

AUTO RENTAL NEWS

Fighting City Hall and Winning

By Cathy Stephens, January/February 2003

Last June, the Columbus City Council voted to approve a \$4-per-day car rental tax. The tax, pushed by Mayor Michael B. Coleman's administration, was expected to produce an additional \$6 million to \$10 million annually for the city's general fund.

Before the vote, council members opted to include a sunset clause and annual review for the tax to appease car rental operators and diffuse opposition.

Or so they assumed.

At the time, no one on the city council could have anticipated that less than five months later, that same rental tax would go down to defeat as a public referendum on the Nov. 5 ballot. But that's what happened, even though the pro-tax campaign outspent the anti-tax campaign \$312,000 to \$99,000. And even though the tax measure drew endorsements from a number of notable community organizations, including the Greater Columbus Chamber of Commerce and the Greater Columbus Convention and Visitors Bureau, which receives the majority of its funding from the city.

In a column published in *The Columbus Dispatch* newspaper just two days before the election, writer Barbara Carmen observed this about the car rental tax measure: "Mayor Michael B. Coleman and the city council badly underestimated its opposition from local rental companies."

That's for sure.

"I think the car rental industry needs to learn from this campaign and use this as a model for fighting taxes in other cities," says Kevin Miles, vice president and general manager of the Budget Rent a Car franchise in Columbus. "Seven different rental companies — licensees and corporate stores — all came together to defeat this tax. We all worked together to make this happen."

Miles was largely responsible for bringing the coalition of rental car companies together. The battle against the tax actually began more than a year before the Nov. 5 election, when Mayor Coleman's Economic Advisory Committee first recommended the tax.

After their successful petition drive to bring the tax to a public vote, local car rental operators relied heavily on grassroots campaigning to sway public sentiment against the tax.

Tax Fight Starts as Lobbying Effort

For nine months before the city council vote, the car rental coalition focused its efforts on lobbying city officials to reach a compromise. Eventually, the group aligned itself with the Ohio Taxpayers Association, chaired by Scott Pullins.

"If the city had negotiated with us in good faith, we could have come up with a compromise like a 2% to 3% tax that didn't exempt insurance replacement rentals," says Mike Reynolds, the Thrifty Car Rental licensee in Columbus. "That probably would have generated their \$6 million."

In contrast to the city's projections, car rental operators suspected that the proposed tax would generate more than \$6

million to \$10 million. They also wished to refute the city's claim that the rental tax would only hit city visitors. The group hired an independent accounting firm, Schneider Downs, and each rental company supplied detailed financial data. Schneider Downs vowed to keep individual company data confidential.

After analyzing the numbers, Schneider Downs concluded that local residents account for 52% of the car rental business in Columbus. The firm also estimated that the tax would result in \$10 million to \$12 million in annual tax revenue.

Nonetheless, city officials faced a projected \$35 million budget shortfall in 2003 and ultimately chose to place the \$4-a-day tax proposal on the city council agenda for a vote.

The tax plan exempted rentals longer than 30 days, rentals by a local resident whose own vehicle is being repaired or serviced, and rentals of vehicles designed for more than nine passengers. The tax would expire at the end of 2005, unless the city council voted to extend it.

City officials insisted that these provisions ensured that only nonresidents would pay the tax. But car rental operators knew who their customers were, and they knew locals would assume much of the tax burden.

What's more, the tax wasn't equitable to customers. One customer renting a Jaguar and another renting an Escort would pay the same amount in taxes.

"On a \$140-a-week rental, we're talking about a 20% tax," points out Reynolds. "If you raise the price by that much, the economy-minded customers are taken out of the loop. They can no longer afford to rent a car. When you raise any product by 20% — I don't care what it is — demand will decrease."

Technicality Threatens to Derail Campaign

After the city council passed the tax, the referendum drive began. The Ohio Taxpayers Association assumed management of the campaign and hired a firm to help gather petition signatures. Car rental managers and their employees also got into the act. The group had just 30 days to collect at least 3,992 signatures to place the tax ordinance on the Nov. 5 ballot.

But after the group filed the petition with city hall July 24, City Clerk Timothy McSweeney called the document invalid, citing a technicality. He refused to submit the petition to the city council.

