

Approved \_\_\_\_\_

4-2-87

Date

MINUTES OF THE House COMMITTEE ON Appropriations

The meeting was called to order by Bill Buntten at \_\_\_\_\_  
Chairperson

\_\_\_\_\_ a.m./p.m. on Monday, March 30, 1987 in room 514-S of the Capitol.

All members were present except: Representatives Duncan and Chronister - both excused

Committee staff present: Gloria Timmer, Legislative Research  
Diane Duffy, Legislative Research  
Jim Wilson, Revisors Office  
Nadine Young, Committee Secretary  
Sharon Schwartz, Administrative Aide

Conferees appearing before the committee:  
Nick Roach, Director of Purchases for Dept. of Admn.  
Senator Winter  
George Barbee, Ks Lodging Assn & Travel Industry  
Terry Pearson, Ks State Travel, Manhattan, Kansas  
Chris Armstrong, Sunflower Travel Service  
Walt Houk, Maupintour Travel Agency-Lawrence, Ks.  
David Stremming, King Travel  
Guest List (Attachment 1)

Chairman called the meeting to order at 1:35 and turned to final action on HB 2341, concerning charge to counties for juveniles in state youth centers.

This bill was heard in Appropriations Committee on 3-11-87. Representative Fuller, chief sponsor of the bill, reviewed the bill for the committee. It has a fiscal note of \$480,000; however, Representative Fuller is of the opinion that this figure could be reduced to \$300,000 as a result of other computations. This would be a protective measure for those individuals coming into the program and could possibly end up being a positive fiscal note in time to come. Representative Fuller moved that HB 2341 be recommended favorable for passage. Seconded by Representative Heinemann. Motion carried.

INTRODUCTION OF BILLS

Committee was requested to introduce the following bills:

- (1) Governor's Drug Program
- (2) Credentialing of health care personnel - repeals Kansas Act on credentialing.
- (3) Labor and Industry - concerning agricultural employment, abolishing the agricultural labor relations board, transferring power to the Secretary of Human Resources.

Representative Goossen moved that the three bills be introduced. Seconded by Representative Heinemann. Motion carried.

Chairman turned to SB 125, prohibiting contracts to provide travel services for state agencies.

Nick Roach, Division of Purchases, appeared before the committee and explained the background of this program (Attachment 2). SB 125 would rescind existing law.

George Barbee appeared before the committee as a proponent. He asked the committee's support in repealing the present statute which grants contracts for travel services for state employees. (Attachment 3)

Terry Pearson of Kansas State Travel Agency in Manhattan, Kansas also appeared as a proponent (Attachment 4). He feels that current statute allows for establishment of a monopoly and this goes against economic development.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Appropriations,  
room 514-S, Statehouse, at 1:30 ~~xx~~ p.m. on Monday, March 30, 1987

Chris Armstrong of Sunflower Travel in Lawrence, Kansas addressed the committee in support of SB 125. He maintains that with one agency getting all the business provides no incentive for obtaining the lowest fare. (Attachment 5)

Walt Houk of Maupintour testified in support of SB 125 (Attachment 6). He said that other states have had the same program, but they are now taking a different approach.

Senator Winter joined the committee in progress and spoke to the issue. He asked the committee to pass the bill as it was originally written, before the amendment by Senator Gannon.

David Stremming of King Travel opposed the bill (Attachment 7). He defended his position as being the Agency who was awarded the contract for state travel service. With regard to not being under contract allows state employees to check around, Mr. Stremming said he questions whether or not the average state employee is willing or has the time to check around to 3 or 4 agencies for the so called "lowest fare".

Mr. Stremming said that he is for the bill as it is amended, but he opposes the bill as originally written.

No action was taken this date on SB 125.

HB 2310 was not heard today because of lack of time. It will be rescheduled.

Meeting adjourned at 3:15 p.m.



