

Through the

Looking Glass

A CAGW Special Report



Defense Travel System: The Twilight Zone of Travel

By Angela French
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Executive Summary

This *Through the Looking Glass* report examines the Department of Defense's (DOD) inefficient and costly travel management service, the Defense Travel System (DTS). The DTS is the latest effort in DOD's 25-year search for a money-saving solution to government travel.

However, DTS has failed operational testing and ended up costing more than expected. Originally, DOD was supposed to pay a fixed price of \$64 million for the DTS after it had been operationally deployed at 11,000 DOD sites worldwide and a \$5.27 fee each time the DTS was used for an official trip by DTS travelers. The total cost for five years with full usage by 3.2 million DOD travelers and approximately 5 million trips a year was supposed to be \$263.7 million. But the DTS has already cost more than \$400 million to date and one Pentagon estimate places the final cost at \$537 million. Even worse, taxpayers are now paying for the defective travel system, which cannot even guarantee the lowest fare.

The expanded cost and the unanticipated burden on taxpayers occurred in 2002 after DOD and Northrop realized that DTS was more cumbersome than originally anticipated. The original contract, under which Northrop would bear all of the development costs, was secretly re-worked, removing the most stringent aspects of the contract and foisting all costs associated with the system onto taxpayers. The U.S. Court of Federal Claims recently determined that the contract modifications violated the Competition in Contracting Act and required part of the revised agreement to be re-bid.

While DOD had good intentions to cut wasteful travel spending and make its travel services more streamlined, what it now has is an inefficient, expensive system. The DTS is so underutilized that the cost per transaction is approximately \$33,000. Even if the system is fully implemented by every DOD facility and every DOD traveler, which is not likely, it would take 15 years for any savings to be realized.

DOD should use alternative private sector e-travel systems that cost taxpayers nothing to develop and provide quicker and cheaper solutions. Both the DOD inspector general (IG) and the agency's program and evaluation office have documented problems with the DTS and the IG recommended canceling the program. Apparently, everyone but the DTS Program Management Office knows it would be more efficient and less wasteful to use an alternative to the DTS, just like tens of millions of Americans do every day.

By January, 2005, federal agencies will have to choose an e-travel vendor for its travel services; DTS is one of the choices available. While three large agencies have already decided to use DTS, this CAGW report should serve as notice that other federal agencies should not enter the twilight zone of travel known as the DTS and expose taxpayers to millions of additional dollars in wasteful spending.

Introduction

The Department of Defense (DOD) has been seeking ways to electronically streamline its inefficient and splintered travel process into a one-stop-shop to save time and money since 1979, when it developed the “Standard Travel Advance Reservation System” (STARS). Instead of relying on traditional travel services, which involves a travel agent working individually on each leg of a traveler’s trip, STARS was supposed to be a comprehensive, computerized travel system to handle every aspect of DOD travel. Congress rejected the project due to insufficient evidence of the cost savings of STARS.

In 1984, the Grace Commission reviewed travel management practices throughout the federal government and suggested STARS should have been improved upon rather than rejected. The Commission also recommended that the General Services Administration (GSA) “should create a centralized, professionally staffed travel service contracting and negotiating unit” to further explore the possibilities of the government creating an in-house travel system to cut travel costs.¹

Twenty-five years after the failure of STARS, DOD still does not have an efficient and cost-effective travel system. Its most recent effort began in 1995 and is known as the Defense Travel System (DTS). Unfortunately, DTS is six years behind schedule and has cost taxpayers more than \$400 million to date.

Like many other examples of the government’s technological ineptitude, the DTS has proven to be far more expensive and far less effective than planned, and it is starting to spread beyond the DOD to federal civilian agencies. DTS can’t even guarantee the lowest fare, which is the least taxpayers should expect. Furthermore, a federal court has found the contracting practices associated with DTS to be illegal. Given the failures of DTS, DOD and other agencies should be using less costly and more efficient private sector alternatives that are currently available in the marketplace.

