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PROGRAMME BUDGET FOR THE BIENNIAL 1982-1983

JOINT INSPECTION UNIT

Organization and methods for official travel

Comments of the Secretary-General

The Secretary-General has the honour to submit to the members of the General Assembly his comments on the report of the Joint Inspection Unit entitled "Organization and methods for official travel" (A/37/357 and Corr.1).
Comments of the Secretary-General

1. The Secretary-General has reviewed with interest the thorough report of the Joint Inspection Unit (JIU) on the subject of organization and methods for official travel (A/37/357 and Corr.1). Bearing in mind the impact of expenditures for travel on the budget of the United Nations, he is pleased to observe that many of the recommendations in the report coincide with initiatives he has already undertaken and he welcomes this timely review of the subject. It is clearly apparent that in view of recent developments in the field of travel, the JIU report constitutes a constructive and opportune contribution to the reassessment of the present methods for arranging travel and the related entitlements of the staff.

2. When the United Nations Headquarters was first established in New York, a travel office was formed, staffed by United Nations employees, which undertook to handle all questions of reservations, passports, visas and related actions. At that time, most intercontinental travel was done by sea and branch offices were set up in both London and Paris. Within a few years it became apparent that this arrangement was unnecessarily costly, and after a broad survey of the available alternatives a decision was taken to contract with a world-wide travel agency to handle the work of arranging reservations and ticketing. It was thus possible to save the cost of the staff previously performing these functions and to limit the work of the United Nations travel office to establishing, in the light of United Nations staff and financial rules, entitlements for travel, obtaining visas and issuing laissez-passers. These remain essentially the functions of the United Nations travel unit.

3. During the following years, on a number of occasions, studies of prevailing arrangements were commissioned in order to ascertain whether more advantageous conditions could be obtained. These have included approaches both to the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA) in an endeavour to obtain what would have been, in effect, travel agency status for the United Nations in order that the commissions paid to a travel agent could go directly to the United Nations. None of these efforts were successful. In the meantime, certain provisions of the laws of the host country severely limited the circumstances under which travel agents could provide travel services through a branch office located in the premises of the client. The effect of these regulations was to preclude the possibility of the Organization obtaining, through a process of competitive bidding, alternatives to the existing arrangements with the travel agent servicing the United Nations at Headquarters.

4. Modifications of the laws of the host country in 1978 as well as regulations of IATA within the past few years altered this situation and it became possible for the Organization to consider the institution of alternative arrangements at the time the contract with the agent was to expire in January 1982. Because of the need to carefully consider such arrangements, and also in view of the study which JIU was making, it was decided to extend the contract for an additional year.

5. The various options which JIU has outlined have been carefully reviewed, including: a new agreement with a travel agency, an in-plant travel office, and the establishment of a United Nations-owned travel agency.

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6. As regards recommendation 2 of the JIU report, to the effect that the United Nations should enter into an in-plant agreement for travel arrangements, it should be pointed out that, approximately three years ago, the Civil Aeronautics Board (CAB) of the United States authorized the establishment of in-plant operations. Essentially, an in-plant is a wholly-owned branch office of a travel agency that is recognized by the Air Traffic Conference (ATC). It is located on the premises of a client and provides full travel-agency services to that client. The in-plant agent is paid commissions by the airlines, hotels and other travel suppliers. Although most domestic United States airlines have limited commissions paid to in-plant agents to 3 per cent, IATA currently permits payment of commissions for international air travel at a rate of approximately 8 per cent.

7. The main aspect of the ATC in-plant rules that is of interest to the United Nations is that the in-plant agent is permitted to reimburse a client for costs the client incurs in making travel arrangements in collaboration with the agent. These may include the costs of automation, communications and the salaries and fringe benefits of the client’s employees working on travel arrangements. The agency is permitted to reimburse the client for that share of employer costs attributable to the time the employer devotes to the travel work, so long as the parties do not use as a basis for reimbursement the number of tickets sold, their dollar value or commissions earned.

