

CAR Management Briefing Seminars

Automotive: Prosperity Amid Uncertainty

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Historical Partners

- Auto and Transportation industries enjoy a successful & long-standing partnership
 - Cars need roads
 - Roads need revenue from fuel taxes & vehicle registrations
 - Just-in-time delivery
- Future partnership can be as successful



Partners in Transition

- Auto Industry survived restructuring
 - Prompted by falling revenues
 - Focused investment on most profitable lines
 - Eliminated redundancy by closing dealerships
 - Reduced legacy costs thru union negotiations
- Transportation industry faces similar restructuring
 - Prompted by falling revenues
 - MDOT reorganized to focus investment, eliminate redundancy, reduce staff costs
- More change to come...



Abundant Uncertainties

Auto Industry

- Economy
- Energy, materials costs
- Global markets
- Government policy
- Technology

Road Industry

- Economy
- Energy, materials costs
- Access to global markets
- Government funding and user fees
- Technology



The Fertile Verge

- The boundary between cultures
- Or between bodies of knowledge:
the technological verge



Governor Snyder's Reinvention of Michigan and Special Message on Infrastructure

- Reinvention = thinking boldly and differently
- Economy & impact of transportation
 - Multi-modal network moves people & goods by road, air, water, and rail
- Increase efficiency of all agencies
 - Focus investment and eliminate redundancy
 - Reduce costs
- Address structural funding problem

Michigan Economy

- MDOT 5-year highway program provides:
 - \$3.6B in personal income
 - \$3.4B contribution to Gross State Product
 - \$37.9M (2011) to \$76.1M (2015) in travel-time savings
 - \$96.1M (2011) to \$125.5M (2015) in business savings
- Rail service provides communities with stations \$62M annually in benefits
- Transit provides \$805M in community benefits
- Aviation industry contributes \$20B

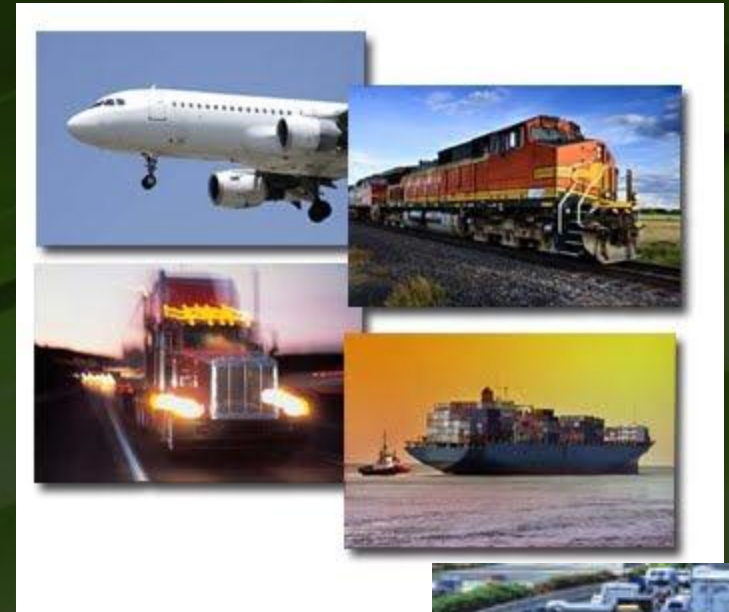
Energy & Materials Costs

- Increasing costs prompt innovation & creativity
 - Pavement Recycling: 100% of steel, concrete and asphalt being recycled in construction
 - LED lighting for traffic signals
 - Rest Areas & Welcome Centers: geothermal, wind and solar power planned or in place
 - Solar-powered carpool lot lighting
 - E-85 compatible half-ton trucks and autos
- Rising price of energy makes it difficult to increase transportation use fees



Global Markets need Global Transportation

- Michigan's economy relies heavily on cross-border and global traffic
 - \$525 Billion in 2-way Canadian cross-border trade
- Safety, security and efficient movement of goods and people
- MDOT plans to invest over \$2 Billion in border crossing infrastructure over the next decade



Michigan's #1 International Trading Partner: Canada

- More than 10,000 MI businesses trade with Canada
- Auto manufacturers & suppliers are the largest users
- Also Agri-Business, Food & Horticulture, Construction Supplies, Furniture, Manufacturing, Iron, and Steel
- 2009 – MI exports to Canada = \$15.7B, more than any other state

