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Innovative Financing for Transport Schemes:
A European reference resource

Briefing Paper 4
Employer Levies -
Workplace Parking Levies
September 2015


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Sustainable transport for North-West Europe's periphery

Sintropher is a five-year €23m transnational cooperation project with the aim of enhancing local and regional transport provision to, from and withing five peripheral regions in North-West Europe.

INTERREG IVB

Investing in Opportunities

This project has received European Regional Development Funding through INTERREG IV B.

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INTERREG IVB

INTERREG IVB North-West Europe is a financial instrument of the European Union's Cohesion Policy. It funds projects which support transnational cooperation.

Working in association with the POLIS European transport network, who are kindly hosting these briefing papers on their website.

Report produced by University College London

Lead Partner of Sintropher project

Authors: Charles King, Giacomo Vecia, Imogen Thompson, Bartlett School of Planning, University College London. The paper reflects the views of the authors and should not be taken to be the formal view of UCL or Sintropher project.

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Background

This briefing paper is one of a series that together comprise a European reference resource for innovative approaches to financing transport schemes (capital costs) with particular reference to light rail and tram-based schemes in cities and regions. The approaches are also relevant to capital financing of transport schemes generally.

The resource is one of the Investments undertaken for the Sintropher project funded under the INTERREG IVB North West Europe Programme for transnational co-operation. The overall aim of Sintropher project is to develop sustainable, cost-effective solutions to improve connectivity to, from and within poorly connected regions in North-West Europe - to use innovative transport links to connect peripheral regions of NWE with the core European transport network of high-speed trains, via effective interchange hubs.

There has been a particular focus on tram-train systems which allow local trams to run on to national rail networks, pioneered in Germany, firstly in Karlsruhe and developed in Kassel, which allow urban tram systems to extend over national rail tracks to serve extensive city regions. The project has also looked at other innovative forms of tram systems such as single-track tramways, as well as high-quality transport interchanges that link such systems to major national or transnational rail or air hubs.

The project began in late 2009, with fourteen partner agencies in five EU Member States, and lead partner University College London (UCL): Valenciennes (France); the Fylde Coast (UK); West Flanders (Belgium); North Hesse (Germany); and Arnhem-Nijmegen (Netherlands).Participants included public transport operators, local authorities, regional transport agencies, and universities.

They have worked together on a series of feasibility evaluations, pilot investments and demonstration projects, as well as comparative analyses of EU best practice. The total budget is more than €23m, with funding part-financed by the EU's INTERREG IVB Programme.

A €1.5m project extension in 2014, covers follow-on work to capitalise on results from the initial project, and added a fifth objective: to test technologies for low cost transport links in different territorial contexts, plus integrated territorial corridor plans that help these links unlock wider economic and regeneration benefits; and better recognise these in business cases. This included two new partners (total now 16) and two extra demonstration regions (total now 7) in West Flanders Brugge-Zeebrugge (Belgium) and Saar-Moselle (a cross-border region France-Germany).

Innovative financing for transport schemes - increasingly important

Results in the European demonstration regions, plus topics at Sintropher Conferences and Workshops indicate that new tram-based or tram-train proposals are usually technically feasible and can often offer a reasonably positive investment case - especially if the case goes wider than conventional cost-benefit analysis (CBA) to include realisation of territorial objectives and benefits, such as economic growth and social opportunities.

But implementation can be impeded by lack of available funding due to cuts in public expenditure following the European economic crisis of 2008 and subsequent recovery efforts by national governments. Regions that are weaker in population or economic terms have even more difficulty in justifying an investment case in terms of public expenditure, so innovative financing is of growing importance - and much can be learned from approaches in different European countries.

Workplace Parking Levy

A Workplace Parking Levy is viewed by many as a tax on parking. More accurately, it is a licensing scheme that charges the occupier of premises or employer for the provision of workplace parking places. The cost may be passed on to the employee but it is left to the local traffic authority to determine who must apply for a license and the appropriate sum per parking place.

The purpose of workplace parking levies is to develop a revenue stream from measures that curb traffic demand and encourage modal shift. As per the UK Transport Act 2000, the revenue from WPLs must be used for investment in local transport.

In the UK, the Department for Transport is offering significant grant funding to local authorities that develop charging proposals from its Transport Innovation Fund. Despite this incentive few authorities have developed schemes for fear of a political backlash. Debates surrounding the promoted modal shift have occurred, with car lobbyists concerned about forcing drivers out of their cars and paying an unwanted tax if the public transport system is not advanced enough to provide a viable alternative.

Financial Mechanism

Workplace Parking Levies ('WPL') charges businesses and workplaces through parking provision fees, in order to curb vehicle usage when getting to work, and promoting a modal shift from the personal vehicle. Workplace Parking Levies ('WPLs') require all workplace parking spaces to be registered and pay a fee for providing parking spaces. Generally, there is a set minimum of parking spaces that can be provided by a business without charge, in order to exclude small businesses from the levy. Once the number of parking spaces exceeds the threshold set by the local transport authority, the business is eligible for WPL sanctions.

