



TO: Joint Legislative Transportation Oversight Committee
Appropriations Subcommittee on Transportation

FROM: Andy Ellen, North Carolina Retail Merchants Association President

RE: Retailer Concerns Regarding I-95 Tolls

The North Carolina Retail Merchants Association (NCRMA), on behalf of 2,500 members representing more than 25,000 stores (independent and chain), is writing to express our serious concern with the recent conditional approval authorized by the Federal Highway Administration for North Carolina to pursue tolling the I-95 corridor between the South Carolina and Virginia border.

NCRMA certainly appreciates the need to maintain the State's roads to meet a growing population with growing demands. However, before proceeding with tolls on this central and vital corridor across North Carolina, we ask that the impact to existing business and economic development be closely examined.

I-95 Toll Would Negatively Impact the Cost of Doing Business

It is well-known that the retail industry, North Carolina's largest private employer, utilizes I-95 as a North-South route to maneuver goods up and down the East Coast to various store locations as well as to back-haul goods. But what may not be as well-known is that several large retail companies located distribution centers along I-95 solely for the purpose of utilizing this road to distribute goods. In this challenging economy, the additional cost to companies located on I-95 will be substantial and will impact their ability to expand, to hire new employees and to invest in their local communities. We have heard from a company, who does not have a large presence in eastern North Carolina, that their initial estimate is an increase of nearly \$500,000 annually should tolls be implemented. Because the retail industry is so competitive, and profit margins so tight, many retailers will be forced to choose between significant increases to their bottom-line that they cannot afford, or cutting back operations and expansion plans.

I-95 Toll Would Dampen Economic Development

North Carolina competes vigorously with other states in the Southeast when trying to land companies who will then create jobs. For businesses seeking a location where they can deliver goods across the Southeast, North Carolina is in constant competition with South Carolina, Georgia and Florida. North Carolina ports already face a competitive disadvantage with the future Panama Canal expansion, with transport needs most likely being served more often in Savannah and Charleston. A toll on I-95 will provide yet another reason for states competing with North Carolina to argue that their states are the better home for distribution facilities, manufacturers, agricultural facilities, food processors, etc. because a company will not bear the additional burden of being tolled. A company that needs to transport goods south of North Carolina could easily make an economic decision to locate in South Carolina or Georgia to avoid the cost of tolls, thereby significantly reducing operational expenses.

I-95 Toll Would Have Unintended Costs

The cost for a standard vehicle to drive (with tolls) from one end of North Carolina to the other on I-95 is estimated to be approximately \$19 and the cost for tractor trailers to drive this same distance is likely to be dramatically higher. By the North Carolina Department of Transportation's own estimates, at least 30% of I-95 traffic through North Carolina will bypass the proposed I-95 tolls by shifting to less-safe, secondary roads that were not built to withstand that level of wear and tear. This unintended bypass of I-95 to offset business and individuals' costs will result in additional maintenance and funding needs for North Carolina's secondary roads.

I-95 Toll Would Not Be a Viable Long-Term Solution

This funding formula to repair a major corridor seems riddled with unanswered questions. The primary question being whether or not this funding mechanism will be able to truly generate the long-term financial stability for North Carolina's transportation needs? North Carolina's population is growing by leaps and bounds. Does North Carolina need to go down the path of relying on another unreliable use tax when the state is already struggling with how to cope with an unstable motor fuels tax? Tolls, such as Virginia's Chesapeake Expressway, have been dramatically increased over the last few years because they were not bringing in the necessary revenues.

I-95 Toll Would Further Divide North Carolina's Economic Regions

Eastern North Carolina has and continues to suffer an economic disadvantage to the rest of the state with I-95 providing a bright line of economic activity. It is essential that we provide all of North Carolina with the opportunity to compete globally. It is understood that providing a sound infrastructure is an important piece of that puzzle, but that benefit should not come at the expense of positive economic activity and attracting new business, especially in those economically-distressed areas along the I-95 corridor and eastern North Carolina.

The economic impact to North Carolina businesses (particular in eastern North Carolina), combined with increased maintenance to secondary roads and the question of whether the toll itself addresses the long-term need, raises the larger question of whether North Carolina is kicking the can down the road, meanwhile hampering the state's ability to generate a greater economic benefit.

About NCRMA:

The North Carolina Retail Merchants Association (NCRMA) is the leading advocate and business resource dedicated to promoting a positive legislative and regulatory environment for the retail industry - enhancing members' opportunities for success.