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To: FINTestimony
Cc: rtolenti@dcca.hawaii.gov
Subject: Submitted testimony for HB735 on Feb 23, 2017 11:00AM

HB735

Submitted on: 2/22/2017

Testimony for FIN on Feb 23, 2017 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Stephen Levins	DCCA-OCP	Oppose	Yes

Comments: If you have any questions, please contact Stephen Levins at 808 586-2636. Mahalo.

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Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Thursday, February 23, 2017 at 11:00 A.M.
Conference Room 308, State Capitol**

**RE: HOUSE BILL 735 HD2 RELATING TO MOTOR VEHICLE RENTAL
INDUSTRY**

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 735 HD2, which allows lessors of rental motor vehicles to pass on to lessees a government assessed fee; defines government assessed vehicle fee.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The rental car industry is an essential part of Hawaii's tourism industry. Keeping Hawaii's rental car companies healthy is important so that they can continue to be a key strategic partner in the tourism industry. As part of their overall health, car rental companies must maintain a quality fleet of vehicles in excellent condition and in good repair, as this creates an overall positive first impression for tourists renting cars on arrival and ensure a great customer experience.

- Rental car companies now maintain an inventory of many more vehicles than 10-20 years ago. Today's tourists seek new adventures, often venturing outside of traditional tourist areas to "undiscovered" locations which require a rental car to access. Tourists seek flexibility and independence while on vacation, and rent cars in order to customize their visitor experience.
- To meet these needs, rental car companies provide a large selection of vehicles to customers to ensure a vehicle is available for rent that matches their needs (passenger and luggage capacity, Bluetooth technology, color, convertible, 4-wheel drive, SUV, etc.).

This bill seeks to modernize Hawaii's vehicle license fee recovery law so that it is in line with 38 other states that allow rental car companies to fully pass on the government fees they pay to rental car customers. The change being proposed would allow rental car companies to recover all of the government fees they pay for their cars, rather than the fraction of the fees that they are currently collecting under the existing law. While this would result in a very modest increase (less than 50 cents per day per vehicle) in the overall fee paid by customers, it would also mean



Chamber of Commerce HAWAII

The Voice of Business

that the companies will be able to reinvest the recovered fees back into the business to further enhance the customer's experience while in Hawaii.

Generally, businesses are able to pass on the basic costs of conducting business, but in this case, the current law essentially prevents rental car companies from recovering their costs of bringing vehicles into the State. For rental car companies, the deficit between the government fees they pay and what they collect continues to grow, putting continued pressure on the rental car industry's overall business operations.

- The current law only allows a 1/365th per day recovery for certain government fees but not others.
- Rental car companies essentially lose money under the current law because vehicles are only "on rent" and recovering fees on average for 80% each calendar year. Rental car companies also take rental cars out of service regularly for cleaning, preventative maintenance, and to handle recalls.

As a partner to the rental car industry, the Chamber respectfully asks for your support for this proposed legislation. We believe that modernizing Hawaii's law will help keep the rental car companies in the best position to continue providing quality services and support the tourism market as a whole.

Thank you for the opportunity to testify.



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Support for H.B. 735, HD2 Vehicle License Fee Recovery

H.B. 735, HD2 will amend Hawaii's vehicle license fee recovery law to be more consistent with 38 other states in allowing rental car companies to fully pass on the government fees they pay. The proposed law will allow rental car companies to recover all of the government fees paid, rather than the fraction allowed under current law.

The rental car industry is critical to Hawaii's tourism industry and the state economy as a whole. By offering an ample and diverse fleet of vehicles in top condition and good repair, car rental companies contribute to the overall positive visitor experience for tourists visiting the island.

To meet a variety of rental needs, rental car companies keep a large selection to ensure a vehicle is available for customer requirements, including: number of passengers; luggage capacity, technology; color, convertibles, 4-wheel drive, SUV, etc.

Generally, businesses are able to pass on costs of doing business. But under current law, rental car companies are unable to recover costs of bringing vehicles into the State. For rental car companies, the deficit between the government fees paid and what they collect continues to grow, putting undue pressure on the rental car industry's overall business operations.

