CONSENT ORDER

This consent order concerns violations by Spirit Airlines, Inc. (Spirit) of the Department’s oversales rule, 14 CFR Part 250; accounting and reporting requirements, 14 CFR Part 241; record retention requirements, 14 CFR 249.20 and 14 CFR 382.70; consumer information requirements, 14 CFR 382.45(d) and 14 CFR 250.9; full-fare advertising rule, 14 CFR 399.84; Article 17 of the Montreal Convention; and domestic baggage liability rule, 14 CFR Part 254. It also covers other separate Spirit practices, which constitute unfair and deceptive practices and unfair methods of competition in violation of 49 U.S.C. § 41712, including unreasonably delaying baggage settlements and using misleading references to U.S. Department of Transportation (DOT) regulations and non-existent Federal Aviation Administration (FAA) requirements in responding to consumer complaints. Furthermore, Spirit’s failure to retain the records required by the Department and abide by Department’s reporting and information disclosure and retention requirements constitute violations of 49 U.S.C. § 41708 and 49 U.S.C. § 41709, respectively. Many of the violations addressed in this order were uncovered during a March 2008 on-site regulatory compliance inspection at Spirit’s corporate headquarters conducted by staff of the Department’s Office of Aviation and Enforcement (Enforcement Office). The order assesses Spirit a civil penalty of $375,000 and directs the carrier to cease and desist from further similar violations.
I. Denied Boarding Compensation

The Department’s oversales rule reflects a carefully crafted balance between the right of individual passengers to obtain the services they purchase and the ability of carriers to market their services effectively. Part 250 permits airlines to sell more tickets for a flight than there are seats on the aircraft. This allows carriers to fill seats that would otherwise have gone empty due to “no shows,” thereby resulting in efficiencies for carriers, including revenue enhancement, and benefits for passengers as a whole by enabling carriers to offer them lower fares and seats on flights that would otherwise be listed as full but which can usually accommodate them. In exchange for the ability to overbook flights (a practice that would otherwise be unfair or deceptive or an unfair method of competition within the meaning of 49 U.S.C. § 41712), the rule mandates compensation and other protections for eligible passengers who are involuntarily denied boarding.

The Department’s oversales rule mandates that under most circumstances a carrier must pay DBC to passengers who hold “confirmed reserved space” on a flight, have complied with the carrier’s contract of carriage, have met the carrier’s requirements with respect to check-in time and appearing at the gate, and have been bumped involuntarily from the flight because it was oversold (“eligible passengers”).1 In addition, before bumping passengers involuntarily, the carrier must first solicit volunteers.2 If there are not enough volunteers, the carrier may deny boarding to other passengers against their will, provided inter alia “on the day and [at the] place the denied boarding occurs,” the carrier offers all eligible passengers “cash or an immediately negotiable check for the appropriate amount of compensation… .”3 The appropriate amount of DBC varies for each passenger depending on the planned time of arrival at his or her destination of the substitute transportation arranged (or offered to be arranged) by the carrier, the value of the unused portion of the passenger’s ticket to his or her destination, and whether the flight segment on which the bumping occurred was between U.S. points, or from the U.S. to a foreign point.4 Although Part 250 permits a carrier to offer free or reduced rate air transportation (for example, travel vouchers) for use on future flights in lieu of a cash/check payment, the carrier must first “[inform] the passenger of the amount of

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1 It is important to note that the Department has long held that “it is an unfair and deceptive practice under 49 U.S.C. § 41712 for a carrier to declare passengers to be late check-ins when they are prevented from formally presenting their tickets at the ticket counter or boarding gate due to the length of the lines of people waiting to check-in.” Tower Air, Inc., Violations of 49 U.S.C. §§ 41708 and 41712 and 14 CFR Part 250 and § 399.84 Order 97-11-14 (November 7, 1997). It is within the carrier’s power to modify its check-in deadlines to reflect the length of its check-in lines and duration of its check-in procedures.

2 14 CFR 250.2b(a).

