

**Before the Committee on Commerce,
Science, and Transportation
United States Senate**

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Airline Customer Service Commitment

**Statement of
The Honorable Kenneth M. Mead
Inspector General
U.S. Department of Transportation**



Mr. Chairman and Members of the Committee:

We appreciate the opportunity to discuss airline customer service and the efforts taken by the airlines to improve customer service. Concerned over increasing complaints in air travel, compounded by the Detroit airport incident of January 1999, when hundreds of passengers were stuck in planes on snowbound runways for up to 8½ hours, Congress considered whether to enact a “passenger bill of rights.” Hearings were held in both the House and Senate to discuss the treatment of aviation passengers and specifically the “passenger bill of rights.”

Congress, the Department of Transportation (DOT), and the Air Transport Association (ATA) agreed that, for the time being, legislation would not be necessary. Instead, ATA and 14 of its member airlines (Airlines) executed a document on June 17, 1999, known as the Airline Customer Service Commitment (the Commitment), to demonstrate the Airlines’ ongoing dedication to improving air travel. The Commitment includes 12 provisions. Each Airline would prepare a Customer Service Plan (Plan) implementing the Commitment. The Airlines also agreed to cooperate fully in any request from Congress for periodic review of compliance with the Commitment, and we would like to thank them for cooperating fully with us during our review.

The Airlines Commit to:

1. Offer the lowest fare available
2. Notify customers of known delays, cancellations, and diversions
3. On-time baggage delivery
4. Support an increase in the baggage liability limit
5. Allow reservations to be held or canceled
6. Provide prompt ticket refunds
7. Properly accommodate disabled and special needs passengers
8. Meet customers' essential needs during long on-aircraft delays
9. Handle "bumped" passengers with fairness and consistency
10. Disclose travel itinerary, cancellation policies, frequent flyer rules, and aircraft configuration
11. Ensure good customer service from code-share partners
12. Be more responsive to customer complaints

Today, I would like to address three issues: (1) preliminary results on the implementation of the Commitment and Plans, (2) improvements needed by the Airlines to ensure the success of their Plans, and (3) changes to the contract of carriage.

Overall, the Airlines are at the 6-month point in implementing their Plans. We reported our preliminary results in our Interim Report on Airline Customer Service Commitment¹, which we request be included for the record. We will issue a final report by December 31, 2000, on the effectiveness of the Airlines’ Plans to improve customer service, including recommendations for improving accountability, enforcement, and protections afforded to commercial air passengers. By December

¹ Report Number AV-2000-102 issued June 27, 2000.

the Airlines will have had a full year in which to fully implement their Plans, and we will be better able to judge the results.

In our initial observations and testing, we found the Airlines are making a clear and genuine effort at strengthening the attention paid to customer service, but bottom-line results are mixed, and the Airlines have a ways to go to restore customer confidence. The results include areas where the Airlines can improve upon disclosures provided passengers, such as fare and refund availability, and required check-in times.

The Commitment addresses such matters as improved communication with passengers, quoting the lowest available airfare, timely return of misrouted or delayed baggage, allowing reservations to be held or canceled without penalty, providing prompt ticket refunds, and meeting passengers' essential needs during long on-board delays. However, the Commitment does not directly address underlying reasons for customer dissatisfaction, such as extensive flight delays, baggage not showing up on arrival, long check-in lines, and high fares in certain markets. In our opinion, until these areas are effectively addressed by the Airlines, FAA, and others, there will continue to be discontent among air travelers.

Although certain factors in determining the overall quality of Airline customer service were not covered in the Commitment or the Airlines' Plans, the Airlines have implemented other initiatives to improve customer comfort and convenience. These initiatives include reconfiguring airplanes to increase the room between rows of seats and replacing overhead luggage compartments with large, easier to use bins.

We also noted several other important factors concerning customer service. Each Airline needs to have a credible tracking system for compliance with the Commitment. The Airlines also need to ensure that non-Airline employees who interact with passengers are trained on the Airlines' Plans because non-Airline personnel are often mistaken for Airline employees. We found that some Airlines' contracts of carriage terms were less advantageous to passengers than the provisions found in the Airlines' Plans. Finally, we are concerned that oversight and enforcement expectations for DOT, the agency responsible for airline consumer protection, may significantly exceed its capacity to handle the workload, since staff has significantly declined over the years.

