

Travel Budget – Get Ready for Hidden Fees

Many still believe that traveling is a luxury, despite the many budget hotels, cruises and airlines. Sadly, they are not far off the mark.

A few bad, dishonest apples among travel suppliers work in ancillary fees into their prices, making them seem lower than they are. This is an unethical business practice that forces consumers to pay more than necessary. It is only proper to state any mandatory fee.

The authorities agree. The Federal Trade Commission in the U.S. calls these hidden, ancillary fees “Drip Pricing”. The Florida Attorney echoes the sentiment and feels that these costs deceive consumers.



The situation, however, is only escalating. As travelers become more global, the costs increase. Travel suppliers work port surcharges, resort fees and any other ancillary costs possible into their own charges. A few daring ones may even raise these charges of their own accord and pocket the extra.

The Cause of Hidden Costs

How it all started? It all comes down to Gresham’s Law. Simply put, Gresham’s Law states that “bad money drives out the good.” According to this economic principle, artificially overvalued money drives artificially undervalued money out of circulation.

In the same way, the bad drives out the good in price advertising. When a tour operator slashes his own fees and advertises them as lower fees with other tax and service charges, other operators follow suit. It only takes one bad apple to spoil the entire crop. The whole industry soon adopts such unhealthy pricing practices.

The Hidden Fees

1. Car Sharing Taxes

The pricing practices of car-sharing companies are evidence of Gresham’s Law. When an unnamed car-sharing company added a “Safe Driving Tax” of \$1, apparently to cover the costs of insuring drivers and their vehicles, others worked a similar fee into their prices.

Though the fees do go to pay for insurance, these companies seldom pay the insurer directly. The real cost of the insurance is likely lower than \$1.

Rental companies, too, resort to unnatural pricing. They add airport concession fees, customer facility charges, vehicle licensing fees, an excise tax and even energy surcharges to their base charges.



2. Airline Surcharges

Transport authorities in different countries have forbidden airlines from displaying ridiculously low prices and adding their own imposed fees or surcharges. One airline displayed a price of \$1369 for a round trip from San Francisco to Munich. The real fare was a mere \$615, with an addition \$800 in international or domestic surcharges.

However, they impose charges under different circumstances. They add fees to frequent flyer tickets and companion tickets. Some of them may not refund these ancillary fees when a customer cancels his ticket.

3. Hotel Service Fees

Many hotels claim that they are “All Inclusive.” Customers assume that their rates include every aspect of their hotel stay. In reality, many hotels add resort or other service fees to their base rates.

They lure the unsuspecting traveler with low upfront room rates and slap them with other charges at the end of their stay. These may include charges for the use of their wireless internet services or gyms.

4. Wireless Internet Service Charges

To speak of the internet being expensive, it is tempting to take your laptop with you so that you have access to the hotel’s wireless internet service. We tend to forget that the more we access, the more we pay. The internet in some countries is generally less expensive, but cost still accumulates over time.



5. Health Care Hikes at Restaurants

And then, restaurants have recently raised their prices by up to 4% in view of the health care of their staff. Though the Affordable Care Act aims to make sure that service providers take care of the health of their staff, it is a business cost. Some restaurants have price hikes to oppose this act. The San Francisco attorney has found that over 50 restaurants pocket the extra money.

6. Reservation Fees

The answer to this is yes. Booking fees are another example of hidden costs. Many tour operators do not add booking fees to the cost of the packages they advertise. However, they still add their own fees in the form of taxes and other surcharges.

Airlines are, thus far upfront about their booking fees. They follow rules set by the Department of Transportation. However, this proposed Transparent Airfares Act may, ironically, threaten this honesty and allow airlines to omit taxes and other imposed fees.

7. Tipping and Port Taxes

Tipping is an unstated, mandatory practice on cruises. If you do not agree with the standard tipping practice, you may opt out and tip the amount you feel fit. However, it is still a hidden cost. In addition, many liners impose port taxes that are often more than what they need to pay to dock their ships. Some are, altogether, unnecessary.

Hopefully, a few bad apples will not make travel daunting.

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