Organization and Methods
for Official Travel

Prepared by
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Joint Inspection Unit

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Corrigendum

An error in one of the figures for UPU requires consequential changes in other figures in Annex I.

The figures for UPU should read:

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Ticket total should read: 146.8.
ORGANIZATION AND METHODS FOR OFFICIAL TRAVEL

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I. INTRODUCTION

1. The organizations of the United Nations system are spending about $150,000,000 per year on official travel plus some $100,000,000 for indirect costs (see Annex I). The United Nations itself and its affiliated bodies spend some $60,000,000 per year on direct costs which represents about 5 percent of its total budget. For travel on official mission, about 45 percent of the direct costs is for actual transportation, 55 percent for daily subsistence allowances, and such items as terminal expenses, excess baggage, etc.

2. The United Nations organizations with worldwide membership, offices and programmes have an obvious need for travel. But it is important that funds be used judiciously to ensure that the cost of travel is kept to the minimum commensurate with requirements. In recent years, three developments have highlighted the need to pay increased attention to the cost of travel: increasingly difficult world economic conditions make it incumbent upon the United Nations to seek maximum cost effectiveness in all areas; the wide variety of available air fares and standards of accommodation provide challenging opportunities for re-examining existing arrangements; international regulations concerning relations with travel agencies and air carriers are becoming more flexible and this may permit a reduction in costs.

3. The introduction by many airlines of a class of travel between first and economy - referred to by a variety of names, including business class and club class - presents an opportunity to improve the physical comfort of United Nations travellers. Travel by air economy class has become difficult as a standard norm for official travel and more wearing physically, with the result that travellers are not able to function at full efficiency upon arrival.

4. Many governments and commercial organizations have adopted a variety of measures which result in overall cost savings. The United Nations organizations generally have been remiss in this respect, although at least one organization, through an original approach, has made important savings. These measures are reviewed in this report in the light of their possible application by the United Nations and the need to change attitudes regarding travel, so that the Organization does not incur unnecessary expenses. Various options are suggested for making the organization and methods for official travel more cost effective. These concern, in particular, relations with commercial travel agencies and air carriers and a fresh approach to the procedures for official travel.

5. This report makes specific proposals for the United Nations only. However, the proposals are based in large measure on the Inspector's examination of the practices of other United Nations organizations. While the report is formally addressed only to the United Nations, it is being sent to all participating organizations of the Joint Inspection Unit (JIU)\(^1\) for information and use by them as they see fit.

6. In preparing this report, the Inspector received valuable information and suggestions from most of the participating organizations of JIU, particularly FAO and ICAO. The United Nations Legal Counsel provided essential advice throughout the study. Helpful advice was also provided by the World Bank. The Inspector had informal discussions with officials of the International Air Transport Association (IATA), some commercial travel agencies and airlines. The Inspector expresses his appreciation to all who contributed to this study.

\(^1\)United Nations including its affiliated bodies, FAO, IAEA, ICAO, ILO, IMO, ITU, UNESCO, UPU, WHO, WIPO, WMO.
II. VOLUME AND COST OF TRAVEL

7. Annex I presents in tabular form information on the volume and cost of travel for 1980 and 1981 which was obtained from the participating organizations of JIU. The United Nations and some other organizations were unable to provide detailed data on their travel expenditures. Therefore, some of the data is based upon estimates and extrapolations. Nevertheless, the Inspector feels that the resulting information presented in Annex I provides a sufficient basis for the conclusions and proposals made in this report.

8. Travel on official business includes all travel paid for by an organization, i.e., travel on official mission; travel of consultants, experts and fellows; travel of delegates to meetings; travel authorized by the Staff Rules (home leave, education grant travel, family visit, etc.). About 95 percent of all travel is by air and the rest is divided between rail, bus and boat.

9. The most significant information which can be derived from the table in Annex I is summarized below. This summary is based upon an average of the data obtained for 1980 and 1981 and refers to one calendar year. Similar information for 1982, were it available, would no doubt provide somewhat higher figures in most instances since, because of inflation and programme increases, the trend in travel costs is generally upward.

A. Approximate annual direct travel costs for participating organizations of JIU for all types of travel (tickets, daily subsistence allowance (DSA), terminal expenses, excess baggage, other miscellaneous costs)

1. Total direct annual cost: $149,000,000
2. Travel as a percentage of total expenditures (all sources of funds): 5%
3. Cost of tickets: $85,000,000
   - tickets as a percentage of total direct travel costs: 57%
   - air tickets as a percentage of total tickets: 95%
4. Other direct travel costs (DSA, terminal expenses, etc.): $64,000,000
   - DSA as a percentage of direct costs for travel on official mission: 55%

B. Indirect travel costs for participating organizations of JIU

1. Cost of staff time while on travel on official mission (salary and common staff costs): $101,000,000
2. Cost of processing travel authorizations and claims: $6,300,000
C. Total travel costs for participating organizations of JIU

1. Direct costs: $149,000,000
2. Indirect costs: $107,000,000
3. Grand total: $256,000,000
4. Cost of tickets of fellows not included above: $15,000,000

D. Cost of air tickets of World Bank and IMF: $47,000,000

E. Total cost of tickets (A.3 + C.4 + D): $147,000,000

10. Some of the significant conclusions which are derived from Annex I and the above recapitulation can be summarized as follows:

(a) Travel is and will no doubt remain a substantial expenditure for all organizations. For the United Nations, direct travel costs represent 5 percent of overall expenditures, which is also the average percentage for all organizations.

(b) Daily subsistence allowance (DSA) represents the single most expensive item of direct travel costs for travel on official mission (55 percent). The average duration of such missions for the United Nations is now estimated to be roughly 11 days. Another factor which is proportional to the duration of official missions is the cost of staff time on official mission. It exceeds the cost of tickets by 20 percent. These two facts point to the need to carefully control the duration of official travel (see Chapter VI.A).

(c) The cost of air tickets is the second largest item of expenditure. This amount is shared between air carriers and travel agencies, with agencies receiving some 9 percent of the cost of tickets. This means that travel agencies receive for their services some $9,000,000 per year and $13,000,000 if the travel of the World Bank and the IMF is included. If the overriding commission paid by carriers to travel agencies on most competitive routes is taken into account and also commissions on private travel of staff, etc., this amount may be raised by 20 - 30 percent. There is thus a challenging opportunity to enter into a direct arrangement with air carriers or to renegotiate agreements with travel agencies, as recommended later in this report.

(d) About 70 percent of the cost of air tickets bought by the United Nations in New York and Geneva is distributed between nine air carriers (see para. 72). If the distribution among airlines used by other organizations is taken to be roughly similar, it would indicate that a relatively small number of air carriers share the major part of funds spent and this should make possible negotiations for reduced fares with these or other airlines.

11. In addition to the direct costs of travel, there are indirect costs which are summarized in Annex I. The indirect costs are composed of two elements: staff costs for making travel arrangements and processing travel authorizations and claims estimated at $2,600,000 per year for the United Nations and; staff salary during travel on official mission estimated at $42,500,000 per year for the
United Nations. Some organizations felt that staff salaries while on official mission should not be considered as an indirect cost of travel, since even if the travel did not take place these salaries would be paid. However, the Inspector believes that it is important that when considering travel plans the total estimated cost of each trip is known and weighed against the value of the trip. If the trip does not take place, staff time would be saved and could be devoted to other work, perhaps reducing the need for temporary assistance and consultants. Therefore, the table in Annex I contains information on the cost of staff time during travel on official business. The total of the direct and indirect travel costs amounts to some 8 percent of the total budgets (all sources of funds) of the organizations of the United Nations system.

III. VARIETY OF AIR FARES AND CLASSES

A. Air fares

12. The deregulation of air travel has brought about a bewildering variety of air fares and related conditions (duration, stopovers, etc.), particularly in the United States but also elsewhere. This complicates considerably the work of travel units but it also provides opportunities for reducing costs. For example, in March 1981, a round trip in economy class full fare from Geneva to New York cost Sw.Fr.2,095,- (average of low and high season), but lower rates are also available: (a) normal excursion, provided that the duration of the trip is between 14 and 90 days, with a discount of about 20 percent; (b) APEX - duration of trip between 14 days and three months, payment 21 days prior to departure, with a discount of about 35 percent; and (c) APEX Midweek - duration of trip between 7 days and three months, travel on Tuesday, Wednesday and Thursday only, payment 21 days prior to departure, with a discount of about 42 percent. Charter arrangements when large numbers of staff members are participating at a conference may reduce the cost significantly. The penalty for changes in travel dates for (b) and (c) above is the difference between those fares and the normal excursion fare. APEX and similar lower fares are used rarely if at all by the United Nations, except at times on home leave travel.