Increase in Flight Delays and Cancellations Fuel Customer Dissatisfaction

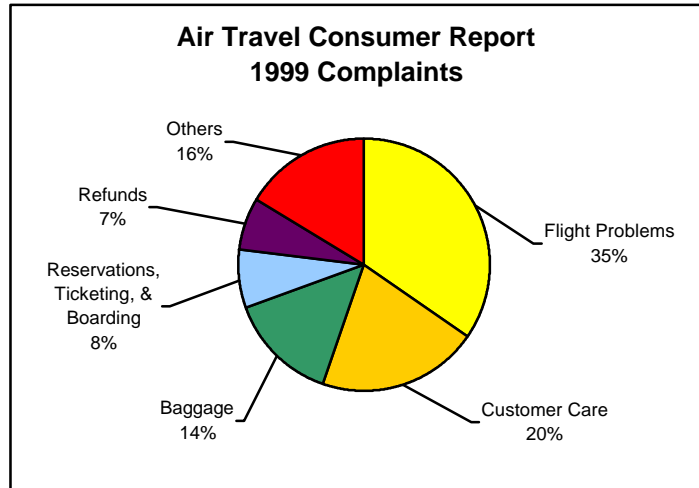
Air travel has doubled since 1980. With this growth has come growth in delays and cancellations, and customer dissatisfaction with air carrier customer service. Delays, as measured by the Federal Aviation Administration (FAA), have increased by over 50 percent, and cancellations have increased 68 percent in the last 5 years.

Much of the delay is occurring on the ground in the form of longer taxi-out and taxi-in times (taxi-out is the time between an aircraft departing the gate and taking off, taxi-in is the time between landing and reaching a gate). At the 28 largest U.S. airports, the number of flights experiencing taxi-out times of 1 hour or more increased 130 percent between 1995 and 1999, from 17,164 to 39,523.

The 1999 DOT Air Travel Consumer Report disclosed that consumer complaints against U.S. air carriers more than doubled in 1999 over the prior year, from 7,980 to 17,381. Complaints for the first 4 months of 2000 increased 74 percent (3,985 to 6,916) over complaints during the same period in 1999.

While a contributing factor to the increase in air traveler complaints is undoubtedly the ease of making a complaint to DOT via the Internet, the number of complaints and the increase during the first 4 months of 2000 cannot be ignored. They signal a high degree of consumer dissatisfaction with air carrier service that must be addressed.

Over the last several years, DOT has ranked flight problems (delays, cancellations and missed connections) as the number one air traveler complaint, with customer care (such as the treatment of delayed passengers) and baggage complaints ranked as either number two or number



three. As depicted by the chart, 1999 data show that these three types of complaints account for nearly 70 percent of all complaints received by DOT against U.S. air carriers.

Preliminary Results on Implementation of the Commitment and Plans Are Mixed

The Commitment and the Airlines' Plans for implementing it were essentially a commitment to place substantially greater emphasis, attention and resources on customer service. The Airlines realized they needed to improve the way they treat passengers and that good customer service begins with the successful execution of, and continuous improvement to, existing customer service policies and procedures, programs and plans, as well as systems and technologies.

In developing the Commitment, the Airlines included two provisions that constituted new policy. The provision to either hold a reservation without payment for 24 hours or (at the Airline's choice) cancel a paid reservation within 24 hours without penalty is a new service the Airlines are providing. Another new provision was to support the increase in the baggage liability limit from \$1,250 to \$2,500, which became effective January 18, 2000.

As for the remaining 10 provisions in the Commitment, the Airlines agreed to focus on better execution of customer service policies and procedures, many required by law or regulation, required under the Airlines' contracts of carriage, or part of Airline operating policy. A few of these provisions had subsets that provided new policies such as notifying customers *in a timely manner* of the best available information regarding known delays, cancellations and diversions; making every reasonable effort to return checked bags *within 24 hours*; issuing an annual report on frequent flyer redemption programs; and providing information regarding aircraft configuration (seat width and legroom).

Our interim results are based on visits to the Airlines' corporate headquarters and other key facilities, and review of Airline policies and procedures before and after implementation of the Commitment. This allowed us to evaluate what impact the formal Commitment had on the Airlines' customer service. We also reviewed each of the 14 Airlines' Plans and contracts of carriage to determine whether the provisions of the Commitment have been incorporated into these documents. To date, we have visited 25 domestic airports to observe and test portions of the individual Airlines' Plans that are in place. We are continuing to test the effectiveness of the Commitment and will provide our results in our final report. To date, our preliminary results have identified areas that appear to be working well, as well as areas for improvement, as illustrated in the following examples.

