comments & letters

Tolling interstates impacts supply chains

The U.S. interstate system has facilitated the unrestricted movement of goods and materials quickly and efficiently throughout the country for over 50 years. For those of us working in the supply chain, it is indispensable infrastructure for the import and export of goods and materials, as well as intra-continental distribution. As an owner of a U.S.-based trucking company, I can say that efficiently moving goods and materials to port for export and from port to consumers is critical to keeping costs low for the entire supply chain, including consumers around the world. The U.S. trucking industry is a vital part of this supply chain, having carried more than 70 percent of the total cargo tons imported through West Coast ports and over 60 percent of such imports through East Coast ports in 2010.

Unfortunately, the interstate highway system has been underfunded for years. Long-term funding is currently being debated at both state and federal levels. The shipping and transportation industries, and businesses that rely on the supply chain to get their goods to market, must understand that it will take innovative thinking and tough decisions to improve roads while keeping costs affordable. However, some have suggested innovative thinking is not needed and advocate placing tolls on all existing interstate lanes is the panacea that will provide the funding to rebuild and maintain the federal interstate system for the future. In reality, as has been shown time and again, this notion of tolls as savior is fool's gold and will be too costly for everyone in the supply chain, from manufacturers and shippers to distributors and consumers.

Even if you can get past the compromised principle of paying for the same road twice — both with a gas tax and a toll tax — there are other reasons why placing tolls on currently non-tolled interstate lanes will create costly inefficiencies in moving goods and materials on the roads. First, tolls are expensive to administer, collect, and enforce, with costs sometimes reaching 33.5 percent of the revenue generated. Compare that with the current cost to administer the gas tax, which is 1 percent of revenue generated, and it's clear that tolls would be more costly to everyone. Second, some drivers avoid tolls by diverting onto secondary roads, leading to longer, less efficient routes and higher distribution costs. A 2009 study on the impacts of proposed tolls on Interstate 80 in Pennsylvania, a significant distribution artery, estimated shippers, truckers, and consumers would suffer a combined annual deadweight loss of between $8 million and $15 million per year due to tolls. The new toll charges, combined with diversion, would impact the whole supply chain. In North Carolina, projected traffic diversion from proposed tolls on Interstate 95 would have cost businesses along the corridor an estimated $1 billion in revenue between 2014 and 2050 due to toll-averse highway users bypassing their businesses along with the tolls. This decreased economic activity translates to lower aggregate demand for the shipment and distribution of goods.

While some federal and state officials believe tolling existing interstates is the answer to transportation funding challenges, others fully understand the consequences of this approach. Virginia, home to one of the largest ports in the United States, had the opportunity to place tolls on existing lanes on Interstate 95 as part of a transportation funding plan. However, the state passed a comprehensive transportation funding reform bill that included a provision effectively prohibiting I-95 tolls. Virginia rejected the notion of tolling as a cure-all, understanding tolling's impacts on the shipping and distribution industries that are so vital to the economy.

The U.S. interstate highway system contains vital arteries for the movement of goods and materials throughout the country. There is no question that the long-term sustainability of this network must be a priority for the federal government, and 2014 may prove to be an important year in finding long-term funding. However, all of those directly and indirectly involved in the shipping and distribution industries

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must ensure the right funding decisions are made. There is an opportunity to find solutions that enhance the efficiency and effectiveness of the movement of goods and materials through the supply chain. Tolling existing interstates is not one of those solutions, and allowing this concept to take hold would be extremely costly to all of us who rely on an unrestricted interstate system to get goods to market in a cost-effective manner.

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'TTIP-ing' point for logistics industry

During the first, second and third rounds of the trade and investment talks that took place in July, November and December 2013, respectively, negotiating groups set out respective approaches and ambitions in some 20 areas that would be affected by the Transatlantic Trade and Investment Partnership (TTIP). These rounds will be followed by a fourth that will be held in Brussels in March in hope of signing the new trade agreement between the United States and the 27-nation European Union.

According to Assistant U.S. Trade Representative Dan Mullaney, who is serving as the chief U.S. negotiator, and EU Chief Negotiator Ignacio Garcia Bercero, negotiators made progress on the three core parts of the proposed trade agreement which will be the focus for the next round of talks — market access, regulatory aspects and rules.

With $1 trillion in trade taking place between the United States and European Union, the potential impact of a new transatlantic trade pact is huge. In a March 2013 op-ed piece published by *Bloomberg,* Sen. Bob Corker, R-Tenn., put this trading partnership into perspective, stating "The U.S. and the 27 nations of the (EU) form the world's largest trading area. Our combined population of 800 million generates almost half of the world's gross domestic product. As the world's two biggest markets, the U.S. and Europe account for more than 40 percent of world trade."

According to the Directorate-General for Trade at the European Commission, TTIP has the potential to add around 0.5 percent to the European Union's annual economic output. In his remarks at the G-8 summit, British Prime Minister David Cameron said the pact could add "80 billion pounds" (more than $125 billion) to the U.S. economy.

The European Union is a customs territory in which there are no tariffs or duties — no borders in the free trade sense. Historically, the United States and European Union have worked to reduce customs duties; transatlantic tariffs currently average only 3 percent. So tariffs or customs duties will not be sticking points in the upcoming TTIP negotiations. What will be crucial are non-tariff barriers intended to protect domestic businesses and further trade policies of individual nations.

Even though duties have come down, each trading bloc maintains a wide range of non-tariff barriers. For example, auto emissions and mileage requirements set by the U.S. Environmental Protection Agency are more stringent than those of European nations. These requirements add to the cost of cars manufactured in Europe. At the same time, the United States gives subsidies to aircraft manufacturer Boeing to make it more competitive globally; EU nations do the same for Airbus.

Food additives are another example of a non-tariff barrier that restricts the flow of goods. The European Union does not allow importation of foods produced from genetically modified organisms (GMOs). This is a huge stumbling block for U.S. agriculture producers.

But perhaps the most notorious non-tariff barrier is the "cultural exception" maintained by France in supporting and protecting the French movie and television industries from Hollywood. Citing this cultural exception, France requires a certain percentage of imported media to be in French. Nicole Bricq, French foreign trade minister, has said her country's protectionist stance regarding the media business is not open to negotiation in the TTIP talks, prompting EC President Jose Manuel Barroso to call the French stance "reactionary."

Assuming the TTIP negotiations do lead to an agreement, what's the expected

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