13. Some airlines have even wider price differences under certain circumstances. For example:

   (a) Discounts of up to 40 percent and more are offered for official governmental travellers and also for certain categories of travellers, such as seamen on leave and clergymen.

   (b) For major users of specific air carriers, direct arrangements are common for greatly reduced fares on routes to/from and within the United States and also on many other routes. These may include: a contractor unit seat price, bulk contractor seat price, round trip contract bulk fares, etc.

   (c) Advance purchase of a block of tickets on most frequented routes based upon anticipated needs also results in considerable cost reductions.
14. The United Nations applies normal excursion fares whenever feasible and does not offer staff members a choice of carrier if the cost exceeds the established entitlement. It has also taken some other modest steps by using low fare carriers for some trips and purchasing tickets in countries where the official exchange rate gave a cost advantage. However, the Secretariat has not sufficiently pursued the many other possibilities for reduced fares, such as those described above and indicated in more detail in Chapter V.C.

15. The complexity of choices offered and the variety of conditions make it necessary, if costs are to be reduced, to plan travel more carefully and to authorize each trip more judiciously. More effort should be devoted than in the past to exploring ways of obtaining the lowest suitable fare. It may be questioned whether the present level of decision making on these matters is commensurate with the challenging opportunity for reducing the cost of travel.

16. Similarly, it may be questioned whether a commercial travel agency has both the motivation and the time to advise on the most favourable rates and conditions. Travel agencies are financed by commissions, which considerably influence their motivation. The commissions are paid by carriers and are calculated as a percentage of the cost of tickets. One solution might be to include a penalty clause in contracts with travel agencies applicable when they do not obtain the most economical fares available for a trip.

17. Motivation is a particularly important requirement if advantage is to be taken of lower rates. United Nations department heads and other officials who decide about official missions should have such motivation, since funds saved on fares can be used for other needed purposes or returned to Member States. Before deciding on a trip, they should be informed of the approximate total cost involved, direct and indirect, and should be satisfied with the itinerary, the class and other conditions of travel. They should also be presented with any less costly alternative before making a decision on an official mission.

18. Individual travellers may not always have sufficient motivation and may not be willing to put up with some of the inconvenience resulting from the conditions applicable to lower fares. In order to promote such motivation, staff members should have, as has already been done on occasion by some organizations including the United Nations, the option of obtaining combination tickets which include, for example, hotels, car rentals, etc., provided they pay any extra cost above the lowest applicable fare.

19. The Inspector recognizes that for many trips conditions applicable to lower fares could not be accepted, but for many others they could. Also it is important that the cost of staff time for seeking lower fares should not exceed the benefit. In order for organizations to be able to search effectively for the lowest possible fares, it is important that travel authorizations be processed early enough to provide the required time.

20. It is recommended that the prospection for lower fares should not be left entirely to the commercial travel agency, as it is at the United Nations Office in Geneva, but that the originating department and the traveller with the help of the travel unit should participate actively. Rules should be issued concerning the search for and the use of lower fares and these should include the following:
(a) The norm for all travel under the Staff Rules (home leave, education, family visit, etc.) should be by the least expensive applicable fare, including APEX, unless the originating department certifies, with reasons (e.g., combination of home leave travel with official mission), that the applicable conditions cannot be met. However, staff members should have the option of obtaining combination tickets which include, for example, hotels or car rental, provided they pay any extra cost above the applicable fare.

(b) For travel on official mission, the least expensive fares should be used when the applicable conditions permit or could be met at little inconvenience, provided that this does not adversely affect the comfort of accommodation or services provided by the airline, except that "business class", might be used under the conditions described in para. 23.

(c) Use of charter or group travel arrangements in the case of a number of staff members travelling to attend the same meeting should be made as a rule.

(d) Staff members who take initiatives and co-operate in the search for lowest fares for their official trips (as they often do for private travel) should receive official commendation in their performance evaluation reports.

(e) The choice of carrier and itinerary should be made by the organization for all official trips and the traveller's preference for a specific carrier should be accepted only if it does not increase costs.

B. Air classes

21. United Nations' rules provide that air travel should be by economy class or its equivalent, except for Under-Secretaries-General and Assistant Secretaries-General when flights exceed 9 hours, who may then travel first class.

22. The introduction by many airlines of an additional class of air travel between first and economy class (called business, club, etc.) and the downgrading of economy to tourist class has led the organizations of the United Nations system to consider collectively through CCAQ the possibility of using the class immediately below first for travellers on official business. At present, each organization has adopted its own approach to the use of this intermediate class.

23. It would be useful for all organizations to adopt a common approach and introduce a common system-wide norm on the class of travel; CCAQ has made a start in this direction. CCAQ estimates that the additional cost of using the intermediate class would be about 2.4 percent of the cost of travel. The cost would vary considerably depending on the itinerary and would be less if applied only to travel on official mission. The Inspector does not feel that he can at this stage endorse a change in rules which would result in significantly increased costs. On the other hand, he recognizes the validity of many of the points made by CCAQ and feels that staff members on arrival would be able to function more effectively if they travelled in better physical surroundings. Therefore, the

Inspector suggests that consideration might be given to the following conditions under which the class immediately below first could be authorized (for official missions of staff, travel of delegates to meetings and travel of consultants) without an overall increase in the total of direct and indirect travel costs:

(a) When travel of more than 4 hours' duration takes place on an official holiday or week-end. The staff member's salary for the day of travel would not be lost to the organization and this would more than compensate for any additional cost of the intermediate class.

(b) When the staff member does not take at least one rest day to which he would normally be entitled.

(c) When the duration of the trip can be shortened by at least one working day as a result of the staff member being able to begin his duties upon arrival. This would require a certification by the staff member's department.

(d) When business class seats only are available and it is necessary to schedule travel at such times.

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

(f) When business class conditions are or can be made available at the same cost as economy class.

(g) Any savings which might be obtained by downgrading the class of travel (e.g., from business to economy class) should revert to the organization and not be available to cover the cost of private stopovers or rerouting.

IV. ARRANGEMENTS WITH TRAVEL AGENCIES AND AIRLINES

24. The Inspector noted that, with several major exceptions, the organizations of the United Nations system have been complaisant about their travel arrangements, because they feel in general that they are operating well. However, the progress already made by one or two organizations in reducing comparable overall costs shows that this complacency may be preventing the search for opportunities for savings. When executive heads have taken a personal interest in improving the arrangements, such as in FAO, major savings have been made. When existing arrangements are allowed to continue with only minor modification, there is an appearance of efficiency which masks the need and the incentives to reduce travel costs.

25. The organizations of the United Nations system have a wide variety of arrangements with commercial travel agencies. This chapter describes these arrangements briefly and attempts to identify those that are most advantageous for application to the United Nations. Since these arrangements are governed as regards air travel by IATA regulations, a brief description of the relevant regulations is provided.
A. IATA regulations

26. The International Air Transport Association (IATA) is the world association of the scheduled airlines. In addition to its many other functions, IATA publishes travel agents' handbooks which set forth rules and criteria to measure the suitability of travel agencies to be approved agents for selling international air tickets for air carriers who are members of IATA. These rules are subject to government approval either explicitly or implicitly. In some cases, governments make reservations on the totality or parts of these rules and fix national rules instead. A collective reservation by Member States of the United Nations on IATA restrictions affecting the United Nations could act as a stimulus for the necessary governmental action.

27. The United Nations Legal Counsel and ICAO have advised the Inspector on the IATA regulations as they affect relations between the United Nations and travel agencies. The Inspector had informal consultations with IATA officials as well. It would appear that IATA regulations would make it difficult at present for the United Nations to establish its own travel agency, except perhaps in the United States, in order to obtain commissions on United Nations' purchases of air travel from IATA carriers. An accredited travel agency of IATA has as its purpose the promotion (publicity) and selling of international air passenger transportation, whereas an in-house agency would be servicing its own organization and would not have the promotional role. Governments can, however, alter this situation. A General Assembly decision on the initiation of a procedure with the aim of removing existing restrictions might considerably facilitate the task of reducing the cost of travel.

28. IATA resolutions are part of an elaborate system of provisions designed to ensure that commercial firms or organizations cannot establish their own travel agencies and receive commissions on their purchases of air travel.

29. The resolutions in force in the USA are somewhat less restrictive than the resolutions in force elsewhere. IATA resolution 820.C.5 (USA) provides that an approved travel agent, i.e., a person (individual, proprietorship, partnership, firm, association, company or corporation) eligible to receive commissions on air travel purchases, must comply with the following requirements:

"the place of business for which approval is sought, or has been granted, is identified as a travel agency, is open for business on a regular schedule in accordance with local business practices, and freely accessible to the general public for the sale of international air transportation and does at least 80% of its business with members of the general public."

