PLANNING COMMITTEE REPORT

CONGESTION LEVY IMPLEMENTATION REVIEW

Division Sustainability

Presenter Andrew Korr, Senior Transport Planner

Purpose

1. To advise the Committee of the forthcoming review of the administration of the State Government’s Congestion Levy.

Recommendation from Management

2. That the Planning Committee makes a submission to the Congestion Levy Implementation Review based on the attached draft submission (Attachment 4).

Key Issues

3. The State Government announced on Friday, 5 January 2007 its intention to undertake a review of the administration of the Levy, (see media release in Attachment 2). The terms of reference for the review, to be undertaken by the Department of Treasury & Finance (DTF) and the State Revenue Office (SRO), are set out in Attachment 3.

4. The terms of reference set by the Treasurer ask DTF and SRO to identify opportunities to simplify and streamline the registration, assessment and other administrative processes underlying the Levy is somewhat narrow. The Government has stated that it will not consider issues which fall outside of the terms of reference.

5. The review will take into account the first year of application of the Levy, its administration and seek to further simplify compliance obligations for car park operators and users. In addition, Consumer Affairs Victoria will also monitor the 1 January extension of the Levy from $400 to $800 per space to ensure car park owners and operators abide with fair trading and consumer protection laws.

6. The proposed draft submission (Attachment 4) incorporates previous Council resolutions to defer increases in the levy amount and to correct anomalies in relation to Fishermans Bend and suggests the use of smart card technology to reduce compliance costs in associated with the Levy.

Time Frame

7. Submissions addressing the Terms of Reference can be made by 16 February 2007.
Relation to Council Policy

8. The draft submission incorporates resolutions previously made by Council.

Finance

9. The Government has promised to provide Council with $5million each year from the revenue generated from the Levy for transport-related purposes in the City of Melbourne. The first payment was received in June 2006.

Legal

10. The recommendation of this report is within the objectives and functions of the Council.

Sustainability

11. The proposed draft submission (Attachment 4) is entirely consistent with the City Plan 2010 and Melbourne Transport Strategy: Moving People and Freight themes particularly in relation to:

11.1. the discouragement of long-stay car parking;

11.2. the support of increased services in public transport deficient areas;

11.3. continued support for viable alternatives to private car usage, corresponding reductions in pollution, noise, energy consumption, greenhouse gas emissions and road traffic congestion and better social engagement; and

11.4. the support of business through the use of new technologies to monitor and improved systems.

Background


13. The Levy is regulated by the Congestion Levy Act 2005 and applies to long stay car parking spaces in the CBD and its surrounds. Amongst other matters, the Act specifies the amount of the Levy and the area to which it applies.

14. The State Revenue Office (SRO) is the Government agency that administers the Levy. A map of the area that is affected by the levy is enclosed at Attachment 1. Part of the area lies within Fishermans Bend.

15. The Levy was applied on 1 January 2006 and was, in the first year, $400 per leviable space. It increased to $800 in 2007 and will be indexed thereafter. Liability for the Levy occurs annually on 1 January, based on use of parking spaces in the previous year.

16. The Levy was estimated to generate revenues of $38.5 million in 2007. The Treasurer also announced that the revenue would be directed to fund important transport initiatives and road upgrades and that each year $5 million will be provided to the City of Melbourne.
17. On 25 October 2005 Council resolved: “...that revenue received by the City of Melbourne from the Long-Stay Car Park Levy be preserved within the Council’s accounts for transport related purposes as set by Council’s Transport Strategy once it is implemented or other sustainable transport initiatives approved by the Council...” The Transport Strategy has since been approved.

18. In September 2006 Council also asked the Government to:

18.1. not increase the amount of the levy above $400 for at least two more years; and

18.2. provide public transport options to Fishermans Bend and, in the meantime, remove the Levy from that area.
Congestion Levy area

Portion of Fishermans Bend covered by Congestion Levy

Congestion Levy
The Levy Area

Boundaries for area covered by Congestion Levy
Local Government Area Boundary
Portion of Fishermans Bend covered by Congestion Levy
MEDIA RELEASE

From the Acting Treasurer Friday January 5, 2007

CBD CONGESTION FIGHT SHOULD NOT SQUEEZE CONSUMERS

The Bracks Government is moving to ensure Victorians do not face any unintended consequences from a key initiative to fight CBD traffic congestion.

