

GSB WORKING PAPER NO. 17



AN APPLICATION OF NATIONAL COMPETITION POLICY: PARKING SERVICES, CITY OF PERTH

CHARLOTTE STOCKWELL AND MARGARET J NOWAK

© GRADUATE SCHOOL OF BUSINESS, CURTIN UNIVERSITY OF TECHNOLOGY, GPO
Box U1987, PERTH, WESTERN AUSTRALIA, 6001. TELEPHONE 61 8 9266 3366,
FAX: 61 8 9266 3368
ISSN 1323-7853
ISBN 1 86342 750 3
FEBRUARY, 1999

CRIICOS Provider Code 00301J



Information in this publication is correct at the time of printing and valid for 2005, but may be subject to change. In particular, the University reserves the right to change the content and/or method of assessment, to change or alter tuition fees of any unit of study, to withdraw any unit of study or program which it offers, to impose limitations on enrolments in any unit or program, and/or to vary arrangements for any program.

An Application of National Competition Policy:
Parking Services, City of Perth

by

Charlotte Stockwell
and
Professor Margaret Nowak
Director
Graduate School of Business
Curtin University of Technology

An Application of National Competition Policy: Parking Services, City of Perth

Overview

Genesis of National Competition Policy

In Australia, competition principles have been shaped by what is known as the Hilmer Report. This report was completed in 1993, submitted to the Council of Australian Governments and translated into government policy through the development of a Competition Package comprising the Competition Policy Reform Act (1995) and a related set of agreements. The latter are considered in detail p 7-10.

The Western Australian state government passed complementary legislation *Competition Policy Reform Act (WA)* in 1996.

The WA Department of Local Government and the WA Municipal Association described the Competition Package in the following terms:

In agreeing to the Package, Heads of Government accepted that a nationally integrated approach to the promotion of competition and business regulation is crucial to Australia's future economic prosperity. Consumers are expected to benefit from lower prices for goods and services, while businesses will benefit from a more "level playing field" between the public and the private sector in markets in which they compete.

The Package embodies the common sense philosophy that businesses, public or private should not be permitted to engage in anti-competitive conduct unless that conduct is justifiable against a transparent public benefit analysis.

Department of Local Government (1996:5)

The key assumptions behind National Competition Policy are that:

- increased competition between private and public service providers will improve service quality and decrease costs
- the public sector enjoys competitive advantages which unduly and unfairly restrict the ability of the private sector to compete
- it is in the public interest to remove barriers to competition between the private and public sectors

These beliefs can be found, expressed in terms of absolute certainty, in many of the documents describing the predicted outcomes of National Competition Policy. For instance, the House of Representatives Standing Committee on Financial Institutions and Public Administration said in its 1997 report on National Competition Policy:

Communities expect their governments to continually become more efficient and effective and enhanced competition is one way in which this can be achieved. The expected benefits are price reductions, lower inflation, more growth and more jobs.”

House of Representatives (1997:2)

This same report also said that “competition is not an end to itself and while in general introducing competition will deliver benefits to the consumer, there are situations where community welfare is judged better served by not effecting particular competition reforms” (House of Representatives, 1997:9).

Nevertheless, National Competition Policy has been introduced to Australia almost as an article of faith. A Commonwealth Parliamentary research paper in 1994 aptly summarised this competition ideology by saying:

“While the concept of promoting competition in itself might seem to hold near universal appeal and acceptance, the means for achieving this proposed by the Hilmer Committee and the Committee’s underlying theoretical assumptions are less likely to draw such wide support. Quite apart from the scope for philosophical debate about the report’s underlying neo-classical economic foundations, the Committee’s recommendations question many long held perceptions and structures...they question

the fundamental purpose and justification for maintaining the utilities within the public sector. They display a high level of confidence in the capacity of market solutions to resolve the broad array of public concerns which have traditionally been responded to through regulatory initiatives”

Parliamentary Research Service (1994:30-31)

Marsh (1996) described the nature of the change quite dramatically when he said:

“the proposed changes thus touch profoundly the historic role of the state in Australia. In a memorable phrase Sir Keith Hancock described the state in Australia as a ‘vast public utility’. The proposed competition policy reforms foreshadow the transformation, indeed the termination, of this historic role.”

Competition policy debate is not a value free zone. The assumptions which underpin Australia’s current micro-economic policy initiatives challenge our assumptions about the role of government, the meaning of public service and the nature of the relationship between the citizen and the state. The majority of discussion about the impact of competition policy(Quiggan:1996, Cousins: 1996, Ormerod: 1996, Lawrence: 1996) has focused on the increasing level of privatisation and the impact it is having on Australia’s economic and social well-being. Little attention so far has been paid to the impact of some of the detail of National Competition Policy on relatively small scale government services.

