

2. ONE-HOUR FREE PARKING TRIAL

Officer responsible
Parking Operations Manager

Authors
Maurice Smith and Dave Hinman

The purpose of this report is to provide the Council with an overview of the results of the first five months of the *one hour free parking* trial at the Lichfield Street, Farmers and Crossing car parks.

CONTEXT

During the development and adoption of the 2001/02 Annual Plan, funding provision of \$180,000 was made in the Parking Unit's budget for an eleven-month trial under which the first hour of parking would be provided free of charge at the Lichfield Street, Farmers and Crossing car parks. The policy direction underlying this initiative is support for the Council's central city revitalisation goals. The trial started on 1 August 2001 and is due to conclude on 30 June 2002.

RESULTS YEAR TO DATE

(a) Utilisation Trends

Based upon comparative figures for the period 1 August to 31 December 2001 and the corresponding period in 2000, the total number of vehicles utilising Council car parks increased from 487,656 to 594,637, giving a net gain of 106,981 vehicles, or a 22% increase.

The Farmers and Crossing car parks account for some 97.5% (104,309 vehicles) of this increase in utilisation/visitation, the actual net increase being 36,452 vehicles and 67,857 vehicles respectively. It should, however, be noted that the Crossing car park was not fully operational until the end of November 2000 and only 11,517 vehicles used it during the period upon which the comparative figures are based. Over the same period Lichfield Street recorded a modest 3.5% increase in utilisation, or 5,920 vehicles (refer Table 1).

Table 1.	Vehicle numbers		Net Increase
	(01)	(00)	
Farmers	141,601	105,149	36,452
Crossing	79,374	11,517	67,857
Lichfield St	177,604	171,684	5,920
Other Council C/Ps	<u>196,058</u>	<u>199,306</u>	- 3,248
	594,637	487,656	+ 106,981

The increases outlined above for the Farmers and Crossing car parks translate into increased average and peak occupancy levels at these car parks. Average (ie: over the facility's total operating hours) occupancy increased to 41% at the Farmers versus 23% in 2000 and to 44% at the Crossing versus under 10% in the corresponding 2000 period. Peak (ie: between 10.30am and 2.30pm Mon-Fri) occupancy increased to 87% (49% for 00) and 65% (23% for 00) respectively. This in turn has led to the combined occupancy of all Council car parks rising to 51% average and 83% peak, as against 49% and 77% for the corresponding period in 2000 (refer table 2 below).

Table 2.	Average occupancy	Peak occupancy
Farmers	41% (01) vs 23% (00)	87% (01) vs 49% (00)
Crossing	44% (01) vs under 10% (00)	65% (01) vs 23% (00)
Other car parks	51% (01) vs 49% (00)	83% (01) vs 77% (00)

While growth in the utilisation of the Farmers car park in particular has shown a steady upward trend since the closure of the Sheraton car park (site of the new Art Gallery) in December 2000 as a result of transference from that car park to the Farmers, this trend steepened markedly soon after the commencement of the free parking initiative in August 2001. This tends to indicate that a significant part of the growth at this facility since August 2001 is attributable to this initiative. Likewise utilisation of the Crossing car park had been trending steadily upwards during the course of 2001 and this trend also markedly increased subsequent to the inception of the one hour free initiative.

Importantly this growth has been achieved with minimal impact on utilisation trends at other Council car parks. As such the greater part of this growth is presumed to be 'new' custom given there has been no significant shift between the facilities providing the first hour of parking free of charge and those that don't. This is confirmed by comparative utilisation figures of the Tuam Street, Manchester Street, Kilmore Street, Oxford Terrace and Hospital car parks of 199,306 vehicles from August to December 2000 versus 196,058 over the same period in 2001, a decrease of only 3,248 vehicles, or 1.6% (as per table 1.) This is encouraging in view of the fact the Council's primary aim in initiating the free parking trial was to provide an incentive to increase visitation to the central city in support of central city revitalisation.

