

May 2021

Report to

City of Perth

# City of Perth Parking: Strategic Business Plan

Plan period 2021-22 to 2025-26



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# CPP Strategic Business Plan Strategic Initiatives Summary



# Plan Overview and Strategic Initiatives Summary

# 1

## 1.1 CPP Strategic Business Plan Overview

The City of Perth Parking (CPP) Strategic Business Plan is summarised in the “Plan on Page”.

The CPP Strategic Business Plan has been guided by the information and insights gained through a structured program of consultation with employees at the City of Perth and the CPP business more specifically, and the City of Perth Council. This process has in turn been supported by a detailed financial assessment of the performance of the CPP business, which has included the development of a detailed financial model of the CPP and its individual car park assets.

In the development of this plan, ACIL Allen identified a number of critical operational and external market considerations that would impact on the business over the immediate and longer term. However, it was determined that this first Strategic Business Plan would need to focus initially on the critical internal operational challenges that have the potential to significantly impact on the financial health and sustainability of the CPP business. As such, this plan is specifically targeted towards three strategic initiatives of a four year planning horizon.

The Strategic Business Plan has established a clear purpose for the CPP, which is aligned to the City’s broader objectives, and will guide its management and performance over time. The CPP purpose statement has been approved by the City of Perth Council and the Executive Team as part of the development of the Strategic Business Plan.

***Deliver strong and sustainable surpluses to support the City of Perth in the delivery of infrastructure and services to its residents and businesses.***

To deliver on this purpose, the Strategic Business Plan is focussed on the twin priorities of optimising the business and better understanding the customer. To address these priorities, three core strategic initiatives have been developed:

### 1. Portfolio Review

Recent reform to the City of Perth’s financial framework has revealed the performance of the CPP’s parking properties is uneven, and reliant on a handful of large properties with ownership and / or land tenure risk. The City should review the CPP portfolio and develop options for future ownership and operating models.

### 2. Technology-focussed capital investment plan

The technology platforms of the CPP are obsolete, and the business risks being left behind by new platforms in use by competitors. Simultaneously, a substantial amount of the CPP’s overall asset base is operating past its useful life. This creates an opportunity for the CPP to take a strategic approach to new investment.

### 3. Product Development, Pricing and Marketing Strategy

Pricing and price elasticities are a significant driver of the performance of car parks. The CPP does not have a structured approach to maximising revenue and utilisation through pricing. This also exposes the CPP to decisions to make parking available on a non-commercial basis which may not be in its best interests. Developing a strategy, informed by data, should be a priority initiative.

While there are a range of other considerations that the City of Perth will need to plan for longer term, over the time horizon of this four year Plan the focus must be on improving the performance of the portfolio of car parking assets under management and ensuring there exists the necessary enabling resources and infrastructure to ensure success.

The CPP Strategic Business Plan is presented in more detailed in Part I of this report. Part II of this report provides the detailed examination of the CPP business, its performance over time, and the current and future market trends that could impact on the CPP business longer term.

## 1.2 Strategic Priority 1: Portfolio review

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It is evident from ACIL Allen's review that there are a number of strategic risks to the future financial performance of the CPP Commercial Parking unit centred on the individual properties where parking services are provided. For example:

- 12 of the CPP's 33 car park properties are held under a lease arrangement or are on Crown Reserve land (some of which have upcoming expiry dates or are subject to State Government Management Orders which can be revoked at any time).
- A number of car parks are operating with assets which are beyond their useful life, and require reinvestment to mitigate downside risks to customer service and financial performance.
- There is an uneven financial performance across the portfolio, with 10 properties producing a net profit (and six of these accounting for 93 per cent of total net profit).
- Reforms to the City's broader financial framework have underscored that car parking may not represent the highest and best use of some of the City's freehold car park properties.
- A number of the City's car park properties are located in low density areas, and there may be alternative uses for these sites and assets.
- The State Government is investing significant resources in an expansion of the Perth Metropolitan Area heavy rail network, targeting underserved areas. In conjunction with this it is reducing fares for patrons to a maximum of approximately \$5.00 for a one way journey (and below this if the patron uses a SmartRider).

This parking-specific portfolio review should be completed as an adjunct to the broader property portfolio review underway within the City of Perth. The portfolio review should give specific consideration of the options for the City's commercial parking property portfolio, taking into account the above financial risks. This Portfolio Review should be based on a deep dive into the individual attributes of each car park property, their respective outlooks, and other City-wide considerations (such as highest and best use of freehold land, rental returns and economic development).

In particular, the Portfolio Review could consider whether there are opportunities for the City to increase the density of land use on car park properties it owns on a freehold basis, incorporating car parking facilities as part of these new developments. This would have dual benefits in that it would assist the City meet the objectives of its Strategic Community Plan while also improving the financial performance of the car park portfolio.

ACIL Allen's financial model of the CPP portfolio could be repurposed to demonstrate the standalone value of each car park under a series of assumptions around utilisation and revenue growth, broader development trends in the City, and the impact of future capital investment. In this

way the Portfolio Review can be “future focussed” rather than based on the current performance of the portfolio prior to the adoption of this strategic plan.

One approach to the car park component of the property review would be to develop a Multicriteria Assessment, which brings in broad City of Perth objectives alongside the projected financial performance of the CPP’s business. The MCA would be used to assess which properties should be retained versus those which should be spun-off or closed to meet the City’s balanced objectives as both the CPP’s shareholder and its broader role as a Local Government Authority.

In addition to the MCA of existing car park properties, the portfolio review should consider broader demand and economic development trends in Perth and whether there are opportunities to develop new car parks (or bolt on car parks to other properties). This is where the car park Portfolio Review would dovetail well with the broader property portfolio review underway within the City of Perth.

The outcome of the Portfolio Review should be a car park by car park recommendation, and associated action plan to deliver the recommendation. Recommendations may include:

- No change: continue to operate the car park as now, in line with the capital investment plan and pricing strategies to be developed
- Divest: look for an opportunity to close the car park, or exit it from the CPP portfolio (such as by sale or outsourcing to another car park company)
- Augment: look for an opportunity to redevelop the car park, with a view to maintaining a CPP car park operation post redevelopment

### **1.3 Strategic Priority 2: Technology focussed capital investment plan**

It is clear from discussions with the CPP and City of Perth, a review of the competitive landscape, and analysis of the CPP’s asset register, that the asset base of the CPP business requires an overhaul. There has been limited, piecemeal investment in the CPP business for some time, which has resulted in declining overall asset condition and the creation of risks centred on this poor condition.

ACIL Allen analysis of the CPP’s asset register finds \$8.1 million of assets (cost basis) are operating beyond notional useful life. A further \$9.2 million (cost basis) will reach the end of useful life between now and 30 June 2025. ACIL Allen understands the CPP does not have a capital investment plan. This, combined with the role the profitability and cash returns the CPP business plays in the City of Perth’s broader financial framework, are considered likely to have resulted in this outcome.

By 2025, around two thirds of the entire capital stock of the CPP will be beyond its useful life. This exposes the City to risk of asset failure, impacts on service, and reflects an ageing of the CPP’s technology platforms. It is clear from this review the CPP should develop a capital investment plan as a priority, to address concerns related to the condition of its asset base in a broad sense.

The capital investment plan is also an important input into the Portfolio Review, as demonstrated by the mismatch between asset reinvestment requirements and the performance of some car parks. A number of car park properties have high reinvestment requirements relative to their performance with significant concerns regarding some individual car parks (e.g. Royal Street, Mayfair Street, and Regal Place) which have reinvestment requirements which greatly exceed their current earnings capacity. Without an improvement in performance, reinvestment in these car parks would be unlikely to deliver the City of Perth a return on its investment.

Developing a capital investment plan is seen as a worthwhile initiative to address risk. However, when interplayed with the findings regarding the City’s obsolete technology platforms, the development of this capital investment plan is also an opportunity to drive improved performance. With a need to reinvest in the physical assets of the business, the capital investment plan should



be focussed on identifying and acting on ways to improve the use of new parking technologies across the CPP portfolio. Some examples of these initiatives could include:

- Debit card-based payment systems at car park entrances and exits to replace ticket machines,
- Centralised pricing and inventory management systems in car parks which could justify this expense (ie car parks where dynamic pricing may drive higher utilisation, or higher revenue at times of high utilisation)
- Use of data analytics through payments systems and tracking systems within individual car park properties
- Development of a complete parking solution app for the CPP, including customer payments, ability to provide offers and discounts, and advice on the best places to park given bay availability and customer information. This would also provide the CPP with access to richer data to inform its business

The capital investment plan would also allow the CPP to provide stronger direction to the City of Perth more broadly for the purposes of its long term financial plan, and may also demonstrate the potential return on investment of particular initiatives. This would reduce the risk of decisions to avoid or defer investment in the CPP as has been the case previously.

#### **1.4 Strategic Priority 3: Product Development, Pricing & Marketing Strategy**

With high fixed costs and low to no variable costs, asset utilisation is a critical driver to the success and profitability of a car park business. Given this, a strategic approach to pricing and marketing, with the aim of driving utilisation and performance. While the City does monitor the CPP's pricing against market trends, and adjusts prices when necessary to ensure it remains competitive, there is limited integration between product development, marketing and pricing.

Some examples of the City's pricing activities include:

- free parking on weekends,
- Differential pricing by location and "status" of car park property (undercover vs open air)
- three hour free parking in the lead up to Christmas
- one hour free parking in some commercial parking bays, and
- use of free or heavily discounted parking for City economic development (such as the City's Relief and Rebound plan in response to COVID).

Some of these activities are related to the City's broader objectives with respect to economic and community development, while others are primarily centred on driving commercial outcomes.

In addition, ACIL Allen analysis of the CPP's competitive position compared to other major providers of off street parking in the Perth CBD found its prices were significantly below the average on both an hourly and daily basis – noting this is not adjusted for location (as it could be expected private competitors charge more due to their close proximity to the central CBD).

A product development, marketing and pricing strategy should harness technology and data capture to develop a more holistic understanding of the customer, their needs, and the ways in which the CPP can meet them. Commitment to the development of a pricing strategy would provide the City with confidence that there are revenue generating opportunities associated with investments in technology upgrades, through the use of differential pricing, more precise measurement of time of use, and optimisation of the City's commercial parking portfolio.

The strategy should also include a transparent means to cost and price use of the commercial parking unit for economic and community development initiatives, to ensure the CPP can remain focussed on driving commercial outcomes.



City of Perth Parking Strategic Business Plan – “Plan on a Page”



Strategic Community Plan

Long Term Financial Plan

Purpose

*Deliver strong and sustainable surpluses to support the City of Perth in the delivery of infrastructure and services to its residents and businesses*



City of Perth Parking Strategic Plan (Commercial Parking Unit)

Focus areas

*Optimising the Business*

*Better understanding the customer*

Strategic initiatives

Portfolio Review

Recent reform to the City of Perth’s financial framework has revealed the performance of the CPP’s parking properties is uneven, and reliant on a handful of large properties with ownership and / or land tenure risk. The City should review the CPP portfolio and develop options for future ownership and operating models.



Technology-focused Capital Investment Planning

The technology platforms of the CPP are obsolete, and the business risks being left behind by new platforms in use by competitors. Simultaneously, a substantial amount of the CPP’s overall asset base is operating past its useful life. This creates an opportunity for the CPP to take a strategic approach to new investment.



Product Development, Pricing & Marketing Strategy

Pricing and price elasticities are a significant driver of the performance of car parks. The CPP does not have a structured approach to maximising revenue and utilisation through pricing. This also exposes the CPP to decisions to make parking available on a non-commercial basis which may not be in its best interests. Developing a strategy, informed by data, should be a priority initiative.

Source: ACIL Allen; CPP.

# From Plan to Action 2

The CPP Strategic Business Plan provides the framework from which the City of Perth can progress critical reforms so that the CPP business has the infrastructure and capabilities to better understand its customer and ultimately to ensure sustained performance over time.

Given that the three strategic initiatives are significant bodies of work in their own right, it is recommended that the **City of Perth budget and plan for the implementation of the individual actions within each strategic initiative to commence from 1 July 2022**. This will provide the necessary time to complete the research and analysis, go through the City's formal approvals processes, and ensure that any resourcing requirements are built into the 2022-23 City of Perth Annual Budget.

The key phases of work that will ensure that Plan can be translated into action is detailed below.

## Phase 1: Review (May-December 2021)

The first phase of implementation should see the City of Perth and / or CPP develop more comprehensive plans centred on each of the three priority initiatives identified in this strategic plan. This should involve the City of Perth and / or CPP undertaking relevant planning and budgeting, including seeking additional information in a number of areas such as:

- Detailed asset condition assessments and estimates of the investment required to address end of life asset risks
- Pricing, both in terms of up front capital and lifecycle costs, for new IT solutions which meet a series of requirements to be developed by the CPP
- Identification and costing of additional advisory services which may be required, including branding and marketing services for the development of the pricing strategy.

In this review phase ACIL Allen recommends the City of Perth and / or CPP progress the Portfolio Review to the point where the business is able to make firm recommendations regarding the status of its existing portfolio and future options for individual properties by the end of 2021. This should include a financial analysis of the future impact of various decisions to be taken, to allow for the impact on the City's Long Term Financial Plan to be developed.

In relation to Strategic Priorities 2 and 3, ACIL Allen recommends the formation of internal business cases seeking funding and approval to proceed. These business cases would then be able to progress from the CPP to the City of Perth Administration, and ultimately to the City of Perth Council for adoption and funding.

## Phase 2: Internal Approval and Budgeting (January-March 2022)

The second phase of implementation should progress through approval to proceed from within the City of Perth Administration. This should include endorsement of the two internal business cases

prepared to support Strategic Priority 2 and Strategic Priority 3, and progression of works to act on the findings of the Portfolio Review as part of the City's broader property review.

This would allow the City's administration, and the CPP, to prepare budgets and seek funding for implementation as part of the 2022-23 Annual Budget process. In line with the agreed purpose statement the CPP should fund these initiatives if approved by the City Administration.

### **Phase 3: Council Endorsement (April-June 2022)**

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Following approval and integration into the City's Annual Budget for 2022-23, the CPP should seek the endorsement of the City of Perth Council to progress the initiatives and implement the detailed strategies prepared in Phase 1 and Phase 2. This should involve the development of estimates of the overall financial impact on the City of Perth of the success of the initiatives over the term of the Long Term Financial Plan, including the impact on the City's potential to place downward pressure on Council rates.

### **Phase 4: Implementation (From July 2022)**

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ACIL Allen recommends the CPP targets the date for commencement of the three strategic priorities – the revised property portfolio, capital investment plan, and product development, pricing and marketing strategy – is 1 July 2022, with a three year implementation horizon. This will allow the CPP adequate time to progress through the three phases above, and a full three year cycle to implement and assess the impact.

# CPP business and market review





# Business overview

# 3

*This section provides an overview of the strategic context behind the development of a business plan for the City of Perth Parking (CPP) business.*

## 3.1 City of Perth Parking Overview

City of Perth Parking is a commercial business owned and operated by the City of Perth but under its own brand identity. The business operates in direct competition with private operators in the parking industry. However, unlike private operators the operation of the City's commercial car parks is subject to local government legislation and regulations. Matters such as procurement, finance, audit and governance are subject to the Local Government Act 1995 and associated regulations.

The City of Perth has operated the commercial parking business for over two decades. The business is a valuable asset to the City and its stakeholders. It provides essential parking facilities for businesses, visitors and residents whilst delivering a significant and consistent financial contribution to the City.

Over the past ten years, the City of Perth has experienced significant growth and change as an organisation. At the same time, there has been significant progress and development around the city, particularly as a number of large capital works projects were completed such as Elizabeth Quay, Yagan Square and Perth City Link. The CPP business has grown progressively over this period, and is now a significant component of the City of Perth's revenue base.

The CPP business and all parking in the City is subject to the Perth Parking Levy which has been applied by the State as per the Perth Parking Management Act 1999. The rate of the Levy is determined by the State annually.

The CPP business supports 6,580 on street fee-paying bays for the City (plus services for 839 parking meters), 11,350 off street parking bays in 33 active car parks. Most of the car parks operated by CPP are on premises owned by the City and the remainder are leased from the State or operated on behalf of private owners (**Figure 3.2**).

The CPP business also provides commercial parking services to third party customers (for example the Town of Victoria Park). Services provided include technical services, financial services and customer service.

The CPP is the largest provider of public parking within the City and manages 33 car parks which is far greater than any other capital city in Australia but remains competitive amongst private companies such as Wilson, Secure and other private companies. The City of Perth (via the CPP) is uniquely placed in terms of parking management compared to other capital city local government jurisdictions in Australia. The City Councils of Brisbane, Melbourne and Sydney each own only 2 car parks within their respective central business districts. These cities have a larger contingent of privately owned car parks. The City of Adelaide operates a more substantial off street parking

operation, although it has nine properties and approximately 6,000 parking spaces (both significantly smaller than the CPP undertaking).

The City’s portfolio of commercial car parks comprises a mixture of freehold, leasehold and Crown Reserve properties. In the development of this business plan, it has been Crown Reserve car parks and on-street parking have been excluded due to the nature of the landholding of both these assets, which means that the City effectively holds a monopoly in their ownership and operation.

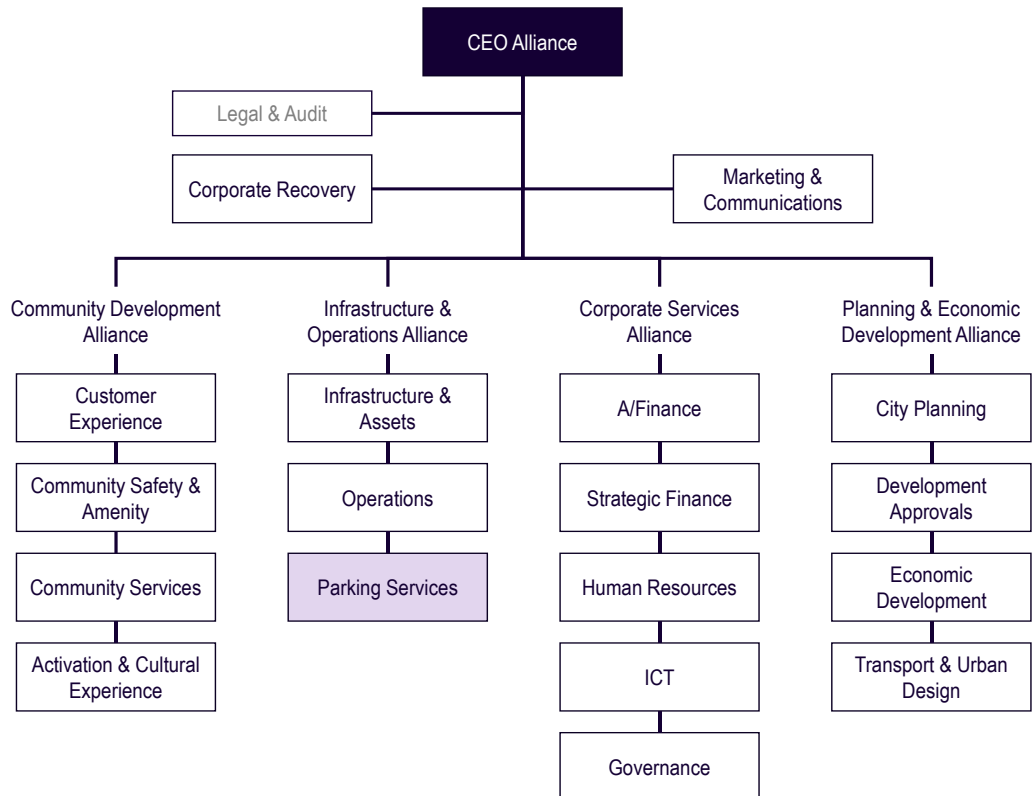
### 3.2 Governance and Operations

The CPP business is managed by the City of Perth’s Parking Services Unit, which has its administrative headquarters at Council House. The Parking Services Unit sits within the Infrastructure and Operations Alliance, which is one of four divisions within the City of Perth. This structure ensures that the commercial operations of the CPP business are aligned with the broader objectives of the City of Perth (Figure 3.1).

Technical Services are provided from the City’s Mayfair Street workshop in West Perth. Operations staff are based at various undercover car parks. The Operations Hub operates from the Perth Convention and Exhibition Centre Car Park, in which the security control system is based. From the Hub, staff can operate CCTV cameras in other car parks and manage access control including the opening and closing of access doors.

As part of the City of Perth administration, Parking Services acts on Council decisions by developing and putting into practice the Council’s policies and resolutions. Decision making is subject to the City’s policies and procedures. Principal business decisions require the ratification of the Executive Management Team and/or Council.

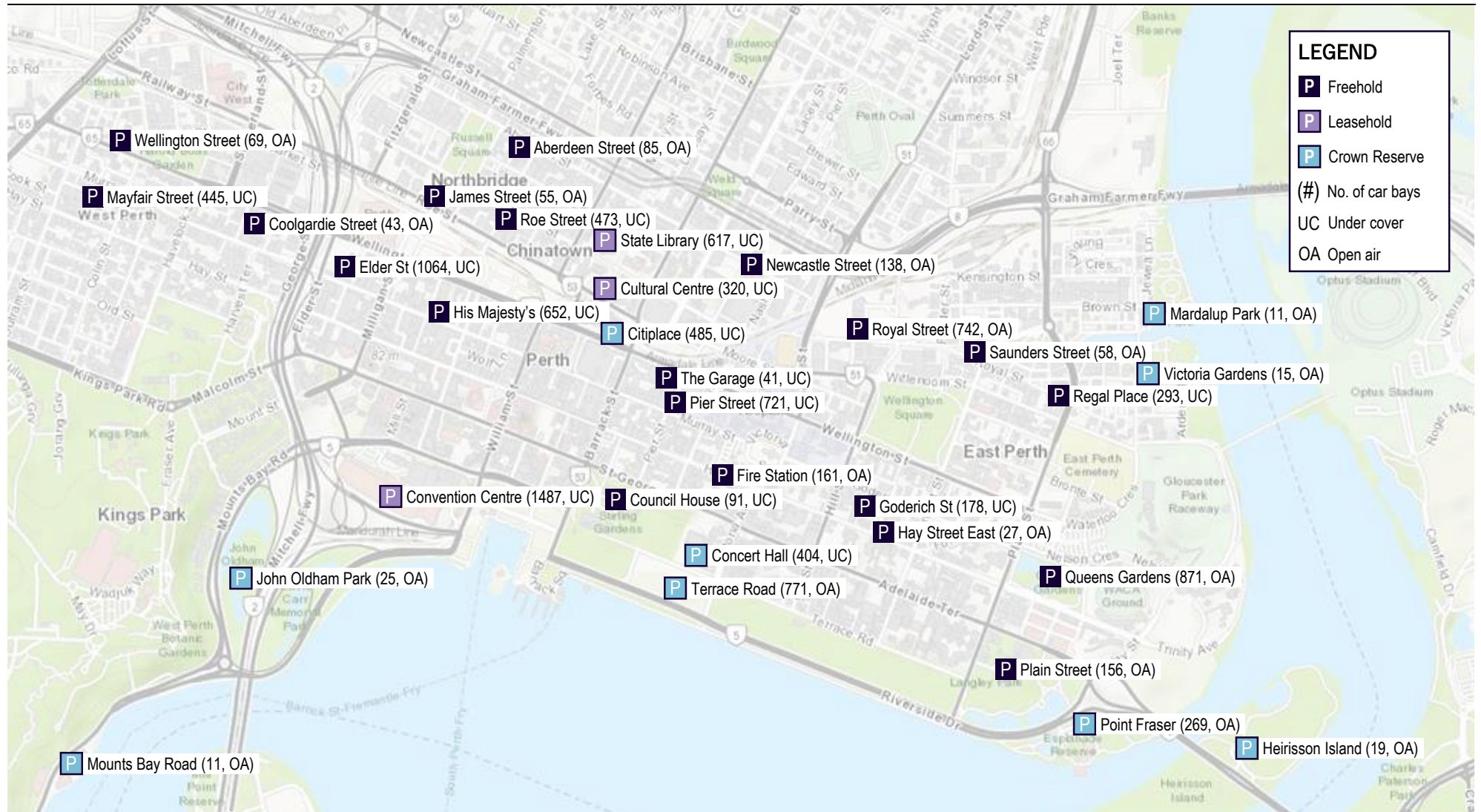
Figure 3.1 The City of Perth Organisational Structure



Source: ACIL Allen adapted from the City of Perth Council Management Structure chart 2020



Figure 3.2 CPP car park portfolio



Note: The number of car bays include Regular Bays, Disability Parking Bays and Electric Vehicle Bays. Total CPP car bays 11,350 including J.H. Abrahams Reserve in Crawley (79 bays, OA).