The current law only allows a 1/365th per day recovery for certain government fees but not others. Rental car companies essentially lose money under the current law because vehicles are only "on rent" and recovering fees on average for 80% each calendar year. Rental car companies also take rental cars out of service regularly for cleaning, preventative maintenance, and to handle recalls.

The American Car Rental Association respectfully asks for your support for this proposed legislation. We believe that modernizing Hawaii's law will help keep the rental car companies in the best position to continue providing quality services and support the tourism market as a whole.

Thank you again for permitting us to share our industry's perspective. Please feel free to contact me if you should have any questions or would like to discuss this matter further.

Sincerely,

A handwritten signature in black ink that reads "sharon faulkner".

Sharon Faulkner
Executive Director

SanHi Government Strategies

Gary M. Slovin
Mihoko E. Ito
R. Brian Tsujimura

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DATE: February 22, 2017

TO: Representative Sylvia Luke
Chair, Committee on Finance
Submitted Via Capitol Website

RE: **H.B. 735, H.D.2 – Relating to Motor Vehicle Rental Industry**
Hearing Date: Thursday, February 23, 2017 at 11:00 a.m.
Conference Room: 308

Dear Chair Luke and Members of the Committee on Finance:

We submit this testimony on behalf 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).

Enterprise **strongly supports** H.B. 735, H.D.2, which modernizes the vehicle license fee law to be in line with 38 other states that allow rental car companies to pass on to customers the government fees that are assessed on each vehicle.

This bill seeks to address a shortcoming in the law that regulates the rental car industry. Chapter 437D, which imposes regulatory requirements over rental car companies, was enacted to ensure that each rental transaction to customers was done in a fair and transparent manner. As part of this transparency, the law requires that rental car companies must visibly list on its rental car contracts the fees and taxes that they incur. Although this law was aimed at making sure those fees were disclosed to the customer, it fails to include all of the fees the companies pay to make vehicles road ready.

Specifically, the law includes some fees that the companies pay to make the vehicle ready to rent (registration and weight tax), but not others (license plate fees, GET, and beautification fees). In addition, due to a formula in the law for calculating the

Gary M. Slovin
Mihoko E. Ito
R. Brian Tsujimura
C. Mike Kido
Tiffany N. Yajima
Matthew W. Tsujimura

fees, currently, car rental companies may only recover from their customers 1/365th per day of the fees paid.

The current law virtually ensures that car rental companies in Hawaii under-collect government taxes and fees. Rental cars are only rented on average 80% of the calendar year. Vehicles are routinely grounded for routine maintenance and cleaning, repair, or recall. When cars are grounded, vehicles cannot be rented and fees go uncollected. As the deficit between what is paid and collected continues to grow, the rental car industry faces increased pressure on business operations.

This bill would allow car rental companies to recover all of the government assessed fees that are paid on these vehicles. This modest increase in price amounts to less than 50 cents per vehicle per day and is assessed on rental car customers, who are predominantly tourists. This would allow car rental companies to reinvest the recovered fees back into their businesses to further enhance the visitor experience by ensuring a wide variety and selection of vehicles are available for rent to match customer needs.

Enterprise Holdings provides over 1000 jobs locally throughout the state, and prides itself on the significant contributions it has made to Hawaii's community. A healthy and robust rental car industry is vital to Hawaii's tourism economy. This measure will ensure that Enterprise's operations in Hawaii are in-line with 38 other states where recovery is allowed, and can continue to provide quality services that support the tourism industry and local rental market.

We would note that Enterprise has some concerns regarding the amendments made to the H.D.2 version of the bill. Specifically, we believe that a sunset date of one year is too brief, and that the parameters of the DBEDT study added may be overly broad, and not necessary given that audit reports will be submitted every year. Notwithstanding these comments, we would respectfully request that the committee move the bill so that further discussion can occur.

