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

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

24 MR. IVESTER: Which means there would be  
25 zero fuel surcharge? In other words, what I'm going

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

1 buy your ticket determines what the fare is going to  
2 be, what the fees are.

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

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

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

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

20 This is what I was referring to earlier. If  
21 the fares are right, and the rules are right, et  
22 cetera, that helps with the compliance right up front.  
23 These are some of the things that will be looked at,  
24 obviously the display and the promoting of fares and  
25 minimum service requirements, fuel surcharges. One

1 thing we forgot to add there, we have also code shares  
2 in this, restriction of routes, so you'll see that in  
3 the final rfp. As I said, those are some of the  
4 factors that will be looked at. Yes?

5 MR. CLIFFORD: Denny Clifford. Northwest.  
6 Can I go back to paragraph A-1, please, where it talks  
7 about the contract fares?

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

10 MR. CLIFFORD: Oh, I thought you were done.  
11 I'm sorry.

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

21 What's the question on A, Denny?

22 MR. CLIFFORD: Okay. When you start talking  
23 about the contract fare, the second line there, where  
24 Audit is comparing the commercial coach fare versus  
25 the contract fare, you are talking about only the YCA

1 fare, not the blank CA fare. Right?

2 MS. SMITH: Yes.

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

5 MS. SMITH: Let me think this through.

6 We'll look at it. Okay?

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

10 (Whereupon, a short recess was taken.)

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

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

25 The next change that we had was in Section

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

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

13 MR. LEE: That is true, yes.

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

20 MS. SMITH: This was always in there.  
21 Actually, we took it out inadvertently when we took  
22 out the other group cancellation - moving to  
23 commercial practice. We're just putting it back in  
24 there for those times where there is not agreement on  
25 what is a group and what is not a group, and the

1 contracting officer- such as if it's a group of people  
2 that are going down to the National Travel Forum,  
3 that's not a group, and the contract carrier and the  
4 TMC cannot come to agreement as to "is this a group or  
5 not". At that point, we would contact the GSA  
6 contracting officer, and the CO would make a  
7 determination.

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

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

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

22 MS. SMITH: We are not. We are booking  
23 individually. We're not traveling as a group. We  
24 don't have to travel as a group for group integrity.  
25 That's the key point, and this is always been. We



1 haven't changed that, have we? This has always been.  
2 This is not new. We can provide you with some  
3 examples. We used to have them in the executive  
4 summary. At industry request and because we felt that  
5 you understood it, we removed it, but we can provide  
6 you with examples. Okay?

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

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

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

21 MS. SMITH: The system is set up to handle  
22 groups, and I believe you are, but if not, then we can  
23 work on that. eTS also. So we can work on that.  
24 That's why it says "system" because depending on what  
25 you're using, whether you're going through a TMC

1 directly or using an online booking type of thing.

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

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

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

11 MS. SMITH: Right.

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

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

18 MR. BENNETT: Defining that particular group  
19 or not.

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

25 MR. BLEMLY: You are going to clarify that.

1 Correct?

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

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

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

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

23 MR. LEE: But there is no reason for group  
24 integrity. They would not need to be there as a  
25 group, such as for transportation purposes, so it's

1 not a group.

2 MS. SMITH: It hasn't changed. It hasn't  
3 changed in years now. It hasn't changed.

4 MR. LEE: Craig?

5 MR. BLEMLY: Craig Blemly with United  
6 Airlines. Our intent in having group policies is to  
7 keep us from losing money, and we appreciate the  
8 changes that have occurred over the last few years.

9 One issue that's really not addressed by  
10 this group that we brought up in our meetings were  
11 extraordinary movements such as conventions, meetings.  
12 As we experienced last year, there was a pull down of  
13 the whole operation where 5,000 individuals were  
14 moving out of the Hawaiian Islands back to the U.S. at  
15 the peak of our travel period. Our concern is that we  
16 don't know about these things in advance, some, again,  
17 conventions, where an entity may take up a significant  
18 portion of our aircraft and cause us to lose money.

