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ONLY VIA FACSIMILE

To: Honorable Senator Russell Kokubun via fax no.: 586-6689

cc: Honorable Senator J. Kalani English via fax no.: 587-7230
Honorable Senator Carol Fukunaga via fax no.: 586-6899

From: Jim Stone, Legislative Consultant
for Catrala Hawaii

Re: SB 2501, SD1 -- Relating to The Rental Motor Vehicle Surcharge
Tax

Date: February 13, 2008

We wish to inform you that the \$6 average daily figure provided to you by the Department of Transportation is wrong and misleading. We understand that is one of the reasons your Committee supported the bill and we respectfully ask you and your Committee to reconsider its position on this bill. Please see my attached letter dated January 18, 2008 to Brennon Morioka, Acting DOT Director. I have received no objections or comments from Mr. Morioka as requested as to the contents of this letter. Thus, the position stated in the letter Catrala deems to be factual and correct. There is no justifiable basis for the \$6 figure.

Catrala seeks to follow the recommendations of your Joint Senate and House Task Force which studied the highway fund needs and concluded that the Department of Transportation needed to study the issue and report back to the Legislature with recommendations by the 2009 Legislative Session. We believe this was a fair and prudent decision by the Task Force and urge you and your fellow Senators to follow such recommendations. As you know, Catrala proposed in its testimony an amendment seeking to extend the \$3 for one more year while such a study is conducted by the DOT. In addition to your Committee, such testimony has also been submitted to Chair Fukunaga's Committee.

All agree the Highway Fund needs substantial revenues given predicted shortfalls and drop of in federal support of about 43% starting around 2009. Such necessary monies should be fairly raised from all users of the roadways and not

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directed primarily against tourists which are about 75% to 80% of the drivers of rental vehicles. Targeting tourists is bad practice and in Catrala's opinion will be harmful not only to our industry and many small businesses but also to Hawaii's tourism in general. Other tourist destinations which compete with Hawaii for tourists, would love to point to examples where Hawaii seeks to target tourists. Thus, the surcharge tax can easily serve as one such example as to how tourists are targeted. Further, reports indicate that the surcharge tax contributions to the highway fund by car-rental drivers is already the highest in the United States on a per capita/miles basis.

If the highway fund needs revenues, then all users of the roadways and highways should be fairly considered as revenue sources. Further, fees, taxes and charges being paid by motorists but not directed to the highway fund should be considered and likely redirected to the highway fund. In such deliberations and if funds are needed, the surcharge tax for u-drives should be allowed to start from the sunset amount of \$2 a day and not \$3 which was a temporary amount set by legislators. In the past when the tax was increased from \$2 to \$3 on a "temporary basis" no other contributors to the highway fund where similar increased. Thus, to be fair, if there is going to be a need to collect further revenues from highway users u-drive vehicles should start from a base of \$2 and not \$3.

Motorists we believe are demanding better roads, improvements and safer bridges, etc. In keeping therewith and to such end, we believe all motorists will support and accept necessary increases to fees, taxes and charges to support such projects when they are educated as to the future needs of the highway fund. .

In closing we urge you not to rely on such a misleading study and in all fairness do not mention such study or ask others to rely on such study. In fact, we urge to clarify that such study is misleading and not accurate. In addition, we ask you to support Catrala's proposed changes to the bill which: 1) is in keeping with your position requesting a study as part of last year's legislation you passed; and 2) is consistent and in keeping with the recommendations of your Joint Senate and House Task Force.

We thank you for allowing us to clarify misleading information that is being circulated. Further, in comparing any taxes we urge to use fair comparisons. In our opinion the fairest comparison is Florida which directly competes with Hawaii for the same type of tourists. In Florida the daily surcharge tax is only \$2 a day. What makes Florida further attractive to tourists is that (depending on where you line on the mainland) you don't necessarily have to travel a minimum of 2,500 miles to visit Florida for your vacation.

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Thank you for taking the time to consider Catrala's views on this issue.
We urge you to please be fair and consistent. Thank you.

cc: All Senators with enclosure via hand delivery