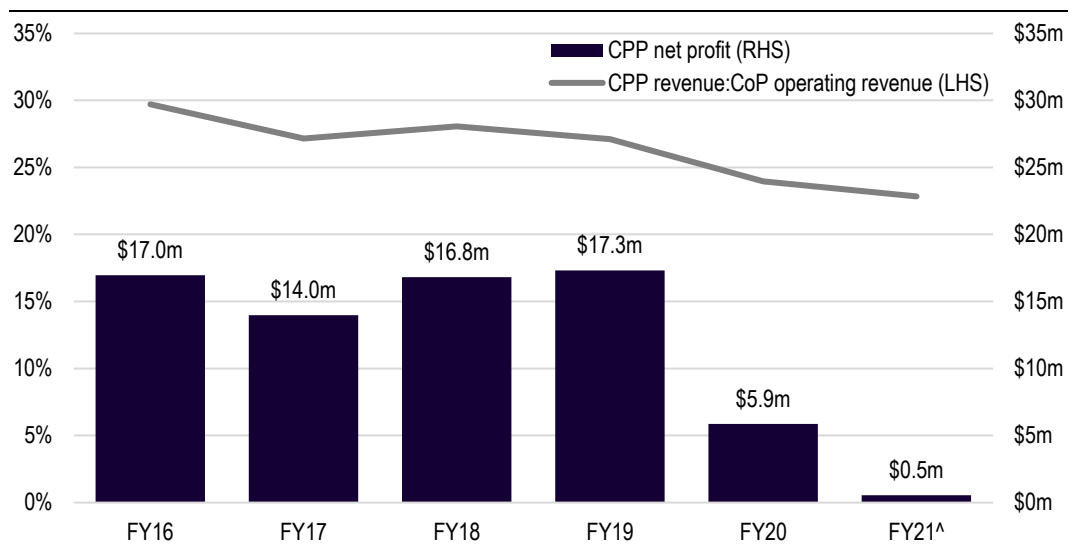
Source: ACIL Allen



### 3.3 Contribution to the City of Perth

The CPP provides the City of Perth with a unique ability to generate revenues to support its broader objectives, which other capital city local governments do not have. Behind rates revenue, parking revenue is the largest source of funding for the City, accounting for over one quarter of the City of Perth’s operating revenue each year. However, this contribution has fallen progressively over the past five years, from a high of almost 30 per cent in 2016-16 to 24 per cent in the COVID-19 affected 2019-20 financial year. Reflecting the ongoing uncertainty regarding the impact of the pandemic on the CPP business, the City of Perth set a conservative budget for 2021-22. (Figure 3.3).

**Figure 3.3** CPP net profit and CPP contribution to the City of Perth’s operating revenue



<sup>^</sup> The FY21 forecast for ‘CPP revenue as a share of CoP operating revenue’ is based on the assumption that the CoP’s operating revenue will be the same as FY20.

Source: ACIL Allen; CPP; Consecutive City of Perth Annual Reports

The importance of the CPP business to the City of Perth was laid bare in 2019-20 when parking revenues declined by \$17.1 million, requiring the City to draw down its cash reserves by \$11.2 million over the year.

Ultimately, the CPP business provides a revenue base to the City of Perth that allows it to either:

- keep the rates levied on ratepayers lower than otherwise would be the case for a given level of services funded through the annual budget; or
- increase the levels of service that are provided to the City’s ratepayers and to visitors for a given rate base; or
- a combination of both of these.

These options arise because for all local governments, they are required to adopt an annual budget in accordance with *Part 6, Division 2 of the Local Government Act 1995* (the Act) as the starting point in determining the rates that it needs to collect from its ratepayers for the year ahead. Where there are other sources of revenues available to a local government, these help to offset the rates that are required to be collected. The CPP parking revenues provides a substantial source of revenue that is independent of the City of Perth’s rate base, thereby providing the financial capacity to fund budget priorities without overburdening ratepayers.

**Finding 1** Keeping rates low

The CPP business provides a critical source of revenues that enables the City of Perth to fund important priorities and keep the overall levels of rates lower than they otherwise would be.

**3.4 Legislative compliance**

The City of Perth operates in accordance with the requirements of the Local Government Act 1995 (the Act) and the associated Regulations. Section 3.59 of the Act defines a trading undertaking as an activity carried on by a local government with a view to producing profit to it. A major trading undertaking is defined as a trading undertaking that, in the last completed financial year, involved; or in the current financial year or the financial year after the current financial year, is likely to involve, expenditure by the local government of more than the amount prescribed.

As the City's commercial parking operating expenditure is more than \$5 million per annum, it is defined as a major trading undertaking under the Act, and is therefore required to provide a business plan. From a compliance perspective, the Act requires a business plan to detail:

- its expected effect on the provision of facilities and services by the local government;
- its expected effect on other persons providing facilities and services in the district;
- its expected financial effect on the local government;
- its expected effect on matters referred to in the local government's current plan prepared under section 5.56;
- the ability of the local government to manage the undertaking or the performance of the transaction; and
- any other matter prescribed for the purposes of this subsection.

In late 2020, the City of Perth published its business plan, *Commercial Parking Major Trading Plan*, which fulfils its requirements for the CPP as a major trading undertaking. The business plan provided summary information for stakeholders in terms of the structure and operations of the business, and a broad overview of its financial performance and outlook. It also provided an assessment of the CPP business in terms of its effect on the provision of services on the community, on other service providers, and on the ability of the City of Perth to effectively manage the major undertaking.

In addition, the published business plan provided an assessment of the City of Perth's compliance with competitive neutrality principles as required under National Competition Policy (NCP).

**The City of Perth's responses to these compliance requirements under the Act and under NCP is presented in the business plan which has also been appended to this strategic business plan.**

## Finding 2 Compliance with the Local Government Act and National Competition Policy

The City of Perth's recently published report, *Commercial Parking Major Trading Plan*, provides a summary of its compliance with the Local Government Act and National Competition Policy, to the extent that the CPP business is a major commercial undertaking that operates in competition with the private sector.

### 3.5 Planning for the future

While the development of the *Commercial Parking Major Trading Plan* was necessary to address the compliance requirements of the City's operation of the CPP business, it does not serve to guide the City in its strategic planning of the business in supporting the achievement of the City's broader objectives.

Rather, it instead provides the **starting point in the development of a more detailed business plan that will help guide the future growth and direction of the CPP in the furtherance of the City's objectives.**

In developing such a plan, it is critical that it is clearly aligned to the broader objectives of the City of Perth as presented in the *City of Perth Strategic Community Plan 2019-2029* and the City's *10 Year Long Term Financial Plan*.

#### 3.5.1 City of Perth Strategic Community Plan

The City of Perth's Strategic Community Plan 2019-29, provides critical direction to the City for its decision making processes, services and financial commitments. The Strategic Community Plan uses the community's aspirations as the guiding principle for the deliver of the City's services. The Strategic Community Plan articulates the City's Aspirations across the focus areas of:

- **People** – a safe, activated and welcoming city that celebrates its diversity and sense of community, providing unique educational, cultural, sporting and lifestyle offerings.
- **Place** – a well-planned and functional built form environment, promoting world class architecture, appreciation of heritage, diversity of land use and a sustainable, affordable and accessible integrated transport system.
- **Planet** – a city that respects, protects and fosters its natural environment, embraces the principles of sustainability and acknowledges the impacts of our changing climate.
- **Prosperity** – a city with a diverse and resilient economy capitalising upon its unique competitive advantages and creative reputation, attracting sustainable investment in education, tourism, entertainment, commerce, technology and trade.
- **Performance** – a city led by a Council and supported by an administration that is committed to sound strategy and governance, excellence in customer service and effective and sincere engagement with all stakeholders.
- **Partnership** – city that has earned the respect and support of the local industry through strong partnerships with state bodies, industry and community groups and other key stakeholders.

Across these six Aspirations, the City has identified 44 strategic objectives, all of which are detailed in the Strategic Community Plan.

The CPP is strategically aligned to the Plan across a number of focus areas and objectives, but specifically in relation to the following focus areas and objectives:

- **Place**, Objective 2.5: A **parking service model** that meets community needs from a best value for money perspective and allows for additional community benefits.

- **Prosperity**, Objective 4.4: **Attract and support new and existing business** to create a CBD retail experience that is superior to suburban competition.
- **Performance**, Objective 5.3: **Commercial operations that are transparent, profitable and compete fairly and lawfully with private enterprise.**

### 3.5.2 City of Perth Long Term Financial Plan

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The 10 Year Long Term Financial Plan is a high level strategic document that assists in aligning our community aspirations, strategic intent and organisational capacity. It guides our approach to delivering infrastructure and services to the community in a responsible and affordable way. The plan demonstrates the City's commitment to managing its operations in a responsible and sustainable manner.

The 10 Year Long Term Financial Plan supports this objective by projecting our financial position over a 10 year time horizon using a series of realistic, conservative financial assumptions. This financial modelling provides the City with reliable, robust information to assess our capacity to maintain overall financial sustainability into the long term and, most importantly, to ensure that we have in place the necessary funding arrangements to support proposed capital replacement programs and new capital projects.

In the context of the development of a strategic plan for the CPP business, the Long Term Financial Plan has projected that the **parking operations will generate \$652 million over the next 10 years, representing just over 25 per cent of funding to the City of Perth. These projections highlight the significant role that the CPP plays in the funding the City's priorities, and therefore the importance that the appropriate strategy is in place to ensure that the CPP can meet or exceed these requirements under the Long Term Financial Plan.**

#### Finding 3 Alignment to the City of Perth's strategic direction

It is critical that the CPP has a strategic plan that provides clear alignment to the broader objectives and directions of the City of Perth as articulated in *City of Perth Strategic Community Plan 2019-2029* and the City's *10 Year Long Term Financial Plan*.

### 3.5.3 From compliance to sustained performance

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The CPP business will continue to play a critical role in supporting the achievement of the City of Perth's broader objectives as defined in its Strategic Community Plan, and Long Term Financial Plan.

However, a business as usual approach to the operations of the CPP business has the potential to expose the City of Perth to a number of risks – both internal and external to the business and the City more broadly. These issues are explored further in the next two sections of this plan.

Through the assistance of the City's advisers, ACIL Allen, this Strategic Business Plan has been developed with a focus on ensuring the CPP business continues to make a significant contribution to the City of Perth's broader objectives.

The following sections of this plan examine the performance of the CPP business and the key internal and external risks and opportunities that need to be taken into consideration in the development of the strategic priorities and actions for the City to take forward.

While the strategic business plan has been guided by ACIL Allen's desktop research and analysis of the performance of the CPP business and the external environment in which it operates, it has also been influenced by feedback from key stakeholders within the City of Perth, including the Parking Services Alliance that is responsible for the CPP business, Alliance Managers that provide

internal support to the CPP business, the Executive Leadership Team, and the City of Perth Council. **Details of the stakeholders that have helped to inform the development of this strategy are presented in Appendix A.**

**Finding 4** From compliance to performance

The CPP strategic business plan must be focussed on ensuring the CPP business continues to make a significant contribution to the City of Perth's broader objectives.

# Financial Performance of CPP 4

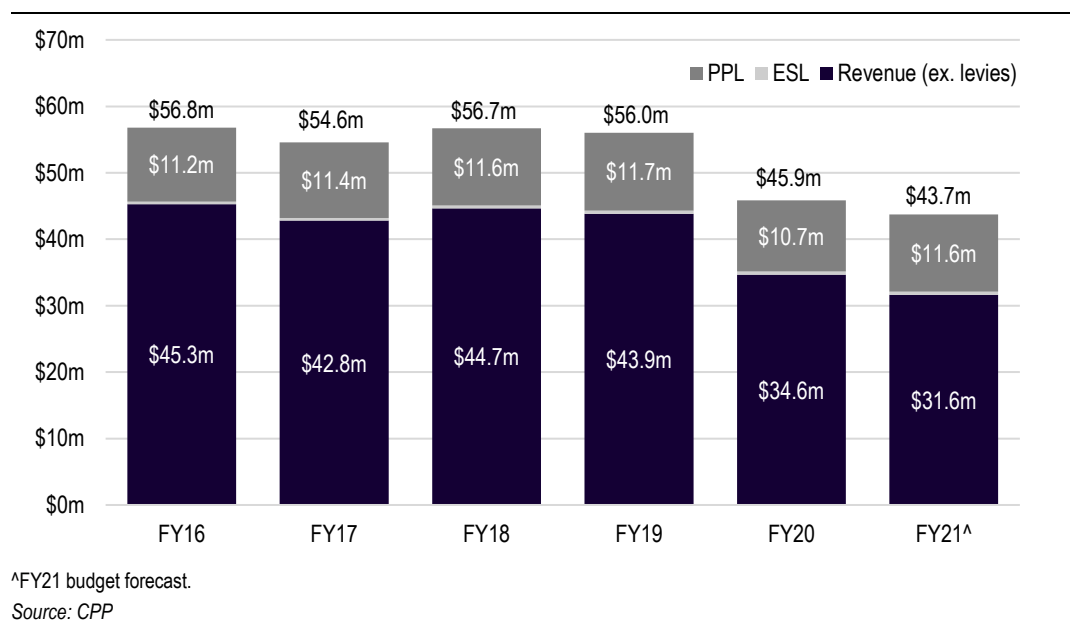
This section provides a more detailed examination of the performance of the CPP portfolio of car parks within the City of Perth.

## 4.1 Revenue performance

Over the period between 2015-16 and 2018-19, the CPP business provided a consistent source of revenue to the City of Perth, averaging \$56 million per annum. In 2019-20, the CPP business was significantly impacted by COVID-19, which affected the movement of people to and from the CBD, with revenues declining by around 20 per cent to \$45.9 million. With the impact of COVID-19 still uncertain, the City of Perth took a conservative approach to setting the CPP budget for 2021-22, with revenues forecast to be slightly lower than the previous year reflecting the potential for a full year impact of the pandemic on parking revenues (**Figure 4.1**).

Of the CPP's total revenue, around \$11.8 million is paid to the State in the form of the Perth Parking Levy and Emergency Services Levy. As these levies are fixed payments, they did not decline during the COVID-19 impacted years.

**Figure 4.1** CPP total revenue and levy contribution



**Finding 5** Revenue performance

Historically, the CPP business has been a consistent and stable source of revenue for the City of Perth, with revenues averaging \$56 million per annum (excluding the COVID-19 impacted 2019-20 financial year). While revenues can be variable, depending on the level of patronage at the CPP car parks, the revenues that are collected for the State Government in the form of the Perth Parking Levy and the Emergency Services Levy are fixed payments.

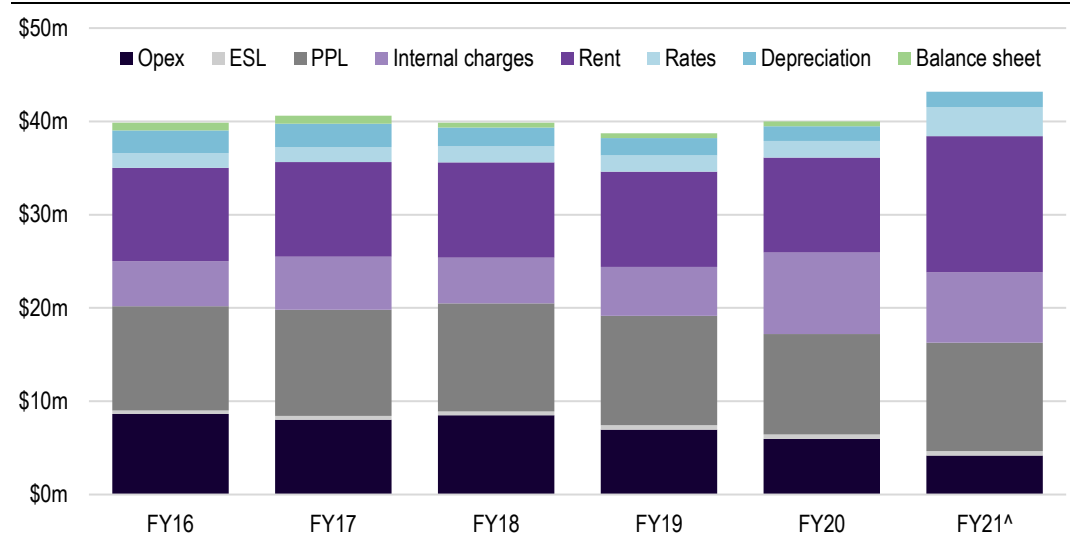
**4.2 Expenditure trends**

CPP expenditure trends have traditionally been stable, reflecting the fixed nature of the costs associated with the business. Total expenditure has historically averaged just under \$40 million per annum, but this increased to \$43.2 million in 2019-20 due to the financial reforms implemented by the City of Perth, which resulted in higher rental payments and rates (**Figure 4.2**).

The largest component of the CPP’s expenditure is its rent which costs around \$10.9 million each year (or 26.9 per cent of the CPP’s total expenditure).<sup>1</sup> The other components of the CPP’s expenditure include:

- Perth Parking Levy: \$11.4 million per annum (28.2 per cent);
- Internal charges: \$6.2 million per annum (15.2 per cent);
- Operational expenditure: \$7.0 million per annum (or 17.5 per cent);
- Depreciation: \$2.0 million per annum (or 5.0 per cent);
- Rates: \$1.9 million per annum (or 4.7 per cent); and,
- Emergency Services Levy: \$0.4 million per annum (or 1.1 per cent).

**Figure 4.2** CPP expenditure, \$m



<sup>^</sup>FY21 budget forecast.

Source: ACIL Allen; CPP.

Since 2015-16, the breakdown of costs associated with running the CPP business has changed, with declines in operational expenditure (decline of \$4.5 million or 51.7 per cent) offset by larger

<sup>1</sup> Rents paid by the CPP are set by the City of Perth and are based on market equivalent rates (i.e. Rent the City would expect to earn if the space was rented to another business or party).

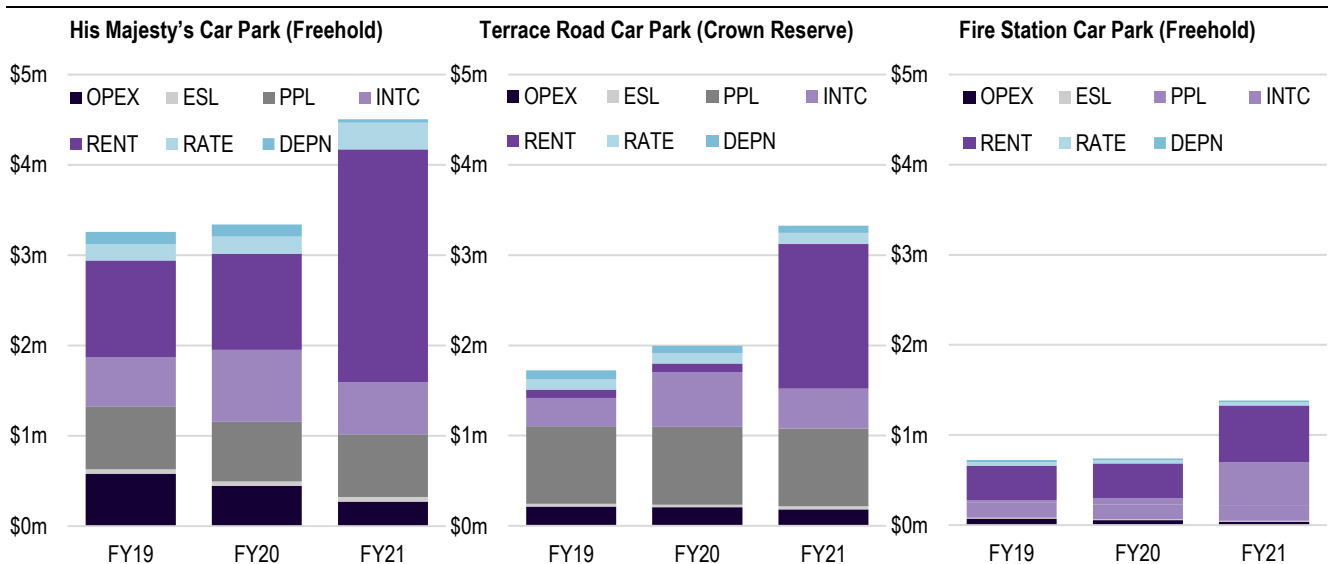


rental payments (increase of \$4.6 million or 45.9 per cent), internal charges (\$2.7 million or 55.9 per cent) and rates (\$1.6 million or 98.2 per cent). (Figure 4.2).

In 2020, the City of Perth's financial reforms saw the CPP's rents, rates and internal charges increase significantly to more correctly account for these costs to the CPP. This has seen the CPP cost base increase in 2019-20 and 2020-21, and in turn alter perceptions of the performance of some of the CPP's individual car parks.

Figure 4.3 presents three examples where the City's financial reform has had a significant impact on individual car park expenditure profiles. In 2020-21, His Majesty's (freehold) car park saw a \$1.5 million increase in its rent (141 per cent increase on 2019-20) to better reflect market rents, a \$0.1 million increase in its rates (57.2 per cent increase) to better reflect market rates, and a slight decline in internal charges (\$0.2 million). Similarly, the Terrace Road car park (Crown Reserve) had a \$1.5 million increase in its rental expenditure (16 times higher than 2019-20) and a \$0.2 million decrease in internal charges (27.3 per cent decline). The reform also impacted the Fire Station car park in 2020-21, resulting in internal charges more than doubling and rents increasing significantly.

Figure 4.3 Impact of financial reform on CPP car park rents, rates and internal charges expenditure



Source: ACIL Allen; CPP.

**Finding 6** Increase in CPP expenditure due to higher City of Perth rents, rates and charges

As CPP is predominantly a fixed cost based business, its cost base has historically been relatively stable, until last financial year when the City of Perth's financial reforms saw the rents, rates and internal charges increase significantly to more correctly account for these costs to CPP. This has seen the CPP cost base increase by eight per cent in 2019-20, despite the significant decline in revenues that same year of 28 per cent.

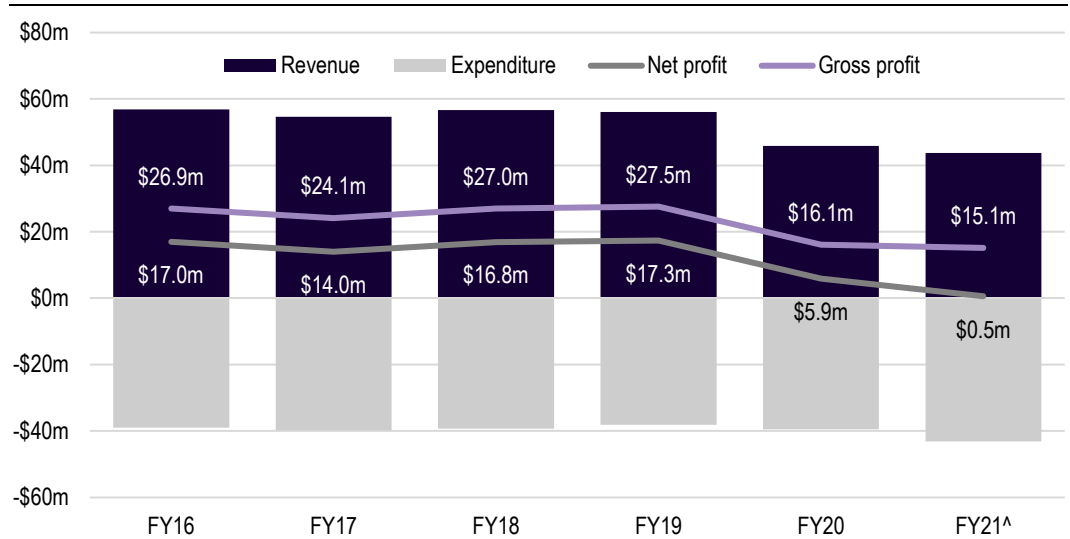
**4.3 Profitability**

Prior to the City of Perth's financial reforms, the CPP business generated strong and stable profits for the City of Perth of around \$16 million per annum over the four years to 2018-19. For years, the CPP business was considered a "cash cow" for the City of Perth. However, this perception changed in 2019-20 when the combination of COVID-19 and the recasting of rents, rates and charges by the City of Perth to the CPP business drove down revenues and increased expenditure, squeezed the profitability. In 2019-20, the CPP business net profits plunged \$11.4 million to

\$5.9 million, realising a profit margin of 12.8 per cent (Figure 4.4). Reflecting the concerns over the ongoing impacts of COVID-19, the budget-time estimate for the CPP business was for a breakeven budget in 2021-22.

It should be noted, however, that the contribution of the CPP business to the City of Perth extends beyond the profits it generates. The CPP also contributes financially to the City through the rents, rates and internal charges that are levied on the business.

**Figure 4.4** CPP business profitability



Note: Gross profit excludes car park rental payments which are retained by the City. ^FY21 budget forecast.

Source: CPP

**Finding 7** Recasting CPP’s profitability

The CPP business has historically been seen as a “cash cow” for the City of Perth, contributing a net profit of around \$16 million per annum prior to 2019-20. While the impact of COVID-19 has highlighted the revenue risks of the CPP business from such events, the most significant change has been the financial reforms of the City of Perth that have significantly increased the rents, rates and internal charges paid by the CPP, and in doing so recast perceptions over its performance.

**4.4 Detailed assessment by car park**

The CPP business accommodates over 147,000 patrons per year across its portfolio of 11,253 off street parking bays in 33 active car parks. The largest car park in the CPP portfolio is the Convention Centre (1,487 bays), with another six car park properties with more than 500 bays. There are a further 10 car park properties that have between 100 and 500 bays, with the remaining seven properties with less than 100 bays.