However, not all of the overall utilisation increase can be categorised as 'new' custom as, based upon revenue comparisons, there appears to have been a minor (in the context of a five-month timeframe) shift from on-Street metered parks to parking buildings. Unfortunately, it is not possible to precisely quantify the extent of this shift in terms of actual vehicle numbers, however, revenue figures indicate a shift in the range of between 15,000 to 25,000 vehicles. While these vehicles can be said to be 'new' custom from the perspective of the Council's parking facilities, it is questionable whether they can be classed in the same manner from the point of view of increased central city visitation.

From the traffic management perspective the shift from on- to off-street parking is positive, given that it may to some unquantified degree have assisted in moderating both network and parking congestion, particularly during the pre-Christmas build-up. Moreover, encouraging a shift from parking on-street to parking facilities was one of the elements in the thinking behind the free parking trial.

Of the factors considered during the pre-implementation investigation of various aspects of the free parking initiative, was the question of what effect it might have on **parking duration**, ie the length of stay at the participating car parks. In terms of the potential cost of the initiative this factor was viewed as one of the most important, as any significant reduction in parking duration would adversely impact on the initiative's cost. From parking duration figures it now appears that a significant number of customers of the car parks concerned are parking for *shorter durations* than previously and staff are in the process of analysing this trend and building a model to identify the actual extent of the change. Due to the Christmas/New Year break this work had not been completed at the time of writing, therefore no figures relating to this aspect of utilisation are included in this report. It is, however, intended to have this information available by the date of the Council meeting for verbal reporting.

(Refer attachments 1 and 2 tabled: Utilisation & Revenue trends Aug-Dec 2001 vs the corresponding period in 2000, and growth trends since January 2000.)

(b) Financial

The \$180,000 budgeted cost of the initiative was split between the three participating car parks, with \$80,000 being costed against Lichfield Street and \$50,000 against both the Farmers and the Crossing.

While utilisation/visitation has increased at the three facilities during the course of the trial, revenue has not followed suit. As a consequence the **cost** of the free parking initiative has year to date **exceeded budget** by approximately **\$183,000**, with Lichfield St being behind its *budgeted* revenue target by \$74,000, Farmers by \$25,000 and the Crossing by \$84,000, as shown in *table 3*. below.

<i>Table 3.</i>	Budget	Actual	Variance	2000 Actual
Farmers	\$268,500	\$243,532	- \$24,968	\$241,036
Crossing	\$162,500	\$78,361	- \$84,139	\$23,103
Lichfield St	<u>\$410,000</u>	<u>\$335,481</u>	<u>- \$74,519</u>	<u>\$436,674</u>
	\$841,000	\$657,374	- \$183,626	\$700,813

Note: The Crossing was not fully operational until the end of November 2000.

Included in the package to fund the initiative was an increase in parking meter fees from \$1.40hr to \$1.60hr, a \$0.50c increase on early bird (day rate) parking at all Council car parks and the introduction of escalating charges at the three participating car parks. The structure of the escalating charges is:

- First hour of parking free
- \$1.20 hr for hours 2 and 3
- \$1.80hr for time parked beyond 3 hours.

The escalating charges are based on the assumption there would be minimal change in **parking duration**, especially within the range of one to four hours, the aim being to keep the cost of the initiative in line with the budget provision. However, as previously outlined the assumption of minimal change in parking duration seems to have been incorrect. This is unfortunate given that parking duration, along with overall utilisation, has a significant bearing on the financial performance of car parks, as shorter durations generally equate to lower returns per individual transaction, even without the compounding effect of the first hour being free of charge.

Officers consider that if, as seems to be the case, there has been a significant shift toward shorter parking durations at the three participating car parks, this of itself explains why revenue is behind both budget targets and 2000 comparative figures, despite a significant increase in utilisation.

In addition, as previously outlined under 3 (a) revenue trends indicate there has been a minor shift from on-street metered parks to parking buildings. This shift is estimated to have cost \$40,000 to \$50,000 in meter revenue that is unlikely to have been offset to any great extent via parking building fees, given the deficits posted.

Year to date the one-hour free parking trial has exceeded the budget provision by approximately \$230,000 (\$183,000 Off-Street and, say \$45,000 On-street), excluding the \$82,000 five-month portion of the \$180,000 budgeted cost. When this is factored in the true year to date cost is approximately \$312,000.