The Birth of DTS

The DTS project began with the establishment of the Defense Travel System Program Management Office (DTS PMO), which has three main duties: (1) procure a DOD-wide automated travel system, (2) reduce costs, and (3) streamline the travel process.² To accomplish these goals, the DTS PMO sought to acquire a software-based travel system, which would make business travel “quicker, easier, and more efficient by

¹ President’s Private Sector on Cost Control, “Volume II: Report on Travel and Traffic Management,” Washington, D.C., 1984, pp. 15-16.

² “The DTS/DTS PMO was established to fulfill three primary duties: 1 – conduct the reengineering of DOD travel processes; 2 – procure an automated end-to-end system to support the restructured temporary duty travel process; and 3 – consolidate the efforts of the DOD Commercial Travel Office services.” Government Accountability Office, “AirTrak Travel et al,” (B-292101; B-292101.2; B-292101.3; B-292101.4; B-292101.5), June 30, 2003, p. 3.

providing automated commercial and government travel support services to DOD travelers.”³

As part of its research and testing of the DTS program, the DTS PMO presented a cost benefit and analysis report to Congress in 1997.⁴ The report evaluated the time spent by travelers and supervisors arranging travel, awaiting authorization for trips, and filling out paperwork for reimbursement. Of the \$709 million spent processing and administering DOD travel, approximately one-third (\$234 million) was spent on administration of DOD travel. The remaining two-thirds (\$475 million) was time spent on “mission costs,”⁵ which consists of arranging travel and filling out reimbursement forms.

With a fully implemented travel system, the DTS PMO calculated that the costs of administration and the time for the travel would be split 50-50 in total costs of travel processing. This would reduce per-traveler-voucher costs by 60 percent⁶ and save the DOD approximately \$66 million annually in travel administrative costs.⁷

In June 1997, the DTS PMO sent out a request for the design and implementation of a “seamless, paperless system that meets the mission needs of travelers, commanders, and other travel resource managers, reduces the cost of travel, and provides superior customer service.”⁸ In this solicitation, the DTS PMO required the contractor to build a common user interface (CUI) using commercial, off-the-shelf (COTS) computer software products. Only two contractors bid on the DTS project: BDM, International (BDM) and Electronic Data Systems Corporation (EDS).

In May 1998, the DTS PMO competitively awarded a contract estimated to cost \$263.7 million to BDM, which was subsequently purchased by TRW, Inc., which in turn was purchased by Northrop Grumman (Northrop). Northrop was required to develop an “e-travel system” which would provide for the “end-to-end” or total travel management needs of the DOD.

Under the terms of the contract, the development, testing, and initial deployment of the travel system was required to be completed within 120 days after the contract award. The system was required to be up and running at 11,000 DOD sites worldwide by

³ DOD Office of the Inspector General (D-2002-124), “Allegations to the Defense Hotline on the Management of the Defense Travel System,” July 1, 2002, p. 1.

⁴ “Initial Economic Analysis, DOD Travel Reengineering Project,” Sept. 10, 1997.

⁵ “Mission costs” are computed by DTS PMO to be the time spent by supervisors and travelers arranging travel and filling out paperwork for reimbursement. Office of the Director, Program Analysis and Evaluation, “Draft Report to the Department of Defense Comptroller General,” December 2002, p. 13.

⁶ The DTS PMO estimated the costs would be reduced from \$95 per voucher to \$34.56 per voucher, considering the 5 million travel vouchers filed each year. Travel arrangements would have a total savings of 50 percent; post-travel activities would be reduced by 34 percent. These reductions are based on “mission costs” and not actual cost savings. These savings represent the time DOD personnel would now have free to work on other items. Idem.

⁷ Costs would be reduced from \$234 million to \$168 million annually, according to the 1997 report to Congress. Ibid, p. 14.

⁸ Ibid, p. 6.