This paper examines the application of competition neutrality principles to central business district off-street parking services. It attempts to demonstrate that the application of competitive principles to a service which is superficially commercial in orientation is not, in public interest terms, either simple or necessarily in the broader public interest.

National Competition Policy

National Competition Policy is an agreement between the federal and state government which aims to promote competition in business across Australia regardless of:

- private or public ownership

- the size of the business
- its ownership structure.

Three important agreements form the basis of National Competition Policy. They are:

1. Conduct Code Agreement
2. Competition Principles Agreement
3. Agreement to Implement National Competition Policy and Related Reforms

Conduct Code Agreement

The Conduct Code Agreement relates to business practices which are designed to make life difficult for another competitor. The Agreement says that the same anti-competitive conduct rules will be applied to all businesses regardless of their ownership. Part IV of the Trade Practices Act now applies to local government. The purpose of this section is to prohibit agreements, arrangements and understandings which have the purpose or effect of substantially lessening competition. Sections 45A, 45D, 46, 47, 48 and 50 now specifically apply to local government.

These sections all refer to specific kinds of anti-competitive behaviour.

Local government must take all appropriate steps to comply with the competitive conduct rules and ensure that business activities are not in breach of the Trade Practices Act.

Public Benefit

When evaluating whether or not an action is anti-competitive, the Federal Trade Practices Commission and the Tribunal recognise the following factors as public benefits:

- fostering business efficiency, especially when this results in improved international competitiveness
- industry rationalisation resulting in more efficient allocation of resources and in lower or contained unit production costs

- expansion of employment or prevention of unemployment in efficient industries or employment growth in particular regions
- promotion of industry cost savings resulting in contained or lower prices at all levels in the supply chain
- promotion of competition in industry
- promotion of equitable dealings in the market
- growth in export markets
- development of import replacements
- economic development, e.g. of natural resources through encouraging exploration, research and capital investment
- assistance to efficient small business, e.g. guidance on costing and pricing or marketing initiatives which promote competitiveness
- industrial harmony
- improvement in the quality and safety of goods and services and expansion of consumer choice
- supply of better information to consumers and business to permit informed choices in their dealings,

Public detriment is also an issue considered when evaluating possible anti-competitive behaviour. Anti-competitive detriment may take the form of:

- increased cost to the public
- a reduction in the number of effective competitors - buyers and sellers
- increased restrictions on entry constraints on competition by market participants affecting their ability to innovate effectively and conduct their affairs efficiently and independently.

Penalties for breaches of the Trade Practices Act can now be as high as \$10 million for corporations and \$500 000 for individuals. The Courts are also becoming increasingly willing to hold executives personally responsible for competition related decisions.

Competition Principles Agreement

The Competition Principles Agreement (Department of Local Government and WA Municipal Association: 1996) requires the Federal and State governments to:

- Review all legislation and regulation which restricts competition
- Reform organisational structures so that monopolies no longer exist and such that regulators and service providers are separated
- Remove any net benefits which accrue to government business activities as a result of their public ownership
- Provide access to a third party, at a fair price, to monopoly infrastructure facilities
- Maintain price oversight to prevent the misuse of monopoly powers of government business activities
- Apply the Competition Principles Agreement to local government.

Competition Principles and Local Government

The Competition Principles Agreement requires that five specific principles be applied by local government to significant business activities. Clause 7 of the *Competition Policy Reform (WA) Act 1996* requires compliance with this agreement by all Western Australian local governments. When evaluating the financial benefit of exposing council activities to competition principles local governments must bear in mind the following:

- government legislation and policies relating to ecologically sustainable development
- social welfare and equity considerations
- government legislation relating to occupational health and safety
- economic and regional development
- the interests of consumers
- the competitiveness of business
- the efficient allocation of resources.

Five competition principles underpin the Competition Principles Agreement. They are: Competitive Neutrality, Structural Reform of Public Monopolies, Review of Legislation for

Restriction of Competition, Pricing Policy and Third Party Access to Infrastructure. The first three are directly applicable to the City of Perth and are discussed below:

1. Competitive Neutrality

This is probably the most important principle of National Competition Policy. It requires that there be no advantage given to public sector businesses by virtue of their special status as public bodies. Public sector organisations must rigorously examine their own services and practices to ensure that they do not have an unfair advantage over private sector enterprises. Public benefit reasons must prevail in the application of competitive neutrality principles.