As promised last year, the State Revenue Office and Department of Treasury and Finance are undertaking a review of the administration of the Congestion Levy. Consumer Affairs Victoria will also monitor the January 1 extension of the levy to ensure car park owners and operators abide with fair trading and consumer protection laws.

The levy was introduced on 1 Jan 2006 to reduce congestion in Melbourne’s CBD and surrounding areas.

A Committee for Melbourne report showed congestion costs our city $4 billion a year, and this is expected to increase to $8 billion by 2015, reinforcing the need for action.

Acting Treasurer John Lenders said the aim of the review was to streamline administration of the levy. “When the introduction of the Congestion Levy was announced, the Bracks Government gave a commitment to look at it one year after operation,” he said. “This Review not only meets that commitment, it will also ensure the administration of Levy is running as smoothly as possible while minimising compliance costs for business.”

The review and monitoring will ensure that:

- The levy is not used to disguise increases in rates for short-term parking or weekend shopping; and
- Administration is as simple and streamlined as possible for car park owners.

The Congestion Levy is an integral component of a comprehensive public transport and traffic management strategy which aims to address the growing global problem of traffic congestion.

Revenue generated from the Levy funds metropolitan transport improvements, such as those announced in the Bracks Government's $10.5 billion transport statement, Meeting Our Transport Challenges.

The Review will be conducted jointly by the Department of Treasury & Finance (DTF) and the State Revenue Office (SRO) and will report back to the Treasurer by 30 March 2007. The Terms of Reference issued by the Treasurer ask the agencies to identify opportunities to simplify and streamline the registration, assessment and other administrative processes underlying the Levy.

Submissions can be made addressing the Terms of References by 16 February 2007.

Mr Lenders said all stakeholders could contribute to the Review to ensure the Levy operated as efficiently as possible.

“The Levy is contributing towards a more liveable Melbourne. We don't want it contributing to unintended administrative headaches for stakeholders. Parking station owners, operators and users alike are welcome to contribute to the ongoing refinement of administration of the Levy,” he said.

The Review terms of reference are available at www.sro.vic.gov.au

Media contact: Licardo Prince 0439 333 153 or 9651 5799 www.vic.gov.au
Terms of Reference

State Governments Review of the Implementation of the Congestion Levy

On 1 January 2006, a Congestion Levy was introduced in parts of inner Melbourne to reduce congestion and associated negative impacts. The Levy applies to non-exempt long-stay parking spaces within the Levy Area as defined in the Congestion Levy Act 2005.

In line with the Government's commitment to review administration of the Levy one year after introduction, the Department of Treasury and Finance (DTF) and the State Revenue Office (SRO) will conduct a review of the Levy’s implementation. The Review will take into account the first year of application of the Levy with the objective of identifying opportunities to streamline its administration and further simplify compliance obligations for car park operators and users.

The Review will investigate:
- the registration process for parking spaces
- the timing and content of assessment notices
- dates for lodgement and payment of instalments
- the potential for improvements in form design and clarity
- the compliance requirements for parking space owners, operators and users
- the accessibility of information on the Levy
- the administrative benefits of the statutory percentage for public car parks
- potential administrative benefits from harmonisation of assessment with car parking requirements imposed under local government zoning and planning controls
- management of joint and several liability for parking space levy obligations and
- other matters that are related or incidental to the issues raised in i) to ix) above.

DTF and SRO should report to the Treasurer by 30 March 2007.

Stakeholders and interested parties are invited to contribute to the Review. Submissions addressing the Terms of Reference should be sent by 16 February 2007 to:

    Congestion Levy Implementation Review  
    State Revenue Office  
    GPO Box 1641N  
    MELBOURNE  VIC  3001  
    Fax: (03) 9628 6222
The City of Melbourne is pleased with the opportunity to contribute to the Department of Treasury and Finance (DTF) and the State Revenue Office (SRO) review of the Congestion Levy’s implementation.

The current registration process and compliance system may be streamlined and simplified by utilising smartcards – a technology the Government owns and will soon be operating across the State. The State Government is rolling out myki (http://www.myki.com.au/) the new public transport ticketing system in mid 2007. The open architecture design of this system allows it to be used for more than public transport ticketing and payment – it has the capability to be a broader mobility card. By installing proximity card readers at car parks the Department of Treasury & Finance (DTF) and the State Revenue Office (SRO) will have the ability to accurately identify the duration of stay of all off street car park users, as they enter and exit. As the cards have a stored value capability operators would also have the ability to link their payment system to it – in some cases avoiding cash transitions at car parks which would lower their operational costs. Such a system would be fully electronic and significantly reduce the registration, compliance, assessment and auditing of the Levy for operators, owners and the State Government.