3 14 CFR 250.8(a). Providing bumped passengers with denied boarding compensation does not relieve carriers from their obligation to perform the transportation promised under their contract of carriage with such passengers. Therefore, in addition to receiving DBC, eligible passengers are entitled to keep their original ticket and use it on another flight. Or, if they choose to make their own arrangements, they can request an “involuntary refund” for the ticket for the flight from which they were bumped. DBC is a separate right and is intended to compensate passengers for their inconvenience.

4 14 CFR 250.5(a).
cash compensation that would otherwise be due and that the passenger may decline the transportation benefit and receive the cash payment.” 5 In other words, eligible passengers who are involuntarily denied boarding must be apprised of their entitlement to cash/check compensation and its amount and be given the choice to receive this form of compensation instead of a travel voucher. In order to ensure that these passengers have the ability to make informed decisions regarding the various oversale protections available to them, a carrier is required to furnish them with a written statement “explaining the terms, conditions, and limitations of denied boarding compensation,” the text of which is specified in the rule. 6

A review of Spirit’s passenger complaint records during a compliance inspection at Spirit’s headquarters by the Enforcement Office and of passenger complaints involving Spirit sent directly to the Enforcement Office revealed numerous instances in which Spirit bumped passengers, but did not follow one or more of the provisions of 14 CFR Part 250, as outlined above. Violations of 14 CFR Part 250 also constitute an unfair and deceptive practice and unfair method of competition in violation of 49 U.S.C. § 41712.

In addition, on three separate occasions, i.e., on March 26, 2008, at Fort Lauderdale International Airport (FLL), November 11, 2008, at Orlando International Airport (MCO), and February 3, 2009, at FLL, Spirit’s ticket counter personnel failed to provide the oversales notice to Enforcement Office investigators after a request, as required by 14 CFR 250.9. 7 On March 26, 2008, at FLL, the oversales notice was not provided despite the investigator having waited over twenty minutes. On that occasion, despite having shown his credentials and identified himself, the investigator got no response from two Spirit supervisors. On November 11, 2008, at MCO and on February 3, 2009, at FLL, Spirit employees interacted with the Enforcement Office investigators, who had identified themselves, but failed to produce the oversales notice required by section 250.9. These violations of 14 CFR Part 250 also constitute unfair and deceptive practices and unfair methods of competition in violation of 49 U.S.C. § 41712.

II. Delinquent and Inaccurate Reporting

Section 41708 of Title 49 of the United States Code, 49 U.S.C § 41708, inter alia authorizes the Secretary of Transportation to require air carriers to submit reports to the Department. Pursuant to section 41708, 14 CFR Part 241 designates various categories of data to be collected and prescribes the manner in which these data are to be submitted to the Department. The Department uses carriers’ Part 241 reports to monitor carrier fitness and ownership, to analyze the effects of air transportation industry policy initiatives, to allocate airport development funds, to forecast traffic, and to develop airport and airway traffic policy. In addition to the reports required by Part 241, the Department requires all major and national

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5 14 CFR 250.5(b).
6 14 CFR 250.9(a).
7 This notice is required to be provided to any person, upon request, not just to Department investigators.
carriers to submit Form EF - ICAO Financial Supplement. A carrier’s failure to file its reports in a timely manner prevents the Department from making fully informed decisions. Failure to file reports as required is a violation of the Department’s regulations, as well as section 41708.

On two occasions, the Enforcement Office sent Spirit letters warning it to file delinquent reports and to file future reports on time. Despite these warnings, Spirit failed to file certain required reports accurately or on time.\(^8\) By failing to file required reports accurately or on time, Spirit has violated 14 CFR Part 241 and 49 U.S.C. § 41708.

### III. Record Retention Requirements

During the Enforcement Office’s compliance inspection at Spirit headquarters, Enforcement Office staff requested copies of consumer complaints required to be kept by Spirit in accordance with 14 CFR 249.20(8) and 14 CFR 382.70. In response, Spirit stated that it entered a brief synopsis of complaint letters in its computerized tracking system and then immediately shredded the letters. Spirit informed Enforcement Office staff that its practice of disposing of consumer complaint letters began in September 2007 and it did not completely end until the Enforcement Office’s compliance inspection. Spirit’s practice of disposing of consumer complaints impeded the Enforcement Office’s ability to evaluate Spirit’s compliance with Department consumer protection rules and other consumer issues during the Enforcement Office’s compliance inspection. In addition to violating 14 CFR 249.20(8) and 14 CFR 382.70, the destruction of consumer complaints constitutes a violation of 49 U.S.C. § 41709, which requires Spirit to keep records prescribed by the Secretary of Transportation.

