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***“The Impact of the Victorian Government Parking
Tax on Melbourne’s retail property market”***

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The Melbourne Parking Tax: A brief overview

- Started in January 2006 at a cost of \$400 per annum;
- In January 2007 the tax rose to \$800 per annum;
- Tax were projected to raise \$40 million per annum;
- \$35 million taken by State Government, \$5 million by Melbourne City Council.

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Objectives of Parking Tax:

To reduce traffic congestion, pollution and greenhouse gas emissions in the CBD (and increase reliance on public transport);

Increase the supply of short stay off-street parking; and

Raise revenue to fund a range of public transport initiatives.

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The exemptions to this parking tax included:

- Bicycle and motorbike parking;
- Disabled car parking spaces;
- Loading zones;
- Parking spaces without charge owned by local councils, religious bodies/organizations, hospitals, charities, museums and libraries;
- Parking spaces without charge used by ambulance, fire brigade and police
- Temporary parking spaces used for events such as MCG parkland; and
- Car sales display places and car service spaces

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Objective 1: Congestion

Costs associated with congestion vary according to the volume of cars using the road at any time, but can also be related to:

- The time of day – congestion is greatest at peak times, such as when individuals are traveling to and from work
- Location and travel route – the congestion cost is more pronounced in urban areas than in rural; and
- The type of vehicle – as well as adding to pollution, vehicles such as trucks add disproportionately to traffic congestion and wear and tear on road infrastructure.

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Failures to address congestion:

If you want to implement a tax that reduces congestion it should:

- Apply directly to all drivers
- Be paid in proportion to time spent on the roads in the CBD
- Be higher in peak times, and lower during non-peak
- Be simple to administer, with few exemptions
- Limit avoidance opportunities

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According to the Access Economics Report

“(the parking tax) is a blunt, poorly targeted and discriminatory method of mitigating costs associated with traffic congestion in the Melbourne CBD”.

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The impact on parking prices

In the June 2007 ARRB newsletter their research showed that:

- The average early bird rate has increased 12.07%
- The average casual parking rate has increased 7.27%
- Some car parks increased rates and then reduced them to pre-tax rates
- The size of the early bird rate increases were generally greater than increases in the casual rates
- The number of car parks that increased their early bird rates exceeded those that increased their casual rates
- Most operators increased prices immediately after the tax was introduced, but a few delayed for a couple of weeks.

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Conflicting objectives

“The inherent conflict between the objectives of the tax – that it should raise revenue to fund public transport initiatives whilst simultaneously reduce congestion, pollution and greenhouse gas emissions are incompatible”.

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A Revenue Grab

“Taxes such as these can lead on to future growth in what is normally called ‘hidden’ or ‘stealth’ taxes”.

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The WA and NSW experience

- In Sydney the parking tax which was introduced in 1992 at a rate of \$200, was doubled in 1997 to \$400 and doubled again to \$800 in 2000.
- To the extent that it fails to reduce congestion, but it succeeds in raising revenue to fund public transport;
- To the extent the tax succeeds in reducing congestion, it would fail in raising revenue to fund public transport initiatives;
- To the extent the tax succeeds in the increase of short stay parking, it will tend to increase congestion within the CBD for more of the day.

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- The tax in Perth does include short term stay spaces at \$163.50 per bay per annum, and \$189 per annum for long stay public parking and tenant parking.
- Perversely the largest payer of the tax is City of Perth as it owns around two-thirds of all off-street parking and all on-street parking.
- As a result there is little or no impact on driver behavior as none or little of the economic incidence flows through to the driver.

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Lessons and Conclusions

- As Perth and Sydney demonstrate, parking levies are unlikely to have any significant impact on traffic congestion.
- However, if they are to be implemented, it is more efficient and equitable if the tax is implemented with:
 - Few exemptions for selected groups or entities
 - A broad based approach
 - On all street and off street parking
 - Short stay and long stay places
 - Private and public places

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A report released by the City of Adelaide in 2003 recommended the introduction of a parking tax, however the authors recognized the limited value of the policy when they said:

“even where the parking tax is substantial, its capacity to significantly constrain the demand for parking in car-oriented city centres is limited...”

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In their conclusion Access Economics described the parking tax as:

- At best a blunt, poorly targeted and discriminatory method of mitigating the costs associated with traffic congestion in the Melbourne CBD.
- Using this as a vehicle to increase the supply of short stay off-street parking directly undermines its role in reducing traffic congestion and associated costs; and
- On balance, only the third objective cited for its introduction rings true – raising revenue

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