

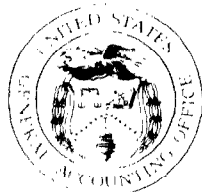
June 1992

MILITARY
PERSONNEL

Analysis of Major
Rental Car Policies



146889



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**National Security and
International Affairs Division**

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June 1, 1992

The Honorable Sam Nunn
Chairman, Committee on
Armed Services
United States Senate

The Honorable Daniel K. Inouye
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Les Aspin
Chairman, Committee on
Armed Services
House of Representatives

The Honorable John P. Murtha
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

This report is in response to a provision in the Conference Report for the National Defense Authorization Act for Fiscal Years 1992 and 1993. The provision directed our office to determine whether the policies of major automobile rental companies in the United States restricted rentals based on age. Of particular concern was whether rental car agencies' policies limited rental to military personnel because of age.

This report contains the results of a survey of the 10 largest automobile rental companies and also contains information about specific policies relating to military personnel where such policies exist, including policies related to Operation Desert Storm.

Results in Brief

The 10 largest automobile rental companies generally have policies placing restrictions on automobile rentals to individuals under 25 years of age. However, most firms will rent an automobile to customers as young as 21 if they can demonstrate that they are financially responsible.

The rental outlets bearing the name of the automobile rental corporation may be owned by the corporation itself or may be owned by a licensee of

the corporation. The corporation has no control over the policies of its licensees.

The companies surveyed permit military personnel 18 years of age or older and traveling on orders to rent an automobile. The policies for military personnel not traveling on orders are the same as for the general public. Many of the companies had special offers for military personnel who served in Operation Desert Storm.

Corporate Policies Regarding the Minimum Age for Automobile Rental

Generally, the 10 largest automobile rental companies we surveyed have policies stating the minimum age for car rental is 25 years of age. Under certain conditions, however, the companies will rent to younger individuals. For example, some firms rent to customers as young as 21 if they have a major credit card and can demonstrate a good credit history. Company officials believe these factors indicate a lower risk for the company.

Officials of the companies surveyed said that the minimum age is in effect because the risks of liability and damage to or theft of vehicles are higher with younger drivers. They indicated that the costs of insuring members in this age group who have not demonstrated financial responsibility is prohibitive, whether the companies self-insure or purchase insurance from an insurance carrier. Many companies also pointed out that the under 25 age group is the same age group for which insurance companies charge very high premiums or refuse to insure.

Local Implementation Not Necessarily Based on Corporate Policies

Retail outlets operating under the corporate umbrella of rental firms are not always owned by the firm. Most of the firms surveyed have licensee arrangements with some or all of the retail outlets, much like a franchise arrangement. These arrangements differ from firm to firm. The licensees are typically not bound by corporate policy, but are free to establish their own policies. Automobile rental advertisements sometimes state that the terms and conditions may not apply at all locations due to the possible differences between corporate and licensee policies.

In addition, automobile rental practices are governed by state laws which differ from state to state. We researched such laws in 10 states with substantial military populations and found that only New York law addressed the youth of an individual with respect to automobile rental. New York State law explicitly prohibits refusing to rent a motor vehicle to any

person 18 years or older solely on the basis of age. We found no similar prohibitions in the nine other states examined.

Appendix I contains a list of all states with their military populations and identifies the states whose laws we researched.

Specific Policies Regarding Military Personnel

All of the companies surveyed have policies allowing automobile rental to government employees who are age 18 or older while on official government business. The General Services Administration and the Department of Defense Military Traffic Management Command include this requirement in the terms of the U. S. Government Car Rental Agreement. Military personnel, whether active duty or reserve, traveling on orders,¹ are considered by rental firms to be on official business.

More than one third of the active duty military personnel may be affected by a policy which denies automobile rental to individuals under the age of 25. The number and percent of military personnel between 17 and 24 are shown in appendix III.

All of the companies surveyed report that their rental policy for military personnel when not traveling on orders is the same as their rental policy for the general public.

Special Offers for Military Personnel

After Operation Desert Storm a number of the automobile rental firms had special programs for those involved in the Persian Gulf. These included special low rates to military personnel, special discounts to the extended families of injured service personnel, and donations to the American Red Cross Gulf Crisis Fund.

