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TESTIMONY OF
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SDVOB
U.S. House of Representatives
Committee on Small Business

Good morning, Madam Chairwoman, Ranking Member Mr. Chabot and other distinguished members of the committee. My name is Arthur Salus and I have been invited to appear before the Committee as it examines the impact of emerging procurement methods on small business subcontractors. In May, 2005, I had the honor to testify on the Hill on small business and veterans issues.

I am appearing here today in my role as President of Duluth Travel, a small service-disabled, veteran owned travel agency. Our company is headquartered in Atlanta, GA and we employ 26 persons in our company. We provide travel services to state and local government agencies, corporations, and leisure travelers and have done so since 1993. We have serviced federal agencies since 2005. I am an active member of ASTA and a spokesperson for the Southeast U.S. region.

I am also co –chairperson for small business of the Society of Government Travel Professionals (SGTP). SGTP is the national, non-profit forum of all government travel market components, whose objectives are to educate its members and to facilitate innovation and best practices in government travel. SGTP's members include travel agencies, small, mid-size, and large hotel properties and management companies, car rental vendors, airlines, travel

consultants, government representatives and others individuals and companies serving the travel needs of the Government market.

I have been competing for federal contracts since 2003 when I was approved by GSA, and I believe I am well qualified to testify on how government procurement methods affect small business travel agencies.

The federal government has been competitively procuring travel services from the private sector since 1989. At one time, the individual military branches in the Department of Defense (DOD) procured travel services on their own in open competitive procurements that were advertised to all eligible and interested businesses. The U.S. Air Force took the lead in promoting opportunities for small businesses by using small business set-asides for various Air Force bases. Other military branches did compete their travel needs but generally grouped various installations and bases into large geographical regions. Today, travel services are centrally procured by the Defense Travel Management Office (DTMO). The DTMO has continued the practice of using discrete set aside solicitations which are reserved exclusively for qualified small business travel agencies.

For example, in 2004, the DTMO competed and awarded 31 different small business contracts. These contracts were geographically dispersed around the country and were of sufficient size to be meaningful for small businesses yet not too large to overwhelm the contractors. In addition to these small business set asides, the DTMO is also in the process of competing approximately 11 very large travel procurements, some of which are worldwide, which are open to all contractors who qualified on the initial

master contract schedule. There were 8 travel agencies overall who are listed on the DOD master contract schedules of which 4 are small businesses. All contractors who qualified on DOD's master contract schedule receive notice of any task order that DOD issues.

It is different on the federal civilian side. On the federal civilian government side, federal agencies and entities may procure travel services directly by their own efforts or use the contracting vehicles designed by the General Services Administration (GSA). At one time, GSA did design and set aside opportunities exclusively for small businesses. These opportunities were either federal agencies with relatively small travel budgets or were discrete geographical areas around the country where federal agencies had offices. Any small business who qualified for these opportunities received a copy of any travel service solicitation being competed. There were multiple opportunities and multiple small businesses being awarded contracts around the country. This changed in 2003 when GSA implemented two new travel programs. One was the e-Gov Travel Service contract and the other was the Travel Services Solution Schedule contract.

The e-Gov Travel Services contract was awarded to three large corporations, EDS, Northrop Grumman and CWT to provide end-to-end travel systems to federal agencies other than DOD. These three large corporations not only provide the technology that provides the end-to-end services, but can also provide one stop shopping to include travel services through using travel agencies as subcontractors. Beginning in 2003, these three large corporations could market their technology and travel services to federal agencies that, by GSA's regulations, had to select a vendor by the end of 2004.

These three large corporations use both large and small travel agencies as subcontractors or “embedded travel agencies”. I receive business through a subcontracting relationship with EDS and to date, have received no business whatsoever from the other two eTS vendors. That means despite my track record of excellent past performance, I am locked out of over 66% of civilian government travel. In fact, I am not happy to report that one of the eTS vendors refuses to answer my calls or e-mails.

