

# **Follow-up report on organization and methods for official travel**

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FOLLOW-UP REPORT ON ORGANIZATION AND  
METHODS FOR OFFICIAL TRAVEL

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## I. INTRODUCTION

1. The JIU report on Organization and Methods for Official Travel (JIU/REP/82/7) examined the policies, procedures, and general management of travel undertaken on United Nations business and put forward a number of recommendations aimed at reducing the overall cost of travel.

2. The report suggested several possibilities for new avenues of co-operation with commercial travel agencies : for example, discontinuing the use of stereotyped methods of contracting for travel services. Specifically, the introduction of competitive bidding on a regular basis was recommended as being likely to attract greater financial benefits to the organizations. Furthermore, with deregulation of the travel industry in the United States underway, the time seemed propitious for investigating the following options with a view to selecting the most advantageous : establishing an in-plant travel service; creating a United Nations-owned and operated travel agency; entering into direct travel arrangements with an airline(s); or linking arrangements between an airline and a commercial travel agency.

3. The report also reviewed the variety of air fares in existence and the new classes of accommodation which had been introduced recently. Given these conditions, proposals seeking to acquire less costly fares were made. Recommendations aimed at simplifying internal, administration procedures for the processing of travel authorizations and claims were also made.

4. Member States reacted favourably to the report and the General Assembly called upon the Secretary-General, through its resolution 37/241, to undertake a number of measures in compliance with the report's recommendations. The present report informs Member States of what progress has been made, in the interval of time since December 1982, in the search for improved ways of handling travel. It also provides available information on the reductions in costs and the improvement of travel services which have resulted. The report also takes a look at what new opportunities exist today for further improvements in these areas.

5. Based on a thorough study of the pertinent files and after extensive discussion with the Secretariat officials concerned at United Nations Headquarters, UNDP and UNICEF, the new travel agency Don Travel Service Inc., with various consultants who had been associated with earlier studies on travel arrangements in the United Nations, and with a consultant who was engaged to advise on certain aspects of this follow-up review, the Inspector has come to the conclusion that the JIU recommendations which were endorsed by the General Assembly in resolution 37/241 have not been pursued with sufficient resolve. This is not to deny that travel arrangements have not improved substantially since 1983, but the total effort, in the view of the Inspector, has lacked spirit, and opportunities for even better or less costly services have

been lost. In light of this, the Inspector has recommended to the Secretary-General that he prepare a comprehensive report to the forty-first session of the General Assembly on measures taken to implement the recommendations contained in resolution 37/241 taking into account the Inspector's views which are contained in this report. The Inspector hopes that the Secretary-General's report will be sufficiently positive, forthright and advanced in implementation, so that Member States would need only to take note of the measures introduced to give effect to the Assembly's earlier directives.

6. The Inspector wishes especially to record his appreciation and thanks to Secretariat staff who have always made themselves available, sometimes on very short notice, to discuss pertinent issues.

## II. ARRANGEMENTS WITH TRAVEL AGENCIES AND AIRLINES

### A. Arrangements with travel agencies

#### 1) Recommendation by JIU

7. After analysing the pattern of arrangements with commercial travel agencies, the report concluded that significant cost reductions could be made if the United Nations would discontinue the long-established practice of contracting for travel services and replace it with an in-plant travel agency arrangement. To that effect the report recommended :

One : 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.

Two : 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 at these duty stations should enter into new arrangements with travel agencies through a process of competitive bidding taking into account the more advantageous possibilities indicated in the report.

8. Recommendation one was explicit in favour of terminating the "full travel agency services" at New York Headquarters and replacing it with an in-plant travel arrangement, a type of service which has been in use for some time by large organizations in the United States. For the purposes of this report, the term full travel agency services is considered to embrace travel services that a client subcontracts to a commercial travel agent. For his services, that travel agent receives commission from hotels and public transporters. If located on client's premises, he pays for rental and other services and facilities on an agreed annual fee. The in-plant travel arrangement is a branch office of a travel agency at client's premises. It consists of an agreement between a travel agent and a client under which the travel agency lends its licence to the client who takes over the responsibility for travel operations through its own staff, through travel agency staff or through a combination of the two methods. The travel agent continues to receive the same commission from which it retains an agreed percentage and reimburses the remainder to the client to cover the latter's cost of operation of travel services. New regulations in the United States call for the client to have no more than a professional ticketer.

9. These were the arrangements proposed for New York; different arrangements were proposed for duty stations outside New York. Specifically, based on the experience of some organizations in the United Nations system, JIU proposed that these duty stations should use the combined co-operative service of a travel agency and an airline when they could not be serviced by the proposed Headquarters in-plant operation.

2) Comments of the Secretary-General

10. The Secretary-General, in commenting on the JIU report 1/, expressed his concurrence with recommendation one adding that "although an in-plant operation appears to be the most likely alternative to the present arrangement, other options - such as agreements with commercial travel agencies or others that would offer advantages in terms of service and savings to the Organization - will not be precluded". On recommendation two, he proposed that "the existing arrangement at the major overseas offices should be continued and a step by step process should be undertaken for other locations, building on the experience gained, particularly in New York, but bearing in mind that what is possible, practical and legal in one location may not be so in another".

3) Inspector's comment

11. The Inspector has no objection of principle to the cautious tone of the Secretary-General's comments on the two recommendations. Nevertheless, these expressions of caution seem to have led, perhaps subconsciously, to an indecisive approach to the exploration of alternatives which the Inspector pointed out in his earlier report have proved to be more profitable.

4) Decision of the General Assembly

12. The General Assembly, at its thirty-seventh session, considered the JIU report, together with the Secretary-General's comments, in the Fifth Committee, and supported its general thrust. Through operative paragraph 3 of its resolution 37/241, the Assembly concurred with the JIU proposal as amended at the suggestion of the United Nations Secretariat (see underlined phrase which follows) by deciding "that the United Nations should select a commercial travel agency under an in-plant or other arrangement through widespread international competitive bidding at appropriate intervals". The Assembly also called upon the Secretary-General "to study the possibility of in-plant travel arrangements for United Nations offices at duty stations other than New York". In doing so, the Assembly went, it seems, a step beyond JIU's second recommendation in the sense that JIU envisaged the possibility of extending the services of an in-plant travel agency at New York Headquarters to other duty stations under the modality of in-plant branches, whilst the formulation of the Assembly's request to the Secretary-General allows the possibility for separate and independent arrangements.

5) Action by the Secretary-General

13. Action taken by the Administration to comply with the Assembly's decision is dealt with below.

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1/ A/37/357/Add.1.



a) Changes made at United Nations Headquarters, New York

14. The General Assembly recognized the need for change in the method of making arrangements with commercial travel agencies but, by amending JIU's original proposal as indicated in paragraph 12, it gave full freedom of action in selecting options on such arrangements including the renewal of full travel agency services which JIU found to be least economical in prevailing conditions in the United States. It is significant that this action was taken at the express request of the Administration.

15. These are the general circumstances under which the Administration launched a procedure for a revision of the then existing arrangement with Thomas Cook Travel Agency in New York. As explained to the Inspector and also to the General Assembly, the revision was contemplated in 1981 but action was postponed to allow JIU to present its findings and recommendation.

16. The description and analysis of action taken by the Secretary-General on recommendation one should take into account that the competitive bidding procedure took place in 1983, a year of continuing decline in economic conditions of both travel agency and airline businesses as well as a time when the deregulation process in the United States was on the verge of completion. Conditions were therefore advantageous for choosing the most economical arrangement for providing a range of travel services since deregulation offered, in the words of the Secretary-General's report, "numerous methods for procurement of travel tickets".

