



COMMITTEE ON COMMERCE, SCIENCE, &
TRANSPORTATION

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**NEW FARES AND FEES TAKE FLIGHT:
BASIC ECONOMY AND NEW AND INCREASED FEES
CONTINUE TO CONFUSE AIRLINE TRAVELERS**

OFFICE OF OVERSIGHT AND INVESTIGATIONS
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SELECT AIRLINE ANCILLARY FEES FOR DOMESTIC FLIGHTS CHART

EXECUTIVE SUMMARY

Travelers who already face a dizzying array of airline fees may now be reaching deeper in their pockets thanks to the rollout of new and so-called “Basic Economy” fares by three of the largest U.S. airlines. In August 2015, Senator Bill Nelson, the Ranking Member of the U.S. Senate Committee on Commerce, Science, and Transportation, released a report detailing the proliferation of ancillary fees faced by airline travelers. As the report noted, buying an airline ticket used to involve just shopping for the best itinerary based on a combination of schedule, connections, and ticket cost. Today, however, consumers are often overwhelmed by the number of ancillary fees, including change and cancellation, baggage, seating, preferred boarding, and other fees. Unfortunately, confusion over airfare pricing has only grown since the 2015 report as airlines have further segmented the cabin, increased existing fees, and introduced new fees.

In recent years, three of the largest U.S. airlines – American Airlines Group Inc. (American), Delta Air Lines, Inc. (Delta), and United Continental Holdings, Inc. (United) – have introduced new Basic Economy fares. Basic Economy fares come with a variety of restrictions, including prohibiting almost all ticket changes or refunds. If plans change or a flight is missed, consumers usually lose the entire Basic Economy fare paid. Consumers are also generally unable to select seats, including in cases of families traveling with children, and are not allowed carry-on bags. While the airlines have presented Basic Economy as a lower-cost alternative, it appears that these fares may not actually be lower than the fares airlines offered before Basic Economy. In other words, consumers are now forced to pay the same price for a stripped-down product – or pay more to receive basic benefits that were previously included for the same price. Furthermore, the airlines are using Basic Economy to upsell consumers to regular economy fares. According to American, Delta, and United, when faced with the restrictions and fees associated with Basic Economy fares, at least 50% of consumers will opt to pay more to avoid them.

Basic Economy fares are already contributing to additional airline profits. In the first quarter of 2016, Basic Economy drove about \$20 million of incremental revenue for Delta, and United expected these new fares would contribute \$200 million in incremental revenue in 2017. American anticipates that overall cabin segmentation, when fully implemented, will generate more than \$1 billion, with a large portion of that coming from Basic Economy.

Airlines also continue to bring in significant revenue from change and cancellation and baggage fees. In 2015 and 2016, U.S. airlines made a total of nearly \$5.9 billion from change and cancellation fees. For the first three quarters of 2017, the most recent time period for which data is available, airlines have reported almost \$2.2 billion in revenue from change and cancellation fees. Since 2015, revenue from baggage fees has also continued to rise, and airlines saw their highest revenue ever from baggage fees in 2016. From 2015 to 2016, U.S. airlines’ revenue from baggage fees increased from \$3.8 billion to nearly \$4.2 billion. Airlines are on track to set a new record for 2017. They collected approximately \$3.4 billion in baggage fees in the first three quarters of 2017, an increase of 8.6% from the first three quarters of 2016.

Since the 2015 report, some airlines have increased existing fees and introduced new fees. For example, airlines have increased their fees for priority boarding, preferred seating, and

same-day flight changes. Additionally, airlines have introduced fees that they did not charge when Senator Nelson released his 2015 report, including new fees for flying standby, preferred seating, and priority boarding.

Due in large part to the introduction of Basic Economy fares, as well as new and increasing fees, the true cost of air travel is growing increasingly opaque. To avoid confusion, save money, and encourage transparency, consumers should:

- **Check if they are purchasing a Basic Economy fare and understand the fare’s fees and restrictions.** Although American, Delta, and United disclose during the purchasing process what Basic Economy does and does not include, these fares are still taking some consumers by surprise. Consumers should be sure they understand the restrictions and the potential fees. They should be especially aware when purchasing Basic Economy fares through third party online travel agencies, as their disclosures may be less prominent.
- **Review all major ancillary fees prior to buying tickets.** Airline websites may hide ancillary fees or bury them in detailed and complex fare rules. Although it takes time, reading these rules can allow consumers to avoid surprise fees and save money by choosing airlines and fare types with lower fees. The “ancillary fee chart” attached to this report provides information on the major fees charged by the largest U.S. airlines.
- **Complain to the airline *and* the Department of Transportation (DOT) if a fee was paid for a service that was not delivered.** Airlines rarely refund fees automatically for services that are not delivered. If a fee was paid for a checked bag that is delayed or for a seat that is later taken away, complain to the airline and request a refund. Consumers should also file a complaint with DOT so the agency is aware of the problem. DOT’s aviation consumer complaint form is available here:
www.transportation.gov/airconsumer/file-consumer-complaint.
- **Urge DOT to implement rules that protect consumers.** Last month, DOT killed rules that would have helped to more fully inform consumers about airline ancillary fees. In addition, DOT has failed to implement rules required by the Federal Aviation Administration Extension, Safety, and Security Act of 2016 that would order airlines to refund fees for delayed baggage and seat families together without additional charge. Consumers must demand that DOT start standing up for them.

