



**TRANSPORTATION
CONSTRUCTION
COALITION**

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Better America!

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April 16, 2008

The Honorable Daniel Akaka
United States Senate
141 Hart Senate Office Building
Washington, DC 20510

Dear Senator Akaka:

On April 15 as part of his Presidential campaign, Sen. John McCain proposed a three-month moratorium on the collection of the federal user taxes on gasoline and diesel sales. The Transportation Construction Coalition (TCC) urges you to reject this and any similar proposals as bad transportation and economic policy. If anything, there are huge and growing needs for transportation investment. Undermining the primary source of federal revenue to meet these needs would be irresponsible.

A fuel tax moratorium would not necessarily result in lower gas prices because the federal fuel tax, last increased in 1993, is not the reason pump prices continue to escalate. In fact, it could not be guaranteed that any reduction in the tax would be passed on to consumers.

Even if this move were to result in a temporary lowering of gas prices, the following negative economic implications from this action argue against taking it:

- It would forego about \$9 billion that would be invested in road, bridge and mass transit investments that benefit the public and American businesses—\$7 billion in highway improvements; \$2 billion in transit investments.
- State and local governments, already cutting back in many instances due to the economic downturn, will decrease their capital investments in highways and transit. This, in turn, will decrease business opportunities for private sector design and construction firms already hit by the recession, which will then reduce demand for related materials, supplies, equipment—and employment.
- The Highway Trust Fund's Highway Account, already facing a first-ever deficit, due in part to the economic downturn, would see that deficit grow to almost \$11 billion by October 2009. This could potentially trigger the shut down of federal highway funds to the states for a year!
- Federally-funded state efforts to make necessary highway improvements that increase safety, reduce congestion, improve deteriorating infrastructure and enhance economic development would be undermined.
- This reduced investment would have far-reaching impacts throughout the economy. Unemployment in the highway construction work force has increased steadily over the past 15 months. Reduced investment of this magnitude potentially threatens 300,000 or more American jobs.

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- Construction material costs have increased 50 percent since December 2003 and with world demand for these materials continuing to grow, prices will continue to increase significantly. Postponing construction investment now will only lead to dramatically increased costs.
- Any modest savings a motorist might receive by suspending the gas tax would likely be offset by additional maintenance expenses and reduced fuel efficiency resulting from poorly maintained roads. Poor roads already cost the average motorist \$401 per year in expenses.

The TCC encourages you to reject any and all proposals to implement a moratorium on the collection of motor fuels taxes.

Sincerely,

The Transportation Construction Coalition