17. The implementation of JIU's recommendations is set forth in the Secretary-General's report 2/ to the thirty-eighth session of the General Assembly. On recommendation one, he informed the Assembly that a "contract for full travel services" was concluded with a new travel agent after completion of bidding procedures. The contract's duration is three years, running from 1 November 1983 to 31 October 1986. UNDP and UNICEF are parties to the contract. The agreement includes the provision of "an option for conversion to an in-plant if this should be deemed desirable by the United Nations". The report also indicated an increase in financial returns to the Organization from US\$48,000 to US\$350,000 per year. Other improvements in the new contract not mentioned in the Secretary-General's report include :

- A guarantee by the travel agent that it would obtain the lowest fare consistent with the United Nations travel authorization, with the provision that, in the contrary event, the travel agent would refund to the United Nations the difference.

- The provision of the right of the United Nations to enter concurrently into any additional contract(s) with other travel agencies, airlines or suppliers of services for any or all of the services covered by the contract.

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2/ A/C.5/38/22.

- The provision of the right of the Organization to designate the carrier(s) and routings to be used, provided that the travel agent would not be responsible for obtaining the lowest fares and other consequences.

- A provision on the disclosure to the United Nations, on a confidential basis, of regular statements of income and expenditure of the travel operation.

- The commitment of the travel agent to help the United Nations in its efforts to establish specific arrangements with air carriers.

- A number of additional facilities such as installation of various computer reservation systems; providing information on commission rates payable by airlines; providing five airline reservation terminals to the Organization for its own use; covering US\$150,000 accident/life insurance per traveller for each trip booked by the travel agent; use of American Express Card for payments of air tickets; and arranging for hotel and car-rental discounts.

. Inspector's comments

18. A number of options were open to the United Nations in its search for an improved travel service in terms of the quality of service to be received and the financial benefits to accrue to the Organization through lower fares and a reduction in net operating costs. Among them were the following four :

- i) the continuation of an agreement with a travel agency to provide full travel agency services but on terms more favourable to the United Nations;

- ii) an agreement with an airline(s), or a combination of services to be provided by a carrier(s) and a travel agent;

- iii) in-plant travel agency arrangements;

- iv) a United Nations-owned and operated travel agency.

These options range from the soft option at i) to the hard option at iv). The softest option was chosen. Having chosen that option, did the Organization do well by its choice ?

- i) Full travel agency services

19. In moving to select the most suitable firm, the Organization established a set of criteria :

- Relative experience of each firm in providing travel services :

- . Present management of the company :

- number of years in travel business
- volume of business
- qualification of key personnel
- clients and their experience
- experience in handling international travel

. Capabilities in terms of :

computer equipment for searching for lowest fares and for providing  
management reports  
negotiations with carriers, hotels, etc. for best rates  
worldwide network of agents  
in-plant experience

. Transition plan :

availability of qualified and experienced staff  
assignment and training of staff of the travel agency to be  
established at United Nations premises;

- Financial benefits to the United Nations

. Amount

. Legal viability;

- South African affiliation (if any).

20. Having reviewed the bid proposals submitted by competing firms, the Inspector concurs with the assessment made to the Committee on Contracts that the one offered by Don Travel Service Inc. "addressed itself to most of the issues of concern to the United Nations", i.e. in terms of an agreement being concluded for full travel agency services.

21. The new agreement represents significant improvements over the earlier arrangement with Thomas Cook and has introduced a number of innovative features which, taken together, offer the Organization opportunities to reduce some travel costs. The agreement opens the way to taking advantage of new developments in the market and to the direct participation of United Nations staff in seeking the least costly travel arrangements. Despite certain inherent contradictions, the concept of partnership between the travel agent and the Organization in the search for lower fares and getting the best value for the travel dollar is a welcome improvement. Its functioning, however, should be carefully monitored. An important addition is the readiness of the travel agent to offer training courses to the United Nations staff who work in the area of travel services : this can prove valuable should the Organization decide to discontinue full travel agency services arrangements in favour of an in-plant agency service. These features, coupled with the increased financial returns, make the new agreement more favourable than the old.

22. The scope and content of the new agreement proves the validity of the use of competitive bidding and confirms the necessity of using this method from time to time when renewing agreements with commercial organizations. The positive outcome of this procedure in New York is encouraging. Nevertheless, the Inspector is not entirely happy with either the magnitude of the reimbursement agreed upon or the procedural method used for soliciting this particular bid. His position is explained hereunder.

23. The Request for Proposals 3/ indicates that travel agencies were requested to state the amount they were prepared to pay for the services provided by the United Nations such as the allocation of space, furniture and fixtures, utilities, internal messenger service, cleaning, security for the premises, banking, post office and emergency medical services, use of parking facilities at the United Nations garage at United Nations rates and access of contractor's staff to various United Nations cultural and recreational activities. This feature of the bid proposal maintains the long-established pattern used in contracts with Thomas Cook. Its only merit to the Organization lies in recouping or making some gain on the cost of providing such services to the travel agent. The travel agent, however, measures the value of these services from a quite different perspective which is in terms of what it would cost to duplicate these services outside the premises of the Organization. Depending upon the location of the travel agent in New York, among other considerations, there could be very different results, tending to weaken this particular criterion. The Inspector is of the view that a more business-like approach is called for. Apart from the value of services to be provided on premises, which could very well be provided at no more than cost, there ought to be an assessment of the negotiable value of the Organization's asset, to wit the provision of an identifiable level of official business (a captive market so to speak) to a travel agent, with resulting commission. The value would be capitalised over the contract's intended duration. Perhaps some value, too, might be attached to the private business which would be generated from staff since the travel agent, being located on premises, would have the inside track to such business. This approach should have been the hallmark of the financial proposals in the call for competitive bids.

24. The above procedure, had it been followed, would have been more closely responsive to JIU's proposal that the financial return to the Organization should be based on negotiating a percentage of the contractor's total annual turnover as a compensation for granting the contract. This is fully in accord with the rules of the International Air Transport Association (IATA) and the Air Traffic Conference (ATC) since it is based not on a rebate of commission earned from air carriers but on total business. The Organization would receive a better return in monetary terms under such an arrangement. It has not been made clear to the Inspector why this suggestion based on the experience of other organizations was not tested in the competitive bidding procedure. The Inspector once again recommends that, in any future competitive bidding process, the United Nations negotiate its financial return either on the basis of the contractor's total annual turnover or as outlined in paragraph 23.

25. The Inspector requested the Administration to quantify all the benefits which have resulted from the changes introduced by the United Nations to give effect to the JIU report on travel. This apparently proved somewhat difficult for them to provide. For example, the Inspector was told that economies made through the application of the least costly fare structure for official travel, or savings resulting from application of new regulations on first class travel, could not be quantified because of a lack of statistical data. Similarly, savings derived from the review of air fares obtained by the travel agent, interest benefits from using American Express Card for payment of tickets, and travellers' insurance charges are not quantified. In addition,

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3/ Bidding document of January 1983.

the Inspector has not been able to obtain the savings likely to accrue to the Organization with the entry into force of agreements with other carriers, nor has he been provided with the savings on split-ticketing operations although he has been informed that such savings are "considerable". The Inspector hopes that such information will be available by the time the General Assembly considers this report. However, some figures are available.

	<u>New contract</u>	<u>Old contract</u>	<u>Net benefit</u>
. Rent	US\$350,000	US\$48,000	US\$302,000
. Hotel reservation and car-rental commission	8,500	-	8,500
. Messenger services	21,840	-	21,840
. Photographs for passports and visas	<u>5,680</u>	<u>-</u>	<u>5,680</u>
	<u>US\$386,020</u>	<u>US\$48,000</u>	<u>US\$338,020</u>

In addition, the Organization has recovered about US\$60,000 from accrued credits from two air carriers during four months of 1985.

