

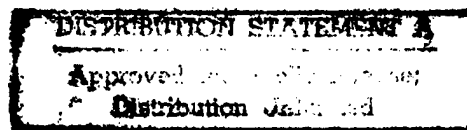


**DUTY PASSENGER TRAVEL:
EDUCATION AND ANALYSIS**

GRADUATE RESEARCH PAPER

Christopher A. Pike, Captain, USAF

AFIT/GMO/LAL/98J-13



DTIC QUALITY INSPECTED

**DEPARTMENT OF THE AIR FORCE
AIR UNIVERSITY
AIR FORCE INSTITUTE OF TECHNOLOGY**

Wright-Patterson Air Force Base, Ohio

19981009 052

AFIT/GMO/LAL/98J-13

**DUTY PASSENGER TRAVEL:
EDUCATION AND ANALYSIS**

GRADUATE RESEARCH PAPER

Christopher A. Pike, Captain, USAF

AFIT/GMO/LAL/98J-13

Approved for public release; distribution unlimited

The views expressed in this graduate research paper are those of the author and do not reflect the official policy or position of the Department of Defense or the U. S. Government.

AFIT/GMO/LAL/98J-13

DUTY PASSENGER TRAVEL: EDUCATION AND ANALYSIS

GRADUATE RESEARCH PAPER

**Presented to the Faculty of the Graduate School of Logistics
and Acquisition Management of the Air Force Institute of Technology**

Air University

Air Education and Training Command

In Partial Fulfillment of the Requirements for the

Degree of Master of Air Mobility

Christopher A. Pike, B.S., M.B.A.

Captain, USAF

June 1998

Approved for public release; distribution unlimited

PREFACE

This paper looks at the movement by air of DOD duty travelers. My experiences as a transportation officer have convinced me that there is a great deal of organic airlift capacity that is going unused while commanders are spending precious travel dollars to move their people on commercial flights. The goal of this paper is to educate commanders and travelers about their options and responsibilities within the Defense Transportation System, and then to propose process changes that will encourage better utilization of existing airlift opportunities without sacrificing military readiness. My paper also provides background on funding issues, the role of the Civil Reserve Airlift Fleet, and the precepts of the National Airlift Policy. It is essential to understand the influence of these topics when trying to evaluate our current policies and procedures.

The paper explains in detail all of the methods available for air passengers at the present time and then proposes a consolidated process which will ensure organic lift is used to the maximum extent possible. Finally, the paper performs an in-depth analysis of the Category B program, the future of which is a hot issue at USTRANSCOM right now. Because Category B incorporates elements of most of the issues discussed throughout the paper, it serves as an excellent vehicle for a case study in passenger travel.

It would be too cumbersome to list here all of the people who helped me assemble the facts and understand the issues; they are cited in the references. Let me simply offer a sincere thanks to all the professionals who shared their wisdom and perspectives with me. Without their active support, this paper could never have been written.

Christopher A. Pike

TABLE OF CONTENTS

	Page
Preface	ii
List of Tables	iv
Abstract	v
I. Introduction	1
II. Airlift Funding System	5
III. Methods of Travel	19
Operational Support Airlift	19
Dedicated Passenger Channels	24
Duty Standby	26
Space Block	28
Special Assignment Airlift Missions	29
GSA City Pairs	29
A Proposal for Consolidated Management	38
IV. National Airlift Policies and the Civil Reserve Airlift Fleet	42
V. A Case Study of the Category B Program	53
The Low Ridership Problem	57
The Inconvenience of Category B	58
Category B Capacity Management	62
Category B Fares	63
Category B Passenger Comfort	65
CINCTRANS' Efforts to Increase Ridership	67
Category B's Importance in National Mobility Strategy	68
Alternatives to the Present Category B Program	70
Increased Use of Charters for SAAMs and JCS Exercises	70
Modified Category B Route System	71
An Organic Squadron of Widebodies	73
VI. Conclusion	77
Appendix A: List of Acronyms and Abbreviations	85
Bibliography	86
Vita	89

LIST OF TABLES

	Page
1. CRAF Carrier Stage Assignments	51
2. Category B Differential Pricing Test Fares	64

ABSTRACT

Every year, DOD duty travelers make thousands of trips which include air transportation. This portion of the Defense Transportation System (DTS) costs taxpayers billions of dollars and therefore needs to be managed as efficiently as possible. The military services generate passenger lift capacity as a result of normal operations and this lift should be utilized to the greatest extent possible; likewise, the government has a historical commitment to provide as much appropriate business as possible to the airlines. This paper looks at topics associated with these two goals, seeking to examine this question: *How can the DOD efficiently manage its organic air passenger capability, yet simultaneously maintain its partnership with the commercial airlines?*

Specifically, the paper will research the following issues:

- ◆ How is duty travel financed, and how does this system affect efficiency?
- ◆ What are all the air transportation options available to a traveler, and how are they managed?
- ◆ What process exists to ensure every passenger considers all travel options?
- ◆ What are the legal and political ramifications of the National Airlift Policy, and how do they impact operations within the DTS? Why is partnership with the airlines so vital to national security?
- ◆ What issues are associated with the Category B program?
 - ◇ Why is the program losing money?
 - ◇ Why is ridership too low?
 - ◇ What program changes have been implemented to increase ridership?
 - ◇ Is the Category B really necessary, and if so, why?
 - ◇ Are there alternatives to the current Category B program which will provide the same strategic benefits?

The rationale for the need to investigate these topics is threefold. There is a definite need to educate both commanders and travelers about their role in the DTS. To maximize efficient use of existing resources, there is also a need to investigate and

suggest changes to the present system for managing duty travel. Finally, on-going inefficiencies in the Category B program make a thorough review of that program a worthwhile case study because the program encompasses aspects of the other topics addressed in the paper.

The paper proceeds from some very basic assumptions. The fundamental assumption is that the current need for a worldwide mobility capability will continue indefinitely; therefore, all transportation policies must be set up to support that capability. The paper likewise assumes that efficiency is a valid goal within the DTS, so long as readiness is not adversely affected. The paper further assumes that the National Airlift Policy will remain in effect and must not be violated. Finally, the proposals in this paper will be worthless without this one final assumption: USTRANSCOM can make or influence changes in policies and procedures that will improve the efficiency of the DTS and/or create greater personal convenience for the individual traveler.

The paper is limited specifically to duty travel issues, although there are some associated issues of leisure travel addressed. Space Available travel is not considered at all. Information on transportation funding, the National Airlift Policy, and the Civil Reserve Airlift Fleet is provided as background for the wider discussion of duty travel; as a result, these topics are not addressed in depth or breadth, but are instead limited to aspects relevant to the paper's main focus. Research material for this paper was derived primarily from Air Force publications, USTRANSCOM and AMC documents, and interviews with subject matter experts.

DUTY PASSENGER TRAVEL: EDUCATION AND ANALYSIS

I. Introduction

Every year, the Department of Defense (DOD) issues hundreds of thousands of travel orders to its employees, many of which require air transportation. The United States Transportation Command (USTRANSCOM), through its component Air Mobility Command, manages an organic fleet of airlifters which is capable of meeting a portion of the demand for air passenger transport; the bulk of the movement is provided by commercial carriers. These carriers have more than a mere peacetime business relationship with the DOD. In times of crisis or contingency, the airlines are part of a vital partnership which is essential to maintaining America's ability to quickly project its forces anywhere in the world. Within legal and fiscal restraints, then, policies and programs related to air passenger travel must strike a balance between short-term economies and long-term readiness requirements. The essential problem is this: *How can the DOD efficiently manage its organic air passenger capability, yet simultaneously maintain its partnership with the commercial airlines?* The paper will address the problem from two angles: it will summarize passenger travel operations as they currently exist, and it will conduct a case study of Category B travel, a single program that incorporates elements from most of the issues associated with passenger travel today. Using this approach, the paper will demonstrate that the two apparently competing objectives of the problem statement need not be at odds with one another. The

essential elements for meeting each goal are already in place for the most part, and by and large, they work. However, there is still plenty of inefficiency, so this paper will also provide suggestions for improvement.

No improvement is possible if the actors in a system do not understand it; therefore, the first objective of this paper is to educate. A proper education in this case must cover a lot of topics. The reader will first learn about the financial program which supports the Defense Transportation System (DTS). The paper will provide a historical overview of the revolving fund concept, from its inception in the 1950s as the Airlift Services Industrial Fund to its recent conversion into the Defense Business Operating Fund, and eventually into the Transportation Working Capital Fund. The paper will track the evolution of the revolving fund concept and will provide a broad overview of its operations. These funds are very complex, and cover all manner of transportation business; the paper will confine the discussion of Fund operations to passenger applications as much as possible. This information is absolutely essential to understanding the DTS because transportation policy is so often driven by fiscal requirements.

With that background, the paper will then provide the reader with a survey of passenger movement methods and options, explaining the rules, regulations, benefits, drawbacks and restrictions associated with each. This survey is designed to instruct the reader about what he can and cannot do in a given situation, and more importantly, to explain why; such knowledge will help to reduce the confusion and frustration that often accompanies an unpopular travel itinerary. This portion of the paper not only provides the rules of engagement for moving passengers, but also offers commanders some insight

on how to legally pursue other transportation options that may be more economical and/or convenient for the travelers in their units. After describing the different travel methods used by the DOD, the paper offers an original proposal for improving the overall efficiency of the passenger transportation process. The paper specifically advocates better centralization of passenger movement management and data, designating the base traffic manager as the primary agent and the new Global Transportation Network (GTN) as the primary tool. Finally, the paper will address the politico-economic environment, tracing the development of the "National Airlift Policy" over the last four decades and describing its modern day implications. The Policy establishes the legal and philosophical basis for America's total airlift force, mandating a division of labor between the military and commercial sectors while promulgating the principle that the two sectors must be partners rather than competitors. The National Airlift Policy--and the programs it has spawned such as the Civil Reserve Airlift Fleet (CRAF)--is therefore a cornerstone of national defense strategy; more to the point in the context of this paper, an understanding of the Policy allows the reader to truly appreciate the political complexities associated with air transportation for DOD travelers.

The latter portion of the paper applies all of this background information to an in-depth study of one particular aspect of passenger travel--the Category B (Cat B) program. This section of the paper therefore reviews the economic, political, and mobility readiness issues associated with Cat B today, but also focuses on issues of more direct concern to individual travelers. The paper objectively examines the shape of the program as it now exists, and questions whether Cat B should be curtailed or even eliminated altogether. The paper makes numerous suggestions for change, always keeping in mind

that every change for the better in one area may produce negative repercussions in other areas. Cat B therefore provides the reader with an excellent case study in passenger movement issues, demonstrating that even simple changes to the process can have wide-reaching effects. The paper's conclusions and proposals for Category B improvement should therefore be taken as the starting point for further study, and not as fully substantiated findings.

The research for this paper relied heavily upon primary sources because duty passenger travel is a subject which has not been addressed in secondary literature. The author used personal interviews with subject matter experts and headquarters-level documents and publications to assemble the information presented in this paper; except where specifically cited otherwise, the conclusions and recommendations presented by the author represent his original thought, and were the result of his research. The scope of this paper is intentionally narrow: although some of the information gathered for this paper has implications for Space-Available travelers, from the beginning this study has been focused solely on issues associated with *duty passenger travel*, and the author's findings have been limited to that arena, as well.

II. Airlift Funding System

By the end of World War II, the need for a large military airlift capability was widely accepted. The lead agency for this unique mission was the Military Air Transport Service (MATs), which over time would reorganize into the Military Airlift Command (MAC) and eventually into the Air Mobility Command (AMC). As the "Airlift Command" changed names, it also changed its policies, procedures and systems of operation. In the early days, MATs operated its missions to train for wartime needs and created a lot of opportune air transportation capacity as a result. DOD leaders were quick to recognize that this capacity could be put to good use moving their cargo and passengers, thereby saving funds that would otherwise have been spent on commercial transportation. By the early 1950s, MATs was creating a lot of so-called free lift for DOD agencies, taking more and more potential business away from the private sector. Eventually, Congress began to look at how MATs operated; the Hoover Commission recommended that airlift be operated as a revolving fund to ensure efficiency and fairness in the air transportation arena. These findings were released during a period in history when the Air Force was growing at an enormous rate. In fact, "much of the impetus for the Hoover recommendation came from the public who generally believed the Federal government was growing uncontrollably by leaps and bounds and often competed with private enterprise" (34:2). The Hoover Commission's findings were not well-received by the Air Force, however!

MATs commanders defended the fact that their command did not operate with business-like efficiency, arguing "We sometimes must choose a less efficient approach to

peacetime movements in the interest of more effective training for wartime” (5:4).

Because the revolving fund concept was based on the idea that MATS would earn its funding by charging for the lift it provided, many senior officers were afraid that wartime readiness would become a by-product of airlift service, which for MATS was the equivalent of the tail wagging the dog. The leadership expressed their non-concurrence with Congressional calls for a revolving fund in very clear terms:

1. MATS’ air transport operations would serve the convenience and economy of the peacetime military establishment rather than its wartime role.
 2. No tariff system could adequately reflect wartime requirements or provide reimbursements for the intangibles required prepare for wartime support missions.
 3. MATS would cease to be organized for war or emergencies but would instead reflect what individual customers felt they could afford for air transportation in a given fiscal year.
 4. There would be continuous pressure to reduce ton-mile costs with little or no incentive for the development of more military aircraft or new procedures required to ensure the war readiness of strategical and logistical air transport operations.
 5. The case to integrate all air transport operations under MATS would, for all practical purposes, be effectively negated by allowing agencies to budget for air transport needs.
- (34:3)

The Air Force’s opposition staved off any funding changes for a couple of years, but the revolving fund was a concept whose time was coming, whether the Air Force liked it or not. Although arguing vehemently against a revolving fund, MATS was largely responsible for the need for one. There was very little effort to manage the peacetime airlift operations to any degree of efficiency. There was a priority system in place for distributing the lift, but that system was routinely abused and circumvented; users could not count on MATS to serve them and MATS could not count on the users, either. Because the lift was free from the point of view of the military services, they were notorious for requesting aircraft that they never used, resulting in wasted sorties, at least in terms of airlift capacity. The national civilian leadership eventually had to conclude

that readiness arguments notwithstanding, the system in place at the time was broken and that a revolving fund offered a viable solution.

Defense officials maintained that the users of airlift, when they had to pay directly for this service, would be least apt to waste this premium resource and more critical of the service provided. The net result would be an air transport system that operated cost effectively and efficiently. (34:9)

MATS leaders could read the writing on the wall and began to seek a system that would meet Congress' requirements, yet not completely lose sight of the fact that there will always be a cost to military readiness. The generals conceded that "industrial funding could be made feasible if MATS underwent a reorganization which segregated its transport activities from other command responsibilities" (34:5). In other words, MATS' direct airlift operations could be supported on a reimbursable basis, but functions such as command staffs and base support agencies needed to be funded by budgetary appropriation, lest these functions be cut to maintain the solvency of the fund. Congress did agree with this logic, and legislation was passed establishing the Airlift Services Industrial Fund (ASIF) beginning with FY59.

By design the fund's accounting procedures omitted large elements of the actual cost of such support. In particular, the costs of military pay and of the acquisition and depreciation of property or capital equipment associated with airlift were left out. On the other hand, ASIF did take into account the costs of augmenting the system with commercial airlift which MATS also acquired responsibilities for managing on 1 July 1958. (34:7)

In concept, ASIF was fairly simple. Congress conceded the Air Force's main argument: "peacetime airlift was a secondary by-product of MATS' primary mission of maintaining war readiness. Therefore, financial and other policy matters concerning MATS would be based upon its primary mission" (34:4). In other words, MATS' flying

hour program would be based on training and readiness requirements. This has remained a central tenet of airlift management for four decades of revolving fund operations. Even today, peacetime lift requirements do not set the flying schedule: "The AMC flying hour goal is to program the minimum hours necessary for training during peacetime to ensure our mobility forces are capable of meeting wartime mobility requirements" (29:2).

Mobility aircraft are unique, however, in that they do essentially the same thing in peacetime training that they do in war, i.e., transport people and cargo. Therefore, AMC is also tasked with the "responsibility for the efficient application of [airlift] capacity to satisfy DOD's air transportation requirements. 'Dual use' of this resource for both AMC readiness and DOD transportation saves the taxpayer millions of dollars each year" (5:1). Thus, readiness and cost efficiency are expected to coexist.

A second and very vital function of the [revolving fund concept] is that the capitalization, or corpus, of the fund permits AMC to expand airlift capability rapidly to meet contingency requirements when they arise. This feature would normally not be available under a fixed appropriation structure. (5:12)

Congress recognized that it had to offer some money up front in order to give MATS the start-up funds it would need to remain solvent until user fees were recovered. A corpus of \$75 million was provided, and additional funds have been infused throughout the years when necessary.

