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Airline Profits Are Up, Thanks To Everything But Airfares

By Andrew Bender

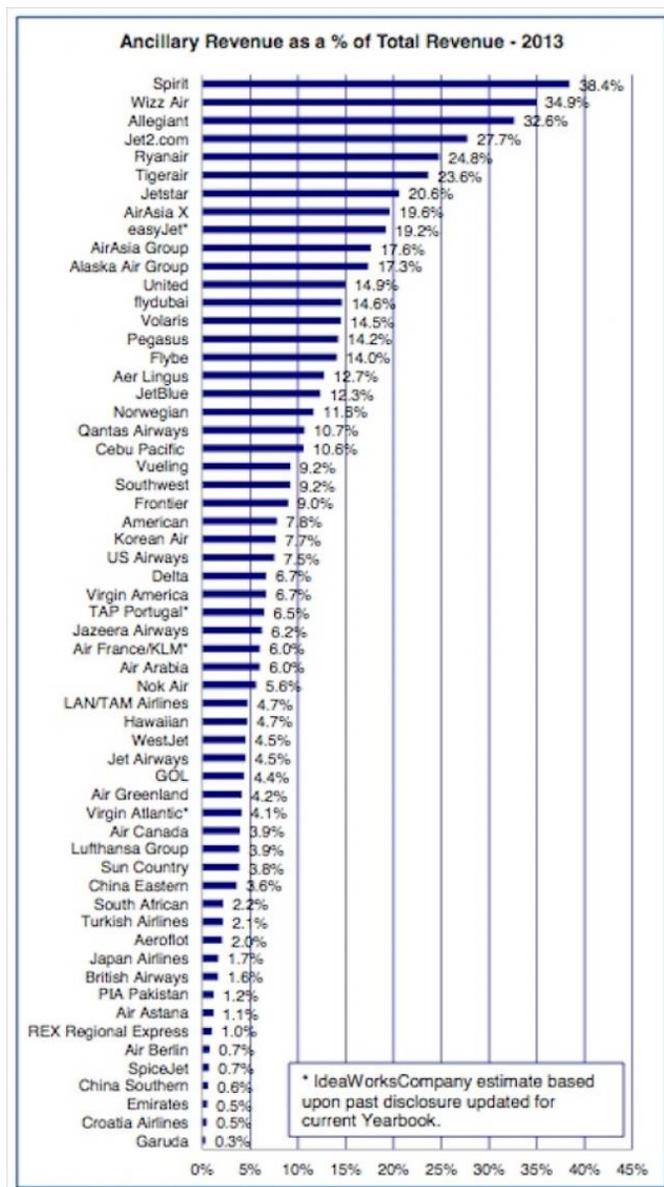
This article is based upon a report issued by IdeaWorksCompany.

Good news for airlines: globally, the industry is making a profit. Not so good news for fliers: that profit is increasingly coming from fees on things that used to be free.

It's called ancillary revenue, airline speak for any charge that's not airfare, and it's big business and getting bigger. Unable to raise airfares and still keep up with the competition, airlines are increasingly depending on fees on everything from checked baggage and preferred seating to on-board wi-fi, in-flight meals, drinks and snacks, hotel and rental car tie-ins, early check-in and redemption of frequent flier points.

The top 10 earners made nearly \$20.4 billion from ancillary revenues in 2013.

“Without ancillary revenue, the airline industry would be at a loss overall,” says Jay Sorensen, president of IdeaWorks, the Shorewood, Wis.-based consulting group which tracks ancillary revenue.



IdeaWorks and its partner, the Irish-based CarTrawler, examined financial reports from 59 airlines around the globe. Among carriers in the U.S., non-ticket fees accounted for 10.2 percent of industry revenue in 2013.

In the survey, Spirit Airlines earned the largest share of its revenues from ancillary fees (38.4 percent). Spirit charges for everything from baggage and preferred seating (like most other U.S. carriers) to a \$10 fee to print your boarding pass at the airport.

However, because of its small size, Spirit didn't crack the top 10 among ancillary fee earners. The top spot went to its much larger competitor, United Airlines, at \$5.7 billion in ancillary revenue in 2013. Collectively, the top 10 earners from ancillary revenues made nearly \$20.4 billion last year.

Sorensen cautions that not every country has the same reporting requirements for airlines' financial reports, so stats for ancillary fees may not be reflected equally among all airlines. Reporting requirements in the U.S. are among the most stringent.