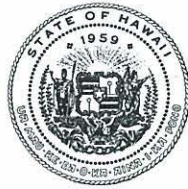


SB 819



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

January 28, 2011

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 819

COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

The Department of Transportation (DOT) supports the intent of Senate Bill 819 which establishes the vehicle miles traveled pilot program to explore the possibility of user fees for users of highways.

The DOT acknowledges that motor vehicle fuel taxes will become a less effective way to fund public highways in the future and seeks a replacement user fee because:

1. Vehicles will become more fuel efficient.
2. Vehicles will use other sources of fuel.
3. Statewide fuel consumption will not grow in proportion to costs of highway maintenance.
4. Statewide fuel consumption will not reflect public demand for highway improvements.
5. To an increasing extent, individual drivers will not pay fuel taxes that reflect the costs they impose on public agencies or on other drivers.
6. Drivers will not understand how much they pay to maintain and improve public highways.

However, based on a similar Oregon pilot study report in 2007 which was conducted in a six year span at a cost of \$3,000,000 the DOT feels it would be fiscally prudent to research the outcomes of other States who are presently conducting similar pilot programs before we begin implementing a Vehicle Miles Travelled pilot of our own.

Testimony of Mark Piscioneri, President , Electric Vehicle Association of Honolulu, a chapter of the Electric Auto Association, re: SB 819 - 01/27/2011

Messrs. Chairmen and Senators,

I am testifying on the introduction of SB 819 concerning the establishment of a mileage tax of a vehicle miles traveled user fee. This testimony is offered on behalf of the Electric Auto Association of Honolulu and has been prepared in conjunction with my colleague, Mr. Dan Davids, President of Plug-in-America.org, the leading national Electric Vehicle (EV) advocacy group and itself a chapter of our parent organization, the Electric Auto Association, a national 501(3-C) corporation which advocates for current EV owners and increasing adoption of EV's in the future.

Ever since our first Postmaster General, Benjamin Franklin, began the first American postal road system, building and maintaining roads has been seen as a vital part of our democracy. From Franklin's postal roads to President Eisenhower's national defense highways to our modern gas-tax dependent road networks, the building and maintenance of roads and highways has always been seen as a vital component of our American social contract. Safe, secure roads are vital to our citizens for the pursuit of happiness, to our military for national defense, and to the conduct of free enterprise which supports our economy.

The same will be true as America begins the shift from petroleum-based transportation to other forms of energy. We will need to find a way to build and maintain roadways with public funds. While I understand the fear of a loss of revenue stream must strike in the hearts of legislators, let me assure you that the EVAH is committed to working with you to build a modern clean transportation system which will be paid for in an appropriate and responsible way. We strongly feel that it is very premature to start creating formulas for a transportation system that has not even been deployed yet. In his State of The Union speech, President Obama called for the deployment of 1 million EVs by 2015. Hawaii's share of that would be about 33,000, a significant number but not enough to seriously impact the tax revenue generated by over a million gasoline and diesel vehicles in just our small state alone.

We ask that you first let us us grow as an industry and demonstrate the value that we will bring to our island state several fold:

- A real decrease in the 7.6 bbl of petroleum per capita that we import for gasoline alone
- An economic impact of \$2-3,000 per family per year through reduced fuel costs
- Reduced health care costs because of cleaner air and less exposure to chemicals
- Reduced wear and tear on the road system by lighter vehicles which do not leak fluids

A uniform mileage charge per car has been proposed in other states, notably our Pacific neighbor Washington where it foundered on grounds of fairness. Washington and other western states are strongly promoting EVs for near-term adoption. Hawaii once was a leader in this field but has fallen far behind. We need to regain the lead again. This bill will send exactly the wrong signal to the emerging

private market of suppliers, consumers, and new green tech manufacturers at exactly the wrong time. Hawaii needs to show a confidence in the future benefits of clean transportation and not a fear of change.

