



**Minimum Bid Specification Requirements for
Travel Management Services**

First Edition
January 2017

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1 PREAMBLE

Section 38(1)(a)(iii) and 51(1)(a)(iii) of the PFMA require accounting officers and accounting authorities to ensure that their department, trading entity, constitutional institution or public entity has an maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

Section 38(1)(b) of the PFMA makes accounting officers of departments and constitutional institutions responsible for the effective, efficient, economical and transparent use of their respective institution's resources.

Section 38(1)(c)(iii) and 51(1)(b)(iii) of the PFMA require accounting officers and accounting authorities to take effective steps to manage the available working capital of their respective institutions effectively and efficiently.

2 PURPOSE

The purpose of this Guide is to provide Accounting Officers and Accounting Authorities with minimum bid specification requirements for the appointment of Travel Management Companies. Accounting Officers and Accounting Authorities shall make every effort to ensure that the appointment of travel management services are in accordance with the specification requirements outlined herein and utilise these as the minimum bid specifications to ensure efficient, cost effective, transparent and responsible travel services.

Departments, Institutions and Public Entities are to consider the minimum specification to develop similar or more stringent bid specifications where applicable.

3 OBJECTIVES

The objectives of this Guide are:

- i. to assist departments, constitutional institutions and public entities to appoint Travel Management Companies (TMCs) in line with government's objectives to contain costs and save money;
- ii. to appoint Travel Management Companies (TMCs) that will provide consistent and reliable services;
- iii. to ensure that quality service is rendered by the appointed TMCs;
- iv. to improve spend visibility through detailed management reporting;

- v. to ensure that TMCs operate within the travel policy and to assist the departments, constitutional institutions and public entities with the improvement of traveller behaviour in order to minimise fruitless and wasteful expenditure.

4 MAIN OUTCOMES

The main outcomes of this Guide and the approach to the Travel Management Industry are:

- i. To create a standardised approach to the Travel Management Industry across all spheres of government;
- ii. To ensure minimum technical competence of TMCs to service government departments through the minimum bid specification requirements;
- iii. A standardised remuneration model for travel management companies that is transparent across all spheres of government;
- iv. Moving away from rebates, commissions or any volume driven incentives being paid to TMCs to a more transparent fee structure;
- v. Standard reporting requirements to improve transparency in expenditure for the travel category across all spheres of government; and
- vi. Ensure reduction of travel expenditure without compromising on quality of service.

5 APPLICABILITY

This Guide is applicable to National Departments, Provincial Departments Constitutional Institutions, Public Entities listed in schedules 2 & 3 of the PFMA

6 ACKNOWLEDGEMENT

National Treasury gratefully acknowledges the important contributions provided by the various government institutions and would like to extend sincere gratitude to:

- Department of Agriculture and Forestry
- Department of Basic Education
- Department of Correctional Services
- Department of Defence
- Department of Economic Development
- Department of Environment
- Department of Higher Education and Training
- Department of Home Affairs
- Department of International Relations and Cooperation
- Department of Justice and Constitutional Development
- Department of Labour
- Department of Public Enterprises

- Department of Public Service and Administration
- Department of Public Works
- Department of Rural Development and Land Affairs
- Department of Statistics South Africa
- Department of Telecommunications and Postal Services
- Department of Tourism
- Department of Trade and Industry
- Department of Water and Sanitation
- Provincial Treasury Eastern Cape
- Provincial Treasury Free State
- Provincial Treasury Gauteng
- Provincial Treasury KwaZulu-Natal
- Provincial Treasury Limpopo
- Provincial Treasury Mpumalanga
- Provincial Treasury Northern Cape
- Provincial Treasury North West
- Provincial Treasury Western Cape
- South African Police Service
- South African Revenue Service
- National Arts Council of South Africa (NAC)