I. INTRODUCTION

In 2008, U.S. airlines began “unbundling” certain services from the base ticket fare and started charging separate fees – often referred to as ancillary fees – for services that were included in the ticket price before.¹ In August 2015, Senator Bill Nelson, the Ranking Member of the U.S. Senate Committee on Commerce, Science, and Transportation, released a report, *The Unfriendly Skies: Consumer Confusion Over Airline Fees*, which found:

- Ancillary fees are a key component of major airlines’ business models and revenue from these fees could continue to expand in the future;
- Ancillary fees had increased substantially both in amount and variety between 2009 and 2015; and
- Change and cancellation fees are not always transparent to consumers.²

Since the 2015 report, airlines have further modified their products by introducing new fare options, including Basic Economy, increasing existing ancillary fees, and adding new fees. Despite significant profits for the airline industry in recent years, these changes have caused additional confusion for travelers who continue to feel nickel-and-dimed.

II. BASIC ECONOMY

Three major airlines – American Airlines Group Inc. (American), Delta Air Lines, Inc. (Delta), and United Continental Holdings, Inc. (United) – have introduced a new fare option called Basic Economy, which is advertised as the “lowest price” fare, a “great value,” and created for the “price-sensitive” consumer.³ In 2014, Delta was the first major airline to launch a Basic Economy product,⁴ while American and United rolled out their Basic Economy fares in early 2017.⁵ It appears that these fares have – in many cases – increased both the cost paid by consumers to travel and consumer confusion.

¹ GAO, *Information on Airline Fees for Optional Services*, at 5 (Sept. 2017) (GAO-17-756).

² Senate Committee on Commerce, Science, & Transportation, *The Unfriendly Skies: Consumer Confusion Over Airline Fees*, 114th Cong. (Aug. 6, 2015).

³ American Airlines Group Inc., *Basic Economy* (online at <https://www.aa.com/i18n/travel-info/experience/seats/basic-economy.jsp>); Delta Air Lines, Inc., *Basic Economy: Save with a Low Fare* (online at https://www.delta.com/content/www/en_US/traveling-with-us/onboard-experience/basic-economy.html); United Continental Holdings, Inc., *Basic Economy* (online at <https://www.united.com/web/en-US/content/travel/inflight/basic-economy.aspx>).

⁴ Delta began testing Basic Economy in 2012 before formally rolling out the product in 2014. See Delta Air Lines, Inc., *Basic Economy* (Dec. 8, 2014) (online at <http://news.delta.com/basic-economy>); *Delta Air Lines Rebrands Its Seating Options*, USA Today (Dec. 9, 2014) (online at <https://www.usatoday.com/story/todayinthesky/2014/12/09/delta-air-lines-rebrands-its-seating-options/20126421>).

⁵ American Airlines Group Inc., *American Airlines Introduces New Basic Economy Fare* (Jan. 18, 2017) (online at <http://news.aa.com/press-releases/press-release-details/2017/American-Airlines-Introduces-New-Basic-Economy-Fare/default.aspx>); United Continental Holdings, Inc., *United Airlines Launches New Basic Economy Fare for Twin Cities Travel* (Feb. 21, 2017) (online at <http://newsroom.united.com/2017-02-21-United-Airlines-Launches-New-Basic-Economy-Fare-for-Twin-Cities-Travel>).

A. Basic Economy Fares – What They Are

Basic Economy fares come with a variety of restrictions and additional fees. Consumers traveling with Basic Economy tickets on American, Delta, and United are prohibited from changing or canceling their flights in almost all circumstances; are generally unable to select seats, even in cases of families traveling with children; will most likely board in the last group; and are not eligible for upgrades and other benefits offered to frequent flyers.⁶ In addition, American and United passengers with Basic Economy tickets can board with only one personal item that fits under the seat and are not allowed a larger carry-on bag or to use the overhead bin space. Consumers with Basic Economy tickets on these two airlines who fail to check a carry-on bag and bring it to the gate are forced to pay the checked bag fee and an additional “gate service fee” of \$25 – for a total cost of at least \$50 to travel one-way with a bag that could be carried on at no cost with a regular economy ticket.⁷

A consumer with no elite-level airline status or credit card that offers travel benefits who purchases a Basic Economy fare for domestic travel will face these restrictions:

	Carry-on Bag	Select a Seat	Select Seats Together for Families or Groups	Flight Change or Refund	Boarding	Upgrades or Premium Products
	✗	✗ Can choose a seat within 48 hours of departure for a fee	✗ Can choose a seat within 48 hours of departure for a fee	✗	✗ Board in last group	✗
	✓	✗	✗	✗	✗ Board in last zone	✗
	✗	✗	✗	✗	✗ Board in last group	✗

⁶ American Airlines Group Inc., Basic Economy (online at <https://www.aa.com/i18n/travel-info/experience/seats/basic-economy.jsp>); Delta Air Lines, Inc., Basic Economy: Save with a Low Fare (online at https://www.delta.com/content/www/en_US/traveling-with-us/onboard-experience/basic-economy.html); United Continental Holdings, Inc., Basic Economy (online at <https://www.united.com/web/en-US/content/travel/inflight/basic-economy.aspx>).

⁷ American Airlines Group Inc., Basic Economy (online at <https://www.aa.com/i18n/travel-info/experience/seats/basic-economy.jsp>); United Continental Holdings, Inc., Basic Economy (online at <https://www.united.com/web/en-US/content/travel/inflight/basic-economy.aspx>). Delta had allowed at least one free checked bag on flights to Europe but is now charging \$60 for the first checked bag and \$100 for the second checked bag on Basic Economy fares to Europe for tickets purchased on/after December 6, 2017, for travel on/after April 10, 2018. Delta Air Lines, Inc., Baggage & Travel Fees (online at https://www.delta.com/content/www/en_US/traveling-with-us/baggage/before-your-trip/checked.html).