### IV. Making Available on Request the Department’s Rule Protecting Disabled Air Travelers (14 CFR Part 382)

Section 382.45(d) of the Department’s rule prohibiting discrimination against disabled air travelers, 14 CFR 382.45(d), requires carriers to have, at each airport they use, a copy of Part 382, which must be available for review by any person upon request. Failure to have a copy of Part 382 available for review in violation of section 382.45(d) also constitutes an unfair and deceptive practice and unfair method of competition in violation of 49 U.S.C. § 41712.

On March 26, 2008, and February 3, 2009, at Fort Lauderdale International Airport, an Enforcement Office investigator approached Spirit ticket counter personnel requesting to see a copy of 14 CFR Part 382. On March 26, 2008, Spirit failed to provide a copy of 14 CFR Part 382 to the Enforcement Office investigator, who as described above, waited over twenty minutes and got no response from two Spirit supervisors. On February 3, 2009, Spirit ticket counter personnel lacked familiarity with the Department’s disability rule disclosure requirement, providing the Enforcement Office investigator with a copy of Spirit’s Complaint

\(^8\) As of August 18, 2009, Spirit had filed all of its overdue reports, but the Department’s Bureau of Transportation Statistics is continuing to run data checks.
Resolution Officer Training manual instead of Part 382. Spirit’s failures to produce the required disability rule constitute violations of 14 CFR 382.45(d) and an unfair and deceptive practice and unfair method of competition in violation of 49 U.S.C. § 41712.

V.  **Baggage**

a.  **Delayed Settlements**

Consumer complaints reviewed by Enforcement Office staff during its compliance inspection at Spirit’s headquarters and complaints received by the Department directly demonstrate that Spirit failed on a number of occasions to resolve baggage claims within a reasonable period of time. This was despite the complainants providing all of the information necessary to resolve their claims in a timely manner. For example, on one occasion it took Spirit 14 months to resolve a claim.

While there is no specific regulation establishing a maximum processing time for taking final action on baggage claims, clearly it is unfair for Spirit to ignore consumer baggage claims or to make consumers wait an extended period of time for final action by Spirit on their claims. Such delay constitutes an unfair and deceptive practice in violation of 49 U.S.C. § 41712.

b.  **Interim Expenses for One-way Passengers**

The Department’s domestic baggage liability rule, 14 CFR Part 254, prohibits any carrier, like Spirit, using large aircraft from limiting its liability for provable direct or consequential damages resulting from the loss of, damage to, or delay in delivery of a passenger’s personal property, including baggage, to less than the amount specified in that rule. Violations of 14 CFR Part 254 also constitute an unfair and deceptive practice and unfair method of competition in violation of 49 U.S.C. § 41712.

The Enforcement Office, in reviewing claims and complaints against Spirit during its compliance inspection at the carrier’s headquarters, discovered that Spirit only entertained passenger claims for consequential damages resulting from the delay in delivery of personal property (1) for round-trip customers who were on the outbound leg of their trip and (2) only for interim purchases made more than 24 hours after their flight arrival. Spirit’s policy violates Part 254 because the Department’s domestic baggage liability rule applies to all passengers and “any flight segment.” Furthermore, while the Department has no authority to adjudicate individual baggage claims and to make monetary awards, i.e., to determine whether or not individual claims are valid, Spirit’s policy of never reimbursing passengers for consequential damages caused by the carrier’s own delay in delivering baggage within 24 hours of a flight is contrary to Part 254’s prohibition on carriers limiting their liability below

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9 Large aircraft is defined as any aircraft designed to have a maximum passenger capacity of more than 60 seats. 14 CFR 254.3

10 During most of the time at issue here, that minimum limitation was $3,000. As of December 22, 2008, that minimum limitation became $3,300.
the minimum liability limits set by Part 254. Spirit’s limitation of its liability in this manner, in addition to violating 14 CFR Part 254, also constitutes an unfair and deceptive practice and unfair method of competition in violation of 49 U.S.C. § 41712.

