Department of Transportation Office of Aviation Enforcement and Proceedings

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British Airways)	February 4, 2013
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Multiple Price Advertising Violations of)	
49 U.S.C. § 41712 and 14 CFR 399.84(a))	
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British Airways charges fuel surcharges of amounts impermissible under DOT rules, fails to disclose these surcharges in the manner required by DOT rules and, for certain around-the-world tickets, misrepresents fuel surcharges as "tax."

I hereby request that DOT docket this complaint as a request for DOT to exercise its authority under 49 USC 41712 to investigate and impose sanctions on British Airways for the unfair and deceptive practices described herein.

British Airways Fuel Surcharges Do Not Represent a Reasonable Estimate of Per-Passenger Fuel Costs Above Any Plausible Baseline

The DOT requires that "When a cost component is described as a fuel surcharge ... that amount must actually reflect a reasonable estimate of the per-passenger fuel costs incurred by the carrier above some baseline calculated based on such factors as the length of the trip, varying costs of fuel, and number of flight segments involved." The DOT instructs airlines to accompany any such fuel surcharge disclosure with an explanation of the method of calculation: "For example, descriptions such as the following would be acceptable: 'Fare includes a fuel surcharge. On average our passengers paid \$xx.xx more for fuel during 2011 in their ticket price than they did in 2000;' or 'Fares include a charge for fuel. On average in 2011 our passengers paid \$xx.xx for fuel as a part of their ticket price.' Of course, such assertions must be based on the carrier's actual paid enplanements and fuel expenditures." See Additional Guidance on Airfare/Air Tour Price Advertisements (available at http://airconsumer.dot.gov/rules/Notice.Taxes.fees.sam.dl.13.website.pdf).

In May 2012, I booked BA OnBusiness award travel from Singapore to Boston. At that time, BA quoted "fuel surcharge" of \$521 for first class travel SIN-LHR-BOS. See Attachments 1 and 2 (prepared May 30, 2012).

Current BA fuel surcharges for BOS-LHR are \$229 per person each way (for coach and World Traveler Plus) and \$414 each way (for Business Class and First Class). See Attachments 3 and 4 (prepared January 12, 2013).

To the best of my knowledge, these amounts are not a reasonable estimate of the per-passenger fuel cost incurred by British Airways above any reasonable baseline. While fuel prices are high, they are *stable* and have not been increasing significantly over recent years. See Attachment 5, taken from the IATA Economics web site, showing stable fuel prices over the past two years, and prices consistently well below the peak of 2008.

British Airways Fuel Surcharges Are Implausibly High Vis-à-vis Ordinary Paid Tickets

For further evidence that BA fuel surcharges are not a reasonable estimate of per-passenger fuel costs above a baseline, I checked ordinary paid bookings on BA flights. I quickly found instances in which the BA "fuel surcharge" exceeded 70% of the total cost of an ordinary paid ticket. For example, on January 20, 2013, I used the BA web site to quote an ordinary paid coach ticket for BOS-LHR-BOS at \$640 plus government taxes of \$218.85. See Attachment 6. In contrast, when I asked to redeem points for the same flights on the same dates, the BA Executive Club and OnBusiness redemption tools noted the required points plus \$458 of British Airways fuel surcharge and government taxes of \$218.85. See Attachment 7.

It is not plausible that \$458/\$640=71.5% of total airfare is fuel cost above a baseline. This confirms that the British Airways "fuel surcharge" does not reflect a reasonable estimate of per-passenger fuel costs above a baseline.

British Airways Fuel Surcharges Appear to Exceed BA's Actual Cost of Fuel

As best I can determine from publicly-available sources, BA fuel surcharges currently exceed BA's actual cost of fuel. To make this calculation, I checked capacity, fuel surcharges, and fuel consumption on BOS-LHR and LHR-LAX. This combination of routes offers both transatlantic directions, BA's two prevailing equipment types, and a mix of shorter and longer transatlantic routes. The table below summarizes my calculations:

