MONITORING REPORT ON THE LONG-STAY CAR PARKING LEVY

Division Sustainability & Innovation
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Purpose
1. This report has been prepared in response to the former Finance and Corporate Performance Committee’s request of February 2006 for a six month assessment of:
   1.1. the extent of compliance with the objectives of the Long-Stay Car Park Levy in the first two years of its operation; and
   1.2. the impact the Car Park Levy has had on traffic congestion in Melbourne and the cost of parking in the city, both short and long term, including the impact on retail and business communities.

Recommendation from Management
2. That the Planning Committee receive this report.

Key Issues

Methodology
3. The method established to undertake this assessment has been to consider the Levy objectives as defined in the Congestion Levy Act 2005, “measures of success” as set out in the initial report to the October 2005 former Planning and Environment Committee on the Long-Term Car Park Levy and Council’s request to examine the impact on the retail and business communities.

4. The following five study components have been established to enable the above assessment of the Levy’s impact over the first two years of its implementation:
   4.1. a review of car park prices in a sample of car parks within the Levy area, (Attachment 1);
   4.2. examination of VicRoads Average Daily Traffic Intersection Data, (Attachment 2);
   4.3. analysis of the City of Melbourne Biennial City User Survey, (Attachment 3);
   4.4. a review of economic and retail information, (Attachment 4); and
   4.5. views of Precinct and Property representative groups.

Key Findings From The Study After Six Months
5. The following provides summary of the key findings from the study examining the impact of the Long-Stay Car Park Levy, after six months.
Findings Regarding the Objectives of the Congestion Levy

“The Levy is designed to reduce traffic congestion in Melbourne’s inner city by acting as a financial deterrent to drivers who arrive and leave during commuter peak hours and park all day in the city car parks”.
(Source: Congestion Levy Bill – Explanatory Memorandum)

Impact on Traffic Congestion

6. The levy appears to be contributing to a reduction in traffic congestion in Melbourne’s inner city, but it is both difficult and too early to judge the extent to which it is contributing.

7. Traffic congestion in Melbourne’s inner city appears to be reducing because, as illustrated below, an increasing number of people are travelling to the city, but the number of cars entering the city has declined.

7.1. results from the City of Melbourne’s City User survey show that number of weekday central city users has increased by 2.5 percent over the last two years; and

7.2. VicRoads Average Daily Traffic (ADT) data comparison for the month of February 2005 and February 2006 indicates a decrease of 3.4 percent (equivalent to 38,917 vehicles) entering/exiting central city area, as defined by the cordoned area shown in the map in Attachment 2.

8. The main causes of these changes appear to include the increase in petrol prices, the introduction of the car parking levy and increases in on-street parking charges.

8.1. the City Users Survey found that around 4 percent of Victorians indicated they had changed from car to non-car transport to the city in the last year. The main reason for the change is, almost equally, fuel and parking costs. An estimated 4 percent (about 6,090 Victorians) of the respondents who changed their travel mode from car to non-car stated that this change was due to the congestion levy; and

8.2. hence it appears that the recent increase in fuel prices has had a more significant impact than the congestion levy on commuters’ behaviours regarding their mode of travel to city, but despite these cost increases, the number of weekday central city users has increased by 2.5 percent, over the last two years.

9. Once the other VicRoad’s data sets for the months of June and October for the years of 2005, 2006 and 2007 are available, it will be possible to determine if the observed changes have been sustained, but it will not be possible to determine the extent that this change is due to the levy.

Financial Deterrence

10. The levy appears to be acting as a financial deterrent to a number of peak hour car commuters as evidenced by:

10.1. information obtained in the Central City Users Survey 2006 that an estimated 4 percent of the respondents who changed their travel mode from car to non-car stated that this change was due to the congestion levy, as noted previously;

10.2. feedback from car park owners and operators that the numbers and returns from Long-Stay car parks is down; but they also stated that other factors, such as petrol price increases are contributing to this reduction; and

10.3. monitoring of car park prices shows that the average increase in the long-stay “Early-Bird” car parking price exceeded those for short-stay “Casual” prices over the six months to June 2006.
11. Many factors contribute to parking price increases. These include: changes in demand and business activity in general, shaped by holidays, major events, promotions and weather conditions; supply influences such as the opening of new car parks; operational cost increases, and consumer travel costs such as petrol price increases.

12. Some Car Park owners/operators argue that the levy has not acted as a complete financial deterrent to date because:

12.1. the cost is either being absorbed by the car park operator or as a company expense. (These owners/operators argue that average car parking cost is $2000 and the Levy at $400 is equivalent to a 20 percent tax which will be absorbed, but at $800 the levy is equivalent to a 40 percent tax and will be passed on);

12.2. some car commuters are relocating to less expensive car parks; and

12.3. in a number of instances, the levy is contributing to price increases for both short and long-stay car spaces.

