

**“Reporting Ancillary Airline Passenger Revenues”
Notice of Proposed Rulemaking (NPRM)
U.S. Department of Transportation
[Docket No. RITA 2011-0001]**

**Comments from Consumer Action, the Consumer Federation of
America, Consumers Union, and the National Consumers
League**

INTRODUCTION

The U.S. Department of Transportation is “proposing to collect revenue information in a more detailed manner regarding airline imposed fees from those air carriers meeting the definition of a large certificated air carrier.” Consumer Action, the Consumer Federation of America, Consumers Union, and the National Consumers League strongly support such measures, and offers additional recommendations as well.

All of our organizations have long been concerned about transparency of airline pricing, particularly in recent years after the widespread adoption of baggage fees and other forms of what the industry terms “ancillary revenue.” According to the Department, U.S. carriers collected \$3.4 billion in baggage fees and \$2.3 billion in reservation change fees in 2010. But this total of \$5.7 billion is incomplete; in a statement dated June 13th, 2011, the Department noted, “These are the only fees paid by passengers that [the Bureau of Transportation Statistics] can identify separately. All other fees paid by passengers are included in larger categories with other types of revenue.” Meanwhile, the independent marketing firm IdeaWorks reported that airline ancillary revenue rose from just \$2.5 billion in 2007 to \$21.5 billion in 2010.

Clearly ancillary revenue has become a critical form of cash flow for domestic airlines, and domestic carriers will continue to introduce new forms of added fees. But this “price unbundling” has come at a cost to consumers, who are not always able to determine the bottom-line cost of an airline booking, inclusive of all fees.

We believe there should be complete pricing transparency for all airline bookings, inclusive of all fees, through *all* booking channels and ticket sellers. This is consistent with Department actions in recent decades to ensure unbiased and accurate pricing displays in global distribution systems and other booking channels. And such protections are particularly critical for airline passengers since the airline industry has long enjoyed federal preemption, which severely limits consumers from redressing complaints through the usual state and local venues.

RECOMMENDATIONS

1) Pricing and Fee Transparency.

As noted in the Department’s summary of this Notice of Proposed Rulemaking, there are dozens of add-on fees being charged by airlines and the Department itself is unclear about such charges. This list includes but is not limited to booking fees, priority check-in fees, priority seating assignment fees, and lost ticket fees. However, further complicating matters is that some major U.S. carriers are bundling multiple fees together into optional “packages,” including services such as priority boarding, lounge access, and specific seat assignments (bulkhead rows, exit rows, etc.).

We urge the Department to capture all such fees in any future rulemaking, and require that airlines specifically provide such fees to consumers during the booking process. And we specifically request that bundled package fees be included as well.

2) Mishandled Baggage Matrix.

The Notice of Proposed Rulemaking summary notes: “The Department believes that the current matrix for comparing airline mishandled baggage performance is outdated. Airline passengers would have better information to compare airline services if the matrix for mishandled baggage were changed to the number of the actual mishandled bags per unit of checked bags rather than the number of Mishandled Baggage Reports (MBRs) filed by passengers per unit domestic scheduled-service passengers.”

We strongly agree with this assertion, since the widespread introduction of checked baggage fees has dramatically altered passenger habits, with many consumers opting to forego checked bags for additional carry-on bags. With this proposed change, both the Department and consumers will have a clear sense of A) how many bags are actually being checked and B) how many bags are actually mishandled.

However, we additionally note that with this influx of checked baggage fees, the industry also has seen a dramatic increase in baggage and other personal items checked at the gate. We believe the Department also should ensure that airlines include such mishandled baggage in their monthly reporting.

3) Monthly DOT Air Travel Consumer Reports.

Through its participation on the Department's Future of Aviation Advisory Committee, Consumers Union urged the Department to revise and improve its Air Travel Consumer Reports. These documents, which are issued monthly, provide a wealth of valuable data for consumers about airline performance, including detailed statistics on flight delays, flight cancellations, mishandled baggage, consumer complaints, oversales (involuntary denied boardings), and animal incidents. Traditionally they have served as a beneficial resource for airline customers engaged in comparison shopping among rival carriers.

However, dramatic changes in the domestic airline industry have devalued these reports. The marked increase in codesharing and other marketing programs—particularly among major domestic carriers and their regional partners, with regional carriers now operating 53% of all domestic commercial departures—has created consumer confusion. Passengers who book Airline A are flying on Airline B, and the Department breaks out the performance statistics for both carriers separately, with no indication of when and where a regional partner operates for a specific mainline carrier. What's more, many regional airlines operate on behalf of multiple mainline carriers, so these monthly statistics are muddled beyond use.

The Future of Aviation Advisory Committee's final report states: "Because of the increasing importance of regional air carrier operations in the domestic air transportation system, some members believe more detailed disclosure is necessary, especially by regional air carriers that are not currently required to report data for their operations. In addition, these members believe the DOT's report should include metrics organized not only by the operating air carrier, but by the marketing air carrier."

As the Department rightfully considers methodologies to ensure greater consumer transparency of airline pricing and fees, all of our organizations also urge the Department to ensure that all reporting and analysis of airline performance data be conducted in a consistent and sensible fashion.

We have strongly and vocally supported the Department's recent initiatives to strengthen the rights of air travelers, and commend the Department and Secretary Raymond LaHood and his staff for expanding their efforts to protect consumers throughout the airline booking process.

ABOUT OUR ORGANIZATIONS

- Consumer Action

Consumer Action has been a champion of underrepresented consumers nationwide since 1971. A nonprofit 501(c)3 organization, Consumer Action focuses on financial education that empowers low to moderate income and limited-English-speaking consumers to financially prosper. It also advocates for consumers in the media and before lawmakers to advance consumer rights and promote industry-wide change. By providing financial education materials in multiple languages, a free national hotline, and an Annual Credit Card Survey, Consumer Action helps consumers assert their rights in the marketplace and make financially savvy choices. More than 8,000 community and grassroots organizations benefit annually from its extensive outreach programs, training materials, and support.

- Consumer Federation of America

The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.

- Consumers Union

Consumers Union of United States, Inc., publisher of Consumer Reports®, is a nonprofit membership organization chartered in 1936 to provide consumers with information, education, and counsel about goods, services, health and personal finance. Consumers Union's publications and services have a combined paid circulation of approximately 8.3 million. These publications regularly carry articles on Consumers Union's own product testing; on health, product safety, and marketplace economics; and on legislative, judicial, and regulatory actions that affect consumer welfare. Consumers Union's income is solely derived from the sale of Consumer Reports®, its other publications and services, fees, noncommercial contributions and grants. Consumers Union's publications and services carry no outside advertising and receive no commercial support.

- National Consumers League

The National Consumers League was founded in 1899 to protect and promote the interests of consumers and workers in the US and abroad. NCL works on a broad array of consumer protection and pocketbook issues and has historically advanced the rights of the flying public to fair pricing and improved customer service.

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13 September 2011