



# **American Bridge**

## **Trump Policy Brief: Airline Fare Transparency**

**3/10/17**

## AIRLINE FARE TRANSPARENCY

The Department of Transportation (DOT) suspended public comment on two rules proposed by the Obama administration meant to increase transparency in the airfare booking process.

- ✓ The Obama administration sought comments on whether or not airlines should be required to list all available flights when advertising on third-party booking sites, or be allowed to pick and choose.
- ✓ The Obama administration proposed requiring airlines and ticket agents to include baggage fees in the upfront ticket price, rather than tack on baggage fees later in the booking process.
- ✓ The airline industry saw large stock market gains the day after the suspension of public comments was announced.
- ✓ A trade group representing travel search sites argued that without the Obama administration airline price transparency rules, the DOT would not fulfill its mandate to protect consumers.

### The Trump Administration Suspended The Public Comment Period For Two Airline Transparency Rules Proposed By The Obama Administration

#### THE OBAMA-ERA RULES WOULD MAKE IT EASIER FOR CONSUMERS TO COMPARE OVERALL AIRFARES

**March 2, 2017: The Department Of Transportation Suspended The Public Comment Period For Two Rules Proposed By The Obama Administration, Which Aimed To Make It Easier For Customers To Compare Airfare Options And Fees.** According to Investor's Business Daily, "The Trump administration will review two rules proposed by the Obama administration that would make it easier for customers to compare airfare options and fees — potentially bad news for air travelers but apparently much better news for shares of carriers like Delta Air Lines (DAL), American Airlines (AAL), United Airlines (UAL) and Southwest (LUV). In notices dated Thursday, the Department of Transportation suspended the public comment period for both of the Obama-era measures. The suspension, each notice said, 'will allow the President's appointees the opportunity to review and consider this action.'" [Investor's Business Daily, [3/3/17](#)]

**The Suspension Would Allow Trump Administration Appointees "The Opportunity To Review And Consider" The Proposed Obama Administration Rules.** According to Investor's Business Daily, "The Trump administration will review two rules proposed by the Obama administration that would make it easier for customers to compare airfare options and fees — potentially bad news for air travelers but apparently much better news for shares of carriers like Delta Air Lines (DAL), American Airlines (AAL), United Airlines (UAL) and Southwest (LUV). In notices dated Thursday, the Department of Transportation suspended the public comment period for both of the Obama-era measures. The suspension, each notice said, 'will allow the President's appointees the opportunity to review and consider this action.'" [Investor's Business Daily, [3/3/17](#)]

#### FIRST PROPOSED RULE: SHOULD AIRLINES BE REQUIRED TO SHOW ALL THEIR AVAILABLE FLIGHTS WHEN ADVERTISING ON

## **THIRD-PARTY BOOKING SITES, OR SHOULD THEY BE ALLOWED TO PICK AND CHOOSE?**

**In October 2016, The Obama Administration Requested Details From Airlines, Consumers, And Industry Stakeholders To Determine Whether The DOT Should Regulate Where Airlines Are Required To Publish Content Offerings.** According to Travel Weekly, “Last October, the DOT issued a request for information from consumer groups, airlines and other industry stakeholders to determine whether it should regulate the common airline practice of displaying only some content offerings through indirect channels, such as OTAs and GDSs, while displaying their full offerings on their own websites.” [Travel Weekly, [3/2/17](#)]

- **Airlines Commonly Omitted Content Offerings Through Indirect Channels While Displaying Their Full Offerings On Their Own Websites.** According to Travel Weekly, “Last October, the DOT issued a request for information from consumer groups, airlines and other industry stakeholders to determine whether it should regulate the common airline practice of displaying only some content offerings through indirect channels, such as OTAs and GDSs, while displaying their full offerings on their own websites.” [Travel Weekly, [3/2/17](#)]
- **The Request Received More Than 59,000 Comments Between October 2016 And March 2017.** According to BuzzFeed, “The second comment process halted was a request for information the Department of Transportation floated in October about how airlines mete out information to services that allow users to search and compare airline tickets online. The request could have kicked off new rules governing the interaction between airlines and online ticket services. More than 59,000 comments were received in the months that followed.” [BuzzFeed, [3/3/17](#)]
- **The Public Comment Period On The Proposed Rule Was Scheduled To End On March 31, 2017.** According to The Hill, “The Trump administration is reportedly suspending the comment period for the public to weigh in on a pair of Obama-era proposals designed to enhance airfare transparency. The proposals focused on transparency for airline fees and increasing competition between air carriers. The public comment period for the latter was supposed to close on March 31, after being extended from its original Dec. 31 deadline.” [The Hill, [3/3/17](#)]
- **The Suspension Of Public Comment On The Rule Was Effective As Of March 10, 2017.** According to a notice by the U.S. Department of Transportation in the Federal Register, “DOT is suspending the public comment period for the Request for Information (RFI) Exploring Industry Practices on Distribution and Display of Airline Fare, Schedule, and Availability Information, effective March 10, 2017.” [Office of the Federal Register, [3/10/17](#)]