13. The levy:

“…aims to encourage suburban commuters to use public transport to travel into the city and car park owners/operators to convert Long-Stay car parking spaces, which will attract the levy, into short stay parking spaces, thereby creating more parking options for shoppers and visitors.”

(Source: Congestion Levy Bill – Explanatory Memorandum)

Public Transport Use

14. The City Users survey found that for 2006, the primary weekday mode of transport to the central city is Public Transport, (trains 51 percent and trams 21 percent) compared to cars (19 percent).

15. This represents a significant change from 2004 when the figures were: trains (39 percent), trams, about the same proportion and cars (23 percent). Hence car use has declined by 4 percent and train use has increased by an estimated 12 percent.

16. On the weekend, cars (30 percent) become proportionately more popular at the expense of trains (41 percent).

17. The City Users survey also found that some 8 percent of respondents changed their mode of travel to the central city in the last year and half of these (4 percent) changed from car to non-car transport.

18. The levy has had an influence in this respect because, as shown in the City Users survey, an estimated 4 percent of the respondents who changed their travel mode from car to non-car stated that this change was due to the congestion levy.

Conversion of Long to Short Stay Parking

19. To date there is no evidence to demonstrate that car park owners/operators are converting long-stay car parking spaces into short stay spaces. Some Car Parking operators reported that the number of Long-Stay car parkers is down 5-10 percent and that long-stay revenue is down by 20-25 percent, but that short-stay parking has not made up for the shortfall and they are competing for a decreasing number of short stay car park users.
Success Measures for the Long-Term Car Park Levy as described in the initial report to the October 2005 former Planning and Environment Committee

20. The following assesses the Long-Term Car Park Levy against the success measures in the initial report to the October 2005 former Planning and Environment Committee (as shown in italics below), which focus on the extent to which the levy alters the behaviour of commuter car drivers.

A change in the supply of long-stay parking spaces, actioned by the owners or operators of those spaces

20.1. as discussed earlier, to date there is no evidence to demonstrate that car park owners/operators are converting long-stay car parking spaces into short stay spaces;

A change in demand, if the cost is passed on to the end user, be that a lessee, employee or customer.

20.2. information obtained in the Central City Users Survey 2006 shows that an estimated 4 percent of the respondents who changed their travel mode from car to non-car stated that this change was due to the congestion levy, as noted previously;

20.3. car park owners and operators report that the numbers and returns from Long-Stay car parks are down; but they also stated that this is due to other factors, such as petrol price increases;

Passing on the cost is likely to create the most sustainable change, but both approaches are possible under the terms of the levy.

20.4. some Car Park owners/operators argue that the levy cost has not been passed on because the cost is either being absorbed by the car park operator or as a company expense. These owners/operators argue that average car parking cost is $2000 and the levy at $400 is equivalent to a 20 percent tax which will be absorbed, but at $800 the levy is equivalent to a 40 percent tax and will be passed on;

In addition, the October 2005 report proposed that it would be contrary to the objectives of the policy, if car park operators spread the cost to short-stay users, in order to keep the price of early-bird parkers low.

20.5. as discussed earlier, the monitoring of car park prices shows that the average increases in the long-stay “Early-Bird” car parking prices exceeded those for short-stay “Casual” prices over the six months to June 2006; and

20.6. in contrast to this Car Park owners/operators argue that it is too early to determine how they will respond to the levy, but consider it is being or will be passed on to both long and short stay parking because:

20.6.1. they considered it to simply be a tax to be recouped from both long and short stay parking; and

20.6.2. large companies will not accept increased parking costs, forcing operators to pass the levy on to one-off short-stay parkers who are less able to negotiate.
Views of precinct and property representative groups

21. There is little support for the levy from the Precinct Representatives and those representing property interests who expressed the following sentiments:

21.1. their constituents view the levy as simply a tax, a revenue raising exercise with no observable benefits, just an addition to business costs which the government will increase in the future;

21.2. it was ill conceived and introduced too hastily, with no consideration for the consequences and without any improvements to public transport or incentives for commuters to use public transport. In particular they argue that security and safety is still a concern, the trams are dirty and buses and trams are not frequent enough;

21.3. key businesses pay for the levy but get no benefit from it; and

21.4. it will have a significant effect on business and trade, that the negative outweigh the positive effects and that this will be even more significant when the levy doubles in January 2007.

Too Early To Assess the Levy’s Impact

22. Members of Precinct and Property Groups are reporting, anecdotally, that the levy is having negative business impacts, but that they do not have data specifically linking the levy to reductions in business trade.

23. They state that is difficult to assess the levy’s impact since January this year because:

23.1. various events make the comparisons difficult for each of the first months of 2006 with 2005. Trading conditions changed significantly due to the effects of major events including: the opening of the GPO, Melbourne Central and QV centres; the Boxing Day test, Tennis Open, Volvo Yacht Race, Formula One Grand Prix, Commonwealth Games; changes to school holidays; and Easter occurring at a different time to the previous year. May was the first “normal” month for 2006;

23.2. car park owners, operators and users are still coming to terms with the levy, understanding how it applies and affects them and long-stay parking contracts come up for renewal at different times, hence the full impact cannot be judged at this stage;

23.3. trade is usually slower in the colder, wetter months of the year. The impact will be greater in Winter and poorer weather conditions when people tend to use their cars rather than alternative transport modes; and

23.4. it is very difficult to get specialist trades people to quote for jobs in the city because the cost of temporary permits has gone up from $42 to $134.

