



Transport
for NSW

Review of the Parking Space Levy Act 2009 Review of the Parking Space Levy Regulation 2009

Discussion paper



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1 Executive summary

Since 1992, a Parking Space Levy (PSL) has been applied in some key commercial centres in Sydney. The objectives of these centres have been to:

- Reduce congestion by discouraging car trips into these areas.
- Help meet the cost of building better public transport so that it replaces car trips.

Subject to consultation, the Government considers that the PSL remains appropriate for Sydney with no major changes. However, there are a number of opportunities to improve the administration of the PSL. This will help reduce the red tape for NSW businesses as well as make the use of PSL-raised funds more transparent.

This discussion paper identifies some of these options and seeks comment from all stakeholders on what other changes could improve the way the PSL is administered.

Next steps

The review will take place in the second half of 2016. Submissions to this Discussion Paper are sought by Friday 2 December 2016. After considering feedback from all stakeholders, it is expected that the Government will make a decision on any changes by the end of 2016, with any changes to be implemented by 1 July 2017.

Questions

Question 1. The Government's preliminary view is that the objectives of the Act remain valid, and that the terms of the Act remain appropriate for securing those objectives. Do you agree? Why or why not?

Question 2. Do you support simplifying calculation of PSL liabilities?

Question 3. Do you support simplifying reporting requirements for property owners? What changes would property owners most value?

Question 4. How should transparency in PSL expenditure be improved?



2 Background

2.1 What is the PSL?

The PSL is a levy imposed on owners of off-street commercial and office parking spaces, in certain business districts within the Sydney metropolitan area.

The aim of the PSL is to reduce congestion by discouraging car use in leviable districts, as well as attracting customers to public transport by funding around \$100 million of improvements to essential infrastructure each year, such as commuter car parks and interchanges.

2.2 History of the PSL

The PSL commenced in 1992 and, since its inception, it has undergone a number of changes. Originally, the PSL only applied to parts of the Sydney CBD, North Sydney and Milson's Point. In 2000, it was extended to Bondi Junction, Chatswood, Parramatta and St Leonards, with these new 'Category 2' areas levied at a lower rate.

The PSL was amended again in 2009, when the Government at the time increased the rate of Category 1 and Category 2 charges by 110 per cent and 51 per cent respectively.

As at 1 July 2016, the PSL is \$2,350 per space per year for Category 1 areas (\$6.45/day) and \$840 in Category 2 areas (\$2.30/day).

2.3 Why is the *PSL Act 2009* being reviewed?

The Government has a statutory obligation to review the *Parking Space Levy Act 2009* (the Act). Section 18 of the Act requires the Minister for Transport and Infrastructure to review the Act to "determine whether the policy objectives of the Act remain valid and whether the terms of the Act remain appropriate for securing those objectives."

Along with the objectives and terms of the Act, the review is also an opportunity to consider whether the administration of the PSL could be to improved, for example to reduce red tape for NSW businesses paying the PSL.

The *Parking Space Regulation 2009* (the Regulation) contains the detailed mechanisms that underpin the Act, including exemptions. It is also due for review under the requirements of the *Subordinate Legislation Act 1989*. For these reasons, the Act and the Regulation need to be considered side by side.

3 Objectives and terms of the Act

Section 3 of the PSL Act currently provides that:

The object of this Act is to discourage car use in leviable districts by imposing a levy on parking spaces (including parking spaces in parking stations), and by using the revenue to encourage the use of public transport (in particular, public transport to and from, or within, those districts).

The Government's preliminary view is that these objectives remain valid for the major commercial centres where the PSL applies. The central goal of encouraging customers to use public transport instead of private vehicles for trips to these centres is appropriate and consistent with the Government's record investment in major public transport projects serving these and other areas, such as the

Sydney Metro, CBD and South East Light Rail, Parramatta Light Rail and the Northern Beaches B-Line.

It is also considered that the terms of the Act remain appropriate for securing these objectives and are operating well, with the PSL contributing around \$100 million each year to fund essential public transport infrastructure, especially commuter car parks and interchanges. For this reason, no changes to rates, exemptions or areas covered by the PSL are proposed.

Question 1. The Government's preliminary view is that the objectives of the Act remain valid, and that the terms of the Act remain appropriate for securing those objectives. Do you agree? Why or why not?



4 Reducing red tape

4.1 Problems with existing arrangements

As at 1 July each year, the PSL Act imposes a levy on all off-street parking spaces in a leviable district, other than exempt spaces.

This means that all owners of all parking spaces in a leviable district – regardless of whether they actually need to pay the PSL – must register with the Office of State Revenue (OSR) and submit an annual return. However, the OSR does not currently enforce this requirement for owners of residential properties¹.

Additionally, commercial parking station operators claiming the unused casual parking space exemption (which accounts for around two-thirds of all those claimed) must also keep daily records, typically counted at 1pm each day, of:

- The total number of leviable parking spaces.
- The number of parking spaces set aside for casual parking.
- The number of casual parking spaces that were unused.

As well as creating significant red tape for businesses, the current methodology for establishing the PSL liability for the owners of casual parking imposes substantial administrative costs on the OSR.

It is also open to misuse by owners of casual parking spaces, who have a financial incentive to over-report unused spaces.

