

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

February 23, 2010

1:01 p.m.

**MEMBERS PRESENT**

Senator Linda Menard, Vice Chair  
Senator Bettye Davis  
Senator Kevin Meyer  
Senator Joe Paskvan

**MEMBERS ABSENT**

Senator Albert Kookesh, Chair

**COMMITTEE CALENDAR**

SENATE BILL NO. 272

"An Act relating to charges for rented motor vehicles, including cost recovery fees, and making a violation of the rented motor vehicle charge provisions an unfair trade practice."

- MOVED SB 272 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 272

SHORT TITLE: RENTAL CAR CHARGES

SPONSOR(s): SENATOR(s) HUGGINS

02/10/10	(S)	READ THE FIRST TIME - REFERRALS
02/10/10	(S)	TRA, L&C

**WITNESS REGISTER**

EDRA MORIEDGE, Staff  
to Senator Huggins  
Alaska State Legislature  
Juneau, AK

**POSITION STATEMENT:** Introduced SB 272 on behalf of the sponsor.

ED SNIFFEN, Assistant Attorney General  
Civil Division  
Department of Law  
Anchorage, AK

**POSITION STATEMENT:**

BILL GARDNER, Regional Vice President  
Enterprise Holdings  
Seattle, WA

**POSITION STATEMENT:** Provided industry perspective on SB 272.

SHANE SKINNER, Controller and Business Manager for AK and WA  
Enterprise Holdings  
Seattle, WA,

**POSITION STATEMENT:** Provided industry perspective on SB 272.

#### **ACTION NARRATIVE**

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**VICE CHAIR LINDA MENARD** called the Senate Transportation Standing Committee meeting to order at 1:01 p.m. Senators Paskvan, Davis, and Menard were present at the call to order. Senator Meyer arrived soon thereafter.

#### **SB 272-RENTAL CAR CHARGES**

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**VICE CHAIR MENARD** announced the consideration of SB 272.

**SENATOR MEYER** joined the meeting.

**EDRA MORIEDGE**, Staff to Senator Huggins, introduced SB 272 on behalf of the sponsor by reading the following sponsor statement into the record:

SB 272 is a technical bill that would allow rental car companies to do in Alaska what they already do in thirty other states. Alaska law is currently silent on the issue of separately-listed charges on rental car statements for the recovery of fees. This bill would require those fees to be listed separately and clearly identified on the rental car agreement.

The industry standard is to turn over the rental car fleet every twelve months and to associate the costs of licensing the vehicles, concessions, and airport or facility-related costs with the vehicles themselves. In addition to government taxes and surcharges, rental car companies assess additional "cost recovery fees" to offset those costs. Consumers should be made aware, and be able to see the fees they are charged, on both the rental bill and in an outline quote. This bill would provide full disclosure and transparency of

"cost recovery fees" included in rental car agreements. In addition,

MS. MORIEDGE added that under this legislation it would be an unfair labor practice to violate this provision.

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VICE CHAIR MENARD asked the impetus of the bill.

MS. MORIEDGE offered her understanding that in 2006 the Department of Law (DOL) issued a business advisory to rental car companies when it learned that some companies were charging cost recovery fees. However, there is no statutory ability to dictate what a rental car company can or cannot charge. Although this has been an issue for DOL, it was the industry that brought the issue to the sponsor.

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ED SNIFFEN, Assistant Attorney General, Department of Law (DOL) said he authored the 2006 business advisory that Ms. Moriedge mentioned. He said this has been an issue for DOL some time. When consumers complained about vehicle licensing fee (VLF) charges, DOL investigated and determined that recovery of those fees might violate the Alaska Consumer Protection Act. DOL asked industry to include those fees in the advertized price because it looked deceptively like a mandatory government charge done on a per transaction basis. He likes the bill because it clarifies the law going forward and addresses that issue.

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SENATOR PASKVAN asked if DOL intends that a consumer who books online would see a clear breakdown of these cost recovery fees.

MR. SNIFFEN said he believes that car rental companies break the charges out but the question is when in the process consumers become aware of those charges.

SENATOR PASKVAN asked what part of this bill would subject a rental car company to scrutiny for an unfair trade practice.