These include:

- social implications
- environmental issues
- ability to maintain flexible priorities
- impact on local employment and industry
- plant utilisation
- unique problems of size
- health and safety issues
- available technology
- quality of product and quality assurance
- technical backup
- management expertise
- willingness to introduce contestability
- warranties offered
- planning and scheduling ability
- flexible workforce
- localised facilities
- economies of scale
- ability to meet statutory regulations
- delivery and collection delays

It is important to note that the Competition Principles Agreement gives little guidance as to how the public benefit issues such as those listed above are to be weighed either against each other or against the projected benefits of greater competition. Current practice, certainly within local government, appears to give stronger weighting to financial comparisons between public benefit considerations and competition gains. In part this is because of the considerable difficulty in determining the economic and/or financial value of considerations such as social implications and environmental issues.

2. Structural Reform of Public Monopolies

This principle requires that regulatory and commercial functions be separated as well as natural monopolistic operations and potentially competitive activities. Potentially competitive activities should also be separated into smaller, independent business units.

The Parking Services Unit is the only major area of this nature in the City of Perth requiring structural reform. The City of Perth has resolved that all off-street car parking services will remain part of Business Units Directorate while parking enforcement services will become part of the Service Units Directorate as part of an expanded and enhanced Compliance Services Unit.

3. Legislation Review

All parties to the National Competition Policy package have agreed that legislation should not restrict competition unless:

1. the benefits of the restriction to the community as a whole outweigh the costs; and
2. the objectives of the legislation can only be achieved by restricting competition.

A schedule of Council local laws requiring review has been prepared and endorsed. The *City of Perth Parking Facilities Act (1956-1983)* is under review at present. The major difficulty with the present Act from a competition policy point of view is that it empowers the City to approve the development of off-street car parking services, licence the facility (including the ability to restrict the number and type of parking bays allowed) and also enforce the Act.

From an National Competitive Policy perspective this provides the City of Perth with too great an opportunity to manipulate the market in a way which favours the council.

Negotiations are underway with the Department of Transport which would see the licencing responsibility transferred to the state government but the approval and enforcement functions remain with the City. This would satisfy legislative requirements but it is unclear as to what role the City would play as a partner in developing appropriate traffic management policies and strategies.

Parking Services in the City of Perth

This section provides a detailed picture of the way in which City of Perth off street parking services are delivered.

Service Profile

Seventeen operators manage sixty six (66) parking facilities which provide a total of 16,747 vehicle parking bays in the Perth Central Area. Total estimated annual revenue for Central Area parking was \$21.1 million in 1996/1997. Two operators dominate Central Area Parking - the City of Perth and Wilson Parking (1992) Pty Ltd as the following table demonstrates.

Table 1

	City of Perth	Wilson Parking (1992) Pty Ltd	Remaining Private Sector
No. parking facilities	35	13	18
% total parking bays	65.54%	19.36%	15.10%
Total revenue	\$13.65 million	\$3.54 million est	\$3.91 million est
% total car parking revenue	64.69%	16.78%	18.53%
Total no. bays	10,976	3,242	2,529
Avg. revenue per bay	\$1,244	\$1,093	\$1,736
% private parking bays	-	56.18%	43.82%
% private car parking revenue	-	47.53%	52.47%

With the exception of Secure Parking and Kings Parking (which operate a total of three facilities), the remaining private operators provide parking facilities in buildings which they own. A variable percentage of their parking facilities is allocated to tenant parking.

The City of Perth generated 31% of its 1996/1997 consolidated revenue from parking fees and charges. A further 7% was generated through parking fines.

Parking within the municipal boundaries of the City of Perth is governed by the *Parking Facilities Act (1956)*. This Act confers on the City the right to control vehicle parking, to operate car parks and parking facilities, to regulate the establishment, provision and operation of parking stations and to manage a fund known as the Parking Fund.

In essence, this means that the City has the right to:

- approve or refuse the establishment of a parking station
- regulate any parking station

- operate its own parking facilities
- enforce local parking laws
- receive and expend revenue generated by parking fees, charges and fines on parking related matters.

Policy Framework

The current car parking policy is based on balancing environmental, transport, commercial and financial priorities and states that:

1. *The parking policy will be operated in such a way as to ensure the commercial viability of the Central Area of the City.*
2. *Whilst recognising the need for vehicular access to the city and for parking facilities, this need has to be balanced with the objective of maintaining a high level of environmental quality in the Central Area. Excessive vehicle movement in and around the city causes disruption to pedestrians and necessary vehicular activities as well as adversely affecting the character and amenity of the Central Area. Vehicle traffic should be discouraged from dominating the Central Area to the extent that people are deterred from using the city.*
3. *The provision of public parking facilities must be seen as primarily a service to the community rather than a source of financial gain. It is important, however, that public parking generates sufficient income to ensure a continued high level of service.*
4. *The saturation point for available all day parking bays could be regulated using the measures as outlined below:*
 - *future road improvements*
 - *regulation of hours of operation of car parks*
 - *development of car parks which are designed to minimise vehicular pedestrian conflict.*

City of Perth (1987)

It then goes on to make statements about the use of vacant land and buildings; the necessity of undertaking traffic and environmental impact analyses; ensuring a high standard of design of car parks.

