

March 30, 2022

Brian Deese
Chair, White House Competition Council
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20006

Dear Mr. Deese,

I'm writing today to recommend that the White House Competition Council study the extent to which consolidation in the rental car industry has caused rising prices and diminished services for consumers. During the pandemic recovery, major rental car companies have gouged consumers and workers to rake in record profits. This behavior follows decades of consolidation in the industry that has given just three rental car companies – Hertz, Avis, and Enterprise – oligopolistic power to increase their profits at consumers' expense and engage in harmful and fraudulent practices. Given these concerns, I urge the White House Competition Council to conduct a review of anticompetitive behavior in the rental car industry and provide recommendations for the Biden administration to take action to create a competitive marketplace and reduce consumer costs.

In the face of rapidly rising inflation, the Biden Administration and the White House Competition Council has acted aggressively to address one key factor – consolidation and lack of competition that allows companies to take advantage of supply chain disruptions and heavy demand to jack up prices in search of ever-increasing profit margins.¹ The rental car market is a key area where the administration should act to address high consumer prices.

As of 2018, just three companies claimed over 90% of the rental car market share in the United States.² Enterprise Holdings, which is made up of Enterprise, National, and Alamo, boasts a 33% market share, while Hertz Global Holdings – Hertz, Dollar, and Thrifty – controls 36% of the market, and Avis Budget Group controls 26%.³ Over the past year, these rental car companies

¹ White House Competition Council, Press Release, <https://www.whitehouse.gov/competition/>.

² GEP, "How Consolidation in the Car Rental Industry is Likely to Overhaul Ground Transportation," July 2, 2018, <https://www.gep.com/blog/mind/how-consolidation-in-the-car-rental-industry-is-likely-to-overhaul-ground-transportation>.

³ *Id.*

have flourished: Avis reported new record net income and earnings in November 2021,⁴ and Hertz went from bankruptcy in May 2020⁵ to a record-high profit margin in the third quarter of 2021.⁶ Enterprise Holdings is a private company that releases little information to the public, but it reportedly increased U.S. revenue by nearly \$1.5 billion in 2021, up 10.5% from 2020.⁷

Rather than competing for customers with better prices or better services, Avis and Hertz have taken advantage of their market dominance to raise rental car costs while richly rewarding executives and shareholders.

In December 2021, I wrote to Hertz Global Holdings questioning why the company had announced a \$2 billion buyback program that would disproportionately benefit the private equity firm Apollo Global Management less than two years after declaring bankruptcy and laying off or furloughing 20,000 workers, while rapidly increasing rental prices.⁸ Hertz refused to provide answers to my questions about this inexplicable corporate greed. During the third quarter of 2021, Hertz reported a record profit margin of 39%⁹ – increasing its average daily revenue per vehicle by 44% over the year before, from \$48.07 to \$69.25 per day.¹⁰ At the same time, the company rewarded its interim CEO with an estimated \$13 million payday for running the company for six months,¹¹ and its new CEO is in line for a staggering \$250 million windfall.¹²

Avis Budget Group Inc. announced earlier this month that 2021 had brought “record revenues, net income, and adjusted [Earnings before Interest, Taxes, and Depreciation] (EBITDA).”¹³ In just the first nine months of 2021, Avis Budget Group reported a total net income of \$902

⁴ Avis Budget Group, “Avis Budget Group Reports New Record Net Income and Adjusted EBITDA,” November 1, 2021, <https://ir.avisbudgetgroup.com/news-releases/news-release-details/avis-budget-group-reports-new-record-net-income-and-adjusted>.

⁵ New York Times, “Hertz leaves bankruptcy a year after the pandemic devastated the car rental business,” Niraj Choksi, June 30, 2021, <https://www.nytimes.com/2021/06/30/business/hertz-bankruptcy.html>.

⁶ Hertz Global Holdings, “Hertz Global Holdings Reports Strong Quarterly Results,” Oct. 28, 2021, <https://ir.hertz.com/2021-10-28-Hertz-Global-HoldingsReports-Strong-Quarterly-Results>.

