

Money Exchange—The Traveler's Dilemma

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This year, about 23 million Americans will travel abroad; about 20 million visitors will come to the United States.¹ Millions will cross other international borders. Most of these people will be either vacationing or traveling for business reasons. Consequently, they will stay in one or more countries for just a short period of time. For this reason they usually need to exchange only small quantities of foreign currency. Unfortunately, most of these travelers will be subjected to "small" rip-offs each time.

Obviously, rates of exchange are dependent upon the currency exchange market. Rates vary from day to day, but usually there is an "official" rate. However, not all banks give you this official rate. While practices vary from country to country, you can't be certain without shopping around which bank gives the best rate.

In most countries the government is usually more than glad to have you convert your money into local currency. If nothing else, it increases the chances that you will

spend money there. But in countries where the banks are privately owned, this likelihood is an insufficient incentive. Private banks expect to make a profit, one way or another, on the individual transaction. Since there is paperwork, even of the most minute kind, something must be charged to cover the overhead. Depending upon the efficiency (or the greed) of the bank, you may find considerable variation in the service charges involved. Perhaps the most absurd service charge is the fixed fee, which can mean that as much as 90¢ will be charged—to change one dollar.

Another peculiar money exchange policy hurts the tourist who is traveling rapidly through several countries. Let's assume that you are waiting at Stockholm airport for a flight to Switzerland. You decide to use the time to buy Swiss francs. You present your pounds at the airport bank. The clerk proceeds to convert pounds to Swedish kronor first and then exchanges the kronor for francs. You pay twice for the

privilege of exchanging your money.

I realize that the person conducting the transaction is a clerk working with an exchange chart that only lists rates for the local currency. But why can't countries publish multi-currency forms—at least for those foreign currencies most likely to be exchanged? There must be enough tourists in Sweden carrying British pounds to warrant a chart showing the direct exchange rate for all the major European currencies.

Like other unscrupulous shopkeepers, some money exchangers will do anything to attract your business. In London you will frequently see an exchange rate posted in the window that looks exceptionally good. It may be the "official" rate. So you wander in, only to learn that a 4 or 5% commission is charged.

Hotels are similarly usurious. Thus if you exchange money in a London hotel, you will forfeit \$1.00 for every \$20 bill you change. Hotel managers no doubt will argue that their exchange charges are a necessary source of income—like any other hotel service. (One wonders if you will be charged next for maid service.) However, if you go around the corner to the nearest bank, should it be open, you won't do much better unless you can change amounts in excess of \$100—and in some places these days the amount must be higher to get the better exchange rate.

However, if you do exchange even \$200 or \$300, you may find at the end of your stay that you are

stuck with unused money which must be reconverted—at the same low rate you would have received had you only changed a small amount in the first place.

Even if you try to be frugal, it is difficult to avoid small rip-offs that are especially frustrating. Suppose you are passing through Norway, having just come from London. At the airport newsstand you buy the *International Herald Tribune* and *Time* magazine. The total cost is 9.5 Norwegian kroner. You hand the clerk a one-pound note. For change, you get back a piece of adding-machine paper and a friendly smile. According to the official exchange rates, you were entitled to 9.96 kroner for one pound. Somewhere you lost almost half a krone. This is a 5% commission. You realize you've been had when you see the rate quoted at the airport bank, 20 yards away.

Consider the tourist who is about to catch a plane back to the US. He arrives at Heathrow airport in London with about ten pounds in his wallet. He figures he has bought all the presents he requires. So he converts his pounds to dollars at a cost of at least 2.5%. However, after emerging from passport control, our traveler finds himself in the "never-never land" of the "duty-free" shop. He decides to buy a bottle of perfume at the bargain "tax-free" rates. In fact, the merchandise is no less expensive than in most London shops. At the checkout stand, a clerk tells him he can pay in dollars. As the clerk makes change, the tourist reads an inconspicuous sign on the wall

which announces that dollars are exchanged at a rate that is at least 10% less than the rate he just received at the airport bank.

