



1156 15th Street NW • Suite 302 • Washington, DC 20005
T 202.457.0825 • F 202.457.0864 • www.aradc.org

May 9, 2011

The Honorable John D. Rockefeller IV
Chairman, Commerce, Science & Transportation Committee
United States Senate
Washington, D.C. 20510

The Honorable Kay Bailey Hutchinson
Ranking Member, Commerce, Science & Transportation Committee
United States Senate
Washington, D.C. 20510

Dear Chairman Rockefeller and Ranking Member Hutchinson:

It is our understanding the Obama Administration is considering a proposal that would require the study and implementation of a plan to tax automobile drivers based on how many miles they drive. On behalf of members of the Agricultural Retailers Association (ARA), I am writing to urge you and other members of the committee to oppose the implementation of vehicle miles traveled (VMT) tax in any multi-year surface transportation program reauthorization bill as it would most negatively and disproportionately impact the agricultural industry, rural communities, and lower income families required to travel longer distances to get to their destinations.

Transportation is an essential component of the U.S. economy and rural communities. An economically efficient and effective intermodal transportation system is important for the financial well-being of agribusinesses and rural communities throughout the United States. Fuel taxes have traditionally paid for the federal share of highway and bridge infrastructure construction projects. ARA is willing to support a reasonable increase in the fuel tax if all revenues are dedicated to projects and programs that benefit the movement of goods on the nation's highway systems. Congress needs to ensure that 100 percent of funds raised by a federal excise tax on gasoline and diesel fuels are deposited in the Highway Trust Fund (HTF) and not being diverted toward other projects. It is important to keep in mind that a fuel tax rewards increased fuel efficiency. In the March 2011 Congressional Budget Office reported entitled "Alternative Approaches to Funding Highways", it correctly points out that VMT taxes would provide no incentive for users to increase fuel efficiency. If the Obama Administration is truly interested in promoting higher fuel efficiency, their proposal to fund infrastructure should incorporate that goal – not penalize rural communities and the agricultural industry.

A VMT tax would require a federal government GPS tracking system to be installed in all vehicles, which could be programmed to charge higher rates for trucks or other equipment heavily used within the agricultural industry. ARA has received information from members that the additional cost of installing a GPS tracking unit per vehicle ranges from between \$150 to \$250 with a monthly fee for the service for each unit of \$5 to \$10 depending on the service. These charges would be in addition to any annual contract fee per unit. This could amount to approximately \$6,000 per month in additional costs for agricultural retailers / distributors to have to absorb without any additional benefits.

According to a December 2010 report issued by the Washington State Transportation Center (TRAC) entitled "Impacts of VMT Reduction Strategies on Selected Areas and Groups", it states that "a VMT fee of \$.05 to \$.25 per mile would increase the daily work trip cost from an estimated \$1.40 to \$7.00 per day for urban area low-income residents and from \$2.80 to \$14.00 per day for rural area low-income residents." The report goes on to state that "residents of rural distressed counties would be negatively affected, as many must travel long distances to work, shopping, and school and have few or no alternatives to the Single- Occupancy Vehicle (SOV). VMT charges would impose a weekly cost ranging from \$14 to \$70." The March 2011 CBO report also states that "overall, total mileage-related costs of highway use are about 25 percent greater in urban areas than in rural areas for passenger vehicles and roughly three times greater in urban areas for heavy-duty trucks. This data clearly shows that a VMT tax would adversely impact rural communities the most while urban areas would disproportionately receive the benefits of such a HTF funding mechanism. In addition, a new federal office to administer an unproven, untested program would reportedly cost a total of \$300 million through fiscal year 2017. Due to these concerns ARA strongly opposes a VMT tax.

Maintaining the current fuel tax system makes the most sense given its historic track record of success and ease to administer. The Committee could consider implementing some form of highway user fee for electric or natural gas vehicles that are currently not paying their fair share into the HTF. A formula could be developed for these types of alternative fuel vehicles that are similar to the federal fuel excise tax. In addition, a more efficient use of scarce HTF resources can occur if there are significant reforms made to limit the time it takes for the federal and state governments to complete transportation infrastructure projects. Most project delays are the result of an excessive environmental review process and frivolous lawsuits filed by activist groups.

Thank you for your efforts to conduct extensive hearings on reforming the federal Surface Transportation Programs. Please contact Richard Gupton, Vice President of Legislative Policy & Counsel, at 202-457-0825 or richard@aradc.org if you have any questions or need additional information. ARA looks forward to working with you and committee members on this important issue.

Sincerely,

A handwritten signature in blue ink, appearing to read "Daren Coppock". The signature is fluid and cursive, with a large loop at the end.

Daren Coppock
President & CEO