

20190916 Submission to the ACCC Customer Loyalty Schemes Review

Submission date: Monday 16th September 2019
Submission from: Merzi

Please find below the feedback due 3 October 2019 for loyalty schemes requested through the ACCC's request for public submissions in response to the 'ACCC Customer loyalty schemes - draft report'.

Item 1: Institutions are fleecing the general public with hidden and extra charges during redemption

A submission on this matter has already been made to the ACCC on 13th April 2014 under ACCC reference number: 610613.

This matter is repeated for reference below;

My complaint is as follows:

- 1. When booking an award redemption fare, the final total cost of the booking is comprised of A. frequent flyer points and B. a dollar surcharge for "taxes, fees and carrier charges", etc.*
- 2. The problem is that the surcharge (covering fees, charges, etc.) is roughly equal to a normal (discount) economy airfare.*
- 3. Overall this means the consumer's points are worth nothing as the consumer is paying points, and then being levied approximately the normal cost of the fare anyway.*

This is unacceptable - the airline is simply passing on charges which should be covered by the award redemption.

I have attached a screenshot of the following fare:

Booking date: Tuesday 1 April 2014 for the following itinerary:

SYD > LAX for travel August 2014.

A normal economy seat sells for AUD1,200 return.

As per the attached image, you can see the breakdown of the award fare as follows:

- Points: 98,000

- Extra Charges: 852.36

Essentially Qantas is charging 98,000 points for a saving of less than AUD350.

It is unacceptable that AUD852 of extra charges fall outside of what is covered by the award points.

This same scenario occurred with a booking I attempted to make NYC > Vancouver in 2011 - in that instance the extras charged during the award booking were MORE than the full cost of an economy fare.

"Taxes, fees and carrier charges" are a component of any fare. The points during award redemption are already extremely high and these points should cover those charges.

[SELECT](#)**CHECK**[BOOK](#)[PAY](#)

Check

[? Help](#)

Check your itinerary and read and accept our terms and conditions before you continue.

Your Flights

1 Adult

Flight Out	From	To	Flight	Travel Class	Award Type	Baggage
Mon 11 Aug 14	13:05 Sydney Duration: 13h 40m	09:45 Los Angeles Stops: 0	 QF11	Economy	Qantas/Partner	Per Adult: 2 pieces
Flight Back	From	To	Flight	Travel Class	Award Type	Baggage
Tue 9 Sep 14	23:50 Los Angeles Duration: 14h 45m	07:35 Thu Sydney Stops: 0	 QF108	Economy	Qantas/Partner	Per Adult: 2 pieces

[Change Flights](#)

Important Information

 = Qantas flight

Terminal Information

Qantas flights QF1 - QF399 depart from and arrive at the International Terminals. All other Qantas flights depart from and arrive at the Domestic Terminals.

Total Price

Points available	153,151	Trip Price for - 1 x Adult:	96,000
Number of seats	1	Total Trip Price:	96,000
		Points required	96,000
		Points balance after this booking	57,151
		Card Payment*	\$852.36 (AUD)

* Includes taxes, fees and carrier charges except any local airport fees collected at time of check-in.

Item 2: Redemption hidden costs replicate drip-pricing – a practice which should be prohibited for all scenarios

All quotes provided for loyalty scheme redemptions should have all pricing visible up-front.

It is unacceptable to obtain quotes for redemptions, only to be slugged ++ charges at the end of the booking process. Regardless of any disclaimers, the 'extra' costs that consumers are slugged with during a redemption booking, should be built in to the up-front redemption price.

This allows consumers to accurately compare real pricing and improves competition.

The practice of drip-pricing was publicly outlawed by the ACCC, specifically targeting the airline industry, however a variety of this still exists with loyalty redemption.

Item 3: Systematic dilution of value to the consumer is misleading and deceptive

Some loyalty schemes such as the Qantas Frequent Flyer Program are systematically diluting the value of their loyalty schemes and most importantly, this behaviour is intentional.

It is a guaranteed symptom of some loyalty schemes marketing and advertising strategies.

Some of these schemes reward new customers with hundreds of thousands of points for sign-up bonuses etc. – it is then inevitable that loyalty points in the existing pool will be devalued.

As such, promoting a loyalty scheme as being worth a certain value is deceptive, as it is almost guaranteed that the point holders' value will significantly deteriorate. Add the issues from items 1 and 2 above and the deterioration effect is exemplified.

Item 4: Loyalty Value 'Expiration'

Loyalty value earned under the loyalty provider's scheme should never 'expire'.