- **Offer the lowest fare available** - The Airlines agreed to offer, through their telephone reservation systems, the lowest fare available for which the customer is eligible. However, Airlines did not commit to guaranteeing the customer that the quoted fare is the lowest fare the Airline has to offer. There may be lower fares available through the Airlines' Internet sites that are not available through the Airlines' telephone reservation systems.

We found six Airlines enhanced the provision by (1) offering the lowest fare for reservations made at their city ticket offices and airport customer service counters, not just through the Airlines' telephone reservation systems; or (2) requiring their reservation agents to query the customer about the flexibility of their itinerary in terms of travel dates, airports and travel times to find the lowest fare available; or (3) notifying the customer through an on-hold message that lower fares may be available through other distribution sources and during different travel times.

Testing of this provision showed that Airline telephone agents were usually offering the lowest available fare for which we were eligible, but there were a sufficient number of exceptions to this that it is an area to which the Airlines should pay special attention. The problems we identified were not deliberate on the part of the Airlines, but were due to employees not following established procedures.

- **Notify customers of known delays, cancellations, and diversions** - For the most part, we found the Airlines were making a significant effort, both at the airport and on-board aircraft, to improve the frequency of communication with customers about delays and cancellations. These improvements include investments in various communication technologies and media as well as more frequent announcements to customers. However, we also found major room for improvement in the accuracy, reliability, and timeliness of the Airlines' communications to customers about the status of flights. For example, several Airlines pointed to the air traffic control system as the reason for delays, even in cases of extremely bad weather, crew unavailability, or maintenance problems.

Additionally, with respect to delays, cancellations and diversions, we found the Airlines are promising the consumer more in their Plans than they guarantee in

their contracts of carriage. For example, with one exception, the Airlines' Plans provide accommodations for passengers put in an overnight status due to cancellations or delays caused by Airline operations. However, only two Airlines provide for this in their contracts of carriage.

We suggested the Airlines improve the lines of communication and streamline the flow of accurate and reliable information between (1) FAA and the Airlines' Operations Control Centers, and (2) the Airlines' Operations Control Centers and frontline personnel who deal directly with passengers. We also suggested that the Airlines consider making their contracts of carriage consistent with their Plans to clarify the customers' rights when put in an overnight situation due to delays, cancellations, or diversions.

- **On-time baggage delivery** - Passengers expect to find their checked baggage upon arrival at their destination airports, but this provision actually deals with the delivery of misrouted or delayed baggage. The Airlines committed *to return the misrouted or delayed bag to the passenger "within 24 hours."* We found that the Airlines were not consistent in their Plans when defining what constituted "within 24 hours." For instance, some Airlines started the 24-hour clock when a passenger filed a missing bag claim and others only after the bag arrived at the destination airport. We have also found examples where Airlines have invested in advanced baggage scanning technologies to facilitate the return of baggage or increased staff resources for processing claims.

The Airlines should consider committing to returning unclaimed and lost checked baggage to customers within 24 hours of receipt *of a customer's claim*. The filing of a claim is when a customer would reasonably expect the 24 hours to begin. Also, those Airlines that have not already done so should consider providing a

toll-free telephone number for customers to call to check on the status of their bags.

- **Allow reservations to be held or canceled** - This is a completely new customer service commitment, which allows the customer either to hold a telephone reservation without payment for 24 hours **or** (at the Airline's option) cancel a paid reservation without penalty for up to 24 hours. This provision should be very popular with passengers who book nonrefundable tickets, because it allows customers to check for lower fares and time to coordinate their travel without losing a quoted fare.

Our preliminary testing shows that, with a few exceptions, the Airlines were living up to this commitment in practice. However, where a ticket purchase was required, the reservation agents typically did not tell us that we could receive a full refund if the reservation was canceled within 24 hours. Therefore, we suggested that the Airlines requiring a ticket purchase affirmatively notify passengers that if they cancel the reservation within 24 hours they can receive a full refund without a penalty, even on otherwise nonrefundable tickets.

- **Provide prompt ticket refunds** - By agreeing to this provision, the Airlines have, in essence, agreed to comply with existing Federal regulations and requirements. The 7-day refund requirement for credit card purchases has been in effect for nearly 20 years and is governed by Federal regulations. The 20-day refund requirement for cash purchases has been in effect for over 16 years. Our preliminary testing did not show compliance problems with this provision.
- **Properly accommodate disabled and special needs passengers** - This provision is all about disclosing policies and procedures for handling special needs passengers and for accommodating persons with disabilities. It does not require

the Airlines to go beyond what is in the regulations for accommodating persons with disabilities or to improve the treatment of special needs passengers. Of the 12 provisions addressed in their Plans, we found the Airlines disclosed more detailed information to passengers on this provision than on any other. Between now and October 2000, we will assess how well the Airlines are complying with regulations for accommodating persons with disabilities. During this process, we will also collect views from groups representing the disabled, which we will consider in reaching a conclusion on whether this provision was effective.

