

OPINION

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Sick of Junk Fees? Sneaky Hotel Charges Could Be the First to Fall

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Sheldon H. Jacobson, Ph.D.

A bipartisan effort in the Senate has called for federal legislation that would rein in junk fees charged by hotels. The Hotel Fees Transparency Act will require hotels to disclose the full cost of a hotel stay, including any mandatory “junk fees.”

To illustrate this point, consider two full-service hotel locations for a major hotel chain in Washington, D.C., just around one mile apart. One offers a flexible rate in early December for \$268.52 per night plus \$42.83 (tax) for a total of \$311.35. The other offers a flexible rate on the same date for \$246.45 per night plus a \$20.00 “mandatory destination charge.” Adding \$42.50 in tax (note that the \$20 is a taxable charge) gives a total of \$308.95.

So what does the hotel with the \$20.00 mandatory destination charge provide for this fee? The hotel’s website states: *Premium guest internet access (up to three devices); daily \$20.00 food and beverage credit; Lyft bicycle ride, up to 3 hours daily.*

To put this into perspective, there was a time when internet access was a luxury. Today, it is a standard amenity at most hotels. Using that as part of a junk fee seems, at best inappropriate — and at worst, misleading.

For business travelers, the Lyft bicycle ride is likely not used. That leaves the \$20.00 food and beverage credit to be used at the hotel. So, what the hotel has done is forced guests to purchase food or beverages at the hotel in exchange for the mandatory destination charge.

In 2019, Marriott International was sued by the Washington, D.C. Inspector General for levying what were termed “deceptive” resort fees. The hotel chain settled by including such fees on their reservation website.

Hotel resort fees are a significant source of revenue for hotels. Consumer Reports reported that such fees totaled nearly \$3 billion in 2018.

The Hotel Fees Transparency Act targets junk fees being used by hotels to stealthily increase revenue, like mandatory destination charges. If the charge was optional, there would be no issue with it.

Transparency is important. Yet, the fact that such charges are being levied at all is suspect.

Unfortunately, junk fees have become ubiquitous beyond the hospitality industry.

Although not classified as junk fees, hospitals and medical clinics have instituted facility fees to extract more revenue from insurers, and in many cases, from patients, too. When a patient sees a provider in a facility that the provider does not own, both a provider fee and a facility fee may be charged. Depending on how a person's insurance coverage applies, which may include factors like in-network or out-of-network providers and facilities, patients may get stuck with bills that are both significant and unanticipated. Federal legislation now requires hospitals and medical clinics to disclose such information, although some may just post it on their web site. These fees are a consequence of provider-based billing, which separates the provider's services from the facility where the provider practices, something that is often not obvious to patients.

This would be like buying an airplane ticket and getting an additional bill from the airport for using their facility. Such a practice would be unheard of, given that airlines pay airports the necessary landing and space rental fees.

What the Hotel Fees Transparency Act does is begin the process of eliminating junk fees at hotels, either by including them in the price of a room (adequate), disclosing them as a mandatory line item (inappropriate), or making them optional (ideal).

However, a wider footprint of junk fee legislation is needed across the service industry, which the Biden administration has proposed. This may require legislation industry-by-industry or blanket legislation, with consumers paying the price while bills get written, debated, modified, and, if lucky, eventually get enacted into law. Since such laws must get passed by Congress, lobbying efforts and campaign contributions to legislators from industries that would be affected can place headwinds on such legislation.

Ideally, service industry entities should be proactive and create their own customer "Bill of Rights" that defines a partnership between themselves and the people who keep them in business. Such actions are aspirational and perhaps even naïve to expect. Yet, the organizations that put such statements forward will gain goodwill and the esteem of their patrons, perhaps even fostering loyalty.

No matter how junk fees are presented, anything labeled "junk" rarely provides value. The time is ripe to toss junk fees in the trash and give consumers more transparent pricing for what they are asked to pay.

[Sheldon H. Jacobson](#), Ph.D., is a founder professor in computer science at the University of Illinois Urbana-Champaign. A data scientist, he applies his expertise in data-driven risk-based decision-making to evaluate and inform public policy.