



Gregory J. Cavoli

General Manager

Testimony - House Transportation Committee

June 17, 2013

Good morning Chairman Hess, Chairman McGeehan and members of the House Transportation Committee. My name is Greg Cavoli and I am a General Manager for Enterprise Holdings. Thank you for the opportunity to provide testimony on Senate Bill 1, legislation that will generate funding for Pennsylvania's transportation infrastructure and systems.

Enterprise Holdings is the parent company of Enterprise Rent-A-Car, National Car Rental and Alamo Rent a Car. We have over 200 locations in Pennsylvania and employ over 2000 residents. We have established a very strong presence in Pennsylvania and look forward to expanding in the years to come.

An issue that Enterprise Holdings is always focused on when transportation funding is discussed is the statewide rental car tax. We were very pleased to see that Senate Bill 1 included no increase to the statewide rental car tax when it was passed by the Senate. Increases to this tax are difficult for the rental car industry and our customers because we generally see no benefit, direct or indirect, from the revenue generated from this tax.

While Senate Bill 1 in its current form does not increase the statewide rental car tax, we are concerned that the Pennsylvania House may be contemplating an increase to the tax. In fact, we have heard there may be a proposal to increase the current \$2 a day tax by as much as \$4 a day. This would bring the statewide tax to \$6 a day for our customers. Any increase to this tax would be very troublesome for our industry and for our customers.

There is a common misconception that exists regarding rental car taxes. Many believe it is a tax on out-of-towners and has no negative impact on local residents. This is not the case and nothing demonstrates that more than the business model of the largest company in our industry, Enterprise Rent-A-Car.

In Pennsylvania, since its primary business is focused on neighborhood rentals as opposed to airports, approximately 90 percent of Enterprise Rent-A-Car customers are local residents. Our customers are your neighbors who need access to a replacement vehicle, not out of towners. Enterprise has a neighborhood location within 15 miles of 90 percent of the U.S. population.

To better illustrate the impact an increase to the statewide rental car tax would have on local residents, I wanted to provide you with some data about Enterprise's daily rentals. At noon on most days during the year, there are approximately 30,000 Enterprise vehicles on Pennsylvania roads. On average, approximately 27,000 of those cars are being driven by Pennsylvania residents.

Most Enterprise Rent-A-Car customers rent out of necessity rather than discretion. They rent from Enterprise while their car is in the shop for repair. This type of rental is often a lengthy one. Increases to the statewide rental car tax will inflate the cost of renting a vehicle, and that cost burden will fall upon local consumers. In some cases the cost of renting a vehicle is covered by an individual's auto insurance provider. As such, increases to the statewide rental car tax are passed on to consumers through higher insurance rates.

Car renters are currently subject to a heavy dose of taxes in Pennsylvania. The average tax impact on a car rental agreement ranges from approximately 16%, but is as high as 22% in some locations. In addition to the statewide rental car tax, some jurisdictions impose daily rental taxes on our customers as well. In the 1990's Philadelphia imposed a 2% per day rental car tax to help pay for stadiums for professional sports teams. Most recently Allegheny County imposed an additional \$2 a day rental car tax on local residents to help fund public transit. These taxes are in addition to the traditional business and corporate taxes we are assessed. We firmly believe we and our customers already pay our fair share of taxes and that an increase to the statewide rental car tax is an additional tax on your constituents.

In May of 2010 the Pennsylvania State Transportation Advisory Committee issued a Transportation Funding Study. They did not recommend an increase to the statewide rental car tax as part of their transportation funding solution. In fact, in this report, when examining the rental car tax, the Committee determined that the "Yield Potential" was "Low", and the "Long-Term Viability" of the tax was "Low". The Committee also determined that one of the "Cons" of the tax was that it had "No tie to system usage".

Enterprise Holdings is not a company that just says "No" to increases in fees that impact us. We understand the importance of a quality and sustainable transportation infrastructure. For example, there may be no organization in Pennsylvania that registers more vehicles than Enterprise Holdings. But you will not hear us opposing proposals to increase the registration fee for vehicles because that is a fee that is applied across the board on all users. What concerns us are proposals to increase fees that are targeted at only our industry and the revenue generated from the fee increase provides no benefit to our customers or the rental car industry. The expected increase in vehicle registrations fees combined with a rental car tax unfairly targets our industry and is simply unfair.

As you contemplate how to move forward with Senate Bill 1 and transportation funding in general, I would respectfully urge you to stay away from increases to the statewide rental tax in your proposal.

One aspect of Senate Bill 1 that is of interest to Enterprise Holdings is a provision that allows for the assessment of up to an \$8 per day fee Customer Facility Charge ("CFC") on rental vehicle transactions at the Philadelphia International Airport. The revenue generated from this fee will be used for costs

related to the construction of a Consolidated Car Rental Facility (Conrac), and other expenses associated with the facility. A Conrac typically is a complex that hosts numerous rental car companies and provides the customer with a convenient mechanism for picking up and dropping off rental vehicles at the airport. Conracs, and fees, such as CFCs, associated with the construction and up keep of the facility, are common at large airports across the United States.

Because this fee is dedicated for a specific and beneficial use for our customers, Enterprise Holdings does not oppose this provision of Senate Bill 1. We worked closely with the other rental car providers at the airport, and the City of Philadelphia on this matter and it is our understanding that all parties involved are in support of this provision. We are comfortable with this provision because we believe the language in Senate Bill 1 ensures that revenues derived from the airport fee will be used for a project that will directly benefit our customers. While we will be seeking some changes to the language related to this provision in the House, they are changes that all involved are in agreement with and in no way change the intent of this section of the bill.

Some may wonder how we can be opposed to a statewide car rental tax, but be okay with an \$8 per day fee at our airport location. The answer to that is easy and quite simple. The proposed \$8 per day fee is directly tied to a project that will indeed directly benefit our airport customers. An increase in the statewide tax on our customers would be completely random and perhaps have the appeal of largely being paid by out of towners. Clearly that thinking is misguided based upon my comment of a few moments ago.

Thank you for the opportunity to provide testimony to the Committee today. I would be happy to take questions from the Committee.