For the purposes of the assessment of the CPP car parks, they have been grouped into those that are under leasehold and Crown Reserve car parks, and those which are owned freehold by the City of Perth. This distinction is important, as the City of Perth is potentially exposed to the risk that the State Government can take back any of those car parks that are under leasehold or on Crown Reserve at any time.

#### 4.4.1 Leasehold and Crown Reserve car parks

The CPP business operates 13 car parks on a leasehold (3) and Crown Reserve (10) ownership structure. These include some of the largest revenue generating car parks in the CPP's portfolio including the Convention Centre (leasehold), Citiplace (Crown Reserve), Terrace Road (Crown Reserve) and the State Library (leasehold).

**Figure 4.5** presents the portfolio of leasehold (L) and Crown Reserve (CR) car parks based on their project revenue, expenditure and net profit for 2020-21. Of these 13 car parks, seven are forecast to return a net profit and six are forecast to return a net loss in 2020-21. Across the 13 car parks, it is estimated that they will contribute a combined net profit of \$3.6 million in 2020-21, which represents a net profit margin of 17 per cent.

Across the portfolio of leasehold and Crown Reserve car parks, the standout performer is the Convention Centre, which is forecast to generate \$7.4 million in revenue and a net profit of \$2.2 million in 2020-21. The Convention Centre is held by the City of Perth under a 99 year lease with the State Government, and therefore does not represent a financial risk to the City.

Other strong performers across this portfolio include Citiplace (\$3.7 million revenue, \$0.4 million profit), Terrace Road (\$3.7 million revenue, \$0.3 million profit), State Library (\$3.0 million revenue, \$1.1 million profit), Concert Hall (\$1.6 million revenue, \$0.2 million profit), and Cultural Centre (\$1.3 million revenue, \$0.3 million profit).

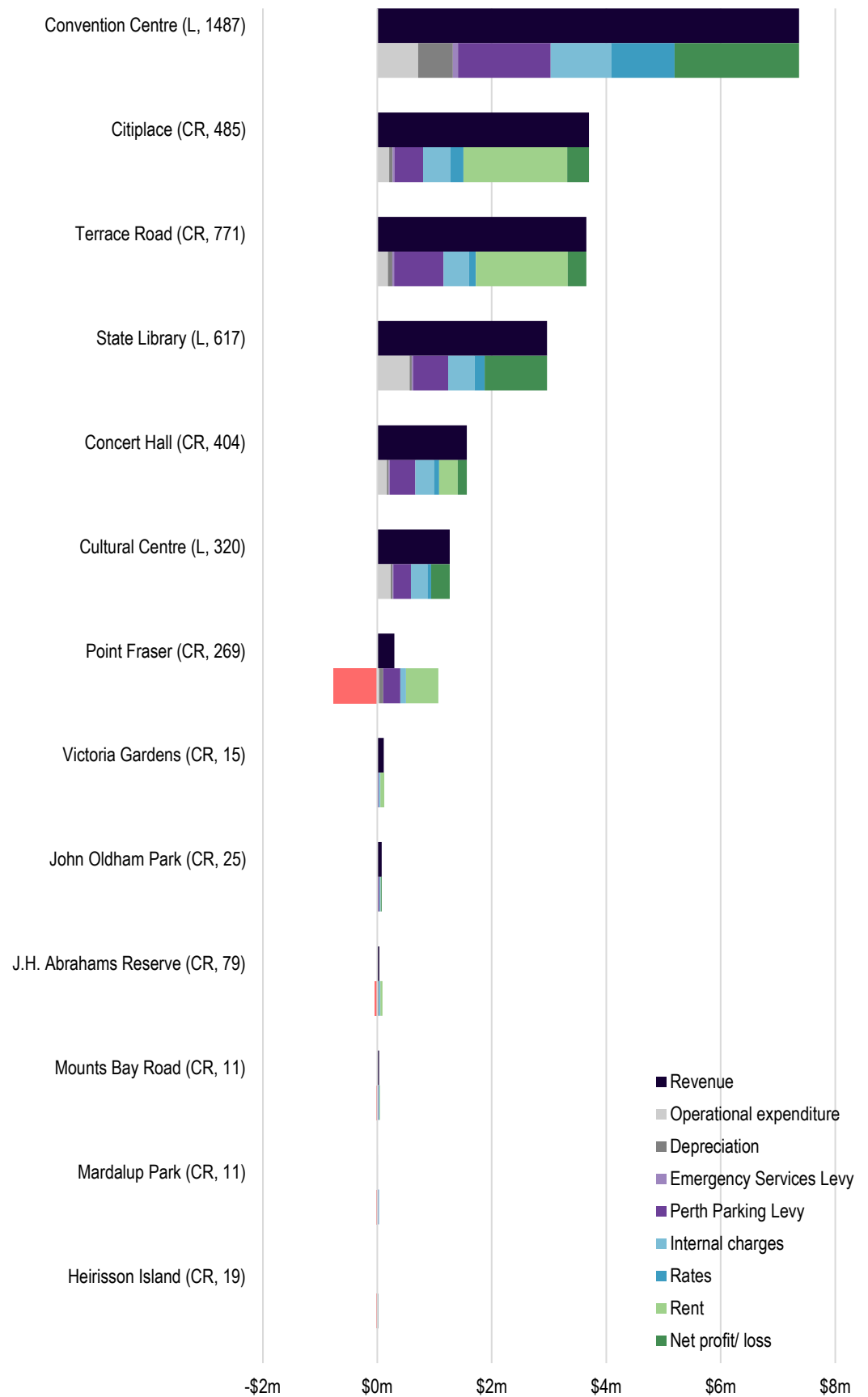
Of these car parks, the City of Perth has been advised by the State Government that it will seek to reclaim Citiplace, Terrace Road, Concert Hall and Cultural Centre. If this risk were to be realised, the CPP business would potentially be exposed to a 23.2 per cent decline in its revenue base (\$10.2 million) and \$1.2 million in profit.

The remaining seven car parks under leasehold and Crown Reserve make only a small contribution to the CPP's overall revenue base, and an overall net loss of \$0.9 million, driven largely by the projected loss of \$0.8 million from the Point Fraser car park.

#### **Finding 8** Financial risk associated with CPP's leasehold and Crown Reserve car parks

The most significant financial risk to the CPP business is the threat that the State Government will take back four of its most profitable car parks, namely Citiplace, Terrace Road, Concert Hall and Cultural Court, which collectively are forecast to generate \$10.2 million in revenues and \$1.2 million in profit in 2020-21.

**Figure 4.5** Financial performance of leasehold and Crown Reserve CPP car parks, FY21 YTD



Note: L = leasehold, CR = Crown Reserve, # = number of car bays. Figures reflect the first nine months of FY21.  
Source: CPP

#### 4.4.2 Freehold car parks

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The CPP business operates 21 car parks that are owned freehold by the City of Perth and managed by CPP. **Figure 4.6** presents the financial performance of the CPP's freehold car park portfolio. The largest revenue generating freehold car parks include His Majesty's, Elder Street, Pier Street and Roe Street. The CPP's freehold car parks are generally smaller in terms of revenue (and size) compared to CPP leasehold and Crown Reserve car parks.

Significantly, only three of the CPP's freehold car parks are forecast to return a net profit in 2020-21. The remaining 18 freehold car parks are forecast to return combined a net loss of \$3.2 million, representing a net margin of -14.1 per cent.

The three freehold car parks that are projected to return a profit to the CPP business in 2020-21 are Roe Street (\$0.2 million), The Garage (\$0.1 million) and Council House (\$0.05 million).

Whilst the CPP's freehold car parks generate a net overall loss, it is important to note that they still contribute to the City of Perth through the payment of rents, rates and internal charges.

#### Finding 9 Performance of CPP freehold car parks

The performance of the CPP freehold car parks is varied, with relatively strong performance of the larger car parks of Pier Street, Roe Street and Council House offset by the negative returns from the other 18 freehold car park. The relatively weaker performance of the CPP freehold car parks represents a key risk to the longer term sustainability of the CPP business.

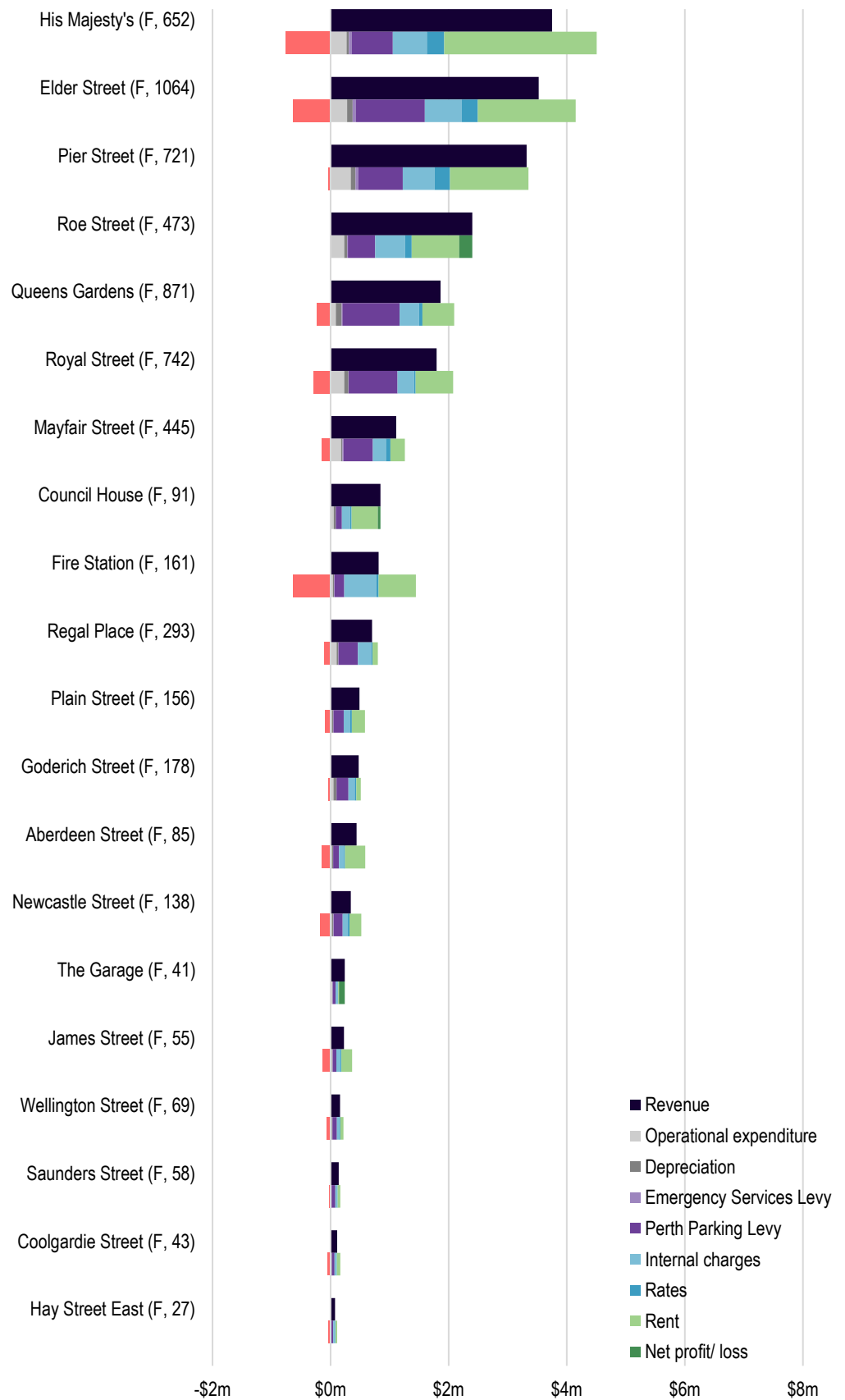
#### 4.4.3 Overall assessment

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Overall, the analysis of the portfolio of CPP car parks reveals a heavy reliance on the five largest car parks – namely the Convention Centre, Terrace Road, His Majesty's, Citiplace and State Library – which together generate the majority of the CPP's net profits each year. Significantly, each of these car parks are either leasehold or Crown Reserve.

Of the CPP's profitable car parks each year, these five car parks have historically generated 73.0 per cent of the CPP's net profit. Under the recast financial arrangements from the City of Perth, it is expected that these five car parks are expected to generate \$3.9 million or 83.3 per cent of the CPP's budgeted profit for 2020-21 (excluding His Majesty's which is budgeted to make a loss in 2020-21). For the remaining car parks, it is estimated that they will collectively generate a loss of \$2.5 million in FY21 (**Figure 4.7**).

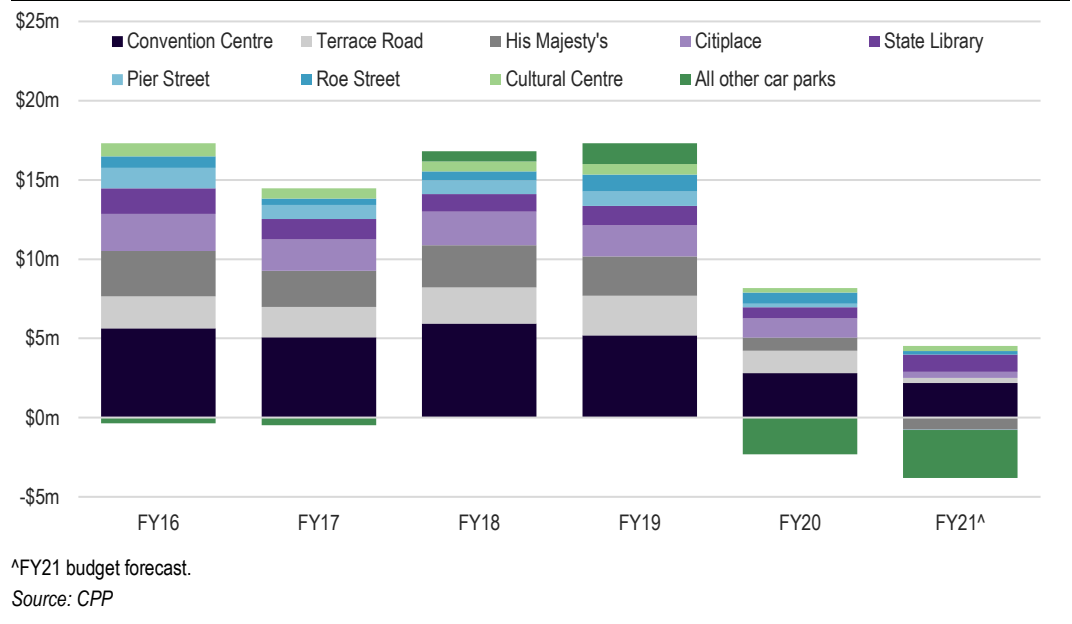
**Figure 4.6** Financial performance of freehold CPP car parks, FY21 YTD



Note: F = freehold, (#) = number of car bays. Figures reflect the first nine months of FY21.  
Source: CPP

Figure 4.7 presents the overall assessment of the CPP car park portfolio and highlights the CPP's reliance on its top five car parks. For a detailed view of each individual car park's annual revenue and net profit over this time, see Appendix C.

Figure 4.7 Car park contribution to net profit, top car parks FY16 to FY21



**Finding 10** Overall CPP carpark portfolio assessment

The detailed analysis of the CPP business and its carpark portfolio reveals that it is highly reliant on its top five car parks. Under the recast financial arrangements from the City of Perth, it is expected that its top five car parks are expected to generate \$3.9 million or 83.3 per cent of the CPP's budgeted profit for 2020-21 (excluding His Majesty's car park which is budgeted to make a loss in 2020-21). Given that four of the CPP's best performing car parks have been identified as likely to be required to hand back to the State Government – Citiplace, Terrace Road, Concert Hall and the Cultural Centre – this exposes the CPP to a significant financial risk that must be addressed through the Strategic Business Plan.



# Operational and Market Considerations

# 5

*This section discusses internal operational considerations and external market factors that will impact on the CPP business in the immediate and longer term.*

## 5.1 Operational considerations

A range of operational issues were raised through the consultation that was undertaken to support the development of the CPP Strategic Business Plan. ACIL Allen facilitated four strategy workshops within the City of Perth: (1) CPP Parking Team; (2) City of Perth Alliance Managers; (3) Executive Leadership Team; and (4) City of Perth Council. Further details on the participants in each workshop is presented in **Appendix A** of this Plan.

### 5.1.1 The need for a strategic focus and purpose

As identified by ACIL Allen during the development of the compliance focussed business plan in 2020, the **CPP major trading undertaking does not have a strategic plan which focusses the business towards the achievement of the City of Perth's objectives** as set out in its Strategic Community Plan and Long Term Financial Plan.

A starting point in developing a strategic plan for any organisation should be to ensure that it aligns to its purpose. For the CPP business, however, **there has been no defining purpose that can help to provide focus and drive performance**. In the absence of a defining purpose for the CPP business, it has instead effectively adopted the City of Perth's broader vision and purpose of which commerciality is not always primary focus.

Every organisation should have a purpose. An organisation's purpose is what it hopes to achieve. It is the reason an organisation exists, and all its activities should contribute to achieving its purpose in some way. It is the "what" and the "why" of an organisation's work.

The significance of the CPP to the City of Perth means the entity qualifies as a Major Trading Undertaking under the *Local Government Act 1995*. Implicit in this qualification is that the CPP is its own enterprise within the structure of the City of Perth's alliance structure, and with the City of Perth effectively acting as its owner and shareholder.

As a commercial business that delivers a significant profit and cash returns to the City of Perth, there is an argument that the achievement of a profit target should be the defining purpose for the CPP. CPP also supports the City of Perth across a number of other domains, including economic development objectives and in the delivery of community benefits. As the famous economist Milton Friedman once said, "The social responsibility of businesses is to increase their profits".

However, this does not mean that profit and purpose are mutually exclusive. A "profit for purpose" business is led by a mission to achieve social, community and environmental benefits by using profits earned toward their mission. It is most successful where these two goals intersect successfully, realising both social and economic value creation.

Through the discussions with City of Perth staff at the strategic planning workshops, **broad support emerged of the need for the CPP business to have the focus and clarity of expectations from the City of Perth as its shareholder through a specific purpose statement for the CPP business.** It was agreed that such a purpose statement should ensure that at all times the CPP is driving to enable the achievement of the City of Perth's objectives.

Some of the comments made by stakeholders at the strategic planning workshops included:

- **CPP's role in providing the City with financial capacity.** Internal stakeholders were cognisant of the fact the CPP was a significant driver of the organisation's financial capacity and performance. The fact the City owned a sizeable off street parking business was unique to capital city local governments, and provides the City of Perth with additional financial resources to undertake other activities or to keep downward pressure on other revenue streams, such as rates.
- **CPP's role in the City of Perth's broader activation objectives:** While the CPP business needs to operate in a commercial manner, it was noted that parking can be a powerful tool in attracting people into the CBD and that it can drive CBD activation for businesses and support various initiatives and events. However, this objective can conflict with the commercial objectives of the CPP business to the extent that policies such as discounting and free parking initiatives, and closing car parks to support public events, represent lost revenue. In order to address this conflict, it was agreed that if such initiatives were implemented by the City of Perth, then their costs would need to be explicitly funded by the relevant Alliance directorate at the City of Perth, ensuring there is transparency in understanding the financial consequences of policy changes, and ensures the performance of the CPP business is not weakened.
- **CPP business focus on customer service:** Some CPP stakeholders suggested that it is through 'excellent customer service' that sustained success is achieved. While it was agreed that customer service could be seen as a point of difference relative to CPP competitors, it was agreed that this was an enabler, rather than a purpose in and of itself. On this point, it was agreed that the achievement of a commercial return from the CPP business is in large part a function of the CPP's customer service focus.
- **Highest and best use of CPP carparks:** As the owner of the freehold carparks, the City of Perth, should be focussed on driving the "highest and best use" of its land assets. While some CPP carparks may turn a profit, this may not necessarily represent the highest and best use of the land on which the carpark is located. A commercially focussed purpose statement can ensure that the CPP business is driving to ensure each carpark is delivering a commercial return that is the highest and best use of the land. This can then provide the basis to review the portfolio of CPP carparks objectively, which will also be aligned with the City's broader objectives. This can inform the City of Perth's long term decisions on the best use of its land assets, which could include closing the carpark and selling or redeveloping land for other uses.

At the conclusion of the strategic planning workshops, it was agreed that a commercially-focussed purpose statement would ensure the City of Perth is driving the performance of the CPP business, which will enable the achievement of the City's broader objectives.

The agreed CPP purpose statement, endorsed by the City of Perth Council is as follows:

***The City of Perth Parking's purpose is to deliver strong and sustainable surpluses to support the City of Perth in the delivery of infrastructure and services to its residents and businesses.***

## Finding 11 CPP Purpose Statement

It was agreed that a commercially-focussed purpose statement would ensure the City of Perth is driving the performance of the CPP business, which will enable the achievement of the City's broader objectives. The agreed CPP purpose statement, endorsed by the City of Perth Council, is as follows:

***“The City of Perth Parking’s purpose is to deliver strong and sustainable surpluses to support the City of Perth in the delivery of infrastructure and services to its residents and businesses.”***

### 5.1.2 Understanding the CPP’s customer

A common theme that emerged through the workshop discussions related to the **limited understanding of the CPP’s customer**. Inadequate investment in new technology has limited the ability of the CPP business to truly understand the profile of its customers and what drives their decisions in relation to parking in the city. Where information or analysis had been completed previously this tended to be a point in time analysis or based on partial information (such as marketing campaign data).

A number of ideas emerged through the workshops that would assist the CPP business in better understanding its customer, most of which were focussed on **technology-related investments that can capture data and generate insights for the CPP business**. The absence of an efficient means by which data can be collected, has limited the ability of the CPP business to adapt and evolve to changing customer requirements.

The **current CPP infrastructure was considered out of date, and unable to support more effective communication with CPP customers**. Some suggestions included sending patrons mobile text messages to offer deals and discounts or general information such as the nearest car bay. This could also be enhanced through upgrades to existing ticketing machines and boom gates or through the introduction of a loyalty or payment card system.

These issues and challenges are further explored in the subsequent stakeholder themes below.

## Finding 12 Understanding the customer

In order to drive the performance of the CPP business towards the achievement of its purpose, it is critical that there is a strong understanding of its customer, to enable the CPP to adapt and evolve to changing customer requirements.

### 5.1.3 Investing in technology

It was universally agreed through the strategic planning workshops that **technology is one of the CPP’s largest weaknesses, and that this would need to be a priority initiative in the CPP Strategic Business Plan**. Stakeholders described existing technology as “very clunky”, which increases the difficulty of using CPP ticketing machines, processing or issuing receipts and issuing refunds (which can be a lengthy and costly process). Stakeholders suggest the CPP was at risk of losing market share to its competitors, Wilson and Secure Parking, both of which have adopted superior technologies.

The CPP’s customer service team suggest **new technology would enable the automation** of a number of manual processes, which would generate internal efficiencies for the CPP operations. An example was with CPP’s complaints regarding refund requests, with hundreds of refunds

(usually of small value) processed manually each week by three employees, which could be addressed through a technology solution that could save on these costs.

In addition, the limitations of the current technology platform were restricting the ability for the CPP to be more flexible and adaptable with its pricing regimes. For example, when providing COVID-19 related discounts, CPP officers were required to manually attend individual parking machines to adjust prices rather than being able to adjust these from a central location. The current technology limitations also prevent the CPP from offering dynamic pricing, or even pricing which switches between day rates and night rates without the use of technical workarounds.

ACIL Allen understand that there have been three business cases presented to the City of Perth that would deliver an 'integrated parking system', which to date have not been progressed in the absence of a strategic business plan to guide and inform such decisions.

In a trial to make parking easier for its patrons, the CPP recently implemented an *EasyPark Parking app Trial* which is a pay-by-phone app to purchase tickets on a select number of car parks. The main benefit of the app is enabling patrons to commence parking time on their mobile device, only paying for the actual required parking duration, extending parking time from their mobile device, and improving the ease of payments by adding a corporate business card to the app.

### Finding 13 Investing in technology

The CPP business requires upgrades in technology that are not only required to meet customer expectations, but would also introduce efficiencies in how the CPP business operates.

#### 5.1.4 Ownership of sites and operations

A key risk that was raised at the workshops related to the **financial risks to the CPP business as a result of a number of key carparks that are subject to State Government Management Orders and leasehold arrangements**. Carparks under these arrangements can be reclaimed by the State Government at any time, with confirmation that four key carparks – namely Citiplace, Terrace Road, Concert Hall and the Cultural Centre – likely being required to be handed back to the State Government in the near term. The financial consequences of this risk being realised has been presented in Section 4. It was agreed that this strategic risk needed to be addressed as a priority initiative in the Strategic Business Plan.

In relation to car parks that are owned by the City of Perth, there was also a discussion at the strategic planning workshops as to **whether underperforming carparks should be sold or repurposed**. This would not only help to improve the commercial returns to the City of Perth, but also drive decisions that ensure the highest and best use of the land is made.

To facilitate these types of discussions, it was agreed that the Strategic Business Plan would need to be **closely aligned and linked to the City of Perth's broader property review**.

The Executive and City of Perth Council strategic planning workshops also suggested that the Strategic Business Plan should also explore the **broader question as to whether the City of Perth should be in the business of running car parks**. In this regard, the benefits and costs of outsourcing the operation of carparks, or even selling them to a private sector provider, should be reviewed.