Concern Regarding the Levy’s Future Impact

24. Precinct and Property Groups argue that even though it is too early to determine the effects they are very concerned that once the effects are known, it will be too late to recover or take action to alleviate the negative impacts due to the following:

24.1. the Levy adds to the existing perception that the City a difficult place to access because parking is expensive, particularly given the recent increase in “On-street” parking costs;

24.2. this is having a negative impact on shoppers in particular because shoppers are being given the message that “the city is expensive” compared to alternative retail locations;

24.3. the levy is or will be passed on to tenants and to short stay parking prices;
24.4. the advice for Melbournians to leave their cars at home during the Commonwealth games had a negative effect on trade both during and after the Games;

24.5. on street car spaces have been removed for various purposes such as the tram “super-stops”, reducing the city’s ability to support the “carriage trade” whereby key shoppers can park directly outside specific retail outlets. Some traders argue that this has been a small but very important feature of the city’s retail offering;

24.6. commuters who use their long-stay parking spaces to visit the city to shop and spend after hours and on weekends, may give up their car-parks and cease to shop and spend in the city; and

24.7. businesses may leave or choose not to locate in the city. Examples are still to be confirmed and followed up. Companies are said to be favouring the suburbs, non-city locations and looking outside the St Kilda road area. In addition Stakeholders state that an increasing number of commercial constructions in the suburbs, e.g. Kew Camberwell and Box Hill, are making a play for City businesses and lower and middle managers are seeking “campus-style” accommodation in the suburbs.

**The Economic, Business and Retail Context**

25. In contrast to a period of sustained growth in retail sales in recent years, over the last six months, a number of factors have emerged, such as increasing petrol prices and home loan interest rates which, have constrained demand and placed pressure on retail sales. Retail competition has increased significantly due to the addition of over 500,000 m2 of floorspace in the metropolitan area, (the equivalent of the whole Central Business District retail space). It is likely that these pressures will continue to subdue business and retail confidence over the next six to twelve months.

26. The above context suggests that the levy has been introduced at a time when the economy is slowing and city businesses and retailers are facing slowing demand and increased competition. Hence it extremely difficult to assess the impact of the levy on city business and retail activity.

27. At its 1 August 2006 meeting Council’s Planning Committee resolved to recommend to Council that:

   “Council lobbies the state government not to increase the congestion levy above $400 for at least two years”.

**Anomalies**

28. The planning scheme currently limits the number of car spaces in the central city, consistent with the objectives of the levy, but in Port Melbourne, an area poorly served by public transport, the planning scheme encourages the provision of car spaces in contrast to the levy objectives.

29. At its 1 August 2006 meeting Council’s Planning Committee resolved to recommend to Council that:

   “Council lobby the State Government to provide public transport options to Fishermans Bend and that in the meantime remove the parking congestion levy from that area”.
Conclusions

30. On the basis of the six month assessment of the extent of compliance with the objectives of the Long-Stay Car Park Levy, it would appear that:

30.1. in accord with the State Government’s objectives, car park operators/managers are generally imposing the levy on Long-Stay car parks, but that in some instances they may also be recouping the levy cost from short stay car parks; and

30.2. it is not possible to attribute long and short stay car park price increases solely to the introduction of the levy as many other factors are involved, namely, other operational cost increases, demand influences and the opening of new car parks, i.e. supply influences.

31. On the basis of the six month assessment the levy appears to be contributing to a reduction in traffic congestion in Melbourne’s inner city, but it difficult and too early to judge the extent to which it is contributing.

32. It is too early to assess the levy’s impact on the cost of short and Long-Stay parking in the city. Car park owners, operators and users are still coming to terms with the levy, understanding how it applies and affects them. In addition long-stay parking contracts come up for renewal at different times and hence the levy’s impact has yet to be determined.

33. It is extremely difficult to assess the levy’s impact on the retail and business communities given:

33.1. the range of factors influencing retail and business performance;

33.2. the fact that car park owners, operators and users are still coming to terms with the levy and their responses vary considerably; and

33.3. Stakeholder Groups are reporting, anecdotally, that the levy is having negative business impacts, but that they do not have data specifically linking the levy to reductions in business trade.

Time Frame

34. The levy was introduced on January 1 2006 at the rate of $400 per leviable car space, which will increase to $800 on January 1 2007. This report examines the first six months of the levy’s introduction.