B. Basic Economy Fares May Be No Cheaper Than the Fares Airlines Offered Before Basic Economy

While the airlines have presented Basic Economy as a lower-cost alternative,⁸ it appears that a Basic Economy fare may only be lower when compared to higher fare classes on the same flight – not actually lower than the fares airlines were offering before Basic Economy was introduced. For example, NPR’s review of the seven initial routes on which United offered Basic Economy found that the Basic Economy fares were the same as the economy fares that were offered on those same flights prior to the launch of Basic Economy.⁹ During an investor and media day presentation last year, American’s president, seemed to confirm this when he said, “Basic Economy is not a price cut.”¹⁰ Similarly, following Delta’s launch of its Basic Economy fare, a company executive stated, “Really the basic economy is not a lower fare, it’s just the lowest fare that we have available. . . . [T]his is really not about lowering fares but allowing people to select what features that Delta offers they want.”¹¹ It appears that consumers are now forced to pay the same price for a stripped-down product – or pay more to receive basic benefits, such as seat selection and overhead bin space, that were previously included for the same price.

C. Airlines Are Using Basic Economy to Upsell Consumers

Meanwhile, the airlines are using Basic Economy fares to further monetize consumers by upselling them to regular economy fares. According to American, Delta, and United, a significant percentage of consumers who are faced with the restrictions and fees associated with a Basic Economy ticket will opt to pay more to avoid these restrictions and fees. In 2015, a Delta executive said the company had seen “a very high upsell rate,” with 65% of consumers choosing to select a higher fare after seeing the restrictions associated with a Basic Economy fare.¹² Delta’s president, told investors last October that the success of Basic Economy “isn’t how many people buy it . . . but how many people don’t buy it and choose another product.”¹³

⁸ See, e.g., Delta Air Lines, Inc., Basic Economy: Save with a Low Fare (online at https://www.delta.com/content/www/en_US/traveling-with-us/onboard-experience/basic-economy.html) (“You’ll still enjoy the same Main Cabin experience at a lower cost, in exchange for fewer amenities on select flights, like receiving your seat assignment after check in.”); United Continental Holdings, Inc., Basic Economy (online at <https://www.united.com/web/en-US/content/travel/inflight/basic-economy.aspx>) (“Created for our customers who may be more price-sensitive, the lower-priced Basic Economy fares provide most of the same inflight services and amenities that are available with standard Economy – such as food and beverages, United Wi-FiSM and inflight entertainment – but with some important restrictions that you’ll want to be sure to review carefully before booking[.]”).

⁹ *New ‘Basic Economy’ Airfares May Not Be as Cheap as You Think*, NPR (Mar. 20, 2017) (online at <https://www.npr.org/2017/03/20/520579728/new-basic-economy-airfares-may-not-be-as-cheap-as-you-think>).

¹⁰ *Airline Passengers Are Getting Fewer Perks for the Same Price*, CNBC (Sept. 28, 2017) (online at <https://www.cnbc.com/2017/09/28/american-airlines-says-basic-economy-class-is-not-a-price-cut.html>).

¹¹ Delta Air Lines, Inc., Q4 2014 Earnings Call Transcript (Jan. 20, 2015) (online at <http://ir.delta.com/news-and-events/calendar/event-details/2015/Q4-2014-Delta-Air-Lines-Conference-Call/default.aspx>).

¹² Delta Air Lines, Inc., Q2 2015 Earnings Call Transcript (July 15, 2015) (online at <http://ir.delta.com/news-and-events/calendar/event-details/2015/Q2-2015-Delta-Air-Lines-Conference-Call/default.aspx>).

¹³ *Airlines Love This Product Because Many Passengers Don’t*, CNBC (Oct. 11, 2017) (online at <https://www.cnbc.com/2017/10/11/delta-will-expand-basic-economy-worldwide-next-year.html>).

Delta's regular economy tickets cost around \$30-\$40 more than Basic Economy.¹⁴ Last June, United's chief financial officer noted in a presentation that "60%-70% of passengers select the standard product over Basic [Economy] when given a clear choice."¹⁵ Similarly, according to American's president, approximately 50% of consumers are successfully upsold after receiving a Basic Economy offer.¹⁶ An American senior vice president disclosed that the average upsell on Basic Economy was \$23, with most of the upsell at \$20 but \$40 closer to departure.¹⁷

D. Basic Economy Fares Are Already Contributing to Significant Airline Profits

While Basic Economy fares may not represent a cost savings for consumers, these new products are already contributing to significant profits for the airlines. In just the first quarter of 2016, Basic Economy drove approximately \$20 million in incremental revenue for Delta.¹⁸ In early 2017, a senior vice president for United noted that Basic Economy was expected to contribute \$200 million in incremental revenue that year.¹⁹ Just this month, an executive vice president announced that United will soon allow seat selection for Basic Economy tickets for a "small fee" and described this change as "an opportunity for United Airlines on the ancillary revenue front."²⁰ American anticipates that cabin segmentation, when fully implemented, will generate more than \$1 billion and a "big piece of that is Basic Economy."²¹ An executive also explained that Basic Economy would give American the "opportunity to generate more ancillary revenue and generate more upsell" to other products.²²

E. Basic Economy Is Increasing Consumer Confusion

Basic Economy fares appear to be contributing to the confusion consumers face when trying to assess the true cost of air travel. Consumers who fail to pay attention to the disclosures for Basic Economy may be surprised to learn that their tickets are completely nonrefundable and

¹⁴ *Airlines Love This Product Because Many Passengers Don't*, CNBC (Oct. 11, 2017) (online at <https://www.cnbc.com/2017/10/11/delta-will-expand-basic-economy-worldwide-next-year.html>).

