



READY TO ROLL

Leaders of the state's transportation network gathered for *Business North Carolina's* roundtable discussion on the same day that Siemens Mobility announced a \$220 million light-rail manufacturing plant in Davidson County. About 500 jobs are expected to be created at the Lexington site. The big announcement underlined the critical role that the state's transportation system plays in luring business of all kinds, as well the impact of mobility-related businesses.

The conversation also covered a possible standard vehicle levy to replace sagging gas taxes; drones delivering artificial organs; driverless shuttles; and a projection that in 10 years, every new vehicle will be at least a hybrid or electric.

PANELISTS



Joe Milazzo
executive director,
Regional Transportation Alliance



Kevin Baker
executive director,
Piedmont Triad International Airport



Michael Fox
chair, the North Carolina Board of
Transportation;
president, Piedmont Triad Partnership

Martin Marietta, Smith Anderson, North Carolina Railroad Company and Piedmont Triad Airport Authority sponsored the discussion. It was moderated by *Business North Carolina* editor David Mildenberg and was edited for brevity and clarity.

WHAT IS THE IMPORTANCE OF TRANSPORTATION TO ECONOMIC DEVELOPMENT?

FOX: Transportation is one of the key questions that any business leader looks at in deciding where to expand their business or locate a new business, along with the workforce. We're really fortunate here in North Carolina that we have spent decades improving our transportation infrastructure. I've been told personally by the decision-makers of many of the largest economic development announcements in our state's history that we've had in the last year, that the transportation infrastructure was a critical piece to them making the decision for North Carolina.

WARREN: Transportation is vital. Not only do you need to think about things

like international air service, but rail is also a critical differentiator for winning economic development projects. I've observed over the last several years that I've been back in North Carolina and the 10 years before that when I was at CSX, when states were going after big manufacturing projects, being able to put together a rail solution that also included the port and also included a good linkage between them in the state's approach to recruiting economic development deals was a big differentiator for a lot of the manufacturing projects.

KEVIN, YOU'VE LED THE PIEDMONT TRIAD AIRPORT FOR 15 YEARS, AND IT'S ATTRACTING MUCH ATTENTION BECAUSE OF BOOM SUPERSONIC AND OTHERS. TELL US ABOUT THE AVIATION INDUSTRY.

BAKER: North Carolina is a really strong state for this industry. Obviously, you've got one of the biggest hubs in the country in Charlotte. And then in Raleigh, you've got one of the fastest-

growing cities in the country. And then PTL occupies this niche of employment in the aerospace industry with Honda Aircraft, with HAECO Americas, Boom, Cessna and FedEx. And another 10 companies that are in line right now that we're chasing. Our best days are way out in front of us right now. It's going to be great.

HOW DO YOU ACCOUNT FOR THE SUCCESSES IN THE LAST COUPLE OF YEARS?

BAKER: Last year on this same round table, I think I told the story about how with the Boom project, it was Mike Fox putting me in touch with Brian Clark and Kevin Lacey, who was the state highway engineer, and those guys figured out how we were going to move the railroad. We also were going to figure it moving big pieces of fuselage from the Wilmington port to [the Boom facility in Greensboro], and having the transportation network in place was absolutely crucial. We've been working for six years on grading sites, speculatively, basically without any customers to speak of at that time. It was



Peter Marino

partner, Smith Anderson law firm;
Freeways committee chair,
Regional Transportation Alliance



Brian Clark

executive director,
North Carolina Ports



Carl Warren

president and CEO,
North Carolina Railroad Co.

about getting all the infrastructure in place so that whenever the opportunity did arise, we were ready to say yes.

FOX: It's not just the bridges and the highways and the train tracks. It's the people we have. That's a key distinguishing factor I think for our state. Our transportation professionals are customer service oriented. I say that because I recently was having a conversation with the folks at Boom, and they specifically said the speed with which North Carolina answered that question that Kevin Baker just posed was stunning. Another state that was a very close competitor to ours basically came back and said, 'We're not sure if we even can do that. And we don't know how long it will take to tell you if we can do that.' And our folks, as Kevin will tell you, basically said: 'It can be done, and we'll figure it out quickly.'

MILAZZO: In North Carolina, doing business is based on really two things, partnership and results. We need both of those things and they relate to each other. And I've lived in other states, they're all great states to be from and go to, but North Carolina is something special with partnerships and results. I can tell you straight up, we have relationships with our NCDOT leadership and our elected officials at the federal, state and local level, all saying, 'Hey, we've gotta get this done.'

WHAT WOULD YOU LIKE TO SEE HAPPEN TO IMPROVE THE TRANSPORTATION REALM IN OUR STATE?

