

Telegraph

July 24, 2012

Airlines receive £14bn from 'extras'

By Oliver Smith

The total revenue airlines received from “extras” such as baggage charges and fees for purchases made with credit cards rose by 66 per cent in the last two years, according to new research.

This article is based upon a report issued by IdeaWorksCompany.

Airlines around the world took an estimated €18.23 billion (£14.23 bn) in “ancillary revenue” during 2011, up from just over €15 billion (£11.7 bn) in 2010 and €11 billion (£8.6 bn) in 2009.

The annual study by IdeaWorksCompany, an aviation consultancy, and Amadeus, a travel technology provider, also highlighted those airlines which received the most in extras.

Low-cost rivals Ryanair, which last month temporarily raised its charges for checking in a bag, and easyJet, were both among the 10 highest earners, along with six US carriers: United Continental, Delta, American Airlines, US Airways, Alaska Air Group and Southwest Airlines.

The Melbourne-based Qantas – which includes low-cost arm Jetstar Airways – and Brazilian TAM Airlines completed the list.

easyJet collected around €890 million (£695m) in extras last year, according to the report. Its fees include a £9 “admin fee” for each booking, a £7.50 fee for using a credit card, and baggage charges of up to £31 per person for a return flight.

Ryanair collected €886 million (£692m) from extras – they include a £12 per person “web check-in fee”, a £6 per person “admin fee”, and baggage charges of between £15 and £40 per person per flight, depending on the time of year and the destination to which its customers are flying.

“Once largely limited to low-fare airlines, ancillary revenue is now a priority for many airlines worldwide,” said Jay Sorensen, President of IdeaWorksCompany. “Our first report into ancillary revenue was issued in 2007, when only 23 airlines worldwide disclosed ancillary revenue activity in financial filings, and the result was a modest €1.72 billion (\$2.45 billion). Four years later, 50 airlines today disclose ancillary revenue activity of €18.23 billion (\$22.6 billion).

“It’s clear that airlines recognize the importance of ancillary revenue and are developing increasingly innovative ways to generate this.”

A spokesman for the Global Business Travel Association called for airlines to improve the transparency of their ancillary services.

He said: “[Travellers] must be presented with an accurate view of the full cost of products. To that end, it is imperative that there is full transparency to buyers on fares and fees. This also applies to booking, ticketing, billing, and fulfilling those services.”