Once on board the airplane our hypothetical tourist still must be on the lookout for small hustles. For example, at one point the airlines offered headsets, to allow passengers to listen to the movie soundtrack, for \$2.50 or one British pound. That price was fine when the two amounts were equivalent. But when the pound fell in value to \$2, those who paid for the ear-phones in dollars were ripped off. Of course, if you paid in pounds you got a bargain. I have never quite understood how flight attendants are able to prove to management how many persons pay in dollars. I resent being taken in such situations. After all, you really have little choice. Airline officials are in a position to do something about the various little rip-offs, but most of them choose not to. Lest you doubt this, consider the case of the recent flap at British airlines. Flight attendants were going on strike because management wanted to control the sale of alcohol more closely. It seems that drinks were being "shorted" so that attendants could sell a few to their own benefit.

Attempting to exchange *coins* can be an almost insurmountable problem for the traveler. For example, I recently tried to exchange some Dutch coins for pounds at London airport. I was shocked to be offered just 50% of the official rate. So I refused. When I walked into the tax-free shop, beyond

passport control, the clerks there were happy to take my Dutch coins—albeit at the excessive rates they charge for bills. Why is it that a duty-free shop knows what to do with those coins, but not a bank which exchanges money all day long? Airline attendants are equally happy to accept your coins.

But the situation in London with respect to exchanging coins is good in comparison to that in Copenhagen! There you can't exchange foreign coins for anything at the airport bank. The post office next door, ironically, will gladly accept your coins in payment for postage or telephone calls. This policy was only recently implemented. In the past it was first necessary to exchange bills at the bank and then purchase stamps with local currency.

Since foreign coins usually cannot be easily exchanged once borders are crossed, many countries provide charity boxes at airports where travelers can deposit their change.² At least worthy causes benefit from those otherwise all but useless coins.

Lest any of my foreign friends think I am exhibiting my American bias by saying all of the above, let me be the first to point out how difficult it is to exchange currency of any kind in the average American city. The tourist who needs to convert foreign currency to the American dollar must find either a bank with a foreign exchange department or a broker who will accept his or her money.

In Philadelphia, for example, the only money-exchange broker listed

in the telephone book is the airport exchange facility operated by Fidelity Bank. Area banks which have international divisions will exchange currency for tourists. However, most will do so only at designated branches—invariably located in the center of the city. The traveler who ventures out into the suburbs or country can have a difficult time of it. In addition, few hotels will exchange foreign currency, even that of our Canadian neighbors. In Philadelphia neither the Sheraton nor the Hilton hotel will exchange foreign money or travelers' checks. Most tourists from other countries, of course, have been forewarned and carry travelers' checks for American dollars, which are acceptable.

The major international airports in the US, of course, have booths where tourists can exchange their money as they enter or leave the country. But the rates at these places, in my experience, have always been usurious compared to the rates available in the comparable foreign city. Thus if you are on your way to France, don't buy francs at JFK airport in New York, but wait until you get to DeGaulle airport.

Following this advice is not without risks, however. Assured that most foreign airports have 24-hour banks for money exchange,³ I once arrived at DeGaulle airport with no French money. It was 11:15 p.m. when I arrived in the baggage area. As I

waited for my baggage, I noticed that there was a bank in the area with counters on both sides of the customs barrier. So I decided to change my dollars before my luggage arrived. When I went to the bank counter, the clerk signalled me to come around to the other side, after my baggage arrived. The bags came at 11:29. At precisely 11:30, I arrived at the counter only to have the window closed in my face. The clerk ignored my loud bilingual protestations. I was infuriated and searched for an Air France official. After ten minutes, I finally located one. I told him what had happened. He suggested that I take a taxi to my hotel and ask the driver to wait, meter running, while I exchanged my money there, at high hotel rates. That solution seemed unacceptable to me. For one thing, I know how abusive Paris cab drivers can be when asked to wait outside a hotel for any reason. After another 15 minutes of loud exchanges, the official finally went to a safe and exchanged ten dollars for me.