26. In conclusion, the Inspector notes that the change of travel agent has resulted not only in bringing greater cash reward to the Organization but an improvement in service has also been experienced. Two years after the change, no significant complaints were reported. On the contrary, the three organizations reported satisfaction with the new travel agent. However, the Inspector views with some concern the fact that some provisions of the new contract have not been adequately explored. For example, whilst UNDP and UNICEF have made use of the contract provisions for training their staff in travel agency operations, the United Nations has not yet taken advantage of this provision. In addition, the Inspector has observed that insufficient attention has been paid to the review of the provision for the travel agent to provide the least costly fare. Similar inattention has been paid to a review of the travel agent's financial statements.

ii) An agreement with an airline(s) or a combination of services to be provided by a carrier(s) and a travel agent

27. An attractive alternative to full travel agency services is an agreement with a carrier or carriers for providing full or partial air travel services. This option is used by the United States Government and results in significant cost savings. Another attractive proposition is combining travel services provided by a carrier(s) with those provided through a travel agent. The JIU had suggested this alternative and gave as an example arrangements successfully concluded by FAO. Here, too, the Inspector has not been given a reason why these particular methods were not pursued and tested in the competitive bidding process.

iii) In-plant travel agency arrangements

28. The earlier report of JIU estimated an economy of over US\$1,000,000 per year if an in-plant arrangement is worked out at New York Headquarters. This estimate was confirmed by an independent consultant 4/ engaged by the Administration who, inter alia, concurred with the recommendation "to move quickly to replace the current travel agency arrangement and to establish, by bid, an in-plant travel agency". Under the proposed in-plant service, he concluded "the UN can expect improved service and very substantial dollar savings". Offers from travel agencies generally supported these views. Don Travel, for example, estimated that the Organization has a potential "to realize approximately US\$1,000,000 in income" through an in-plant arrangement.

29. In a feasibility study prepared by the Purchase, Transportation and Commercial Service Division, OGS, prepared in 1982, it is indicated that an in-plant operation could result in recovering salaries of all staff presently working in Travel Unit (16) and in Finance Division (4). Their salaries in 1982 amounted to US\$778,900 (UNDP and UNICEF excluded). Present conditions in the travel industry in the United States suggest that that level of economy is easily attainable and can be further improved.

30. The United Nations Secretariat responded to operative paragraph 2 of resolution 37/241 cited in paragraph 7 by calling for competitive bids in respect of two proposals as follows :

"Proposal A - Provision of services for the official travel of United Nations staff members, their families and other persons designated by the United Nations in your capacity as an outside travel agent.

Proposal B - Establishment of an in-plant location of a travel agent at United Nations".

31. In addition, the Request for Proposals gave the option to bidders to submit other proposals in the following terms "In addition to Proposals A and B above, you may submit any other proposal that you may deem is viable". No further guidance was given to prospective bidders. The invitation received a lukewarm reception. It can be said, therefore, that of the four options cited in paragraph 18, which were open to the United Nations, only two were tested, i.e. options i) and iii). Thus, the spirit which moved the General Assembly to modify the original JIU proposal as recalled in paragraph 12 has not been fully respected.

32. In any event, as reported above, the outcome of the competitive bidding process was a decision by the Administration to continue a full travel agency service agreement but with a new travel agent.

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4/ Report on UN Travel and Transportation Arrangements by Tarblum and Solomon P.C. of 22 September 1982.

33. It will be recalled that the Secretary-General, in his comments on JIU recommendations, had indicated that other cost-effective options would not be precluded and, at the Administration's request, the Assembly allowed this possibility by framing operative paragraph 2 of resolution 37/241 the way it did. It will also be recalled that the Secretary-General, in his report on the implementation of that resolution, had stated that "after study, the Committee determined that recent developments had raised doubts as to the viability of in-plant arrangements since a number of air carriers, members of the Air Traffic Conference (ATC), had announced their decision to cease the payment of commissions for tickets issued by travel agents at in-plant branches". He added that "it was therefore deemed prudent initially to enter into a contract with a travel agency for full services", since he feared that the decision taken by some members of ATC might spread to members of IATA. As for an in-plant agreement, he stated that "sufficient flexibility would be provided in the contract with the agency to permit the Organization to establish an in-plant arrangement in the future if the developments indicated that such would be beneficial", implying an active pursuit of this option. On the contrary, there has been no follow-through on this alternative.

34. The Inspector is of the firm belief that the Secretary-General has been overly cautious, since the action to discontinue commissions was that of domestic carriers in the United States who did very little United Nations business. Moreover, there was no known move by IATA members to follow suit. Indeed, nothing has taken place to date that could be construed as supportive of the conclusion reached at that time by the Secretary-General.

35. It is clear to the Inspector that the Administration has clung to full travel agency service out of familiarity and habit and appears to have cold feet about exploring new and unfamiliar territory. This is evident by the way in which the Administration has dealt with the whole idea of in-plant arrangements in the competitive bidding documents and in implementation of the contract agreed with Don Travel. For example, the concept of in-plant advanced by the Administration does not provide the possibility of taking over any part of travel agency operations by the United Nations staff. The Administration has voiced reservations about the aptitude of its own staff to operate a travel agency service. This may explain why there has been no move to implement the provisions of the contract concerning the conversion of full travel agency services to in-plant operations. Furthermore, no sound comparative economic analysis of the possible benefits has been carried out by the Administration. This must be done before a decision is taken on conversion of the present contract into an in-plant agency service.

36. The Inspector is deeply concerned with the delay in implementing the General Assembly's decisions in this regard. He fears that the opportunity to make the most of the favourable conditions which now exist in the United States for introducing more economical methods of travel services may once again be missed. He recommends that the Secretary-General, after making a thorough economic analysis of the options, inform the General Assembly of his position on such a conversion at the forty-first session of the General Assembly. Since this report will be considered at that session and since the contract with Don Travel Service Inc. will expire during the early

weeks of the forty-first session, the Inspector has written to the Secretary-General recommending that the contract with Don Travel be extended for a period no longer than one year pending a firm decision on the issues.

iv) Establishment of a United Nations-owned travel agency

. Recommendation by JIU

37. It is recalled that JIU discussed in some detail the proposal to establish a United Nations travel agency with a main office at United Nations Headquarters and with branch offices at certain other duty stations. Other agencies would join, if they so agreed, the objective being to cover the whole United Nations system. The report identified the main obstacles to this proposal and suggested action to be taken by the Organization. It pointed to considerable economies from such an enterprise and to the expectation that legal obstacles to this sort of arrangement would soon disappear in the United States. Accordingly, JIU recommended :

"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".

. Comments of the Secretary-General

38. In his report A/37/351/Add.1, the Secretary-General did not embrace the idea of a United Nations-owned travel agency. He felt that the proposal might not be fully compatible with United Nations objectives nor could it be feasible until the Civil Aviation Board's (CAB) restrictions were lifted. Nevertheless, the Secretary-General did indicate that, as recommended by the Inspector, the matter "would be reviewed in the future, and any opportunity that might develop for its implementation in the United States would be actively pursued".

. Decision of the General Assembly

39. After deliberations on this recommendation where only one delegation in the Fifth Committee expressed reservations regarding its viability, the General Assembly endorsed, unreservedly, JIU's proposal by calling upon the Secretary-General "to keep the possibility of establishing a United Nations travel agency under review and to report accordingly to the General Assembly at its thirty-eighth session".

. Action by the Secretary-General

40. In his report to the thirty-eighth session, the Secretary-General informed the Assembly that the matter had been reviewed and it had been



concluded that "the obstacles preventing the establishment of a United Nations travel agency which were explained in paragraph 11 of his comments on the JIU report, still apply". He added that the Administration would in the circumstances "continue to monitor the situation and report on developments as they occur".

. Inspector's comments

41. At this juncture, it should be noted that paragraph 11 of the Secretary-General's comments dealt with IATA and ATC rules which prevent the establishment of a full services travel agency by organizations unless they meet certain legal requirements : principally, they should provide 80 percent of its business with members of the general public and allow unrestricted access by the general public to the organizations' premises. It also referred to the compatibility of such an enterprise with United Nations objectives, as mentioned above.