September 2001, at which time DOD personnel were supposed have a streamlined and efficient travel system. More importantly, the DTS was supposed to save money for both the DOD and taxpayers.

While Northrop won the contract, EDS protested, contending that it was rated higher technically and therefore should have received the award. The Government Accountability Office (GAO) upheld the decision to award the contract to Northrop, primarily because Northrop offered a much lower price than EDS.⁹

The traditional method of managing DOD travel was to contract with both large and small travel companies, known as commercial travel offices or CTOs. Those CTOs responded to verbal or written requests from DOD travelers and planned the trip step by step. Each CTO travel counselor had to have extensive knowledge of Federal Travel Regulations and often had to explain options and rules to the DOD traveler. The travel process was paper intensive, with written travel orders prepared, circulated for approval, presented to the travel agent and written requests for reimbursement filed at the conclusion of the trip. The DTS software was supposed to eliminate this time-consuming process and permit the CTOs to substantially reduce staffing.¹⁰

The DOD assumed that, with the implementation of the DTS, its CTOs would have lower labor costs after the DTS became operational because travel agents would only need to finish fulfilling the travel order (for example, purchasing the tickets) rather than spend time compiling an entire passenger name record (PNR) and explaining available travel options to the traveler. In addition to automating the travel booking process, the DTS also was supposed to handle other functions, including travel reimbursement, accounting, and record keeping.¹¹ While some travelers would still prefer the more personal services provided by CTOs, overall transaction fees were supposed to be reduced, saving an estimated \$99.6 million a year within three years of deployment.¹²

⁹ Government Accountability Office, “Protest of Electronic Data Systems Corporation,” (B-280133; B-280133.2), Sept. 3, 1998.

¹⁰ Traditional DOD travel services required calling, visiting or faxing a travel agent at an approved CTO, describing the travel requirements desired, and working with the travel agent to make airline, hotel and rental car reservations. The travel agent would obtain information about the traveler (name, address, credit card, specific travel preferences, etc.) in order to develop a passenger name record (PNR). In contrast, the DTS software is designed to maintain individual PNR information. Therefore, much of the time to create individual PNRs would be saved and would no longer have to be repeated by the DOD personnel or travel agent making the travel arrangements. GAO, “AirTrak Travel,” p. 4. The DTS was also supposed to provide the traveler with all travel options and government rates so he/she could select the travel itinerary without communicating with the CTO. The final itinerary would be electronically transmitted to the CTO. This would allow an individual travel counselor to process many more trip requests each day and this improved productivity was anticipated to reduce the CTOs’ cost per individual transaction.

¹¹ When DTS is at full capability, it is expected to track the following: order writing capability; reservations for all modes of travel; entitlements computation; automated DOD policy compliance; electronic signature verification; electronic travel claim settlement, including split disbursement; and archiving of encrypted financial and travel data. GAO, “AirTrak Travel,” p. 5.

¹² Tanya N. Ballard, “Defense Travel System Set to Launch Despite Funding Shortfall,” *Government Executive Magazine*, January 10, 2002, p. 2.

The most taxpayer-friendly provision of the original DTS contract required Northrop to pay for all costs associated with developing, testing and deploying DTS and receive no revenue until the system was completed, proven effective and operationally deployed. Moreover, the amount of revenue earned by Northrop was contingent on the extent of actual use by DOD travelers.

After operational deployment of a fully functional DTS, Northrop would receive a one-time, fixed price of \$20.00 per DOD user connected to the DTS, plus a fixed fee of approximately \$5.27 for each DOD trip performed using the travel system. DTS PMO assumed that all 3.2 million DOD users would be connected to the DTS by September 2001, and approximately 5 million transactions would be completed annually using the DTS through September 2006. Thus, upon full operational deployment to all 3.2 million DOD users at 11,000 sites worldwide, Northrop would receive payments of \$64 million. Thereafter, Northrop's revenue would be based solely on the number of actual trips made by DOD travelers using the DTS.