It appears therefore that the only obstacle under the rule mentioned above is related to the percentage of tickets sold to the general public. Taking into account the specific legal status of the United Nations, the Inspector believes that this provision is no longer a major obstacle in the United States (see para. 80).

30. On the other hand, IATA resolution 800.C(1)(d)(iii) (worldwide) provides that an agent:
"shall not be located on the premises of an organization, plant or commercial firm and dedicated substantially to the travel requirements of that organization, plant or commercial firm, unless it meets the following additional requirements:

(a) it is a branch of an existing approved agent;
(b) it is clearly seen to be a travel office totally separate from other activities in such premises;
(c) it is staffed exclusively by the approved agent;
(d) where possible, it shall have a separate telephone number, and
(e) it meets all other criteria of these Rules, including having its own separate security facilities for safe-keeping of Traffic Documents."

It is apparent that the rule cited would in practice at present prohibit the establishment of travel agencies owned and operated by the United Nations outside the United States and possibly Canada.

31. In the United States there appears to be a possibility that restrictive IATA regulations no longer apply. This should allow the organizations located there to establish in-plant or possibly wholly owned travel agencies and obtain commissions (see Chapter V.D).

B. Existing types of arrangements

32. Three broad types of arrangements for procuring tickets are now in use in the United Nations system. Each is described briefly below.

1. Direct purchase of tickets from carriers

33. Tickets may be procured directly from carriers without recourse to the services of a commercial travel agency. But in this case the organization does not receive the commission which would have been paid by the carrier to the travel agency. However, obtaining quotes and dealing directly with airlines frequently does result in obtaining the most economical fare available. No organization which uses this method has as yet negotiated special reduced fares with air carriers.

34. This method generally results in increased administrative work for the organization, since the services provided by a travel agency are not available to it and the organization may have to contact several carriers before a satisfactory and cost-effective itinerary can be arranged. But this could be more than compensated for when the most economical fares could be obtained. However, this method appears to be practical only for organizations having a small volume of travel.

35. ICAO has a travel department which deals directly with air carriers and which has developed sufficient expertise in tariffs to ensure that the most economical fares available are obtained. Its procedures could be a useful guide for the smaller organizations of the United Nations system.
2. Use of commercial travel agencies

36. This is the most common method used in the United Nations system for procuring tickets (see Annex II). But the variety of arrangements is great and the benefits obtained by the organizations also vary in the extreme (see C. below).

37. Under this arrangement the commercial travel agency may be located on the organization’s premises or, in the case of small organizations, may be outside the premises, but in the same locality. This model requires a negotiated agreement with the travel agency specifying conditions and services which the agency is expected to render to the organization. The selection of the travel agency should be made by competitive bidding (see para. 66 and Section 3. below).

3. Combined arrangement with travel agency and air carrier

38. Of all the arrangements of the organizations of the United Nations system, the one concluded with a travel agency and air carrier is, in the opinion of the Inspector, the most cost effective and efficient. A competitive bidding process was instituted under the supervision of the executive head of the organization concerned and a special group of senior officials evaluated the bids. Potential bidders were provided with various documents including a detailed Statement of Services to be provided by the contractor. The bidders were required to provide extensive information, which was clearly specified.

39. As a result, the organization entered into an agreement with a commercial travel agency and the national airline of its headquarters’ country. Both the agency and the airline have office space on its premises. The agreement with the airline is intended to ensure that most prepayments are forwarded to a precise contact point. The agreements with the agency and airline respect fully IATA regulations.

40. In the opinion of the Inspector, the services provided to the organization under these agreements, although they have been in effect for a relatively short period (15 months), are very satisfactory and superior to those of the previous arrangements. At the same time, the cumulative benefits, including financial compensation, the organization receives under the new agreements are much higher than those of the former agreement and are also higher than those received by other organizations of the United Nations system.

41. Some problems have occurred because of the frequent fluctuations of air fares and exchange rates, but those have been settled satisfactorily. Travel which originates in the field involves more administrative constraints both in the field and at headquarters, mostly due to the need for advanced planning of trips, but the cost is still very much less than the increased benefits received by the organization. Despite the fact that most Prepaid Ticket Advices are arranged for field staff through an air carrier, the travellers have full freedom to travel on any airline of their choice.

42. The Inspector is sending a letter to all executive heads giving further details on this arrangement.

C. Disparities in arrangements with travel agencies

43. The variety of arrangements with commercial travel agencies is summarized in Annex II. The variations concern both the services rendered to the organizations and the amounts that the travel agencies pay to the organizations in compensation for facilities provided. Annex II shows that there are considerable differences
between contracts concluded separately by several organizations with the same commercial travel agency. Further, it is noted that in some instances there is a tendency to renew contracts with the same travel agency with little change in the conditions of contract and only in a few cases an expressed intention to seek better arrangements was reported.

44. The most comprehensive specification of services by a travel agency, for both official and private travel, includes the following features:

(a) Ticketing (booking and issuance of air tickets) against travel authorizations (TA) for regular air transportation, pre-paid ticket advice (PTA), miscellaneous charge orders (MCO), re-routing of tickets already issued against PTAs and transportation purchase vouchers (TPVs) or paid by other services, cancellation of partly or fully unused tickets and refund thereof, study and analysis of routes to ensure that the most economical routes and tariffs are applied, contact with air carrier, passenger, notification of PTA to traveller, completion of TAs with details of services supplied and related costs and, if requested by the organization, provision of travel cost estimates and advice on time schedules and tariffs.

(b) Handling of TPVs issued by field offices including checking that fare charged by the air carrier is correct, economical and over the most direct route.

(c) Issuance and/or prepayment of steamship, rail and wagons-lit tickets, including reservations, cancellation and reimbursement of unused tickets.

(d) Hotel bookings and car rental when requested.

(e) Issuance of government excess baggage authorizations (GEBAs) for excess baggage with relevant procedure for payment.

(f) Accounting and administrative work connected with the invoicing to the organization of all services supplied, and the reimbursement of unused or cancelled tickets.

(g) Reporting to the organization on turnover of official and private business (yearly), by airline (yearly), by country of origin and distribution (yearly), on the amount and number of PTAs authorized but not used (quarterly), on the number and amount of first-class tickets issued (yearly), on the number and amount of outstanding ticket refund claims (monthly), and tickets with air carriers accepting under-utilized currencies, issuing of periodic list of airline check-in times, list of fares between organization's headquarters and selected cities and on travel times involved respectively.

(h) Other management information and/or statistics which may jointly be agreed upon.

45. The most general specification on the other hand includes only the following services by the travel agent:

(a) Issuance of tickets for transportation by airplane, train, bus and boat.

(b) Bookings.

(c) Hotel reservations.

(d) Foreign exchange.
(e) Travellers' cheques.
(f) All operations related to official and private trips.

Other agreements vary between the two extremes indicated above.

46. More precision regarding contractual obligations of travel agents, particularly in view of the divergence of interests regarding the use of the most economical services (see para. 16 above) is necessary. This is particularly important because a number of organizations, although they spend over $10 million each per year on tickets alone, are operating under contracts which still have loosely spelt-out conditions.

47. Facilities provided by the organizations to travel agents are fairly standard and generally include furniture, office equipment, telephone installation, heating, lighting, cleaning, messenger and guard services and local telephone calls.

48. The differences in the amounts paid to the organizations by the agencies concerned as well as in the grounds on which these payments are based are striking. Some organizations charge the travel agent for rent of office space at the market value per square foot/metre, per year, subject to yearly modifications. Others calculated partial or total (official only or both official and private) annual business turnover of the travel agent with the organizations and charge up to a certain initial amount one percent, and over that amount 2 percent. Yet other organizations have negotiated a much higher percentage of the total annual business turnover. It is obvious that the latter arrangements are financially much more advantageous to organizations and that all organizations should strive to enter into similar agreements. This would be in line with the practice of many other organizations outside the United Nations system.

49. The amounts received by organizations depend also on the types of business entrusted to the travel agent. Some organizations base their charges on both official and private trips plus other services (currency exchange, travellers' cheques, etc.). In some cases, payments are related to official travel only, in others higher percentages are granted for official than for private trips. It may be argues that it is normal that the negotiation process between organizations and travel agencies produces different results. But it is important that each organization obtain comparably advantageous terms, taking into account the volume of business and local practices.

