

OHIO
CONSTRUCTION
INFORMATION ASSOCIATION
An OCIA **Special**Report

Ohio's Fiscal Freeways

A Look At
Transportation's Impact
on the Economy

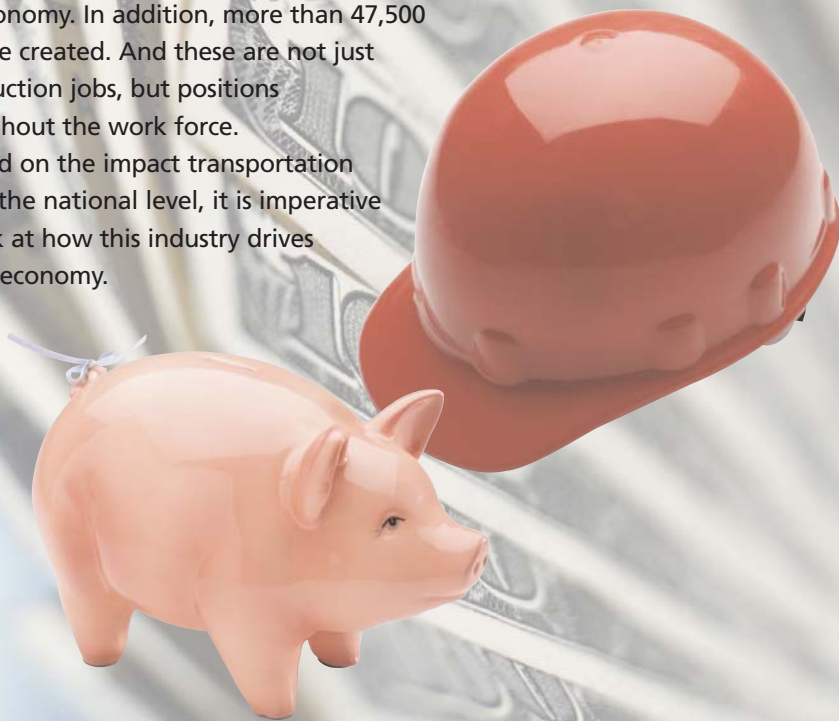


It is very easy to overlook the importance Ohio's transportation network plays not just to the state, but also to the nation. As motorists travel back and forth to the office, take the kids to school, or simply get out of town for a long weekend, they only view roads as a means of getting from here to there. But the truth is that our highways and byways play an integral role in delivering goods and services as well, and without them, our economic vitality might very well end up at the roadside.

According to the most recent information available from the American Road and Transportation Builders Association (ARTBA), transportation construction is a \$160 billion per year industry employing 2.2-million Americans. This field exceeds the value of the output of all the nation's farms (\$90.2 billion), the petroleum industry (\$90.1 billion), all Wall Street brokerage firms (\$106.6 billion), and the television and radio mass media.

But there is even more to transportation's contribution to the economy. For every \$1 billion invested in transportation, more than \$2 billion in economic activity is generated through the economy. In addition, more than 47,500 jobs are created. And these are not just construction jobs, but positions throughout the work force.

Based on the impact transportation has at the national level, it is imperative to look at how this industry drives Ohio's economy.



THE LONG HAUL

Arkansas leads the nation in terms of dependence on highways, with approximately \$59 million, or roughly 88 percent, of the goods and services they provide shipped by truck. Ohio ranks 21st in this category with nearly 80 percent of its products shipped by truck. With regards to the equivalent dollar amount, however, this amounts to more than \$250 million in products annually, a dollar figure trailing only California, Texas and Illinois, respectively.



Ohio's reliance on freight shipments can be found in the fact that within a 600-mile radius lies approximately 50 percent of North America's population and 60 to 70 percent of its manufacturing capacity. In fact, 14 percent of the country's freight value and 32 percent of total freight tonnage is dependent on Buckeye highways.

These national freight values depend heavily on the manufacturing industry, where a quality transportation infrastructure is imperative to ensure deliveries are made on time and in good condition. But several other industries owe their vitality to transportation. Based on \$1 billion invested nationally in highway construction, the following sales figures were generated by the respective industries:

Agriculture	\$7,146,794
Finance	\$66,769,035
Manufacturing	\$560,852,155
Wholesale & Retail Trade	\$77,081,409

All told, a \$1 billion investment in highways yields more than \$2 billion in sales figures across the economy.

More importantly, for that same \$1 billion investment, 47,500 jobs are generated, with less than 25 percent of those created in the actual construction industry. **Based on the Ohio Department of Transportation's \$1.3 billion construction program for 2002, investment in transportation yielded approximately 61,750 jobs across the state.**

DRIVING US TO WORK

There are roughly 12,000 contracting firms across the nation that deal with the construction of transportation infrastructure, employing more than 570,000 people. In Ohio, these companies number more than 430, seventh largest in the nation. These firms help with the maintenance of the ninth-largest highway network, the fifth-largest interstate system and the second highest inventory of bridges in the country.

