

**STATEMENT OF THE
AIR TRANSPORT ASSOCIATION OF AMERICA, INC.
BEFORE THE
SUBCOMMITTEE ON AVIATION
OF THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
OF THE U.S. HOUSE OF REPRESENTATIVES
CONCERNING CHECKED BAGGAGE HANDLING SERVICES
MAY 3, 2006**

Mr. Chairman and members of the subcommittee: good morning. My name is John Meenan. I am the Executive Vice President of the Air Transport Association of America. I appreciate the opportunity to join you today to discuss checked baggage issues in the airline industry.

Airlines' first responsibility is to transport their passengers and crews safely. In doing so, they strive to respond effectively and efficiently to their customers' needs. This can be a challenge because of the complexity of airline operations and the industry's difficult financial environment. Nevertheless, airlines focus intensely on customer service issues.

The quality of baggage service is a very significant element of a passenger's air travel experience. Miscues in baggage handling frustrate customers and they remember those episodes; goodwill hangs in the balance and airlines understand that. The airline industry and individual airlines have worked for decades to simplify the acceptance of checked baggage, improve the reliability of handling baggage and speed its delivery to passengers at their destination airport.

Despite these ongoing efforts, mishaps occur:

- The inbound flight may arrive late at a connecting airport and not enough time may remain before the outbound flight departs to transfer the customer's baggage to that flight
- Required security measures may delay the transfer of baggage to the airline
- The airline may have inadvertently misrouted the baggage

Whatever the cause, each airline has well-established procedures to locate the mishandled luggage and, in the meantime, to handle any claim that the customer may have.

Handling baggage is above all a process. It involves both physical movement and data acquisition. Transportation of baggage is a series of sequential steps, from check-in at the origin airport to delivery at final destination, the interruption of any of which can delay delivery to the customer. There is complexity to this, which aviation security measures and flight delays exacerbate. Indeed, operational delays are the single most significant factor in mishandled baggage. Despite this, the Department of Transportation's most recent "Air Travel Consumer Report" – for April – indicates

that the 19 reporting airlines experienced a lower overall rate of mishandled baggage reports from consumers in February 2006 than they did in February 2005.

The airline industry has developed a wide range of procedures to facilitate the transportation of baggage. ATA, for example, annually publishes a manual that contains roughly 200 hundred pages of recommended baggage service procedures. They range from specifications about baggage messages that are transmitted between carriers to specifications that detail the design and content of bar-coded baggage tags. The International Air Transport Association has a similar publication that it also periodically revises and distributes.

These publications, along with the procedures that carriers individually have developed, reflect the industry's continuing attention to baggage handling. An important characteristic of handling checked baggage is that at critical points it relies on human intervention. The reliability issues that this interface creates have prompted airlines, over the years, to look for ways to introduce more automation into this environment.

A significant example of this has been the airline industry's early and heavy reliance on bar-code technology. Using this technology on baggage tags has made reading those tags and tracking baggage more reliable, which are important considerations in properly routing passengers' luggage. This has resulted in widespread reliance on bar-coding, which has required substantial carrier investments in hardware, software and procedures. Airlines continue to examine alternatives to bar-code technology but their economics, particularly RFID technology, do not at this time justify an industry-wide migration away from the substantial investment in bar-code technology.

Unfortunately, despite these efforts to improve baggage system reliability, baggage occasionally misses a connection or is misrouted. Because of this, airlines maintain baggage service offices in baggage claim areas at airports. When a passenger advises the staff at one of those offices that her or his checked baggage has not arrived, the airline begins its effort to locate the bag. Fairly frequently the delayed bag arrives on the next flight from the passenger's origin or connecting point. If it does not, however, on-line systems exist that trace and facilitate the recovery of delayed luggage. One system is WorldTracer, which is a joint venture of SITA and IATA.

Once the delayed baggage is located, the airline reunites it with the passenger. This often involves using a contractor to deliver the baggage to the passenger's home or hotel. If the recovery of the bag is not prompt, airlines typically provide some compensation to passengers so that they can buy essentials in the meantime.

If delayed baggage is not recovered – which does not happen often – or baggage is damaged or pilferage appears to have occurred, each airline has a claims processing system. Written claims, which include information about the particulars of the passenger's journey and the contents of the baggage, are required. An airline's claim

staff reviews the claim and, depending on its complexity, often resolves the claim within 30 to 60 days.

As with other common carriers, airlines are entitled to limit their liability for checked baggage. For domestic flights, Department of Transportation regulations (14 CFR Part 254) state that an airline cannot limit its liability for loss, delay or damage in the carriage of baggage to less than \$2,800 per passenger. Every two years, DOT adjusts that amount, based on changes in the Consumer Price Index; it last revised the limitation in 2004. A passenger, however, has the ability at check-in to declare that her or his baggage has more value than the airline's liability limitation and to purchase insurance to cover that excess.

For international flights, baggage liability limitations are established in either the Montreal Convention or the Warsaw Convention. Both are multilateral aviation treaties that set forth passenger, baggage and cargo liability rules. To determine which treaty is applied in any given international journey, one looks to which treaty the countries involved in the journey have ratified. The Montreal Convention is the more modern of the two treaties. The United States has ratified it and the treaty came into effect in November of 2003. It provides for baggage liability of 1,000 special drawing rights or approximately \$1,400 per passenger. Liability under the older Warsaw Convention is limited to \$9.07 per pound.

To simplify passenger claims that arise from international flights, ATA passenger airlines have voluntarily drafted an inter-carrier agreement in which they have agreed to follow the rules of the more modern Montreal Convention. This means that they have pledged to adhere to Montreal's more generous baggage liability limits. The ATA inter-carrier agreement is awaiting DOT approval.

Uniform notices from airlines to passengers alert them to these liability limitations. Limitations are contained in each airline's contract of carriage, which are available on their Web sites. DOT regulations (14 CFR Part 253) describe the required contents of notices that inform passengers that contract terms have been incorporated into their tickets and their right to obtain access to them. Congress in 1982 enacted aviation legislation that specifically recognized such incorporation by reference.

We realize the importance and sensitivity of baggage handling issues. Airlines devote much time and effort to them, because of that recognition. Mishandled baggage situations can arise from a number of situations. One such circumstance is flight delays, which both government and industry must continue to work to ameliorate.

Thank you for your attention. I would be happy to answer any questions that you may have.