	BOS-LHR (777 service)	LHR-LAX (747 service)
Fuel surcharge revenue		
Passengers		
First Class	16 * \$414 = \$6,624	14 * \$452 = \$6,328
Club	48 * \$414 = \$19,872	52 * \$452 = \$23,504
World Traveler Plus	40 * \$229 = \$9,160	36 * \$229 = \$8,244
World Traveler	122 * \$229 = \$27,938	243 * \$229 = \$55,647
Total passenger fuel surcharge	\$63,594	\$93,723
<u>Cargo</u> Capacity	35,000 kg	34,000 kg
Fuel surcharge	\$1.16/kg	\$1.16/kg
Total cargo fuel surcharge	\$40,600	\$39,440
Total fuel surcharge revenue	\$104,194	\$133,163
Fuel expense		
Scheduled travel time	6:20	10:10
Fuel consumption per hour	7,600 liters/hour	12,788 liters/hour
Price of jet fuel	\$0.766/liter	\$0.766/liter

Notice that total fuel surcharge revenue for these routes is \$104,194 and \$133,163, respectively. In contrast, total fuel expense is less, specifically \$36,870 and \$99,589. This indicates that fuel surcharge revenue appears to exceed BA's actual cost of fuel.

BA may argue that my fuel surcharge revenue estimates should be adjusted in light of the passenger and cargo load factors. I have not fully evaluated that argument. But even such an adjustment would not alter the conclusion that BA's fuel surcharges are not a reasonable estimate of increased fuel costs above a baseline. Specifically, BA parent IAG publicly reports its transatlantic passenger load factor as 83.7% and its systemwide cargo load factor as 73.9%. After these adjustments, fuel surcharge revenue would be \$83,231 and \$107,592, respectively – still exceeding fuel expense. Note that lower passenger load would increase cargo capacity, a factor I have not considered in this analysis.

Sources:

Passenger capacity: http://www.britishairways.com/travel/seatcwfb/public/en_gb,

http://www.britishairways.com/travel/wldtrv/public/en_gb,

http://www.britishairways.com/travel/worldt/public/en_gb,

Passenger load factor: http://www.iagshares.com/External.File?t=2&item=g7rqBLVLuv81UAmrh20Mp62 https://www.iagshares.com/External.File?t=2&item=g7rqBLVLuv81UAmrh20Mp62 https://www.iagshares

Cargo capacity: Calculated as follows:

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Cargo Capacity = Payload - Passenger Weight
= (Zero Fuel Weight - Operating Weight)
- (Passenger Capacity * Weight Per Passenger)
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Operating weight and zero fuel weight obtained from

http://www.boeing.com/commercial/airports/acaps/777_23.pdf and

http://www.boeing.com/commercial/airports/acaps/747 4.pdf for the equipment types, engine types, and maximum ratings BA operates (as listed on the BA pages noted in the fuel consumption sources, below). Passenger weight calculated at 95kg per passenger, times 100% passenger load in all cabins. Cargo capacity rounded down to the next 1000kg. We also confirmed that payload plus zero fuel weight plus required fuel would not exceed max takeoff weight.

Cargo surcharge amount: http://www.baworldcargo.com/surcharges/

Travel times: SABRE (reporting scheduled times, not flight times)

Fuel consumption: $\frac{http://web.archive.org/web/20030408042829/http://www.britishairways.com/flights/factfile/airfleet/docs/777.shtml, <math display="block">\frac{http://web.archive.org/web/20030223055148/http://www.britishairways.com/flights/factfile/airfleet/docs/7474.shtml$

Fuel cost: http://www.transtats.bts.gov/fuel.asp (2012 YTD figures)

British Airways Fuel Surcharges Are Not Supported with Required Calculations

The DOT has instructed that airlines must substantiate fuel surcharges with statements supporting the surcharge amounts. Specifically, the DOT instructs: "For example, descriptions such as the following would be acceptable: 'Fare includes a fuel surcharge. On average our passengers paid \$xx.xx more for fuel during 2011 in their ticket price than they did in 2000;' or 'Fares include a charge for fuel. On average in 2011 our passengers paid \$xx.xx for fuel as a part of their ticket price.'" See Additional Guidance on Airfare/Air Tour Price Advertisements (available at http://airconsumer.dot.gov/rules/Notice.Taxes.fees.sam.dl.13.website.pdf).

To the best of my knowledge, BA has never provided any such substantiation. For example, when BA quotes a ticket that includes a fuel surcharge, BA generally labels the fuel surcharge as such, but BA never provides the sort of calculation specified in the DOT notice.

Nor are details easily available from BA staff. Indeed, when I wrote to British Airways customer service (via the BA web site) seeking information about the calculation of fuel surcharges, I was referred to telephone staff. (See Attachment 8.) I called BA telephone reservations staff but was unable to obtain any information on this subject.