Policy Development

Discussions are underway between the Department of Transport and the City of Perth about the present parking service management system. The revised parking management philosophy underpinning the Central Perth Parking Policy will place great emphasis on promoting accessibility to, and within, the city, in a manner which will enhance the amenity of the city for all users.

This philosophy will focus parking policy on the achievement of a desirable level of car access to the city, and on the establishment of a desirable number of car parking bays in the city, thus drawing a clear distinction between what is desirable and what might occur under conditions of traffic “saturation”.

The key components of the proposed policy are as follows:

1.1 The Central Perth Parking Policy (CPPP) will promote a balanced transport system for gaining access to Central Perth to ensure that the city is accessible and that the amenity of the city is enhanced and the cultural, economic, and environmental objectives for Central Perth are achieved.

1.2 Among other objectives, the Parking Policy seeks to:

- *enhance the accessibility to and within Central Perth.*
- *Provide for the rights and needs of all central area users*
- *Improve the city’s air quality and physical environment*
- *Keep impacts of vehicular traffic within acceptable limits*
- *Support the investment value of city properties*

- *Minimise the regulation of vehicle parking subject to the achievement of specified aims*
- *Encourage the efficient use of parking facilities in Central Perth*

City of Perth, 1996.

Competition Issues

In the application of National Competition Policy, particularly competitive neutrality principles to off-street car parking services, there are two major issues. They are:

1. The impact on the price of parking of the application of competitive neutrality principles and the predicted consequent effect on parking utilisation
2. The impact of government agencies applying competition principles on other spheres of government (in this case local government).

Application of Competitive Neutrality Principles

A review of the parking service's competitive neutrality status found that some leased parking facilities are leased at substantially below market rate.

It was also found that the City enjoyed the following competitive advantages:

- exemption from sales tax
- exemption from payroll tax
- exemption from state government taxes and charges

The City does not require its business units to achieve a required rate of return on assets owned.

Furthermore, the city's ability to restrict competition through the setting of limits on the number and kind of bays also clearly provides a potential competitive advantage if the City chose to exercise that discretion in favour of the in house provider.

The City's competitive disadvantages include:

- requirement to provide a service in a complex multiple policy environment
- high level of accountability due to various legislative requirements
- high level of Ministerial and public scrutiny
- requirement to comply with local government tendering regulations
- governance responsibilities and accountabilities
- restriction on the use of the Parking Fund until 1999 (as a consequence of *the City of Perth Restructuring Act 1993*)
- community service obligations - particularly the provision of parking facilities for special events, parades, schools etc.
- discounting in parking pricing to encourage car pooling
- requirement to provide assistance to police during major City events

The review's recommendation was for the implementation of full cost pricing effective as of 1 July 1998. In very broad terms this would equate to an increase in parking fees across the board of approximately one third.

The City has five options in deciding how it wishes to handle this issue. They are:

1. Implement full cost pricing effect as of 1 July 1998
2. Implement full cost pricing phased in over 2-3 years
3. Apply notional full cost pricing to the cost of parking
4. Decline to apply full cost pricing on the grounds that to do so would damage the public interest.
5. Address specific competitive advantages in the off-street car parking budget.

Inter-governmental impacts

Both the state government and the City of Perth are required to implement competitive neutrality principles in accordance with National Competition Policy legislation. From a broader perspective, it is also clear that both spheres of government are increasingly adopting a commercial orientation to the management of public services meaning that they are making decisions in light of what is in their perceived commercial interest. In part this is mandated by the agreement to implement competition reforms and the inclusion of government agencies under the Trade Practices Act.

This change in policy has been demonstrated in the decision-making affecting the leases of land owned by state government agencies to the City of Perth for the provision of parking facilities.

The state government, in various forms, leases land currently used to provide parking facilities. These facilities provide 22.03% (2419) of the City's car bays and 22.21% of the City's parking related revenue. Of the eleven parking facilities leased from the state government, two are leased on a peppercorn rental, two were on a similar relationship until last year and the remaining seven are leased at a commercially comparable rate.

It would seem at least, at first glance, quite reasonable that these state owned agencies should put the leases of this land to open and competitive tender with a view to accepting the highest bid. Private providers have put considerable pressure on state agencies to open the leasing arrangement to competition with the private sector.