## Finding 14 Portfolio Review

Faced with the prospect of potentially handing back its best performing car parks that are currently under Management Order to the State Government, and with the challenge of running a number of freehold owned car parks that do not generate commercial returns, the CPP Strategic Business Plan must consider its options through a review of its portfolio of car parks. This should be aligned to the City of Perth's broader property review.

### 5.1.5 Marketing and Branding

The CPP's branding and awareness efforts was another issue raised by stakeholders, with concerns surrounding its ability to communicate with its customers and enhance the awareness of the CPP brand. Concerns were raised over the **lack of a formal marketing strategy** for the business, and provisioning for an adequate level of funding through the budget process.

In relation to funding, some stakeholders suggested that funding for CPP marketing and branding should be linked to the CPP business, and not be sourced through the City's overall marketing budget. During the workshop discussions, it was agreed that **investment in new technology could be a significant enabler to marketing and promoting the CPP business**.

From a tactical perspective, some stakeholders reflected on the need for any marketing efforts on the CPP to **promote on its customer service as a key differentiator** compared to their private operators in the City.

Stakeholders also suggested that the **CPP should better explain the basis of its parking fees**, such as the taxes that are paid to the State Government through the Perth Parking Levy and the Emergency Services Levy, but also what the parking fees are used for in enhancing the level of infrastructure and services provided by the City of Perth. On the latter point, this type of narrative would present as another key differentiator to its competitors which are foreign owned (meaning the profits will be returned to overseas shareholders rather than invested locally).

It was also agreed that the CPP's pricing strategy is a key means by which the business can effectively market itself. Again, it was recommended that the effective deployment of technology in the CPP business could enable it to introduce **more flexibility into its pricing**, including "real time pricing" so that the customer only ever pays for the time they use a car park, but also **more efficient means by which car parking fees can be paid**, such as through the creation of a CPP app.

It was also suggested through the consultation process, that investment should be made to **improve the visibility of CPP car parks in the city** (eg. signage to assist customers) and that the development of a **CPP app could also include the functionality to allow for customers to know the most efficient means by which to reach a car park, and know in real time whether there are spaces available**.

## Finding 15 Product development, pricing and marketing

The CPP business should be supported by a product development, pricing and marketing strategy to better align with customer needs, and therefore optimise the business over time. A product development, pricing and marketing strategy should harness technology and data capture to develop a more holistic understanding of the customer, their needs, and the ways in which the CPP can meet them.

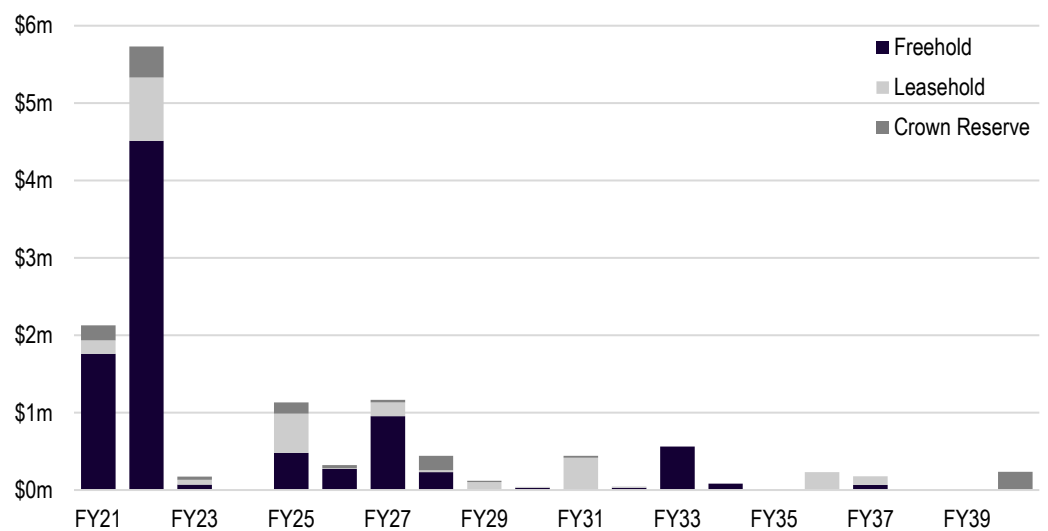
## 5.2 Asset condition

The **CPP’s asset base is in need of significant renewals expenditure**. ACIL Allen analysis of the CPP’s asset register finds \$8.1 million of assets (cost basis) are operating beyond notional useful life. A further \$9.2 million (cost basis) will reach the end of useful life between now and 30 June 2025. At that point, it is estimated that almost the entire capital stock of the CPP (~\$25m on a cost basis) will be beyond its useful life. This exposes the City to risk of asset failure, impacts on service, and reflects an ageing of the CPP’s technology platforms.

**Figure 5.1** presents the forecast capital replacement schedule for the CPP’s leasehold, freehold and Crown Reserve car parks. On average, the CPP forecasts an annual capital replacement cost of \$0.7 million per annum or a total of \$13.1 million over the 20 year forecast period. The majority of this capital replacement expenditure is forecast to be required over the next two years (\$7.9 million or 60.2 per cent of the total).

In line with the composition of the CPP’s car park portfolio, freehold car parks account for over two thirds (69.4 per cent) of the total capital replacement costs over the next two decades. Leasehold (\$2.7 million or 20.4 per cent) and Crown Reserve (\$1.3 million or 10.2 per cent) car parks account for the remainder of the capital replacement costs.

**Figure 5.1** CPP car park portfolio Capital Replacement Schedule, by ownership structure

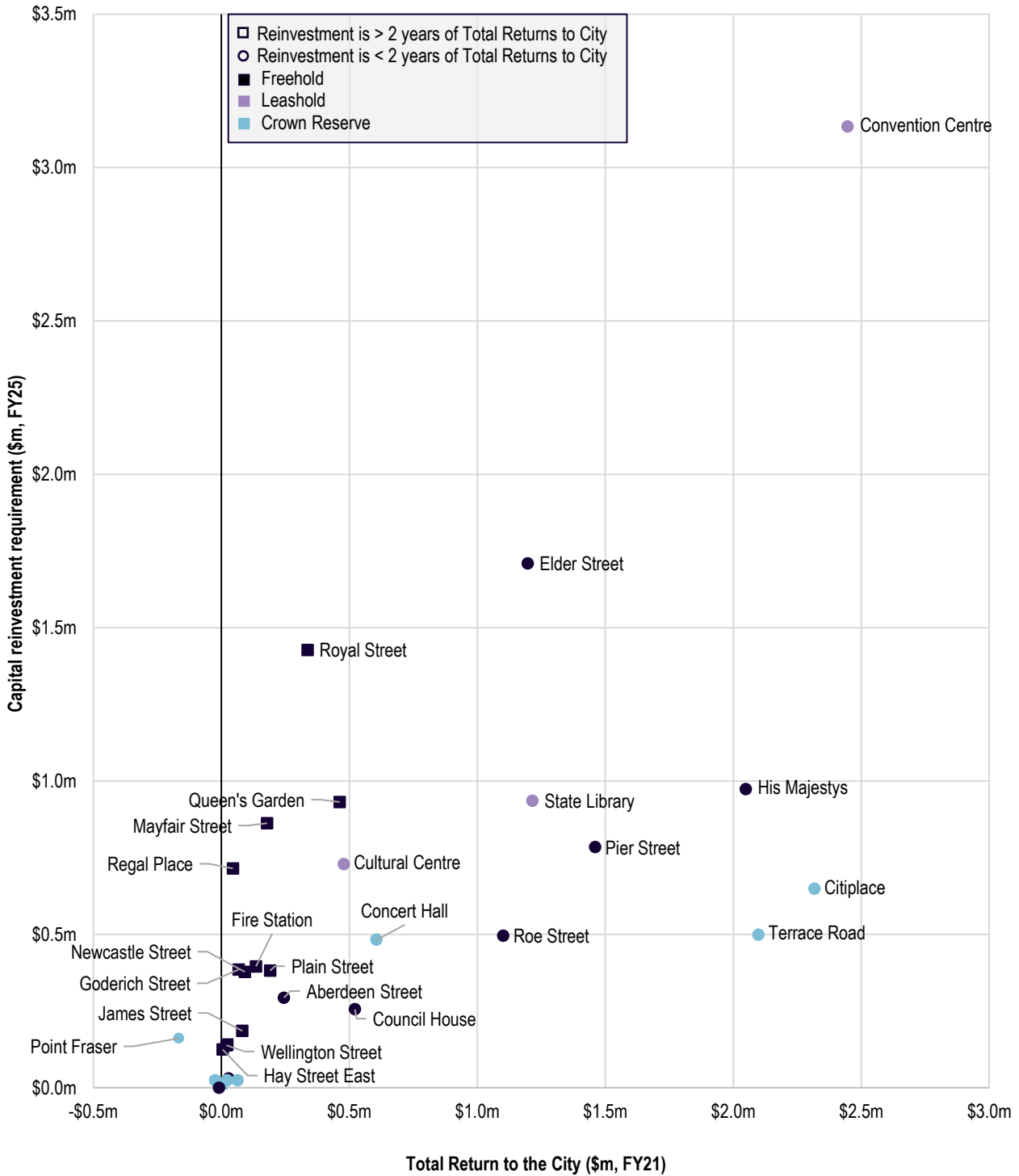


Source: ACIL Allen; CPP

Stakeholders agreed that a review of CPP’s assets at each of its car parks, and an assessment of whether they are meeting the needs of customers (as users) and the City (as the shareholder) is required. This process will need to take into consideration the cost of investment at each car park relative to the performance of that car park, and its ability over time to earn a return on that investment.

ACIL Allen’s analysis of the return of each of the CPP car parks against the capital investment requirements at each car park reveals that a **number of car park properties have high reinvestment requirements relative to their performance**. To assess this risk, ACIL Allen has analysed at a car park property level the current replacement cost of assets which are either operating beyond their useful life (ie have been fully depreciated) or are set to reach the end of their useful life before 30 June 2025. This is then compared to the current cash return to the City of Perth (EBITDA, adding back rents paid to the City, City of Perth rates, and internal charges). This is presented in the matrix in **Figure 5.2** below.

**Figure 5.2** Capital reinvestment requirements to FY25 vs Total Return to City (including rents and rates), \$m nominal terms



Note: Crown Reserve (CR), Leasehold (L), Freehold (F) car parks. Unlabelled car parks include John Abrahams Reserve (F), Saunders Street (F), Mounts Bay Road (CR), Coolgardie Street (F), Heirisson Island (CR) and John Oldham Park (CR).  
 Source: ACIL Allen; CPP

Through this analysis, it can be observed that there are 11 car park properties where there is a reinvestment requirement of greater than two years worth of cash returns. This includes a range of car parks in terms of size, including the relatively small Plain Street car park up to the Queens Garden car park which is one of the City's largest. There are a number of car parks which have



reinvestment requirements which are significantly larger than their annual total cash return. These include:

- Regal Place (15.7 years)
- Wellington Street (6.9 years)
- Coolgardie Street (6.1 years)
- Goderich Street (5.8 years), and
- Mayfair Street (4.8 years).

The primary concern held for these car park properties is it may take the City a long time – in the most extreme example almost 16 years – to recover any investment undertaken to replace existing assets. This underscores the need for a strategic approach to overdue capital reinvestment.

While this appears to be a weakness of the CPP, it also presents an opportunity as stakeholders were strongly of the view that the CPP's existing technology platforms are obsolete. A capital reinvestment plan is considered necessary to not only avoid asset failure costs, but also improve customer service and the performance of the business over time. This would be expected to result in an improvement in the revenue performance of the car park portfolio, potentially shifting some of the properties flagged as at risk of non-performance from a return on investment perspective shifting to the right of **Figure 5.2**, meaning they move out of the risky category.

#### **Finding 16** Capital investment plan

With the CPP capital stock almost at the end of its useful life, there is a need to develop a capital investment plan to address the potential asset failure costs, but also to address customer needs and improve the performance of the CPP business. The capital investment plan must consider whether the benefits through greater patronage and revenue outweigh the costs of the investment on a carpark by carpark basis.

## 5.3 Market Considerations

The following external market considerations identified below are the outcome of a detailed market assessment and research undertaken by ACIL Allen. These external factors relate to economic drivers, social and technological trends, and private sector competition.

### 5.3.1 Economic Overview

The key influence on the performance of the CPP business is the economic activity within the City of Perth. The City is the home to the corporate headquarters of the State's largest employers, and thousands of other small and medium enterprises. Collectively, these organisations bring over 140,000 employees to the City each day.<sup>2</sup>

The City of Perth makes a significant contribution to the WA economy. In 2019, the Gross Regional Product (GRP) of the Perth Metropolitan region was \$173.8 billion, which accounted for 60.8 per cent of Gross State Product (GSP).<sup>3</sup>

While the City of Perth's economy is primarily driven by its role as the corporate headquarters for business and government, it also generates significant economic activity through its large retail sector, as the State's primary tourist destination, and through the provision of critical health and community services, and professional services. Together, it is these large service based sectors

<sup>2</sup> ABS Census as cited by the City of Perth: Workers' place of residence.

<sup>3</sup> ABS Cat. 5220 Table 6 - Australian National Accounts: State Accounts, 2018-19, DPIRD methodology

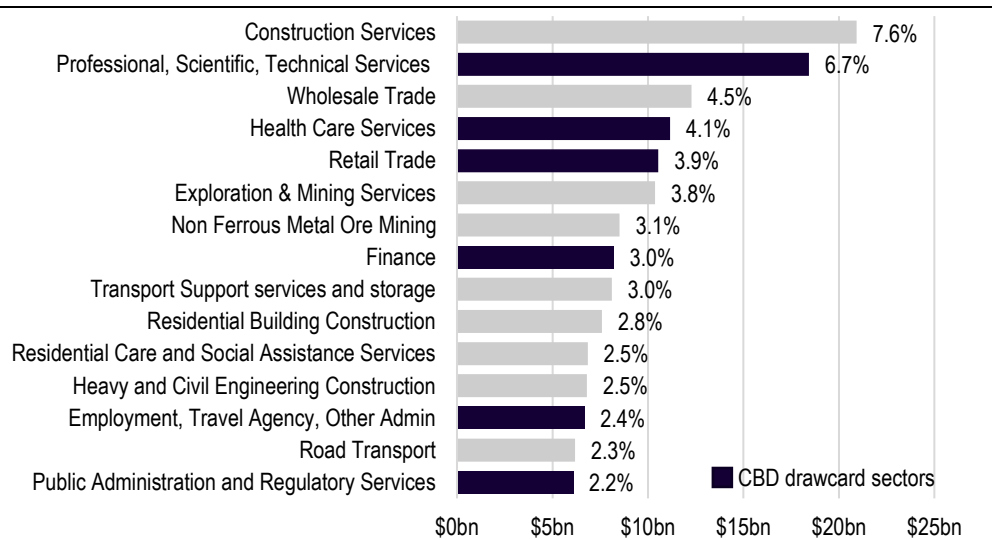


that draw people into the City during the working week. **Figure 5.3** presents the Perth Metro area’s top 15 industry sectors by GVA and highlights some of the larger service-based industries that typically draw a large employee base into the CBD.

The City of Perth is the State’s major tourism drawcard and the gateway to WA. Some of the State’s major tourist attractions are within the City of Perth, from the natural attractions such as Kings Park and the Swan River, to cultural attractions such as Elizabeth Quay the Museum and Art Gallery, as well as having the greatest concentration of retail, hospitality and hotels in Western Australia. According to Tourism WA, 4.4 million people visit the Perth Metro area each year and spend 31.7 million nights in the Metro area which represents 62 per cent of WA’s total visitation. Visitors to the Metro area come in various reasons including for business, to visit family and friends or for leisure and holiday purposes.<sup>4</sup>

While the City of Perth is home to a growing number of residents (28,832 residents in 2019 was 174 per cent higher than the number of residents in the City in 2001), most of the people that work in the City commute from other local government areas.

**Figure 5.3** GVA by sector, Perth Metropolitan area

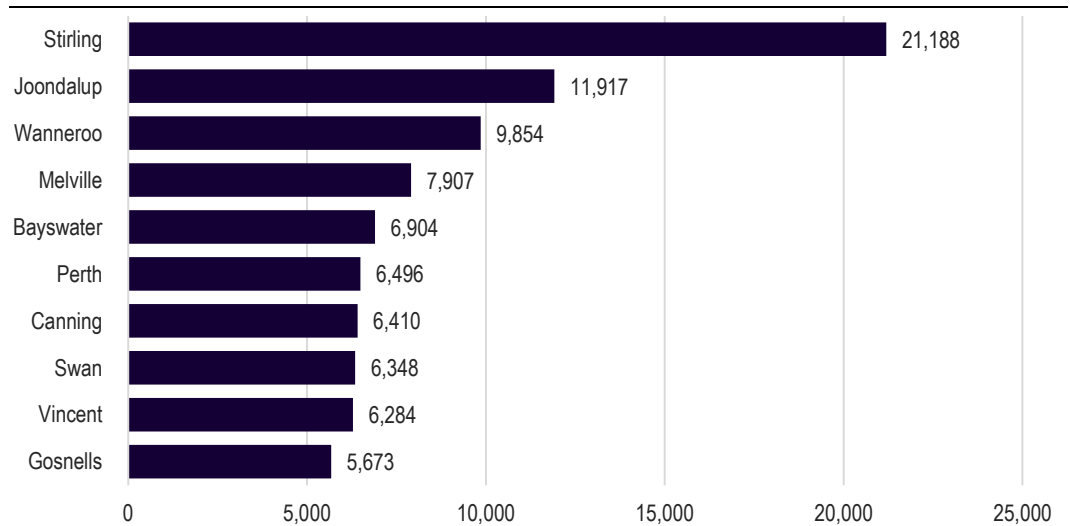


Source: ACIL Allen Input-Output tables 2018-19

The three local government areas in the Perth metropolitan area supplying the highest number of workers in the City include Stirling, Joondalup and Wanneroo. Together these three local government areas account for approximately 31 per cent of total workers in the City (**Figure 5.4**). These local government areas capture the ongoing northward extension of the Perth metropolitan area, with travel to the Perth CBD supported by the extension of the Joondalup rail line from Butler to Yanchep.

<sup>4</sup> Tourism WA Strategy and Research (2020). Overnight Visitor Factsheet 2017/18/19

**Figure 5.4** Top places of usual residence for workers – City of Perth

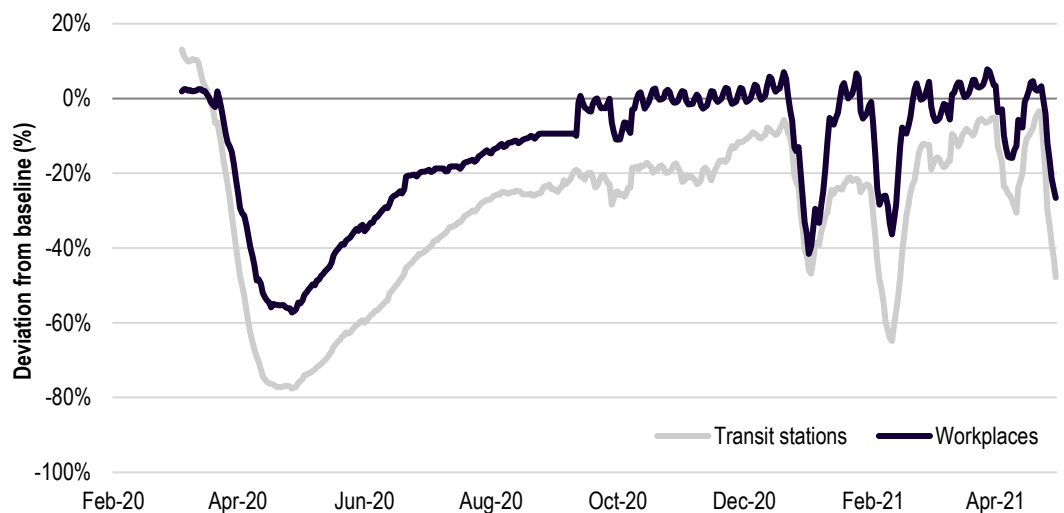


Source: ACIL Allen; REMPLAN using ABS, 2016 census

**5.3.2 Trends towards working from home**

The COVID-19 pandemic and the resulting restrictions on the movement of people had a significant impact on the levels of economic activity in the City of Perth, and in particular the CPP business. While WA’s lockdown was only for a short period of time over March and April 2020, the return to “normal” conditions has taken until October 2020 as observed in workplace activity (see **Figure 5.5**). While residents of Perth and Peel have endured two further short term lockdowns (in January and April), the traffic into the City has now rebounded above pre-COVID-19 levels.

**Figure 5.5** City of Perth mobility trends, 20-day moving average



Note: Workplace data was unavailable for a period during September 2020.

Source: ACIL Allen; Google Community Mobility Reports

Many large employers based in the Perth CBD are still allowing or requiring their workforces to work from home which is likely to impact the demand for commercial parking if the shift continues in the long term. According to Google’s latest Community Mobility reports, transit station activity is yet to recover above pre-COVID 19 levels which may imply people are still working from home or are still opting to use their personal vehicle. It is evident from the mobility trends that repeat lockdowns

due to COVID-19 (as seen in early 2021) have significant impacts on the number of patrons entering the CBD for employment purposes in the short term, however there remains mixed evidence regarding long term impacts.

The decline in patronage to the Perth City over this period has impacted on the demand for office space in the Perth CBD, with Knight Frank reporting CBD vacancy rates to rise to around 20 per cent by mid-2021, where it is expected to remain due to limited growth in new supply in the short term.<sup>5</sup> After 2021, Knight Frank expect vacancies to gradually decline due to an increase in office demand (on the back of a recovery in employment), with the Perth CBD an attractive market in the long term due to strong economic fundamentals and low interest rates.

The trend towards the adoption of remote working practices has been steadily evolving over the last decade, but these trends have accelerated over the past year as organisations respond to COVID-19. Implications for the future of an organisation's traditional office headquarters potentially include the abandonment of open-plan spaces in favour of individual offices, providing workers access to suburban hubs (to reduce commuting time), and converting expensive city headquarters with a greater focus on streamlined front desk arrangements, client meeting rooms and other collaboration spaces.

A recent survey of over 1,000 Australian workers by Boston Consulting Group<sup>6</sup>, focusing on the impact of COVID-19 on their preferences for working practices going forward, indicated that up to 60 per cent of respondents wanted to split their working time between home and office. The adoption of this practice by organisations operating in the City will have implications for the CPP business to the extent that it may moderate future movements of people into the City.

The latest Household Impacts of COVID-19 Survey<sup>7</sup> (February 2021) found that employed Australians were more likely to work from home one or more times a week compared to before COVID-19 restrictions began in February 2021 (increasing to 41 per cent from 24 per cent). The main reasons for this were due to COVID-19 restrictions and the availability of flexible working arrangements. The study also highlighted employee's preferences including:

- 42 per cent of employees wanting the level of work of from home to remain the same;
- 14 per cent wanted the amount of work from home to increase; and
- 8 per cent wanted the amount of work from home to decrease.

Other commentators suggest that it is still uncertain as to whether COVID-19 will fast-track more widespread remote working practices with some States across Australia returning to workplaces under Safe Management Plans whereas others (eg. NSW and Victoria) are giving employees the option to work from home. It is suggested that the longer these health orders are in place, the more established patterns of behaviour are likely to become.<sup>8</sup>

Others suggest "hybrid models of remote work are likely to persist" for a proportion of the workforce and suggest that the pandemic has lifted the limitations (ie. technological barriers) and made the benefits of remote working clearer, although it is only possible for a proportion of the workforce.<sup>9</sup>

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<sup>5</sup> Knight Frank (2020). Perth CBD Office Market Report

<sup>6</sup> Boston Consulting Group (2020). Personalisation for Your People – How COVID is Reshaping the Race for Talent

<sup>7</sup> ABS (2021). Household Impacts of COVID-19 Survey

<sup>8</sup> SGS Economics and Planning (Nov 2020). Where are people working from home, and how could this reshape Australia's cities and regions?

<sup>9</sup> McKinsey and Co (Nov 2020). What's next for remote work: An analysis of 2,000 tasks, 800 jobs, and nine countries

**Finding 17** Longer term economic impacts of COVID-19

The CPP business is driven by the role of the City of Perth as the State's corporate headquarters, its large retail sector, as the State's primary tourist destination, and home to critical health and community services. The economic shock created by COVID-19 had a significant short term impact on the CPP business initially, but the consequences could be felt longer term if the trends towards working from home reduce the demand for office space in the CBD. These longer term trends should be considered as part of the longer term planning for the CPP business.

**5.3.3 Retail trends**

Across Australia, retailers are recalibrating their business models to optimise their store portfolios. This has generally led to downsizing in the amount of floor space required by retailers and a concerted effort to maximise online and digital engagement with their customers. The convenience associated with online retailing is an attraction for many consumers, particularly as the reliability and timeliness of delivery services continues to improve.