In 1998, the DTS PMO estimated that, if Northrop had completed full deployment on schedule (September 2001) and all DOD trips were performed using the DTS, the maximum cost of the contract would not exceed \$263.7 million through September 2006. The DTS was supposed give the DOD a new and innovative software program that would start saving money in 120 days, plus significantly reduce the administrative burden on DOD.

In sum, the original DTS contract appeared to be a very good deal for the taxpayers because all cost overruns and performance risks were to be assumed by Northrop. The government would only pay Northrop after a fully functional DTS was operationally deployed, and then only to the extent of actual use by DOD travelers. The cost to the government was anticipated to be more than offset by the savings realized by the DTS.

DTS Gets Its Wings Clipped

Unfortunately, things did not work out as planned. Northrop offered DOD a COTS travel management software product and represented that only minor modifications were necessary to fully satisfy DOD's requirements. Because operational deployment was required to commence within 120 days of contract award, testing began in November 1998, two months after the GAO protest was resolved.

The initial tests of the DTS were failures. The DTS PMO soon recognized that the envisioned travel system was more complicated than originally thought and Northrop's software was far less capable than promised. The DTS PMO ran the travel program with 326 various scenarios to see if the program would accept a trip request, give an accurate, reasonable price, and process a reimbursement voucher for the traveler. The numerous problems found in these tests included the system's inability to either calculate temporary duty travel combined with leave or compute travel that required partial payments. Northrop immediately began to work on the identified glitches, but it

was clear by early 1999 that the COTS software provided by Northrop as the basis for the DTS could not be fixed with revisions; it needed a major redevelopment.¹³

In the fall of 2000, the DTS PMO began the second batch of testing, yielding no better results than the first. Even though the system passed some of the test scenarios, 87 “critical” discrepancies were found in the software. Although 72 of the discrepancies were solved during the next few rounds of software updates, the completion of the software continued to be pushed back with each new problem. By August 2001, less than one month before the DTS was to be fully completed under the contract, the DTS continued to fail its tests and was not ready for use at any DOD site.¹⁴ During this period it became apparent to the DOD and Northrop that DTS simply would not result in a functional end-to-end travel management system.

The Secret and Illegal Deal that Keeps DTS Flying

Up to this point, the DOD had not invested any money into the program since all development, testing and deployment costs for the DTS would be covered by Northrop. Payments to Northrop would only commence upon completion, proof of effectiveness and operational deployment of the travel system. However, rather than terminate the DTS contract and competitively procure a system that actually worked, the DTS PMO and Northrop entered into an illegal scheme to totally restructure the contract and pass on hundreds of millions of dollars in costs to taxpayers.

Without opening the contract back up for competitive bidding, DOD and Northrop entered into secret negotiations for a totally new agreement, violating the Competition in Contracting Act (CICA) of 1984. Negotiations lasted until around February 2002, when modifications were executed that totally changed the technical requirements, performance schedule and pricing provisions of the DTS contract. In fact, the only contract feature not completely changed was the contract number.

The new agreement removed the most stringent aspects of the original contract. Instead of requiring a DTS system that operated in a client server mode (customizing and installing software in each individual computer server at every military base), Northrop only had to develop a web-based DTS, which would be similar to existing commercial Internet travel booking systems. Since DOD suddenly had to find a temporary solution to its travel needs while Northrop developed its web-based system, DOD also illegally added a new requirement for traditional travel services to the Northrop contract. These services were subcontracted to a large travel company at exorbitant rates, well above

¹³ DOD OIG, pp. 6-7.

¹⁴ The Joint Interoperability Test Command (JITC) tested the program from October 23 through December 22, 2000 at Whiteman Air Force Base, Missouri. Because the system continued to be plagued by discrepancies, the DTS PMO canceled testing on November 8, 2000. The second operational test was carried out at Ellsworth Air Force Base in South Dakota from July 26 through August 29, 2001. Again, DTS failed to meet critical requirements set forth by the DOD. JITC found DTS to be a defective system and the system could not be deployed to any DOD facility. Ibid, pp. 6-7.

prices available in DOD's other competitively procured traditional travel service contracts.

