

December 4, 2024

Statement of Matthew H. Klein  
Executive Vice President and Chief Commercial Officer  
Spirit Airlines, Inc.  
before the  
Senate Permanent Subcommittee on Investigations

Mr. Chairman, thank you for the opportunity to appear today. My name is Matt Klein, and I am the Executive Vice President and Chief Commercial Officer for Spirit Airlines.

I've been at Spirit Airlines for over 8 years and have been involved in the airline and travel industry for nearly 30 years. Spirit has been a pioneer in democratizing air travel by providing travelers the most transparent and customer-choice-centered experience, at the most effective cost.

There is no "standard" way to travel, and as we see with our own Guests these decisions are varied and very personal ones. Some guests want to check a bag, others want Wi-Fi, premium snacks, or the option to select their seat. A large percentage of our Guests want something simpler – their seat and a personal item at the lowest cost. This model ensures that customers only pay for what they want, and also that they aren't forced to pay for what only others want.

Spirit goes to great lengths to ensure our Guests know the full menu of options for customizing their travel experience, and we are fully transparent about what is included and the cost. We have an incentive to do so, because our industry is one of the most competitive out there and it relies on repeat customers.

With this backdrop, I hope to help the committee better understand what seem to be misconceptions reflected in the recently released Majority Report on optional services offered by airlines. These are by definition **not** so-called "junk fees" as optional services are not required to travel. Indeed, unlike many other industries, Airlines already must advertise the complete cost, including taxes and fees, of any fare or optional service. What travelers see advertised is what they pay, and they receive exactly what is advertised.

To be clear:

- Spirit does not engage in so-called drip pricing;
- Spirit does not set any price based on an individual's personally identifiable information. We do provide certain added benefits for our great military members and their families, as well as for Silver and Gold members who have chosen to sign up for and participated in our loyalty program; and
- Lastly, Spirit's goal has always been and continues to be democratizing air travel for the general public by providing consumer choice through travel options that allow our Guests the greatest level of self-customization.

Prior to the Airline Deregulation Act of 1978, air fares typically included one or two checked bags, and perhaps a carry-on bag if room permitted. On longer flights, passengers might be served breakfast, lunch, or dinner.

Flying was very expensive, and few people could take advantage of it.

The goal of the Airline Deregulation Act was to promote innovation and competition which would lead to lower fares, and in turn would lead to more people having the opportunity to fly.

The early years of deregulation were somewhat chaotic.

Due to a combination of unusual circumstances, virtually all of the early innovators except for Southwest disappeared or were merged into larger airlines. These "Legacy Airlines" still control the vast majority of gates at major airports, as well as take-off and landing slots at the most traveled airports in large metro areas like New York, Chicago, San Francisco and Washington DC. The control of these assets continues to be one of the largest barriers for new entrants attempting to spread low fares to more cities and travelers.

Importantly, as technology has evolved, the communications revolution created by personal computers, software development, and the internet made possible a quantum leap in how airline tickets could be advertised and sold. Consumers now have an easy-to-use, direct link which instantly allows them to see and purchase travel from any airline or ticket agent.

Recognizing this new retail environment, Spirit, under the leadership of Ben Baldanza and his team, decided to offer passengers the opportunity to fly for a lot less money and to separately purchase only what an individual or family needed or wanted for a trip. Spirit originally called these low fares “Bare Fares” and the public loved them.

Since 2007 when Spirit introduced paying separately for checked bags as an ancillary service, there have been almost 13 billion domestic U.S. airline passengers (including the significant drop during 2020-2021 due to COVID-19).

Today, virtually everyone who flies knows how to book a ticket online – either directly through an airline or an online travel agent. The general public absolutely knows they have choices in terms of what service options are available to them.

While not every passenger chooses the least expensive travel option, in some months Spirit can have over 40% of its guests travel without a checked bag, carry-on bag, or a pre-selected seat. The concept of the unbundled base fare quickly became so popular that all three legacy airlines implemented a “basic economy” product which mirrors Spirit’s basic “Go” travel option. As referenced in the Majority Report, Delta was the first to introduce these fares in 2012, specifically on routes operated by Spirit.

Optional fees are not an issue for the traveling public. Spirit can confidently say that the American public is quite smart. The consumer makes all of their purchase decisions based on the value they receive. This is true for the purchase of any product. The combination of total cost in relation to the product and services received is what drives purchase decisions. Any individual service charge is not the ultimate variable in deciding whether to purchase on one airline or another. It is the overall cost, product, and experience that matters.

Importantly, all Spirit fares are market driven. Supply and demand continues to be, and will always be, a very powerful driver of price.

The Report spends several pages complaining about service charges revolving around pre-selected seats. Pre-selected seat charges are not so-called “junk” fees like those that appear unexplained on a phone bill or on an electric bill. The Report chooses to misleadingly list the lowest and maximum charges offered by

each airline but not the significantly more important average charge for each. In addition, the Report misses the fundamental point that many customers want a specific pre-selected seat and are ready to pay for it.

Family seating referenced in the Report is simply not a problem. In 2023, Spirit received a total of **16 complaints** on this topic out of a total of **44,105,000 flying Guests**. This means that Spirit received less than 4 complaints regarding Family Seating for every 10 million enplaned passengers.

If a passenger doesn't want a specific seat, they do not have to pay anything beyond the base fare. They will receive a pre-assigned, reserved seat when they check-in for their flight.

Moreover, any Guest booking more than 7 days in advance of travel has 24 hours to do even further comparative shopping if they so choose and cancel for a full refund with no questions asked.

**This is free market choice. It is not a “junk fee” nor is it “drip pricing”. It is a service option.** By 2026, every airline in the United States will be offering some kind of optional service for pre-selected seats. Clearly, these are products that the American consumer desires.

The Report questions the fact that airlines cannot objectively determine the “cost” of a specific ancillary service.

It is virtually impossible to track the total cost of providing an individual ancillary service to a customer. More importantly, it is not relevant in a highly competitive marketplace. Focusing on “costs” ignores significant benefits for passengers. For example, a November 19, 2024, *Wall Street Journal* article detailed the chaos caused by carry-on bags, affecting boarding, deplaning, flight delays, and even the risk of injury. By charging for carry-on bags, Spirit has minimized these problems while enabling people who are really in a rush to pay for that option. This helps Spirit turn its airplanes quicker and thus allows for higher utilization of its aircraft. This added utilization helps to drive down its unit costs which ultimately shows up in savings for consumers.

**Fare transparency** is the byword at Spirit and it is how we approach customers. Hiding costs is not in our interest.

If the Subcommittee wants to investigate industry issues that directly affect what customers pay here are three suggestions:

1. Hub/ Slot dominance
2. Legacy Pricing Dominance
3. Legacy dominant Loyalty/Bank co-branded credit card programs

By maintaining dominant positions in these three areas, legacy carriers are able to subsidize domestic flying and squeeze pricing which would otherwise be unsustainable against low-fare airlines. International and business travel fares also help subsidize temporary low prices that legacy carriers use to compete with ULCCs.

I am pleased that the Subcommittee report correctly delves into how legacy carriers generate billions of dollars with loyalty programs and use these programs to capture customers who pay higher fares. If carriers like Spirit cannot thrive and grow, then airfares, with or without optional ancillary services, will significantly increase for all travelers.

Thank you, I look forward to your questions.