DEPARTMENT OF ADMINISTRATION  
Division of PurchasesMIKE HAYDEN,  
Governor  
NICHOLAS B. ROACH,  
Director of PurchasesLandon State Office Building  
900 Jackson  
Room 102 N  
Topeka, Kansas 66612-1220  
(913) 296-2376M E M O R A N D U M

TO: House Appropriations Committee

FROM: Nicholas B. Roach, Director of Purchases *Nich Roach*

DATE: March 30, 1987

RE: Senate Bill 125

Senate Bill 125, in its original form, would prohibit the renewal of State Contract 27397, as well as prohibit the creation of any travel and travel-related contracts. As amended, annual reports during the term of the contract would be provided to the Legislature by the Secretary of Administration.

Recognizing a potential for savings, if only to the extent of enhancing travel budgets by that savings, the Secretary of Administration urged this office to go about entering into a contract (or contracts) for the provision of Travel Services.

In July, 1986, this office surveyed all of the State Purchasing Offices across the country to get a picture of what others are doing. Fourteen other states have programs similar to that which we now have in place.

On September 26, 1986, we mailed bids to 177 potential bidders. This number was exceptionally high, due to our intent to not exclude any travel agent located in Kansas. Responses were predictably low (9), due to various requirements set forth in the bid, and deemed to be in the best interests of the State of Kansas.

Each bid mailed out included a map, detailing the nine zones we were establishing; estimates on dollars to be spent by zone; and the usual list of contractor responsibilities, which in this contract were unique, and are as follows:

1. Sell tickets at the "lowest available applicable fare."
2. Deliver tickets, itineraries and boarding passes (if applicable), within twenty-four hours of original request.
3. Provide a 24-hour, toll-free number for emergency itinerary changes and emergency services.
4. Provide a toll-free number for agencies to use to make reservations during regular hours of operations.
5. Provide management reports, on a monthly basis, showing what airlines were used, as well as the number of trips, average fare, discount earned, date of travel, routing, and fare.
6. Provide assistance to State personnel to facilitate travel planning and contract management.

A pre-bid conference was held on October 9, 1986, where questions were presented by twenty-eight attendees, and answers provided by the Director of Purchases, Assistant Director, and the State Contracting Officer handling the contract. A Court Reporter transcribed that meeting into a forty-five page document which was compacted into an eight page listing of questions and answers which were distributed to all who received the bids originally, regardless of their attendance at the pre-bid conference.

In addition to the resultant Contract, all agencies were issued Division of Purchases Informational Circular #476, which went into details of use.

The Division of Purchases solicited bids to attempt to establish point-of-presence Travel Contractors for Zones 2, 3, 4, 7, and 8, since the original award was made to bidders with a point-of-presence in an adjacent zone (in accordance with the original bid specifications). Those bids were opened on February 17, 1987, with 5 awardable bids received, out of 104 bids mailed out. No re-award of those zones was made, since no bid was better than those previously awarded, as set forth on page 3.

The following figures point out the anticipated fiscal impact of the Contract, as well as detailing the award:

Senate Governmental Organization Committee  
March 30, 1987  
Page 3

<u>ZONE</u>	<u>KEY CITY</u>	<u>CONTRACTOR</u>	<u>EST. VOLUME</u>	<u>DISC. %</u>	<u>EST. SAVINGS</u>
1	Hays	Waconda	\$ 81,124	3.507	\$ 2,845
2	Dodge City	Waconda	13,159	3.507	461
3	Wichita	Creative	236,022	6.201	14,635
4	Pittsburg	-None-	56,848	-0-	-0-
5	Manhattan	Creative	660,192	6.201	40,938
6	Topeka	King	601,654	5.001	30,088
7	Emporia	Creative	46,499	6.201	2,883
8	Lawrence	King	401,106	5.001	20,059
9	Kansas City	Bryan	129,502	3.126	4,048
TOTALS			\$2,226,106		\$115,957
AVERAGE				5.209%	

NBR:dh

STATEMENT

DATE: March 23, 1987

TO: House Committee on Appropriations

FROM: George Barbee, Executive Director  
KANSAS LODGING ASSOCIATION  
& TRAVEL INDUSTRY ASSOCIATION OF KANSAS

RE: SB-125

Mr. Chairman and members of the committee, my name is George Barbee, President of Barbee & Associates, an association management company. Today I am appearing before you on behalf of the Kansas Lodging Association and the Travel Industry Association of Kansas. Usually, Nick Jordan, the chairman of the TIAK Legislative Committee, presents statements on behalf of TIAK. However, Mr. Jordan had to attend a meeting out of state and was not able to be here today so I have incorporated this statement to represent both organizations.

