Workplace parking charges
Down Under

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Workplace parking charges Down Under

After initial enthusiasm, most local authorities in the UK have now decided against introducing the workplace parking levy. But is there a danger of the UK learning only from its own experiences? Enoch Marcus goes Down Under where both Perth and Sydney have successfully introduced schemes. What can we learn from these initiatives?

Controlling access to parking spaces has long been considered one of the most effective tools at the disposal of local authorities to reduce car use. But, councils have been hampered because typically the majority of parking spaces in town and city centres are privately-owned, making it extremely difficult for any parking control policies to be implemented.

In Britain, the workplace parking levy, which provides local authorities with optional powers to charge employers a levy according to the number of employee parking spaces, was first proposed by Government in the consultation document ‘Breaking the Logjam’ in 1998 along with road user charging. In England and Wales, the levy became law through the 2000 Transport Act, but in Scotland the workplace parking levy option was abandoned, and is absent from the parallel Transport Act north of the border.

While interest in the levy was initially fairly high, due mainly to the promise that 100% of revenues raised would go to improving transport infrastructure, enthusiasm for introducing the workplace parking levy among local authorities has since cooled. For example, in the West Midlands, the seven local authorities were initially looking to introduce the levy. But, as time has gone on councils dropped out one at a time until finally even Birmingham City Council, the prime mover in the plan, decided to drop the idea entirely. And, in Nottingham, the City Council is struggling to convince businesses that the levy is the right way to go. As it stands, Milton Keynes will be the first local authority in the UK to introduce the levy, probably in 2002, with Nottingham set to follow suit with the first sizeable scheme the following year.

This reduced eagerness has been due to a number of reasons. Firstly, political opposition among businesses to the levy has worried councils that new companies may be put off from moving into their area when faced with an extra business cost, and that existing companies might relocate elsewhere. Secondly, there are fears that the levy will be difficult and expensive to administer, and that the measure will be seen as unpopular politically. Finally, the delay in implementing legislation seems to have lessened the political momentum towards introducing such a potentially controversial transport policy.

There is a danger of the UK learning only from its own experiences, when it is possible to derive valuable lessons from how such levies have worked elsewhere. This article summarises the experiences of the overseas cases implemented so far, namely in Perth and Sydney in Australia.

THE PERTH PARKING LICENCE FEES

The origins of the parking licence fee
Perth, Western Australia is one of the most car dependent cities in the world. In 1996, 91% of households in the State had at least one registered motor vehicle, and four fifths of all journeys were car-based. Two thirds of commuters to the central business district drove to work. Currently, there are 679 vehicles of all types registered per 1000 people. This compares to a figure of 481 vehicles per 1000 people in the UK.

To address this level of car dependency, the State Government of Western Australia, in partnership with the City of Perth, first looked at introducing a new approach to parking management and supply for the Perth CBD and near areas in 1991. A workplace parking levy or ‘parking licence fee’ was identified as one of a number of measures that form part of the Perth Parking Policy that could ensure a better set of access and amenity outcomes. However, it was not until 1996 that the licence fee scheme – as a component of the wider Perth Parking Policy, which in turn forms part of the Perth Metropolitan Transport Strategy – obtained State cabinet approval, and not until 1997 that it was adopted by the City of Perth. Legislation to provide the basis for the Perth Parking Licence Scheme entered the State Parliament in November 1998, was passed in May 1999 and became law on 16 July 1999.

Overall, the Perth Parking Policy and the Perth Metropolitan Transport Strategy are aimed to shift trips from the car, increase vehicle occupancy, limit the social and environmental impacts of the car and provide more short-term parking for visitors to the city. In addition to the parking licence fee, the Strategy increased spending on public transport services and infrastructure, while the Policy led to tighter parking controls on new developments. The approach and objectives of the parking licence fee are thus not dissimilar to those adopted in the UK.

How the parking licence fee works
Within the Perth Parking Management Area, the approach is that all parking, both on-street and off-street, except private off-street residential, is licensed. Thus the parking licence fee is strictly speaking a private-non-residential parking levy – as the UK levy was intended to be – rather than only applying to the workplace. Although all parking is licensed, fees are not charged where parking spaces:

- help the city work – e.g. loading/unloading spaces;
- promote access – e.g. bus layovers;
- provide a community service – meals on wheels, patient transfer services,

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In Nottingham, the City Council is struggling to convince businesses that the levy is the right way to go. The target date for implementation is 2003.