50. Organizations are using both large and relatively small agencies. The Inspector found that the advantages of having contractual relations with large travel agencies with world-wide offices, which were important some years ago, are becoming less significant due to the extension of air companies' networks of offices and much improved computer systems for bookings, ticketing and the issuing of travel documents. The availability of the computer systems to small agencies allows them to compete successfully with large agencies. In fact, travel agencies now make much less use of their branch offices and use the airlines' computerized systems. Linked with air carriers and using their facilities, the small agencies may be able to offer better terms to the organizations because of their low overhead costs.

51. It seems that organizations, with some exceptions, are accepting market conditions and are paying the increased cost of travel without any significant attempt to change the situation for the better. Most of them feel that better arrangements cannot be made. However, the Inspector is convinced that the United Nations could obtain considerably better terms by using competitive bidding and qualifying well-established smaller travel agencies to participate in the bidding.
Several organizations have concluded and renewed contracts with the same travel agency over long periods with only relatively minor changes in terms of payments, range of services, and other contractual provisions. Organizations seem to rely too much on information provided by their travel agencies. For example, the Inspector found in several instances that organizations do not exercise their right to verify the financial accounts of the travel agency, although this was part of their agreement. Such verification is necessary if payments to the organization are to be fairly calculated. The United Nations (including UNOG, UNIDO, UNDP, UNICEF, UNESCO) and WHO have agreements with the same commercial travel agency. This is quite normal, considering the business reputation and world-wide network of the offices of the agency. Attention has, however, to be drawn to the fact that the organizations have concluded different types of agreements, used different procedures to reach them, and obtained different generally low-level returns. It would be normal to obtain the most favourable solutions in all cases.

D. United Nations agreement with a travel agency

The United Nations entered into an agreement with a commercial travel agency on 2 February 1955 and has renewed it periodically ever since, with the agreement of the Committee on Contracts, but with little or no modification in its terms (the only substantial change being the periodic increase in the rent paid for the lease of offices). Competitive bidding was considered but found not to be feasible (see para. 55). An analysis of this agreement and comparison with agreements concluded by some other organizations shows that it is deficient in a number of respects. The agreement is in general in character (with loosely defined services to be rendered by the travel agent), it contains a general clause under which the agent should give services to United Nations passengers in the manner in which it serves "its most favoured clients", but also contains a disclaimer clause under which the agent can suspend whatever services it may not wish to provide; while the United Nations offers the agent facilities equal to those provided by other organizations, it receives comparatively much less in return in the form of payments - only the services of a messenger: the rent paid by the travel agency for premises only reimburses the United Nations for costs it incurs on behalf of the agency.

There are frequent complaints about the services provided by the travel agent with insufficient action on the part of the United Nations to enforce compliance with the agreement. It would be normal that a provision be made in the agreement by which a procedure for reviewing such complaints is agreed upon.

Over the last 20 years, the United Nations has made periodic efforts to obtain more advantageous travel arrangements. For example, approaches were made both through ICAO and IATA to obtain direct commissions from airlines and, in the earlier days, from steamship companies. The records also show that there were attempts to introduce competitive bidding many years ago, but they were abandoned presumably because other agencies considered either did not have world-wide facilities or because United States Government restrictions on travel agents applicable at that time prevented other agencies from being able to make financially viable competitive bids. That these efforts did not succeed was no doubt due to conditions prevailing then, conditions which are now changing.

More profitable arrangements for the United Nations can be obtained while respecting fully IATA rules. One reason for this is that the services rendered by the agent include not only the sale of air tickets but rail, bus and ship, and hotel reservations, as well as other services to which the IATA rules do not apply. Another reason is that there is no obstacle to fixing the payments of the travel
agency to the United Nations at any agreed level, provided that there is no
direct link between the amount of the commission received by the agency from
air carriers and the payments to the organization. Therefore, the United Nations
could apply the practice of other organizations, i.e., include a percentage of
total annual business turnover by the travel agent on behalf of the United Nations
as a condition for the conclusion of a new agreement with the existing travel
agency or any other and negotiate the level of such percentage with the aim of
achieving at least the results of the best contract at present in operation in the
United Nations system.

57. UNOG has basically the same type of agreement as the United Nations in New
York. UNIDO's agreement with its travel agency is somewhat more detailed and
wider in scope than those of the United Nations in New York and Geneva. Its
compensation is also based on monthly payments for leased premises, which are
credited to the Austrian Government, the owner of the buildings. In addition,
UNIDO charges the travel agent a specified amount for utilities and services
rendered for both official and private travel. This is not done in either of
the two previously mentioned cases.

V. OPTIONS FOR IMPROVING TRAVEL ARRANGEMENTS

58. This chapter presents four options which, if implemented separately or in
combination, could reduce significantly the cost of travel to the United Nations.
Work could start on the first three options without delay; the fourth would
require clarification of legal obstacles and further study before any decision
could be taken on whether or not to pursue it. The chapter concludes with a
proposal for inter-agency co-operation.

A. In-plant travel division

59. The agreement between the United Nations and its commercial travel agency
already includes some of the features of an in-plant arrangement, but without
financial benefits for the Organization, which are now common in such arrange­
ments. Thus, the introduction of a full-scale in-plant arrangement would not
imply radical change but it would make it possible for the United Nations to
obtain considerable reduction of its overall cost of travel.

60. An in-plant travel arrangement consists of an agreement between an organ­
ization and a commercial travel agency which allows the agency to establish a
branch office on the premises of the organization. This feature already exists
in the United Nations. However, in addition an in-plant arrangement now
provides for reimbursement by the travel agency of up to 85 percent of its total
income (from commissions on air, rail and ship tickets, hotel reservations, car
rentals, etc.) which is used to defray the Organization's costs for making travel
arrangements. This important feature does not now exist in the agreement between
the United Nations and its commercial travel agency. At present, the travel
agency provides and pays for its own staff for travel arrangements, but the United
Nations also provides and pays staff for work directly related to travel arrange­
ments.
61. The sharing of revenue is governed in the United States by guidelines established by the Air Traffic Conference (ATC). All costs, with the exception of office space, that can be identified as being directly related to the operation of the in-plant arrangement may be charged to the agency's account. This includes the cost of staff of the organization working part- or full-time on making travel arrangements and the cost of other items such as: insurance, consultants, loss of interest resulting from advances made, printing of forms, etc., dues and subscriptions, equipment rental, office supplies, communications, etc.

62. An in-plant travel division can be staffed by employees of the organization, personnel provided by the travel agency or a combination of both. In the United Nations, the in-plant arrangement could begin with a combination of personnel of the United Nations and of the travel agency with the aim of phasing out travel agency personnel after a transitional period. This would require training by the travel agency of staff members of the United Nations Travel Unit for new functions. The number of personnel required would fluctuate with the volume of travel. A useful norm for determining staff requirements is that one staff member should handle $500,000 of travel expenditures per year (in private business the norm for usually simpler trips is $750,000). By proceeding in this way, the stage would be set for the eventual creation of a travel agency owned and operated by the United Nations (see Chapter V.D).

63. An in-plant travel division located at the United Nations in New York, with branches at UNDP and UNICEF Headquarters, might be able to make travel arrangements for all staff of the United Nations at all duty stations. This would require planning of travel and the adoption of cost-effective procedures and communications similar to those noted in Chapter IV.B.3. It would also require agents at major United Nations duty stations outside the United States. Alternatively, to serve these duty stations, it might be preferable to establish branches of the same travel agency which is awarded the contract in New York at each major United Nations duty station outside the United States. These branches would be organized in the same way as described in para. 62.

64. It is difficult to foresee the precise amounts which would be available in the commission account as these depend on a number of variables, particularly the volume of travel and the amounts paid by carriers as commissions. But a rough estimate can be made for the United Nations. At present, carriers pay commissions ranging between 8 percent and 12 percent in the United States for the purchase of international tickets and in many other countries the basic commission is 9 percent, but may go as high as 20 percent (see para. 82). However, these percentages can vary considerably between carriers and from time to time. Nevertheless, the following estimates, though only rough approximations, clearly show that it would be to the financial advantage of the United Nations to establish an in-plant travel division.
### Rough Estimates of Annual Commissions on Tickets* and Staff Costs for Travel Arrangements
(figures derived from Annex I)

<table>
<thead>
<tr>
<th>Description</th>
<th>US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Commissions of travel originating in New York paid by the United Nations (including UN, UNDP and UNICEF)</td>
<td>1,500,000</td>
</tr>
<tr>
<td>(b) Commissions on travel originating world-wide (including New York) paid by the United Nations (all programmes and funds)</td>
<td>4,000,000</td>
</tr>
<tr>
<td>(c) Cost of the time of United Nations staff in New York for making present travel arrangements</td>
<td>1,300,000</td>
</tr>
<tr>
<td>(d) Cost of the time of United Nations staff world-wide (including New York) for making travel arrangements</td>
<td>2,600,000</td>
</tr>
<tr>
<td>(e) Other costs to the United Nations which could be reimbursed under an in-plant agreement (see list in para. 6d) cannot be estimated at this time.</td>
<td></td>
</tr>
</tbody>
</table>

65. At present, the United Nations receives the services of a messenger from the travel agency. Under an in-plant arrangement the amount received from the agency could be over $1,000,000 for New York alone. World-wide, the increase could be proportional. However, the precise amount that might be reimbursed to the United Nations would depend upon the terms of the in-plant agreement.

