

Here is a detailed explanation of how the State of Oregon Travel Management Program works and why the fares are structured the way they are.

Our government fares are designed for last minute, non-Saturday night stay over. These fares carry no restrictions and are fully refundable. Our contracts do allow for the purchase of either government fares, (Y-Class, fully refundable, no restrictions, last seat availability) or published fares (non-refundable, restricted fares), in most cases, people are comparing published fares that carry restrictions and are non-refundable to our non-published government fares. Unless the agency has an internal requirement to do so, Agencies are not locked into purchasing the government fares, however they then accept risk of purchasing the published fares if there are any changes after the ticket is bought. The mandated use of the contracted carrier is required, not the use of the contracted fare. Individuals are allowed to shop on line for fares, however, they are required to check with Azumano first if they find a lower fare to see if Azumano can match and in most cases Azumano usually can match or beat the fare. Azumano has software that checks 33 different websites for the best possible fares.

Regarding the management fee, the online fee is \$8.00, which is competitive to other online booking products. The traditional booking fee is \$28.50. For these fees, we retain a lot of management support of the travel program. Azumano just doesn't book a ticket; they also keep track of who is traveling, where they are traveling to, and how they are traveling. This is important information in procuring the Government fares from the airlines. Azumano quality controls each ticket booked to make sure it complies with the travel policy (i.e. 1st class tickets, or higher price tickets are not booked). They also reconcile all of the CTS (Ghost) accounts that the State uses to purchase the air fares each month. If there is ever a discrepancy on a ticket purchased, they are responsible for correcting it. Our rep spends about 3 hours each day reconciling the accounts. Also, if a traveler gets stranded or in trouble on the road, Azumano is required under Contract to assist with the travelers needs.

DAS conducted a Travel RFI to poll the industry and the results showed the fees that Azumano travel charges are very competitive with what the rest of the industry charges for the level of service we require. The on-line booking companies charge fees of \$5 - 10 for leisure travel. Both Orbitz and Expedia quoted charges of \$20 - \$40 dollars for each ticket booked for corporate and government accounts. They also charge an implementation fee and monthly charge if the State doesn't meet the minimum usage requirements. The reason internet companies charge a higher fee for corporate and government accounts is that internet companies are designed for the leisure traveler and point to point destinations. Tickets bought over the internet are coupled with the personal credit card number used to buy the tickets for security purposes and the name on the card has to match the name on the tickets. Since the State uses CTS Accounts to book and pay for airfare, internet companies have to charge higher rates to book the tickets because there are additional steps to ensure verification and security against fraudulent ticket purchases.

TOPAZ International Ltd also conducted a survey comparing fares bought over the internet vs. fares bought through a Travel Management Provider, out of 12,000 itineraries surveyed, only 10.32% were able to be found less expensive if bought over the internet. 68.26% of the time, the internet fares were higher.

If the State didn't have the travel management support, it would not have the option of purchasing the Government fares. These fares are deeply discounted when compared to published fares purchased within two weeks of the flight. Currently, more than 40% of our flights are booked within 2 weeks of flight or without a Saturday night stay. About 120 tickets are changed each month. With airlines charging \$100 - \$150 per ticket change, averaging \$125, it would cost the State about \$15,000 per month or \$180,000 per year in just airline change fees alone. Couple that with the average 57% savings of full coach fares, the \$8.00 is a small amount to pay. An example of the types of savings we see. A last minute trip to Washington DC would cost the State \$490 plus taxes and fees with its contracted carrier United, their normal last minute fare is \$1,341.00 plus taxes and fees. That is a difference of \$851 per person. The State sent 4,071 people to Washington DC in 2008. Based upon the average of 40% listed above, the State would have spent an additional \$1,385,768.40 on air fare for just Washington DC travel. The State saved an additional \$7.2 million in 2008 by using the government fares for all the markets State travelers went to. 40% of our travelers booked at the last minute or did not stay over on a Saturday night in 2008. And about 40% of the tickets booked last year were the government fares. The other 60% were published fares. This confirms that tickets are being bought the correct way to get the best value for the State, (published vs. government fares).

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