

THE OFFICIAL JOHN F. BROWN COMPANY
 **RENTAL CAR PRACTICE NEWSLETTER**

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COLUMBUS VOTERS TO DECIDE ON RENTAL CAR TAX

(Summarized from The Columbus Dispatch)

On Nov. 5, voters in Columbus, Ohio will have a chance to decide whether rental car customers will pay a \$4.00 per day tax to the City. The tax is expected to generate from \$6 to \$10 million per year. Mayor Coleman and City Council members say they will try to sell the tax on two levels: 1) that it primarily affects visitors to Columbus, and 2) that if it fails, city services, including the police and fire divisions, will be hurt. Opponents of the tax counter that 52 percent of the city's rental-car business comes from locals.

TAXES ON RENTAL CARS, HOTELS AND AIRPORT TAXIS EXTENDED TO PAY FOR CHICAGO'S McCORMICK PLACE EXPANSION

(Summarized from Chicago Tribune)

The Chicago Plan Commission approved designs for an \$800 million expansion of McCormick Place, adding 800,000 square feet to the complex. Extending the life of taxes on car rentals, hotels, and airport taxis will pay for the expansion. Project official estimate 70 percent of these taxes are paid for by out of town visitors.



DEAR RAC CONSULTANT, WHAT I'VE BEEN WONDERING IS...

What are all these "insurance coverage s" the rental car companies charge their customers on their rental agreements, and why is it important for me to understand what they are?

First, it is important to know that LDW/CDW, often included in discussions of insurance products offered by the rental car companies, is not actually "insurance" at all. CDW stands for Collision Damage Waiver, which the rental car companies historically offered their customers. In the last few years, they have changed the name to LDW, or Loss Damage Waiver. For a daily fee, the rental car company will waive its right to collect from the customer the cost of any damage to the rental vehicle occurring during the period of the rental agreement. Loss Damage Waiver is not insurance, but simply an agreement to let a customer walk away without liability for damage to the rented vehicle. This is distinguished from insurance, whereby the insuring party agrees to assume the customers liability for damage to the rented vehicle. It is important to remember that LDW covers only damage to the rental car, whether by accident or any other cause.

Here's an example of how LDW works:

Before driving off the lot, customer Mary inspects her car for any tears in the seats, any dents, scratches, or other damage to the inside and the outside of the car, and finds none. When Mary returns the car, the rental car agent inspects the car and shows Mary a large dent in the fender. Mary says, "I have no idea how this got there. It must have happened in the hotel parking garage." The rental agent says, "Mary, I see you elected to take our optional LDW coverage when you rented the car, so you are not obligated to pay us anything. If you had not elected to

take this coverage, we would have had the right to collect from you the full cost of repairing the damage to our car.” Without LDW, at that point Mary would have had to look to her own pocket or to any rental car insurance coverage offered by her credit card provider, or her personal car insurance policy.

LDW typically costs in the range of \$8 to \$18 per day.

When discussing with airport operators whether LDW should be concessionable, the rental car companies assert that LDW covers the cost of damage to their vehicles that they are unable to collect from their customers. They assert that it is not a profit center and thus should not be subject to a concession fee. This issue has been debated long and hard, with no clear consensus or trend.

As for actual insurance products, there are a number offered by the car rental companies.

Supplemental Liability Insurance, or SLI, covers the cost of damages to a third party, often up to \$1 million. SLI typically costs \$7 to \$9 per day.

Personal Accident Insurance, or PAI, sometimes called PLI for personal liability insurance, covers medical and ambulance bills for the rental car driver and passengers. PAI generally costs \$3 per day.

Personal Effects Coverage, or PEC, covers personal items in the rental car. PEC generally costs \$1 to \$2 per day.

These products, unlike CDW/LDW, are insurance coverages, and the amounts charged to rental customers are considered insurance premiums. In fact, the sale of these products is regulated in many states by the applicable state insurance regulatory agency. These products, like CDW/LDW, are offered as an optional charge to rental car customers.

There is little debate in the airport industry that the revenues from these insurance coverages are subject to a concession fee, and are included in the definition of gross receipts at most airports around the country.

It is important, as either a renter or anyone dealing with the concerns or complaints of a rental car customer, to advise them to inquire with their personal auto insurance provider and their credit card companies to ascertain the limits and conditions of the coverage available to them when renting a vehicle. These coverages vary widely, and it is not possible to be an informed and protected rental car customer without this information.

At the same time, while the issue of whether LDW/CDW should be included in the definition of gross receipts goes on, the revenue continues to flow to airports from the sale of the actual insurance products listed above.

ANC BANKRUPTCY UPDATE

This information was provided by ANC on October 3, 2002, and is intended only to provide an overview of the current status of motions by ANC to allow consolidation of operations under existing concession agreements.

Airports Where Bankruptcy Court Has Issued Order Allowing Dual Branding in Response to ANC Motion

1. Albuquerque, NM
2. Amarillo International Airport
3. Aspen
4. Atlanta
5. Bushfield Augusta Airport, GA
6. Austin
7. Bangor, ME
8. Binghamton, NY
9. Birmingham
10. Bradley International (Hartford, Connecticut)
11. Chattanooga, TN
12. Chicago Midway (Also, allowed dual-brand bid for future facility)
13. Chicago O'Hare
14. Cincinnati/Northern Kentucky International
15. Cleveland Hopkins
16. Columbia Metropolitan Airport
17. Dallas/Fort Worth
18. Dallas Love
19. Dayton, OH
20. Daytona Beach International
21. Detroit Metro
22. Duluth, MN
23. Elmira Corning International Airport
24. Eugene, Oregon
25. Fayetteville
26. Fresno Yosemite
27. Gerald R. Ford International (Grand Rapids, MI)
28. Hilton Head, SC
29. Houston G.W. Bush (Intercontinental)
30. Houston (William P. Hobby Airport)
31. Huntsville-Madison County (Alabama)
32. Jackson, MS
33. Jacksonville International
34. Kansas City
35. Key West
36. Lafayette Regional Airport
37. Lincoln, NE
38. Long Beach Airport
39. Louis Armstrong New Orleans International
40. Louisville, KY
41. Lubbock International
42. Manchester Greenier
43. McCarran/Las Vegas International
44. McGhee Tyson (Knoxville, TN)
45. Medford, Oregon
46. Melbourne International
47. Memphis International
48. City of Midland Airport

49. Minneapolis
50. Metro Nashville
51. Okaloosa County (Fort Walton, FL)
52. Omaha
53. Orange County, CA
54. Orlando
55. Palm Springs
56. Panama City
57. Pasco, WA
58. Philadelphia International Airport
59. Piedmont, Triad International (Greensboro, N. Carolina)
60. Pittsburgh International
61. Portland, ME
62. Quad City (Moline, IL)
63. Raleigh-Durham International
64. Reno/Tahoe International
65. Richmond, VA
66. Rochester
67. St. Louis, MO
68. St. Petersburg-Clearwater International
69. Sacramento
70. San Diego
71. Sanford, FL
72. San Francisco, CA
73. San Jose International Airport
74. Santa Barbara
75. Sarasota
76. Savannah
77. Southwest Florida International (Fort Myers, FL)
78. Springfield Branson (Missouri)
79. Syracuse-Hancock International
80. Tallahassee
81. Tampa International
82. Toledo Airport.
83. Valley International (Harlingen, TX)
84. West Palm Beach, FL
85. Wilmington, DE



JOHN F. BROWN COMPANY RENTAL CAR PRACTICE AREA

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