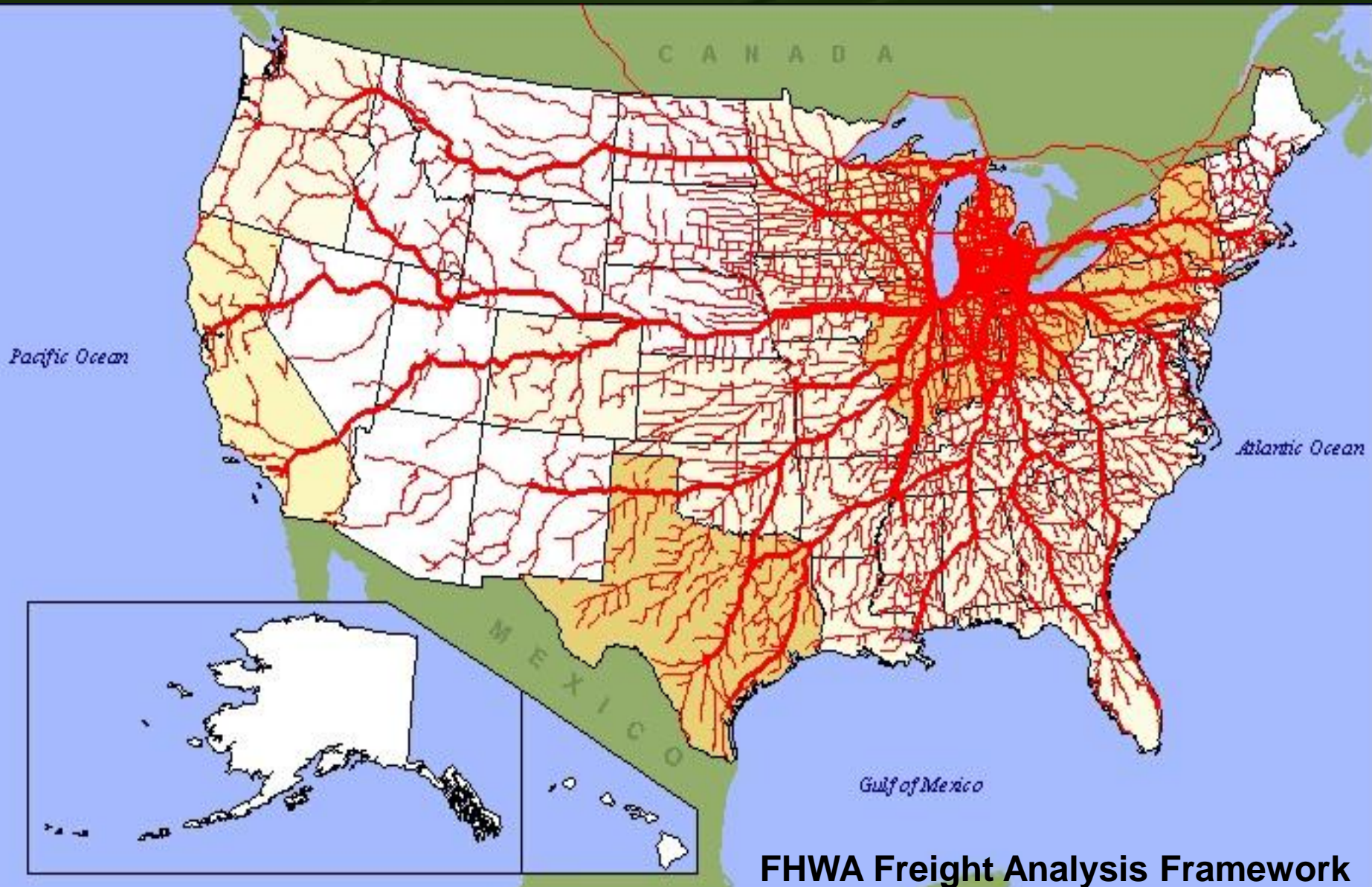
Some of the largest Michigan companies:

Ford	Dow Chemical	Kellogg
Chrysler	Herman Miller	American Axle
General Motors	Lear	Johnson Control
Magna Corporation	Masco	Checkers Motors
Gordon Foods	Steelcase	Hi-Lex Corporation
Haworth Corporation	Stryker Corporation	Alticor Global Holdings
Arvin Meritor	Whirlpool	Lapeer Metal Stamping
Dawn Foods		