42. The Inspector notes that no report was made to the thirty-ninth and fortieth sessions of the General Assembly on this matter. In reviewing developments in the travel industry, particularly the process of deregulation of that industry in the United States since 1982, the Inspector noted some important changes which have a heavy bearing on the possibility of establishing a United Nations travel agency.

43. First, it can be noted that the process of deregulation of the air industry in the United States was accomplished by the end of 1983 and that the rules of ATC do not formally present any obstacle to corporations, should they wish to transform their in-plant services into their own full travel agency services operated by their own staff. In fact, as reported in professional journals 5/, ATC itself, before closing its own offices, approved a number of requests for conversion of in-plant services into full travel agency services owned and operated by the corporations. The obstacles mentioned in paragraph 41 above in this case were set aside. In view of that, some in-plant services, which had not received formal approvals when ATC closed its doors, have declared themselves to be full travel agency services and continue to function in their new capacity receiving full commission from air carriers. This freedom is open equally to the United Nations.

44. Second, after dissolution of ATC the air carriers in the United States have established their own corporation - the Airline Reporting Corporation (ARC) - with the aim of introducing new regulations concerning travel agency services, including in-plant/cum full travel agency services at corporation premises and the rules relating to their operations 6/. It is reported that the rules on percentage of public sales of 80 percent and the public access clause are now abandoned and that it is left to carriers individually to decide whether they will recognize travel agencies owned and operated by corporations as approved sales agencies.

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5/ Travel Weekly of 14 January 1985.

6/ Travel Weekly of 20 December 1984 and 17 January 1985, and Aviation Daily of 14 December 1984.

45. Third, by closure of CAB and ATC, no enforcement authority in the United States exists today to prevent the United Nations from establishing its own travel agency.

46. These developments clearly suggest that conditions for establishing a United Nations travel agency at New York Headquarters have significantly changed and that today there are no legal obstacles which would prevent the relevant JIU recommendation from being implemented. What is needed is the Secretary-General's firm commitment to establish a United Nations-owned travel agency. It is recognized that certain domestic air carriers in the United States are still trying to impose the abandoned restrictions on percentage of sales to the general public and access to premises; however, after the decision of ARC against classification of applications for licences, the way is considered open to conversion of in-plant operations to an organization's own full travel agency services 7/.

47. The Inspector could not identify any action taken by the Secretary-General related to the above developments. On the contrary, the Inspector was informed that the establishment of a United Nations-owned travel agency may not be the most ideal for the Organization both from the standpoint of cost-effectiveness and administrative operation. The Inspector finds it difficult to accept that argument in the absence of any serious studies of the subject and since the legal obstacles to the implementation of JIU's recommendation have been removed. The Inspector recommends that the Secretary-General should, in parallel with the study referred to in paragraph 36 above, present a report on the feasibility of establishing a United Nations-owned and operated travel agency at New York Headquarters with in-house branch offices at all major duty stations. It should also consider the possibilities of extending its services to organizations of the system.

b) Changes at major United Nations overseas offices

48. To date, the United Nations Office at Geneva and the Economic Commission for Latin America and the Caribbean (ECLAC) are the only overseas offices which have entered into new contractual arrangements for travel services. The selection was made through competitive bidding. The Inspector has been informed that the Economic and Social Commission for Asia and the Pacific (ESCAP) and the United Nations Environment Programme (UNEP) are in the process of selecting an agent under similar competitive bidding procedures.

i) New contract at UNOG

49. The procedures followed by UNOG were similar to those followed by United Nations Headquarters with similar results : a new contract for full travel agency services. The successful bidder was Thomas Cook S.A., the same travel agent who has held the travel service contract with UNOG for more than three decades.

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7/ Travel Weekly of 19 September 1985.

50. The new contract, which is valid for a period of three years with effect from 1 April 1985, contains some new features and offers wider benefits. Essentially, however, it follows the long-established lines of co-operation between the two parties. Notable changes are the utilization of major airlines reservation systems and the supply of three Passenger Airlines Reservation System (PARS) terminals to the UNOG Travel Unit to enable it to obtain information on air routes, connections and fare calculations; the freedom of the Travel Unit to select itineraries, tariffs and carriers; arrangements for obtaining accident insurance coverage for each United Nations traveller; the payment of Sw.Frs. 166,000 annually for the office space and services provided by UNOG - a sum of Sw.Frs. 80,000 was paid before; the guarantee that the travel agent will obtain the lowest fare consistent with the United Nations travel authorization or make appropriate reimbursement to UNOG; and a provision regarding the non-exclusivity of the contract.

51. In essence, the new contract is patterned after the one concluded at United Nations Headquarters and, as such, represents some improvement over the earlier contract. As such, too, the criticisms levelled above at the Headquarters arrangement are equally valid.

52. There is one disturbing aspect of the contractual arrangement which the Inspector feels bound to comment upon and that is the travel agent's connection with South Africa in violation of General Assembly decision 36/172.

53. In line with the decision of the Assembly "to withhold any facilities from, or investments of any funds in banks, financial institutions and corporations that continue to give loans to or invest in South Africa" and "to deny any contract or facilities to transnational corporations and financial institutions collaborating with South Africa" 8/, the United Nations Offices in New York and Geneva advised prospective bidders (travel agencies) that the Organization would not award the contract to any agency co-operating with South Africa.

54. On the basis of that policy, the Proposal received from Thomas Cook Inc. is disqualified because its parent Company, the Thomas Cook Group Limited, itself owned by Midland Bank Limited, does business in South Africa through a subsidiary company called Thomas Cook Réunies Travel (PTY) Limited. Thomas Cook S.A. belongs to the same group. In spite of this, UNOG has concluded a contract with Thomas Cook S.A. In seeking to understand why UNOG had deemed it acceptable to do so, the Inspector was given the following explanation.

55. At the point of decision, UNOG Administration was faced with either granting the contract to Thomas Cook or scrapping the competitive bidding procedure. If it did the latter, it would have had to extend its current contract with Thomas Cook for an indefinite period until a new tender was prepared and a new travel agent selected. Based on this and without clear guidance from Headquarters, UNOG decided to grant the contract to Thomas Cook but introduced the following disclaimer clauses into the contract :

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8/ Resolution 36/172, operative paragraphs 11(a) and 11(c).

Article 2.5 The Travel Agent guarantees that it and its affiliate representatives (or correspondents) are not engaged in any activity which would give support to the Government of South Africa.

Article 2.6 The Travel Agent pledges that it will not engage in any activity that would support the Government of South Africa during the term of this contract. The Travel Agent agrees to consult with the UNOG in an effort to assure that any banking concern, tour operators or other entities that it proposes to utilize during the term of the contract will not be engaged in an activity which would support the Government of South Africa.

Article 2.7 In case of breach of the obligation referred to above or if it is established that the activity of the Travel Agent violates the obligations set forth in the resolution 36/172 of the General Assembly of the United Nations, the UNOG will be entitled to terminate immediately the contract without prior notice."

56. It is obvious that the implementation of resolution 36/172 is not a simple matter and that the Administration is frequently faced with difficult choices in its dealings with various transnational or national companies. Furthermore, the case of the Thomas Cook Group is not limited to the United Nations alone : other United Nations system organizations, as indicated in the earlier JIU report, are continuing their contractual relations with that company. This, however, does not excuse the Administration from applying the Secretary-General's policy and implementing decisions of the General Assembly.

57. As for UNOG's explanation, there ought to have been a firmer intention to comply with resolution 36/172 and the Secretary-General's policy on the issue. Had this been so, UNOG would not have found itself in the situation of being limited to the choice it had. The travel agent's connection with South Africa was known to UNOG Administration at the beginning of the process of competitive bidding: the obvious action should have been taken when its offer was received. In that event, the Administration would have paid closer attention to other proposals and taken early action to assure it had a suitable choice of travel agents.

