



# Memorandum

U.S. Department of  
Transportation  
Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **INFORMATION:** Audit Announcement -  
Review of DOT's Oversight of Airlines' Frequent  
Flyer Programs  
Department of Transportation  
Project No. 14A30011A000

Date: September 11, 2014

From: Matthew Hampton   
Assistant Inspector General  
for Aviation Audits

Reply to  
Attn. of: JA-10

To: General Counsel

For more than 30 years, major airlines have offered frequent flyer programs to encourage travel on their respective airlines and secure customer loyalty. In addition to earning awards by flying, participants can earn awards for free travel by using certain credit cards and purchasing services from non-airline partners such as hotels and rental car agencies. Currently, there are an estimated 647 million members enrolled in various frequent flyer programs worldwide, with 306 million members enrolled in U.S. airline programs.

The Department of Transportation (DOT) does not have regulations directly related to the terms of airline frequent flyer program contracts. These are matters of individual airline policy. However, DOT does require that airlines disclose their frequent flyer program rules. DOT also provides guidance to airlines for disclosing costs they may assess related to bookings of frequent-flyer award travel.<sup>1</sup> Failure to adhere to DOT's guidance could constitute an unfair and deceptive practice in which enforcement actions can be pursued against the airlines.

In July 2014, Representative Alan Grayson requested that we examine airlines' frequent flyer program practices. In particular, Representative Grayson expressed concerns about the lack of transparency for consumers when airlines change their frequent flyer program terms and conditions. Accordingly, our audit objective will be

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<sup>1</sup> Under DOT guidance, any government fees or taxes or mandatory carrier charges, such as processing fees the consumer must pay in frequent-flyer award programs, must be shown on the airlines' Web sites.

to assess DOT oversight of airlines' compliance with frequent flyer program disclosure requirements.

We plan to begin our audit later this month and will contact your audit liaison to schedule an entrance conference. We will conduct our work at DOT Headquarters and selected airlines (to be determined). If you have any questions, please contact me at (202) 366-0500 or Scott Macey, Program Director, at (415) 744-0434.

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cc: DOT Audit Liaison, M-1