19 A case in point that initially was brought  
20 up was an express partner where there was a meeting,  
21 nonaffinity-type travelers, and they overbooked the  
22 whole aircraft. It only holds 100 passengers in this  
23 scenario, booked to 120 passengers at the government  
24 rate, which would automatically cause us to lose  
25 money. We need some types of protections built into

1 the system to advise us and put some type of controls  
2 on the system to prevent that from happening.

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

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

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

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

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

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

19 MR. IVESTER: Just one other issue that  
20 we've run into on occasion where smaller markets where  
21 they have smaller aircraft, particularly like, again,  
22 a regional jet type of thing where we'll see sometimes  
23 the hidden group concept where military will, and I'm  
24 not singling them out, but they will book three  
25 passengers here, four passengers here, six passengers

1 there. It turns out to be there is truly a group of  
2 individuals moving from one place to another, but they  
3 have booked them in such individual patterns that they  
4 don't establish it as a group.

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

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

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

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

25           MR. IVESTER: That's more of, again, a

1 compliance thing and a courtesy thing.

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

4 A PARTICIPANT: That's been ongoing.

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

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

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

1 MR. CLIFFORD: Denny Clifford, Northwest.  
2 Only on the contract carriers, you're saying that.  
3 Right? You can break the fare only if from Point A to  
4 Point C there is not a YCA --

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

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

11 MR. LEE: Yes.

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

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

21 MS. SMITH: It's always been that way,  
22 Denny. Origin-destination. Right? That's how we're  
23 doing everything.

24 MR. CLIFFORD: Washington-LAX.

25 MS. SMITH: If we didn't award Washington-



1 LAX, then the traveler can find the best fare that  
2 meets, the best schedule that meets their needs, and  
3 it's always been that way.

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

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

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

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

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

20 MR. BLEMLY: Another scenario. Let's say  
21 the interchange point that's chosen is Detroit, and  
22 Northwest does have a contractor to Detroit and a  
23 contractor from Detroit to Los Angeles. You're not  
24 saying that at that to and from that interchange point  
25 that a noncontract carrier can be used, are you?

1 MS. SMITH: If there is no contract fare --

2 MR. BLEMLY: The real routing, okay, if  
3 there is a contract between Washington and Los  
4 Angeles, the contract carrier has to be used.

5 MS. SMITH: Right.

6 MR. BLEMLY: If there is none, --

7 MS. SMITH: You can go through Detroit, you  
8 can go through Dallas, you can go through Chicago, or  
9 you can go through Denver.

10 MR. BLEMLY: The carrier is free to choose  
11 an interchange point. This will all have to connect  
12 somewhere. Right?

13 MS. SMITH: What are you saying?

14 MR. BLEMLY: Detroit as the new connecting  
15 point. In other words, our orders are then written to  
16 Detroit and then on to Los Angeles. Right?

17 MR. CLIFFORD: No.

18 MS. SMITH: It's origin-destination. If  
19 there is a contract fare -- this is not complicated --  
20 if there is a contract fare, origin-destination, IAD-  
21 LAX, DCA-LAX, BWI-LAX, if there is a contract carrier,  
22 the traveler must use the contract carrier. If there  
23 is no contract award on that market, the traveler can  
24 find the best fare that meets their needs. That's  
25 been from Day One. There is no contract then.

1           Now, if it's a combination of contract  
2 fares, if that's the best alternative, fine, you can  
3 combine them. If it's a combination of the contract  
4 fare and the DG fare, and that's the best alternative,  
5 fine. You can use it. If a restricted commercial fare  
6 with a penalty is the best alternative, they can use  
7 that. It's up to the traveler and the TMC and the  
8 tools that they are using to come up with the best  
9 schedule.

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

11           MS. SMITH: Yes.

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

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

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

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

25           MR. CLIFFORD: Was it LAX to Naha or

1 something? The audit department was making up this  
2 Japanese fare between Tokyo and Naha. That's how  
3 abusive it's been.

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

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

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

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

23 MS. SCOTT: Any time the airlines would like  
24 to come in, all you have to do is call in, Area Code  
25 202 501-3000. You ask for an appointment, and we will

1 gladly meet with you as individuals or as a group.

