

October 30, 2012

By Daily Mail Reporter

Airlines to earn an estimated \$36BILLION this year through charges for early boarding, selecting seats and other 'extras'

This article is based upon a report issued by IdeaWorksCompany.

Airlines are set to earn around \$36.1billion this year through extra fees imposed on passengers for boarding the plane early, buying extra leg room and checking in additional baggage.

According to a report released on Monday, the world's airlines are likely to earn an 11.3 per cent increase from the \$32.5billion the industry collected in 2011.

The report was compiled by the Amadeus Worldwide Estimate of Ancillary Revenues, and passengers are likely to grumble about a further increase in the cost of travel.

Perhaps unsurprisingly, the largest increases in extra costs were imposed by airlines heavily dependent on additional fees such as easyJet, Air Asia and Spirit, according to NBC.

These carriers – dubbed 'Ancillary Revenue Champs' in the report – are expected to earn an eye-watering \$5.6billion, a 30.5 per cent increase on last year's figures.

Low cost carriers such as JetBlue, Southwest and GOL will earn \$5.4billion, a 12.8 per cent increase on 2011.

Remarkably, six of the U.S.'s major carriers – Alaska, American, Delta, Hawaiian, United and US Airways – will earn \$12.4billion dollars between them.

Although that figure actually marks a 0.8 per cent drop on last year, it still makes up a staggering 35 per cent of the global total.

The figures in the report do not solely represent extra costs from passengers.

An estimated \$6billion of the major U.S. airlines' total is made accounted for by airlines selling miles to credit card companies and other corporate partners.

But the passengers are still feeling the sting. In June, American, Delta and US Airways started charging extra for select window and aisle seats.

Virgin America also began charging \$20 for seats near the front of the main cabin – despite the fact they do not come with any notable perks such as extra leg room.

Although it may be little consolation to passengers facing the hike in additional costs, the 11.3 per cent increase between 2011 and 2012 is dwarfed by the 44 per cent jump between 2010 and 2011.

‘When the airlines were losing money, some travelers may have felt sorry for them,’ said George Hobic of AirfareWatchdog.com.

‘Now that the airlines are making profits, there’s going to be less sympathy.’

Holger Taubmann, senior vice president of distribution for Amadeus, saw positives in the increase and said: ‘It’s encouraging to see ancillary revenue growing at over 11 per cent this year which demonstrates the significant commercial potential for airlines.’

BAGGAGE CHARGES: HOW AIRLINES WEIGH UP

For short haul flights American Airlines charges passengers \$25 for the first checked bag, \$35 for the second and \$150 for each additional bag after that.

Hawaii similarly charges \$25 for the first, \$35 but a slightly cheaper \$125 for any additional items.

easyJet charges £27 (\$43) on pre-booked bags or £35 (\$56) if it is paid at the airport.

JetBlue offers the first bag checked in for free, but charges \$40 for the second bag and \$70 for the third.

But are the fees likely to rise again? Jay Sorensen, president of IdeaWorks, the company which produced the report, believes there will be.

According to Sorensen, we should expect a further rise when a system is put into place for travel agents and websites to offer the extras more readily.

‘The next surge of activity will occur when the sale of optional extras becomes more prevalent in the automated booking systems used by travel agents,’ said Sorensen.

‘Look for airlines to become better retailers through all distribution channels during the next three years.’

Hobic, on the other hand, hopes the airlines may hold off on additional fees for now.

He added: ‘As long as they’re making money they won’t be as motivated to be greedy.’

‘But if fuel prices go up, all bets are off.’