

Management Travel Weighs in on AVIS/WeDriveU

Hiring Chauffeurs Sans Limo Raises Controversy – By Mary Ann McNulty

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A year after Avis partnered with WeDriveU to provide rent-a-chauffeur services along with rent-a-cars, the business model is coming under increasing scrutiny by limousine operators and some government regulators. Critics argue that the model allows companies to provide chauffeured services, but forego the extensive regulations covering vehicles and drivers. Regulators in New York and Miami are reviewing the issues.

Of greater concern to the head of the National Limousine Association is that economic realities are prompting an increasing number of operators to copy the model--to the detriment of the industry, he claimed. "I think it will set us back 40 years," said NLA president Richard Kane of business models that he described as circumventing regulations.

Other car rental companies also are considering the model, according to Kane and other sources. To grow its business and revenues, The Hertz Corp. is "looking at a number of growth opportunities, chauffeur services among them, although we are not near a final decision," according to Hertz senior vice president of corporate affairs and communications Richard Broome, in an email response to *Management.travel*. Hertz already has expanded into car sharing and multi-month leases, he added.

[Avis Rent A Car System in June 2007 introduced its new Avis Chauffeur Drive service](#), delivered through a partnership with 20-year-old California firm WeDriveU. The service allows Avis customers to hire a professional driver, at a cost of \$36.80 per hour with a three-hour minimum, to drive the customer's rental car. Avis launched the service in 10 major markets, expanded to 16 by the end of 2008 and offers it in 25 today, according to a WeDriveU spokeswoman. Avis by press time had not responded to several requests for comment.

"Using a chauffeured rental car simply involves an Avis customer adding an authorized driver to their rental agreement, an option that has been available in the car rental market for many years," said a WeDriveU spokeswoman. "Avis Chauffeur Drive lets customers add a fully certified and insured chauffeur from WeDriveU as that authorized driver, providing greater levels of safety and comfort while minimizing risk."

Avis and WeDriveU tout the "convenience, plus savings over limousines."

Independent limousine operators and associations contend that the model takes advantage of legal loopholes to enable a car rental company to function as a limousine service, without the required licensing and regulation. Local and state laws typically regulate limousines, according to NLA's Kane, who also is chairman and CEO of International Limousine Service in Washington, D.C. "My company spends more than \$100,000 a year" on licensing, inspections and regulations for 120 cars in the District of Columbia, Maryland and Virginia," he noted. "Rental car companies don't have that same type of regulation."

Limousine Association of Houston president Joe Jordan likewise argued that the practice evades local, state and federal regulations on limousines and chauffeurs. Of most concern to Jordan is that unregulated drivers forego the background checks conducted by regulators. The WeDriveU spokeswoman responded via email that the company provides its own "five-point certification program that incorporates industry standard screening and selection services" to ensure that all

chauffeurs possess a valid driver's license and responsible motor vehicle record. The certification also includes substance-abuse testing, criminal background check and professional training. The economic realities, Kane said, have prompted 40 to 50 licensed limousine companies to copy the Avis/WeDriveU model and separate their businesses into two companies: one that rents cars and a second that provides drivers. The trend, he said, has emerged "within the last 90 days," as operators didn't renew licenses as of Jan. 1, 2009. He declined to identify any of the operators but said, "Almost every operator is rethinking their model."

Kane said his company isn't one of them. "I want to have the ability to say we're better than operators who forego the regulation and licensing." NLA represents about 2,500 limo operators, but Kane said about 10,000 such companies operate throughout the United States. About 20 of his members decided to adopt the new dual-company model, he added.

"We've been in front of all the regulators and frankly we've been ignored," Kane continued. "What we have to do is create legislation on the local level."

But officials in both New York City and Miami-Dade County reported that they are studying the new business models and current regulations. A spokeswoman for the Miami-Dade County government said its legal team is looking at the issue and "trying to see if any regulations" have been violated.

New York Taxi & Limo Commissioner Matthew Daus said, "We have been looking at the Avis/WeDriveU issue and have not, to date, come to any firm conclusions about the necessity of taking specific regulatory action. We will continue to monitor the situation and communicate with our regulated industries about the issue as necessary."

As for Kane's concern about limo operators not renewing licenses, Daus said that "the number of black car bases licensed at the end of 2008 remained consistent, at 73, with the number at the same time the prior year, and the number of licensed luxury limousine bases increased by 21, from 145 to 166, in the same period."

Phoenix Deputy Aviation Director Deborah Ostreicher said that the "additional service that Avis wishes to provide in partnership with WeDriveU is not permitted under their current contract with the City of Phoenix."

Kane said the topic has emerged at various industry meetings, including a meeting this week of the New Jersey Limousine Association.