2 MS. SMITH: Have you got the phone number?

3 MS. SCOTT: Area Code 202 501-3000.

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

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

7 MS. SMITH: Okay.

8 MR. LEE: I thought I had the easy part.  
9 Okay. The next that we have are B-32 and B-34. I'll  
10 lump these two together because they deal with the  
11 same issue, and this deals with the previous issue  
12 where a connect minimum market and a nonstop carrier  
13 had award, and the award was based on the nonstop  
14 service. Now we are requiring the carrier to verify  
15 that service at contract award and modifications, so  
16 B-32 and 34 have been updated accordingly. Denny?

17 MR. CLIFFORD: Isn't that redundant, Gene?  
18 B-32, I'm looking at. You're saying, "And contract  
19 carriers shall confirm in writing that they continue  
20 to at least meet the minimum requirement," and then  
21 the next sentence you're saying, "for the nonstop  
22 service." Isn't that saying the same thing? Why is  
23 that added? I don't understand. The italicized  
24 portion.

25 MR. LEE: The first sentence, this is

1 dealing with where the connect is minimum, and the  
2 award was based on connect. The second sentence is  
3 dealing with the minimum was connect, and the award  
4 was based on nonstop.

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

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

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

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

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

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

25 MR. BENNETT: Jem Bennett, Delta Air Lines.

1 I think what he is trying to say is that when that  
2 award is given to us, it's a connect market. We were  
3 awarded it based on the fact that it was nonstop  
4 service. I don't know what the fare differential is  
5 between the two offerors because this kind of goes  
6 back to part of my example that I was trying to get  
7 the clarification on.

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

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

1 the outcome of your algorithm.

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

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

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

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

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

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

24 MR. CLIFFORD: There could be two or three  
25 carriers.



1 MS. SMITH: There could be other factors. We  
2 would like to be notified. I think that's fair.  
3 That's very fair, you know. We would like to be  
4 notified when the service is changed. We're not  
5 getting nonstop anymore. That's fair.

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

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

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

25 MR. BENNETT: I understand.

1           MR. LEE: The Government will re-evaluate  
2 and we MAY (emphasis) re-award.

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

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

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

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

14          MR. BENNETT: I'm pretty much --

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

17          MR. LEE: Okay. Sounds good. Okay.

18          The next that we had --

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

1 where that carrier has to pull those fares out of that  
2 market.

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

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

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

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

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

24           MS. SMITH: Trust me. We're looking at it.  
25 We're addressing it, I think, in the best way. There

1 is a third party doing it, and as we went over the  
2 fare audit section, there are consequences, and --

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

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

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

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

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

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

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

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

24 MR. LEE: We get it out as quickly as we  
25 can.

1           MS. SMITH: We do. We're trying to make  
2 this process even better, and I can tell you that  
3 we've made this investment, and this is what we're  
4 doing.

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

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

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

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

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

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

24          MR. CLIFFORD: Okay. But you've already  
25 made the conversion.

1 MR. LEE: Yes.

2 MS. SMITH: This is the proposed.

3 MR. CLIFFORD: This is a done deal.

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

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

10 MR. LEE: That's our intent.

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

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

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

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

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

22 MS. SMITH: Based on our business case  
23 analysis, and that's why it's in here. Nothing here  
24 is finalized until the final comes out, is what he is  
25 trying to say.

1           MR. CLIFFORD: Okay. I commend you all on  
2 making that change, and thank you -- it really was in  
3 the last partnership meeting that that was identified  
4 that there was a firm-fixed-price contract as opposed  
5 to a fixed-price contract.

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

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

18           MR. LEE: Okay. The next change was in  
19 Section C-9, and this was really intended to address  
20 the following situation. What if we have a hurricane,  
21 and FEMA or the Department of Homeland Security needs  
22 a market that was not previously solicited or  
23 previously awarded? In those cases, we reserve the  
24 right, according to this clause now, to go back out  
25 and resolicit for that market, and that's that.

1           MR. CLIFFORD: As long as this doesn't creep  
2 into something that all of a sudden you've got 150  
3 markets that you want to issue that somebody forgot  
4 about or that you dreamed up or whatever, we don't  
5 want to go back into another bid process.

