

Statement of **Robert “Bobby” Schroeter**

Senior Vice President and Chief Commercial Officer

Frontier Airlines, Inc.

Hearing on Ancillary Airline Service Fees before the  
Permanent Subcommittee on Investigations,  
U.S. Senate Committee on Homeland Security and Government Affairs

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Chairman Blumenthal, Ranking Member Johnson, and distinguished members of the Subcommittee, my name is Bobby Schroeter, and I am Senior Vice President and Chief Commercial Officer at Frontier Airlines.

Frontier Airlines is an ultra-low-fare carrier or “ULFC” that caters to price-sensitive consumers without requiring them to pay for optional ancillary services they do not want or need, or to subsidize services used only by other passengers. This transparent model of offering unbundled or à-la-carte services and products enables Frontier to keep its base air fares extremely low for the benefit of consumers and competition. Indeed, the ULFC fares (including Frontier’s) are 77% lower on average than those of the legacy carriers, and, including ancillary fees, are 64% lower on average than those of the legacy carriers.

Frontier works every day to increase consumers’ access to affordable air travel and to ensure that it provides the best possible value to its customers. In addition to its unbundled services and products and ultra-low base fares, Frontier is also

- one of just four large U.S. airlines acknowledged by the Department of Transportation’s (DOT) dashboard to have made a *commitment to fee-free family seating*<sup>1</sup>, meaning, Frontier does not charge extra fees for families to sit together, and
- one of just three large U.S. airlines acknowledged by the DOT for having made at least three *commitments for current service members and families*, as reflected on the DOT’s “Support our Troops” dashboard.<sup>2</sup>

This unbundled model has democratized air travel, enabling millions of individuals, families, and small businesses who otherwise would not or could not afford to travel the opportunity to travel by air. It has also had the additional competitive effect for consumers of inducing other airlines, particularly non-ULFC airlines, to reduce their fares and to introduce new, lower-fare products into the marketplace. In other words, Frontier’s ultra-low fares have the competitive effect of not only stimulating demand, but also inducing other airlines to reduce fares, thereby increasing access to air travel and driving costs lower for consumers, whether they fly Frontier or another airline. It is not an overstatement to say that the unbundled, highly transparent, and ultra-low base fares offered by ULFCs have benefitted hundreds of millions of air travelers through direct fare savings offered by ULFCs and indirect fare savings as a result of fare reductions and product changes by other airlines trying to compete with ULFCs. This is precisely the type of innovation and maximum reliance on competitive market forces that the Airline Deregulation Act envisioned.

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<sup>1</sup> See <https://www.transportation.gov/airconsumer/airline-family-seating-dashboard>

<sup>2</sup> See <https://www.transportation.gov/airconsumer/support-our-troops-dashboard>

It is indisputable that unbundling has lowered the cost of flying for consumers. If Frontier did not unbundle fares, it would not be able to offer the ultra-low base fares that it does. For example, Frontier's 2022 fare revenue per passenger, excluding all optional services, was only \$54. A passenger who does not need to check a bag or want a specific seat on a flight is not obligated to purchase either of those additional items. If Frontier had to include a checked bag and a seat assignment as part of its fare, everything else being equal, the lowest fares available would be higher than Frontier's current ultra-low fares, with the result being that certain consumers are either unable to travel or otherwise charged for products/services that the consumer may not want or need.

Frontier does not force passengers to pay for optional ancillary products or services the passenger does not want or use. That is very fortunate for many passengers because – as a highly unbundled airline – a significant number of Frontier's customers do not purchase baggage-related or other ancillary offerings:

- *More than 70% of Frontier's customers do not purchase a 1<sup>st</sup> checked bag*
- *More than 95% of Frontier's customers do not purchase a 2<sup>nd</sup> checked bag*
- *More than 80% of Frontier's customers do not purchase a carry-on bag*
- *More than 40% of Frontier passengers spend \$0 on baggage or seat assignment purchases.*

As an example of the benefits from the unbundling of various ancillary services, passengers flying on Frontier only pay for a 1<sup>st</sup> or 2<sup>nd</sup> checked bag if they check a 1<sup>st</sup> or 2<sup>nd</sup> bag, and all passengers benefit from the base fare savings as a result of unbundling baggage and other services. By contrast, on a "bundled" carrier, every customer pays for the true costs of so-called "free"

checked bags, regardless of whether they check a bag or not, albeit with such cost baked into the airfare. As the Department of Justice explained in its Complaint against the JetBlue/Spirit merger, for travel on airlines that offer a bundled, all-inclusive price, “[p]assengers were forced to pay for these features regardless of how much they used or valued them.”<sup>3</sup>

The consumer benefits of unbundling and ULFCs are indisputable. For example, the Department of Justice highlighted in its JetBlue/Spirit Complaint the significant benefits of ULFCs on fares for price-sensitive consumers and the significant consumer-friendly innovation in passenger air transportation that ULFCs have brought to the industry. Among other things, the Department of Justice noted that carriers that have unbundled these features “*empower [] cost-conscious travelers to prioritize the aspects of the flying experience they valued the most*” and have enabled such carriers “*to offer low fares that are particularly attractive to cost-conscious travelers who want the least expensive way to get to their destination.*”<sup>4</sup>

Even bundling legacy carrier, Southwest Airlines, acknowledged in its 2022 annual report, that in response to ULFC unbundling, “*most major U.S. airlines now offer expanded cabin segmentation fare products, such as “basic economy” and “premium economy” products.... Also in response to competitive ULFC pricing, some carriers removed fare floors for certain routes, leading to a lower fare offering across the industry.*”<sup>5</sup>

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<sup>3</sup> Complaint ¶ 19, *United States of America et al. v. JetBlue Airways Corporation and Spirit Airlines, Inc.*, filed March 7, 2023, D. Mass.

<sup>4</sup> Complaint ¶ 20, *United States of America et al. v. JetBlue Airways Corporation and Spirit Airlines, Inc.*, filed March 7, 2023, D. Mass. (emphasis added).

<sup>5</sup> 2022 Annual Report of Southwest Airlines Co., at 36 (emphasis added).

These fees allow Frontier to make these ancillary services available to passengers who want or need them and to ensure that passengers who do not want or need the services do not pay or otherwise subsidize them, thereby reducing the costs of air travel for those passengers. Moreover, Frontier fully and transparently discloses to its customers available product, service, and price options, including the cost of any optional services, early and often in the booking process and prior to purchase on its website, consistent with DOT regulations. In fact, the Department's own data show that the number of complaints about ancillary fee disclosure is de minimis. For example, out of 674 million U.S. airline passengers, there were only 260 "baggage fee" complaints in 2021.<sup>6</sup> This equates to a rate of just one baggage fee complaint per 2,500,000 passengers.

One final topic I would like to address. Much has been made, and distorted, about Frontier's program to offer customer service agents commissions for certain ancillary products such as gate-checked bags. This program is meant to enhance compliance by passengers with Frontier's carry-on bag policy. This, in turn, enhances cabin safety and boarding efficiency, and ensures that the passengers are treated equally.

In sum, Frontier's unbundled services model enables customers to pay for only the ancillary services and products that they want or need, and those services and products, as their associated fees, are transparently disclosed (along with their respective prices) to consumers well before and at the time of ticket purchase.

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<sup>6</sup> DOT Chart, Number of Consumer Complaints Received by the U.S. DOT OACP regarding Ancillary Fees, 2019-2021 (Docket DOT-OST-2022-0109).

I look forward to our discussion this morning and answering your questions.