## **SECOND PROPOSED RULE: SHOULD AIRLINES AND TICKET AGENTS BE REQUIRED TO DISCLOSE BAGGAGE FEES UPFRONT?**

**The Obama Administration Proposed A Rule Requiring Airlines And Ticket Agents To Display Baggage Fees Upfront For Fare Inquiries.** According to The Hill, “The Trump administration is reportedly suspending the comment period for the public to weigh in on a pair of Obama-era proposals designed to enhance airfare transparency. [...] One of the proposed DOT airfare rules would have required airlines and ticket agents to display baggage fees at the start of a fare inquiry. That proposal, unveiled in January, was supposed to accept public feedback until March 20 about whether to disclose fees alongside fares.” [The Hill, [3/3/17](#)]

- **The Rule Would Have Prevented Air Carriers From Omitting Baggage Fees On A Web Interface Before Charging The Fees Later In The Purchase Process.** According to Travel Weekly, “The DOT has also suspended the final airline-related rulemaking process that was begun during the Obama administration. On Jan. 19, just three days before Obama left office, the DOT proposed a requirement that airlines and ticket agents (including travel agents) disclose fees for carry-on and checked bags from the beginning of a fare inquiry. If enacted, the rule would mean that carriers couldn't show a ticket price on a web interface, then only later in the sales process show fees for baggage.” [Travel Weekly, [3/2/17](#)]
- **The Public Comment Period On The Proposed Rule Was Scheduled To End On March 20, 2017.** According to The Hill, “One of the proposed DOT airfare rules would have required airlines and ticket agents to display baggage fees at the start of a fare inquiry. That proposal, unveiled in January, was supposed to accept public feedback until March 20 about whether to disclose fees alongside fares.” [The Hill, [3/3/17](#)]

## **STEVE SHUR, PRESIDENT OF A TRAVEL SEARCH SITE TRADE GROUP, SUGGESTED THE DOT HAD NOT BEEN ADEQUATELY PROTECTING CONSUMERS WHEN IT CAME TO BUYING AIRFARE**

**Steve Shur, President Of A Trade Group Representing Travel Search Sites, Online Agents, And Airline Reservation Systems, Said That The DOT “Must Live Up To Its Mandate On Consumer Protection” To Give Customers “All The Information They Need To Make A Purchasing Decision.”** According to Travel Weekly, “The Department of Transportation (DOT) on Thursday indefinitely suspended public comment on two proposed consumer-protection measures that the Obama administration put forward during its last months in office. [...] The trade group Travel Tech, which represents OTAs, travel search sites and GDSs, said Thursday that it is disappointed with both suspensions. ‘Consumers deserve transparency in fare and schedule information and ancillary fees,’ Travel Tech president Steve Shur said in prepared remarks. ‘DOT must live up to its mandate on consumer protection and ensure consumers have access to all the information they need to make a purchasing decision.’” [Travel Weekly, [3/2/17](#)]

- **Shur Said That Airlines Were “Inhibiting Transparency At The Expense Of Consumers.”** According to BuzzFeed, “The airline industry is cheering the Trump administration for halting a proposal to require all baggage fees to be listed alongside ticket prices on booking sites like Expedia and Kayak, saying such a rule ‘would have allowed the government to dictate how airlines sell and distribute products and services.’ [...] ‘Airlines are inhibiting transparency at the expense of consumers,’ said Steve Shur, the president of the Travel Technology Association, which represents sites including Expedia, Priceline, and TripAdvisor.” [BuzzFeed, [3/3/17](#)]

