TECHNET
THE VOICE OF THE
INNOVATION ECONOMY

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February 11, 2025

The Honorable Joseph Solomon, Chair
House Committee on Commerce
Rhode Island General Assembly
Providence, RI 02903

Re: HB 5247 – Mandatory Fees

Dear Chair Solomon and members of the Committee:

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over 4.4 million employees and countless customers in the fields of information technology, artificial intelligence, e-commerce, the sharing and gig economies, advanced energy, transportation, cybersecurity, venture capital, and finance.

TechNet supports the goal of the proposed regulations, which is to prohibit the deceptive price advertising practice of hiding unavoidable fees. Consumers deserve transparency in the pricing of goods and services they purchase.

As currently drafted, HB 5247 does not account for the broad array of legitimate pricing practices that may lead to variable fees that depend on the context of the purchase. For example, a customer in a transaction may be required to pay a shipping or delivery fee, and in this sense, it is a "mandatory" fee for that customer. However, that shipping/delivery fee may vary depending on the customer's location, total size of the purchase (e.g., free or reduced shipping for purchases over $x), shipping method selection (e.g., express on-demand, overnight vs. ground shipping), and other factors. Similarly, some payment methods can come with additional fees (e.g., credit card processing fees or interest on installments). Variable fees such as these, even though they may be "mandatory", cannot be displayed accurately in upfront pricing.

There is an important distinction between fixed pricing models, where companies know all of the applicable fees for their goods or services upfront, and dynamic pricing models, which consider a range of factors in their pricing process. Companies in the gig economy are an example of the latter, with many offering online marketplaces that serve as intermediaries between a consumer and a participating seller. In any such transaction, there are more than two parties involved. Unlike traditional business models that consumers may be more accustomed to, gig economy platforms provide prices for more than one "seller." For some platforms, the participating seller offers a good or service and, importantly, is responsible for setting the price of that good or service. The item's listing on the platform is then expected to reflect that price.

Separately, once the consumer selects the goods or services they want to purchase, the platform assesses its own fees. These fees represent a distinct service from a different party in the transaction – those of the platform itself. These may include what are often considered as "service fees," and they are what make it possible for a platform to be profitable. They cover a range of essential services that promote safety and reliability, including the cost of building and maintaining technology interfaces, insurance, payment facilitation fees, technical assistance, security, onboarding and background checks, marketing, and customer support, among other things.

Many gig economy platforms commonly assess their fees as a percentage of the order subtotal rather than a flat fee. While it makes sense that the existence of these fees should be disclosed as early in the ordering process as is practical, the amount cannot be included in the price until it is ascertainable. Fees may vary between trips, markets, or different product or by service offerings. Fees may also vary depending on factors such as a consumer's preferences, which are in many cases selected later in the purchasing process. With these kinds of platforms, percentage-based fees are often more equitable than charging a single flat fee to all consumers upfront. For example, because larger order sizes typically cost more money to fulfill or deliver, it makes sense that the fee incurred to complete the order should scale with the order size. If not, small-order consumers will pay the same fees as large- order consumers, which is not a fair way of distributing a platform's costs.

Ultimately the bill mandates a one-size-fits-all approach to a very diverse marketplace and many businesses would find it difficult or impossible to comply. We as that the Committee hold for further consideration.

Thank you for your consideration. Please do not hesitate to contact me if I can provide any additional information.

Sincerely,

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