



G A O

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United States Government Accountability Office
Washington, DC 20548

June 14, 2012

The Honorable John D. Rockefeller IV
Chairman
The Honorable Kay Bailey Hutchison
Ranking Member
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable John L. Mica
Chairman
The Honorable Nick J. Rahall II
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

Subject: Delayed-Baggage Trends and Options for Compensating Passengers

This letter formally transmits the enclosed briefing in response to Section 407 of the FAA Modernization and Reform Act of 2012,¹ which directs the Comptroller General to (1) examine delays in the delivery of checked baggage to passengers of air carriers and (2) assess the options for and examine the impact of establishing minimum standards to compensate a passenger in the case of an unreasonable delay in the delivery of checked baggage. To conduct this work, we interviewed officials from the Department of Transportation (DOT) and representatives of airline and consumer organizations, analyzed DOT mishandled-baggage data for January 2004 through March 2012, and reviewed pertinent DOT regulations and proposed rules relating to delayed baggage. Our focus was limited to domestic air transportation. To assess the reliability of DOT's mishandled-baggage data we interviewed officials in DOT's Office of the Secretary and the Bureau of Transportation Statistics, reviewed DOT's data collection and quality control procedures, and reviewed information collected from prior GAO reports. We determined that these data were sufficiently reliable for presenting the numbers of mishandled-baggage reports filed by passengers over the time period of our analysis. We conducted this performance audit from March 2012 through June 2012 in accordance with generally accepted government-auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

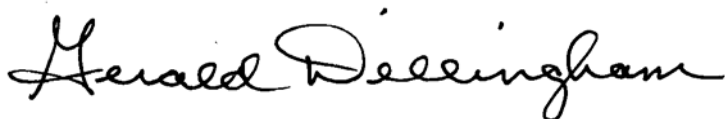
¹Pub. L. No. 112-95. 126 Stat. 11, 87 (2012).

In summary, we found that DOT's data do not distinguish between delayed baggage and other types of mishandled baggage, such as those that are lost, damaged, or pilfered. DOT includes all of these types of occurrences in its definition of "mishandled baggage." Using DOT's data, we found that the number of mishandled-baggage reports² has decreased since 2008, when airlines first began charging for the first checked bag (see slide 6). There are a number of factors that could contribute to this decline in the number of mishandled-baggage reports, such as a decline in the number of bags checked and improved baggage handling processes. However, because of limitations to DOT's baggage data, an assessment of baggage delays—a subcategory of mishandled baggage—cannot be conducted. DOT has proposed a change to airline-reporting requirements designed to improve its ability to measure airline performance regarding mishandled bags, but the change would not distinguish among the types of mishandled baggage (lost, delayed, damaged, or pilfered).

We also describe three options (slides 9-12) for compensating passengers for delayed and other types of mishandled baggage and the impact of implementing new minimum compensation standards. The options are for DOT to (1) keep current regulations, which, among other things, require compensation for reasonable expenses that result because of delay in the delivery of baggage, (2) reimburse passengers for the checked baggage fee if the bag is delayed, or (3) implement compensation standards based on the length of delay. We note that implementing minimum compensation standards could provide transparency and consistency among the airlines, but would require an administrative structure and entail costs that are likely to be passed on to passengers. We are not making any recommendations for congressional consideration or agency action.

DOT provided technical comments, which we incorporated as appropriate. As DOT suggested, we clarified that the scope of our work was limited to domestic air transportation and clarified the agency's reason for including all types of mishandled baggage in a single category.

We are sending copies of this report to the appropriate congressional committees. We are also sending copies to the Secretary of Transportation. This report will also be available at no charge on our Web site at <http://www.gao.gov>. Should you or your staff have questions concerning this report, please contact me at (202) 512-2834 or dillingham@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were H. Brandon Haller, Assistant Director; Martha Chow; Colin Fallon; Geoffrey Hamilton; and Jessica Wintfeld.



Gerald L. Dillingham, Ph.D.
Director
Physical Infrastructure Issues

Enclosure

²A "mishandled baggage" report is a report filed with a carrier by or on behalf of a passenger who claims loss, delay, damage, or pilferage of baggage. A mishandled-baggage report may represent one or more mishandled bags.