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

TESTIMONY OF JERRY GIBSON
AREA VICE PRESIDENT, HILTON HAWAII
February 23, 2017
RE: HB 735 Relating to Rental Car Companies

The rental car industry is a vital part of Hawaii's tourism industry. Keeping Hawaii's rental car companies healthy is important so that they can continue to be a key strategic partner in the tourism industry. As part of their overall health, car rental companies must maintain a quality fleet of vehicles in excellent condition and in good repair, as this creates an overall positive first impression for tourists renting cars on arrival and ensure a great customer experience.

- Rental car companies now maintain an inventory of many more vehicles than 10-20 years ago. Today's tourists seek new adventures, often venturing outside of traditional tourist areas to "undiscovered" locations which require a rental car to access. Tourists seek flexibility and independence while on vacation, and rent cars in order to customize their visitor experience.
- To meet these needs, rental car companies provide a large selection of vehicles to customers to ensure a vehicle is available for rent that matches their needs (passenger and luggage capacity, Bluetooth technology, color, convertible, 4-wheel drive, SUV, etc.).

H.B. 735 seeks to modernize Hawaii's vehicle license fee recovery law so that it is in line with 38 other states that allow rental car companies to fully pass on the government fees they pay to rental car customers. The change being proposed would allow rental car companies to recover all of the government fees they pay for their cars, rather than the fraction of the fees that they are currently collecting under the existing law. While this would result in a very modest increase (less than 50 cents per day per vehicle) in the overall fee paid by customers, it would also mean that the companies will be able to reinvest the recovered fees back into the business to further enhance the customer's experience while in Hawaii.

Generally, businesses are able to pass on the basic costs of conducting business, but in this case, the current law essentially prevents rental car companies from recovering their costs of bringing vehicles into the State. For rental car companies, the deficit between the government fees they pay and what they collect continues to grow, putting continued pressure on the rental car industry's overall business operations.

- The current law only allows a 1/365th per day recovery for certain government fees but not others.
- Rental car companies essentially lose money under the current law because vehicles are only "on rent" and recovering fees on average for 80% each calendar year. Rental car companies also take rental cars out of service regularly for cleaning, preventative maintenance, and to handle recalls.

As a partner to the rental car industry, I respectfully ask for your support for this proposed legislation. We believe that modernizing Hawaii's law will help keep the rental car companies in the best position to continue providing quality services and support the tourism market as a whole.

Mahalo.

Testimony of
Garrick Higuchi
Zone Vice President – Hawaiian Islands
On behalf of
Hertz Global

DATE: February 23, 2017

TO: Chair Sylvia Luke
Vice Ty J.K. Cullen
House Committee on Finance

RE: House Bill 735

Dear Chair Luke, Vice Chair Cullen and members of the House Committee on Finance:

We submit these comments on behalf of Hertz Global, which includes Dollar Rental A Car and Thrifty Car Rental.

Hertz is a strong supporter of House Bill 735. This legislation will modernize the Hawaii vehicle license fee law so that it is in line with 38 other states that allow rental car companies to pass on to rental car customers the government fees that are assessed on each vehicle.

Currently, the law uses a formula that does not permit a complete recovery of vehicle licensing fees. The current law states that car rental companies operating in Hawaii may only recoup from their customers 1/365th per day of certain government fees paid on a vehicle. This formula creates a shortfall as rental car companies do not recover vehicle licensing fees on every vehicle every day. As the shortfall between what is paid and collected continues to grow, the rental car industry faces increased pressure on business operations.

House Bill 735 provide a more reasonable formula and would enable rental car companies to recover closer to all of its vehicle license costs.

The State will not recover any less fees from rental car companies with the passage of this legislation.

Hertz and its Dollar and Thrifty brands are long time employers on the Islands and pride

themselves on the significant contributions they have made to Hawaii's community and economy. A healthy and robust rental car industry is vital to Hawaii's tourism economy.

Hertz also joins the other rental car companies in expressing concerns about the recent amendments that place a one-year sunset on this proposal, and the need for an impact study by the Department of Business, Economic Development and Tourism. But based on our knowledge of the industry and our customers we feel confident that we can move forward with a bill that is good for Hawaii tourism and the industry.

Hertz urges the committee to pass the bill.

Thank you for the opportunity to submit this testimony.