The real crux of ASIF, however, is the idea that users of airlift pay the Airlift Command for the service. Instead of appropriating money directly to the Airlift Command to pay for operations, Congress disperses the funds to the various services and lets them decide when and where to spend these transportation dollars. A *tariff rate* system is used to recover the costs of the airlift services provided. The idea is that

customers moving passengers and cargo “repay the fund based upon the current tariff rates which ensures that sufficient capital remains in ASIF to cover operating costs”

(34:1). ASIF was designed to remain at a break-even level over the long run, so tariffs were adjusted up or down annually depending on the state of the fund. To aid the services in their budgeting process,

the rates charged to customers are developed and proposed by the components in their Budget Estimate Submissions and, once approved, remain fixed during the year of execution. Because rates are established about eighteen months prior to execution, and remain fixed, they are known as ‘stabilized’ rates. . . . Rates are established to offset projected costs at a predetermined workload and are directly affected by the accuracy of cost and workload estimates, both of which can change dramatically over the eighteen month budget lead time. (37:19)

An unintended consequence of ASIF is that its solvency was heavily reliant upon the law of supply and demand. When the airlift workload demand was high, the fund remained in the black, and may even have offset losses from previous periods. However, when the services did not place a large workload demand, ASIF experienced losses because the minimum flying hour program still had to be met to maintain readiness. When Congress decentralized the funding for airlift operations by passing the dollars out to the users, the intent was that the dollars would be returned to ASIF, and the whole system would balance out financially. Unfortunately, the services were in no way legally obligated to return the funds to ASIF.

A common misconception is that revolving fund money is a special color, but it is not. The money Congress allocates to the services to support airlift comes from the Operations and Maintenance (O&M) category of funding and can be used for any O&M expense. ASIF tariffs had to be set at a break-even rate which would balance the fund; when demand for services was low, the command was often forced to significantly inflate

the rates in order to recover costs lost earlier from lack of user fees. The economic results of this kind of arrangement should be obvious. Here is a case in point:

A sudden rise in fuel costs in 1973 and the ever-increasing inflation in general exacerbated the problem [of depressed revenues]. In order to recover operating costs, ASIF managers were forced to raise tariff rates even higher, which, in turn, merely decreased demand still further as using agencies, already confronted with increasingly austere budgets, turned to alternative types of transportation. (34:16)

Ironically, in spite of the challenges inherent in managing a revolving fund, MATS became

convinced of the fund's value within the first year of operation. The command's ASIF managers noted in their annual report that the fund had 'substantially improved the efficiency of airlift management,' saving millions of dollars through the increased use of long-term contracts as well as meeting for the first time all of the airlift requests of the Army, Navy, and Air Force. (22:92)

Even so, ASIF created an on-going conflict between the services' desire to spend the money appropriated to them as efficiently as possible and the Airlift Command's oft-times opposing requirements to meet its flying hour requirements--irrespective of user demands--while simultaneously maintaining the solvency of ASIF. That conflict was finally resolved with the Defense Business Operating Fund (DBOF) concept developed in the early 1990s.

At about the same time that MAC became AMC, DBOF became the latest rage in DOD financial circles. In essence, DBOF proposed running the entire DOD like a big business within which the end user would have to reimburse the providing organization for all services rendered. While the concept has fortunately been discredited at the base level, it did survive in the airlift services arena. The ASIF was folded into the new DBOF-T (Transportation) account, which also included reimbursable transportation

services provided by the Military Sealift Command and the Military Traffic Management Command. Because everyone was already familiar with the reimbursable concept for airlift, the change in the program was invisible to most customers. However, the conversion to DBOF-T was more than just another name change because it finally addressed the problems created by ASIF when the users failed to spend their funding on ASIF services. Congress eventually recognized that it could not call for efficient management of funds on the one hand and expect the services to pay inflated prices for AMC transportation on the other hand. In order to entice commanders to send their passengers and cargo via AMC--and hence pour money back into the revolving fund--AMC would have to be competitive with commercial alternatives:

AMC air transportation, as the premium military transportation mode, is compared with commercial air as an alternative premium mode. Since that alternative is available, AMC tariff rates must be comparable to commercial air rates. Otherwise, AMC rates would not be able to retain the 'business,' and the funding, to support our minimum training requirement. In fact, AMC has based its DBOF-T tariff rates for several years now on the concept of a commercially equivalent tariff which directly relates the AMC passenger and cargo tariffs to the government's cost of procuring commercial airlift. (5:8)

The dilemma for AMC is that it does not operate as efficiently as an airline. AMC must maintain excess capacity to be able to surge for war and meet the heavy airlift requirements of an unexpected contingency. Airlines, on the other hand, seek to maintain just the right amount of capacity to meet their peak demand. As a result, they operate much more efficiently across the board, flying their aircraft as much as twelve hours a day vs. the military's daily use rate of about four or five hours (33). In the end, the airlines can usually offer better rates for the same peacetime service provided by AMC. Because it has to maintain a minimum level of readiness, AMC will never be able to set competitive tariff rates if the rates include the added cost of readiness; likewise, it is

unfair to expect the users to fund readiness because their fees are only paying for a peacetime transportation service. Therefore, "HQ USAF has established, in the Air Force O&M Appropriation, an account used for reimbursing the DBOF-T for airlift support provided DOD activities on missions for which the Air Force has been assigned funding responsibility" (5:5).

This Readiness Training Account--also commonly known as the Airlift Readiness Account (ARA)-- is the financial world's recognition that there is an inherent cost to readiness. As a result of its creation, AMC has been able to adopt a policy of meeting or beating commercial rates on channels where there is direct competition. Military commanders no longer have a financial disincentive to use organic airlift to move their people and cargo. The ARA has also allowed AMC to better capture the costs of dedicated training:

Hours are first allocated to the Training, Test, and Ferry categories, which fulfill requirements for training crews in combat tactics, functionally testing an aircraft after maintenance, and flying aircraft to/from a depot repair facility. These missions produce no airlift by-product so their costs are excluded from user tariff rates. Reimbursements to the DBOF-T is made from the Readiness Training Account. (5:6)

DBOF-T therefore made AMC's financial management more efficient and more realistic, while serving the customers' needs more effectively as well. In order to disassociate itself from the negative connotations of the term DBOF, the revolving fund was eventually renamed the Transportation Working Capital Fund. This change was basically cosmetic in nature, as the operations remain essentially the same. Although the new name was specifically chosen in order to discourage the use of an acronym, the Fund is now known universally as the TWCF (twik-if)!

The TWCF managers now set and collect tariffs and help to determine the annual requirements for the ARA, to include recouping losses from the previous years. In this year for instance,

the Air Force provides Air Mobility Command (AMC) \$514 million of ARA revenue to support mobilization and surge requirements/costs that should not be passed on to the peacetime customer. The ARA is mathematically derived based on capping channel rates at commercially competitive levels and capping JCS/SAAM rates to recover 91% of costs. (36:1)

The ARA funds the final 9% because it represents the seasoning benefits for aircrews that the Air Force takes responsibility for. The managers use a series of inputs to derive the various outputs:

Rates are intended to be commercially competitive and consider:

- Services forecast requirements by channel
- Budgeted revenue by channel
 - Inbound and outbound aircraft utilization
- Frequency underutilization
 - Passenger and cargo missions
 - Revenue does not meet budget target
 - Service-direct funds (\$20M)

FY98 Channel revenue is expected to be \$578.6M with a \$224.1M Air Force subsidy. (37:9)

Virtually every airlift sortie is reimbursable under the DBOF-T/TWCF system:

Local training, JA/ATT [Joint Airlift/Air Transportability Training], exercises, and international air evac are billed to the Air Force or JCS, who pay them with appropriated funds. The costs of providing airlift for the channel and SAAM [Special Assignment Airlift Mission] operations, including terminal and overhead costs, are partially recovered via the DBOF-T tariffs from the transportation funds of the DOD services for the movement of passengers and cargo. However, DBOF-T tariffs are set at commercially competitive rates. As such, tariff revenue does not necessarily cover all operating expenses. The shortfall amount must be covered by an annual appropriation from Congress. (5:13)

Many people are surprised to learn that local crew proficiency training and JA/ATT support are considered TWCF expenses; it seems unusual to fund AMC for these hours just so it can pay for its own use of its own aircraft for its own purposes, but that is how it works. Until FY96, the ARA paid for these costs directly, but since then the Air Force has used a separate customer account, which is just a different pot of money from the same appropriation. Other TWCF reimbursable operations include organic channel missions and commercial aircraft that have been chartered by AMC to run missions for the DOD. Charters are contracted for SAAMs on a reimbursable basis, and they operate Category B flights.

Cat B is an AMC-procured planeload charter on commercial aircraft. Passengers and/or cargo move in full planeload lots on other than a carrier's regularly scheduled commercial flights. Payment is made to the carrier via contract with AMC. Users reimburse AMC at the established common-user rate which is a specified rate per person per airplane. (37:9)

Managing the TWCF is a major enterprise: annual airlift revenue for FY98 is expected to be nearly 2.7 billion, of which over \$2.2 billion is from user reimbursements and nearly \$500 million from the ARA. Channel missions account for just under half the total revenues, while SAAMs, JCS exercises, and training sorties account for 28%, 10%, and 13% respectively (33). Individual commercial tickets purchased through the scheduled airlines are acquired through the General Services' Administration's "City Pairs" program and are not under the purview of TWCF at all. Therefore, "City pair revenue does not generate revenue nor place a cost to TWCF" (37:10). Each year, AMC determines exactly what operational expenses will be charged to TWCF, subject to certain guidelines: "By DOD directive, the expense categories chargeable to DOD users through the DBOF-T are limited to O&M expenses for functions directly related to

providing airlift” (5:6). This requirement seems to make sense at first glance, but has created some dilemmas since AMC integrated tankers into the force.

Tanker aircraft on air refueling missions provide force extension and multiplier capabilities for both organic airlift and combat aircraft. Airlift aircraft on Joint Airborne/Air Transportability Training (JA/ATT) missions provide airlift capability outside the DTS. These missions are funded by Air Force Operations and Maintenance (O&M) funds and are not part of the TWCF. (37:8)

An exception to this is a Tanker Express mission to one of the overseas theaters. These missions use tankers in a pure airlift role, and can be charged against TWCF as a result. KC-10s are often used for SAAM or channel missions and in those roles are considered to be flying TWCF missions. When flying in a dual role (refueling and hauling cargo/passengers), there is still considerable debate about the status of the flying hours and the air transportation services provided. Some managers have even suggested that all tanker operations should be rolled into TWCF and provided only on a reimbursable basis. Likewise, the exact status of the C-130 fleet remains a subject of debate vis-à-vis the TWCF account since it came back to AMC last year. As the Air Force and AMC continue to reorganize and seek efficiencies, the TWCF system will likely continue to change with it.

Running a global airlift system is not an inexpensive operation and although TWCF appears to generate enormous revenues, the expenses it incurs are just as impressive. Because TWCF is a revolving fund, “the income (financial resources) of organizations financed through the TWCF is derived from their level of operations and is available to finance their continuing operations without fiscal year limitation” (37:17). For FY98, TWCF funds pay for the expenses of

aerial ports, airlift operations centers, Air Mobility Operations Groups, airlift flying squadrons, and aircraft maintenance squadrons (for C-141, C-5, and C-17). TWCF costs do not include military pay, which is provided through a different appropriation. The exception to this rule is that non-U.S. Government Tariff Rates are designed to recover *total* costs (including military pay). Therefore, if someone other than U.S. Government (Army, Navy, DLA, Treasury Dept., etc.) moves, the TWCF will charge the non-Government rate and TWCF will receive the DOD portion of the reimbursement and the additional cost above the DOD rate will go back to the appropriations that bore the cost, i.e., Military Personnel. (26)

Balancing revenues and expenses is an on-going challenge, especially when inflation for such things as fuel, depot maintenance costs, and civilian pay raises forces TWCF costs to rise. This is an expected economic phenomenon and applies to airlines, as well, allowing tariff rates to keep some degree of pace with rising costs. However, because TWCF is not a truly independent program, operating as it does in the broader Air Force world, there are often unforeseen consequences of policy or program changes. The implementation of two-level maintenance was hailed as a cost saver because it reduced personnel costs by a greater amount than it increased depot and transportation expenses. Unfortunately, these military personnel savings did not decrease TWCF expenses at all since they were never included as costs to TWCF, while the greatly increased O&M costs from depot repair and transportation do have to be absorbed by TWCF (36:4).

Even though the establishment of the ARA has gone a long way toward encouraging DOD customers to use AMC aircraft for their transportation needs, there is still ample opportunity to procure commercial transportation instead. Every transportation dollar spent outside of TWCF is really two tax dollars spent by the DOD:

DOD policy discourages customers from going outside the DTS for transportation services. When customers go outside the DTS for services . . . there is an overall cost increase to the DOD as USTRANSCOM bears the cost of unutilized capacity while the customer pays for additional capacity already acquired by USTRANSCOM. In essence, costs are paid twice, once by USTRANSCOM because it still pays the price of

maintaining forces and infrastructure, and again by the customer for commercial service obtained. (37:20)

This problem is particularly troublesome in the passenger arena. When viewed from this total cost point of view, many people have been inspired to ask "*Why have TWCF at all? Why not fund the cost of operations directly and force the services to use organic air or pay for commercial services out of their own budgetary 'hide'?*" AMC's answer today echoes the original justification for creating ASIF: "Because, without it, the priority system was thoroughly abused" (5:12). As long as a commander sees no cost to using a service, he will not place a value on it and the system will suffer as a result.

By the same token, though, as long as a commander is given the authority to manage his budget efficiently, he should not be required to spend funds inefficiently or to spend them on a service he decides he does not need. One possible alternative to the messy problem of passing out dollars to a myriad of agencies that may or may not return them to the right place is to consider replacing dollars with "credits." Congress would directly fund AMC for its cost of operations, based (of course) on a flying hour program which supports wartime readiness. SAAM, exercise, training, and JA/ATT hours would be included in the funding. The services would no longer get transportation dollars in their O&M accounts, but would instead be given transportation credits which would be spent like dollars. Commanders would no longer have an incentive to use commercial transportation since those costs would come out of their now smaller budgets; a dollar spent on commercial transportation would be a dollar not spent on another mission requirement. On the other hand, using AMC would essentially be free from an O&M point of view, and would suddenly become very attractive. The finite nature of the credit system would ensure that everyone continues to recognize that airlift is a scarce resource.

Users who spend their credits foolishly or who misuse the system will not have airlift available to them when they really need it, and they will have to spend their unit funds to procure commercial services. According to accountants in AMC, such a concept is perfectly workable from their point of view. The accountants' function is basically an electronic paper shuffle of dollars from one account to another; they can shuffle credits just as easily (16). A credit approach to TWCF may well serve the taxpayer better since all the players in the airlift system would be working toward a more efficient transportation system, and the DOD will no longer be paying twice for it.

III. Methods of Travel

Operational Support Airlift

A complete understanding of the TWCF and its idiosyncrasies is important if the DOD hopes to improve the efficiency with which it moves duty passengers. However, commanders in all services suffer from an even more fundamental lack of education that affects efficiency, as well. Few travelers or their commanders are fully aware of all the military air travel options available to them or of the guiding policies for their use. To truly be an effective manager--of resources, people, or mission requirements--this information needs to be more widely understood, so the entire range of travel options and restrictions will be explained over the next several pages.

The use of Operational Support Airlift (OSA) for moving duty passengers is one of the DOD's most advantageous, yet least understood programs. Each service has its own fleet of small to medium aircraft used for the rapid transport of passengers and cargo, such as Air Force C-21s, Navy C-9s and Army C-20s. These aircraft have a wartime support mission to fulfill, and like their larger cousins in AMC, they need to train for a minimum readiness level. This training creates an airlift by-product that DOD users can access. Unfortunately, when each service managed its own fleet and scheduling, it was not very efficient. Each service did a good job in isolation, but cross-service cooperation was missing: "OSA, by nature, is an emotional issue that has long been an area of interest. Sometimes real or perceived abuse of Military Aircraft makes it into the public eye . . . [As a result] numerous GAO and IG audits have been conducted since 1968" (35:3). Congress began to look hard at OSA management in the mid-1990s,

with an eye toward standardizing scheduling and requesting procedures and reducing the size of the fleets. Therefore, the 1995 Commission on Roles and Missions recommended fleet reduction and centralized management under USTRANSCOM as part of the OSA restructuring initiative (35:3). Thus was born the Joint Operational Support Airlift Center (JOSAC), a unit aligned under the USTRANSCOM J-3.

JOSAC has a simple charter. It first ensures crew training for wartime requirements, and then provides DOD passenger and cargo support for emergency patients, carrier air wings, TDY/DV travel, critical parts movements, inspection teams and recruiting (35:6). To enable the stand up of JOSAC, each service had to give up some of its autonomy over its OSA aircraft, and each service had to provide personnel to the JOSAC staff. This was a difficult enough transition as it was, but Congress took further steps making a rationalized OSA operation a must: "in January 1996, congressional language directed the FY96 flying hour program be reduced to 85% of FY95 program. This 15% cut was enforced in the middle of the Fiscal Year 96" (35:3). The services could no longer provide quality support to their customers without an agency like JOSAC. Personnel were brought into JOSAC in the same proportion as the number of aircraft each service contributed. JOSAC is truly a joint organization: all the personnel and all the aircraft assets are treated exactly alike. JOSAC leaders consider this a critical element of success: "Thanks to this diversity we have no secret agendas or hidden deals. Everything we schedule is seen by all of the services" (35:10).

