

24 May 2019

Mr Tim Pallas MP
Treasurer
Level 4
1 Treasury Place
EAST MELBOURNE VIC 3002

Dear Treasurer

Changes to Congestion Levy

We write to express our opposition to any expansion or increase of the State Government's Car Park Levy.

The Property Council has opposed this Levy since its inception because it does nothing to improve congestion outcomes in the areas in which it operates and will negatively impact workers, traders and visitors to the city. We continue to oppose it for the following reasons.

1. **Melbourne has momentum – it doesn't need a tax that stifles growth and trade**

The Melbourne CBD is enjoying significant growth, both in terms of employment and commercial development. Melbourne enjoys a number of financial advantages for business to either locate to Melbourne or consolidate their businesses here. The Levy is a significant cost to employees and employers alike and substantially increasing the Levy in Melbourne (and potentially being more expensive than Sydney) will be a significant disincentive for businesses to locate in Melbourne.

2. **Workers will pay the price of a Levy increase**

Any levy increase will be passed on to parkers who are primarily workers in essential industries including government, police, administrative, hospitality and retail. Many of these workers have flexible working hours and may have poor access to public transport. Parking is a necessity for working parents who need to travel with their children to childcare or work around school hours. Commuters are also faced with disruption to public transport availability due to

infrastructure upgrades, compelling them to commute to work by car. A \$1,000 increase will see average people's all-day parking rate increase by around \$4.40 including GST per day. This would amount to \$1,000 out of the hip pockets of Melbourne workers. The \$4.40 per day increase would represent a 25-30% increase in the average all day rates in Melbourne.

3. A Levy increase will not curb congestion

The Levy is a totally ineffective tool in curbing congestion. Off street parking contributes a small part to congestion, with the major contributors being though traffic, commercial deliveries and on street parking bays. On street parking bays are the most desirable for a parker due to their convenience and far lower price than off street parking. However, on street bays are exempt from the Levy, which further contributes to congestion by encouraging parkers to circulate city blocks looking for space.

4. A Levy increase would materially reduce or eliminate Melbourne's price competitiveness with Sydney

The Levy increase would bring the cost of parking in the city close to or in line with the Sydney Levy at a headline rate. Overall, Melbourne would be significantly more expensive than Sydney where car parks obtain a concession for any unused casual parking space. The Sydney concession excludes reserved spaces, whereas in Melbourne the bays are leviable at the full rate, regardless of occupancy. To gain a concession in Melbourne the bay must be physically blocked off at all times.

5. A Levy increase will not force any bays to close

The cost of building the bay has already be borne by the owner, so as long as the total revenue (including Levy collections) is greater than the Levy cost plus electricity, they will remain open. In a lot of cases even if the cost of levy was higher, parking is a necessity for a large number of landlords in attracting tenants and their employees to the Melbourne CBD and also to night time entertainment venues such as Crown Casino.

6. Further expansion into the suburbs may negatively impact suburban retail trade

An increase of the levy will negatively affect retail trade both in the CBD but particularly in the inner suburbs, impacting on supermarkets and retail centres which heavily rely on 'trolley sales' rather than 'basket sales,' and the consequent effect that would flow through to neighbouring specialty stores. Expansion to precincts such as South Yarra and Stonnington Council generally will disincentivise local trading in areas which are vastly different to those in Melbourne's CBD. In the absence of additional transport infrastructure, if it were effective (which is denied) expansion into new areas will overload an already stressed public transport system, delivering few benefits, only penalties on business and consumers.

7. There is an inherent contradiction between imposing a levy as a disincentive to parking bays

In some cases, planning requirements dictate the number of car parks developers must create or operators must maintain.

8. An increased levy undermines confidence in Victoria as a destination for investment

Any increased levy will have a corresponding diminution in value of assets to the extent the full cost is not recovered from increased parking rates. Accordingly, such a policy move would be seen by investors as an unheralded new tax which would be perceived as a form of sovereign risk to investing in Victoria by both Australian and international investors alike. Such actions make Victoria a less desirable investment destination and are also noticed around the world by global investors.

9. A new levy will hit millions of ordinary Australians

The vast majority of the largest office assets, car parks, shopping centres and entertainment venues are owned by Listed REITS and Wholesale Superannuation Funds. By virtue of their beneficial owners and members being "mum and dad" Australians who entrust their retirement savings with them, an increased levy would reduce the income and value they rely on in retirement.

The Property Council of Australia and its members strongly opposes any increase or expansion of the Congestion Levy.

We look forward to your response.

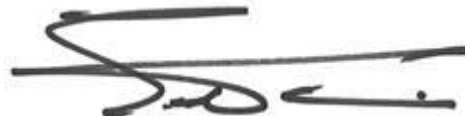
Yours sincerely



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