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## United Ends Domestic Change Fees

United joins Southwest in offering free ticket changes permanently, as airlines adjust to coronavirus-driven travel restrictions

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**INSTRUCTIONS:** What changes is United making to their business-level strategy? What environmental changes do you think prompted this change?

United Airlines said it is permanently ending flight change fees for most domestic tickets, the latest effort to boost demand in an air-travel industry hit hard by the coronavirus pandemic. Chicago-based United and other carriers have already extended temporary freezes on change fees for domestic and international travel. But the sluggish rebound in passenger demand since April and concerns that Covid-19 cases could rise during the fall and winter season have pushed airlines to identify new competitive strategies.

United is the first U.S. carrier to completely drop its domestic change fees. Alongside baggage charges, they have long been a strong source of revenue and profit for airlines and a key subject for criticism from passengers, consumer groups and lawmakers.

Ancillary fees have climbed fivefold over the past decade and accounted for about 15% of sales at U.S. carriers last year, according to consulting firm Idea Works Company. Seat assignments and other extras have remained popular through the pandemic-driven travel downturn, according to low-cost specialists like Spirit Airlines Inc. that rely heavily on non-ticket revenue.

Some lawmakers last spring called for change fees to be curtailed or removed altogether as a condition for federal aid to the industry, but carriers have opted for voluntary relaxation to lure back travelers.

Southwest Airlines Co. already doesn't charge baggage or change fees, a longstanding policy it has used as a marketing tool. Most other U.S. carriers have long charged change fees ranging from \$200 to \$500 that can sometimes exceed the original fare.

United Chief Executive Scott Kirby on Sunday said United planned to start a new playbook to avoid mistakes—such as introducing extra charges—made in previous downturns that upset passengers. “Getting rid of this fee is often the top request,” said Mr. Kirby in a video

message to customers. International sales and nonrefundable basic economy fares aren't included in the move, which takes effect immediately.

Parent United Airlines Holdings Inc. generated \$625 million from change and cancellation fees last year; analysts estimate that around 55% related to domestic travel itineraries.

U.S. airlines overall generated \$2.8 billion in revenue from change and cancellation fees last year, according to the Transportation Department, half the amount reaped from baggage fees. Most have relaxed or removed the charges through the end of the year, as passengers navigate an ever-changing web of travel restrictions and sharply-reduced flight schedules as a result of the pandemic.

Some carriers continue to block middle seats, and the industry continues to push for unified protocols for passenger health screening, wrestling with issues such as customers who become ill before they travel.

"Change and cancellation fees provide a strong and unfortunate financial incentive for passengers to fly when sick," said Jay Sorensen, Idea Works Company's marketing president.

United's move comes as airlines continue to pull back on flying following the end of the summer travel season. United expects to fly around 55% of capacity in the third quarter compared with a year earlier, while Southwest expects to operate 40% to 50% though continues to block most middle seat sales.

American Airlines Group Inc., which expanded flying during early summer, continues to pull back, and said Sunday that it will fly 55% of its pre-pandemic schedule in October. The looming end on Oct. 1 to federal payroll support payments that included restrictions on furloughs and cutting flights has also triggered a wave of planned workforce changes.

United said it would furlough 2,850 pilots in the coming months if more federal aid doesn't emerge, and 36,000 employees—half its domestic workforce—have been told their jobs will be at risk. American said it would cut 1,600 pilots and as many as 19,000 workers in total.

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