

Forget About Storing Up Frequent-Flier Miles

With airlines facing bankruptcy, consolidation, or worse, you should use your miles now

Carrie Levine
July/August 2005 issue

Because of strict mileage requirements and limits on the number of free seats per plane, it's harder than ever to earn a flight. Passengers have also discovered that awards tickets are often no longer free--you might have to pay flight taxes or a transaction fee, and getting an upgrade may cost you miles as well as a couple hundred bucks. Since airlines are growing increasingly stingy with benefits, and there's no guarantee loyalty programs will be around forever, smart travelers are using their miles while they can.

Plan ahead

Awards seats are released 330 days before departure, and booking early is the best bet. Try not to get frustrated. The airlines aren't up front about it, but on some flights they don't grant any freebies. So forget about scoring a flight to the Caribbean or Europe leaving the weekend before Christmas. Whether you're searching for cheap fares or trying to use miles, the same advice applies when you hit a dead end: Be flexible, travel midweek, and avoid peak season.

Search online

Rather than calling an agent to look up one date at a time, go online. Carriers want to push customer service to the Internet, and that's often the easiest place to book frequent-flier tickets. On Continental's website, for instance, a calendar shows which days are available for redeeming miles.

Don't give up

If a flight isn't filling up as the departure date gets closer, airlines will sometimes release frequent-flier seats. Most charge a late-booking fee of about \$50 if you're trading in miles with less than two weeks' advance notice--which is still better than paying full price. Use miles elsewhere: Most programs let you trade in points for luggage, car rentals, and hotel rooms. However you do it, get something of value for miles.

Stay in the loop

Subscribe to your airlines' e-mail alerts and keep an eye out for promotions in which you go farther with fewer miles. Trading in 25,000 miles is the standard for a free domestic ticket, but this past spring, Continental offered last-minute round trips between Newark and Nashville for \$29 and 7,500 miles; and for 15,000 American Airlines miles, you could have flown round trip between certain airports in the Southwest and Canada on partner Alaska Airlines.

Consider buying miles

If you're just short of being able to cash in, paying for the extra miles is an option. Most airlines charge about \$30 per 1,000 miles, plus a transaction fee. It only makes sense if you're close to the breaking point. Go for the upgrade: You're never going to pay for it out of your own pocket, so if you've got enough miles, take the opportunity to fly in style.

And do it soon

Upgrades aren't as easy to come by as they once were. Last December, American started charging \$250 in addition to 25,000 miles each way for upgrades on many international flights. If your carrier's in bankruptcy, act now: Book tickets ASAP on your carrier or a partner. Even if your airline isn't around when the travel time comes, other carriers are more likely to honor an issued ticket than unredeemed miles.

Beware low-fare programs

Miles accumulated on JetBlue and Southwest Airlines expire every 12 months, so it takes an extraordinary amount of travel in a short time period to nab a free flight. With older carriers such as Delta and United, miles stay valid as long as your account is used once every three years.

Get creative

Giving miles away to friends, family, and business associates is perfectly legitimate. (Selling miles is not allowed--airlines have cancelled the accounts of people caught auctioning miles on eBay.) Transferring miles to another airline or hotel reward program is possible through sites such as Points.com and WebFlyer.com, though there's almost always a net loss in value. Another option is donating miles to charity. Large nonprofits such as the United Way have well-established programs for accepting miles. You won't get a tax deduction, but it's good karma.

How to Use Your Frequent Flier Miles

Redeeming your miles isn't as easy as you think. Read on for 10 insider tips and strategies for making the most of your well-earned rewards

C.J. Hughes
Wednesday, March 30, 2005;

For the seasoned road warrior, frequent flier miles are high-altitude currency, tucked away in a fat piggy bank for some spending spree down the road, whether for business or play.

Yet it may be better to break the bank sooner than later.

As older airlines hemorrhage money and newer airlines practically give away flights, the value of flying is in decline. That means the miles that buy the tickets to fly are declining, too.

So, rather than clinging desperately to those miles like dot-com stock offerings, watching them lose value while hoping they somehow turn around, take that trip to Kauai. Otherwise, you might have to settle for Kansas City.

Times weren't always so dire. Back in 1981, when American Airlines debuted its frequent flier program, "AmericanAdvantage," the system better favored the consumer.

Today, as other carriers have followed suit, cobbling together their own schemes to breed passenger loyalty, miles are earned on everything from groceries to long-distance phone calls. Everybody has miles stockpiled somewhere, so simply having them is not such a big deal.