SECTION 2. Section 437D-3, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

"Government assessed vehicle fees" includes motor vehicle weight taxes under section 249-2; fees connected with the registration of specially constructed, reconstructed, or rebuilt vehicles, special interest vehicles, or imported vehicles as referenced in section 286-41(c); license plate fees under section 249-7(b); and any use tax under chapter 238."

"Vehicle license recovery fee" means a charge that seeks to recover the amount of any government assessed vehicle fees paid by a rental company."

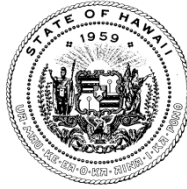
SECTION 3. Section 437D-8.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Notwithstanding any law to the contrary, a lessor may visibly pass on to a lessee:

(1) The general excise tax attributable to the transaction;

(2) The [~~vehicle license and registration fee and weight taxes, prorated at 1/365th of the annual vehicle license and registration fee and weight taxes actually paid on the particular vehicle being rented for each full or partial twenty-four hour rental day that the vehicle is rented; provided the total of all vehicle license and registration fees charged to all lessees shall not exceed the annual vehicle license and registration fee actually paid for the particular vehicle rented;~~] -government assessed vehicle fees vehicle license recovery fee, which shall be calculated by totaling the aggregate government assessed vehicle fees paid annually and dividing that amount by the anticipated number of annual rental days of the vehicle; provided that the aggregate fee charged to all vehicle lessees annually shall not exceed the total fees annually paid in the same year; provided further that:

- (A) If the aggregate amount of ~~government assessed vehicle fees~~ vehicle license recovery fees collected from lessees under this section in a particular year exceeds the aggregate amount of government assessed vehicle fees paid by the lessor in the same year, the lessor shall retain the excess amount of fees collected and reduce the amount of ~~government assessed vehicle fees~~ vehicle license recovery fees charged to lessees the following year by the corresponding amount; and
- (B) The lessor shall submit annually to the director and the director of the office of consumer protection a statement verified by a third party certified public accountant as accurate, that reports the total amount of the government assessed vehicle fees paid by the lessor in a particular year, and the total amount of the annual ~~government assessed vehicle fees~~ vehicle license recovery fees collected from lessees in the same year;



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

LATE

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

February 23, 2017
11:00 a.m.
State Capitol, Room 308

**H.B. 735, H.D. 2
RELATING TO MOTOR VEHICLE RENTAL INDUSTRY**

House Committee on Finance

The Department of Transportation (DOT) **supports** H.B. 735, H.D.2 which allows rental car companies to fully collect from customers the government-assessed fees they pay while ensuring the protection of customers by expanding the categories that can be recovered by the rental car companies, prohibiting rental car companies from collecting more fees from customers than total fees paid, and requiring all rental car companies to undergo annual third party audits by a certified public accountant.

The additional mandated government fees collected should assist rental car companies by increasing the frequency in terms of replenishing the vehicle rental fleet to provide newer and safer cars for customers to rent. In addition, it should support providing adequate fleet inventory to meet the customer demands for rental cars. By not addressing the demand, the traveling public may have to opt to other means of ground transportation which could be costlier and less flexible for the customer.

Thank you for the opportunity to provide testimony.



HAWAII LODGING & TOURISM
ASSOCIATION

LATE

Testimony of

Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

House Committee on Finance

House Bill 735 House Draft 2, Related to Motor Vehicle Rental Industry

Chair Luke, Vice Chair Cullen, and committee members:

Mahalo for the opportunity to testify. On behalf of the more than 700 members of the Hawai'i Lodging & Tourism Association, we support House Bill 735 HD2, which seeks to allow lessors of rental motor vehicles to pass on to lessees a government assessed fee, and further defines government assessed vehicle fees and vehicle license recovery fees.

The rental car business plays a very large role in the hospitality industry and is a key component in ensuring that our visitors experience a standard of quality while visiting our state. In order to ensure this standard is met, our local rental car companies must not only maintain quantity within their vehicular fleet but quality as well. As you may already know keeping to this standard is no easy task, and the burden is further felt by our rental car companies as the gap between mandatory government fees and what the law allows them to collect from their customers in regard to these fees broadens.

