



June 8, 2023

Senator John Hickenlooper, Chair  
Subcommittee on Consumer Protection, Product Safety and Data Security  
U.S. Senate Committee on Commerce, Science and Transportation  
Russell Senate Office Building 254  
Washington, DC 20510

Senator Marsha Blackburn, Ranking Member  
Subcommittee on Consumer Protection, Product Safety and Data Security  
U.S. Senate Committee on Commerce, Science and Transportation  
Dirksen Senate Office Building 512  
Washington, DC 20510

Dear Chairman Hickenlooper and Ranking Member Blackburn,

On behalf of Consumer Reports (CR)<sup>1</sup>, we applaud the subcommittee for holding today’s hearing entitled “Protecting Consumers from Junk Fees.” CR works side-by-side with consumers to create a fairer, more competitive marketplace, and we are highly concerned about the proliferation of junk fees that are often added unexpectedly and deceptively to the retail price of goods or services in major economic sectors such as travel (airlines, hotels, car rentals, etc.), telecommunications and utilities, financial services, automotive sales, and live entertainment and sporting events, just to name a few.

Junk fees are often hidden or obscured, and added through so-called “drip pricing” and through deceptive descriptions that imply the fees are paying for essential or mandated services. These added fees inflate and distort costs, inhibit effective price comparisons, undermine household budgeting decisions, and often provide little or no added value to the consumer.

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<sup>1</sup> Consumer Reports (CR) is an independent, nonprofit membership organization that works side by side with consumers to create a fairer, safer, and healthier world. Since 1936, CR has provided evidence-based product testing and ratings, rigorous research, hard-hitting investigative journalism, public education, and steadfast policy action on behalf of consumers’ interests. Unconstrained by advertising, CR has exposed landmark public health and safety issues and strives to be a catalyst for pro-consumer changes in the marketplace. From championing responsible auto safety standards, to winning food and water protections, to enhancing healthcare quality, to fighting back against predatory lenders in the financial markets, Consumer Reports has always been on the front lines, raising the voices of consumers.

Both CR's survey research and comments we have collected from consumers confirm that consumers are very disappointed both by the increasing frequency and range of fees charged. They are also frustrated by the high cost of outsized and excessive fees that undermine the affordability, accessibility and usability of products and services. Junk fees are not just a nuisance, they are also costly and hit low, moderate-income and working-class consumers especially hard.

In April 2023, Consumer Reports conducted a nationally representative survey of 2,121 U.S. adults to learn more about their experiences with hidden fees across a range of products and services in the last two years.<sup>2</sup> CR found that 49 percent had encountered hidden fees for telecommunications services; 45 percent for live entertainment or sporting events; 37 percent for gas and electric utilities; 37 percent for hotel stays; 35 percent for air travel; 27 percent for credit cards; 26 percent for auto loans and purchases; and 23 percent for personal banking services. Fifty-one percent of respondents said that hidden fees caused them to exceed their budget for their cable, internet, or phone service, and two out of three Americans (68 percent) say they are paying more in hidden fees now than they did five years ago.

For a typical American family, junk fees can pose a financial strain, adding up to thousands of dollars a year in extra costs. On a national level, data from a few industries alone show that the add-on charges are siphoning billions of dollars from consumers' wallets every year.

- In the case of airlines, the two main travel charges—baggage fees and reservation fees—accounted for nearly \$6 billion of revenue in 2021, according to the Bureau of Transportation Statistics.<sup>3</sup>
- For banks, overdraft fees are a growing source of revenue, with the largest banks pulling in an additional \$15 billion in 2019 from these fees, according to the Consumer Financial Protection Bureau. In addition, major credit card companies charged over \$14 billion in late fees in 2019.<sup>4</sup>
- The hotel industry raked in a record \$2.9 billion in resort fees and other fees and surcharges in 2018, according to Bjorn Hanson, Ph.D., a hotel consultant and clinical

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<sup>2</sup> *Electric-Only Vehicles, Car Maintenance, Hidden Fees, Pet Food and Plant-Based Milk, American Experiences Survey: A Nationally Representative Multi-Mode Survey*, prepared by the Consumer Reports Survey Research Department (April, 2023), p.15-20, available at: [https://article.images.consumerreports.org/image/upload/v1682544745/prod/content/dam/surveys/April\\_2023\\_AES\\_Toplines.pdf](https://article.images.consumerreports.org/image/upload/v1682544745/prod/content/dam/surveys/April_2023_AES_Toplines.pdf).

<sup>3</sup> Bureau of Transportation Statistics, *2021 Annual and 4<sup>th</sup> Quarter Airline Financial Data*, (May 2, 2022), available at: <https://www.bts.gov/newsroom/2021-annual-and-4th-quarter-us-airline-financial-data>.

