



OFFICE OF THE
CHAIRWOMAN

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON D.C. 20580

August 3, 2015

The Honorable Robert P. Casey, Jr.
United States Senate
Washington, DC 20510

Dear Senator Casey:

Thank you for your July 6, 2015 letter raising concerns about drip pricing in the hotel industry. In your letter, you state that hotels are masking the true price of hotel stays, and improving their placements in search engine results, by failing to disclose their resort fees until the reservation transaction is near completion. You express concern that this “drip pricing” practice is misleading and unfair to consumers, and encourage the Commission to take action to address it.

As you know, the Commission acts in the interest of consumers to prevent deceptive or unfair acts or practices, pursuant to the Federal Trade Commission Act, 15 U.S.C. § 45. An act or practice is deceptive if it is likely to mislead consumers acting reasonably under the circumstances and if it is material – that is, likely to affect a consumer’s purchasing decision. An act or practice is unfair if it causes or is likely to cause substantial consumer injury that consumers cannot reasonably avoid, and that is not outweighed by benefits to consumers or to competition. In determining whether to take enforcement or other action in any particular situation, the Commission may consider a number of factors, including the type of violation alleged; the nature and amount of consumer injury at issue and the number of consumers affected; and the likelihood of preventing future unlawful conduct and securing redress or other relief.

The Commission has a strong interest in protecting consumer confidence in the online marketplace, including the robust online market for hotel and travel services. As you may know, in 2012, the FTC held a conference on the effect of “drip pricing” sales techniques on the marketplace. Staff in the FTC’s Division of Advertising Practices then reviewed a number of online reservation sites and found that some companies did not disclose resort fees at all, others disclosed them in fine print, and others included vague statements such as “additional fees may apply,” without stating amount of the fee or that it was mandatory.

Subsequent to that review, FTC staff sent warning letters to twenty-two hotel operators which it determined quoted “total” prices that failed to include mandatory resort fees. The letters warned hotels that these practices may violate the law by

misrepresenting the total price consumers can expect to pay for their hotel rooms.¹ Staff has since sent warning letters to other members of the travel industry that have failed to adequately disclose resort fees or failed to include the fees in the final calculation of the “total” price for hotel stays.

In addition, the Commission is actively working with the travel industry to ensure that consumers receive accurate pricing information before they book a hotel. We are also working with companies to make sure that mobile displays prominently disclose fees upfront and include them in total price quotes.

These efforts have resulted in significant improvements to travel website displays. Numerous companies now prominently disclose resort fees early in the booking process, and right next to the advertised room rate, so that consumers see the resort fees well before they decide to book a particular hotel. Importantly, these websites also add the resort fee to the “total” price shown for the stay, thus informing consumers of exactly what they will pay for their hotel stays before they complete an online reservation. I can assure you that we will continue to monitor the online travel marketplace as a part of our ongoing consumer protection mission.

Thank you again for sharing your concerns, and we appreciate your interest in combatting deceptive marketing practices. If you or your staff would like to discuss this issue further, please contact Jeanne Bumpus, the Director of our Office of Congressional Relations, at (202) 326-2946.

Sincerely,



Edith Ramirez
Chairwoman

¹ See FTC Press Release, FTC Warns Hotel Operators that Price Quotes that Exclude ‘Resort Fees’ and Other Mandatory Surcharges May Be Deceptive (Nov. 28, 2012), *available at* <https://www.ftc.gov/news-events/press-releases/2012/11/ftc-warns-hotel-operators-price-quotes-exclude-resort-fees-other>.