

TESTIMONY OF **SHEM LAWLOR**
TO THE
SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS
JANUARY 28, 2013
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**Testimony on S.B. 726
Relating to Rental Motor Vehicle Surcharge Tax**

To the Honorable Chair English, Vice Chair Dela Cruz and members of the Committee:

I **strongly support SB726** which would prorate the State's daily rental car surcharge for car-sharing rentals. The State is currently taxing car-sharing rentals at a flat \$3.00 rate, regardless of duration.

Car-sharing has demonstrated an ability to reduce traffic congestion, oil imports, greenhouse gas emissions and household transportation costs in the communities in which it has been able to take root. It offers the potential to do the same here in Hawaii. However, due to the unique cost-structure of car-sharing and the price sensitivity of its potential users, the daily \$3.00 rental car surcharge is causing severe market distortion and is keeping many potential car-sharing customers from using the service.

What is Car-Sharing?

Car-sharing is not car-pooling or ride-sharing. It is membership-based hourly car rental. The vehicles are typically distributed in neighborhoods, it is generally self-service, and the hourly rates usually include the price of the vehicle, gas and insurance.

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 do their grocery shopping or 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

For individuals or households who do not own an automobile, there are a variety of alternative mode choices available including: walking, biking, public transportation, taxis and traditional car rental. However, some of these alternative modes are better at serving certain types of trips than others. Walking, biking and public transportation can often fulfill the transportation needs for daily commuting trips to work or school, but are often inadequate for grocery shopping or running errands. Traditionally, for individuals or households who don't own a car, they have had to rely on taxis or regular rental cars to meet those needs. Taxis are usually only cost effective for one-way trips and so don't allow users to stop at multiple stores or locations. Regular car rental can be too expensive for carless households to utilize more than once a

month, which can be very inconvenient for grocery shopping or errand running which typically requires greater frequency.

Car-sharing can really be valuable to carless households because it allows them to conveniently rent a car for 1-2 hours and make multiple stops for around the same cost as a taxi ride. They can go grocery shopping or run errands 3-4 times a month for around the same cost as renting a regular rental car once a month.

Why this Tax Hurts Car-sharing

Sure \$3.00 may not sound like a lot of money, but adding \$3.00 to the cost of a 1-hour car-sharing rental (on top of the GET tax), means that car-sharing users are being taxed at a rate of around 35% for one hour rentals and 20% for two-hour rentals. One of the justifications for the \$3.00 flat rate tax on car rentals is that the majority of car rental customers are tourists and they tend to view the cost of the car rental as being an extension of their overall travel costs (including airfare) and are therefore, relatively insensitive to the cost. Furthermore, with daily car rental rates being \$50-\$60 (not including gas or insurance), the \$3.00 tax represents only a 5-6% taxation rate.

Car-sharing customers, on the other hand, typically live in the neighborhoods where they utilize the service and do so as a means to accomplish weekly grocery shopping or other errands. Clearly, the State wouldn't add \$3.00 to the price of every taxi ride or every time someone were to use public transportation. This would add undue tax burden to those services and would cause significant market distortion. The same is true with car-sharing.

Conclusion

Prorating the rental vehicle surcharge tax down to 12.5 cents per hour on car-sharing rentals up to six hours in length, as this bill would do; would significantly reduce the tax burden on the service thereby making it more affordable for Hawaii's low income and carless households.

It would allow car-sharing to gain a greater foothold in Hawaii and spread to more neighborhoods. It would make living without a car easier and would therefore allow more of Hawaii's low income households to get by with fewer cars and reduce their household transportation costs.

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

Sincerely,

Shem Lawlor

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SENATE COMMITTEE
ON
TRANSPORTATION AND INTERNATIONAL AFFAIRS

January 28, 2013

Senate Bill 726 Relating to Rental Motor Vehicle Surcharge Tax

Chair English and members of the Senate Committee on Transportation and International Affairs, I am Rick Tsujimura, representing The Hertz Corporation (“Hertz”).

Hertz supports the intent of Senate Bill 726, but would request that the pro-rations apply to all rentals not just car-sharing. Hertz is willing to work with the proponents on this measure as it moves forward.

Thank you for the opportunity to present this testimony.