7 HOW TO USE THIS GUIDE

7.1. This Guide consist on the following documents:

Annexure A1: Request for Proposal Template

Annexure A2: Desktop Evaluation Technical Scorecard and Compliance Checklist

Annexure A3: Pricing Submission Templates

Template 1: Transaction Fee Model for ON-SITE Service

Template 2: Transaction Fee Model for OFF-SITE Service

Template 3: Management Fee Model for ON-SITE Service

Template 4: Management Fee Model for OFF-SITE Service

Annexure A4: Draft Service Level Indicators

7.2. All attempts have been made by the Cross Functional Team of this project to include most of the general requirements when tendering for travel management services. The attached Request for Proposal Template (Annexure A1), the accompanying evaluation criteria (Annexure A2), Pricing templates (Annexure A3) and Service Level Indicators (Annexure A4), are merely guides for the tendering institution to use to ensure that the minimum requirements are addressed and that the same pricing models are utilized across all institutions.

- 7.3. Throughout the documents you will find information blocks that will give guidance to the tendering institution as to what can be changed and what must be considered when changes are made.

Example:



Tendering institutions may site any activity and due dates related to the bid. The validity of the bid is also at the discretion of the tendering institution, but it is advised that it should not exceed 180 days.

- 7.4. Text that is indicated in **BLUE**, are obvious areas that needs to be filled in or changed by the tendering institution.
- 7.5. Although the technical evaluation criteria are very comprehensive, departments may add or remove criteria to suite their individual requirements. When doing so, departments are to consider the implications on service delivery and pricing.
- 7.6. Tendering Institutions may also adjust the weighting of the evaluation criteria according to their needs and priorities.
- 7.7. The RFP template addresses the following requirements:
- i. Tendering institution to provide minimum information to bidders in terms of travel volumes;
 - ii. Tendering institutions to decide, **up front**, whether it will be an **ON-SITE** or **OFF-SITE** service (and use the relevant pricing templates).
 - iii. The RFP requires the bidders to indicate whether the service will be a wholly **ONLINE** service, a **TRADITIONAL** booking service or a **HYBRID** service. In case of the latter, the percentage split must be indicated in the pricing model.
 - iv. The RFP requires the bidders to provide minimum reporting requirements (Standard Monthly Reports) in line with the National Treasury's Cost Containment Instructions. Tendering institutions may further request additional reporting requirements.

8 GENERAL CONSIDERATIONS WHEN PROCURING TRAVEL MANAGEMENT SERVICES

Travel is an emotive subject. Whether you're introducing a new travel management service for the first time or are planning on changing your incumbent provider, people from every corner of your organisation will have an opinion on the matter. When you throw in the

potential cost and time implications of making the wrong decision, there are a whole a host of reasons why deciding on a travel management provider shouldn't be taken lightly. In this guide, we will walk through how to prepare for your procurement, how to find prospective suppliers, evaluate them, make a final decision, and then purchase the service in a way that protects your organisation.

8.1 Preparation

Before you look at potential travel management companies (TMCs), services and systems, it is vital to thoroughly define your needs and what the service provider you select should be able to do for you.

To do this, you need to engage your stakeholders: the people who will be using the service, or who depend on outputs from the service (such as reports and invoices) and who will therefore be affected by the change. It's a great idea to assemble a team of stakeholders who will be involved throughout the process, from early preparation, Request for Proposal (RFP) development and subsequent responses, and finally to meeting potential suppliers.

This ensures you have buy-in from users and stakeholders to select a service, and service provider, that's truly reflective of your requirements.

8.2 Questions to consider

Before you get into a discussion with any suppliers, you need to be clear on some key points within your organisation. Below you'll find ideas as to the right kind of questions to ask, as well as the reasons why you should be seeking these answers.

Q. Should we have an objective to drive online booking?

A. Driving online booking reduces your travel management costs by attracting lower fees for bookings made online through an online booking tool, rather than higher fees for making offline bookings over the phone or by email.

