

FEE DISCLOSURE FOR RENTAL VEHICLE

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Senate Bill 1003 (Substitute H-1)

Sponsor: Sen. Randy Richardville

House Committee: Regulatory Reform

Senate Committee: Economic Development and Regulatory Reform

First Analysis (5-13-08)

BRIEF SUMMARY: The bill would require a car rental company to disclose certain fees to customers at the time a price quote is given and also in the rental contract.

FISCAL IMPACT: The bill has no fiscal impact on the state or local units of government.

THE APPARENT PROBLEM:

Some rental car companies clearly disclose to customers the total price to rent a car, including any additional fees. Reportedly, some companies do not. Prices quoted on the Internet or in person may not include fees that a rental company charges consumers in addition to the rental fee, such as vehicle license cost recovery fees (costs incurred by a company to license, title, and register a rental vehicle).

Reportedly, about one-half of the states have enacted legislation mandating disclosure requirements. Some believe that Michigan should follow the example set by these states and require car rental companies to clearly disclose any fees added to a rental transaction.

THE CONTENT OF THE BILL:

The Michigan Consumer Protection Act states that unfair, unconscionable, or deceptive methods, acts, or practices in the conduct of trade or commerce are unlawful, and it lists activities that constitute these methods, acts, or practices. Senate Bill 1003 would amend the act (MCL 445.903 and 445.903f) to include a violation of Section 3h, which would be added by the bill, in the list of unlawful activities. Section 3h would do all of the following:

- Require a car rental company to provide a consumer—at the time a price quote or estimate is given and also in the rental agreement—with either an estimated total price for a vehicle rental or to disclose any vehicle license cost recovery fee and any other mandatory fee.
- If a vehicle license cost recovery fee was included as a separately stated mandatory fee in a rental transaction, provide that the fee would have to be based on the company's average per-vehicle portion of the annual costs to license, title, and register its vehicles.
- If the total amount of the vehicle license recovery fees collected by a car rental company in a calendar year exceeded the company's actual costs to license, title, and register its vehicles, the company would be required to retain the excess amount and

to reduce the fees by an amount equal to the excess amount collected in the preceding calendar year.

The bill would apply to a person whose primary business was renting vehicles to consumers under rental agreements for periods of 90 days or less.

"Vehicle license cost recovery fee" would mean a charge that may be included in a vehicle rental transaction originating in Michigan to recover costs incurred by a car rental company to license, title, and register rental vehicles. "Mandatory fee" would mean a fee, charge, or surcharge that a car rental company includes in every vehicle rental transaction. A fee, charge, or surcharge associated with optional products and services available for purchase by a consumer at the time of rental would not be a mandatory fee.

HOUSE COMMITTEE ACTION:

The substitute bill renamed the section that would be added from "3f" to "3h".

ARGUMENTS:

For:

Consumers should know how much it will cost them to rent a vehicle. However, not all rental companies operating in Michigan disclose all fees that will be added on to the base rental price. Therefore, when comparing prices between companies, a customer who does not realize that one company reports the total costs, where a second company only reports the base cost, may choose a vehicle from the second company because it appears to be a better deal. Only at the time of picking up the car do they realize it is costing more than anticipated.

The bill would protect consumers by requiring all car rental companies to clearly disclose any and all fees tacked on to a rental agreement. The required information would have to be disclosed at the time a quote was given to the consumer (whether in person, over the phone, or on the Internet) and also in the rental agreement. The bill would also level the playing field for companies who already fairly disclose the total costs upfront.

Under the bill, a company could still spread the cost of licensing, titling, and registering the vehicles to customers, but they could not use this as a means of making a profit. If the amount collected in one calendar exceeded the company's expenses, the fees imposed on customers for the next year would have to be reduced by an equal amount.

POSITIONS:

Enterprise Rent-A-Car supports the bill. (5-13-08)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.