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Brazilians Stuff Suitcases in Last Free Perk for Fliers

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IdeaWorksCompany contributed information to this article - - see italics.

Cecilia Ribeiro Sainz Trapaga, her daughter and a grandson each lugged two 70-pound suitcases for travel to Sao Paulo last month from Orlando, Florida, on United Airlines. And they did so at no cost.

Had they been traveling to almost anywhere but Brazil, they would have had to pay for being at least 20 pounds overweight on each bag and as much as \$100 for their second checked piece. But Brazil's consumer-protection rules make it one of the most passenger-friendly places to fly, forcing airlines to handle extra luggage at no extra cost, put stranded travelers on competitors' planes and face lawsuits for delays of as little as 30 minutes.

As a result, Gol Linhas Aereas Inteligentes SA (GOLL4), American Airlines Group Inc. (AAL) and other carriers can't offset such expenses with additional revenue from fees that buoys profits in the U.S. and Europe. Airlines have been lobbying the government for years to tighten luggage weight limits because heavier planes burn more fuel.

"It's a way of doing business that you have to be cognizant of," said David Neeleman, founder and chief executive officer of Azul Linhas Aereas Brasileiras SA, in a Sept. 11 interview at Bloomberg's New York headquarters. "It's just a very consumer friendly place and people expect a lot and the government perpetuates that."

Little Suitcases

In other parts of the world, airlines are getting even stricter about luggage, from carry-ons to suitcases bound for the cargo hold.

That means planes flying outside Brazil are lighter and more fuel-efficient, said Jay Sorensen, a former Midwest Airlines executive who now runs aviation consultancy IdeaWorksCompany.com in Shorewood, Wisconsin.

In Brazil, "they're messing with the economics of airlines," Sorensen said in a telephone interview. Brazil risks bankrupting its airlines by dictating what they can charge for, he said.

Air Canada and WestJet Airlines Ltd. said last month they would charge C\$25 (\$22) for the first checked bag on U.S. and domestic economy tickets. Fort Worth, Texas-based American Airlines allows passengers on flights to Europe one 50-pound checked bag for free, and charges \$100 for a second bag of the same size. To some Mexican destinations, the first checked bag costs \$25 and the second \$40.

Europe's low-cost carriers are famously restrictive with baggage allowances. On Ireland's Ryanair Holdings Plc, travelers can't bring onboard any bag weighing more than 10 kilograms (22 pounds). Beyond that, a first checked suitcase of 15 kilograms will set you back at least \$20, according to Ryanair's website.

Give Away

Brazil's regulations mean that "when you force airlines to give something away for free, it's just not economically efficient because somehow, somewhere, the customer is paying for this," Sorensen said.

Usually that triggers higher ticket prices. A nonstop flight from Sao Paulo to Miami in mid-October runs about \$1,600, according to a recent search on Expedia.com, while the cheapest nonstop flight of similar distance from New York to Rome is listed for \$1,221. Barueri, Brazil-based Azul, which now just flies domestically, plans to add U.S. service in December.

"The whole world thinks one way, and in Brazil, we're inventing things that just turn into costs and that increase ticket prices," said Ronaldo Jenkins, director of security and operations at the Brazilian airline association, known as Abear. "The authorities are unchangeable, because they think it's a win for the consumer."

Free Snacks

Brazil's aviation regulation agency, known as Anac, is in the process of reviewing the country's luggage restrictions, it said in an e-mailed response to questions. The proposals, which include lower fares for travelers with less luggage, were open to public comment about 1 1/2 years ago and are now being analyzed by Anac. New regulations should take effect next year.

Many travelers are accustomed now to having to pay extra for many things that were once taken for granted, including choosing a specific seat that might have more legroom and free snacks. Airlines are using fees from perks to boost the bottom line. Ancillary revenue rose to \$16 per person last year from \$6.99 in 2007, according to IdeaWorksCompany, which specializes in frequent flier programs and ancillary revenue. Baggage fees are the most significant source of ancillary income.

The Bloomberg U.S. Airlines Index beat the Standard & Poor's 500 Index four times in the past five years. Gol has trailed Brazil's benchmark Ibovespa during the same period.

Brazil Exception

Undoing the current rules is “going to be tough,” said Gol Chief Financial Officer Edmar Lopes, referring to efforts to get the government controls lifted. “A family with two adults and two kids, everyone, even in economy, has two bags and 32 kilos. So it’s 250 kilos for a family. Would you imagine that?” he said in a Sept. 7 interview in New York.

“As an international company, American Airlines abides by all laws and regulations of all the countries we serve,” the company said in an e-mailed request for comment about Brazil’s luggage policy. “From a market standpoint, our operations vary greatly around the globe.”

The disparity between Brazil and the rest of the world puts Brazilians in costly and awkward situations when they try to change planes in Europe and the U.S., said Abear’s Jenkins.

“You get to the States and you’re going to take a connecting flight and the guy’s going to charge you \$500 in excess baggage,” Jenkins said in an interview in Sao Paulo.

Brazilians say it’s easy to go home with lots of stuff.

Families like Sainz Trapaga’s bring back mountains of goods -- from clothes and shoes to electronics and beauty products -- because they’re cheaper and of better quality abroad, she said.

‘Stupidly Expensive’

“We try to fill our suitcases as much as possible,” Sainz Trapaga said after disembarking from a United Continental Holdings Inc. (UAL) flight at Aeroporto Internacional de Sao Paulo/Guarulhos. “Here things are stupidly expensive.”

Louise Osis, traveling home to Santos, Brazil, with friends and relatives after visiting Orlando and New York, was bringing back a microwavable egg cooker, Band-Aids and designer-brand attire.

“We bought things you can’t find in Brazil, like kitchen accessories,” Osis said while checking in at John F. Kennedy International Airport in New York. “And we saw a pair of basketball shoes that in Brazil cost 350 reais (\$145) for \$11.50, so of course we bought that.”