¹Military personnel typically travel on orders when involved in a permanent change of duty station, when on temporary assignment, when on leave between duty stations, or when on emergency or other administratively approved leave.

Scope and Methodology

We surveyed policymakers from the corporate headquarters of the 10 largest automobile rental firms in the United States. Appendix II contains a list of these companies and their sales in millions of dollars for 1991.

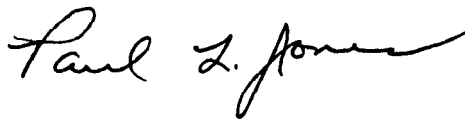
The states in which we researched state law concerning automobile rental were selected based on the military population in the state and the geographic dispersion of the states. The states are California, Colorado, Florida, Hawaii, Illinois, New York, North Carolina, Texas, Virginia, and Washington. These states together represent 20 percent of the states and contain 53 percent of the military population in the United States.

The data in appendix III were provided by the Department of Defense, Defense Manpower Data Center. We did not verify or test the accuracy of these data.

Our work was performed between January and May 1992 in accordance with generally accepted government auditing standards.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from its issue date. At that time we will send copies to the Chairmen, House Committee on Government Operations and Senate Committee on Governmental Affairs; the Director, Office of Management and Budget; the Secretaries of Defense, the Air Force, Army, and Navy; and other interested parties. We will also make copies available to others upon request.

If you or members of your staff have any questions concerning this report, please call me on (202) 275-3990. Major contributors to this report are George E. Breen, Jr., Assistant Director and Diane Blake Harper, Evaluator-in-Charge.



Paul L. Jones
Director,
Defense Force Management Issues

Geographic Distribution of Active Duty Military Personnel, End of Fiscal Year 1990

State	Military personnel
Alabama	18,706
Alaska	21,660
Arizona	23,239
Arkansas	8,968
California ^a	169,522
Colorado ^a	33,110
Connecticut	7,091
Delaware	4,460
District of Columbia	13,883
Florida ^a	75,368
Georgia	44,583
Hawaii ^a	39,936
Idaho	4,743
Illinois ^a	35,243
Indiana	5,523
Iowa	366
Kansas	20,902
Kentucky	30,210
Louisiana	23,832
Maine	5,485
Maryland	33,186
Massachusetts	8,722
Michigan	8,385
Minnesota	998
Mississippi	13,470
Missouri	15,507
Montana	4,329
Nebraska	12,696
Nevada	9,280
New Hampshire	2,164
New Jersey	16,037
New Mexico	14,757
New York ^a	28,627
North Carolina ^a	69,724
North Dakota	10,001
Ohio	11,551
Oklahoma	25,640
Oregon	1,003
Pennsylvania	6,099
Rhode Island	3,926
South Carolina	37,263

(continued)

Appendix I
**Geographic Distribution of Active Duty
Military Personnel, End of Fiscal Year 1990**

State	Military personnel
South Dakota	6,593
Tennessee	8,861
Texas ^a	112,608
Utah	5,809
Vermont	149
Virginia ^a	89,489
Washington ^a	35,785
West Virginia	529
Wisconsin	1,088
Wyoming	3,628
Not assigned to a state	118,826
Total	1,303,560

^aState automobile rental law researched.

Source: GAO analysis based on Department of Defense data.