Relation to Council Policy

35. At its meeting in October 2005 Council agreed that the revenue from the Long-Stay Car Park Levy be used for transport related purposes as set by Council’s Transport Strategy when implemented or other sustainable transport initiatives approved by Council.

36. Council’s Transport Strategy has been adopted and incorporates many initiatives to be funded by the revenue from the Long-Stay Car Park Levy.

37. The State Government’s objectives for the levy are consistent with long-held City of Melbourne planning policy to limit commuter parking in the CBD, Southbank and Docklands (in recognition of the demands on road space and the availability of public transport alternatives) and to support accessible, affordable short-term public parking for city visitors.
Consultation

38. Attachment 4 lists the organisations and stakeholders whose views were sought in the preparation of this report.

Government Relations

39. Council resolved in October 2005 to enter into an agreement with Victorian Government to enable the transfer of $5M of the proceeds of the levy to the City of Melbourne. Council also resolved to ask the Government to allocate to the City of Melbourne $5M or 13 percent of projected revenue, whichever is greater, on 1 January of each year. This agreement has not yet been finalised.

Finance

40. Council received $5M from the State Government in the 2005/06 financial year as its share of the proceeds of the levy in the first year of operation.

Legal

41. There are no legal implications to Council arising from this report.

Sustainability

42. The Long-Stay Car Park Levy is designed to encourage the use of public transport by commuters so as to preserve limited road access for higher value travel. Although there are some geographic deficiencies in long-distance public transport services to the CBD, there is broad public transport coverage within the area covered by the levy. Those from locations that are deficient in long-distance public transport services who choose to transfer to public transport, in response to the levy, may have to consider “park and ride” from outside the levy area.

Background

43. At the October 2005 meeting Council resolved, (amongst other things) that:

“The City of Melbourne monitor and report on the extent of compliance with the objectives of the Long-Stay Car Park Levy in the first two years of its operation;

The City of Melbourne monitor and report in twelve months on the impact the Car Park Levy has had on traffic congestion in Melbourne and the cost of parking in the city both short and long term including the impact on retail and business communities.”

44. Council’s former Finance and Corporate Performance Committee on 7 February 2006 noted the commencement of the Long-Stay parking levy and the preparation of a funding agreement and recommend that Council received a six monthly status report on compliance with the objectives of the levy.
CAR PARK PRICE REVIEW

Methodology for the monitoring of car park price changes

Sample A representative sample of 50 public car parks was selected for monitoring within and just outside the levy (see map below) based on:

- **Size:** a range of sizes was included and weighted slightly for the larger capacity car parks.
- **Spread across the levy area:** Those inside the levy boundary were primarily in the CBD and Southbank but also in outer areas of the levy. Car Parks along Alexandra Parade are mostly medical and not leviable.
- **Provision of Early Bird parking:** All but eight of the sample market Early Bird pricing. Three of those eight had flat rates at comparable cost to Early Bird fees.
- **Locational factors:** Proximity to retail and business districts, particularly the CBD and Southbank precincts. Eight of the sample car parks were part of the Parking Guidance System.
- **Control Factors:** Nine control car parks were selected, three outside the levy area and six without early bird prices, to determine if any price changes occurred in car parks to which the levy does not apply.

Data Collection

The monitoring of car park prices commenced in the last week of 2005 prior to the implementation of the levy. Monitoring occurred weekly from 04 January 2006 to 01 February 2006 via the internet, telephone and manual gathering. After and initial assessment and review monitoring was deferred till June and is continuing on a monthly basis. Car parks prices are now being obtained via the internet and telephone to limit manual gathering. There were originally 50 car parks in the sample; however one was demolished between checks five and six.

Car Parks operated by larger companies list pricing information on the internet. The smaller operators have price boards at the entrance of each car park as the primary means to communicate their rates. Those not available online were either verified via telephone or checked manually.

Monitoring Dates

- Start date: 30 December 2005
- Check one: 04 January 2006
- Check two: 11 January 2006
- Check three: 18 January 2006
- Check four: 25 January 2006
- Check five: 01 February 2006

The views of a few of the Car Park operators/managers/owners were also sought in order to understand the reasons for the price changes in their car parks, and determine how their companies responded to the introduction of the levy.
The levy area is the area within the bold black line on the above map, being the area in the Cities of Melbourne, Port Phillip and Yarra and the Docklands Area bounded by Hoddle St, Punt Rd, Queens Rd, Kings Way, the West Gate Freeway, City Link, Footscray Rd, Dudley St, Peel St, Queensberry St, Rathdowne St, Carlton St, Nicholson St, Gertrude St and Langridge St.