VI. Form Paragraphs Deceptively Citing DOT and FAA Regulations

During the Enforcement Office’s compliance inspection, Enforcement Office staff discovered responses to consumer complaints in which Spirit stated that the carrier operates in accordance with DOT and FAA regulations, despite the fact that the complaints in question did not concern matters regulated by the DOT or the FAA. Of even greater concern, Spirit advised some customers in response to complaints regarding denied boarding that its employees were “simply following and enforcing Spirit and FAA established procedures.” The FAA does not regulate nor does it have any “established procedures” regarding denied boarding compensation. Worse yet, some of the denied boarding complaints in question described situations that appeared to constitute violations of the Department’s denied boarding rule.

Although in these responses, Spirit also referenced provisions in its contract of carriage, citing DOT and FAA regulations in this manner could mislead the public into reasonably believing that Spirit’s policy in question was in compliance with DOT and FAA regulations and may have deterred consumers from seeking further redress. Accordingly, referencing DOT and FAA regulations in the manner described above in matters not regulated by the DOT or the FAA is a violation of 49 U.S.C. § 41712, which prohibits carriers from engaging in unfair and deceptive practices and unfair methods of competition.

VII. Full-Fare Advertising Rule

To ensure that consumers are not deceived and are given accurate and complete fare information on which to base their airline travel plans, 14 CFR 399.84 requires that advertisements specifying air fares state the full price to be paid by the consumer. Under long-standing enforcement case precedent, the Department has allowed taxes and fees collected by carriers, such as passenger facility charges and departure taxes, to be stated separately from the base fare in advertisements, so long as such taxes and fees are levied by a government entity, are not ad valorem in nature, are collected on a per passenger basis, and their existence and amounts are clearly indicated in the advertisement so that the consumer can determine the full fare to be paid. With respect to Internet fare listings, these charges may be noted through a prominent link, placed adjacent to the stated fare that takes the viewer to the bottom of the screen, or to a separate screen where the nature and amount of such fees are displayed.11 Failure to comply with the Department’s rule on full-fare advertising, in

addition to violating 14 CFR 399.84, constitutes an unfair and deceptive practice and an unfair method of competition in violation of 49 U.S.C. § 41712.

Spirit has violated 14 CFR 399.84 and 49 U.S.C. § 41712 by displaying fares on its website that did not include certain carrier-imposed fees in the advertised “base fare.” Specifically, in the “Travel Deals” section of its website, Spirit included a number of fares for certain routes and dates. Next to those prices there was an asterisk, which led consumers to a fine print disclaimer at the bottom of the page that stated that the fares do not include “a Passenger Usage Fee of $4.90 each way.”

VIII. Montreal Convention

Article 17 of the Montreal Convention (Convention), as revised on May 28, 1999,\(^\text{12}\) provides that carriers are liable for damaged or lost baggage if the “destruction, loss or damage” occurred while the checked baggage was within the custody of the carrier, except to the extent that the damage “resulted from the inherent defect, quality or vice of the baggage.”\(^\text{13}\) Therefore, once a carrier, such as Spirit, accepts checked baggage, whatever is contained in the checked baggage is protected, subject to the terms of the Convention.\(^\text{14}\) Failure to accept liability for destruction, loss or damage as described in the Convention, constitutes an unfair or deceptive business practice and unfair method of competition in violation of 49 U.S.C. § 41712.\(^\text{15}\)

Spirit has violated the Convention, therefore violating 49 U.S.C. § 41712, by advising consumers traveling on an international flight that items which were lost or damaged in checked baggage while the baggage was in the custody of Spirit are not the carrier’s responsibility. On one specific occasion, Spirit advised a passenger whose laptop was taken from her checked luggage while in Spirit’s custody on an international flight that it “assumes no responsibility” for such items.

