

65-2144

THE MOTORIST'S TAKE IN THE HIGHWAYS

LIBRARY-michigan dept. of state highways - LANSING

by

G. DONALD KENNEDY

Deputy State Highway Commissioner

IN CHARGE OF BUSINESS ADMINISTRATION

MICHIGAN STATE HIGHWAY DEPARTMENT

HIGHWAY LIBRARY

MICHIGAN DEPARTMENT OF STATE

HIGHWAYS

LANSING, MICH.

P. O. DRAWER "K" 48904

th

**ANNUAL MICHIGAN
HIGHWAY CONFERENCE
ANN ARBOR • FEB. 15 to 17, 1938**



LIBRARY-michigan dept. of
state highways - LANSING

"The Motorist's Stake In The Highways"

By

G. DONALD KENNEDY

**Deputy State Highway Commissioner in Charge of Business
Administration, Michigan State Highway Department**

When a citizen hands his tax contribution across the governmental counter, he pays for one of two kinds of service that governments can and do provide:

First: The service which renders benefits to all the people and which contributes to the general welfare. It is the sort of service, such as health, protection and education, which is essential to the orderly functioning of civilized society.

Second: The service which is demanded by some segments of society and which the taxpayer as consumer is not only willing to pay for, but anxious to buy. In relation to this service, the taxpayer has the characteristics of a customer.

When the motorist pays his license and gasoline bill as a motorist, and when as a taxpayer he contributes to the support of his general government, he has the distinction of contributing to these two kinds of service.

When these two services are not clearly distinguished, the motorist stands out in bold relief paying double or more than a taxpayer who does not happen to own an automobile. "Ability to pay", a commonly accepted criterion in tax policy, is not proven in this country by ownership of a motor vehicle. Rich and poor alike possess them, and operate them, not as manifestations of their wealth, but as a common day to day necessity.

Nowhere in the whole range of government activity is there a more striking example of both these services than is found in the single field of highway and street operation.

From an enormous effort in measuring Michigan roads it can be estimated now that there are some 120,000 miles of public roadways which form a far-reaching, complex system. By far the great part of this mileage is made up of the trunk-lines, the secondary highways and the local roads in the rural areas of the state, but a very considerable and important part of it comprises the avenues and streets in the cities and villages.

Roads and streets are the links in our social fabric which knit together the rural and urban areas. They bring together the varied economic and social elements in the community life of each. Every mile of them is public property and is both a public asset and a public liability. Even before the advent of the automobile, they were the instruments through which governments rendered essential economic and social services to all of the people of the state, and the general public gladly provided the financial support necessary to their continuance.

The Highways that are a Public Productive Business

However, superimposed upon this system and utilizing portions of it is a business—a utility in the form of automotive transportation—which imposes no added burden on the general taxpayer, but is a self-supporting and self-liquidating enterprise. To be sure, automotive transportation makes necessary a type of road-bed with inherent riding qualities and structural strength as well as certain other facilities which are not required to fulfill the general public purpose of roads and streets. But rarely or never do these create costs which exceed what collections from the users can provide.

Indeed, there are few business undertakings under government administration which yield so great a return as the highway-automotive-transportation utility. Fees of two kinds are collected from a special group of citizens—the motor vehicle owners—for the express purpose of paying for its service. One of these fees is a “metered-service” charge—the gas tax, and the other a “fixed” service charge—the weight tax. In return for these charges, the consumer—that is, the automobile owner—gets, or should get, a constantly expanding and improving service.

Because these charges are collected by governmental agencies as taxes, there is constant danger that they will become confused in the public mind and in the fiscal operations of government with other types of public revenue. For that reason it cannot be too frequently emphasized that they are the profits from a vast public utility enterprise and that, as such, they should not be permitted to accumulate, but should be ploughed back immediately into the structure that created them.

The public accepts and likes an enterprise which operates on a "pay-as-you-go" basis. The continued willingness of the motor-vehicle taxpayer to buy and pay for this service grows out of his confidence that his fees will be reinvested in the enterprise to produce better service. But, in a world where tax dollars are scarce, the very fact that motor vehicle revenues are easily administered and the motoring public is largely inarticulate, causes hard-pressed public officials to regard them with speculative eyes.