**Findings**

<table>
<thead>
<tr>
<th>Result</th>
<th>Early Bird</th>
<th>Casual</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Proportion</td>
</tr>
<tr>
<td>Increased</td>
<td>30</td>
<td>70percent</td>
</tr>
<tr>
<td>No change</td>
<td>10</td>
<td>23percent</td>
</tr>
<tr>
<td>Decreased</td>
<td>1</td>
<td>2percent</td>
</tr>
<tr>
<td>No Early Bird/Casual rate</td>
<td>6</td>
<td>14percent</td>
</tr>
<tr>
<td>Changed but reverted back to pre levy price</td>
<td>2</td>
<td>5percent</td>
</tr>
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</table>

Samples size (note: one car park was demolished)

43 100percent 46 100percent
Average rates of Early Bird parking at each check

<table>
<thead>
<tr>
<th></th>
<th>Pre Levy</th>
<th>Check 1</th>
<th>Check 2</th>
<th>Check 3</th>
<th>Check 4</th>
<th>Check 5</th>
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<tbody>
<tr>
<td></td>
<td>23/12/05</td>
<td>04/01/06</td>
<td>11/01/06</td>
<td>18/01/06</td>
<td>25/01/06</td>
<td>05/07/06</td>
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<tr>
<td>$10.77</td>
<td>$11.34</td>
<td>$11.48</td>
<td>$11.87</td>
<td>$11.87</td>
<td>$12.07</td>
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Summary of Changes In Parking Prices Since the Levy Was Introduced:

- the average Early Bird rate has increased by 12.07 percent;
- the average Casual parking rate has increased 7.27 percent;
- the number of car parks that increased their Early Bird (EB) rates exceeded those that increased their Casual rates;
- the size of the EB rate increases were generally greater than increases in the Casual rates;
- prices increased at every check, except for the Casual rate in check 4;
- some car parks increased prices but later reduced them to their pre levy rates;
- most operators increased prices immediately after levy was introduced, but a few delayed increases for a couple of weeks; and
- since last check in late January, there have been a number of smaller increases spread sporadically across different operators in both EB and casual.

Summary of Findings

On the basis of the car park price monitoring undertaken to date it appears that, in accord with the State Government’s objectives, car park operators/managers are generally imposing the levy on Long-Stay car parks, but it also appears that in some instances they may also be recouping the levy cost from short stay car parks, against the State Government’s objectives.

It is not possible to attribute long and short stay car park price increases solely to the introduction of the levy as many other factors are involved, namely:

- other operational cost increases;
- demand influences such as, travel costs eg petrol price increases, business activity in general, holidays, major events and promotions and weather conditions; and
- supply influences such as the opening of new car parks, e.g. the Southern Cross development.
VICROADS AVERAGE DAILY TRAFFIC INTERSECTION DATA

Methodology

Average Daily Traffic (ADT) information was purchased from VicRoads for traffic passing through the intersections shown in the diagram below for the months of February 2005, June 2005, October 2005 and February 2006. Data for these intersections will also be obtained for the equivalent periods in 2006 and 2007.

Changes in the ADT figures provide an indication as to whether congestion levels at these intersections are increasing or decreasing, and when considered together, provide an indication as to whether congestion levels around the central city are changing.

Notes:
- where data was missing, data was taken from week before/after specified collection date in the same month to produce complete volume;
- where data was not available, estimation by analysis replaced 0 or incorrect values;
- average weekly traffic displays result for completed years of data collected only;
- inbound means traffic entering the highlighted area on the map; and
- outbound means traffic exiting the highlighted area on the map.
Findings
The table below show the total average weekly traffic volume by the months specified.

**Total Average Weekly Volume By Month**

<table>
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<tr>
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<tbody>
<tr>
<td>Inbound</td>
<td>582,000</td>
<td>561,000</td>
<td>583,000</td>
<td>562,000</td>
</tr>
<tr>
<td>Outbound</td>
<td>566,000</td>
<td>545,000</td>
<td>564,000</td>
<td>547,000</td>
</tr>
<tr>
<td>Total</td>
<td><strong>1,148,000</strong></td>
<td><strong>1,106,000</strong></td>
<td><strong>1,147,000</strong></td>
<td><strong>1,109,000</strong></td>
</tr>
</tbody>
</table>

The Average Daily Traffic data (ADT) currently provided by VicRoads is for the months of February 2005, June 2005, October 2005 and February 2006, hence at this time comparisons can only be made for the month of February.

**Summary of Findings**

Comparison for the month of February 2005 and February 2006 indicates a decrease of 3.4 percent ADT (equivalent to 38917 vehicles) entering/exiting the cordon area shown in the map above.

It is not possible to determine causes of the change in this data. Causes may be as a result of a rise in petrol prices, the introduction of the car parking levy and/or increases in on-street parking charges.

Once the other data sets for the months of June and October for the years of 2005, 2006 and 2007 are available it will be possible to determine if the observed changes have been sustained.
CITY OF MELBOURNE’S CENTRAL CITY USERS SURVEY 2006

The Central City Users Survey is a biennial survey designed to provide information on “who uses the city”, why they visit and, among other thing, their mode of travel. It is specifically designed to provide reliable estimates of city user numbers on a typical weekday and weekend in addition to key information about the nature of city users.

