

United Terminates Some Agents' Access to Credit Card Tickets

06/25/2009

ASTA has received confirmation that United Air Lines has terminated some agencies' right to process credit card transactions effective July 20, 2009. Select agencies were advised yesterday by overnight letter that they will "no longer have continued access to United's credit card merchant agreements, including but not limited to Visa, MasterCard, American Express, Discover, Diner's Club and JCB cards." They were also told to "(a) process cards under (their) own merchant agreement(s), if any, and (b) settle in cash with United." The number of travel agents targeted by United, and the reason why certain travel agents were targeted, but not others, is still not clear.

There are many business implications with this announcement, from agents absorbing United's cost of doing business, to the business processes that travel agents would need to modify. Not only will this require agents to absorb United's merchant fees, but agent's ARC bonds will likely increase as cash sales increase. Also, by acting as the credit card merchant for United's transactions, United is passing on its risk of credit card charge-backs related to airline performance on to the backs of travel agents.

The operational challenges, and costs, are also enormous. Travel agents have back office, mid-office, front office and consumer facing booking tools that must be reprogrammed to accommodate a change of this magnitude. Online booking tools do not have automatic controls that would allow an agent to refuse a certain airline's booking based on the form of payment or for the travel agent to automatically charge a customer's credit card as a merchant for certain airline transactions.

Of course there are other issues as well, such as agency access to merchant accounts. Most agents access merchant services through the Airlines Reporting Corporation's (ARC) Travel Agent Service Fee (TASF) program. And this program is designed to process service fees, not airline tickets. ARC has a \$500 limit on transactions processed through the TASF program. Even agents with their own merchant accounts are at risk to lose their merchant status with a substantial increase in average transaction price.

ASTA is still gathering facts on this development and we will be analyzing it on many different levels. To help with this endeavor, let ASTA know if your agency has received this letter. ASTA needs your help to understand very precisely the commercial impact of this change, including the cost, timing and feasibility of workarounds. Please send your input to askasta@asta.org.

ASTA will update members as the situation unfolds.