All workplace parking spaces within the WPL district boundaries must be registered. A set levy per annum per workplace parking space is charged. Workplaces are usually charged directly (although the applications for WPL may vary depending on local authority regulations); however, the fee can be passed to employees.

Penalties for 'exceeding' the number of declared parking spaces are used to curb any unregistered parking provisions. This also translates directly to the company, and does not allow for this surcharge to be passed on to the employee.

Predictability and Stability

The predictability of WPL is relatively stable, depending largely on the amount of parking that workplaces supply. In particular, municipalities with a history of car-oriented travel behaviour would be excellent targets, as this would mean greater quantities of parking spaces at workplaces and thus greater ability to gain funds and affect modal change. With a set charge per unit per year, funding amounts are easily calculated.

WPL is a stable funding option that provides a predictable amount of financing on a yearly basis. It is important to note that, if allowed, workplaces may unload their parking capacity in order to avoid high levies.

Attractiveness

- Source of new additional revenue for transport funding
- Far simpler to understand, implement, and run than a congestion charging scheme
- Encourages reduced traffic levels and congestion
- Encourages modal shift in the working commuter
- Targets companies that benefit from improved transport connectivity in their region

Risks

- Potentially discourages new businesses from locating in cities that enforce WPL (versus other nearby cities that do not have the scheme)
- Implementation and compliance cost for companies
- Adverse impact on less well-off employees who have to pay
- If reduction in workplace parking occurs opportunistic parking may become a problem in nearby residential areas
- Risk that other central government grant to local authorities which have implemented charging will be cut by amount raised through charges (substitution)
- Companies pass on costs to customers (inflationary)
- Inflexible and does not manage / charge road space in real time

Track Record

Political will and public opinion play a strong role in the acceptance of this funding method, especially in regions that are historically centred on vehicle usage. Melbourne, Perth and Sydney, Australia all impose levies on city centre non-residential parking spaces to encourage use of alternative modes and fund transport facilities and services (with small businesses exempted). Despite initial negative reactions, the charges were successfully rolled out and public opinion has improved as vehicle users have declined in favour of public transport during work hours. Elsewhere, political will has been the primary cause of rejection of this mechanism: Vancouver's TransLink implemented a parking levy in 2006, but this was subsequently rejected by the provincial government, and has not been re-implemented since, despite high municipal government interest.

Workplace Parking Levy Case Study: Nottingham, UK

Financial Specifications

Amount(s)

£350 per annum per parking space

Targeted Groups

Employers/companies/employees

Timeline

Implemented in 2012

Tandem Financing Methods Needed

Yes

Line/Project	Status	Costs	Alternative Finances Needed In Tandem	Timeline	Ridership
NET Phase Two	Proposal	£570 million	Government – 66% Nottingham City Council (WPL) – 34%	Late 2014	Phase One: 9.7 million in 2005
Redevelopment of Nottingham Railway Station	Proposal	£67 million	Yes	Completed along with NET Phase Two	N/A
Link bus network	Ongoing	Variable	Yes	Ongoing	

Why the mechanism was chosen in Nottingham

- To help fund new transit initiatives and supplement operational financing of existing bus line
- To encourage modal shift and decrease emissions from work force commuting

Financial Specifications

All workplace parking spaces within the Nottingham City Council boundary must be registered under the WPL scheme. A levy of £253 p.a. per workplace parking space was implemented in 2012 – this has risen to around £350 p.a. by 2015.

The scheme required all workplace parking spaces to be registered from October 2011, but only car parks with more than 10 spaces will be required to pay the levy. There will be heavy penalties for exceeding the number of declared parking spaces, and will be enforced by random checks. If an employer is found to have understated the number of parking spaces, 50% of the annual charge per day per extra space will be levied. Employers are encouraged to pay the WPL charge themselves, instead of passing it on to their employees. However, there is no bylaw or regulation that states that the employee is exempt from paying if the employer so chooses.

Benefits

- Encourages reduced vehicle usage while driving to work, in favour of public transport
- Provides increased funding to support existing public transport
- Provides increased funding to implement new public transport schemes

Drawbacks

- Business perspectives are negative as it costs them money
- Employers will reduce parking spaces in order to reduce levy charges
- Instead of modal shift, employees will park off-site and continue to drive

Assessment

Workplace Parking Levies are good schemes to provide additional funding for transport projects, while encouraging individuals to shift from cars to public transit during work-time commutes. While not a sole financing mechanism, they provide a yearly chunk of public capital to fund public transport improvements and upgrades. WPL also acts as a slight deterrent to drivers who commute to and from work, especially if the employer can pass the charges onto employees who use vehicles. It is difficult, however, to say that WPL will have a marked effect on the decrease of car usage in workplace commuting, because workers may choose to park off-site instead. This is also a critical drawback of the scheme, as employers may get rid of their parking spaces to save on costs, and employees will park in off-site locations such as non-levied residential parking areas. This should be taken into account when considering implementing such a scheme.

Success of Financial Mechanism

It is important to note that this scheme works effectively as a deterrent for drivers, but that the consequent shift of drivers to public transport may add additional operating costs and upkeep to the system. Thus, the success of WPL tends to be amplified by the strength of the existing public transport system in the region, as well as the comprehensive plans for future public transport schemes. Nottingham has provided this comprehensive plan, and already has public transport as a popular means of commuting, so despite the initial dislike of the scheme WPL has been relatively accepted.

