

# SB 3040

RELATING TO TRANSPORTATION.

Exempts from the rental motor vehicle and tour vehicle surcharge tax vehicles that are rented by a car-sharing organization to members of the organization on an hourly basis.

NEIL ABERCROMBIE  
GOVERNOR



GLENN M. OKIMOTO  
DIRECTOR

Deputy Directors  
FORD N. FUCHIGAMI  
JADE BUTAY  
RANDY GRUNE  
JADINE URASAKI

IN REPLY REFER TO:

STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

February 8, 2012

**SB 3040  
RELATING TO TRANSPORTATION**

SENATE COMMITTEE ON TRANSPORTATION & INTERNATIONAL AFFAIRS

The Department of Transportation (DOT) opposes this bill, which proposes to exempt from the rental motor vehicle and tour vehicle surcharge tax vehicles that are rented by a car-sharing organization.

The rental motor vehicle surcharge tax revenue accounted for 22.3% or \$43.892 million of the total \$196.778 million of total State Highway Fund revenues for fiscal year 2011 and is projected to account for 17.7 % or \$45.1073 million of the total \$256.958 million of total projected State Highway Fund revenues for fiscal year 2013. Any reduction of this source of revenues for the State Highway Fund will have a detrimental impact the Department's ability to construct, operate and maintain the State Highway System.

The rental motor vehicle surcharge tax is also a major source of pledged revenues for the Highway Revenue Bonds. Any reduction of this revenue source will require disclosure and will impact the Highways Revenue Bond ratings.

The highways financial plan relies on the rental motor vehicle surcharge tax to support the continued operations and maintenance of the State Highway System. Appropriations from the State Highway Fund are used for the construction, operations and maintenance of the State Highway System.

Thank you for the opportunity to provide testimony.



NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

FREDERICK D. PABLO  
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

To: The Honorable J. Kalani English, Chair  
and Members of the Senate Committee on Transportation and International Affairs

Date: Wednesday, February 8, 2012

Time: 1:15 p.m.

Place: Conference Room 224, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. No. 3040 Relating to Transportation

The Department of Taxation (Department) offers the following comments on S.B. 3040.

S.B. 3040 exempts from the Rental Motor Vehicle and Tour Vehicle Surcharge Tax (RV Tax), the rental of vehicles by a "car-sharing organization" on an hourly basis.

The Department appreciates the intent of this measure, however has concerns that the bill in its current form could allow all car rental companies to avoid paying the RV Tax by simply having their renters sign up for a membership and adjusting rental billing practices from daily to hourly.

The Department recommends the following amendments to have the bill reflect its intent:

- In Section 1 of the bill, amend the definition of "car-sharing organization" to read:

"Car-sharing organization" means an organization that operates a membership program under which its members are permitted to use vehicles from the organization's fleet on an hourly or other incremental basis less than one full day."

- In Section 1 of the bill, further amend the definition of "rental motor vehicle" by amending proposed paragraph (4) to read:

(4) Vehicles that are rented by a car-sharing organization to its members on an hourly or other incremental basis for a period less than one full day."

Department of Taxation Testimony  
TIA SB3040  
February 08, 2012  
Page 2 of 2

If the above two changes are made, Section 2 of the bill can be deleted in its entirety and still achieve the bill's intent.

Thank you for the opportunity to provide comments.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM  
GARY M. SLOVIN  
MIHOKO E. ITO  
CHRISTINE OGAWA KARAMATSU  
ANNE T. HORIUCHI

ALII PLACE, SUITE 1800 • 1099 ALAKEA STREET  
HONOLULU, HAWAII 96813

MAIL ADDRESS: P.O. BOX 3196  
HONOLULU, HAWAII 96801

TELEPHONE (808) 547-5600 • FAX (808) 547-5880  
info@goodsill.com • www.goodsill.com

INTERNET:  
gslovin@goodsill.com  
meito@goodsill.com  
ckaramatsu@goodsill.com  
ahoriuchi@goodsill.com

**TO:** Senator J. Kalani English  
Chair, Committee on Transportation and International Affairs  
*Via Email: [TIAtestimony@capitol.hawaii.gov](mailto:TIAtestimony@capitol.hawaii.gov)*

**FROM:** Gary M. Slovin

**DATE:** February 7, 2012

**RE:** **S.B. No. 3040 – Relating to Transportation**  
**Hearing Date: Wednesday, February 8, 2012 at 1:15 pm**  
**Conference Room 224**

---

Dear Chair English and Members of the Committee on Transportation and International Affairs:

I am **Gary Slovin**, 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 **has concerns with S.B. 3040**, which would exempt from the rental motor vehicle and tour vehicle surcharge tax vehicles that are rented by a car-sharing organization to members of the organization on an hourly basis. Enterprise would support the bill only if the car-sharing organization is a not-for profit entity.