While in principle, it would seem that there is considerable merit on the grounds of generating a greater return on assets owned by the state government and the prospect of increased competition between providers, it should be remembered that the parking market within the central Perth area is relatively immature. In effect, a duopoly currently exists with the City of Perth and Wilson Parking being the dominant players. There is only one other public parking provider and it only runs two out of the twenty one privately run parking facilities.

There are a number of potential scenarios.

1. The duopoly in its current shape could continue.
2. The duopoly could be split more evenly.
3. Wilson Parking could gain a significantly greater market share.
4. Other providers might be attracted from the Eastern States leading to a significantly increased diversity of provider in Perth.

At this stage, it appears that scenarios two or three are the most likely. This is based on the logistical difficulties and costs associated with a non-Western Australian company seeking to break into the market in Perth and the reality that Wilson Parking is the only substantial local competitor.

At this point, it seems obvious to ask why either of those scenarios would be undesirable. Firstly, a more equal sharing of the current parking market does nothing to increase competition - it simply provides one competitor with an improved capacity to generate profit.

Secondly, it would create a policy dilemma in trying to address environmental and road congestion difficulties. Private parking operators are unlikely to support initiatives which would see parking utilisation drop. The state government is committed to developing strategies which will see fewer private vehicles within the central area. The state government could certainly regulate to manage this situation but again the expressed intention of National Competition Policy is that legislation that restricts competition should be only used as a last resort.

While there would certainly be a financial impact if the City were to lose parking facilities currently leased from state agencies to the private sector, the more significant impact lies in the difficulty it would create in managing the complex web of public policy such as environmental, public transport, access and amenity issues surrounding the provision of public parking facilities.

Balancing the externalities

If the City takes a purist position on the application of competitive neutrality principles, it must decide to apply full cost pricing. However, if it seeks to balance this decision with considerations of the broader public benefit, the decision becomes much more difficult.

The role of parking in the inner urban areas, particularly central business districts is complex. Parking facilities are required in order to ensure that people wishing to use commercial, retail, entertainment, cultural, hospitality and sporting facilities are able to do so. The commercial viability of the central business district is in part dependent on its accessibility.

A number of studies, especially those focusing on large cities in the United States of America and Europe, point to the ongoing dilemma of the impact of private vehicles in congested areas on the environment and general amenity (Downs: 1993, Willson: 1995). Other studies have pointed to the importance of parking on the local economy, including the impact of the parking provisions of large suburban shopping malls on central area economic viability (Jacobsen:1994). Further studies on urban decline in the United States (Tuburgen: 1992) have pointed to the importance of a diverse inner city economy as necessary for sustainable urban renewal.

At the same time, the need to minimise the harm generated from vehicle related air pollution has equal claim on policy makers' attention. The City's general amenity is also clearly related to both air quality and the extent to which the city is people or vehicle friendly.

The policy dilemma is this - how do policy makers do their best to protect and enhance the City's economic well-being while at the same time improving air quality and general amenity by reducing the number of vehicles using the city in one of the most car dependent cities in the world? At the same time, one of Perth's greatest attractions is its feeling of space and cleanliness - both of which are under threat from an increasing number of cars.

Environmental concerns

Perth's urban sprawl and consequent dependence on passenger vehicles creates severe problems including rising air pollution, increased road congestion and associated costs with

road maintenance. Heavy vehicle usage also creates amenity problems when cars take precedence over pedestrians. Although traffic congestion and related problems are not extreme in comparison with many US and European cities, both the state government and the City of Perth are aware of the importance of taking steps now to minimise the harm that arises from heavy private vehicle usage.

From an environmental point of view, the level of vehicle congestion, particularly at peak periods, is a significant environmental and health risk. On a per capita basis, the Perth metropolitan area has a relatively high loading of pollutants when compared to Sydney or Melbourne (Select Committee on Air Quality:1997).

Photochemical smog is primarily caused by vehicles. The Perth Photochemical Study (Department of Environmental Protection:1996) found that Perth experiences photochemical smog levels which exceed national and internationally accepted levels (51% of ozone depletion attributed to vehicles). Part of the reason for this can be attributed to the City's being the hub for the metropolitan transport system as well as being the state's major commercial, political, retail, hospitality, cultural, tourist and recreational centre.

The City has actively sought to respond to this issue by working in conjunction with state government bodies such as the Department of Transport, Main Roads WA, and Bikewest to develop demand management strategies such as public transport, walking and cycling which will assist Perth in moving towards a more balanced transport system. In addition, the City is considering setting limits on the total number of tenant and public parking bays which it should allow in the city. These decisions are largely being implemented through the City Planning Scheme which is looking to consolidate employment nodes around public transport access, provide greater land use flexibility to accommodate mixed uses, relaxed residential parking standards to allow residential development without parking, provision of bicycle parking and associated facilities in new building developments.

