Why the State doesn't collect and pool frequent flyer miles

To answer the question, why the State of Oregon doesn't collect Frequent Flyer Points into a pool in order to distribute to other employees for business travel. First off, all of the airlines view frequent flyer miles earned by the employees as personal property owned by that traveler and only the traveler may use the miles. Some airlines allow miles to be donated or gifted to another individual but not to an entity or pool. Airlines are also now becoming more restrictive on using frequent flyer miles. In some cases, travelers need to book up to 9 months in advance to use these miles.

There are 4 airlines that are offering programs to corporations and businesses that allow you to double dip in earning awards, in other words, the employee will earn his frequent flyer miles, and the business may earn points on the amount of money spent with the airlines. However, in order to participate in the airline programs, the corporation or business may not have any negotiated savings programs (or contracts) in place with the carriers. You have to fly using published fares. This could cost the State as a whole, over $7 Million in lost savings if we canceled our contracts to participate in these programs.

An example of how the State saves is with our negotiated savings to one of our top destinations, Washington DC. Our last minute contracted fare to Washington DC; Dulles Airport is $490 with United Airlines. (Our negotiated contracts are for Y-Class tickets, which are fully refundable, transferable and changeable and carries no penalties if changes need to be made. Comparing the same Y Class of ticket using published fares is $1,341.00. (Sept 1- 3, 2009) In 2008, 40% of the States travelers purchased and flew within 14 days of travel. Taking the difference of $904.44, multiplying by 4071 travelers who flew to Dulles and multiplying by 40%, the State would have spent an additional $1,385,768.40 for just this one market. By apply the same formula to all travel that occurred in 2008, there is a savings of $2.9 million at 40%, up to a possible $7.2 million if 100% of our travelers weren't able to purchase tickets outside of the 14 day window.

Alaska, American, Continental and Delta offer a business program to accrue miles. The State currently holds a contract with one of the airlines, Alaska, and held contracts with American and Delta. Factor the number of trips taken and the amount spent with each of the 3 carriers to calculate the savings the State received as a benefit of the contracts. As a whole, the state saved $1,069,488. SPO calculated if the State would have flown using a published fare, and the amount of free tickets the state could have earned. It amounted to 634 tickets. Taking 634 tickets, multiplied by an average ticket price of $400, the State would have received a $253,729 benefit. Comparing this amount to the savings the State received by having the Contracts, the state would have had a net loss of $815,715 in just fares alone.

As mentioned earlier, in addition to the benefit of our contracted fares, our contracts allow for changes, refunds and voids with no penalties. Last year the State processed 1138 refunds and 2101 exchanges. The average fee charged by the airlines with published fares is $100. This is an additional $323,900 in savings the State received.

This doesn't include the $401,826 in tickets that were refunded back to the state. If those tickets weren't able to be reused under the travelers name in a year's time, the State would have lost that money. The total net loss without the contracts would be $1,139,658(not including unused tickets), or $1,541,484 including unused tickets.

In conclusion, the State could have a loss of up to $7.2 million per year, to gain $254,000 in free tickets by signing up with these programs.

Updated 8/28/2009