Unless the car-sharing organization is a not-for-profit entity, Enterprise does not believe that they should be exempted from the rental motor vehicle and tour vehicle surcharge tax. They are performing the same service as any other rental motor vehicle company, except on an hourly basis rather than a daily one.

We would suggest that the committee instead **consider the application of the tax on all companies on a prorated basis if the car is rented by the hour.**

Thank you for the opportunity to submit testimony on this measure.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RENTAL MOTOR VEHICLE AND TOUR VEHICLE SURCHARGE, Exempt car-sharing organizations

BILL NUMBER: SB 3040

INTRODUCED BY: Espero

BRIEF SUMMARY: Amends HRS section 251-2 to provide that car-sharing organizations shall be exempt from the rental motor vehicle surcharge tax; provided the vehicle is rented by a car-sharing organization and the lessor is a member of that car-sharing organization and the car-sharing organization rents vehicles to members of the organization on an hourly basis.

Amends HRS section 251-1 to amend the definition to “rental motor vehicle” to exclude vehicles that are rented by a car-sharing organization on an hourly basis. Defines “car-sharing organization” as an organization that operates a membership program intended to offer an alternative to car ownership under which persons or entities that become members are permitted to use vehicles from a fleet on an hourly basis.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: Under a car-sharing arrangement, vehicles may be rented hourly and since a renter does not have to pay for a full day of rental, the rates for the use of the vehicle could be significantly less than if a vehicle was rented from a typical rent-a-car company. While it appears that the imposition of the rental motor vehicle and tour vehicle surcharge adds to the cost of the vehicles rented hourly under a car-sharing arrangement, this measure is proposed to exempt such vehicles from the rental motor vehicle and tour vehicle surcharge.

It should be noted that since a car-sharing arrangement is basically a rent-a-car company that allows renters to rent a car hourly, such car-sharing companies are in direct competition with rent-a-car companies that provide vehicles for rent, the car-sharing companies should also be subject to any taxes or fees that are imposed on rent-a-car companies. Rather than an exemption from the rental motor vehicle and tour vehicle surcharge tax, as proposed by this measure, the rental motor vehicle surcharge tax could be prorated based on the time the vehicle was rented from the car-sharing organization. This would ensure that car-sharing organizations are subject to equal treatment under the rental motor vehicle surcharge provisions.

Digested 2/6/12



**SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS**

February 8, 2012, 1:15 P.M.

Room 224

**(Testimony is 4 pages long)**

**TESTIMONY IN SUPPORT OF SB 3040**

Chair English and members of the Committee:

The Blue Planet Foundation supports SB 3040, a measure which exempts car sharing organizations from the rental vehicle surcharge tax for hourly rentals. We believe this measure will help remove a barrier to the establishment of car sharing organizations and services in Hawaii.

Blue Planet Foundation's mission is to end the use of fossil fuels on Earth, starting by making Hawai'i a role model for energy independence. While much of our work has been focused on renewable energy and reducing electricity use, transportation in Hawaii (cars, trucks, ships, and planes) accounts for approximately two-thirds of the oil consumed. In 2011, Hawaii cars burned over 470 million gallons of gasoline. For a typical car, that's enough gasoline to cover the distance equivalent to over 21,000 round trips to the moon. As of January 2012, there are 987,927 registered passenger vehicles in Hawaii<sup>1</sup>. If these vehicles were put bumper-to-bumper it would form a line approximately from Honolulu to Las Vegas.

Many individuals and households in Hawaii don't need to own a car, they would just like access to a vehicle when needed. Similarly, many folks own a low fuel economy truck because they need the capacity for work (or play), but then end up using the larger vehicle mostly for passenger or in-town use. Car sharing programs would provide another mobility alternative for individuals and households, and perhaps for some, obviating the need to purchase and own a vehicle. Car sharing provides the benefits of having a vehicle when needed while avoiding the cost and hassle of car ownership. Senate Bill 3040 helps to remove a cost barrier to carsharing by exempting such programs from the rental vehicle surcharge tax.

Car sharing is designed to replace car ownership for people who do not need to drive to work every day, and to reduce congestion and fossil fuel consumption. Car Sharing pilot projects like Witkar began as early as the 1960's and 1970's, but modern car sharing programs launched in

---

<sup>1</sup> Department of Business, Economic Development, and Tourism, "January 2012 Monthly Energy Trends"

1987 in Switzerland and later in 1988 in Germany, and came to North America via Quebec City in 1994. (The first successful car share in the United States was Portland, Oregon's CarSharing-PDX.) As of July 1, 2011 (based on an analysis by Susan Shaheen of the University of California, Berkeley) 26 U.S. car sharing programs claimed 560,572 members sharing 10,019 vehicles; and 78,840 members shared 2,605 vehicles among 20 car sharing organizations in Canada<sup>2</sup>.

