

## Why GAO Did This Study

Since 2008, U.S. passenger airlines have increasingly charged fees for optional services that were previously included in the price of a ticket, such as checked baggage or seat selection. Consumer advocates have raised questions about the transparency of these fees and their associated rules. In April 2011, DOT issued a final rule requiring, among other things, that certain U.S. and foreign airlines disclose information about optional service fees on their websites.

GAO was asked to review issues related to optional service fees in the U.S. aviation industry. This report describes: (1) how selected U.S. airlines have modified their offering and pricing of optional services since 2010, (2) the factors that selected U.S. airlines consider when determining whether and how much to charge for optional services, and (3) actions DOT has taken since 2010 to improve the transparency of optional service fees and views of selected aviation stakeholders about these actions.

GAO reviewed 2010 and 2017 airline data on optional services fees charged by the 11 largest U.S. passenger airlines; analyzed airline financial data from 2010 to 2016 reported to DOT; reviewed economic studies examining the effects of bag fees on fares; and reviewed applicable laws. GAO requested interviews with representatives of all the 11 selected U.S. airlines; 10 agreed to be interviewed and one airline declined. GAO also interviewed DOT officials, consumer advocates, and other aviation industry stakeholders. DOT reviewed a draft of this report and provided technical comments that GAO incorporated as appropriate.

View [GAO-17-756](#). For more information, contact Gerald Dillingham, Ph.D., (202) 512-2834 or [dillinghamg@gao.gov](mailto:dillinghamg@gao.gov).

## COMMERCIAL AVIATION

### Information on Airline Fees for Optional Services

## What GAO Found

Since 2010, selected U.S. airlines have introduced a variety of new fees for optional services and increased some existing fees. For example, each of the 11 U.S. airlines that GAO examined introduced fees for “preferred” seating, which may include additional legroom or a seat closer to the front of the economy cabin. Some of these airlines have also introduced new fees for other optional services, such as fees for carry-on baggage and priority boarding. Since 2010, many of the selected airlines have also increased existing fees for some optional services, including fees for checked baggage and for changing or cancelling a reservation. From 2010 to 2016, U.S. airlines’ revenues from these two fees—the only optional service fees for which revenues are separately reported to the Department of Transportation (DOT)—increased from \$6.3 billion in 2010 to \$7.1 billion in 2016 (in constant 2016 dollars).

Airline officials cited competition from other airlines and customer demand, among other things, as factors they consider when deciding whether and how much to charge for optional services. According to officials from 9 of the 10 selected airlines GAO interviewed, the process of “unbundling” allows passengers to customize their flight by paying for only the services that they value. Airline officials said that charging fees for optional services allows the airlines to offer lower base fares to customers. For customers traveling with bags, however, GAO’s review of airline-related economic literature showed that on average customers who paid for at least one checked bag paid more in total for the airfare and bag fees than they did when fares included checked baggage. Officials from the 10 airlines said they also consider customer demand and willingness to pay when setting prices for optional services, and officials from 8 of these airlines noted that competitors’ prices for similar services are another factor used in determining the amount of fees.

Since 2010, DOT has taken or has proposed a range of actions to improve the transparency of airlines’ fees for optional services. These actions include: (1) monitoring and enforcing airlines’ compliance with existing transparency regulations; (2) collecting, reviewing, and responding to consumers’ complaints; (3) collecting additional data on revenue generated from fees; and (4) educating airlines and consumers about existing regulations and consumer rights related to optional service fees. Consumer and industry stakeholders, such as online travel agents’ representatives, told GAO that DOT’s regulations requiring certain airlines to disclose optional service fees on their websites have improved consumer transparency. However, these stakeholders also told GAO that there are additional transparency challenges, such as when consumers search for and book flights through online travel agents. Because optional services are not always available for purchase and because fees for such services are not always disclosed through online travel agents, these stakeholders argue that consumers are not always able to determine the full cost of their travel and compare costs across airlines before they purchase their tickets. While transparency challenges still exist, DOT has ongoing regulatory proceedings, some in response to prior GAO recommendations that may resolve some of these issues.