

Section 10: Return on Investment

Before any revenue increases are put forward, the Task Force believes transportation agencies should wring every possible efficiency from the resources already provided. Michigan’s transportation agencies have documented many of these efficiencies, which can be found in Section 4 of this report. Additional efficiencies are recommended in Section 5.

The Task Force also acknowledges that we cannot achieve the “good” level of investment by efficiencies alone, and some increase in user fees is unavoidable. The economic benefits and consumer returns on investment outlined in this section are quantifiable economic benefits and tangible cost savings for Michigan households which can blunt the impact of revenue increases and potentially forestall further increases.

Economic Benefits

One of the best ways to stimulate the economy is through infrastructure investment. Consider these job creation figures:

- One job is created or sustained for every \$70,500 invested in highway and bridge infrastructure
- More than 300 jobs are created or sustained for every \$10 million spent on transit capital investment
- 570 jobs are created or sustained for every \$10 million spent on transit operations
- 43 jobs are created or sustained for every \$1 million invested in aviation construction

Investing at the identified “good” and “better” levels could create or sustain as many as 80,000 to 200,000 additional jobs, while the “do nothing” option would result in substantial job losses.

Figure 17: Jobs Created/Sustained for Each Investment Scenario

Scenario	Aviation	Highways, Roads, and Bridges	Intermodal Passenger	Intermodal Freight
Current	1,900	32,000	12,200	200
Do Nothing	(416)	(13,532)	(3,516)	(N/A)
Good	3,800	87,000	35,100	250
Better	5,200	179,000	59,000	600

Tangible cost savings can be expected from improved travel time and from improved surface condition which lowers vehicle maintenance costs. As an example, MDOT, through the University of Michigan, undertook extensive economic analysis of the benefits of MDOT’s Multi-Modal Five Year Transportation Program. The result: Over \$100 million per year in cost savings for Michigan businesses and residents from reduced travel time. This is a fraction of the \$2.3 billion in congestion costs that Michigan drivers experience annually, but it is definitely a start.

Additional benefits include expected personal income increases as a direct result of highway and bridge investment. Investing at an annual level of \$6.1 billion could add \$3.5 billion in personal income and generate an additional \$5.3 billion in the Gross State Product (GSP) annually.

Safety improvements will begin to reduce the \$2.1 billion in costs incurred from crashes. Medical costs and property damage will decline, paving the way for lower insurance costs for everyone.

The table below summarizes the economic benefits to Michigan of investing at the “good” level.

Figure 18: Summary of Economic Benefits at the “Good” Level	
Benefit	Economic Benefit
Value of Travel-Time Saved (households) ¹	\$69 Million / year
Value of Travel-Time Saved (businesses) ¹	\$47.6 Million / year
Reduced Vehicle Maintenance Costs ²	\$2.5 billion / year
Improved Safety ²	\$1.9 billion / year
New Jobs Created ¹	80,000-200,000
Annual Increased Personal Income ¹	\$3.6 Billion in 2007
Annual Increase Gross State Product ¹	\$9 Billion

Benefits computed from data found in: ¹ “Economic Benefit of MDOT’s Five Year Program,” Economic Development Research Group and University of Michigan’s Institute of Labor and Industrial Relations, July 2007

² “Paying the Price for Inadequate Roads In Michigan,” The Road Information Program, May 2007

Similar benefits can be found for transit and aviation system investments. The Detroit Metro and Willow Run airports alone contribute \$7.8 billion in economic activity and over \$2 billion in annual income.¹⁶ Increasing aviation investment to the “good” level will support an additional 3,800 jobs and leverage \$146 million in federal aid. That is \$146 million less in user fees that Michigan would need to raise.

It has also been stated that every dollar invested in transit results in six dollars of economic development, usually through higher property values in the area surrounding transit systems.¹⁷ With an annual investment of \$773 million, Michigan can expect to see economic benefit of \$4.4 billion and support for more than 35,000 jobs.

Consumer Benefits

Drivers are keenly aware of the costs they incur to register or fuel their vehicles. What is not as apparent are the costs incurred in an underperforming transportation system. The Transportation Information Program reports that congestion, poor pavement condition, and crashes cost Michigan drivers a total of \$7 billion annually. These costs are in the form of wasted fuel, lost time, vehicle operating and maintenance costs, medical costs, lost productivity, and property damage, but they can be offset by raising the level of investment.

¹⁶ Aviation report to TF2 found at: <http://www.michigan.gov/tf2>

¹⁷ Intermodal Passenger report to TF2 found at: <http://www.michigan.gov/tf2>

The Task Force discussed two ways in which consumers could benefit from increased investment: tangible returns from higher levels of investments and a refund of user fees through tax credits or reductions in other user fees.

Return on Investment to Households

Although many of the benefits described accrue to the economy as a whole, households would notice substantial savings. Investment in highways, roads, and bridges at the “good” level will return each household at least \$20 in travel time costs and potentially \$900 of personal income each year.¹⁸ Drivers could see maintenance costs fall by \$360 to \$520 annually, with the greatest reductions found in urban areas.

The FHWA has found that every \$100 million spent on needed highway safety improvements will result in 145 fewer traffic fatalities over a 10 year period. Under the “good” scenario, an additional \$114 million per year would be targeted to improve highway and bridge safety. Using FHWA’s figures, 15 more Michigan travelers will return safely to their loved ones each year.

Figure 19: Potential Investment Return to Households “Good” Investment Level¹⁹	
Source of Investment Return	Potential Per Household Return
Travel time saved	\$ 20 per year
Reduced vehicle maintenance costs	\$ 600 per year
Increased personal income	\$ 900 per year
Improved safety	\$ 500 per year
TOTAL CONSUMER SAVINGS	\$ 2,020 per household per year

Income Tax Credit

To further reduce the consumer burden, the Task Force proposed an income tax credit to return 50 percent of the revenue raised to Michigan taxpayers. This proposal would ensure that more of the costs fall to temporary visitors and interstate travelers. Another option would be to eliminate or reduce one user fee when a new user fee is added.

Summary

To summarize, increasing user fees will have a real and immediate impact on Michigan transportation users. However, the investment funded by those fees will further stimulate Michigan’s economy and create tangible returns for Michigan households.

¹⁸ Based on approximately 3.8 million households

¹⁹ Derived from data provided in: “Economic Benefit of MDOT’s Five Year Program,” Economic Development Research Group and University of Michigan’s Institute of Labor and Industrial Relations, July 2007; and “Paying the Price for Inadequate Roads In Michigan,” The Road Information Program, May 2007