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Airlines took in \$27 billion in fees in 2012

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From paying for checked luggage and early boarding to extra legroom and on-board snacks, travelers know flying these days means never closing your wallet.



*US Airways passengers check in for their flights at Charlotte Douglas International Airport in Charlotte, North Carolina in this April 20, 2012, file photo.
Credit: Chris Keane / Reuters*

Now, there's more proof. Carriers around the world collected more than \$27 billion last year in fees and other non-fare revenue, which has become "a crucial component of airline income," a new report finds. The figure represents a 20 percent jump over 2011.

"Every year, key numbers are getting larger. The most aggressive airlines easily generate more than 20 percent of their revenue from a la carte fees," according to the report by IdeaWorks. The study was sponsored by CarTrawler, an Irish company that provides online car rental distribution systems.

"Once largely limited to low fare airlines, ancillary revenue has now become a financial necessity for airlines all over the globe."

United Airlines was tops among carriers in the total amount of non-fare revenue collected last year, followed by Delta, American and Southwest, the study found. Ultra-low cost carrier Spirit Airlines collected the most as a percentage of its total income, with fees and other extras making up 38.5 percent of its revenue pie.

The report analyzed financial information from 53 airlines that disclose their ancillary revenue, which includes the much-hated fees for services such as checked bags, priority check-in and assigned seats.

The figure also includes the money airlines make from selling frequent flier miles to hotels, credit cards and other program partners; offering advertising space in the in-flight magazine; and selling duty-free items on flights.

But it's those passenger fees that draw the most ire from travel advocates.

"This is \$27 billion of deception," said Charlie Leocha, director of the Consumer Travel Alliance, adding all those extra charges are making it harder for fliers to know and compare the true cost of tickets at the time of booking.

"The growth in ancillary revenue streams makes it more important than ever today that the airlines begin disclosing these ancillary fees at all points where they sell their airfares."

Leocha's group is urging the Department of Transportation to finalize the next round of consumer protections, which would require airlines to reveal all extra fees.

But other industry observers noted it's important to remember the ancillary revenue figure in the report includes all those other categories, which don't force travelers to pay extra.

Airlines have figured out new ways of making money, much in the same way the cruise and hotel industries have, said George Hobic, founder of Airfarewatchdog.com. Those new revenue streams help keep base fares low and the airlines flying, he added.

"The margins in the industry are ridiculously, laughably small, even with these fees," Hobic said. "When (airlines) tried to raise fares, people stayed home, so they have to find other sources of income... I'm not outraged, I just think it's something that had to be done."

In most cases, fliers can avoid extra charges, by signing up for a carrier-branded credit card that will let them check bags for free, for example, noted Hobic.

But many other travelers are paying big bucks. In the first quarter of this year, U.S. airlines collected \$685 million in reservation change fees and more than \$800 million in baggage fees, according to the Department of Transportation.