

**STATEMENT OF THE AMERICAN CAR RENTAL ASSOCIATION
BEFORE THE
MICHIGAN HOUSE JUDICIARY COMMITTEE
OPPOSITION TO CURRENT DRAFT OF H.B.4902**

May 15, 2024

Chair Breen, Vice Chairs Edwards and Fink, and Members of the Michigan House Judiciary Committee -- The American Car Rental Association (ACRA) respectfully offers this testimony in **opposition** to HB4902 with respect to: (1) the bill's provisions mandating the advance disclosure of fees that a renter will be charged for violating a car rental company's prohibition on smoking in a rental car; and, (2) the bill's requirement that a car rental company take a vehicle out of service if the company initiates a smoking fee charge until the renter returns -- if ever -- to inspect the vehicle. ACRA respectfully asks that the committee reject this measure as well-intended but unworkable.

ACRA is the national representative for over 98% of our nation's car rental industry. 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 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 workers at rental locations in every county and state across the nation. If a visitor or Michigan resident rents a car in Michigan, chances are they are renting it from an ACRA member.

ACRA opposes H.B.4902 for several reasons:

- While the intent of this legislation appears to be the prevention of rental customers being charged incorrectly for smoking in a vehicle in violation of the car rental company's written policy, the bill does not take into account that renters already have the opportunity to challenge inappropriately asserted fees – including smoking fees.
- Causing smoke damage to a rental vehicle is very much like causing any other damage – whether that be physical damage to the exterior of the vehicle from negligent driving; mechanical damage from negligent operation; or interior damage through unapproved and/or negligent use.
- All of these forms of damage – including smoke damage -- create challenges for the rental company:
 - The vehicle must be taken out of service, making it unavailable to be rented to the customer that it was intended for;
 - Costs are incurred by the rental company to make the vehicle “rental-ready” – such as detailing, or chemical treatment, “airing out” for some period of time, or all of the above.
 - Rental companies seek to hold the customers responsible for the costs associated with smoke damage so as not to spread those costs across all our customers who comply with no smoking policies in rental cars in the form of higher rental prices.
 - It is only logical that the renter who renders the vehicle un-rentable for some period of time to pay the associated costs.

- Requiring that rental companies post the specific cost in a policy at every single rental location across the state is impractical and could result in customers paying more, or less, than the cost of remediating the smoke damage:
 - Rental cars travel across the state and are rented at airport and neighborhood locations – as well as across state lines -- making disclosure of remediation costs for every vehicle in every location impractical if not impossible.
 - The cost to remediate smoke damage to vehicles varies greatly by market – a detail in Detroit and a detail in Ann Arbor are very different.
 - Similarly, different vehicles cost different amounts to remediate – again, it's in our customers interest to allow the party who caused the issue to pay an amount reasonable for that vehicle in that local market.
- The bill also requires the vehicle involved in an alleged no smoking violation to be taken out of service until such time as the renter returns to inspect the vehicle.
- This provision in effect punishes the car rental company for the violation of its written no smoking policy by the renter and increases – potentially hugely – the financial damages imposed on the car rental company – and potentially on the renter for loss of use – because the car cannot be cleaned and returned to the rental fleet until the renter has inspected it.
- Further, the bill does not set a time limit for the renter to return to inspect the rental car – he or she might not return for weeks or months (if ever) – during which time the rental car has been sidelined and placed in the “do not rent” part of a rental fleet.

- Such a public policy can only be described as outrageously punitive – the renter is the person who violated a policy of the rental company, the rental company can't clean the vehicle until the renter returns to inspect it, and the renter has no obligation to conduct this inspection in a timely fashion – in fact, ever.

Renters are entitled to be fully informed of a car rental company's no smoking policies in a rental contract's terms and conditions and by visible reminders of those policies. ACRA fully supports such disclosures to our members' customers.

But this bill goes much too far in protecting renters who may have violated these policies. This bill is detrimental to the car rental company that has done nothing wrong and to the company's other customers who abide by the no smoking policies. This bill could put upward pressure on the rental rates for customers that abide by no smoking policies and could result in a rental vehicle not being available to a customer because it has been placed out of service.

As a final note, this Committee is considering HB4903 today with respect to smoking policies and hotels. Rental cars and hotels are completely different things and ACRA urges the Committee not to apply one public policy to both. For example, hotel rooms don't move from one place to another, hotel rooms are relatively uniform in size and function, hotel rooms aren't dropped off at different locations from where they were rented, and hotel rooms don't cross state lines. A public policy that may make sense for hotel rooms doesn't necessarily make sense for rental cars.

For these reasons, ACRA urges this Committee to reject HB4902.

If ACRA's statement has given rise to questions, please contact Gregory M. Scott, ACRA's Government Relations Advisor, at 202-297-5123 or gscott@merevir.com. Thank you for the opportunity to submit this testimony.