

# 1. Executive Summary

The United States Congress designated Interstate 73/74 (I-73/74) as a corridor of national significance, connecting the Great Lakes with the Carolinas' coast. In West Virginia, I-73 traverses the southern part of the state through Mercer, McDowell, Wyoming, Mingo, and Wayne Counties. This study, produced by Chmura Economics & Analytics,<sup>1</sup> evaluates the economic impact of the proposed I-73 on the surrounding localities (I-73 Corridor region) in West Virginia.

## The I-73 Corridor is made up of five counties in West Virginia.

In this study, the I-73 Corridor region is defined as the following counties in West Virginia: Mercer, McDowell, Wyoming, Mingo, and Wayne. I-73 in West Virginia is divided into two segments. The northern segment, from Interstate 64 in Wayne County to Williamson in Mingo County, is called Tolsia Highway. The southern segment, from Williamson to Interstate 77 near Bluefield in Mercer County, is called King Coal Highway. In this study, economic impacts are presented for the Tolsia Highway and King Coal Highway corridors. The Tolsia Highway Corridor consists of Wayne and Mingo counties while the King Coal Highway Corridor consists of Mingo, McDowell, Wyoming, and Mercer counties.

## Economic literature indicates that highway networks are beneficial to regional economies.

Economic literature on the relationship between highway and economic development generally concludes that the following economic benefits are associated with a highway network:

1. **Travel efficiency.** The construction of a highway can reduce travel time for area businesses and residents alike. Trade, manufacturing, and construction sectors will benefit more from a new highway than other sectors such as health care and education.
2. **Attraction of service businesses.** Oftentimes, businesses such as hotels, gas stations, retail stores, and restaurants cluster around interstate interchanges.
3. **Economic development benefits of firm relocations and expansions.** Several case studies have found that rural counties with an interstate highway enjoy faster population and employment growth than similar counties without an interstate highway.

## In the past four decades, the economy in the I-73 Corridor performed below the state average in population, employment, and high-tech industry growth.

The population in the I-73 Corridor region declined at a 0.5% annual pace from 1970 to 2007 compared with statewide growth of 0.1%. From 1970 to 2006, the I-73 Corridor experienced 0.1% annual average employment growth compared to 0.9% in the state. The lack of employment growth in the I-73 Corridor occurred partially because mining, which has been in decline nationwide, is more concentrated in the region than in the state. In addition, the relatively fast-growing high-tech sector is less concentrated in the I-73 Corridor region than in the state.

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<sup>1</sup> Chmura Economics & Analytics, headquartered in Richmond, Virginia, is an economic consulting firm specializing in applied economics. Since 1999, the firm's economic impact studies have centered on many different topics including highways, airports, tourism, and mixed-use developments. Further details are available at [www.chmuraecon.com](http://www.chmuraecon.com).

Per capita income in all localities of the I-73 Corridor region was lower than the statewide average in 2006. However, per capita income growth has been keeping pace with the state average in the past four decades.

**Economic growth rates of the individual counties in the I-73 Corridor region varied significantly in the past three decades.**

Localities at the ends of I-73 (Wayne and Mercer counties) that are part of the metropolitan areas of Huntington and micropolitan areas of Bluefield generally experienced less drastic declines in population and employment while the communities in between saw a larger decline in both population and employment. Population in Mercer and Wayne counties, for example, declined an annual average 0.7% and 0.6% from 2000 through 2007 while McDowell, Mingo, and Wyoming saw annual average declines of 2.4%, 0.8%, and 1.2%, respectively, over the same period.

**The one-time economic impact of I-73 construction can reach \$2.8 billion in the Corridor region from 2007 to 2020.**

From 2007 to 2020, the construction of I-73 is projected to generate \$2.8 billion in economic impact in the Corridor region. Of this total, \$2.0 billion is direct construction spending while \$0.8 billion is the ripple economic impact of the construction.<sup>2</sup> The construction of I-73 is expected to support an average 1,222 new jobs per year from 2007 through 2020 and an additional 449 jobs per year in the region because of the ripple effect. This sums to an average 1,661 jobs per year during the construction phase. Forty-two percent of the economic impact from the construction of I-73 is expected to occur in the Tolsia Highway Corridor with the rest occurring in the King Coal Highway Corridor.

**I-73 can provide \$23.6 million in annual cost savings for current businesses as a result of improved travel efficiency.**

A new highway can reduce travel time for regional businesses, thus producing cost savings and improved productivity. On average, I-73 can provide 39% time savings for businesses and motorists using the road. The total cost savings for the region is estimated to reach \$23.6 million in 2020, assuming the interstate is in place. The value of travel efficiency and cost savings is estimated to be 0.4% of the total corridor regional output. About 57% of the cost savings will take place in the Tolsia Highway Corridor as this segment has a higher traffic volume.

**By 2020, I-73 can support 87 service businesses and 1,765 jobs in the region with a total annual economic impact of \$172 million.**

In 2020, it is estimated that I-73 can support approximately 87 businesses with 36 motels/hotels, 29 gas stations, 13 fast food restaurants, and 9 full-service restaurants. The direct output of these businesses is estimated to be \$130 million in 2020 with ripple effects of \$42 million. In terms of job creation, service businesses will directly employ 1,504 workers with a ripple effect of an additional 261 jobs per year. The King Coal Highway Corridor is expected to capture 68% of the economic impacts of service businesses.

