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## Airline Programs: How Your Frequent Flier Miles Can Disappear

Practical Traveler

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*IdeaWorks contributed information to this article - - see italics near end.*

WITH airline partner programs that let travelers earn miles for everything from dining out to ordering contact lenses, there is no shortage of ways to rack up frequent flier miles these days. But redeeming them for a free ticket — as many travelers have learned — is not as simple. Blackout dates, limits on eligible seats, and competition among frequent fliers for popular destinations often make it so difficult to trade miles for flights that travelers just give up.

But if you have not touched your frequent flier accounts in a while, now might be time to do some mileage upkeep. At least two major carriers — Delta and US Airways — are quietly imposing new rules that reduce the amount of time a frequent flier can leave an account inactive without forfeiting it. Starting Jan. 31, US Airways Dividend Miles accounts will be closed, and all miles forfeited, if there has been no activity, either earning or burning miles, within 18 consecutive months. That's down from the current three-year mileage account expiration date.

Delta is cutting the life span of frequent flier miles down to two years from three and has instituted a retroactive deadline. On Dec. 31, miles in SkyMiles accounts that haven't been touched over the last two years will expire. The airline says it is sending letters to frequent fliers whose miles are in jeopardy and will follow up by e-mail. But Delta frequent fliers who have not updated their postal or e-mail addresses — or who regard airline messages as junk mail they don't need to read carefully — could be caught off guard.

“What has always kind of given me pause since I've been aware of this,” said Tim Winship, publisher of FrequentFlier.com, which tracks loyalty programs, “is the way they are doing it — retroactively. This will catch a lot of their members unaware unless they do a real bang-up job at getting the word out between now and the end of the year.”

And the introduction of the shorter life spans, he said, could very well trigger a change in what has been a common rule of major carriers: that miles do not expire as long as there is some kind of account activity every three years. For now, however, airlines including American, Northwest and United have not followed suit and are sticking with the three-year rule.

Some frequent fliers may be confused to hear that they could lose their hard-earned miles. That's partly due to airline semantics. Northwest and Continental, for example, insist that miles do not expire. But accounts can be canceled. If no activity is posted for a given period (three consecutive years for Northwest, 18 months for Continental), the account is subject to termination, and all accrued mileage can be lost.

Some discount carriers, like Southwest and ATA, known for having among the least consumer-friendly award policies, have actually been loosening their rules. Until August 2005, Southwest Rapid Rewards credits expired after just 12 months. That policy has since been liberalized to allow credits to stay active for 24 months. ATA announced earlier this month that points earned on qualifying flights and partner transactions on or after Oct. 1, 2006, would be valid for 24 months instead of 12. JetBlue points still expire 12 months after they are earned. But in August, JetBlue began allowing frequent fliers to extend the longevity of points for a year by using a JetBlue Card from American Express either to buy a JetBlue ticket or to spend \$200 on other purchases.

***The number of reward tickets the airlines doled out last year was about 15.6 million, up 6.5 percent from 2004, according to the IdeaWorks Company, which analyzes the annual financial statements that major domestic airlines file with the Securities and Exchange Commission (known as 10-K reports) to determine frequent flier reward activity. But the total reward liability — the approximate value that the airlines place on future reward tickets — increased even more, by 13.9 percent, suggesting that airlines increased the number of miles given out.***

***A significant number of those miles are deleted by the airlines each year. "The airlines are financially benefiting from the expiration of miles," said Jay Sorensen, the president of IdeaWorks. "They anticipate a certain percentage won't be redeemed." Last year, for example, 14 percent of miles earned on Southwest Airlines expired or sat in inactive accounts, according to IdeaWorks. Nearly 18 percent of rewards earned on United Airlines and 24 percent earned on US Airways expired or went unused.***

Airlines are quick to point out how easy it is for a traveler to extend the life of a frequent flier account and keep miles from disappearing. One of the easiest ways is to buy something through an airline partner. All the major carriers have retail partners, allowing customers to earn miles with mundane purchases. Northwest and Continental, for example, have partnerships with a wide range of online stores including Apple.com, Barnesandnoble.com and Target.com that let fliers earn a few miles for every dollar spent. All frequent flier members must do is go to the retailer's Web site through a link on the airline's site, rather than directly.

Travelers can also keep their accounts active by spending miles through links on the airline's Web site for charitable donations or small purchases, like a magazine subscription for 400 miles.

Reactivating miles after they expire is not as easy. Most airlines simply won't let you do it, and the few that do charge hefty fees. Until the end of 2007, American Airlines will allow its frequent fliers to buy back miles that expired on or after Dec. 31, 2002. Every 5,000-mile block costs \$50, with a fee of \$30 per transaction. In conjunction with its new mileage expiration deadline, US Airways is introducing a reactivation policy that will allow its frequent flier members to buy back their miles and extend their accounts for an additional three years. Cost: one cent per mile, plus a \$50 fee for each transaction.

But in many cases it's better to cut your losses. "Let's be blunt," Mr. Winship said. "It's a bad deal if you calculate it out." If 25,000 miles had expired, he said, the cost to reactivate them would be about \$300. For that price, or not much more, you can buy a round-trip ticket from New York to Los Angeles outright. Besides, he said, "It really is hard to justify from a consumer's standpoint reactivating those miles which really you already paid to earn once."