

ABA Position Paper

The Motorcoach Industry Position on Fuel Taxes

Issue

In the near future, it is possible that Highway Trust Fund spending will outpace the level of fuel tax revenues that support the fund. Changes in fuel tax collection sources and procedures, which could have a significant impact on the motorcoach industry, may come under serious consideration in response to this potential deficit situation.

Background

Congress is simultaneously facing large budget deficits and public expectations that investment in transportation infrastructure will continue to grow. The Highway Trust Fund (HTF) revenues come largely from the fuel tax but also from taxes on trucks, trailers, heavy vehicles and tires. Highway officials have warned that in the future the country cannot depend on fossil-based fuel taxes to fund its surface transportation system, in part because increasing fuel efficiency standards and alternative fuels make the gas tax a declining revenue source.

Much effort was focused in SAFETEA-LU on addressing this potential funding shortage through tackling fuel tax evasion; reconciling payments that needed to flow into the HTF for dedicated transportation spending versus the general fund; and focusing on unnecessary exemptions. But because those changes aren't considered sufficient to address the problem in the future, more options are under consideration. Proposals that have been floated to date include: eliminating fuel tax exemptions taken at the pump in favor of fuel tax exemptions being paid through revenues (presumably reducing current "abuses"); a heavier reliance on states to help fund the infrastructure; additional tolling; indexing the fuel tax to the Consumer Price Index, retroactively to the last federal fuel tax increase; creative ways to increase the HTF contributions of alternatively fueled vehicles; and a mileage charging system for all highway users regardless of the vehicles they operate (under such a system the gas tax would be substituted with a mileage-based fee.)

Currently motorcoaches pay 7.3 cents in taxes on diesel fuel as a result of an industry-wide 17-cent exemption from the current 24.3 cent diesel fuel tax. The current motorcoach exemption reflects the positive contribution the industry makes. These are the same contributions made by transit operators that receive a total fuel tax exemption: taking cars off the road and the resulting congestion mitigation, environmental and pavement-wear benefits. Motorcoaches are the most fuel efficient commercial passenger transportation service. In 2001, the industry consumed only 0.0068 gallons of fuel per passenger mile of service. The next most fuel efficient commercial passenger mode (the intercity train) consumed twice as much fuel and the air carrier industry consumed more than four times as much fuel per passenger mile as did the motorcoach industry in 2001. Furthermore, the energy intensity of motorcoach service is lowest among all modes of passenger transportation. In 2001, motorcoaches consumed only 946 Btu per passenger mile while the energy intensity of other passenger transportation modes was higher than 2,100 Btu per passenger mile. Since 1998 new Environmental Protection Agency (EPA) standards applying to particulates and NO_x levels have resulted in reduced emissions of 90% over 1998 levels. It is anticipated that reduced emissions levels will improve by another 90% by the year 2007. And the industry has paid significantly for

these improvements adding an additional \$5-10,000 for new engines due to the EPA regulations (an investment made on top of the required investment in wheelchair lifts mandated by the Americans with Disabilities Act.)

ABA Position

ABA seeks to maintain the motorcoach industries partial exemption from the diesel fuel tax and any future funding methodology that may create additional burdens for the motorcoach industry based on the following arguments: 1) buses take cars off the road helping to mitigate congestion and minimize pavement wear; 2) use of motorcoaches, the most fuel-efficient passenger mode, provides a positive environmental impact; and 3) heavily subsidized transit agencies and Amtrak are exempt from fuel taxes. If the existing subsidy gap is allowed to grow additional burden will be placed on the privately operated public transportation network struggling to cope in the post 9/11 travel environment and possibly resulting in canceled service to rural communities served by intercity bus and those that rely on affordable transportation.

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