McSweeney did, however, forward the petition onto the Franklin County Board of Elections to confirm whether it had enough valid signatures. The board confirmed that it did.

Attorneys for the anti-tax group, Tom Hill and Phillip Harmon, then petitioned the Ohio Supreme Court to halt collection of the tax and to order McSweeney to submit the petition to the city council.

The complaint, filed on behalf of Miles, argued that the referendum petition complied with all city requirements. The Ohio Supreme Court halted collection of the tax on August 2. Twenty-eight days later, the court ruled that the city council had to either repeal the tax or place it before a public vote.

At issue was whether the petition had been illegally altered after its initial submission to city hall.

Referendum organizers had originally filed the petition on July 23. However, they withdrew it the next morning after learning that the city charter requires that all referendum petitions be notarized. They resubmitted the petition later that day, the deadline, after the document's circulators signed the necessary affidavits in the presence of notaries public.

But McSweeney insisted that the petition was still invalid, citing a state law that prohibits altering or adding to a petition after it has been filed.

The Supreme Court rejected McSweeney's arguments, and the city council placed the tax measure on the Nov. 5 ballot

as Issue 18.

Fortunately, someone at city hall had secretly tipped off the rental operators that the city planned to reject their original petition filing because it wasn't notarized. Without that phone call, they never would have withdrawn and resubmitted the petition before the deadline. And the tax would have become law, rather than a ballot measure being voted upon.

But even with the secret heads-up, the anti-tax group had to work frantically to ensure the many petition parts were properly notarized before the deadline. "I was up 48 straight hours," Miles says.

To the city's dismay, that same dogged determination would resurface later when Miles sought media coverage for the anti-tax campaign.

A Reliance on Grassroots Campaigning

In September, Pullins prepared a campaign plan that relied heavily on grassroots efforts. The Ohio Taxpayers Association produced an educational handout on Issue 18 that operators could distribute to local customers. Rental car operators also agreed to send out two direct-mail campaign pieces using their customer databases.

"We at Hertz sent out two direct-mail pieces to all our local customers who had rented at least twice in the past five years," says Blaine Byers, the local Hertz licensee. "That was 16,000 pieces each time. I think that helped. When people understand that a tax is going to affect their own wallet, they'll come out and vote against it."

Car rental operators also sent out e-mail campaign messages to customers, and sought campaign donations from industry vendors. Companies responding with financial contributions included Total Fleet Solutions and TSD Rental Management Software. The Association for Car and Truck Rental Independents and Franchisees (ACTIF) and the Ohio Alliance of Car Renting Agencies lent their support as well.

The Ohio Taxpayers Association also produced a pre-recorded phone message that was distributed to targeted Republicans in Columbus. "No on Issue 18" lawn signs were distributed throughout the city.

Simply put, the anti-18 campaign stockpiled all the support it could find from all corners of Columbus. Both Reynolds and Miles drew upon their relationships with local media production companies to create campaign commercials at bargain-basement prices. These commercials hammered home the message that Issue 18 represented another tax for local residents.

The no-on-18 campaign even boasted its own celebrity spokesman. Former Cincinnati Bengal and Buckeye star Pete Johnson, who works part-time at Thrifty as a distribution manager in car sales, recorded a radio commercial.

"The city thinks this money will come from out-of-town visitors," Johnson says in the commercial. "But more than half the cars rented in Columbus are rented by people who live here. Even if you don't ever rent a car, the majority of the tax will still be paid by your relatives and neighbors and friends."

Working the Local Media

Miles, Pullins and others also courted the media, issuing press releases and participating in interviews. "Our grassroots efforts went a long way in educating the public, even though early on it seemed like the odds were stacked against us," says Kevin Ifkovits, city rental manager for Enterprise Rent-A-Car.

Miles proved particularly adept at attracting media coverage for the campaign — sometimes to comic effect.

The pro-Issue 18 group, Citizens for Columbus Neighborhoods, chose to launch its campaign in early October at the city's busiest fire station. In speeches and interviews, proponents of the rental tax argued that the measure needed to pass to pay for vital police and fire services and to avert city layoffs. The tax burden would fall solely on city visitors, they said.