In Perth, the money raised must be spent improving the access and amenity of that area, and as a result it is earmarked to fund the Central Area Transit (CAT) bus system. It is believed that this clear link between charge and benefit is why the expected opposition to the fee did not really materialise. Around 80,000 people a week use the two state-of-the-art CAT services. Perhaps also of significance in the acceptability of the parking licence fee in such a car dependent city, was the existence of the Free Transit Zone (FTZ), which was originally established in 1989. In conjunction with the introduction of the parking licence fee, this was expanded to cover the 825-hectare Perth Parking Management Area. Altogether, 45,000 people use buses and 15,000 use trains in the FTZ each week.

Implementing the parking licence fee
The first, and most difficult, step towards implementing the scheme was in persuading property owners to lodge their parking space licence applications. This was done through an education and information programme. Altogether, the address of the owners of the 4200 properties within the Perth Parking Management Area were obtained from the Land Titles Office, and sent an information package. As the property details in the land title system did not describe land use, and there are a large proportion of mixed use properties in the CBD and nearby areas, this list included residential owners (not liable for the parking licence fee), and commercial owners (who were). After several ‘education and information’ mail shots over a nine-month period, approaches through local business and property interest groups and a number of advertisements in the press, around 1500 owners applied for licences.

The Act requires that only spaces in use be licensed. Property owners were required to provide the following:

- a contact name and address;
- the address of the parking facility;
- the maximum number of spaces they wished to be licensed and a breakdown of the type of each space (to see if any were exempt);
- the period for which the licence was sought if not licensed for a full year; and
- a copy of the relevant planning approval authorising how much parking was provided (or a Statutory Declaration if this information was not available).

The State Revenue Department then processed this information on the Department of Transport’s behalf, and an assessment notice detailing the number of licensed spaces per category, the total parking licence fee payable, the payment options available, and the payment deadline was sent to the applicant. A licence was then issued on receipt of payment. If the property had only fee exempt parking a licence was issued immediately.

The licence period runs from 1 July to 30 June. No problems were encountered with the renewal phase of the parking licence fee at the end of the 1999/2000 period, the first full year of operation.

To encourage property owners to reduce the level of parking for some of the year, and to make the fee more acceptable, owners can vary the number of licensed spaces provided they advise the Government of the change in advance. Thus property owners pay only for the spaces they use, not for the spaces they could potentially use.

When faced with the parking licence fee, developers, property owners and their representatives were, and still are, opposed to the scheme. Despite this, there industry representative group did work with the State Department of Transport to help make it work. Particular concerns were that businesses would be forced out to regional centres where the parking licence fee did not apply, that the rights of inspectors to enter property and demand records were excessive, and that the restrictive aspects of the parking policy should not be applied retrospectively to existing parking facilities. There were also worries that licence conditions might be changed or licences not renewed, and that leasing from vacant buildings would be hindered. Finally, it was feared that in the future the licence fee being insufficient in itself to cut car usage, it would be increased to extremely high levels leading to increased parking user fees that in turn would reduce car based trips to the CBD.

Responding to these concerns, the Government agreed that the licensing regulations would not be applied retrospectively. This means that property owners who operated in accord with their historic planning approvals could continue to manage their parking in that way. To assure owners interest groups the legislation requires that a parking licence must be renewed once issued providing the parking licence fee is paid and any conditions associated with the initial planning approval or parking licence have been met by the licence holder.

Performance of the parking licence fee
Around 56,300 spaces were licensed...
during the first year of operation, generating $A3.35m (£1.2m). Non-payment at $A6500, was less than 2% of the total due.

Parking supply fell by nearly 10%. There are 6000 fewer spaces than recorded in a 1998 parking survey. Most of the spaces taken out of use were situated near the edge of the Parking Area and remote from areas of high parking demand. There is also evidence that small businesses were decommissioning spaces to meet the five spaces or less exemption, and that property owners are far more likely to act to stop people illegally using their spaces.

In terms of compliance, by 1 January 2000, the deadline for initial licence applications for the 1999/2000 year, around 55% of bays had registered. During the subsequent six months, Government officers approached the remaining property owners. As of May 2001, when the Government shifted from the education and information approach to an enforcement-led regime, around 30 property owners with about 300 spaces remain to be licenced. These businesses face substantial fines if prosecuted. One other compliance issue, is that the increased awareness of property owners regarding parking has led to better management of spaces and less ‘wasted’ bays.