8. In its report, JIU provides certain estimates of income which might result from the introduction of an in-plant operation. Inasmuch as these estimates are based on a variety of assumptions, as well as data which are recognized to be incomplete, it is believed that the estimates of expenses as well as savings should be considered merely as indicative of the possible results. An accurate assessment would have to depend upon a specific arrangement and contract. It is important to note, however, the JIU opinion that significant financial benefits might accrue from an in-plant operation; other sources confirm this view. It must be pointed out that, while the Inspector’s estimates of savings and expenses provide a total figure for the United Nations, the United Nations Development Programme (UNDP) and the United Nations Children’s Fund (UNICEF), it is reasonable to expect that UNDP and UNICEF will seek a separate accounting, and a credit, to their budgets in proportion to their travel costs.

9. In the light of this evaluation, it has been considered desirable to proceed, as in 1981, with steps leading to a revision in the current arrangements for travel. The industry was informed of this fact through a public announcement; expressions of interest were sought from qualified agents. Upon receipt of preliminary data on the professional, financial and other qualifications of interested companies, a short list will be developed of those agents that appear to offer the most promising possibilities. As the next step, detailed and specific proposals will be sought from the companies selected for final consideration. Although an in-plant operation appears to be the most likely alternative to the present arrangement, other options — such as agreements with commercial travel agencies or others that would offer advantages in terms of service and savings to the Organization — will not be precluded. Among the latter is a combined arrangement with a travel agency and an air carrier, a matter on which a special inquiry is being conducted. However, it should be appreciated that the policies of
such bodies as IATA and ATC, the regulations of Governments, and the economic conditions in both the travel agency and airline businesses are changing so rapidly that it may be necessary to leave open the option that more than one method should be used for the procurement of travel.

10. In preparing the documents calling for proposals from travel agents, the Secretariat has been assisted by an independent firm especially qualified in the field of travel and the regulations applicable thereto. Similar expertise will be used to evaluate the final proposals. Given the ramifications of this project and its financial implications, it is anticipated that the review of proposals and negotiations for a new arrangement will not be completed before January 1983. In the meantime, it has been concluded that until the nature of the operation at Headquarters has been decided, the existing arrangements at the major overseas offices should be continued and a step-by-step process should be undertaken for other locations, building on the experience gained, particularly in New York, but bearing in mind that what is possible, practical or legal in one location may not be so in another.

11. As regards recommendation 4 of the JIU report, concerning the establishment of a travel agency, wholly owned and operated by the United Nations, it is agreed that there are difficulties to such an approach at this time; however, as recommended by the Inspector, this would be reviewed in the future, and any opportunity that might develop for its implementation in the United States would be actively pursued. Apart from the question as to whether it would be compatible with United Nations objectives for the Organization to enter into such a commercial enterprise—an enterprise that by definition must do 80 per cent of its business with members of the general public, and give them free access to United Nations premises—information has been received to the effect that the regulations of ATC and IATA that to date have prevented such an arrangement are still in effect. It is understood that these regulations are currently under review by CAB and unless they are declared invalid, the possibility of a client-owned travel agency operating on a viable basis is remote.

12. The report of JIU also contains a number of other suggestions for improving travel arrangements on which the following comments are offered.

(a) Variety of air fares and classes

13. In paragraph 100 and recommendation 5 of its report, JIU suggests that the United Nations may have been remiss in its efforts to obtain the lowest suitable fares and that this has rebounded to the advantage of the travel agency. Although there may have been isolated instances of such occurrences, it is clear that the travel unit at Headquarters has responsibly applied the United Nations travel regulations and has consistently established the least costly fares based on the official itinerary as transmitted to it by the originating office. Every effort is, and has been, made to use excursion and other special fares where these do not conflict with staff entitlements under the Staff Rules. The travel agent is not permitted to exceed the entitlement authorized by the United Nations travel unit and, therefore, the resulting fare is the product of a joint effort. For the future, it is intended that any new contractual agreement should include a
provision under which the agent would guarantee the lowest fare - a guarantee that would be subject to spot-check audit to assure compliance.

