

Lack of bank guarantees may put 18 travel agents out of business

Iata says agencies must provide financial security to sell tickets

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Abu Dhabi: As many as 18 travel agents or sales intermediaries (SSI) in the UAE could go out of business due to lack of bank guarantees, a requirement imposed by the International Air Transport Association (IATA), *Gulf News* has learnt.

IATA-accredited travel agents are required to provide a financial security in the form of a bank guarantee in order to sell airline tickets and settle those sales through the Business and Settlement Plan (BSP).

Dr Majdi Saberi, IATA's regional vice-president for the Middle East and North Africa, told Gulf News: "This requirement is not new. BSP Gulf covers Bahrain, Oman and Qatar in addition to the UAE. The airlines and agents that sit on the Agency Programme Joint Council decide the level of financial security required. IATA has no part in it. IATA's role is to apply the accreditation criteria in a neutral manner,"

The accreditation criteria, according to Saberi, is designed to ensure that an agent is professional with proper facilities, has sufficient qualified staff and is licensed by the relevant government department.

BSP net sales

There are currently 482 IATA-accredited agents in the UAE.

"In 2009, the UAE was 18 per cent down in BSP net sales versus the previous year. However, December 2009 exceeded sales of the previous year. This was the first month of 2009 where an improvement had been seen versus the previous year," said Saberi.

However, for travel agencies like Bin Harmal Travel and Tourism (BHTT), general sales agent (GSA) of Emirates, that scenario may be true, but cannot be substantiated with accurate figures.

"We were doing fine as an SSI until December 2009 when IATA imposed bank guarantees on us. We have always respected payment schedules and paying smaller amounts of bank guarantees to airlines as an SSI. Besides, BSP in the UAE did not exist

for many years like IATA claims, they are newcomers to the UAE market," George Habib, manager of BHTT, told Gulf News.

In it for money

"They hook you, make you pay a higher guarantee, and that's all they care for at the end of the day. I think the most important thing for IATA is financial resources. I don't think the accreditation criteria are of the utmost importance for them."

In a statement to Gulf News, IATA confirmed there are no significant differences in the number of UAE travel agents voluntarily ceasing operations in recent months versus previous years.

"We have 70 locations in the UAE that are operating under the SSI programme that did not apply for IATA accreditation. Many of these locations are general sales agents serving one or more individual airlines. GSA locations cannot obtain IATA accreditation as they are dedicated to ticket sales of one or more individual airlines," Saberi said.

Hani Khorshed, secretary general of the Travel and Tourism Agencies Council, said: "Around 60 per cent of non-IATA agents are still operating outside IATA. [The] above figure is only in Abu Dhabi, we can say that in other Gulf states the percentage is higher."

Agents are still struggling to introduce the insurance scheme as a parallel system to the bank guarantee imposed by IATA, he added.

IATA support

Mahmoud Ahmad Ali, managing director for NBB Travel and Tourism, has been IATA accredited for 28 years, and feels that if travel agencies cannot pay the minimum \$100,000 (Dh367,000) as a bank guarantee, they should not remain open.

"If you cannot generate a business, then don't become an IATA agency. I give IATA \$100,000 and my sales are over Dh1 million. Other agencies give a bank guarantee of roughly Dh300,000 to Dh500,000 depending on their sales revenue. As your sales grow more, you enhance your guarantee," he said, adding that IATA has the right to close an agency if they miss bank guarantee payments, he said.