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Hoarding miles may not pay off

Frequent flier perks can lose value, given state of airline industry

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When it comes to frequent flier miles, Jay Rein has a simple rule.

"If you have an opportunity, use 'em. Because you can lose 'em," says Rein, who operates travelworm.com, an Internet-based travel package provider.

That advice from Rein and others comes at a time when U.S. airlines are undergoing serious turbulence - the result of a declining demand for air travel coupled with record-high jet fuel prices.

Denver-based Frontier Airlines Corp. is in Chapter 11 bankruptcy, reorganizing its finances. Oak Creek-based Midwest Air Group Inc., corporate parent of Midwest Airlines and Midwest Connect, could land there as well if it's unable to negotiate new terms with its lenders, creditors and union flight crews.

Midwest has received a lot of calls from customers concerned about their frequent flier miles, says spokesman Michael Brophy. He says passengers shouldn't worry about being able to redeem miles.

"It's business as usual," Brophy says.

Nearly all airlines are cutting back on flights and jobs, and a few carriers - such as Skybus Airlines, which included a brief Milwaukee-Columbus, Ohio, route - have been liquidated.

So, should travelers be worried that their frequent flier miles, which they've been painstakingly accumulating for that winter vacation or special getaway, will soon be gone with the wind?

Not necessarily, according to Rein and Jay Sorensen, a Shorewood-based airline industry consultant. Travelers shouldn't panic, even if their airline goes into Chapter 11, they say. But they also shouldn't hoard their miles.

"People like to accumulate them like they're sitting in the bank and have value," Rein says. But those miles can lose their value, he says.

Fees enacted

The most obvious example is when an airline raises the bar on how many miles a traveler must accumulate before they can be redeemed for a free trip, Rein says. That's been happening as the price of oil, and jet fuel, remains high, he says.

In addition, some airlines have enacted fees for passengers who redeem their miles for free flights. Among those carriers is Delta Air Lines Inc., which announced it will enact the fee, which it calls a fuel surcharge, for award tickets booked after Aug. 15. The fee will be \$25 for a domestic flight and \$50 for an international flight.

So, there's a strong incentive for a traveler to redeem miles sooner rather than later, Rein says.

Another concern raised by travelers is whether their frequent flier miles earned at one airline will be honored by another if carriers merge. This resonates in Wisconsin, where Northwest Airlines Corp., the No. 2 carrier at Milwaukee's Mitchell International Airport, is being acquired by Delta. Northwest and Delta shareholders will vote Sept. 25 on the stock swap that would join the companies.

Sorensen says he's never heard of an acquiring airline refusing to honor the frequent flier miles accumulated by passengers at the airline being sold. Delta wouldn't want to anger Northwest customers by not honoring those miles, Sorensen and Rein say.

The only changes that might occur would likely involve the enhanced benefits for elite members of the frequent flier programs, Sorensen says.

"They'll probably take the best of both worlds," Sorensen says about the merging of the Delta and Northwest programs.

Meanwhile, Midwest and Northwest frequent fliers can redeem their miles for tickets from either carrier, but Midwest would need to negotiate a similar reciprocity program with Delta once it purchases Northwest.

Tickets may be affected

Airlines in Chapter 11 bankruptcy, in which a company restructures its finances under court supervision, rarely mess with their frequent flier programs, according to the experts. Again, there's nothing to gain by alienating customers.

However, a handful of smaller airlines - Skybus, ATA Airlines and Aloha Airlines - have simply disappeared this year when they went out of business.

"If you had miles in the Aloha program, you were out of luck," Sorensen says.

Midwest and most other airlines are planning service cuts - most of which have not yet been specified. So a ticket secured with frequent flier miles could be affected, the same as if that ticket was purchased, Sorensen says.

If a destination or route is eliminated, airlines have pricing agreements with each other that enable them to rebook passengers on flights to the same destination with certain fare classes. If that doesn't work, passengers can request refunds.