(b) **Negotiation of favourable rates with airlines for high volume**

14. The Inspector points out that the United Nations, and presumably other international organizations, purchases a substantial amount of travel from a limited number of airlines and that it might be possible in countries where regulations permit to negotiate discounts with airlines, based on the volume of business given to them. This idea merits attention, and will be pursued. Such direct negotiations with airlines need not be limited to guaranteeing a certain volume, but could include such possibilities as purchasing space in advance or associating rental of hotel space with hotel companies affiliated with airlines. At the same time, it must be noted that the matter of whether an airlines would provide the United Nations with a discounted fare and also pay a commission on that fare to a United Nations in-plant travel agent would have to be considered. The question could arise, therefore, for such discounted travel, as to whether the in-plant agent would handle the reservations, ticketing and so forth for travel on which no commission was paid. If this should not be the case, this work could become a direct expense to the United Nations. It is also necessary to consider whether, bearing in mind the interest Member States have shown in diversification on an international basis of United Nations procurement, it would be acceptable to give preference to one or a few airlines.

(c) **Block ticket purchases**

15. This proposal, which involves estimation of probable trips over a period of time and the purchase of blocks of such tickets in advance, also offers interesting possibilities and will be pursued. The Inspector suggests that, through such advance purchases, the United Nations might obtain discounts that would exceed the loss of interest on funds that would have been invested had they not been paid to the airlines in advance of use of the tickets. This kind of arrangement would require co-ordination with the Secretariat offices concerned since one has to assume that the main advantage to the airline in giving a discount would be to get advance payment of travel costs and, thus, use of the money for investment. The question would thus revert to that to which the Inspector has drawn attention. Does the discount exceed the interest that could be earned if payment were made not in advance of travel but 30 or more days after travel? The conditions of airline discount offers, which are understood to be very strict, would have to be evaluated.

(d) **Governmental discounts**

16. The Inspector points out that many Governments benefit from substantial discounts on national air carriers for government personnel and that through so-called "government orders" discounts are also provided for special classes of travellers such as seamen and the clergy. On occasion, during the past 25 years, the United Nations has explored this avenue for obtaining savings on travel, but in each instance it has not been successful. The matter is basically one of government policy and in this regard the Secretary-General would welcome a positive response by Member States to the Inspector's recommendation, which would endorse
the principle of extension of the benefits of "government orders" to persons required to travel for the United Nations, such as delegates, staff, consultants and experts on mission.

(e) **Inter-agency co-operation**

17. Although the JIU report makes specific proposals for the United Nations only, it draws attention to potential economies that might be obtained through co-operative action of the international organizations acting together on travel matters. This is indeed an area of activity in which collective action could produce positive results. Therefore, experience in respect of the proposals outlined in preceding paragraphs of the present report will be shared with members of the Administrative Committee on Co-ordination (ACC).

18. Recommendations 6 and 7 of the JIU report relate to the standard of accommodation for travel of United Nations staff on official business, travel of delegates to meetings and travel of consultants. The current policy and practices of the Organization are governed by General Assembly resolution 32/198 of 21 December 1977, as amended by section X of resolution 35/217 of 17 December 1980. Paragraph 2 (a) of resolution 32/198, as amended, delineates the persons entitled to first-class travel for all travel; paragraph 2 (b) indicates that persons previously entitled to first-class travel under earlier resolutions of the Assembly, which includes Under-Secretaries-General and Assistant Secretaries-General, shall be entitled to first-class travel only when the duration of a particular flight exceeds nine hours (by the most direct and economical route); and paragraph (c) stipulates that payment by the United Nations for travel expenses in all other cases shall be limited to the least costly air-fare structure regularly available, or its equivalent, by recognized public carrier via the shortest and most direct route.

19. In implementation of paragraph 2 (b) and 2 (c) of resolution 32/198, the Organization has established the travel entitlement, in cases where first-class travel does not apply by reference to the cost of economy class, subject to the use of excursion fares whenever available and feasible, and does not offer staff members a choice of carrier if the cost exceeds the entitlement under "the least costly air-fare structure" provision. Since the adoption of resolution 32/198, many airlines have introduced a class of travel between first and economy class - for example, business class or club class - which, as the Inspectors noted, has had the effect of making travel at the economy or third class of these airlines more difficult as the standard norm for official travel and more wearing physically.

