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**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
and
Senate Committee on Ways and Means
Thursday, March 4, 2021
9:30 a.m.**

**On the following measure:
S.B. 23, S.D. 1, RELATING TO MOTOR VEHICLE RENTAL INDUSTRY**

WRITTEN TESTIMONY ONLY

Chair Baker, Chair Dela Cruz, and Members of the Committees:

My name is Stephen H. Levins, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Office of Consumer Protection. The Department supports this bill.

The purpose of this bill is to repeal vehicle license recovery fees.

The Department supports this bill because it repeals the vehicle license recovery fees that car rental companies are authorized to pass onto consumers and to calculate using unfair methods. This is consistent with the Department's position when it opposed H.B. 735, H.D. 2, S.D. 2, C.D. 1, which was enacted into law as Act 137, Session Laws of Hawaii 2017.

Act 137 amended Hawaii's Motor Vehicle Rental Law (Hawaii Revised Statutes chapter 437D) in two significant ways. First, it added one-time fees to the litany of fees that car rental companies were authorized to visibly pass onto consumers. Prior to Act

137, the car rental industry was 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 Hawaii Department of Transportation. The car rental industry was 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 passing on of one-time fees was a significant departure from the previous statutory policy favoring the visible pass-on of only recurring government fees and taxes.

Secondly, Act 137 changed the method of calculating the pass-on costs. Currently, the Motor Vehicle Rental Law authorizes a visible pass-on to consumers if it is prorated at $1/292^{\text{nd}}$ of the annual fees and taxes paid on the vehicle being rented. This rate may have resulted in some consumers being charged more than their fair share of the taxes. The Department supports changing the proration method to $1/365^{\text{th}}$, because consumers would thereby be charged for fees and taxes that are directly attributable to their use of the vehicle on a particular day. This would be a logical and fair method of passing on these costs.

Thank you for the opportunity to testify on this bill.



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Senator Rosalyn Baker, Chair
Senator Stanley Chang, Vice Chair
Committee on Commerce and Consumer Protection

Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair
Committee on Ways and Means

Thursday, March 4, 2021, 9:30 a.m.
Via Videoconference

RE: SB 23 SD1 – Relating to Motor Vehicle Rental Industry – In Opposition

Aloha Chairs Baker and Dela Cruz, Vice Chairs Chang and Keith-Agaran and members of the committees:

My name is Robert Muhs, Vice President Government Affairs for Avis Budget Group. Avis Budget Group is in opposition to SB 23 SD1, which repeals vehicle license recovery fees.

Hawaii is in line with 49 other states that allow for the full pass through and recovery of government assessed vehicle fees. These fees are visibly line itemed when you reserve a car. Attached is a screen shot of an Avis Booking page. The vehicle license fee is based on the vehicle type.

Vehicles are not rented every day of the year due to down time for maintenance. Prior to the COVID pandemic, the average vehicle was rented 20-25 days per month. Therefore, the previous methodology of prorating the vehicle license recovery fees at 1/365th of the annual vehicle license recovery fees resulted in a shortfall and added up to a significant amount.

Avis Budget Group's Hawaii operations suffered a significant revenue loss in 2020 due to the pandemic and we are still struggling. This bill adds to our hardship.

For the above reasons, we ask that you hold this measure. Thank you.

Attachment

LOCATION & DATE

Pick-Up
 Honolulu Intl Airport, HNL
 Tuesday, Feb 09, 2021 @ 12:00 PM

Return
 Honolulu Intl Airport, HNL
 Wednesday, Feb 10, 2021 @ 12:00 PM

[Modify](#)

CAR CLASS

Standard Recreational
 Jeep Wrangler 4-Door or similar
 Automatic Transmission



[Modify](#)

YOUR INFORMATION

Age: 25+
Residence: US

Avis Wizard #: None

[Modify](#)

RATE TERMS

These rate terms apply for this specific rental.
 If for any reason you change your rental parameters (pick up dates, times, etc.), those changes must follow these terms or your rate will also change.
 Your rate was calculated based on the information provided. Some modifications may change this rate.

Base Rate	\$49.49
for 1 day(s)	
AWD savings applied	
Mileage	Unlimited
Rental Options	\$0.00
Equipment & Services	\$0.00
None Selected	
Protections & Coverages	\$0.00
None Selected	
Discount Codes	
Coupon: NA	
AWD: D486601	
Rate Code: VS	
Modify	
Fees & Taxes	\$18.93
Concessionaire Fee (11.11%)	5.61
Customer Facility Charge - 4.50/day	4.50
Highway Use Fee - 5.00/day	5.00
Vehicle License Fee Recoupment - 0.97/day	0.97
Total Tax	2.85

Estimated Total **\$68.42**

[Feedback](#)



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 3, 2021

TO: Senator Rosalyn Baker
Chair, Committee on Commerce and Consumer Protection

Senator Donovan M. Dela Cruz
Chair, Committee on Ways and Means

FROM: Mihoko Ito

RE: **S.B. 23, S.D.1 Relating to Motor Vehicle Rental Industry**
Hearing Date: Thursday, March 4, 2021 at 9:30 a.m.
Conference Room: 211

Dear Chair Baker, Chair Dela Cruz, and members of the Joint Committees:

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

Enterprise respectfully **opposes** S.B. 23, S.D.1 Relating to Motor Vehicle Rental Industry, which repeals the ability for rental car companies to charge certain vehicle license recovery fees. When this law was passed as Act 137, Session Laws of Hawaii 2017, Enterprise supported the proposal to modernize the vehicle license fees law because it would allow rental car companies to pass on to rental car customers the full amount of government fees that are assessed on each vehicle. Prior to Act 137, Hawaii was the only state did not allow rental car companies to fully recover the government fees to make the vehicle road-ready.

While the preamble of S.B. 23, S.D.1 mentions that there is “overpayment” of vehicle license fees by consumers, in fact, vehicles are only rented on average 80% of the calendar year. The formula proposed by this bill to return to a 1/365 per day collection virtually guarantees under-collection of government fees from customers.

Enterprise is also concerned that this bill will negatively impact an already hurting industry. At the peak of the COVID 19 pandemic, the rental car industry was down 95% and is only now starting to slowly make a recovery that is projected to take several years.

Enterprise believes it is fair for rental companies to be able to recover the many government assessed fees that are paid on its vehicles. For these reasons, we respectfully oppose S.B. 23, S.D.1 and ask that it be held.