The tack of holding the rally at a fire station seemed to prey on public-safety fears and pander to post-9/11 sentiments all at once. But the tone of the campaign launch was at least temporarily disrupted as a small plane flew overhead, carrying a sign that urged a no vote on Issue 18.

Miles also drew plenty of press when he announced that Mayor Coleman had been blacklisted by local operators and would be hard-pressed to rent a car in Columbus. Miles admits that the ploy drew incredulous looks from some colleagues, but the tactic produced instant press coverage. The end result was more opportunity to spread the anti-tax message.

Miles admits that his candor and occasional bold statements to the local press left Budget's corporate headquarters skittish. More than once, he says, the company called, imploring him to direct media inquiries to Budget's corporate communications department. But Miles was unapologetic.

"I told them I didn't work for them," he says matter-of-factly.

In the context of a marketing campaign, wrapping public statements in diplomacy makes sense. Controversy can alienate customers. But in the rough-and-tumble world of local politics, taking such a timid approach would likely mute the campaign's message. And that was a concession Miles wasn't willing to make.

"If you want to get publicity with the local media, you have to give them something to write about, something that will get people talking," Miles explains. "You have to give them an angle that they can run with. They're looking for good stories, something different."

When the rental tax first qualified as a ballot measure, Issue 18 proponents already enjoyed a major advantage. They had a direct line to the media — beat reporters whose jobs revolved around covering the comments and actions of Mayor Coleman, the Columbus City Council, and city staff.

Given the no-on-18 campaign's limited advertising budget, Miles saw media coverage as crucial.

Tax proponents argued that Issue 18 was necessary to maintain city police and fire service levels. However, the tax ordinance in no way earmarked the revenues for police and fire. The money would simply go into the city's general fund — and that was something the voting public needed to know.

Moreover, the anti-tax campaign needed to inform voters that the city's spendthrift policies had created the budget shortfall in the first place. From 1997 to 2001, the city's operating expenditures rose 34%.

"The same day the Columbus City Council voted for the car rental tax, it also voted to spend \$3 million for land on a park," Miles says.

Not surprisingly, all that city spending has cultivated plenty of loyal political allies, many of whom contributed to the pro-18 campaign. But in the end, that didn't matter.

"This campaign taught me that when you pull together — even with your competitors — and work for a common cause, anything is possible," says Todd Greenleaf, city manager for Dollar Rent A Car in Columbus. "The car rental industry is notorious for its competitiveness. But on this issue, we all came together. What we accomplished was amazing. But this is really a victory for Columbus citizens."

Seven Tax-Fighting Tips Culled from the Columbus Campaign

Across the country, car rental continues to be a favorite target for cities, counties and states seeking an additional source of tax revenue. In interviews with Auto Rental News, car rental operators in Columbus recommended taking the following steps when mounting a campaign to defeat a rental-tax ballot measure:

1. Form a coalition of local rental car companies. Schedule meetings to discuss campaign strategies, fundraising and

budgets. Resolve disagreements privately, behind closed doors. Present a united front to the public and press.

2. Consider aligning your coalition with an established taxpayers group to broaden support for your campaign. Consider supporting a popular candidate sympathetic to your cause.

3. Hire seasoned political consultant to manage your campaign and budget. Make certain the consultant has no conflicts of interest and represents the best interests of all rental car companies in your coalition.

4. Designate a few members in the coalition as spokespersons. They should aggressively seek publicity for your campaign, and ensure your arguments on the issue receive fair coverage in local broadcast and print media. These spokespersons should be readily accessible to local reporters working under tight deadlines. (A corporate-level employee who must funnel media interviews through a corporate PR office isn't suited for the job.)

5. In campaign materials and interviews, stress that local residents will pay the tax — not just visitors. Don't emphasize that the tax unfairly singles out the car rental industry. (Remember, the car rental industry's welfare is way down on the priority list of most voters.)

6. Tap your network of friends, family and business relationships to get donated or discounted services and materials for the campaign.

7. Inform your local customers about the tax and how, if passed, it would affect pricing. Use customer lists for direct-mail pieces. Distribute fliers, lawn signs and other campaign materials. Stage campaign events that will draw press coverage.

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