The decision to encourage more inner city residential development within a network of residential precincts is a longer term strategy designed to reduce the number of vehicles entering or leaving the city at peak periods as well as creating a more vital and vibrant street atmosphere.

Similarly, the decision to jointly fund the operation of the Central Area Transit System (CATS) with the Department of Transport, has led to the deployment of low emission and accessible buses which provide a high frequency free passenger service throughout the central Perth area.

Other initiatives include the “Access to the City for People” strategy which aims to re-design traffic flows in the city to remove unnecessary traffic from some areas, create smoother traffic movements, improve public transport efficiency by creating bus priority lanes, widen footpaths and improve streetscapes.

Car pooling, one of the more common strategies used to decrease the number of vehicles, has, however, not been found to be a great success. A study commissioned by the City of Perth in 1994 found that for Perth car pooling could only be characterised as a moderate success because traffic congestion is not bad enough, and petrol and parking prices not high enough to discourage people sufficiently from using their own individual private vehicles.

Similarly, the cost of parking compared with the cost of public transport and its associated inconvenience does little to encourage a shift to either public transport or other methods of travel.

Looking purely at the air quality issue, it seems logical for the state government in conjunction with the City of Perth to take steps to improve the attractiveness of public transport while simultaneously increasing parking prices and possibly decreasing parking availability. However, while it is possible for the City to increase prices and decrease parking space availability over quite a short time frame, it is a virtually impossible task to improve public transport sufficiently over the same time frame to shift drivers of private vehicles to other modes of transport without risking a reduction in the number of people using the city for business, commercial and other reasons.

On the other hand, the need to improve air quality is urgent if Perth is not to experience the health and environmental problems of some other cities such as Los Angeles.

Economic Impact

The City of Perth has developed, indirectly and largely unconsciously, a policy hierarchy demonstrating the extent to which commercial considerations are considered alongside other policy priorities. The current policy emphasises the importance of operationalising the parking policy in such a way as to ensure the commercial viability of the central area. The proposed policy speaks about promoting a “balanced transport system for gaining access to central Perth to ensure that the city is accessible and that the amenity of the city is enhanced and the cultural , economic, and environmental objectives for central Perth achieved”. The proposed policy goes on to list specific objectives including improving air quality, providing for the rights and needs of all central area users and supporting the investment value of city properties.

- Industry profile of the Central Business District

The following table shows the percentage of office/business floor space and employment activity within the inner city by industry.

Table 2

Industry	Floor Space	Employment
Health*	17%	16%
Professional	16%	18%
Banking	14%	16%
Legal	11%	10%
Government	10%	10%
Insurance	8%	9%
Finance/Investment	5%	5%
Hire Services	4%	3%
Real Estate	3%	3%
Travel	2%	2%
Employment services	2%	1%
Other	7%	5%

City of Perth, 1998

* includes Royal Perth Hospital, Royal Perth Dental Hospital and the Mount Private Hospital

Many of these industry sectors are becoming increasingly mobile, basing themselves in non-inner city locations. Telecommuting, hot-desking and other innovations are reducing the need for inner city office space.

- Retail Activity

The city retail industry sector is based on a mixture of spending generated by office workers and by other visitors to the city. The retail sector is extremely sensitive to any changes in the spending behaviour of either one or both of these two groups.

Inner city retailers see parking as a major issue in their attempt to win a greater share of the market from shopping centre retailers. A City of Perth study commissioned in 1990 (The Marketing Centre) on customer attitudes and usage of parking within the city found that the majority of city visitors are apathetic at best or ambivalent about the city believing that although the city has the best variety of shops in Perth, parking is a “real hassle”. The study found that 52.8% of respondents said they shopped in the Perth city centre at least once a month with 21.8% saying they used city at least once or twice a week. Forty percent (40%) claimed that they either never visited the city centre for business or work or did so less often than once a year. 35.9% of the sample used the city centre at least once a month for business or work purposes. Only 4.2% of visitors said they never went into the Perth city centre for entertainment with the majority of the sample claiming they used the centre for entertainment at least once a month (53%). One in five users, visit at least once or twice a week.

In the same study, 18.8% of those surveyed said that the cost of parking sometimes caused them to go somewhere other than the city to do their shopping. 12.8 % believed that there was insufficient parking and a further 12% believed that it was too expensive. 35.8% believed that more parking is necessary to meet demand. On the other hand, the distribution of parking facilities is regarded well and provides considerable convenience.