BA OnBusiness Points Table Does Not Disclose Carrier-Imposed Surcharges

The DOT requires that "If there are government fees or taxes or mandatory carrier charges such as processing fees that must be paid by consumers in frequent-flyer awards programs, then the respective amounts or a range of those amounts must be shown on carrier websites together with the mileage award levels. They must, moreover, be given the same prominence as the mileage award requirements." See Guidance on the Use of the Term 'Free' in Air Fare Advertisements and Disclosure of Consumer Costs in Award Travel (available at http://airconsumer.dot.gov/rules/Use%20of%20the%20 word%20free%20in%20fare%20advertisements.pdf).

In sharp contrast to the DOT's requirements, the OnBusiness Reward Flight Points Page (Attachment 9) lists points required for various awards without putting fuel surcharges in equal prominence. The body of the table says nothing about any surcharges. Rather, a tiny footnote marker directs a user to a note mentioning only "taxes, fees, charges, and security charges." This footnote suffers multiple deficiencies vis-à-vis DOT requirements: 1) The small type at the far bottom of the lengthy page does not have "the same prominence" as the full-size points requirements present throughout the page. 2) The footnote mentions "fees" and "charges" but says nothing of "carrier-imposed fuel surcharges" (BA's own characterization of the amounts at issue). 3) The footnote does not indicate the amounts or range of amounts that may apply.

Impermissible Combination of Government-Imposed Taxes and Fees with BA Fees

The DOT warns that "Combining government-imposed taxes and fees with those imposed by carriers or agents is likely to confuse consumers and deceive them into believing the government taxes and fees associated with their airfare are higher than they actually are." The DOT instructs that "advertisers who desire to separately list government taxes and fees as well as carrier- or agent-imposed fees should ensure that they are not lumped together and described as 'taxes and fees.' Language such as 'Taxes

and carrier-imposed fees' would be acceptable, for example." See Additional Guidance on Airfare/Air Tour Price Advertisements (available at http://airconsumer.dot.gov/rules/Notice.Taxes.fees.sam.dl.13.website.pdf).

As I booked recent BA OnBusiness award travel, the British Airways site presented the label "taxes, fees, charges and surcharges per person" with a footnote mentioning "The price of your ticket may include a fuel surcharge per flight levied by the carrier." (See Attachment 1.) This disclosure does not satisfy DOT rules. In particular, contrary to the DOT's instructions, this disclosure omits the crucial words "carrier-imposed" – words necessary to alert consumers that these surcharges are set by BA, in sharp contrast to genuine taxes and fees imposed by governments and airports. The footnote is also inadequate because the DOT instructs that this information is to be provided in the main disclosure (not in the footnote) and because the footnote is impermissibly vague (referencing fees that "may" apply, which lacks the required level of specificity).

Ongoing Misrepresentation by Around-The-World Booking of Carrier-Imposed Surcharges as "Tax" – for Tickets Issued by BA

BA advertises around-the-world air travel via the tool at http://rtw.oneworld.com/. This tool systematically mischaracterizes carrier-imposed surcharges as "tax." These amounts can be substantial – regularly more than \$1000 on a single ticket, and I believe in some instances more than \$2000.

If a passenger chooses an itinerary with the first segment on BA, BA charges the customer's credit card and issues the entire ticket. See http://www.oneworld.com/flights/plan-book-online/?faqOnly=1 at heading "FAQ" — "Who is my ticketing airline?"

I have quoted a variety of around-the-world tickets using this tool. For example, on January 20, 2013, I quoted a coach ticket JFK-LHR-DXB-LHR-ARN-LHR-HKG-SIN-NRT-HKG-YVR with the first five segments on BA. Taxes were quoted at \$1,191.24 USD. See Attachment 10. I clicked the "Proceed" button and received the lengthy itinerary and fare quote shown in Attachment 11, reiterating the \$1,191.24 quote of "Taxes." There, the word "Taxes" appeared as a hyperlink. I clicked this link, receiving the itemization in Attachment 12. The top two lines of that itemization report "Surcharge" of \$579 and "Multiple surcharges" of \$367.

However, as best I can tell there are no actual government taxes totaling the \$1,191.24 "tax" charged on this itinerary. Rather, I believe the majority of the \$1,191.24 "tax" – specifically, the \$579 and \$367 later characterized as "surcharge" – are actually carrier-imposed surcharges. Thus, 79.4% of the \$1,191.24 "tax" is not actually tax but rather carrier-imposed surcharge.