Public Perception

The interplay between employers and employees is an important criticism of this financial mechanism. If the cost of the parking levy is transferred onto the employee, then businesses are being provided with increased infrastructure efficiency without actually contributing directly to it. Ways to avoid this are to regulate how a company pays, create bylaws that protect employees from any unfair transference of levies, and to foster an understanding of the benefits that a company/business would gain from the planned public transport improvements.

Future Prospects and Transnational Relevance

- Able to be implemented wherever workplace parking exists, making it a versatile and practical mechanism
- Useful funding mechanism in locations that currently have larger car ridership, versus smaller European communities with strong cycling/public transport systems
- In regions where car dependence is wide-spread, it is important for government to be involved and supportive, and to keep in mind the greater benefits and funding potential of the scheme when conducting public consultations
- A strong public transport system is needed in tandem with the mechanism, in order to ensure that the increased ridership can be handled

Workplace parking levies have been implemented in predominantly vehicle-oriented regions, which has played a role in their success as both a funding mechanism and as a deterrent for vehicle use. Melbourne, Perth, and Sydney (Australia) have a history of high car usage: having imposed levies on non-residential parking spaces within the city centre, the cities have seen an increase in the use of alternative modes of transport. Furthermore, these areas have experienced better quality public transport services and infrastructure from the funding they have received. This is, in part, due to the large quantity of drivers, which has allowed larger revenue to be collected from the scheme.

Transnational relevance: Europe-wide

Funding of major trasnport schemes is an issue faced by many cities and regions across the North West Europe Programme area and indeed more widely across Europe. Traditionally, in most countries tram-based links have been financed by public funding from national or regional government authorities, sourced from either taxation or borrowing or a combination. (In regimes where there is a national or regional transport infrastructure authority, operating profits may also assist).

But as with Sintropher partners, implementation of such schemes is facing a lack of available funding due to cuts in public expenditure following the European ecomic crisis of 2008 and subsequent efforts by national (or regional/city) governments, to recover. So innovative financing is of growing importance, and much can be learned from approaches in different European countries.

The financing approaches and city/region case examples on the reference resource are context-specific and reflect:

- the geographical context: the physical scale of the scheme and scale of capital cost. Obviously a major scheme with high capital cost of, say, €50m + may be beyond the resources of a single city or regional authority, and require a national contribution in a “cocktail” approach. The investment case will usually be stronger in a major dense metropolitan area than smaller regions with lower population and (possibly) lower or weaker economic activity.
- the organisational context: which level of government and/or relevant transport authority or agency is the primary initiator of the scheme - national, regional, or city - will influence the financing opportunities and options available.
- the legal context: the nature and extent of the powers and responsibilities of the initiating authority, and the processes/procedures, to actually pursue any of the financing approaches.
- But even though the various approaches and case examples are context-specific, their transnational relevance is strong:
- the approaches offer a stimulus and possibilities for wider thinking by cities and regions in other European countries, about how to assemble capital financing for transport schemes,
- in all countries, the reality of capital finance for transport infrastructure means that a “cocktail” approach is often the most practical way forward - and the approach of mixed public-private sector finance is an increasingly pragmatic basis
- some or all of the various approaches might be potentially adaptable within the particular organisational and governance regime of another country, using similar powers or processes
- the approaches offer possibilities for lobbying by city and regional authorities, in order to secure from national government the powers and competences to utilise new approaches (as has happened in the UK - for example local authorities have in recent years acquired powers to implement tax increment financing (TIF) although subject to safeguards over risk and borrowing; similarly, powers to enact a community infrastructure levy (CIL) on developments in their area, subject to local consultations and examination of viability and fairness for private developers.

The reference resource should be seen from this perspective, as a means to promote knowledge transfer and learning across different NWE countries and regions.

Further information

This paper was produced by UCL Bartlett School of Planning (Sintropher team members Charles King, Giacomo Vecia, Imogen Thompson) using desk research and expert comment. The paper reflects the views of the authors and should not be taken to be the formal view of UCL or Sintropher project.

The European reference resource can be accessed on the following:

Sintropher project website

http://www.sintropher.eu/publications

POLIS website

http://www.polisnetwork.eu/sintropher or http://www.polisnetwork.eu/res/resources

Contact details:

Mr. Colin Osborne
Project Manager
Tel: 0044 (0) 203 108 9544
Mob: 0044 (0) 7796 258078
colin.osborne@ucl.ac.uk

Dr. Robin Hickman
Project Director/Reader in Transport & City Planning
Tel: 0044 (0) 203 108 9531
Mob: 0044 (0) 7720 548849
r.hickman@ucl.ac.uk

University College London
Bartlett School of Planning
Central House, 5th Floor
14 Upper Woburn Place
London WC1H 0NN

Partners

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5.2
Nr 4 Wolthagen

Sintropher

University College London

22 Gordon Street

London WC1H 0QB

United Kingdom

www.sintropher.eu