MILAZZO: There's something already happening with the North Carolina

Department of Transportation. It's representing the business community on innovation, on new ways of looking at things, new processes, new policies, new procedures. The NCDOT has a pilot in our market right now with an automated (driverless) shuttle. If you're not looking at automation, you're looking behind. So they are leading on that, working with a local community in Cary. They're looking at a variety of new ways of funding transportation, which is important.

At the Regional Transportation Alliance, we have talked about an access fee. We're going to continue to explore that. We're finding ways to multipurpose the facilities we do have, whether it's our rail networks for freight and passengers that makes sense, whether it's our freeways and putting in Bus Rapid Transit in other networks on or near those, so we can multipurpose those. That's the way of the future, because money is not infinite, but demands are becoming increasingly so. We've got to be able to get more for less.

BAKER: From the aviation perspective, we're probably in the top three of states in the country in terms of the way that the state legislature and the state DOT are taking care of the airport system. Without what the state legislature's been doing for the last six or seven years for the commercial service airports, we wouldn't have the (new large employment) projects that we were talking about.

MARINO: It's been clear that the legislature recognizes the need for additional transportation revenue to deal with the cost escalations due to material and workforce shortages as well. There's been a longterm decline over time in gas taxes, as more folks moved to electric

vehicles. And for the first time in this last budget cycle over the legislature, they began devoting a percentage of state sales tax revenue to the highway fund. They'd previously gone to the general fund, and that was a big, big win. That funding is going to continue to increase over the next few years. Funds allocated to help NCDOT really help the contractors complete projects on time and to reduce the delays caused by inflation and budgetary restraints and supply chain issues that contractors on our major highway projects in particular were experiencing.

CLARK: From the ports standpoint, I think some of the most positive changes of the last couple years were the freight rail improvements that have been realized. Whether it's the Carolina Coastal Railway or some of the improvements on the CSX line out of Wilmington, it's allowed us to essentially double our intermodal volume. It's taking trucks off the road, so definitely a positive. We're out there commercially trying to sell the ports, and we can access some of these markets by rail.

FOX: One of the most exciting things that has happened in the last couple of years has really been the emergence of North Carolina as a center and a leader for transportation technology. It's not just the announcements that we all know about in terms of Boom Supersonic or Toyota EV batteries or VinFast or even Wolfspeed with the chips. It goes way beyond that. (Consider the announcement today with Siemens, with their rail cars, which are highly advanced technology. But even before that, we have here in High Point, Thomas Built Buses, one of the

largest manufacturers of school buses. They've been developing EV buses for a while. You've also got Volvo Trucks (in Greensboro), who have been working on not only EV trucks, but AV (autonomous driverless vehicles) trucks as well. And North Carolina has been a leader in drone technology. We've been the recipient of numerous pilot programs from the FAA in the Winston-Salem area. They're essentially writing the rules of the road, for the air, and working with the FAA to figure out how drones fly and interact and where they can fly safely and where they can't fly. There are many more advances that could be mentioned, but North Carolina is a forward-looking transportation state, not a backward-looking one.

WARREN: I had one more item, which is our experience in land assembly. I was encouraged when the legislature decided to start figuring out where the next megasites would be, because we've got these tremendous successes we've been talking about. But the questions I always ask are, 'What about the next wave of possibilities? Are we going to be prepared with land supply?' The legislature is figuring out new places where the state can invest in the next megasites. That is going to be very valuable because it's a long-term process between identifying these places, making sure the utility infrastructure is there and making sure the highway and rail connectivity is there.

GAS TAX REVENUES ARE DECLINING BECAUSE MORE PEOPLE ARE MOVING AWAY FROM GAS ENGINES. ARE WE MOVING FAST ENOUGH TO DEAL WITH THAT ISSUE?

FOX: The good news is that this is not a surprise to anybody. It's been talked about and studied for a while. Key leaders, including the governor and leaders in the Senate and the House, are all very aware of the issue. And our Department of Transportation has been aware of it and working on it for some time. We ask the folks who were part of the North Carolina First Commission to study the different revenue options, knowing that. Not only are the EVs

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impacting the gas tax, but even conventional gasoline-powered vehicles are getting much better fuel mileage than they were 20 years ago. The legislature took a great first step last session in terms of dedicating some of the sales tax revenue that is really transportation related to transportation, but there's more to be done. We've got to figure out how we fairly charge people to help pay for the infrastructure that they're using. That's going to be one of the more interesting policy discussions that you're going to see taking place over the next couple of years. What are the next steps?

