

Statement of

**Kyle Moore**

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Sabre Holdings

On behalf of

**The Interactive Travel Services Association  
American Society of Travel Agents and  
Consumer Travel Alliance**

Concerning Airline Fees

Before the

Subcommittee on Aviation

Committee on Transportation and Infrastructure

U.S. House of Representatives

July 14, 2010

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Good afternoon, Mr. Chairman, Ranking Member Petri, and Members of the Subcommittee. The Interactive Travel Services Association (ITSA), American Society of Travel Agents (ASTA) and the Consumer Travel Alliance (CTA) all appreciate the opportunity to present our views on airline add-on fees and charges, and making them as transparent to consumers as possible.

My name is Kyle Moore, and I am the Vice President for Marketing of Sabre Holdings, owner of both the Sabre Network Global Distribution System (GDS), and Travelocity, an online travel company (OTC). Both are leaders in their fields, with our GDS, the largest in the United States, serving as the intermediary between airlines and other travel providers and thousands of travel agencies, including both traditional “brick-and-mortar” agencies and OTCs. All of those travel agency users rely on the computer reservations system provided by the Sabre GDS for timely, accurate and comprehensive air travel pricing and availability information on our nearly 400 participating airlines. Sabre is a long-time and active member of both ITSA and ASTA.

ITSA is the trade association for OTCs and GDSs, and is their voice on matters of public policy. ITSA seeks to promote consumer choice, access, confidence, protection and information in the world of online travel, and to develop consensus among industry, consumer organizations and policy makers on issues related to consumer use of the Internet to meet their needs.

ASTA is the largest association of professional travel retailers in the world. Its mission is to facilitate the business of selling travel through effective representation, shared knowledge and the enhancement of professionalism. ASTA seeks a retail travel marketplace that is profitable and growing and a rewarding field in which to work, invest and do business. See [www.asta.org](http://www.asta.org).

CTA is a non-profit organization created to inform and educate legislators, regulators and their staffs about policy issues affecting the travel needs of consumers. The alliance is a member of the Consumer Federation of America. CTA is intimately involved with the current conference committee negotiation over the Federal Aviation Administration Reauthorization. The alliance is also working with state regulators, the Federal Trade Commission and the Department of Transportation on privacy issues, travel insurance, and other pressing consumer issues with online and traditional travel agents and in the area of travelers’ rights.

ITSA, ASTA and CTA do not object to airlines' "unbundling" and charging separately for services that have traditionally been included in the prices paid for airline tickets. However, these organizations believe that, regrettably, the proliferation of add-on fees and charges has created such a broad array of potential fees for consumers that the risk of confusion and unpleasant surprises at the airport -- absent full and timely disclosure -- is unacceptably high.

At least 50% of consumers purchasing an airline ticket do so through intermediaries such as OTCs and traditional travel agents because they prefer shopping at comprehensive outlets that offer the flights and fares of numerous airlines. As a matter of first principles, ITSA, ASTA and CTA are convinced that this enormous segment of the traveling public is no less deserving of consumer protection than those travelers who prefer to buy tickets directly from the airlines.

#### Transparency is the Solution: All add-on Fees Should Be Fully Disclosed Prior to Purchase

We believe that the solution is transparency -- full disclosure of information about airline add-on services and fees to consumers when they need it: when those consumers are comparing prices for the full cost of travel prior to purchase.<sup>1</sup> Transparency will safeguard the overriding interest of air travelers in not being confused or, worse, misled, about the price to be paid for air travel and yet not inhibit airlines from unbundling services if they choose

All airlines should provide full information about all of their add-on fees and charges directly to those consumers who buy tickets from the airlines themselves and, just as importantly, to the GDSs in which they have agreed to participate so that the information can be made available to travel agencies and OTCs for adequate and timely disclosure and sale to consumers. Unfortunately, we are quite concerned that airlines have not, and will not, share information on their add-on services and fees to GDSs and agencies.

