

January 31, 2024

Senator Chris Lee, Chair
Senator Lorraine Inouye, Vice Chair
Committee on Transportation and Culture and the Arts

Re: SB 2039 – Relating to Motor Vehicle Rental Industry – In Opposition

Hearing: February 1, 2024, 3:00 p.m.
Conference room 224 & Videoconference

Aloha Chair Lee, Vice Chair Inouye and Members of the Committee:

The Board of Directors of the American Car Rental Association (ACRA) respectfully files this opposition to SB 2039, which would repeal the authority of car rental companies doing business in Hawaii from recovering “vehicle license fees” (VLFs) from rental customers.

ACRA is the national representative for over 98% of our nation's car rental industry – and a similar portion of Hawaii's car rental companies. ACRA's membership is comprised of over 300 car rental companies, including all of the brands you would recognize such as Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, National, Sixt and Thrifty. ACRA members also include many system licensees and franchisees, mid-size, regional and independent car rental companies as well as smaller, “mom & pop” operators. ACRA members have over 2.1 million registered vehicles in service in the United States, with fleets ranging in size from one million cars to ten cars and employ over 160,000 people in all 50 states.

Hawaii's current law that permits a car rental company to recover VLFs from rental customers is in line with 49 other states that allow for the recovery of government assessed vehicle fees – provided these fees are fully disclosed and listed in a separate line item on the rental agreement. In Hawaii, VLFs are clearly and conspicuously disclosed when a consumer reserves a car, as are:

- airport concession fees if a car is rented at an airport in Hawaii;
- fees for consolidated car rental facilities built by airports in Hawaii;
- car rental daily surcharges imposed by the state on all car rentals in the Hawaii;

- Hawaii's general excise tax; and,
- If the car is rented in Honolulu County, a local car rental tax.

Like the other fees mandated by airports and state or local governments listed above, the VLF is not discretionary cost for the car rental company. Hawaii's VLF is based on the vehicle type and is calculated to recover only the costs imposed by the state government that are associated with placing the vehicle in service -- such as license, registration and plates.

It should be noted that there is nothing in Hawaii's VLF statute that denies so-called "peer-to-peer" car rental companies the right to separately line-item and collect the state's VLF, just as they are not prohibited from collecting the state car rental tax, the state excise tax, or local car rental taxes from their customers – provided those fees are fully disclosed to the customer at the time a car is reserved.

ACRA respectfully urges you to reject SB 2039 because it is opposed by the vast majority of Hawaii's car rental industry, actually decreases car rental price transparency and consumer protection, singles out one state mandated fee for different disclosure and recovery treatment, and would put Hawaii's law at odds with the vast majority of states that permit VLF recovery from renters.

Thank you for your attention to ACRA's views on this legislative proposal.

Sincerely,



Sharon Faulker
Executive Director



Robert Muhs, Esq.

Vice President, Government Affairs
& Counsel

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Senator Chris Lee, Chair
Senator Lorraine Inouye, Vice Chair
Committee on Transportation and Culture and the Arts

February 1, 2024, 3:00 p.m.
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RE: SB 2039 – 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 & Counsel for Avis Budget Group. Avis Budget Group is in opposition to SB 2039, which repeals vehicle license recovery fees.

Hawaii is in line with 48 other states that allow for the recovery of government assessed vehicle fees by a separate line item on the rental agreement. These fees are clearly and conspicuously disclosed when you reserve a car. Attached is a screen shot of a Budget Booking page. The vehicle license recovery fee is based on the vehicle type and is calculated to recover only the costs the governments mandate associated with placing the vehicle in service such as license, registration and plates. In short, the customer pays a proportionate share of this expense similar to a lessee paying these fees on a long-term car finance lease.

Vehicles are not rented every day of the year due to down time for maintenance and other conditions which may be outside the control of the rental company such as accidents and thefts. The average vehicle is 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 significant shortfall. The existing law is intended to capture and recover a fair amount of government-imposed fees.

For the above reasons, we oppose this legislation. Thank you.