The most significant alteration in the illegal DTS contract restructuring was the change to a cost-reimbursable contract, which meant that the cost and risk for development and testing was shifted from Northrop to the taxpayers, thereby eliminating any incentive for Northrop to keep its costs under control. Even worse, the government paid Northrop \$53.5 million to cover the retroactive costs incurred during the unsuccessful tests prior to December 2000, and the government paid another \$30-\$40 million between April 2001 and March 2002, while both parties illegally negotiated the restructure of the DTS contract and Northrop continued its fruitless attempts to make the original DTS work.¹⁵ Finally, the DOD agreed to pay approximately \$35 to \$50 million a year commencing on April 1, 2002 to continue efforts to develop a functional system using the Internet.¹⁶

In July 2002, DOD Inspector General (IG) Joseph E. Schmitz released a report that estimated that the costs of the DTS program had grown from the original \$263.7 million to \$491.9 million – 87 percent higher than the original contract amount. He agreed with the DTS PMO that the project would not be concluded until 2006, four years behind schedule. Schmitz also severely criticized the management of the program, stating that the DTS was being “substantially developed without the requisite requirements, cost, performance, and schedule documents and analyses needed as the foundation for assessing the effectiveness of the system and its return on investment.”¹⁷ The IG noted that the quarterly reports issued by the DTS PMO “did not always appear to report the ‘true state’ of the DTS program.”¹⁸ Finally, Schmitz said DTS “remains a program at high risk of not being an effective solution in streamlining the DOD travel management process.”¹⁹

Despite Schmitz’s harsh critique of DTS and recommendations to cancel the program, DOD continued to fund the DTS.

The Department of Defense’s Office of Program Analysis and Evaluation (PA&E), following up on the IG’s findings, released an in-depth report and cost analysis of the DTS to the DOD comptroller in December 2002. The PA&E recommended that the DOD consider commercial e-travel systems that were now available but were unavailable during the time of the original contract award to Northrop. The PA&E report noted that, without performing any cost/benefit analysis, the DTS PMO had included

¹⁵ Northrop was paid \$43.8 million under contract modification 25 in February 2002, and \$9.7 million under task order 10 in April 2002 for work performed between September 29, 1998 and December 18, 2000.

¹⁶ After signing the new contract, the DOD began making monthly payments to Northrop for work performed on DTS totaling \$35-\$50 million annually. Northrop also began receiving monthly payments for development work on the system, totaling an estimated \$9-\$15 million annually. Contract modification 27, March 29, 2002.

¹⁷ DOD OIG, p. 3.

¹⁸ Ibid, p. 8.

¹⁹ Ibid, p. 3.

many features in its original solicitation for the travel system that were not required by DOD travelers. The PA&E stated that “DOD requirements need to be compared against commercial trends and software availability to see if developing this functionality is worth the cost.”²⁰

The PA&E noted that “many new web-based tools are available today on the Internet. These Internet tools interface with airline, hotel and rental car reservation systems … providing a myriad of services and information directly to the traveler during all phases of travel planning.”²¹ Although the DTS PMO reported improved test results after the contract was restructured, the program nevertheless “still has a considerable ways to go before full functionality is delivered.”²² The PA&E found that “it has taken four years to achieve about half the required functionality with an additional three years needed to provide full functionality.”²³

The PA&E report also reviewed the original DTS PMO cost analysis for the DTS and found that the DTS program expects to spend \$537 million to complete development and maintenance during its life cycle (fiscal year 2001 to fiscal year 2014). The PA&E compared the cost per transaction fees of commercial e-travel systems (non-end-to-end systems) to the DTS (an end-to-end system). Testing at pilot DOD sites revealed that the average cost per transaction of commercial systems was \$41; the average cost per transaction of DTS was \$33.60. Therefore, the added benefit to DOD’s DTS end-to-end system would be \$7.40 per transaction, equaling \$37 million in total savings per year for a *fully implemented* DTS system. Taking all of these factors into consideration, the PA&E concluded that “*at this rate, it will take 15 years of savings to break even on the DTS program.*”²⁴

