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Airlines make \$29 billion from extra fees

This article is based upon a report issued by IdeaWorksCompany

Qantas is one of the world's top airlines when it comes to raising revenue from sources other than airfares, according to a new report.

Passenger fees and other extra charges generated \$US27.1 billion (\$29.3 billion) for airlines around the world in 2012, with major carriers like United, Delta and American airlines leading the revenue race.

In 2012, 53 airlines around the globe collected \$US27.1 billion in such ancillary revenue, compared with \$US22.6 billion collected by 50 carriers in 2011, according to a new report by IdeaWorks, a US consultant on airline fees. The study was sponsored by CarTrawler, an Ireland-based provider of car rental distribution systems.

Extra charges such as baggage fees and charges to upgrade to roomier seats have become a major source of revenue for airlines since 2008, when surging fuel prices forced airline to find another way to generate money without raising airfares.

Qantas was ranked fifth for the amount of revenue raised from ancillary sources, but this was mainly due to its Frequent Flyer loyalty scheme, rather than extra passenger charges.

Low-cost airlines, such as Spirit Airlines and Allegiant Air, led the high-fee, low-fare trend in the past few years. But the IdeaWorks study says that major carriers, particularly big airlines in Europe, are increasingly turning to passenger fees to boost revenue.

"Statistics help tell the ancillary revenue story and every year key numbers are getting bigger," the study says. "The most aggressive airlines easily generate more than 20 per cent of their revenues from a la carte fees."

United Airlines led all carriers in fee revenue with \$5.4 billion, followed by Delta Air Lines with \$US2.6 billion and American with \$US2 billion, according to the study.

Florida-based Spirit Airlines generated 38.5 per cent of its revenue from extra fees — the most of any carrier — followed by Allegiant Air with 30 per cent and Britain's Jet2.com with 27 per cent, according to the study.

In our region, Tigerair rated fifth with 20.8 per cent of its revenue from ancillary sources, AirAsia X was seventh with 18.7 per cent and Jetstar eighth with 18.6 per cent.