To make matters worse for travelers, the rules of the vast, complicated frequent-flier miles game are constantly shifting. And, they usually tilt in favor of the house.

Better understanding of how the game works will help you milk the most out of your miles:

1. Redeeming miles is tough, getting tougher

If you want to fly to say, Dayton on a Tuesday, sure, you can probably lock in a seat. But that dream vacation may be much harder to lock down.

Airlines use sophisticated "yield management" software to perfect the art of knowing which flights are the most desirable, broken down per flight, by day. In any given year, only about 10 percent of all available seats may be available as "rewards" to passengers who want to cash in frequent flier miles.

But sometimes, every seat on a flight will be blacked out for those freebie-seeking passengers, and no one will be the wiser. That's the gist of a shocking internal American Airlines memo leaked to a frequent flyer website and picked up by the *The Wall Street Journal* in April. The memo (which was used to train new reservationists) acknowledges that even on some completely empty flights, there are no award seats available, even if the passenger books months in advance. Seats may open up eventually, it all depends on how the flight sells.

In other words, the system is far from transparent, and customers ultimately lose out, according to Tim Winship, contributing editor for *Frequent Flyer* magazine. "The airlines are worried about squeezing every last possible penny out of the demand out there," Winship says. "They don't want to displace a revenue passenger with a rewards passenger."

2. Watch out for other tricks

Another common complaint among business travelers is that airlines change the rules in mid-game, sometimes moving the finish line for an award. Whereas 25,000 miles may have been enough to land you a domestic, round trip restricted coach award--the de facto industry standard--you may end up racking up tens of thousands of more miles before a seat actually becomes available. Or you may encounter a reservationist who "suggests" you double the amount of miles for the frequent flyer seat to 50,000 and--bingo--the previously unavailable frequent flyer seat becomes available.

Certain travel agencies, such as [Award Planner](#) promise to find you a booking using your miles--often for flights that you've been told have no availability for reward tickets (they know all the tricks apparently). But for this service they charge a fee of \$39.95; \$99.95 for an annual membership.

Another zinger: rush charges, slapped on for making reservations too late. These can range anywhere from \$25 to \$75, depending how far in advance of your departure date you book.

And there are other fees. Air Canada, for example, now charges passengers \$25 Canadian per award ticket, if not purchased through its website. A few years ago, the same ticket would have, with miles, been totally free.

Regular business travelers are starting to notice, and lose faith.

"They make it impossible to travel anyplace desirable other than during monsoon season," says Jessica Wollman, a producer with Scholastic who flies about twice a month. "I usually hoard my miles and entertain fantasies of trips to tropical islands but end up using them for practical stuff, to get to weddings and job interviews."

3. At the end of the day, airlines win

Many people think that the way airlines make money is by "breakage," that is, by failing to redeem their miles for awards (more on this later). They don't. Their partnerships are the real profit-centers.

Take American, for example, which has the most participants, at 45 million (a somewhat disingenuous number; it includes every person who has ever signed up, living or dead, according to Winship of Frequent Flyer).

American boasts 1,500 partners, especially among hotels and rental-car companies. For every mile they award, the partner must pay American Airlines about two cents. It almost goes without saying that this adds up to hundreds of millions in revenue a year.

Compare the real, out-of-pocket cost of transporting you as a passenger. When you factor in the meal, a little jet fuel, and perhaps the time spent processing your ticket, that free ticket cost a measly \$15. Clearly, frequent flier partnerships pay off with huge profit margins.

4. Blame JetBlue and Southwest for the rules changes

With a lot of fanfare, these upstarts came along and essentially slapped time limits on their versions of frequent flier miles. That means, if you don't use hit a certain magic number within a 12-month period and then redeem the miles in for a free ticket, your miles simply expire.

To use industry lingo, JetBlue and Southwest are increasing the "breakage" frequency. You're losing miles almost as quickly as you can rack them up, so these airlines don't worry giving away seats. So unless the passenger is a constant jet setter, this will be a losing proposition.

On the other hand, with older carriers like American, United, or Delta, the rules have always been more generous: The life of a frequent-flier account is automatically extended within a three-year period whenever there is any form of activity within it.

"I learned quickly that those JetBlue miles aren't worth it," says Jay Akasie, an M.B.A. candidate at Columbia University who flies about a half-dozen times a year. "As far as miles programs go, I'd stick with the older carriers any day."