⁷ Auto Rental News, “2021 U.S. Car Rental Revenue Climbs 21% Year-Over-Year,” Chris Brown, December 8, 2021, <https://www.autorentalnews.com/10157505/2021-u-s-car-rental-revenue-climbs-21-year-over-year>.

⁸ Senator Elizabeth Warren, Letter to Mark Fields, December 6, 2021, <https://www.warren.senate.gov/imo/media/doc/2021.12.6%20Letter%20to%20Hertz%20re.%20stock%20buybacks.pdf>; Hertz, “Hertz Announces \$2.0 Billion Share Repurchase Program,” Nov. 29, 2021, <https://ir.hertz.com/2021-11-29-Hertz-Announces-2-0-Billion-Share-Repurchase-Program>; Wall Street Journal, “Hertz Targets \$2 Billion in Buybacks Amid Pandemic Recovery,” Matt Grossman, Nov. 29, 2021, <https://www.wsj.com/articles/hertz-targets-2-billion-in-buybacks-amid-pandemic-recovery-11638205059>.

⁹ Hertz, “Hertz Global Holdings Reports Strong Quarterly Results,” Oct. 28, 2021, <https://ir.hertz.com/2021-10-28-Hertz-Global-HoldingsReports-Strong-Quarterly-Results>.

¹⁰ Hertz, “Hertz Global Holdings Reports Strong Quarterly Results,” Oct. 28, 2021, <https://ir.hertz.com/news-releases/news-release-details/hertz-global-holdings-reports-strong-quarterly-results>.

¹¹ Barrons, “Hertz Interim CEO Will Run the Company for Months. He Could Earn Millions.” Andrew Bary, October 12, 2021, <https://www.barrons.com/articles/hertz-interim-ceo-mark-fields-pay-51633997014>.

¹² Financial Times, “Ex-Goldman CFO in line for \$250mn pay boost as Hertz chief if shares surge,” Antoine Gara and Joshua Franklin, February 4, 2022, <https://www.ft.com/content/c0ae7799-6086-4bb3-9c99-65d9bf1376c3>.

¹³ Avis Budget Group, “Avis Budget Group Reports Record Revenues, Net Income and Adjusted EBITDA,” Press Release, February 14, 2022, <https://ir.avisbudgetgroup.com/node/31726/pdf>.

million,¹⁴ more than five times higher than the company's \$160 million income over the comparable period in 2019.¹⁵ The company reported a record profit margin of 40% for the third quarter of 2021.¹⁶ These results were driven by higher prices for consumers: Avis' average daily vehicle revenue increased from \$50.75 in 2020 to \$68.55 in 2021, a 35% jump.¹⁷ With record windfalls, the company increased its stock buybacks by \$325 million,¹⁸ spending nearly \$1.5 billion to repurchase approximately 2.6 million shares in 2021.¹⁹ These buybacks build wealth for shareholders and company executives but leave customers holding the bag.

The companies' record profits and billions in stock buybacks have come at the expense of a healthy rental car market in the U.S. Rental car costs are one of the factors driving the recent acceleration in inflation. In January 2022, the Consumer Price Index (CPI) rose 7.5% from a year earlier.²⁰ Prices for car and truck rental rose 29.3% from January 2021 to January 2022.²¹

Rental car companies claim that a lack of supply is responsible for these price increases, but they appear to be profiting from a problem of their own making. As I noted in my December 2021 letter to Hertz Global Holdings,²² Hertz sold off 35% of its fleet, or 200,000 cars, from its pre-pandemic peak and did not grow the fleet at all between September 2020 and September 2021.²³ By the end of 2021, Avis cut its fleet size by 28%, cutting purchases of new vehicles by more than half even as demand for rental cars grew.²⁴ This trend has contributed to the "low-inventory, high-price trend" dominating the industry, worsening outcomes for consumers.²⁵

¹⁴ U.S. Securities & Exchange Commission, Avis Budget Group, Inc., Form 10-Q, November 1, 2019, <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000723612/000072361219000128/car-20190930x10q.htm>.

¹⁵ U.S. Securities & Exchange Commission, Avis Budget Group, Inc., Form 10-Q, November 11, 2021, <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000723612/000072361221000064/car-20210930.htm>.

