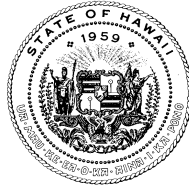


DAVID Y. IGE
GOVERNOR



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

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

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

IN REPLY REFER TO:

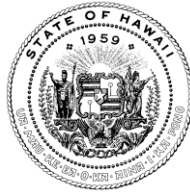
February 3, 2017
10:30 a.m.
State Capitol, Room 423

H.B. 735
RELATING TO MOTOR VEHICLE INDUSTRY

House Committee on Transportation

The Department of Transportation **supports** the intent of H.B. 735 to allow 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.

Thank you for the opportunity to provide testimony.



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

PRESENTATION OF THE
OFFICE OF CONSUMER PROTECTION
TO THE HOUSE COMMITTEE ON TRANSPORTATION
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

Friday, February 3, 2017
10:30 A.M.

TESTIMONY ON HOUSE BILL NO. 735, RELATING TO MOTOR VEHICLE RENTAL INDUSTRY.

TO THE HONORABLE HENRY J.C. AQUINO, CHAIR,
AND TO THE HONORABLE SEAN QUINLAN VICE CHAIR,
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs (“DCCA”), Office of Consumer Protection (“OCP”) opposes House Bill No. 735, Relating to Motor Vehicle Rental Industry. My name is Stephen Levins and I am the Executive Director of the OCP.

House Bill No. 735 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 1/365th 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 House Bill No. 735 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 House Bill No. 735 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 on House Bill No. 735. I will be happy to answer any questions that the Committee members may have.

TESTIMONY OF JERRY GIBSON
AREA VICE PRESIDENT, HILTON HAWAII
February 3, 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 3, 2017

TO: Chair Henry J.C. Aquino
House Committee on Transportation

RE: House Bill 735 and Senate Bill 657

Dear Chair Aquino, Vice Chair Quinlan and Members of the Committee on Transportation:

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 and Senate Bill 657. These amendments 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 and Senate Bill 657 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 suggesting the attached clarifying amendments to the bill add a definition for "vehicle license recovery fee." These amendments would put Hawaii in line with the majority of states that permit a complete pass through and recovery of vehicle licensing fees.

Hertz strongly supports these measures and urges the committee to pass the bill with amendments.

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 of Daniel Schaberg
Enterprise Holdings, LLC**

DATE: February 1, 2017

TO: Representative Henry Aquino
Chair, Committee on Transportation
Submitted Via Capitol Website

RE: **H.B. 735 – Relating to Motor Vehicle Rental Industry**
Hearing Date: Friday, February 3, 2017 at 10:30 a.m.
Conference Room: 423

Dear Chair Aquino and Members of the Committee on Transportation:

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, which modernizes the 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.

Hawaii is currently the only state the virtually ensures that car rental companies cannot fully recover the government fees to make the vehicle road-ready. Currently, car rental companies may only recoup from their customers 1/365th per day of certain government fees paid on a vehicle. However, because vehicles are only rented on average 80% of the calendar year, the current formula virtually ensures that car rental companies in Hawaii under-collect from their customers the collectable amount of government taxes and fees. Should a vehicle need to be grounded for repair or recall, Enterprise takes these vehicles out of service to ensure consumer safety. When cars are grounded, vehicles cannot be rented and fees go uncollected. As the shortfall 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, rather than a fraction of the fees collectable under the existing law. This modest increase in price, which amount to approximately 50 cents per vehicle per day assessed on rental car customers, would allow car rental companies to reinvest the recovered fees back into their businesses to further enhance the visitor experience.

It should be noted that this fee will be collected predominantly from tourists, who comprise approximately 85% of the car rental market. Today's tourists seek flexibility and independence while on vacation, and rent cars in order to customize their visitor experience. Car rental companies strive to ensure a wide variety and selection of vehicles are available for rent to match customer needs based on passenger size, luggage capacity, technology, color, model and other specifications.

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 would like to suggest the attached clarifying amendments to the bill to add a definition for "vehicle license recovery fee." This amendment would reflect how 38 other states have termed the fees, and would provide consistency in terminology across the states.

For the above reasons, we strongly support this measure and urge the committee to pass the bill with amendments. Thank you for the opportunity to submit testimony in strong support of this measure.

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."

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(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 to the House Committee on Transportation
Friday, February 3, 2017 at 10:30 A.M.
Conference Room 423, State Capitol**

LATE

RE: HOUSE BILL 735 RELATING TO MOTOR VEHICLE RENTAL INDUSTRY

Chair Aquino, Vice Chair Quinlan, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 735, 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.).

HB 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.



Chamber of Commerce HAWAII

The Voice of Business

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.

Representative Henry Aquino, Chair
House Committee on Transportation

February 3, 2017; 10:30 AM
Hawaii State Capitol; Conference Room 423

RE: HB 735 – Relating to Motor Vehicle Rental Industry – IN SUPPORT, SUGGEST AMENDMENT

Chair Aquino, Vice Chair Quinlan 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, 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, 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.

Approximately 90% of our market are visitors. 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 suggest an amendment to add a definition for "vehicle license recovery fee" to be consistent with terminology used in 38 other states:

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

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