Online sales data collected by the ABS shows that online sales in Australia have grown significantly since 2014, with the total online sales in October 2020 approximately 360 per cent higher than in October 2014.<sup>10</sup> The increasing popularity of online sales events has been attributed as one of the key factors impact consumer's online spending activity. This increase has also been further supported by government-mandated responses to COVID-19, which fostered a surge in online retail sales in 2020 (\$1.65 billion in Jan-20 to \$3.16 billion in Oct-20).

The 2021 Australian Retail Outlook supports these trends, suggesting that although bricks-and-mortar stores provide an experience, consumers are becoming increasingly accustomed to convenience and safety of e-commerce. The report suggests that the pandemic has resulted in five years of "trend" e-commerce growth occurring in a few months, bringing forward the need to invest in e-commerce and online user experience. This trend is evident in a recent survey of executives, with over 70 per cent saying they have invested more in their digital business to enhance their e-commerce offerings.<sup>11</sup>

The customer acceptance towards online shopping has grown in recent times due to the restrictions that have arisen from the COVID-19 pandemic. The extent to which this form of shopping continues to grow will have implications for traditional retailers that operate in the Perth CBD, and by association the CPP business.

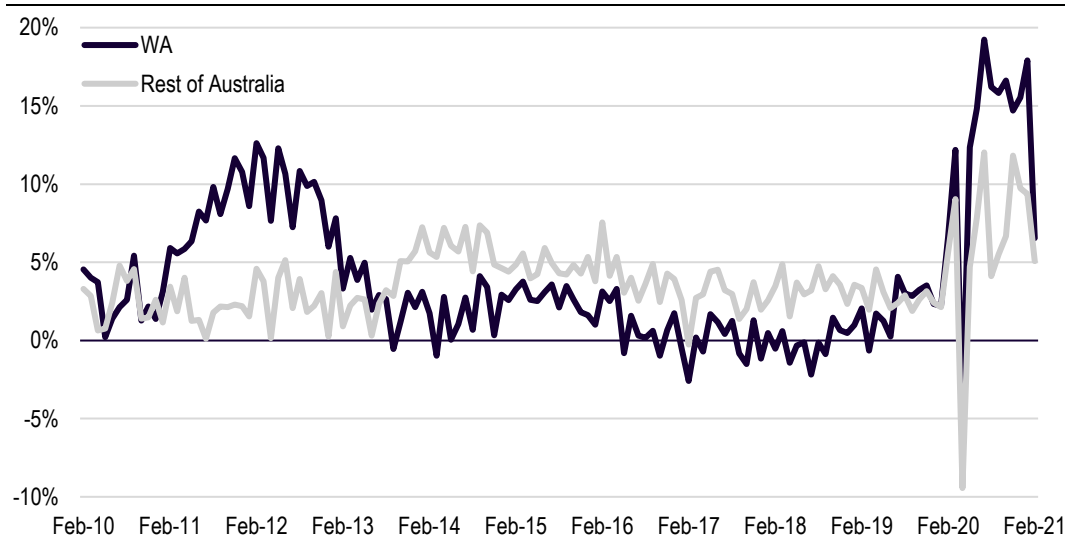
Leading up to COVID-19 in early 2020, WA's retail sector had experienced sluggish growth following a boom in the 2011 to 2014 period (**Figure 5.6**). This slump in turnover led to some high-profile retail closures in the Perth CBD. During this time it was also suggested that major new investments in retail shopping centres (eg. the \$800 million Karrinyup Shopping Centre) were likely to have negative impacts on the sector more broadly as shoppers are drawn away from retail strips and towards places of entertainment.<sup>12</sup>

<sup>10</sup> ABS (June 2020). Retail Trade Cat. 8501.0 – Supplementary COVID-19 analysis – Online sales

<sup>11</sup> KPMG (2021). Australian Retail Outlook 2021

<sup>12</sup> WA Today (2019). 'Striponomics': The reason Perth's main streets are struggling is no big secret.

**Figure 5.6** Retail turnover, monthly turnover compared to 12 months earlier



Source: ACIL Allen; ABS Table 8501.0 Retail Trade, Australia, By State

In more recent times retail sales have boomed in Western Australia, with sales as measured by the ABS running at an annual growth rate in excess of 15 per cent throughout much of the latter half of 2021. However, untangling the impact of short term stimulus, broader positive economic trends, and the base effects of the peak months of the pandemic locally is challenging. It is more likely than not that recent trends in bricks-and-mortar retail are likely to continue despite the current buoyant conditions from an overall sales perspective.

While this is an important consideration for the City of Perth more broadly, the impact on the City of Perth Parking business is more limited. It is likely individual car trips specifically centred on visiting bricks and mortar retail outlets are small, and the events of the last two years are unlikely to change the longer term trends. In addition, the City of Perth Parking’s off street parking premises are primarily located away from major retail hubs on Murray Street and Hay Street between William Street and Barrack Street, providing further evidence this is a minor strategic issue.

**Finding 18** Impact of retail trends on City retailers

Retail trade in Western Australia had been growing at a very low rate compared to the national average for some time. With an increasing share of retail trade occurring online it is likely bricks-and-mortar retailers have faced difficult trading conditions, which are unlikely to ease given structural trends towards online retail. This may have an impact on the City of Perth Parking business at the margin, although the proportion of car park patronage linked specifically to retail activity is likely to be limited, particularly given the City’s car parks are for the most part located away from major retail precincts.

**5.3.4 Transport and mobility trends**

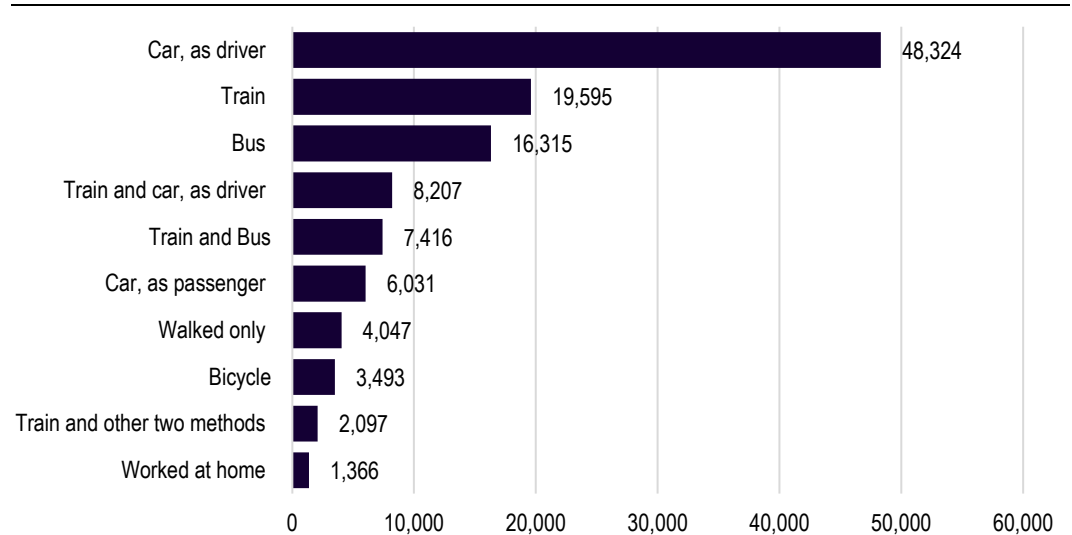
**Public transport**

Commuting to the City by car as a driver continues to be the primary mode of transport for workers in the City of Perth, accounting for 35.8 per cent of total workers movements each day, compared to 14.5 per cent by train and 12.1 per cent by bus in the 2016 Census (**Figure 5.7**).<sup>13</sup>

<sup>13</sup> REPLAN – using ABS 2016 Census

Through its METRONET program, the State Government is committed to making travel to and around the city by train more flexible, particularly for people from underserved suburbs located in the north-eastern and south-eastern corridors of the Perth metropolitan area from the completion of the Thornlie-Cockburn Link and Morley-Ellenbrook Line (Figure 5.8).

**Figure 5.7** Top methods of travel to work for City of Perth workers



Source: ABS Census 2016

Once these new lines are completed, it is expected that this will stimulate a switch in the mode of transport used by people working in the city who live in these corridors from their car to commuting by train. Perth residents have displayed a willingness to embrace new public transport infrastructure. For example, one year after the completion of the Mandurah train line in 2007, the line was carrying 55,000 passengers per day compared to the 14,000 bus passengers that had previously travelled along this corridor.<sup>14</sup>

The State Government is also planning to reduce the number of fare zones within the Perth Metropolitan Area from eight to two as of 1 January 2022. This will reduce the price paid by commuters outside of an approximate 15 kilometres (straight line distance) radius to a maximum of \$4.90 per one way trip, with additional discounts provided if the commuter uses a SmartRider. The one way cost savings for an individual commuter are up to \$8.20 on a standard ticket (Zone 9 transit into Perth).

Importantly, the State Government’s financial impact assessment of its policy suggests only a modest reduction in Transperth’s revenue of approximately \$60 million over the forward estimates period (6.5 per cent of revenue). This suggests the State Government is expecting a significant increase in patronage to mostly offset the reduction in fares.

<sup>14</sup> Infrastructure Australia: The Australian Infrastructure Audit 2019 – Urban Transport Crowding and Congestion (Supplementary Report)

Figure 5.8 METRONET Stage One

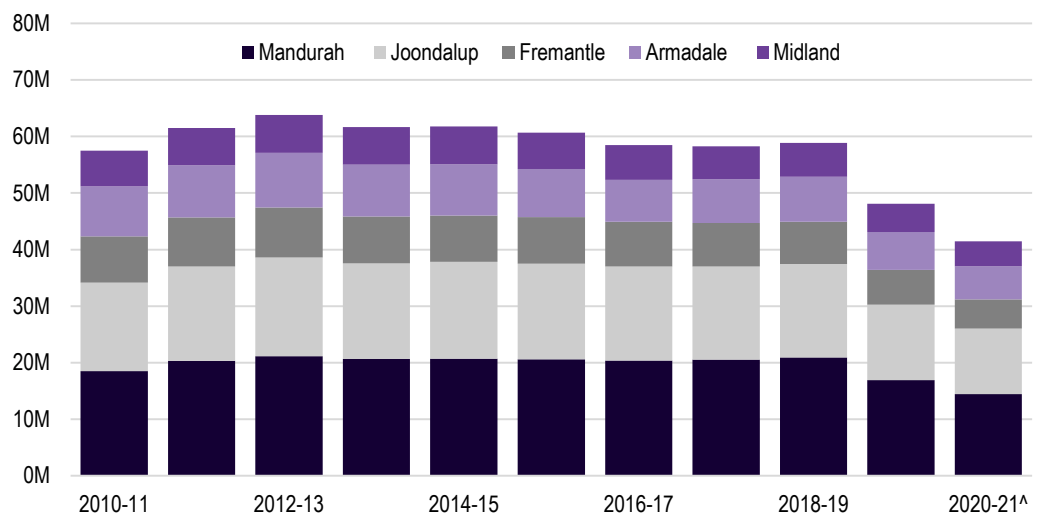


Note: The figure excludes the northern Yanchep Rail Extension and the southern Karnup and Lakelands stations.  
 Source: [metronet.wa.gov.au/about](http://metronet.wa.gov.au/about)

While METRONET may lead to a greater percentage of workers commuting by train once the new lines are operational, the trends towards greater use of public transport has only been modest in recent years. Since 2010-11, total boarding on the five train lines operating in the Perth metropolitan area have increased by just 3.5 per cent, with strong growth in total boarding on the Mandurah and Joondalup train lines offset by declines in total boarding on the Armadale, Midland and Fremantle lines (Figure 5.9).



**Figure 5.9** Annual total boarding on train lines in the Perth Metropolitan Area



<sup>^</sup>The remaining five months of 2020-21 have been estimated based on previous years' proportions of patrons (ie. pro rata).

Source: public transport authority

High-density mixed-use development around train stations is not a new, nor unique aspiration for the Perth metropolitan area, with Subiaco and Joondalup both prime examples of where this type of development has been delivered. Driven by the State Government's urban infill targets, population density around train stations in the Perth metropolitan area is expected to increase. For example, the Bayswater station upgrade to be delivered as part of METRONET is anticipated to stimulate a mix of retail, residential and commercial uses within walking distance of the station, while also providing a convenient option for residents in these areas to use public transport to travel into the Perth CBD.

**Key Finding 19** Public transport investments

The State Government is undertaking significant investments in heavy rail infrastructure around Perth, with complementary changes to pricing policies designed to increase patronage. The State's infrastructure investments specifically target underserved areas. This may result in reduced demand for off street parking within the Perth CBD over time.

Source: ACIL Allen

**Ridesharing and car ownership**

Ridesharing providers have added to competition in the on-demand transport market and provide a differentiated service to taxis. As the first entrant to the Perth market, Uber has built a strong local customer base, however the entry of new ridesharing providers in Perth, such as Ola and DiDi, has resulted in fierce competition for market share. Consumers have benefited from this competition through heavy discounting and special offers from each of the three major ridesharing providers. This has meant that for many commuters and visitors, a trip to the Perth CBD with a ridesharing provider is increasingly more cost effective and convenient compared to the cost and convenience of travelling into the city by car and parking in the City.

For inner-city residents of the Perth metropolitan area and infrequent car users, the ridesharing providers as well as subscription-style services (e.g. Carly, Carbar and HelloCars) are challenging the cost of car ownership. In Australia, the average household spends around \$332 a week on car



ownership<sup>15</sup> For the average household, this represents the largest component of the household budget after the expenses for food, housing and essential services.

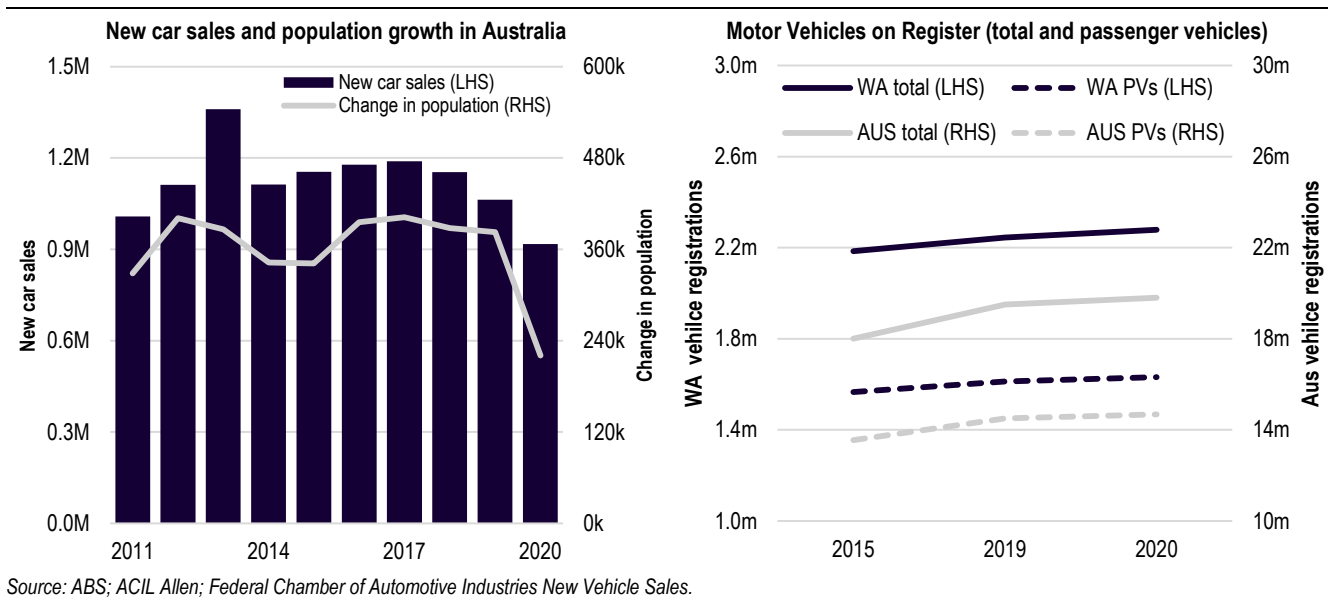
According to a recent study, the need to own a personal vehicle will be nullified by the availability of EVs, autonomous vehicles, self-driving robo-taxis and car sharing.

*In the future, the mobility landscape will look dramatically different from today. New technologies and mobility options such as car sharing (e.g. GoGet, Flexicar) and ride sharing/pooling (e.g. Uber, Lyft, Ola) are already changing the way we travel and use traditional transport modes, such as taxis and private cars. Shared electric scooters and e-bikes are gaining traction. Innovations such as autonomous vehicles (AVs) and on-demand transport are likely to bring even more dramatic shifts. (LEK Consulting, 2019).*

Although timelines remain uncertain, a significant shift is not expected in the short term (ie. one to five years) with LEK’s projections suggesting that EV sales could result in internal combustion engine sales falling to less than 20 per cent of the car market by 2050, compared with 99 per cent in 2017.<sup>16</sup> This also means that there is likely to be a significant fleet of EV’s on the roads over the next few decades.

There is some evidence of a longer term trend away from car ownership, particularly for young people.<sup>17</sup> This is consistent with the 7.8 per cent decline in new car sales observed between 2018 and 2019 which represented the lowest new car sales result since 2011 (Figure 5.10, left).<sup>18</sup> However, it is difficult to predict the magnitude and speed of this trend as car ownership data has been impacted by COVID-19 in 2020.

**Figure 5.10** Trends in new car sales and population (left) and motor vehicle registrations (right)



At the same time, the total number of vehicles registered in WA has followed an upwards trajectory since 2015, increasing from 2.19 to 2.28 million between 2015 and 2020, a 4.3 per cent increase (compared to a 5.0 per cent increase in WA’s population over the same time). Passenger vehicles

<sup>15</sup> NRMA (2017): The future of car ownership.  
<sup>16</sup> LEK Consulting (2019). The Economic Benefits of New Mobility for Australia.  
<sup>17</sup> Australian Financial Review (2019). Millennial mindset exacerbates car sales slide.  
<sup>18</sup> Federal Chamber of Automotive Industries – New Vehicle Sales Figures.

have followed a similar trajectory, increasing by 4.2 per cent between 2015 and 2020 which implies that the fleet of cars on the road will at least, remain steady in the short to medium term (Figure 5.10, right).

### Technology developments in the car park and motor vehicle market

The rollout of a range of technology upgrades in car parks throughout the Perth CBD is anticipated to deliver efficiency benefits for both consumers and car park operators. Sensor technology is an early stage in this process and has been adopted at many car parks throughout the Perth CBD, most commonly in the form of colour-coded lights indicating the availability status of each individual car bay. Other technology innovations that may be adopted by car park operators include cameras, wireless communications, induction loops and smart parking meters.

The design of car parks in the medium to long-term will be impacted by technology developments in the motor vehicle market. While the uptake of electric vehicles in Western Australia, and Australia more broadly, has been slower than anticipated, charging station infrastructure continues to evolve at a rapid rate and in turn improve the financial viability of purchasing an electric vehicle.

Within the boundaries of the City of Perth, there are 11 public electric vehicle charging stations (BYO cable)<sup>19</sup>, highlighting the scope for further improvement in the rollout of public charging stations. The limited availability of public charging stations in the Perth CBD is largely a reflection of the low uptake of electric vehicles in WA, with just 212 electric vehicle sales (excluding Tesla) in WA in 2019, equating to approximately 23 electric vehicles sales per 10,000 vehicles sold<sup>20</sup>. The ACT and South Australia reported the highest electric vehicle market penetration with 83 and 63 electric vehicle sales per 10,000 vehicles sold respectively in 2019.

A long-term technology development in the motor vehicle industry will be the introduction of automated vehicles (AVs). While still in the early stages of development, several cities around the world are already beginning to update car park facilities to cater for AVs, and more specifically their self-parking function, through specialized AV parking bays and robotic parking valets.

### Finding 20 The future of car ownership

Changes to the use of personal motor vehicles are likely in the coming decade, however there is some uncertainty regarding the pace of change. Adoption of ride-sharing may limit demand for vehicle ownership within areas close to Central Business Districts although this may not result in a material change in demand for parking spaces as aggregate mobility needs will not change. The more significant shift which is likely to occur is in relation to the penetration of hybrid-electric and fully electric combustion engine technology. This will require the CPP to be cognisant of the infrastructure needs of vehicle owners centred on charging infrastructure.

#### 5.3.5 Private sector competition

CPP operates in direct competition with a number of private operators in the City of Perth. All parking operators however are subject to the Perth Parking Levy, which is paid by all owners of non-residential parking bays within the Perth Parking Management Area (constituting the Perth CBD and sections of West Perth, East Perth and Northbridge). Under the Levy, there are four types of parking bays used to determine the annual licence fee to be paid per bay by the owner of the car park.<sup>21</sup>

<sup>19</sup> RAC: Electric vehicle charging stations [map](#)

<sup>20</sup> Electric Vehicle Council: State of Electric Vehicles (August 2020)

<sup>21</sup> Long stay public bays, short stay public bays, on-street parking bays and all other parking bays. All other parking bays includes tenant parking and other non-public bays.

Across all CPP car parks there are a total of 11,350 car bays. ACIL Allen estimates that **CPP accounted for approximately 20 per cent of all car bays that were liable for the annual license fee under the Perth Parking Levy in 2019-20.**

CPP’s main competitor is Wilson Parking who are a foreign-owned private company and are administered by a head office in Perth. Outside of the provision of parking services, the company has a diversified revenue base composed of business units that include storage facilities management, health and safety training, non-emergency patient transport, and security and patrol services. Within the boundaries of the City of Perth, there are 32 Wilson car parks. The car parks are evenly dispersed across the City of Perth, with a greater concentration located in areas including Northbridge, The Esplanade and the western end of St Georges Terrace (**Figure 5.11**).

Secure Parking is another private sector provider competing with CPP. Secure Parking is a foreign-owned private company established in 1979, providing parking services at over 600 car park facilities across Australia and New Zealand. Secure Parking has six car parks evenly dispersed towards the extent of the boundaries of the City of Perth.

**Table 5.1** presents the average price for the first hour of parking and for full-day parking on weekdays for the CPP, Wilson Parking and Secure Parking car parks. These rates take into account any special COVID-19 rates offered by the parking providers.

**Table 5.1** Sample of parking rates in the City of Perth, average prices

	CPP	Wilson Parking	Secure Parking
First hour	\$4.00	\$10.12	\$9.20
Full day (weekdays)	\$12.60	\$32.94	\$20.83

*Note: Sample sizes include CPP (30), Wilson Parking (17) and Secure (6). Rates may be impacted by COVID-19.*

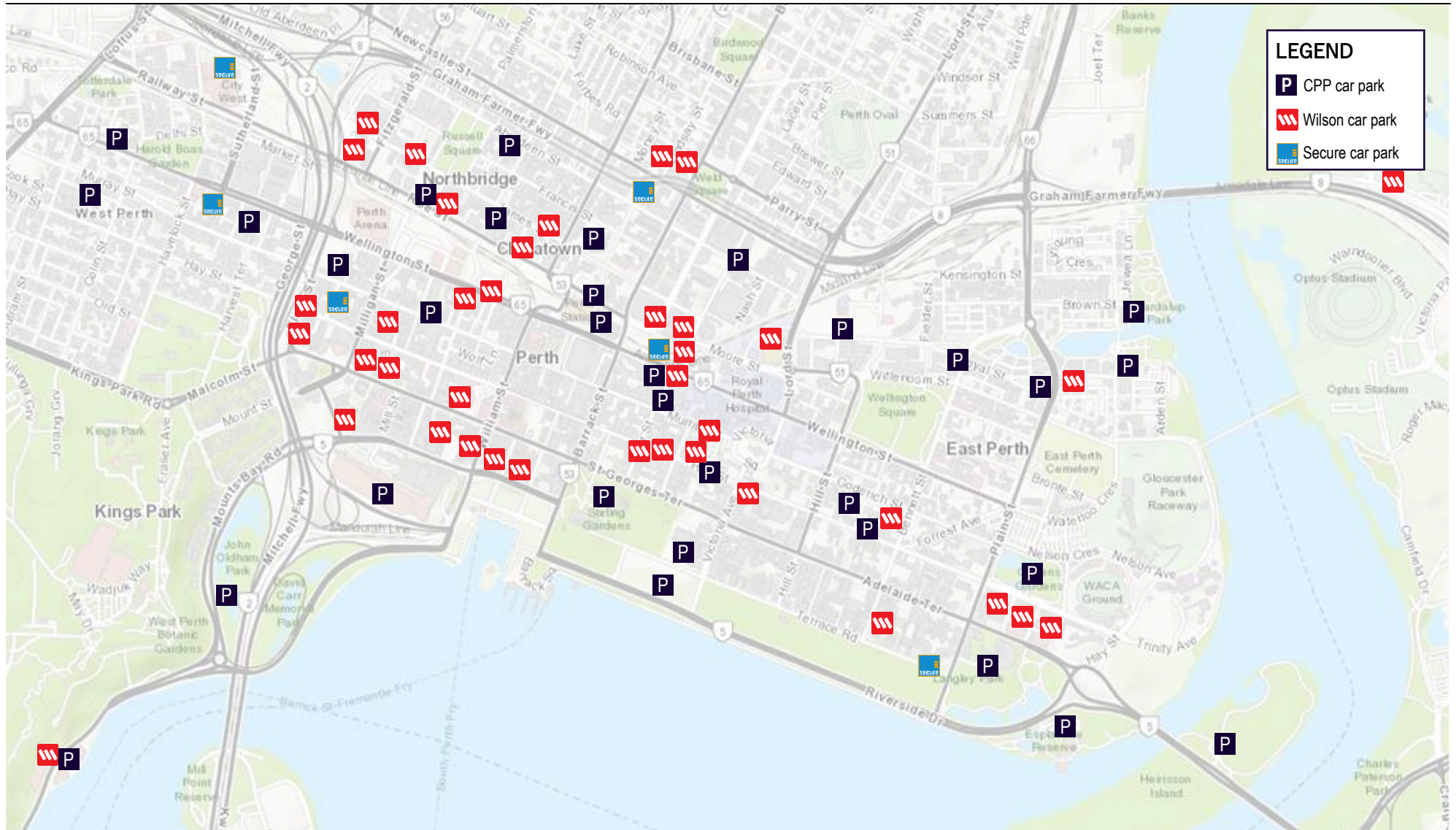
*Source: ACIL Allen; CPP; Secure Parking; Wilson Parking.*

On average, the CPP offers the cheapest rates on a ‘first hour’ (\$4.00) and ‘daily’ (\$12.60) basis. Wilson is the most expensive across both measures including being over \$20 more expensive (161 per cent) on a daily basis. Secure Parking is more than double the price for the first hour and around 65 per cent more expensive for the day (in addition to Secure Parking’s car parks being located on the outskirts of the CBD).