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

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

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

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

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

22          MS. SMITH: Again, the program here is to  
23 address our customer needs, and that's our  
24 responsibility, and we understand what's involved in  
25 making the offers. We are evaluating the language,



1 and the idea is that this could be used minimally, but  
2 we would like to have that there, so that it's clear.  
3 You will have the language, so you're not saying, "Oh,  
4 my goodness, what a surprise." It's not a surprise.  
5 We said that this would happen from time to time. And  
6 that does happen up front, and we all know that, but  
7 it's not the intent to come out and have a whole new  
8 solicitation; otherwise, we would do that. That's not  
9 the intent. The intent is to address those times when  
10 something comes up that needs to be addressed for our  
11 customer. That's the idea.

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

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

19 MS. BRAZIER: Is it every month?

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

1 have a partnership meeting.

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

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

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

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

25 MR. BLEMLY: Craig Blemly. This really goes

1 along with, in a way, what we talked about earlier,  
2 which is extraordinary movements, extraordinary needs,  
3 and I think some consideration should be given to the  
4 example that I brought up earlier, which was a  
5 significant need to reposition and redeploy a  
6 significant number of individuals, and the Patriot  
7 Express pull-down is another issue. The pull-down,  
8 unanticipated earlier in the year; that city pair  
9 carrier -- can't sustain the service. So maybe there  
10 is some combination with that, a notification process  
11 or possibly a special-handling process.

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

24 MR. LEE: And by the way, now entering the  
25 room, I would like to introduce to you our new

1 assistant commissioner for travel, Mr. Barney  
2 Brasseux.

3 (Applause.)

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

13 MR. LEE: Okay. The next that we have is C-  
14 13, which is the economic price adjustment clause that  
15 we had alluded to early on. It's basically there for  
16 your reading, and, again, the economic price  
17 adjustment is only limited to the fuel surcharge --  
18 only. We want to make that very, very clear. And  
19 that concludes my section, unless there are any  
20 questions.

21 MR. IVESTER: If I could bring up on the  
22 fuel surcharge, the option of zeroing out those days  
23 and allowing the carriers to go ahead and start  
24 issuing tickets with the fuel surcharge in them, and  
25 if, for some reason, they decide to not adhere to it

1 and give up on it, then it would fall on the carrier  
2 to refund that fuel surcharge, and as your backup, you  
3 have an extremely good audit department right here to  
4 catch it, and I think that would definitely be better  
5 for everyone in that respect, especially the TMCs,  
6 too, so that we're not out there trying to issue  
7 tickets well in advance.

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

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

16 MR. LEE: We will look into that.

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

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

24 MS. SMITH: Now, look. You've got fuel  
25 surcharge, Denny.

1 MR. CLIFFORD: I knew you guys were going to  
2 milk fuel surcharges all day long.

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

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

9 MR. ELLIS: Good morning, ladies and  
10 gentlemen. I'm going to address Section D, most  
11 especially Sections D-7 and D-8 regarding the  
12 composite rates. A change for this year from last  
13 year is that we've gone back to the weighting of the  
14 75/25, 75 percent weighted on the capacity control  
15 fare and 25 percent weighted on the YCA fare. This is  
16 for Group 1, domestic. On the international, both  
17 Group 1 and Group 2. The split is remaining at 66 and  
18 34 for the weighting factor.

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

24 MR. CLIFFORD: Jerry, a small point, but can  
25 you clarify? This only talks about rounding up.

1           MR. ELLIS: Thank you, Denny. In our  
2 meeting yesterday, we brought up the same issue, and  
3 the proper term should be "round off" rather than  
4 "round up," round off to the nearest whole dollar.

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

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

23           Okay. So we're looking at all components of  
24 your response for not looking at the fares in the GDS  
25 systems.

1           Another part that was changed was on the  
2 airport and the city codes. There were a couple of  
3 minor changes. The first one is Detroit. We used to  
4 have DTT as the city code and DTW as the airport code  
5 for domestic and international. We recognize that  
6 DTT, there is no airport there, and it's both  
7 international and domestic, so DTW will be recognized  
8 as both the airport code and the city code.