Crucially, the initial disclosures (as shown in Attachments 10 and 11) mischaracterize the amounts at issue as "taxes", <u>not</u> "taxes and surcharges" or the like. Moreover, every user using this booking tool must see the screens in Attachments 10 and 11; in contrast, the information in Attachment 12 is shown only if users specifically click the "Taxes" hyperlink to view details. Thus, even though Attachment 12 describes the surcharges within a page entitled "taxes and surcharges information", most users are unlikely to see this screen. Moreover, the "and surcharges" label appears only in HTML title, not in page text – insufficiently prominent to cure the false statements made previously. Indeed, at the same time that the "taxes and surcharges" label appears at the top of the page (indicating that some of the listed

charges are "surcharges" rather than taxes), the wording "TaxBreakdownPopUp" appears immediately below (in the popup's URL bar) (indicating that everything in the listing is a "tax"). Finally, even on the most favorable view, the statements in Attachment 12 still fall short of applicable DOT rules: Note the absence of the crucial words "carrier-imposed" as well as the failure to include statements substantiating the surcharge amounts ("On average our passengers paid..." or similar). These omissions are in sharp contrast to the requirements of Additional Guidance on Airfare/Air Tour Price Advertisements (http://airconsumer.dot.gov/rules/Notice.Taxes.fees.sam.dl.13.website.pdf).

My Attempts to Alert British Airways to These Violations

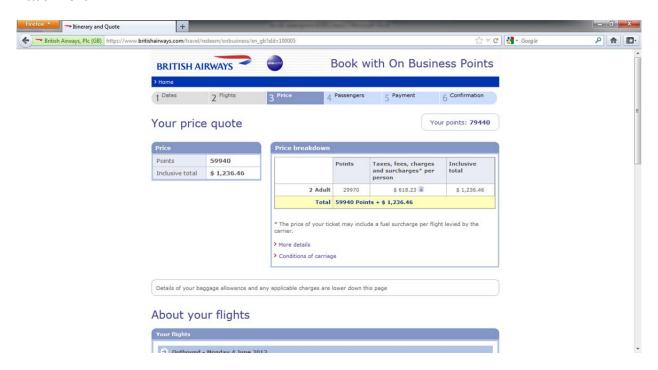
I have attempted to alert British Airways to these violations and obtain a refund of amounts unlawfully charged to me. I sent substantially the same material presented above (with the exclusion of the Around-the-World section) to BA Customer Relations by fax on June 7, 2012, then again on July 23, 2012. On November 8, 2012, I took the liberty of escalating this matter to Richard Mendles, BA General Counsel, Americas. Mr. Mendles replied in an email of November 14, 2012 to confirm receipt. Despite two further messages from me seeking a response in substance, he has offered no substantive reply. Thus, British Airways has failed to reply in substance despite the passage of more than seven months since I first brought these matters to its attention.

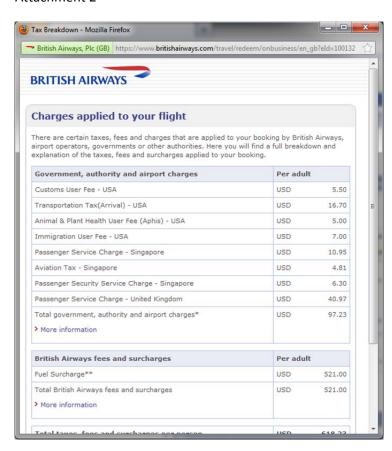
Required Resolution

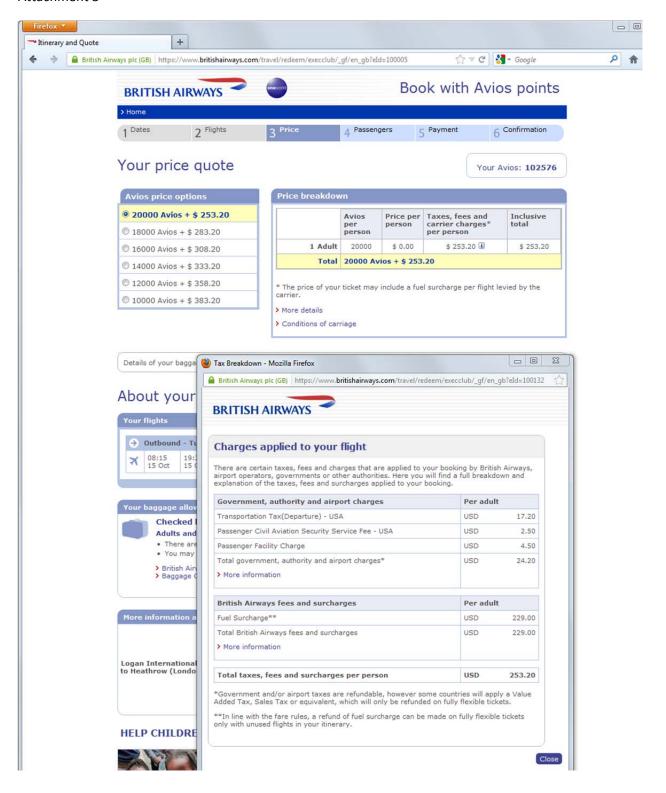
I ask that the Department of Transportation:

