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Southwest's free checked bag policy was just put into question

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IdeaWorksCompany contributed information to this article - - see italics.

SFGATE contributor Jim Glab rounds up air travel and airport news for our weekly column Routes

In this week's news, Southwest Airlines will end open seating and add premium seats, putting the future of its free checked bag policy into question; the Transportation Department targets Delta for mistreating consumers in its five-day operational meltdown with more than 5,000 flight cancellations; Hawaiian Airlines adds extra holiday flights from the West Coast; United plans to start flying new A321neos out of a second hub, plus domestic route news from Alaska, Delta and American; Korean, Delta and Air France trim some West Coast international flights this winter; Alaska Airlines opens its new premium lounge at SFO; a new restaurant opens at Oakland's airport; and LAX sets a starting date for its internal train system.

Southwest Airlines got a shock this spring when Florida-based Elliott Investment Management bought up an 11% stake in the company and demanded changes in top management as well as in the airline's business plan. Southwest insisted that it would not be bullied by a private equity firm, but this week it announced some strategic changes that Elliott had called for — although the airline said it had been considering them before Elliott came along. Specifically, Southwest said it has decided to end its 50-year-old policy of open seating, replacing it with assigned seats; and to add “a premium, extended legroom portion of the cabin that research shows many customers strongly prefer,” ending its long history of one-class seating. Details of the revamped cabins are still in the works, but the airline said about a third of the seats in its fleet will offer extended legroom, which can bring in more revenue.

But Southwest's announcement didn't mention one major aspect of its business plan that Elliott had also attacked: its longstanding policy of allowing passengers to check up to two bags for no fee. That policy used to be standard across the airline industry, but other major carriers gave it up years ago, and now charge fees generally starting at \$35 one-way for the first checked bag and \$45 for the second. For a customer checking two bags, that increases the total travel cost for a round-trip journey by \$160. That savings, along with the absence of change and cancellation fees, has long been touted by Southwest in its advertising as a major reason to choose the carrier over its competitors.

But the policy has also been under attack for years by Wall Street investors, who argue that Southwest is giving up a huge revenue stream. ***The research firm IdeaWorks estimated recently that airlines worldwide bring in annual baggage fee revenues totaling \$33.3 billion and noted that Southwest is the sole outlier among major U.S. carriers in not charging them.*** Federal statistics show that in 2023, baggage revenue was \$1.3 billion for American, \$1.2 billion for United, and \$985 million for Delta. That has to make customers wonder: If Southwest is willing to abandon two of its most traditional policies in order to “improve financial performance, and drive Shareholder value,” as the airline put it, why would it cling to a third that could be costing it hundreds of millions of dollars a year?

Southwest didn't say when the policy changes would begin, but it did announce another change with a firm starting date: the addition of redeye (i.e. overnight) flights to its schedule. Redeyes are scheduled to begin in mid-February in five transcontinental markets: Los Angeles-Baltimore, LAX-Nashville, Las Vegas-Baltimore, Las Vegas-Orlando and Phoenix-Baltimore. “Southwest plans to phase in additional redeye flying in the carrier's coming schedules as part of its multi-year transformation to a 24-hour operation,” Southwest said.