20. As noted in paragraph 22 of the JIU report, the "downgrading of economy to tourist class" led the organizations of the United Nations system to consider the possibility of using the class immediately below first for travellers on official business. As also indicated in the report, each organization has adopted its own approach to the use of the intermediate class, taking into account the flexibility available to them under the relevant directives of the various governing bodies. Given the provisions of resolution 32/198, the United Nations does not consider that it has the flexibility, other than through individual exceptions for extenuating and compelling reasons, to allow full economy or business class if a less costly fare is available, without regard to considerations of the physical comfort of the traveller.
21. For the system as a whole, the study by the Consultative Committee on Administrative Questions (CCAQ) showed that, if full economy fare or business class were to be used for journeys involving flights of four hours or more instead of any applicable lower fares, including excursion fares, the total increase in costs for travel would be about 3.7 per cent higher for these official missions (this estimate was based on costing of actual missions over a one-year period). In the case of the United Nations, the additional cost was estimated at approximately 2.9 per cent. The percentage increases for the individual organizations varied widely, depending on the extent to which the travel of their staff already takes place at full economy fare, which routes are most heavily travelled and which airlines are most frequently used. Although specific information is not provided in the JIU report on the practices of the different organizations in the United Nations system, the CCAQ study showed that there were clear differences of practice and that several organizations do authorize business class under certain conditions.

22. The majority of organizations participating in the review felt it desirable to adopt the full economy fare (as distinguished from use of "tourist" or excursion rates) or business class, where the latter was available without payment of a supplement, as the norm for air travel on official business by staff members of the organizations. In practice, however, CCAQ concluded that it was not possible to adopt a common policy in the existing circumstances of varying cost implications and/or the directives from some of the governing bodies.

23. In paragraph 23 of the JIU report, the Inspector indicates that because of the additional cost of using, as a general entitlement, the class immediately below first, he could not endorse a change in travel rules that would involve significantly increased costs. On the other hand, however, he recognized the validity of observations made by CCAQ as to the advantages to the Organization in granting such a standard of accommodation, that is, flexibility of itinerary, comfort in the aircraft and enhanced capacity of the staff members to carry out their duties on arrival. Apparently with these two considerations in mind, the Inspector sets out, in paragraph 23 of the report, conditions under which the class immediately below first could be authorized without, in his view, an overall increase in the total of direct and indirect travel costs. These conditions can be briefly summarized as follows:

(a) For travel of more than four hours' duration that takes place on an official holiday or weekend;

(b) When the staff member forgoes at least one rest day to which they would normally be entitled;

(c) When the duration of a trip can be shortened by at least one working day because the staff member took up his duties upon arrival;

(d) When business class seats only are available;

(e) Under-Secretaries-General and Assistant Secretaries-General and delegates should travel by business class when available on all trips;

(f) When business class is available at the same cost as economy class.
24. As regards (d) and (f), these are already part of the current practice of the Organization, subject in the case of (f) to the non-availability or non-feasibility of an excursion fare. Measures (a), (b) and (c) would create administrative difficulties of monitoring and controlling the travel and not provide savings of an order to compensate for the difference in costs between business class and the most economical class of travel. Most travel on official business already takes place on a week-end as part of the efforts to reduce the overall length of missions; also, travellers often forgo rest stopovers for the same reason; moreover, the savings in daily subsistence allowance payments in such cases would normally be less than the additional cost of travel by business class on most routes. In any event, for considerations of both the health of the travellers and their work efficiency upon arrival, journeys of long duration should be interrupted for periods of rest and/or adjustment to changes in time zones without regard to the standard of travel accommodation used.