Another impact has been the creation of more public short stay parking in the central business district. In order to be classified as short stay spaces, defined as facilities where no more than 10% of users stay longer than six hours, charges had to be increased by as much as 100% in some cases. Although this was obviously not popular with commuters, the availability, and turnover, of public short stay spaces has increased for shoppers and business visitors.

**Lessons from Perth**

A number of lessons emerge from the Perth case. First and foremost, the system should be as simple as possible to understand, and that as much information as possible should be supplied to educate businesses as to why the parking licence fee was being introduced and what was expected of them. Secondly, the parking licence fee was just one measure of a whole package of parking measures and public transport improvements, and crucially the link between the introduction of the parking licence fee and the improvement to public transport in the central area was strongly pushed from the beginning. It is significant to note that all public parking in the area subject to the parking licence fee is free. Finally, it is clear that targeted exemptions helped improve acceptance of the parking licence fee among businesses.

Overall, the level of the parking licence fee imposed on businesses is very low, and even though it is spread over a broad base of liable payers, the sum raised is also not great.

**PARKING SPACE LEVY, SYDNEY, AUSTRALIA**

Although possibly less well-known than the Perth example, the so-called Parking Space Levy (PSL) was actually introduced several years earlier, commencing operation in the Sydney central business district and North Sydney on 1 July 1992.

According to the Parking Space Levy Act of that year, the aim of the levy

...is to discourage car use in business districts by imposing a levy on off-street commercial and office parking spaces... and by using the revenue so raised to finance the development of infrastructure to encourage the use of public transport to and from those districts.

(PSL Act, 1992).

Under the Act, businesses were required to pay $A200 (£70) per parking space per year until July 1997, when this was increased to $A400 (£140) per space per year – much higher than in Perth. As of May 2000, the “Parking Space Levy Amendment Bill 2000” increased the rate further to $A800 (£280). It also extended the levy to four other business districts in Sydney, namely Bondi Junction, Chatswood, Parramatta and St Leonards. This also introduced a zonal system, with these new business districts being referred to as Category 2 areas, with a lower levy per space per year of $A400 (£140). Sydney CBD and North Sydney are now referred to as Category 1 areas. However, there are several categories of spaces that are exempt from the charge. These include spaces designated for registered disabled people, residents, charities, or for loading/unloading bays. Parking Space Levy fees are collected by the NSW Office of State Revenue (OSR) on behalf of the NSW Department of Transport. Any business within one of the six designated PSL areas must register with OSR, and make PSL payments to OSR on the basis of their liability.

Unlike in Perth, the PSL applies only to off-street private parking used by tenants of commercial office buildings, and requires the owner to pay a tax on all parking spaces on their property regardless of whether they are used or not. A further important point is that all public car parking is exempt. It could also be argued that the Sydney PSL is not as integrated to the planning and development process and more orientated to raising revenue.

Interestingly, the terms of the Act allow the revenue only to be spent on infrastructure and maintenance, and not on subsidising operations. Although this is seen as being restrictive, there is also a balancing view that this provision does help prevent the levy being used to replace public transport funding from general funding sources. As a result, the funds raised from the charge have been spent on improving:

- Interchanges – Bus/Rail, Bus/Ferry, etc. at locations that serve the levy areas;
- car parks within areas from which commuters travel to PSL areas – but outside PSL areas;
- public transport infrastructure, such as the development of Rapid Bus-Only Transitway bus stations and light rail, that provide services within or to/from PSL areas; and
- electronic passenger information systems for Transitway interchanges.

The revenues collected since the introduction of the Levy in 1992 have been highly variable, but have been mainly influenced by the increases in the levy charge per space, the extension of the scheme in 2000, and by new development within the PSL areas. Money raised in the 2000-2001 financial year is expected to be in the order of $A40m (£14.3m). One potential problem concerned the boundary locations. In the event, council zoning boundaries were used and this appears to have been successful. Other issues have centred around how much to charge – spend too little and car use will not be affected, but spend too much and business thinkers might view moving or closing – and exemptions. In particular, there is disquiet that retail car parks in Category 1 areas are not exempt, whereas in Category 2 they are. So far, no action has been taken, as the Government regards this as a characteristic of the two areas.
It is interesting to note that the Sydney levy raises significantly more money than that raised in Perth — more than ten times more — while the levy charged too is significantly higher. The other major difference between the schemes is the narrower base from which money is raised in the Sydney case. This may indicate that the Sydney levy has become accepted as a ‘fact of life’ among businesses there, allowing increases to be made with relatively little opposition. Meanwhile the approach used in Perth has been to spread the burden as widely as possible to allow more acceptable ‘lower charges’ to be applied.