However, it is highly unlikely that a fully implemented and fully functional DTS will be achieved, even by September 2006. Taxpayers continue to fund the program, Northrop continues to make changes and modifications to the system, yet DTS continues to experience serious problems. In fact, the DTS may not even be able to keep up with commercially available products. As the PA&E noted, “[i]n attempting to keep pace with ever increasing capabilities in commercial travel software, the probability of requirements growth in DTS software development will increase before final delivery.”²⁵ This is not the first time it has been proven that the government cannot develop software at the same rate, efficiency, or low cost that can be achieved by the private sector.

Furthermore, cost estimates for the completed DTS program vary. In July 2002, the DOD IG estimated the system would cost \$491.9 million upon completion. Subsequently, the PA&E December 2002 report re-evaluated the DTS PMO’s cost benefit and analysis findings and stated that a fully deployed DTS would cost a total of

²⁰ PA&E Report, p. 8.

²¹ Idem.

²² Ibid, p. 11.

²³ Ibid, p. 12.

²⁴ Ibid, p. 16 (emphasis added).

²⁵ Ibid, p. 3.

\$537 million. Yet, a July 2004 article reports that “DTS is expected to be finished by Sept. 30, 2006, at a total cost of \$474 million.”²⁶ Part of the confusion exists because the DOD has not released current figures on the cost of the DTS program to date or provided the budget estimates it projects to complete the DTS contract through September 2006. There also is great uncertainty about how many of the 11,000 DOD sites and 3.2 million DOD travelers worldwide will be connected to the DTS by the end of the DTS contract.

In fact, it was not until December 5, 2003 that the DOD finally declared that Northrop’s DTS had achieved Initial Operational Capability and was ready for deployment, even though the system was functioning at only a handful of the 11,000 sites it was supposed to serve. To date, more than \$200 million of taxpayers’ money has been paid to Northrop by the DOD, despite the fact that the travel system is inefficient, cannot perform basic tasks and is used by only a small percentage of DOD travelers.

Questions about DTS do not stop with varying cost and deployment estimates. Other potential contractors for the DOD’s e-travel system questioned the legality of the 2002 restructured contract with Northrop. On May 23, 2003, CW Government Travel, Inc. filed a complaint at the U.S. Court of Federal Claims, arguing that the contract should be re-opened for bidding because the changes were so extensive that they constituted a new contract.²⁷

Court Rules Contract Illegal

On July 26, 2004, the U.S. Court of Federal Claims, in the case of CW Government Travel, Inc. v. the United States, held that “[the DTS PMO’s] failure to issue a competitive solicitation for the traditional travel services added by Modification P00029 violated CICA [the Competition in Contracting Act].”²⁸ The court found that the change to the DTS contract was “a cardinal change” and required the DTS PMO to re-solicit the traditional travel services work, which “will serve the public interest by ensuring fair and open competition in public contracts.”²⁹

The court noted that when the DOD posted its DTS solicitation, “the technology of the time limited the solutions that contracts could offer” because “there were no COTS items that provided web-based travel management services for Government travelers.”³⁰ The court also recognized that only two contractors responded to the solicitation and that no provider of traditional travel services responded due to the severe requirements DOD mandated for its automated travel management system.

In a small victory for taxpayers, the court ordered the government to terminate the traditional travel services portion of the 2002 DTS contract and conduct a competitive

²⁶ Stephen Losey, “Senator Wants to Know Costs of DTS,” *Federal Times*, July 12, 2004, p. 1.

²⁷ CW Government Travel, Inc. v. U.S., (No. 03-1274 C), United States Court of Federal Claims, July 26, 2004, p. 2.