When I arrived home, I wrote Air France about the experience and suggested that the bursar on each transatlantic plane be prepared to exchange \$20 for francs on all flights arriving after banking hours. Although I received a polite reply to my letter, the airline stated that such a service would put it in competition with banks, something it had no intention of doing. Since the banks seem to be unmindful of

without their problems. Sometimes travelers are in for a big surprise when they get their bills at home.

Let's take our typical tourist again. He goes into a London shop and purchases a £10 Wedgwood candy-dish as a gift. At the time of the purchase, the gift costs \$20 because each pound is worth \$2. The sale takes place on Thursday, but the shopkeeper waits until the following Tuesday to deliver the credit slip to the card company. By the time the slip arrives at the company, the value of the pound has increased to \$2.10. Thus when the charge appears on our traveler's bill, it is \$21, not \$20, or 5% more than he expected to pay. This rip-off happens all the time, and the traveler is the loser. But of course if the shopkeeper does this when the pound is going down in value, you should be the gainer.

One of the bankcard companies, BankAmericard (VISA) is attempting to cope with the problem by standardizing rates. When the com-

Of course, credit-card holders who feel excessively ripped off may appeal the bill to the company. You have to show proof-of-purchase data along with the exchange rate of the day. BankAmericard and American Express both promise "good faith" review of these complaints. But few travelers keep dated receipts or want to become embroiled in a billing dispute with a credit-card company.

Americans are not alone in being ripped off by quickly changing exchange rates. Foreign tourists are often plagued by the fluctuations of our dollar. Earlier this year, *Newsweek* reported on the plight of one British tourist. While planning a trip to New York, he exchanged £200 at \$1.87 per pound. When he had to cancel his trip a week later, the tourist tried to exchange his money, only to find that the value of the pound had increased to \$1.94. He lost 6 pounds without ever leaving Britain.⁶

Some sources say that travelers can avoid some money-exchange

Travelers' checks may be deposited immediately, allowing the exchanger to apply the funds at once to an interest-earning account. In some cases, you can expect to get 2% more for travelers' checks than for US currency. Since most travelers' checks cost 1% of their face value, the tourist makes 1% on the transaction.⁷

Another way tourists can try to stay one step ahead of the money-exchange hustlers is to buy currency for countries like Italy or those in South America before leaving home. Traditionally, banks in these "soft" currency countries give you the least favorable rates. But the tourist must be very careful when trying to beat the system this way. Foreign-exchange brokers, of course, charge a commission to provide their services. Also, many countries impose restrictions on the amount of money that can be taken into and out of the country. A traveler could be stuck at a border trying to get into the country with too much local currency. And of course, you are subject to arrest if you are caught "smuggling" money. Travelers in these countries should exchange all of their local currency for dollars before leaving.

tipping packs—packets of coins and paper money that can be used for tipping, taxi fare, and telephone calls—in each currency they plan to use. However, the dealers who sell these packs here get about a 10% commission for their service. For travelers willing to pay such a high price, the packets can bring peace of mind and eliminate the risk of being caught without cash in a strange country.

Frequent travelers to Europe sometimes get around currency problems by opening Eurocheck accounts. These accounts enable you to write checks for amounts in the local currency.

Those of us who travel often for professional or business reasons, must live with the inconsistencies, irritations, and hustles associated with international travel. Surely I am not the only person who resents being robbed even though only a little bit at a time. Something ought to be done to standardize regulations, prevent shops—especially at airport or train terminals—from charging unreasonable rates to tourists, and to provide convenient methods of exchanging currency. Tourists and business travelers represent far too much money for most countries to

ignore their complaints. Changing these policies, whether official or unofficial, is in the economic interest of the countries involved. A

happy tourist will part with his money much faster than an unhappy one. And a disgruntled tourist may decide never to return.

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