To emphasize a point stated in the bill's preamble, thirty-eight states currently authorize rental car companies the ability to recover all license and registration fees in full on the vehicle being rented. It precedes this point by affirming that Hawaii is the only state where the current law exempts rental car companies from fully recovering these fees. This proposed measure would help Hawaii join these other states as well as ultimately allow our rental car companies to reinvest these recovered fees back into the business, ensuring a better overall product for our visitors and local residents.

If we may offer comments in regards to this bill's HD2, we do have concerns that the one year sunset date provided maybe too short of a time frame and that the parameters suggested through the DBEDT study needs further refinement. We ask that the committee please take this into consideration during the deliberation process and we respectfully ask that you pass this bill through committee for further discussion.

Mahalo for the opportunity to testify.

LATE

Representative Sylvia Luke, Chair
Representative Ty Cullen, Vice Chair
House Committee on Finance

February 23, 2017; 11:00 AM
Hawaii State Capitol; Conference Room 308; **Agenda #1**

RE: HB 735 HD2 – Relating to Motor Vehicle Rental Industry – IN SUPPORT WITH COMMENTS

Chair Luke, Vice Chair Cullen and Members of the Committee:

My name is Michael Luedtke, Hawaii Regional Manager for Avis Budget Group. Thank you for giving us this opportunity to offer testimony in support of HB 735 HD2, which allows lessors of rental motor vehicles to pass on to lessees a government assessed fee.

This bill will update Hawaii's rental motor vehicle law and put Hawaii in line with the other states that allow for the full pass through and recovery of vehicle licensing fees.

Vehicles are not rented every day of the year due to down time for maintenance. The average vehicle is rented 20 – 25 days per month. Therefore, the current 1/365 methodology results in a shortfall and adds up to a significant amount. HB 735 HD2, if passed, will allow rental car companies to recover all of the government assessed fees that are paid on our vehicles. The current law does not permit the recovery of beautification fees, initial plate fees, safety inspection fees and use tax paid when vehicles are registered.

Visitors represent approximately 90% of our market. The price increase would be minimal (less than \$.50 per vehicle per day) and would allow us reinvest to enrich the visitor experience.

We would like to offer the following comments regarding recent amendments made to the bill.

- The current draft requests the Department of Business, Economic Development and Tourism to submit preliminary and final reports to the legislature on the impacts of the collection of government assessed fees provided for in this Act. The information requested is overly broad. For such a report to be useful, we suggest more clearly defining the scope of the report.
- The HD2 also has a sunset date of June 30, 2018. We ask the committee to consider extending this.

Thank you again for the opportunity to submit testimony. We ask for your favorable consideration of this measure.



LATE

Maui Hotel & Lodging
ASSOCIATION

Testimony of
Lisa H. Paulson
Executive Director
Maui Hotel & Lodging Association
on
HB 735 HD2
Relating To Motor Vehicle Rental Industry

COMMITTEE ON FINANCE
Thursday, February 23, 2017, 11:00 am
Conference Room 308

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 175 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA’s membership employs over 25,000 residents and represents over 19,000 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA is **in support** of HB 735 HD2, which allows lessors of rental motor vehicles to pass on to lessees a government assessed fee. Defines government assessed vehicle fee and vehicle license recovery fee. Requires a report by the Department of Business, Economic Development, and Tourism. Sunsets on June 30, 2018.

This Bill seeks to modernize Hawaii’s vehicle license fee recovery law so that it is in line with 38 other states that allow rental car companies to fully pass on the government fees they pay to rental car customers. The change being proposed would allow rental car companies to recover all of the government fees they pay for their cars, rather than the fraction of the fees that they are currently collecting under the existing law. While this would result in a very modest increase (less than 50 cents per day per vehicle) in the overall fee paid by customers, it would also mean that the companies will be able to reinvest the recovered fees back into the business to further enhance the customer’s experience while in Hawaii.

MHLA respectfully asks for your support for this proposed legislation. We believe that modernizing Hawaii’s law will help keep the rental car companies in the best position to continue providing quality services and support the tourism market.

Thank you for the opportunity to testify.