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On Behalf of

Secretary  
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Ace Rent A Car

The American Car Rental Association  
(ACRA)

Board Member  
Frank Colonna  
Triangle Rent A Car, Inc.

Before the  
U.S. Senate

Subcommittee on Consumer Protection, Product Safety and Insurance  
Committee on Commerce, Science and Transportation

Board Member  
Gil Cygler  
Allcar Rent A Car

On

“The Raechel and Jacqueline Houck Safe Rental Car Act of 2013”

Board Member  
Robert Klyce  
Avis Rent A Car Licensee

May 21, 2013

Board Member  
Robert E. Muhs, Esq.  
Avis Budget Group

253 Russell Senate Office Building  
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Board Member  
Gordon Reel  
Enterprise Holdings, Inc.

Board Member  
Gary Macdonald  
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Executive Director  
Sharon Faulkner  
American Car Rental Association

Good afternoon and thank you, Senator McCaskill and Senator Heller and members of the Subcommittee on Consumer Protection, Product Safety and Insurance. I truly appreciate the opportunity to be here today to speak in support of legislation of vital importance to the rental car industry and to our customers.

My name is Sharon Faulkner and I am the Executive Director of the American Car Rental Association – or ACRA. ACRA represents 235 companies in the rental car industry. Our members range from the brands you would recognize such as Enterprise, Alamo and National Car Rental; Avis, Budget, Hertz, Dollar and Thrifty. It also includes many mid-size, regional companies as well as the smaller, Mom & Pop operators. Our members run fleets as large as one million cars and as small as ten.

On a personal note, before becoming the Executive Director, I – along with my husband – operated one of those smaller, Mom & Pop rental car companies in Upstate New York for more than 30 years. While I was a franchisee or licensee of one of the major brands, we were truly a small business, operating six locations and 300 vehicles.

We were the typical small business in America and it allowed us to raise our three boys. But, it was a labor of love...and I grew to love our business, our customers and this industry.

That is why when my husband and I decided to sell our business several years ago and I was asked to assume my current role as Executive Director of our trade association, I jumped at that opportunity. I believe the car rental industry provides a very important service and this role allows me to continue promoting outstanding customer service.

I share this with you because it is critically important to understand the make-up of ACRA and that our organization actively participated in the process that produced the legislation embodied in S. 921.

Our organization unanimously endorsed it and we – along with many of our members – are working hard for its passage.

### **Rental Car Safety**

Safety in our industry is paramount. It's about trust – between our customers and our individual businesses. The minute our customers don't feel safe is the minute we lose customers and potentially our livelihoods. Therefore, our industry has always placed a high priority on providing cars that are properly maintained and safe for our customers to use.

### **From Opposition to Support**

Over the last several years, the issue of safety recalls and rental cars has been raised. Senators Schumer and Boxer ultimately introduced legislation in 2011 attempting to address these safety concerns. We, as an industry, had serious reservations with the broad scope of the legislation as well as the implementation of it. Additionally, we believed we were already taking the appropriate steps to protect our customers by following the guidance from the manufacturers. Over time, many of our members

adopted conservative policies of grounding most, if not all, vehicles with an open recall. To further demonstrate our commitment, most ACRA members adopted a formal pledge to this voluntary grounding. As a result, we believed legislation was not necessary and opposed the original legislation.

However, we ultimately concluded that our customers would expect us to support this type of legislation and if we could achieve a workable solution, we would do just that.

We then pro-actively engaged in a dialogue with the staffs of Sens. Schumer, Boxer, McCaskill and Blunt – along with other stakeholders such as key members of our industry and consumer advocates, including Mrs. Houck.

### **Collaboration and Compromise**

Over the course of several months last year, our industry worked through the scope and the operational concerns we had had with the initial bill. We wanted to ensure that as an organization that we didn't just support a bill for the sake of supporting it...but that it would be a bill we could emphatically get behind and support.

S. 921 is such a bill.

### **S.921**

The bill is fairly simple. At the heart of it is the requirement that rental car companies remove from service any vehicle that has a manufacturer safety recall and has not yet been repaired. Rental companies may not re-rent or sell any unrepaired vehicle.

I am happy to highlight for you the key compromise components of the bill:

#### *Timing of Notice and Grounding*

An industry-supported provision in the bill defines the timeframe in which rental companies need to ground the vehicles after receiving the safety recall notice. There is a period of time the companies need in order to receive the notice and successfully lock down the appropriate vehicles. The original bill had no defined timeframe and many members were concerned how that may be interpreted. At our urging, the legislation now calls for the vehicles to be grounded within 24 hours of receiving the safety recall notice. In the situation of a particularly large recall – one that affects more than 5,000 vehicles for one company, the lock down timeframe is 48 hours.

#### *Interim Remedy*

The only exception to the “do not rent” requirement is when the manufacturer has issued a safety recall and has not developed the permanent repair, but offers a temporary fix – or interim remedy – that eliminates the safety risk. If the rental car company performs the interim remedy, then the car may continued to be rented. Once the permanent repair is offered by the manufacturer, the vehicle must be pulled from service and permanently repaired before being re-rented.

The best real life example of this is when there was a recall due to a faulty accelerator pedal. While there was no permanent fix at the time of the notice being sent, the manufacturer communicated to all consumers, including rental car companies, that if they

removed the driver's side floor mat, the pedal would un-stick and the risk would be mitigated. Our industry, along with thousands of other consumers, pulled out the floor mats and continued to keep the cars in service. Thousands of other consumers did the same and the vehicles remained safely on the road. Many members were concerned that the original legislation did not specifically address this circumstance. Language was agreed to by all parties and an interim remedy is permissible under S. 921.

### *Car Sales*

Our industry purchases the largest number of cars from the manufacturers every year...and we also sell a large number of cars each year through retail and wholesale channels. To ensure the stream of commerce maintains integrity, the legislation requires that rental car companies permanently repair any safety recall to any vehicle prior to selling that vehicle – either through retail or wholesale markets. The only exception to this requirement – at the behest of industry – is when a vehicle has been so severely damaged that it will only be sold for parts, the rental company does not need to perform the recall work.

One point I would like to underscore here is that this sales prohibition for rental car companies will be unique in the used car market. We will be the only used car seller that will be required to perform any recall work prior to sale – either at retail or wholesale.

### **Conclusion**

In conclusion, the process has worked. We came together with the sponsors, supporters and staff in good-faith negotiations to work through the issues and address our concerns. The consumer advocates listened and were pragmatic to many of our early objections...and I firmly believe that our industry did likewise. This is the way the process is supposed to work. We at ACRA are thankful to be a part of it.

As we continue to talk to members of Congress and their staff in support of the bill, we are often asked why as an industry we are willing to accept new regulations upon ourselves. The response to that is easy. After listening to our customers, we engaged and became part of the process. The end result is a proposal that will provide our customers additional assurance that the vehicles they rent are safe and provides our industry with a uniform federal standard across the country and addresses our original operational concerns. I encourage those who oppose S. 921 to engage toward the same important goal.

Therefore, I respectfully ask you to support S. 921. I look forward to any questions you may have.

Thank you.