5) When your airline goes bust, don't be so sure your miles won't

The airline industry is mired in a slump, slammed by soaring fuel costs and stiff competition from aggressive discounters.

To be fair, miles don't always vanish. In 2001, when TWA filed for Chapter 11, American Airlines purchased all of its assets, including its "Aviators Program." Members, and their miles, were instantly grand-fathered in.

Regular business travelers on National Airlines, however, weren't so lucky. When the Las Vegas-based airline went kaput in 2000, so did its "National Comps" program. All that customer loyalty was for nothing.

5. Wheeling and dealing miles could get you grounded

Savvy travelers, for business and pleasure, should know it's perfectly acceptable to give a plane ticket earned with frequent flier miles as a gift, as long no money is exchanged.

When money changes hands, or it is bartered, that's a different story.

People to watch out for: coupon brokers, who match sellers and buyers of award tickets. It's a practice flies in the face of the rules of frequent-flier programs, which stipulate in strong terms that miles are for use by you and you only. (You're not supposed to even transfer tickets to your spouse.)

If you do go the route of buying somebody else's award ticket, be warned that if the airline finds out, it could easily confiscate it. Conversely, if you try to make a quick buck by selling your award ticket, and the airline somehow learns of it, it can close down your account immediately.

There are some exceptions. Air Canada, Continental, and Northwest are now allowing passengers to transfer unwanted miles into another person's account with the same airline. But there is a fee and limits on many miles you can actually transfer.

6. Funneling miles between different airlines will cost you dearly

The online agency Points.com through its contracts with different carriers does allow the exchange of miles between various frequent-flier programs. The catch is, they can only be moved among accounts that are actually registered to you. Even worse, you will generally lose a whopping 90 percent of the value of the miles in the conversion process to fees.

Industry analysts agree that this is usually not a wise path to take unless the traveler is absolutely sure she will never use the miles, or if the airline itself is in peril. In this event, for a business traveler, that extra cost to unload the miles may not be a big deal.

7. Keep tabs on miles yourself

With so many cross-promotions out there, it's sometimes to keep track of your miles' running total.

While hotels usually do a pretty good job of making sure the miles you earned for your room end up in your account, retailers can be downright negligent, since there is usually not the adequate infrastructure in place to convey all those miles from the store counter to your airline. At best, huge time lags will be involved, which could be disruptive to travel plans. Save all receipts, and give yourself a wide lead time before booking your reward ticket, to make sure you get the miles that are coming to you.

8. Besides miles, don't forget preferred customer perks

Miles, unfortunately, won't get you inside those comfy airport clubs that can be the only refuge of peace, quiet, and cleanliness in crowded airports.

Why? Airport clubs are separate revenue generators for airlines. They would rather stick you with an annual subscription than let you get in for "free."

Along the same lines, frequent business travelers may want to focus more on scoring "elite" status, based not on your lifetime flying miles, but how much you actually fly in one year. These tiered elite rewards can lead to seat upgrades--as available, of course--which for many harried road warriors are infinitely more valuable than any free trip to Tortola.

9. As currency, miles don't go far

Most airlines state it plainly; frequent flier miles are good for one thing only: airplane tickets.

For many travelers, that's too bad, because more creative uses for them would likely help to spend them sooner.

American Airlines is one of the few exceptions to the rule. In limited quantities, you can redeem your miles for rental cars and hotel rooms, which could be seen as somewhat ironic. While American is limiting the number of

freebie seats on its flights, according to the WSJ report, the airline is also turning back the clock to the way its frequent flier system operated a decade ago, when these kinds of cross-redemptions were available.

For those travelers who just want some gift for all those thousands accumulated miles, this policy adjustment may come as good news.

10. It will get worse before it gets better

As some airlines continue their possible death spirals, they may become desperate to create revenue by any means necessary. That could mean more hidden restrictions on when you can fly, higher upfront fees, and more widespread raising of award levels.

Yet the ad onslaught continues. The Citibank AAdvantage card is currently offering 10,000 bonus miles just for signing up, while United is currently topping that with 15,000 sign-up miles. Yet however tempting, it's clear these miles are worth a lot less now than just a few years ago.

And the system doesn't seem like it will clue in travelers about how it works any time soon.

"There is no transparency, and that is what is outrageous about the whole system," says Winship of Frequent Flyer. "Consumers are totally in the dark about all this."