

Los Angeles Times

September 9, 2013

Extra fees generate \$27.1 billion for airlines in 2012

By: Hugo Martin

This article is based upon a report issued by IdeaWorksCompany

Passenger fees and other extra charges generated \$27.1 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 \$27.1 billion in so-called ancillary revenue, compared with \$22.6 billion collected by 50 carriers in 2011, according to a new report by IdeaWorks Co., a Wisconsin consultant on airline fees. The study was sponsored by CarTrawler, a Dublin, 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.

Low-cost airlines, such as Spirit Airlines and Allegiant Air, led the high-fee, low-fare trend over the last 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% 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 \$2.6 billion and American with \$2 billion, according to the study.

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

Meanwhile, the average domestic airfare rose 3% from 2011 to 2012, according to the U.S. Bureau of Transportation Statistics.