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

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

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

23           Okay. Another change under number two down  
24 further, the seat volume in Group 1, and, again, Linda  
25 alluded a little bit to this earlier, but I'm just



1 going to reiterate that a change from last year --  
2 last year said in Group 1 markets A, B, and C,  
3 additional value may be given to the number of seats  
4 available are the seats that you've offered in a  
5 particular marketplace.

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

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

23           So you've got four different ways that  
24 you're going to attack this so-called capacity issue  
25 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.

1 MR. CLIFFORD: What other sources are you  
2 looking at? How do you know how our 747's or 757's  
3 are configured? You could do it a dozen different  
4 ways.

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

9 MR. CLIFFORD: It's downsized.

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

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

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

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

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

25 MR. CLIFFORD: No. I said 757's, and that's

1 local. That's North America.

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

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

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

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

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

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

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

25 MS. SMITH: It's the size of the aircraft,

1 Denny. If you're comparing --

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

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

6 MR. CLIFFORD: Are you talking about CRJs?  
7 Is that the deal?

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

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

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

23 MR. ELLIS: Okay. I'm going to go on to  
24 Attachment No. 1 now. Now, just to let you know,  
25 please pay attention to your proposal checklist. All

1 offerors shall submit two printed copies of the  
2 completed proposal checklist. This is basically in  
3 paper. Make sure that you look at each one of these,  
4 and make sure you submit each one. The Standard Form  
5 1449 must be submitted and signed. Please pay  
6 attention to the completed small business  
7 subcontracting plan. It must be submitted and  
8 accepted by SBA before we can make an award to an  
9 individual carrier.

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

14           Now, one other thing that I must draw your  
15 attention to: As of January 1, 2005, the Federal  
16 Acquisition Regulations require prospective  
17 contractors to complete electronic annual  
18 representations and certifications, and there is the  
19 Web site listed for you at <http://orca.bpn.gov>, in  
20 conjunction with the required registration in the  
21 central contractor registration, the CCR data base.

22           Additionally, prospective contractors shall  
23 update representation certifications, reps and certs,  
24 if you will, submitted to ORCA as necessary, but at  
25 least annually to ensure that they are kept current,

1 accurate, and complete. The representation and  
2 certifications are effective until one year from the  
3 date of submission of our update to ORCA, and, again,  
4 here are your two Web sites for the CCR and ORCA, and  
5 their URLs: <http://www.ccr.gov> for the CCR and,  
6 again, the ORCA site.

7 Do you have any questions on that? Okay.  
8 Basically, that concludes my portion, and we thank you  
9 very much.

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

12 MR. ELLIS: We're not?

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

20 COPS is the City Pair Offer Preparatory  
21 System by which the carriers submit their technical  
22 proposals and price proposals to GSA, for those of you  
23 who are not familiar with COPS.

24 The changes that we are making to COPS is  
25 that we are including an e-mail notification to the

1 contract carriers once you have submitted your  
2 original bids and final proposal revisions. It will  
3 only tell you how many markets have been successfully  
4 loaded, and it will tell you that there may be errors,  
5 and it's still your responsibility to log into COPS  
6 and deal with the errors. So please keep in mind that  
7 it is the responsibility of carriers to verify that  
8 your proposals are properly submitted, but we are  
9 giving this to you as a courtesy to let you know how  
10 many markets were successfully uploaded.

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

18 If we made a change, for example, from a  
19 Group 1 bid to a BAFO, whatever it is, if we've made  
20 some type of change, and that change is not  
21 recognized, by chance, we need to be able to look at  
22 the bid at the very end, the last one, and see what we  
23 put in there was, in fact, received by you. I'm  
24 willing to come back up for training, if I have to do  
25 that or whatever, but I wanted to bring that up.



1           MR. LEE: We are looking into conducting  
2 training sessions. As always, we will have the first  
3 few days of COPS opening as a test session, if you  
4 will. The carriers are always welcome to upload stuff  
5 and see if it sticks, and then once we purge the  
6 system for the official bids, that will be your  
7 opportunity to get in.

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

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

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

1 correct. Denny?