IRELAND

One other country to look at the workplace parking levy, was the Republic of Ireland. Here, the Minister for Finance announced his intention in both Budgets 1999 and 2000 to introduce a charge on employees who have free parking provided by employers at their workplace. As a result, four options for charging the individual for the use of a workplace car parking space were considered. These were:

- the use of changes in Benefit in Kind taxation;
- the inclusion of workplace car parks in any Pay and Display schemes operated by Local Authorities in cities nation-wide;
- the introduction of Differential Rating of Car Parking Adjacent to Business Premises; and
- workplace parking levies.

It was proposed that the Irish scheme would apply to the area of Dublin within the Canal Ring. Licences would be issued according to the number of cars typically parked on the premises, not the number of official spaces; and the proximity of the location to good quality public transport. In the event, the workplace parking proposal seems to have been dropped. Instead, the Differential Rating of Car Parking Adjacent to Business Premises proposal is being taken forward.

LESSONS TO BE LEARNT

The Australian cases demonstrate that the type of workplace parking levy put forward in the 2000 Transport Act can be made to work at a local level, providing certain conditions are met. Crucial among these, are that businesses should be informed (and ideally involved) in the implementation process as much as possible, and that there should be a clear link between the levy and positive highly visible improvements to the transport alternatives to the car. They also show that employers become involved and take an interest in how their employees travel to the workplace, administration can be reduced if smaller companies are exempted, and that targeted exemptions can be used to make the scheme more acceptable. Further, workplace parking levies will only work if the scheme takes place in a location where effective parking controls are in force, and where public officials are empowered to access and monitor activities in privately-owned car parks.

In addition, it is likely that traffic impacts will not be as pronounced when compared with road user charging during peak periods, and that implementing workplace parking levies will be easier than implementing road user charging schemes.

But there are also some negatives. Firstly, employers will almost certainly assume the charge in most cases and will not pass it on to the end users2 — necessary if a sizeable modal shift from the car is required. A further small proportion of those employers will de-commission some or all of the parking. Secondly, there may be difficulties where a group of employers share the same car park.

And then there is the ‘beggar my neighbour’ effect, whereby employers may be encouraged to re-locate either to out-of-town locations, or to neighbouring towns that do not impose the levy to cut costs. This is one issue of rather less importance in the Perth and Sydney cases than it would be in the UK. A passage in Transport in the Urban Environment by the Institution of Highways and Transportation succinctly expressed this.

‘As with many other demand management measures, competition between adjacent localities for economic strength can seriously reduce the effectiveness of well-intended policies. Given the choice between accommodating the requirements of a major project, which will enhance the local economy, by relaxing their more stringent policies or maintaining those policies and seeing the project go elsewhere, many authorities will opt for the former. While a firm national, or regional, policy framework might help to avoid such “bidding” situations, it would be at some cost to local autonomy on key decisions.’

IHT (1997)3, p.293

In addition, while originally proposed as a levy on private-non-residential spaces, the scope of the legislation in England and Wales was subsequently limited to workplace employee parking only. The social and environmental impacts associated with other PNR parking thus remain unaddressed.

One alternative to the workplace parking levy to overcome this would be to develop the existing Business Rate as it applies to employee car parks into a policy instrument that would fulfil much the same purpose as the workplace parking levy and could also address other PNR parking as well. As mentioned earlier, this is the solution currently favoured in Dublin. Such a mechanism could range from an information measure (identifying and high-lighting separately the cost of providing car parks and the rates paid on them), through to changing the valuation system to reflect the real social and environmental cost of car parking.

Important advantages of this reform over the workplace parking levy are that:

- If introduced on a national basis it would address the ‘beggar my neighbour’ problem of the workplace parking levy.
- It would be an ‘eco-reform’ of an existing measure and not the imposition of a new tax. It could be introduced in a revenue neutral form.
- The system is already in place across the whole UK, involving little administrative change or uncertainty. Databases for areas and rateable valuations exist.
- It could be used as either an informational measure or an economic instrument.
- It could have a staged introduction.
- This could be modified so that one rate would be charged for building premises, and another for the adjacent area of car parking, thus providing an incentive for building or car park owners to decommission parking spaces.

Acknowledgements

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Footnotes

1 £1 = $A2.8.
2 One notable exception is at Boots in Nottingham, which has stated that it will actually expect its staff to pay the charge.