

Honorable Russell Kokubun, Chair
Committee on Commerce, Consumer
Protection and Affordable Housing
Senate
State of Hawaii

Hearing: March 11, 2008, 9:00 a.m., Conf. Room 229

Re: HB 3196, HD1 --- Relating To The Rental Motor Vehicle Surcharge Tax

Honorable Chair Kokubun and Honorable Committee Members:

My name is Wayne Tanaka and I am the Chair of the Legislative Committee for Catrala-Hawaii. Catrala's membership consists of the major u-drive (car and truck rental leasing) companies in Hawaii and the many businesses which support our industry.

Catrala supports this bill which is consistent with the position taken recently by the Joint Senate and House Task Force which studied the need of how to raise revenues for the Highway Fund from all users of the highways and not just u-drive vehicles and tour vehicles which pay surcharge taxes.

The Joint Senate and House Task Force thus concluded in its report to the legislature:

"The Task Force defers to the Forum and the DOT for now and requests that the DOT report to the Legislature when the Forum finalizes its recommendations, with the expectation that the matter will result in proposed legislation for consideration for the 2009 Regular Session".

SB 2501 passed by the Senate is contrary to the Task Force recommendation and suggests a permanent tax increase. This is no time for a tax increase and unfairly singling out the u-drive industry or tour vehicles. Please allow the DOT to do a study and report back to the Legislature before any tax increase. If more revenues are needed for the highway fund don't you agree all possible sources of revenues for the highway fund should be fairly considered and evaluated and u-drive vehicles not unfairly singled out? Do you agree?

Please do not unfairly single out our industry for a tax increase. If the study finds that revenues are needed for the Highway Fund then all possible sources of revenues should be considered for fair increases. As to possible increases for u-drives, such an increase should start from the base of \$2 since \$3 daily was only a temporary increase amount which should have sunset back to \$2 daily last year.

DOT's study (which this Committee relied on in considering SB 2501) was not a valid survey supporting the conclusion that the national average of the daily surcharge for u-drives is \$6 daily. Catrala subsequently provided this Committee's Chair with a letter confirming this point and the DOT has not objected. The DOT has informed Catrala that it agrees the survey does not support a conclusion of the national average for surcharge taxes being \$6 daily as reported by this committee. As an example, the survey wrongfully referred "to drop charges" of a vehicle at a different location or another state as a daily surcharge tax.

Further, the survey wrongfully compares Hawaii (with its major industry of family oriented tourism and required minimum of round trip of 5,000 miles if from California) with such cities/States as Baltimore, Ann Arbor, Columbus, Billings, Cleveland, New Jersey, New York, North Dakota, South Dakota and Wyoming. Obviously, these cities/States are not a fair comparison since they are not Hawaii's major competitors for family oriented tourism with typically a lot of sight seeing. Don't you agree that if a comparison is to be made it should be a fair comparison?

A fair comparion as a competitor for Hawaii's family oriented tourism would be Florida. Florida's daily surcharge rate is \$2 daily and Catrala believes Hawaii should be the same if not lower since a rountrip to Hawaii is a minimum 5,000 miles unlike many travelers to Florida. For example, in setting Hawaii's GET tax you first analyze matters and do fair comparisons as to what is right for Hawaii. Just because Cleveland's sales tax is 7.5% does not automatically mean that Hawaii's sales tax should be increased to 5% or 6%. Fair comparisons and evaluations must be made before one can automatically use figures in other cities/States. Same analysis should take place for the u-drive industry whose success is closely linked to Hawaii's major-industry tourism. Fair comparisons must be made with tourist destinations which compete with Hawaii for family-oriented vacations and not with cities/States that don't compete with Hawaii for tourism.

In keeping with Hawaii's promotion and marketing commercials, u-drive vehicles provide the tourists the freedom to explore on their own schedule and repeatedly if they so desire. High daily taxes will discourage the rental of vehicles. This in turn will reduce overall tourist satisfaction since they will rent their vehicles for shorter periods of time, not rent the vehicles at all, or decide not to visit Hawaii.

In addition, it is our opinion that the reduction in daily rental of vehicles will also result in economic hardship to the many local restaurants and shops which benefit from tourists, who stop, eat and shop as they travel along and explore the beauties and enjoy the many activities Hawaii has to offer.