In mitigation Spirit explains that it takes its responsibilities under the Department’s consumer protection regulations very seriously and seeks to provide its customers with a safe and enjoyable travel experience. According to the carrier, in early 2007 Spirit became the first

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13 For example, the quoted language might absolve a carrier from liability for a fragile item that is damaged during transport or a perishable item that spoils. It would not, however, absolve the carrier from liability for the loss or theft of such items.

14 Article 22, paragraph 2 of the Convention states that “the liability of the carrier in the case of destruction, loss, damage or delay is limited to 1,000 Special Drawing Rights for each passenger unless the passenger has made, at the time when the checked baggage was handed over to the carrier, a special declaration of interest in delivery at destination and has paid a supplementary sum if the case so requires.”

Ultra Low Cost Carrier (Ultra LCC) operating in the U.S. As such, Spirit states it is committed to providing the lowest possible fares in markets it serves. To keep fares low, Spirit says it asks its customers to pay for only what they need or want. According to the carrier, consumers have responded enthusiastically to Spirit’s Ultra LCC service model resulting in the rapid growth of its traffic over the last several years. To meet the surge in demand and provide quality customer service, Spirit states that it undertook a major redesign of its systems, customer service and baggage handling. Spirit points out that this restructuring has included installing a new automated reservation system, expanding staff for handling customer complaints, more than doubling its ticket counter space at its primary gateway at Fort Lauderdale International Airport and installing self-service kiosks there to expedite customer check-in, redesigning and upgrading the airline’s website to be more customer friendly and accessible, and providing supplemental training to its airport ticketing and gate agents to ensure full compliance with the Department’s denied boarding compensation and other rules. According to Spirit, over the last two years it spent approximately seven million dollars to improve the customer experience in flying the airline and to ensure that customers can be completely familiar with how Spirit’s Ultra LCC pricing model may differ from the approach taken by the major carriers, although many of those carriers now copy Spirit’s practice of “unbundling” certain costs from that of the transportation itself. Spirit also asserts that most of the violations occurred prior to the Spring of 2008 and importantly, all issues raised in connection with the alleged violations were addressed and resolved by Spirit under its own initiative. Spirit notes that the form letters referenced in paragraph VI above were used only for a few months, were discontinued more than a year ago, and always included specific references to provisions of Spirit’s contract of carriage that were controlling. Spirit also notes that while it now provides interim expenses for one-way passengers, its prior policy to not provide such compensation when the passenger was home is consistent with the past or present policy of at least two major U.S. airlines.

In order to avoid litigation and without admitting or denying the violations described above, Spirit Airlines, Inc., agrees to the issuance of this order to cease and desist from future violations of 14 CFR Part 250, 14 CFR Part 241, 14 CFR 249.20, 14 CFR 382.70, 14 CFR 382.45(d), 14 CFR Part 254, 14 CFR 399.84, Article 17 of the Montreal Convention, 49 U.S.C. § 41712, 49 U.S.C. § 41708, and 49 U.S.C. § 41709. Spirit Airlines, Inc., further agrees to the assessment of $375,000 in compromise of potential civil penalties otherwise assessable against it. Of this amount, Spirit must pay $215,000 under the schedule set forth in the ordering paragraphs below. The remaining $160,000 shall become due and payable if, within one year following the date of issuance of this order, Spirit Airlines, Inc., violates this order’s cease and desist or payment provisions, in which case the entire unpaid portion of the civil penalty shall become due and payable immediately, and Spirit Airlines, Inc., may be subject to additional enforcement action for failure to comply with this order. The Enforcement Office believes that this compromise assessment is appropriate in view of the nature and extent of the violations in question, serves the public interest, and provides a strong incentive to all airlines to comply with the Department’s regulations.