66. In view of the financial advantages of an in-plant travel arrangement (estimated additional income of over $1,275,000 per year for New York alone), the Inspector recommends that the United Nations Headquarters in New York terminate its existing contract and enter into an in-plant agreement with the same or another travel agency under the following procedures.

(a) Conduct a study, with the assistance of an outside consultant if necessary, of some existing in-plant travel departments (there are about 300 in the United States) to determine the most suitable contractual clauses.

(b) Prepare bidding documents. Those mentioned in para. 38 could serve as a basis for part of the documents.

(c) Organize a competitive bidding process under which qualified travel agencies, large and relatively small with long-standing reputations and including those specializing in in-plant arrangements, would be invited to submit bids. Several organizations, including FAO and UNESCO, have already used a competitive bidding process for selecting their travel agency and have as a result obtained much better conditions.

(d) The Secretary-General should be advised on the selection of the successful bidder by the contracts committee, composed for this purpose of high-level officials including representatives of the Department of Administration, Finance and Management, the Office of Legal Affairs, the Office of Financial Services, the Office of General Services. The Secretary-General should make the final decision.

*Based on 11 percent commission on official travel only.
67. Once the in-plant arrangement is in place at Headquarters in New York, a study should be made of the possibility of extending this arrangement to major duty stations outside the United States. Although this could result in increased efficiency and economy, it is not recommended from the outset because a period of adaptation with the new arrangement at Headquarters before more radical changes are made would avoid the possibility of confusion.

68. It may also prove advantageous to make a parallel agreement with an air carrier for the utilization of its worldwide network of offices for communication and the purchase of tickets in the field, as was done in the example cited in Chapter IV.B.3. The possibility of using the office of the Resident Representative/Co-ordinator as a channel for the same purpose could also be considered if this proved to be more cost-effective.

69. An in-plant arrangement might not be suitable at present for organizations of the United Nations system not located in the United States. However, it might be possible for these organizations to associate themselves in some way with an in-plant division at the United Nations in New York (see section D below). If in the initial stages it is not possible for the in-plant unit in New York to serve other United Nations duty stations, these other duty stations should select their travel agency under competitive bidding as described in Chapter IV.B.3.

B. Travel arrangements for United Nations duty stations other than New York

70. Pending the eventual extension of the in-plant arrangement proposed in A. above to major duty stations of the United Nations outside the United States (see paras. 63 and 67), these entities should also terminate their existing contracts with their respective travel agencies and conclude new agreements with the same or a new travel agency, after a competitive bidding procedure. The model for new agreements should be based on the most favourable arrangement available and now being used in the United Nations system (see Chapter IV.B.3). In the letter referred to in para. 42, the Inspector has informed the Secretary-General of the advantages of this arrangement. The method of preparation and implementation of competitive bidding procedures proposed in A. above should be applied to the selection of a travel agency in close co-operation with and the support of Headquarters.

C. Special arrangements with air carriers

71. Any new arrangements with a travel agency to be made by the United Nations (see A. above) should not exclude other possibilities of providing the travel needs of the United Nations under advantageous conditions. It may take some time to fully explore these methods and eventually conclude agreements. The Inspector found that some are already available and with relatively minor modifications should be used for United Nations travel purposes. However, a professional review of these methods is needed and negotiations should be initiated on all or the most suitable of the following possibilities:

(1) Favourable rates for high volume

72. The United Nations makes use of a relatively small number of air carriers for most of the air travel of its staff. The table below illustrates the distribution of United Nations passengers, beginning travel from New York and Geneva on most frequented airlines.
Approximate Air Traffic Figures Handled by the Travel Agent

In 1981
(United Nations HQ, New York and Geneva, excluding UNDP and UNICEF)
(in thousands of US$)

<table>
<thead>
<tr>
<th>Air Carrier</th>
<th>Traffic (in thousands)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swissair</td>
<td>4,809</td>
<td>23.6%</td>
</tr>
<tr>
<td>Air France</td>
<td>2,352</td>
<td>11.6%</td>
</tr>
<tr>
<td>Pan American</td>
<td>2,196</td>
<td>10.8%</td>
</tr>
<tr>
<td>British Airways</td>
<td>1,661</td>
<td>8.2%</td>
</tr>
<tr>
<td>Japan Airlines</td>
<td>986</td>
<td>4.9%</td>
</tr>
<tr>
<td>TWA</td>
<td>829</td>
<td>4.1%</td>
</tr>
<tr>
<td>Lufthansa</td>
<td>691</td>
<td>3.4%</td>
</tr>
<tr>
<td>S.A.S.</td>
<td>543</td>
<td>2.7%</td>
</tr>
<tr>
<td>Iberia</td>
<td>342</td>
<td>1.7%</td>
</tr>
<tr>
<td>Others</td>
<td>5,926</td>
<td>29.1%</td>
</tr>
<tr>
<td><strong>Total traffic</strong>:</td>
<td><strong>20,336</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

73. The nine air carriers listed above receive as originating carriers some 70 percent of the expenditures of the United Nations in New York and Geneva on air travel. This amounts to some $14,400,000 per year. Thus, the United Nations may be considered to be an important client of those air carriers. It may be safely assumed that the other organizations of the United Nations system are serviced by most of the same carriers to a varying extent. The organizations should, therefore, collectively explore the possibility of entering into direct arrangements with air carriers that now or potentially could serve the greatest number of United Nations passengers.

74. These arrangements should be negotiated with a view to obtaining discounts for high expenditures for travel on one airline in countries where this is possible. Such discounts are usually expressed as a percentage of the dollar volume of business on a sliding scale. As the volume of business increases, the percentage of discount also increases. This type of arrangement is presently used between air carriers and travel agencies.

(2) Governmental discounts

75. Many governments obtain substantial discounts ranging up to 50 percent from national air carriers for the transport of government officials by means of government orders which are also filed with other governments concerned by the routes and sometimes approved by such governments, in which case the discounted travel is extended to other carriers on the routes. In many cases, airline or government-ordered discounts exist for certain categories of passengers, such as seamen, migrants, clergymen, etc.

76. The United Nations as an intergovernmental organization should seek similar advantages from air carriers for its staff on official travel status as well as for consultants and delegates to United Nations meetings. These negotiations with air carriers might be facilitated if governments could request their national
air carriers to provide the same or similar advantages for United Nations travellers as for government officials. A resolution of the General Assembly to that effect may be useful. The Inspector was informed that in 1970 when the Secretary-General appealed to all Member States for such concessions for participants in the World Youth Assembly, the result was not favourable. But the situation has changed considerably since then and further efforts are now appropriate.

(3) **Block ticket purchases**

77. It is current practice for air carriers in some countries to grant substantial discounts to major customers who purchase blocks of tickets which may be used in various combinations and under varying conditions at any time during a specified period. It would be possible for the United Nations, particularly for trips originating in major duty stations, to conservatively estimate the number of probable trips to various destinations over a given period of time.

78. By negotiating the purchase of blocks of such tickets, the United Nations might obtain discounts which would exceed any loss of interest receipts because of advance payment. Therefore, the United Nations should explore this possibility, particularly with air carriers which are unable to accept the first two methods mentioned above.

79. Some combination of two of the three methods suggested above might be feasible. The Contractor Unit Seat price, bulk contractor seat price, round trips contract bulk fares, etc., are also possible. Negotiations might also lead to other methods by which the cost of air transportation to the United Nations could be reduced, e.g., relaxation of the conditions which are prerequisites for many of the cheaper flights; obtaining higher class tickets for senior or elderly officials at lower class prices, hotel discount arrangements, etc.

