

VT Transportation Committee – Tom Frawley, Summit Distributing, LLC 3/27/14

Summit is multi-state petroleum distributor that has its offices in Lebanon, NH. It supplies or owns 17 retail gasoline locations in VT, all operated by independent dealers. It sells approximately 18,000,000 million gallons a year in VT and collects approximately \$450,000 a month in state gasoline or diesel taxes on behalf the state.

I am here to express my concerns that increasing the current bonding requirement will create a disproportionate undue financial stress on companies like mine who provide a service to the State with limited benefit.

Bonding companies are requiring, in many cases, a letter of credit in the same amount of the bond as guarantee. The cost of bond, plus the cost of the larger line of credit required, hampers a business's ability to use those funds for useful purposes in operating and growing their business. The Bond limit becomes part of one's loan limit from a bank. In Summit's case, this cost will almost double to an additional \$32,000 a year for the cost of the additional bond and the cost for the expanded line of credit, further hamper its ability to leverage its existing assets, and grow its business.

The State without any bonding requirement has the ability to quickly react to a default by any distributor who does not remit tax payments on a timely basis by simply revoking their license. (A scenario that has not occurred in Vermont but once in 20 years that resulted in no tax loss to the State.) Bonding was likely conceived when Excise Tax was minimal and before the concept of Electronic Funds Transfer (EFT), which allows for the transfer money in one day. Requiring any bonding, but especially a cap, that creates an unfair advantage for larger companies, is an unnecessary hardship that creates no tangible benefit the State and only a disproportionate cost to do business in VT.

In two other states in New England, the bonding requirement has either been reduce by a 1/3(New Hampshire) or eliminated completely(Massachusetts), there is no bonding requirement in Maine.

Thank you for your time and consideration,

Tom Frawley
President
Summit Distributing, LLC
240 Mechanic St
Lebanon, NH
603-448-4000