²⁸ Ibid, p. 19.

²⁹ Ibid, p. 20.

³⁰ Ibid, p. 3.

procurement that will result in a new contractor performing these services by November 2004. Based on a comparison of the pricing for traditional travel services in the Northrop contract to the pricing in CW Government Travel's competitively won DOD travel contracts, DOD has overpaid for traditional travel services under the unlawful Northrop contract by approximately \$14 million since 2002.

Although the court found the 2002 restructure of the 1998 Northrop contract to be unlawful, it subsequently determined, in a novel and unprecedented decision, that the e-travel portion of the Northrop contract should be allowed to remain valid. The court relied on a unique equitable argument that preventing the restructured 2002 Northrop contract for e-travel services from going forward would delay the project even further, and that Northrop's system was "substantially complete."³¹ The court assumed that "[a]ny new contractor would not have a system that could be immediately deployed."³² Despite the unlawful pricing and technical changes, the court said the agreement with Northrop would remain because it was simply too late to terminate the contract and re-compete the web-based travel management system.

Unfortunately, the court's conclusions are not supported by the facts. While the court found the DTS to be "substantially complete,"³³ it will cost taxpayers at least another \$100 million to complete the system by late 2006.³⁴ The DTS that is currently deployed frequently cannot find the lowest applicable airfare available for DOD travelers, nor does it work for international travel. Travel agents who have tested the DTS found that flights booked by DTS can cost as much as \$1,200 more per ticket than applicable fares available to government travelers because the DTS software did not alert the traveler or travel agent that a lower priced government fare was available.³⁵

The DTS PMO acknowledged the failure to identify the lowest fares at a Small Business Solicitation Pre-Proposal Conference on March 10, 2004 and stated that it was going to release a "change order" (at taxpayer expense) to have Northrop correct this problem in the future. Given Northrop's track record, this change will probably be four years behind schedule and cost the Government many additional millions, like the rest of the project.

Given the government's record \$422 billion deficit, it is absolutely incredible that anyone would design an automated travel system that would not find the lowest airfare or that the DOD would accept such a system for operational deployment. Even more astonishing, the DTS PMO has instructed the CTOs that are now using the DTS that they should not correct the problem when the DTS automatically books a higher priced airfare.

Another fundamental problem with the DTS is that it does not provide travel agents with the information necessary for them to process DOD travel expenditures. The

³¹ Ibid, p. 24.

³² Idem.

³³ Idem.

³⁴ Based upon the pricing in contract modification 27.

³⁵ Losey, p. 1.

original contract stated that this would be a time-saving tool that the enhanced e-travel system would perform; yet, today this task must still be performed manually for the majority of travel transactions and often requires travel agent intervention to correct the DTS errors.

The court's determination that Northrop's e-travel system was substantially complete is further undermined by the fact that the DTS is rarely used at the military facilities where it has been operationally deployed. The DOD issues approximately 5 million tickets each year. Yet, only 15,000 tickets have been purchased through the DTS since 1998. This means that 99 percent of the DOD tickets are still being issued via traditional travel services.³⁶

In 2002, the total estimated cost of the DTS was \$491.9 million, therefore each of the 15,000 tickets issued to date have cost taxpayers \$33,000. The DTS PMO has not made available the current estimates of the cost to finish the system, but using DTS PMO's original cost estimates, PA&E assumes the system will total \$537 million, which is \$273.3 million more than the original 1998 contract price. In addition to the base cost of developing the DTS, taxpayers are being burdened with potential excess ticketing costs that could exceed hundreds of millions of dollars annually.³⁷

In concluding that the government would have to start over to develop a new system if Northrop were not allowed to continue with the DTS, the Court of Federal Claims apparently was unaware of the fact that the DOD can purchase e-travel services from two vendors that were awarded contracts by the General Services Administration (GSA) – CW Government Travel and EDS. Each of these two vendors provide a web-based system that was developed at their own expense rather than by the taxpayers. Moreover, these GSA contracts are available for DOD use immediately.