More recently, a City of Perth study of shopper behaviour over the 1997 Christmas period (the peak retail period) showed that 71% of all shoppers used public parking facilities staying an average of 3.3 hour (The Marketing Centre, 1998). Retail expenditure for this period was

estimated at \$97.3 million. Other studies examining shopping on Sundays have shown a similar percentage of shoppers (77%) driving into the city.

- **Public Events**

The City hosts a large number of major public events annually including Festival of Perth events, Rally Australia, Australia Day Skyworks, Anzac Day commemoration, Christmas Pageant, Gay and Lesbian Pride March, triathlons, fun runs, AFL matches, trotting at Gloucester Park, cricket at the WACA, and Wildcat matches at the Entertainment Centre. Parking is an essential component of ensuring that these events run smoothly. Any major difficulty in accessing the city centre would lead to a decrease in attendance numbers and consequently a decline in city usage. Although not all events generate revenue for the city or its constituents, they help create an ambiance of a living city and help dispel images of the city as a problem crime area. They also genuinely assist in decreasing some anti-social behaviour such as graffiti and vandalism.

The Dilemma

The dilemma is that the parking policy objectives are not mutually compatible. Decreasing the number of vehicles entering the central area is a vital objective from an environmental point of view but unless this is balanced by strategies which ensure that the same or a similar number of people continue to use the central business district, such a strategy fails the objective of ensuring that the City's economic objectives are met. While the policy speaks of "balance", the reality is that we are speaking about trade-offs - a degree of environmental pollution and road congestion in exchange for convenience and economic viability.

Conclusion

The irony is, that the application of National Competition Principles could well enable one of the objectives of the current parking policy - the reduction in vehicle related pollution. It is unlikely, however, to achieve the objectives of National Competition Policy itself.

The application of competitive neutrality principles through full cost pricing is likely to reduce demand for parking and is predicted to reduce the number of people using the city for

shopping, business and entertainment purposes. At this stage, the City of Perth does not believe that the public transport system is sufficiently convenient, frequent or priced in such a way as to adequately motivate people who previously drove into the city to shift to the train or bus.

While it may be good for the environment that fewer vehicles enter or circulate through the city centre, the city's economy is likely to suffer. Any significant reduction in the number of people using the city over a 24 hour, 7 day a week basis will both act to reduce retail, hospitality and entertainment activity and may increase anti-social behaviour.

It is most unlikely that the application of competitive neutrality principle through full cost pricing will either increase the level of competition between the City of Perth and other private providers, or increase the quality of the service. It is undeniable, on the other hand, that prices will increase.

Any move to go the next step and tender out public parking facilities will face the same policy dilemmas - an immature market, complex and contradictory policy objectives and an inadequate definition of the concept of public benefit.

It is this last point which is probably the most difficult to define and the most important to attempt. The ideology of competition is based on the belief that the competition should be encouraged, primarily through reducing regulation, restriction and any public organisation's inherent advantages on the grounds that this will benefit the public.

At first glance, the provision of public parking appears to have plenty of potential for increased benefits to the public perhaps by way of increased parking availability and lower parking costs if competition between public and private providers is encouraged. However, this can only be the case in the absence of other policy objectives and interventions to limit parking places. Such an approach, however, takes a narrow view of public benefit and ignores both the environmental and economic consequences of changing the balance in parking services. It is vital that in implementing National Competition Policy it is remembered that competition is not the only end of public policy. These decisions cannot be isolated from their social, economic, cultural, environmental and political contexts.

This analysis of the practical implications of the implementation of National Competition Policy on a seemingly unambiguous government business reinforces Ormerod's contention that the current economic practice is little more than ideology masking as science (1996).

Adam Smith argued that free markets would deliver benefits to all. The competitive general equilibrium model which arose out of his early work has very largely influenced the evolution of economy ideologies and government policies such as National Competition Policy. What these policies have failed to realise is that Smith also spoke of the importance of an institutional framework and a set of moral values in which free markets should operate. Present advocates of competition ideology propose that its implementation is simply a matter of common sense, but pay little attention to the value laden assumptions underpinning their proposition.

It would appear that many Australian governments have taken up the cause of increased competition with great alacrity. It remains to be seen whether it will deliver the expected benefits.

