

Testimony of

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On Behalf of

Enterprise Holdings, Inc.

Before the  
U.S. House of Representatives  
Committee on Energy and Commerce  
Subcommittee on Commerce, Manufacturing, and Trade

On  
“Vacation Nation: How Tourism Benefits Our Economy”

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Good morning, Chairman Terry and Ranking Member Schakowsky, and members of the Subcommittee on Commerce, Manufacturing, and Trade.

My name is Brian Rothery, and I am the Assistant Vice President of Government & Public Affairs for Enterprise Holdings, Inc. (“Enterprise Holdings”), which operates the Enterprise, Alamo and National car rental brands.

Chairman Terry, thank you for holding this hearing on the impact of tourism to our economy. I am honored to have the opportunity to describe the important role the rental car industry plays in the tourism industry, and our corresponding contribution to the broader economy.

### **The name “Enterprise”**

Enterprise Holdings has a rich and distinctive heritage. It's a truly remarkable story of how entrepreneurship, hard work and a big dream can turn a tiny start-up into a world-class company.

The story begins with our founder, Jack Taylor. Born in our company's home town of St. Louis in 1922, Jack heeded his country's call after the attack on Pearl Harbor drew the United States into World War II. In 1942, he enlisted and served as a decorated WWII Hellcat pilot in the skies over the South Pacific.

Then, like so many others of the “Greatest Generation,” Jack returned home to raise his family and start a business. Lessons learned in the Navy – including the values of integrity, hard work, team spirit and simply doing the right thing – helped shape his personality. They also made their mark on the company he founded in 1957, and that his family owns to this day.

In a tiny lower-level office in a St. Louis Cadillac dealership, he started out with a fleet of seven cars, one employee and a commitment to provide a uniquely personal brand of customer service.

Jack developed a simple but enduring business philosophy that still guides our efforts as the largest rental car operation in the world: *“Take care of your customers and your employees first, and the profits will follow.”* As his company grew, the Navy veteran expanded operations into new markets and named the company after an aircraft carrier on which he had served, the World War II USS Enterprise.

### **About Enterprise Holdings, Inc.**

Today, more than 56 years after it all began, Enterprise Holdings and its affiliate Enterprise Fleet Management together offer a total transportation solution. Combined, these businesses – which include extensive car rental and car sharing services, commercial truck rental, corporate fleet management, and retail car sales – accounted for \$15.4 billion in revenue and operated 1.3 million vehicles throughout the world in fiscal year 2012. Enterprise Holdings, through its regional subsidiaries, operates the largest fleet of vehicles in the world through a global network of more than 8,200 airport and neighborhood locations under the Enterprise Rent-A-Car, National Car Rental, and Alamo Rent A Car brands. Its affiliate, Enterprise Fleet Management, provides full-service fleet management to companies and organizations with small- to medium-sized fleets. Other transportation services marketed under the Enterprise brand name include Enterprise CarShare, Enterprise Rideshare, Enterprise Car Sales, and Enterprise Commercial Trucks.

Enterprise Holdings is the largest car rental company in the world as measured by revenue, fleet, and employees. Enterprise Holdings' annual revenues also place it near the top of the travel industry, exceeding all other rental car companies, and most airlines, cruise lines, hotels, tour operators and online travel agencies.

### **Car Rental Industry**

According to Auto Rental News<sup>1</sup> there are 18,293 car rental locations in the U.S. operating a combined average fleet of 1,857,264 to produce total revenue in 2012 of \$23.628 Billion.

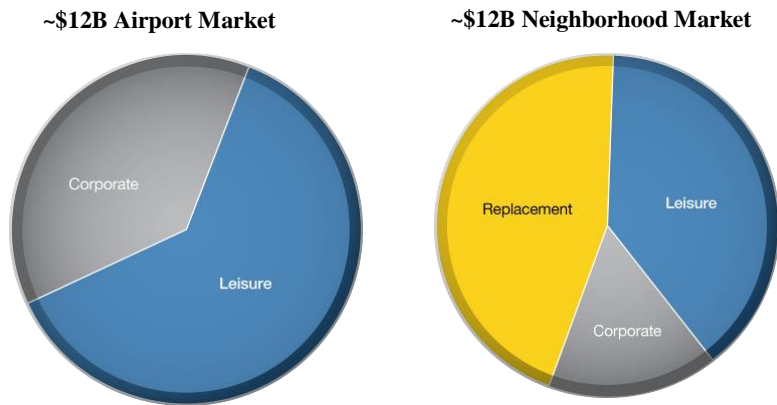
According to best estimates, the nearly \$24 Billion US car rental market can be neatly divided into two equal parts: with approximately half of the revenue (~\$12B) being earned at locations servicing deplaning passengers at airports (“airport market”), while the other half (~\$12B) of the revenue is earned at neighborhood locations servicing customers for needs unrelated to an air voyage (“neighborhood market”).