MILAZZO: The North Carolina Chamber has taken the leadership role

with their Destination 2030 group. One thing that we have elevated is looking at the concept of an access user fee as a potential replacement for the gas tax.

MARINO: An access-user fee is something that needs to be carefully considered. One thing we have talked about is the state has an EV fee of about \$140. Can we do something like raise that EV fee to what the average registered vehicle was paying in fuel taxes? This year it's about \$251 per year based on the current state fuel tax rate. Can we have all other vehicles, whether it's hydrogen power, in the case of something really out there, or just our gas or hybrid power vehicles, electric

vehicles, all the vehicles would pay the same? Then just repeal the gas tax and provide a little more stability.

SPEAKING OF LONG-TERM PROJECTS, WHAT'S THE STATUS OF DREDGING TO SUPPORT WILMINGTON PORT EXPANSION?

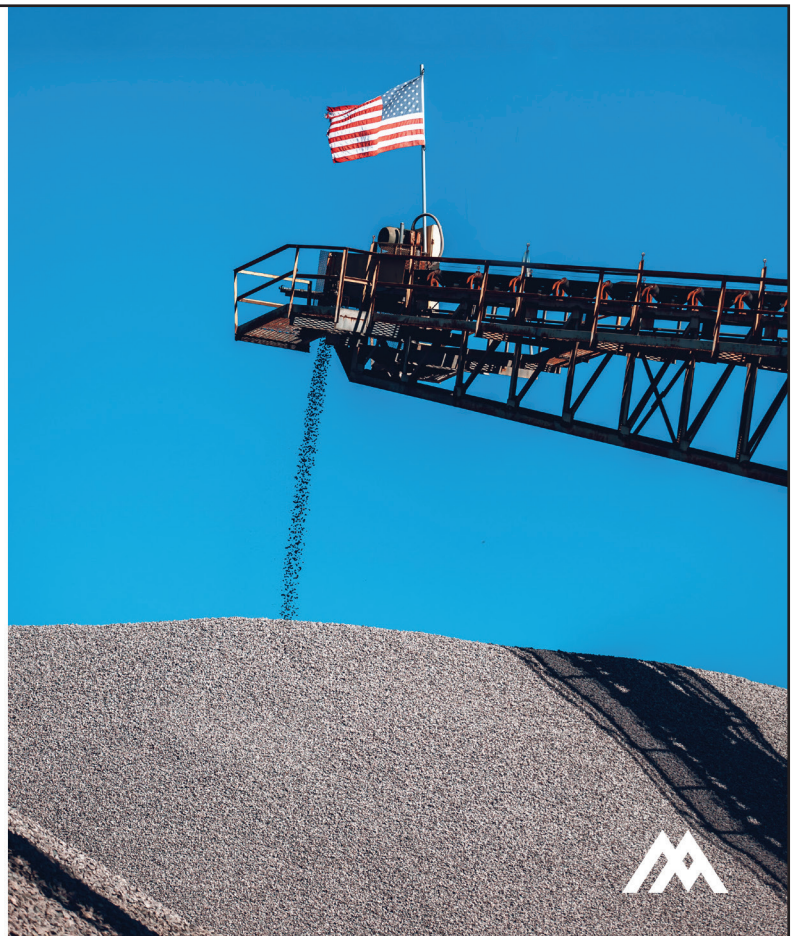
CLARK: It's definitely an opportunity, but also it's a critical commercial requirement for us to be able to dredge the Cape Fear River to be able to continue to support these larger vessels. The project is moving forward. It's in the conditional requirements of the authorization and being studied by



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the Army Corps of Engineers district in Wilmington. We hope to complete that work over the next several years and move forward to construction. But if you look down the coast, every port has already deepened. Some are moving on to additional deepening projects. So for us to remain competitive, we must move this project forward. It's a long process. There's the funding component. The state has fully funded the non-federal share, which is critical and shows the support that the project has to the federal government. But there is that federal share that needs to be funded as well.

THE ELECTRIC VEHICLE EVOLUTION IS AN EXCITING STORY. DO YOU THINK THAT THE CURRENT DEADLINES ARE REALISTIC?

FOX: If you talk to folks in the industry, even they have different opinions. My experience with technology like that is it usually takes a little longer than people predict early on. What I understand is that for widespread consumer acceptance, you need to get to the point where you can go about 500 miles on a charge. I know they're working on that. I've heard prominent folks in the industry say that they believe that hybrids are really sort of a gap filling measure

before you go all EV and that they're predicting that in 10 years, every new vehicle will at least be a hybrid.