¹⁶ Wall Street Journal, "Avis Stock Surges on Strong Results Brightening Rental Car Outlook," Nora Naughton, November 2, 2021, https://www.wsj.com/articles/avis-stock-surges-on-strong-results-brightening-rental-car-outlook-11635869539?mod=article_inline.

¹⁷ Avis Budget Group, "Avis Budget Group Reports Record Revenues, Net Income and Adjusted EBITDA," Press Release, February 14, 2022, <https://ir.avisbudgetgroup.com/node/31726/pdf>.

¹⁸ MarketWatch, "Avis Budget board Oks share buyback increase," Claudia Assis, June 4, 2021, <https://www.marketwatch.com/story/avis-budget-board-oks-share-buyback-increase-2021-06-04>.

¹⁹ Avis Budget Group, "Avis Budget Group Reports Record Revenues, Net Income and Adjusted EBITDA," Press Release, February 14, 2022, <https://ir.avisbudgetgroup.com/node/31726/pdf>.

²⁰ U.S. Bureau of Labor Statistics, "Consumer Price Index Summary," February 10, 2022, <https://www.bls.gov/news.release/cpi.nr0.htm>.

²¹ *Id.*

²² Senator Elizabeth Warren, Letter to Mark Fields, December 6, 2021, <https://www.warren.senate.gov/imo/media/doc/2021.12.6%20Letter%20to%20Hertz%20re.%20stock%20buybacks.pdf>.

²³ Hertz, "Hertz Global Holdings Reports Strong Quarterly Results," Oct. 28, 2021, <https://ir.hertz.com/2021-10-28-Hertz-Global-Holdings-Reports-Strong-Quarterly-Results>.

²⁴ Seattle Times, "How the COVID pandemic led to a rental car crisis just as Americans are ready to bust loose," May 1, 2021, David J. Lynch and Yeganeh Torbati, <https://www.seattletimes.com/business/how-the-covid-pandemic-led-to-a-rental-car-crisis-just-as-americans-are-ready-to-bust-loose/>.

²⁵ Washington Post, "Tales from the 'car rental apocalypse': How travelers are coping," Hannah Sampson, July 10, 2021, <https://www.washingtonpost.com/travel/2021/07/16/rental-car-shortage-prices/>.

Major car rental companies have combined rising prices with poor customer service, further increasing their margins at the expense of consumers. This form of “skimpflation,” or cutting services and goods to increase profit margins,²⁶ is particularly widespread in the rental car industry, which boasts “atrocious customer service” and misleading fee structures designed to rip off their customers.²⁷

Stories abound of travelers stranded after rental car reservations fall through,²⁸ cancelling plans over skyrocketing prices,²⁹ and facing overhyped and even fraudulent charges.³⁰ Consumers have described the car rental experience as “short-staffed, shabby décor, long lines, unhappy customers,”³¹ “brutal and weird,”³² and “Kafkaesque.”³³ Legal actions over the past year confirm that poor customer service from these companies often crosses the line into fraudulent business practices. In California, Hertz and a partner company faced a lawsuit that they had “fraudulently and deceptively induced” customers to pay extra in fees for an optional PlatePass, eventually settling the suit for \$3.65 million.³⁴ One Avis customer reportedly found their car repossessed in the middle of the night after the company reported it as stolen,³⁵ and rental car customers found themselves “banned for life” over clerical or technological errors.³⁶

Even more alarmingly, Hertz customers were repeatedly arrested for driving rental vehicles the company accidentally reported as stolen, in a disturbing pattern has led to traumatic experiences, job losses, and even jail time for their customers.³⁷ In December 2021, almost 200 people filed a

²⁶ NPR, “Meet skimpflation: A reason inflation is worse than the government says it is,” Greg Rosalsky, October 26, 2021, <https://www.npr.org/sections/money/2021/10/26/1048892388/meet-skimpflation-a-reason-inflation-is-worse-than-the-government-says-it-is>.

²⁷ The Atlantic, “The Absurdity of Renting a Car Will No Longer Be Tolerated,” Kaitlyn Tiffany, December 21, 2021, <https://www.theatlantic.com/technology/archive/2021/12/car-rental-shortage-covid/621068/>.

