

10 things

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## 10 things airlines won't tell you

### Travelers: Prepare for higher prices and fewer perks

By [AnnaMaria Andriotis](#), MarketWatch



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#### 1. "We're jacking up ticket prices."

It's not your imagination. Airfare is getting more expensive. The cost for a domestic roundtrip ticket averaged nearly \$356 last year, up 3.6% from a year prior, according to the latest data from Airlines for America, a trade group which represents U.S. carriers. And the rate at which airfare is rising is speeding up: The average ticket price spiked 24% from 2009 to 2012. In contrast, during the four years prior to this period, 2005 to 2008, prices increased by 16.4%.

Holiday travel in particular is becoming costlier. The average price of roundtrip economy tickets sold by the end of September for travel between Dec. 21 and Jan. 1 increased 7.5% from last year to \$337 before taxes and fees, according to Airlines Reporting Corp., which processes travel agencies' ticket sales with airlines. (Data is based on purchases made with travel agencies and third-party travel sites.) These prices reflect tickets bought relatively far in advance; holiday tickets bought on shorter notice cost considerably more.

Airlines say they have to increase prices to keep up with the price of fuel and other costs of doing business—and that despite rising prices, airfare has not kept up with inflation. When adjusted for inflation, the average price of a domestic ticket is actually lower now than it was in 2000, says John Heimlich, chief economist at Airlines for America. However, even when adjusted for inflation, prices are increased 10.3% from 2005 to 2012, according to the trade group.

To find the cheapest ticket, insiders say, travelers should compare prices between third-party travel websites and the airlines' sites. Also, consider booking airfare several months in advance of a trip, especially if it's for holiday travel. Deals may pop up a day or two before a flight, though those seats require someone who is ready to go without much advance notice.

#### 2. "We sold your seat twice."

Travelers are supposed to arrive at the airport with enough time to check in luggage and get through security. But even that may not be enough to guarantee travelers their seat on a flight. Airlines commonly overbook flights to avoid empty seats that result from last-minute cancellations. But sometimes those cancellations don't occur, and that leaves travelers stranded in the airport as their flight takes off. Roughly 43,200 passengers were involuntarily bumped during the first nine months of 2013, according to the latest data from the Department of Transportation. While that's fewer than last year, it's still 13% more than during the same period in 2011.

In most cases, airlines will give bumped travelers a credit or refund as well as food vouchers and a free hotel stay to cover their expenses. The DOT says it requires airlines to give involuntarily bumped passengers cash compensation based on the value of their ticket with a cap of \$1,300. But these

comps can't make up for the headaches travelers incur after missing their flight. In the worst-case scenario, passengers can be stranded for days during busy travel times like the holidays or after a severe storm, says Tony Polito, an associate professor at East Carolina University who has published several studies on the airline industry.

The airline industry says that the number of people who are bumped represents a tiny fraction of the total number of passengers, about one per 10,000 passengers, according to the DOT. Airlines overbook their flights because no shows happen "way more than anyone thinks," says Heimlich of Airlines for America. He says airfare costs would be higher without overbooking because airlines would have to achieve the same revenue generation with fewer passengers.

### **Airbus pitches bigger airlines seats; airlines scoff**

Airbus is hoping to bring bigger aisle seats to coach while airlines are making seats skinnier, Scott McCartney joins Lunch Break. Photo: Getty Images

### **3. "Don't count on us to get you there on time."**

During the first 10 months of 2013, roughly 19% to 20% of domestic flights arrived and departed late, compared with about 16% during the same period a year prior, according to the DOT. Collectively, the rate of flight delays is the highest since 2008.

On-time performance varies widely among U.S. airlines, according to data from flight-tracking firm FlightStats. But more than 9% of arrivals from January through November from three major carriers — American Airlines, JetBlue Airways, and United Airlines — were more than 45 minutes late. Spirit Airlines was the worst offender with roughly 12.7% of flights arriving that late, according to FlightStats. Misty Pinson, a Spirit spokeswoman, says the airline "is working diligently to get [its] customers where they need to go as scheduled." American Airlines says it has made "significant improvements to [its] performance in recent months."

### **Inside the airline 'lounge wars'**

Airlines have been spending hundreds of millions of dollars to upgrade airport lounges into luxurious spas and restaurants that are magnets for first-class and business-class passengers. Scott McCartney has details. Photo: British Airways

The increase in delays is largely due to growing incidences of storms and inclement weather, says Tom Parsons, CEO of BestFares.com, which tracks flight discounts. JetBlue says that congested airspace in the Northeast U.S., where 70% of its flights pass through, is the cause of delays. United says air-traffic-control constraints are also part of the problem. There are also mechanical setbacks and delays that result from crews, such as when flight attendants who are scheduled to transfer to another plane are stuck on a delayed flight and thereby also delay the flight that's waiting for them, says Heimlich of Airlines for America.

