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Airline fees top \$21B last year

This article is based upon a report issued by IdeaWorks.

Airlines around the world are making a pretty penny off ancillary revenue, the practice of charging passengers for onboard food, checking bags and the like.

A report from IdeaWorks and Amadeus finds that ancillary revenue at 47 carriers — both international and domestic — increased to more than \$21 billion in 2010, a boost of nearly 60 percent from 2009.

United Continental Holdings Inc. (NYSE:UAL) was the leader, with \$5 billion in ancillary revenue last year, followed by Delta Airlines Inc. (NYSE:DAL) (\$3.7 billion) and Fort Worth-based American Airlines (NYSE:AMR) (\$1.95 billion).

Australian airline Qantas ranks fourth, with revenue of \$1.5 billion. US Airways Group Inc., ranks fifth, with ancillary revenue of nearly \$1.2 billion.

“U.S.-based airlines certainly have jumped onto the a-la-carte fee bandwagon,” says IdeaWorks President Jay Sorensen. He says carriers are adopting the fees out of economic necessity — thanks in part to high fuel costs.

Ancillary revenue also includes commission-based services such as hotel and car-rental bookings, and items such as co-branded credit cards and loyalty programs.

So what’s the next frontier of this type of pricing? Sorensen thinks it will be pre-ordered food — with customers telling the airlines what food they want on the flight when they book. That helps carriers eliminate waste and gives customers more choices.

An overview of the report can be found on IdeaWorks’ website.

Amadeus is a Spanish travel technology firm. Wisconsin-based IdeaWorks is an airline consulting company.