Delayed Baggage Trends and Options for Compensating Passengers

**Mandated by Section 407,
FAA Modernization and Reform Act of 2012
(Pub. L. No.112-95)**

For more information, contact Dr. Gerald Dillingham, dillinghamg@gao.gov

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Mandate

Section 407, FAA Modernization and Reform Act of 2012 directs the Comptroller General of the United States to:

- (1) examine delays in the delivery of checked baggage to passengers of air carriers; and
- (2) assess the options for and examine the impact of establishing minimum standards to compensate a passenger in the case of an unreasonable delay in the delivery of checked baggage.

In conducting the study, the Comptroller General shall take into account the additional fees for checked baggage that are imposed by many air carriers and how the additional fees should improve an air carrier's baggage performance.

Research Questions

- What is known about delays in the delivery of checked baggage to airline passengers?
- What are some options for establishing minimum standards to compensate passengers when there is an unreasonable delay in the delivery of checked bags?
- What might be the impact of the implementation of minimum standards to compensate passengers in the case of unreasonable delays in the delivery of checked bags?

Scope of the Work and Methods

- Analyzed Department of Transportation (DOT) data on mishandled baggage* (which includes delayed baggage) on domestic transportation for January 2004 through March 2012
- Reviewed pertinent DOT regulations and various rulemaking documents related to mishandled baggage
- Interviewed DOT officials and representatives of airline and consumer organizations
- Reviewed previous GAO products and relevant industry publications

* Please see appendix for relevant definitions.

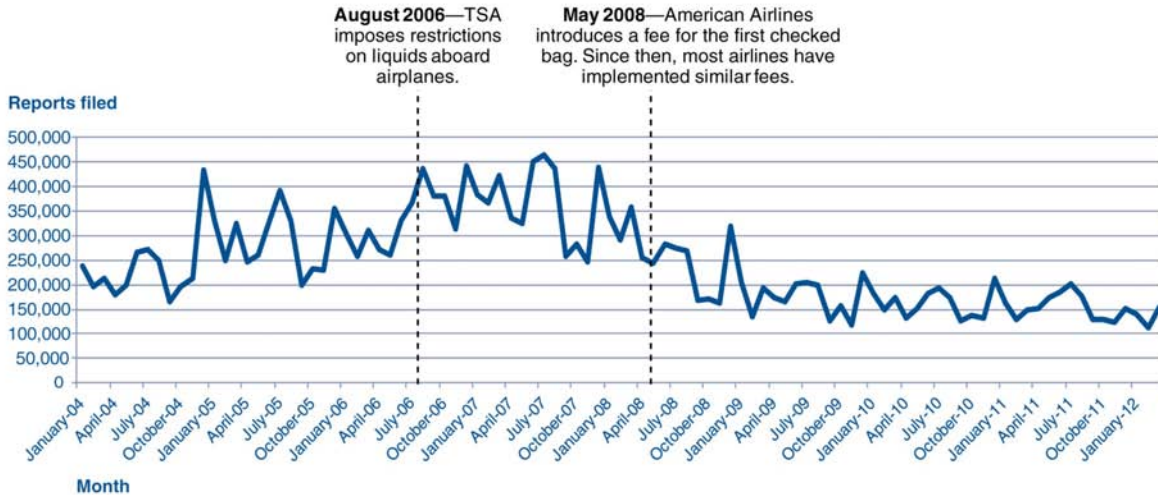


Data Do Not Distinguish Between Delayed Baggage and Other Types of Mishandling

- Current DOT regulations define mishandled baggage and require the larger U.S. airlines to report monthly the number of domestic mishandled-baggage reports filed and the number of enplaned passengers
 - A mishandled-baggage report is a report filed with the airline by a passenger or on behalf of a passenger claiming loss, delay, damage, or pilferage of baggage
 - Using this information, DOT calculates a rate based on mishandled baggage reports per 1,000 passengers
- A proposed DOT rule seeks to require airlines to report the number of mishandled bags and the number of bags checked, allowing for a more precise performance measure
 - The proposed rule would not, however, distinguish among the types of mishandled baggage (lost, delayed, damage, pilfered)

Mishandled-Baggage Reports Have Declined, 2004-2012

Mishandled-Baggage Reports Filed (January 2004—March 2012)



Source: GAO analysis of DOT data.

