

SENATE BILL REPORT

SB 6132

As Reported By Senate Committee On:
Commerce & Labor, February 6, 1998
Ways & Means, February 10, 1998

Title: An act relating to travel sales.

Brief Description: Regulating sellers of travel.

Sponsors: Senators Schow, Wojahn, Loveland, Heavey, Roach, Newhouse, Wood, T. Sheldon and Winsley.

Brief History:

Committee Activity: Commerce & Labor: 1/29/98, 2/6/98 [DP].
Ways & Means: 2/10/98 [DPS].

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass.

Signed by Senators Schow, Chair; Horn, Vice Chair; Franklin, Fraser, Heavey and Newhouse.

Staff: Traci Ratzliff (786-7452)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6132 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Strannigan, Vice Chair; Brown, Hochstatter, Kohl, Loveland, McDonald, Roach, Rossi, Schow, Swecker and Thibaudeau.

Staff: Steve Jones (786-7440)

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. Sellers of travel must maintain written documentation of advertising offers for a period of two years following the advertising placement.

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 the 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 if these funds are held for longer than five days. 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 of Licensing has primary responsibility for administering 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 Substitute Bill: Registration of Travel Sellers. 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. Advertising records must be maintained for one year.

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 are not 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 approved by the director of the Department of Licensing in an amount set by the director of not less than \$10,000 nor more than \$50,000 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 are narrowed to include: administering the registration of travel sellers and the maintenance of trust

accounts; and upon receipt of a complaint, conducting investigations to determine whether a registration should be granted, denied, revoked or suspended. The department is authorized to provide technical assistance to travel sellers and administer a program of consumer education.

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) investigate, in response to a complaint, whether a person has violated or is about to violate the sellers of travel law; (2) exercise subpoena powers and take evidence; (3) issue cease and desist orders for practices that violate the law; and (4) assess and collect civil penalties.

Fees. Fees are deposited in a new, dedicated account that is not subject to appropriation. The act is contingent on funding being provided in the 1998 Omnibus Appropriations Act.

Sunset of the Sellers of Travel Act. The sellers of travel act sunsets June 30, 2001.

Substitute Bill Compared to Original Bill: The original bill limited fees to a maximum of \$100 per year, which were to be deposited in the general fund. Under the original bill, the Attorney General was given greater enforcement and regulatory powers.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: We don't think that the enforcement mechanism contained in current law provides adequate protection for consumers of the travel industry. Travel agents are being charged excessive fees to police the entire travel industry, which is an unfair burden. The current law is wasteful of fee revenue and creates duplication of effort between the Attorney General and the Department of Licensing.

Testimony Against: The current law is working well to protect consumers. Therefore, there is no need to make changes to the law. The bill is opposed by both the Department of Licensing and the consumer protection division of the Attorney General's office. Travel scams are the most common complaint received by the consumer protection division, which works closely with the Department of Licensing. This bill will hamper effective consumer protection efforts by splitting enforcement duties between the two agencies.

Testified: PRO: Joe Daniels, Jerry Farley, Coalition of Travel; Kris Erickson, owner, Olympus Travel, current president, Coalition of Travel; Mary Jo Strom Koplina, owner, The Travel Company; Will Doak, owner, Travel Specialist; CON: Regina Cullen, Attorney General's office; Sally Gustafson, Attorney General's office; Mary Gelvik, Department of Licensing.