The survey was first conducted in May 2004 and the latest survey was conducted in May 2006. The survey covers a defined central city area (CCA) comprising three suburbs: the CBD, Docklands and Southbank.

Sample and Methodology

Two interview surveys were undertaken in May 2006, a telephone survey of 2,020 Victorian residents 15 years of age and older and an intercept survey of 2,780 people over 15 years of age in the CCA. The results were reported by key city user groups, namely workers, students, residents, international visitors, interstate visitors, metropolitan visitors and regional visitors on a typical weekday and weekend day.

Key Findings

There are 543,000 users of the central city area on an average weekday. This represents an increase of 2.5 percent of total city users from 2004.

Weekend city users have increased from 313,000 to 389,000 (about 24.3 percent) over the last two years, 2004-2006. The increase is likely to be influenced by major entertainment (Comedy Festival) and sporting (AFL) events during the interview in May 2006. Two AFL matches were held compared to one in 2004 and Comedy Festival was held in May 2006.

Workers are the biggest city user group. They account for 39 percent (210,000) of the total weekday users and 14 percent (42,000) of the total weekend users.

Students and those undertaking educational activities share 7 percent (40,000) of the total weekday users, but are minimal on weekends.

Casual visitors from the metropolitan Melbourne area are a very prominent group, 196,000 on weekdays and 248,000 on weekends visit the central city area.

Some 15,000 casual visitors from Regional Victoria visit the CCA each day as do 26,000 interstate visitors and 31,000 overseas visitors.

New South Wales/ACT is the main source of interstate visitors, representing about 30 percent.

Some 60 percent of central city users are from metropolitan Melbourne (excluding central city residents) and come from four Statistical Subdivisions, namely: Inner Melbourne, Western Melbourne, Eastern Middle Melbourne and Southern Melbourne.

City users are young, mainly under 40 years of age, around 65 percent, on weekdays and they are even younger on weekends, accounting for 73 percent of city users.

After work and education, the main reasons for being in the CCA on weekdays are: shopping, meeting with/accompanying friends, in transit, dining/eating drinking and sightseeing. Southbank is the most popular destination for sightseers with over 45 percent reported to visit the area.

The weekend pattern is different, work is not as dominant and its importance is similar to: shopping, spectator sports and live theatre/ballet/opera and other activities.
Travel Mode to CCA

Trains (51 percent), trams (21 percent) and cars (19 percent) are the main weekday modes of transport to the central city, a significant change from 2004 when the figures were: trains (39 percent) and cars (23 percent). Hence car use has declined by 4 percent and train use has increased by some 12 percent in total. On the weekend, cars (30 percent) become proportionately more popular at the expense of trains (41 percent).

Around 4 percent of Victorians indicated they had changed from car to non-car transport to the city in the last year. The main reason for the change is cost almost equally fuel and parking cost. An estimated 4 percent (about 6,090 Victorians) of the respondents who changed their travel mode from car to non-car stated that this change was due to the congestion levy.

Some 18 percent of Victorians indicated they had travelled less often to the city within the last year due to a change in home, work or personal circumstances. However, around 1 percent mentioned each of fuel prices and parking fees as reasons for less travel. Approximately 0.3 percent of the respondents, only one person, who reported travelling less to the CCA, stated that this change was due to the congestion levy. This equates to about 2,030 Victorians when scaled up to the State level.

Some 8 percent of respondents changed their mode of travel to the CCA in the last year and half of these (4 percent) changed from the car to non-car transport.

<table>
<thead>
<tr>
<th>Table 1: Changed Travel Mode in Last Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changed mode in last year</td>
</tr>
<tr>
<td>Changed from car to non-car</td>
</tr>
<tr>
<td>Changed from public transport</td>
</tr>
<tr>
<td>Changed within mode</td>
</tr>
</tbody>
</table>

The main reason given for changing from the car is the expense and both fuel prices and the cost of parking were mentioned almost equally in this context. In total, 1.3 percent of Victorians 15+ mentioned each of fuel costs and parking costs (including congestion levy) as reasons for changing from the car for their travel to the CAA which equates to some 53,000 Victorians in each case.

<table>
<thead>
<tr>
<th>Table 2: Why Changed Travel from Car</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Travel</td>
</tr>
<tr>
<td>Fuel prices</td>
</tr>
<tr>
<td>Parking cost</td>
</tr>
<tr>
<td>Congestion levy*</td>
</tr>
<tr>
<td>Public transport concession</td>
</tr>
<tr>
<td>Lack of parking</td>
</tr>
<tr>
<td>Better convenience/ease in other forms</td>
</tr>
<tr>
<td>Traffic</td>
</tr>
<tr>
<td>Safety reasons</td>
</tr>
<tr>
<td>Fitness/health (walk)</td>
</tr>
<tr>
<td>Personal reasons/circumstances</td>
</tr>
</tbody>
</table>

* 4 percent of respondents (3 people) who changed their travel mode from car to non-car stated that this change was due to the congestion levy.
Table 3: Why Changed Travel from Public Transport