JOSAC's structure today is based on a validated number of aircraft and their associated hours:

As a result of the Joint Staff War-Time Requirements Study directed by the DepSecDef, the Services validated a need for 391 OSA aircraft vs. the 509 in the inventory in FY 96. Over FY96 and 97, the Services completed their drawdown to the directed inventory of

391. We have lost an additional 10 ANG a/c this summer. Funded OSA flying hours have been reduced at the same rate. . . One of the OSA realities today is that the Services, because of this large reduction should see 25% less OSA support then last year. This is entirely unrelated to JOSAC's stand up. (35:5)

Of the 391 total aircraft, 262 are currently assigned and flown from 101 locations in the CONUS. The Army owns 131 of the aircraft, the Air Force 58, the Navy 54 and the Marines 19 (35:8). JOSAC is responsible for the efficient use of the airlift capacity provided from crew training; in essence, the agency matches user needs with an allotment of hours:

Each Service justifies its flying hour program on its wartime training and proficiency needs. After withholding training, maintenance and OCONUS hours, each Service passes the remaining CONUS flight hours to JOSAC for scheduling. This is typically 80% of the total. (35:12)

This partnership ensures that the services' primary goal of crew training is met, but also allows JOSAC to provide the DOD community with more opportunities to utilize OSA lift capacity.

The JOSAC originally modeled its operations after AMC's Tanker-Airlift Control Center (TACC), and formed scheduling cells based on geography--east and west. This approach, however, often created a seam in the system and allowed lift capability to go unused on return-to-home missions because the wrong cell was controlling the mission. JOSAC eventually reformed its teams and now manages by size. Schedulers are assigned to either the Large or the Small Cell. Once a mission goes operational, the Execution Cell takes over and maintains visibility of the aircraft for all the legs of a mission. There is extensive interaction between cells to ensure problems are solved optimally. The Small Cell manages travel requests for individuals and groups of 8 or less. These requests are usually assigned to C-21, C-12, T-39, or UC-35 aircraft. The Large Cell

handles requests for 9 or more passengers, and uses the larger aircraft in the OSA fleets, such as C-9s and C-26s. The Execution Cell uses an FAA Aviation Situational Display to monitor all missions in real time and to redirect them when required.

JOSAC is purely a scheduling function: the airlift requirements are provided from the field. *Any* DOD employee on funded travel orders can request support from JOSAC! A field unit has merely to fill out a form and forward it to its assigned validator. The validator acts as an intermediary for the JOSAC, verifying the duty status of the traveler, and assigning a priority code to the request depending upon the particulars of the travel. There are three priorities:

Priority 1 requests are only for emergencies or direct support of operational forces including peacetime contingency forces. Priority 2 requires compelling reasons that cannot be satisfied by other means. Required use passengers are typically 4-star officers. Priority 3 passengers can fly if more cost effective than the commercial travel costs, or if empty seats are available on a mission already scheduled. If we have assets remaining we will schedule non-cost effective missions in order to smoothly fly out each service's proficiency flight hour program. (35:16)

An important concept that is often lost on the public is that the generation of an OSA mission to a destination for a couple of travelers is more cost effective than sending the travelers commercial because the OSA flying hours have *already been funded and must be flown*. Any passenger transport capacity produced in the process of flying the hours really is free to the government, so it is in the DOD's interest to fly missions that can support duty travelers. Commanders need to be aware of this program, and should submit JOSAC travel requests to their validators whenever they are sending people TDY within the CONUS.

Once validated, the request is forwarded by computer from the validator to the JOSAC schedulers. The request is farmed out to the Large or Small Cell depending upon

the number of travelers in the request. These schedulers then compare travel requirements with available assets and generate missions which will support the passengers with the highest movement priority. As a rule, JOSAC begins scheduling large team travel fourteen days prior to requested travel day and the cell will send a message to the validator to confirm or deny the mission a full ten days before scheduled travel, allowing the users ample time to make alternative plans if necessary. Small team travel requests are worked seven days prior to the requested travel day and missions are usually confirmed at least four days before the requested travel day. Overall, the JOSAC is averaging a support rate of 75-80% (90% for priority 2 and 65% for priority 3) and cancellations of confirmed flights are extremely rare (4). JOSAC believes it can use the available lift even more efficiently if more potential users are brought into the system: "The total number of passengers supported by JOSAC scheduled missions has reached a monthly average of over 38,000. Even at that we still have excess capacity. If we can see more requests we can consolidate more passengers on existing missions" (35:22).

The JOSAC's primary computer system is a Navy system called JALIS. This system currently works well enough and is available to the JOSAC personnel and the validators. JALIS feeds information into GTN for in-transit visibility, but cannot read from GTN at this time. There is occasional redundancy of missions in GTN because even though JOSAC is the operating agency for all OSA missions, AMC often tracks the whereabouts of its aircraft through the Global Decision Support System (GDSS), which also feeds into GTN. This is an unfortunate (and thus far unresolved) side effect of having two different scheduling systems which are not in direct communication with one another.

Dedicated Passenger Channels

While JOSAC serves as the DOD's management agency for OSA missions, AMC is the single airlift manager for all other organic or procured military airlift. As a result of the hours AMC flies to maintain readiness, airlift capacity is created which can be used to move cargo and passengers. As a rule, cargo has priority since it generates greater revenue and tends to be more appropriate for military aircraft than passengers, which can often be moved via commercial means just as easily. However, AMC does use its own aircraft to operate several *dedicated passenger channels*, usually to unusual destinations such as Johnston Atoll in the South Pacific. These channels are established to meet a validated demand for sizable numbers of duty passengers, such as government contractors rotating into or out of Johnston. Passenger channels operated by organic military aircraft are generally referred to as Category M (Cat M) flights and the seats on these missions can be booked and reserved well in advance, just like on a regular airline.

AMC also manages several regularly scheduled passenger channels called Category B missions. Cat B channels are operated by contracted charter airlines such as Tower Air or American Trans-Air. As the single manager for DOD airlift, AMC negotiates with the carriers to provide a given number of seats on regularly scheduled round-trip service between specified CONUS and overseas airfields. Contracts are let for six months at a time; channels and seat requirements are adjusted periodically to meet projected transportation demands provided by each theater's Commander-in-Chief (CINC). Outbound Cat B missions generally terminate at a major overseas airbase, but originate out of commercial terminals such as Seattle or Baltimore-Washington International airports. AMC personnel process passengers through small operating

locations at these sites. Cat B routes have been set up to serve the overseas locations which have a constant and very heavy flow of duty passengers, on both TDY and PCS travel status. Instead of buying individual seats from commercial airlines for all of these passengers, the government consolidates its requirements into full planeload moves, and thereby saves money.

Base transportation managers are required to utilize Cat M and B flights before seeking commercial alternatives, assuming such alternatives even exist. However, too many Traffic Management Officers (TMO) around the world are abusing the system with excessive exceptions to policy--called 'Y Cards'--which allow travelers to use alternative means for their travel. This widespread failure to adhere to standard policy is creating significant financial and readiness problems for USTRANSCOM.

The central managers for Cat M and B seat management are the four AMC Passenger Reservation Centers (PRC). These four centers--located at Scott, Rhein-Main, Hickam, and Yokota--handle travel requests on a regional basis. When a passenger reports to the base TMO for ticketing, the TMO communicates the travel request to its regional PRC either electronically or via telephone. If there is a Cat M or Cat B flight that meets the traveler's requirements, and if there are still seats available, then the traveler is booked against the mission and is given a confirmed reservation for the flight. The passenger's only responsibility is to be at the departure location at the scheduled time. Meanwhile, the cost of the seat is billed against the traveler's unit funds at the published passenger tariff rate for the channel.

The four PRCs are linked to one another, to 100 of the world's busiest TMO locations, and to the AMC commercial gateway locations, through the Global Air

Transportation Execution System (GATES). GATES, which only recently came on line at the PRCs, is the military equivalent of a travel agent's commercial reservation computer system, and it provides real-time access to Cat M and Cat B missions. However, PRCs are NOT linked to any commercial reservation systems, nor do they have visibility of AMC channel missions scheduled for cargo movement.

Duty Standby

On occasion, passenger seats do become available on cargo-coded missions. These seats are not scheduled ahead of time, but result from a less than full load of cargo. Duty travelers in the vicinity of an AMC terminal always have the option to seek out opportune military air by registering as duty standby passengers. AMC directives note that "Duty standby passengers without reservations may present themselves for a number of reasons. Every effort must be made to assist these passengers" (1:6). More often than not, these travelers received orders at the last minute and have not yet arranged transportation at all. They have reported to the terminal hoping to get a military flight or, if none is available, to get assistance with their onward transportation.

Standby passengers will be offered the option of taking a confirmed reservation on Category B, M, government arranged commercial seat, or waiting for the first available flight. . . . Passengers are not permitted to accept a confirmed reservation and concurrently compete for seats with other space required standby passengers waiting for the first available flight. (1:6)

Potential travelers are selected for available seats based on their movement priority. Except in extraordinary circumstances, once manifested on a flight, a duty passenger will not be rotated off of the manifest to make room for someone else:

Duty passengers are not to be rotated to accommodate other duty passengers except when necessary to move Priority One [emergency leave] passengers whose movement cannot be guaranteed within 24 hours. All known available airlift must be considered including government arranged commercial seats to determine if movement can be guaranteed within 24 hours. (1:5)

For the most part, attempting to travel as a duty standby requires a great deal of flexibility, primarily because the availability of seats is so unpredictable. Furthermore, most AMC flights are to, from, or within an overseas area, and all of these channels have a set passenger tariff rate that must be paid by the traveler's unit, so the passenger is not getting a free flight. On the other hand, missions within the CONUS do not have tariff rates associated with them, so passengers flying on these legs do save the unit money. Every commander whose unit is close to a terminal should require his personnel to at least call the terminal the day of travel just in case there is a mission with extra seats going to the right place, especially if the travel window is not hard and fast. One other reason a commander might consider using the duty standby approach is convenience for the traveler: many commercial channels are not collocated with the traveler's military destination, so the passenger will have to endure excessive customs clearance and ground transport times above and beyond the long flight time itself. In these cases, a commander may believe the direct routing--not to mention the better security--make his funds better spent on an AMC aircraft. In any event, though, duty standby passengers are always subject to losing their seats at the last minute to make room for revenue-generating cargo; only in very select instances are passengers premanifested on a mission irrespective of the cargo backlog.

Space Block

That scenario is called a space block and it is a very rarely authorized method of travel on military aircraft. In this case a seat *must* be made available for a space-blocked passenger, even if it means leaving cargo behind. The TACC estimates that an average space block costs AMC about \$7000 in displaced cargo revenue. However, the passenger is charged only at the standard TWCF passenger tariff rate, which is considerably less than that! Obviously, then, the conditions for space-blocking are stringent. The applicable regulation reads:

Only those requirements that cannot be satisfied with existing programmed passenger capability (Cat B or M) through local TMO/ITO/PTO will be considered for space block. . . . Passengers space blocked on military cargo missions must have funded travel orders and must be processed and manifested at port passenger terminals. (2)

Passengers who meet this minimum requirement submit their requests to the TACC, listing a POC that can verify the need to authorize the space block for the travelers. TACC then has the final word on the issue. If the action officer is convinced the travel requirements are significant enough to justify a space block, then he will find a mission that meets the requirement and enter a note into GDSS which will require the aerial ports to leave space for the passengers. Whenever possible, action officers seek C-5 or KC-10 missions for space blocks because these aircraft are always configured with seats even when the cargo compartment is full. In the end, though, the urgency of travel is determined by arrival and/or return times, so the action officers will use whatever mission is within that window. In rare instances TACC will space block a deploying group to move on a channel, but generally speaking, contingency requirements are not handled with space blocks.

Special Assignment Airlift Missions

Large groups of travelers occasionally ask for an entire aircraft dedicated to their movement. These requests are called Special Assignment Airlift Missions and are handled a little differently than most travel requests. The group travel request is sent from the unit to the unit's validator to the Joint Movement Control Group (JMCG) at USTRANSCOM. The JMCG is tasked to determine the most appropriate mode of travel for a given movement request. For passenger movements, that is usually air. The JMCG then tasks the TACC to support the request with a SAAM.

The barrelmasters at TACC decide whether organic assets can be used to support the request and, if so, a flying unit will be tasked to provide the service. There is a hidden danger to using organic air, however. SAAM missions are essentially in competition with all other military missions, so if a last minute mission surfaces with a higher JCS priority code, the SAAM may well go unsupported. Therefore, very large passenger-only movements are more often than not moved by a commercial charter, which is not subject to eleventh-hour displacement by a higher priority mission. The TACC forwards the specifics of the SAAM request to the AMC/DOY, who arranges a contract with a charter carrier. Once the carrier has been lined up and the mission confirmed, TACC again assumes oversight and management of the itinerary (7). TWCF funds are used to pay the contractor up front, and the unit moved by the SAAM reimburses the TWCF at a set hourly rate depending on the type of aircraft used.

GSA City Pairs

The vast majority of duty passengers do not fly on organic air at all, but instead are moved by commercial means through a program called GSA City Pairs. This

program has been around for a long time, but in recent years has grown in scope and scale for a variety of reasons. For many years, the General Services Administration (GSA) and the Military Traffic Management Command (MTMC) were responsible for managing the acquisition of commercial tickets for duty travelers. In 1994, however, General Ronald Fogleman, CINCTrans, realigned responsibilities for managing air passenger travel within his command, primarily as part of a strategy to shore up the viability of the CRAF program. General Fogleman directed that

AMC will assume responsibility for interface with the General Services Administration (GSA). This includes developing strategies for tying GSA City Pairs programs to CRAF, for passenger route and fare evaluations, for DOD input to GSA's Small Package contract, and other actions as necessary. AMC will accomplish route and fare evaluations in coordination with MTMC. MTMC will provide customer requirements and carrier performance evaluations to AMC as the basis for discussions with GSA. (12:1)

The realignment was just one part of a sweeping overhaul of commercial ticketing within DOD. At the same time this change went into effect, Category Z and Category Y ticketing was terminated. GSA City Pairs replaced these two special government fares that had been used for years to procure individual seats and 20-seat blocks from the airlines on a contract basis. The City Pairs program is based on a government pledge to send all of its commercial business to the City Pairs carriers. The FY98 Request for Proposal issued by GSA illustrates just how broad this business base is for the carriers:

This contract is to provide scheduled air passenger transportation service by United States certified air carriers between various domestic and international markets.

(a) Mandatory Users: Except as otherwise provided in (b) below, mandatory users for coach class service are

(1) all uniformed personnel and civilian employees of the Department of Defense;

(2) civilian employees of agencies of the U.S. Government as defined in 5 U.S.C. 5701; For purposes of this provision, an agency of the U.S. Government as defined in 5 U.S.C. 5701 means:

A) an executive agency (executive department, Government corporation owned by the Government of the United States, or an independent establishment);

B) a military department (Department of the Army, Department of the Navy, and Department of the Air Force);

C) an office, agency, or other establishment in the legislative branch; but does not include a Government controlled corporation (mixed-ownership Government corporation); a member of Congress; or an office or committee of either House of Congress or of the two Houses.

(3) Uniformed members of the U.S. Coast Guard, the Public Health Service and the National Oceanic and Atmospheric Administration . . . when any of [the] above travel at Government expense. (13)

No large carrier can afford not to participate in a program of this size; as a result, the government receives important commitments from the airlines, too. Firstly, all GSA City Pairs participants must commit to CRAF; those that do not participate in CRAF receive no government business at all. Secondly, the large volume of government travelers justifies special rates and conditions on City Pair tickets. A GSA Annual Report provides a good summary of why the City Pairs contracts benefit the government, too:

In FY 1996 FSS-negotiated agreements with 18 airlines will save up to \$2.4 billion on discounted airfares on 6,100 routes in FY 1997. GSA's FY 1997 agreements with 18 airlines offer airfares approximately 62% below regular coach fares, with no advance purchase required, no penalties, no blackout periods and no Saturday night stay-overs. Sample FY 1997 one-way fares from Washington are: \$54 to Chicago and \$98 to Los Angeles. Under the FSS-negotiated air fares for FY 1996, they were approximately 56% below regular coach fares. The Washington-to-Chicago fare was \$74 and the Washington-to-Los Angeles fare was \$117. (14)

Many government employees do not understand the City Pairs agreements with the airlines, so they attempt to circumvent the established procedures for booking commercial tickets. This is a mistake, and it can lead to long-term negative repercussions. There is already a regulatory process in place to ensure commercial ticket purchases meet all legal obligations. The process starts with the base Traffic Management Officer.

