

[removed for privacy reasons]

20 August 2009

Dr Ken Henry AC.
Chair
Australia's Future Tax System Review
AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Dr Henry

Re: Submission to the AFTS review

This submission to the tax review concentrates on the NSW State Government Parking Space Levy (herein referred to as the carpark, or carspace tax), and comes from my perspective as a strata carspace owner in Sydney city. The carspace tax is a taxing mechanism levied on car space owners in high density business districts in the Sydney metropolitan area. eg. Sydney city, Parramatta, North Sydney. It was introduced in 1992 with the supposed objective of; discouraging cars from entering city hubs, by imposing a levy on parking spaces, and, using that revenue to encourage the use of public transport. There is a reference to the construction of parking facilities for commuters, and the usual 'catch-all' phrases such as "finance public transport services". However I understand the original thrust of the scheme was to fund carparks at suburban railway stations, so that commuters would be encouraged to park their car at these facilities, and enter city hubs on public transport. Since its inception its has been increased and expanded frequently through legislative amendment. In summary the following shows the progression of the tax. (This is a summary in brief, to illustrate the rampant increase of the tax, and refers to the rate for Sydney city only.)

Year	Change	Rate Per Annum (per space)
1992	Introduced	\$200
1997	Doubled	\$400
2000	Doubled	\$800
2003	Raised and now tied to annual CPI increases	\$840
2009	More than doubled; from \$950pa in 2008, to \$2,000pa in 2009, (110%) and also tied to annual CPI increases.	\$2,000 (and climbing)

The savagery of the increases is remarkable enough, but this submission questions the fundamental right of this tax to exist in its present form. When the GST was introduced in 2000 a raft of State taxes were supposed to be removed in exchange for

GST revenue, and most of them were. The Car Space tax slipped under the radar. The Commonwealth Government didn't prosecute the issue, and the NSW Government was happy to continue the plunder. My fervent hope is that through this review, the situation will be righted, and the carspace tax repealed.

The carspace tax is riddled with flaws. If I may, I now point up defects in various aspects of the carspace scheme.

Workability

Ostensibly the scheme was introduced to; deter commuter vehicle access to the city, and encourage the uptake of rail commuter transport through the facility of rail station car parks, which, theoretically were to be built with the carspace tax revenue collected. However before any tax is introduced it should be tested for practical "workability". ie. Will the program work. There was, and never has been, any modelling done to assess the probable efficacy of the scheme. Ask the State Government.

Leakage The scheme is set up to fail, due to the proliferation of unit/apartment dwellings in the city, which are *not* subject to the tax. As more and more unit carspaces come on-line the taxable carspaces (ie. basically commercial car parks) find it increasingly difficult to pass on any tax increases. Consequently commercial carspace operators have to bear an increasing proportion of the carspace levy. At the same time commuters *aren't* deterred from driving into the city.

Overwhelming success If this scheme *did* work according to its hopeful objectives, it *would* be an overwhelming success. *Overwhelming*, in the sense that existing transport systems would not be able to cope with the success! The fact is, that the Sydney urban rail system is already stretched beyond capacity. Now for some 'ifs'. What if commercial car parks *were* able to pass on all the carspace tax to commuters, and if commuters in a flight of fancy decided to drive and park at rail stations, and ride by train to work. First of all, they probably wouldn't find a park at the station. It is not clear where the carspace revenue is going, but it doesn't appear to be ending up where it was originally intended. If they did manage a park at the station, the real fun would start when they tried to board a train. *If* the scheme worked according to plan, the result would be bedlam. The point is, it is futile to launch a program based on a vague theory, which is not model tested, and has no chance in practical terms of achieving desired outcomes. The Sydney rail network simply isn't up to the job.

Apart from the basic inadequacy of the rail system, the general tenor of the scheme runs counter to the ideals which make urban hubs, the commercial and cultural powerhouses we want them to be. If the populous was forced to rely on rail as the sole means of access to city centres, those centres would simply die out. If we don't have carparks, then we need other systems to get people to and from city hubs efficiently. The answer is *not* to tax traditional systems out of existence before we have alternative systems in place.

