

Minnesota Public Radio: Marketplace

(c) Copyright 2002, Minnesota Public Radio. All Rights Reserved.

Wednesday, August 28, 2002

Commentary: Need for disclosure laws pertaining to companies' hidden fees to consumers

DAVID BRANCACCIO, anchor: This week, troubled USAir announced that, as part of its effort to stay aloft in a competitive environment, it'll no longer offer any standbys or make good flights on non-refundable ticket purchases; you miss the plane, you've missed the boat. In addition, travelers who want the security of a paper ticket instead of an e-ticket will be charged 25 bucks for that luxury. A public relations faux pas, or is the bankrupt airline on to something? For questions like these, we turn to MARKETPLACE's Frick and Frack team. We call our sparring commentators Add and Pad. They are Yale Professors Barry Nalebuff and Ian Ayres. Ian begins today's discussion with his own tale of unexpected overhead.

IAN AYRES:

I couldn't believe it when I checked out of Embassy Suites. I got charged almost 6 bucks a minute for a phone call.

BARRY NALEBUFF:

Yeah?

AYRES: But that's a bargain compared to the 10 bucks they would have charged me for an international call.

NALEBUFF: Ian, next time, just use a cell phone or a calling card.

AYRES: Barry, I'm not done. When I dropped off my rental car, Hertz beat me up with a \$5-a-gallon refueling fee.

NALEBUFF: You want sympathy. What do you expect? Didn't you get a great deal on that car?

AYRES: Yeah.

NALEBUFF: Well, how do you think they afford it? They're counting on you to pay that gas charge up at the end.

AYRES: You know, this back-end price gouging's everywhere. Cingular just charged

me 40 cents a minute for going over my cell plan. I mean, instead of a volume discount, I have to pay more when I talk more? That really pisses me off.

NALEBUFF: Hey, I've been there, but how do you know you're really worse off? Remember, they did give you a free cell phone. Maybe it all just washes out.

AYRES: You know, but no one else does. Need I say more? That's why we need a new type of disclosure law. Sometimes it makes sense to have the seller educate consumers about themselves.

In New Haven, this is Ian Ayres...

NALEBUFF: ...and this is Barry Nalebuff for MARKETPLACE.

BRANCACCIO: Ad and Pad, the MARKETPLACE money talkers, are Yale Professors Ian Ayres of the Law School and Barry Nalebuff of the School of Management