M E M O R A N D U M

TO: Model Receipts Sourcing Regulation Review Work Group

FROM: Brian Hamer
MTC Counsel

RE: Airline revenue from co-branded airline credit cards and points/miles

DATE: July 17, 2023

This memorandum describes the nature of revenue earned by airlines in connection with airline credit cards. These are the ubiquitous co-branded credit cards that are offered jointly to airline passengers and other consumers by an airline and a card-issuing bank. These cards award cardholders frequent-flyer “miles” or “points” and other benefits.

It is our understanding that this credit card revenue to airlines falls within two major categories. Most significantly, airlines sell “miles” or “points” to the credit card issuing bank. The bank in turn awards these miles or points to cardholders based in part on the amount of card usage. Miles or points may be redeemed by cardholders for air travel and various other services but are primarily redeemed for air travel.

Note that airlines may also sell miles or points to businesses other than the credit card issuing bank. For example, car rental companies may purchase miles and then award the miles to their customers.

Although consumers may redeem miles for services other than air flights (hotel rooms for example), it is our understanding that miles typically have the most value to consumers when used to purchase flights.

Airlines also receive a second stream of revenue in connection with airline credit cards. It is our understanding that bank/airline arrangements typically provide that the issuing bank will pay the airline a per-card signing bonus each time that an airline co-branded card is issued.

We have gathered this information from a variety of public, third-party sources. We are not in a position to confirm their accuracy. We encourage members of the airline industry to share relevant information with the work group.