



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**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 Transportation
Thursday, February 11, 2021
3:00 p.m.
Via Videoconference**

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

Chair Lee and Members of the Committee:

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.

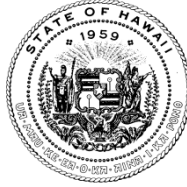
Act 137 amended Hawaii's Motor Vehicle Rental Law (Hawaii Revised Statutes chapter 437D) in two significant ways. First, it added one-time fees to the litany of fees that car rental companies were authorized to visibly pass onto consumers. Prior to Act 137, the car rental industry was only allowed to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

DAVID Y. IGE
GOVERNOR



LATE

TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
LYNN A.S. ARAKI-REGAN
DEREK J. CHOW
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STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
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February 11, 2021
3:00 p.m.
State Capitol, Room 224
Via Videoconference

S.B. 23
RELATING TO MOTOR VEHICLE RENTAL INDUSTRY

Senate Committee on Transportation

The Department of Transportation (DOT) – Airports Division **opposes** S.B. 23 which repeals the ability for rental car companies to charge certain vehicle license recovery fees.

Currently, the law allows rental car companies to pass on to rental car customers the full amount of government fees that are assessed on each vehicle which is prorated at 1/292 per day. This bill proposes changing the formula to 1/365 per day. On average, car rentals are good 80% of the calendar year which will guarantee under-collection of government fees from customers, hence negatively impacting an already financially distressed industry.

Thank you for the opportunity to provide testimony.



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Senator Chris Lee, Chair
Senator Lorraine R. Inouye, Vice Chair
Committee on Transportation

Thursday, February 11, 2021, 3:00 p.m.
Via Videoconference

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

Aloha Chair Lee, Vice Chair Inouye and members of the committee:

My name is Robert Muhs, Vice President Government Affairs for Avis Budget Group. Avis Budget Group is in opposition to SB 23, 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: February 10, 2021

TO: Senator Chris Lee
Chair, Committee on Transportation

FROM: Matthew Tsujimura

RE: **S.B. 23, Relating to Motor Vehicle Rental Industry**
Hearing Date: Thursday, February 11, 2021 at 3:00 p.m.
Conference Room: 224

Dear Chair Lee, Vice Chair Inouye, and members of the Senate Committee on Transportation:

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, 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 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 and ask that it be held.