As far as the federal agencies are concerned, they have the option to obtain travel agency services through the TSS schedule or by contracting independently with travel agencies or “accommodated travel”. The TSS schedule is managed by GSA and allows federal agencies to supplement their eTS contracts. I believe that the eTS master contract and the TSS schedule are the primary contracting vehicle used by federal civilian agencies to procure their travel services. Since these contracts were designed by GSA, I believe GSA has a special role to ensure small businesses have meaningful opportunities to compete for government contracts. Tim Burke and his team at GSA should be commended for their efforts to move the government into the 21st century in travel management.

GSA has stated in a GAO report (GAO 06-911, September 2006) that the TSS schedule is designed to provide opportunities for all businesses to compete for federal travel business, with an emphasis on promoting opportunities for small businesses. GSA noted that the TSS schedule provides information to agencies about whether TSS vendors are small businesses, and agencies can use these vendors to address their small

business utilization goals. And GSA has also stated that “more small businesses are now eligible for federal business through GSA than before eTS and TSS” and points out that the TSS schedule includes 53 travel agencies, of which 30 are small businesses.

In that GAO report, based upon information provided by GSA, GAO noted that “under GSA’s previous master contract for travel agencies, in effect from 1998 through 2004, 13 small travel agencies participated. In contrast, 34 are currently participating through eTS, TSS, or both.”

The numbers in that GAO report do not tell the whole story. It is true that the TSS schedules do identify that 30 of the 52 contractors on that schedule are small businesses. However, according to information on GSA’s own website (<http://ssq.gsa.gov/entry.cfm>), only 10 of these small travel agencies reported receiving any sales under TSS in Fiscal year 2007. Of those ten reporting any sales, none of the ten small businesses reported sales for FY 2007 above \$57,386. The total sales reported by all 10 small businesses was \$195,719 compared to the total sales reported by all contractors of \$24,928,382. This is less than 1% of total reported sales going to small business travel agencies.

Although I am listed on the TSS schedule, I have not received any business from it. I was awarded a contract by the Department of Veterans Affairs for its travel. But this contract was conducted by the VA on its own and was a set-aside exclusively for small service-disabled veteran-owned businesses.

The fact is that most small business travel agencies have received less business than they did before these two travel programs. Why has this occurred? Unlike prior GSA programs, the TSS Schedule itself does not include any small business set-aside opportunities. The TSS Schedule is merely a listing of travel agencies that GSA has pre-qualified. It is a listing of vendors much like the Yellow Pages. While many small businesses are listed, few are chosen as there is no requirement that a federal agency must offer each vendor listed an opportunity to compete for any business. GSA's own rules for the schedule merely require that a federal agency consider any three travel agencies on the list.

Without discrete set-aside opportunities, small businesses receive less consideration and less business. That is why many persons and entities, like SBA, SGTP and me, urge GSA to include set-asides in the schedules. And GSA has done so for some of the schedules like meeting planning and IT. If it can reserve opportunities for small businesses on these other schedules, it can do so for travel services as well.

In addition, GSA should reconsider whether the manner in which it designed the e-Gov Travel Service contract, to include travel services within its offering, unreasonably bundled services, which if left separate, as DOD did with DTS, would provide more opportunities for small businesses.

While GSA has stated that all e-Gov Travel vendors must have subcontracting plans that include specific goals, these goals are not limited to travel agencies.

Small businesses are not opposed to these systems or against the transformation of the government travel management processes. We are only asking that we have direct and meaningful opportunities to compete for government businesses.

To sum up my testimony, I would like to make the following suggestions:

1. I would like to recommend to GSA to implement acquisition alternatives for small business set-asides.
2. Create a voluntary, independent panel made up of persons from each of the following federal agencies: GSA, GAO, SBA and OMB, a staff member from this committee, and members of the small business sector. They could meet two to three times a year and report back to this committee with their findings and recommendations. This panel could also look outside of the federal government at the thousands of large corporations with government contracts who are required to use small business as part of their sub-contract requirements. This would give us all a good reading on who is following the contractual obligations and who is not.

Please, let me go back and spread the word that this committee truly understands the plight of small business and that they will ensure that the current laws are enforced.

I want thank you for inviting me to testify. I will be happy to answer any questions you may have.