Ten Largest Automobile Rental Companies in the United States, 1991

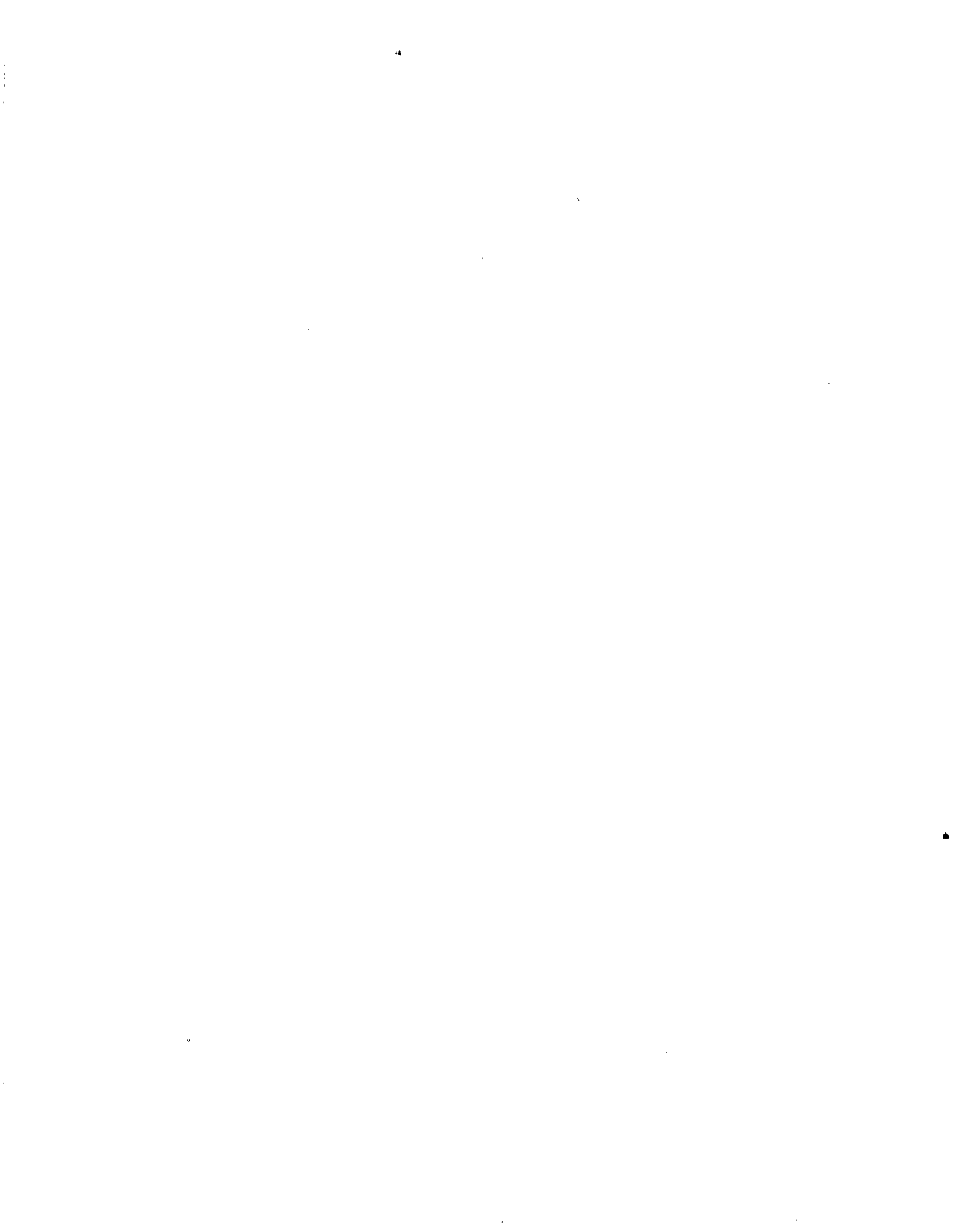
Dollars in millions	
COMPANY	Sales for 1991
Hertz Corp.	\$2,250
Avis Inc.	1,100
National Car Rental	750
Enterprise Rent-A-Car	550
Budget Rent-A-Car	540
General Rent-A-Car	167
Thrifty Rent-A-Car	135
Dollar Rent A Car	64
Alamo Rent-A-Car	28
American International	15

Source: Million Dollar Directory, Series 1991, Dun's Marketing Services, Parsippany, NJ.

Active Duty Military Personnel by Age for Fiscal Year 1991

Age	Number	Percent	Cumulative percent
17	354	0.0	0.0
18	38,263	1.9	2.0
19	93,464	4.8	6.7
20	137,316	7.0	13.7
21	153,262	7.8	21.5
22	132,549	6.7	27.3
23	114,163	5.8	32.5
24	103,197	5.2	37.4
25 and over	1,196,365	62.6	100.0
Total	1,968,933	100.0	100.0

Source: GAO analysis based on Department of Defense data.



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