Poor Construction

No Effectiveness or Efficiency Measures This tax could never hope to achieve anything, because it was never structured to do anything other than bolster State coffers. It is a scheme with no 'exit strategy'. Ask the State government how they will know when to discontinue the scheme. Will it be when there is a carpark space for every city commuter? If they had ever had precise targets, then they would be worried, because they might actually achieve them, and then be in the unique position of no longer being able to justify continuance of the tax. But the tax has no goals (no specific goals, just nice rubber vague ones), no outcomes or outputs, in fact no measures whatever. There is no understanding of the relationship between the rate of tax, and the goals or targets it hopes to achieve. That is because there are no goals or targets, and the setting of the rate has more to do with 'back-of-the-envelope' budget calculations than it has to do with outcomes. Consider for example the decision to increase the rate some 110% announced by the NSW government in November 2008. Did they imagine doubling the tax would halve the number of cars in the city? Ask to see their budget estimate working papers, to ascertain whether there was any consideration anywhere of measurable changes to commuter travel patterns, or the possible impact on carspace operators, or whether, as I suspect, it was simply a calculation based on how much money would be needed to sure up the budget. As Wendy Machin, President of the NRMA expressed it; "For motorists, last year's NSW mini-budget was one of the worst in recent memory. Cuts to the Pacific Highway funding, the increase of the Sydney Harbour crossing toll, and a doubling of the state's parking levies showed the Government still sees motorists as a cash cow to milk every time its coffers need filling." (NRMA Member Magazine, Open Road, March/April 2009, p13) It is bad enough for motorists in general, but for carpark operators the hurt is concentrated, as we carry a burden, disproportionate to our numbers, and, significantly, in spite of all the money we contribute, we derive no more benefit from this tax, than someone living at the back of Bourke. It is also noteworthy, that this is not a tax on net profit. The carspace tax is applied irrespective of any consideration of owner's financial or personal circumstances. Penalties and interest charges apply to overdue accounts.

No Accountability Needless to say there is no monitoring against targets, because there are none. Accountability within such a framework is a game of smoke and mirrors. I'm sure the NSW Minister for Transport would leap at the opportunity to stand on a soapbox and talk about infrastructure millions being spent here there and everywhere. But ask the government to demonstrate via an audit trail, where the carspace levy money comes in, and where it was spent. Can they show specifically that it went to railway carparks, as was the original intent of the program. Impossible. This is not tied funding. It is just hoovered up into the notorious general revenue pot. All of which means that whatever spin they want to put on it, the State government and the conduct of this scheme, is completely **unaccountable**. No one knows whether this scheme is producing value-for-money, or a pig-in-a-poke.

All Rules Broken

This is a tax which breaks all the rules. I am sure you will be familiar with the following tenets of best practice taxation.

No tax without representation. As mentioned above this tax returns no material benefit to those who pay it. Some carpark operators may feel some altruistic inner glow at having contributed to the greater good, but I haven't met any of those yet. I expect the overwhelming sentiment would be feelings of infuriation, frustration and of being hard-done-by. Carpark owners, in spite of the essential part they play in the functioning of the city day-to-day, have great difficulty in finding a sympathetic ear when it comes to the carspace tax. Politicians of both persuasions love it, because it raises a lot of revenue, (expenditure of which is unaccountable), and the repercussions are minor, because those paying, are few in number. The public either don't know about it, or are generally indifferent.

The doubling of the carspace tax announced in November 2008, came with certain other tax increases which fell under the banner of "congestion taxes". For example increases in bridge and tunnel crossing fees. Though the actual written legislation didn't change much, the inference was that the doubling of the carspace tax was a "congestion tax" measure. The infuriating aspect to this argument for carpark operators is that, the operators are investing private money which *alleviates* traffic congestion in the city. Their investment in carparks, gets cars off the roads! Shouldn't the operators be subsidised, in a similar way to the providers of; private schools, or private hospitals? That's the carrot, and on the other side, the stick side; shouldn't those who provide *on-street* parking be the ones to cop the carspace tax? Go figure. Carpark owners feel this tax as a punitive measure. As though we are being penalised for committing some mysterious criminal act we're not aware of. The contradiction is that, not only have we not broken and laws, the Government is reliant upon carpark operators to nurture the city. We also note in passing, that politicians and elements of the NSW public service, park in the city at taxpayers expense.

User pays. This argument of public policy is probably not at the height of its popularity at this point in history. Nevertheless it is widely accepted as a reasonable approach unless there are strong countervailing arguments, such as with communications (Telstra services). In the case of the carspace tax there isn't a thread of connection between the *users*, (namely suburban commuters), and those *paying*, (namely carpark operators). Is it wrong? Yes. Is it discriminatory? Yes. Is it convenient? Yes; and I think therein lies the problem. There are many wrongs with the carspace tax, but it is convenient for the Government. The Government has become complacent with this tax, and has extended it far beyond its original scope, simply because its convenient. If they were more energetic they could introduce a tax on all railway station carparks, which would generate more money, *and* adhere to user pays principles. However, this is just one alternative measure. I shall elaborate on my preferred solution in a moment.

Fair and Equitable. This is the point I most want to emphasise. Fairness and equity, is the 'acid test' of a decent tax regime, and a test the carspace tax fails spectacularly. The carspace tax is a most unfair and inequitable tax. A select group within the community is singled out, (as I explained above, for no rational reason), and taxed ruthlessly, to fund infrastructure which serves and benefit's the community as a whole. The system is totally out of proportion. Carspace owners are shouldering a disproportionate segment of the infrastructure funding burden. The metropolitan transport system benefit's the whole community, even those living way out west (when they visit the city). Irrespective of whether someone from the west visit's the city, the infrastructure must be there for commerce to flourish and for the city to function. If the Government wanted to apply degree of user pays, surely it should be taxing those who most frequently use the urban transport network, *particularly including*, the people who use suburban railway station carparks. A system of collecting such revenues would be feasible. But personally; I would prefer a broad based tax where the whole community contributes to urban transport infrastructure. The current system whereby a select minority has been singled out to shoulder the infrastructure budget for the entire State is blatantly unfair and inequitable.