Q. Do we need to review our business travel policy before we engage suppliers?

A. Often, travel policies are documents that were written ages ago and that no one has looked at since. Your travel policy will be at the heart of your travel programme, and this is now the perfect opportunity to align your institutional travel policy with the National Travel Policy Framework. Your TMC should work in collaboration with you to understand your goals and also to inject industry best practice into designing and implementing the travel policy.

Q. Do we have detailed travel data available regarding our current travel spend?

A. You need to share as much data as you can with prospective suppliers, in order to get the best advice and best pricing from them. If you don't have any data, prospective suppliers are likely to price defensively to ensure their worst case scenario is covered. If you're in this position, it's worth ensuring there is a break clause in your contract, such that you can renegotiate prices based on actual data once you've been working with your chosen supplier for 12 months.

Q. Are we trying to reduce our core travel & hotel spend, and if so by how much?

A. Not everything is about slashing travel prices. Other objectives of appointing a TMC is to ensure that your staff have great service at their fingertips, or are properly cared for and secure whilst travelling on business. But if you are looking to reduce costs, it's good to have an idea of what success would look like to you.

Q. If we're out to reduce cost, what are we prepared to compromise on?

A. TMCs don't have a magic wand with which to conjure away your travel spend. Serious cost reduction inevitably means compromises have to be made, so it's worth thinking about what would be acceptable and what wouldn't. Manage your business class more carefully and ask for other economy class tickets on flights. Economy Class Y is the most expensive and most flexible economy class ticket. If you know when you will fly and can book in advance you may ask for cheaper less expensive economy classes, such as V or Q class. Reduce your per-night cap on hotel spend by using the Maximum allowable rates issued by National Treasury as a benchmark and negotiate more favourable rates. Drive online booking (which reduces cost through visual guilt. You can immediately see the missed savings). Tighten policy constraints.

8.3 Commercial Models

One thing that is often overlooked in the early stages of selecting a TMC is the commercial model that should be used. It's a vital consideration that can have a major impact both on what you pay and the service you receive. It's crucial that you spend time understanding the commercial models inside out before making a final decision. To help you kick things off, you can find the explanation of the two models prescribed by National Treasury below.

8.3.1 Transaction fees

A transaction fee model is where the client (government institution) pays a small transaction fee for each booking they make. Fees may also be levied on other transactions, such as

cancelling or amending a booking. There is usually a difference in the fee level between online and offline transactions to reflect the lower use of resources in the former.

The benefit of this model is that it is very transparent and you know what you are paying for. The transaction fee model is now by far the most popular commercial model for travel management because, from a procurement perspective, the transaction fee model is often easier to evaluate as it allows clients to analyse transaction fees offered by different TMCs. This way, government institutions can get a clear picture of comparative fees amongst travel management companies who operate this model.

Advantages of this model includes:

- Offer high levels of transparency
- Allows for simple and effective TMC price comparisons
- Low transaction fees
- Easy to scale with usage.

Disadvantage of this model include:

- The possibility of the TMCs to initially increase the transaction fees to compensate for the loss of previously earned rebates and commissions from suppliers.

8.3.2 Management fees

A management fee model involves the client paying the TMC a fixed fee per annum (normally payable monthly). The fee is typically calculated by open-book analysis of the TMC's costs for delivering the services plus a profit margin. However, management fees are rapidly falling out of fashion due to their inflexible nature: the cost doesn't flex with travel volumes nor adjust as more transactions get carried out online and it's difficult to attribute the cost to budget holders.

Under the management fees system, the TMC assigns a fixed (often dedicated) amount of labour to service the client's needs. The cost of this labour, plus an agreed margin are then charged to the client in the form of a management fee.

Formerly a staple of the business travel industry, management fee models are rapidly declining in popularity as more and more organisations shift to a transaction fee model.

The principal difference between the management fee model and the transaction fee model is that transaction fees essentially see the client paying only when they actually actively use their TMC. With management fees, clients pay a set sum, no matter how often they actually

use the service, meaning that, unless prices are extremely keen, at least some of the client's spend will be wasted.

