



NEIL AMBERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALI'I S. LOPEZ
DIRECTOR

EVERETT KANESHIGE
DEPUTY DIRECTOR

PRESENTATION OF THE
OFFICE OF CONSUMER PROTECTION

TO THE HOUSE COMMITTEE ON TRANSPORTATION

TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Monday, February 14, 2011
9:00 a.m.

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

TO THE HONORABLE JOSEPH M. SOUKI, 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, 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 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 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 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
Relating to Motor Vehicle Rental
Hearing: Monday, February 14, 2011 at 9:00 a.m., Room 309

Chair Joseph M. Souki and Members of the Committee on Transportation:

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, 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 actual cost.

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, plate, and paying property tax on their rental vehicles. Currently, Hawai‘i law permits motor vehicle rental companies to pass on 1/365 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. Enterprise also supports the provision in this bill requiring that any excess collected be applied to reduce the subsequent calendar year’s VLF.

Enterprise requests an amendment to this measure, however. The second portion of the new subsection (B) (page 2, lines 12-22) is problematic because it indicates that if the total amount collected “for a single vehicle” in a calendar year exceeds the actual cost of the various fees and taxes “for that vehicle,” then the rental company would apply the excess toward its calculations for the following year.

Enterprise’s Hawai‘i fleet is comprised of over 18,000 vehicles. Due to this high volume, these calculations cannot be tied to individual vehicles. Therefore, Enterprise asks that the language be amended to allow the company to apply the calculations to its entire fleet, rather than to individual cars within the fleet.

Specifically, Enterprise requests amending this measure by:

- Striking the words “for a single vehicle” on page 2, lines 13-14;
- Inserting “the lessor’s” on page 2, line 15 before the words “actual cost of licensing”;
- Striking the words “that vehicle” on page 2, line 17; and
- Inserting “its fleet” in place of “that vehicle” on page 2, line 17.

With the proposed amendment, this bill would ensure that the VLF charged and collected by rental car companies is consistent with the costs incurred by the company.

Thank you for the opportunity to testify on this matter.