58. In the Inspector's view, there was no overriding reason which would impel UNOG to enter into new contractual arrangements with that company.

59. Turning to the disclaimer clause itself, its value relative to the aim of resolution 36/172 is rather questionable. The Legal Office of the United Nations should declare upon this point.

ii) New contract at ECLAC

60. The Economic Commission for Latin America and the Caribbean entered into similar contract for full travel services in August 1985, after completion of the competitive bidding procedure. Compared with the contracts signed in New York and Geneva Headquarters, the Inspector noted that ECLAC applied the JIU recommendation referred to in paragraph 23 above, and as a result was rewarded with a 14 percent reduction of direct cost of travel.

61. One other important issue calls for close examination. As mentioned earlier, the Assembly has called upon the Secretary-General "to study the possibility of in-plant arrangements for United Nations offices at duty stations other than New York". The Inspector notes that this study has been postponed since "JIU had suggested that such a review should follow Headquarters' experience and recommendations". Since JIU's recommendation of an in-plant arrangement has not been implemented at headquarters, it follows that no experience is available. The Assembly, however, was explicit on the matter, addressing it as a separate issue. In the Inspector's opinion, therefore, the Administration has not acted in conformity with the Assembly's directive.

62. In conclusion, considering the fact that the option to be tested at United Nations offices outside New York was not investigated, that there are serious questions about the propriety of doing business with Thomas Cook S.A. in the light of the decisions of the General Assembly, and that there are genuine possibilities of reducing the cost of travel if JIU's recommendations are followed (a fact never contested by the United Nations Administration), the Inspector recommends that this contract be terminated as soon as practicable. A new arrangement for travel services should be entered into on the advice of an experienced consultant from the air industry. The possibility of arranging an extension of eventual in-plant agency operations in New York by establishing branch offices in Geneva and other overseas stations should be explored.

### B. Arrangements with air carriers

#### 1) Recommendation by JIU

63. In discussing various methods of procuring tickets without the assistance of travel agencies, the report examined a number of possibilities for reducing the cost of travel by entering into special arrangements with air carriers. Among the options then available, JIU suggested the following be explored singly, or in combination: (a) favourable rates for high volume (here JIU had indicated the major carriers which handle more than 70 percent of United Nations travel originating in New York and Geneva and suggested that this group be approached by organizations of the system collectively); (b) government discounts and (c) block ticket purchases. Other possibilities for cost reduction were indicated, such as the contractor unit seat price, bulk contractor seat price and round trips contract bulk fares relaxation of the conditions which are prerequisites for many of the cheaper flights, etc. The report recognized that the exploration of these methods would require time and suggested that a professional review of these methods should be made before negotiations were initiated.

64. The above proposals were made in the knowledge that all these options were in use by organizations outside the United Nations system. They continue to be used even today. In addition, marketing changes are taking place in the air industry. Some of them are being adopted by the United Nations; for example, split-ticketing and mileage bonus schemes generating cost savings to the organizations.

2) Comments of the Secretary-General

65. The modalities proposed above for the eventual reduction of air travel costs were also cautiously welcomed by the Administration : the idea of obtaining favourable rates for high volume "merits attention" and will be pursued, the Secretary-General said; adding, however, that "the matter of whether an airline would provide the United Nations with a discounted fare and also pay a commission on that fare to a United Nations in-plant travel agent would have to be considered" suggesting that, in such a case, the travel agent might refuse booking, ticketing, etc., which could then increase the cost to the Organization. On government discounts, the Secretary-General hoped that Member States would respond favourably to the recommendation whilst, as regards block ticket purchases, he felt that the recommendation would have to be carefully evaluated.

3) Decision of the General Assembly

66. The General Assembly fully endorsed the JIU position in the following terms :

"concur with the recommendations of the Joint Inspection Unit that the Secretary-General should undertake negotiations with air carriers or with the interested governments which sponsor carriers to obtain discounts in countries where this is permitted or to relax conditions which are an obstacle to obtaining the most economical fares".

4) Action by the Secretary-General

Negotiations for discounted fares

67. The Secretary-General, in his report A/C.5/38/22, informed the General Assembly that early in 1983 "a communication was addressed to the Permanent Mission of all Member and non-Member States seeking their advice and assistance". He reported a limited response (about 25) of which six indicated that discounts could be negotiated with national airlines. Some replies indicated the proper organizations and/or officials to whom the request should be directed while others stressed legal obstacles to granting discounts. The Secretary-General assured that he intended to pursue the matter. No further report has been submitted on this matter to the General Assembly.

68. Documents made available to the JIU indicate that on 20 April 1983 a note verbale, with an accompanying letter signed by the Assistant Secretary-General for General Services, was addressed to Permanent Representatives asking to be informed of the discounts that their governments would offer to the United Nations. The note stated that "it would not be possible for the Organization to guarantee any minimum procurement of travel on any carrier or to patronize any particular carrier exclusively unless it is determined by the United Nations to be in its best interest", and that any authorized discounts be "made available through the travel agency with which the United Nations may have a contract". As indicated in the previous paragraph, there were six positive replies.

69. The Inspector has learned that the Administration has pursued these six replies (China, Indonesia, Japan, Malaysia, Uruguay and the Union of Soviet Socialist Republics) with the governments concerned or with airlines directly :

- China and Malaysia

Discount arrangements and special fares are available to the public in general and these, quite naturally, are available to the United Nations; however, no special concessions have been obtained. The problem with these offers is that the tickets can neither be endorsed to other air carriers nor can they be re-routed.

- Indonesia

The national airline, as a special concession to the United Nations, is willing to furnish tickets on its international routes at 50 percent of the normal IATA fare to bona fide United Nations officials. Tickets are non-endorsable but can be re-routed provided the national airline is used.

- Uruguay and the USSR

The positive responses from these countries were pursued in 1984 but no conclusion has so far been reached.

- Japan

The Japanese Government informed of the preparedness of Japan Airlines (JAL) to discuss the matter but the carrier's representatives, when contacted, declined to offer any discount to United Nations travellers. Instead, they suggested that the United Nations enter into negotiations under the JAL Corporate Mileage Bond Scheme which would allow the United Nations certain discounts based on the volume of travel on its carriers.

70. The Inspector was further informed that the Secretariats in New York and Geneva have begun negotiations with a number of air carriers with the aim of exploring the possibility of making special arrangements for less costly air fares for the United Nations.

71. At the time of preparation of this report, only three specific agreements were concluded. First, JAL on Corporate Mileage Bond and Corporate Passbook Schemes, both directed to compensate the Organization about 15 percent of the volume of travel on its carriers. The scheme covers all destinations and all flights initiated from New York only. Second, with KLM under its scheme of free transportation for every ten full fare tickets purchased by the United Nations for travel on transatlantic flights or on its network within the United States. The granted tickets are not transferable to other carriers and all operations are channelled through the travel agent. Both these agreements are made for a one-year period and may be extended if the air companies so decide. Third, Air India will issue bonus point vouchers on tickets issued by Don Travel Inc. and paid for by the United Nations in the United States. These tickets would concern travel originating mainly in the United States and would be based on full First, Executive and Normal Economy Class fares for the following destinations : New York-London; New York-India; London-India. This agreement is of indefinite duration and may be cancelled by either party by giving 30 days' advance notice.

72. The Organization has informed major duty stations overseas of these agreements with the aim of extending their application to flights initiated from these stations. Since these schemes are in the main valid for the American market (i.e. except London-India leg by Air India), no widening of the scheme has occurred so far.

. Inspector's comments

73. The action taken by the Secretary-General seems to lack determination and focus with regard to the issues raised in the JIU report. Both the procedure followed and the content of the note verbale do not, in the Inspector's opinion, match up to the task indicated in the JIU report (see Chapter V-C of earlier JIU report) :

- The note was general in character and did not set out the problems involved and what measures were expected to be taken by the governments concerned with air carriers and with IATA concerning government discounts.