Last year the Hawaii Legislature led the nation by establishing the barrel tax. While a modest step it was revolutionary as the first carbon tax in the nation. If we go forward with SB 819 let us make it the opportunity to create a truly effective and sensible carbon tax for transportation which will reward and encourage those pioneers who are creating a cheaper, more practical, and less invasive ground transportation system.

January 28, 2011

Testimony Relating to Transportation
With COMMENTS on SB819
Presented to the Senate Committee on Transportation and International Affairs

At the hearing 1:15 p.m., Friday, January 28, 2011
in Conference Room 224, Hawaii State Capitol

Submitted by David H. Rolf, for the Hawaii Automobile Dealers Association
Hawaii's Franchised New Car Dealers

Chair English, Vice Chair Espero and members of the committee,

When HADA was asked our opinion on taxing Vehicle Miles Traveled (VMT) last year during a legislative hearing, we offered a non-committal willingness to look at the legislation when offered this year --with the open mind we approach all proposals....saying that we certainly would not OPPOSE the legislation without seeing it. We've now had a chance to review the bill.

We know that, just as when a liquid heats up, atoms get in motion, so it is with an economy—as economy heats up there is more activity and vehicle motion.

This legislation proposed to study a tax on that motion.

A major consideration should be given to cooling the economy when one dampens the vehicle motion through a tax.

HADA stands in STRONG SUPPORT of public policy which can facilitate a transition to vehicles which can run on electricity or hydrogen generated by Hawaii's abundant natural resources of wind, wave, geothermal, bio-mass and sun energy.

We would support immediate measures to strongly connect the effort for all the infrastructure, funding, permitting, electric vehicles, and public education that is needed for success of the electric car. A tax on the movement of that car is counterproductive for the transition from fossil fuel in vehicles—a major initiative in Hawaii, to which we have subscribed and are working to facilitate.

Without an immediate and significant coordinated effort for the electrification of the car in Hawaii, we will end with separate unconnected parts. Like unconnected wires. And like an engine with an incomplete electrical circuit, it won't run.

The mathematics of eliminating fossil fuel in Hawaii is enticing:

- 1) We have a \$66 billion Hawaii economy
- 2) State tax revenues, reflecting last year's stagnation in the State GDP, are barely able to sustain the 3% needed for normal growth.
- 3) A healthy economy requires 3% growth.
- 4) Elimination of \$2 billion in fossil fuels used by transportation and replacement with a locally-produced \$2 billion in clean energy, would, in itself, create a 3% growth.

So, how do we accomplish rapid transition?

- 1) The HADA board voted unanimously in August of 2007 to support the “fast-tracking” of wind energy permitting in Hawaii—so as to facilitate a transition to the electric car.
- 2) HADA supported the Abercrombie-Peterson bill in Congress, with its up to \$7,500 tax credits for electric vehicles --which was part of the national discussion in the Congress leading up to adoption of the Energy Bill (of 2007). The Energy Bill contains credits for:

Plug-in hybrid electric vehicles	\$2,500– \$7,500	The first 250,000 vehicles sold get the full tax credit (then it phases out like the hybrid vehicle tax credits). Effective January 1, 2009.
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- 3) HADA has supported adoption of major elements of the Hawaii Clean Energy Initiative – to transition Hawaii to 70% energy independence by 2030, but we think the movement to energy efficient vehicles should be more coordinated.
- 4) Automakers must be involved. HADA has sent letters to all CEOs of the Detroit Big 3 requesting their electric car models for the upcoming auto show. While our negotiations continue, we shared with these automakers Hawaii’s first-state-in-the-nation efforts toward implementing a grid of electric charge spots. We asked for their support.
- 5) HADA proposed a new business model for the Big 3 that involved the electric car, and a revolutionary penny-a-mile proposal. See our HADA expanded comments below:

The penny-a-mile concept and a new business model for the Big 3

In 1934, in the middle of the Great Depression, Pepsi-cola was struggling -- even with its switch to a 12-ounce bottle. Coca-cola, with its 6-ounce bottle at 10 cents, was still the dominant one in the market. Pepsi, though, soon slashed its price to 5 cents and saw its sales soar through the roof.