The Wing Commander appoints a Traffic Management Officer who will be responsible for meeting official travelers' requirements, including reservations and ticketing; is the functional point of contact with Commercial Travel Offices; and arranges transportation for DOD travelers (AFI 24-101, Para 1.19.10). (38:1)

The TMO manages the entire transportation process, using DOD guidance to determine the most appropriate means of transport for a given situation. It is important that travelers understand that this guidance is binding upon them in most cases:

Travelers must comply with procedures for official travel outlined in AFI 24-101, "Passenger Travel," 1 Oct 95 and DOD 4500.9R, Defense Transportation Regulation, Part I, "Passenger Movement," Aug 96. These directives mandate use of government contract carriers, rates, and itineraries to meet travelers' mission requirements. First-choice cost-effective service is defined as use of city-pairs for travel within the United States. For travel to, from, and between overseas areas, Air Mobility Command (AMC) procured airlift services (Cat B) are given first consideration before commercial contract carriers. (30:1)

Once the TMO decides that City Pair travel is appropriate, a contracted ticketing agent--commonly such organizations as Rogers Travel, SATO, or Carlson Wagon-Lit--issues the tickets in accordance with the City Pairs contract, using the SABRE airline ticketing system. It is usually at this point where compliance problems crop up. Many travelers and their commanders are convinced that they can find a more cost-effective or convenient ticket on their own. While it is true that many City Pair rates do not beat super-saver rates, it is also true that City Pair rates remain fixed for the entire year. Hence, the government is not subject to volatile price changes throughout the budget year like many businesses or personal travelers are. Attempts to manage government tickets by searching for the best rate like leisure travelers do would only end up costing taxpayers a lot more in the long-run, especially since so much government travel is arranged at the last minute, well after the super saver rates no longer apply. More to the point, though, is that City Pairs tickets are completely unrestricted: the tickets can be

changed right up to the last minute without penalty and are completely refundable even after the scheduled travel date. City Pairs are also negotiated only on a one-way basis: round trip fares are always equal to double the one way rate, ensuring that multi-leg travelers will not be gouged or forced to fly extraneous legs to capture round-trip rates (39). City Pair tickets therefore provide a degree of flexibility that special fare tickets do not. Nonetheless, some travelers continue to try to arrange their own transportation in violation of policy. A common error is to use the American Express Government Credit Card to purchase a reduced rate ticket from the contract ticket agency and then seek reimbursement on the travel voucher. Unfortunately, Finance cannot provide this reimbursement without a letter of City Pairs non-availability from the TMO; the TMO will not issue such a statement under normal conditions because the traveler purchased the tickets illegally. In cases such as this, the traveler has to pay for the ticket himself. Furthermore, if there was a penalty for a changed or canceled ticket, the traveler must pay that, too (39).

Lest commanders feel they have no control over the travel of their own personnel, DOD guidance does provide for exceptions to standard policy. Within the GSA contract is this excerpt:

Exceptions to the mandatory use requirement. Mandatory users are not required to use contract fares when --

(1) Space or scheduled flights are not available in time to accomplish the purpose of the travel, or use of contract service would require the traveler to incur unnecessary overnight lodging costs which would increase the total cost of the trip.

(2) The contractor's flight schedule is inconsistent with explicit policies of individual Federal departments and agencies or other mandatory users to schedule travel during normal working hours.

(3) A non-contract carrier offers a lower fare available to the general public, the use of which will result in a lower total trip cost to the Government or other mandatory users, to include the combined costs of transportation, lodging, meals, and related expenses. NOTE: THIS EXCEPTION DOES NOT APPLY IF THE CONTRACT CARRIER OFFERS A COMPARABLE FARE AND HAS SEATS AVAILABLE AT

THAT FARE, OR IF THE LOWER FARE OFFERED BY A NONCONTRACT CARRIER IS RESTRICTED TO GOVERNMENT AND MILITARY TRAVELERS ON OFFICIAL BUSINESS AND MAY ONLY BE PURCHASED WITH A GTR, CONTRACTOR ISSUED CHARGE CARD, OR CENTRALLY BILLED ACCOUNT. (13)

Most TMOs will take advantage of these exceptions to policy if the unit commander sends a letter certifying that the itinerary for the City Pairs rate will not meet mission requirements. Obviously, commanders who sacrifice their integrity to save a few dollars from their budget are ultimately putting the entire system at risk since the airlines will quickly refuse to offer special rates if they believe the government is defrauding them on a regular basis. Besides, a savvy TMO has several completely legal options available to get a commander a lower priced fare. For instance,

the use of local (segmented city-pairs). Carriers may quote a fare and participate in a particular market where it doesn't have direct service, for example, American Airlines from San Angelo, Texas, to Washington National via Chicago. However, the total of the two segmented fares may be less than the direct through contract fare listed. TMOs must evaluate the alternatives and use the combination of fares which offers the greatest value to the government, using the original contract carrier. (23:1)

Another area of on-going friction is the use of commercial tickets as a back-up for confirmed military air. DOD policy directs the TMO to seek first to use organic lift whenever possible, usually in the form of Category M or Category B service. If travelers are scheduled to move on military air service, they must not attempt to book a commercial ticket as a hedge against the military air falling through. AFI 24-101 is crystal clear on this point: "Do not request commercial transportation as a backup for military air. Under DOD policy, the requester may be responsible for reimbursement of any unused commercial airlift services on their behalf" (10:3). This may seem like a foolish restriction to a commander since the City Pairs tickets are fully refundable. There

is, however, an administrative cost associated with getting tickets refunded, as well as a lag of up to 60 days from the time the ticket is turned in until the funds are returned. During that period, the commander's funds will be committed to a ticket that was never required, and will be unavailable for other requirements (39). Commanders should not confuse the restriction against back-up tickets as a restriction against seeking opportune military air when City Pairs tickets have already been purchased. There are many perfectly legal airlift opportunities available at little or no cost to the traveler, and these should always be pursued right up to the last minute. One option is to submit an airlift request to the unit's JOSAC validator. Since JOSAC can usually confirm or deny the request four to ten days before scheduled travel, the unit can return the ticket for a refund at that time. In this case, the administrative costs of refunding the ticket are more than offset by the use of the free travel. A commander who does not routinely submit an airlift request to JOSAC for duty travelers in his unit is passing up an excellent chance to save his unit money. Another option is to seek space required seats on a cargo channel mission. These seats are rarely confirmed until just before departure due to cargo load changes; however, when they do become available, they may offer more direct service at the same rate as the City Pairs ticket for overseas travel or for no cost within the CONUS.

There are also a number of situations where travelers are attempting to use City Pairs travel, but are legally prohibited from doing so:

DOD 4500.9R, Chapter 103, specifically states, 'AMC-procured channel airlift (international travel) or GSA airlift, contracted through the Contract City-Pairs Program shall be used to the maximum extent possible when available unless there is a negative, critical mission impact justifying non usage. GSA City-Pairs will only be used for official travel and refers to travelers destined to a TDY or PCS duty station or to a designated location from their permanent duty station and return. *The use of GSA City-Pairs for travel to and/or from leave locations is not authorized.* [italics mine] (30:1)

There is a lot of confusion on this point because travel from a leave point back to duty station used to be considered duty status and personnel on leave could take advantage of the lower City Pairs fares, especially if they were only traveling in a single direction. However, the airlines no longer permit this and the contracts have been amended. While there are no exceptions to this policy, there are some conditions under which travelers can partially offset their personal costs legally. When PCSing from overseas, a traveler may request circuitous travel to an en-route leave stop, for example, Tokyo to Seattle, requesting en-route leave in Guam. When authorized circuitous travel, the government can buy City Pairs tickets on the two legs (e.g., Yokota to Guam and Guam to Seattle); the traveler then pays the cost differential over and above the direct route (e.g., Tokyo to Seattle). Unfortunately, there is no equivalent to circuitous travel within the CONUS. A recent Air Staff message reiterated the policy:

The current policy provided by MTMC is quoted as follows: 'Use of city pairs for leave travel: GSA city pairs are for official travel only, and not, repeat not, valid for travel to or from a leave point' . . . The GSA City-Pair contract is implicit on this point. There are no domestic stop-overs allowed. The passenger always has the option of using the value of the official transportation (GSA contract fare) and applying that towards the desired routing. (23:1)

As noted in the message, a traveler can legally exchange a City Pair ticket for a different routing to and from his leave destination if he pays the differential cost. Unfortunately, the airlines have renegotiated the contracts in such a way that the traveler remains at their mercy. For instance, travelers with round trip City Pair tickets may not exchange just one leg of those tickets; instead, they must turn in *both* legs of the City Pair and recreate the entire itinerary as if it were leisure travel! Of course, the cost of this new itinerary is likely to be very high since the traveler has essentially been forced to buy several one-

way tickets at the generally inflated leisure travel rate. Further, if the traveler makes arrangements which have restrictions and the duty travel is later canceled, the traveler will be expected to reimburse the government for the City Pair tickets, *but may get no relief from the airlines for the unused leisure tickets!* There is a legal way for the TMO to help the member in this scenario: the TMO can issue a traveler a City Pair ticket for just the outbound portion of the travel. The traveler can then go to the TMO at the TDY location to get a one-way return ticket, which can be cashed in for leisure tickets. Traditionally, Air Force policy has required the home base TMO to purchase both legs of a TDY if the duration of the trip is less than 30 days; however, that is regulatory guidance, and not a legal restriction, so the TMO can deviate from the policy at his discretion. However, in light of all the recent changes in the City Pairs contract with the airlines, the TMO should no longer be put in the position of making that decision. The instructions should be codified to encourage an exception to the round trip purchase rule whenever it will benefit the member. For now, though, many travelers find it less expensive and less risky to simply retain the City Pair tickets and to acquire separate round trip tickets between the leave and the TDY locations on their own (39). In any event, when exchanges are made, they are managed directly with the contracted ticketing agent; unit budgets are unaffected by the transaction and the government absorbs no administrative fees because no funds are returned. Likewise, no portion of excess cost for exchanged tickets may be charged on a government-issued American Express card. So love it or hate it, commanders must understand the various aspects of the City Pairs program. This program is currently the main enticement for the major airlines to participate in CRAF, so it is of critical interest to USTRANSCOM. Any deviations from

the City Pairs contract will ultimately impact readiness; commanders therefore have a professional responsibility to adhere to the provisions of the GSA contract and to ensure their people understand all the repercussions--both legal and financial--of violating its terms.

A Proposal for Consolidated Management

In spite of the many different travel options available to duty passengers, there remains a heavy dependence upon the commercial airlines to move people, especially within the CONUS. Misconceptions to the contrary notwithstanding, the government has no formal commitment to use commercial airlift, only an agreement to utilize the City Pairs program when commercial airlift is chosen. As a rule, however, transportation managers do not currently consider all travel options for their customers. This is a systemic failure: no structure exists to centrally manage passenger movement within the Defense Transportation System. However, there is a precedent for such a model, and that is the Joint Mobility Control Group at USTRANSCOM.

Recognizing that parochialism and ignorance on the part of cargo shippers were creating inefficiency, the JMCG was organized to act as a single point of entry for DTS movements:

The JMCG will enable the DTS to transition from its modal orientation, represented by the TCCs, to an intermodal approach. From a customer perspective, this new way of doing business streamlines the mobility process while enabling USTRANSCOM to capitalize on the efficiencies inherent in consolidating functions and reducing redundancy. The process is in its implementation phase; all air transportation requirements were integrated into the JMCG during December 1996 and all surface requirements [were] transferred to the JMCG by August 1997. (37:16)

The JMCG is primarily devoted to cargo and unit moves, but the concept has applicability in the passenger arena, too. It would be impractical to expect every single small group travel request to be routed through the JMCG, but the function could be handled at the base level where there is already a mandated central manager for duty passenger travel--the TMO! Unfortunately, TMOs currently have a limited travel mode selection process. If a scheduled organic capability, i.e., Cat M or Cat B, does not meet the traveler's needs, then the TMO authorizes the traveler to use a commercial City Pair ticket. There the process ends. There is no attempt to look for free lift from irregularly scheduled missions operated by the TACC or the JOSAC. The main reason is that the TMOs lack the necessary automated connectivity to make a full-spectrum search a feasible process. TMOs are all equipped with GATES for evaluating and sometimes scheduling Cat B and Cat M missions, and the contracted ticket offices associated with the TMOs use the SABRE system to issue City Pair tickets. JOSAC, however, relies upon JALIS, which most base-level TMOs do not have; likewise, AMC's missions are managed with GDSS, which is also generally unavailable to base-level transportation managers. There are numerous reasons why adding these systems to every TMO office would be impractical, but that does not mean the capability to centrally view all airlift does not exist.

All of the military systems do have one thing in common: along with dozens of other similar systems, they all feed data into the Global Transportation Network (GTN), USTRANSCOM's "super-system" designed to manage the entire DTS. Building a single program which will accept data from scores of diverse systems with diverse purposes was no easy task, and as a result, GTN has several limitations, the most important of which is

the lack of a two-way data interchange between GTN and its subsystems. For instance, data entered into GATES is transmitted into GTN, but data in GTN cannot be transmitted back to GATES, so the TMO cannot use the existing interface to gather additional data from GTN's central--and enormous--database. It may be many years and many millions of dollars before such two-way interfaces become common; for that matter, these kinds of upgrades may never be worth the investment. However, they may not be necessary either; TMOs actually have the capabilities right now to offer traveler's a wider range of travel options.

GTN is available to all registered users via the Internet. Users can register for an access code from USTRANSCOM, allowing them to acquire GTN on line and view the unclassified information in the database. TMOs can therefore use the World Wide Web to provide their customers with all the pertinent travel data without creating an excessive amount of additional work for the office. As always, the TMO should first search GATES for a Cat B or Cat M mission which will successfully move the passenger. When this mode is appropriate, the TMO will follow standard procedure to book the passenger on the flight and issue the ticket, thereby ending the process. When this option fails, the TMO should next log on to GTN and conduct a simple search of the passenger's travel window in order to see what organic missions have been scheduled via GDSS. A list of the opportune missions would be given to the passenger, who would then contact the local aerial port and register himself as a Duty Standby passenger. The TMO would next view the JALIS-generated JOSAC missions, looking for an OSA mission which will support the passenger. Irrespective of whether there are scheduled flights available at that time, the TMO should automatically forward a travel request to JOSAC for every

CONUS passenger. This step may sound like a heavy burden, but the process could be conducted electronically and the exact procedures between the JOSAC, the validators, and the TMOs simplified as it becomes routine. Again the TMO would not have the capability to book the passenger directly, but the necessary actions will have been accomplished to enter the traveler into the system and the established process at JOSAC will do the rest, notifying the passenger when OSA can support his needs. The last step for the TMO would be to issue a City Pairs ticket authorization as the confirmed mode of travel, just as is currently done. On those occasions when opportune air or JOSAC come through for the traveler, the City Pairs ticket could still be turned in for a full refund. By truly making the TMOs the base travel *managers*, unit commanders (and the taxpayers in general) stand to save money in the long run, while USTRANSCOM can more efficiently use its airlift resources at the same time.

IV. National Airlift Policies and the Civil Reserve Airlift Fleet

Neither USTRANSCOM nor AMC operate their missions in a vacuum, however. Attempts to operate with maximum efficiency sometimes come into conflict with broader political and economic forces, most notably the U.S. government's desire to maintain a strong and stable civilian air travel industry. The development of a workable balance between these two goals has been an on-going effort for the last fifty years; the effort has produced some tremendously effective cooperative programs, as well as a great deal of military-civilian friction.

MATS was created in 1948, and came of age over the next decade. As fate would have it, this was the same era in which civilian passenger airlines were coming into their own as a major economic force. This period was also one in which the American citizenry was firmly committed to the notion that government should not be expanding its organic capabilities into areas already served by private industry. These circumstances encouraged the commercial airlines to continue their long-standing goal to capture the entire passenger base, including all government travelers.

Spokesman for the airlines maintained MATS was in effect operating an airline in competition with commercial carriers, especially when its flights paralleled commercial passenger routes. Sensitive to the allegations of the airlines, Congress held extensive hearings that at times threatened to result in the transfer of peacetime military airlift to the civil airlines and virtually eliminate MATS. (34:10)

The Pentagon fought this trend, arguing with some credibility that the nation needed a ready airlift force for wars and contingencies; turning the role of airlift over to the business world would be tantamount to reducing our national security. The history of

military-civilian airlift relations over the last half-century has been the saga of finding a politically acceptable middle ground where each side is responsible for the right role.

In 1960 President Eisenhower weighed the validity of the military and civilian arguments and played Solomon in a policy statement known officially as “The Presidentially Approved Courses of Action for the Role of Military Air Transport Service in Peace and War.” This policy was soon known universally as the National Airlift Policy and it became the foundation for airlift planning and employment for the next 27 years, especially in the area of passenger service. Perhaps more than anyone, Eisenhower recognized that the military had to have a standing force of airlifters ready to project American military power anywhere at a moment’s notice. Only MATS’ fleet could meet that requirement, especially for uniquely military cargo requirements. However, Eisenhower was also generally opposed to big government, so he agreed that the military should not be running its own passenger airline when the civil airlines were ready and willing to handle the bulk of the DOD’s peacetime passenger travel requirements (34:10). The compromise position Eisenhower decreed basically called for cooperation between the civilian and military airlines where previously there had been only conflict. The military would maintain its own fleet, tailored for war; it would outsource the bulk of its passenger movements to the civilians in peacetime. Further, the airlines would be partners in a major conflict, providing the capacity MATS would lack for moving large numbers of passengers. Thus was institutionalized the concept of the Civil Reserve Airlift Fleet, a program begun in 1951: the government would pledge its business to the airlines, but in return the airlines needed to pledge their assets back to the nation in times of crisis. To this day, CRAF remains a cornerstone of mobility strategy.