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>17 percent</td>
</tr>
<tr>
<td>Have licence now</td>
<td>17 percent</td>
</tr>
<tr>
<td>Too slow</td>
<td>6 percent</td>
</tr>
<tr>
<td>Convenience/Easier</td>
<td>6 percent</td>
</tr>
<tr>
<td>Fitness/health (walk)</td>
<td>3 percent</td>
</tr>
<tr>
<td>Safety reasons</td>
<td>3 percent</td>
</tr>
<tr>
<td>Personal reasons/circumstances</td>
<td>42 percent</td>
</tr>
</tbody>
</table>

Change in Travel Frequency to CCA

Nearly 18 percent of respondents are travelling to the CCA less often than last year, with 12 percent travelling more frequently.

Table 4: Frequency of travel to CCA compared with last year

<table>
<thead>
<tr>
<th>Frequency</th>
<th>(2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travelling the same</td>
<td>69</td>
</tr>
<tr>
<td>Travelling more often</td>
<td>12</td>
</tr>
<tr>
<td>Travelling less often</td>
<td>18</td>
</tr>
</tbody>
</table>

By far the most prominent reasons for change in the frequency of travel to the CCA related to the change in personal circumstances (e.g. changed home, or work, left/started university etc) or personal reasons (health changes etc). In total, around 1.5 percent of Victorians mentioned fuel prices and 0.8 percent mentioned parking costs (including congestion levy) as a reason for travelling less to the CCA than last year (i.e. 61,000 and 32,000 respectively).

Table 3: Reasons for Frequency Change

<table>
<thead>
<tr>
<th>Reason</th>
<th>(236)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City events/activities</td>
<td>29 percent</td>
</tr>
<tr>
<td>Local area declined</td>
<td>6 percent</td>
</tr>
<tr>
<td>Better/more shopping</td>
<td>2 percent</td>
</tr>
<tr>
<td>Personal reasons/circumstances</td>
<td>77 percent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reason</th>
<th>(363)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of travel/expense</td>
<td>11 percent</td>
</tr>
<tr>
<td>Fuel prices</td>
<td>73 percent</td>
</tr>
<tr>
<td>Parking fees</td>
<td>37 percent</td>
</tr>
<tr>
<td>Congestion levy*</td>
<td>1 percent</td>
</tr>
<tr>
<td>Public transport costs</td>
<td>24 percent</td>
</tr>
<tr>
<td>Local area improved</td>
<td>7 percent</td>
</tr>
<tr>
<td>Parking difficulties</td>
<td>6 percent</td>
</tr>
<tr>
<td>Traffic congestion</td>
<td>4 percent</td>
</tr>
<tr>
<td>Public transport declined</td>
<td>2 percent</td>
</tr>
<tr>
<td>Too crowded</td>
<td>1 percent</td>
</tr>
<tr>
<td>City activities changed, don’t like it</td>
<td>1 percent</td>
</tr>
<tr>
<td>Personal reasons/circumstances</td>
<td>75 percent</td>
</tr>
</tbody>
</table>

* 0.3 percent of respondents (only one person) who reported to travel less frequently to the CCA stated that this change was due to the congestion levy.
Summary of Findings

In general, number of weekday central city users has increased by 2.5 percent, over the last two years.

Public transport, (trains 51 percent and trams 21 percent) is the primary travel mode for city users compared to cars (1 percent). A higher proportion (30 percent) of weekend users use cars to get to the city.

Some 8 percent of respondents changed their mode of travel to the central city in the last year and half of these (4 percent) changed from the car to non-car transport.

Around 4 percent of Victorians indicated they had changed from car to non-car transport to the city in the last year. The main reason for the change is cost almost equally fuel and parking cost. An estimated 4 percent (about 6,090 Victorians) of the respondents who changed their travel mode from car to non-car stated that this change was due to the congestion levy.

Hence the recent increase in fuel prices has had a more significant impact than the congestion levy on commuters’ behaviours regarding travel mode and frequency of travel to the city, but despite these cost increases, number of weekday central city users has increased by, 2.5 percent, over the last two years.
A REVIEW OF ECONOMIC & RETAIL INFORMATION

Methodology

Council’s Research branch reviews economic and retail publications on an ongoing basis to monitor the status of and understand factors influencing business and retail activity in the city. The following provides a context in which to consider the impact of the Car Park Levy.

Summary of Findings

The economy has performed very well in recent years with low levels of inflation, unemployment, mortgage rates providing a very stable environment and positive sentiment for both borrowing and investment. Strong growth in China in particular has underpinned the strong demand for Australia’s raw materials. However this is growth shows a divergence between the strong growth economies of the North Western states, Queensland and Western Australia and the positive, but weaker growth of the South Western States of Victoria and New South Wales.

Consequently housing prices have boomed across Australia in recent years and increasing house prices have been a significant driver of increasing household spending patterns. (National Australia Bank).

