

OWNER EQUITY BY CHAD CRANDELL

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Resort fees: Say it isn't so

(The views and opinions expressed in this blog are strictly those of the author.)

...Or is it déjà vu all over again? I just recently read in the news that the FTC is considering a change to its four-year policy on hotel resort fees. Apparently, the U.S. government once again wants to stick its nose where it doesn't belong and side with consumer advocates (what do they know about resort fees?) and suggest that resort fees are unfair and deceptive. As a result, the FTC is considering another policy shift that would require resort fees to be included in the initial price quote (rate), which frankly is just ridiculous.

As a member of the AH&LA Finance Committee, authors of the recently released Eleventh Revised Edition of the Uniform System of Accounts (USALI), I can tell you that this issue was hotly debated amongst the committee, which included roughly equal parts owners/asset managers, brands/third party operators, and industry professionals (accountants and academics). This issue was important for many reasons, the least of which was to properly allocate the revenues and expenses associated with resort fees in a consistent manner among the hotel industry. This is no small accounting matter.

According to New York University School of Professional Studies, resort fees and surcharges totaled US\$2.47 billion last year. By the way, these fees and surcharges have nothing to do directly with room revenue, but generally consist of the bucket of services provided to a resort guest to avoid the proverbial "nickel and diming" during a hotel stay, such as beach chairs, pool/beach umbrellas, access to spa/fitness facilities, etc. As provided for under USALI, these resort fees and charges are properly accounted for in the various operating departments within the hotel. Now, as proposed by this policy shift by the FTC, resort fees would disappear, and these service related revenues and expenses would all roll up into the rooms department as part of the room rate for the hotel.

Boy, is this ever a step back in time. It was only back in the early 2000s when consumer advocates targeted this same issue with the hotel industry. As web bookings were just beginning to gain traction with guests (shortly after Al Gore invented the world wide web), it may have been a legitimate

argument that resort fees and energy surcharges (remember them), were not transparent to guests at the time of booking. However, that is clearly not the case today. I would suggest the hotel industry is much more transparent in the added costs to a hotel booking, than say the airline and car rental industries. Wouldn't it be nice to truly understand the cost of traveling with your family on the plane (window, aisle seats, economy plus, baggage fees, gate checking bags, etc.) or your car rental (sub-compact, compact, medium prepaid gas, insurance, airport rental fees, transportation fees, return fee, etc.). Now, they fight for these same charges to be included in the guest rate. Make up your mind!

Finally, if this goes through, hotel owners will once again take a major hit to bottom-line profitability. The services for which the resort fee covers will not go away, but the ability for the guest to understand them as a recovery on cost will. In addition, the consistency of reporting resort fees in an isolated manner will be gone, and it will all go (well not all of it, because the guest won't see the value) into rooms revenue, which will create an artificial growth in ADR and RevPAR, while at the same time profits will drop.

Now, I ask you, does this make sense?

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