While Blue Planet has not analyzed the legal aspects of car sharing in Hawaii, we understand that California enacted car sharing enabling legislation in 2010. That legislation is follows this testimony. It may be worth considering amendments to this measure that include some of the policy changes enacted in California to remove other possible hurdles to car sharing.

Thank you for the opportunity to testify.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 11580.24 is added to the Insurance Code, to read:

11580.24. (a) No private passenger motor vehicle insured by its owner pursuant to a policy of insurance subject to Section 11580.1 or 11580.2 shall be classified as a commercial vehicle, for-hire vehicle, permissive use vehicle, or livery solely because its owner allows it to be used for personal vehicle sharing as long as all of the following circumstances apply:

(1) The personal vehicle sharing is conducted pursuant to a personal vehicle sharing program.

(2) The annual revenue received by the vehicle's owner which was generated by the personal vehicle sharing of the vehicle does not exceed the annual expenses of owning and operating the vehicle, including depreciation, interest, lease payments, auto loan payments, insurance, maintenance, parking, fuel, cleaning, automobile repair, and costs associated with personal vehicle sharing, including, but not limited to, the installation, operation, and maintenance of computer hardware and software, signage identifying the vehicle as a personal sharing vehicle, and any fees charged by a personal vehicle sharing program.

(3) The owner of the private passenger motor vehicle does not knowingly place the vehicle into commercial use, as defined by Section 675.5, by a personal vehicle sharing user while engaged in personal vehicle sharing.

(b) For purposes of this section the following definitions apply:

(1) "Personal vehicle sharing" means the use of private passenger motor vehicles by persons other than the vehicle's owner, in connection with a personal vehicle sharing program.

(2) "Personal vehicle sharing program" means a legal entity qualified to do business in the State of California engaged in the business of facilitating the sharing of private passenger vehicles for noncommercial use by individuals within the state.

---

<sup>2</sup> <http://www.carsharing.net/>



(3) "Private passenger motor vehicle" means a vehicle that is insured, or is subject to being insured, under a personal automobile liability insurance policy insuring a single individual or individuals residing in the same household, as the named insured, or meets the requirements of Section 16058 of the Vehicle Code, but does not include a vehicle with fewer than four wheels.

(c) A personal vehicle sharing program shall, for each vehicle that it facilitates the use of, do all of the following:

(1) During all times that the vehicle is engaged in personal vehicle sharing, provide insurance coverages for the vehicle and operator of the vehicle that are equal to or greater than the insurance coverages maintained by the vehicle owner and reported to the personal vehicle sharing program. However, the personal vehicle sharing program shall not provide liability coverage less than three times the minimum insurance requirements for private passenger vehicles. Compliance with the terms and conditions of this paragraph shall be deemed to avoid the application of the limitation on damage recoveries set forth in Section 3333.4 of the Civil Code.

(2) Provide the registered owner of the vehicle with a Department of Motor Vehicles Form REG 5085 or other suitable proof of compliance with the insurance requirements of this section and the requirements of the California Financial Responsibility Law in Section 1656.2 of the Vehicle Code, a copy of which shall be maintained in the vehicle by the vehicle's registered owner during any time when the vehicle is operated by any person other than the vehicle's owner pursuant to a personal vehicle sharing program.

(3) Collect, maintain, and make available to the vehicle's owner, the vehicle owner's primary automobile liability insurer on file with the Department of Motor Vehicles, and to any other government agency as required by law, at the cost of the personal vehicle sharing program, verifiable electronic records that identify the date, time, initial and final locations of the vehicle, and miles driven when the vehicle is under the control of a person other than the vehicle's owner pursuant to a personal vehicle sharing program.

(4) Provide the vehicle's owner and any person that operates the vehicle pursuant to a personal vehicle sharing program with a disclosure that contains information explaining the terms and conditions contained in this section.

(5) Not knowingly permit the vehicle to be operated for commercial use by a personal vehicle sharing user while engaged in personal vehicle sharing.

(6) Use only private passenger vehicles.

(7) Facilitate the installation, operation, and maintenance of computer hardware and software and signage, necessary for a vehicle to be used in a personal vehicle sharing program, including payment of the cost of damage or theft of that equipment and any damage caused to the vehicle by the installation, operation, and maintenance of that equipment.

(d) Notwithstanding any other provision of law or any provision in a private passenger motor vehicle owner's automobile insurance policy, in the event of a loss or injury that occurs during any time period when the vehicle is under the operation and control of a person, other than the vehicle owner, pursuant to a personal vehicle sharing program, or otherwise under the control of a personal vehicle sharing program, the personal vehicle sharing program shall assume all liability of the owner and shall be considered the owner of the vehicle for all purposes. Nothing in this section limits the liability of the personal vehicle sharing program for its acts or omissions

that result in injury to any persons as a result of the use or operation of a personal vehicle sharing program.