<sup>4</sup> Rohit Chopra, Consumer Financial Protection Bureau, *Prepared Remarks of CFPB Director Rohit Chopra on the Junk Fees RFI Press Call*, (January 26, 2022), available at: <https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-of-cfpb-director-rohit-chopra-on-the-junk-fees-rfi-press-call/>.

adjunct professor at the Jonathan M. Tisch Center for Hospitality at New York University.<sup>5</sup>

- Perhaps the worst offender for charging hidden junk fees is the cable television industry. According to a 2019 report by Consumer Reports, cable company-imposed fees add what amounts to a 24% surcharge on top of the advertised price. On average, the cable industry generates close to \$450 per year per customer from company-imposed fees. CR estimates that cable companies are making an estimated \$28 billion a year from charging company-imposed fees.<sup>6</sup>
- Though CR’s 2019 cable bill report focused on excessive junk fees charged for pay-TV services, it also warned of the “disturbing new trend” of company-imposed fees being attached to internet service. Unfortunately, our prediction of junk fees riddling ISPs bills has been realized with several providers tacking on mandatory junk fees to broadband internet service. We identified numerous such fees as part of our study of 22,000 broadband bills voluntarily submitted to CR for research.<sup>7</sup>

While consumers can theoretically take fees into account when making purchasing decisions, it is often highly difficult to fully research and anticipate the wide range of fees that might be charged in the course of using a particular product or service. As long as fees are disclosed somewhere in the shopping process, consumers can, presumably, calculate their true costs. But in reality, add-on fees can be difficult to spot, requiring consumers to click through multiple web pages or scour fine print to get the information—a gradual reveal strategy that is exactly the sort of drip pricing mentioned above.

Even when consumers use sophisticated online comparison tools to compare airline, hotel or car rental prices, their search efforts are frequently frustrated or doomed to failure by such drip pricing techniques through which companies add fees in the back end of the transaction prior to checkout. In addition, companies present some fees as mandatory fees required or imposed by the government, when they are nothing of the kind.<sup>8</sup>

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Consumer Reports thanks the Subcommittee for its efforts to investigate ways to protect consumers against excessive, unexpected and hidden fees, and to promote greater transparency

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<sup>5</sup> Penelope Wang, “Protect Yourself from Hidden Fees”, Consumer Reports, (May 29, 2019), available at: <https://www.consumerreports.org/fees-billing/protect-yourself-from-hidden-fees-a1096754265/>.

<sup>6</sup> Jonathan Schwantes, *What the Fee? How Cable Companies Use Hidden Fees to Raise Prices and Disguise the True Cost of Service*, Consumer Reports, (October, 2019) (hereafter CR Cable Bill Report), p.3, available at: [https://advocacy.consumerreports.org/wp-content/uploads/2019/10/CR\\_WhatTheFeeReport\\_6F\\_sm-1.pdf](https://advocacy.consumerreports.org/wp-content/uploads/2019/10/CR_WhatTheFeeReport_6F_sm-1.pdf)

<sup>7</sup> Jonathan Schwantes, *Broadband Pricing: What Consumer Reports Learned from 22,000 Bills*, Consumer Reports (November 17, 2022) p.23-24, available at: [https://advocacy.consumerreports.org/wp-content/uploads/2022/11/FINAL\\_report-broadband-november-17-2022-2.pdf](https://advocacy.consumerreports.org/wp-content/uploads/2022/11/FINAL_report-broadband-november-17-2022-2.pdf).

<sup>8</sup> CR Cable Bill Report at p.11.

and accountability to help customers compare their product and service choices. From the perspective of consumers, any junk fees (especially mandatory fees) that add little or no value to a product offering—or that should be reasonably thought to be included in the base price for a product or service—should be banned, because of their highly negative impacts on consumer choice and competition.

For any truly optional fees for discretionary or add-on services, fees should be clearly disclosed in plain and understandable language, in a standardized format that consumers can obtain and review before deciding to purchase that product or service. In general, optional fees should also bear a reasonable and proportionate relationship to the underlying costs of providing the particular service for which they are charged, and not be excessively priced as a backdoor way of raising prices and undermining competition.

Congress should also consider granting the Federal Trade Commission broad authority to require upfront price transparency and prevent hidden junk fees in all areas of the economy, which could help level the playing field for ethical and honest sellers, and prevent deceptive pricing. Consumers are truly fed up with being hit with costly junk fees from companies in virtually every economic sector, and the public would welcome strong and comprehensive action by Congress at this time to ensure fair and transparent pricing for all goods and services. CR looks forward to working with you to protect consumers from abusive and expensive junk fees.

Sincerely,



Chuck Bell  
Programs Director



Jonathan Schwantes  
Senior Policy Counsel, Manager of Special Projects