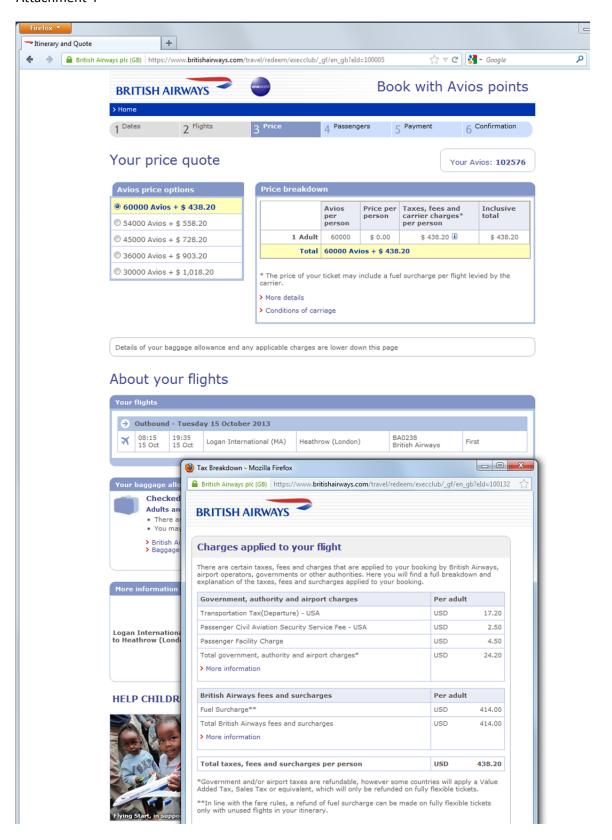
- (1) Exercise its authority under 49 USC 41712 to open an investigation of British Airways for having engaged in, and continuing to engage in, the unfair or deceptive practices described above;
- (2) Order British Airways to refund to ticket purchasers all monies represented to ticket purchasers as "taxes" or government-imposed fees, but not actually remitted to governments, and all "fuel surcharges" impermissible under the law or regulation applicable as of the date of purchase of the corresponding tickets;
- (3) Impose appropriate civil penalties on British Airways;
- (4) Refer this matter to appropriate US and foreign tax collection agencies for investigation of possible tax fraud or other violations of tax law in non-payment to governments of monies collected as "taxes" or government-imposed fees; and
- (5) Issue any guidance or revised regulations needed to clarify to other airlines and ticket agents, and to preclude any future claim of ambiguity, that these practices are unfair and deceptive in violation of 49 USC 41712.