- The approach to air carriers for discounts on the basis of volume of purchased tickets was taken belatedly in 1985.

- By suggesting that all arrangements should be channelled through the travel agent, the approach was self-defeating from the start. The message, in fact, requested the carriers to grant the United Nations a discount over and above the commission they are paying to the travel agent. As such, it could only attract those carriers which had little or no share of United Nations business.

It is not surprising, therefore, that so small a number of replies was received and that the major companies indicated in the JIU report replied negatively.

74. The JIU had suggested, in its earlier report, that the United Nations organizations, whose combined volume of travel exceeded US\$85 million per year in 1981, should collectively approach major companies whose carriers do



about 70 percent of United Nations business. This suggestion was either misapplied or when applied left much to be desired. In effect, the United Nations approach to air carriers seems to have been carried out with less than full knowledge of the changes which are taking place in the travel industry. It seems also to have been faint-hearted : some air carriers' representatives in New York and Geneva were approached at junior staff level with rather limited results

75 Nevertheless, it is satisfying to be able to report that efforts are being pursued albeit not with a great deal of success. In New York in conformity with the terms of the new agreement, the travel agent is reported to be engaged in exploring with air carriers their willingness to grant the United Nations special discounts. That exercise has not so far matched expectations. Direct negotiations by the United Nations with air carriers seem to be proving somewhat more successful. Some carriers, whose share of United Nations ticket purchase is small or insignificant, have shown interest in an arrangement which could save up to 25 to 30 percent of the present cost of tickets. Various schemes have been offered including possibilities for establishing a direct line for servicing United Nations passengers. This possibility, however, is not considered acceptable by the Administration. Besides, the problem is that these carriers do not fly the routes most frequently used by the Organization nor do they have direct flights to the final destinations sought. In some cases, interesting proposals have come from carriers which are not members of the IATA group, but these proposals could not be taken up since the tickets issued by these airlines are not endorsable by IATA group carriers, a circumstance which will often pose problems for United Nations travellers.

76. Negotiations with carriers most frequently used indicated less promising results. Three major carriers servicing more than 45 percent of the United Nations passengers refused to negotiate discounts, seemingly on the grounds that these are contrary to IATA regulations. In fact, their share of United Nations travel funds seems guaranteed and consequently there is little reason for them to enter into special arrangements with the United Nations. Others indicated their readiness to accommodate the United Nations but expressed apprehension that such an arrangement might eventually create problems with national carriers. One may, therefore, question the advisability of channelling a large proportion of the travel budget through a few carriers. The attitude of certain national carriers can be overcome only by diverting United Nations passengers to other airlines. This, however, would require, in certain cases, a review of United Nations rules on most direct routing and on the nine-hour flight duration rule.

77. In Geneva, similar approaches were made by the Travel Unit. Reactions were more or less the same. Some small companies expressed their readiness to give the Organization interesting discounts but these, as in New York, faced problems of routing or cost-effectiveness due to the nine-hour rule. The national carrier which alone is taking 41 percent of UNOG's travel funds refused to negotiate. Of the other major carriers indicated in JIU's report, one offered an interesting scheme which would reduce UNOG's costs on travel but was opposed by Thomas Cook S.A. on legal grounds. For this proposal to be economically viable, the nine-hour rule would need to be waived. Other carriers also showed interest but expressed apprehension about the reaction of the national carrier.

78. The Inspector welcomes the positive attitude and motivation of these efforts. Nevertheless, it is to be pointed out that the Administration used neither the most appropriate channels nor the best available methods of negotiation. It is doubtful, for example, whether a travel agent would have the same interest in obtaining specific discounts given by air carriers to the Organization, since his commission is dependent on the total value of tickets sold. Such discounts are requested over and above the commission paid to the travel agent and few air carriers are willing to do so. Direct negotiation with air companies, informally, which they seem to prefer, seem to offer a better chance of success. These negotiations must be undertaken at an appropriately senior level.

79. In conclusion, it seems apparent that an attempt has been made by the Administration to explore the possibility of reaching agreement with some airlines for special discounts. For one reason or another, however, these efforts have met with limited success. Some areas, such as block tickets purchase and other innovative forms of less costly travel arrangements indicated in the JIU report, have not been tested at all. Some new schemes do promise success. In this connection, the Inspector recommends that agreements similar to those concluded with JAL and KLM should be made with all carriers regardless of their affiliation to IATA or other carrier associations provided that their services meet United Nations accommodation standards. Should proposals which are potentially cost-effective be made by airlines and these call for revision of the nine-hour rule, the Secretary-General should suspend application of this rule in the interests of economy and a more equitable sharing of the United Nations travel funds among carriers.

#### C. Travel procedures at the United Nations

80. Discussions with the United Nations staff concerned have revealed that very little progress has been made in implementing the Inspector's recommendations with respect to travel procedures despite the fact that it is generally recognized that improvement is not only required but necessary both in terms of increasing efficiency and reducing cost. To give one example, the processing of travel claims is a time-consuming and costly business. The Inspector had put forward a number of suggestions, not necessarily exhaustive, for improvement. A pecking away at the edges of this problem has begun but no wholesale action has been taken to revamp the way in which things are done. The Inspector hopes that the Secretary-General will be able to report to the forty-first session that this issue has been tackled, solved, and that a remodelled system is functioning effectively.

### III. INTER-AGENCY CO-OPERATION

#### 1) Recommendation by JIU

81. Whilst the JIU report dealt primarily with organization and methods for official travel in the United Nations, it suggested certain areas in which organizations could act together, particularly in the negotiation of favourable rates with air carriers and the eventual establishment of a travel agency owned and operated by all organizations of the United Nations system. JIU specifically recommended that :

"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".

#### 2) Comments of the Secretary-General

82. The Secretary-General agreed with JIU that potential economies might be obtained through co-operative endeavour. He stated that experience gained in pursuit of the proposals of JIU would be shared with members of ACC; moreover, ACC had requested CCAQ to pursue the matters of inter-agency concern contained in the report.

#### 3) Action by the Secretary-General

83. The Secretary-General has not yet submitted a report to the General Assembly on implementation of the above recommendation.

#### 4) Action by organizations of the United Nations system

84. As mentioned in the Secretary-General's comments, ACC through its Organizational Committee had requested CCAQ to pursue the matter of inter-organization concern which is contained in the JIU report. Consequently at its fifty-eighth session held in Geneva in March 1983 9/ and subsequent sessions, CCAQ dealt with the issues of direct discounts given by air carriers to United Nations travellers, the block purchase of tickets and a United Nations-owned travel agency. Each of these will be reviewed separately.

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9/ ACC/1983/FB/16.

a) Discounts by air carriers

i) Views of the organizations 10/

85. The United Nations said that it was its understanding that a discount could only be granted to the United Nations organizations if it were permissible under various pertinent laws and agreements, and if the organizations could offer the airlines sufficient incentives over and above the passenger traffic which they already receive from them. It indicated the limited possibilities of diverting passenger traffic from one carrier to another and questioned the economy of such a move in view of time lost in flight and eventual problems related to preferential treatment of one carrier or another. It proposed that the ideal solution might be for Member States to agree in the General Assembly that a straight percentage discount ought to be given on all tickets purchased by the United Nations on the routes flown by their national carriers or those carriers based in the territory of Member States. In order to allay eventual accusations by air carriers of discriminatory practice, it was suggested that it might be possible to establish that United Nations organizations are in a unique position akin to that of national governments.

86. ICAO suggested, subject to legal and practical consideration, that the following preferences be negotiated with airlines :

- "full fare" travel entitlements at excursion fare rates, without restrictions on length of stay, stopovers, etc.;
- "full fare" travel entitlements at advance purchase excursion (APEX) rates, e.g., without advanced purchase requirement, restrictions on duration of stay or penalty for reservation changes, stopovers, etc.;
- fare reduction equivalent to agency commission where a United Nations organization deals directly with an airline, possibly in conjunction with the two above-mentioned points;
- the standard of accommodation immediately below first class, generally referred to as "business class".