(e) A personal vehicle sharing program shall continue to be liable pursuant to subdivision (d) until both of the following occur:

(1) The private passenger motor vehicle is returned to a location designated by the personal vehicle sharing program.

(2) The earliest of one of the following occurs:

(A) The expiration of the time period established for the particular use of the vehicle.

(B) The intent to terminate the personal vehicle sharing use is verifiably communicated to the personal vehicle sharing program.

(C) The vehicle's owner takes possession and control of the vehicle.

(f) The personal vehicle sharing program shall assume liability for a claim in which a dispute exists as to who was in control of the vehicle when the loss occurred giving rise to the claim, and the vehicle's private passenger motor vehicle insurer shall indemnify the personal vehicle sharing program to the extent of its obligation under the applicable insurance policy, if it is determined that the vehicle's owner was in control of the vehicle at the time of the loss.

(g) In the event that the owner of the vehicle is named as a defendant in a civil action, for a loss or injury that occurs during any time period when the vehicle is under the operation and control of a person, other than the vehicle's owner, pursuant to a personal vehicle sharing program, or otherwise under the control of a personal vehicle sharing program, the personal vehicle sharing program shall have the duty to defend and indemnify the vehicle's owner, subject to the provisions of subdivisions (d) and (f).

(h) Notwithstanding any other provision of law or any provision in a vehicle owner's automobile liability insurance policy, while a private passenger motor vehicle is used by a person other than its owner pursuant to personal vehicle sharing facilitated through a personal vehicle sharing program, all of the following shall apply:

(1) The insurer of that vehicle on file with the Department of Motor Vehicles may exclude any and all coverage afforded pursuant to its policy.

(2) The primary and excess insurer or insurers of the owners, operators, and maintainers of the private passenger motor vehicle used in a personal vehicle sharing program shall have the right to notify an insured that it has no duty to defend or indemnify any person or organization for liability for any loss that occurs during use of the vehicle in a personal vehicle sharing program.

(i) No policy of insurance that is subject to Section 11580.1 or 11580.2 shall be canceled, voided, terminated, rescinded, or nonrenewed solely on the basis that the private passenger motor vehicle has been made available for personal vehicle sharing pursuant to a personal vehicle sharing program that is in compliance with the provisions of this section.



# Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803  
808.538.6616 hawaii.chapter@sierraclub.org

LATE

## SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

February 8, 2012, 1:15 P.M.  
(*Testimony is 1 page long*)

### TESTIMONY IN SUPPORT OF SB 3040

Aloha Chair English and Committee Members -

The Sierra Club, Hawai'i Chapter, with over 9,000 members and supporters, *supports* SB 3040. This bill would exempt cars rented on an hourly basis to be exempt from the rental motor vehicle and tour vehicle tax.

Car-sharing is a green transportation innovation that significantly reduces vehicle miles travelled, oil imports, greenhouse gas emissions and household transportation costs for Hawaii residents. However, the State has a flat \$7.50 rental car surcharge on all car-sharing rentals regardless of how long the car is rented. Car-sharing has a unique cost-structure and potential users already price sensitive, so applying this tax will effectively prevent car-sharing from ever succeeding in the State.

SB3040 wisely changes the law to create a distinction between traditional car rental and car-sharing. It exempts car-sharing rentals made to members of car-sharing organizations on an hourly basis from being subjected to this flat \$7.50 rental car surcharge.

The rental car surcharge was intended to target the tourist car rental market. In fact, as the law is written, it exempts individuals who are renting a car to replace a vehicle that is being repaired from paying the tax. Clearly then, the tax is not aimed at local residents who are using vehicles to serve everyday transportation needs. And clearly therefore, the tax should not be applied towards car-sharing users either.

We respectfully ask for the Committees to move this bill forward. Mahalo for the opportunity to testify.

COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

Senator J.Kalani English, Chair  
Senator Will Espero, Vice Chair

HEARING

Wednesday, February 7, 2012

1:15 p.m.

Conference Room 224

LATE

**Re: SB 3040 - SUPPORT**

Dear Chair English, Vice Chair Espero, and Members of the Committee:

Thank you for your consideration of this bill. As the Co-founder and CEO of GreenCar Hawaii, the first carshare service to be offered in Hawaii, I strongly support passage of SB 3040

By exempting carsharing from the rental motor vehicle and tour vehicle surcharge, SB 3040 will help the business of carsharing to become an economically viable alternative and support on-demand access to personal vehicle mobility by the hour, without the need to own a car.

Carsharing provides economical access to personal vehicle mobility while encouraging multi-car households to reduce vehicle ownership. Statistically, one carshare vehicle can replace up to 8-12 cars currently on the road. Carsharing reduces traffic, reduces emissions and encourages more sustainable methods of transportation within its communities.

