



Consumer Federation of America



FOR IMMEDIATE RELEASE

January 5, 2016

CFA Link; Facebook Post and Tweet this

Contact: Mark Cooper, CFA 301-384-2204

Susan Grant, CFA 202-939-1003

Charles Leocha, Travelers United 202-713-9596

HIDDEN FEES COST CONSUMERS BILLIONS

Consumer Groups Call for Full Price Transparency that Triggers Competition

Washington, D.C. — American consumers have become the unwitting victims of the widespread and fast growing practice of hiding the true cost of goods and services by adding on fees after the purchase decision has been made. Not only does this severely hamper free market price competition, but it saddles households with extra charges that significantly increase the cost of needed products and services. Documenting this insidious pricing practice, the National Economic Council has released a critical [report](#) on how hidden fees on a wide range of goods and services cost consumers billions of dollars each year, and the just released FTC Bureau of Economics research [paper](#) citing consumer harm due to hotels disclosing mandatory resort fees separately from the posted room rates.

These studies follow a Consumer Federation of America [report](#) presented recently to the Senate Judiciary Committee documenting the abuse of market power by four companies (ATT, Verizon, Comcast, Charter) that dominate communications services (mobile phones, broadband, cable and landline service). CFA estimated that this “tight oligopoly on steroids” facilitates the overcharging of consumers by about 25% (almost \$60 billion) per year for needed services. “My household bills look very much like those of a typical consumer which we modelled in the paper – two cell phones, cable, broadband and landline telephone,” said Dr. Mark Cooper, CFA’s Director of Research and author of the CFA’s report. “Hidden fees – excluding the price of the service, taxes and governmental fees, added about 25% to my total bill.”

The NEC report on [*The Competition Initiative and Hidden Fees*](#) shows that one way companies overcharge consumers is to “add fees to the accounts of their customers, increasing the amount due in excess of the advertised price (p. 13).” Using this practice to deny consumers accurate cost information enables these companies dampen price competition in the marketplace. “The Hidden Fees report documents a pervasive pattern of abuse across many industries,” said Cooper, “but hidden fees on communications services are particularly troubling because these digital services have become absolute necessities in the American household.”

“Some of the hidden fees described in the NEC report, such as car dealer add-on charges for advertising, inventory, documentation and delivery, have been problems for years and little has been done to stop them,” said Susan Grant, Director of Consumer Protection and Privacy at CFA. “Consumers are being deliberately fooled by advertised prices that fail to include the full amount they’ll have to pay, not just for cars but for an increasing number of goods and services.”

“When it comes to travel, consumers are faced with an exponential expansion of fees that make comparison shopping difficult and, in some cases, impossible,” says Charlie Leocha, President of Travelers United. “The new FTC research paper shows that consumers are harmed by misleading advertising that does not include mandatory fees and airlines still refuse to reveal ancillary fees everywhere airline tickets are sold.”

“After an election campaign in which middle class, consumer pocketbook issues and abuse of corporate power played a big part,” Cooper concluded, “this is a perfect time for the new Administration to start requiring all businesses to include mandatory fees in advertised prices. The undisputed elements of free market competition are comparison shopping and knowing the true cost of goods and services before buyers plunk down their hard earned dollars.”

The Consumer Federation of America is a national organization of more than 250 nonprofit consumer groups that was founded in 1968 to advance the consumer interest through research, advocacy, and education.

Travelers United is a non-profit dedicated to improving travel for consumers through education and advocacy.