Advantages of this model includes:

- Total cost is easier to predict
- Makes budget process easy

Disadvantage of this model include:

- Paying for resources which is unlikely to be fully utilised all of the time
- Can be difficult to distribute management fee among budget holders

Each commercial model has its pluses and minuses and different government institutions may find that one model particularly suits them. The key point to remember is to determine which of these two models will work for your institution - only then can you be sure you're comparing like with like, and getting a genuine view of what each TMC offers.

For a final point on the transaction fee model, it is worth bearing in mind that this model will likely see TMCs charge higher fees for off-line bookings (i.e. bookings which involve reservations teams) over straightforward on-line bookings. This difference in price is to allow business travel agents to fund the travel professionals in reservation teams who help bookers with their travel arrangements. Equally, online transaction fees can be extremely inexpensive, so it's worth considering the benefits of driving on-line adoption if you go down the transaction fee route. Remember to bear this in mind when comparing TMCs during the procurement process.

8.4 *Tender / Request for Proposal*

Issuing a tender or RFP helps to bring structure to the process and keep you focussed on your objectives. When you follow the formal tender process bear the following points in mind to keep things running smoothly.

- 8.4.1** Assign one person to manage the process from start to finish to keep the project on track. If the person responsible changes part way through, it can lead to confusion

and duplication of work. This is especially important if using a third party consultant – make sure you have the same consultant or project team for the duration.

- 8.4.2** Keep it short and simple, and only ask questions that will help you decide which supplier(s) to appoint. When you use the attached RFP Template, don't just copy it word for word, pick the technical evaluation questions that are relevant to your organisation and make sure you add the ones that aren't there. You won't be able to make an informed decision if you're asking questions that are not relevant to your institution's travel objectives.
- 8.4.3** The requirements and evaluation criteria should be such that the responses you receive, are from suppliers who stand a real chance of winning the business. Giving suppliers the information they need to qualify the opportunity and make an informed bid/no bid decision saves all parties a lot of time and money. It's possible that you'll have fewer responses to evaluate, but every response should be a genuine contender.
- 8.4.4** Enlighten the bidders with as much information as possible; what you currently do, your objectives, your business travel profile and transactional breakdown. The more information you provide, the more accurate and innovative their bids will be.
- 8.4.5** Give clear instructions on how you want bidders to respond. If all suppliers respond in the same format, it will make it easier for you to evaluate and quickly draw fair comparisons.
- 8.4.6** Hold a bidders' briefing session before the tender closes. This is a great opportunity to bring your requirements to life and address any areas that require further clarification. Use this time to make sure suppliers really get where you're coming from and understand what you want the successful supplier to deliver. The briefing session allows suppliers to ask questions and means they hear the same answers at the same time.
- 8.4.7** Allow enough time for suppliers to respond. Suppliers are often working on multiple bids at any one time and therefore have to prioritise and distribute workload to meet deadlines. Suppliers should be given at least 21 days to respond to the RFP. Only extend the deadline to accommodate any crucial or game-changing clarifications. If

you give suppliers ample time to respond, you're more likely to receive high quality, well-thought-out responses.

8.5 Benchmarking

Many organisations attempt to benchmark travel companies as part of their procurement process. However, the techniques used invariably lead to dubious results that can undermine your entire procurement exercise.

If you're spending lots of money on a regular basis, say, on stationery, benchmarking an array of suppliers may be a valuable exercise. You present your shortlist of suppliers with an array of uniform products (a pen is a pen, a stapler is a stapler) and the suppliers provide you with their best prices. Once you select a supplier you can reasonably expect them to honour the prices quoted during the benchmark. You might even contract them to do so.

With travel, it just doesn't work like that. Prices change all the time, e.g. airline ticket prices change daily, if not hourly. Availability changes all the time. And there is no guarantee that any of the quoted prices you see in a benchmarking exercise will ever be available for you to purchase in the future. Worse still, you don't even know if the prices are real.

