



## **2019 POLICY STATEMENT ON TRANSPORTATION FUNDING**

The Virginia Manufacturers Association welcomes the investigation of the General Assembly into the funding needs of the Commonwealth's transportation infrastructure. Transportation infrastructure is vitally important to manufacturers and their ability to compete globally. As such, the VMA is exclusively focused on the multi-modal movement of freight (air, maritime, rail, and road) and has adopted the following Public Policy Statements and Economic Priorities related to Transportation Funding.

### **Public Policy Statement**

The VMA Supports transportation policy that ensures adequate resources are allocated toward commerce-based infrastructure that is operated securely and competitively while valuing that technology and safety enforcement are integral to a multimodal transportation infrastructure that maintains Virginia's industrial competitiveness in intrastate and interstate commerce.

The VMA supports fiscal policy that does not allow core government services to be devolved into fee-based services that force disproportionate taxation on specific sectors of the economy and recognizes that preference Virginia must demonstrate in encouraging businesses that represent "basic industry" and, therefore, bring new money to the Commonwealth by virtue of the fact that 50% or more of their sales come from outside the state or nation.

The VMA supports tax policy that enhances economic growth and encourages productivity through technology and investment incentives and recognizes that the effective tax rate on manufacturers must be measured against our ability to compete globally versus simple arithmetic comparisons of single tax rates in neighboring states.

The VMA thinks fees for services should be controlled as "unfunded mandates" on industry, measured as a part of an overall effective tax rate and not allowed to be altered without the same machinations required for other tax rate alterations. Further, fees should: (1) Recover only a portion of the agency's costs of permit processing, (2) be collected for the purpose of more efficiently and expeditiously processing permits, (3) augment, not supplant or reduce, general funding of agencies, (4) have dollar amounts of the fees capped by statute, (5) not place existing or prospective industries at a competitive disadvantage with industries in competing states and countries, and (6) require regulatory agencies to be accountable to the General Assembly for their effective use of these fees.

### **Economic Priorities in Transportation**

Ensure that all transportation costs are competitive against regional, domestic and foreign competition. A fact driven and competitive analysis is particularly important in relation to interstate and rail bound transportation and the Port of Virginia. Legislators must recognize that trucks (fleet and for-hire) move nearly 90% of all manufactured goods in Virginia. As such, Virginia's proposed diesel tax/road tax (IFTA) rates and truck registration fees will make Virginia nationally less competitive and substantially increase costs for manufacturers, wholesalers and consumers. Proponents of the new taxes and fees structure have selectively used incomparable state data to justify diesel and IFTA tax

rates. In fact, Virginia's new combined Diesel/IFTA tax rates will exceed the national average, national median, southern state average and southern state median tax rates.

<b>VA New Diesel/IFTA</b>	<b>0.40 cents</b>
<b>AVG US Tax</b>	<b>0.315298 cents</b>
<b>Median US Tax</b>	<b>0.2925 cents</b>
<b>AVG Southern States</b>	<b>0.2462 cents</b>
<b>Tax Median Southern</b>	<b>0.20 cents</b>

Avoid conversion of existing infrastructure into toll roads. VMA strongly opposes the conversion of existing facilities into toll facilities unless trucks are given a non-tolled option. In January 2019, the Virginia Manufacturers Association reported results from a survey where 75% of manufacturers and transportation companies "opposed" or "strongly opposed" a .17 cent per mile toll on I-81. In the same survey, 23% of respondents indicated that they would reduce investments in the I-81 corridor and divert growth to other facilities to maintain competitiveness. These findings are consistent with a VMA survey in February 2004, where respondents indicated that a .27 cent per mile toll on I-81 would have placed 3,183 jobs at risk in Virginia and 77% of manufacturers would seek alternative routes in order to avoid tolls. Tolls represent double taxation because truck users currently pay millions in diesel taxes, International Fuel Tax Agreement (IFTA) taxes or "road taxes," and other taxes to support highway maintenance, safety and construction.

### **Proposed Approach to Identify Competitive Solutions**

#### Differentiate between commerce-dependent and computer-dependent infrastructure.

1. Consider the benefit-cost of the Port of Virginia and air freight infrastructure to our economy and their dependence on truck transportation. Most financial support for these resources is already produced through fees.
2. Consider the benefit-cost of improved short-haul railroad service on underserved incumbent rail lines. More manufacturers are being forced to move freight from rail to truck due to service challenges in the rail industry.
3. Consider a public-private truck/car/passenger ferry system in the Hampton Roads similar to the Washington State Ferry System operating in the Puget Sound region.

Implement intelligent transportation initiatives that improve the capacity, safety and efficiency of our current infrastructure by optimizing the amount of investment needed – i.e., solutions which include capacity expansion via road construction projects as last resort.

1. Increase truck weight and axle configuration. It has been estimated that by simply allowing the operation of a nine-axle, twin 48 – foot trailer truck (turnpike double) with a gross vehicle weight of 127,400 pounds, freight movement productivity would improve by 23.8%. In 2018, the Virginia General Assembly directed VDOT to convene a work group to identify potential problems of participating in a federal data collection pilot program or project for six-axle truck combinations weighing up to 91,000 pounds on interstates (SB504/HB1276). The study conducted by VDOT concluded that there was "insufficient data available to fully quantify the impacts of 91,000-pound, 6-axle combination vehicles on safety, operations, infrastructure condition, mode shift, or compliance and enforcement on Virginia's transportation system."
2. Explore internet-based solutions to increase density of existing interstates and highways.
3. Expand statewide "weigh in motion" technology to keep truck freight moving more efficiently and reduce the incidents of truck-car accidents near weigh stations. For example, PrePass™ is an automated, state-of-the-art system, that allows heavy vehicles that are registered in the program to legally bypass open weigh stations.

4. Coordinate state-local land use planning and transportation planning. Specifically, stop allowing local governments to use interstates as local “main streets” to avoid the construction of arterial roads.

## Summary

**In closing, there are substantial needs in Virginia’s transportation system. These needs should be neutrally and separately analyzed as they pertain to a future commuter or commerce-dependent infrastructure user. The strategic goal for competitive commerce-dependent infrastructure must recognize that all transportation taxes must be nationally, and potentially internationally, price competitive and directly correlate to productivity, safety and/or service improvements in air, maritime, rail and road freight movement. These taxes may be regional or statewide and include voluntary tolls on new infrastructure as well as fees for transportation services. However, all transportation taxes must be considered in aggregate, compared against economically competitive Southern and Mid-Atlantic states, and transparently deliberated through the Virginia General Assembly’s Transportation Committees, Subcommittees and Appropriations Committees with opportunities for full public participation. Any transportation taxes failing these standards of public involvement must be reconsidered.**

1 David J. Forenbrock and Jim March, *Issues in the Financing of Truck-only Lanes*, USDOT-FHA, September/October 2005.