

SB 2683

RELATING TO MOTOR
VEHICLE RENTAL
INDUSTRY



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PRESENTATION OF THE
OFFICE OF CONSUMER PROTECTION
TO THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY
&
THE SENATE COMMITTEE ON COMMERCE,
CONSUMER PROTECTION, AND HEALTH
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016

FEBRUARY 16, 2016
9:30 A.M.

TESTIMONY ON SENATE BILL NO. 2683, RELATING TO MOTOR VEHICLE RENTAL INDUSTRY.

TO THE HONORABLE LORRAINE R. INOUE, CHAIR,
AND TO THE HONORABLE ROSALYN H. BAKER, CHAIR,
AND TO THE HONORABLE MIKE GABBARD, VICE CHAIR,
AND TO THE HONORABLE MICHELLE N. KIDANI, VICE CHAIR,
AND MEMBERS OF THE COMMITTEES:

The Department of Commerce and Consumer Affairs (“DCCA”), Office of Consumer Protection (“OCP”) opposes Senate Bill No. 2683, Relating to Motor Vehicle Rental Industry. My name is Stephen Levins and I am the Executive Director of the OCP.

Senate Bill No. 2683 seeks to amend Hawaii's Motor Vehicle Rental law, Chapter 437D of the Hawaii Revised Statutes, in two significant ways. It adds license plate fees and use taxes to the litany of fees that rental companies are authorized to visibly pass on to consumers and it creates a new unfair method for calculating the visible pass on.

Currently, the Motor Vehicle Rental law authorizes a visible "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 Senate Bill No. 2683 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. Adopting the proposed amendment contained in this Bill would make it almost impossible to determine whether a particular consumer was paying more than their fair share of the authorized pass on. In view of this, amending the law would not be in the interest of consumers.

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Thank you for providing me with the opportunity to testify on Senate Bill No.
2683. I will be happy to answer any questions that the Committee members may have.

**Testimony of
Garrick Hguchi
Zone Vice President – Hawaiian Islands
on behalf of
The Hertz Corporation**

Date: February 13, 2016

TO: Chair Lorraine R. Inouye
Chair, Senate Committee on Transportation and Energy

Chair Rosalyn H. Baker
Chair, Senate Committee on Commerce, Consumer Protection, and Health
Via Email: TREtestimony@capitol.hawaii.gov

RE: **S.B. 2683 – Relating to Motor Vehicle Rental Industry**
Hearing Date: February 16, 2016 at 9:30 AM
Conference Room 229

Dear Chair Inouye and Members of the Committee on Transportation and Energy and Chair Baker and Members of the Committee on Commerce, Consumer Protection, and Health:

We submit these comments on behalf of The Hertz Corporation ("Hertz"), which includes Dollar Rent A Car and Thrifty Car Rental.

Hertz is a strong supporter of S.B. 2683, which amends the vehicle license fee law to permit rental car companies to pass on to renters a vehicle license recovery fee. S.B. 2683 would enable rental car companies to recover closer to all vehicle licensing fees that are paid to government agencies in a given year.

Currently, the law contains a formula that does not permit a complete recovery of vehicle licensing fees. The existing law requires the amount of certain fee recoveries to be charged per vehicle on a 1/365th basis. This formula creates a shortfall for vehicle license fee recovery, as rental car companies do not recover vehicle license fees on every vehicle every day. Due to customer demand, rental car companies are required to maintain a surplus of vehicles available at various times. Therefore, vehicles are not on rent every day. The present formula for vehicle license recovery renders a rental car company incapable of recovering all of its vehicle license fees, a shortfall that is substantial. S.B. 2683 provides for a more reasonable formula to calculate vehicle license fee recovery, and would enable rental car companies to recover closer to all of its vehicle license costs.

The Hertz logo is located in the bottom right corner of the page. It consists of the word "Hertz" in a bold, sans-serif font, with a stylized 'H' and 'z'. The logo is set against a light gray background that is part of a larger graphic element on the right side of the page.

The formula for recovery of vehicle license fees proposed in S.B. 2683 is used in many states where vehicle license fee recovery is permitted, including AK, CA, DE, GA, ID, IL, IA, KY, MA, MI, UT, VA, WA and WV.

S.B. 2683 also addresses the issue of a rental car company being unable to recover all of its vehicle licensing fees. In the current law, state registration fees, state weight tax, county registration fees and county weight tax may be recovered. S.B. 2683 seeks to address this issue by enabling a rental car company to recover all fees paid to a government entity to register a vehicle (e.g., beautification fees, initial plate fees, safety inspection fees and use tax).

S.B. 2683 is budget neutral. The State will not recover any less fees from rental car companies for vehicle licensing with the passage of this legislation.

As noted above, passage of S.B. 2683 would put Hawaii in line with many other states listed above that permit a complete pass through and recovery of vehicle licensing fees.

Thank you for the opportunity to submit testimony in strong support of S.B. 2683.