This order is issued under the authority contained in 49 CFR 1.57(a) and 14 CFR 385.15.
ACCORDINGLY,

1. Based on the above discussion, we approve this settlement and the provisions of the order as being in the public interest;

2. We find that Spirit Airlines, Inc., violated 14 CFR 250.8(a), as described above, by failing to tender to eligible passengers cash or an immediately negotiable check for the appropriate amount of compensation on the day and at the place the denied boarding occurs;

3. We find that Spirit Airlines, Inc., violated 14 CFR 250.5(a), as described above, by failing to pay eligible passengers the amount of denied boarding compensation specified in the rule;

4. We find that Spirit Airlines, Inc., violated 14 CFR 250.5(b), as described above, by failing to inform eligible passengers offered travel vouchers of the amount of cash compensation that would otherwise have been due to them;

5. We find that Spirit Airlines, Inc., violated 14 CFR 250.9(a), as described above, by failing to furnish eligible passengers with a written statement explaining the terms, conditions, and limitations of denied boarding compensation and by failing to furnish such written statement upon request by Department investigators;

6. We find that Spirit Airlines, Inc., violated 14 CFR 382.45(d), as described above, by failing to provide a copy of 14 CFR Part 382 upon request;

7. We find that Spirit Airlines, Inc., violated 14 CFR 254.4, as described above, by limiting its liability for provable consequential damages resulting from the disappearance of or delay in delivery of a passenger’s personal property to less than the amount specified in that rule;

8. We find that Spirit Airlines, Inc., violated 14 CFR 399.84, as described above, by publishing air fare advertisements that failed to state the entire price to be paid for the advertised air transportation;

9. We find that Spirit Airlines, Inc., violated Article 17 of the Montreal Convention, as described above, by failing to accept liability for items destroyed, lost or damaged in checked baggage on international flights while the baggage was in the custody of Spirit;

10. We find that Spirit Airlines, Inc., violated 14 CFR Part 241, as described above, by failing to file required reports in a timely manner;

11. We find that Spirit Airlines, Inc., violated 14 CFR 249.20(8)(a), as described above, by destroying consumer complaints sooner than permitted by this provision;

12. We find that Spirit Airlines, Inc., violated 14 CFR 382.70, as described above, by destroying consumer complaints sooner than permitted by this provision;
13. By engaging in the conduct described in ordering paragraphs 2 - 9, above, we find that Spirit Airlines, Inc., engaged in unfair and deceptive practices in violation of 49 U.S.C. § 41712;

14. We find that Spirit Airlines, Inc., violated 49 U.S.C. § 41712, as described above, by engaging in a practice of failing to conclude passenger baggage claims within a reasonable period of time;

15. We find that by engaging in conduct and violations described in ordering paragraph 10 above, Spirit Airlines, Inc., violated 49 U.S.C. § 41708;

16. We find that by engaging in conduct and violations described in ordering paragraphs 11 and 12 above, Spirit Airlines, Inc., violated 49 U.S.C. § 41709;


18. We assess Spirit Airlines, Inc., a compromise civil penalty of $375,000 in lieu of civil penalties that might otherwise be assessed for the violations described in ordering paragraphs 2 through 16, above; which amounts shall be due and payable as follows:

   a. $215,000 shall be due and payable in four equal installments to be paid on October 1, 2009, December 31, 2009, March 31, 2010, and June 30, 2010; and

   b. The remaining $160,000 shall become due and payable if, within one year following the date of issuance of this order, Spirit Airlines, Inc., violates this order’s cease and desist or payment provisions, in which case the entire unpaid portion of the civil penalty shall become due and payable immediately, and Spirit Airlines, Inc., may be subject to additional enforcement action for failure to comply with this order; and

18. Payment shall be made by wire transfer through the Federal Reserve Communications System, commonly known as “Fed Wire,” to the account of the U. S. Treasury in accordance with the instructions contained in the Attachment to this order. Failure to pay any portion of the penalty as ordered shall subject Spirit Airlines, Inc., to the assessment of interest, penalty, and collection charges under the Debt Collection Act.

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16 On May 13, 2009, 14 CFR Part 382 was amended. 14 CFR 382.45(d) has been incorporated into 14 CFR 382.45(a) and 14 CFR 382.70 has been incorporated into 14 CFR 382.157.

17 The Enforcement Office will conduct a compliance inspection at Spirit's headquarters in Fiscal Year 2010.
This order will become a final order of the Department 10 days after its service date unless a timely petition for review is filed or the Department takes review on its own initiative.

BY:

SAMUEL PODBERESKY
Assistant General Counsel for
Aviation Enforcement and Proceedings

(SEAL)

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