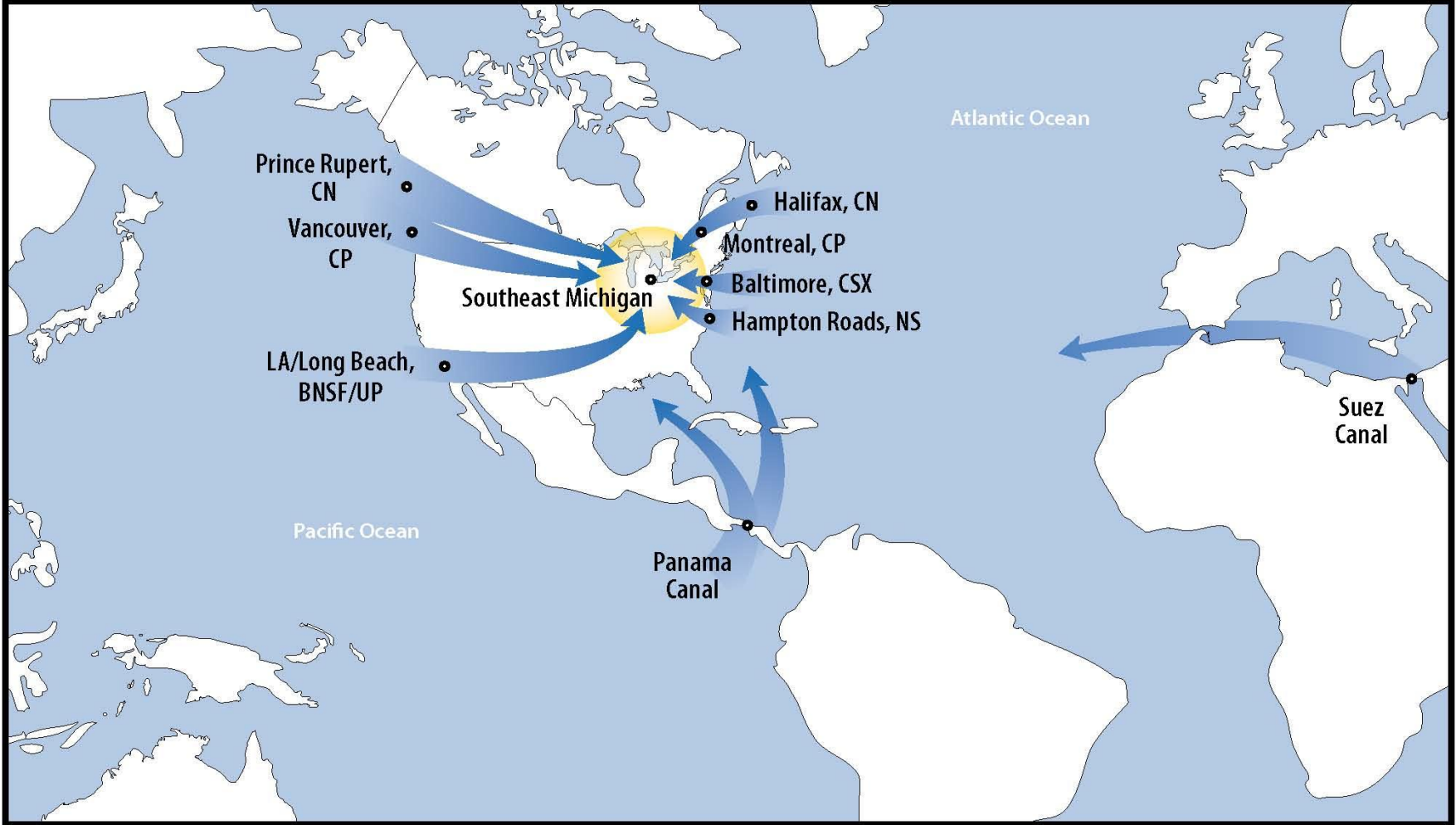
Michigan's #2 International Trading Partner: Mexico

- Only two states — California and Texas — export more to Mexico
- 2010 trade value by all modes to Mexico through Detroit & Port Huron = \$66.3M
- Annual sales to Mexico grew 169% over 10 years, standing at \$1.2B in 2008
 - Growth led by \$449M increase in vehicle and transportation equipment shipments, and a \$317M increase in chemicals

Michigan's Truck Flows



NORTH AMERICA Containerized Freight Flow Map



Government Policies: Reauthorization

- Basic highway law expired in 2009
- Fuel tax revenues falling due to economy and more fuel efficient vehicle fleet
- HTF spending more than it takes in
- Latest House budget & reauthorization plan could reduce highway program 30%
 - Reduction for Michigan may be \$175M to \$365M per year

Transportation Funding

- Funding crisis threatens quality of Michigan's infrastructure
- 90% of state roads, bridges in good condition
- Can't sustain it with existing revenues
- Costs have been cut, but political will to raise "price" is lacking



Technology

- Future partnership between auto and transportation industries
- Intelligent road-vehicle communication Intelligent road-vehicle communication
 - Improves safety and convenience
 - Reduces congestion
- New ways of paying for road use
 - Alternative to dwindling fuel taxes
 - Can efficiently price roads and parking



Exciting future awaits...if

- We're willing to embrace change
- We preserve useful assets, and make the right new investments
- We fight rising costs with innovation
- We take full advantage of technology, and,
- If government keeps up with private industry

Questions?