

If you're still dreaming of an exotic trip to paradise funded entirely through air miles, think again. New rules imposed by airlines and air mile reward corporations mean it's trickier than ever to redeem your points for travel.

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Experts agree the staggering number of airline miles in circulation, combined with the booming loyalty rewards business, have resulted in an air mile that just isn't worth what it used to be. "Because of the surge in low-cost airlines and the downward pressure that has been put on ticket prices, the value of a frequent flyer awards seat is lower than it's ever been before," explains Tim Winship, author of *Mileage Pro – The Insider's Guide to Frequent Flyer Programs* and publisher of the *FrequentFlier.com* website.

"That's not to say they have no value at all, but ... the reality is that the whole area of loyalty programs is just less generous than it used to be," he says. "Limited seat availability is the primary bottleneck to award redemption." Even Air Canada's recent announcement that all seats are now available to mile collectors may not ease the pressure. (Airlines traditionally reserve 5 to 10 per cent of their seats for reward redemption.) "They've got a pricing mechanism to manage that," explains Joe D'Cruz of the Rotman School of Management. "You've got to use more points." The consumer will have to decide if it's worth it, he adds.

"An overseas trip used to be 60,000 points to Europe and, now, if you want to book it at the last minute, it can be up to 100,000," he says. For a frequent traveler, that might mean a few extra trips before you can cash in. But if you're collecting points through a credit card program, it might mean spending an extra \$40,000. And seat availability isn't the only hurdle standing between you and the beach. Earlier this year, Aeroplan collectors learned that their miles - like British Airways, American Airlines and other airlines before them - now come with an expiry tag. Since Jan. 1, any Aeroplan miles earned must be used within seven years, and any miles earned prior to that date will expire in December 2013. Not collecting/redeeming miles can also get you into a bind. Accounts that haven't been active for a year will disappear.

D'Cruz says forcing collectors to take action with their miles is based primarily on economics. "This is an attempt to tighten up on the management of the liabilities that are implicit in the points system," he says. He notes the Aeroplan program initially operated entirely within Air Canada, and reward seats were simply unsold seats on flights.

"Now, as Aeroplan becomes more of a separate corporation, they have to buy the seats from Air Canada - and all of the points that are outstanding represent financial liabilities," he explains. "As a separate corporation, they have to account for those liabilities." Expiry dates allow Aeroplan to remove unused points from its balance sheet. But airlines may face customer resentment if they continue to impose restrictions, the experts warn. "Consumers have come to regard the points as a right and not a privilege," says D'Cruz. "They use terms like, 'I've earned these points and therefore it's my right to be able to use them.'" "The loyalty program has now become so embedded in people's travel habits that people are paying a lot more attention now to how the points are earned and redeemed," he adds. "People are becoming much more sensitive about points and they get annoyed when they find that they can't travel when they want to, at the redemption rate that they're used to."

To increase your odds of getting the trip you want, Winship suggests the following tips:

Book early or late: Booking 330 days prior to departure (when most award seats are first made available through the airlines) or within the last two weeks before departure are your best bets for great deals on air mile travel. Be a contrarian: "Don't expect to be able to use your frequent flyer miles on routes that everyone is trying to fly," Winship warns. Skip Hawaii at Christmas and look for more domestic, off-season routes instead. Book by phone: Many airlines charge fees of \$15 to \$30 if you redeem points by phone instead of online, but the fee may be worth it to you if it means you get the exact dates and times you want.

Abandon orphan miles: If you only have a few miles in an account and will never earn enough for travel, conversion through the Points.com website may be worthwhile. "Take the hit because those miles weren't going to go anywhere anyway," Winship says. Use miles regularly: In an economy where airlines can go belly up and expiry policies are constantly changing, hoarding your miles for retirement is a dangerous option. "Use them pretty much as soon as you reach an award threshold," Winship suggests. "I liken it to owning a stock that's decreasing in value. What's the rational thing to do with it? Sell it."