Carsharing should be supported by the Legislature as another option of mobility for residents and visitors, but the current \$7.50 per rental surcharge severely restricts the viability of hourly rental (carsharing) in Hawaii.

SB 3040 will help carsharing to expand and showcase Hawaii as a market that supports sustainable business practices and a better place to live and work.

Sincerely,

Justin MacNaughton  
CEO / GreenCar Hawaii  
808-348-4360  
[www.greencarhawaii.com](http://www.greencarhawaii.com)

TESTIMONY OF SHEM LAWLOR  
TO THE  
SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS  
FEBRUARY 8, 2012  
1:15 PM

**Testimony on S.B. 3040  
Relating to Transportation**

**To the Honorable Chair English, Vice Chair Espero and members of the Committee:**

I strongly support SB3040 which would exempt car-sharing organizations from the State's daily rental car surcharge. This flat \$7.50 tax is currently being implemented on all car-sharing rentals, regardless of duration. This is leading to taxation rates as high as 75% on the service.

I am an urban planner who specializes in smart growth and transportation issues. I also wrote my master's thesis on car-sharing and consider myself extremely well versed with respect to the benefits car-sharing can offer and what car-sharing needs in order to be successful.

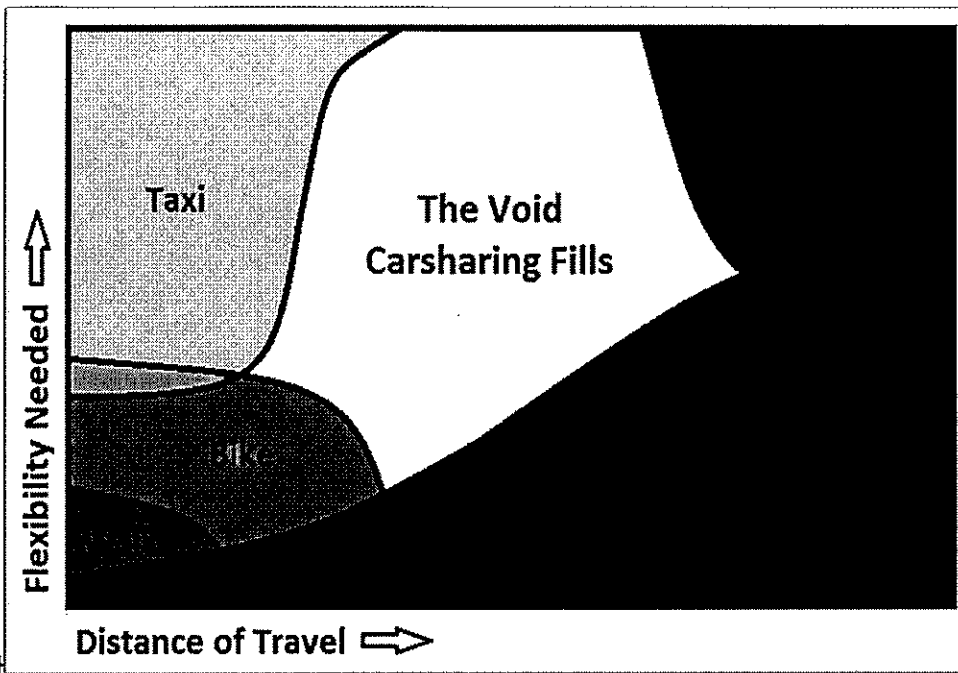
Car-sharing has the potential to significantly reduce traffic congestion, oil imports, greenhouse gas emissions and household transportation costs for Hawaii households. However, due to the unique cost-structure of car-sharing and the price sensitivity of its potential users, the daily \$7.50 rental car surcharge will effectively prevent car-sharing from ever succeeding in the State.

**What is Car-Sharing?**

Car-sharing is a fairly new transportation innovation in the US, which has emerged only in the last 10 years. It is essentially membership-based hourly car rental. Unlike traditional car rental however, car-sharing is not aimed at tourists or individuals who are getting personal vehicles repaired. Car-sharing members are people who either cannot afford to, or prefer not to own their own vehicles; but who occasionally need access to vehicles to run errands. Car-sharing enables them to enjoy the benefits of automobile access without the high fixed costs and headaches that come with full-time car ownership.

**Car-Sharing Fills an Important Void**

With transportation alternatives to the automobile, there are a variety of different mode choices including walking, biking, public transportation, taxis and traditional car rental. However, certain modes are better at serving the transportation requirements of certain types of trips than others. Trip types can broadly be described as either high or low flexibility and long or short distance/time as the graphic below shows.



making a number of stops at different locations. The quintessential example of a high-flexibility trip is grocery shopping. A good example of a low-flexibility trip is the daily commute to work or school.

As the diagram above shows, walking, biking and public transportation are good at serving the needs of low-flexibility trips like the daily commute. However, those modes are generally not very good at serving the needs of high-flexibility trips like grocery shopping.