Attachment



4 Your Information

Pick-Up
Honolulu Intl. Airport, HNL ⓘ
Thu, Feb 01, 12:00 PM



Intermediate
Toyota Corolla or similar ⓘ
5 H Auto 1 2

Return
Honolulu Intl. Airport, HNL ⓘ
Fri, Feb 02, 12:00 PM

Base Rate	\$41.00
Taxes & Fees	\$19.20
Concessionaire Fee (11.11%)	4.66
Customer Facility Charge - 4.50/day	4.50
Highway Use Fee - 6.50/day	6.50
Vehicle License Fee Recoupment - 1.10/day	1.10
Total Tax	2.42
Estimated Total	\$60.20

See Rate Terms



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 1, 2024

TO: Senator Chris Lee
Chair, Committee on Transportation and Culture and the Arts

FROM: Matt Tsujimura

RE: **S.B. 2039, Relating to Motor Vehicle Rental Industry**
Hearing Date: Thursday, February 1, 2024 at 3:00 p.m.
Conference Room 224

Dear Chair Lee, Vice Chair Inouye, and Members of the Committee on Transportation and Culture and the Arts:

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

Enterprise Mobility **opposes** S.B. 2039, which repeals the vehicle license recovery fees.

In 2017, the Legislature amended HRS 437D to bring Hawaii in line with 38 other states by allowing rental car companies to pass on to customers the government fees and taxes that are assessed on each vehicle. HRS 437D-8.4 requires that rental car companies must visibly list on its rental car contracts the fees and taxes that they incur. Prior to 2017, the statute did not allow rental car companies to recover all of the government assessed fees that are paid.

S.B. 2039 would not allow rental car companies to pass on the majority of the government-imposed fees and taxes. The statute currently includes all fees that rental companies pay to make a vehicle ready to rent. Removing any of these fees from the statute would be detrimental and regressive to the car rental industry.

S.B. 2039 also amends the calculation of the fees from 1/292nd to 1/365th of the annual cost. Reverting to a calculation of 1/365th 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 maintenance, repair, cleaning, and recalls. When cars are grounded, vehicles cannot be rented and fees go uncollected. Keeping the current statutory calculation ensures that the fees are fairly and equitably collected.

Enterprise provides over 1,000 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. The COVID-19

pandemic and Maui wildfires have caused serious supply chain costs increases, and with a decreased availability of vehicles to purchase. The rental car industry is still on the road to recovery.

For the above reasons, we respectfully oppose this measure and ask that it be held. Thank you for the opportunity to submit this testimony.



Testimony of
Davin Aoyagi - Senior Government Relations Manager
Turo Inc.
OPPOSE SB2039, 02/01/24

Aloha e Chair Lee, Vice Chair Inouye, and other Committee Members,

On behalf of Turo and our vibrant community of peer-to-peer car sharing hosts and guests in Hawaii, we respectfully offer the following written testimony in opposition to SB2039. On its face, the bill outlines many relevant points about the problems of vehicle license recovery fees (“VLF”), and the fact that they are a mechanism that allows traditional rental car companies to pass on fees including motor vehicle weight taxes; fees connected with the registration of specially constructed, reconstructed, or rebuilt vehicles; special interest vehicles or imported vehicles; license plate and emblem fees; inspection fees; highway beautification fees; and any use tax on rental car users.

Moreover, the bill correctly notes that VLF has subsequently expanded to one-time fees and has also been amended to allow a more generous framework for traditional rental car companies, resulting in overpayments by rental car users.

We are opposed to SB2039 however, because this measure does not actually repeal VLF. Rather, it removes the statutory definition and instead, hides the fee under a vehicle registration and weight taxes fee (which is exactly what the VLF was) and keeps traditional rental car companies’ ability to pass on the fee to consumers. And while it does seek to reduce the fee from 1/365th instead of the current rate of 1/292th, it also removes the state mandated annual audit of rental cars that was established under Section 5, Act 137, Session Laws of Hawaii 2017. Without this audit, there is no way to verify whether or not rental car companies are using this pass through as a profit center.

In conclusion, Turo advocates for the actual repeal of VLF versus having VLF continue as a hidden fee. We also continue to believe that the Legislature should have the oversight provided under Section 5, Act 137, Session Laws of Hawaii 2017.

We extend a warm mahalo to the committee for its consideration of our testimony.