Rewards are a form of liability. Just as a corporation cannot expire a cash liability, they should not be able to expire a rewards liability.

There is no logic underpinning the expiration of points based on some calendar date or period.

Loyalty points should never 'expire'.

It is a blatant attempt by loyalty providers to unfairly cut liabilities and unfairly not provide value for loyalty unit holders.

At the *very* least, the rules surrounding redemption should be standardised and brought in line with gift card rules introduced by the ACCC and a *minimum* period of 3 years should be invoked.

Item 5: Loyalty Value 'Expiration' without Notice and Without a Viable Alternative

In addition to Item 4 above, consumers need to be informed well in advance of when/how/where loyalty units are due to expire.

In addition, the loyalty scheme provided needs to provide an easily accessible method for the holder to use to avoid the pending expiration. This could include writing a letter/making a submission, transferring points to a family member, or conducting an extremely minor 'qualifying' transaction. E.g. an airline could provide at least 3 months' notice of a pending expiration as well as offering an online store where the user can purchase a low value (<\$AUD10) item to prevent points expiration.

Item 6: Any and All Data Collected and Used Should be based on an explicit OPT-IN basis

In line with regulations such as European GDPR, no personal data should be shared at all without the explicit consent of the individual loyalty account holder.

This includes 'tricky' methods to invoke unsolicited sharing/collection of information via some sort of 'competition' where the T&Cs of the competition unduly force the individual to opt-in.

Where any such personal information sharing/collection is being invoked (e.g. via a competition), it needs to be explicit and presented to the individual upfront – not at the end of the submission process via convoluted T&C's. As a rule, if a promotion is presented to the members of a loyalty scheme, the user should always be prompted to OPT-OUT of personal data transmission and still take part.

Item 7: Loyalty Scheme Cross-Industry Behaviour Should be Minimised

Loyalty schemes begin to encroach on anti-competitive behaviour when they span cross-industry and cross-organisation. In general, loyalty schemes should be allowed to fully operate and compete within their own institution and industry but affecting buying behaviour across different companies and industries in the economy blurs the competitive landscape.

Item 8: All Loyalty Programs should pass a test of 'reasonable simplicity'

Loyalty schemes are becoming too complex to understand by a reasonable person. Too often, schemes are steeped in complex terms and conditions, and to qualify for scheme benefits, the consumer needs to jump through multiple hoops. An example of this are some credit cards offering hundreds of thousands of promotional points. The consumer is tempted with a waived annual fee, but to qualify for the entire benefit, must spend \$X in months A through C, then maintain \$Y of spend and then gain the second half of the promotion after paying the year 2 annual fee. Sometimes, these are also split between different card providers within the same financial institution such as \$X on the Mastercard and \$Y on the AMEX, etc. The conditions of many of these are simply too arduous to manage for a reasonable consumer who cannot afford the time nor effort to manage their finances with such intense spend scrutiny.

Item 9: Loyalty Programs are costing us all extra money

At the heart of it, loyalty programs are not cheap to offer, provide, administer, nor reward.

All loyalty programs cost the end-consumer direct dollars.

Similar to credit card surcharges before the credit card surcharge revamp, loyalty program costs are borne by the end consumer as they comprise part of the entity's operating cost base.

This commercial reality needs to be explicitly understood by the consumer. The consumer should possibly even be entitled to 'opt-out' of paying the excess money required 'earn' those points if the scenario permits.

Item 10: Some Loyalty Scheme Behaviour is Tax Avoidance

Various examples exist of individuals using corporate books to channel benefits to their personal loyalty scheme.

By paying surcharges and choosing higher-cost alternatives that provide 'points', these individuals are gaining personal benefits from an unjustifiable tax-deductible corporate expense.

Examples may include paying for major capital items using a credit card with significant surcharges, so that the benefits of that corporate purchase results in massive personal benefit via the affected personal loyalty scheme. Here, the purchase is tax deductible under corporate tax, with the personal benefit not considered for taxation.

Summary Comments

Overall, loyalty schemes are becoming increasingly convoluted, opaque, unfair and difficult to understand. They are losing focus on customer loyalty and becoming yet another mechanism for corporate profiteering, undesirable consumer behaviour and contributing to the ever-increasing cost of living.

The evidence of this is clear – some loyalty programs (such as the Qantas Frequent Flyer Program) are valued at more than the Company under which they belong.

A significant and urgent 'reset' needs to occur and a first world economy such as Australia should be at the forefront of the necessary rectification.