The DTS Virus Spreads

As bad as the DTS PMO's activities have been for Pentagon expenditures, what is worse is that the taxpayer-financed Northrop system is now migrating to the civilian side of the federal government. In addition to CW Government Travel's and EDS's privately-financed systems, Northrop's taxpayer-funded DTS system also is available on the GSA contract schedule. Under the GSA's guidelines, every civilian agency will have to choose one of these three vendors for their e-travel services by January 1, 2005.

When the GSA selected the private companies that would provide travel services to government travelers, it did not require each of the companies to guarantee that its e-travel system would produce the lowest applicable fare for government travel. Had this basic protection from excessive costs been mandated, Northrop's DTS system would not have been eligible for consideration by other federal departments and agencies. Unfortunately, three agencies – the Departments of Agriculture, Transportation, and

³⁶ At least the traditional travel service contracts require the CTO to guarantee the lowest airfare.

³⁷ If only 25 percent of the DOD's 5 million annual airline tickets are over priced by only \$400 the additional cost to taxpayers would be \$400 million.

Treasury – already have signed up for the Northrop system, possibly unaware of this expensive defect. To avoid making the same mistake, other agencies must be forewarned of the costs and flaws of the DTS.

Ironically, the GSA's contracts, unlike the restructured DTS contract with Northrop, require CW Government Travel and EDS to absorb their own development costs and make revenues contingent on the successful use of their web-based travel systems by federal agencies. The GSA's successful procurement from CW Government Travel and EDS demonstrates conclusively that the DOD did not have to assume all cost and performance risk and pay up front for the development of a web-based travel system, as it agreed to in its illegal 2002 contract with Northrop. By including Northrop in its e-travel initiative for civilian agencies, however, the GSA will likely cost taxpayers hundreds of millions of dollars in the future because Northrop is being selected by large federal departments and agencies even though it does not provide these agencies with the lowest available airfare and is continuing to charge more than its competitors for the same travel services.

In its decision, the Court of Federal Claims also refused to terminate the 2002 Northrop contract because “Northrop would walk away with the system that it has developed and the Government would have to start over.”³⁸ This is perhaps the most outrageous aspect of the 2002 Northrop contract. Despite having paid Northrop hundreds of millions of dollars to develop, operate and maintain the DTS, the government does not own it, does not receive any profit from it, and has only been granted a license which requires it to pay Northrop for the right to use the very system the taxpayers built.

Thus, once the DTS is deployed throughout the DOD and other federal agencies, Northrop will have a virtual perpetual monopoly that will allow the company to continue overcharging the government. The PA&E noted this problem when it discussed the restructured DTS contract, stating “[i]t is our understanding that DoD has not brought the rights to the software developed for the DTS program” and finding that this “may limit DoD’s ability to use competition effectively to reduce travel costs.”³⁹

Conclusion

The DTS has been a failure since its inception. While the DOD had good intentions to cut expenses and make its travel services more streamlined through the DTS, what the Pentagon has ended up with is a highly ineffective, very expensive and hugely wasteful system with many fundamental flaws that may never be fully resolved. Moreover, the DTS was procured under an unlawful contract at exorbitant costs, and the DTS PMO did not even obtain title to the DTS that it paid hundreds of millions to develop. The DOD steadfastly refuses to look at better e-travel alternatives, such as the systems developed by CW Government Travel and EDS, which cost taxpayers nothing to develop and provide quicker and cheaper solutions.

³⁸ Ibid, p. 24.

³⁹ PA&E Report, p. 13.

Perhaps most inexcusable is the fact that the DOD continues to leave the DTS PMO in charge of DOD travel, notwithstanding the years of mismanagement, waste and even unlawful conduct that has occurred during the administration of the DTS contract. Federal civilian agencies facing an imminent decision about which e-travel system to use should beware of ending up in the twilight zone of travel, known as the DTS.