87. In ICAO's opinion, in present circumstances, the above objectives would be the most stable and appropriate for the foreseeable future. It may be noted that these suggestions were proposed by JIU as interim solutions.

88. WHO proposed that an approach be made to a limited number of major airlines most frequently used by all organizations with a request for a discount over and above the commission they pay to travel agencies now serving United Nations organizations. While not optimistic on the results, WHO felt that a common approach on that basis might produce positive results.

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10/ ACC/1983/FB/37.

It indicated that discounted ticket arrangements are possible for various long-haul destinations through registered travel agencies in Geneva and Zurich. The use of such tickets involves some restrictions, e.g., non-endorsability to airlines other than the one of issue. Tickets are generally valid for one year and stopovers may be permitted. It was suggested that these could be considered useful according to the exigencies of individual duty trips.

89. ILO thought that the idea of carrier discount was interesting and expressed readiness in sharing any advantages which the United Nations might negotiate. It indicated difficulties in obtaining such discounts in Switzerland and stated its preference for a system of "abonnement" currently practised on some routes by Swissair and Air-Inter in France.

90. FAO did not favour special arrangements for discounts of air fares because of "non-endorsability of such tickets to other carriers, which would restrict full freedom of FAO staff to travel on any airline of their choice".

91. UNESCO reported negative experience in its attempt to obtain a discount from air carriers. It pointed out the inconvenience discount tickets would pose to travellers and suggested that the General Assembly adopt a resolution urging Member States and IATA to grant special travel discounts to United Nations system travellers.

92. ITU considered unacceptable any change in existing arrangements which might diminish existing standards of travel or require a change in staff regulations.

93. WIPO expressed willingness to join other organizations in any scheme for reduced travel costs provided that the option to alter flights, in case of necessity, is kept open.

ii) Action by CCAQ

94. Having taken note of the action announced by the United Nations, e.g., direct approach to Member States and air carriers, the Committee decided to convene "an ad hoc meeting of organizations and offices in Geneva to study questions that would need to be considered in connection with a possible approach to the appropriate authorities to obtain special conditions for official travel by air undertaken by staff of the organizations of the United Nations system." 11/ The group consisting of UNOG, ILO, WHO and IAPSU, examined, inter alia, the volume and cost of official air travel booked from Geneva in 1980-1981, the approximate distribution of cost among airlines, the policies of airlines on discounts and upgrading of cabin accommodation. On the basis of that examination, the Committee, at its fifty-ninth session 12/, took note of various data and views submitted by organizations on these

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11/ ACC/1983/11.

12/ ACC/1983/21, page 12.

issues and entrusted IAPSU to submit a detailed written statement on possibilities of reducing the cost of travel without prejudicing the outcome of negotiations to be undertaken with air carriers for specific discounts to United Nations travellers. At its sixtieth session 13/, the Committee reviewed IAPSU's Air Travel Cost Reduction Study which, among other matters, analyzed the complexity of calculation of air fares used by IATA and the possibility of taking advantage of differences of ticket costs depending on the place of issue and on the US dollar exchange rate. IAPSU also drew attention to the possibility offered by block purchases of tickets, mileage credits and IATA's eventual recognition of United Nations organizations as a special group. The Committee decided that IAPSU should continue its work on the subject of possible cost reductions by seeking tenders from airlines for the provision of economy and business class tickets on routes frequently used by United Nations passengers. At its sixty-first session 14/, CCAQ agreed that approaches to individual airlines or governments were unlikely to result in fare reductions compatible with the organizations requirements. Given the drawbacks involved both in systematic use of block purchase of tickets and in mileage credits, the Committee considered that the objective to be sought was system-wide rate reductions recognizing the organizations as a special group. It concluded that governing bodies might be approached on the subject when the relevant information had been assembled. The Committee entrusted IAPSU to continue its work on possible cost reductions in travel.

iii) Inspector's remarks

95. Some of the organizations' views are clear and do not need comment. Some, however, invite attention.

96. The United Nations assertion that organizations may not be able to offer the airlines sufficient incentives over and above the passenger traffic which they already receive from them is questionable. The selection of a carrier or carriers is clearly the choice of the Organization. The routing of a passenger is also, ultimately, its choice. Certain diversion of passengers from one carrier to another should, therefore, be possible. This is the area which offers considerable incentive to air carriers to come to an arrangement with the Organization. The matter of the economics of such diversions for the Organization has to be assessed and a decision made on that basis : this has not been attempted so far. The problem may, however, lie in United Nations staff rules, e.g., in established entitlements on travel, but these are subject to changes by the Secretary-General if the interests of the Organization so require.

97. The suggestion of direct action by the General Assembly is welcome. It is not clear why the Secretary-General has not consulted the Assembly on this matter.

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13/ ACC/1984/10, page 13.

14/ ACC/1984/17, page 18.

98. WHO's suggestion of approaching collectively a number of most frequently used carriers with a request for a discount over and above the commission they pay to a travel agency seems to offer no solution. As indicated in the JIU report, carriers are paying commission to travel agencies up to 12 percent of the cost of ticket or up to 20 percent if overriding commission is included. Very little room is therefore left to carriers for negotiations with major clients on this basis. There is even less room to manoeuvre when various schemes for reduced cost of tickets normally offered by the travel industry are considered.

99. The action of the Committee is self-explanatory. After reviewing the JIU recommendation and taking note of the respective views of the Organization, its decision was inconclusive on discounts by air carriers. This seems an obvious outcome considering the different views and positions taken by organizations.

100. It is unfortunate that the Committee did not act on ICAO's proposed scheme for negotiations. That scheme offers a reasonable chance for success if organizations would, for example, accept services of air carriers when this arrangement is more economical. However, this option has hardly been explored. IAPSU has indeed made certain efforts in contacting air carriers on behalf of United Nations organizations but these have proved inconclusive. There has been no co-ordinated action between the attempts made by IAPSU and those of individual organizations.

101. The Inspector concludes that the consideration by the Committee and the approaches made to carriers were not thorough. It is apparent that there will be little possibility of obtaining substantial carrier discounts if the organizations insist on preserving the role of full travel agency services and continue to channel total travel funds through commercial travel agencies. Thus, a firm change of present policy regarding full travel agency services is required. The organizations would have to take appropriate decisions about opening negotiations with air carriers for servicing a part or the totality of their air travel needs. In that case, they should make it clear which routes will be affected, what amounts would be negotiated, who would be the negotiator, the types of service required, etc. This will require modification of existing agreements with commercial travel agencies so that travel agencies may be excluded from this arrangement. An approach of this kind would bring a new sense of seriousness to the issue and would accordingly be viewed by carriers in a different light with a possibly different (more beneficial) outcome since carriers would then know that they would have to compete for certain routes and a portion of the organizations' travel funds. It would also avoid the double payment of commission by carriers.

b) Block purchase of tickets

i) Views of the organizations

102. The United Nations informed that an undertaking of this kind would seem practical and financially viable only when a significant number of staff travel together, e.g., for conferences away from Headquarters. In such cases, it expressed a preference for buying block tickets at a discount in advance, based on an approximate number of passengers on a particular carrier during the course of a fixed period, notwithstanding price changes and number of passengers. Problems of unused tickets, interlining and loss of interest on amounts paid in advance had not been fully considered. This was expected to be verified with the new travel agent. This, however, has not yet taken place.

103. WHO expressed interest in a system-wide scheme under which an airline might provide block purchase tickets on a discount basis for one or more destinations frequently used by United Nations organizations, subject, perhaps, to a guaranteed number of trips over a given period. It saw such an arrangement as possible between Geneva and New York and vice versa, but indicated its unwillingness to take over responsibility of handling airline reservations and ticketing if that could not be arranged with the carrier concerned.