D. **United Nations travel agency**

80. Another promising way to reduce travel costs would be for the United Nations to own and operate its own in-house travel agency. However, at present there are difficulties to such an approach (see Chapter IV.A), but the situation although complex is fluid and some of these obstacles may be removed, at least partially, in the near future. For example, it appears that the present IATA regulations applicable to the United States (see para. 29) already allow for the possibility of establishing in the United States a travel agency owned and operated by the United Nations. In the United States, IATA seems to be implementing a more flexible interpretation of "employees" as members of the general public in connection with the requirement for an agency to do "at least 80 percent of its business" with the public and the required free access to the premises for the public is also being liberally interpreted. Once such an agency were approved, it would be entitled to handle and earn commission on all international travel, not just travel to/from and within the United States. Except for the United States and possibly Canada, it seems unlikely that IATA regulations will soon change for other parts of the world. Therefore, the Inspector recommends that this approach be reviewed and that any opportunities that may develop for its implementation in the United States be actively pursued. In the following paragraphs, the advantages and methods of operation of an in-house travel agency owned and operated by the United Nations are described.
81. If a travel agency is owned by the United Nations, it should be operated according to the commercial standards of the industry. One way of doing this would be to conclude a contract with a qualified manager who would staff the travel agency with existing personnel of travel units and any additional trained personnel required. The agency would be subject to audit by the Internal and External Auditors of the United Nations and subject to the relevant rules of IATA.

82. The cost of the travel agency would be financed exclusively from commissions received on ticket purchases. Such commissions are now fixed in most cases at 9 percent of the cost of tickets. Depending on the volume of travel, they can go as high as 20 percent (so-called overriding commission on high volume). This overriding commission is unofficial but is tolerated. High-level volume thresholds vary between air carriers and depend on their coefficient of vacant seats. Most of the United Nations system organizations are thus qualified for extra commission. The total commissions for the United Nations for official travel alone might be of the order of $4 to $6 million per year. If commission on private travel generated at the United Nations is added, this amount would be higher. In the opinion of the Inspector based upon preliminary calculations, the cost of operating the travel agency would be considerably below this amount, but this would have to be verified by a detailed study when and if a United Nations travel agency becomes feasible. The surplus would be credited to miscellaneous income or it could be used to reduce the travel budget of the Organization. Should all organizations, including the World Bank and the IMF decide to establish a common travel agency, the commission would be about five times greater.

83. The travel agency would have its main office at United Nations Headquarters and branch offices in Geneva, Vienna and at the regional economic commissions. It would also have agents (part- or full-time depending on the volume of business) at other locations, including the offices of Resident Representatives/Co-ordinators.

84. Other organizations of the United Nations system could, if they wished, participate in the United Nations travel agency from its inception or at any later date. If other organizations join, they should have a say in management and receive a proportional share of the surplus.

E. Inter-agency co-operation

85. Each of the four options described in this chapter offers the chance of a considerable reduction in direct travel costs. The outcome of eventual negotiations, although promising, cannot be predicted. It is certain, however, that the exploration and pursuit of these options will give better results if there is a combined effort of the United Nations system organizations together with the World Bank and the International Monetary Fund.

86. The cumulative volume (approximately $147,000,000 of purchasing power per year) and the authority of these organizations acting together would set the stage for a successful outcome of such efforts. The Inspector found a general interest in the organizations for co-operation, and was informed of work which had been initiated in this area. He noted that inter-secretariat discussions were being scheduled on improvements in travel arrangements, including possible collective action aimed at securing more economical conditions, in the Consultative Committee on Administrative Questions, a subsidiary body of ASC. This possibility was also
considered in a report prepared by the Inter-Agency Procurement Service of UNDP. The Inspector considers that this work should be actively pursued, with the assistance of outside experts if necessary, and recommends that the Secretary-General of the United Nations bring the matter to the attention of AGG at its next session, with a view to the examination of these and other options by CCAQ and the formulation of proposals on the most suitable solution for travel in the United Nations system.

VI. TRAVEL PROCEDURES

A. Duration of travel

87. One significant finding of this study leads to the conclusion that not enough is being done to control the duration of travel. The United Nations does have procedures to ensure that each trip is justified in terms of programme requirements, but these procedures do not seem to control sufficiently the duration of trips from a cost effectiveness point of view. Yet, as pointed out in Chapter II, daily subsistence allowance (DSA), which is proportional to the length of a trip, exceeds the cost of tickets and is the largest item of direct travel costs on official mission. In addition, the salary of a staff member while on travel status most often exceeds the direct cost of the trip and if trips could be shorter, some of the time and salary devoted to travel could be used at Headquarters, making it less necessary to have temporary assistance and consultants.

88. The average duration of a trip on official mission at the United Nations is about 11 days and there were 18,200 such trips per year. If each of these trips were reduced by one day the saving in DSA would be approximately $1,700,000, and $4,000,000 in salary costs could be devoted to other work.

89. Therefore, it is recommended that the United Nations procedures for the control of travel devote more attention to the need to limit the duration of travel. Justification for travel should indicate clearly why the proposed duration is essential and the department heads should review this justification with the objective of reducing the duration of travel to the minimum actually required, taking into account the overall cost effectiveness of the mission. Such justification should be subject to post facto spot checks by the Auditors, who in any event audit travel, or by the Budget Division as part of its present review and control function, in the light of the mission reports. In addition, draft travel plans should show the estimated direct and indirect cost of each trip, so that approval can be based upon considerations of cost effectiveness.

B. Processing of travel authorizations and claims

90. The procedures used by the United Nations in Geneva for the processing of travel authorizations and claims is as follows:
(a) The originating department prepares a travel authorization which indicates briefly the purpose of the trip, the itinerary, the mode of travel, requests the advance of funds, and gives the estimated cost of DSA and terminal expenses.

(b) The Travel Unit verifies whether the proposal of the originating department is in conformity with the travel rules, makes any necessary changes and indicates the cost of tickets.

(c) The Finance Division makes the required calculations, records the obligation of funds, authorizes any travel advance and forwards the travel authorization to the commercial travel agency with copies to the Travel Unit and the originating department.

(d) Staff members or their assistants contact the commercial travel agency to finalize the itinerary and obtain tickets and any travel advance.

(e) On return from travel, the staff member completes a travel claim which is certified by the originating department and then forwarded to the Travel Unit which verifies that the travel corresponded to the authorization.

(f) The Travel Unit forwards the claim to the Finance Division for the calculation of DSA and other authorized expenses and for crediting, after deduction of any travel advances, the staff member with the balance due.

The procedure in New York is somewhat different, in particular it is the Travel Unit that attempts to determine the least costly fare.

91. This process is time consuming and costly. On the average, it requires 3.5 hours of staff time to process each trip from the authorization to the settlement of the travel claim.

92. It is clear that simplification of the travel procedure would result in savings. The following methods are proposed:

(a) Suppress the travel claim procedure for all travel under the Staff Rules. The traveller would then only have to return the used ticket stubs showing that travel took place as planned for the closing of the account. There were some 16,000 such trips paid by the United Nations in 1981.

(b) Also suppress the travel claim procedure for simple trips on official mission of short duration in the same way as in (a) above. Travel advances would be made to the full amount of entitlement. There were some 7,000 such trips in 1981.

(c) Simplify the calculations for official travel by private car by reimbursing on the basis of the cost of an air ticket instead of mileage, with reduced amounts for any additional official passengers.

(d) Carry out a feasibility study on the use of existing computer terminals in New York for the preparation of itineraries, transmittal of travel instructions for booking, processing of travel authorizations and claims. This would require that the terminals have access to computer files on air schedules and prices, but
bookings should not be made directly from these terminals. A similar approach could be used in Geneva, provided that the required computer terminals were used for many other purposes as well, as they are in New York. Annex III presents a brief outline of a possible computer-assisted system.

C. Telecommunications as an alternative for some travel

93. In a separate JIU report - Communications in the United Nations System (JIU/REP/82/6) - proposals are made to begin experiments on using telecommunications as an alternative to some travel. It is noted that techniques for transmitting voice and video material are now being used by many commercial organizations to conduct meetings without the travel of participants.

94. The two most promising methods identified are "video teleconferencing" and the more sophisticated "computer conferencing". Both are described in some detail and their use is suggested on an experimental basis for certain types of meetings, particularly inter-secretariat meetings usually held in one language. The author of this present report feels that the proposals made on using telecommunications in JIU/REP/82/6 as an alternative for some travel deserve careful consideration and support. Their application might eventually lead to economies in the cost of travel and save the time of travellers for other work.

VII. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

95. The direct costs of travel account for about 5 percent of the total expenditures of the organizations of the United Nations system, the indirect costs about 3 percent. These organizations are now spending some $149,000,000 per year for the direct costs of travel, which consists mainly of tickets and DSA (see Chapter II and Annex I). The cost of tickets alone is estimated to be $85,000,000 per year and the tickets of the World Bank and IMF would add another $47,000,000.

96. The United Nations has not taken all possible measures to reduce the cost of travel. These measures should include the establishment of an in-plant travel division serving wholly organizations located in New York with eventual extension to other major duty stations; new and more beneficial arrangements made after competitive bidding with commercial travel agencies at duty stations other than New York; negotiations with air carriers for more economical fares; eventual development of a United Nations-owned travel agency; and improved procedures for the authorization and processing of travel documents.