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

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

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

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

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

23 Any other questions about COPS? Okay.

24 A PARTICIPANT: Gene, did you say you will  
25 be putting out the markets soon?

1           MR. LEE: Yes. As Linda had alluded  
2 earlier, we expect them to be out by the end of this  
3 month, if not earlier. We apologize for the delay.  
4 That was my next point, by the way. But again, as  
5 Linda has said, we are in the process of validating  
6 our numbers because we want to be sure that we have  
7 the proper number for our customers and also for our  
8 carriers. We apologize for that, but you will have  
9 the market no later than the end of this month.

10           MR. CLIFFORD: Have you all looked into that  
11 '06 problem?

12           MS. SMITH: Yes. We're working with '07.  
13 You bring it (FY06) up a year later. We're working  
14 with what we can with '07, and I just have to say that  
15 the best data that we can get, even though we're going  
16 to another source now, is always going to be ticketed  
17 information. You have the best data, the flown  
18 information.

19           Now, we'll be happy to accept that  
20 information from you. That would be the best data.  
21 With the data sources that are available to us, flown  
22 is going to be unavailable-- so we will always use  
23 ticketed. So you always have to keep that in mind,  
24 but we are making the extra effort to get another  
25 source to validate the current sources available to

1 us, that's our best resource.

2 MR. CLIFFORD: What's your other sources  
3 you're going to use now?

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

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

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

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

19 Okay. In Attachment No. 6, we're dealing  
20 with the subcontracting plan. We have the new e-tool  
21 known as eSRS. I want to remind you that that is not  
22 a replacement for a subcontracting plan. The SF  
23 294/295 are the contracting reporting systems, so,  
24 therefore, you can upload those using the e-tool.  
25 However, you still must file a subcontracting plan in

1 paper format before an award can be made. That's what  
2 we encourage, that you have that in place with us on  
3 file. With that I turn it back to our Acting Branch  
4 Chief.

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

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

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

24 MR. CLIFFORD: Let me follow up and ask this  
25 question. Why should a government or military

1 passenger be treated any differently in terms of a lot  
2 of our fare rules and our procedures and penalties and  
3 whatnot than any other commercial traveler?

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

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

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

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

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

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

24 MS. SMITH: No. I really don't know. Again,  
25 we would ask for information like we did, input from

1 the carriers, specific information. How do you deal  
2 with your corporate accounts, et cetera? You know,  
3 we're on timelines, too, on that. It depends on how  
4 soon we get the data. We work as fast as we can when  
5 we have it, but we're also on deadlines. And our  
6 first priority, obviously, now is that we have this  
7 procurement going. We want to start the discussion.

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

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

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

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

23 MS. SMITH: And those that are not here.

24 MR. CLIFFORD: Those that are not here, we  
25 don't care about. Right? Just kidding.

1           The issues have to be basically wrapped up  
2 and sent through senior management at the GSA in  
3 sufficient time for the final, which means you would  
4 need all of that information by when?

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

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

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

24           MS. SMITH: We asked last year in the one-  
25 on-ones, "what were the topics that were of the



1 greatest importance to you?" Fuel surcharge was, by  
2 far, the winner. We've focused on that, and we've  
3 focused hard on that. We did a lot of work on that.  
4 We got fuel surcharge. Now, as I say, we're open.  
5 We're going to start this discussion, but I'm not  
6 going to say it's going to be done in a week because  
7 that's not realistic to get everybody's input. I  
8 think everybody could agree on that.

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

10 MS. SMITH: Okay.

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

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

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

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

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

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

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

1 with separately.

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

16           MS. SMITH: Okay. Fair enough. Jerry?

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

20           MS. SMITH: Speak up.

21           MR. BRISTOW: My money is not allocated  
22 until a week prior to my travel and if you impose a  
23 ticketing time limit on our tickets we don't have the  
24 money yet. It's not appropriated yet. It's not  
25 allocated yet. That's where we're having a problem.

1 It's a change for us but also a significant policy  
2 change as well. It's not just a matter of, yes, let's  
3 go ahead and accept the ticketing limit change we  
4 understand your ticketing problem, but we also have  
5 constraints on how we purchase tickets.

