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TO THE SENATE COMMITTEE ON WAYS AND MEANS

THE TWENTY-NINTH LEGISLATURE  
Regular Session of 2017  
Friday, February 24, 2017  
9:30 a.m.

TESTIMONY ON SENATE BILL NO. 657, S.D. 1, RELATING TO MOTOR VEHICLE RENTAL INDUSTRY.

TO THE HONORABLE JILL N. TOKUDA, CHAIR,  
TO THE HONORABLE DONOVAN M. DELA CRUZ, VICE CHAIR,  
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs (“DCCA”), Office of Consumer Protection (“OCP”) opposes Senate Bill No. 657, S.D. 1, Relating to Motor Vehicle Rental Industry. My name is Stephen Levins and I am the Executive Director of the OCP.

Senate Bill No. 657, S.D. 1 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 car rental companies are authorized to

visibly pass on to consumers and it creates a new unfair method for calculating the visible pass on.

The addition of “license plate fees” and “use taxes” to the list of taxes and fees would appear to be inconsistent with existing law governing visible pass on in car rental transactions. Under current law the car rental industry is only allowed to visibly pass on recurring costs, such as, general excise taxes, license and registration fees, surcharge taxes, and rents and fees payable to the State Department of Transportation. They are not allowed to visibly pass on fixed one-time costs of doing business, such as, use taxes attributable to the importation of motor vehicles to the state, and license plate fees. In this regard, authorizing the fees would be a significant departure from the existing statutory policy favoring the visible pass on of only recurring government fees and taxes.

Currently, the Motor Vehicle Rental law authorizes a visible “pass on” to consumers only if it is prorated at 1/365<sup>th</sup> 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. 657, S.D. 1 because it will be unfair to certain consumers by creating a state of affairs 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.

Although Senate Bill No. 657, S.D. 1 attempts to rectify overpayments by mandating that excessive amounts collected from consumers during a particular year must be applied to the following year's receipts, the reconciliation process will still not prevent an overpayment by individual consumers. The inherent fairness of current law is that no renter will be subject to an overpayment.

Thank you for providing me with the opportunity to testify in opposition of Senate Bill No. 657, S.D. 1. I will be happy to answer any questions that the Committee may have.



**Testimony to the Senate Committee on Ways and Means  
Friday, February 24, 2017 at 9:30 A.M.  
Conference Room 211, State Capitol**

**RE: SENATE BILL 657 SD1 RELATING TO MOTOR VEHICLE RENTAL  
INDUSTRY**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 657 SD1, which allows lessors to pass on vehicle license recovery fees that dealers may pass on to customers; defines vehicle license recovery fees as government assessed vehicle fees that include motor vehicle weight taxes, fees connected with registration of specially constructed, reconstructed, or rebuilt vehicles; fees connected with registration of special interest vehicles; fees connected with registration of imported vehicles; license plate fees; and any use taxes.

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



# Chamber of Commerce HAWAII

*The Voice of Business*

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 1/365<sup>th</sup> 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.

# SanHi Government Strategies

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DATE: February 23, 2017

TO: Senator Jill Tokuda  
Chair, Committee on Ways and Means  
*Submitted Via Capitol Website*

RE: **S.B. 675, SD1– Relating to Motor Vehicle Rental Industry**  
**Hearing Date: Friday, February 24, 2017 at 9:30 a.m.**  
**Conference Room: 211**

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Dear Chair Tokuda and Members of the Committee:

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** S.B. 657, SD1, 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

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fees, currently, car rental companies may only recover from their customers 1/365<sup>th</sup> 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.

Enterprise appreciates the amendments made to the SD1 version of the bill, and generally is in support of the language. We note, however that the new section 2 added to the SD1 version of the bill should be amended. We understand that the intent was to require rental car companies to disclose the total fees and costs to the renter, but this provision does not currently do that, and conflicts with other sections of the existing law.

We respectfully request that the committee to pass the bill so that we can continue discussions on this measure. Thank you for the opportunity to submit testimony in support of S.B. 657, SD1.



Senator Jill Tokuda, Chair  
Senator Donovan Dela Cruz, Vice Chair  
Senate Committee on Ways and Means

February 24, 2017; 9:30 AM  
Hawaii State Capitol; Conference Room 211

**RE: SB 657 SD1 – Relating to Motor Vehicle Rental Industry – IN SUPPORT**

Aloha Chair Tokuda, Vice Chair Dela Cruz and Members of the Committee:

My name is Michael Luedtke, Hawaii Regional Manager for Avis Budget Group. Thank you for the opportunity to offer testimony in support of SB 657 SD1, which allows lessors to pass on vehicle license recovery fees that dealers may pass on to customers.

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 government assessed vehicle 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. SB 657 SD1, 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 to reinvest to enrich the visitor experience.

We ask for your favorable consideration of this measure. Thank you.