¹⁵ United Continental Holdings, Inc., Presentation at Citi Industrials Conference (June 13, 2017) (online at <http://ir.united.com/~media/Files/U/United-Continental-IR/events-and-presentations/presentations/2017/2017-citi-industrials-conference.pdf>).

¹⁶ American Airlines Group Inc., Q3 2017 Earnings Call Transcript (Oct. 26, 2017) (online at <https://seekingalpha.com/article/4117008-american-airlines-group-aal-q3-2017-results-earnings-call-transcript>).

¹⁷ American Airlines Group Inc., Q2 2017 Earnings Call Transcript (July 28, 2017) (online at <https://seekingalpha.com/article/4092043-american-airlines-group-aal-q2-2017-results-earnings-call-transcript>).

¹⁸ Delta Air Lines, Inc., Q1 2016 Earnings Call Transcript (Apr. 14, 2016) (online at <http://ir.delta.com/news-and-events/calendar/event-details/2016/Q1-2016-Delta-Air-Lines-Conference-Call/default.aspx>).

¹⁹ United Continental Holdings, Inc., Presentation at JP Morgan Global High Yield & Leveraged Finance Conference (Feb. 28, 2017) (online at <https://seekingalpha.com/article/4051334-united-continental-holdings-ual-presents-jp-morgan-2017-global-high-yield-leveraged-finance>).

²⁰ United Continental Holdings, Inc., Q4 2017 Earnings Call Transcript (Jan. 23, 2018) (online at <https://seekingalpha.com/article/4139609-united-continental-holdings-ual-ceo-oscar-munoz-q4-2017-results-earnings-call-transcript>).

²¹ American Airlines Group Inc., Q2 2017 Earnings Call Transcript (July 28, 2017) (online at <https://seekingalpha.com/article/4092043-american-airlines-group-aal-q2-2017-results-earnings-call-transcript>).

²² *Id.*

they cannot choose a seat. Furthermore, consumers flying United and American Basic Economy fares have been blindsided on the day of travel when they arrive at the gate with a carry-on bag and learn that not only are they prohibited from using the overhead bin space, but they also will be forced to pay a fee to check the bag and will be charged a penalty on top of that fee.²³ In addition, because the specific restrictions on Basic Economy fares can vary between the three airlines, consumers' ability to comparison-shop fares is further complicated.

The introduction of Basic Economy fares by American, Delta, and United may only be the beginning. The three airlines have rolled out Basic Economy across their domestic systems²⁴ and have started offering or plan to offer these fares on international routes.²⁵ In addition, other airlines are contemplating whether to launch Basic Economy fares. For example, last month, Hawaiian Airlines' CEO revealed that the airline is considering introducing Basic Economy.²⁶ Based on a review of dozens of investor calls, Basic Economy seems to be part of a broader revenue strategy aimed at further segmenting the cabin and will likely be followed by the introduction of other fare types in the future.²⁷ Consumers should brace for new types of fares, more fees, and additional restrictions that may further leave them in the dark about the true cost of air travel.

III. AIRLINE REVENUE FROM CHANGE/CANCELLATION AND BAGGAGE FEES CONTINUES TO BE IN THE BILLIONS

²³ *E.g., A New Surprise Airline Fee*, Wall Street Journal (Sept. 14, 2017) (online at <https://www.wsj.com/articles/a-new-surprise-airline-ticket-fee-1505311888>).

²⁴ American Airlines Group Inc., Q3 2017 Earnings Call Transcript (Oct. 26, 2017) (online at <https://seekingalpha.com/article/4117008-american-airlines-group-aal-q3-2017-results-earnings-call-transcript>) (“We’re already on our way with a full launch of Basic Economy across our domestic system on September 5.”); Delta Air Lines, Inc., Q1 2017 Earnings Call Transcript (Apr. 12, 2017) (online at <http://ir.delta.com/news-and-events/calendar/event-details/2017/Q1-2017-Delta-Air-Lines-Conference-Call/default.aspx>) (“We also completed the expansion of Basic Economy to 100% of the U.S. and Canada and have started rolling out the product in our international entities. Basic Economy is now available in more than 25,000 markets.”); United Continental Holdings, Inc., Q2 2017 Earnings Call Transcript (July 19, 2017) (online at <https://seekingalpha.com/article/4088821-united-continental-holdings-ual-ceo-oscar-munoz-q2-2017-results-earnings-call-transcript>) (“[W]e’ve rolled out basic economy fares across our mainland US domestic system[.]”).

²⁵ *American Airlines’ No-Frills Basic Economy Fare is Going International*, Dallas News (Dec. 6, 2017) (online at <https://www.dallasnews.com/business/american-airlines/2017/12/06/american-airlines-frills-basic-economy-fare-going-international>); Delta Air Lines, Inc., Q1 2017 Earnings Call Transcript (Apr. 12, 2017) (online at <http://ir.delta.com/news-and-events/calendar/event-details/2017/Q1-2017-Delta-Air-Lines-Conference-Call/default.aspx>) (“We also completed the expansion of Basic Economy to 100% of the U.S. and Canada and have started rolling out the product in our international entities.”); United Continental Holdings, Inc., Q4 2016 Earnings Call Transcript (Jan. 18, 2017) (online at <https://seekingalpha.com/article/4037764-united-continental-holdings-ual-ceo-oscar-munoz-q4-2016-results-earnings-call-transcript>) (“[W]e expect to get it rolled out across the entire domestic and near haul international system not too long after we launch it assuming it’s going well.”).

²⁶ *Hawaiian Airlines’ Challenge: ‘Basic Economy’ Class That Doesn’t Insult Passengers*, CNBC (Dec. 5, 2017) (online at <https://www.cnbc.com/2017/12/05/hawaiian-airlines-is-considering-launching-basic-economy-class.html>).