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

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

23 MR. CLIFFORD: Fuel surcharge was a huge  
24 issue, but right behind it or equal to it, we've never  
25 made this issue subservient to anything. All of my

1 colleagues can chime in here whatever they want to  
2 say, but this is a big deal for us.

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

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

19 MR. CLIFFORD: We're saying they can book  
20 early. We just want them to ticket or apply it early.  
21 That's what we're saying. They can travel in a month.  
22 It's purchasing the ticket, walking in the seat,  
23 committing to the seat. That's the problem. When  
24 they don't commit to the seat, when they keep that  
25 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

1 very patient.

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

11 (Multiple conversations.)

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

21 So I need to hear from the airlines, how do  
22 we handle that particular issue when we're paying  
23 TMCs, you know, extra money to make the change because  
24 we booked it out three months before and paid for it,  
25 and now that mission goes away? So that's our side.

1           MR. COLLINS: In the original discussion,  
2 Denny talked about why the same? The same  
3 restrictions --

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

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

21           So there are some things that we need to  
22 work with here in order to understand the need, some  
23 of your requirements. We're sensitive to them, and I  
24 think we understand them. So here is some of the  
25 government's side and its problems.



1 MS. BRAZIER: You get the contract, and  
2 you're providing a service, but, you know, there is a  
3 benefit. What bothers me is that we're sitting here.  
4 I'm the customer, and I'm not getting everything I  
5 want either. I had to sit here and listen to a  
6 discussion about, you know, that you didn't even like  
7 that we're not choosing contract carriers when you  
8 don't have a contract -- prior to destination. You're  
9 all up in arms about that. You wanted us to beef up  
10 contract carriers to Detroit that are getting to Los  
11 Angeles, and then you want me to go that way. So  
12 you're not looking at what's good for me.

13 What I don't like is that you all -- okay,  
14 you've raised an issue, and we should discuss them,  
15 okay, but don't think I'm going to get everything that  
16 you have. I'm not getting everything that I want  
17 either.

18 MR. CLIFFORD: Do you think we do?

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

20 MS. SMITH: All right.

21 MS. BRAZIER: Let me say this. When I do my  
22 analysis, okay, which is what I'm doing, and I am a  
23 financial person, when I get on there, and I've done  
24 some analysis, what I'm doing is, you know, these  
25 fares -- we're looking more at restrictive fares. I

1 understand restrictive fares. I understand, but  
2 that's what I'm looking at because you all aren't  
3 meeting our needs. You know, it's costing us that  
4 some of these things that you're offering I really  
5 don't need. Costs.

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

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

18 MS. SMITH: Well, we're doing, as I said, a  
19 lot of steps. We may not always work as fast as you  
20 want, but we're certainly moving with the fare audits  
21 as the first step towards that goal, and the DTS and  
22 the ETS tools coming on. There's a lot going on,  
23 Denny, and the goal is to make the compliance better  
24 all the way around for all of the carriers involved  
25 and participating.

1 I think we've stated what everybody's  
2 interests are, and as I said, this is the start of the  
3 conversation, and it needs to go on more one on one,  
4 and with the customer agencies one on one, from that  
5 point, and then we can proceed. Jerry?

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

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

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

22 A PARTICIPANT: That's correct.

23 MR. ELLIS: To reiterate what Jerry Bristow  
24 said is that we're all going to this national  
25 conference in Los Angeles in June. We take Denny's

1 scenario. We have to purchase that ticket within 48  
2 hours. I would make reservations possibly next week.  
3 I have a ticket within 48 hours, so February to June,  
4 I'm going to get billed by my credit card company, and  
5 that comes out of pocket because I'm not going to be  
6 reimbursed for my travel until post-audit.

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

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

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

25 From our standpoint -- you have to look at

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

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

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

22           So I think what we need to look at is how do  
23 we change the government's rulings on this so that  
24 they can accept the fact that if you're doing  
25 something like this, you might have to buy it in

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

1 to come out to my supervisor, and I'm going to have to  
2 explain why I haven't done this. There are only  
3 certain things that we can do. We have to pay for the  
4 ticket. If you can't pay for the ticket, -- because  
5 you have to get reimbursed. Then again if you don't  
6 pay for a ticket, then you become counseled by one of  
7 our supervisors because now we have an outstanding  
8 debt.