## **THE SUSPENSION OF PUBLIC COMMENT ON THE OBAMA ADMINISTRATION AIRLINE TRANSPARENCY RULES WAS PART OF THE ADMINISTRATION’S OVERALL REGULATORY FREEZE**

**The Suspension Of Public Comment On The Obama-Era Airline Transparency Rules Was Part of A Larger Freeze On Issuing New Regulations By The Trump Administration.** According to The Hill, “President Trump implemented a freeze on issuing new regulations after taking office, with the White House instructing federal agencies to postpone the effective date of rules that had already been published in the Federal Register. One of the proposed DOT airfare rules would have required airlines and ticket agents to display baggage fees at the start of a fare inquiry. [...] The other action, which came last October, sought information about whether the agency should regulate the practice of airlines only selling a portion of their

offerings through third-party channels, while displaying their full offerings on their own websites, according to Travel Weekly.” [The Hill, [3/3/17](#)]

## **Trump’s Announcement That He Was Suspending The Public Comment Period Led To An Immediate Boost In Airline Stock Prices**

### **ONE DAY AFTER THE TRUMP ADMINISTRATION SUSPENDED COMMENT ON AIRLINE TRANSPARENCY RULES, THE AIRLINE INDUSTRY SAW BIG STOCK MARKET GAINS**

**One Day After The Trump Administration Announced The Suspension Of Public Comment On Rules Related To Airline Price Transparency, Shares In A Number Of Major American Air Carriers Including American, United, Southwest, And Spirit Rose By More Than 2 Percent.** According to Investor’s Business Daily, “The Trump administration will review two rules proposed by the Obama administration that would make it easier for customers to compare airfare options and fees — potentially bad news for air travelers but apparently much better news for shares of carriers like Delta Air Lines (DAL), American Airlines (AAL), United Airlines (UAL) and Southwest (LUV). [...] Shares of Delta edged up 0.3% on the stock market today. On Thursday, it reported flat passenger unit revenue for February, disappointing analysts and raising questions of whether it can turn the metric positive in Q1. American rose 2.4%, United rallied 3.15%, and Southwest climbed 2.2%. Spirit Airlines (SAVE), the ultra-budget, fee-heavy carrier, added 2.9%, JetBlue (JBLU) gained 1.6% and Alaska Air Group (ALK) rose 2.7%.” [Investor’s Business Daily, [3/3/17](#)]

### **AIRLINE ADVOCATES CLAIMED THAT AIR CARRIERS WERE CAPABLE OF MAKING DECISIONS THAT SERVE THEIR CUSTOMERS**

**Airlines For America CEO Nicholas Calio Implied That The Obama Administration Rules Were “Not Warranted,” Since The Airline Industry Was “Capable Of Making The Decisions That Best Serve” Their Customers.** According to The Hill, “The Trump administration is reportedly suspending the comment period for the public to weigh in on a pair of Obama-era proposals designed to enhance airfare transparency. [...] The DOT’s decision received industry praise on Friday. ‘We applaud Secretary Chao’s leadership today and look forward to an era of smarter regulation that protects consumers from unfair practices, but does not step in when action is not warranted,’ said Airlines for America President and CEO Nicholas E. Calio. ‘Today’s action is a common sense measure reinforcing that the airline industry is capable of making the decisions that best serve our customers, our employees and the communities we serve.’” [The Hill, [3/3/17](#)]

**International Air Transport Association CEO Alexandre De Juniac Claimed It Was “Not The Business Of Government To Regulate The Information Exchange Between The Customers And The Airlines.”** According to The Telegraph, “New legislation that would have forced US airlines and travel agents to disclose baggage fees on their websites alongside headline fares has been suspended. [...] Alexandre de Juniac, the chief executive officer of the International Air Transport Association, also argued that the proposed legislation ‘could lock consumers into the old and less-transparent distribution mode,’ in a speech at the recent Aviation Summit of the US Chamber of Commerce. [...] ‘It is not the business of government to regulate the information exchange between the customers and the airlines,’ he told reporters after his speech.” [Telegraph, [3/6/17](#)]