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Fares vs. fees: Here's how much U.S. airlines make from checked bags, changed flights

By Conor Shine and Laurie Joseph

IdeaWorksCompany contributed information to this article - - see end of article.

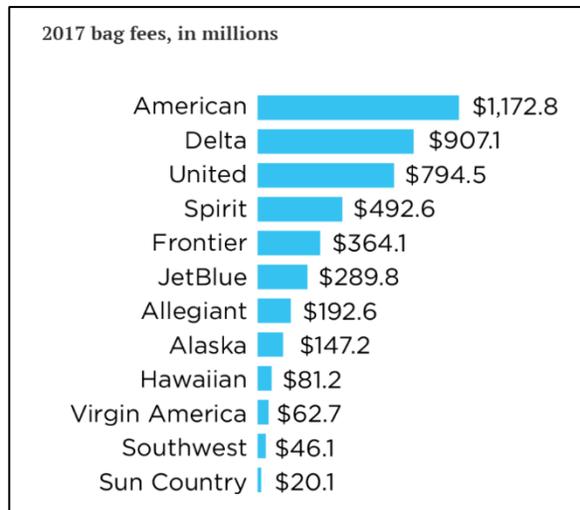
It's been a decade since American Airlines became the first major carrier to charge for a first checked bag, a move that was quickly followed by its peers. Since then, airlines have reaped billions of dollars in fees and continued to find new things to charge for, from seat assignments to boarding position. Another round of increases may be on the way, with American, United, Delta and JetBlue recently raising their checked bag fees by \$5. This fee frenzy has drawn scrutiny from some elected officials, who want regulators to investigate whether there's such a thing as a "fair" fee.

Bags of money

U.S. airlines collected a record \$4.6 billion in bag fees last year as the number of people flying surged to new highs. American, the world's largest airline, led the way, while on the other end of the chart, Southwest's bags fly free policy saw the carrier collect only a fraction of the bag fees of its rivals.

Fare factor

Even as bag and other fees have proliferated, average domestic fares have fallen sharply over the last five years, in large part due to low fuel prices. With the cost of oil on the rise again, airlines are struggling to push fares upward to make up the added expense, leading some to turn to fee increases instead.



"[Airlines] are not getting the fare increases they need for the increased cost of fuel and other things. I think [fee increases] are totally a way to creep up the fare on the customer and not have the customer recognize it as immediately. My guess is that there will be a little bit of howling, but nobody's going to do anything about it."

- George Ferguson, senior airline analyst, Bloomberg Intelligence

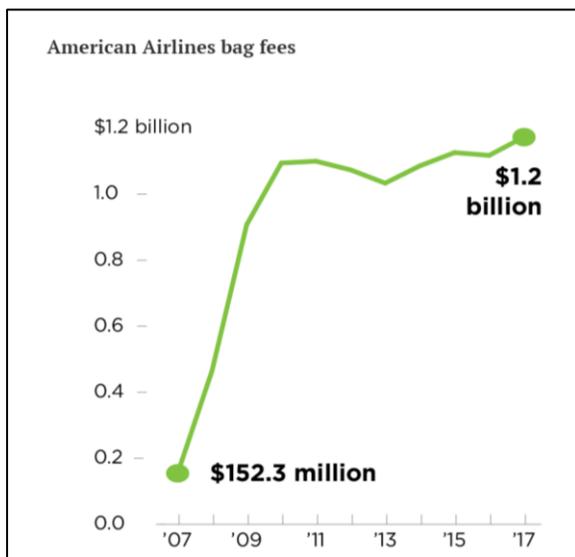


Fares in 2017 dollars



Quick payoff

Fees for the first checked bag began paying off almost immediately for American and pre-merger US Airways, with their bag fee revenue increasing sevenfold within two years of implementation.

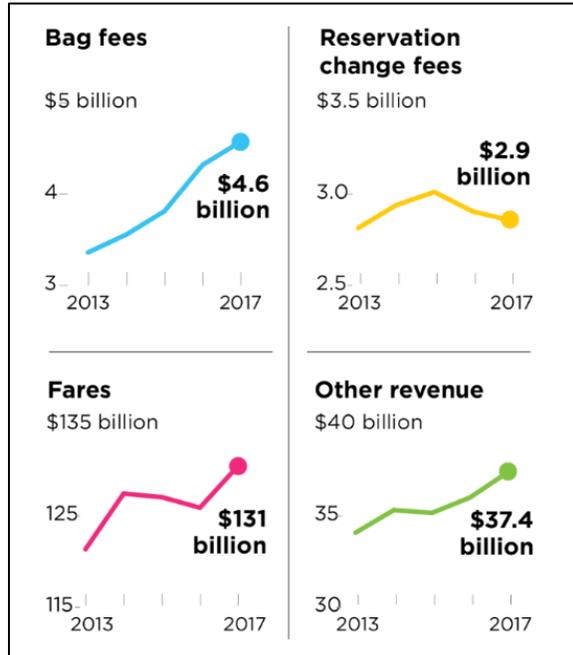


"[Bag fees] just applied economic rules to something that was previously free. It was the same kind of cycle with food on airplanes. The [example] here of this practice is movie theaters in that the core product a movie theater sells is a ticket, but you would not find a movie theater that would be able to exist without snack bar sales."

- Jay Sorensen, president, IdeaWorks Co.

Adding it up

Fares can fluctuate up and down, but fees typically only go one way -- up. That's made them a steady and growing piece of the revenue puzzle for airlines, which have continued to find new things to charge for, like seat assignments.



"Ten years after they became commonplace, paying an extra fee for checked luggage has become an expected part of the travel experience. Now, airlines are continuing to find new ways to unbundle the air travel experience, with new offerings like basic and premium economy fares. It's a trend passengers should expect to continue, as airlines search for ways to maximize what they earn from each individual customer."

- Conor Shine, staff writer, The Dallas Morning News