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Airlines Rake In A \$27 Billion Fee Bonanza - And It Just Keeps Growing

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You might have first noticed airline fees when you paid \$25 to check a bag. Then for the aisle seat that keeps your legs from cramping. Then, when you decided to pay to get on board early.



Qantas Airlines new Airbus 380 at LAX. Qantas collects more fees per passenger than any other global carrier, according to IdeaWorks. (Photo credit: Wikipedia)

Those airline fees are now adding up to a stunning source of revenue — \$27 billion in 2012. That's up 20 percent from 2011, according to the IdeaWorks Company, and double what it was in 2009. You can read all the details in its 2013 Ancillary Revenue Yearbook report [here](#).

IdeaWorks based its estimate on annual reports from 116 global airlines, particularly 53 that break out fees in a specific category called "ancillary revenue," the industry's term for income that's in addition to airfares.

IdeaWorks includes all the gamut of revenue, ranging from airline sponsored credit cards to baggage fees and all the optional extras charged in connection with the flight.

The 2012 total is a startling increase from 2007, when IdeaWorks calculated that 23 airlines took in a mere \$2.45 billion in fees.

The best airlines, the company says, take in about 20 percent of their revenue from fees. That works out to about \$30 per passenger for the top performers — with the leading player, Australia's Qantas, raking in almost double that per passenger.

Who are the major fee players?

- Four American companies — United Airlines, Delta Air Lines, American Airlines, and Southwest Airlines — lead the list. United's presence is no surprise, since the airline has been aggressively pursuing new fee ideas for the past several years. One of its recent innovations was to offer passengers an annual baggage subscription. Interestingly, Southwest Airlines has touted "freedom from fees" as part of its brand image. It still allows passengers to check two bags for free. However, IdeaWorks says Southwest has been steadily gaining in its fee collection thanks to changes in its Rapid Rewards frequent flier program and features like its early bird check in, which gives passengers a preferential spot in line to get a seat.
- Five foreign carriers take spots in IdeaWorks' top 10 list. They are Qantas, Ireland's Ryanair, Air France/KLM, Britain's easyJet and Korean Air. Ryanair has been especially bold in its fee collection, with its CEO deriding passengers who don't read its fine print. The last company to round out IdeaWorks' list is US Airways.
- Many discount carriers have managed to make fees as a big part of their revenue, with some collecting a quarter or more of their revenues in add-ons. American carrier Spirit Airlines leads that list, with fees accounting for 38.5 percent of its annual revenue. It is followed by Allegiant, another American carrier, at 29 percent, and Jet2, a British discount carrier, at 26.5 percent.
- When it comes to dollars per passenger, Qantas' fees bring in \$56.21 each, Spirit takes in \$48.72, Air Asia X of Malaysia collects \$36.31 and Jet2 collects \$45.83.

IdeaWorks says the fee revolution won't be ending any time soon. It notes a Turkish low-cost carrier, Pegasus, just began reporting its ancillary revenue, and that the Indian government just gave its blessing to airlines to allow a la carte pricing. "Watch for amazing events in an airline market that has been revolutionary for many years," IdeaWorks says.