### **4. "We'll make you pay to check in baggage—and we may lose it too."**

Increasingly, even if you make your flight, your luggage might not. More than 1.5 million passengers filed mishandled baggage reports — for luggage that didn't get delivered on the same flight as the customer — during the first 10 months of the year, up 6.4% from the same period a year ago, according to the DOT.

Among the major U.S. airlines, Southwest Airlines had the largest number of incidents, with nearly 352,900 travelers filing reports of mishandled baggage reports through October, up 23% from the same period last year. Delta Air Lines also ranks high on this list: Nearly 183,400 customers submitted reports during this period, up 6.3%. Southwest says it carried more baggage during this time period compared with a year ago and notes that most of its customers' bags are delivered on schedule. Delta says more than 99% of its delayed bags are reunited with their owners within 24 hours.

What's particularly surprising to some critics is that claims are rising even as airlines are charging travelers more to check in their luggage. Many airlines charge \$15 to \$100 to check in luggage and those costs continue to rise each year. Between 2008 and 2012, the average cost to check in luggage per domestic roundtrip increased 212%, according to Airlines for America.

The airline industry says rising baggage fees are needed to help boost [airlines' revenue streams](#). Fees including those from checked-in bags are the difference between making or losing money, which helps airlines to offer more flights to customers, says Heimlich of Airlines for America.

### **Dubai's airport plans up in the air**

Dubai plans to build one of the biggest airports in the world, right in the middle of the desert. The airport will eventually cater to 160 million passengers each year, but when and whether Emirates Airline moves to the new site is the key sticking point.

### **5. "Carry-ons may not be free much longer."**

Ever since baggage fees became the norm, more travelers have been packing everything into their carry-ons, which they can bring on the flight at no cost. That freebie now appears to be on its way out as well. Some airlines are starting to charge passengers for their carry-ons, with fees ranging widely. Travelers who pay for their carry-on when they book their airfare incur the smallest charge, while those who pay at the gate pay the most.

So far, three major U.S. carriers have instituted such fees. Frontier Airlines began charging passengers for carry-on bags in August. Frontier passengers who book "basic" airfare (those are the cheapest seats on the flight, with fewer amenities than economy) have to fork over \$25 to \$100 for a carry-on bag. Allegiant Air rolled out its carry-on fee in 2012, charging travelers \$10 to \$75, depending on the length of the flight. Spirit was the first major carrier to introduce this fee, which ranges from \$25 to \$100, back in 2010; with Spirit, the price range depends on when travelers inform the airline that they have a carry-on with earlier notification resulting in a lower fee.

Passengers can still bring on a free personal item, like a purse or backpack, as long as it fits under the seat in front of them. Frontier, Allegiant and Spirit say the charges coincide with their aim to offer cheaper, no-frills airfare that charge passengers for the services they choose to use.

### **Emirates airline president: Why I bought 150 Boeing 777X**

Tim Clark gives the reasoning behind his \$76 billion purchase of 150 Boeing 777X jets and how he pushed

### **6. "Our rewards programs aren't so rewarding anymore."**

the manufacturer on the design. Photo: Bloomberg

It used to be that airline rewards programs actually rewarded frequent fliers with perks on flights. Those freebies are disappearing on many airlines. For example, rewards members were often given free upgrades to first or business class, but now those upgrades are given to travelers who are willing to pay a few hundred extra to get out of coach, says George Hobica, founder of Airfarewatchdog.com, which tracks the airline industry.

Even worse, airlines have implemented frequent-flier fees over the past few years. These fees kick in when rewards members try to redeem their points for a free seat on a flight. American Airlines, United Airlines and US Airways charge some members \$75 for redeeming points or miles for a flight within 20 or 21 days of departure. Separately, many major airlines will charge a fee of \$50 to \$150 if they reschedule a flight they booked with their points. The three airlines say the fee does not apply to members in the upper tiers of their rewards programs.

In the worst-case scenario, frequent fliers can lose their points: Should a Delta passenger need to reschedule or cancel a trip booked with points within 72 hours of departure, that person will have to forfeit all of those miles, based on a company policy that went into effect in August 2011.

### **The secret to making airline food taste better**

British Airways is touting a new ingredient that it hopes will pep up perennially bland airline food, Scott McCartney reports on Lunch Break. Photo: Ian Macaulay/British Airways.

### **7. “We’re devaluing your miles.”**

For years, airlines have been marketing their rewards credit cards to travelers, touting the benefits of accruing miles or points per trip that they can redeem for free airfare. But starting next year, at least three major U.S. airlines — Delta, Southwest and United — will enact changes to their rewards programs that hurt frequent fliers’ bottom line. These travelers will need more points — and therefore

will have to spend more — in order to get the same free flight or seat they could have previously gotten with fewer points.