104. FAO indicated that it uses this possibility very rarely since it does not offer the flexibility otherwise available to its staff.

Other organizations had no comments to offer.

ii) Action by CCAQ

105. This subject was discussed at the fifty-ninth session of CCAQ. It took note of the views of organizations referred to above and requested IAPSU "to continue work on the subject of possible cost reduction by seeking tenders from air carriers for the provision of economy and business class tickets to be used on routes frequented by passengers whose fares were met by the organizations". After discussion at subsequent meetings, the subject of tenders was abandoned when IAPSU reported at CCAQ's sixty-first session that from its negotiations with major airlines "while, prima facie, the outlook is promising, quick results may not be expected".

iii) Inspector's remarks

106. The block purchase of tickets has to be considered as a significant economic measure. It can be used on a selective basis with a number of carriers on the more frequented routes. If properly organized, it can save a considerable amount of resources. As indicated above, organizations



rarely use this facility for cost reductions. The risks of entering into block tickets arrangements may be over-emphasized and the desire to adhere to the existing pattern of travel is a major obstacle to taking advantage of this possibility. The difficulties put forward by the United Nations and WHO are examined hereunder.

107. Unused tickets are cited as a major obstacle and suggestions are made that excess tickets should be returned to carriers for a full refund. Of course, this may pose a problem if organizations do not plan well and buy an excessive number of tickets. To solve that problem, the organizations should plan conservatively. There seems to be no, or only negligible, risk involved when weighed against advantages expected.

108. The problems of endorsement, re-issue and interlining are mentioned as other obstacles. Each of these seems to be over-emphasized. Block purchase is based on agreement between a client and a carrier in which the client is buying in advance a number of seats on that carriers' flight for a particular destination. The interest of the client is in obtaining a reduced cost per ticket and that of the carrier in securing advance selling of tickets and using clients' resources for the promotion of its business. The matters of endorsement, re-issue and interlining may be negotiable but it will certainly increase the cost of tickets.

109. Cost saving has also been mentioned as a subject to be studied. It is curious that this has not yet been determined. One of the studies prepared by consultants 15/ mentioned that the United States Government expected 50 percent savings from its tender for transportation of its officials by air carriers.

110. The responsibility of handling airline reservations and ticketing is referred to as a serious obstacle. This problem is mentioned by almost all organizations. Two issues have to be dealt with. First, a possible arrangement with air carriers to handle booking, ticketing, accounting, etc. for the organizations. It seems that this can be arranged by opening an airline office on clients' premises, which is practised by the air industry. In addition, it seems possible to share this responsibility with air carriers' offices outside the premises of the organizations so that booking and accounting are made by the client and ticketing by the carrier's office. The only problem would be a messenger service, assuming some better arrangement is not available for collecting air tickets. This would require modifications of agreements with travel agencies if provisions of direct services by air carriers are not made. Second, handling of these matters by the organizations seems to be objectionable on the grounds that this represents a commercial undertaking which may go against the basic tenets of the United Nations. This argument was mentioned also in connection with the establishment of a United Nations travel agency. This objection is unacceptable since organizations have already abandoned that principle in certain cases and by assuming that responsibility would not offend against any law or regulation.

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15/ Air Travel Cost Study, November 1981, issued by IAPSU.

111. The above analysis indicates that no serious examination of block purchase of tickets has been made by United Nations system organizations. The Inspector recommends that the United Nations take immediate action to obtain tenders from air carriers for cross-atlantic routes. The tenders should include United Nations Headquarters offices in New York and all major offices in Europe. The nine-hour rule should be waived as suggested in paragraph 79. Other organizations could join the United Nations in the tender process or do it on their own initiative.

c) United Nations-owned travel agency

i) Views of the organizations

112. The United Nations position was stated in the Secretary-General's comments on the JIU report and in his report to the thirty-ninth session of the General Assembly as referred to in paragraph 38 above.

113. ILO thought that the JIU proposal was directed mainly at the United Nations, adding that it would be interested in any tangible benefits which could be offered to organizations established in Geneva if a branch of such an agency were to be established there.

114. FAO expressed the opinion that the establishment of such an agency was impractical because of current IATA rules which preclude the payment of any commission by airlines. It would support, however, inter-agency co-operation in connection with investigating the possibility of an agency being established.

115. UNESCO supported the idea of examining the proposal, particularly its financial and service benefits to organizations.

116. WHO reserved its position until the results of a detailed study of costs and other related aspects were known.

Other organizations did not offer specific comments on this subject.

ii) Action by CCAQ

117. The Committee took note of participants' views and registered their hope that "other organizations could be associated with any measures that might be introduced in the United Nations which would have the effect of reducing travel costs without prejudice to travel conditions" 16/.

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16/ ACC/1983/21, page 12.

iii) Inspector's remarks

118. As can be seen from the above, no action was taken by the Committee on this matter. The documents made available to JIU indicate that since September 1983 the subject has not been discussed. The Inspector noted that, among IAPSU's numerous activities, it has attempted to contact IATA with the aim of obtaining its approval for the establishment of a United Nations-owned travel agency. So far, this has not happened.

119. The Inspector feels that the United Nations has not pursued this matter sufficiently and thus the General Assembly's mandate has not been carried out.

#### IV. CONCLUSIONS AND RECOMMENDATION

120. The review of the measures undertaken by the Administration of the United Nations to implement General Assembly resolution 37/241 has revealed that some positive results have been achieved. The recommendation for contracting commercial travel agency services through competitive bidding has been implemented in New York and in Geneva resulting in improved services and substantial financial benefits to the Organization. Other overseas offices have begun to move in similar fashion. Nevertheless, other recommendations, where the potential for financial reward is high, have been pursued with insufficient resolve and, in some cases, have not been pursued at all. These concern establishing an in-plant travel service at the United Nations with branch arrangements at overseas offices or creating a United Nations-owned and operated travel agency which might cover as many United Nations system organizations as might ultimately consider such an arrangement to be of benefit to them. These matters have been extensively analyzed in the preceding chapters from which the Inspector concludes that although opportunities have been missed over the past three years it is still not too late to make amends. Accordingly, the Inspector makes the following recommendation.

##### Recommendation 1

The Secretary-General should prepare a comprehensive report to the forty-first session of the General Assembly describing what he has done, up through the preparation of the report, to implement the JIU recommendations endorsed by the General Assembly in resolution 37/241. Specifically the report would inform on :

a) The feasibility of establishing an in-plant operation or a United Nations-owned and operated travel agency at United Nations Headquarters with in-house branch offices at all major duty stations. If the Secretary-General concludes that it is feasible to have either one or the other and if he has not yet acted to do so, he would inform the Assembly on the time-frame for doing so. Conversely, if the Secretary-General considers that no form of in-plant arrangement is a viable proposition nor is a United Nations-owned and operated agency a feasible scheme, he would explain clearly why, through the provision of legal, economic, financial, managerial (including human resource and general administrative elements) and moral reasons.

b) The efforts made to seize extant opportunities to reduce costs through the direct purchase of tickets from air carriers around the world; through participation in the various incentive schemes of air carriers; through the purchase of tickets in bulk; and other cost-saving devices. The results of these efforts would be quantified. Obstacles to widening these efforts would be described, with an indication as to whether they can be resolved or whether, for the foreseeable future they constitute an impediment to further gains.

c) A thorough assessment of the results of the three-year contract entered into with Don Travel Service Inc. effective 1 November 1983. The net financial benefit to the United Nations should be calculated, making use of the United Nations audit review of the travel agency's income. An evaluation of the quality of the service provided should be made with staff participation.

d) Whether, as recommended by the Inspector in paragraph 62, the contract entered into with Thomas Cook S.A., in Geneva on 1 April 1985 for a period of three years has been terminated.

e) Whether, as recommended in paragraph 36 of the report, the contract with Don Travel has been extended for a period no longer than one year pending a joint decision on all the issues.