Eisenhower's National Airlift Policy was written primarily to define the broad roles of the civilian and military airlift agencies, but it also provided a blueprint for the future technological development of MATS (34:11). By 1987, MATS had become MAC and another conservative Republican was in the White House. President Reagan decided the time had come to re-tool the National Airlift Policy, and on 24 June 1987, he issued a new set of guiding principles, specifically stating that "this directive replaces the Presidentially Approved Courses of Action contained in the February 1960 Department of Defense study" (31:3). Before listing specific policy items, Reagan opened the document with a broad philosophical preamble which reaffirmed the symbiotic relationship between MAC and the airlines:

The United States' national airlift capability is provided from military and commercial air carrier resources. The national defense airlift objective is to ensure that military and civil airlift resources will be able to meet defense mobilization and deployment requirements in support of U.S. defense and foreign policies. Military and commercial resources are equally important and interdependent in the fulfillment of the national objective. Our basic national security strategy recognizes the importance of strategic lift and the need to reduce current shortfalls. The broad purpose of this directive is to provide a framework for implementing actions in both the private and public sectors that will enable the U.S. efficiently and effectively to meet established requirements for airlift in both peacetime and in the event of crisis or war. (31:1)

The tone of Reagan's policy differed from Eisenhower's in that its commitment to the civilian airlines was very clearly based on national security policies, and not on the economics of the industry. The first two points of the National Airlift Policy illustrate the thrust of Reagan's intent:

1. The goal of the United States Government is to maintain in peacetime organic military airlift resources, manned, equipped, trained, and operated to ensure the capability to meet approved requirements for military airlift in wartime, contingencies and emergencies . . .
2. United States policies shall be designed to strengthen and improve the organic airlift capability of the Department of Defense and, where appropriate, enhance the mobilization base of the U.S. commercial air carrier industry. (31:1)

In succeeding paragraphs, Reagan established a system of priorities for moving military passengers, but even where he specified the first use of commercial air, he predicated the decision on military requirements, and he left it to the DOD to define those requirements: "The Department of Defense shall determine which airlift requirements must move in military airlift . . . and which airlift requirements can be appropriately fulfilled by commercial air carriers" (31:1). The Policy underscores the importance of civilian airlift in a surge situation, and it directs the military to dedicate sufficient peacetime business to the airlines to "promote the effectiveness of the Civil Reserve Air Fleet and provide training within the military airlift system" (31:2). While the National Airlift Policy makes numerous references about the importance of the airlines to readiness, and while it does provide for heavy use of commercial air for peacetime travel, what it does *not* say may be just as significant to airlift policy-makers and planners. The National Airlift Policy contains no provisions which specifically prohibit the Airlift Command from providing organic passenger airlift on routes where commercial service also exists. There is a widespread misconception that military airlift policies and procurement strategies are subject to an ironclad restriction of this sort; in fact, the document states only that "United States policy, both international and domestic, shall be designed to strengthen the nation's airlift capability and where appropriate promote the global position of the United States aviation industry" (31:2). When organic airlift is available for a duty traveler, and when that airlift is a more efficient means of travel, then organic air should be the mode of choice.

Perhaps the real significance of the National Airlift Policy is that it renewed the emphasis on the CRAF program, stating unequivocally that the military needs the airlines:

The commercial air carrier industry will be relied upon to provide the airlift capability required beyond that available in the organic military airlift fleet. It is therefore the policy of the United States to recognize the interdependence of military and civilian airlift capabilities in meeting wartime airlift requirements, and to protect those national security interests contained within the commercial air carrier industry. (31:1)

As a result of building an airlift fleet generally geared toward military cargo transport requirements, the Airlift Command cannot support heavy movements of bulk passengers; it has to rely on its civilian partners to get the people to the theater of operations.

CRAF forms the vast majority of the DOD's passenger airlift capability, as proven during Operations DESERT SHIELD/STORM, when 64 percent of the passengers in the deployment phase and 84 percent in the redeployment phase were moved by commercial air. (37:4)

USTRANSCOM is very committed to maintaining the kind of passenger movement capacity the CRAF provides, so "AMC peacetime airlift services contracts are offered to carriers that are CRAF participants or are eligible and agree to become CRAF participants and have aircraft suitable for allocation to CRAF" (3:Atch 9, 2). This is exactly the intent behind Reagan's National Airlift Policy: protect American national security by making a partnership with AMC attractive to the airlines.

The CRAF partnership must have some economic benefits for the airlines because USTRANSCOM requires a significant commitment from them in the event of a CRAF mobilization. Airlines commit aircraft (by type and tail number) and the crews to fly them to various stages of CRAF activation: Stage I is for Minor Regional Crises, Stage II is for Major Regional Conflicts, and Stage III is for a Total National Mobilization

(28:10). Carriers must be managing their CRAF assets on a daily basis, because activation can come very quickly:

Each of the stages is activated by USCINCTRANS with the approval of the Secretary of Defense. Stage I is composed of long-range assets and, when activated, carriers are given a maximum of 24 hours after mission assignment to respond to the initial mission onload location. . . . Stage II, composed of aircraft from all three CRAF segments [International, National, and Aeromedical] has a 24-hour response time after mission assignment with the exception of its aeromedical segment, which has 48 hours to respond. . . . Finally, full CRAF capability is represented in Stage III with a response time of 48 hours. (37:4)

Airlines do not operate like the military; they do not maintain excess aircraft just in case. Instead, the economics of their industry demands that they use all their assets as efficiently as possible to be profitable. Consequently, a CRAF call-up has the potential to seriously disrupt airline schedules, and to affect their business positions for months. Over the years, finding ways to incentivize the carriers to be CRAF participants has been an on-going challenge for the Airlift Command.

The program was first established in 1951 by Executive Order. The Korean War had once again proven the need for a strong and flexible airlift force, and the nation did not have it. Therefore, the President looked to the civilian sector to fill the gap if the situation got critical enough in the future. This was probably a natural leap in logic for Harry Truman, who had seen his government nationalize the rail network during World War I and then do the same thing with the merchant marine and barge fleets in World War II. The CRAF turned out to be a financial windfall for the airlines at that time, especially since the chances of activation were slim in a world that was not based on a mobility strategy:

During the relatively peaceful era following the end of the Korean War, air carriers viewed their participation in the CRAF program as a mechanism to guarantee they received government business without facing much business risk of losing market shares,

should CRAF activation occur, to domestic competitors who were not in the CRAF. However, in 1960, DOD recognized the need for a broader range of response options addressing the full spectrum of national security contingencies. Air carrier executives were reluctant to volunteer because of possible adverse effects on their competitive position within the industry if they were called up in an early stage and their competitors were not. (24:2)

Eventually, the government realized it would have to make CRAF a good business proposition for the airlines, rather than simply relying on patriotic duty. In responding to a DOD IG audit 30 years later, USTRANSCOM officials could still fall back on the approach developed in 1960:

The analysis fails to recognize an important relationship between DOD transportation dollars and the nation's air carriers. Air carriers are attracted to join the Civil Reserve Air Fleet (CRAF) by the promise of a fair share of DOD's peacetime airlift augmentation business. As this is the only incentive to join this otherwise voluntary program, the DOD must keep a robust program that has attraction for carriers with a wide range of corporate business strategies. (32:2)

Throughout the 1960s, 1970s, and 1980s, CRAF was never activated, so many airlines profited from the CRAF incentives, but never had to put their assets in harm's way. In 1990, however, all that changed when Stage I and a small portion of Stage II were activated to support the DESERT SHIELD/STORM deployments. The carriers met their obligations, but once the war was over, some of them chose to withdraw from or scale back on CRAF participation for a number of business-related reasons. Following a Mobility Requirements Study in the early 1990s, USTRANSCOM realized it could best meet its obligations if the lost carriers were brought back into the CRAF, so a series of DOD initiatives were developed to entice those airlines to return. Most of these were included in an AMC White Paper sent to CINCTrans in 1992. The paper proposed both interim and long-term strategies. Among the interim concepts were linking DOD acquisition policy to CRAF participation, maintaining a minimum level of

USTRANSCOM cargo business, linking DOD domestic and international passenger business to CRAF, and awarding DOD's domestic logistics airlift business to CRAF air package and air freight carriers. In the long-term, AMC hoped to capture all government airlift business for CRAF carriers, link the federal government's acquisition policy to CRAF, and advocate tax legislation beneficial to air carriers (8:1).

At the crux of these proposals was the desire to make CRAF participation good business for the carriers. The most effective way to do this was to have a direct link between CRAF participation and government peacetime business. This was not a new concept, but the scope of the effort was. "The USTRANSCOM short-term objective is to first link all DOD business to CRAF participation, and then other governmental departments in the long-term" (24:3). This led to the most significant change in air travel acquisition policy in years. USTRANSCOM suggested to the Under Secretary of Defense that AMC delete their traditional ticket procurement methods--Categories Y and Z--and instead use the GSA City Pairs program as the source of all government tickets:

All scheduled service passenger business previously procured by HQ AMC will be awarded by the General Services Administration (GSA). Contractors who are eligible for membership in the Civil Reserve Air Fleet (CRAF) are required to commit their planes to CRAF as a prerequisite for award of a GSA City Pairs Contract. CRAF participation must be maintained throughout the term of the GSA contract. (3:L-8)

The logic of the proposal was hard to dispute: government employees could only travel on City Pairs tickets and only CRAF carriers could participate in the City Pairs program. It was a linkage the airlines would be hard-pressed to pass up because of the scope of business they would lose. Initially, however, the idea was not as enthusiastically embraced by OSD as USTRANSCOM had hoped:

Linking the GSA city pairs program to CRAF has potential . . . The CRAF carriers would capture a greater share of the Government's business through linkage with the GSA city pairs program . . . While I support inclusion of a CRAF participation requirement for all DOD business, I am also aware that the GSA city pairs program produces significant savings for the Government that must be preserved. (27:1)

Eventually, in spite of turf battles and parochialism, the details were worked out, and the system was in place and working for FY95. Thus far, the City Pairs program has been a win-win scenario for USTRANSCOM, for the DOD traveler, and for the airlines:

FY95 GSA contracts are particularly significant as part of a broad-based effort to strengthen the partnership between the Department of Defense (DOD) and US Civil Air Carriers because they contain provisions that tie a particular airline's participation in the Civil Reserve Air Fleet (CRAF) program to that airline's eligibility for GSA business. Service under the new FY95 GSA contracts also offers a tremendous choice for the DOD traveler with some 4120 domestic and 1114 international city pairs solicited--a significant increase over previous routes. (19:1)

The GSA City Pairs program had an immediate impact on the size of the CRAF fleet; two major carriers returned to CRAF after a one-year absence so they could benefit from the peacetime business--and the peacetime business is huge. By 1997, City Pairs revenue was roughly \$1.5 billion, and total revenues (from other CRAF incentive programs such as Category B and one-time passenger charters) were in excess of \$2.1 billion (28:12).

USTRANSCOM has used the strong linkage created by the City Pairs and other similar incentives to stabilize the CRAF fleet. The figure below shows the current make-up of the CRAF passenger fleet. The figures listed for each stage are wide body equivalents (WBE).

Table 1. CRAF Carrier Stage Assignments (25:54)

<u>Carrier</u>	<u>Stage I</u>	<u>Stage II</u>	<u>Stage III</u>	<u>% Fleet</u>	<u>% CRAF</u>
American	4.12	18.14	47.20	100	25.36
Northwest	3.96	20.45	46.25	81	24.85
United	2.80	13.61	31.90	30	17.14
Continental	1.17	6.41	14.84	100	7.97
Tower Air*	6.85	8.10	12.79	90	6.87
Amer Trans Air*	5.17	7.83	10.52	100	5.65
TWA	1.13	3.87	8.79	22	4.72
World*	2.97	4.74	6.75	100	3.63
Delta	0.61	2.47	5.58	13	3.00
Sun Country*	0.92	0.92	0.92	30	0.50
No.American*	<u>0.30</u>	<u>0.61</u>	<u>0.61</u>	100	<u>0.33</u>
	30.00	87.15	186.14		100

The CRAF contract requires a carrier to commit at least 30% of its passenger fleet to the CRAF--Delta and TWA make up their shortfall with aeromedical commitments--but it does not specify to which stage the aircraft must be committed (3:L-3). That decision is made by HQ AMC/DOF based on the following criteria set forth in the solicitation:

A minimum of one aircraft from each carrier will be assigned to Stage I, unless the aircraft represents more than 25% of a carrier's long-range international CRAF capable fleet to Stage I, unless a carrier specifically requests otherwise. In no case will more than 50% of a carrier's long-range international CRAF capable fleet in WBEs be assigned to Stage I . . . After the minimum of one aircraft from each contract carrier has been assigned to Stage I, every effort will be made to fill the remainder of the stage with aircraft that carriers have identified for assignment to Stage I, considering, however, the Government's right to make the final selections. (3:M-5)

For the most part, AMC is able to match carrier requests with actual assignments:

Although AMC reserves the right to place aircraft in the stages needed, almost all aircraft are assigned to the stages the carriers request with each year's contract. We have various rules and incentives to encourage some carriers to request different stages. Stage II and III tend to fill up with carriers whose business strategy does not include performing a lot of AMC peacetime entitlement business. Instead, they seek access to GSA City Pairs . . . [Meanwhile], bonuses are given for Stage I commitments, which is an attractive option for smaller carriers whose business strategies seek . . . to gain increased entitlement for AMC peacetime business. (15)

The end result of all of this is that the largest carriers have the bulk of their assets assigned to the later stages, which are least likely to ever be called up, while the charter airlines (marked with a star) are providing most of the first stage assets, and are therefore more likely to get called in an activation. As the AMC official pointed out, the large scheduled airlines benefit primarily from the City Pairs business, and the charters benefit primarily from Category B and one-time charters that the scheduled airlines do not compete for. This distribution of carrier types and their business bases has very significant readiness implications for AMC and USTRANSCOM, and is closely tied to several AMC issues, especially the management of the Category B program.

V. A Case Study of the Category B Program

The Cat B program serves several different purposes. Its primary function is obvious: to provide mass transportation for DOD members and their families between the CONUS and various overseas locations. Through the Cat B program, AMC basically manages a small airline made up of several charter carriers on extended contracts. Cat B is a reliable and predictable transportation option for travelers, and all seats can be reserved and confirmed just like a scheduled airline. By aggregating travel demands onto full plane loads, USTRANSCOM can operate more efficiently and thereby save tax dollars.

The Cat B program is constructed in such a way that it provides USTRANSCOM with more than just transportation. By providing a fairly significant chunk of regular business to the charter airlines involved, USTRANSCOM is able to keep these charter airlines available for use in an emergency. Most people are unaware of how heavily the DOD relies upon a few charter airlines to augment the organic fleet when there is a need to move a lot of passengers. In fact, leaders at AMC argue that "Cat B is crucial to readiness in peace and war" (25:11). In addition to the service provided through the Cat B routes, the charters comprise nearly 100% of the civilian airline support provided for DOD passenger movement during peacetime contingencies. As a result of the regular business base the DOD offers through Cat B contracts, many charter carriers maintain a larger number of widebodies than would be otherwise economically possible; these widebodies represent capacity available for short-notice DOD operations.

This is a critical concept because when USTRANSCOM is tasked for a large passenger movement for a SAAM, exercise, or contingency, its options for meeting the contingency are limited. In accordance with the National Airlift Policy, the organic military fleet has been structured to move cargo; there are not typically a lot of seats available for bulk passengers movement. The large scheduled airlines operate on very tight schedules and they do not have excess aircraft available to run a DOD-only mission outside of their regular routes. "Short notice requirements are not filled by the scheduled carriers like Delta, American, or United. Instead, it is the charter carriers who answer the call when quick response is critical" (25:5). The charters are therefore USTRANSCOM's ace-in-the-hole because they are the only real source of widebody passenger aircraft that can be made available quickly. The same airlines that are on contract for Cat B flights--Tower Air, American Trans Air, World Airways, Sun Country, and North American--answer the call for support in a short-notice situation short of a CRAF activation.

Just as scheduled carriers must commit themselves to CRAF in order to get DOD business through the City Pairs program, the charter companies cannot compete for Cat B routes without a similar commitment. The difference is that the charter carriers "provide approximately 50% of Stage I capability, while scheduled carriers provide the bulk of our capability for Stages II and III" (25:55). This is another important consideration because in its forty-plus years of operation, CRAF has only been activated once, and that activation was limited to Stage I and a very small part of Stage II. The mobility value of the charter carriers cannot be understated! The worldwide operations tempo has been very high since the end of the Gulf War, yet the CRAF has not been reactivated. Instead,

USTRANSCOM has turned to the Cat B carriers for support. The following is a list of some of the higher profile operations the charters have supported since the end of the Gulf War. The figures in parentheses indicate the percentage of passengers moved by charter carrier:

- 1993 Restore Hope--Somalia (40.5%)
- 1994 Vigilant Warrior--Kuwait (58.8%)
- 1994 Uphold Democracy--Haiti (52.7%)
- 1995 Southern Watch--Iraq (77.2%)
- 1996 Joint Endeavor--Bosnia (49.2%) (25:50)

This lift was available only because the Category B program made it economically feasible for the charters to maintain the excess capacity required to meet these crises. To summarize, "if we don't give the CRAF charter carriers the DOD business, they will shrink their fleets and the lift won't be there to meet troop movement needs in peace and war" (25:12). The charter airlines are not set up to benefit from or compete in the City Pairs program; right now, the only business the DOD can guarantee to charters is a Cat B contract.

In addition to the contingencies listed above, the charters are often called upon for one-time troop moves in support of SAAMs and JCS exercises. These contracts provide the charters with extra incentive to maintain aircraft in excess of that required to serve their civilian customers. Although the SAAMs and exercises provide an extra revenue source the charters are usually glad to tap into, the demand for these kinds of movements is too erratic to justify a larger fleet all by itself; SAAM requirements come and go and exercises are often canceled to meet fiscal restraints. Without the certainty of income from Cat B contracts, the charters would have to downsize their fleets and seek other

customers who could provide a regular cash flow. USTRANSCOM basically uses the Cat B program to outsource the operation of a small fleet of widebodies.