Extrapolating current trends the cost of the full eleven-month trial will exceed the budget provision by a figure in the range of \$400,000 to \$500,000, this cost being apportioned between the three participating car parks at \$350,000 to \$400,000, plus meter revenue of \$80,000 to \$100,000. To this should be added the budgeted cost of \$180,000 to arrive at an annual cost of \$600,000 plus (refer table 4).

<i>Table 4.</i>	Budget Provision (Aug – Dec 01)	Actual Cost (Aug – Dec 01)	Estimated Cost over budget (Aug 01 – June 02)
Off-Street Parking	\$180,000	\$183,000	\$350,000 - \$400,000
On-Street Parking	\$0	\$45,000	\$80,000 - \$100,000
	\$180,000	\$228,000	\$430,000 - \$500,000
Plus \$180k budget provision	<u>\$82,000</u> (x5 months)	<u>\$310,000</u>	<u>\$180,000 / \$180,000</u> <u>\$610,000 - \$680,000</u>

(Refer attachment 1 tabled: Utilisation and Revenue trends Aug-Dec 2001 vs the corresponding period in 2000.)

PROMOTION

The initiative has been promoted via radio and newspaper advertising, the distribution of leaflets by the Council and retailers, and signage at the participating car parks.

In December Janus Marketing carried out a market survey with the aim of gauging the effectiveness of the promotion by determining public perception of the initiative. Due to the small size of the survey group (58 people) the results cannot be interpreted with statistical validity and with the exception of a handful of the results the survey is largely inconclusive. Therefore further research to clearly ascertain public perception and motivations will be required before any definitive answers to the effectiveness, or otherwise of the initiative can be determined.

OPTIONS

In view of the increase in the cost over budget provision of the trial and the downstream financial issues resulting from this, it is considered the Committee and Council will need to consider options on the future of the initiative during the course of the six monthly financial review.

On the face of it there are realistically only limited options available, amongst these being:

- Continue the trial for the full eleven months and consider means of funding the budget shortfall during the six monthly review.
- Consider options to generate additional revenue to assist in offsetting the deficit. As an example, one option would be to terminate the current arrangement whereby parking is free of charge all day Sunday at Lichfield Street and the Crossing. Assuming this option was acted upon and came in to effect at the beginning of March, it is estimated it would result in revenue of approximately \$15,000 by year's end.
Note: More significantly this would also overcome the present anomaly that exists between North of the Square where parking at the Farmers car park is charged for on Sundays, and South of the Square where it is free. This is an issue for North of the Square retailers, who late last year sought the support of the Committee to rectify what they understandably see as an inequitable situation.
- Discontinue the trial.

CONCLUSIONS

Taken at face value, the 22% increase in the utilisation of Council car parks through August to December 2001 over the corresponding 2000 period would seem to indicate the Council's primary goals in initiating the one hour free parking trial, namely providing an incentive to stimulate increased visitation to the central city and by extension support for central city revitalisation, have been achieved.

On a cautionary note, other factors were also in play and may have exerted similar impact to the free hour of parking. Examples of these factors include:

- the current buoyancy of the local and rural economies as evidenced by, among other things, increased retail spending
- demand expanding to meet increased supply, eg the increased availability of parking since the opening of the Crossing car park
- additional/enhanced 'attractants' within the central city

Nonetheless, based upon the growth trends shown at the Farmers and Crossing car parks subsequent to the commencement of the trial, there is no doubt in officers' minds that the free hour's parking has been a significant contributing factor in the increase in utilisation. However, the fact there has been little impact on the performance of Council car parks not included in the trial does tend to indicate that a combination of factors, inclusive of the free hour's parking, are in all probability responsible for the increase.

Regardless of the answer to the above, the fact remains the cost of the first five months of the eleven-month trial has exceeded the budget provision by approximately \$230,000. Current trends indicate the end of trial cost will be in the range of \$400,000 to \$500,000 over-budget and consequently the Committee and Council will need to consider the downstream funding issues of this.

- Recommendation:**
1. That the trial be discontinued as at 31 March 2002 and that a new proposal to encourage people to shop in the central city be investigated for the 2002/03 Annual Plan.
 2. That the expected loss of \$250,000 over-budget be funded by way of the six-monthly review.
 3. That the free Sunday parking at Lichfield Street and the Crossing also be discontinued from 31 March 2002.