²⁷ *See e.g., United Continental Holdings, Inc., Presentation at Citi Industrials Conference* (June 13, 2017) (online at <http://ir.united.com/~media/Files/U/United-Continental-IR/events-and-presentations/presentations/2017/2017-citi-industrials-conference.pdf>).

Senator Nelson's 2015 airline report found that revenue from ancillary fees increased substantially between 2007 and 2014 and could continue to expand in the future.²⁸ Since the report, airlines have continued to make billions from change and cancellation fees and have set new records for revenue from baggage fees.

According to airline data reported to the Bureau of Transportation Statistics, in 2015 and 2016, U.S. airlines made a total of nearly \$5.9 billion from change and cancellation fees.²⁹ For the first three quarters of 2017, the most recent time period for which data is available, airlines have reported almost \$2.2 billion in revenue from change and cancellation fees.³⁰

Since 2015, airline revenue from baggage fees has also continued to rise, with airlines seeing their highest revenue ever from baggage fees in 2016. From 2015 to 2016, U.S. airlines' annual revenue from baggage fees increased from \$3.8 billion to nearly \$4.2 billion.³¹ While 2016 was the most profitable year yet for baggage fees, airlines are on track to set a new record for 2017. In the first three quarters of 2017, airlines collected approximately \$3.4 billion, an increase of nearly 8.6% from the first three quarters of 2016.³² In the third quarter of 2017 alone, airlines made over \$1.2 billion from baggage fees, an increase of about 10.4% from the same period in 2016 and the sixth straight quarter that baggage fee revenue crossed \$1 billion.³³ Basic Economy fares may be one reason for this increase in revenue from baggage fees.³⁴

IV. SINCE 2015 SEVERAL AIRLINES HAVE INCREASED EXISTING ANCILLARY FEES AND A FEW AIRLINES HAVE ADDED NEW FEES

²⁸ Senate Committee on Commerce, Science, & Transportation, *The Unfriendly Skies: Consumer Confusion Over Airline Fees*, at 3, 114th Cong. (Aug. 6, 2015).

²⁹ Bureau of Transportation Statistics, Reservation Cancellation/Change Fees by Airline 2015 (May 2, 2016) (online at https://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/subject_areas/airline_information/reservation_cancellation_change_fees/html/2015.html); Bureau of Transportation Statistics, Reservation Cancellation/Change Fees by Airline 2016 (May 2, 2017) (online at https://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/subject_areas/airline_information/reservation_cancellation_change_fees/html/2016.html).

³⁰ Bureau of Transportation Statistics, Reservation Cancellation/Change Fees by Airline 2017 (Dec. 11, 2017) (online at <https://www.bts.dot.gov/content/reservation-cancellationchange-fees-airline-2017>).

³¹ Bureau of Transportation Statistics, Baggage Fees by Airline 2015 (May 2, 2016) (online at https://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/subject_areas/airline_information/baggage_fees/html/2015.html); Bureau of Transportation Statistics, Baggage Fees by Airline 2016 (May 2, 2017) (online at https://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/subject_areas/airline_information/baggage_fees/html/2016.html).

³² Bureau of Transportation Statistics, Baggage Fees by Airline 2017 (Dec. 11, 2017) (online at <https://www.bts.gov/content/baggage-fees-airline-2017>). Airlines' baggage fee revenue for the first three quarters of 2016 was approximately \$3.1 billion. Bureau of Transportation Statistics, Baggage Fees by Airline 2016 (May 2, 2017) (online at https://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/subject_areas/airline_information/baggage_fees/html/2016.html).

³³ Bureau of Transportation Statistics, Baggage Fees by Airline 2017 (Dec. 11, 2017) (online at <https://www.bts.gov/content/baggage-fees-airline-2017>). Airlines made approximately \$1.1 billion in the third quarter of 2016. Bureau of Transportation Statistics, Baggage Fees by Airline 2016 (May 2, 2017) (online at https://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/subject_areas/airline_information/baggage_fees/html/2016.html).

³⁴ *Fliers Paid a Record \$1.2 Billion in Baggage Fees Last Quarter*, CNN (Dec. 11, 2017) (online at <http://money.cnn.com/2017/12/11/news/airline-baggage-fees-record/index.html>).

Senator Nelson's 2015 airline report revealed that ancillary fees had increased substantially in amount and variety.³⁵ Since 2015, several airlines have increased their fees, and a few airlines have added new fees that their competitors introduced years ago.

Existing ancillary fees have increased at several major airlines. For example, American, Delta, and United have all increased fees for their priority boarding products.³⁶ In 2015, the fees for priority boarding products from American, Delta, and United were \$15-\$40, \$10, and \$9-\$59.³⁷ Today, American's fee for its priority boarding product ranges from \$9-\$74 – an increase of \$34 (85%) for the maximum charge.³⁸ Similarly, Delta increased its priority boarding fee by 50% – from \$10 to \$15.³⁹ Today, United charges \$15-\$79 for its priority boarding product, which is a 66% increase from the lowest stated fee of \$9 and a 33% increase from the highest stated fee of \$59 in 2015.⁴⁰

In addition, in 2015, American's fee range for Main Cabin Extra, which includes early boarding and extra leg room, was \$20-\$169.⁴¹ American has increased the maximum charge for Main Cabin Extra from \$169 to \$280 (a \$111 or 66% increase).⁴² Delta also increased its fee for unaccompanied minors by 50% – from \$100 in 2015 to \$150 today.⁴³

³⁵ Senate Committee on Commerce, Science, & Transportation, *The Unfriendly Skies: Consumer Confusion Over Airline Fees*, at 7, 114th Cong. (Aug. 6, 2015).