4.2 Are there better alternatives?

4.2.1 Using assumed casual vacancy rates to discount PSL liability

One option for reducing compliance costs for business and administrative costs for the OSR – as well as ensuring a level playing field for commercial car park owners – would be to discount each owner's annual PSL liability by an assumed number of unused casual vacancies. This rate would need to be determined in consultation with industry and the OSR.

While car park owners who offer casual car spaces would still be required to register with the OSR, this would eliminate the requirement to count vacant parking spaces each day, saving businesses time and money. This could also reduce the cost of administering the PSL, meaning more funds would be available to invest in transport infrastructure.

It might also be possible to take a similar approach to some other kinds of exempted spaces, such as parking spaces set aside for participants in the mobility parking scheme and loading zones.

Question 2. Do you support simplifying calculations of PSL liabilities?

¹ See http://www.OSR.nsw.gov.au/sites/default/files/file_manager/ofs_lev01_0.pdf

4.2.2 Alternatives to annual returns

An alternative approach to the existing system of annual returns might be to only require owners of leviable parking spaces to provide information about their parking spaces when their circumstances change. This might include:

- Allowing the OSR to make a preliminary assessment of PSL liability, with property owners only providing information if they disagreed with this assessment.
- Excluding some classes of property from the definition of 'leviable premises' (such as residential properties).
- Introducing a simplified 'one-off' registration process for parking spaces, where parking space owners would only be required to contact OSR if there was a pertinent change in how the parking space was used.

These options could help to reduce red tape for property owners, reduce costs for taxpayers and address existing issues with the administration of the PSL. It could also reduce administrative costs for the OSR.

Question 3. Do you support simplifying reporting requirements for property owners? What changes would property owners most value?

4.3 Issues when ownership of a leviable premises changes hands

Under current arrangements, the owner of a leviable premises on 1 July each year remains liable for the payment of the PSL – even if the property has been sold before 30 June in the following year. This has caused problems for vendors who were not aware of their continued liability. In addition, some purchasers of leviable premises were not aware that the property was subject to the PSL.

While the PSL obligations of the contracting parties are legally a matter for the parties, it still raises compliance problems for the OSR.

One option for dealing with these issues is for the Act to provide that liability for the PSL transfers to the purchaser from the settlement date. This could potentially be supported with arrangements for notifying OSR similar to those for selling a car, where both parties notify Roads and Maritime Services of the sale.



5 Improving transparency

5.1 What does the Act require?

Section 11 of the PSL Act requires the money collected to be paid into a fund known as the Public Transport Fund. Section 11(3) of the PSL Act requires that PSL funds be used to:

- a. Finance public transport services.
- b. Finance projects that facilitate access by public transport to and from, or within, leviable districts, including projects for the construction, maintenance and ongoing management of parking facilities, and other such infrastructure.
- c. Finance initiatives for the communication of information to commuters, including initiatives that make use of new technologies.
- d. Pay amounts that become payable under Parts 4 and 10 of the Taxation Administration Act 1996 in relation to parking space levies paid to the Chief Commissioner.
- e. Pay any money that is directed to be paid from the Fund by or under this or any other Act.

Section 11(4) provides that money paid out of the Public Transport Fund is to be in accordance with the directions of the Minister².

5.2 How are spending decisions currently made?

Currently, projects are identified as part of an overall transport planning process.

Potential projects are identified on the basis of the potential to deliver benefits such as service improvements for customers or increased efficiency. These opportunities are then subject to a comprehensive gateway assessment process designed to determine which projects should be delivered, and when.

This includes the development of a business case for all projects funded with PSL revenue.

Examples of projects funded with PSL revenue include:

- Interchanges for bus, rail and ferry services.
- Commuter car parking facilities.
- Improving public transport infrastructure, such as the development of rapid bus-only transitway bus stations and light rail, which provide services within or to/from PSL leviable district/s.
- Improvement of electronic passenger information systems associated with the abovementioned infrastructure.

² Because of s15(2) of the *Interpretation Act 1987*, this reference to the Minister is a reference to the Minister for Transport and Infrastructure, who administers the PSL Act. Also see the Allocation of the Administration of Acts on the NSW legislation website.

5.3 Issues raised by the Auditor-General

Concerns regarding the allocation of PSL revenue were raised in 2007 by the Auditor-General of New South Wales. In his report, *Connecting with Public Transport*, the then Auditor-General stated:

There are no criteria for how the funds available from the PSL are allocated. There is no explanation of the decisions made. There appears to be scope to improve the transparency of this process.

The Auditor-General went on to state:

The Ministry [of Transport] now needs to improve transparency in how PSL funds are allocated to other infrastructure projects by the use of criteria (including extent of achievement of the object of the PSL legislation) and evaluation of the relative merits of alternatives³.

5.4 Options for improving transparency

Given that the PSL raises around \$100 million each year, it is desirable that funding decisions be made in an open and transparent manner. One option would be for Transport for NSW to publish information online about the PSL, such as:

- A year-on-year report on the level of revenue raised and spent on projects in, or that directly benefit, each leviable district.
- A list of approved projects that will be funded or part funded using the PSL for each leviable district and targeted commencement dates.

Transport for NSW already publishes a list of completed projects that have been funded from the Parking Space Levy online, as well as a statement outlining annual expenditure from the Public Transport Fund.

Question 4. How should transparency in PSL expenditure be improved?

³ Auditor-General of NSW, *Connecting with Public Transport: Ministry of Transport*, 2007, p. 47

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