- **Meet customers' essential needs during long on-aircraft delays** - During our initial visits to the Airlines, less than half had comprehensive customer service contingency plans in place for handling extended delays on-board aircraft at all the airports they served. Subsequent to our initial visits, the Airlines have all stated that comprehensive customer service contingency plans are in place for addressing delays, cancellations and diversions. Over the next several months, at the airports we visit, we will determine whether the (1) Airlines' customer service contingency plans are in place, (2) Airlines' customer service personnel are knowledgeable of contingency plan procedures, and (3) contingency plans have been coordinated with the local airport authorities and FAA.

This provision also does not specify in any detail the efforts that will be made to get passengers off the aircraft when delayed for extended periods, either before departure or after arrival. The provision uses general terms such as "food," "every reasonable effort," "for an extended period of time," or "emergency." These terms should be clearly defined to provide the passenger with a clear understanding of what to expect.

We have found examples where Airlines have invested in air stairs for deplaning passengers when an aircraft is delayed on the ground but does not have access to a

terminal gate; secured additional food and beverage supplies for service at the departure gates or on-board flights experiencing extended delays; or made arrangements with medical consulting services to resolve medical emergencies that occur on-board an aircraft.

- **Handle “bumped” passengers with fairness and consistency** - The requirement that the Airlines establish and disclose to the customer policies and procedures regarding denied boardings has been in effect for over 17 years. One critical element of disclosure is the Airlines' check-in time requirements that passengers must meet in order to avoid being "bumped." This is important because the last passenger to check in is generally the first to be denied a seat.

We found several inconsistencies and ambiguities between the check-in times identified in the Airlines' Plans, and those identified on the Airlines' contracts of carriage, ticket jackets, or other written instruments, such as the customer's receipt and itinerary for electronic tickets. For example, in its contract of carriage, one Airline requires passengers to check in 10 minutes prior to the flight's scheduled departure, but on the customer's receipt and itinerary for electronic tickets, the check-in time states 20 minutes prior to the flight's scheduled departure, making it unclear to passengers which check-in time must be met in order to avoid losing their seats and being "bumped" from the flight without compensation.

- **Be more responsive to customer complaints** - The provision requires the Airlines to respond to complaints within 60 days; it does not require resolution of the complaint within the 60-day period, nor that when resolved, the disposition will be satisfactory to the customer. Our testing of this provision found the Airlines were responding to written complaints in accordance with their internal policies, generally less than 60 days. In addition, the replies we reviewed were

responsive to the customer complaint and not merely an acknowledgement that the complaint had been received.

Airline Performance Measurement Systems and Non-Airline-Employee Training Are Needed

A key to the success of the Plans is the need for each Airline to have a credible tracking system for compliance with its Plan, buttressed by performance goals and measures. The Airlines also need to train non-Airline employees on customer service issues contained in the Plans, since these individuals are often mistaken for Airline employees.

The Airlines need to have performance measurement systems in place to ensure the success of the Commitment and Plans. Therefore, the success of the Customer Service Plans is dependent upon each Airline having a tracking system for compliance with each provision and the implementing Plan. We found that most of the Airlines originally did not have such a system in place, but we received assurances that the needed systems would be established. In our work between now and December, we intend to determine whether the Airlines have followed through on their assurances and these performance measurement systems are in place. The expectation, for example, is that each Airline will have in place a tracking system to ensure the lowest eligible fare is offered, that misrouted and delayed baggage is returned within 24 hours, that refunds are paid within the requisite timeframe, and that communication systems for advising passengers of flight status are working properly, and generating reliable and timely information.

Another area the Airlines need to address to improve customer service is the training of non-Airline employees who interact with customers at the airport such as skycaps, security screeners or wheelchair providers. The Airlines must ensure non-Airline

employees who interact with their passengers are adequately trained on the Airlines' Plans, policies and procedures for customer service.