³⁶ The priority boarding products offered today by American and United include other benefits, such as designated airport check-in lines and expedited security. United Continental Holdings, Inc., Premier Access Benefits (online at <https://www.united.com/web/en-US/content/products/premieraccess/default.aspx>); American Airlines Group Inc., Priority Privileges (online at <https://www.aa.com/i18n/aadvantage-program/elite-status/priority-privileges.jsp>).

³⁷ For American and United, the prices vary based on the flight itinerary. Archive of American Airlines Group Inc., Optional Service Fees (Feb. 16, 2015) (archived at https://web.archive.org/web/20150216033330/aa.com/i18n/utility/aacom_services_charges.jsp?anchorEvent=false&from=footer); Archive of Delta Air Lines, Inc., Trip Extras (Feb. 7, 2015) (archived at https://web.archive.org/web/20150207064321/https://www.delta.com/content/www/en_US/traveling-with-us/planning-a-trip/trip-extras.html); Archive of United Continental Holdings, Inc., Changed Bag Rules and Optional Services (Mar. 19, 2015) (archived at <https://web.archive.org/web/20150319110432/https://www.united.com/CMS/en-US/travel/Pages/ChangedBagRulesOptionalServices.aspx>).

³⁸ American Airlines Group Inc., Optional Service Fees (online at <https://www.aa.com/i18n/customer-service/support/optional-service-fees.jsp>).

³⁹ Delta Air Lines, Inc., Trip Extras (online at https://www.delta.com/content/www/en_US/traveling-with-us/planning-a-trip/trip-extras.html).

⁴⁰ United Continental Holdings, Inc., Changed Bag Rules and Optional Services (online at <https://www.united.com/CMS/en-US/travel/Pages/ChangedBagRulesOptionalServices.aspx>).

⁴¹ Prices for Main Cabin Extra vary based on distance traveled and time of day. Archive of American Airlines Group Inc., Optional Service Charges (Feb. 7, 2015) (archived at https://web.archive.org/web/20150207065622/aa.com/i18n/utility/aacom_services_charges.jsp?anchorEvent=false&from=footer).

⁴² American Airlines Group Inc., Optional Service Fees (online at <https://www.aa.com/i18n/customer-service/support/optional-service-fees.jsp>).

⁴³ Archive of Delta Air Lines, Inc., Checked Bags & Optional Service Fees (Feb 7, 2015) (archived at https://web.archive.org/web/20150207060621/http://www.delta.com:80/content/www/en_US/traveling-with-us/baggage/before-your-trip/checked.html); Delta Air Lines, Inc., Baggage & Travel Fees (online at https://www.delta.com/content/www/en_US/traveling-with-us/baggage/before-your-trip/checked.html#UnaccompaniedMinors).

Other noteworthy fee increases include Delta's fee for same-day flight changes. In 2015, Delta charged \$50 for this service but now charges \$75 (a 50% increase).⁴⁴ JetBlue also increased its fee for same-day flight changes from \$50 in 2015 to \$75 today.⁴⁵ In 2015, Southwest charged \$12.50 for its EarlyBird Check-In,⁴⁶ which offers an earlier boarding position. Today, Southwest charges \$15 (a 20% increase).⁴⁷ Spirit increased its fee for flying standby from \$25 in 2015⁴⁸ to \$99 today (a 296% increase).⁴⁹

Furthermore, a few airlines have added new ancillary fees since the 2015 airline report. In 2015, JetBlue did not have a fee for standby same-day flight changes.⁵⁰ JetBlue now charges \$75 for standby same-day flight changes.⁵¹ In the beginning of 2015, Alaska Airlines did not offer preferred seats or priority boarding,⁵² but today Alaska offers Seats with More Legroom and Premium Class, which includes extra legroom, early boarding, free drinks, and snacks – both starting from \$15.⁵³ In 2015, Hawaiian offered Extra Comfort Seats, which include priority boarding in addition to more legroom and other benefits, for \$70 for North American flights and \$125 for flights to/from New York.⁵⁴ Since then, Hawaiian increased Extra Comfort Seat fees to \$80 for North American flights and \$145 for flights to/from New York.⁵⁵

⁴⁴ Archive of Delta Air Lines, Inc., Same-Day Travel Changes (Jan. 6, 2015) (archived at https://web.archive.org/web/20150106033902/https://www.delta.com/content/www/en_US/traveling-with-us/ticket-changes-refunds/sameday-travel-changes.html#); Delta Air Lines, Inc., Same-Day Travel Changes (online at https://www.delta.com/content/www/en_US/traveling-with-us/ticket-changes-refunds/sameday-travel-changes.html).

⁴⁵ Archive of JetBlue Airways Corp., Optional Services and Fees (Jan. 2, 2015) (archived at <https://web.archive.org/web/20150102104724/jetblue.com/legal/fees>); JetBlue Airways Corp., Our Fares (online at <https://www.jetblue.com/travel/our-fares/>).

⁴⁶ Archive of Southwest Airlines Co., Optional Travel Charges (Jan. 19, 2015) (archived at <https://web.archive.org/web/20150119095123/https://www.southwest.com/html/customer-service/travel-fees.html?clk=home-booking-widget-baggage-fees>).

⁴⁷ Southwest Airlines Co., EarlyBird Check-In FAQs (online at https://www.southwest.com/html/generated/help/faqs/earlybird_checkin_faq.html).

⁴⁸ Archive of Spirit Airlines, Inc., Options and Extras (Jan. 23, 2015) (archived at <https://web.archive.org/web/20150123095842/spirit.com/OptionalServices>).