The membership of the Kansas Lodging Association is made up of approximately 200 hotels and motels. The Travel Industry Association of Kansas is a strong and active group with members being representatives from Chambers of Commerce, Convention & Visitors Bureaus, Hotels, Motels, Attractions, Travel Agents and many others.

Both of the organizations are supporting SB-125, which would prohibit the state from entering into centralized travel services for state employees.

The subject of the state awarding travel contracts to the highest bidder surfaced during the 1985 Legislative Session. That year a Senate bill passed through the Senate virtually unnoticed by the travel industry. But later died in a House committee after we opposed the issue. This should have been a message to the Department of Administration not to pursue the matter further, but not so. The Department decided that statutory authorization was not necessary and went ahead with the program. It is interesting to note that not only did the Legislature not want this program, apparently neither did the travel agencies. Not all of the state zone contracts were awarded, due to the low number of bids received. Those that were awarded went to rather large agencies, because the Kansas Travel Community is comprised of many small travel agencies who could not possibly bid on

and compete for such a system. This system will undoubtedly put many of these small agencies out of business.

Consider some of the inconveniences to the state employees with the current system. There are a number of state employees that travel on a routine basis throughout the state. They include: extension services, KDOT field people, inspectors and more. These employees will frequently leave a motel and make the next reservation something like this, "Good to see you, Charlie. Save me a room next Tuesday night. I like that room number 14 if it's available." With this system there are no travel agents involved, there are no commissions paid that would cause room rates to increase, there are no phone calls and there are no delays.

We recognized that the present bid specs do not require lodging arrangements, but it allows it and it is a foot in the door to mandate that lodging reservations will be made through the system at some later point.

Many state offices have special needs and only the people who are familiar with those needs and are accustomed to working with the people involved are able to service them properly. Consider the continuing education programs in various agencies and institutions that arrange for speakers to consult or deliver educational seminars. These speakers travel day in and day out. They can reduce costs if they coordinate with other destinations and calendar dates. It is not reasonable for these people to use a centralized agent. They must either make the reservations for themselves, or use a travel agent familiar with their needs who is willing to spend considerable time arranging for their special accommodations.

The paperwork, phone calls, and lack of knowledge of the purchaser's needs make the current procedure impractical; I also question its economics. In order to give a rebate to any person or business it is absolutely necessary to sell only tickets amounting to a high dollar volume or considerable dollars can be lost by the agency. Consequently, the agent cannot spend hours researching the lowest possible fare. The client, (or state), often pays from \$100 to \$300 more for a ticket which certainly does not affect the few dollars given as a rebate, whatever the percentage.

To date, I am only aware of one specific case that verifies this. In January, a State Fair Official with whom I am acquainted, attempted to purchase an air fare to Florida for a Mid-West Fairs meeting. The designated travel agent quoted a price of \$269 vs. \$199 by his home town travel agent for identical airline, flight number, time, dates, and intermediate stops were all identical. These facts were shared with the Divisions of Purchases, who verified the same. The purchase of the \$199 fare was eventually authorized, by Purchasing. This certainly does not indicate that the State of Kansas is saving money by using centralized region travel agencies.

Finally, if you travel a lot and use a large agency, you are familiar with the message, "All of our agents are busy at the moment, please



hold and the first available agent will serve you." Then you are allowed to listen to some nice music. Our state employees in small towns or large cities, should be allowed the freedom to retain the personal services that they now enjoy and not be subjected to these inconveniences.

SB-125 will send the necessary message to the Department of Administration. Hopefully it will be heard this time. We believe that the present program should be repealed as it is detrimental to the economic health of many travel agencies and could be expanded to affect lodging.

Thank you for the opportunity to be heard on this issue as we urge you to report SB-125 favorably for passage.