Historically low mortgage interest rates have fuelled a boom in the property market and related growth in household consumption due to the house owners perceived “wealth effect” of rising house prices. The notion of people “eating their houses” has emerged, to describe the way households have funded their expanding their lifestyles by increased borrowings against the equity in their houses.

Population growth, household formation and lifestyle changes have also fuelled consumer spending.

Melbourne has experienced a major housing boom in recent years and with it strong household spending, particularly on “household” and “lifestyle” goods and services.

The nature of retail expenditure has also changed in recent years, fuelled by new products, goods and services all competing for the consumer dollar, e.g. mobile phones, Ipods, digital cameras and LCD and Plasma TVs.

Retailing has grown in response with retail significant increases in suburban floorspace in recent years. According to forecasts from CB Richard Ellis, over 500,000m² of retail floorspace will be added to the metro Melbourne area for the two years 2004 to 2006. (CB Richard Ellis’s 2005 Market Review, Melbourne Metropolitan Retail, Q4 2005). This represents a 9 percent increase, equivalent to the total retail floorspace in Melbourne’s Central Business District!

It is interesting to note that trades and related industries have prospered during this period, in contrast to local manufacturing which has had to contend with cheap imports from China and other countries with low labour costs.

Over the last six months the trend for increasing house prices has continued in Brisbane and Perth, but more recently has slowed in Melbourne and Sydney. Consequently household expenditure in these latter two cities has slowed and other pressures on consumer confidence are now emerging.

Petrol prices have been increasing and consumers are changing travel and spending patterns to adjust to these. Continued petrol price increases will put greater pressure on discretionary expenditure.

The increased availability of credit through credit cards and delayed repayment plans has both encouraged spending, but also limited potential growth, as debt serving has formed part of the lifestyle it supports.
The combination of the above factors has created very high levels of household debt. Economists argue this is not of itself unsustainable, but it does mean that consumers are in similar financial state as occurred in the early 1990s when Mortgage interest rates reached over 17 percent, because the average mortgage is much larger. Hence loan repayments represent an equivalent or even greater proportion of a household’s disposable income than they did in the early 1990s.

The following article, reported in Inside Retailing Weekly July 17 2006, provides a summary of the state of retailing over the last six months, prior to the latest 0.25 percent in mortgage interest rates.

“Businesses report gloomy outlook

Australian businesses continue to feel negative about the economic environment ahead, with both interest rates and fuel prices contributing to the poor outlook.

According to the latest D&B Business Expectations Survey 2 percent of businesses surveyed in June said they had been negatively impacted following the 0.25 percent interest rate increase in May. Retailers are expecting the strongest impact, with 30 percent reporting negative expectations.

The June report also indicated the number of business executives concerned about ongoing high fuel prices continues to grow. Nearly four out of five, or 79 percent, believe fuel prices will be the key issue influencing their business in the year ahead, compared with 13 percent for wages growth and 1 percent for interest rates.

D&B Australasia CEO Christine Christian said the arrival of the new final year had done little to improve the expectations of Australian businesses. “there is a climate of uncertainty at the moment. Businesses are continuing to feel the strain of increasing fuel prices and the concern about the negative impact of this is at an all-time high.

“The results also show that many businesses are holding off on making major business decisions about capital investment and employment looking ahead to the September quarter.”

Over the last month 28 percent of executives have noticed signs of a slowdown in consumer spending, with only 6 percent seeing signs of an increase. For retailers, 42 percent have seen signs of a slowdown and 11 percent signs of an increase. This showed slight increase in May, where 44 percent of retail executives noticed a slowdown in consumer spending.

D&B economic consultant Duncan Ironmonger said that while the overall Australian economy would experience relatively strong real economic growth of about 3.3 percent in 2006-2007, the D&B survey indicated a particularly poor start to the year for retailers and wholesalers. Sales and profits in these sectors are expected to be negative in the September quarter just begun.

Source: Inside Retailing Weekly page 9, July 17, 2006

Conclusion

In contrast to a period of sustained growth in retail sales in recent years, over the last six months, a number of factors have emerged, such as increasing petrol prices and home loan interest rates, which have constrained demand and placed pressure on retail sales. In addition, retail competition has increased significantly due to the addition of over 500,000m² of floorspace in the metropolitan area, (the equivalent of the whole Central Business District retail space). It is likely that these pressures will continue to subdue business and retail confidence over the next six to twelve months.
FINANCE ATTACHMENT

MONITORING REPORT ON THE LONG-STAY CAR PARKING LEVY

Council received $5M from the State Government in the 2005/06 financial year as its share of the proceeds of the levy in the first year of operation and has budgeted to receive another $5M in 2006/07.

Joe Groher  
Manager Financial Services
LEGAL ATTACHMENT

MONITORING REPORT ON THE LONG-STAY CAR PARKING LEVY

Legal advice has and will continue to be provided in respect to the levy and projects and programs which are to be funded through the levy.

Kim Wood
Manager Legal Services