Because this fleet's primary customer is the DOD, Cat B provides the government with leverage it does not have with the larger carriers with respect to cabin configuration standards. While all carriers must meet minimum seat pitch and width requirements to qualify for DOD business, the charters have been willing to exceed these standards in many cases. Again, the Cat B program is directly responsible: the charter carriers offer better configurations on the Cat B flights largely because DOD use requirements give the carrier the financial wherewithal to operate and maintain the aircraft in this configuration. On the other hand, the charter carriers tend to operate older aircraft, so the aging fleet is a concern for the future; while Cat B may provide the revenue base to operate the current fleet, it may not be sufficient to justify a major upgrade, especially since Cat B charter contracts generally need to be renewed every six to twelve months, and the DOD can unilaterally choose to terminate or change the program at the end of any contract period.

Another important but subtle argument in favor of the Cat B program is that it is financially savvy, from the point of view of TWCF management. Cat B provides the means to move large numbers of duty passengers and to keep TWCF healthy at the same time. "Category B is commercial, charter airlift contracted by Air Mobility Command to fly Service-directed passenger movements. These missions are contracted in full planeload lots--DOD pays for every seat on the aircraft, filled or unfilled" (25:3). When AMC contracts for a Cat B carrier, it pays for the charter up front with money from the TWCF. In theory, the TWCF will eventually be reimbursed through duty passenger tariff revenues. Cat B is much more efficient than simply moving everyone through the City

Pairs program, and as a result, the tariff rates are generally reasonable. To many casual observers, the source of transportation seems irrelevant because the rates are often about the same on City Pair and Cat B routes. However, there is a fundamental difference: every dollar spent on a Cat B seat goes right back into the TWCF, while a dollar spent on a City Pair ticket is lost forever. If enough travelers use Cat B, then, AMC can fully recover the cost of the Cat B contracts, generate additional funds to offset TWCF losses in other areas, and maintain excess widebody capacity all at the same time. For the same investment in a City Pair ticket, all the DOD gets is one-time transportation for the traveler, with no on-going readiness benefits.

The Low Ridership Problem

For a variety of reasons, however, Cat B is not generating enough revenue from tariffs to reimburse TWCF for the cost of the program. The main problem is that ridership on Cat B is too low. AMC did not set up Cat B to be the sole source of transportation along those routes, just the primary source. In fact, AMC needs only "50% of the services' and theaters' business to sustain the CRAF and [its] passenger airlift capability" (25:18). The rest of the business can go to scheduled carriers via City Pairs. However, City Pairs are not supposed to be utilized until Cat B capacity has been filled. What many military financial managers do not understand is that Cat B seats accrue a cost when they are not used. When a passenger who should have traveled Cat B travels commercial, it is costing the government money, even though the price of the two tickets is the same. Because TWCF has already paid for the Cat B seats, "the taxpayer pays twice for the same service, once for the Cat B seat that went unfilled and again for the commercial seat fare" (25:5). In isolation a few unfilled seats will not cause a financial

crisis; in fact, the overall Cat B break-even load factor is 76% (25:8). However, in the aggregate, the unused seats are costing TWCF a horrific amount of money: AMC is projecting that losses for FY98 could reach \$60 million if ridership does not improve (25:19).

In an on-going effort to effectively manage the Cat B program, AMC personnel recently did an analysis of the low ridership problem. The data they collected confirmed their suspicions: too many travelers are using City Pair tickets on routes that are served by Category B flights. The problem is the worst on the five largest Cat B channels: Yokota, Osan, Howard, Mildenhall, and Rhein-Main. This is not surprising since these are also the routes with the greatest commercial service available! "In each case, GSA city pair traffic, paralleling these routes, exceeded Cat B, while Cat B seats went empty" (25:6). These five routes together comprise 62% of the total Cat B seats, so the financial consequences are severe:

Over 69,000 seats went empty on these 5 channels, resulting in a revenue loss of \$26M while the services spent \$29M on commercial travel to satisfy the same requirement. . . . Had these Cat B seats been filled, defense travel expenses would have been less, and the taxpayer would have saved \$29M. (25:10)

Cat B is only efficient if it is used . . .

The Inconvenience of Category B.

People find a way to circumvent the use of Cat B for a variety of reasons. The main reason is that few people really understand the financial implications of avoiding Cat B, reasoning that personal convenience should take precedence as long as there is no additional cost in the airline tickets. Cat B is frankly not as convenient as the major carriers, at least along the heavier routes. Relative to their total demand, the major

carriers consider Cat B requirements small potatoes and they can easily absorb those passengers into their existing route structure. Cat B simply cannot compete with the airlines for personalized itineraries. While Cat B does run on a regular schedule, it runs only a few times a week; the commercial carriers may run as often as several times a day. Many passengers just do not see the need to arrange their schedule around Cat B when there are better options available for the same price. The real problem is not so much the timing as the routing itself. The Cat B missions tend to get high utilization for the CONUS to overseas legs; it is the return legs that suffer from low ridership. The reason is simple. Most people going overseas are routed directly to a central military hub on Cat B and that is where the travelers want to go anyway. When returning to the States, however, Cat B missions run into specified commercial gateways. The government takes responsibility for onward transportation to the final destination, as well, but there is currently no system in place to accommodate travelers who want to deviate from that routing for personal leave en route. More often than not, the Cat B commercial gateway is not the most convenient or inexpensive connection to the leave destination. The traveler therefore views the use of Cat B as money out of his own pocket because the government currently provides no special rates for the leave portions of travel. Therefore a traveler would much rather try to get a commercial flight to the airport of his choice. Even if the City Pair rate is higher than the scheduled Cat B tariff, the traveler often comes out ahead by paying the difference and realizing greater savings on the leave legs of his travel.

Fewer travelers would probably try to get around the use of Cat B if the current restrictions against using government rates for personal travel were modified. At present,

there is a system called circuitous travel which permits a traveler returning to the CONUS from overseas to route himself through another overseas location for leave. The government purchases all legs of the itinerary at the City Pairs rates, and the traveler simply pays the difference between the direct and the indirect routing. Because this kind of routing actually entails several one-way legs, a traveler would not be able to afford leave without the City Pairs system to support him. Unfortunately, circuitous travel is not authorized within the CONUS. As a result, a passenger who arrives at a commercial gateway via Cat B is at the mercy of the airlines. The member still has the option to trade in his City Pair ticket for the onward travel and use the money to offset the leave portion of his travel, but if he tries to travel from gateway to point of leave to final destination, the one way leisure travel rates will be astronomical. As a result, many travelers end up departing the commercial gateway for their leave site and then returning to the gateway at the end of leave to continue the onward travel because the round trip fare is the least expensive option. This is a terribly inconvenient way to travel for a member who arrives in Baltimore, takes leave in Houston, and then reports for duty in California! It is not hard to see why a traveler in this situation would seek any means to avoid using the Cat B service. A change in policy is in order which will redefine circuitous travel to permit members returning from overseas to use City Pair rates for their leave en route.

There are some additional hassles associated with traveling through the established gateways via Cat B. Even when the location is convenient for follow-on travel, the arrival times of the Cat B missions are often not so convenient. Connecting commercial flights may not depart until the next day, forcing an unwanted overnight layover. This is a problem not easily solved since many of the Cat B missions have to

operate in closely controlled windows set by the host nation where the mission originates. Even when the arrival time and location serve the traveler, most of the commercial airlines will not interline their bags from the charter carrier, making a long day for a passenger even longer!

Finally, commander support for Category B has been historically lax at all levels of management. Cat B was never designed to be one of several travel options for a duty passenger; on the contrary, it is supposed to be the primary source of transport unless a commander certifies that mission requirements dictate that Cat B is inappropriate. That loophole has been used, abused, and just flat-out ignored by commanders over the years. As a result, the commercial carriers continue to get business that should be going to Cat B, and the government continues to pay for the same service twice! This problem was especially prevalent among Army members returning to the CONUS from Korea; in this case, the members were being given the cash value of a Cat B ticket and then allowed to make their own transportation arrangements! While this often resulted in large savings for the individual traveler, the process itself violated numerous laws, regulations, and contractual obligations. This was a case where oversight of the ticketing process simply did not exist because there were no contracted ticketing agents assigned in many locations, so there was no agency responsible for ensuring adherence to government travel priorities. The situation has been rectified in recent months through the installation of contracted ticket agents.

In other situations, commanders actively support their members' desires not to use Cat B. Usually, these commanders have their hearts in the right place: they are trying to take care of their people. Knowing an enlisted family cannot afford the cost of airline

tickets for leave en route, a commander might find a reason to certify that they need to travel on City Pairs tickets to an en-route connection close to their leave location. Since the commander pays the same amount either way, he sees no real harm. At some remote locations overseas, putting duty passengers on commercial carriers creates an additional benefit for other people trying to return to the States for leave. Since Cat B missions are considered AMC missions, any unfilled seats can be used for space available travel. A commander who wants to give his troops the chance to take leave back home--a chance they would not otherwise have due to the prohibitive cost of international travel--considers empty Cat B seats a good thing. Therefore, routing his duty travelers via commercial airlines (for the same basic cost as the Cat B tariff) provides more space available opportunities for his leave travelers. Since it is unlikely that AMC will ever be able to educate everyone about the intricacies of TWCF, the concept of travel credits again might have utility here. If a commander had to spend actual funds for commercial tickets, but only credits on Cat B travel, he would have a very big disincentive to avoid the use of Cat B except in legitimate emergencies.

Category B Capacity Management.

Part of the difficulty AMC faces in trying to manage Cat B efficiently is that most observers assume that Cat B should work like the market: supply and demand will balance out, so if Cat B missions are running half-empty, then AMC must have too much supply for the demand level. This is a long-standing assumption, often supported in official statements such as this DOD IG report from ten years ago:

MAC's accumulation of raw passenger statistics, without complete analysis and management action, caused aircraft chartered by MAC to be underutilized. Better analysis and decision making is needed to eliminate unneeded missions and reduce flights to locations where passenger volume does not justify the use of chartered aircraft. (9:8)

That same report offered the following conclusions and recommendations:

The report also determined that MAC had empty seats, valued at \$70.2 million, aboard Category B and Category Y aircraft during FY 1988. The report recommended that MAC improve the economy, efficiency, and accuracy of the long-term requirements process with special emphasis on full plane charter requirements and other commercial alternatives that affect charter use. *In its comments to the report, MAC stated that the monetary loss was caused by the requester not using the seats rather than by invalid requirements [italics mine].* (9:2-3)

Contrary to the IG's assumptions, MAC/AMC does use a great deal of analysis in setting up its Cat B route structure.

Three key determinants are used to establish the seat capacity:

- (1) Stated service needs from forecasts,
- (2) The minimum business base necessary to sustain charter commitments to CRAF--\$168M for FY98, and
- (3) Aircraft and matches (capacity and frequencies) to customer desires. (20:3)

The passenger figures cited earlier indicate that AMC is not over-supplying Cat B seats.

There are more than enough travelers available to fill Cat B, but they are being moved on the scheduled airlines.

Category B Fares.

There are several reasons why Cat B has not been strongly supported over the years. Many of the reasons are linked to problems from years ago that have been largely corrected. One common misconception is that Cat B flights are more expensive than commercial alternatives. This belief was founded in truth for many years, when ASIF rates were set to keep the fund solvent, and the users were simply expected to pay

whatever rates were set. With the conversion to TWCF and the establishment of the Airlift Readiness Account, this is no longer true. Today, AMC's "intention is to break even on Cat B flights, not to make money. By breaking even, we can continue this service and insure airlift is available for peacetime, contingencies, and war" (25:16). In fact, tariff rates on Cat B missions must be at least as low as the competing City Pair rate; no commander should be able to argue that his troops can fly cheaper by flying commercial. Nonetheless the perception that Cat B is too expensive lingers on. In an effort to highlight the economics of the modern world, the CINCTrans has directed AMC to explore pricing initiatives which offer substantial savings for travel via Cat B with the theory that these initiatives "will provide greater incentives to ITOs, TMOs, and field commanders to use Cat B and will effectively lower transportation costs" (25:16).

There are currently two important programs that are aimed at increasing Cat B ridership to the revenue break-even point. The first is the differential pricing test, which began in September 1997. Under this program, AMC reduced the fares on four overseas to CONUS inbound Cat B legs. By reducing the rates on the routes shown, AMC hopes to test the theory that lower fares will generate more riders.

Table 2. Category B Differential Pricing Test Fares (18:1)

<u>CHANNEL</u>	<u>OLD PRICE</u>	<u>NEW PRICE</u>	<u>CITY PAIR</u>
Rhein Main-Baltimore	\$395	\$303	\$399
Rhein-Main-Atlanta	\$385	\$290	\$363
Rhein-Main-Philadelphia	\$340	\$308	\$355
Osan-Seattle	\$380	\$365	\$377

The second initiative is called the Cost/Revenue Break-even Initiative. This program is designed to encourage heavier usage of Cat B throughout the year in order to

earn discounted fares at the end of the year. AMC aimed the program directly at its Cat B customer base:

In our continuing effort to encourage increased ridership on Category B international passenger charters, we're announcing our latest initiative to provide you a win-win program of support and service--the cost/revenue break-even incentive. This initiative discounts the price of Category B tickets by 1/3 once the annual cost/revenue break-even point for each Category B route is reached during the fiscal year. (17:2)

AMC is using both of these programs to convince its overseas customers that Cat B is not only important for readiness (an argument few micro-level managers can relate to), but is also the most economical way to fly.

Category B Passenger Comfort.

Senior leaders in most services have been convinced that Cat B is important and needs to be supported. They also believe they have a responsibility to look after the welfare of their people, and that these two goals have often been in conflict with one another over the years. Recently, for instance, a US Army "representative offered support to the Cat B program through established policies but felt the underlying issue was quality of life related and needed to be addressed in long-term strategy" (6:1). Many people who have never flown on Cat B hope to avoid it forever due to its stereotype as a cattle car. Again, these perceptions of Cat B are rooted in historical fact. For many years, Cat B was not a pleasant way to fly and the carriers were of dubious quality. After the disastrous crash of an Arrow Air charter a few years ago, though, that began to change. Today's Cat B missions are not cattle cars; the spacing between seats on the widebodies operated by World, Tower, and American Trans-Air exceeds the distance between seats on scheduled airlines, and AMC is currently working to get a wider space

on American Trans-Air 757s, as well (21:3). Today, Cat B managers also consider the amenities of their flights at least as good and often better than the commercial counterparts: “recent changes include no mandatory wear of military uniform, free movies/headsets, and more nonstop flights. An integral part of this revitalization is to provide airlift service that is responsible to customer needs” (5:16).

One such response to customer needs answered the complaint that for many years there was a lack of support for pet transport on Cat B flights. AMC has turned that complaint into one of its strongest arguments for Cat B. In addition to the cargo hold space set aside for pets, Cat B flights can now accommodate a limited number of pets in the cabin area, too. The cost to move a pet on a Cat B flight is far less than the cost charged by the commercial airlines. AMC considers its pet policies a significant quality of life benefit over the commercial airlines: “Issue everyone a pet and the Cat B ridership problem is solved” (25:15).

The gateway dilemmas cited earlier continue to be a source of strife for many travelers, and AMC is doing what it can to alleviate the situation. A major realignment of gateways was just completed to try to make the system more responsive to DOD demographics. AMC is continuing to work for full baggage interlining between the Cat B charters and the scheduled airlines. In addition, customers can now get seat assignments at the time of seat booking directly through their base traffic manager, alleviating another long-standing complaint (20:3-5). There is one other quality of life issue that is rarely acknowledged as a source of frustration for Cat B passengers. Because Cat B missions are heavily populated with PCS movers, there are an inordinately high percentage of families on these flights. The overseas flights are long and tiring in

and of themselves, but the presence of so many cranky children can make the flight even less enjoyable. In spite of the greater seat pitch and the quality of the service, many childless travelers still see a Cat B flight as an experience in steerage. This is one attitude that AMC really cannot be expected to fix since Cat B is designed for family moves. Perhaps if the ridership raises to the level it should be, there will be more demand than supply and the individual travelers can be directed to commercial flights, which is an option that would be less appealing to families anyway.

CINCTRANS' Efforts to Increase Ridership.

Irrespective of cost or quality of life complaints, there should not be a problem with low Cat B ridership because the use of Category B is supposed to be mandatory where it is available! This has been policy for many years, but has not necessarily been closely followed in many locations. In 1994, CINCTRANS appealed to higher authority for help in clearly restating the policy. The result was a very concise, two page policy directive that has come to be known as the "Deutch Letter," in honor of its author, Deputy Secretary of Defense John Deutch. Mr. Deutch stated:

(1) DOD shall utilize CRAF carriers to the maximum extent possible unless there is a documented negative, critical mission impact . . .

