BAGGAGE ALLOWANCE

Providing airlines the freedom to determine their own baggage policies enables them to create allowances in line with consumer needs and market considerations.

The Issue

Brazil currently requires that airlines allow all passengers to check-in two pieces of baggage on international flights to and from the country. Other governments, while requiring airlines disclose their baggage allowances, let airlines determine what those allowances are.

IATA's Position

Airlines should be able to determine their own baggage allowances. Government mandates in this area deprive airlines of the freedom to make commercial decisions and offer a unique value proposition to the consumer. It also deprives consumers of greater choice in the marketplace, as carriers are increasingly forced to harmonize their offerings according to government regulation.

If airlines can set their own allowances, they can offer a greater variety of products to customers based on market needs and the audience segment they seek to target. For example, in markets where an airline aims to appeal to travellers on short trips, customers may be able to benefit from cheaper hand-baggage only fares. In another market, airlines wanting to capture a larger share of student traffic may offer special allowances for those travelling to and from university. Customers will then benefit from a greater variety of choice in the marketplace, and make their own price/service trade-offs.

The freedom to set allowances also offers frequent flyers or those travelling in premium cabins the ability to benefit from more generous allowances. Passengers in these cases may benefit the ability to check in three or even four bags without an extra charge.

In Brazil's case, the allowances go beyond what the market requires. Global industry estimates\(^1\) indicate that first-class passengers check in 0.8 bags on average; business class 1.2; and economy class 1.02 bags. A requirement to allow 2 bags per passenger therefore is not consistent with actual consumer behaviour, calling into question the need for such regulation.

International best practice dictates that the setting of baggage allowances be left to the commercial discretion of the carrier. The United States and the European Union, for example, require clear communication of allowances, so passengers understand their cabin and hold allowance, and any applicable fees, prior to the purchase of a ticket, which we support. But they do not set the allowances themselves, recognizing the benefits to consumers of allowing market forces to do so. Countries who do mandate allowances may indeed violate freedom of pricing provisions in bilateral air service agreements.

Preserving the commercial freedom for airlines to set their own baggage allowances provides the flexibility to develop products consumers want, gives consumers greater choice, and is consistent with international norms.

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\(^1\) IATA Airport Operations research