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PRESENTATION OF THE
OFFICE OF CONSUMER PROTECTION
TO THE HOUSE COMMITTEE ON FINANCE
TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Thursday, March 3, 2011
10:00 a.m.

TESTIMONY ON HOUSE BILL NO. 1240, H.D. 1, RELATING TO MOTOR VEHICLE RENTAL.

TO THE HONORABLE MARCUS B. OSHIROI, CHAIR, AND MARILYN B. LEE, VICE CHAIR, AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs ("Department") appreciates the opportunity to testify in opposition to House Bill No. 1240, H.D. 1, Relating to Motor Vehicle Rental. My name is Stephen Levins, and I am the Executive Director of the Office of Consumer Protection ("OCP"), representing the Department.

House Bill No. 1240, H.D. 1 seeks to amend Hawaii's Motor Vehicle Rental law, Chapter 437D of the Hawaii Revised Statutes, by changing the permissible calculation of the vehicle license and registration fee and weight tax "pass on" to consumers. Currently, the law authorizes a "pass on" to consumers only if it is prorated at 1/365th of

the annual fees and taxes actually paid on the particular vehicle being rented. What this means is that a consumer is charged for the amount of fees and taxes that is directly attributable to their use of the vehicle. It is a logical and fair method of "passing on" these costs.

The Department is opposed to House Bill No. 1240, H.D. 1 because it will be unfair to certain consumers by creating a situation in which they may be charged an excessive amount for fees and taxes. This amendment unnecessarily complicates the calculation of the pass on. Under the current system, rental car companies are able to recoup from their customers the actual fees and taxes attributable to the rental of the vehicle on a specific day. The consumer pays the car rental company the exact amount that they should, neither more nor less. If a rental company were to charge more, it would be simple to prove. Amending the proposed amendment contained in House Bill No. 1240, H.D. 1 would make it almost impossible to determine whether excessive fees were being imposed. In view of this, amending the law would not be in the interest of consumers.

Thank you for providing me with the opportunity to testify. I will be happy to answer any questions that the committee members may have.

H.B. 1240, HD1
Relating to Motor Vehicle Rental
Hearing:

Chair Marcus Oshiro and Members of the Committee on Finance:

I am Paul Kopel, General Manager/Vice President—Hawaii, testifying on behalf of EAN Holdings, LLC, operating Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental in Hawaii (collectively referred to as “Enterprise”).

Enterprise **supports** H.B. 1240, HD1, which allows certain lessors whose primary business is to rent motor vehicles to calculate the licensing, registration, and inspection fees and weight taxes passed on to consumers based on a good-faith estimate of the actual cost, with an effective date of July 1, 2011.

Vehicle licensing fees (“VLFs”)—permitted by Hawai‘i law and the laws of nearly half of all U.S. states—are the generally accepted practice among rental car companies to separately charge a fee to recoup specific costs connected to licensing, titling, plating, and paying weight tax on their rental vehicles. Currently, Hawai‘i law permits motor vehicle rental companies to pass on 1/365th of the vehicle licensing fee (“VLF”) for each full or partial 24-hour day a vehicle is rented, not to exceed the actual annual VLF on that vehicle.

Enterprise supports changing the language to allow vehicle rental companies to calculate and pass on a “good-faith estimate of its daily charge” in order to recover its actual total annual motor vehicle titling, registration, plating, and inspection costs for its Hawai‘i fleet, which consists of over 18,000 vehicles. Enterprise also supports the provision in this bill requiring that any excess collected be applied to reduce the subsequent calendar year’s VLF.

As you will see from the attached VLF Comparison Chart, this bill would ensure a more accurate and equitable collection of fees such that the VLF charged and collected by rental car companies is consistent with the actual costs incurred. At least 18 states—including Oregon and Washington State—have adopted language similar to that in H.B. 1240, HD1 in recent years.

Thank you for the opportunity to testify on this matter.

RECOVERY OF VEHICLE LICENSING FEES
Current Methodology vs. H.B. 1240, HD1's Methodology: A Simplified Hypothetical

CURRENT METHODOLOGY		H.B. 1240, HD1 METHODOLOGY	
Total VLF ¹ Payment Projected in FY 2011	\$5,300,000	Total VLF Payment Projected in FY 2011	\$5,300,000
Total in Vehicle Class: Compact Cars	~1,100		
Total in Vehicle Class: Mid-Size Cars	~8,200		
Total in Vehicle Class: Full Size Cars	~5,200		
Total in Vehicle Class: SUVs/Minivans	~5,800		
Total Cars in Fleet ²	~20,300	Total Cars in Fleet	~20,300
Annual VLF ³ for Compact Cars	\$192.23 - \$219.25		
Annual VLF for Mid-Size Cars	\$208.90 - \$251.45		
Annual VLF for Full Size Cars	\$234.78 - \$322.50		
Annual VLF for SUVs/Minivans	\$240.53 - \$425.70		
Daily VLF Assessed for Compact Car ⁴	1/365 x \$192.23=\$0.53		
Daily VLF Assessed for Mid-Size Car ⁵	1/365 x \$208.90=\$0.57		
Daily VLF Assessed for Full Size Car ⁶	1/365 x \$234.78=\$0.64		
Daily VLF Assessed for SUV/Minivan ⁷	1/365 x \$240.53=\$0.66		
		Average VLF per car in fleet	\$261.08
		Assume 90% utilization rate ⁸	~ 329 days/year
		Average annual VLF/utilization rate	\$261.08/329=\$0.79/day
Total Amount Collected to Date	~\$722,000		

¹ The vehicle licensing fees ("VLF") includes licensing, inspection and registration fees and vehicular weight taxes.

² Enterprise has 14 classes of cars: (1) economy; (2) compact; (3) intermediate; (4) standard; (5) full size; (6) premium; (7) luxury; (8) minivan; (9) intermediate [SUV]; (10) standard SUV; (11) large SUV; (12) pickup truck; (13) large pickup truck; (14) cargo van. Within each class, there are a variety of makes and models of vehicles (e.g., "full size cars" include the Chevy Impala, Nissan Altima, Dodge Charger, etc.).

³ There is a range in VLF amongst the same class of cars because of the range in vehicle weights. Therefore, the lightest car in a particular class will typically have the lowest VLF rate in that class of car (e.g., of the full size cars, a Nissan Altima has a lower annual VLF than a Lincoln Towncar.) Furthermore, the VLF varies by county. These numbers reflect a snapshot of Oahu VLF rates for the Enterprise fleet as of January 24, 2011.

⁴ Enterprise's VLF range for compact cars ranges from \$0.53/day to \$0.60/day, but to comply with present Hawai'i law, Enterprise charges \$0.53/day.

⁵ Enterprise's VLF range for mid-size cars ranges from \$0.57/day to \$.69/day, but to comply with present Hawai'i law, Enterprise charges \$0.57/day.

⁶ Enterprise's VLF range for full size cars ranges from \$0.64/day to \$0.88/day, but to comply with present Hawai'i law, Enterprise charges \$0.64/day.

⁷ Enterprise's VLF range for SUVs/Minivans ranges from \$0.66/day to \$1.17/day, but to comply with present Hawai'i law, Enterprise charges \$0.66/day.

⁸ Utilization rate refers to the number of days per year that a car is rented. It is highly improbable for any car in a fleet to be rented 365 days/year; most cars spend some number of days unrented, in the repair shop, etc. For purposes of this calculation, Enterprise is assuming a 90% utilization rate.