

# Bloomberg

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## Airline Baggage Fees Go International

By Justin Bachman

*IdeaWorksCompany contributed information to this article - - see end of article.*

*As fare wars with discount carriers cross the Atlantic, some “full-service” airlines are making you pay in other ways.*

Delta Air Lines Inc. will soon demolish a travel shibboleth that dates back decades. The airline’s introduction of its “basic economy” fares across the Atlantic will herald the end of free checked bags for international travelers who choose the lowest price.

Starting on April 10, Delta and three of its European joint venture partners—Air France, Alitalia and KLM—will add a \$60 charge to check a bag if you purchase the basic, or “light,” fare now offered on more than half of its European routes. In other words, pay less for your ticket and more for luggage, or just limit yourself to a carry on. Delta’s change, announced last month, also extends restrictions similar to those found on domestic routes, such as an advanced seat assignment, ticket changes or refunds.

This type of economy-class fare segmentation has become the primary weapon of “full-service” network airlines such as Delta and United Continental Holdings Inc. in their battle with low-cost rivals. Their expansion of no-frills fares is aimed at upstarts such as Norwegian Air Shuttle SAS and WOW Air, which charge to check any bag as part of their bargain approach. Some of the bag fees are as much as \$130, dwarfing the fare price. This week, for example, Reykjavik-based WOW was selling tickets from the U.S. to Iceland for \$69.99 and to other European cities for \$89.99.

The basic economy fare is “a great tool for us to be more competitive in terms of the fare itself with the [ultra low-cost carriers] in the trans-Atlantic,” Delta President Glen Hauenstein told analysts on Jan. 11. “And we’re very optimistic about how that will play out.”

For travelers, the big question is whether—or perhaps how quickly—the rest of the big players may follow Delta’s lead on an international basic economy class. After all, American Airlines Group Inc. and United both copied Delta’s domestic basic economy fare. In August, American’s senior vice president of revenue, Donald Casey, said such a fare class makes sense for the trans-Atlantic market. But the Fort Worth-based airline, along with rivals United and Air Canada, have yet to pull the trigger. “We continually monitor developments in the industry,” said Air Canada spokesman Peter Fitzgerald.

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<	SUN MAY 06 \$ 266.40	MON MAY 07 \$ 190.40	TUE MAY 08 \$ 361.40	WED MAY 09 \$ 361.40	THU MAY 10 \$ 411.40	FRI MAY 11 \$ 411.40	SAT MAY 12 \$ 1,361.40	>
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Direct flight   08H:35'   Operated by: Alitalia					
Flight details - Total duration 08H:35'					
AZ 603 Flight duration 08H:35' JFK 05:45 PM → 08:20 AM(+1d) FCO		Hand baggage 1x8kg	Hand baggage 1x8kg	Hand baggage 1x8kg	Hand baggage 1x8kg
Operated by: Alitalia   Aircraft: 330		Miles	Checked baggage 1 x 23Kg	Checked baggage 1 x 23Kg	Checked baggage 2 x 23Kg
Light fare conditions		Booking change Not Permitted*	Choice of seat	Choice of seat	Choice of seat
*ATTENTION, you have selected the Light fare, which does not include checked baggage: this can be bought at a cost of EUR 25 and EUR 45 based on the route and/or method of purchase. The cost of checked baggage from Europe to US and Canada is € 50 and from US and Canada to Europe is US\$ 60. Click here to check what method of purchase is available, based on the chosen route, and its cost. Additionally, the Light fare does not include the choice or change of seat. On flights to/from Europe and US/Canada, seat choice or changes can be made at a cost of €20 from Europe to US and Canada or US\$ 25 from US and Canada to Europe. Seat choice or change will be free of charge until 31 March 2018, after ticket purchase, in the "My Flights" section or during check-in. In addition, Check-in will only be possible on line or at the airport Fast Check-in kiosks.		Ticket refund Not Permitted	Miles	Miles	Miles
Round-trip tickets, or tickets with stopovers, are valid only if used in the flight order specified on the ticket. If passengers do not arrive to board a flight, the ticket will be canceled for the subsequent flights. Exceptions can be made in special circumstances. For further information, click here. For all fares, taxes are always refundable. Supplements depend on the refund rules for the fare.		*Exceptions might apply. Please verify the fare rules after your final flight selection	Booking change At a fee	Booking change Free	Booking change Varies
Information on REFUND MANAGEMENT		Ticket refund Not Permitted	Ticket refund Free*	Ticket refund Varies	Ticket refund Varies
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In some ways, the super-cheap economy fares are a prelude to sticker shock when extras are tallied. Airlines don't really want you to buy these fares so much as they want you to feel good about going for the next higher class. As a result, carriers measure basic economy's success by its commercial unpopularity—the more passengers who trade up, the better. American has said that about half of its customers select the regular economy fare, while United claims an even larger share.

A bag fee can provide some motivation. Indeed, Alitalia's pricing on Jan. 17 for a roundtrip flight in May from New York to Rome illustrates this dynamic. Assuming a traveler had a full-size suitcase to check, the \$45 difference between the airline's light and regular economy fares was less than the \$60 bag fee you'd pay for going with the light fare. Delta's fare gap was generally higher, \$100-\$120, on most routes.

Airlines do note that there's a growing demand for the cheapest fares among passengers toting only carry-ons. "The growth of discount carriers, who charge all passengers checked baggage fees, demonstrates the demand for low fares by price-conscious consumers who do not want to check baggage," Air France-KLM spokesman Arturo Diaz said in an email.

***Another reason why the industry may fall in line behind Delta? There's a lot of money in it. Over the past decade, ancillary revenue at the 10 airlines that collect the most in fees jumped from \$2.1 billion to more than \$28 billion by 2016, according to IdeaWorks Co. The top three U.S. carriers accounted for \$16.3 billion of that amount. Bag fees "have proven to be big revenue generators, and they too will become status quo in the trans-Atlantic by end of 2019, and globally thereafter," Jay Sorensen, president of IdeaWorks, a travel consulting firm, wrote in an email.***