Our national economy is slowing and rising fuel charges of airlines are making it increasingly move expensive to vacation in Hawaii. In part, this was likely a contributing factor to 2 cruise ships recently leaving Hawaii since they rely on customers flying to Hawaii. Thus, fewer tourists are coming to Hawaii. Further, it is reported that airlines will be reducing their seat capacity to Hawaii likely because of high travel costs to Hawaii and lower demand. ATA recently announced a cut back in its flights to Hawaii and reports suggest ATA may cancel its 14 to 15 daily flights to Hawaii. More and more tourists are price sensitive and shop on the internet for the best-family-vacation deals. Let's not further discourage tourist travel to Hawaii by daily surcharge taxes which are higher than one of Hawaii's major competitors for family oriented tourism.

Please be fair to our industry and do not unfairly burden it with a tax increases to the daily surcharge tax. A study should first be done as to how to fairly raise revenue from all users of the highways. Please do not unfairly single out u-drive vehicles. We respectfully urge you to pass this bill in its present form. Thank you for allowing us to testify.



The Hertz Corporation
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Honorable Chair Kokubun and Honorable Committee Members:

My name is Aaron Medina and I am the General Manager for The Hertz Corporation in Hawaii.

Our company supports this bill in its present form. The bill is consistent with the position taken recently by the Joint Senate and House Task Force, which studied the need to raise revenues for the Highway Fund from all users of the highways and not just car rental and four vehicles.

The Joint Senate and House Task Force concluded in its report to the legislature:

"The Task Force defers to the Forum and the DOT for now and requests that the DOT report to the Legislature when the Forum finalizes its recommendations, with the expectation that the matter will result in proposed legislation for consideration for the 2009 Regular Session".

Please do not seek to unduly burden the car rental industry by increasing the daily surcharge tax on a permanent basis. If more revenues are needed for the Highway Fund, the DOT should conduct a study as requested by the Task Force, as to how to fairly raise necessary funds from all users of Hawaii's highways, rather than single out the car rental industry.

SB 2501 passed by the Senate is contrary to the Task Force recommendation and suggests an unfair permanent tax increase. The DOT agrees with Catrala that its survey of surcharges is not valid and yet this Committee and others appear to rely on such a survey. Catrala's testimony points to examples as to why the survey is not valid.

Before any taxes or fees are increased, the DOT should be required to do a study as to how to fairly raise revenues from all relevant sources and users of the highways, as well as to insure that the funds raise from any such taxes and fees are in fact applied to the maintenance and improvement of Hawaii's highways.

Please pass this bill, as its goals are consistent with the recommendation of the Joint Senate and House Task Force.

**Dollar Thrifty
Automotive Group, Inc.**
~~DTG Operations, Inc.~~

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Honorable Chair Kokubun and Honorable Committee Members:

My name is Garrick Higuichi and I am the General Manager of Dollar Rent A Car and Thrifty Car Rental in Hawaii.

Our company supports this bill in its present form, which is consistent with the position taken recently by the Joint Senate and House Task Force's study of how to raise revenues for the Highway Fund from all users of the highways and not just u-drive vehicles and tour vehicles.

The Joint Senate and House Task Force thus concluded in its report to the legislature:

"The Task Force defers to the Forum and the DOT for now and requests that the DOT report to the Legislature when the Forum finalizes its recommendations, with the expectation that the matter will result in proposed legislation for consideration for the 2009 Regular Session".

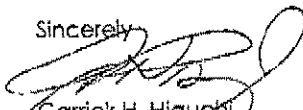
Please do not seek to unfairly increase the daily surcharge tax to our industry on a permanent basis. If more revenues are needed for the Highway Fund, the DOT should do study as requested by the Task Force as to how to fairly raise necessary funds from all users of the Highway and not to just single out the u-drive industry.

SB 2501 passed by the Senate is contrary to the Task Force recommendation and suggests an unfair permanent tax increase. The DOT agrees with Catrala that its survey of surcharges is not valid and yet this Committee and others appear to rely on such a survey. Catrala's testimony points to examples as to why the survey is not valid.

Please be fair. Do not unfairly single out the u-drive industry for a permanent tax increase. Before any taxes or fees are increased the DOT should be required to do a study as to how to fairly raise revenues from all relevant sources and users of the highways.

Thank you for allowing us to testify on this bill. Please pass this bill whose goals are consistent with the recommendation of the Joint Senate and House Task Force.

Sincerely,


Garrick H. Higuichi
Area Director
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