Today by using astute public policy we could let consumers drive to work at half price –only 5 cents a mile in eco-friendly electric-powered vehicles, compared to the current 10 cents a mile in today’s gas-powered cars. The features of the electric cars would be nearly identical to the gas-powered cars.

The concept requires Congress to create new public policy to be combined with currently available automotive technology and a new business model for the Big 3.

Occam’s razor, attributed to a 14th century Franciscan friar, and sometimes called the law of succinctness, is best summed by Einstein who said that “theories should be as simple as possible, but no simpler.”

The razor first appeared in Maimonides “The Guide for the Perplexed” and it thus seems to have application to the problems surrounding the Big 3 automakers who need to develop a workable business model against a perplexing backdrop of marketing, finance, and labor situations.

We testified that without the \$25 billion in bridge financing from the federal government companies among the Big 3 may not survive a structured bankruptcy. Such would cause an ensuing chain of bankruptcies which would include vendors, and many employees in the ranks of the two million American direct and indirect employees who depend on the auto industry for their livelihood.

The chain reaction and the subsequent so-call nuclear winter scenario would be far-reaching.

So, to avoid this, help the Big 3 become vibrant, and get consumers driving at half price per mile we need a big vision.

Half price is something every consumer understands; the "half price per mile driving" idea is indeed succinct.

Enter Shai Agassi, the software engineer from Palo Alto, who brings an audacious plan for switching America to the electric car.

His idea, though, is simple. Americans would buy full-featured electric cars and light trucks from a big list of familiar automakers. And these new plug-in electric vehicles, which some refer to as "the cars without tailpipes," would indeed have the same features of all the current cars and trucks but would operate on common household plug-in electricity.

But before anyone here gets too twitipated about the fact that much electricity in America is produced by oil-burning plants, we should point out that Mr. Agassi proposes that the cars charging overnight from the electric grid operate on "green electrons" like those produced by the big American wind farms envisioned by T. Boone Pickens, or the world-class wind resources on the islands of Lanai, Molokai, and Maui—which can charge vehicle batteries at a lower, off-peak charge at night. And still offer enough profit to Mr. Agassi's company to be worthwhile.

Such vision is shared by Hawaii's former governor Linda Lingle who announced the Hawaii Clean Energy Initiative which includes a bold plan to have 3,000 plug-in electric vehicles on the Hawaii roadways by 2010 and 50,400 electric vehicles by 2015. Governor Abercrombie has expressed similar interest in fuel-efficient vehicles.

The plan for Hawaii and the rest of America, however, would be severely impacted by the loss of American auto manufacturing.

GM already has plans to market the Volt plug-in electric sedan in 2010 and Chrysler has announced plans for 3 plug-in electric vehicles. The Volt's 400-mile range includes 35 miles on one battery charge, backed up by a 360-mile range-extender gasoline engine. GM points out that almost 80% of America's car commuters have daily commutes that fall within that 35-mile battery range.

Nissan is already about to launch, a series of plug-in electric vehicles, with 100-mile battery ranges, for the streets of Tel Aviv and Copenhagen. And here's where Agassi comes in. Consumers in those cities don't need to purchase the expensive \$11,000 lithium-ion batteries because Agassi's company, Better Place, will install hundreds of thousands of 110-volt "charging spots" in the cities and provide the current cities service station networks with "switch-out" batteries in case drivers need them during the course of extended trips.

Agassi will sell "miles" on his battery plan much like cell phone companies sell annual minute-use plans. Better Place will provide a 10,000-mile plan, a 20,000-mile plan, etc. The real benefit for consumers is a dramatically lowered cost of ownership for full-featured electric vehicles, with similar features to the current cars on the road.

