



# City of Chicago



O2017-222

Office of the City Clerk

## Document Tracking Sheet

**Meeting Date:** 1/25/2017

**Sponsor(s):** Burke (14)

**Type:** Ordinance

**Title:** Amendment of Municipal Code Chapter 2-25 by adding new Section 2-25-095 concerning prohibited acts involving consumer fraud and deceptive practices/hidden fees

**Committee(s) Assignment:** Committee on Finance

Finance

## ORDINANCE

WHEREAS, the City of Chicago is a home rule unit of government pursuant to the 1970 Illinois Constitution, Article VII, Section 6(a); and

WHEREAS, pursuant to its home rule power, the City of Chicago may exercise any power and perform any function relating to its government and affairs including promoting the quality of life and welfare of its citizens; and

WHEREAS, the City of Chicago is dedicated to the protection of Chicago consumers from deceptive business practices; and

WHEREAS, “hidden fees” by businesses hinder effective consumer decision-making and hurt the competitive process; and

WHEREAS, the Obama administration’s December 2016 report entitled “The Competition Initiative and Hidden Fees” took aim at a wide range of businesses that charge “hidden fees” including resorts, airlines, telecommunication companies, ticket vendors, banks, and car dealerships; and

WHEREAS, the Obama administration’s report emphasizes that “transparent and accurate pricing is the foundation of an effective and efficient American economy, allowing consumers to make smart choices and to reward the providers of better goods and services”; and

WHEREAS, on January 18, 2017, the United States Department of Transportation, in a Supplemental Notice of Proposed Rulemaking, proposed that air carriers and ticket agents “should be required to clearly disclose, at all points of sale, customer-specific fee information wherever fare and schedule information is provided,” in which baggage fee information is to be disclosed at the first point in a search process; and

WHEREAS, the National Economic Council’s report provided that, the “hidden fees,” including charges to check luggage and change flights, generated \$22.5 billion for the world’s airline industry in 2015; and

WHEREAS, the report also provided that in 2015, “resort fees” accounted for \$2.04 billion in the hotel industry and “service” fees amounted to more than \$1.6 billion last year, which has led to the FTC and FCC expressing concern about the so called “fee economy;” and

WHEREAS, the director of consumer protection and privacy at the Consumer Federation of America stated that, “Consumers are being deliberately fooled by advertised prices that fail to include the full amount they’ll have to pay”; and

WHEREAS, through their actions, the United States Department of Transportation seeks to protect consumers from hidden and deceptive fees and enable them to determine true costs in a fair and effective manner; and

WHEREAS, the City of Chicago is following our nation’s lead by taking local action to ensure that Chicago-based businesses clearly advertise hidden fees so consumers can equitably compare prices and to pressure companies to become more transparent; and

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:**

SECTION 1. The above recitals are expressly incorporated herein and made part hereof as though fully set forth herein.

SECTION 2. Chapter 2-25 of the Municipal Code of Chicago is hereby amended by creating a new Section 2-25-095 and inserting the language as follows:

2-25-095. Prohibited acts- Consumer fraud, deceptive practices/hidden fees.

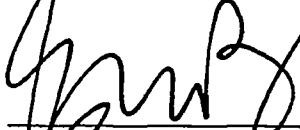
A. As used in this section

“Hidden fees” means the addition of a mandatory or quasi-mandatory fee to the advertised price of a good or service, added at some point in the transaction, to effectively raise the final price – in order to drive down the perceived price and lure consumers to make purchasing decisions based on misinformation.

B. Notwithstanding any other provision of law, a business licensed by the City of Chicago, or having a physical location doing business within the City, shall be required to post all fees associated with each transaction. The owner of the premises or place of a business operating under a city license shall post a sign disclosing all fees for the sale transactions. Signs disclosing all hidden fees shall be clearly and conspicuously posted on the premises of a building, premises, or real property, and on the business’s online website.

C. Failure to abide by the disclosure will result in a fine not to exceed \$500 per day and possible license revocation.

SECTION 3. This ordinance shall be in full force and effect on August 1, 2017.



Alderman Edward M. Burke, 14<sup>th</sup> Ward