The CPP prides itself on its superior customer service experience compared to its competitors. Its customer service includes support with general information, ticket machine faults, long term parking, Parking Cards and infringements. To follow up enquiries, the CPP offer several direct phone numbers as well as an online submission enquiry portal. The CPP also provide assistance with on-street parking and permits.

An offering unique to Wilson Parking is their Wilson One parking card that can be used at some of its car parks. To use the card, the customer taps (or inserts) their card on a contactless reader. Customers pay for their parking on a pre-paid monthly agreement and any extra trips made during the month are invoiced on top of these pre-payments. Wilson Parking offer assistance via phone to their Sales or Customer Care teams.

Figure 5.11 Wilson Parking and Secure Parking car park locations in the City of Perth



Source: ACIL Allen; CPP; Secure Parking; Wilson Parking.

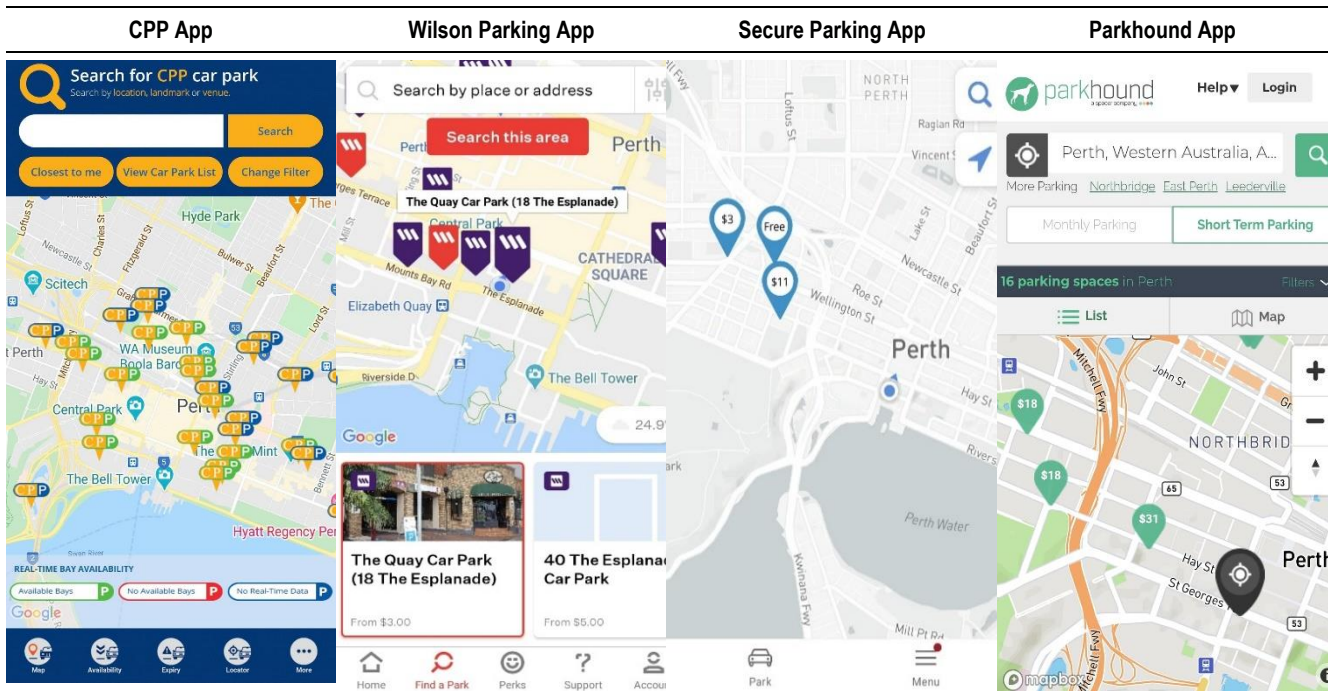


Figure 5.12 presents the interface of mobile apps for the CPP, Wilson Parking, Secure Parking and Parkhound. It is understood that the CPP does offer a mobile app however, it only provides parking location and availability information and is not payment enabled.

The Wilson Parking App promotes its ability to assist patrons in quickly finding the most convenient parking spot, book it and pay all in one place all whilst enhancing speed and safety (in three quick taps on a mobile device). The App also allows its patrons to locate the nearest car park, follow a step by step direction and route to the car bay’s location, link a business account, access exclusive offers through their employer and, compare locations and prices. The Secure Parking App enables its patrons to book parking online with ‘Secure-a-Spot’ and it provides information about rates and car park availability. The App also allows users to access ‘Early Bird Parking’ rates and parking can be booked 45 days in advance.

There are also technology platforms that have been developed to provide a market for underutilised parking bays in the City. Parkhound is one such technology platform that facilitates people with parking spaces to list and find renters for that space. Like ride sharing platforms, owners of a parking bay that is underutilised are able to receive some additional income for leasing it to the public. In the Perth CBD, parking bays listed on Parkhound are typically located in residential apartment complexes, particularly in West Perth and East Perth. Parking bays can be booked for a day, week or month. These leasing options provide flexibility for CBD workers, particularly people visiting Perth from regional WA, interstate or overseas, who may be unfamiliar with the city and would benefit from being able to sort out parking arrangements close to their workplace in advance.

Figure 5.12 Parking apps available in the Perth Metropolitan area



Source: CPP; Parkhound; Secure Parking; Wilson Parking apps.

The other form of “competition” to the CPP is the carparks in office buildings that provide parking for office workers. These car parks typically have very high rates of utilisation, and often not all businesses operating within the building will have access to these parking bays. Due to the convenience associated with the proximity and ease of access to the office, in conjunction with the building owner’s desire to generate a financial return, the annual leasing rates for these car parks are set at a premium level.

**Finding 21** Competition

The CPP business operates in competition with private sector providers of parking services, but has maintained a dominant position due to the number of off-street car parks conveniently located within the CBD, but also due to its competitive pricing, and strong brand based on excellent customer service.



# Prioritisation

# 6

## 6.1 Issues identification

A range of critical issues have been identified through ACIL Allen's analysis of the CPP business, its performance over time, and the current and emerging external market challenges that will confront the business longer term. These issues have been identified through sections 3 to 5 of this Plan, and are summarised below.

- **Finding 1: Keeping rates low** – The CPP business provides a critical source of revenues that enables the City of Perth to fund important priorities and keep the overall levels of rates lower than they otherwise would be.
- **Finding 2: Compliance with the Local Government Act and National Competition Policy** – The City of Perth's recently published report, Commercial Parking Major Trading Plan, provides a summary of its compliance with the Local Government Act and National Competition Policy, to the extent that the CPP business is a major commercial undertaking that operates in competition with the private sector.
- **Finding 3: Alignment to the City of Perth's strategic direction** – It is critical that the CPP has a strategic plan that provides clear alignment to the broader objectives and directions of the City of Perth as articulated in City of Perth Strategic Community Plan 2019-2029 and the City's 10 Year Long Term Financial Plan.
- **Finding 4: From compliance to performance** – The CPP strategic business plan must be focussed on ensuring the CPP business continues to make a significant contribution to the City of Perth's broader objectives.
- **Finding 5: Revenue performance** – Historically, the CPP business has been a consistent and stable source of revenue for the City of Perth, with revenues averaging \$56 million per annum (excluding the COVID-19 impacted 2019-20 financial year). While revenues can be variable, depending on the level of patronage at the CPP car parks, the revenues that are collected for the State Government in the form of the Perth Parking Levy and the Emergency Services Levy are fixed payments.
- **Finding 6: Increase in CPP expenditure due to higher City of Perth rents, rates and charges** – As CPP is predominantly a fixed cost based business, its cost base has historically been relatively stable, until last financial year when the City of Perth's financial reforms saw the rents, rates and internal charges increase significantly to more correctly account for these costs to CPP. This has seen the CPP cost base increase by eight per cent in 2019-20, despite the significant decline in revenues that same year of 28 per cent.
- **Finding 7: Recasting CPP's profitability** – the CPP business has historically been seen as a "cash cow" for the City of Perth, contributing a net profit of around \$16 million per annum prior to 2019-20. While the impact of COVID-19 has highlighted the revenue risks of the CPP business from such events, the most significant change has been the financial reforms of the

City of Perth that have significantly increased the rents, rates and internal charges paid by the CPP, and in doing so recast perceptions over its performance.

- **Finding 8: Financial risk associated with CPP’s leasehold and Crown Reserve car parks**  
The most significant financial risk to the CPP business is the threat that the State Government will take back four of its most profitable car parks, namely Citiplace, Terrace Road, Concert Hall and Cultural Court, which collectively are forecast to generate \$10.2 million in revenues and \$1.2 million in profit in 2020-21.
- **Finding 9: Performance of CPP freehold car parks** – The performance of the CPP freehold car parks is varied, with relatively strong performance of the larger car parks of Pier Street, Roe Street and Council House offset by the negative returns from the other 18 freehold car park. The relatively weaker performance of the CPP freehold carparks represents a key risk to the longer term sustainability of the CPP business.
- **Finding 10: Overall CPP carpark portfolio assessment** – The detailed analysis of the CPP business and its carpark portfolio reveals that is highly reliant on its top five car parks. Under the recast financial arrangements from the City of Perth, it is expected that its top five carparks are expected to generate \$3.9 million or 83.3 per cent of the CPP’s budgeted profit for 2020-21 (excluding His Majesty’s car park which is budgeted to make a loss in 2020-21). Given that four of the CPP’s best performing car parks have been identified as likely to be required to hand back to the State Government – Citiplace, Terrace Road, Concert Hall and the Cultural Centre – this exposes the CPP to a significant financial risk that must be addressed through the Strategic Business Plan.
- **Finding 11: CPP Purpose Statement** – It was agreed that a commercially-focussed purpose statement would ensure the City of Perth is driving the performance of the CPP business, which will enable the achievement of the City’s broader objectives. The agreed CPP purpose statement, endorsed by the City of Perth Council, is as follows:
 

*“The City of Perth Parking’s purpose is to deliver strong and sustainable surpluses to support the City of Perth in the delivery of infrastructure and services to its residents and businesses.”*
- **Finding 12: Understanding the customer** – In order to drive the performance of the CPP business towards the achievement of its purpose, it is critical that there is a strong understanding of its customer, to enable the CPP to adapt and evolve to changing customer requirements.
- **Finding 13: Investing in technology** – The CPP business requires upgrades in technology that are not only required to meet customer expectations, but would also introduce efficiencies in how the CPP business operates.
- **Finding 14: Portfolio Review** – Faced with the prospect of potentially handing back its best performing carparks that are currently under Management Order to the State Government, and with the challenge of running a number of freehold owned carparks that do not generate commercial returns, the CPP Strategic Business Plan must consider its options through a review of its portfolio of carparks. This should be aligned to the City of Perth’s broader property review.
- **Finding 15: Product development, pricing and marketing** – The CPP business should be supported by a product development, pricing and marketing strategy to better align with customer needs, and therefore optimise the business over time. A product development, pricing and marketing strategy should harness technology and data capture to develop a more holistic understanding of the customer, their needs, and the ways in which the CPP can meet them.
- **Finding 16: Capital investment plan** – With the CPP capital stock almost at the end of its useful life, there is a need to develop a capital investment plan to address the potential asset



- failure costs, but also to address customer needs and improve the performance of the CPP business. The capital investment plan must consider whether the benefits through greater patronage and revenue outweigh the costs of the investment on a carpark by carpark basis.
- **Finding 17: Longer term economic impacts of COVID-19** – The CPP business is driven by the role of the City of Perth as the State’s corporate headquarters, its large retail sector, as the State’s primary tourist destination, and home to critical health and community services. The economic shock created by COVID-19 had a significant short term impact on the CPP business initially, but the consequences could be felt longer term if the trends towards working from home reduce the demand for office space in the CBD. These longer term trends should be considered as part of the longer term planning for the CPP business.
  - **Finding 18: Impact of retail trends on City retailers** – Retail trade in Western Australia had been growing at a very low rate compared to the national average for some time. With an increasing share of retail trade occurring online it is likely bricks-and-mortar retailers have faced difficult trading conditions, which are unlikely to ease given structural trends towards online retail. This may have an impact on the City of Perth Parking business at the margin, although the proportion of car park patronage linked specifically to retail activity is likely to be limited, particularly given the City’s car parks are for the most part located away from major retail precincts.
  - **Finding 19: Public transport investments** – The State Government is undertaking significant investments in heavy rail infrastructure around Perth, with complementary changes to pricing policies designed to increase patronage. The State’s infrastructure investments specifically target underserved areas. This may result in reduced demand for off street parking within the Perth CBD over time.
  - **Finding 20: The future of car ownership** – Changes to the use of personal motor vehicles are likely in the coming decade, however there is some uncertainty regarding the pace of change. Adoption of ride-sharing may limit demand for vehicle ownership within areas close to Central Business Districts although this may not result in a material change in demand for parking spaces as aggregate mobility needs will not change. The more significant shift which is likely to occur is in relation to the penetration of hybrid-electric and fully electric combustion engine technology. This will require the CPP to be cognisant of the infrastructure needs of vehicle owners centred on charging infrastructure.
  - **Finding 21: Competition** – The CPP business operates in competition with private sector providers of parking services, but has maintained a dominant position due to the number of off-street car parks conveniently located within the CBD, but also due to its competitive pricing, and strong brand based on excellent customer service.

From these issues, the following initiatives emerged, which will be prioritised in the next section.

## 6.2 Strategic focus prioritisation

---

Given the range of internal and external issues identified through the review of the CPP business, it is critical that priority be given in the first instance to those that will have the most material impact on the business over the four year strategic planning period.

To help prioritise the range of issues that have been identified, ACIL Allen has developed a 2x2 prioritisation matrix, which allows for each findings to be prioritised against two dimensions:

- **Impact:** The findings and associated implications are judged on their relative impact on the CPP business, as either a positive impact (increasing revenue, reducing costs, or both) or negative impact (decreasing revenue, increasing costs, or both). In this way the prioritisation matrix gives priority to findings which have the highest upside and also the highest avoided downside.

- **Likelihood:** The findings and associated implication are judged on their relative likelihood, with impacts which are certain given priority over those where the likelihood is less certain.

Where a finding is not included in the matrix this is because it was judged that the finding was principally related to a description or analysis of the business today as opposed to the identification of an issue or risk which requires a response.

**Figure 6.1** Prioritisation matrix



Source: ACIL Allen (note: Dark Purple = short term (1-2 years), Light Purple = medium term (2-5 years), White = Long Term (5+ years))

The prioritisation matrix, and the clusters of findings in the top right hand corner, result in the identification of the three Strategic Priorities discussed at the start of this strategy. These are:

**1. Portfolio Review**

Associated findings: Keeping Rates Low (1), Financial Risks Associated with CPP’s Leasehold and Crown Reserve Car Parks (8), Performance of CPP Freehold Car Parks (9)

Recent reform to the City of Perth's financial framework has revealed the performance of the CPP's parking properties is uneven, and reliant on a handful of large properties with ownership and / or land tenure risk. The City should review the CPP portfolio and develop options for future ownership and operating models.

## **2. Technology-focussed capital investment plan**

*Associated findings: Understanding the Customer (12), Investing in Technology (13), Capital Investment Plan (16)*

The technology platforms of the CPP are obsolete, and the business risks being left behind by new platforms in use by competitors. Simultaneously, a substantial amount of the CPP's overall asset base is operating past its useful life. This creates an opportunity for the CPP to take a strategic approach to new investment.

## **3. Product Development, Pricing and Marketing Strategy**

*Associated findings: Understanding the Customer (12), Investing in Technology (13), Product Development, Pricing and Marketing (15), Capital Investment Plan (16)*

Pricing and price elasticities are a significant driver of the performance of car parks. The CPP does not have a structured approach to maximising revenue and utilisation through pricing. This also exposes the CPP to decisions to make parking available on a non-commercial basis which may not be in its best interests. Developing a strategy, informed by data, should be a priority initiative.

# Appendices

# Stakeholder consultation

# A

The development of the CPP Business Plan was informed by the feedback and insights provided by City of Perth staff through a formal stakeholder consultation process. ACIL Allen held four stakeholder workshops, the details of which are presented in this section.

## A.1 Stakeholder consultation

ACIL Allen held four consultation workshops with City of Perth representatives:

- **CPP Business Team**, 13 January 2021
- **City of Perth Alliance Managers**, 15 January 2021
- **City of Perth Executive Leadership Team**, 29 January 2021 and 24 March 2021
- **City of Perth Council**, 6 April 2021

Details of the stakeholders present in each of these workshops is presented below.

On 13 January 2021, ACIL Allen held its first stakeholder workshop with a number of key Alliance Managers that have involvement in the CPP business. The Alliance Managers present in this workshop are detailed in the table below.

**Table A.1** Consultation Group 1: Alliance Managers

Name	Position
Nathan Ahern	Alliance Manager Parking Services
Alyce Higgins	Alliance Manager Customer Experience
Lloyd Peters	Alliance Manager ICT Services
Ben Fitzpatrick	Alliance Manager Marketing and Communications

Source: ACIL Allen

On 15 January 2021, ACIL Allen held its second stakeholder workshop with the CPP Business Team, with the participants detailed in the table below.

Consultation with the CPP's Parking Services Team.

**Table A.2** Consultation Group 2: Parking Services team

Name	Position
Nathan Ahern	Alliance Manager Parking Services
Sandra Arnold	Manager Parking Services
Karen Wrigglesworth	Supervisor Legal Compliance and Infringements
Steve Johnson	Enforcement Supervisor Parking Operations

Name	Position
Michael Gunson	Supervisor Car Park Operations
Surindar Singh	Coordinator Technical Services
Seby Chakkaith	Acting Senior Commercial Accountant (Team Leader Revenue Analysis)
Charmaine Jeffees	Business Operations Officer
Enel Farias	Systems Coordinator

*Source: ACIL Allen*

On 29 January 2021, ACIL Allen held its first workshop with the City of Perth Executive Leadership Team, and then a follow up workshop on 24 March 2021. The ELT members present in these workshops are detailed in the table below.

**Table A.3** Consultation Group 3: ELT members

Name	Position
Anne Banks-McAllister	General Manager, Community Development
Bill Parker	General Manager, Corporate Services
Michael Foley	General Manager, Infrastructure and Operations
Michelle Reynolds	Chief Executive Officer
Nathan Ahern	Alliance Manager Parking Services
Jayson Miragliotta	General Manager, Planning & Economic Development

*Source: ACIL Allen*

The final workshop that ACIL Allen facilitated in developing the CPP Business Plan was with the City of Perth Council. The Councillors present at the workshop on 6 April are presented in the table below.

**Table A.4** Consultation Group 4: City of Perth Council

Name	Position
Basil Zempilas	Lord Mayor
Brent Fleeton	Councillor
Catherine Lezer	Councillor
Clyde Bevan	Councillor
Di Bain	Councillor
Liam Gobbert	Councillor
Rebecca Gordon	Councillor
Sandy Anghie	Deputy Lord Mayor
Dr Victor Ko	Councillor

*Source: ACIL Allen*

## A.2 Consultation Guide

The following Information Pack was provided to each of the stakeholder groups to guide and inform the consultation process.



# City of Perth Parking Major Trading Undertaking Strategic Plan

Information Pack for Stakeholders: January 2021

## Introduction and discussion questions

ACIL Allen has been engaged by the City of Perth to assist in the development of a strategic plan and business plan for the City of Perth Parking ('CPP') Major Trading Undertaking ('MTU').

Under the Local Government Act, an MTU is a business which has a material impact on the finances of a Local Government Authority. The Local Government Act specifies that the Authority must have a robust business plan in place.

ACIL Allen drafted an initial document, *Commercial Parking Major Trading Plan: Forming document*, with the City in 2020. The document was released for public consultation in November and no submissions were received. This document fulfills the requirements of the Local Government Act, and addresses a finding and recommendation from the *Inquiry into the City of Perth*.

Beyond this, the City of Perth has recognised the important role the CPP MTU plays in the overall

financial health of the City, and its central role in delivery of a number of elements of the City's overall strategic plan as defined in its *Strategic Community Plan*. The forming document does not provide adequate support to achieve this objective, and further work is now underway.

The specifics of ACIL Allen's engagement are to:

- Consult with internal stakeholders to gather detailed insights into the performance and opportunities associated with the CPP MTU
- Review and model the performance of the CPP portfolio, including a review of the asset portfolio to identify opportunities, issues and risks
- Work with the City to build a series of strategic priorities, and the detailed actions which will support the delivery of the priorities.

### Discussion Questions

During the engagement session ACIL Allen is keen to hear from CPP and City of Perth staff, and facilitate a discussion, rather than leading the discussion. With this in mind, we will pose the following questions for discussion and consideration.

1. What is the purpose of the City of Perth Parking business?
2. What guides strategic and operational planning and decision-making within the CPP MTU today?
3. How well do you think the CPP MTU performs across its range of varied objectives? How is performance measured? Are there opportunities for improvement in the performance of the business?
4. In what ways does the CPP MTU contribute to the broader strategic priorities of the City of Perth? Are these appropriate? Are there alternatives?
5. What are the most important strategic priorities for the CPP MTU? Refer to Page 7 for some thought-starters.
6. What are some examples of operational or "day to day" initiatives which could assist in delivery of the strategy?



## Background information

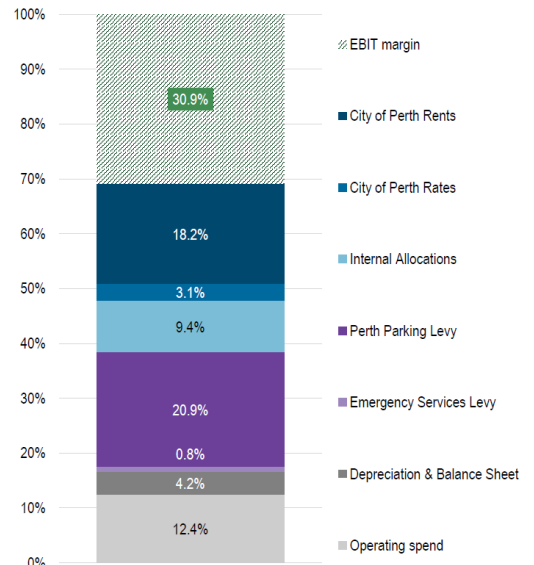
### CPP MTU Overall Financial Performance

CPP Major Trading Undertaking Headline Financial Performance, \$m p.a.



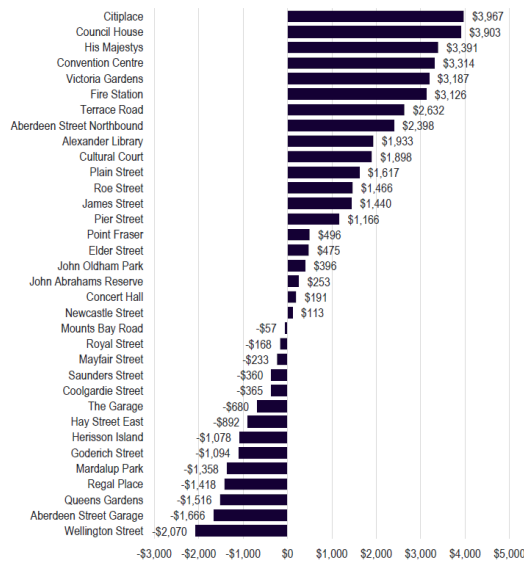
Breakdown of revenue presented for FY19 due to extraordinary nature of FY20.