For high flexibility trips, individuals who do not own a vehicle traditionally have had only two options: taking a taxi or renting a car. Taxis generally are only cost-efficient for very short distance trips without multiple stops. Traditional car rental allows for multiple stops, but the cost can be too expensive to utilize more than once every few weeks. It can be difficult for individuals to meet their high-flexibility trip demands with such infrequent access to a vehicle.

Since taxis and traditional car rental do a relatively poor job of serving high-flexibility trip needs; many individuals who really cannot afford to own cars are compelled to do so. These households are then forced to cut down the amount of money they have available for food, housing or savings.

This is where car-sharing very effectively fills a void. Car-sharing allows affordable access to vehicles for short trips 1-4 hours that can allow carless individuals to serve their high flexibility trip needs on a frequent basis. Instead of renting a car once a month for around \$80, individuals can use car-sharing once a week for two hours at a time and spend the same \$80 each month, without having to plan a month's worth of grocery shopping and errand running all into a single day.

Having this transportation void filled makes living without owning a car much more convenient; and therefore, allows many of those household's who are compelled to own a car (even though they really can't afford it), to give up their vehicles without sacrificing mobility.

### **Car-Sharing's Innovation: Solving the Automobile Cost-Structure Problem**

There is a growing amount of evidence in the world of transportation planning telling us that the biggest single factor with respect to modal split and vehicle miles traveled is automobile ownership. The bottom line is that people who own cars make 90-95% of all their trips in personal vehicles; and conversely, individuals who do not own personal vehicles make 90-95% of their trips via alternative modes.

The reason for this is due to the cost structure of car ownership which is high-fixed, low marginal. Even with \$4+/gallon gasoline, the marginal costs of driving are almost always cheaper than using public transportation. This means that even if individuals have very convenient access to high quality transit or bike lanes; if they own a car, economic rationale dictates that they will drive almost everywhere they go.

Honolulu can spend over \$5 billion to build the greatest public transportation system in North America and could spend over \$100 million putting into place a very well connected system of bike lanes. However, since these transportation modes really only address low-flexibility trips like the daily commute; unless car-sharing is in place to serve their high-flexibility trip needs, few Honolulu residents are likely to give up their cars. And if few residents give up their cars, the cost-structure of automobile ownership and economic rationale will dictate that they will more or less continue to drive as much as they do now.

### **Why this Tax Kills Car-sharing**

For car-sharing to be successful, it is very important that the hourly rate of the service provides a significant cost/value advantage over both taxis and traditional car rental.

Empirically, the average car-sharing rental is around 2 hours. This is about the average time a user takes to do their grocery shopping or run a couple of errands and then return the vehicle. Most car-sharing hourly rates are between \$8 and \$10, meaning that a two hour car-sharing trip would cost \$16-20. However, car-sharing always tends to be more expensive when it first breaks into a new community because it takes some time for people in the community to become familiar with the service and to build a user base sufficient to lower the cost of operations.

Since the service is new in Honolulu, hourly rates tend to be on the high side at \$10-12 per hour or more. When you add the \$7.50 rental car surcharge, the cost of a 2-hour car-sharing rental jumps to between \$27.50 and \$31.50. Car-sharing users and people in general tend to be very sensitive to marginal transportation costs, (more so than to fixed costs). If the cost of a two-hour car-sharing rental is closer to \$30 instead of \$16-20, it loses much of its value advantage over a taxi ride or traditional car rental. With such high car-sharing rates, potential users are

much more likely to either try to do all their grocery shopping at one store and take a \$10-15 taxi ride home, lump several weeks' worth of shopping/errands into a single day with a traditional rental car, or simply purchase their own vehicle.

With the \$7.50 daily rental car surcharge being charged on every car-sharing rental, regardless of duration; car-sharing loses its cost/value advantage. As long as that tax is enforced on car-sharing, the service is highly unlikely to ever succeed within the State of Hawaii.

### **Benefits of Car-sharing**

A number of studies have demonstrated that car-sharing is a very effective tool for reducing automobile ownership, vehicle miles travelled (VMT) and household transportation costs. A 2010 study of Philadelphia's PhillyCarShare by the consultant firm Econsult found that each car-sharing vehicle in the program's fleet removed 15.3 personal vehicles from the road, eliminated over 57,000 VMT and had a annual net economic benefit to the Philadelphia area economy of \$67,000 (primarily through reduced household transportation costs).

The benefits that car-sharing would provide to the State of Hawaii are directly aligned with the smart growth policies being adopted by the State and with the goals of the Hawaii Clean Energy and Complete Streets initiatives.

### **Tax Implications of the Bill**

With the rental car surcharge being implemented on car-sharing, it is highly doubtful that the service will ever succeed in the State. If it does survive at all, the number of vehicles and users will remain very small. If there are two dozen car-sharing vehicles in service in the State and they experience modest usage, the State could expect to receive somewhere between \$250,000 and \$300,000 annually in rental car surcharge revenues from car-sharing.