Despite the fact that the neighborhood market not only equals - but in fact has fact surpassed in some years– the airport market in revenue, the relative parity between the airport and the neighborhood market continues to surprise many. There still seems to exist a popular misconception that most car rentals occur at airports, and that most car rental customers are business travelers.

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<sup>1</sup> 2012 U.S. Car Rental Market Fact Book 2013 attached as Exhibit A

## US Car Rental Market: Revenue



Source: EHI estimates

In addition to dividing the car rental market by location of rental (airport v. neighborhood), it is also helpful to view the car rental industry by transaction type. The industry commonly groups transactions into three categories: **corporate**, **replacement**, and **leisure**. Corporate rentals meet a transportation need necessitated by a job-related function. Replacement rentals meet a transportation need created by the loss of use of one's primary vehicle due to repair or theft. And leisure rentals are simply those rentals that don't fit into either of the above categories described in more detail below.

### Neighborhood Corporate ~\$2 Billion Annual Revenue

The neighborhood corporate segment consists of rentals to a wide variety of business, non-profit, and governmental entities to provide transportation to meet a need created by an essential job function. Examples could include: an architect renting a vehicle for a day to make the 150 mile round trip to visit a job site; a florist renting a cargo van for a day to meet a spike in demand around Valentines Day; or a state employee renting a vehicle to

make the 100 mile round trip to the Capitol for a meeting in lieu of driving a personal vehicle and seeking reimbursement – which at the 2013 IRS rate of 56.5 cents per mile is often is more costly than renting a car for 24 hours.

The rental industry also services contracts awarded by the Army, Air Force, Navy and Marines Exchange Commands to operate locations within the walls of a military installation to meet the needs of our armed forces and their families.

Worth special note is that the extensive Enterprise Rent-A-Car neighborhood network has become an integral part of many cities' and towns' local transportation infrastructure, particularly when natural disasters like Hurricane Sandy hit. With more than 5,500 branch offices located within 15 miles of 90% the US population, Enterprise is well-positioned to put utility companies, federal, state and local government agencies, insurance adjusters and catastrophe teams on the road so they can get the recovery and restoration process under way as soon as possible.

#### Neighborhood Replacement ~5 Billion Annual Revenue

The neighborhood replacement segment consists of rentals to consumers who need to rent a car due to theft or repair of a primary vehicle. Many of these rentals are paid for or reimbursed by an insurance company as part of the claims process, or are provided as a courtesy of an auto manufacturer while a vehicle undergoes warranty repair.

#### Neighborhood Leisure ~ \$5 Billion Annual Revenue

The neighborhood leisure segment encompasses a wide range of rentals, examples include: a larger vehicle to take a family vacation; a cargo van to take a child to college; a luxury car for a special occasion such as a wedding; or even a pickup truck to facilitate a weekend project in the yard. Some are surprised to learn the car rental industry caters to

the needs of many individuals who do not own vehicles. For many urban dwellers it isn't practical to own a vehicle. Still, some renters simply can't afford to own a car, and rent only when public transportation can't meet their transportation needs. The network of neighborhood car rental locations throughout the United States plays an important role in meeting the transportation needs of a community.

#### Airport Corporate Rental ~ \$5 Billion Annual Revenue

The airport corporate segment serves the needs of those deplaning passengers needing a vehicle while on government or business related travel.

#### Airport Leisure Rental ~\$7Billion Annual Revenue

The airport leisure segment serves deplaning passengers needing a vehicle for all other reasons, most notably, vacation.

### **Employment in the Car Rental Industry**

According to data compiled by the U.S. Travel Association, the car rental industry supported 123,970 U.S. jobs in 2010, generating payroll of \$4.613 Billion. Like many jobs throughout the travel industry, even entry level positions in the car rental industry are often more of a career than just a job. In the case of Enterprise Holdings, we have a very strong promote from within culture. In fact, our Chairman and Chief Executive Officer, Vice Chairmen, President and Chief Operating Officer, Executive Vice President, and nearly every member of our senior leadership team all began their career with Enterprise Holdings just as I did 16 years ago as an entry level Management Trainee. Our leadership positions are occupied by employees who learned the car rental business from the ground up. This is one of the reasons why Enterprise Holdings is ranked by *BusinessWeek* as one of the "50 Best Places to Launch a Career" year-over-

year, and are consistently named Top College Recruiter by *The Black Collegian* magazine.

