

US airline plans to introduce new baggage fee

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Dallas, USA: Major US low-cost carrier Southwest Airlines Co. announced on Tuesday (March 11) that it will begin charging passengers for checked luggage, ending a policy that had set it apart from its competitors for over five decades.

Starting May 28, customers purchasing most tickets will pay a fee for checked bags, except those in premium fare classes or elite members of its loyalty program.

Until now, Southwest marketed its “bags fly free” policy as one of the top reasons customers chose the carrier over competitors. But mounting pressure to boost profitability, partly from activist investors, apparently led the airline to reconsider its stance.

The airline’s financial struggles have intensified with rising post-pandemic costs and stagnant revenue growth. By charging for checked

bags, Southwest aims to align with other U.S. airlines that generate billions annually in bag fees.

Though the exact pricing structure remained unclear Tuesday, competitors like Delta and American charge up to \$35 for a checked bag, and analysts predict Southwest could generate approximately \$1.5 billion annually from its new fee.

This decision is part of a broader overhaul of Southwest's business model. In recent months, the Dallas airline has eliminated its open seating policy, introduced new basic economy fares, and cut 1,750 jobs — about 15pc of its corporate workforce — as part of an effort to reduce costs.

"What's changed is that we've come to realize that we need more revenue to cover our costs," COO Andrew Watterson said in an interview with media about the baggage fee changes. "We think that these changes that we're announcing today will lead to less of that share shift than would have been the case otherwise."

Southwest's stock rose nearly 9pc following the announcement on Tuesday morning.

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