CPP Major Trading Undertaking Revenue Breakdown, % of Revenue, FY19

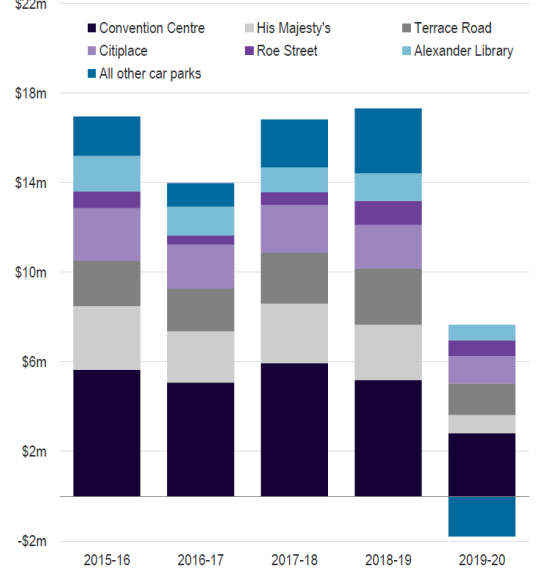


CPP Financial Performance – Breakdown

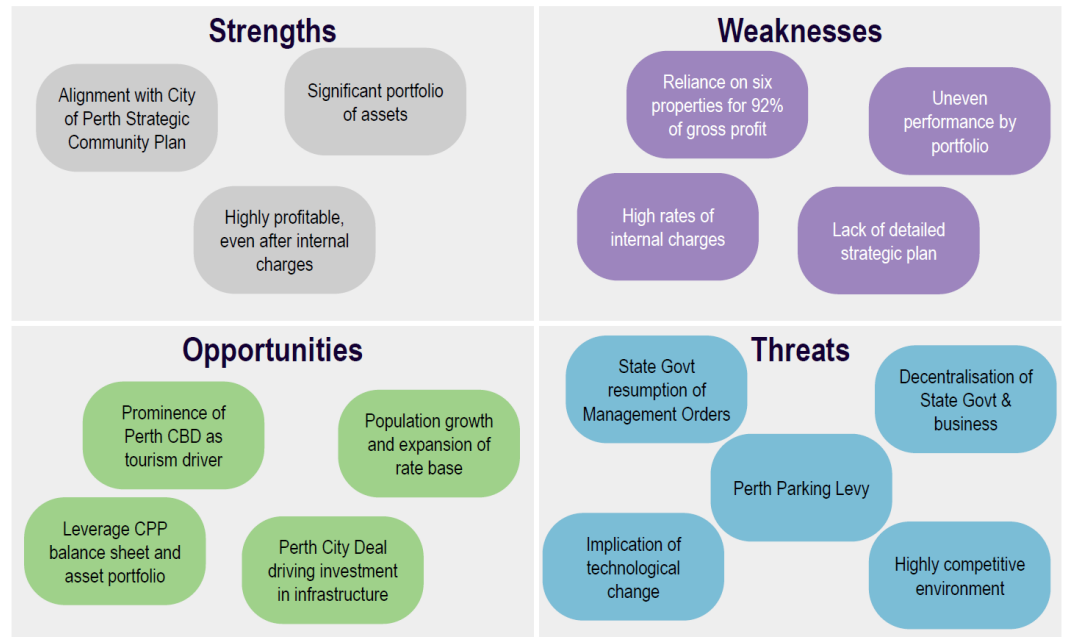
CPP Off Street Parking GP per Bay, Five Year Average FY16-FY20



CPP Off Street Parking, GP Performance by Property, Top 5 vs Remainder, \$m



Initial Assessment of Strengths, Weaknesses, Opportunities and Threats



## Strategic framework for CPP Major Trading Undertaking



**CPP PURPOSE**

“The City of Perth Parking Major Trading Undertaking’s purpose is to deliver strong and sustainable surpluses to support the City of Perth in the delivery of infrastructure and services to its residents and businesses.”



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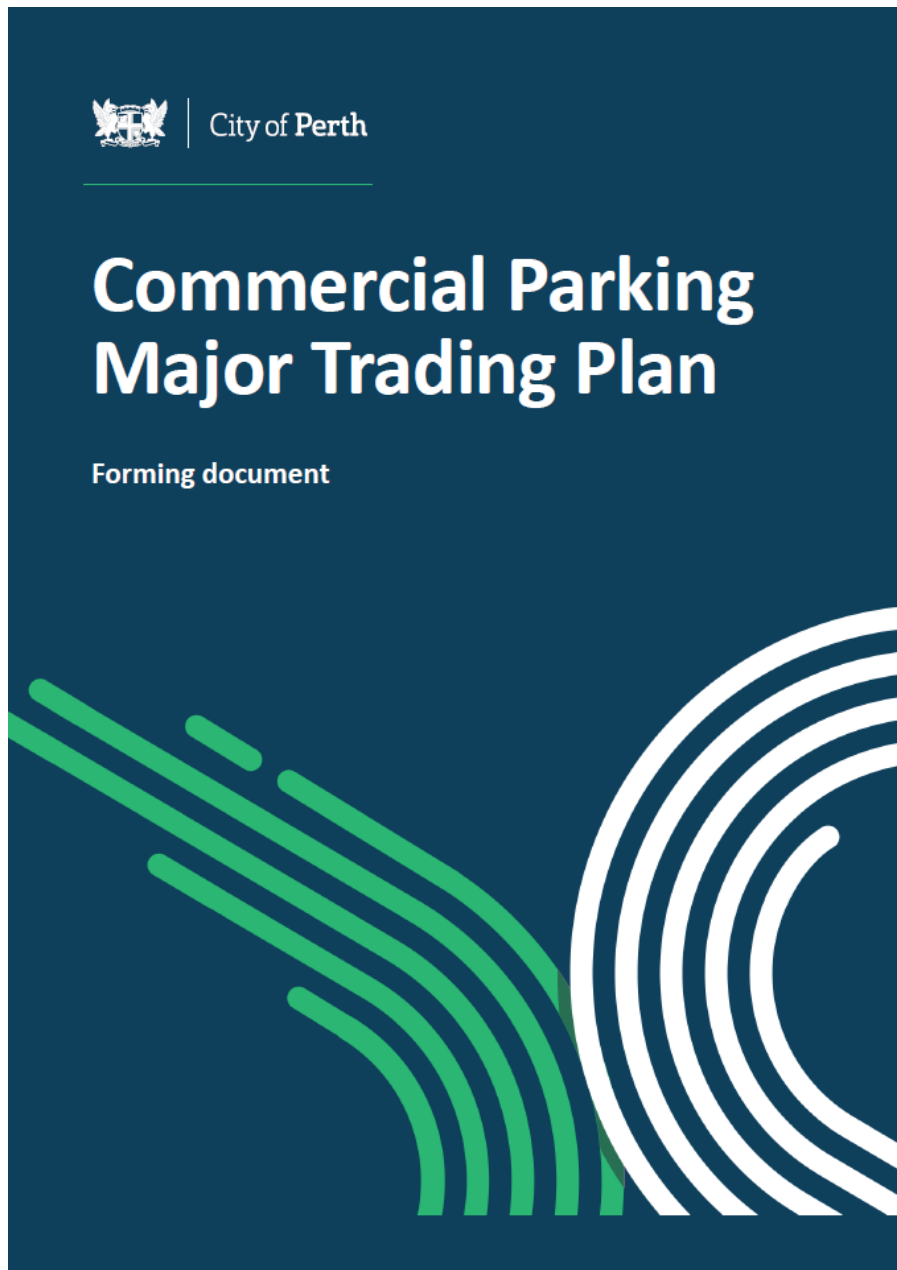
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# Major Trading Plan: Forming Document

# B

The City of Perth's *Commercial Parking Major Trading Plan Forming Document* (2020) is presented in this Appendix. This was finalised in November 2020 following a six week consultation period.



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## Request for Submissions

The City of Perth is a statutory entity constituted under the Local Government Act 1995 to provide services and facilities to a broad range of stakeholders including residents, commercial and retail businesses, workers, and local, national and international visitors.

One of the City of Perth's largest undertaking is its parking business. The City has provided parking facilities for over 60 years and operated a commercial parking brand CPP for the last 20 years. The business is a valuable asset to the City and its stakeholders. It provides essential parking facilities for businesses, visitors and residents whilst delivering a significant and consistent financial contribution to the City.

The City operates 33 commercial car parks within its boundaries, which comprise a mixture of freehold, leasehold and Crown Reserve properties. In addition to this, the City also provides parking services for on-street bays.

The City of Perth operates in accordance with the requirements of the Local Government Act 1995 (the Act) and the associated Regulations. Section 3.59 of the Act defines a trading undertaking as an activity carried on by a local government with a view to producing profit to it. A major trading undertaking is defined as a trading undertaking that, in the last completed financial year, involved; or in the current financial year or the financial year after the current financial year, is likely to involve, expenditure by the local government of more than the amount prescribed.

As the City's commercial parking operating expenditure is more than \$5 million per annum, it is defined as a major trading undertaking under the Act, and is therefore required to provide a business plan.

The Major Trading Plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of:

- its expected effect on the provision of facilities and services by the local government;
- its expected effect on other persons providing facilities and services in the district;
- its expected financial effect on the local government;
- its expected effect on matters referred to in the local government's current plan prepared under section 5.56;
- the ability of the local government to manage the undertaking or the performance of the transaction; and
- any other matter prescribed for the purposes of this subsection.

**The City of Perth has now issued this draft Major Trading Plan – Forming document for public comment, and is seeking feedback from the residential and business community within the City of Perth to incorporate into a business plan.**

### **Lodging a submission**

Submissions will be received from the public for a period of six weeks. All submissions must be received by the City of Perth, by 5:00pm (Date to be inserted) 2020 and addressed to:

Chief Executive Officer  
City of Perth  
GPO Box C120  
Perth WA 6839

Submissions should be clearly marked "Submission for Commercial Parking – Major Trading Plan".

All enquiries concerning this Major Trading Plan should be directed to City of Perth Parking on 1300 889 613 or email at [info.city@cityofperth.wa.gov.au](mailto:info.city@cityofperth.wa.gov.au).



## 1. Structure and Operations of City of Perth Parking

*This section provides a brief overview of the City of Perth Parking (CPP) business, its compliance with the Local Government Act, its overarching governance as a business unit of the City of Perth, and a broad overview of its performance over time.*

### 1.1. Statutory Requirements

As a business of a Local Government Authority, the CPP undertaking is subject to legislative and policy requirements as they relate to the Local Government Act 1995 and the Competition Principles Agreement under the National Competition Policy. These requirements are discussed below.

#### Requirements of the Local Government Act 1995

The City of Perth is a statutory entity constituted under the Local Government Act 1995 to provide services and facilities to a broad range of stakeholders including residents, commercial and retail businesses, workers, and local, national and international visitors.

One of the City of Perth's largest undertakings is its parking business, the City of Perth Parking (CPP). The City has operated CPP for over two decades. The business is a valuable asset to the City and its stakeholders. It provides essential parking facilities for businesses, visitors and residents whilst delivering a significant and consistent financial contribution to the City.

The City operates 33 commercial car parks within its boundaries, which comprise a mixture of freehold, leasehold and Crown Reserve properties. In addition to this, the City also provides parking services for on-street bays.

The City of Perth operates in accordance with the requirements of the Local Government Act 1995 (the Act) and the associated Regulations. Section 3.59 of the Act defines a trading undertaking as an activity carried on by a local government with a view to producing profit to it. A major trading undertaking is defined as a trading undertaking that, in the last completed financial year, involved; or in the current financial year or the financial year after the current financial year, is likely to involve, expenditure by the local government of more than the amount prescribed.

As the City's commercial parking operating expenditure is more than \$5 million per annum, it is defined as a major trading undertaking under the Act, and is therefore required to provide a business plan. The Act requires a business plan for a major trading undertaking to address the following matters.

- *Its expected effect on the provision of facilities and services by the local government*
- *Its expected effect on other persons providing facilities and services in the district*
- *Its expected financial effect on the local government*
- *Its expected effect on matters referred to in the local government's current plan prepared under section 5.56*
- *The ability of the local government to manage the undertaking or the performance of the transaction*
- *Any other matter prescribed for the purposes of this subsection*

The City of Perth's responses to these compliance requirements under the Act is presented in Section 3 of this Plan.

### Requirements of the Competition Principles Agreement

In 1995, the National Competition Policy process established a series of principles known as the Competition Principles Agreement. As part of a broad microeconomic reform agenda, the Australian Government and all State and Territory Governments undertook to ensure that their publicly owned businesses did not enjoy any net competitive advantage simply because they are publicly owned. This is known as **competitive neutrality**.

The primary principles relate to item 3.1 of the Competition Principles Agreement, which states:

- a. *the Parties [to the Agreement] will, where appropriate, adopt a corporatisation model for these Government business enterprises (noting that a possible approach to corporatisation is the model developed by the inter-governmental committee responsible for GTE National Performance Monitoring); and*
- b. the Parties will impose on the Government business enterprise:
  - i. full Commonwealth, State and Territory taxes or tax equivalent systems;
  - ii. debt guarantee fees directed towards offsetting the competitive advantages provided by government guarantees; and
  - iii. those regulations to which private sector businesses are normally subject, such as those relating to the protection of the environment, and planning and approval processes, on an equivalent basis to private sector competitors.

Principle 7.1 also states "the principles set out in this Agreement will apply to local government, even though local governments are not Parties to this Agreement." And that "[e]ach State and Territory Party is responsible for applying those principles to local government."

The Local Government Act 1995 gives rise to these principles. However, the Act also forbids local governments from forming, acquiring, owning or operating a body corporate, making the delivery of the principles of National Competition Policy a matter for internal structures, policies and procedures of a local government authority.

The overarching intent of the Competition Principles Agreement is to reduce the misallocation of resources across the economy which can occur when there are barriers to competition in the provision of market goods. Provision of off street parking in the Perth CBD sees the City of Perth compete directly with private sector businesses, meaning the principles of competition policy must apply.

The City of Perth's responses to these compliance requirements under the Competition Principles Agreement is presented in Section 3 of this Plan.

## 1.2. Business Overview

City of Perth Parking is a commercial business owned and operated by the City of Perth but under its own brand identity. The business operates in direct competition with private operators in the parking industry. However, unlike private operators the operation of the City's commercial car parks is subject to local government legislation and regulations. Matters such as procurement, finance, audit and governance are subject to the Local Government Act 1995 and associated regulations.

The City of Perth has operated the commercial parking business under the banner of CPP for over two decades. The business is a valuable asset to the City and its stakeholders. It provides essential parking facilities for businesses, visitors and residents whilst delivering a significant and consistent financial contribution to the City.

Over the past ten years, the City of Perth has experienced significant growth and change as an organisation. At the same time, there has been significant progress and development around the city, particularly as a number of large capital works projects were completed such as Elizabeth Quay, Yagan Square and Perth City Link. The CPP business has grown progressively over this period, and is now a significant component of the City of Perth's revenue base.

The CPP business and all parking in the City is subject to the Perth Parking Levy which has been applied by the State as per the Perth Parking Management Act 1999. The rate of the Levy is determined by the State annually. Further information on the Levy can be found in Figure 1 below.

Figure 1: The Perth Parking Levy

The Perth Parking Management Act 1999 forms part of the legislative framework within which the City operates. It provides for the management of parking within the Perth metropolitan area and it is from this Act that the Perth Parking Policy 2014 (the Policy) was gazetted. The Policy sets out the approach by the State Government, (in consultation with the City of Perth and other responsible planning authorities) to the development and management of parking facilities that fall within the Perth Parking Management Area. The Policy applies to all parking that occurs within the Perth Parking Management Area except parking for permanent residential purposes.

The Policy also details provisions relating to the development and management of parking facilities including event parking, motorcycle parking and parking for people with disabilities.

The Perth Parking Management Act 1999, together with the Perth Parking Management (Taxing) Act 1999 imposes parking bay license fees which are payable to the State Government for each qualifying bay. The Perth Parking Levy rates for each bay category are determined by the Department of Transport on an annual basis. The rate of increase in the parking levy has no correlation with the Perth Consumer Price Index and for many years has been substantially higher.

Revenue raised through the licensing of parking bays is used to fund the Central Area Transit (CAT) bus system (including improvements to that system), improving public transport access, enhancing the pedestrian environment, supporting bicycle access and other initiatives which support a balanced transport system to, from and within the Perth Parking Management Area.

The CPP business supports 6,117 on street fee-paying bays for the City (plus services for 839 parking meters), 11,176 off street parking bays in 33 active car parks. Most of the car parks operated by CPP are on premises owned by the City and the remainder are leased from the State or operated on behalf of private owners.

For the purposes of this Plan, the City of Perth's Major Trading Undertaking refers to the provision of off street parking services in 33 commercial car parks. The details of these car parks are provided in Figure 2.

Figure 2: CPP facilities in scope of the City of Perth's Major Trading Undertaking

Car Park Name	Address	No of Bays	Region	Type
Convention Centre Car Park	21 Mounts Bay Road	1,487	River Foreshore	Under Cover
Elder Street Car Park	490 Murray Street & Elder Street	1,064	Central City	Under Cover
Queens Gardens Car Park	46-62 Nelson Crescent and Horatio Street	871	East Perth	Open Air
Royal Street Car Park	158 Royal Street	739	East Perth	Open Air
Pier Street Car Park	87-89 Pier Street	719	Central City	Under Cover
His Majesty's Car Park	377 Murray Street	654	Central City	Under Cover
State Library Car Park	15 Francis Street	615	Northbridge	Under Cover
Citiplace Car Park	1 Roe Street	485	Northbridge	Under Cover
Roe Street Car Park	68 Roe Street	473	Northbridge	Under Cover
Mayfair Street Car Park	27 Mayfair Street	445	West Perth	Under Cover
Concert Hall Car Park	Terrace Road	404	River Foreshore	Under Cover
Cultural Centre Car Park	2 Roe Street	320	Northbridge	Under Cover
Regal Place Car Park	81-95 Regal Place	293	East Perth	Under Cover
Point Fraser Car Park	1 Riverside Drive	266	River Foreshore	Open Air
Newcastle Street Car Park	47 Newcastle Street & Aberdeen Street	189	East Perth	Open Air

Car Park Name	Address	No of Bays	Region	Type
Goderich Street Car Park	133 Goderich Street	178	East Perth	Under Cover
Fire Station Car Park	1 Murray Street	161	Central City	Open Air
Aberdeen Street Car Park	121 Aberdeen Street and 104 Francis Street	85	Northbridge	Open Air
JH Abraham Reserve Car Park	Hackett Drive	79	Crawley/Nedlands	Open Air
Wellington Street Car Park	980 Wellington Street	69	West Perth	Open Air
Saunders Street Car Park	9 Saunders Street	58	East Perth	Open Air
James Street Car Park	Corner James Street & 104 Francis Street	55	Northbridge	Open Air
Coolgardie Street Car Park	9 Coolgardie Street	43	West Perth	Open Air
The Garage	347 Wellington Street	41	Central City	Under Cover
Hay Street East Car Park	262 Hay Street	27	East Perth	Open Air

The CPP is the largest provider of public parking within the City and manages 33 car parks which is far greater than any other capital city in Australia but remains competitive amongst private companies such as Wilson, Secure and other private companies. The City of Perth (via the CPP) is uniquely placed in terms of parking management compared to other capital city local government jurisdictions in Australia. The City Councils of Brisbane, Melbourne and Sydney each own only two car parks within their respective central business districts. These cities have a larger contingent of privately owned car parks. The City of Adelaide operates a more substantial off street parking operation, although it has nine properties and approximately 6,000 parking spaces (both significantly smaller than the CPP undertaking).

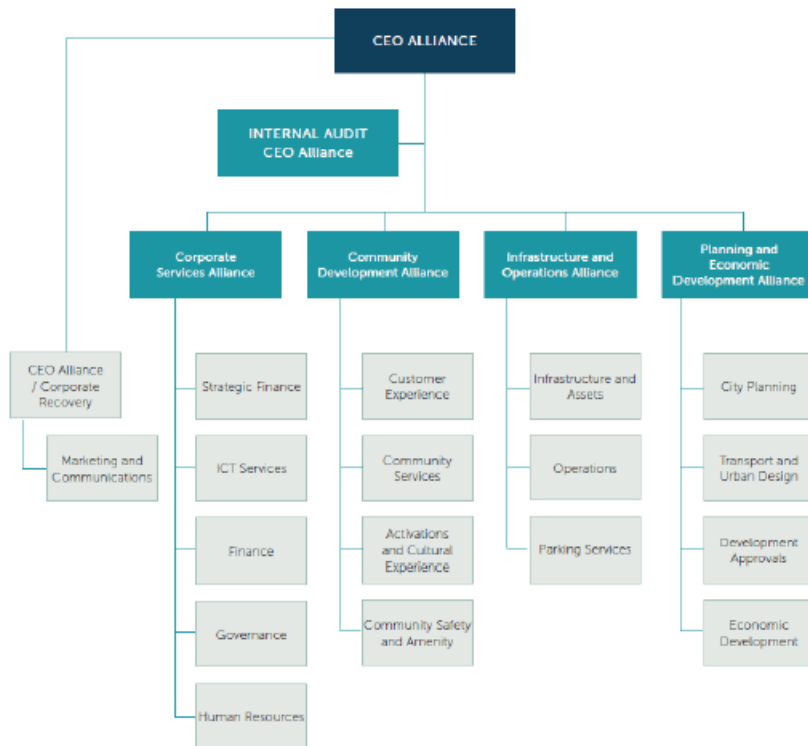
### 1.3. Governance

The CPP business is managed by the City of Perth’s Parking Services Unit, which has its administrative headquarters at Council House. The Parking Services Unit sits within the Infrastructure and Operations Alliance, which is one of four divisions within the City of Perth. This structure ensures that the commercial operations of the CPP business are aligned with the broader objectives of the City of Perth.

Technical Services are provided from the City’s Mayfair Street workshop in West Perth. Operations staff are based at various undercover car parks. The Operations Hub operates from the Perth Convention and Exhibition Centre Car Park, in which the security control system is based. From the Hub, staff can operate CCTV cameras in other car parks and manage access control including the opening and closing of access doors.

As part of the City of Perth administration, Parking Services acts on Council decisions by developing and putting into practice the Council’s policies and resolutions. Decision making is subject to the City’s policies and procedures. Principal business decisions require the ratification of the Executive Management Team and/or Council.

Figure 3: The City of Perth Organisational Structure





### 1.4. Operations

The City operates 33 commercial car parks within its boundaries. The City provides full parking services for all the facilities, including Operations, Technical Services, Financial Services, Parking Development, Facilities Management and Customer Service. In addition to this, the City also provides parking services for on-street bays. This comprises Technical Services, Financial Services, Customer Service and Enforcement.

As well as day to day operation of facilities, the City also supports the community in the staging of events through the use of sponsorships and partnerships. These arrangements allow the City through CPP to provide parking at a free or discounted rate to facilitate the staging of events, usually in exchange for brand exposure. Arrangements are made internally to ensure the City complies with the principles of competitive neutrality when such arrangements are made (see Section 3).

The City's portfolio of 33 commercial car parks comprises a mixture of freehold, leasehold and Crown Reserve properties (see Figure 4 below for the majority of locations). It should be noted that on-street parking is excluded from the scope of this Major Trading Plan as the City owns the land effectively creating a monopoly for this type of parking.

Figure 4: Location of CPP commercial car parks





## 1.5. Objectives of CPP

According to the City of Perth's *Strategic Community Plan 2019-29*, the Plan "provides critical direction to the City for its decision making processes, services and financial commitments. It will guide our services and facilities for the community, as well as determining our infrastructure requirements.

The Strategic Community Plan uses the community's aspirations as the guiding principle for the deliver of the City's services. The Strategic Community Plan articulates the City's Aspirations across the focus areas of:

1. People – a safe, activated and welcoming city that celebrates its diversity and sense of community, providing unique educational, cultural, sporting and lifestyle offerings.
2. Place – a well-planned and functional built form environment, promoting world class architecture, appreciation of heritage, diversity of land use and a sustainable, affordable and accessible integrated transport system.
3. Planet – a city that respects, protects and fosters its natural environment, embraces the principles of sustainability and acknowledges the impacts of our changing climate.
4. Prosperity – a city with a diverse and resilient economy capitalising upon its unique competitive advantages and creative reputation, attracting sustainable investment in education, tourism, entertainment, commerce, technology and trade.
5. Performance – a city led by a Council and supported by an administration that is committed to sound strategy and governance, excellence in customer service and effective and sincere engagement with all stakeholders.
6. Partnership – city that has earned the respect and support of the local industry through strong partnerships with state bodies, industry and community groups and other key stakeholders.

Across these six Aspirations, the City has identified 44 strategic objectives, all of which are detailed in the Strategic Community Plan. The CPP business is strategically aligned to the Plan across a number of focus areas and objectives, but specifically in relation to the following focus areas and objectives:

- Place, Objective 2.5: A parking service model that meets community needs from a best value for money perspective and allows for additional community benefits.
- Prosperity, Objective 4.4: Attract and support new and existing business to create a CBD retail experience that is superior to suburban competition.
- Performance, Objective 5.3: Commercial operations that are transparent, profitable and compete fairly and lawfully with private enterprise.

## 2. Business Performance and Outlook

This section provides a brief overview of the City of Perth Parking (CPP) business, its compliance with the Local Government Act, its overarching governance as a business unit of the City of Perth, and a broad overview of its performance over time.

### 2.1. Strategic focus areas

The City of Perth’s Four-Year Corporate Business Plan 2020-21 – 2023-24 is guided by the six Aspirations that have been set out in the Strategic Community Plan, which in turn informs each of the City of Perth’s Service Unit Plans, including the Parking Services Unit which operates the CPP business undertaking.