When these personnel perform customer service functions covered directly by the Airlines' Commitment, the public cannot reasonably be expected to differentiate between those who work for the Airlines and those who do not. Therefore, it is critical to the success of the Commitment and Plans for these personnel to be properly trained. However, 5 of the 14 Airlines told us they did not intend to train non-airline personnel on their Plans' procedures. This is unfortunate. For example, it is critical that the Airlines ensure that non-Airline personnel performing passenger security screening service on behalf of the Airlines understand the Airlines' policies and procedures in their Plans for accommodating persons with disabilities.

The Terms in the Airlines' Contracts of Carriage Can Be More Restrictive Than the Terms in Their Plans

The Commitment and the Airlines' Plans, while conveying promises of customer service standards, do not necessarily translate into legally enforceable passenger rights. Rather, each air carrier has an underlying contract of carriage which, under Federal regulations, provides the terms and conditions of passenger rights and air carrier liabilities. The contract of carriage is legally binding between the air carrier and the passenger.

Because of their clear enforceability, the Airlines' contracts of carriage have become an important issue in the customer service debate. Our results indicate that, in general, the Airlines have not modified their contracts of carriage to reflect all items in their Plans. Although 1 Airline incorporated its Plan in its entirety into the contract of carriage, 3 Airlines (as of April 20, 2000) have not changed their contracts of carriage at all since they agreed to the Commitment, and the remaining 10 Airlines

have changed their contracts of carriage to some extent. This means, for example, that the provisions for returning misrouted baggage within 24 hours and holding a reservation for 24 hours without payment are not in some contracts of carriage.

At present, it remains uncertain whether an Airline's Plan is binding and enforceable on the Airline. In fact, one Airline, in its Plan, has stated that the Plan does not create contractual or legal rights. To resolve this question, the Airlines *could* incorporate their Plans in their contracts of carriage. However, based on our results thus far, we are concerned that, without direction to the contrary, this would leave open the possibility that the contracts of carriage may be more restrictive to the consumer than envisioned in the Commitment or the Plans.

In some cases, we found the modifications made to the contracts of carriage included restrictions not found in the Commitment or the Plans. For example:

- One Airline, in its Plan, states that it would accommodate passengers required to stay overnight for delays and cancellations caused by the Airline's operations. However, in its contract of carriage the terms are more limited--the Airline provides accommodations if the passenger is diverted to another airport and put in an overnight status at the other airport.
- One Airline, in modifying its contract of carriage to implement the provision to hold a reservation without payment for 24 hours, limited the benefit to passengers calling from the United States for travel within the United States. However, the Commitment does not make this distinction.

Customer service is likely to become more of a competitive market force as air carriers strengthen and implement plans to provide better service. Over time, where there is competition in the air markets served, measures to improve customer service

should serve as a catalyst for other Airlines to introduce initiatives to improve their customer service in order to remain competitive. However, inclusion of the Plans' provisions in the Airlines' contracts of carriage will become more important if an environment develops where there is less competitive pressure to maintain or improve customer service.

Implications for DOT's Capacity to Oversee and Enforce Air Carrier Customers' Rights

DOT is congressionally mandated to oversee and enforce air travel consumer protection requirements, some of which are covered by the Commitments, and the Airlines' Plans and contracts of carriage. These include compensation rules for bumped passengers, rules governing the accommodation of disabled air travelers, ticket refund provisions, and baggage liability requirements. The Office of the Assistant General Counsel for Aviation Enforcement and Proceedings, including its Aviation Consumer Protection Division, carries out this mission. This office is also responsible for enforcing other aviation economic requirements, such as legal issues that arise regarding air carrier fitness determinations and competition.

DOT, in preparing and justifying budget requests for this office, and Congress, in reviewing those requests, should look closely at this office's capacity to fulfill its mission and be responsive in a timely way to consumer complaints. In 1985, this office had a staff of 40; in 1995, it was down to 20; and by 2000, it had a staff of 17 to oversee and enforce aviation consumer protection rules as well as carry out its other responsibilities.

In fact, staffing has declined during a period of air traffic growth, complaints have increased from 7,665 in 1997 to 20,495² in 1999, additional requirements have been established (such as the Air Carrier Access Act and the Aviation Disaster Family Assistance Act), and recently, the Commitment emerged as an important element in protecting passenger rights. An issue that office will face soon is whether policies contained in the Commitment and the Airlines' implementing plans are enforceable if they are not also contained in the Airlines' contracts of carriage.

We believe there is cause for concern whether the oversight and enforcement expectations for the Office of Aviation Enforcement and Proceedings significantly exceed the office's capacity to handle the workload in a responsive manner.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you might have.

² Total aviation consumer complaints filed with DOT for the entire industry (U.S. airlines, foreign airlines, tour operators, etc.).