In furtherance of this policy, unless there is a documented negative, critical mission impact, the following priorities in order of precedence, will be used for passenger and cargo airlift:

- (1) Air Mobility Command (AMC) arranged/operated airlift [i.e., Cat B]
- (2) General Services Administration (GSA) arranged/contracted airlift on CRAF carriers. [i.e., City Pairs] (11:1-2)

In spite of the language of this letter, ridership remained low and Cat B continued to lose money. AMC has attacked the problem on two fronts. It first appealed to the

reason of the travelers and the unit commanders by publishing the following answer to an oft-asked question:

'As a passenger, why can't I exercise the choice of commercial versus AMC if commercial better fits my transportation needs and gets me to my TDY or PCS destination quicker with considerable less hassle and sometimes cheaper?' . . . We need to recognize that AMC procures passenger airlift for the DOD on a long-term basis and procures those seats based on the requirements forecast for the Services. A policy memorandum from the Deputy Secretary of Defense on Transportation and Traffic Management requires personnel to fly AMC on arranged/operated airlift for passengers and cargo airlift. Any exceptions to this rule must be documented by a negative, critical mission impact. The AMC provided airlift will consist of full plane-load charters (Category B). (5:16)

At the same time, Gen Kross, CINCTrans, appealed directly to his fellows CINCs, explaining the financial and readiness implications of the Cat B program. They concurred with his logic and promised to work harder to enforce the established priorities. Two months later, he reported the impact from this meeting:

At the June CINCs' conference we presented a briefing on Cat B's critical importance to peacetime and early contingency surge capability . . . Ridership performance data across the worldwide Cat B system for the combined months of Jun and Jul 97 reflects an increase of 5,667 (13%) revenue passengers compared to the same period in 96 . . . Utilization (riders/capability) still falls short of the Air Force break-even goal of 77%. (20:2)

Shortly after this, AMC developed its reduced rate initiatives; in the long-run, this may be the best way to incentivize the use of Cat B since most people outside of AMC will continue to think of TWCF as someone else's money unless they see a direct effect on their own budgets.

Category B's Importance to National Military Strategy

With all the difficulties operating Cat B, many people believe that Cat B might be an idea whose time has come . . . and gone. There is a great deal of validity to the

argument that the government does not truly need Cat B missions on most of its routes because there is more than sufficient capability in the commercial sector to handle the DOD demand. Additionally, the commercials offer the flexibility in scheduling and CONUS termination points that Cat B does not. AMC is well aware of the commercial carriers' capabilities: in the event of a serious contingency, the command expects to divert the charter aircraft from Cat B routes to crisis response missions and move the Cat B passengers on scheduled carriers. This thinking reiterates the true purpose of the program. Cat B is not primarily intended for peacetime rotations, but for contingency troop movements--especially on short notice. USTRANSCOM is using Cat B as a device to maintain excess widebody capacity in the charter fleets.

Thus far the arrangement has been mutually beneficial for both parties, and it fits in well with the principles of the National Airlift Policy. However, short of an actual CRAF activation, the charters are under no legal obligation to respond to contingency requirements. Historically, when CINCTRANS has called, the charters have responded, largely because USTRANSCOM has forged a strong relationship based on trust with the carriers. The day may come, however, when the charters will not be able to respond to a pre-CRAF requirement. In recent years, these airlines have established themselves in several very lucrative niche markets such as the annual shuttle service to and from Mecca for Moslems participating in the Haj. During this time of the year, the charters are making good use of their excess capacity and expanding their business base. For many years, it was DOD business that kept these companies afloat, but the environment has changed. The charters have never let the military down yet, but the future is uncertain.

USTRANSCOM has created a stand-by fleet of widebodies with the Cat B program, but there is no longer any guarantee that the fleet is standing by for USTRANSCOM!

Alternatives to the Present Category B Program

The USTRANSCOM Business Center is currently doing a study on Cat B Reengineering to determine what course the Cat B program should take in the future. The team is studying both the Cat B program itself and the readiness capability it buys. AMC's position has long been that without Cat B, "there are no alternative methods to provide sufficient incentives to charter carriers" (25:52). Not everyone agrees that this is an accurate assessment. Some "service representatives question the overall Cat B requirement needed to support the non-scheduled carriers. They believe there are opportunities in other markets to support these carriers" (6:1).

Increased Use of Charters for SAAMs and JCS Exercises.

Approximately one-third of the business DOD provides the charters is from SAAMs and exercises. These events are certainly not as reliable as a scheduled Cat B mission, but they are not completely unforecastable, either, especially the exercises. Efforts by AMC to predict the level of business for this class of missions has proven impossible thus far because the SAAM and exercise managers have not responded to AMC's requests for data. If this is to work, it will require a concerted effort on the part of several AMC agencies, the various services' SAAM managers, and the JCS; with that effort, some level of demand could be guaranteed for the charters. This business would be paid for up front by TWCF, just as Cat B is now. The SAAMs, exercises and contingencies would be reimbursable events. The problem with this kind of approach is

that situations change rapidly in the DOD, and SAAMs and exercises are often canceled or curtailed without a lot of notice. TWCF would therefore be left holding the bag, paying the charters for missions that they never flew! To avoid this sort of arrangement, AMC would have to have some firm financial commitments from the services and the JCS, whether the airlift requirements fell through or not. Such an agreement might be hard to sell because the services and the JCS would be subsidizing AMC's surge capability. In reality, though, that is not so different from the current program, which is largely subsidized by the Airlift Readiness Account. Shifting the burden might even improve the accuracy of service and JCS forecasts for lift requirements; if a minimum level of funding has to be fenced up front for charter business anyway, then the lift might as well be utilized. Under this system, the TWCF losses would no longer be somebody else's money.

Modified Category B Route System.

Even with the best of forecasting, SAAMs and exercises are unlikely to provide a sufficient business base to keep the charters on board at the level AMC would like. The rest of the business could be made up from a modified Cat B route system. There are several smaller routes to remote locations that do not have low ridership problems because there is very little commercial competition on these routes; these routes should remain unchanged. Likewise, the CONUS to overseas legs tend to be well utilized, and they provide the DOD with substantial savings as a result. At the present time, however, AMC needs to promise the charters round-trip requirements to make the missions worthwhile. With their expanding business base in niche markets overseas, the charters could probably find an economical way to integrate their aircraft directly into those

markets from the Cat B termination points. AMC might consider testing one-way Cat B contracts on those routes where it cannot fill the seats on the overseas to CONUS legs.

After considering all these modifications and alternative management techniques to keep the charters' fleets larger than the economics of their industry dictates, one ultimately has to ask the logical question: *does DOD really need the charters that badly?* Under the current state of affairs, the simple answer is "Yes." The National Airlift Policies of the last four decades have created a fleet of military transports that is not suited to mass passenger movements. The modern world requires that troops be highly mobile and capable of arriving in a theater anywhere on the globe within days or even hours. Only the commercial airlines have the capacity and the capability to move so many people so far so fast. The war plans all recognize this and they count on CRAF to provide the airlift for the overwhelming majority of passengers. However, the CRAF is a multi-staged concept, and the third stage will only be activated in the event of a "Total National Mobilization," a highly unlikely event, to say the least! Yet this is where the major airlines have most of their CRAF commitment. For instance, American Airlines and Continental Airlines have both committed 100% of their fleets to CRAF, but over two-thirds of that commitment is in Stage III; meanwhile, only about 5% of the total CRAF commitment of either airline is assigned to Stage I! The charter companies, on the other hand, commit a much larger portion of their fleets to Stage I, together accounting for almost 60% of the capability. Without careful analysis the overall figures can be deceiving, because "The bulk of our [total] passenger capacity (85%) is provided by the large scheduled carriers. However, they have little flexibility to respond to short-notice requests because of the nature of their scheduled business" (25:54). The point is that the

scheduled airlines participate in CRAF with the expectation that their operations will remain largely unaffected unless the nation is in very dire straits. (Of course at that point, their fleets would probably be nationalized anyway!) Only a very small portion of the major carriers' aircraft will be taken out of service for a Stage I activation, and they will not be available *at all* for any scenario short of a CRAF activation. Only the charters are willing to provide aircraft for a pre-CRAF surge. That is why AMC has continually stated, "We can't go to war without these [charter] carriers" (25:26). If AMC loses the excess passenger capacity of the charter airlines, the CINCTRANS would have to activate the CRAF on a recurring basis. This would eventually prove so disruptive to the airlines that they would be unlikely to continue supporting the program in any stage, even if it meant losing the DOD's City Pairs business.

An Organic Squadron of Widebodies.

In order to justify any argument against AMC's continued support of charter airlines, many conditions would have to change. Without Cat B or some other guaranteed financial incentives, the charter airlines would not be able to maintain a fleet large enough to allow them to commit to CRAF's early stages (and they would probably not be available for SAAMs or exercises any more, either!) Furthermore, because the charters do not participate in the City Pairs program, the government would have no other leverage for enticing the charters to continue their participation in CRAF. As a result, something would have to fill the large void that would suddenly appear in the Stage I activation plan. The obvious solution is to change the CRAF contract to require the scheduled airlines to put a larger portion of their fleets into Stage I; the argument could be made that these airlines will directly benefit from the termination of Cat B through

greater City Pairs revenues, so they should be required to make a stronger commitment back to the government. The airlines may or may not find this argument compelling!

In any event, with the charter carriers no longer entwined with AMC, all pre-CRAF capacity will disappear. The scheduled airlines cannot be counted upon to operate SAAMs, exercises, or real-world contingency missions on a regular basis because these kinds of missions are not conducive to their business strategy. The amount of business the government could offer through these means would probably not be sufficient to justify fleet expansion for any of the large scheduled carriers. If AMC no longer has the charters available, and if the scheduled airlines will not provide the required support, then AMC would have to pick up the slack on its own. The organic fleet would have to be expanded to include a USAF squadron of wide-body aircraft. The concept has a lot of appeal, especially for the flexibility it provides to planners. Because this fleet would belong to the Air Force, its primary mission would be to support mobility requirements; while the charters may someday have to decline a request for support because of a better business deal elsewhere, the USAF widebodies would always be available. During peaceful periods, this fleet could utilize its operating hours by flying the same SAAMs and exercises the charters have traditionally flown. The Cat B route system could be converted to a series of Cat M routes, and the USAF widebodies could fly those routes to build aircrew hours, as well. Tariff rates on these missions could probably be set considerably lower than at present, especially if a large portion of the widebody fleet were funded from the readiness account. (The Air Force is already spending over \$75 million a year from its readiness account to keep Cat B solvent, so why not direct those funds towards aircraft that it controls 100% of the time?)

Obviously, a concept such as this would require an in-depth cost-benefit analysis to determine its financial feasibility. There are a number of possible operating strategies which could be employed to manage a widebody squadron and keep it cost-effective. The most logical basing approach would be to split the unit into two detachments, one on each coast, with the 89th Airlift Wing as the parent unit. It might even be worthwhile for the Air Force to operate out of civilian airports, outsourcing the logistics support at those sites. These aircraft would also very naturally lend themselves to cooperation with aircrews from the Reserves since the aircraft models would likely be exactly like those flown by pilots in their civilian status. As far out of the box as this proposal is, the Air Force should even investigate the possibility of leasing the aircraft, rather than buying them outright, and then contracting out the logistics support as part of the package. Irrespective of the operating concept eventually selected, the main point is that AMC would have its own capability to move large numbers of troops anywhere in the world in a crisis, with or without a CRAF activation. Even on the best of days, AMC currently has no such capability guaranteed.

Were AMC to pursue such an approach, there would be a number of hurdles in the way. The first would be cost. It is impossible to predict the full cost of operating a squadron of widebodies without further study, but even with creative financing, it is likely to be more expensive than subsidizing the charters through Cat B. The widebodies would most likely operate within the TWCF, which would offset a lot of the operating costs, but the Airlift Readiness Account would still have to make up the difference. The only real argument in favor of a plan which costs more is that readiness is increased several-fold, and in recent years, policy-makers have begun to acknowledge that

readiness does cost. Whether this proposal provides enough additional readiness bang for the buck would remain to be seen.

Irrespective of the cost debate, there would likely be a very severe legal battle. Were the Air Force to create and operate a squadron of passenger airliners, it might find itself in violation of the National Airlift Policy. The Policy was originally written (and later updated) to create a separation of purposes between the airlines' and the military aircraft fleets. The airlines could very easily view Air Force passenger jets as non-compliance with the spirit of the Policy. Realistically, the major scheduled airlines would have little ground to stand on since the USAF fleet would not be competing with the kind of business the scheduled airlines do anyway, especially if the passengers from the major Cat B routes were redirected into the City Pairs program. The charters, however, would have a very solid basis for suing; after all, the Air Force fleet would be specifically replacing the role the charters have played. The charters have thus far been very dedicated partners who have always been there when AMC needed them; unless they demonstrate a propensity to behave otherwise, the charters' argument that the Air Force's actions are in very bad faith would probably carry a great deal of credibility. At least for now, the interests of AMC, the various airlines, and the taxpayers of the United States are most likely to be served best by simply fixing the cracks in the current mobility edifice rather than constructing a new one from the ground up.

VI. Conclusion

The DOD has been in the air passenger moving business for over a half century and has developed a myriad of travel methods--both commercial and military--for conducting that business today, subject to a number of legal, political, and economic constraints. This paper has reviewed the entire duty passenger movement process to determine whether inefficiencies exist in the system and if there is anything to be done about them. At the end of the review, this author has to conclude that although travel is well managed overall, there are still several areas where the DOD could improve the efficiency with which it transports its duty passengers. Many of these areas are completely within the control of the DOD itself. By focusing on its own internal policies and procedures, the DOD can unilaterally make changes which will result in less costly travel. At the same time, however, external constraints imposed upon it limit the flexibility and degree of control over the process that the DOD manages, resulting in less-than-ideal efficiency. While the DOD cannot relax these external requirements alone, it should definitely advocate for change in some critical areas, as the result will again be improved efficiency.

The Airlift Services Industrial Fund was first imposed upon the Airlift Command as a means for decreasing overall operating costs by making the customers pay for their airlift. ASIF--and its modern-day descendent TWCF--has done its job fairly well; by shifting the burden of cost of air transport to the users, the users have come to understand that airlift has a value. As a result, scheduling and capacity utilization has improved dramatically over the years. Unfortunately, decentralizing the distribution of

transportation dollars has had some unintended side-effects. The Fund was founded upon the principle that what the Airlift Command would have spent with a direct appropriation would be recouped in full from its users' larger budgets. That did not turn out to be the case, since many users chose to spend ASIF money on other modes of transportation, or else chose not to use it for transportation at all! ASIF tariffs then rose steadily until many passenger fees were out of all proportion to commercial alternatives. The Airlift Readiness Account subsidies under TWCF have largely erased the inequities in passenger rates; unfortunately, they have not erased the corporate memory. Commanders became accustomed to moving their travelers by commercial means--usually at a lower rate--and travelers grew accustomed to moving that way. In most cases this is perfectly appropriate; however, in many cases it is not, and the result is that the DOD is not currently taking full advantage of its organic airlift capacity. There are a few actions the DOD can take to alleviate this bias.

Commanders will change their behavior to be more efficient when they see the financial advantages of doing so and when they are fully educated about the process. To accomplish the former, USTRANSCOM and AMC/FM should investigate the possibility of converting TWCF from a system based on O&M funds to a system based on TWCF credits. The accounting processes would be almost unaffected by this kind of change, but the true value of using military lift whenever it is available would be immediately apparent to a commander. Unit budgets would be decreased by an amount equal to that provided in credits, so every budget dollar a commander spent on commercial air when organic air was an option would be a dollar he no longer had available for other uses. On the one hand, there would be no advantage to saving credits since they are only good on

organic air; on the other hand, though, wasting credits on frivolous travel would be counter-productive since O&M funds would have to be spent on valid requirements later. Commanders would soon see organic air options as free lift from a budgetary point of view, but would also use it appropriately because the credit limits make it finite lift, too. A credit system would therefore continue to meet all of the primary management goals that led to the formation of a revolving fund in the first place, while additionally encouraging commanders to seek military modes of travel first.

Unfortunately, passenger travel management is not a subject most commanders are well-versed in, and education is essential, irrespective of whether TWCF is ever converted to a credit system. Better marketing by USTRANSCOM, by AMC, and by base TMOs can help to spread the key information, along with efforts such as the first part of this paper. At the very minimum, commanders need to know what the JOSAC is and how it can help them move their folks; what the rules, restrictions, and costs are for duty standby passengers; and all of the legalities associated with City Pair travel. Education need not be limited just to commanders, and at least in the case of City Pairs, it must be extended to all travelers because of the prevalence of illegal schemes and circumventions--both intentional and accidental--that presently plague the program. Along with better education, though, the DOD needs to make a process change in how it manages air travel for duty passengers. The plethora of movement methods should be brought under the purview of a single agency, and that agency should be the base TMO. The TMO should be responsible for providing every traveler with a complete list of travel options open to him--using GTN as the source for the most up-to-date information--and for automatically submitting an airlift request to the appropriate JOSAC validator.

Installation Commanders should then take active steps to ensure unit commanders pursue the leads provided by the TMO. By establishing a standard procedure for insuring every passenger has exhausted military options before purchasing commercial tickets, the DOD stands to reduce its costs significantly. Even when tariff rates are paid to AMC for lift, the true result is a savings for taxpayers because the funds go back into TWCF, reducing the Readiness Account subsidy by the exact amount of the unused City Pair ticket. Some airlines might not support this sort of an approach as it could mean reduced revenues for them, but the use of excess capacity on airlift missions for DOD passengers is well within the intent of the National Airlift Policy--as long as DOD continues to rely solely on readiness requirements to justify its flying hours.

