



Mileage-Based User Fee

ITS America Position Statement, April 2013

What is the Background of Mileage-Based User Fees?

Civilizations have become great in part because of their transportation systems to promote trade and the exchange of ideas. The Romans built roads to connect the distant parts of their empire. The British built canals and railways to enhance transportation within their island realm while using the seas to maintain their empire. The United States has become great, and remains so, in a large part because of its transportation system, consisting of highways, transit, airways, marine terminals and commercial rail. The country's transportation network has facilitated and contributed greatly to a robust economy, while meeting society's needs for mobility, access, goods movement, security, and overall quality of life.

Much of the revenue required to preserve, maintain, manage, and operate the nation's transportation system comes from state and federal fuel taxes, which are typically paid at the time of purchase based on the amount of fuel consumed by motorists. The Federal fuel tax is 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel – and has been at these rates since 1993. The states currently add an average of approximately 30 cents per gallon, the actual amount varying by state.

Over the past several years, vehicles have become more fuel efficient. Moreover, vehicles have been introduced that utilize alternate fuels (other than gasoline or diesel) and means of propulsion, such as electric vehicles (EV) and hybrid electric vehicles (HEV) – a trend that is expected to continue and perhaps even accelerate over the next decade.

The users of these more fuel-efficient and alternative fuel vehicles have been paying less fuel tax than previous vehicle fleets for the same number of miles driven, with electric vehicles paying no fuel taxes. The situation has been further exacerbated by major increases in fuel prices, which tend to reduce the total number of miles driven. As a result, fuel tax receipts have not kept up with the transportation funding needs, even though the driving population has increased. This overall funding gap – at both the state and federal levels – can only be expected to grow as the average fuel economy of the American vehicle fleet improves¹ and as the emerging fleet of

¹The Corporate Average Fuel Economy (CAFE) standards are an average 35.5 miles per gallon for vehicle fleets in 2016, and an average of 54.5 miles per gallon in 2025.

electric vehicles and plug-in hybrid electric vehicles (PHEV) become more ubiquitous along the roadways.

There is also the issue of fairness – that all users of the roadway should pay their fair share based on their use of the transportation network, and contribute to the management and operation of the roadways, including reduced congestion (which their driving helps to create) and enhanced safety as provided by ITS.

A growing consensus amongst policymakers and industry analysts across the nation has emerged that a fuel consumption-based tax can no longer be relied upon to provide sustainable revenues to maintain and operate the nation’s transportation infrastructure; that the nation needs a new paradigm for transportation funding. One such approach is to change the entire system from a fuel consumption-based tax to a road usage charge (alternatively known as a mileage-based user fee (MBUF) or a mileage tax).

What ITS America Believes

The fuel tax no longer provides a direct correlation between the vehicle’s use of the transportation network and the amount it pays to support the system, particularly as fuel efficiency standards rise and the number of EVs and PHEVs –paying little or no fuel tax – increases. ITS America supports the use of EVs and PHEVs as part of a sustainable transportation network and to reduce greenhouse gas and other emissions. At the same time, we believe that all vehicles using the transportation infrastructure should pay their fair share.

ITS America supports research and the subsequent implementation of alternatives to the gas tax – including a mileage-based road usage charge as one possibility – so as to provide a sustainable funding source for transportation improvements. The members of ITS America have the policy expertise, technologies, and solutions necessary to support the implementation of road usage charging throughout the nation, accommodating the various needs of such a system, including:

- Cost-effectiveness through automation (e.g., in-vehicle telematics, on-board equipment and wireless communications).
- Providing vehicle owners (and lessees) with choices as to how their road usage is measured and reported, and how the charge is paid. This can include non-technical means of assessing the road usage charge (e.g., flat annual fee).
- Protecting the privacy of motorists (e.g., GPS or other location technology is not required or mandated to measure mileage driven, although should be provided as an option)
- Providing efficient transaction processing, account management and data analytics of the information resulting from a new funding approach
- Providing technologies and processes for automatically measuring the amount of fuel used and providing a credit (against the road usage charge) for the associated amount of fuel tax paid, thereby eliminating any “double taxation.”
- Promoting compliance through a combination of education, audit processes, and enforcement activities

- Offering flexibility in how and which miles are charged (e.g., mileage rate, out of state travel, varying rates by time of day, urban vs. rural considerations.)

ITS America believes that any Road Usage Charging system should be based on an open architecture using common standards and communications protocols, thereby allowing the private sector to participate in those parts of the system for which they are best suited to support.

ITS America will cooperate and work with other interested organizations (e.g., MBUF Alliance, IBTTA, AASHTO) to educate our members, government representatives, and elected officials as to the benefits of road usage charging and the availability of the supporting technologies.

ITS America will promote and support research and pilot programs to identify the optimum approaches and technologies for implementing and managing road usage charge systems.

ITS America will encourage legislation and authorizations that permit the use of federal funds to research and test MBUF concepts and technologies

ITS America will work with the automotive industry, many of which are members, along with the associated standards organization to prompt and encourage enhanced OBD-II standards in terms of the information available from the port to support MBUF. ITS America will also promote and encourage standards for EVs, PHEVs, and HEV's with respect to interfaces and available information to be used for MBUF.

ITS America will promote and encourage research, demonstrations and standards for utilizing in-vehicle telematics and applications for MBUF.

ITS America will work with USDOT to investigate how road usage charging concepts may be integrated into the Connected Vehicle Program

ITS America will work with State Departments of Transportation, and coalitions of states to provide information and support for moving this concept forward.

ITS America will work with "value added" service providers, including the insurance industry ((e.g., Pay as You Drive insurance), traveler information providers, and "app" developers, to collaborate with their initiatives and use of technologies that may aid in the development and operation of a road usage charge system.

ITS America will work with our global ITS counterparts to bring innovations and best practices that will help the United States with this transformation.