Submitted February <u>4</u> 2013, /s/ Benjamin Edelman



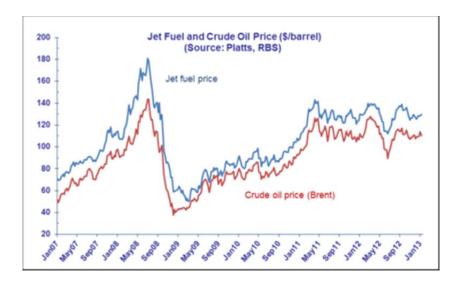




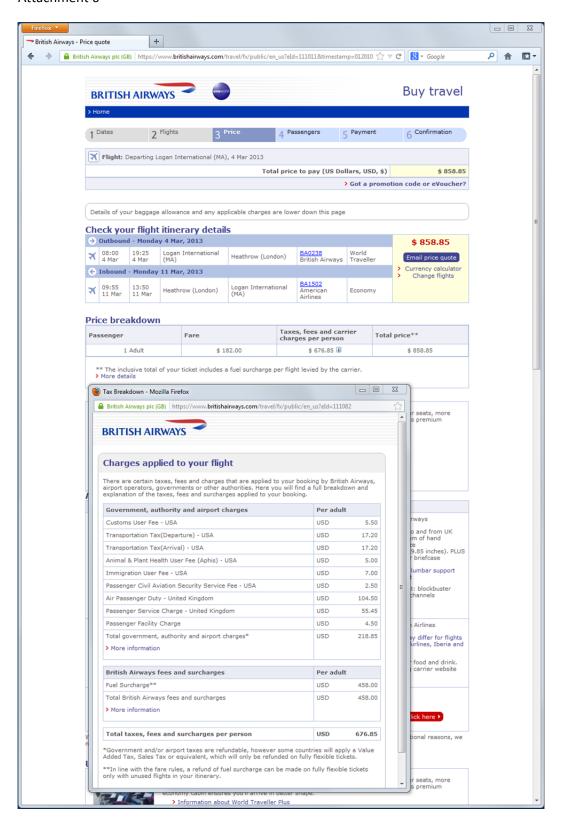


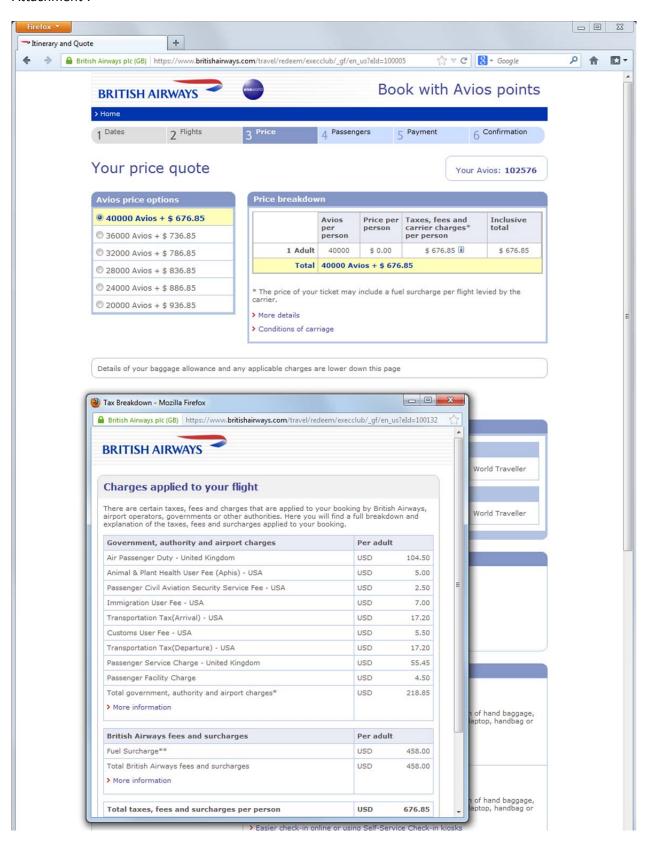
Attachment 5

IATA Economics: Jet Fuel Price Development



Source: http://www.iata.org/publications/economics/fuel-monitor/Pages/price-development.aspx





From: British Airways North America
Sent: Wednesday, June 06, 2012 3:01 AM
To:
Subject: I write in regard to tickets
[Incident:

Subject

I write in regard to tickets
and
for OnBusiness aw...

For OnBusiness aw...

O6/06/2012 07.00 AM (GMT)

Dear Mr Edelman

I am sorry we are unable to help about your fuel surcharge query by email.

For assistance, please contact your nearest British Airways office, where one of our agents will be able to assist you. Their telephone numbers and opening times can be found at: http://www.britishairways.com/travel/ctclist

I hope they resolve this swiftly for you.