A. In-plant travel division (Chapter V. A and B, paras. 59 to 70)

97. The current agreement between the United Nations and its travel agency has some of the features of an in-plant arrangement, but without the financial benefits usually associated with such arrangements. Under a full in-plant arrangement commissions from the sale of tickets could be used in part to pay for staff and other costs of the United Nations for processing travel. This could result in additional income for the United Nations in New York alone of over $1,000,000 per year. An in-plant travel unit located in New York might be able to serve other duty stations outside the United States if suitable communications and procedures could be worked out.
Recommendation 1: The United Nations should terminate the present contract with its commercial travel agency and select an agency under an in-plant arrangement through competitive bidding. Both large and relatively small travel agencies with long-standing reputations, should be qualified to bid (para. 66).

Recommendation 2: The in-plant travel arrangement proposed above should, if possible, also serve United Nations offices at duty stations other than New York. If not, the offices of these duty stations should enter into new agreements with travel agencies through a process of competitive bidding, taking as a basis the arrangement described in Chapter IV.B.3 (para. 70).

B. Special arrangements with air carriers: (Chapter V.C)

98. Air carriers, in countries where regulations permit, provide large discounts of various types to favoured clients. These include discounts for high volume of business, governmental discounts and discounts for block ticket purchases. The United Nations has made insufficient efforts to obtain such discounts, although the volume of its travel and the fact that it is an intergovernmental organization would put it in a strong bargaining position, particularly on routes serviced by several airlines.

Recommendation 3: The United Nations should undertake negotiations with air carriers to obtain discounts in countries where this is permitted, or to relax conditions which are an obstacle to obtaining the most economical fares along the lines described in Chapter V.C.

C. United Nations travel agency: (Chapter V.D)

99. If the travel agency servicing the United Nations were owned and operated by the United Nations, considerable economies would result. Legal obstacles to this sort of arrangement may soon disappear in the United States.

Recommendation 4: The possibility of establishing a United Nations travel agency, owned and operated by the Organization along the lines suggested in Chapter V.D should be reviewed and any opportunity that may develop for its implementation in the United States should be actively pursued.

D. Variety of air fares and classes: (Chapter III)

100. The same trip can be made on the same airline and in the same class at widely differing costs, depending on a complex variety of conditions. This presents opportunities for savings which the United Nations have also neglected. Commercial travel agencies may not have sufficient motivation and time to seek the lowest fares under acceptable conditions.

Recommendation 5: Efforts to obtain the lowest suitable fares should not be left mainly to the commercial travel agency, but should be a joint effort in which the traveller, the originating department and the Travel Unit should participate. Information should be provided and rules issued to facilitate the search for and the use of the lowest suitable fares (paras. 20 and 33).
Many airlines have introduced an additional class of travel between first and economy class (called "business", "club", etc.). The practices of organizations in using this intermediate class vary considerably. OCAQ has estimated that the general use of the intermediate class would raise costs by 2.4 percent. Since travel by the intermediate class would be beneficial both to the traveller and the Organization, its use should be considered when there would be no increase in the total travel costs (direct plus indirect costs).

Recommendation 6: The class between first and economy class ("business", "club", etc.) should be authorized for travel on official mission, travel of delegates to meetings and travel of consultants, when this can be done without an overall increase in the total of direct and indirect travel costs under the conditions described in para. 23.

Recommendation 7: Under-Secretaries-General, Assistant Secretaries-General and delegates should travel by business class or equivalent, when available, on all trips (para. 23(e)).

E. Travel procedures: (Chapter VI)

Daily Subsistence Allowance (DSA), which is proportional to the duration of trips, is the largest direct cost of travel on official mission, slightly exceeding the cost of tickets. The cost of the salaries of staff members on official mission is also proportional to the duration of trips. Greater efforts to control the duration of travel would result in substantial economies.

Recommendation 8: 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. Control procedures should also include the provision of information to the department heads on the estimated direct and indirect cost for each trip, justification for the itinerary, class and less costly alternatives to travel (paras. 11 and 79).

The processing of travel authorizations and claims is time consuming and costly - for the United Nations the estimated cost is $2,250,000 per year.

Recommendation 9: The procedure for processing travel should be simplified along the lines suggested in para. 92.

Recommendation 10: A feasibility study should be carried out on the use of existing computer equipment of the United Nations aimed at facilitating the search for lower fares and reducing the cost of processing travel (para. 92(b) and Annex III).

F. Inter-agency consultations: (Chapter V.E)

Although the recommendations in this report are addressed only to the United Nations, co-operation among organizations, particularly in negotiating favourable rates with six carriers or on an eventual United Nations travel agency, would be most beneficial.

Recommendation 11: The Secretary-General should call the attention of the Administrative Committee on Co-ordination to problems raised in this report with the aim of adopting a co-ordinated approach to solutions and report thereon to the General Assembly at its thirty-eighth session. This report should, inter alia, suggest action that the Assembly might take with a view to attenuating some of the restrictions of IATA regulations (paras. 85 and 86).
Preliminary Outline of Computer-Assisted System for Processing Travel Authorizations and Claims

Prepared in cooperation with the Electronic Data Processing Unit of the United Nations in Geneva

A. Offices involved:
   1. Divisions and/or Departments: preparation of itineraries, transmittal of travel instructions for booking and issuance of travel authorization for processing by the Travel Unit. 1/
   
   2. Travel Unit: two main activities:
      (a) Control of itineraries, completion of travel authorizations and transmittal to:
         (i) Finance for registration and obligation;
         (ii) Travel agency, for issuance of tickets.
      (b) Control and completion of travel claims and transmittal to Finance for registration and debiting.
   
   3. Travel Agency: receipt of itineraries and travel authorizations, booking and issuance of tickets.

   4. Finance: two main activities:
      (a) receipt of travel authorization and entry of obligations;
      (b) receipt of travel claims, debiting and payments to claimant staff.

B. Computer application systems required:
   1. Divisions and/or Departments:
      (a) on-line access to the Travel Agency automated itinerary composition and pricing file;
      (b) on-line preparation and issuance of Travel Authorization for both recording into the Active Travel File and printing on standard form for distribution;
      (c) on-line inquiry to the Travel Agency Ticket Confirmation File, for pick-up of tickets.

1/ Travel claim should be prepared by the staff member for approval by the Certifying Officer and submission to Travel Unit for payment processing.
2. **Travel Unit:**

   (a) on-line access to the same Travel Agency automated itinerary composition and pricing file;

   (b) on-line access to the Active Travel File, for control and clearance;

   (c) automatic transfer of authorized travel from the Active Travel File to the Authorized Travel File;

   (d) on-line entry, control and completion of travel claims into a TravelClaim Active File;

   (e) automatic transfer of completed travel claims to the Authorized Claims File.

3. **Travel Agency:**

   (a) on-line access to the Authorized Travel File, for booking and issuance of tickets;

   (b) on-line access to the Travel Agency Ticket Confirmation File, for automatic confirmation to the Division/Department.

4. **Finance:**

   (a) on-line access to the Authorized Travel File, for clearance and entry of obligations;

   (b) on-line transfer of completed obligation vouchers to the General Accounts System, daily batching;

   (c) on-line access to the Authorized Claims File, for entry of payment vouchers and payments processing (including automatic issuance of cheques?);

   (d) on-line transfer of completed payment vouchers to the General Accounts System, daily batching.

C. **System development and implementation steps:**

   (1) overall system study and proposal;

   (2) detailed system specifications to include the following steps;

   (3) travel authorizations processing in the Travel Unit;

   (4) travel authorizations processing in the Travel Agency;

   (5) travel authorization processing in Finance;

   (6) travel authorization processing in each department and/or division: this sub-system should be implemented gradually, one office at a time;
For each of the above steps, costs for the following activities should be defined: system analysis; programming and testing, related computer processing resources, user training, documentation.

**SUMMARY OF EDP SYSTEM FOR USE WITH REGARD TO TRAVEL**

**Divisions and/or Departments**

1 terminal + printer: For the preparation of itineraries, transmittal of travel instructions for booking, issuance of travel authorization and travel claims.

**Travel Unit:**

4 terminals + 2 printers: 1) Control of itineraries, and transmittal to travel agency. Control and completion of travel authorization and transmittal to: a) Finance for registration and obligation; b) to Travel Agency for issuance of tickets.

2) Control and completion of travel claims including computation of DSA and other authorized expenses and transmittal to Finance for registration and debiting.