The aggregate collections from the motorists of Michigan from the beginning of the motor vehicle taxes in 1905 up to the close of 1937 has been about 565 million dollars, and today the income is at the rate of about \$100,000 per day. Nearly all of this money has been reinvested in the highway plant of the state. It has literally lifted and created, out of 120,000 miles of miscellaneous roads and streets, those elements that form the bases for a vast going concern—the primary and secondary systems of highways both within and out of the cities.

Wrong Tendencies in Conduct of Highway Business

But the process which has produced these results is no longer fully operative. Trends have developed in the past few years which, if continued, will seriously impair not only this going highway concern, but the prosperity of the automobile manufacturing industry and its associated lines which is, in a very real sense, dependent on highway service. The tendencies which cause concern are:

1. **The illogical dissipation of the revenue to relieve the pressure on general taxes.**

2. The failure to return the profits to those roads and streets which can pay for themselves.
3. The increase of the rates charged for the service to excessive levels.
4. The premature use of income from the going concern, not to support the going concern itself, but to make going concerns of the local governments.

One of the outstanding facts which comes out of the Highway Planning Survey's study of the problems of highway administration in Michigan is that the income derived from motorists is almost the sole bulwark and support of the state's 120,000 miles of roads and streets. If the emergency contributions of the federal government be excluded, this income comprises about 78 per cent of all revenues raised for highway purposes by the state and its local units.

Before critically examining the details of the collection and source of motor vehicle revenues, it might be well to consider two fallacies which are current in the minds of public officials regarding the policy which should govern their disbursement.

One of these fallacies is that one mile of rural highway is entitled to the same allotment of motor vehicle revenues as any other, and at present this fallacious theory is the basis for the distribution of funds to the so-called McNitt roads. If this principle were applied to the whole 120,000 mile system, less than \$350 would be allotted to each mile of its roads and streets. Clearly, such a policy would reduce highway activities to maintenance operations and would "freeze" the highway system to its present extent and standard of improvement. It would not "freeze" all of it permanently, however, for deterioration and obsolescence together with the increasing volume and speed of traffic would eventually create a state of unprecedented disrepair and inadequacy on its most improved and most used sections.

The other fallacy regarding the distribution of motor vehicle revenues which powerfully affects official and to some extent popular thought is that these moneys should be returned to their source. "Source" means in this connection the minor units of government and not the taxpayer.

In 1935, nearly $\frac{5}{8}$ of the revenues contributed by motorists were actually distributed according to this theory. But, of course, it is plain that, if all instead of more than half of these revenues were so distributed, the development of our trunk-line and secondary systems would be put back into the dark ages of local control. These parts of the highway system were put on a self-sustaining basis under centralized jurisdictions and it should not be necessary to stress the fact, today, that their service outgrew local control more than twenty years ago and that a return to it now, even if it were economically and administratively feasible, would be unanimously vetoed by the motoring public.

No one questions that every mile of useful road and street must have adequate financial support, but the amount and source of this support must be consistent with the amount and kind of service which it renders.

In the same way, no one questions that a return, as full and equitable as possible, must be made to the source from which motor vehicle revenues flow. But it is clear that this return cannot be made in kind, and it is beginning to be understood that the source is not our political sub-divisions. The return, regardless of through what jurisdiction it is made, must take the form of highway benefits and, ultimately at least, these benefits must go to those citizens who pay the motor vehicle taxes.

