

# CONGESTION LEVY UPDATE

## Parking & Traffic Consultants

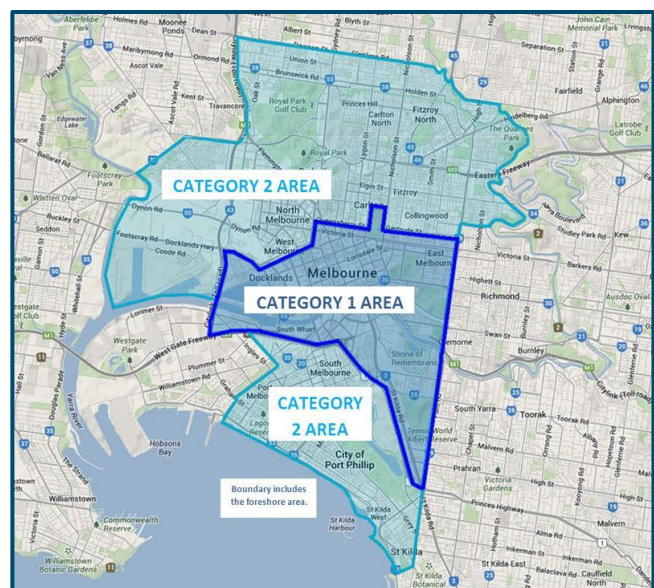
**Congestion Levies** (aka **Parking Levies** or **Transport Development Levies**) have been a feature of some CBDs around Australia for many years now. It is not our intention to enter into the debate of the rights and wrongs of the levy or whether it has achieved what it was set out to do, namely to reduce congestion by encouraging people to switch to public transport. Over the years, some cities have been more successful than others in providing viable options for commuters (for example, the [Perth CAT system](#)). The fact remains that the levies are here to stay and are only likely to increase, in quantum and in geographical extension. Therefore, **understanding and managing the impact of changes in the levy will be an ongoing concern for car park owners.**

## Overview of the Levy

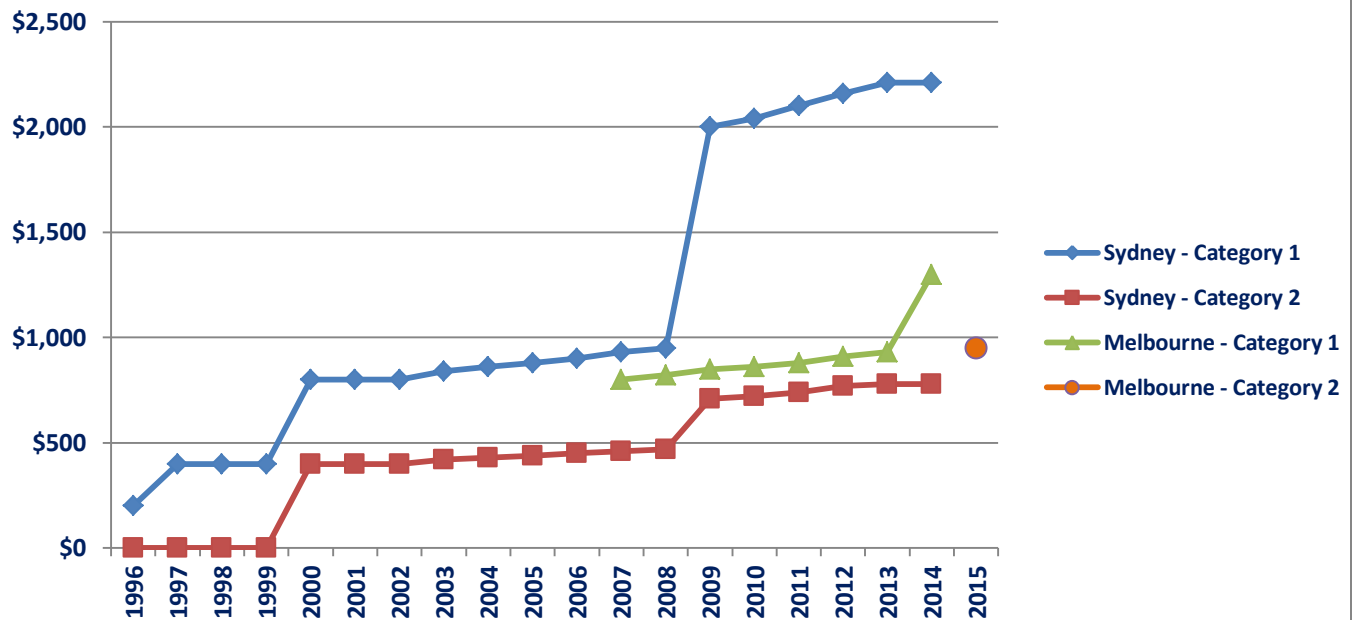
Here is a brief history of the levy in each capital city:

**Sydney:** the Levy was implemented in 1996 with an annual charge of \$200 (Category 1 area, namely the CBD) which doubled in 1997 and again in 2000 when it went to \$800. In 2000, a Category 2 area was introduced to encompass secondary CBDs such as Chatswood and Parramatta at \$400. After crawling along at CPI increases, the next big jump took place in 2009 when levy charges increased to \$2,000 (Category 1) and \$710 (Category 2). As of 2013, the levy in Sydney stands at \$2,210 and \$780 respectively.

**Melbourne:** In Melbourne the congestion levy commenced in 2006 at \$400 (in the CBD) doubling in 2007; it then continued increasing by CPI each year until 2014 when it went from \$930 to \$1,300 per bay. At the same time the bays subject to the levy also increased from those considered as long stay to all bays in the car park (with some minor concessions). A new category has also been introduced, leviable from 1/1/2015 at \$950 per bay. A more detailed explanation of the changes to the Melbourne Congestion levy can be found [here](#). The areas covered by Category 1 and the **Proposed Category 2** are shown in the map, right.



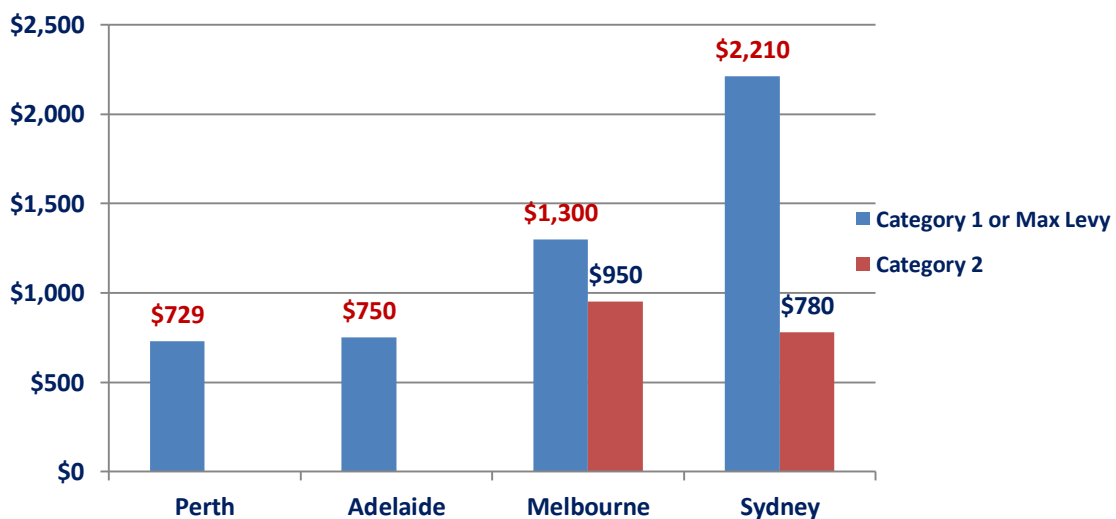
## Sydney & Melbourne Historical Congestion Levy Rates



**Perth:** The levy in Perth was introduced in 1999 and currently ranges between \$728.70 (non-residential parking) and \$630.80 (short stay public parking and on-street parking).