²⁸ Washington Post, “Tales from the ‘car rental apocalypse’: How travelers are coping,” Hannah Sampson, July 10, 2021, <https://www.washingtonpost.com/travel/2021/07/16/rental-car-shortage-prices/>.

²⁹ Washington Post, “How crazy is the used car market? This auction sparked a bidding war over a two-year-old minivan,” Jeanne Whalen, October 28, 2021, <https://www.washingtonpost.com/us-policy/2021/10/28/used-car-prices-chip-shortage/>.

³⁰ Los Angeles Times, “Column: He hasn’t smoked in decades. But Hertz is hitting him with a \$400 smoking fee,” David Lazarus, June 11, 2021, <https://www.latimes.com/business/story/2021-06-11/column-hertz-smoking-fee>.

³¹ New Republic, “Elizabeth Warren Wants to Know How Hertz Went From Bankruptcy to Buybacks in Six Months,” Timothy Noah, December 8, 2021, <https://newrepublic.com/article/164657/elizabeth-warren-hertz-bankruptcy-buybacks>.

³² The Atlantic, “The Absurdity of Renting a Car Will No Longer Be Tolerated,” Kaitlyn Tiffany, December 21, 2021, <https://www.theatlantic.com/technology/archive/2021/12/car-rental-shortage-covid/621068/>.

³³ Twitter, Kate Klonick, November 30, 2021, <https://twitter.com/Klonick/status/1465748307549069324>.

³⁴ The Atlantic, “The Absurdity of Renting a Car Will No Longer Be Tolerated,” Kaitlyn Tiffany, December 21, 2021, <https://www.theatlantic.com/technology/archive/2021/12/car-rental-shortage-covid/621068/>.

³⁵ NorthJersey.com, “Car renter taken for a ride: NJ native says Avis repoed vehicle without warning,” Philip DeVencentis, August 21, 2021, <https://www.northjersey.com/story/news/local/2021/08/21/avis-towed-rental-car-teaneck-newark-airport/8219381002/>.

³⁶ The Guardian, “A car rental company has banned my wife – but compared with some Hertz customers she may have got off lightly,” Arwa Mahdawi, March 9, 2022, <https://www.theguardian.com/commentisfree/2022/mar/09/a-car-rental-company-has-banned-my-wife-but-compared-with-some-hertz-customers-she-may-have-got-off-lightly>.

³⁷ CBS News, “Dozens of customers allege Hertz had them falsely arrested over rental cars reported stolen: ‘It was just terrifying,’” November 4, 2021, <https://www.cbsnews.com/news/hertz-customers-allege-false-arrests-lawsuit/>.

suit accusing Hertz of “falsely implicating customer in car thefts,” asking for approximately \$530 million in damages.³⁸ The filing claims that Hertz’s reporting of vehicles as stolen was potentially a cost-cutting measure, “using the police, criminal justice system, and taxpayers to subsidize inventory control for a private corporation.”³⁹ Following a February 2022 court order about its “anti-theft” program,⁴⁰ Hertz disclosed that it had filed approximately 3,365 police reports against consumers a year for the past four years alleging car theft.⁴¹ Customers shared stories of “horrific” arrests because of false claims from Hertz, including a NASA employee who was arrested at gun point in Florida and a real estate agent who lost her professional license for a year.⁴²

Although these trends in the rental car industry were exacerbated by the coronavirus pandemic, they closely follow the playbook rental car companies have used for over a decade: build market share through consolidation, use monopoly power to increase prices, and cut services to increase profit margins. During a “decade of consolidation” in the rental car industry ending in 2012,⁴³ major rental car companies Hertz, Avis, and Enterprise gobbled up smaller companies and created an oligopoly where consumers confronted fewer choices and higher prices. In 2012, when Hertz proposed an acquisition of Dollar Thrifty, four companies controlled approximately 98% of total airport car rentals in the United States according to the FTC.⁴⁴ Despite warnings, the FTC sanctioned the Hertz-Dollar Thrifty merger after Hertz agreed to spin off Advantage, only

³⁸ NBC News, “More Hertz customers come forward in class action lawsuit,” Caresse Jackman, December 9, 2021, https://www.wsmv.com/call_4_action/more-hertz-customers-come-forward-in-class-action-lawsuit/article_845c2f40-594a-11ec-b4f3-573927eee071.html.