⁴⁹ Spirit Airlines, Inc., Options and Extras (online at <https://www.spirit.com/OptionalServices>).

⁵⁰ Archive of JetBlue Airways Corp., Changes, Cancellations and Standby Guidelines (July 18, 2015) (archived at [https://web.archive.org/web/20150718003553/http://mobile.jetblue.com/mt/help.jetblue.com/SRVS/CGI-BIN/webisapi.dll?New,Kb=askBlue,case=obj\(383871\)](https://web.archive.org/web/20150718003553/http://mobile.jetblue.com/mt/help.jetblue.com/SRVS/CGI-BIN/webisapi.dll?New,Kb=askBlue,case=obj(383871))).

⁵¹ JetBlue Airways Corp., Our Fares (online at <https://www.jetblue.com/travel/our-fares/>).

⁵² Archive of Alaska Air Group, Inc., Optional Services and Fees (Feb. 19, 2015) (archived at <https://web.archive.org/web/20150219125028/alaskaair.com/content/travel-info/optional-services-fees.aspx?lid=home-page:quick-links::optional-services-fees>).

⁵³ Alaska Air Group, Inc., Optional Services and Fees (online at <https://www.alaskaair.com/content/travel-info/optional-services-fees>); Alaska Air Group, Inc., Premium Class and Seats With More Legroom (online at <https://www.alaskaair.com/content/travel-info/policies/seating-premium-class-preferred-plus>); *See also* Alaska Air Group, Inc., Alaska Airlines to Introduce a New Premium Class Section (Dec. 3, 2015) (online at <https://newsroom.alaskaair.com/2015-12-03-Alaska-Airlines-to-Introduce-a-New-Premium-Class-Section>).

⁵⁴ Hawaiian Airlines introduced Extra Comfort Seats in June 2014. *See* Hawaiian Holdings, Inc., Hawaiian Airlines Introduces New Extra Comfort Economy Seating (Oct. 28, 2013) (online at <https://newsroom.hawaiianairlines.com/releases/hawaiian-airlines-introduces-new-extra-comfort-economy-seating>); Archive of Hawaiian Holdings, Inc.,

V. AIRLINES ARE EARNING CONSIDERABLE PROFITS

At the same time airlines are adding and increasing fees, they are earning considerable profits. According to airline data reported to the Bureau of Transportation Statistics, in the first three quarters of 2017, U.S. airlines reported a total after-tax net profit of more than \$10 billion.⁵⁶ The third quarter of 2017 was the 18th consecutive quarter for which U.S. airlines reported a net profit.⁵⁷ Last month, the International Air Transport Association (IATA) projected that the worldwide airline industry's net profit will rise to a record \$38.4 billion this year, with "[c]arriers in North America continu[ing] to lead on financial performance, accounting for nearly half of the industry's total profits."⁵⁸ IATA forecasts that North American airlines will "generate the strongest financial performance with net profits of \$16.4 billion in 2018," an increase of 5% from the organization's projections for 2017.⁵⁹

VI. RECOMMENDATIONS

As detailed in this report, airline travelers today face additional types of fares and new and increased fees. The net result is that many consumers pay more for their travel and get even less in return. Sadly, consumers will not be able to count on much help from the U.S. Department of Transportation (DOT), which killed two rules intended to provide further airline fee transparency last month.⁶⁰ In addition, DOT still has not implemented two other rules included in the Federal Aviation Administration Extension, Safety, and Security Act of 2016 (FAA extension), and championed by Senator Nelson, that would have required airlines to refund fees for delayed checked baggage and seat families with children age 13 or under together without charging additional fees.⁶¹ According to one consumer advocate, this year could prove

List of All Fees (June 20, 2015) (archived at https://web.archive.org/web/20150620002635/http://help.hawaiianairlines.com/app/answers/detail/a_id/1922).

⁵⁵ Hawaiian Holdings, Inc., Extra Comfort Seats (online at http://hawaiianair.custhelp.com/app/answers/detail/a_id/2084).

⁵⁶ Bureau of Transportation Statistics, 1st Quarter 2017 Airline Financial Data (June 19, 2017) (online at <https://www.bts.gov/newsroom/1st-quarter-2017-airline-financial-data>); Bureau of Transportation Statistics, 2nd Quarter 2017 Airline Financial Data (Sept. 20, 2017) (online at <https://www.bts.gov/newsroom/2nd-quarter-2017-airline-financial-data>); Bureau of Transportation Statistics, 3rd Quarter 2017 Airline Financial Data (Dec. 11, 2017) (online at <https://www.bts.gov/newsroom/3rd-quarter-2017-airline-financial-data>).

⁵⁷ Bureau of Transportation Statistics, 3rd Quarter 2017 Airline Financial Data (Dec. 11, 2017) (online at <https://www.bts.gov/newsroom/3rd-quarter-2017-airline-financial-data>).

⁵⁸ International Air Transport Association, Strong Airline Profitability Continues in 2018 (Dec. 5, 2017) (online at <http://www.iata.org/pressroom/pr/Pages/2017-12-05-01.aspx>).

⁵⁹ *Id.*

⁶⁰ Department of Transportation, Notice of Withdrawal of Proposed Rulemaking – Ancillary Airline Passenger Revenues (Docket No. RITA-2011-0001) (Dec. 5, 2017) (online at <https://www.transportation.gov/sites/dot.gov/files/docs/resources/individuals/aviation-consumer-protection/300216/rin-2105-ae31.pdf>); Notice of Withdrawal of Proposed Rulemaking – Transparency of Airline Ancillary Service Fees (Docket No. DOT-OST-2017-0007) (Dec. 5, 2017) (online at <https://www.transportation.gov/sites/dot.gov/files/docs/resources/individuals/aviation-consumer-protection/300211/rin-2105-ae56.pdf>).