**Adelaide:** A Transport Development Levy will be introduced in this city from 1<sup>st</sup> July 2014 at an amount of \$750 per bay. More details [here](#).

## Capital City Levy Comparison



## The impact on car park owners

The big question for property owners is **how to deal with the impact of the levy**. A 1,000 leviable bay car park in Adelaide will, for example, incur an additional cost of \$750,000. Where will this money come from? Will the owner be able to pass this cost onto the car park operator and to what extent? This will depend on the provisions of the lease or management agreement. But it is likely that operators will seek to minimise their exposure by either re-negotiating rentals or trying to limit their liability to CPI increases, leaving owners in many cases with the responsibility for such hikes as the recent one for Melbourne.

## User pays?

Ultimately and eventually the levy will be borne by individual parkers. The extent to which this will be possible depends on a number of considerations which are different for different types of parker.

**Permanent Parkers:** Spaces licenced to large corporations who pay for parking on behalf of their employees are normally quoted at a monthly rate + levy + GST. For these spaces the levy can be passed on directly and immediately to the licencees. It is generally expected that parking for these customers is **relatively inelastic and therefore passing on the levy in full will not result in a decrease in licenced spaces**. At worst there may be some temporary reductions but ultimately the benefits of having a dedicated parking space will outweigh the additional cost (being \$1 per day calculated as \$1300 - \$930 / 365 days in Melbourne).

**Casual parkers** pay for parking based on length of stay and the fee includes levy and GST. A casual space in the Melbourne CBD which until 1/1/2014 was not subject to levy, will now incur an additional cost of \$4.30 per day (\$1,300pa divided by 302 days assuming 6 days trading). On an assumed daily turnover of 3 times this means an additional cost of \$1.45 per transaction. The average parking fee for 2 hours stay in the CBD is currently \$35 (as of March 2014); passing on the levy cost of \$1.45 would represent an increase in the parking fee of 4.1% and therefore this might take some time to be able to be recovered in full. It is interesting to note that the average parking fee for 2 hours stay in January 2013 was approximately \$34 and therefore there has been an increase in the last year of around 3%, slightly more than inflation, so there may be already some movement happening in casual rates to recover, at least in part, the cost of the additional levy. Due to the temporary nature of this category, it is likely that **pricing will be relatively inelastic** and again the benefits will likely outweigh the inconvenience of switching to public transport.

**Early birds parkers** are probably **the most sensitive category** of all. These are normally all day parkers who use their car to go to work and normally pay for parking out of their own pocket. Again taking the Melbourne example, we would need to consider the additional levy (as early bird spaces would have already been subject to levy under the previous regime being long stay bays) of \$370 per annum but in this case we have to divide by 252 days (excluding



weekends and public holidays) which results in an additional cost of approximately \$1.50 per day and since these parkers stay all day, also per transaction. Average early bird prices in the Melbourne CBD are currently at \$16.20 (March 2014), having increased from approximately \$15.85 in January 2013 (2.2%). Passing on the full levy increase to this category would represent an increase of 9.3% and it is likely that this would result in a certain **percentage of parkers switching to a different mode of transport, in the short term at least.**

## Levies are here to stay

As can be appreciated, the management of the parking levy requires **careful analysis and thought** and will likely vary from city to city and between individual car parks. The main concern is to ensure that the cost of the levy is matched as closely as possible to increases in parking fees for all the categories of parker to ensure that property owners achieve as good an outcome as possible over time.

**Shane de Wit**, PTC's Melbourne partner is on the frontline as Melbournians respond to the recent changes to the levy. He is also monitoring the situation in Adelaide to assist building owners in that city in preparing for the imminent introduction of the levy:

*"The recent increase in the congestion levy in Melbourne has impacted a large number of leases. Recently we have been helping clients understand the implications of the levy on their particular lease and to navigate the best possible outcome both for their current and future agreements".*

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