While we certainly understand the need for airlines to increase their revenues through add-on fees to shore up their financial condition, broad disclosure of such fees can and does have a positive effect on competition. This benefits consumers both through moderating prices and product innovation. Further, disclosure to agencies allows comparison shopping on a single OTC site or through an interface with a travel agency. This comparison shopping, a major advantage of agency distribution, benefits consumers and contributes to enhanced airline competition generally. This holds true not only for

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<sup>1</sup> Concerning when that time would be defined to be, while airlines generally are likely to offer all ancillary services for sale at the time of initial booking, there could be situations where they do not. For example, an airline might decide to offer a fare for sale that expressly does not include various items which it then would later offer for purchase by travelers who bought the fare earlier. In situations such as this, travel agents and OTCs must also have access to the services and fees information at that time, not just at the time of initial booking.

airline fares, but would undoubtedly just as well for add-on fees should information on those fees be provided by the airlines.

ITSA, ASTA and CTA support legislation to reauthorize the Federal Aviation Administration. More specifically to the issues raised at this hearing, we support provisions in that legislation that would ensure transparency and full disclosure of information to consumers at the time of shopping and purchase. This notably includes the amendment added to the Senate bill by Senators Menendez and Schumer that would require it. We urge full support of that amendment in conference, including a key adjustment endorsed by both these Senators and other Members that would require the information be shared in a timely way through all intermediaries, such as GDSs, in which an airline participates.

Moreover, the Department of Transportation is currently conducting a rulemaking to generally enhance passenger protections under its legal authority to protect consumers from unfair or deceptive practices.<sup>2</sup> Current airfare regulations under this authority were written when fees for all air carriage services were included in the overall ticket price. As those services and fees are being unbundled, DoT is appropriately updating its regulations to ensure consumers will still be adequately protected. Among the changes DoT is considering is requiring the airlines to fully and timely furnish information about their add-on fees and charges to intermediaries through the GDSs in which the airlines make their basic fares available. ITSA, ASTA and CTA will be filing comments urging adoption of this requirement.

In my testimony today, in addition to discussing transparency, I will provide an overview of the relationships between airlines and their third-party intermediaries through the distributive services of the GDSs. That overview will include how content on airfares, schedules, code shares and more is provided, and updated some five times a day, to the GDSs through a clearinghouse created by the airlines: the Airline Tariff Publishing Company (ATPCO). It will also include a brief review of the multi-industry party effort to create the technical standards to similarly provide and update information on ancillary fares through a new protocol called ATPCO OC. That protocol has been tested by more than 20 airlines, including most of the US major carriers, and is ready for implementation.

### Background on, and the Accelerating Momentum of, Unbundling

For decades, the “all-in price” of the basic elements of the air travel experience for nearly all travelers was reflected in the fares that airlines published and that the airlines and travel agents<sup>3</sup> – who are the legal agents of airlines for the sale of tickets – communicated to ultimate consumers before they committed to a travel purchase. As a consequence, the full and inclusive price of each of the travel options on numerous airlines being considered by a consumer was easy to determine. Consumers benefitted enormously from this pricing transparency.

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<sup>2</sup> 49 USC 41712

<sup>3</sup> The term “ticket agent” includes both traditional “brick and mortar” agencies and OTCs.

Over the last two to three years, the airline pricing regime has changed radically. Airlines have “unbundled” their product, and many are now levying significant add-on fees and charges for services once widely taken for granted as included in the ticket price. The most notable example of this trend is checked baggage fees. The common, long-standing practice in the airline industry was to allow each passenger to check two bags without extra charge as part of the basic service rendered for the fare paid, subject to certain size and weight restrictions.

Today, by contrast, a passenger traveling domestically on nearly all of the major U.S. airlines who checks two standard size suitcases would be charged somewhere between \$55 and \$60 each way. Assuming an average round-trip ticket price of \$300 for U.S. domestic travel, that extra fee is significant for most consumers – representing a price increase of roughly 40% over the “published” fare. It is beyond debate that in most circumstances an airline charging such a premium on the fare itself would expect notable losses of market share to other airlines with competitive schedules. Moreover, some of the competitors of these large carriers charge lower fees for two items of checked baggage (such as AirTran and JetBlue), or no such fees at all, as is the case with Southwest.

Given the widely reported new policies by U.S. airlines on the size and number of bags that can be carried onboard, with many travelers being compelled to check their luggage, these sizable fees cannot be readily avoided by many consumers. For example, a family of four, consisting of two adults and two young children, booking a week-long vacation could hardly be expected to travel with carry-on baggage alone. Thus, there can be little doubt that the fees an airline imposes for checked baggage should be clearly and effectively communicated to consumers before they are locked into a purchasing decision in order to avoid widespread consumer deception about a matter of the utmost importance – i.e., the price paid for the services to be used.