MR. SNIFFEN replied DOL finds several parts of the bill attractive. First, the bill adds a new Section .450 [Sec. 45.45.450] that requires rental car companies to separately identify each cost recovery fee. This will require an explanation of each fee somewhere in the process. Second, the bill adds a new Section .460 [Sec. 45.45.460] that says that rental car companies can only recover those fees that are a

good-faith estimate of the actual fees incurred to license and title a vehicle. DOL suspects that in some instances rental car companies were using the VLF process as a profit center. He said that DOL would continue to work with rental car companies to make sure that their advertising complies with the amount they recover and that all costs are itemized such that consumers aren't misled.

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BILL GARDNER, Regional Vice President, Enterprise Holdings (EH), Seattle, WA, said he oversees Alaska operations. EH is the corporate parent of Enterprise, Alamo, and National. This family-owned company was started in 1957 and is now the largest rental car company in the U.S. They operate four locations in Alaska - three in Anchorage and one in Wasilla.

SHANE SKINNER, Controller and Business Manager for Alaska and Washington, Enterprise Holdings, Seattle, WA, described SB 272 as a great bill for consumers; it provides full disclosure of fees and taxes at booking. Similar legislation has been embraced by a majority of states. It creates equality within the industry, he said.

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SENATOR PASKVAN asked what information other than vehicle cost recovery fees would be available to the online consumer.

MR. SKINNER replied the bill addresses three sets of fees and taxes. It addresses rental car taxes including sales tax, it addresses airport fees that are collected and remitted to airport authorities, and it addresses the vehicle licensing fee, which is paid to the state. The bill expressly states the fees allowable to the car rental industry so it would protect the consumer from fees like the energy recoupment fee. I've been with the industry for 13 years and I don't really know what that is, he said.

SENATOR PASKVAN asked if he's saying that if this becomes law, then collecting fees like the energy recoupment fee would be illegal.

MR. SKINNER said yes.

SENATOR PASKVAN asked if this would provide a competitive advantage to one rental car business over another.

MR. SKINNER replied there are very few examples of companies charging such unique fees, but this would level the playing field for all car rental companies.

SENATOR PASKVAN asked if the energy recoupment fee would be posted in the section talking about the charge for not returning the car with a full tank of fuel.

MR. SKINNER said yes.

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VICE CHAIR MENARD asked if it is more expensive to do business in Alaska than in other states.

MR. SKINNER said Alaska taxes the rental car industry at a higher rate than other states so he imagines overall costs would be higher.

MR. GARDNER said that a consolidated rental facility was recently built at Anchorage International Airport so there are additional fees to fund that, but overall he believes the fees are competitive.

SENATOR PASKVAN asked if their business model includes revenue sharing agreements with other businesses.

MR. GARDNER said he doesn't believe that they have deals with a hotel chain or Expedia, for example.

MR. SKINNER clarified that they do pay commissions to third party bookers, but they're a cost of doing business.

SENATOR PASKVAN asked if those costs are included in the rental fee itself, not separately.

MR. SKINNER said yes, and this bill would limit what can be broken out and charged as separate fees and taxes.

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SENATOR PASKVAN asked if online discounts are disclosed to a consumer who rents at the counter.

MR. GARDNER said the rates may vary if you book ahead versus coming to the counter with no reservation, just as it would at a hotel.

SENATOR PASKVAN asked if it would be cheaper for someone to make an online same day booking versus going to the counter to book without a reservation.

MR. GARDNER said the only online discount is that it's cheaper to book online directly with Enterprise, National, or Alamo versus booking through a third party agent.

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SENATOR PASKVAN asked if he can assume that their discount structure could be directly compared to a competitor's discount structure.

MR. GARDNER said yes.

MR. SKINNER added that this bill only allows car rental companies to recoup the actual cost of the license and title fees. This protects consumers from excessive or manipulative pricing.

VICE CHAIR MENARD closed public testimony and asked for comments or questions.

SENATOR PASKVAN asked if the administration has taken a position on the bill.

MR. SNIFFEN said DOL doesn't endorse or oppose the legislation but the bill does provide some guidance to make the issue enforceable. Current law is too vague to take any action on, he said.

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VICE CHAIR MENARD asked the will of the committee.

SENATOR PASKVAN moved to report SB 272 from committee with individual recommendations and attached fiscal note(s). There being no objection, SB 272 moved from the Senate Transportation Standing Committee.

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There being no further business to come before the committee, Vice Chair Menard adjourned the Senate Transportation Standing Committee meeting at 1:26 p.m.