913-537-2451

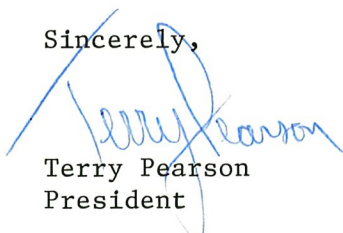
KANSAS STATE TRAVEL AGENCY



I am a proponent for Senate Bill #125 and feel the Statewide Travel Services Contract should be abolished for the following reasons:

1. The contract has established a monopoly based on a kickback of a travel agents fixed commission.
2. The state has lost the competitive pressure that guarantees the lowest air fare for state travel. In return, they have received a "written guarantee" they will be given the lowest air fare. A written guarantee is impossible to verify because air fares change on a daily and sometimes hourly basis. The only true guarantee is using the competitive free-market system.
3. The travel contract award winner does not have incentive to seek out and provide the lowest airfare. The higher air fare will provide a higher commission and if you decide to kickback your commissions you need it high to survive.

Sincerely,



Terry Pearson  
President

WEST LOOP SHOPPING CENTER



MANHATTAN, KANSAS 66502

Attachment 4  
House Appropriations 3/30/87



SUNFLOWER TRAVEL SERVICE  
704 Massachusetts Street, Lawrence, Kansas, U.S.A. 66044 - 913-842-4000/800-422-8747

SUNFLOWER TRAVEL CONSULTANTS  
4235 28TH AVENUE, MARLOW HEIGHTS, MARYLAND 20031 - TELEPHONE 301-423-5500

TO: HOUSE APPROPRIATIONS COMMITTEE  
FROM: SUNFLOWER TRAVEL SERVICE, INC.  
RE: SENATE BILL 125 - State Purchase of Travel  
DATE: March 30, 1987

Sunflower Travel Service would like to go on record in support of the original form of Senate Bill 125.

In my opinion there are several reasons against the "official Travel" agencies.

Basically the only difference in the purchase of an airline ticket from one travel agency to another is the service. Airfares are in constant change and what was expensive one moment can be inexpensive the next, and visa versa. Service includes the constant monitoring of airline reservations taking advantage of lower airfares as they occur, or processing airline tickets to lock in on a lower fare before an increase.

1. In the case of Lawrence, Kansas and the University of Kansas, how can one travel agency 30 miles away provide any better service than 6 travel agencies in the same community? What the State may gain in one area, they lose in another.
2. In addition, with only one agency, there is a disincentive to provide the lowest airfare and provide the best service. They have the State's business sewn up.
3. The State of Kansas has come out as an advocate of Small Business. By taking State travel away from numerous small travel agencies and centralizing State travel business with a limited number of Kansas agencies counters the State's stance towards small business.
4. In my opinion, there are intangible costs which the Department of Purchasing has failed to recognize. This takes the form of poor service, frustration and inconvenience.

Respectfully submitted,

Chris W. Armstrong  
President

Attachment 5  
House Appropriations 3/30/87



I'm Walt Houk from Maupintour and have 30 years with Maupintour in the travel business.

We have been defined by some as being a large agency who is now complaining because we are losing this business. We submitted a proposal, but didn't bid on this offering a rebate and knew it would be considered a "no bid." We did the same thing when we were given a second chance and knew what we needed to bid to get the business. We did this to represent a point --- that being that this was the wrong way to go about saving travel dollars and it was unfair to all other travel agents in the state. We are concerned about the small and large agents. We need them all. We are saying that the small agents are being hurt. (We are a large agency.) We depend on these agents to sell our tours. All of our tour products are sold through both large and small travel agencies. We want all to be successful ... so should the State.

We have been against this all along and the record shows that.

We will survive without this business but as an individual taxpayer who knows how the travel industry works, I want to state that this program will NOT save the taxpayers money if the bid program is used and the same travel rules that have always been in effect continue that way.

