

Confidence in travel starts with trust

How and why to establish a travel deposit trust account

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It's a well-established fact of economics that when consumer confidence is increased, there is more consumer spending. For individual tour operators, the challenge, then, is to inspire confidence in the potential traveler.

When groups or individuals seek out a tour operator to trust in planning and executing their vacations, personal comfort and security are clearly important considerations. Equally important, however, is the confidence of the traveler in the security of his or her financial investment in travel.

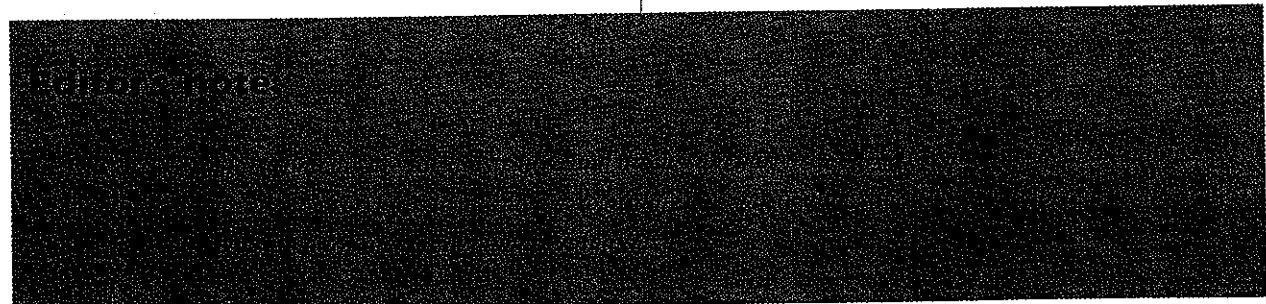
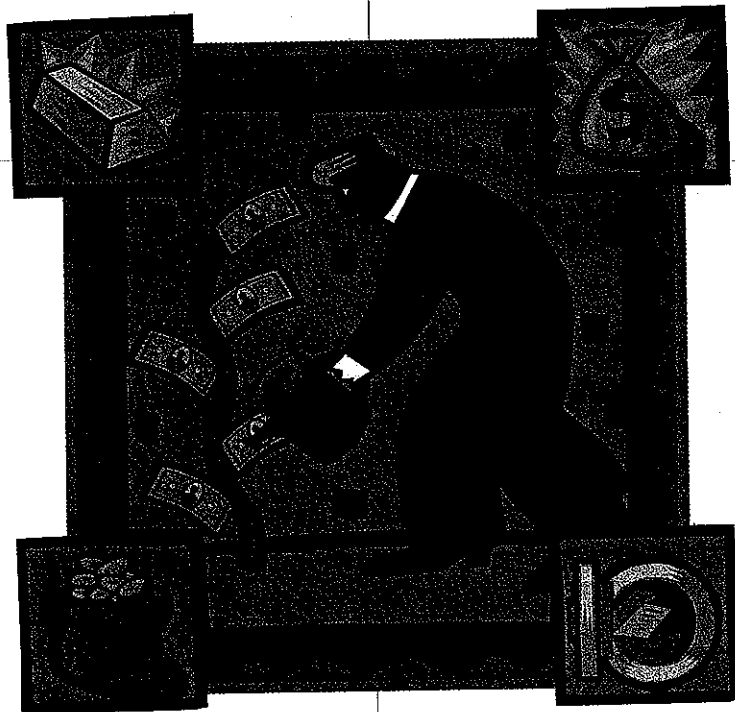
Establishing a trust account

One way tour operators can inspire confidence in their clients is through demonstrating and promoting their ability to responsibly handle the financial security of the traveler's investment. And perhaps the most important way to do

this is through the establishment and operation of a travel deposit trust account. The mechanics of establishing a travel deposit trust program are not complicated, and there are several ways to go about it.

Perhaps the most practical avenue available to tour operators wishing to establish a travel deposit trust account is use of a local bank. When opening the account through the bank, call the account the "Your Tour Company Travel Deposit Trust Account." Include in your company's promotional literature the number of the trust account, the bank's address, and the terms by which trav-

el deposits are held. To operate it, simply deposit each travel deposit into the account, and keep and maintain accurate records of deposits and withdrawals from the account. There are numerous accounting software packages designed to



assist tour operators in maintaining accurate records of travel deposits in the trust account.

Withdrawing deposits

Travel deposits should be withdrawn from the trust account only under specific conditions which you should disclose in writing to the traveler, such as:

1. For the payment of a specific travel component in advance of the trip.
2. For payment to the tour operator of the "profits" for the travel upon the end of the trip.
3. For refund or return of a travel deposit in accordance with a specific refund policy, which might include, among other things, a percentage refund based on timing; a cancellation/handling charge; and a reduction in the refund commensurate with the availability of travel component supplier refunds. This policy should address the liability of the tour operator for refunds for traveler's cancellations, based on acts of domestic violence (i.e., the Washington, D.C. sniper), terrorism or acts of war.

Why it's a good thing

The advantages for a tour operator who has established and implemented a program for escrowing and holding travel deposits in a trust account are clearly many fold.

1. If the tour operator is a California resident, they will automatically be in compliance with the requirements of the California Seller of Travel Law, California Business and Professional Code, Section 17550 et seq.
2. The traveler will know the location and precise terms by which his or her travel deposit will be held, utilized and refunded.
3. The traveler will have increased financial confidence in the tour operator; and increased confidence translates into increased spending.
4. The tour operator has created an additional individual competitive tool for his or her company. For example, all other things being equal, there is no reason

why a traveler would purchase a trip from a tour operator who can provide no assurances as to the security the investment when he or she could purchase the same trip from a tour operator that maintains travel deposits in a trust account and can provide assurances as to the security of the traveler's investment.

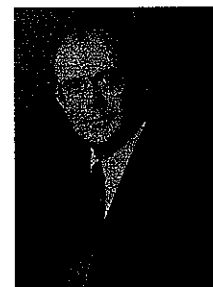
5. A travel deposit trust account should not be considered an asset of the tour operator's in a bankruptcy proceeding. As a result, the tour operator should be able to avoid individual exposure to civil and criminal liability — including civil liability that is not discharged by an individual bankruptcy filing — for failing to fulfill any promises to properly use and account for travel deposits.

6. The establishment and implementation of a definitive travel deposit refund policy should sufficiently manage any traveler's complaints, both to the tour operator and to states' or provinces' attorney general's offices as well as a tour operator's liability for the refund of travel deposits.

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It's never too late

In these challenging times, every legitimate competitive tool that can inspire travelers' confidence in a tour operator should be considered. Establishing a travel deposit trust account represents a significant step in inspiring traveler confidence, which should translate into increased spending with the tour operator who has created the account and raised awareness of it among his or her clients. If you have been thinking of implementing a trust account, it's never too late. Take the time to set up this useful tool, and you'll find yourself reaping the benefits in no time. ♦



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