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

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

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

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

19 MR. CLIFFORD: And we recognize that there  
20 are multiple parts, Linda. There's a lot of issues  
21 here, sure, and you've got to listen to that, and  
22 we've got to tell you, though, and everybody else  
23 does, too, I'm saying, let's get out of the dock and  
24 let's do it. If it requires -- next week or us coming  
25 up for meetings or whatever, let's do it.

1 MS. SMITH: You let us know. Contact us.  
2 Tell us when you want to meet, and just let us know.  
3 I've said that.

4 MR. CLIFFORD: These are issues related to  
5 ticketing time limit, but the penalties for  
6 cancellations and rebookings and all that kind of  
7 stuff; that doesn't fall into quite the same category  
8 of these financial problems in terms of time and all  
9 that kind of stuff. You've got to air those out.

10 MS. SMITH: As I said, we're open. Contact  
11 us. We'll set up a meeting. Yes, ma'am?

12 A PARTICIPANT: I'm hearing partly that,  
13 okay, we just want you to buy the ticket. It's  
14 completely refundable, but I think the other side of  
15 that story is that you do want to start imposing  
16 penalties.

17 MR. CIRILLO: No, I don't.

18 (Multiple conversations.)

19 A PARTICIPANT: I thought the unrestricted  
20 fares meant no penalties. That's a big change now if  
21 you're going to say, well --

22 MR. CLIFFORD: That's exactly what I'm  
23 saying.

24 A PARTICIPANT: -- to start buying the  
25 ticket. If I don't pay, don't -- early, you've got to



1 purchase within a certain amount, and then, yeah, now  
2 we're going to change it. You're going to start  
3 getting penalties. I can go out there and get me  
4 another -- I have to say this. I understand what  
5 you've said, but there is a belief from some of your  
6 customers on the government side that the city pairs  
7 are a little bit lagging behind the reality of what's  
8 going out there in the air industry on the Internet,  
9 and some of these are not even restricted fares. Okay?  
10 I can get a lower commercial fare, and it's not even  
11 restricted. Okay?

12 (Multiple conversations.)

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

24 We know there are a lot of statutory  
25 limitations on what we can and what we cannot do.

1 There are a lot of barriers here. We have a big issue  
2 going on. We're not just talking about looking at  
3 tickets, not taking a trip, delinquencies. There are  
4 a whole lot of factors that come into play here, and  
5 we're not going to solve it today.

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

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

24 So as I said, we're open. Contact us. We  
25 can start setting those meetings up.

1           MR. HOFFMAN: Paul Hoffman, USDA. I think  
2 not only just prioritizing them but finding the extent  
3 of the problem, quantifying it to say, okay, this is  
4 what it's cost us because these are the amount of days  
5 that we've lost or dollars, and that would give us a  
6 better idea because we can do things through policy  
7 and adjusting business roles, but then there's also  
8 regulations that encumber us from what we cannot do.

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

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

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

24          MR. CLIFFORD: Are you willing to take the  
25 Web fares --

1           MR. BLACK: No, not right now, but I'm  
2 saying if they are going to start charging us  
3 penalties, we travel -- we have to go somewhere. If  
4 they make the change tomorrow and say I'm not going to  
5 go, I've got 40 guys flying to Houston that I'm going  
6 to pay a penalty for.

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

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

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

17           MR. CLIFFORD: I just want to stay here.

18           (Laughter.)

19           MS. SMITH: Thank you.

20           MR. LEE: We have an important matter to do.  
21 This is the final award for the naming contest we  
22 started at the last partnership meeting. The agency  
23 requirement market system name was finalized as FARMS,  
24 the Federal Agency Requirement Market System, and the  
25 winner is Ms. Annie Scott. Thank you very much Annie.

1 (Applause.)

2 MS. SMITH: Thank you, everybody. Thank you  
3 for participating.

4 (Whereupon, at 12:25 p.m., the  
5 presolicitation meeting in the above-entitled matter  
6 was concluded.)

7 //

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 Pre-solicitation 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.

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### **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 REDUCATION**

*"...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

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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.