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Both the airline and the traveler win from add-on fees, a new report suggests

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This article is based upon a report issued by IdeaWorksCompany.

DOT continues to fight the good fight for consumers on fare transparency

The newest airline ancillary revenue report is out and, boy, oh, boy, are the airlines making bank off of those little ancillary fees.

Adding together fees for baggage, seat selection, and boarding priority along with commissions gained from hotel bookings and the sale of frequent flier miles to partners, those cha-chings are on track to hit $102.8 billion worldwide in 2022, compared to $65.8 billion in 2021.

The report – prepared by CarTrawler, the leading provider of online car rental distribution systems, and IdeaWorksCompany, the foremost consultant on ancillary revenue, says there's actually a double benefit of ancillary revenue: one that creates a stable income source for airlines while also contributing to lower fares for consumers.

"Airlines generate indirect and direct sales, such as buy-on-board meals and more leg room, from ancillary revenue activity. When customers use a co-branded credit card or book car hire at an airline website, this generates indirect revenue. Partners share a portion of the sales generated from these activities with an airline," Jay Sorensen, president, IdeaWorksCompany, told ConsumerAffairs.

The report claims that airlines have turned to generating ancillary revenue mostly out of competitive necessity, but again suggests that the result has also lowered the overall cost of travel for consumers.

For example, the 2013 global average one-way fare was $306.20, plus optional extras at $9.64, for a combined consumer cost of $315.84. Jumping to 2022, the International Air Transport Association (IATA) projected a one-way fare had decreased to $140.69. Adding in all the available optional extras at $17.68, the final total winds up at $158.37 – a 50% inflation-adjusted reduction over ten years.

Airlines still need to make sure the consumer's business is valued
The U.S. Department of Transportation (DOT) has made no bones about its dissatisfaction with certain airlines and how they treat their customers. Recently, the agency wrote $600 million worth of refund checks and fined six airlines for failing to honor their refund obligations.

But with as much value as the ancillary revenue system means to airlines, the study's analysts say that airlines need to make sure the consumer gets their respect, too.

In Sorensen's opinion, the very best airline practitioners will create consumer-facing strategies like offering bundles using a "good, better, and best" approach to speed the shopping process, and only describe bundled savings that are legitimate.

That would certainly make the DOT happy – and none too soon. The agency plans on having all of its efforts on fare transparency wrapped up and making a new rule by the first of the year.

That rule – if enacted – would significantly strengthen protections for consumers by ensuring any fees charged to seat a young child with an accompanying adult, change or cancel a flight, or travel with a first checked bag, a second checked bag, or a carry-on bag would be disclosed whenever fare and schedule information is provided for flights to, within, and from the United States.

Online airfare sellers will have to get in step with the rule, too. The department also wants to require that airlines provide usable, current, and accurate information to ticket agents so that they can display the carrier's fare and schedule information, as well.