

It has been nearly 10 years since the airline industry introduced fees for different services. But while the travel industry has had a long time to experiment and refine the listing and booking process for ancillary fees, consumers and travel agents remain ill-prepared to compare costs across carriers and make educated decisions.

In 2016, the U.S. Department of Transportation (DOT) received a total of 17,904 complaints of which 862 (about 5 percent) were regarding airline fees for optional services. The complaints included concerns that fees were too high for changing or cancelling reservations, transporting bags and selecting seats. Also, fee information “was not transparent or fully disclosed to the customer,” according to the General Accounting Office (GAO), which undertook the study. “We believe in the free market and in the airlines’ prerogative to price their services. But we also believe consumers deserve choices and transparency in this unregulated market. 79 percent of travelers support requiring airlines to disclose all fees up front. Consumers also are in favor (66 percent) of the government prohibiting checked-bag fees.

A big part of the problem is that the pricing of items is not readily accessible across platforms. Representatives from two consumer groups that GAO interviewed said “that even though airlines are required to have a ‘static page’ on their website listing all optional service fees, these lists can be lengthy and can include several different fees with different associated rules that the consumer would need to interpret and understand.”

“According to one consumer advocate, when a single airline is offering three different economy products, consumers may not understand how these products differ,” GAO wrote in its study. In the case of preferred seating, fee information “is not always apparent to customers on airlines’ websites, unless the customer selects or begins to book a specific flight,” GAO said. Additionally, GAO said, airlines like Spirit and United specify the range of prices, which may vary based on the route, while other airlines, like Alaska and Frontier, provide the minimum possible price but do not specify the maximum a customer might pay for the preferred seat. Have fees helped airlines keep fares down?

GAO also believes that the jury is still out on whether or not unbundling services from basic airfares has helped keep down the average cost of a ticket. In its study, it reviewed three recent prominent peer-reviewed studies.

Airline officials said that charging fees for optional services allows the airlines to offer lower base airfares to customers. For customers traveling with bags, however, GAO’s review of three airline-related economic studies 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 airfares included checked baggage. (Bag fees generally were introduced in 2008.)

“Specifically, these studies found that charging separately for bags reduced fares by less than the new bag fee itself. As a result, customers who paid for checked bags paid more on average for the combined airfare and bag fee than when the airfare and bag fee were bundled together. Conversely, passengers who did not check bags paid less overall.”

One study found that for an airline charging a bag fee, a \$1 increase in those fees resulted in only a \$0.24 decrease in fares. “According to the authors, these results imply that airlines with bag fees lower fares to appear more competitive and then make up the lost revenue when passengers pay to check bags,” GAO said.

In a study from 2015, the authors estimated that adoption of a bag fee resulted in a 2.7 percent average-fare decline for non-stop flights and a 2.4 percent average-fare decline for connecting flights. In another 2015 report, the authors studied a sample of U.S. domestic routes where passengers could choose between airlines that charged fees for checked baggage and Southwest, which allowed passengers one or two “free” checked bags.

The authors found that a \$1 increase in bag fees led to an \$0.11 reduction in fares and a loss of 0.6 passengers. On the other hand, they found that a \$1 fare increase resulted in a loss of seven passengers. “Thus, they determined that bag fees allowed airlines to increase their revenues with a much lower reduction in passenger demand than a fare increase,” GAO stated. Meanwhile, from 2010 to 2016, U.S. airline revenues from fees for checked baggage and for changing or cancelling a reservation increased from \$6.3 billion to \$7.1 billion.