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<sup>2</sup> The direct impact is economic activity generated by a project or operation. For construction, this represents activity of the contractor. The indirect impact is the secondary economic activity that is generated by a project or operation. An example is a new office building generating demand for parking garages. The induced or household impact is economic activity that occurs when households employed by the construction firm or its suppliers spend their income in the region. The ripple effect is the sum of induced and indirect impacts.

**The newly built I-73 may attract distribution centers, each averaging \$24 million in economic impact and 254 new jobs in 2020.**

I-73 may be a magnet for retail distribution centers. An average distribution center employs about 200 workers and would directly generate about \$18 million in economic output in 2020. Adding ripple effects, the total economic impact of a distribution center can reach \$24 million in output and 254 jobs in 2020.

**After I-73 is completed, it is estimated that West Virginia will receive \$12.0 million in annual tax revenue while fiscal benefits for local governments will be \$0.5 million per year.**

After construction is complete, the state is expected to collect corporate and personal income taxes from service businesses and other businesses along I-73. Tax revenues are estimated to be \$11.3 million for 2020 from service businesses and \$0.6 million from the potential distribution center. For local governments, I-73 is projected to contribute \$0.5 million in revenue per year.

**Other benefits of I-73 are better market access, increased appeal for business relocations, faster population growth, increased tourism, better road safety, and improved quality of life.**

I-73 will benefit mining and manufacturers in the Corridor region by providing easier access to markets. The presence of an interstate highway can increase the appeal of the region to expanding and relocating firms, especially those in the mining, manufacturing, and distribution sectors. I-73 will also have a positive effect on population and tourism growth in the region. Other benefits include fewer accidents and better safety on the roads.

**There are both upside and downside risks for economic projections made in this study.**

The analysis of the economic impact of I-73 attempts to project the regional economy more than ten years from now based on a certain set of assumptions. Some examples of these assumptions are that I-73 is a non-toll road and that there are no recessions or oil crises during the projection period. The projection is subject to forecasting risks as actual events may change those assumptions. Unpredictable events create the potential for either larger (upside) or smaller (downside) effects than indicated here. For example, an oil crisis and rise in gas prices could reduce the traffic on the proposed I-73 and reduce the economic impact. Imposing tolls on I-73 could also reduce the use of the road and the resulting economic benefits. On the positive side, the expansion of a large manufacturing firm to the area that benefits from the new interstate would cause the projections in this report to err on the low side.

The economic impact of I-73 is summarized in Table 1.1, which is found on the next page.

Table 1.1: I-73 Economic Impact Summary

	Total Economic Impact (\$MM)	Total Employment Compensation (\$MM)	Total Job Creation	State Tax Revenues (\$MM)	Local Tax Revenues (\$MM)
Average Annual One-time Construction Impact (2007-2020)					
Tolsia Corridor	\$83.7	\$33.8	690	\$1.2	\$0.7
King Coal Corridor	\$117.9	\$47.6	972	\$1.7	\$0.7
<b>I-73 Corridor</b>	<b>\$201.6</b>	<b>\$81.4</b>	<b>1,661</b>	<b>\$2.9</b>	<b>\$1.5</b>
On-going Impact (2020)-Tolsia Corridor					
Cost Saving (Productivity)	\$13.4				
Roadside Services	\$55.1	\$17.6	570	\$3.6	\$0.8
One Distribution Center	\$24.3	\$13.3	254	\$0.6	\$0.1
<b>Total Tolsia Corridor 2020</b>	<b>\$92.8</b>	<b>\$30.9</b>	<b>824</b>	<b>\$4.2</b>	<b>\$0.9</b>
On-going Impact (2020)-King Coal Corridor					
Cost Saving (Productivity)	\$10.2				
Roadside Services	\$117.3	\$37.7	1,196	\$7.7	\$3.1
Distribution Center	\$24.3	\$13.3	254	\$0.6	\$0.1
<b>Total King Coal Corridor 2020</b>	<b>\$151.9</b>	<b>\$51.0</b>	<b>1,450</b>	<b>\$8.4</b>	<b>\$3.1</b>
On-going Impact (2020)-I-73 Corridor					
Cost Saving (Productivity)	\$23.6				
Roadside Services	\$172.4	\$55.3	1,765	\$11.3	\$3.8
One Distribution Center <sup>3</sup>	\$24.3	\$13.3	254	\$0.6	\$0.1
<b>Total I-73 Corridor 2020</b>	<b>\$220.3</b>	<b>\$68.6</b>	<b>2,020</b>	<b>\$12.0</b>	<b>\$0.4</b>
Source: Chmura Economics & Analytics					

<sup>3</sup> Only one distribution center is included in the total regional impact. It is anticipated that the I-73 Corridor can support one distribution center, but it can occur in either King Coal Highway Corridor or Tolsia Corridor. As a result, the potential impact of the distribution center were included in both regional impacts, but only one is included in the total I-73 Corridor impact.