**Testimony of Mark Cochrane
Enterprise Holdings, LLC**

DATE: February 15, 2016

TO: Senator Lorraine Inouye
Chair, Senate Committee on Transportation and Energy

Senator Rosalyn Baker
Chair, Senate Committee on Commerce, Consumer Protection and Health
Via Email: TREtestimony@capitol.hawaii.gov

RE: **S.B. 2683 - Relating to Motor Vehicle Rental Industry**
Hearing Date: February 16, 2016 at 9:30 a.m.
Conference Room 229

Dear Chair Inouye, Chair Baker, and members of the Joint Committees:

I submit this testimony on behalf of Enterprise Holdings, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, Enterprise CarShare and Enterprise RideShare (Van Pool).

Enterprise **strongly supports** S.B. 2683, which amends the vehicle license fee law to allow for rental car companies to pass on to lessees a vehicle license recovery fee. This bill will allow rental car companies to recover from its customers a greater amount of vehicle licensing fees that are paid to government agencies to get each vehicle road-ready.

The current law contains a formula that guarantees an incomplete recovery of the vehicle licensing fees. The existing Hawaii law allows for certain fees to be passed through to customers, but requires the amount to be charged per vehicle on a 1/365th basis. This methodology results in a shortfall, because rental car companies do not recover vehicle license fees on every vehicle every day of a given year. Rental car companies need to continuously have a variety of vehicles available for customers at any given time. Because of the required surplus of inventory, the average vehicle is rented only 20-25 days per month. If a vehicle is only able to recoup 1/365th of the fees per rental day, the resulting under-collection of fees may be as significant as 33%. S.B. 2683 would allow for a more reasonable methodology to calculate licensing and registration fees, to allow companies to recover closer to all vehicle license fees actually paid in a given year. For the rental car companies, these small amounts per vehicle add up to a significant amount that they are under-collecting annually.

Another problem with the law is that it only allows rental car companies to recover some, but not all, of the vehicle license fees. Currently, companies can collect state registration fees, state weight tax, county registration fees, and county weight tax. However, the law does not permit

the recovery of beautification fees, initial plate fees, safety inspection fees, and use tax paid when vehicles are registered. S.B. 2683 proposes to change the law to allow rental car companies to collect all of the fees paid to a government entity in order to register a vehicle in the state.

Enterprise would suggest that the Committee also consider adding the following provisions to enhance accountability and consumer protection: 1) requiring that companies rollover any excess vehicle license fees collected in a particular year and reduce the amount of the fee charged in the following year by that amount, and 2) requiring companies to submit yearly certified public accountant-verified reports of all vehicle licensing fees charged to customers.

Hawaii is the only state in the country that requires the 1/365th formula, and as such, guarantees that the collection of vehicle licensing fees will result in a shortfall. Enterprise believes that passing this bill will modernize Hawaii's rental motor vehicle law, and put Hawaii in line with the many other states that allow for the full pass through and recovery of vehicle licensing fees.

Thank you for the opportunity to submit testimony in strong support of this measure.

**Testimony of Dan Schaberg
Enterprise Holdings, LLC**

DATE: February 15, 2016

TO: Senator Lorraine Inouye
Chair, Committee on Transportation and Energy

Senator Rosalyn Baker
Chair, Committee on Commerce, Consumer Protection and Health
Via Email: TRetestimony@capitol.hawaii.gov

RE: **S.B. 2683 - Relating to Motor Vehicle Rental Industry**
Hearing Date: February 16, 2016 at 9:30 a.m.
Conference Room 229

Dear Chair Inouye, Chair Baker, and members of the Joint Committees:

I am Dan Schaberg, Vice President and General Manager of Enterprise Holdings in Hawaii, which operates Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, Enterprise CarShare and Enterprise Rideshare (Van Pool).

I **strongly support** S.B. 2683, which amends the vehicle license fee law to allow for rental car companies to pass on to lessees a vehicle license recovery fee. This bill would allow for rental car companies to collect a more accurate amount of the government imposed fees that it pays to make each vehicle road-ready.

For Enterprise's operations in Hawaii, this measure would have a significant impact because of the rising costs and challenges to operate our business. From an economic standpoint, the entire car rental industry is a major driver of tourism to our economy. The car rental industry also wants to ensure there are enough vehicles to support the demand and we are only able to rent them, on average, 20-25 days per month (thus creating a shortfall from the current VLF methodology of collecting).

In order to ensure we provide safe and well maintained vehicles to our customers (including preventative maintenance and work to clear the ever growing manufacturers safety recalls), we purposely ground vehicles until repairs are announced by a manufacturer which could last a few days to several months. We do this to make sure local residents as well as tourists have a safe car to rent. The days that these vehicles remain idle is in addition to the off rent days when we clean and detail vehicles to ensure each renter receives a safe/clean vehicle while in Hawaii.

Enterprise Holdings provides over 1000 jobs locally throughout all islands, and prides itself on the significant contributions it has made to the local community. This measure will ensure that Enterprise's operations in Hawaii are on par with the rest of the states, and preserve its continued operations for Hawaii residents and visitors alike.

For the above reasons, I strongly support this measure and urge the Committee to pass the bill.

Thank you for the opportunity to submit testimony in strong support of this measure.