

# Business Day

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RUTH FREEMAN/THE NEW YORK TIMES

As fewer passengers check bags, costs for mishandled luggage have fallen and airlines have more space for cargo.

## Fewer Bags, More Revenue

By CHRISTINE NEGRONI

Airlines in the United States started charging for luggage in 2005 by instituting a fee for passengers with more than one bag to check. Soon, even the first bag wasn't free. Now, Spirit Airlines says it will charge as much as \$30 each way for carry-on bags that are too big to fit under the seat.

Spirit is a small airline and after its announcement Tuesday, none of the bigger airlines indicated they would follow suit.

But it is already clear that the fees air travelers pay to check luggage on most flights have had a big impact on airlines'

### Luggage Fees Bring Broad Benefits To Airlines

bottom lines, perhaps bigger than even the airlines expected. A fee for a carry-on bag only underlines the new financial reality at airlines: Everyone, and everything, on a plane must pay its own way.

"Nobody brings their package to FedEx or U.P.S. and expects them to ship it for free," said Ben Baldanza, the chief

executive of Spirit Airlines.

The total in bag fees collected by the airlines has skyrocketed since they were first imposed. According to the Transportation Department, the fees rose from \$464 million in 2007 to nearly \$2 billion in just the first nine months of last year.

At the same time, passengers are now checking fewer, and lighter, bags to avoid the extra fees for heavy suitcases. As a result, the airlines have not been losing as many bags, and baggage handlers appear to be suffering fewer injuries.

In addition, the airlines now have more

*Continued on Page 4*

# Airlines Find Big Benefits From Adding Luggage Fees

From First Business Page

space available for cargo, which sells at a higher rate than a checked bag. "Freight makes a significant contribution to the bottom line of passenger airlines," said Ulrich Ogiermann, chairman of the International Air Cargo Association. The revenue potential "cannot be ignored," he added.

A baggage report released last month from SITA, an aviation information technology company that studies trends in passenger baggage, found that one in four passengers chose not to check bags last year, compared with one in six in 2008 — the first year virtually all the major airlines imposed the fees.

The decrease in the number of bags checked last year, which the report also attributed to a drop in the number of people flying, resulted in a 24 percent decrease in the number of bags mishandled worldwide — both damaged and lost. That, in turn, saved the global airline industry \$460 million, the report said.

Joseph Pascarella, who has worked as a baggage handler in Tampa, Fla., for 37 years, said he had noticed the difference. "Before the bag fees, we would handle an average 250 bags on a flight. Now it's closer to 150 to 175. People are also thinking twice about taking that extra bag."

If passengers are being more thoughtful about what they pack, the benefits can be widespread, said Catherine Mayer, a vice president at SITA. "There's less strain on the airline, less handling costs."

The airlines, though, are not so quick to acknowledge that. United Airlines, Delta Air Lines and American Airlines all say they are not tracking the relationship between baggage fees and the other economies. But Daniel McKenzie, an airline analyst for Hudson Securities in Chicago, said the airlines had generally been citing the advantages on financial conference calls.

"They talk about the benefits of reduced baggage handling and



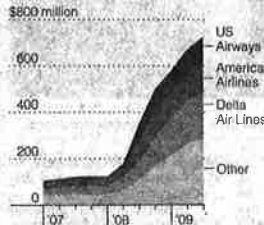
CHARLES BEK ARBOGAST/ASSOCIATED PRESS

A baggage terminal at O'Hare International Airport in Chicago. With most big airlines charging fees, one in four passengers chose not to check bags last year.

## Making Money On Bags ...

Airlines' revenue from fees for checking luggage has soared.

QUARTERLY REVENUE FROM BAGGAGE FEES

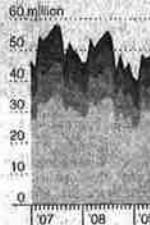


Source: Transportation Department

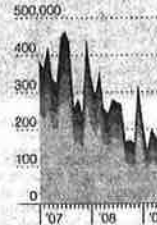
## ... And Losing Fewer of Them

Passenger traffic has fallen during the economic downturn, but not nearly as much as reports of mishandled baggage.

NUMBER OF PASSENGERS, MONTHLY



REPORTS OF MISHANDLED BAGGAGE, MONTHLY



\*Includes Northwest Airlines, which recently merged with Delta. THE NEW YORK TIMES

reduced workers' compensation claims, and that helps free up restricted cash," Mr. McKenzie said. "The other one is, if you've got bag handlers handling fewer bags, it means maybe they don't need to replace as many when employees turn over."

He said he thought the airlines did not want to talk publicly

about the advantages of the fees because "they would like to manage what they make public," adding: "They get beat up constantly. They've gotten beat up by Congress, the D.O.T., passenger rights' advocates."

Ryanair, the low-cost carrier based in Ireland that is known for its rock-bottom tickets, is now

considering another big step toward keeping passengers traveling light. This fall, the airline plans to eliminate checked baggage altogether at certain times of the day on selected routes.

"Bringing a big bag and expecting it to travel for free, it's too much to ask," said Stephen McNamara, director of communi-

cations for Ryanair. "It's expensive to ship something heavy in an airplane when fuel prices are very high." Mr. McNamara said the airline had as a goal nothing less than changing passenger behavior. "People are packing way too much: women bringing four pairs of shoes, hair dryers, that sort of thing."

In the United States, the most visible consequence of baggage fees has been the increase in more, and heavier, items in the passenger cabin, the very behavior that prompted Spirit's new fee for carry-on policy. A survey by the Association of Flight Attendants found "excess amounts of oversized carry-on items" were causing flight attendants to be injured. Eighty percent of the flight attendants reported muscle pulls and sprains. Thirty-five percent said they were hit by falling bags.

Injuries and inconvenience in the cabin are two reasons cited by Representative Daniel Lipinski, an Illinois Democrat, for introducing a bill to limit the size of bags that can be brought into the cabin. "The bill would enhance safety, help reduce boarding and de-boarding times, and prevent baggage compartment overcrowding," the congressman said

in an e-mail message.

One thing baggage fees were expected to do but have not done is to reduce the turnaround time at the gate. With so many passengers trying to bring everything they need for a trip into the passenger cabin, departures are often delayed to deal with the problem of trying to squeeze too many bags into too little space.

"Almost every flight, the amount of luggage people try to carry on doesn't fit," Mr. Pascarella, the baggage handler, said. "It's at least 10 to 20 bags per flight."

In 2005, the average weight of passengers and their luggage was revised upward to more accurately reflect the larger girth of travelers and their wider array of travel gear. But the Federal Aviation Administration does not keep track of how much baggage goes into the cargo hold and how much is carried into the cabin. In an e-mail message, Les Dorr Jr., a spokesman for the F.A.A., said that might change.

"We are aware of the potential change in passenger behavior due to the imposition of baggage fees and are currently considering if it is appropriate to revise our existing guidance," he said.