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## **Airlines bag big bucks from fees**

By Julie Johnsson, Tribune reporter

*This article is based upon a report issued by IdeaWorks.*

U.S. airlines are world-beaters when it comes to finding creative ways to boost baggage fees, onboard food sales and other revenues that aren't rolled into airfares, financial data show.

United, American and Delta led global carriers in collecting ancillary revenues in 2009, according to a new study by airline consultancy IdeaWorks and Amadeus, a giant clearinghouse for airline transactions.

Airlines worldwide collected \$13.5 billion in 2009, a 43 percent jump from 2008 totals, according to the study of financial filings made by 96 airlines.

Chicago-based United Airlines generated the greatest fee income of any carrier in the world: \$1.9 billion in ancillary revenues last year, the study found. That's about double the \$963 million in fees pocketed by Australia's Qantas Airways, the highest-ranking overseas carrier in the study.

The proliferation of checked bag fees in the U.S. and much of Europe accounted for the startling jump in this source of airline revenue, said Jay Sorensen, president of Wisconsin-based IdeaWorks.

Every major U.S. carrier except Southwest Airlines rolled out luggage fees during 2008 in an effort to boost revenues to offset skyrocketing oil prices and a later collapse in business travel that followed Wall Street's historic meltdown.

Although most large airlines are finally profitable for the first time in three years, they aren't inclined to rescind the controversial charges.

In fact, baggage fees are expected to spread around the world. "The fees are here to stay," Sorensen said.

United President John Tague caused a stir during the carrier's earnings call Tuesday, when he suggested the carrier could reap greater income from passenger fees.

"I don't think we're very far along, frankly," Tague said. "That might be surprising to people given where we are in terms of ancillary revenue generation."

Only about 40 percent of United passengers pay to check bags, generating \$350 million to \$450 million annually for the nation's third-largest carrier. But Tague said United's annual baggage revenues could top \$1 billion over time, as carriers in regions like Asia adopt similar charges.

"It appears that the trend is firmly in place, and that over time more and more bags will be assessed fees," he added.

Bags aren't the only area where airlines are striking gold.

Carriers gain money through customers who join their affinity card programs, and also are commanding greater commissions on hotel rooms and rental-car services packaged along with airfares on their Web sites. They're also experimenting with new, upgraded onboard meals. And they're selling passengers one-day access to priority security lines and lounges once reserved for first-class customers.

The fee frenzy has caught the attention of lawmakers such as Rep. James Oberstar, D-Minn., and prompted the Transportation Department to propose rules making airline pricing and fees more transparent so that passengers don't suffer sticker shock when costs are added up.

Though the fees annoy some travelers who long for the days when airlines provided full service at no added cost, the new environment could be a boon for deal-seekers, Sorensen said.

"In the future, if the consumer wants to squeeze travel costs down to next to nothing, he or she will buy online, maybe pay with a debit card, won't have an assigned seat, bring a snack from home and will have a carry-on," he predicted. "Anyone who wants a different experience will pay more."