

HOW ARE YOU DEALING WITH HIGHER FUEL COSTS AND THE HANDLING OF SURCHARGES WITH YOUR CUSTOMERS?

By Attorney Paul T. Cronin

It seems that just when you had developed an attractive annual corporate budget including a comprehensive methodology for costing tours, suppliers sprung fuel surcharges on you. There goes the bottom line!

How have you dealt with higher fuel costs and the resulting fuel surcharges? Some tour operators have simply absorbed the increased costs, not wanting to go back to customers who have already booked and paid the advertised price of the tour and announce a price increase.

Some operators are reluctant to announce a price increase to customers who have booked and paid the deposit.

Is a tour operator ever permitted to increase the price to customers to cover the increased price of fuel or fuel surcharges? The answer is "Yes, if you're careful".

For many years I have advocated having a detailed set of Customer Terms & Conditions that clearly describe each element of your relationship with your customers. Ideally they will announce your policy on many topics, including booking and deposit payment, deadline for final payment, cancellation and cancellation fees, limit of your liability as tour operator, and last but certainly not least, right to increase the price in the event of fuel price increases or unfavorable change in the valuation of the dollar to applicable foreign currency.

The key element of your relationship with customers is that there should be no surprises. By that I mean that when a customer books and pays for a trip (s)he should know what is included in the trip and all the Terms & Conditions that apply. Having made full disclosure in advance, it would be possible to impose a price increase in the event of fuel price increase or fuel surcharge from your supplier. Lacking such a term, you would not be permitted to change the price after the booking is confirmed.

HOW DO YOU DEAL WITH SUPPLIERS WHO IMPOSE FUEL PRICE SURCHARGES?

Much like your relationship with your customers, your suppliers must disclose in advance if they reserve the right to increase the price based on fuel price increases. Otherwise, if the contract specifies a fixed price without reserving the right to impose a fuel surcharge, then there is no right to impose a fuel surcharge after you have done, or paid, what is required to confirm the contract.

How you address the issue with your customers is largely a business decision. Do you absorb the price increase or do you pass it along? I suggest that the prudent business policy is to disclose the possibility of a price increase due to a fuel surcharge and also that the normal cancellation fee will apply if the customer cancels for that reason.

*Paul Cronin is an attorney with extensive experience, including ten years as in-house legal counsel to a major tour operator and over twenty years in private practice. He advises operators on avoiding pitfalls in the tour business by protecting their interests and preventing legal problems. Direct comments and inquiries to him at:
tel: (617) 527-2544 email: PCronin@att.net*