The DOD also has a responsibility to take care of its travelers and there are currently some legal restrictions that are hurting individual service members, and are therefore resulting in further inefficiencies as those individuals evade the prescribed procedures. The main problem concerns passengers traveling on commercial tickets who want to combine leave with their official travel. The DOD has no legal responsibility to guarantee that service members get home on leave inexpensively, but it certainly does have a moral obligation to help when it can. One way it could help would be to renegotiate a CONUS equivalent of circuitous travel. There is no reason why a member should not be able to arrange all legs of a duty/leisure itinerary through the TMO under the auspices of the City Pair program, provided of course that he pays the excess costs. At the very least, a member should not be prohibited from cashing in a single leg of a round-trip duty ticket; all City Pair rates are for one-way travel, so the government accrues no additional cost if one leg is altered by the traveler. To cover the interim until

the contracts are legally changed, the DOD should make an immediate change to its own regulations that encourages TMOs to arrange round trip travel as two separate tickets when a traveler wants to take leave en route. The need for circuitous travel extends beyond TDY travel within the CONUS. Members and families PCSing from overseas on Cat B missions also stand to benefit since they are so often routed into gateways far from their leave destinations. There is no reason why service members should be punished financially for adhering to government travel arrangements, yet that is exactly what is happening; families taking leave en route to their final destinations cannot use City Pair rates for that travel, and the one-way leisure rates they are forced to pay are prohibitive. The airlines are therefore using the City Pairs contract to take unfair advantage of service members who want to combine leave with duty travel. In return the airlines do not even offer service members refunds for leisure travel tickets that go unused because of canceled duty travel. The DOD should ensure such protection exists, especially when a member has been approved for leave en route and then uses the City Pair ticket to fund that leave. For following the letter of the law, the member may end up reimbursing the government for the City Pair ticket *and* losing the money spent on the leisure tickets, and that is just not right.

The need for circuitous travel options for Cat B travelers is one of many issues associated with that program. The readiness benefits derived from the Cat B program makes it necessary, based on the current arrangements with carriers supporting the CRAF. Because of their business strategies, scheduled carriers will never be likely to participate in CRAF if more than a few of their aircraft are assigned to Stage I commitments. Instead, the charter carriers carry the burden for Stage I activation, but

their business strategies do not allow them to take advantage of the financial incentives such as the City Pairs program that the scheduled carriers benefit from. The National Airlift Policy ensures that DOD will have to rely on civilian carriers for passenger travel in time of war. Since the charters are the carriers that CRAF depends on early in the conflict, special incentives need to be developed which make it economical for them to maintain additional wide-body capacity. Currently, Cat B is the only method USTRANSCOM has available to guarantee a minimum amount of business for these carriers. DOD does provide additional business, especially through SAAMs and JCS exercises, but thus far this business segment has been too volatile to forecast with confidence. However, a serious effort to attempt to forecast these events has yet to be conducted. Attempts by CRAF managers to assemble this data have been largely unsuccessful thus far because the agencies with the data have been non-responsive. It is time for USTRANSCOM to use its clout to force the agencies to respond, at least for purposes of analysis. The need for Cat B cannot be absolutely validated without such an analysis.

The analysis is important because Cat B is competing directly with the scheduled carriers on some of its heaviest routes and the availability of alternative carriers is keeping Cat B from consistently operating in the black. Even though the routes and capacities on each route are determined based on requirements submitted by the theater commanders, the main routes from Germany, England and Korea have historically been unable to meet the break-even load factor. Many of the people scheduled to travel Cat B find ways around it, often aided by their commanders. Every time this happens, the government has to pay for two seats for the same traveler, and that is not an efficient way

of managing travel! AMC has attacked the problem of low ridership along a wide front. AMC first made the program itself more efficient (and more appealing to commanders) by setting tariff rates on Cat B missions at or below the competing City Pair rates, thereby eliminating an inherent disincentive to use Cat B. AMC has also worked very hard in recent years to eliminate traveler discomforts, and Cat B missions actually offer many amenities that commercial carriers do not, including wider seat pitch, free movies, less expensive pet transport, and service right from the overseas military airfield. Nonetheless, Cat B can never be as convenient as the airlines with respect to frequency of service and CONUS gateway options. General Kross has therefore focused on even greater financial incentives to fill the Cat B missions. This strategy may be working; ridership definitely increased during the differential pricing test period. However, AMC analysts could not conclusively correlate cost and ridership because of other possible contributing factors.

Assuming ridership can be kept at the required level, Cat B is actually a fairly efficient method of transportation even though it competes with the scheduled carriers. In addition to transporting DOD personnel for no more than scheduled service would cost, Cat B produces an important strategic by-product that only the charters can provide. In fact, the real justification for the program is not the Cat B transportation itself, but the small fleet of wide-bodies it keeps available for short notice contingencies, to include "pre-CRAF" events. Cat B should be continued only so long as it is actually serving a valid strategic purpose, however; should the day come when the charters no longer seem willing or able to respond on short notice, USTRANSCOM will have to find an alternate capability. One approach worth investigating now is the creation of an organic widebody

fleet under AMC. The concept would clearly require an extensive cost-benefit analysis, and if viable, would also have to overcome a potential legal hurdle--the National Airlift Policy. Further, the operational practices of such a unit would have to be carefully managed in order to maintain just the right balance between necessity and convenience. In fact, a widebody squadron would ultimately be a case study of its own addressing the same dilemma raised in this paper: *How can the DOD efficiently manage its organic air passenger capability, yet simultaneously maintain its partnership with the commercial airlines?* Because of the confluence of politics, economics and national security associated with the issues, answering this question will never be easy.

APPENDIX A: List of Acronyms and Abbreviations

AFI	Air Force Instruction
AMC	Air Mobility Command
ANG	Air National Guard
ARA	Airlift Readiness Account
ASIF	Airlift Services Industrial Fund
Cat B / Cat M	Category B / Category M
CINC	Commander-in-Chief
CINCTRANS	Commander-in-Chief, U.S. Transportation Command
CONUS	Continental United States
CRAF	Civil Reserve Airlift Fleet
DBOF-T	Defense Business Operating Fund--Transportation
DLA	Defense Logistics Agency
DTS	Defense Transportation System
DV	Very Important Person
FAA	Federal Aviation Administration
FM	Financial Management Directorate
FY	Fiscal Year
GAO	General Accounting Office
GATES	Global Air Transportation Execution System
GDSS	Global Decision Support System
GSA	General Services Administration
GTN	Global Transportation Network
IG	Inspector General
ITO	Installation Transportation Officer
JA/ATT	Joint Airlift/Air Transportability Training
JCS	Joint Chiefs of Staff
JMCG	Joint Movement Control Group
JOSAC	Joint Operational Support Airlift Center
MAC	Military Airlift Command
MATS	Military Air Transportation Service
MTMC	Military Traffic Management Command
O&M	Operations and Maintenance
OCONUS	Overseas to Continental United States
OSA	Operational Support Airlift
PRC	Passenger Reservation Center
PTO	Post Transportation Officer
SAAM	Special Assignment Airlift Mission
TACC	Tanker-Airlift Control Center
TMO	Transportation Management Officer
TWCF	Transportation Working Capital Fund
USTRANSCOM	United States Transportation Command
WBE	Wide Body Equivalent

BIBLIOGRAPHY

1. Air Mobility Command. "Military Airlift Passenger Service." AMCI 24-101, Volume 14. Scott AFB IL: HQ AMC, 1 Jan 96.
2. Air Mobility Command. "Tanker/Airlift Operations." AMCI 11-208. Scott AFB IL: Tanker Airlift Control Center, 20 November 1997.
3. Air Mobility Command. Contract F11626-97-R-0003 with CRAF Carriers. Scott AFB IL, 1 October 1997.
4. Appel, Maj David. Small Branch Scheduling Team Leader, JOSAC, United States Transportation Command, Scott AFB IL. Telephone interview. 26 January 1998.
5. Bridges, Col C.G. *Airlift Management and Transportation (DBOF-T)*. Scott AFB IL: Air Mobility Command, May 1996.
6. Budden, Bill. Bullet paper on Cat B Low Ridership. Scott AFB IL, 8 August 1997.
7. Cygan, Thomas. Chief, Airlift Procurement Branch, Headquarters Air Mobility Command, Scott AFB IL. Personal Interview, 21 October 1997.
8. Dente, Col Jerome L. Staff Summary Sheet concerning CRAF White Paper. Scott AFB IL, 20 August 1992.
9. Department of Defense Inspector General. *Audit Report on the Management of DOD Air Passenger Requirements(Draft)*. Project OLC-0027. Washington: Government Printing Office, 5 December 1991.
10. Department of the Air Force. "Passenger Movement." AFI 24-101, AMC Change 1. Scott AFB IL: HQ AMC, 24 February 1995.
11. Deutch, John, Undersecretary of Defense. Policy Memorandum on Transportation and Traffic Management. The Pentagon, 16 June 1994.
12. Fogleman, Gen Ronald. Action Memorandum for Commander, Air Mobility Command and Commander, Military Traffic Management Command. Scott AFB IL, 27 September 1993.
13. "Government Services Administration City Pairs Request For Proposal for Fiscal Year 1998." WWWeb, <http://www.gsa.gov>. 27 January 1998.

14. "Government Services Administration Website." WWWeb, <http://www.gsa.gov>. 27 January 98.
15. Halbert, Lt Col Robert. Deputy Chief, Civil Air Division, Headquarters Air Mobility Command, Scott AFB IL. E-Mail correspondence. 23 March 1998.
16. Haselhorst, Barb. Transportation Working Capital Fund Accountant, Headquarters Air Mobility Command, Scott AFB IL. Personal interview. 20 October 1997.
17. HQ AMC. "Category B Cost/Revenue Break-Even Initiative." Electronic Message. 062129Z, 6 October 1997.
18. HQ AMC. "Category B Differential Seat Pricing Test for FY98." Electronic Message. 301510Z, 30 September 1997.
19. HQ AMC. "GSA Air Passenger Transportation Service FY95 Contract Award." Electronic Message. 162209Z 16 August 1994.
20. HQ AMC. "Monthly Category B Update Message #." Electronic Message. 161500Z, 11 September 1997.
21. HQ AMC/DON. "Category B Issues." Briefing. Scott AFB IL, 28 Aug 97.
22. HQ MAC/HO. *Anything, Anywhere, Anytime*. Scott AFB IL: Military Airlift Command, May 1991.
23. HQ USAF/ILTT. "FY 97 GSA/DOD Contract City-Pair Usage." Electronic Message. 282019Z, 28 January 1997.
24. Johnson, Gen Hansford T., Commander-in-Chief, United States Transportation Command. White Paper on Incentives for the CRAF. Scott AFB IL, 20 August 1992.
25. Maul, Col Greg and Col Murrell Porter. "Category B Crucial to Readiness." Briefing to Service Chiefs and Commanders-in-Chief, 25 Jun 1997.
26. Nettemeier, Mike. Chief, Transportation Working Capital Fund Management, Headquarters Air Mobility Command, Scott AFB IL. E-Mail correspondence. 27 January 1998.
27. Perry, William. Secretary of Defense, Washington DC. Official Correspondence to Gen Ron Fogleman, Commander-in-Chief, United States Transportation Command, 16 August 1993.

28. Porter, Col Murrell. "The Civil Reserve Airlift Fleet, Fiscal Year 1997." Briefing. Scott AFB IL, 1997.
29. Porter, Col Ron. "Flying Hour Program." Briefing to Advanced Studies in Air Mobility Students. Scott AFB IL, 16 October 1997.
30. Rasmussen, Brig Gen Craig P. (Draft) Memorandum on Government Procured Transportation--Temporary Duty and Permanent Change of Station." McGuire AFB NJ, 2 February 1998.
31. Reagan, Ronald. National Airlift Policy. *National Security Decision Directive 280*. Washington: White House, 24 June 1987.
32. Sistrunk, William H. Chief of Staff, Headquarters, United States Air Force. Official Correspondence to the Department of Defense Inspector General. Undated.
33. Tetzner, John. Transportation Working Capital Fund Manager, Headquarters Air Mobility Command, Scott AFB IL. E-mail correspondence. 3 March 1998.
34. True, Col James L. and Dr. William E. Nawyn. *The Airlift Service Industrial Fund 1958-1988*. Scott AFB IL: Military Airlift Command, 1989.
35. United States Transportation Command TCJ-3-OJ. "Joint Operational Support Airlift Center (JOSAC) Customer Brief." Briefing for JOSAC Customers. Scott AFB IL, 26 January 1998.
36. United States Transportation Command. Bullet Paper on Defense Transportation System Rates vs. USTRANSCOM Costs. Scott AFB IL, 18 April 1997.
37. United States Transportation Command. *Understanding the Defense Transportation System*. USTRANSCOM Handbook 24-2. Scott AFB IL: USTRANSCOM/TCJ-5-SP, 1 April 1997.
38. Vidinha, Robert J. (Draft) Bullet Paper on Temporary Duty and Permanent Change of Station Travel. McGuire AFB NJ, January 1998.
39. Vidinha, Robert. Traffic Management Officer, McGuire AFB NJ. Personal Interview. 2 February 1998.

VITA

Capt Christopher A. Pike was born on 24 February 1966 in Huntsville, Alabama, where his father was serving a tour of duty in the Army. The Pike family returned to their native state of Connecticut six months later and Chris grew up there, graduating from Stratford High School in 1984. Chris entered the U.S. Air Force Academy two weeks later. He majored in both International Affairs and Military History and graduated with a Bachelor of Science degree on 1 June 1988. He received his commission on the same day.

After graduation, Lt Pike attended training to become a Transportation Officer. His first permanent assignment was to McChord AFB, Washington, where he served two years in the 7th Mobile Aerial Port Squadron. His second assignment was to the 619th Aerial Port Squadron at Hickam AFB, Hawaii; he was promoted to Captain in 1992. His next assignment was a remote tour to Keflavik Naval Air Station, Iceland; he served as the 35th Wing's Chief of Transportation and as Commander, 35th Logistics Support Flight. In 1994 Capt Pike began a cross-flow assignment as a logistics plans officer at HQ 19th Air Force and HQ Air Education and Training Command at Randolph AFB, Texas. While there, he earned a Masters of Business Administration from St. Mary's University of San Antonio, Texas. In 1997 Capt Pike entered the Advanced Studies of Air Mobility program at the Air Mobility Warfare Center, McGuire AFB, New Jersey.

Permanent Address: 264 Plymouth Street
Stratford, CT 06497

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188), Washington, DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE June 1998		3. REPORT TYPE AND DATES COVERED Graduate Research Paper
4. TITLE AND SUBTITLE DUTY PASSENGER TRAVEL: EDUCATION AND ANALYSIS			5. FUNDING NUMBERS	
6. AUTHOR(S) Christopher A. Pike, Captain, USAF				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Air Force Institute of Technology 2750 P Street WPAFB OH 45433-7765			8. PERFORMING ORGANIZATION REPORT NUMBER AFIT/GMO/LAL/98J-13	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) AMWC/WCDA 5656 Texas Avenue Ft Dix AIN NJ 08640			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES				
12a. DISTRIBUTION AVAILABILITY STATEMENT Approved for public release; distribution unlimited.			12b. DISTRIBUTION CODE	
13. ABSTRACT (Maximum 200 words) The purpose of this paper is to examine this question: How can the DOD efficiently manage its organic air passenger capability, yet simultaneously maintain its partnership with the commercial airlines? The issue bears examination because millions of tax dollars are spent annually on air transportation for duty passengers. The management process for moving duty passengers must simultaneously support three goals: military readiness, national airlift policies governing civilian carriers, and reduced costs to the taxpayer. The paper identifies areas where this balancing act fails, and offers suggestions for improvement which will help to benefit individual travelers and will reduce redundant systemic costs without sacrificing readiness. Because the paper also provides a survey of all the methods available for moving duty passengers by air, it serves as an educational tool for commanders, as well. Because no previous literature on the subject exists, research centered on primary documents and interviews with critical managers of the process. As background information, the paper discusses funding systems, the National Airlift Policy, and the CRAF. It also describes in detail the options available for moving duty passengers by air. Finally, the paper conducts a case study of the Category B program.				
14. SUBJECT TERMS Transportation Working Capital Fund, Operational Support Airlift, Passenger Reservation Centers, Duty Standby, GSA City Pair Program, National Airlift Policy, Civil Reserve Airlift Fleet, Joint Movement Control Group, Global Transportation Network, Category B Travel			15. NUMBER OF PAGES 99	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT UNCLASSIFIED		18. SECURITY CLASSIFICATION OF THIS PAGE UNCLASSIFIED		19. SECURITY CLASSIFICATION OF ABSTRACT UNCLASSIFIED
				20. LIMITATION OF ABSTRACT UL

AFIT RESEARCH ASSESSMENT

The purpose of this questionnaire is to determine the potential for current and future applications of AFIT research. **Please return completed questionnaire to:** DEPARTMENT OF THE AIR FORCE, AFIT/LAC BLDG 641, 2950 P STREET, WRIGHT-PATTERSON AFB OH 45433-7765 or e-mail to dvaughan@afit.af.mil or nwiviott@afit.af.mil. Your response is **important**. Thank you.

1. Did this research contribute to a current research project? a. Yes b. No

2. If you answered YES to Question #1, do you believe this research topic is significant enough that it would have been researched (or contracted) by your organization or another agency if AFIT had not researched it? a. Yes b. No

3. The benefits of AFIT research can often be expressed by the equivalent value that your agency received by virtue of AFIT's performing the research. **Please estimate** what this research would have cost in terms of manpower and dollars if it had been accomplished under contract or if it had been done in-house.

Man Years _____ \$ _____

4. Whether or not you were able to establish an equivalent value for this research (in Question 3), what is your estimate of its significance?

a. Highly Significant b. Significant c. Slightly Significant d. Of No Significance

5. Comments (Please feel free to use a separate sheet for more detailed answers and include it with this form):

Name and Grade_____
Organization_____
Position or Title_____
Address