

HOUSE BILL ANALYSIS

HB 2027

Brief Description: Regulating travel sales.

Sponsors: Representatives Lisk, McMorris, Schoesler, Boldt, Hickel, Honeyford, and Zellinsky

Hearing: February 26, 1997

BACKGROUND:

Registration of travel sellers

Beginning in 1996, sellers of travel must register with the Department of Licensing. The registration fee is set by the department and is determined by the cost of monitoring and enforcing the registration program. The registration fee is \$234. Sellers of travel that operate more than one office are issued a duplicate registration for each office and pay a fee of \$25 for each office. Registration is renewed every other year unless the director determines otherwise.

Posting of registration numbers

Registration numbers must be posted at the travel seller's place of business and in all advertising with limited exception.

Written customer disclosure statement

A written disclosure statement must be provided to the customer. The statement must include travel seller's name, address, phone number and registration number; itemized statement of costs and payment; names of all vendors providing travel services and information on travel arrangements; and the rights and obligations of all parties in the event of cancellation of the travel arrangements.

Trust accounts

A trust account must be maintained by a seller of travel for money paid by the customer for travel services. Money received from a customer must be deposited in this account within five days of its receipt. Money paid by cash or credit card for airline tickets through the

airline reporting corporation (ARC) is exempt from this requirement. Only specified seller of travel expenses may be withdrawn from the trust account.

Division of responsibilities between the Attorney General and the Department of Licensing

The department has primary responsibility for the registration program and monitoring compliance with business practices required under the law. These activities include auditing books and records upon complaint from a customer, suspending and revoking registration, issuing cease and desist orders for violations of the sellers of travel law, and imposing administrative penalties. The Attorney General investigates consumer complaints against sellers of travel.

SUMMARY OF BILL:

Registration of travel sellers

The registration fee may not exceed \$50. A separate registration fee must be paid for each office or business location having two or more employees for businesses operating in multiple locations. Registration is renewed annually unless the director of the Department of Licensing determines otherwise.

Posting of registration numbers

Registration numbers need not be included in institutional advertising which is advertising that does not include prices or dates for travel. For example, registration numbers would not be required in the yellow pages of the telephone book.

Written disclosure statement

Rather than requiring a detailed disclosure statement on the penalties imposed upon cancellation of travel arrangements, the seller of travel has the option to advise the customer that cancellation penalties and penalties for changing arrangements may apply and additional details will be provided upon request.

Trust account

A trust account is not required for those sellers of travel who file and maintain a surety bond in the amount of \$10,000 or an alternative form of security approved by the director such as a certificate of deposit or an irrevocable line of credit. A seller of travel who is a member in good standing of a professional association is also exempt from the requirement to maintain a trust account. The association must be approved by the director and must provide for its

members a minimum of \$1 million in errors and omissions insurance or a surety bond or its equivalent in the amount of \$250,000.

Division of responsibilities between the Attorney General and the Department of Licensing

The duties of the Department of Licensing under the sellers of travel law is limited to administering the registration of travel sellers and the maintenance of trust accounts. Authority to inspect and audit books and records in response to a complaint is shifted to the Attorney General.

The Attorney General is the primary enforcement and investigative agency for the sellers of travel law. The office has the following duties and responsibilities: (1) Inspect and audit books and records upon receipt of a complaint; (2) investigate, in response to a complaint, whether a person has violated or is about to violate the sellers of travel law; (3) publish information about violations of the law; (4) investigate complaints on practices of sellers of travel; (5) exercise subpoena powers and take evidence; (6) issue cease and desist orders for practices that violate the law; and (7) assess and collect civil penalties.

Sunset of the sellers of travel act

The sellers of travel act sunsets June 30, 1999.

New registration and practice requirements for sellers of travel-related benefits

Provisions that parallel those for sellers of travel are applicable to sellers of travel-related benefits with some exceptions. The sale of travel-related benefits includes sales of memberships in a travel club where date, price and location of travel is not identified. The sale of vacation certificates for future travel and the sale of travel industry member benefits are considered sales of travel-related benefits.

A seller of travel-related benefits must file and maintain a bond in the amount of \$50,000 and must, before making any sales, deposit \$100,000 in a cost recovery account. A minimum balance of \$100,000 must be maintained.

A seller of travel-related benefits must perform its duties reasonably and with ordinary care.

A contract for travel-related services may be canceled by the purchaser within three business days of signing the contract or within three business days following the receipt of required written disclosures. Each contract must contain conspicuous notice of this right to cancel. A violation of the seller of travel-related benefits law allows the purchaser to void the contract and recover all of the money paid under the contract.

The director of the Department of Licensing has primary enforcement authority and performs many of the investigative and enforcement functions that are performed by Attorney General

for sellers of travel under this bill.

The sellers of travel-related benefits law sunsets in 2002.

RULES AUTHORITY: The bill does contain provisions addressing the rule-making powers of an agency.

FISCAL NOTE: Requested February 18, 1997.

EFFECTIVE DATE: Ninety days after adjournment of session in which bill is passed.