25. As regards (e), use of business class for all travel of Under-Secretaries-General and Assistant Secretaries-General, resolution 32/198 had already lowered the entitlements of these officials from first class in respect of all travel to first class only in respect of flights of nine hours or more. This recommendation of the Inspector would not provide appreciable savings nor would it be in keeping with the rank and representational responsibilities of the officials concerned, bearing in mind the practices of most Member States in respect of officials of comparable stature. For these reasons, the Secretary-General believes that those officials should continue to be entitled to first class for flights exceeding nine hours and to the class immediately below first class for flights of nine hours or less.

26. In conclusion, the Secretary-General welcomes the presentation in the JIU report of the salient considerations in the determination of the standard of accommodation to be authorized for official travel. After carefully considering the various options, the more liberal arrangements of some of the other organizations in the United Nations common system and the need to minimize any additional costs, the Secretary-General is of the opinion that some improvement in the current arrangements should be made. He does not believe it to be either unreasonable or extravagant to establish the class immediately below first as the normal entitlement for travel on official business with the exception that the current practice of using excursion fares would be continued in the case of staff travel to service or participate in conferences, seminars or other meetings of established bodies if the duration of the meetings makes it possible to utilize such rates. This would be in line with the long-standing objective of minimizing the costs of such meetings. As regards other travel authorized under the Staff Rules, such as travel on appointment, transfer, separation, home leave, and education grant, the existing policy of basing the entitlement on the "least costly air-fare structure" would be continued.

27. This approach, in the view of the Secretary-General, preferable to relating the standard of accommodation to the duration of a particular flight. This is based on the administrative difficulties already encountered in applying the "nine-hour-flight" rule in the cases of travel of the limited number of persons covered by paragraph 2 (b) of resolution 32/198, which would be greatly increased if applied to a much larger group.
28. The Secretary-General therefore suggests that the following arrangements might apply regarding the standard of travel:

(a) Under-Secretaries-General, Assistant Secretaries-General and other persons covered by paragraph 2 (b) of resolution 32/198 should continue to be entitled to first-class travel when the duration of a particular flight exceeds nine hours, and to the class immediately below first for all other flights;

(b) Staff members below Assistant Secretary-General level should be entitled to the class immediately below first class for travel on official business, except for travel related to servicing or participating in conferences, seminars and other meetings of established bodies where the duration of the meetings justifies the use of excursion rates;

(c) For other travel by staff members authorized under the Staff Rules, such as travel on appointment, transfer, separation, home leave, and education grant, the entitlement should continue to be based on the provisions of resolution 32/198, namely, the least costly air-fare structure regularly available, or its equivalent, by recognized public carrier via the shortest and most direct route;

(d) The travel of other persons should normally be by the class immediately below first class.

29. On the subject of travel procedures (recommendation 8), the Inspector recommends that United Nations procedures for the control of travel should include a justification for the duration of each trip on official mission for review by department heads and post facto spot checks in the light of the mission report. It is also suggested that information should be provided to department heads on the estimated direct and indirect cost for each trip, justification of the itinerary and less costly alternatives to travel. Current United Nations travel procedures as set out in document ST/SGB/181 do provide for review by department heads of all travel plans and post facto examination of official travel by the Budget Division. It is the intention to review these procedures in the light of the recommendations contained in the JIU report.

30. The Inspector also recommends the simplification of the travel claim procedure (recommendations 9 and 10). Among the measures advocated are the suppression of the procedure for all travel under the Staff Rules (such as travel on appointment, transfer, separation, home leave, and education grant) and for simple trips on official business of short duration. Although the definition of what would constitute simple trips is not given, the Inspector indicates that there were some 7,000 short trips in 1981. Considering that these recommendations would involve a major departure from the current financial and administrative practices of the Organization, it would seem desirable to undertake a detailed analysis of the difference between the estimated costs of travel and the amounts actually reimbursed in the past for each of the various types of travel under consideration to determine whether the simplified procedures recommended by the Inspector can be adopted in some or all of the types of travel suggested. Such a study will be made.

31. Finally, as regards recommendation 11, ACC has requested CCAQ to pursue the matters of inter-agency concern contained in the JIU report.