Motor Vehicle Taxes and Highway Usage

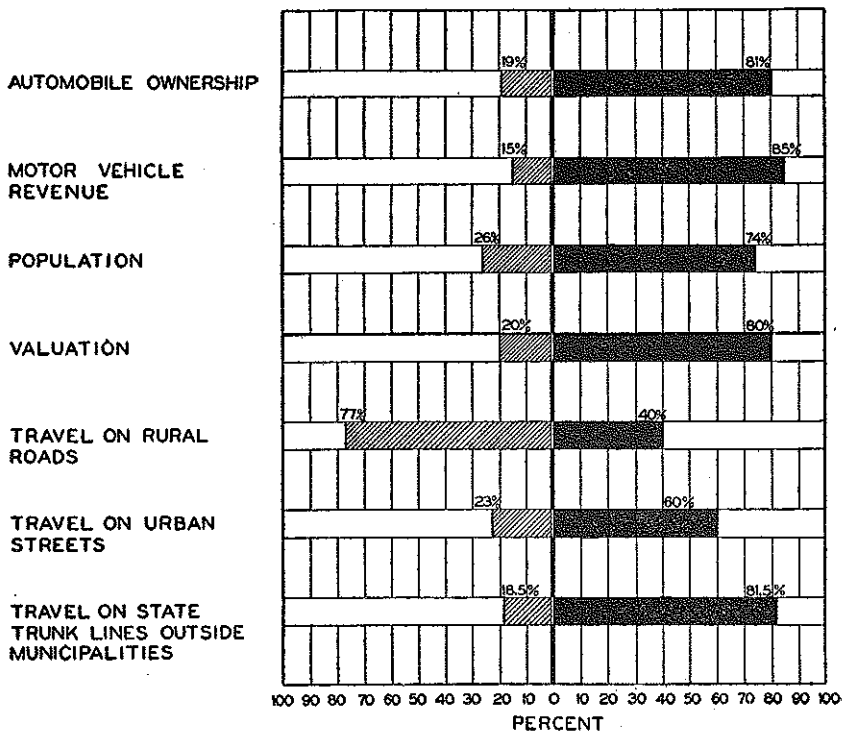
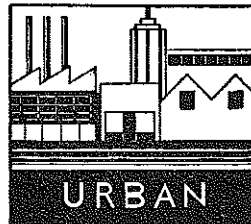
And now let us see about the identity of these customers of our productive automotive-highway transportation enterprise who are the source of our highway income. Never before in the history of highway administration has it been possible to make other than an approximate guess as what proportion of the contribution to highway income was made by the rural and by the urban elements in our population.

With regard to the sources of weight tax revenues, the state's records give us only the number of registrations and the amounts paid in each county without reference to the rural or urban residence of the taxpayer. The source of gas tax payments is still

MICHIGAN
STATE HIGHWAY DEPARTMENT
MURRAY D. VAN WAGONER
STATE HIGHWAY COMMISSIONER

HIGHWAY PLANNING SURVEY
CONDUCTED IN COOPERATION WITH
U. S. DEPARTMENT OF AGRICULTURE
BUREAU OF PUBLIC ROADS

HIGHWAY FINANCE



Cars owned, revenues and travel originating in the rural and urban areas of the state, with other essential relationships, demonstrate clearly that revenues of the highway utility cannot be distributed in kind to governmental units without irreparable cost to the main lines. But these relationships point clearly to the only adequate method of distribution, that is, benefits to the motor vehicle user regardless of whether his residence is country or city, by betterments to selected parts of the whole system.

less clear, for gasoline sales are reported from bulk distribution plants in lump sums with no indication as to the territory in which the product was sold, much less any hint of the urban or rural classification of the ultimate consumer.

Now, for the first time, we know what the contributions of these two major classes of the population to the motor vehicle revenues have been. The figures of car-ownership and of revenue as determined by the Highway Planning Survey are as follows:

Cars owned in rural areas.....	19% of total
Cars owned in urban areas.....	81% of total
Revenues originating from rural residents.....	15%
Revenues originating from urban residents.....	85%

These figures should be studied in relation to the respective percentages of population in rural and urban areas and to the relative values of property in each. The percentages for both population and assessed valuation follow:

Rural population.....	26% of state total
Urban population.....	74% of state total
Rural valuation.....	20% of state total
Urban valuation.....	80% of state total

Another comparison of value in considering the highway problem is the density of car ownership in each of the two kinds of areas. These are:

Rural.....	One car to every 5.5 persons
Urban.....	One car to every 3.6 persons

Consideration of what these figures really mean, puts the spotlight on the theory that motor vehicle revenues should be returned to their source and throws its utter absurdity into bold relief. To follow it out to its logical conclusion would reduce the state's parent highway agency to the position of a mere collection agency and disbursing office, and its functions to that of a referee in a mad scramble for the revenues from the motor-vehicle taxes.

But even that calamity, serious as it actually would be, is insignificant when compared with what would happen to the physical plant. Only suggest that the 120,000 miles of our highway system,

particularly those elements making up the highway transportation utility, be distributed among the state's 556 highway agencies on the basis of these revenue ratios, and the whole theory blows up. These carefully integrated self-sustaining parts of the highway system cannot be chopped up on any such basis, for they form a unified system used by all the members of our rural and urban society.

The function of providing the meeting-place where rural and urban interests merge, is more emphatically demonstrated when their respective contributions of travel and usage are brought under the microscope. Urban motorists contribute 85 per cent and rural motorists 15 per cent of the total support of our highway system, but this fact is merely evidence of the varied demand for the product of highway-transportation enterprise. In other words, the purely business transaction—i. e., the payment of highway taxes for highway usage and service—is almost meaningless unless the whole transaction is viewed in detail.

