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June 9, 2009

Gerald Parsky, Chairman  
California Commission on the 21<sup>st</sup> Century Economy  
c/o California Department of Finance  
915 L Street, 8<sup>th</sup> Floor  
Sacramento, CA 95814

Dear Chairman Parsky:

On behalf of our Board of Directors and supporters, we urge the California Commission on the 21<sup>st</sup> Century Economy to drop the proposed "carbon tax" from consideration as a new source of revenue for the State General Fund. Under any guise, the suggested tax of \$20 per ton of carbon dioxide emission on the production of gasoline, diesel, and jet fuel would have a profoundly negative impact on critical California industries and consumers, and a negligible effect on the environment.

Fueling California: Consumer Alliance for Responsible Fuel Policies, is a new nonprofit organization formed specifically to provide a united voice on behalf of major fuel consumers and to engage actively in the debate on public policies affecting the cost, availability, and supply of fuel. Our Board includes key major industries and companies in shipping, trucking, airlines, rail, vehicle rental, worldwide delivery, petroleum, and agribusiness. Dozens of other groups and organizations throughout California are public supporters of our mission.

We believe the Commission needs to put this carbon tax proposal into context with California's entire regulatory and fee program. The California Air Resources Board already has approved a plan to achieve emission reductions under AB32. The regulations include direct administrative fees that will add billions of dollars in costs for transportation fuels. Companies in California also face tens of billions of added costs if CARB imposes a cap-and-trade system to allocate emission credits from an auction system.

A new carbon tax added to these and many other impending new federal, state, and local costs could actually diminish the success of those programs. Since such a tax is not subject to AB 32 requirements, it would encourage production and jobs to move out of California (leakage). It also is at cross-purposes with another key element of AB 32 requiring that regulations be cost-effective and technologically feasible to ensure protection of the economy.

The proposed carbon tax would add about 20 cents to the price of every gallon of fuel in California, which already has the highest gas tax in the nation at 67 cents a gallon. With companies, industries, and consumers already grappling mightily with one of the worst economic downturns in history, this new burden is too much to bear.

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[www.FuelingCalifornia.org](http://www.FuelingCalifornia.org)

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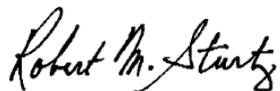
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To offset this new tax, consumer prices would need to go up significantly for food, rental vehicles, travel, and the shipment of goods and products, not to mention about another \$400 a year in gas costs for the average California driver.

Coping with the mechanics of the proposed new tax also could be nightmarish. For surface transport, the tax likely would be imposed through the same mechanism now used for the state excise tax. It would be more complex for airlines, and there is no determination yet if this would be a stand-alone tax or applied in tandem with a carbon tax and trade system.

The carbon tax is not sound policy, and decidedly not good for California.

Sincerely,



Robert M. Sturtz  
Chairman of the Board  
Fueling California