³⁹ Inc, “Furious Customers Are Suing Hertz for \$529.7 Million. Here's the Lesson Every CEO Should Learn,” Minda Zetlin, December 21, 2021, <https://www.inc.com/salesforce/how-to-speed-up-revenue-with-subscription-and-usage-models.html>.

⁴⁰ Bloomberg, “Hertz Customers Who Claim They Were Falsely Arrested Score Win in Court,” Steven Church, February 9, 2022, <https://www.bloomberg.com/news/articles/2022-02-09/hertz-ordered-to-reveal-data-related-to-falsely-arrested-renters>; CBS News, “New Hampshire man arrested aboard cruise ship is latest to be accused of stealing Hertz rental car: ‘Most horrific experience of my life,’” Anna Werner, February 15, 2022, <https://www.cbsnews.com/news/hertz-car-rental-customer-arrested-new-hampshire/>.

⁴¹ CBS News, “Hertz files thousands of car theft complaints against customers every year. A judge ruled they have to make that data public.” Anna Werner, February 10, 2022, <https://www.cbsnews.com/news/judge-rules-hertz-theft-complaints-against-customers-public/>; Inc. “Hertz Files 3,365 Stolen Car Reports Every Year on Customers Who Rented Its Cars,” Minda Zetlin, March 2022, <https://www.inc.com/minda-zetlin/hertz-lawsuit-arrests-number-unsealed.html>.

⁴² CBS News, “New Hampshire man arrested aboard cruise ship is latest to be accused of stealing Hertz rental car: ‘Most horrific experience of my life,’” Anna Werner, February 15, 2022, <https://www.cbsnews.com/news/hertz-car-rental-customer-arrested-new-hampshire/>; CBS News, “Hertz customers claim they were arrested, some jailed and even held at gunpoint after false theft reports,” Anna Werner, December 10, 2021, <https://www.cbsnews.com/news/hertz-claims-false-arrests/>.

⁴³ Wall Street Journal “Hertz Wins Bid to Buy Dollar Thrifty,” August 27, 2012, <https://www.wsj.com/articles/SB10000872396390444230504577613770986917472>.

⁴⁴ Federal Trade Commission, “FTC Requires Divestitures for Hertz's Proposed \$2.3 Billion Acquisition of Dollar Thrifty to Preserve Competition in Airport Car Rental Markets,” Press Release, November 15, 2012, <https://www.ftc.gov/news-events/press-releases/2012/11/ftc-requires-divestitures-hertz-proposed-23-billion-acquisition>.

to see Advantage go bankrupt barely four months later.⁴⁵ Just one year later, rental car companies were taking advantage of consolidation in the market to shrink their fleets and raise prices, and *Bloomberg* reported that higher pricing and diminished fleets were “a critical part of the business for the trio that now control the auto-rental business.”⁴⁶

The Biden Administration has made addressing corporate consolidation a key priority, and I applaud the administration’s effort to address consolidation in the transportation sector, including cracking down on illegal oil and gas mergers and fraudulent behaviors in the airline industry.⁴⁷ Similarly, I respectfully urge the White House Competition Council to scrutinize investigate consolidation and its impact on consumers in the rental car market, and ensure a competitive marketplace.

Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren
United States Senator

⁴⁵ Bloomberg, “Hertz Fix in Dollar Thrifty Deal Fails as Insider Warned,” David McLaughlin, Mark Clothier, and Sara Forden, November 29, 2013, <https://www.bloomberg.com/news/articles/2013-11-29/hertz-fix-in-dollar-thrifty-deal-fails-as-insider-warned>.

⁴⁶ Bloomberg, “Rental-Car Chains Bask in the Power of Higher Prices,” Justin Bachman, August 6, 2014, <https://www.bloomberg.com/news/articles/2014-08-06/avis-enterprise-hertz-enjoy-higher-prices-thanks-to-industry-consolidation>.

⁴⁷ White House Competition Council, Press Release, <https://www.whitehouse.gov/competition/>.