



## Introduction

UATP is a proprietary payment network owned and operated by, and for the benefit of, the global airline industry. UATP's core business is B2B payments between carriers and their best customers, business travelers, resulting in higher yields and enhanced customer loyalty. UATP also facilitates the acceptance of alternative forms of payment, such as PayPal, for the industry – this, too, brings down the cost of sale (in the leisure market).

## Financial Benefit to the Airline Industry

In sum, airlines issue UATP accounts to companies to facilitate direct corporate sales. This not only generates higher yields via direct sales, but it also allows carriers avoid traditional credit card merchant fees and it creates payment processing revenue (whereas the airline industry pays credit card fees that are retained by banks in traditional card networks, with UATP those fees are earned by carriers). When a carrier accepts its own UATP accounts, it is a free transaction, meaning an issuing carrier will save an average of 2-3% on a typical business class fare (even accepting a competitor's UATP card saves approximately one percent). When a UATP card is used on another airline, the issuing carrier earns the merchant fee (processing revenue).

In 2014, UATP will process over USD 14 billion in charge volume which translates to revenue and cost avoidance to the industry of over USD 350 million. Over the last decade, network charge volume has doubled in size but its growth has been outpaced by competitors (e.g., American Express). The more transactions that can be processed via UATP means greater cost savings and revenue for the airline industry. UATP has only 40 employees and a small P&L, thus UATP provides an extraordinary ROI to its Members.

## Cost Reduction

Other card brands are important partners to the industry, particularly affinity cards in the leisure market, but UATP's focus is the corporate market and more should be done here. Every airline should make UATP a key part of its distribution strategy in order to reduce the cost of sale. It used to be that GDS fees were problematic for the airline industry; however, today, credit card fees outweigh those costs. In 2012, in the US market alone, the airline industry paid USD 7.1 billion in credit card fees and associated costs (PhoCusWright, Sept 2013). If the industry can reduce GDS costs as it has, and completely revolutionize the travel industry commission market, certainly it can address the high costs associated with the acceptance of credit cards, especially for business travel.

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## Low Barriers to Entry

Airlines can quickly bring to market payment solutions by using UATP's DataStream corporate billing system. DataStream is a web-based based application fully hosted and operated by UATP. The cost of the system can be offset by the revenue that an airline generates from issuing UATP accounts.

UATP also offers DataMine which is a transaction portal that provides comprehensive insight into UATP account transaction detail. The tool is available for use by corporate customers, internal airline users and travel agencies. Users can access up to thirteen months of ticket-level data and easily generate reports that can be customized to suit specific needs. When combined with the DataStream application, DataMine provides users with real-time access to credit limits, balances, and available funds for all UATP account types.

## Additional Benefits & Utility of Issuing UATP

Below are some of the additional uses and benefits for airlines that issue UATP accounts:

- Increased Leverage in Payment Network Negotiations

As noted above, credit card acceptance costs are a major operating expense for the airline industry. Carriers around the world are beginning to address this issue by employing strategies and tactics that facilitate the reduction of this cost. It is widely known that UATP issuance plays a major role in transaction-level payment cost reduction. Additionally, it is important to note that UATP issuance helps airlines achieve a stronger position in the negotiation of their merchant agreements with other credit card networks. Airlines with robust UATP programs are able to demonstrate a strong and competitive alternative to standard payment networks providing them with valuable leverage in these negotiations.

- Cruise and Travel Packages

Cruise line operators often rank as some of the largest and most important customers for airlines. As such, they have the power to negotiate significant discounts to include net fares in select instances. UATP Issuers can help preserve yield and offset the cost of these discounts by significantly reducing the cost of payment associated with these transactions.

Most of the world's leading cruise lines rely on UATP to provide air travel payment and reconciliation solutions for corporate and crew travel. Furthermore, UATP accounts form the backbone of many Air and Sea departments within the cruise line industry.

Best-in-class air travel reporting data is another feature of the UATP Network that drives the high adoption rate among cruise lines. UATP provides ticket-level detail on each transaction regardless of point of sale or geography. UATP's single acquirer structure allows the network to maintain rigorous data quality standards which is of paramount importance due to the very large transaction volumes generated by the cruise line industry.

- Distressed Passenger Compensation

UATP Issuers are able to manage distressed passenger compensation by leveraging the flexibility of the UATP Authorization System. Issuers can create payment vouchers on-demand as compensation for customers when deemed commercially necessary. The vouchers can be redeemed online or in any airline distribution channel where UATP is accepted as a form of payment. Issuers can easily manage

and control the voucher expiration dates in accordance with airline policy. The distressed passenger compensation program can drive incremental sales as well as protect customer loyalty and goodwill.

- Prepaid / Gift Cards

In partnership with UATP, the leading providers of consumer prepaid/gift cards are able to deliver a world-class solution for the airline industry. In the past, prepaid/gift card programs designed for airlines were challenged by limited acceptance points and complex back-office reconciliation requirements. UATP-powered prepaid/gift card programs benefit from the fact that airlines can enable redemption and acceptance at any direct airline distribution point that accepts UATP. This includes online, call centers, and even airports. Airlines that offer UATP-based prepaid/gift cards improve the customer experience and streamline back-office accounting. Two notable gift card solutions that UATP has assisted in bringing to market include Air Canada's and the award-winning travel voucher program at Air Berlin.

- Government Travel

UATP is an ideal solution for managing government travel. In many instances, government travel is centralized which makes for a seamless transition to a UATP central bill account. As noted earlier, UATP provides ticket-level data on all transactions regardless of point of sale. This allows government travel managers to easily reconcile and audit all ticket purchases.

- Barter

UATP is an efficient and cost-effective way for airlines manage barter programs with suppliers and vendors. Barter accounts can be structured to ensure maximum control through the use of the UATP Authorization System. The system provides detailed statements that itemize all transaction activity.

- Alternative Forms of Payment (AFP)

UATP's Alternative Form of Payment (AFP) connectivity service allows airlines to accept popular forms of payment, e.g., PayPal, with a limited amount of IT development and impact to the airlines revenue accounting department by using UATP's existing infrastructure. The service utilizes an airline's existing UATP Merchant connection to bring quickly to market the new form of payment. Once implemented, the service provides airlines with detailed reports that facilitate financial reconciliation. For the consumer, the process is completely transparent in that they follow their familiar login and verification procedures to initiate the transaction.

The following carriers accept AFPs via their UATP connectivity: American Airlines, Air Berlin, AirTran Airways, Aeromexico, British Airways, Delta Air Lines, Etihad, JetBlue Airways, Iberia, Lufthansa German Airlines, Southwest Airlines, United Airlines, US Airways and Virgin Australia.

## Conclusion

UATP is a product that returns important financial and loyalty benefits to the airline industry but needs greater utilization. Volume should be in the USD 40-50 billion range thus enhancing the material return from which airlines already benefit. Making UATP a part of its distribution strategy should be a priority of every airline.

# UATP Shareholders