With these plug-in electric cars, and the right adjustments to public policy, drivers could be driving at half price, starting in 2010. Like in the Pepsi and Coke story, it would cost consumers only 5 cents per mile to drive a plug-in electric compared to 10 cents per mile to drive a similar gas car. It's a cool idea for cost-conscious drivers, not to mention a cool idea for a cooler planet.

Here's how the drive-at-half-price-per-mile works.

The recent 2008 price of a gallon of gas, in the third quarter, in the U.S. has been roughly \$2.40 / gallon. The current miles per gallon federal Corporate Average Fuel Efficiency (CAFE) standard for vehicles sold in the U.S. is roughly 24 miles per gallon, so the math thus is simple: That's 10 cents per mile. A 40-mile roundtrip commute is \$4.

A 4-hour 17-kwh overnight charge with a lowered rate of 12-cents/kwh would be roughly \$2. That charge will propel a Volt electric vehicle around 40 miles. Of course there will be thousands of charge spots in the city, including thousands at workplace sites, and the Volt even has a 360-mile range-extender gasoline engine.

The \$2 a day for your electric commute is half price when compared to \$4 for gas.

And half price is a concept everyone understands.

But it gets better.

Besides the advantage of helping America get off its \$700 billion foreign oil habit, the Penny-a-Mile razor allows a quick replenishing of any federal loans given to the Big 3 automakers.

Here's how that part works. A new business model for the Big 3 would be created. Then the \$25 billion in federal loans to the automakers, made in exchange for automakers' stock—could be paid back multi-fold.

Congress could encourage transition to the fuel-less transportation system simply by structuring a tax on foreign oil to allow gas cars to continue to operate at 10 cents a mile on average, while subsidizing "green energy" electricity, allowing plug-in electric vehicles to operate at 5 cents a mile.

The 5 cents compared to 10 cents marketing wizardry already demonstrated during the depression by Pepsi shows that consumers will go through the roof for half price.

But the concept gets even better.

As Automakers produce better cars capable of getting 60 miles on a charge—which is roughly 3 cents a mile—Better Place, with its sophistication in software, would provide half of the savings to the customers through lower-cost-per-mile plans. Automakers and auto dealers could each be provided \$500 per car on a 50,000-mile plan. That amount would double at 100,000 miles.

At the high level, automakers and dealers would receive a thousand dollars per vehicle.

Multiply this times half the 16 million new vehicles per year that could be produced for U.S. consumer use by 2015, and automakers would be receiving back \$8 billion a year. Dealers would also receive and split \$8 billion.

It's public policy that would start the automaker stocks bouncing back the moment the new business model and accompanying public policies were announced. Taxpayer dollars invested in the bridge loan stock purchase may be repaid with a multi-fold return.

We all know that the Gillette Safety Razor company made much more money from selling the blades than they ever did from the razors.

A three-fold return would be a \$75 billion pay back on the \$25 billion taxpayer dollars invested in the Big 3 bridge financing requested right now.

Right now consumers can already buy more than 100 transition vehicles-- the fuel-efficient 30+ mpg gas cars and the gas-electric hybrid vehicles—which all are value-priced, with easy low-interest financing options, now in dealer showrooms. Since the electric vehicles won't really be plentiful until around seven years from now, these interim fuel-efficient cars provide the way to the future.

The lessons learned from the half price Pepsi and the simple and an extension of that idea into a penny-a-mile rebate to auto dealers and car manufacturers could lead to excellent public policy decisions, a big retooling of the American auto industry and a rapid transition to electric vehicles, plug-in hybrids, and a big return for American taxpayers.

Summary—the HADA-proposed penny-a-mile compensation to dealers and manufacturers for selling electric vehicles or plug-in hybrid vehicles could be adapted to include a portion also for road maintenance and highway construction (replacing any need for a VMT tax). This would indeed be a version of VMT....except it would relate to miles traveled using electric energy. The capture of the commissions and tax on regular electric and plug in vehicles would be at the charging points, and would need to be coordinated through a central authority established.

Respectfully submitted,

David H. Rolf
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