Therefore, the disclosure provisions added to the FAA Reauthorization bill are quite welcome. Moreover, DoT has maintained a policy since 2008 requiring appropriate disclosure by airlines of their checked baggage charges in advertisements. However, the critical problem that remains in both the proposed legislation (as currently written) and DoT’s checked baggage policy is the absence of a requirement that each airline provide the travel agents on whose behalf they sell tickets the needed baggage and other add-on fee information in a usable, reliable and efficient manner. In other words, the information may be available for passengers who deal directly with the airline, but it is not available for the large percentage of passengers that choose to work through online and traditional travel agencies.

To obtain add-on fee information is a time-consuming, manual process that is overwhelming and simply does not work for traditional travel agents or OTCs – all of whom operate in a very competitive business where efficiency is paramount. Today, they must resort to reviewing carriers’ websites, and waiting for their news releases or reports in the trade or general media. In order to stay abreast of constantly changing ancillary

fees at potentially hundreds of airlines, they would have to substantially add to staff, which is unaffordable. This process is highly ineffective and unworkable, in contrast to the situation with airline fares, which airlines do share with their agencies in a timely, robust manner through the GDSs or otherwise.

The potential for consumer harm is great here. As I noted above, more than one half of all air travel is sold in the United States by travel agencies, as contrasted with the airlines directly.<sup>4</sup> In a nutshell, while airlines have been energetically engaged in various efforts to dissect the air transportation product and assess these new fees, the industry has been slow and apparently reluctant to develop vehicles for effectively and timely communicating to the agencies information on add-on services and fees.

The new and substantial charges for checked luggage were only the vanguard of added fees imposed on consumers for services once included in the published fare. For example, AirTran levies an added roundtrip fee of \$40 to reserve an exit row seat, and Frontier assesses a roundtrip fee of \$30-\$50 for the right to reserve a seat with “extra legroom.” Recognizing that both United and US Airways already impose additional charges for premium seat selection in economy, the recent announcement by Continental that it too will impose a new charge for extra legroom increases the chances that unbundled premium seat charges will become a new norm. Moreover, Spirit has added yet another unbundling innovation: charges for carry-on bags.

Further, some airlines impose a fee to purchase any seat on their aircraft in advance of check-in, with higher fees imposed for perceived preferred seats. On these airlines, a passenger therefore now purchases air transportation through the base fare, but must then separately purchase a seat on the plane unless the passenger waits until 24 hours before check-in, at which time a specific seat can either be purchased or one will be assigned without a fee (from, predictably, inferior seat positions remaining at that time). Consider the impracticality of this for that same family of four traveling together.

Among a litany of others, examples of additional services for which carriers have begun charging consumers fees are:

- Blankets/pillows in flight – American charges \$8, JetBlue \$7, USAir \$7, and Virgin America \$12, with the rest of the carriers apparently charging nothing at the moment.
- Meals – while most carriers assess some charge on coach passengers for an in-flight meal, at the moment Continental and JetBlue appear to offer meals on some flights with no added fee.

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<sup>4</sup> A whitepaper recently authored by PhoCusWright, the air travel industry analytical authority, which underscores the importance of the travel agency network in distributing air transportation, with a specific focus on the role of the GDSs in the distribution chain. A copy of that paper: “The Role and Value of the Global Distribution Systems in Travel Distribution,” can be found on the ITSA website: [www.interactivetravel.org](http://www.interactivetravel.org).

- WIFI – charges vary widely by carrier, with our research suggesting American Airlines charges a fee of \$10-\$13 and Continental \$4.95 but with a price that varies by usage in the case of Continental.

Undoubtedly, there is more unbundling of airline pricing to come. While we are neutral on the decisions of the airlines to unbundle their fares, we do object to unbundling of airline pricing in the absence of the airlines disclosing their add-on fees and charges to their agents in an effective, efficient, usable and timely manner. Without such disclosure by the airlines, travel agencies have no practical, workable way to acquire the information they must have in order to disclose to the traveling public the full, all-in price of each of the options the traveler is considering. As a result, consumers are unable to engage in meaningful comparative shopping among airlines because large elements of the full price for travel are missing from the agency websites and from the data available to travel agents. Competition is enhanced when consumers have more information, not less.