**Travel Agency**

Receipt of itineraries and Travel authorizations. Makes booking and issues tickets

**Finance**

Receipt of Travel authorization and obligating funds. Receipt of travel claims debiting and making payments to staff members.
# Features of arrangements with travel agencies

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<tr>
<th>I. Use of competitive bidding for selection of travel agency</th>
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<th>UNOG*</th>
<th>UNIDO*</th>
<th>FAO</th>
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<tr>
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<td>B. Ticketing</td>
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<td>C. Cancellations</td>
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<td>D. Refunding</td>
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<td>E. Information</td>
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</tr>
<tr>
<td>B. Calculators</td>
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<td>+</td>
<td></td>
</tr>
<tr>
<td>C. Filing cabinets</td>
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<td>+</td>
<td></td>
</tr>
<tr>
<td>D. Elect. equipment for booking and ticketing</td>
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<td>B. Teleaxes</td>
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<td>C. Copiers</td>
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## IV. Utilities

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<table>
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<th>3. Cleaning</th>
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<table>
<thead>
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<th>4. Security</th>
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<th>UNOG</th>
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## V. Payments to organisations

<table>
<thead>
<tr>
<th>A. Rent</th>
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<th>UNOG</th>
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<table>
<thead>
<tr>
<th>B. % of official business</th>
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</table>

<table>
<thead>
<tr>
<th>C. % of total business</th>
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<th>UNOG</th>
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## VI. Validity

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<tr>
<th>UNIF*</th>
<th>UNOG*</th>
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<tbody>
<tr>
<td>5 years from 1.2.77. Renewed till 31.1.83.</td>
<td>5 years from 1.8.1977. Renewal in Aug. 1982 for an indefinite period</td>
<td>As of 2 Feb. 1953. Renewable each 5 years</td>
<td>As of 1 March 1981 for an indefinite period</td>
</tr>
</tbody>
</table>

Note: ICAO, IMO and UPU do not have official arrangements with a commercial travel agency.

* = served by the same travel agency.

The information provided in this table for WHO pertains only to WHO Headquarters in Geneva.
<table>
<thead>
<tr>
<th>IAEA</th>
<th>ILO</th>
<th>ITU</th>
<th>UNESCO*</th>
<th>WHO*</th>
<th>WIPO</th>
<th>WMO</th>
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</thead>
<tbody>
<tr>
<td>Yes</td>
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<td>No</td>
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<td>+</td>
</tr>
<tr>
<td>f 15 Jan. for an infinite period</td>
<td>Contract as revised in 1981, renewable biennially, subject to review</td>
<td>As of 4 Jan. 1967 and renewable each year</td>
<td>As of 1 Jan. 1982 to 31 Dec. 1983</td>
<td>As of 19 Aug. 1974 for an indefinite period</td>
<td>As of 1 Aug. 1978 for a period of 5 yrs. and renewable thereafter</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*
**Statistical Data on Travel Expenses**

(Average of figures obtained for 1980 and 1981)

To avoid excess clerical work, JIU asked organizations to provide figures based upon estimates or extrapolation when JIU made extrapolations based upon patterns for other comparable organizations (see footnotes). Therefore, the Dollar figures have been rounded to the nearest $100,000. Other figures are also rounded out.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Travel under Staff Rules</th>
<th>Travel of Delegates</th>
<th>Travel of Staff on Official Mission</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Direct Cost $millions</td>
<td>No.of Trips</td>
<td>Direct Cost $millions</td>
</tr>
<tr>
<td>UN*</td>
<td>25.6</td>
<td>15,700</td>
<td>5.6</td>
</tr>
<tr>
<td>FAO</td>
<td>11.7</td>
<td>6,400</td>
<td>0.2</td>
</tr>
<tr>
<td>IAEA</td>
<td>2.6</td>
<td>1,200</td>
<td>none</td>
</tr>
<tr>
<td>IDA</td>
<td>1.3</td>
<td>1,200</td>
<td>none</td>
</tr>
<tr>
<td>ILO</td>
<td>2.8</td>
<td>1,800</td>
<td>2.7</td>
</tr>
<tr>
<td>IMO</td>
<td>0.2</td>
<td>150</td>
<td>0.3</td>
</tr>
<tr>
<td>ITU</td>
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<td>400</td>
<td>0.5</td>
</tr>
<tr>
<td>UNESCO</td>
<td>6.1</td>
<td>2,200</td>
<td>2.6</td>
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<tr>
<td>UPU</td>
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<td>60</td>
<td>0.1</td>
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<tr>
<td>WRO</td>
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<td>7.7</td>
</tr>
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</tr>
<tr>
<td>WHO</td>
<td>0.3</td>
<td>150</td>
<td>0.2</td>
</tr>
</tbody>
</table>

**Totals:** | 60.8 | 43,100 | 472,500 | 43.3 | 30,160 | 21.0 | 14,180 | 23.6 | 16,150 | weighted average 95% | 98.4 |

---

Note:
- For a definition of direct and indirect costs, see paras. 9 and 11 of the report. Cost of tickets was estimated to represent 45 percent of travel expenditures on official mission and consultants, 60 percent of travel of delegates and 80 percent of travel of staff under Staff Rules. Balance of direct travel costs represent DSA and other minor costs, i.e., terminal expenses, excess baggage, etc.
- *Calculated on basis of total estimated expenditures for 1980 and 1981 shown for each organization in document E/1980/81. Actual expenditures when known might change the percentages somewhat.*
- Extrapolated by JIU on basis of pattern of travel by other comparable organizations. These figures provide only a rough order of magnitude.
- This amount includes travel of fellows (shown as cumulative figure at bottom of column 13) and certain other categories such as counterpart personnel and staff of the World Food Programme, and amounts which are later repaid to FAO.
- Includes the United Nations itself and affiliates organizations and programmes such as UNICEF, UNESCO, UNIDO, etc. at all duty stations.
- Includes travel of Fellows, lecturers and participants involved in the Agency's technical co-operation activities.
- Extrapolated from JIU budget.
Annex I

Preceding data was not readily available. Some organizations were unable to provide data for some columns. In these cases, as in this table should be considered to show orders of magnitude which, for the purpose of this report, are sufficient.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Total</th>
<th>Total</th>
<th>Indirect Cost/</th>
<th>Total</th>
<th>Direct</th>
<th>Total</th>
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<tr>
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<td>Number of Trips</td>
<td>Direct Costs</td>
<td>Indirect Costs</td>
<td>Direct Costs as a Percentage of Total Expenditures</td>
<td>Indirect Costs as a Percentage of Total Expenditures</td>
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<td></td>
<td>Tickets</td>
<td>Salary/ during Mission Travel</td>
<td>Staff Costs/ for Travel Arrangements</td>
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<td>$ millions</td>
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<td>0.3</td>
<td>1.2</td>
</tr>
<tr>
<td>IMF</td>
<td>990</td>
<td>1.2</td>
<td>2.3</td>
<td>1.5</td>
<td>1.6</td>
<td>3.9</td>
</tr>
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<td>ITU</td>
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<td>13.8</td>
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<td>7.6</td>
<td>21.4</td>
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<tr>
<td>UNESCO</td>
<td>360</td>
<td>0.8</td>
<td>1.5</td>
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<td>0.1</td>
<td>1.6</td>
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<td>WHO</td>
<td>17,400</td>
<td>13.9</td>
<td>25.3</td>
<td>14.4</td>
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<tr>
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<td>1.5</td>
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</tr>
<tr>
<td>Totals</td>
<td>103,500</td>
<td>85.2</td>
<td>148.7</td>
<td>101.0</td>
<td>107.3</td>
<td>256.0</td>
</tr>
</tbody>
</table>

| Tickets for Fellow | 15.0 |
| Tickets of World Bank and IMF | 47.0 |
| Total Tickets      | 147.2 |

\(^{1}\) Based on one third of the cost of WHO consultants.

\(^{2}\) The cost of tickets paid by organizations for fellowship holders are not included for most organizations in the above table because it was not possible to make a plausible estimate of these costs. However, based on previous studies made by JIU of fellowships, they are estimated to be $15,000,000 per year system wide.

\(^{3}\) Cost of salary of staff on official mission was calculated by multiplying a P-4 salary by the number of days (United Nations Standard Costs Version 20 was used - 50 percent of UN NY and 50 percent of UN0G).

\(^{4}\) Staff costs for travel arrangements include work performed in the originating divisions, Travel Unit and Finance for preparation of itineraries, bookings, collection of tickets, issuance and processing of travel authorizations and claims and it was assumed that 3½ hours were necessary. Costs were calculated by using Standard Costs Version 20 at Principal Level (50 percent of UN NY and 50 percent of UN0G) and multiplying the result by 3½ hours and total number of trips.