



Transaction Fees for Government Business Travel

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The Government of Canada has always paid travel agency transaction fees for business travel services. Until recently, Public Works and Government Services Canada (PWGSC) paid these transaction fees on behalf of departments and agencies. Departments did not see these transaction costs as part of their total travel spending. However, as a result of major changes in the travel industry, transaction fees are now borne by departments, rather than being centrally paid. The purpose of this document is to help dispel the myth that departments have gone from “no-cost” booking to paying “high-priced” transaction fees.

Background

Until April 2003, all transaction fees for air, rail and other travel arrangements were paid by PWGSC, using funds collected from the airline industry through commissions or direct rebates. These commissions funded the cost related to the travel agency services including any travel-related transaction fees that were being charged to the government. As a result, departments were largely unaware of these costs.

The events of September 11, 2001, combined with economic downturn, resulted in significant changes to the travel industry and affected the commissions and rebates airlines traditionally offered its clients. Unfortunately, this reduction in commissions and rebates from the travel industry resulted in decreased revenues back to PWGSC. As a result, PWGSC and the Treasury Board of Canada Secretariat (TBS) were directed by Treasury Board ministers to establish a “user pay” travel service, and departments and agencies became responsible for paying their own transaction fees for all travel bookings.

The new model

While it is clear that travel services are *not* free, it is also important to understand that departments will be responsible for transaction fees regardless of which contracted supplier provides government travel services.



Under the new model, two separate service fees are charged to departments for each booking:

1. An agency fee; and,
2. A Government of Canada surcharge fee.

For example, when making air, sea and rail reservations using the new full-service travel agency, the traveller will be charged an agency fee of \$43.70 (plus GST) per transaction. This cost is significantly lower than standard industry rates for booking corporate air, sea and rail travel, which currently range between \$50 and \$70 per transaction.

In addition to the agency fee, the traveller or travel arranger will notice a surcharge of \$15 (GST does not apply). This fee only applies to air and rail bookings, and will be charged to departments on a per transaction basis (each time a transaction is made for which a ticket is issued) over the next four years to help pay back the \$19-million loan required to fund the implementation of the new travel services under the Shared Travel Services Initiative (STSI). This loan was approved by TBS and supported by several departments and agencies.

Looking forward

We are working closely with the contractor to enhance the travel services that are already available. And, as travel modernization in the Government of Canada moves forward, transaction fees could decline. The implementation of the new on-line booking tool will allow employees to book travel at a rate of \$20 (plus GST) per transaction, plus the temporary Government of Canada \$15 surcharge. Increased volume usage of the on-line booking tool across government could also result in a lower transaction fees to departments.

It is anticipated that the TBS loan will be paid off after the fourth year of the contract. At that time, the Government of Canada surcharge will disappear, and departments can expect travel agency transaction fees as low as \$19 per transaction through the on-line booking tool – that's well below the current industry standard rate. In addition to lower transaction fees, Government of Canada travellers can look forward to a new expense claim management tool, which will automate and simplify tasks that would otherwise consume valuable time, money and energy.

About the STSI

The Shared Travel Services Initiative is a Government of Canada initiative jointly led by Public Works and Government Services Canada and the Treasury Board of Canada Secretariat.

More information on the STSI and Travel AcXess Voyage is available at <http://gtmo.gc.ca>.