References

- City of Perth (1987) *Central Area Parking Policy*. Perth: City of Perth.
- (1996) *Draft Central Area Parking Policy*. Unapproved. Perth: City of Perth.
- (1998) *City Vitality*. Issue No 2. Perth: City of Perth.
- Cousins, D., (1996) "Achieving a Better Balance Between Competition and Regulation." *Growth 44: Implementing the Hilmer Competition Reforms*. Melbourne:CEDA, 9-31.
- Department of Environmental Protection (1996) *Perth Photochemical Smog Study*. Perth: State Government Printer.
- Department of Local Government and WA Municipal Association (1996) *Local Government Clause 7 Competition Policy Statement*. Perth: Government of Western Australia.
- Downs, A., (1993) "All Jammed Up". *Across the Board*, Jan/Feb, vol 3, no 1, 41-44.
- House of Representatives Committee on Financial Institutions and Public Administration (1997) *Cultivating Competition: Report of the Inquiry into Aspects of the National Competition Policy Reform Package*. Canberra: Australian Government Publishing Service.
- Indec Consulting, (1997) *Competitive Neutrality Review of City of Perth Car Parking*. Perth: Competition Policy Unit, WA Treasury.
- Jacobsen, L., (1994) "Ye Olde Superstores", *Planning*. Sep, vol 60, no 9, 16-18.
- Lawrence, C., (1996) *The Failure of Markets*. Unpublished.
- Marsh, I., (1996) "Introduction." *Growth 44: Implementing the Hilmer Competition Reforms*. Melbourne:CEDA,1-8.
- Ormerod, P. (1994) *The Death of Economics*. London: Faber.
- Parliamentary Research Service (1994) *National Competition Policy: Overview and Assessment*. Research Paper No. 1. Canberra: Parliament of the Commonwealth of Australia.
- Select Committee on Perth's Air Quality, (1997), *Discussion Paper 3: Vehicle Emissions*. Perth: Legislative Assembly of Western Australia.
- The Marketing Centre (1990) *An Evaluation of Customer Usage of, and Attitudes Towards, Car Parking in Perth*. Perth: The Marketing Centre.
- (1998) *Economic Impact of the City of Perth's Christmas Campaign*. Perth: The Marketing Centre.
- Quiggan, J., (1996) "The Hilmer Reforms: Issues, Benefits and Proposed Next Steps." *Growth 44: Implementing the Hilmer Competition Reforms*. Melbourne:CEDA, 32-48.

Turburgen, N.R. (1992) "City Hall's Parking Garage Helps Downtown Business", *Government Finance Review*. February, vol 8, no 1, 27-28.

Willson, R.W., (1995) "Suburban Parking Requirements", *Journal of the American Planning Association*. Winter, vol 61, no 1, 29-42.

Other Titles in the Graduate School of Business Working Paper Series

- 94.01 Nowak, M and Whiteley, A, New Strategies to Develop 'Real' Engagement by Students with the Learning of the Knowledge and Skills Required for International Competitiveness.
- 95.01 Travaglione, T, Pinto, D and Cacioppe, R, Employee Share Plans: Recent Industrial Relations and Taxation Developments.
- 95.02 Whiteley, A, Levantard, M and Anderson, P, Critical Thinking/Questioning Skills a Meta-Model for Cognitive Development in Management Education.
- 95.03 Cacioppe, R and Bedford, R, Evaluation of a Participative Change Program Over Two Years.
- 95.04 Travaglione, T and Williams, P, The Move to Individualism by The Western Australian Education Department.
- 95.05 Firms, I, Travaglione, A, and Fink, S, Employee Commitment in Westrail.
- 95.06 Clifford, P and Evans, R, Corporate Governance: A Question of Independence
- 95.07 Silcox, S, Cacioppe, R and Soutar, G, Quality Sub-Cultures and Their Influence on Change Interventions
- 96.01 Whiteley, A, McCabe, M, and Savery, L. Preliminary Findings on Waterside Workers' Responses to the role of Unions following the 1991 Enterprise Based Agreement.
- 96.02 Whiteley, A, McCabe, M, and Savery, L. Human Resources on the Waterfront: Managing History
- 96.03 Whiteley, A. Report on a preliminary investigation into the need and support for a (tentatively named) director's development centre
- 97.01 Whiteley, A, McCabe, M, and Savery, L. Trust and Communication Development Needs: An Australian Waterfront Study
- 97.03 Cacioppe, R. An Integrated Model and Approach for the Design of Effective Leadership Development Programs
- 97.04 McCabe, M. & Nowak, M. The Impact of Baby Boomers' Longevity: Are There Implications for Boards of Directors
- 98.01 Whiteley, A., McCabe, M., Buoy, L., Howie, F., Klass, D., Latham, J., Bickley, M. & Luckeenarain, L. Planning the Qualitative Research Interview.
- 98.02 Nowak, M. J. The Role of Information in Internal Labour Markets.

For further information on this discussion paper series please contact:

Mr Des Klass, Lecturer
Graduate School of Business, Curtin Business School
Curtin University of Technology
GPO Box U1987, Perth, Western Australia 6001

Fax: 61 8 9266 3368 Telephone: 61 8 9266 7057