So what should you do?

Firstly, understand that having great prices is only half the story. There's no point having the best prices in the world if you can't control which ones your officials can and can't book.

Your biggest savings are going to come from changing buyer behaviour, no matter what the prices are, so focus on figuring out which supplier you think has the best strategy to drive behavioural change, and the software needed to deliver it, such as a rock-solid travel policy system.

Secondly, look at where suppliers are sourcing content from. Most TMCs will get their content from the traditional Global Distribution Systems. Ask them to confirm which travel distribution channels are providing content, and make sure all the big online travel discounters and low cost carriers are on the list.

Finally, if you really must price benchmark, do it yourself. Insist that every potential TMC provides you with a login to their online booking tool and conduct the price benchmark using your own staff, in your own time. That way you can ensure you're comparing real prices on a truly level playing field.

8.6 Presentation

During the technical evaluation stage, it's good practice to get the suppliers to come in and present their bid to your Bid Evaluation Committee (BEC). This gives your BEC an opportunity to meet with key members of the supplier's team, and get a feel for the kind of organisation they are. It also gives you the opportunity to ask questions about the supplier's bid and clarify any areas you felt were not entirely clear.

Tips for presentation days

- Provide each supplier with a bullet point list of the items you want them to cover in their presentation, but allow them some flexibility to cover items they feel they want to highlight from their bid too. It's a two-way event - they want to make sure you've seen and understood the unique aspects of their bid, and you want to ensure that you clarify any areas that were not clear to you in their submission.
- To ensure the presentations run smoothly, make sure you are crystal clear about what technology will be available to the suppliers.
- Can they use their own laptop computer or are you expecting them to present from your equipment?
- If they are using your equipment, what software will be available (e.g. Powerpoint, Adobe Acrobat) and what version?
- If you are expecting a system demonstration are you providing suitable wifi, or do they need to ensure they come equipped with mobile connectivity?
- If you are expecting a system demonstration via your equipment, which browser and version will be available?
- Afford suitable time to each presentation. Given the level of effort that both you and each supplier have already invested, cramming a presentation into 45 minutes is a risk at best, insulting at worst. A reasonable guide would be to allow 1.5 hours for each supplier, including Q & A time.
- Take a photo of the presenting team and record the proceedings if possible. It really helps people recall details when discussing presentations at a later stage.
- Make sure you have an agreed scoring mechanism in place, and build time in between each presentation to discuss, normalise and finalise the presentations score before moving onto the next. There is nothing worse than attempting to recall a presentation hours, or even days later.

- Once all the presentations are complete and have been individually scored, have a recap session to make sure that opinions on the scoring of earlier presentations haven't changed in light of latter presentations.

8.7 Product demonstration

Comparing features across various solutions can help you understand what you'll be able to achieve with each platform, and how these capabilities align with your goals. Here are a few questions to keep in mind as they demonstrate their product:

Is the demo live?

A live demo can tell you about more than just the product's capabilities— it can show you the pace at which the product will function. If they show you screenshots of what can be done, instead of demonstrating the capabilities of the product, it could be a sign that they're concerned the product will freeze up or not perform accurately during the demo.

Does it cover the basics?

You'll begin to notice differences between platforms as you continue to explore your options, but all travel management platforms should include some basic capabilities. In each demo, look for these basic features of travel management:

- A single sign-on to access all features and travel content;
- Ideally a single solution (i.e. once logged in, you are not redirected to other services to complete certain functions, or book certain travel types);
- The ability to book, amend and cancel all core travel types (hotel accommodation, rail tickets, air tickets and car hire);
- Integrated profile management, which incorporates a single, universal traveller profile for each person within your organisation; and
- Integrated reporting with the ability to run and schedule reports for future delivery.