The Survey again furnishes us with fresh and dependable figures bearing on the use of the system by rural and urban customers.

Travel on all RURAL roads and highways by

Rural residents.....77% of their total travel
Urban residents.....40% of their total travel

Travel on all URBAN streets by

Rural residents.....23% of their total travel
Urban residents.....60% of their total travel

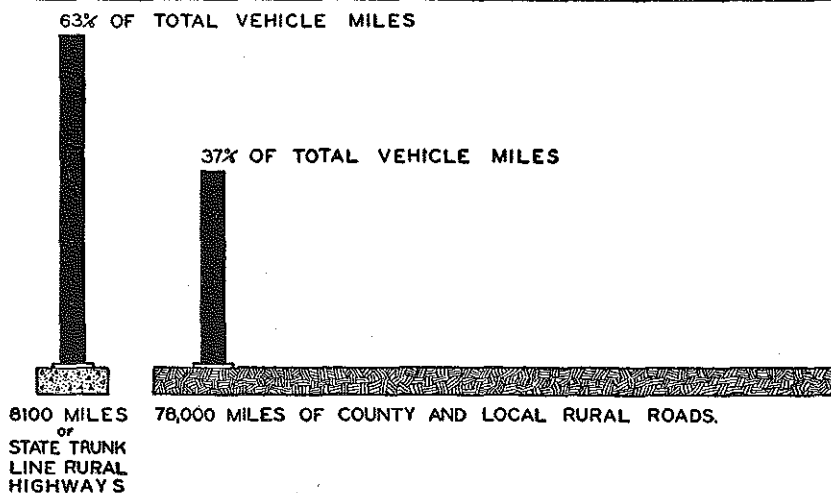
However, these figures still leave us in the dark as to what portion of the system receives this travel. The Survey has found that about 60 per cent of the total vehicle miles bought by Michigan motorists, both rural and urban, together with those bought by out-of-state visitors, are performed on the trunk-line system lying within and out of cities.

In addition it is found that urban residents contribute 81.5% of all travel on trunk-lines lying outside of municipalities.

This analysis of highway use clearly establishes the fact that the trunk-lines are easily the most productive branch of the state's highway business.

Another set of figures which result from the Survey's studies of traffic in 1936 shows how travel is distributed on the purely rural road systems. This shows that:

<p>The trunk-lines, comprising 8,100 miles produce—</p>	<p>63% of the rural vehicle miles, while</p>
<p>The county systems including local roads of official record comprising 78,000 miles produce—</p>	<p>37% of the rural vehicle miles</p>



63% of the total travel on the rural roads is on the state trunk lines which comprise 10% of the total mileage. 37% of the total travel is on county roads comprising 90% of the rural road mileage. These facts demonstrate the public's overwhelming demand for usage of the self-sustaining portion of the highway system.

January, 1938

These relationships are more than a chaos of statistics. It may be noted, for instance, that some of the figures demonstrate the customers' overwhelming demand for the product of the self-sustaining portion of the highway system. Sober reflection on them can and must produce some basic principles for the sound management and continued development of this great public utility which should be a going concern.

Highway Productivity Must Be Maintained

But what of the legitimate demands for the support of the 120,000 miles of highways and streets comprised in the entire system? The motorist cannot carry the entire load.

There are available now some basic facts which permit of a reasonable and equitable apportionment of motor vehicle income to the rural and urban systems. By far the largest element in both systems is local roads and streets, but allotment of funds must be made on the basis of use and need and not mere extent. It would be absurd and wasteful to attempt the further improvement of these roads and streets when there is such crying need for arterial primary routes and relief arteries in metropolitan centers, for by-passes around them and roads connecting them, for the improvement of the primary trunk-lines in rural areas, and for the extension of the secondary highway systems in many parts of the state.

The million and a half customers who reside in the home market of the state's highway utility and the hundreds of thousands of foreign customers who have been added to its list buy its product at the tremendous rate of ten billion vehicle-miles annually. It is estimated that within the next fifteen or twenty years this traffic will double. The added ten billion vehicle miles must not be looked upon as a burden which must be supported, but as new business which will pay its way and provide profits which can be made to produce more business. These new customers must be accommodated, not only by the improvement and extension of the primary and secondary routes which they use, but by creating conditions which will make the use of those facilities safe.