On that score, it is widely known that air travelers are highly price sensitive, with a fare differential of even a few dollars regarded by airlines as sufficient to drive consumers to choose one alternative over another. Since consumer behavior has demonstrated irrefutably that even a few dollars are critical in making an air travel buying decision, any airline pricing regime that fails to ensure travel agencies are equipped with this key information about charges for add-ons generates substantial risk of broad consumer confusion, if not functional deception. Failing to adequately, or at all, disclose a \$60 fee each way could mislead consumers into picking a flight they would not otherwise choose when there was an alternative flight with zero baggage fees. The larger the amount assessed the more compelling the need for full and fair disclosure.

In the United States today, nearly all travel agencies continue to heavily rely on GDSs to obtain information on airline fares and to book the airline tickets they sell. They do so because of the enormous efficiency these systems offer, providing in a neutral, unbiased manner easy-to-use data on scores of airlines with just a few keystrokes. By enabling fare transparency, the GDSs have, indeed, been a major force over time for saving consumers hundreds of millions of dollars annually – permitting travel agencies to perform in a few seconds an apples-to-apples comparison of the full price of all travel options in a particular market. Nonetheless, GDSs can only provide their travel agency subscribers – brick-and-mortar and OTC – the pricing data that the airlines in turn supply to them.

#### ATPCO OC: A New Industry Standard in Place to Communicate Add-on Fees

Fortunately, essential industry standards for enabling efficient communication of add-on fees to GDSs have been developed recently. These standards are now provided through an information clearinghouse established by the airlines, the Airline Tariff Publishing Company (“ATPCO”), through a newly-launched product called “ATPCO OC” (also referred to as ATPCO Optional Services and Branded Fares). Importantly, ATPCO OC establishes over 100 unique fields that can be used by airlines to identify, and file their fees and services for, any particular ancillary fee they choose to assess. The

GDSs are now completing the system modifications required to display the data to their subscribers in ways that will effect the needed disclosures. More than 20 airlines have tested the system successfully, and the GDSs will begin adding that data to their “live” travel agency displays in coming weeks and months. Attached is an appendix that describes the ATPCO – GDS process in detail, including a roll-out of ATPCO-OC and its capabilities, beginning this month, by using the Sabre system as a proxy for the industry.

Of course, ATPCO OC is very welcome news. However, ATPCO OC can be a fix to the problem of inadequate disclosure by airlines of this vital pricing information to their lawful agents only if all the airlines that engage in unbundling actually utilize ATPCO OC to transmit this data to the GDSs. Unfortunately, to date, while approximately 86% of US point-of-sale bookings are covered by those airlines that have “test-filed” ancillary data via ATPCO, no airlines – to my knowledge – have definitively and publicly indicated that they will continue to provide the necessary information via ATPCO for long term use within the industry.

In fact, we are concerned that airlines have a disincentive to provide the data, as that data would make the prices of their products seem higher. Every airline would of course prefer to appear lower-priced than its competitors for the longest possible time. Thus, powerful economic motivation exists for airlines not to provide the add-on price information to the GDSs.

Therefore, airlines should not be permitted to assess, before or at check-in, add-on fees and charges unless that airline timely makes detailed fee information available to its ticket agents in the same way and at the same time that it makes available to the GDSs information on its fares. Absent a consumer-protection requirement in this area, consumers are destined to be left in the dark.

In other words, through ATPCO OC there is a process and technologies in place right now for full disclosure of add-on fees that will work across all channels which provide information on airfares to consumers. But it will not work at all unless content is supplied by the airlines in a comprehensive and timely way. Without the provision of that content, these advanced and consumer-friendly information solutions will be all dressed up, but have nowhere to go.

Again, Mr. Chairman, ITSA, ASTA and CTA are very pleased to have had this opportunity to communicate our views on the very important matter of fully, usefully and timely disclosing of airline ancillary fare information to the flying public no matter the channel -- directly from airlines or via any intermediary in which an airline participates -- they choose to use.

Thank you, and I will be happy to answer any questions you may have.