8.8 Site Visits

If you have the time, paying a visit to the offices of your prospective suppliers is a big win for your procurement process. It gives you the opportunity to meet the people who will actually be working on your contract, and it gives the supplier the opportunity to present to you a much wider array of key people within their organisation that wouldn't be feasible at the presentation stage, or earlier in the bid process.

If you want to kill two birds with one stone, you could combine the presentation stage with a site visit (i.e. get suppliers to present at their offices, rather than yours). In the event that you want to include a site visit or combine it with the presentation stage, remember to include it in the functional evaluation criteria.

Ahead of a visit, communicate to the supplier any outstanding concerns you have about their bid so that they have the opportunity to address them during your visit. Also make sure to request attendance from any key staff that you'd like to be present, such as the proposed account manager and the senior management team.

Take ALL your BEC members along - after all, it is they who will be interacting most often with the operational staff you'll meet.

Post visit, make sure you have a thorough debrief with all of your BEC members who attended. Get an understanding of how they feel: are they confident they can work with the team they just met? Do they have any concerns? Is the organisation compatible with yours on a cultural level? Do you feel you can strike a good working relationship with the supplier's team, and at all levels?

Tips for site visits

- Treat the sites visits just as you would an interview. Just like when hiring people, your mission is to determine whether you think you can create a really successful working relationship with the supplier's team of people.
- Ahead of the visits, assemble your stakeholders and prepare questions that are relevant for the people you are going to meet. For example, asking reservation consultants how they would handle real-world examples is a great way to get them talking (e.g. "We have a traveller stranded in the far east, it's 2am, they need to get home, what would you do?").
- Make sure you get to meet the actual operational team (reservation consultants and associated management) who will be looking after you. Pay particular attention to the team leader as they will be pivotal in the success of the service delivery.

8.9 Service Level Agreement

It's an old adage that 'what gets measured gets done', so, at tender or contract negotiation stage, a lot of effort is put into devising performance measures to define the customer service your chosen TMC will provide. But how often after implementation are those targets

revisited and discussed? And do you know that your TMC can even measure what they've signed up to?

Keep it simple

There isn't much point in having 5 pages of service level agreements (SLAs) and key performance indicators (KPIs) that no one really cares about. It's far better to have a one-page, concise and clear document, which is referred to at every review meeting.

Focus on what's important

What is important to your institution in terms of your travel objectives? What will your travellers and bookers really care about? Focus on what matters to your institution and employees. Ask them for their thoughts before you put the document together.

8.10 Contract Negotiation

Going through the legals are not the most interesting part of the process, but investing time at the outset should prevent a costly break-up further down the line.

Tips for contract negotiation

8.10.1 Define what they are actually going to do for you

Make sure you have a tight definition of the services that your supplier is going to provide. If you are contracting on your own legal terms, the standard services agreement (that the legal team has just dusted off) is unlikely to be bespoke to travel management, so make sure your agreement actually covers what you expect them to do.

8.10.2 Incorporate the service level agreement (SLA) into the contract

Many organisations spend a fair amount of time discussing service levels at the tender stage and then forget to incorporate the SLA into the legal agreement.

8.10.3 Agree what happens if your partner's ownership changes

If your preferred business travel agent gets bought out by another supplier (this happens quite a lot in the business travel industry), the service could be very different. It could even be the supplier you dismissed at the first stage of your tender. So make sure that your contract includes a 'change of control' clause enabling you to terminate if your supplier's ownership changes.

8.10.4 Look at the termination clauses carefully

Can you terminate easily if things are not going well? What if they fail to deliver at all? You need to be able to move on if it's not working and the mediation has failed. Look at how easily your TMC can get out as well - they may be able to terminate on three months' notice at any time, which is the last thing you want after all your hard work in appointing them.

9 REVISION HISTORY

Date	Edition	Description	Author
20/01/2017	1.0	Guide to Accounting Officers and Accounting Authorities on the Minimum Specification Requirements for Travel Management Services	National Treasury: Office of the Chief Procurement Officer