There are several other industries that benefit from transportation construction. Obviously the primary groups are those who rely either directly or indirectly on highway projects as a source of income. These include:

- The aggregates industry, whose product is used as foundations in highways in addition to other uses. Ohio is ninth in the nation in terms of its aggregate industry, with nearly 1,700 employees working at 89 establishments.
- The asphalt industry. Texas, California and Ohio have the largest asphalt industries with each providing more than 2,000 jobs in the industry. Average annual wages in this field are nearly \$41,000.
- Concrete products, both ready-mix and pre-cast. The Buckeye State has more than 6,500 employees in the industry at 342 companies. The 10 states with the largest concrete industries account for half of the total jobs in the entire industry.
- The construction machinery industry. More than 81,000 people work in this field across the country, generating a total payroll in excess of \$3 billion. Again Ohio ranks in the top 10 in this category, with its more than 3,000 employees coming in at eighth in the country.
- The wholesale construction machinery industry. There are more than 5,000 establishments in the U.S. with a total payroll exceeding \$3.4 billion.

BIG **10**

Thanks to the transportation industry, Ohio ranks in the top 10 nationally in other related industries, including aggregates, asphalt, concrete, construction machinery, and wholesale construction machinery.

Ohio has approximately 200 of these companies employing more than 3,300 men and women who earn on the average \$41,000 per year.

- The heavy construction equipment rental business. There are 110 companies listed in Ohio employing more than 1,100 workers. This constitutes 2.5 percent of the 43,400 who make up the industry directly.


Based on the nature of these businesses, the impact of transportation and transportation construction is obvious. In Ohio, it is even more apparent – in all but the last category listed above, Ohio ranks in the top 10 in the nation. Heavy equipment rental is the only category of those listed in which the state ranks out of the top 10 nationally, falling in at 13th.

TRAFFIC FINES

Unfortunately, transportation can play a negative role in the economic world as well. Consider the issue of congestion. In the past 30 years, traffic has grown at approximately 2 percent annually in Ohio, but our highway network has only expanded by one-third of 1 percent per year. The result is our roads and highways are more congested now than they have ever been, particularly during peak hours of travel.

In fact, in a study of 75 urban areas across the U.S., the Texas Transportation Institute (TTI) found the average annual delay per peak road traveler climbed from 16 hours in 1982 to 62 hours in 2000. This increase resulted in 3.6 billion hours of delay (in which people could be contributing to the economy) and 5.7 billion gallons of excess fuel consumed. The total congestion “bill” for these 75 areas came to \$67.5 billion.

Ohio’s major cities have not been spared. In Cincinnati, congestion costs \$115 million annually, or \$220 each for motorists traveling during peak hours per year. Cleveland is even worse, with a total cost of \$315 million annually and \$410 per motorist. And leading the way is Columbus, which since 1982 has seen its number of hours with congested freeways triple to



TRIPLE TROUBLE:
Congestion is Costing
Motorists Money in Ohio's
Three Major Cities

Cincinnati	- \$220 per motorist
Cleveland	- \$410 per motorist
Columbus	- \$705 per motorist

the point that more than six hours of every day features crowded roads. Congestion costs for the capitol city are \$345 million annually, or a whopping \$705 per motorist.

These are just the obvious impacts of congestion. Others are just starting to affect the economy. Consider that Ohio is a major freight hub, with 14 percent of the nation's highway freight value dependent on the state's roads. Recent reports are finding that areas with higher levels of congestion experience higher rates of consumer inflation. The reason – **it is more expensive to deliver goods in and out of the crowded areas.**

As our highways continue to fill, our wallets are getting emptier.

A SMALL PRICE TO PAY

Investments in infrastructure also affect health care costs in the fact that as improvements are made to our roads and bridges, they provide a safer means of transportation to motorists and reduce the risk of accidents.

ARTBA has determined that every \$1 billion put into building and upgrading the nation's highways since 1950 has prevented 1,400 fatalities and eliminated nearly 50,000 injuries. As a result, more than \$2 billion has been saved in terms of health care, insurance, and lost wage and productivity costs.

In the early 1950s, there were seven fatal crashes for every 100 million vehicle miles traveled (VMT) in the U.S. By 1997, the U.S Department of Transportation (USDOT) reports that this rate had dropped to fewer than 1.6 fatal crashes per 100 million VMT. The number of crashes resulting in non-fatal injuries also declined 53 percent during that time period.

In addition to the development of the Interstate Highway System, this turnaround can be attributed to the impact of many low-cost safety improvements – traffic signs, guardrails, lighting – whose benefits definitely outweigh the price.

For freight carriers, the economic impact of accidents is very harsh financially. According to data from the Federal Motor Carrier Safety Administration (FMCSA), a company with an average two percent profit margin must generate an additional \$1.25 million to cover the costs of a \$25,000 accident. The added cost is used to cover direct effects (cargo and vehicle damage, medical costs, etc.) and indirect effects (lost sales, lost time at work, poor public relations).

CONCLUSION

A USDOT study found that one-quarter of the nation's productivity growth between 1952 and 1989 was the direct result of investment in infrastructure, particularly highways. As shown in this report, transportation continues to assist in economic stability.

With all the benefits a successful transportation system provides to Ohio, both economically and otherwise, it would be hard to imagine a scenario where our highways would be in jeopardy. But that is exactly what has happened.

Due to higher maintenance and operating costs, bond sales restrictions and growing local government allocations, the Ohio Department of Transportation's \$300 million new construction program will evaporate completely by July 2004. Federal funding, currently being debated on Capitol Hill, is not expected to increase substantially, if at all.

Meanwhile, the state's highways and bridges continue to get older and continue to carry larger and larger amounts of traffic, creating additional congestion and safety concerns at every turn.

Tough decisions will need to be made very soon. It is essential that state and national leaders know the economic benefit of a safe, convenient and effective highway system when making these choices.

Without roads, Ohio's economy has nowhere to go.



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