Regards

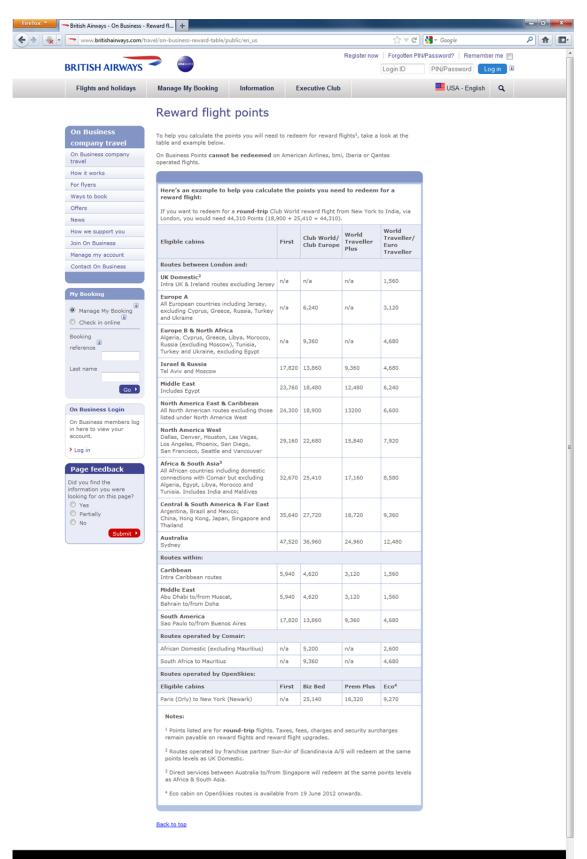
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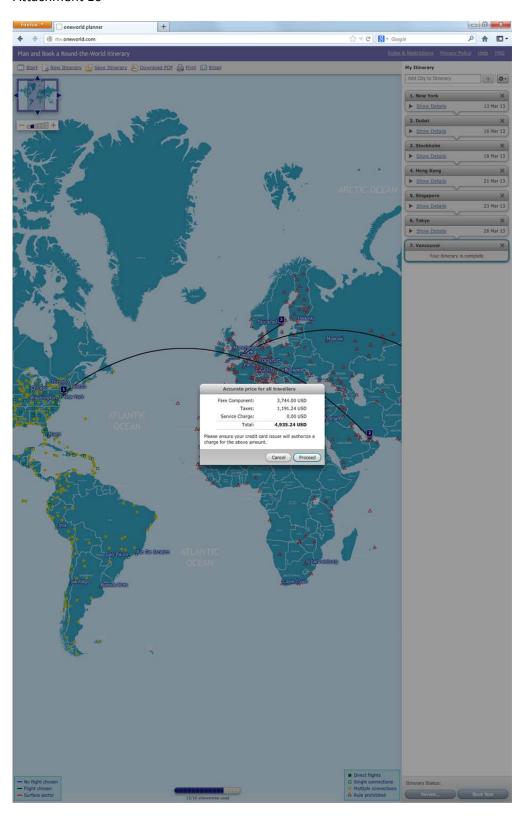
British Airways

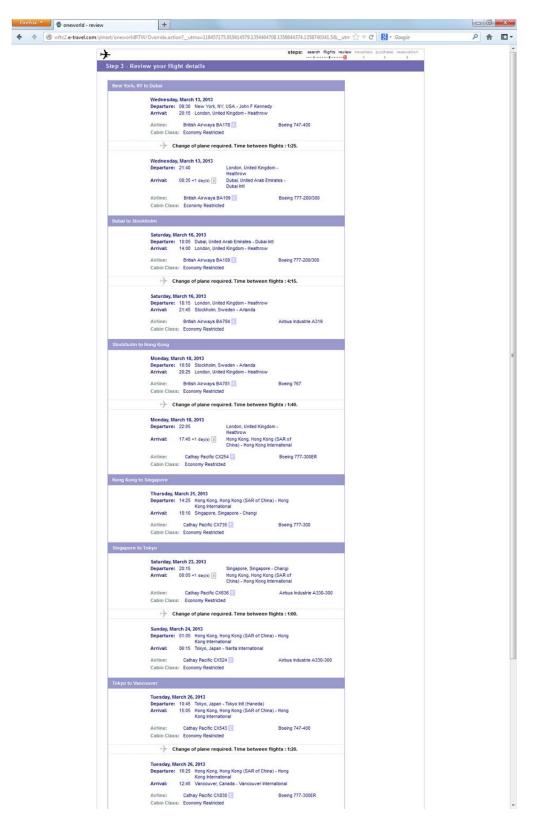
. . .

Customer By Web Form (Benjamin Edelman) 1 write in regard to tickets 3 and 4 for OnBusiness award travel from Singapore to Boston.

I notice that these tickets include a British Airways fee of \$521 described as a "fuel surcharge." How was that amount calculated? Does that reflect the cost of fuel relative to a particular baseline? What is the method of calculation of the baseline? I could not find this information on BA's site. Thank you.







Attachment 11 (continued)