It is clear that concentration of the efforts of all highway administrators on the production of adequate primary and secondary highway systems is the only way in which they can discharge their responsibility to the motor car owner and meet the challenge of a vigorously growing demand. They must select from the 120,000 miles of roads and streets in the state those roads and streets which by use and by service are qualified to be parts of those systems.

That does not mean that all of the roads and streets which are not at once designated as suitable for inclusion in the main systems

are forever excluded. The gradual extension of both will absorb more and more of the remainder, and their progressive improvement will tend to eliminate the tax-eating maintenance toll which is now consuming their substance.

It is in this progressive method of gradual extension and improvement, through constant reinvestment of income in the plant, that increased utility can be produced. It is the method which holds out the best hope for the ultimate development of a system which is fully productive and self-sustaining. Meanwhile, however, general revenues must be forthcoming, as they have been in the past, for the support of those parts of the system whose present use and service qualifies them for no other classification than that of "land access" roads and streets.

Let us consider again that residuum of the large increment of miles of roads, principally local, which are not included on a carefully selected primary and secondary system, and which must be supported by general revenues. It is clear that selective procedure must be again employed. In this selective procedure two principles must burn into the consciousness of the public and their officials:

First: What constitutes a road, not in a strictly legal sense, but in a utilitarian sense,—What are necessary roads?

Second: How many miles of roads under the jurisdiction of a multiplicity of governmental agencies, can the public afford to own and support?

This selective procedure must indicate, on the one hand, which roads are entitled to support from automobile revenues, and, on the other, which roads must be supported from more general sources.

Alternate Courses Affecting Motor Vehicle Revenue Payer

There are four different ways in which the present crisis in highway administration can be met.

FIRST of these is to spread the income from the taxes on the motorist over the whole 120,000 miles of roads and streets.

That would make the spread so thin that no one could tell which side of the bread was buttered, and would result in the eventual ruin of the most valuable and indispensable parts of our whole highway system.

SECOND alternative course would be to multiply the motorist's present rate of taxation two and one-half times.

That is a splendid remedy, except that the customers would not pay the freight. Such a policy would be proof-positive that we have learned nothing from the collapse of the property tax under multiplying burdens.

THIRD: We would let the motorist's contribution remain a "grab bag" to be raided for highway or other purposes by any factions or groups among the diverse state or local units which have the will and the power to do it.

That course would substitute pressure and manipulation for efficiency and reason in the administration of our highways, and it would set up local pride and political prestige in place of broad public service as the guiding principle in the expenditure of the motorist's tax-money.

FOURTH: AND FINALLY, EXPENDITURES OF THE MOTORIST'S CONTRIBUTION CAN BE CHANNELIZED TO THE DEVELOPMENT AND IMPROVEMENT OF SELECTED HIGHWAYS TO PROVIDE NOT ONLY FOR THE 20 BILLION VEHICLE-MILES OF TRAVEL WHICH ARE JUST AHEAD OF US, BUT FOR THE SERVICE WHICH THE MOTORIST IS ALREADY PAYING FOR AND WHICH IS AN ESSENTIAL FACTOR IN PROMOTING THE CONTINUED GROWTH AND PROSPERITY OF OUR TWO PREMIER INDUSTRIES—THE AUTOMOBILE INDUSTRY WITH ITS ALLIED BRANCHES AND THE YOUNG BUT VIGOROUS RESORT AND RECREATIONAL INDUSTRY.

Needless to say, this last alternative is the one which imperatively commands our immediate and determined support.

We are now at a point where major highway construction and reconstruction are demanded. Adding a lane here and there to an existing poorly aligned roadway has got us by, but at considerable cost in accident production and loss in revenue and industrial activity.

Major highways of the guarded multi-lane type are necessary now on the most intensely used part of our system. The facilities and improvements to serve a self-liquidating recreational industry must be provided. Strong highway accident administrative action is demanded.

These are the outstanding needs which must be fulfilled if we are to safely accommodate the traffic on Michigan roads—a traffic which will double in the next few years.

The motorist will pay for these facilities and services. He should receive them. That is his stake in the highways; it is the public's stake in them.

HIGHWAY LIBRARY
MICHIGAN DEPARTMENT OF STATE
HIGHWAYS
LANSING, MICH.
P. O. DRAWER "K" 48904