Dollars can be saved and all agents can operate as they have in the past by doing the following:

The State needs a travel policy which informs travelers and travel agents just what the State will pay. If thought is given and planning done by those traveling,

first-class and full coach fares would seldom need to be used. Special excursion fares should be used and if a few rules are followed, these fares are easy to obtain. The State should require 2 or 3 quotations from the traveler. If this policy would be followed or one similar, then the State would save money by using the individual agent in each community (the client's choice) because that agent could do the following:

- 1) Obtain a low, non-first-class or full coach fare in 75% of the cases. This would save more than the rebate on the present system.
- 2) Each agent is familiar with the special fares in their community.
- 3) Each agent has certain privileges with certain preferred suppliers (airlines; hotels; car rentals; etc.) which enable them to "waive" certain restrictions placed in general and to clear waitlists. For example, if you have a carrier's reservation system, you have extra privileges in some cases over agents who have another carrier's reservation system. Depending on the carrier you fly, by getting 2 or 3 quotations from different agents, you will probably get a quotation from one agent who has that carrier's system.
- 4) Each agent is an important part of his community and by getting business, can put a portion of his profits back into the community. For example, private donations back to University projects. If the agent is receiving the business, he can help with some of these projects.
- 5) It is better for the traveler to work with the agent of his choice.

They know each other. They get the job done better. They are next door neighbors.

This bid is different. It is not for a project like highways. It is a kickback of commission for a very personal & individual service and it is not necessary to save money and it doesn't.

Records can be produced to show savings by comparing some fares charged against coach fares, but almost every fare can be beaten or if you call 3 different agencies or airlines, you can get 3 different fares (which is why the 3 quote system would be better than what is presently used. I'm sure most people check around when they are taking their family on vacation and paying their own way.)

We have to be very concerned about all business in our state. We need to keep our jobs to keep our people and to let our individual communities survive. Other states that have had this program are taking hard looks at it and are changing their approach.

This program will not save the state money. A travel policy would.

Dear Representative Buntin and Committee:

It is my pleasure to have the opportunity to testify before you here today as an opponent of Senate Bill 125.

Approximately a year ago I had the pleasure of testifying before the House Ways and Means Committee, opposing Senate Bill 239 which was also a state travel related bill. Some may indicate to you my testifying here today is in direct rebuttal of my previous testimony opposing Senate Bill 239, but I am glad to have today to clarify my position on both bills.

Without taking a great deal of this Committee's time, I would like to take a moment to give a little background on Senate Bill 239 and the reason I was so strongly against the bill.

Senate Bill 239 was presented in such a way that the bill was so vague it allowed the opportunity for the State of Kansas to provide and have their own inhouse travel agency. By allowing that bill to be successful, we in the travel industry were allowing ourselves to compete directly with the State of Kansas.

My main thrust against Senate Bill 239 was, I feel that at no time should free enterprize compete with state or federal government in the free market place, when services are already being provided through the retail travel industry. My second reason for opposing that bill was there were no guide lines or stipulations trying to protect the travel agencies in the State of Kansas. That bill would allow the State of Kansas to go outside the boundaries of the State to obtain travel services.

Since Senate Bill 239 was divided, the State of Kansas with direct response from the Governor's office, has chosen to take a new avenue. I must tell you I am here in support of that decision for a number of reasons.

- 1) The State of Kansas tried to provide the best travel related services possible and still protect local travel agencies throughout, by breaking the system down into ten zones.
- 2) They required that anybody bidding on any one or all of those zones would be required to have a point of presence in that zone. They again protected travel agencies in the state. By doing so, they eliminated the big conglomerates from coming into the state and skimming off the top and taking all that revenue outside the state.
- 3) The State provided several meetings with any and all travel agencies who chose to bid on the business and went over the contract in complete detail. They were very willing to listen to objections and suggestions. After doing so, they provided several addendums including some of the suggestions and criticisms, allowing it to be even more flexible to state travel agencies.

- 4) One of the original questions that was brought up at the very first meeting, was in the event that you did not have an official travel agency bid on a particular zone, how would that be handled. The State of Kansas advised at that time it would be appointed to an adjacent zone with the most qualified bid. At that time the question was asked, would you be required to have a point of presence in that zone. The answer was no. The reason for that being the State of Kansas was trying to allow the agency to be more flexible and keep their overhead down without forcing them to put additional offices in zones that had minimal business and revenue.
- 5) Who would have ever thought that two of the largest zones within the State would not have qualified bids. By qualifying their bid with allowing discounts only on credit card business they disqualified themselves by not allowing the state vouchers to be used in conjunction with state payment.