Currently, Southwest rewards members can trade in 60 points for \$1 worth of its lowest-cost airfare, but starting March 31, it’ll take 70 points to get \$1 of travel. With Delta, rewards members will need more miles — specifically, an extra 25,000 roundtrip miles — to fly in so-called BusinessElite from U.S. to Europe beginning in February. (From the U.S. to Asia, 20,000 more miles will be needed.) Separately, United will require travelers to redeem more points for a flight on many of its partner airlines starting in February.

United says the change is necessary to offset the increased cost of providing travel rewards on partner carriers. Delta says its regularly evaluates and adjusts award pricing, while Southwest says its change only impacts one type of fare it offers passengers.

Travelers who are not loyal to an airline might want to consider forgoing airline rewards credit cards, since it’s now tougher to accrue enough points to get a free seat. Instead, consider swiping regular credit cards that have generous cash-back programs, which can help fund big-ticket purchases like airfare.

### **8. “It costs us nothing, but you’ll have to pay for a good seat.”**

It used to be that travelers could sit anywhere in coach — an exit row, aisle seat or by the window — and not have to pay extra. But over the past few years, many airlines have been charging passengers extra if they want pretty much any spot except the middle seat. What’s worse, critics say, is that this fee doesn’t reflect any underlying costs: Airlines don’t incur additional expenses based on whether their window or aisle seats are filled (unlike how more baggage can lead to greater expenses in fuel that impact their bottom line), so these charges result in full profit for the companies.

The fees vary significantly by carrier and seat. For travelers who choose the exact seat they want on a flight in advance, AirTran Airways charges \$10 to \$30, Allegiant Air charges up to \$75, and Spirit Airlines charges up to \$50. The airlines say travelers can avoid these charges by waiting until the day (or with some companies the day before) a flight leaves to choose a seat for free. Some require extra payment for specific seats like the window or aisle seats or those towards the front of the plane, though they waive those charges for certain frequent fliers and full-fare tickets.

Also, most major U.S. airlines charge travelers for seats that provide an extra three to seven inches of legroom. These are typically the first few rows in the plane but in some cases they’re in the exit rows or front seats of the economy section. The price tag for a bit more comfort ranges from \$9 to \$300 depending on the airline and the length of the flight. Some airlines waive the fees for travelers who don’t book discounted airfare.

### **9. “Fuel costs aren’t just our problem.”**

When oil prices rise, airlines offset the cost of fuel by raising ticket prices. Over the past two years, they’ve been passing on a greater share of this cost to travelers. Up until two years ago, they worked 60% to 70% of oil prices into their airfare within a year, but now most U.S. airlines pass on 80% or more of the price to consumers, and they adjust the prices sooner, says David Fintzen, senior airlines analyst with Barclays.

When one airline raises fares, the others typically follow, which makes finding a deal challenging. In 2012, for instance, half of the fuel-related fare increases attempted by U.S. airlines were deemed “successful,” according to Barclays, since nearly all major airlines quickly followed by raising their prices as well. Even if booking demand is not strong enough among travelers to cover the higher cost of fuel, Fintzen says airlines will recover those higher fuel costs by lowering supply — meaning flying fewer planes than they originally intended.

The airline industry says that fuel is its largest cost and that it’s eating up a growing share of its revenue. Without passing on costs to customers, the industry would have to cut back on service and it would be unable to replace aging planes or invest in new airport terminals and better technology, says Heimlich of Airlines for America.

### **10. “Our mergers are hurting your wallet.”**

Mergers between domestic airlines have been accelerating. Twelve mergers occurred in the past decade, up from six in the decade prior, according to data from Airlines for America. Since 2010 alone, Continental Airlines has merged with United Airlines, AirTran Airways has joined Southwest Airlines, and [US Airways merged with American Airlines](#) this month. Experts say the spike in mergers is resulting in higher prices for consumers.

The federal government expressed similar sentiment. This summer, when the Justice Department moved to block the US Airways-American Airlines merger, it said the deal would result in higher fares and higher fees. In its complaint, the Justice Department said the merger would “make it easier for

the remaining airlines to cooperate, rather than compete, on price and service.” The Justice Department changed its tune and approved the deal in November, however, after the two airlines agreed to give up some of their market share in several U.S. airports.

The airline industry says several airlines went out of business because they couldn't cope with changes in the marketplace and that many more airlines would have shut down or shrunk if they didn't merge, which would have resulted in fewer choices and service for travelers. Heimlich of Airlines for America says the rising cost and volatility of fuel prices has been one of the biggest drivers for mergers as airlines try to cope with those costs.

### **American Airlines, US Airways merge**

- [10 things travel sites won't tell you](#)
- [10 things cruise lines won't tell you](#)
- [10 things bars won't tell you](#)

### **More things they won't tell you:**

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