However, Honolulu alone has a potential car-sharing market of anywhere between 1,000 to 5,000 car-sharing vehicles within the next 10 years based on the growth of the service in similar-sized cities. For example, Washington DC with a population of 600,000 residents, has roughly 60,000 car-sharing members being served by approximately 1,500 vehicles and is seeing market growth of 20-30% annually.

If by the year 2020 there are 1,000 car-sharing vehicles in service in the State of Hawaii, (according to empirical studies such as the one Econsult did for PhillyCarShare), the State of Hawaii could expect to see around 15,000 fewer personal vehicles on the road, 570,000 fewer vehicle miles travelled, 2.5 million fewer gallons of gasoline consumed and an economic benefit of \$67,000,000 to Hawaii's economy each year. This could mean several million dollars more in tax revenue to the State along with less traffic congestion and fewer oil imports. Additionally, since potential car-sharing users are most likely to be those who are less affluent; most of the economic benefits from car-sharing are likely to go to those Hawaii residents who would benefit the most from them.



Is it worth giving up all these potential economic, transportation and environmental benefits for \$250,000 to \$300,000 in rental car surcharge revenues? Certainly not.

**Conclusion**

Honolulu residents are investing billions of dollars in upgrading Honolulu's public transportation system and there are well over \$100 million in bicycle infrastructure planned. The State of Hawaii has the Hawaii Clean Energy Initiative which is striving to reduce the amount of oil imports to the State and the Complete Streets initiative aimed at making Hawaii roads more accessible to a variety of transportation modes. Why then would the State allow such a tax to strangle a transportation innovation that has been demonstrated to be so effective at reducing automobile use, oil consumption and household transportation costs?

Finally, I believe that the rental car surcharge was intended to target a certain market: car rental primarily for tourists. In fact, as the law is written it allows individuals who are renting a car to replace a vehicle that is being repaired to be exempted from paying the tax. Clearly then, the tax is not aimed at local residents who are using vehicles to serve everyday transportation needs. And clearly therefore, the tax should not be applied towards car-sharing users either.

I respectfully request the committee to pass this bill. Thank you for your time and consideration.

Sincerely,

Shem Lawlor

TESTIMONY OF DENNIS SILVA, JR., AICP

BEFORE THE

SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

**SB 3040, Relating to Transportation**

FEBRUARY 8, 2012 1:15PM

**Dear Chair English, Vice Chair Espero and members of the Committee:**

I support SB3040 which would exempt car-sharing organizations from the State's daily rental car surcharge. I'm a city planner living and working downtown, and do not own a car. I recently joined WeCar, a few weeks ago and rented the car for 3.5 hours. In reviewing my receipt, I noticed the \$7.50 surcharge and thought that it could be a detriment to promoting car-sharing in Hawaii.

Car-sharing could have a positive impact in reducing traffic congestion. We need more alternatives to our transportation system than just owning a private automobile and driving. Reducing the surcharge for car-sharing organizations will promote this transportation alternative in Hawaii and will work in conjunction with the other modes of transport such as the bus, walking, biking, and riding the future rail system.

I request the committee to pass SB3040. Thank you for your attention to this matter.

Sincerely,

Dennis Silva, Jr., AICP  
Honolulu, HI

Testimony to the:

Senate Committee on Transportation and International Affairs (TIA)

## On SB3040

Relating to Transportation

February 8, 2012

1:15 PM

By Jon Trace  
Concerned Citizen

### **Honorable Chair English, Vice-Chair Espero and members of the Committee:**

As a user of public transportation and someone who cares about the environment, I am glad to see that car sharing has finally arrived in Honolulu. Having convenient access a service like car sharing provides my family and I with greater flexibility, and removes the need for us to own a car. Car sharing affords me the benefits of a car owner, without further contributing to the city's traffic problems, while also reduced my carbon footprint on the environment.

With the current taxation laws on all rental cars, however, car sharing is not cost-effective for my lifestyle, or the lifestyle of many others living in Honolulu. As Hawaii relies on tourism for much of its economy, I understand why there is a need for a tax on rental cars of 1-day or longer. Unlike regular car rentals, however, car sharing is aimed at those who live and work in the community, where it can provide the most benefit. Needless taxation on this service will only drive people away from utilizing it, and push more individuals into purchasing cars on an already over-crowded island.

Under the current tax law, car sharing cannot survive, and therefore cannot provide its service to the community. As the world continues to move towards environmentally friendly solutions, and weather difficult economic times, car sharing is a viable and sought-after solution. However, it can only flourish if this tax is removed.

