

December 20, 2019

Bill Smith
Senate Transportation

The Honorable Phil Scott
Executive Office of Governor Phil Scott
109 State Street, Pavilion
Montpelier, VT 05609

Dear Governor Scott:

We are writing to express our concerns about the Transportation and Climate Initiative (TCI) and to urge changes to the developing program that would help protect equity and the economy while also pursuing reductions in carbon emissions.

We appreciate efforts to seek to address climate concerns through creative and innovative measures. However, as currently proposed, TCI would result in a potentially significant effective tax on highway gas and diesel. This would increase costs for manufacturing, retail, grocery, dairy, forestry, granite, and other businesses dependent on highway transportation for moving supplies and goods, as well as construction and other contractors dependent on vehicles, both through direct costs and the cost of transportation service providers.

Unlike residential drivers, who might respond to higher costs by adjusting driving habits and potentially converting to more efficient vehicles, and for whom states could fund programs supporting such changes with revenues allocated from TCI, the commercial transportation noted above is already driven to be as efficient as possible in terms of both logistical planning and transportation technology owing to regulatory requirements and the high costs of transportation generally, compounded by the severe competitive disadvantages Vermont businesses already face.

Without meaningful options to reduce exposure to the effective tax impact of TCI through behavioral or technology changes, or meaningful program options for states to support such changes with revenues allocated from TCI, pressures to move production or operations out of the impacted region would increase to mitigate this cost. Businesses unable or unwilling to relocate would face the consequences of trying to absorb or pass on costs to consumers.

TCI would therefore appear to promise little if any change in commercial transportation carbon emissions unless produced by reduced business operations, with resulting loss of employment and economic activity. This would be both fundamentally inequitable and highly cost ineffective.

The most efficient way to address the concerns outlined above while proceeding with TCI would be to exclude diesel from the program and focus on highway gasoline. This would protect the overwhelming majority of commercial transportation, and states could still work to assist businesses that utilize smaller, gasoline fueled vehicle options. It should be noted, however, that significant issues with increasing gasoline costs will still have to be recognized and addressed.

We respectfully urge you to work with your peers in the other states working on TCI to exclude diesel from the program. Equity and economic issues with raising gasoline prices must also be addressed. If agreement cannot be reached to exclude diesel, then we further urge that Vermont not participate in TCI.

Sincerely,

Associated Industries of Vermont
Associated General Contractors of Vermont
Barre Granite Association
Green Mountain Dairy Farmers
Vermont Farm Bureau

Vermont Forest Products Association
Vermont Fuel Dealers Association
Vermont Petroleum Association
Vermont Retail & Grocers Association
Vermont Truck & Bus Association