⁶¹ FAA Extension, Safety, and Security Act of 2016, Pub. L. No. 114-190.

to be the most challenging flying environment for airline travelers since the year following September 11, 2001.⁶²

To avoid confusion, save money, and encourage transparency, consumers should:

- **Check if they are purchasing a Basic Economy fare and understand the fare’s fees and restrictions.** Although American, Delta, and United disclose during the purchasing process what Basic Economy does and does not include, these fares are still taking some consumers by surprise. Consumers should be sure to understand the restrictions and the potential fees. They should be especially aware when purchasing Basic Economy fares through third party online travel agencies, as their disclosures may be less prominent.
- **Review all major ancillary fees prior to buying tickets.** Airline websites may hide ancillary fees or bury them in detailed and complex fare rules. Although it takes time, reading these rules can allow consumers to avoid surprise fees and save money by choosing airlines and fare types with lower fees. The “ancillary fee chart” attached to this report provides information on the major fees charged by the largest U.S. airlines.
- **Complain to the airline *and* DOT if a fee was paid for a service that was not delivered.** Airlines rarely refund fees automatically for services that are not delivered. If a fee was paid for a checked bag that is delayed or for a seat that is later taken away, complain to the airline and request a refund. Consumers should also file a complaint with DOT so that the agency is aware of the problem. DOT’s aviation consumer complaint form is available here: www.transportation.gov/airconsumer/file-consumer-complaint.
- **Urge DOT to implement rules that protect consumers.** Last month, DOT killed rules that would have helped to more fully inform consumers about airline ancillary fees. In addition, DOT has failed to implement rules required by the 2016 FAA extension that would order airlines to refund fees for delayed baggage and seat families together without additional charge. Consumers must demand that DOT start standing up for them.

⁶² *As Airline Rules Relax Under Trump, Here’s a Survival Guide to Flying in 2018*, The Washington Post (Dec. 28, 2017) (online at https://www.washingtonpost.com/lifestyle/travel/as-airline-rules-relax-under-trump-heres-a-survival-guide-to-flying-in-2018/2017/12/27/693795ee-e444-11e7-833f-155031558ff4_story.html).

SELECT AIRLINE ANCILLARY FEES FOR DOMESTIC FLIGHTS (AS OF JANUARY 2018)

	Carry-on bag	First checked bag	Second checked bag	Overweight bag	Oversized bag	Flight change	Same-day change (confirmed seat)	Same-day change (standby)	Preferred seats	Priority boarding	Wi-Fi	Unaccompanied minor
Alaska	\$0	\$25	\$25	\$75	\$75	\$125 (changes made less than 60 days prior to departure)	\$25	Only available for select destinations and ticket class	Premium Class starting at \$15 Seats with More Legroom starting at \$15	Premium Class starting at \$15	\$1.95-49.95	\$25-50
Allegiant	\$15-50	\$18-50	\$18-50	+\$50-75	+\$75	\$75 (per segment)	Without Trip Flex N/A	Without Trip Flex N/A	Up to \$80	\$4-12	N/A	N/A
American	\$0 N/A for Basic Economy	\$25	\$35	\$100-200	\$200	\$200	\$75	\$75	Main Cabin Extra \$20-280 Preferred \$4-139	Priority \$9-74	\$2.50-50	\$150
Delta	\$0	\$25	\$35	\$100-200	\$200	\$200 (each way)	\$75	\$75	Comfort+ and Preferred information not available on website	\$15	\$16-49.95	\$150
Frontier	\$35-60	\$30-45	\$45-50	\$75	\$75	\$99	\$99	Only available for elite level members	Standard Seating starting at \$6 Stretch Seating starting at \$20 The Works starting at \$59	The Works starting at \$59	N/A	\$110
Hawaiian (travel between Hawaii and North America)	\$0	\$25	\$35	\$50-200	\$100	\$200	Information not available or not clearly stated on website	N/A	Extra Comfort \$80-145 Preferred \$50	Extra Comfort \$80-145 Preferred \$50	N/A	\$100
JetBlue	\$0	\$25	\$35	\$100	\$100	\$75-150	\$75	\$75	Even More Space starting at \$10	Even More Space starting at \$10	\$0	\$100
Southwest	\$0	\$0	\$0	\$75	\$75	\$0	Information not available or not clearly stated on website	\$0 for only Business Select and Anytime fares	Upgraded Boarding \$30-40 EarlyBird Check-In \$15	Upgraded Boarding \$30-40 EarlyBird Check-In \$15	\$8	\$50
Spirit	\$35-65	\$30-65	\$40-60	+\$30-100	+\$100-150	\$90-100	Information not available or not clearly stated on website	\$99	Customer-Requested Seat Assignments / Regular Seats \$1-50 Big Front Seats \$12-175	Shortcut Boarding starting at \$5.99	N/A	\$100
United	\$0 N/A for Basic Economy	\$25	\$35	\$100-200	\$200	\$200	\$75	\$75	Economy Plus \$9-299	Premier Access \$15-79	\$1-29.95	\$150
Virgin America	\$0	\$25	\$25	\$50-100	\$75	\$100-150	\$25-50	\$0 for flight immediately prior to original flight	\$10-40	Priority Security and Boarding \$15-19	\$4.95-39.95	\$25-50

* N/A = not available

* All fees except change fees apply each way. Change fees apply to entire booking unless otherwise indicated.

* Preferred seat information may include price for international flights.

* Preferred seats and priority boarding products may include other benefits such as priority security line, priority check-in, and more legroom.