Sincerely,

Jon Trace  
Honolulu, HI

TESTIMONY OF MAYUMI SHINDO

**SB3040, Relating to Transportation**

SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS  
FEBRUARY 8, 2012

**Dear Chair English and members of the Committee:**

I support SB3040 because I do not own a car and would like to utilize car sharing programs if they become available at a reasonable price. The State of Hawaii charges a large tax for rental cars and the car sharing providers must pay the same tax as a rental car even though their users rent cars for short periods of time to run errands such as grocery shopping. I strongly believe that the number of car sharing users would increase when the State establishes different tax guidelines for car sharing than for regular rental cars. Car sharing will be a great benefit for the State & City in such ways as minimizing traffic congestion, increasing the number of program members, and increasing the sales tax in a long run. Please pass SB3040 into law.

Mahalo,

**Mayumi Shindo**  
Honolulu Resident

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, February 05, 2012 8:07 AM  
**To:** TIATestimony  
**Cc:** clk@quixnet.net  
**Subject:** Testimony for SB3040 on 2/8/2012 1:15:00 PM

Testimony for TIA 2/8/2012 1:15:00 PM SB3040

Conference room: 224  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Carolyn L Knoll  
Organization: Individual  
E-mail: [clk@quixnet.net](mailto:clk@quixnet.net)  
Submitted on: 2/5/2012

Comments:

The City and County of Honolulu is investing billions of dollars in upgrading its public transportation system and has over \$100 million in bicycle infrastructure projects planned. The State of Hawaii has the Hawaii Clean Energy Initiative, which is striving to reduce the amount of oil imports to the State, and the Complete Streets Initiative aimed at making Hawaii roads more accessible to a variety of transportation modes. Why then would the State allow the flat \$7.50 rental car surcharge strangle a transportation innovation, car sharing, that has been demonstrated to be so effective around the world at reducing automobile use, oil consumption and household transportation costs?

This tax increases the hourly rate on a car share and makes it less appealing to potential users. Carsharing will never succeed in Hawaii unless this tax is waived for car sharing members.

Car-sharing is a membership-based hourly car rental that bundles all the costs of the automobile (the vehicle, insurance, and gas) into a single hourly rate. Kind of like the bicycle rentals you may have seen in Kailua. Car-sharing is for people who either cannot afford to own a car or prefer not to but have difficulty running errands requiring multiple stops (e.g., grocery shopping, the bank, the drugstore, etc.). It can make living without owning a car much more convenient; and therefore, allows many people to give up their vehicles without sacrificing mobility.

Car-sharing allows more affordable and convenient access to vehicles for short trips than taxis and traditional car rental, which are way too expensive for the once-a-week run to Costco, Whole Foods, and Cinnamons. It's about \$25 by taxi just to from downtown to the airport, can you imagine how much it would cost to go out to Whole Foods? Traditional car rental is on a daily basis. When you're done with your errands, do you really want to figure out what to do with a 2-ton hunk of metal, or return it early and waste your money?

The economic, transportation and environmental benefits car-sharing would provide to the State of Hawaii are directly aligned with the smart growth policies being adopted by the State and with the goals of the Hawaii Clean Energy and Complete Streets initiatives.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 07, 2012 11:38 AM  
**To:** TIATestimony  
**Cc:** oahutran@yahoo.com  
**Subject:** Testimony for SB3040 on 2/8/2012 1:15:00 PM

Testimony for TIA 2/8/2012 1:15:00 PM SB3040

Conference room: 224  
Testifier position: Support  
Testifier will be present: No  
Submitted by: David Atkin  
Organization: Individual  
E-mail: [oahutran@yahoo.com](mailto:oahutran@yahoo.com)  
Submitted on: 2/7/2012

Comments:

I am in favor of exempting exempt car-sharing organizations from the State's flat \$7.50 rental car surcharge, which is currently being imposed on all car sharing rentals, regardless of duration. Since car-sharing's success depends largely on affordable hourly rates, this tax is threatens to kill car-sharing before it can even get off the ground in Hawaii. Effective car-sharing is the most cost-effective thing we can do to stop the increase in vehicle congestion in the State. The fewer cars, the fewer miles traveled and the more energy saved.

David Atkin  
2169 Ahaku Place  
Honolulu, HI 96821

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, February 05, 2012 3:46 PM  
**To:** TIATestimony  
**Cc:** anthuriumz@hotmail.com  
**Subject:** Testimony for SB3040 on 2/8/2012 1:15:00 PM

Testimony for TIA 2/8/2012 1:15:00 PM SB3040

Conference room: 224  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: Wynnie Hee  
Organization: Individual  
E-mail: [anthuriumz@hotmail.com](mailto:anthuriumz@hotmail.com)  
Submitted on: 2/5/2012

Comments:

How many Hawaii residents would need this law? I can't imagine very many. If it's too expensive to rent a car, can they take The Bus? Or, please support our taxi drivers and call a taxi. Do we really need another law? I don't think so.