In 2012, Enterprise Holdings hired more than 1,500 veterans and reservists. Nearly 6,000 of the approximately 63,000 U.S.-based Enterprise Holdings employees are military veterans or reservists – almost 10%. We are also honored to have received prestigious “Secretary of Defense Employer Support of Freedom Award” for support of employees in military service.

### **Car Rental Industry and the American Automotive Industry**

Parts manufacturers, auto dealerships, automobile credit lending institutions, and used car sales – all have close relationships with the American automotive industry. The US rental car industry is another key constituent of the automotive industry, and its size and success is essential to the ongoing health of US carmakers.

In 2010, US car rental companies purchased about 1 million vehicles from Detroit’s “Big Three” – about 16 percent of the automakers’ output. Because rental car companies regularly order and purchase so many cars, the rental car industry provides a basic level of certainty and predictability for automakers confronting complex and costly plant scheduling and utilization concerns.

In order to sell used cars back into consumer markets, rental car companies and manufacturers use many channels, including auto auctions, auto dealerships, and some direct retail operations. For example, Enterprise Holdings sells roughly 70 percent of its used vehicles to auto dealerships for their retail used operations, 20 percent through auto auctions, and 10 percent at our Enterprise Car Sales division with more than 130 locations nationwide.



Auto dealerships rely on this steady influx of reasonably priced, well-maintained used rental vehicles that are, on average, one year old with relatively low mileage levels. Moreover, car rental companies purchase a diverse mix of models, providing excellent exposure for new car introductions. And as consumer studies reveal, consumers are more likely to buy a vehicle after renting it.

### **Embracing New Technologies**

Auto manufacturers, scientists, national leaders and consumers are all seeking better alternatives to gas-powered automobiles. Environmental and economic concerns, the finite nature of fossil fuels, and the need to reduce this country's dependency on foreign oil are all factors driving this transition. As a company that owns and operates the world's largest fleet of passenger vehicles, Enterprise Holdings has a unique perspective and a vested interest in identifying solutions going forward. We stand at the ready and look forward to playing a role in introducing Americans to the new technologies that will power our automobiles.

### **Taxation without Representation – A growing problem**

Unfortunately, many state and local lawmakers believe car rental taxes are a convenient way to export a tax burden for a particular project to non-voters. To some extent this is true; but keep in mind that nearly all of the neighborhood car rental segment services customers renting in their home town, and also keep in mind that the neighborhood market is just as large – if not larger – than the airport market. Nonetheless, here are some actual quotes from public officials describing car rental excise taxes:

*“It has the obvious attraction, in that it [the tax] essentially attacks those people out of state,” - Florida state representative.*

*“If you can tax a visitor instead of one of your own, then we should look at it,” - County Judge candidate in Texas.*

*“Out-of-town guests are great taxpayers”, - Washington, DC City Councilman.*

This is a modern day version of “Taxation without Representation.” Senator Russell Long may have stated it best: “Don’t tax you, don’t tax me, tax that fellow behind the tree.” Rental consumers are that fellow behind the tree.

To my knowledge, there has never been any evidence set forth by proponents of car rental taxes demonstrating the link between a car rental tax and the purpose of the tax. The most prevalent use of these taxes has been for the building of multi-million dollar professional sports stadiums. Car rental customers are often saddled with extra taxes so that team owners can supplant their costs. To add insult to injury, the renter of lesser means may not even be able to afford a seat to a game held in the stadium that he/she is subsidizing. According to a study conducted by The Brattle Group in 2010<sup>2</sup>, , 19% of all car rental excise taxes are paid by working families earning less than \$50,000 per year. And 7% of all car rental taxes are paid by households earning less than \$25,000 per year - right near the poverty level.

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<sup>2</sup> *Effects of Discriminatory Excise Taxes on Car Rentals: Unintentional Impacts on Minorities, Low Income Households, and Auto Purchases*, Dr. Kevin Neels - The Brattle Group attached as Exhibit B

The problem of excessive taxation of car rental customers, left unchecked has the potential to significantly harm our industry, and I encourage this Congress to explore ways to address this problem that has become a plague to a vital segment of the broader economy.

### **Conclusion**

As the US continues to emerge from the recession, it is essential that Americans continue to travel and rent cars. It is essential that rental car companies and the entire travel industry continues to create and preserve meaningful jobs and careers. And it is essential that the rental car industry continues to buy new cars from the auto industry which was hit so hard by the recession, so that American auto workers can continue to build the world's best cars and earn middle class incomes.

Thank you Chairman Terry, Ranking Member Schakowsky and all members of the Subcommittee on Commerce, Manufacturing, and Trade for inviting me to testify. I look forward to answering any questions you may have.