BAKER: We have three EV-related companies that we're pursuing right now, involving electric, vertical takeoff and landing opportunities. One of them just texted: 'Can we come in on Monday or Tuesday?' So, yes, I think it's accelerating quickly.

MILAZZO: The perspective that Mike offered is straight up. If we're talking trucks as opposed to buses, as opposed to automobiles, you're going to get different (timelines and) answers. Then you're going to get different answers

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between each individual company. So in some ways, the specific year isn't as important as the trajectory. We know the trajectory that's pretty clear, not just from the investments that are coming in this state, but by the decisions that consumers are making. I appreciate Kevin mentioning the fact that it's not just on the surface, it's the air as well. We actually had a breakfast last summer where we brought in a company that was making electric vertical aircraft. They were shipping artificially engineered organs, so to speak, from one hospital to another. So, we've only just begun to, to quote a song.

IS THE SUPPLY CHAIN STILL A MAJOR CONCERN IN GETTING THINGS DONE?

CLARK: From the ports' perspective, it's been an interesting couple years. Obviously, there was a period of a very quick drop in demand and a very quick rebound. We're seeing a significant change in carrier behavior in where they're focusing their capacity, where they're trying to capture volumes. So from our perspective, it's getting back to pre-pandemic levels. Locally, volumes are rebounding a little bit at a time. Reliability is returning.

MARINO: I see this in some of my construction industry clients. There are still some supply chain challenges out there. It tends to be more product specific right now and less across all forms of material. There are some specific categories that are still really causing challenges in terms of contractors meeting schedules.

FOX: There are two different problems both being faced by the N.C. Department of Transportation. We certainly have seen our share of supply chain issues in terms of just basic materials, pipes, and materials for overhead signs. Sometimes you'll see an overhead sign on the road that you think needs to be replaced, and it's on our list to do, but there was a shortage of that type of material for a while. That's easing up a bit. I will give a lot of credit to Brian and his team. They did a great job in terms of trying to make sure that our ports were available. As these goods became more available, and they worked hard to get all the ships in and unloaded as quickly as possible. In terms of workforce, we've been experiencing significant workforce issues even before COVID. We've launched a number of efforts to really engage with the industry and launch campaigns to try to boost the transportation sector workforce, including not only engineers but equipment operators on all levels. We were fortunate a few years ago, the legislature gave us a pilot program in order to try to bring our wages to a market rate. And that helps significantly with us reducing our number of vacancies.

TRANSPORTATION'S ALWAYS BEEN A MAIN COG OF EVERY ECONOMY, BUT IT'S BECOME A STAR IN NORTH CAROLINA. WHY IS THIS HAPPENING?

WARREN: Similar companies tend to cluster together. I remember this when I was working on trying to locate auto plants back about 10 years ago in a different role. We've really put together

a very compelling universe of related industries, and I think that that can only grow upon itself. I think bringing like-minded similarly configured companies together with strong supply chain solutions and also being extremely customer-centric in the recruitment of those customers is absolutely vital. You help them make it happen because then (companies) know that the state they're coming to is going to help assure their success.

BAKER: Yes, you're dead on. Our industry's a little more esoteric. But I think the companies are going where they know that there's already a deep bench strength of the skill sets that they're going to need in that community. It's a great problem to have that whenever a new company comes in, you're going to need more employees, and we're going to figure out how to get it done. I think the companies see the labor supply that we're able to produce. They trust us to be able to do it as a community and as a state.

MARINO: Maybe one other point that hasn't been mentioned is the fact that we've got so many top-notch universities in this state, as well as the community college system. It's an almost unmatched community college system. It serves these companies, whether transportation based or others, that we see growing in the Research Triangle Park and the Charlotte-Mecklenburg area. Throughout the state, it really is a driver because it addresses workforce issues in a way that's very meaningful and a lot of states can't compete with.

MILAZZO: We've talked a long time in economic development about the Piedmont Crescent, or sometimes we call it the Metropolitan Crescent from Charlotte to the Piedmont Triad area, to the RTP area. For all those connections, we have rail in concert with the freeway. And then now you've got the Carolina Core. You've got Interstate 685 coming down there. Those of us in the Research Triangle are very supportive of that, both because places like Eastern Chatham and Lee County are part of our metro area as well as the Carolina Core, but it also helps build a broader integrated mobility and workforce system that allows economic development to continue to thrive in more and more areas. The motto of this state, in Latin, is 'Esse quam videri' which translates as 'To be rather than to seem.' That's actually what we're doing here. We are a state that is doing, being and living economic development through partnership and really thoughtful investments for bringing urban roles together. ■

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