Impact on Carpark Owners

For the reasons outlined above, it is little wonder carspace owners are outraged by this tax. Because of the politics, and the perilous state of State government finances, your review takes on heightened importance in the fight for a fair and equitable tax system. To repeat myself, the political voice of carspace owners is weak. Neither side of the political spectrum is excited about giving up a tax. And the general public don't care because it is coming from the pockets of no-one they know, and probably perceive such people as 'fat-cats' anyway. In my case it couldn't be further from the mark. I bought a strata carspace in Sydney city in 1993, imaging it as a superannuation (rental) investment. At that time the carspace levy was \$200pa, 10% of the current \$2,000pa slug. [removed for privacy reasons]

Equally, major operators in the parking industry have expressed concern about the future viability of parking operations under the weight of the most recent tax increases. Mr Craig Smith, Wilson Parking Chief Executive made the following comment in reference to parking at Darling Harbour, (Sydney city); "With the new levy, you have to pay an additional \$167 a month, he said, adding that the levy would

make it economically unfeasible to keep all parking spaces open. Darling Harbour car parks will shut bays down because the revenue you receive from them is going to be very close to the levy.” (Extract from comments in The Australian Financial Review, 2 June 2009, p53)

The most recent increase in the tax has pushed owners past the tipping point. We have a “never-ending” tax, grossly distorted against an irrationally targeted minority, devoid of basic measures or accountability, and inflated to the extent of rendering carpark operations unviable. But what could be better for the Government. The victims are virtually invisible. The Government contributes; no capital, goodwill, running costs, or administrative burden; and for the minimal outlay itself, walks away with all the profit. What could be better. This is not just a tax derelict in its design and principles, it is an outright rort against the tax payers. As indicated above there is no moral sincerity from politicians aligning their thoughts and actions with a purposeful attempt to correct Sydney’s transport infrastructure problems. In short this tax scheme is nothing more than a rort to fill a budget black hole, however big that hole may be, from year to year.

[removed for privacy reasons]. What the government has done is reprehensible morally. That would be where one does something, whether it’s right or wrong, just because one can. In the case of carpark owners, the Government knows it can, because there is unlikely to be any political repercussions. To illustrate the point, perhaps you may remember in the same mini budget announcement in November 2008, the government announced the scraping of free bus fares for school children. That decision was reversed very smartly, because; (a) there were a lot of people affected, and (b) the amount of money being saved was relatively small. In the case of the carspace tax the opposite is true. Owners are few in number, but raise a substantial amount of revenue. But shouldn’t we be making laws on the basis of what is fair and just, rather than calculating the effect at the ballot box? If it didn’t come down to a matter of money for the Government, with a stroke of a pen they could regulate to ban *all* vehicular access to the city. They could work with the Commonwealth and apply standard decent democratic practice, and compensate property owners at fair market values for the properties resumed. Instead they have found it too convenient to opt for the morally tarnished, lazy alternative of milking an ongoing cash cow, and shouldering no responsibility. Under recent arrangements earlier this year when the Commonwealth government was thrusting stimulus money at NSW, they were too far ‘behind the eight ball’ to know what to do with it. The property owners are bearing the cost of the NSW politician’s insensitivity, gluttony, sloth, and incompetence. If the politicians forgot themselves and looked beyond the next election, they could plan a future around a car-free city, and accordingly set up a scheme like the Murray Darling scheme where farmers are compensated to exit the industry. Personally I don’t see it panning out that way. I envisage in 10-20 years we will see our city streets carrying a mass of two, and three wheeled vehicles. The present carspaces will be accommodating two vehicles instead of one, and the roads will, or should be designed to carry those lightweight vehicles. But all those plans and infrastructure will take money. That is why the politicians should be looking and planning long-term, instead of desperately trying to line the State coffers (and ruining carspace owners in the process), so they can look good going into the home straight of the next electoral poll.

Concluding remarks

OK, the Sydney transport infrastructure is a shambles, and the money to fix it, or at least bring it up to some semblance of an acceptable standard, has to come from somewhere. But the thrust of my argument against the Carspace tax is that a minority, and a slender one at that, has been targeted by the government to shoulder an unfair, and wildly disproportionate amount of the funding burden. As if that's not bad enough, the recent decision to double the tax is breathtaking in its audacity. Has there ever been *any* tax *anywhere*, where the rate has risen 1,000% since its inception? (Maybe Botswana, (apologies to Botswana).) The decision has [removed for privacy reasons] broken the tax payers, who have virtually no avenue of redress.

Thank you for giving my submission consideration, in your review of Australian taxation.

Yours sincerely

Stuart Whan
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