Out of Zone 8 (Lawrence) which was one of the zones that did not have a qualifying bid, a great deal of dissatisfaction has come from Senator Winter who indicates that this program is a detriment to the state, and to the travel agencies. Senator Winter indicates that since zones have been awarded there is no reason for those travel agencies to provide the lowest fares and I totally disagree for the following reasons:

- 1) I have 20 years of experience in the travel industry which is the way I make a living. Senator Winter has, as far as I know, no experience.
- 2) The information being provided to Mr. Winter is coming out of the zone in which no travel agency has been willing to provide the State of Kansas with discounts for travel.
- 3) I have signed a contract with the State of Kansas guaranteeing them the lowest possible air fare at the time reservations are booked and ticketed, and in that contract the State of Kansas is holding King Travel Service to a binding one year contract, but they have a 30 day out.
- 4) In that contract we are also required to provide to the State of Kansas a multitude of reports, not only qualifying and justifying the fares that we use, but also provide for the first time, reports to the State of Kansas that will give them factual information, how the people are traveling, hotel information, car rental information, and budgeting information that will give vital information to each department for future budgeting.
- 5) I have been reading in the press of several examples indicating that King Travel Service, because of its lack of having to be competitive, has overcharged several state passengers. I am here to say this is totally false. Our responsibility has always been our loyalty to the customer and that is to always provide the lowest possible air fare at the time air fares are made and ticketed.

As I understand, Senate Bill 125 indicates when the balance of this first year contract expires that it restricts the Department of Purchasing from renewing the contract or even entering into negotiations or contract again for the purpose of discounting airline tickets, hotels, or cars. My question to you ladies and gentlemen is that would you restrict the Director of Purchasing from entering similar contracts with gas companies, supply companies, toilet paper companies, etc. etc.



Discounting unfortunately, is a fact of the airline industry at this time, and even though nobody likes sharing commission, it is something we will all have to deal with. Most of the major corporations throughout the United States and many, many states, are taking advantage of controlling their travel budget through one or more travel agencies for the purpose of controlling all their travel in general and allowing themselves to benefit in discounts that would not be available to them if using a number of travel agencies. There isn't one travel agency in this room today that wouldn't tell you they have contract corporate accounts recommended to them that they do all of their travel, for the reasons I have mentioned above, whether it be a good thing or not is unfortunately academic, it is a thing of the present and the future and all that I can say is that the State of Kansas through the bids that were provided did the best they could making sure that Travel Agencies within the State of Kansas have the opportunity to keep that revenue locally.

### Small Agencies

Ladies and Gentlemen, one of the comments that has been brought up a number of times is that the small agencies do not have the opportunity to compete. I must say I cannot totally agree with that. In 1968 King Travel Service was an agency consisting of 5 employees and has now grown to 31 employees, with 2 locations.

That has happened because we chose not to be a small agency. Our industry, more so than many, allows us the opportunity to expand through basically two areas - one through staff with "expertise", the second with automation. Small agencies choosing to be a larger agency have the option to do so through those two facets.

### Checking Around

There has been talk about the fact that without a contract, that allows state employees to check around to always get the lowest fares; I question whether or not the average state employee is willing or has the time to check around to 3 or 4 agencies to get the so called "lowest fares". I think those agents if that state employee tries, you will find that they are almost always the same when comparing apples to apples.

There have been comments made that by just looking into the screen a little longer you can always find a lower fare. Having spent 20 years in this industry and basing my livelihood on this industry, I can assure you that that is not always the case. I can also tell you all the travel agents I know always try to provide the lowest fare possible because of the competitiveness and with the state contract as it is, still requires that competitive agent.

KING TRAVEL SERVICE

KANSAS STATE TRAVEL  
FOR ZONES 6 AND 8

	<u>Reservations Ticketed</u>	<u>Net Amount (Not including 8% Tax)</u>	<u>Discount Earned 5.01%</u>
January, 1987	206	\$39,600.00	\$1,980.00
February, 1987	250	\$35,000.00	\$1,780.00
March, 1987	313	\$53,300.00	\$2,600.00
Total	769	\$127,900.00 *	\$6,360.00

\* \$139,212.00 with taxes