Council has also made some specific recommendations on the administration of the Levy; these have been previously communicated to the Government and have the potential to improve the administration of the Levy, particularly the hypothecation of the Levy income to transport related purposes as noted by the Treasurer in his press releases.

Council resolved on 25 October 2005:
“…that revenue received by the City of Melbourne from the Long-Stay Car Park Levy be preserved within the Council’s accounts for transport related purposes as set by Council’s Transport Strategy once it is implemented or other sustainable transport initiatives approved by the Council…”

Please find attached a copy of Council’s adopted Transport Strategy; Moving People & Freight which details how Council’s share of the Levy will be spent.

Council has received representations from retail and property groups in relation to aspects of the long-stay parking levy, applying to inner Melbourne under the Congestion Levy Act 2005. Council wrote to the Government in September 2006 recommending that it consider certain administrative adjustments to its operation.

The first relates to the Fishermans Bend area covered by the levy (refer to the attached diagram) which currently has very little public transport access. Council recommends that, until this area’s public transport services are improved and there is a viable alternative to car travel for the majority of employees, this area should not be subject to the levy.
The Fishermans Bend/Port Melbourne area is the only part of Inner Melbourne that does not have public transport as a viable alternative to commuter car travel. It is a growing centre of employment, primarily for a commuting working population, and the Cities of Melbourne and Port Phillip are committed to developing it as a strategically valuable centre for advanced manufacturing, and associated service industries. The current working population in the area within the City of Melbourne (north of the Westgate Freeway) is 14,000 people with a future capacity for 20,000 employees.

Council has made submissions to the Department of Infrastructure to increase bus services and carry out Travelsmart programs with employers in the area. Unfortunately to date we have been unsuccessful, but are optimistic that the proceeds of the Congestion Levy will be spent in improving transport in the only part of Inner Melbourne that does not have public transport as a viable alternative to commuter car travel.

The second relates to the amount of the levy generally. The Act provides for it to rise from $400 to $800 on 1 January 2007. Council has had strong representation from retailers who suggest that the levy was introduced at a time when they are facing slowing demand and increased competition. Council recommends that the levy remain at $400 for at least two more years to allow time for its effects to be fully absorbed.


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:

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
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.
3. 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.
4. 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.
5. It is extremely difficult to assess the levy’s impact on the retail and business communities given:
   a. the range of factors influencing retail and business performance;
   b. the fact that car park owners, operators and users are still coming to terms with the levy and their responses vary considerably; and
   c. 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.

We look forward to working with the State Government to secure the future growth of the city and its accessibility for the movement of people and freight. We believe this submission will ensure that the unintended consequences identified by Council can be mitigated by appropriate administrative measures.
FINANCE ATTACHMENT

CONGENSTION LEVY IMPLEMENTATION REVIEW

The State Government has agreed to provide Council with $5 million each year from the revenue generated from the levy for transport-related purposes in the City of Melbourne. The first payment was received in June 2006. The 2006/07 Budget includes provision of a further $5 million to be received for the parking levy revenue.

There are no other direct financial implications associated with the recommendations contained in the report.

Joe Groher
Manager Financial Services
LEGAL ATTACHMENT

CONGESTION LEVY IMPLEMENTATION REVIEW

Section 3C (1) of the Local Government Act 1989 (“the Act”) provides that the:

“primary objective of a Council is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of decisions”.

Section 3C of the Act further provides that in seeking to achieve its primary objective a Council must have regard to facilitating objectives, including:

(2)(a) “to promote the social, economic and environmental viability and sustainability of the municipal district”.

Section 3E (1)(d) of the Act provides that one of the functions of a Council is undertaking strategic and land use planning for the municipal district.

Additional objectives are set out in the City of Melbourne Act 2001. Section 7 sets out that these objectives include:

“(b) to develop and implement strategic directions and policies for the City of Melbourne in collaboration with the Government of the State to ensure alignment with that Government’s strategic directions and policies for the City of Melbourne as the capital city of the State of Victoria”.

The recommendation of this report is within the objectives and functions of the Council.

Kim Wood
Manager Legal Services