Factors Contributing to the Decline in Mishandled-Baggage Reports

- Improved on-time performance may result in fewer delays and transfer mishandling
- According to SITA,^{*} improved processes and infrastructure mitigate the conditions that result in mishandled bags
- The decline in the number of bags checked results in fewer mishandlings

^{*} Founded as the Société Internationale de Télécommunications Aéronautiques, SITA provides global integrated communications and IT services to the aviation industry

Data Necessary to Assess Delays in Delivery of Checked Baggage

- Because delayed bags are not reported to DOT as a separate category, assessing the delays in their delivery is not possible
- A comprehensive assessment of the delays in the delivery of checked baggage and their impact on consumers would require measures of airline performance and passenger inconvenience, including:
 - Number of delayed bags and number of claims made
 - Delayed baggage rate per unit of checked baggage
 - Cause and length of delay
 - Amount of reimbursement, if applicable
- DOT currently does not collect these data because it believes that the required reporting of mishandled baggage reflects airlines' performance sufficiently for consumer comparison

Option 1: Keep current regulations

Current DOT regulations put in place by its 2011 Final Rule require airlines to adopt a Customer Service Plan that complies with specified minimum standards including:

- Making every reasonable effort to return mishandled baggage within 24 hours

Current DOT regulations also require airlines to:

- Not limit their liability to less than \$3,300 per passenger for domestic transportation
- Compensate passengers for reasonable expenses that result from delay in the delivery of baggage
- Inform consumers how to file a complaint, acknowledge receipt of complaint within 30 days, and send a substantive response within 60 days of receipt

Option 2: Reimburse checked baggage fee if baggage is delayed

In a 2010 Notice of Proposed Rulemaking, DOT solicited comments regarding (1) reimbursement of fees charged to transport a bag if that bag is lost or not timely delivered, and (2) the time when a bag should be considered not to have been delivered in a timely manner.

- Based on comments, in its 2011 Final Rule, DOT did not require airlines to reimburse checked baggage fees for delayed baggage
 - DOT stated that transporting baggage is similar to the transport of passengers whose fare is not reimbursed if their flight is delayed. Although a delay in receiving baggage may be inconvenient, once the carrier delivers the bag the service for which the passenger paid has been performed.
- DOT did require airlines to reimburse the checked baggage fee when a bag is lost

Option 3: Implement compensation standards based on length of delay

- Standardized compensation system based on the length of time to deliver a bag that has been delayed
- DOT would need to address what constitutes an “unreasonable delay” which may include the cause of the delay and the circumstances of the traveler
 - Defining a standard for which airlines should be responsible for reimbursement is complicated by the factors that can cause a delay, such as late passenger check-in, missed transfers, or mistagged baggage
 - Such a classification is often contingent on factors in addition to length of delay (i.e., problem occurs on outbound versus homeward flight, purpose for travel, etc.)

Impact of Implementing Minimum Compensation Standards

- Could provide transparency and consistency among airlines
- Would require an administrative structure—the cost of which would likely be passed on to passengers
- Would require valid and reliable data about delays as a basis for developing compensation standards

Appendix I: Definitions

- **Mishandled baggage**—As defined by DOT regulations, baggage that has been lost, delayed, damaged, or pilfered. Delayed baggage is not defined or tracked separately by DOT.
 - **Mishandled-baggage report**—A report filed with an airline by or on behalf of a passenger who claims loss, delay, damage, or pilferage of baggage. According to DOT officials, a single report may represent one or more bags.
 - **Reporting airlines**—U.S. airlines with at least 1 percent of total domestic scheduled-service passenger revenues. These carriers report data on enplaned passengers and mishandled baggage reports, among other things, to DOT.
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Web site: <http://www.gao.gov/>

Contact

Chuck Young, Managing Director, Public Affairs, youngc1@gao.gov
(202) 512-4800, U.S. Government Accountability Office
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