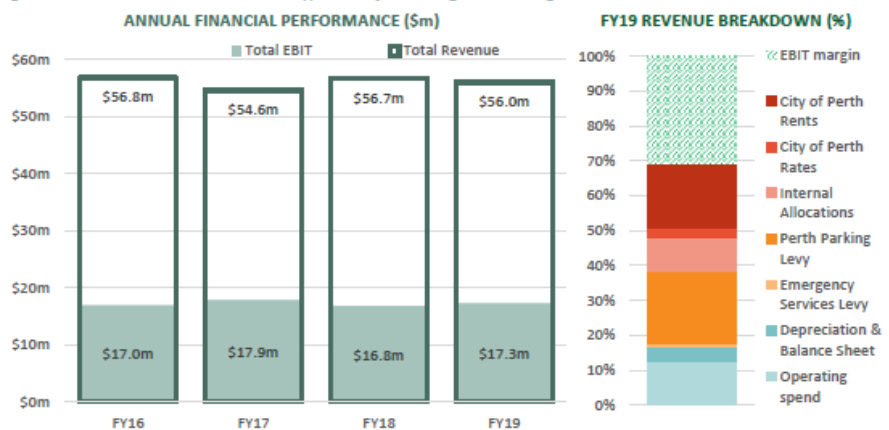
The development of the **business plan** is one of the key focus areas for the Parking Services Unit, with the other key focus areas being:

- the development of a sustainable business model that supports the Community and the City’s long-term sustainable parking needs; and
- the development and implementation of education and instruction programs both in hard copy and digital that support the community to better understand how to read signs, park and utilise all the City’s parking assets.

### 2.2. Business performance

The CPP undertaking has provided the City of Perth with stable annual returns over the past four years, with an average revenue of \$56 million per annum. The Earnings Before Interest and Taxes (‘EBIT’) margin of the undertaking has fluctuated between \$16.8 million and \$17.9 million, taking into account the allocation of a range of internal City of Perth charges. On average, the CPP undertaking has delivered the CPP an average margin of 30.8% (Figure 5).

Figure 5: Financial Performance Summary, CPP Major Trading Undertaking



As indicated by the second panel in the figure, the direct operational spend required to facilitate the CPP undertaking equates to 16.6% of revenue, comprising direct expenditure (12.4%) and depreciation and balance sheet charges (4.2%). Charges which are levied on the CPP undertaking by the Western Australian Government equate to 21.7% of revenue, comprising the Perth Parking Levy (20.9%) and the Emergency Services Levy (0.8%). Internal City of Perth Charges equate to 30.7% of revenue, comprising commercial equivalent rents (18.2%), internal Activity Based Costing charges (9.4%) and commercial equivalent rates (3.1%).

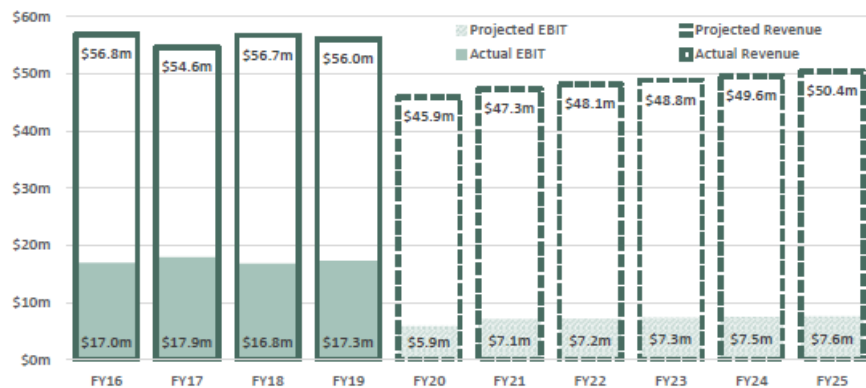
The financial indicators presented above take into account the revenue and expenditure associated with the CPP undertaking’s 33 commercial parking units only.

### 2.3. Business outlook

The CPP undertaking is a critical component of the City of Perth’s long term financial planning, with the City relying on the continuation of stable returns from the undertaking to underpin its broader financial outlook. As such, the outlook for the CPP undertaking for the purposes of this Major Trading Plan is a product of the City’s long term financial plan and reflects expected COVID-19 revenue reductions.

The financial outlook of the CPP undertaking is presented in Figure 6. The budgeted expenditure associated with the City’s commercial carparking business includes all direct and indirect expenditure incurred by the City across the 33 commercial carparks.

Figure 6: Financial Projection Outlook, CPP Major Trading Undertaking, \$m



The CPP undertaking’s financial performance was significantly impacted by the restrictions associated with measures to contain COVID-19, with unaudited preliminary accounts indicating a reduction in revenue of over \$10 million between 2018-19 and 2019-20. This in turn reduced the EBIT of the undertaking to \$5.9 million, or an EBIT margin of 12.9%. The City of Perth’s long term financial plan projects a rebound of revenue of approximately 3% in 2020-21, with revenue returning to a level which is approximately 15% below the four year average discussed in Section 2.2. The projected EBIT does not return to pre COVID levels from 2019-20 due to the

increased rent applied after the assets were revalued in 2018-19 and the updated internal expense allocations used in the Long-Term Financial Plan.

For the purposes of this Major Trading Plan, revenues are budgeted to increase by the projected increase by 1.6% per annum over the next four years, which was the rate of increase in Perth's Consumer Price Index in 2018-19. This is expected to see revenue from the City's commercial carparking business reach \$47.3 million in 2020-21, increasing to \$50.4 million by 2024-25.

It is estimated that expenditure associated with the CPP will increase on average by 1.6% per annum over the next four years, reflecting the City's desire for maintenance of the CPP undertaking's contribution to the overall City of Perth's financial capacity. The CPP undertaking's financial outlook is subject to changes in the Perth Parking Levy and Emergency Services Levy, which are set by the Western Australian Government. Any changes to these charges which are greater than or less than the 1.6% projection included in the Long Term Financial Plan will require the City to adjust parking rates to ensure the contribution of the CPP undertaking to the City of Perth's financial position is maintained.

## 2.4. Risks to the outlook

The City of Perth has a unique position of owning and operating a major undertaking like the CPP business when compared to other local governments in WA and other capital city local governments across Australia. The operation of the CPP has provided the City of Perth the opportunity to generate significant revenues from parking fees, which has in turn allowed it to keep the rates it charges residential and business ratepayers lower than they would otherwise be. It also allows the City to use the CPP as a means of progressing important economic development initiatives, such as free parking trials as a means of encouraging greater visitation to the City, and in providing competition in the market for car parking services in the CBD.

There are a range of material commercial risks associated with the CPP undertaking. The first risk is related to the capital intensity of the CPP undertaking. The CPP undertaking is a significant asset, which requires ongoing capital and operational expenditure to ensure the service meets the standards expected by the community – both residents of the City and broader user groups outside of the City itself. This requires careful planning to ensure funding is set aside to allow for ongoing investment and maintenance to be undertaken, otherwise the condition of the asset will deteriorate over time and expose to the City to safety and financial risks.

A second significant internal risk is associated with the range of competing objectives which exist within the context of the City of Perth, which are not faced by its competitors. This exposes the CPP undertaking to a risk of having unclear objectives or a focus on non-commercial outcomes which dilute its ability to achieve financial objectives which are important to the overall financial performance of the City of Perth.

The CPP's competitors themselves, who by their nature have a stronger commercial focus, are another important risk. The commercial focus of these competitors may result in them being more attuned to customer needs and provision of innovative solutions in the face of internal and external pressures. It is therefore incumbent on the City to ensure it adopts these same approaches in setting its overall strategic objectives and operational planning despite not having this same drive for profit.

The recent financial performance of the CPP undertaking suggests it is managing these risks well.

While the CPP undertaking is in a sound financial position, it is subject to a number of external risks which are outside of its control. These include the Perth Parking Levy, which is set by the State Government, which is a significant driver of parking rates faced by users. While worthwhile in their own right, the State Government's long term policy objectives towards encouraging greater use of public transport and decentralisation of the public service away from the Perth Central Business District expose the CPP undertaking to future demand risks which are material to a highly capital intensive business such as parking.

Risks associated with decentralisation extend to the private sector, where technological change and the impacts of COVID-19 appear to be accelerating a move towards increased use of telecommuting and remote work.

However, the CPP undertaking is well placed to adapt to changing circumstances as evidenced by its continued profitability during the 2019-20 financial year as the impacts of COVID-19 emerged. While patronage reduced significantly, reducing the CPP undertaking's revenue, car parking facilities were still required to support essential workers. The City was able to mitigate revenue loss with expense reductions and staff roster amendments. This episode demonstrated how the strengths of the CPP undertaking in the context of the broader objectives of the City of Perth can be harnessed while still delivering a commercial outcome for the City's ratepayers.



### 3. Compliance with Statutory Requirements

*This section details the City's assessment of the CPP business in terms of its effect on the provision of services on the community, on other service providers, the ability of the City of Perth to effectively manage the major undertaking, and compliance with competitive neutrality principles.*

#### 3.1. Compliance with the Local Government Act 1995

The City of Perth operates in accordance with the requirements of the Local Government Act 1995 (the Act) and the associated Regulations. Section 3.59 of the Act defines a trading undertaking as an activity carried on by a local government with a view to producing profit to it. A major trading undertaking is defined as a trading undertaking that, in the last completed financial year, involved; or in the current financial year or the financial year after the current financial year, is likely to involve, expenditure by the local government of more than the amount prescribed. The prescribed amount if the trading undertaking is entered by a local government the district of which is in the metropolitan area, the amount that is the lesser of \$5,000,000; or 10% of the lowest operating expenditure of:

- the operating expenditure incurred by the local government from its municipal fund in the last completed financial year
- the operating expenditure likely to be incurred by the local government from its municipal fund in the current financial year
- the operating expenditure likely to be incurred by the local government from its municipal fund in the financial year after the current financial year.

As the City's commercial parking operating expenditure is more than \$5 million per annum, it is defined as a major trading undertaking under the Act.

In accordance with section 3.59 (3) of the Act, the City is required to provide a business plan for any major trading undertaking it operates:

*The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of –*

- a. its expected effect on the provision of facilities and services by the local government;*
- b. its expected effect on other persons providing facilities and services in the district;*
- c. its expected financial effect on the local government;*
- d. its expected effect on matters referred to in the local government's current plan prepared under section 5.56;*
- e. the ability of the local government to manage the undertaking or the performance of the transaction; and*
- f. any other matter prescribed for the purposes of this subsection.*

The previous sections of this document provide a range of evidence to satisfy the statutory requirements outlined in Section 3.59 (3) of the Act. However, for clarity, the remainder of this section outlines a response to each criteria in order.

### Expected effect on the provision of facilities and services by the local government

The CPP undertaking contributes to the maintenance of assets, provision of services and execution of various capital works projects to support and enhance the City, through the significant revenues which are generated by the undertaking. Aside from revenue contribution to the City, the commercial parking business also contributes to the City's broader purpose of enhancing the City of Perth as a place to visit, live, work, and conduct business.

Some examples of these non-commercial benefits include:

- adjustment of operational hours to accommodate events,
- the ability to cross-subsidise non-commercial carparking locations which support the City's overall place-making objectives, and
- innovative pricing structures and other initiatives provide the City with opportunities to influence visitation into the Perth CBD and support local businesses.

### Expected effect on other persons providing facilities and services in the district (Executive Function Test)

To address section 3.59(3)(b) of the Local Government Act 1995, the City gives consideration to Section 3.18 (3) of the Act, which states:

A local government is to satisfy itself that services and facilities that it provides –

- a. *Integrate and coordinate, so far as practical, with any provided by the Commonwealth, the State or any public body;*
- b. *Do not duplicate, to an extent that the local government considers inappropriate, services or facilities provided by the Commonwealth, the State or any other body or person, whether public or private; and*
- c. *Are managed efficiently and effectively.*

Each of these requirements is addressed respectively below:

- a. *Integrate and coordinate, so far as practical, with any provided by the Commonwealth, the State or any public body:*

The Commonwealth and State do not provide paid public parking within the boundaries of the City of Perth. The City is not aware of any other public body which provides services and facilities similar to those provided by the City. As such, the integration and coordination of the City's commercial parking services with those provided by the Commonwealth, State or public bodies cannot be implemented.

- b. *Do not duplicate, to an extent that the local government considers inappropriate, services or facilities provided by the Commonwealth, the State or any other body or person, whether public or private:*

The City has been an operator of parking facilities within the City of Perth boundaries for over 60 years. The City's provision of these services' pre-dates the Local Government Act 1995. During this timeframe, the City has operated in competition with private operators which have maintained their presence in the central Perth area. There are also several independent operators of facilities attached to venues. The combination of the number and variety of providers allows for a competitive representation of the industry.



*c. Are managed efficiently and effectively:*

The CPP undertaking delivers the City of Perth a significant financial return on an annual basis, while providing the City with an additional lever to deliver economic and social objectives which are non-commercial in nature. On this basis it is considered the CPP undertaking is operating effectively in supporting the City of Perth's broader objectives as outlined in its Strategic Community Plan.

The CPP has a relatively low direct cost associated with running its business, equating to around \$707 per parking bay per annum (12.4% of total revenue), which allows it to contribute to other corporate costs faced by the City of Perth in delivery of its statutory responsibilities.

Publication of the City of Perth's fees and charges and annual budget provides detailed information about the City's pricing, revenue and expenditure. The exposure of the City's commercial parking business to such public examination drives the need to ensure the business is conducted efficiently and effectively.

In addition, its parking rates are competitive with private sector off street parking providers in the Perth CBD, and are substantially lower than average rates faced by users of off street parking in other major Australian capital cities. The CPP delivers these efficiency outcomes while providing the broader City of Perth with substantial net revenue suggests it is operating efficiently.

### Expected financial effect on the local government

The CPP undertaking delivers revenue well in excess of the cost of operations, with a total cash contribution<sup>1</sup> to the City of Perth of \$36.9 million in the 2018-19 financial year. The City's long term financial projections suggest the CPP undertaking will continue to provide significant total cash contributions in the future.

With this in mind, the CPP undertaking allows the City of Perth to set council rates at a lower level than would otherwise be the case, contributing to the City's broader objectives associated with enhancing the City as a place to visit, live, work, and conduct business.

### Expected effect on matters referred to in the local government's current plan prepared under section 5.56 of the Local Government Act 1995

The CPP undertaking is an important enabler for the City to achieve all six of its overarching objectives defined in the Strategic Community Plan 2019-2029. Specifically, three of the City of Perth's Strategic Community Plan 2019-2029 objectives focus directly on the CPP undertaking, including:

Place, Objective 2.5: A parking service model that meets community needs from a best value for money perspective and allows for additional community benefits.

Prosperity, Objective 4.4: Attract and support new and existing business to create a CBD retail experience that is superior to suburban competition.

<sup>1</sup> Total cash contribution is defined as the total revenue of the CPP undertaking less operating expenditure, the Perth Parking Levy and Emergency Services Levy. The cash contribution is a reflection of the net cashflow generated by the CPP undertaking prior to the recognition of depreciation and amortisation, and internal City of Perth charges such as Activity Based Costing overhead allocation, rental payments and rates equivalent payments.

Performance, Objective 5.3: Commercial operations that are transparent, profitable and compete fairly and lawfully with private enterprise.

### Ability of the local government to manage the undertaking or the performance of the transaction

The City has been managing the undertaking since the operation of commercial parking services within the City boundaries, which pre-dates the Local Government Act 1995. The ability of the City to manage the undertaking has already been demonstrated via the continued success of the commercial parking business in provision of parking services to customers over the past 20 years. On-going management of car park operations is supported by experienced staff at operational level through to senior management.

The City has allocated appropriate and sufficient resources to allow operations to continue. Resources include premises specifically allocated to commercial car park operations, such as the Technical Services Team workshop as well as a fleet of vehicles for operations and technical staff. Car park operations are managed via the City's Hub at Perth Convention and Exhibition Centre Car Park.

The City's car park business is accounted for in wider City of Perth strategic planning including the Long-Term Financial Plan and the City's Corporate Asset Management Plan. The Corporate Asset Management Plan acknowledges the City's significant investment in commercial car park assets and the requirement to maintain and eventually renew those assets during and at the end of asset lifecycles.

The majority of car parks operated by the City are on premises owned by the City. The remainder are leased from the State Government or located on Crown Reserves.

### Any other matter prescribed for the purposes of this subsection

A joint venture, as defined in Regulation 10 of the Local Government (Functions and General) Regulations 1996, is a trading undertaking or land transaction that is to be jointly carried on or entered into.

The City is undertaking this major trading undertaking solely and is not jointly carrying on the undertaking with any other person or entity.

### 3.2. Compliance with the Competition Principles Agreement

In 1995, the National Competition Policy process established a series of principles known as the Competition Principles Agreement. As part of a broad microeconomic reform agenda, the Australian Government and all State and Territory Governments undertook to ensure that their publicly owned businesses did not enjoy any net competitive advantage simply because they are publicly owned. This is known as competitive neutrality.

The primary principles relate to item 3.1 of the Competition Principles Agreement, which states:

- a. *the Parties [to the Agreement] will, where appropriate, adopt a corporatisation model for these Government business enterprises (noting that a possible approach to corporatisation is the model developed by the inter-governmental committee responsible for GTE National Performance Monitoring); and*
- b. *the Parties will impose on the Government business enterprise:*
  - i. *full Commonwealth, State and Territory taxes or tax equivalent systems;*
  - ii. *debt guarantee fees directed towards offsetting the competitive advantages provided by government guarantees; and*
  - iii. *those regulations to which private sector businesses are normally subject, such as those relating to the protection of the environment, and planning and approval processes, on an equivalent basis to private sector competitors.*

The application of competitive neutrality principles is reflected in a number of ways across the CPP major trading undertaking. These are discussed below.

#### Full Commonwealth, State and Territory tax equivalent payments

Under the National Tax Equivalent Regime ('NTER'), the City of Perth is required to levy relevant Commonwealth and State taxation payments on business enterprises within its structure. These tax equivalent payments are to flow to the shareholder-equivalent party of the business enterprise and cannot be used to directly advance the interests of the business enterprise subject to the tax regime.

In the case of the CPP major trading undertaking, this requires the City of Perth to levy:

- Company Tax (Commonwealth Government)
- Payroll Tax (Western Australian Government)
- Land Tax and Metropolitan Region Improvement Tax (Western Australian Government)
- Perth Parking Levy (Western Australian Government)
- Emergency Services Levy (Western Australian Government)

#### Application of commercial rentals and local government rates on City of Perth-owned properties

The CPP undertaking is delivered on 33 properties which are either owned freehold by the City of Perth or take place on Crown Land under a management order with the Western Australian Government. For competitive neutrality purposes, these properties should be subject to commercial equivalent property rental charges, and City of Perth rates equivalent charges. This is the case, with the City raising \$10.2 million in commercial-equivalent property rental charges and \$1.8 million in rates equivalent charges in the 2019-20 financial year.

In order to set these rates at full commercial equivalent levels, the City of Perth engages an independent valuer on an annual basis to determine relevant property values and benchmark rental rates. These rates are then adopted by the City of Perth, which raises the revenue from the CPP major trading undertaking and transfers these to its Consolidated Account. The rent and rates payments are not used to advance the interests of the CPP major trading undertaking.

### Recognition of City of Perth overhead costs incurred by CPP undertaking

The City of Perth has developed and implemented a comprehensive approach to Activity Based Costing for the allocation of its overhead expenditures to each of its business units, including the CPP major trading undertaking.

Local governments are required to apply Activity Based Costing (ABC) principles to allocate corporate costs across the various service units in the business. The general principle is that those areas causing costs to be incurred should bear an appropriate proportional allocation of the corporate support costs. The City of Perth has developed and implemented a comprehensive approach to Activity Based Costing for the allocation of its overhead expenditures to each of its business units, including the CPP major trading undertaking.

This approach, effective from 1 July 2020, uses a number of different cost pools to accumulate the costs to be allocated and then applies relevant cost drivers for each cost pool to apportion those costs to the service units that benefit from those services. Costs allocated include finance, ICT, payroll, human resources, occupational health and safety etc. Allocations are also made to CPP for commercial rental building occupancy and facilities maintenance.

In addition, areas within the Parking Services area itself that support the CPP Off Street Parking business such as technical services and business development, make an allocation outwards for those support costs.

The cost drivers used in these allocation processes are reviewed annually for reasonableness as part of the budget process.

The City of Perth raised \$8.7 million from the CPP major trading undertaking in the 2019-20 financial year. The charges raised are transferred to its Consolidated Account, and are not used to advance the interests of the CPP major trading undertaking.

### Use of the CPP undertaking to further City of Perth economic development objectives

The City of Perth regularly uses the assets and services of the CPP major trading undertaking to further its economic development objectives. This is achieved through a number of mechanisms including free or discounted parking, changes to opening and closing hours for individual properties to facilitate events, and use of parking facilities for non-parking activities and events.

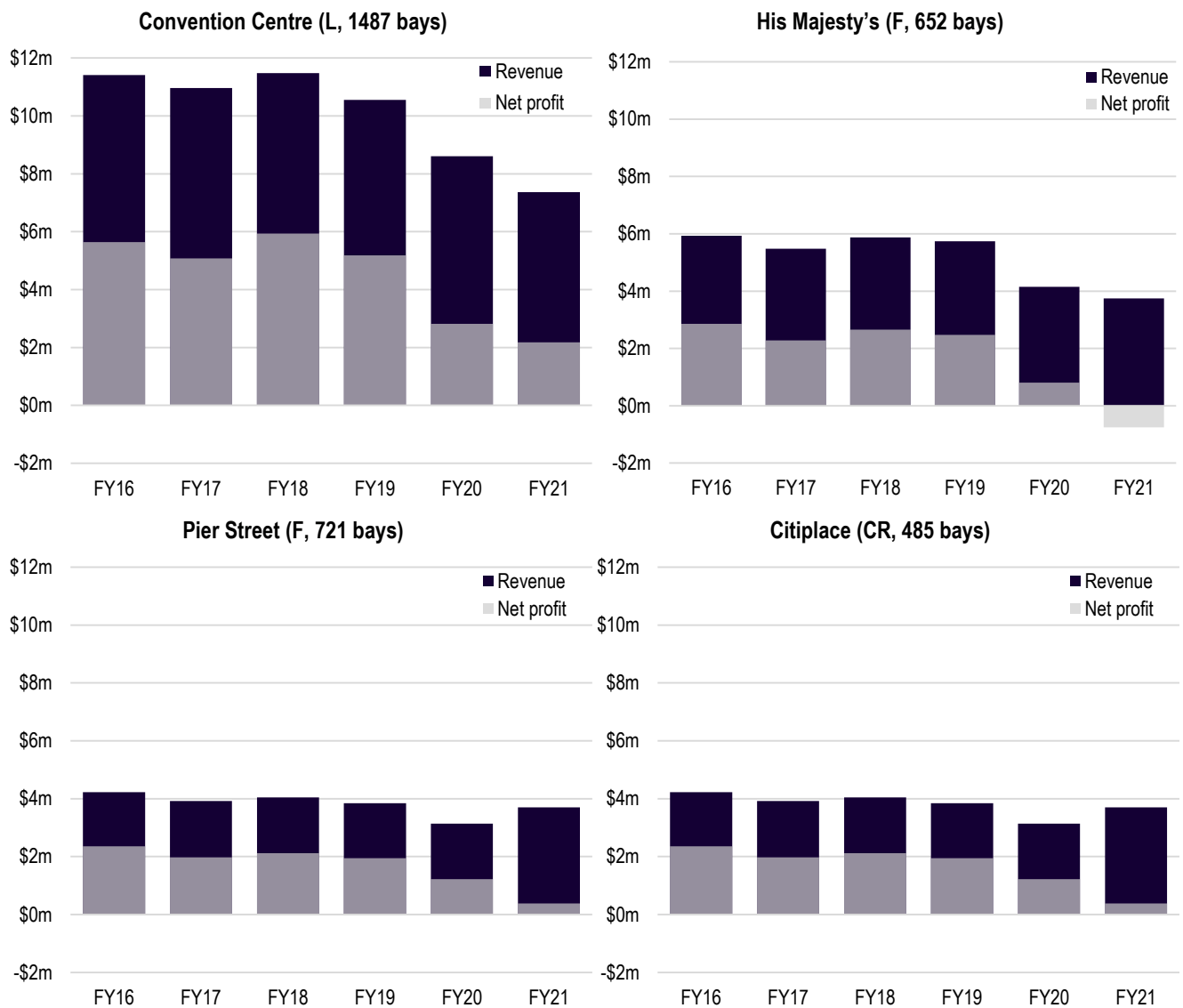
To correctly account for the lost revenue or increased expenditure associated with the use of the CPP's assets and services within the broader City of Perth's financial structure, the City of Perth is now committed to transparent pricing and recognition of the purchase of these assets and services from the CPP by other business units within the City of Perth. This will be enacted via the introduction of a policy and associated internal transfer rules. This also opens the opportunity for the City of Perth to source the assets and services of non-CPP parking entities within the Perth CBD to achieve these objectives.

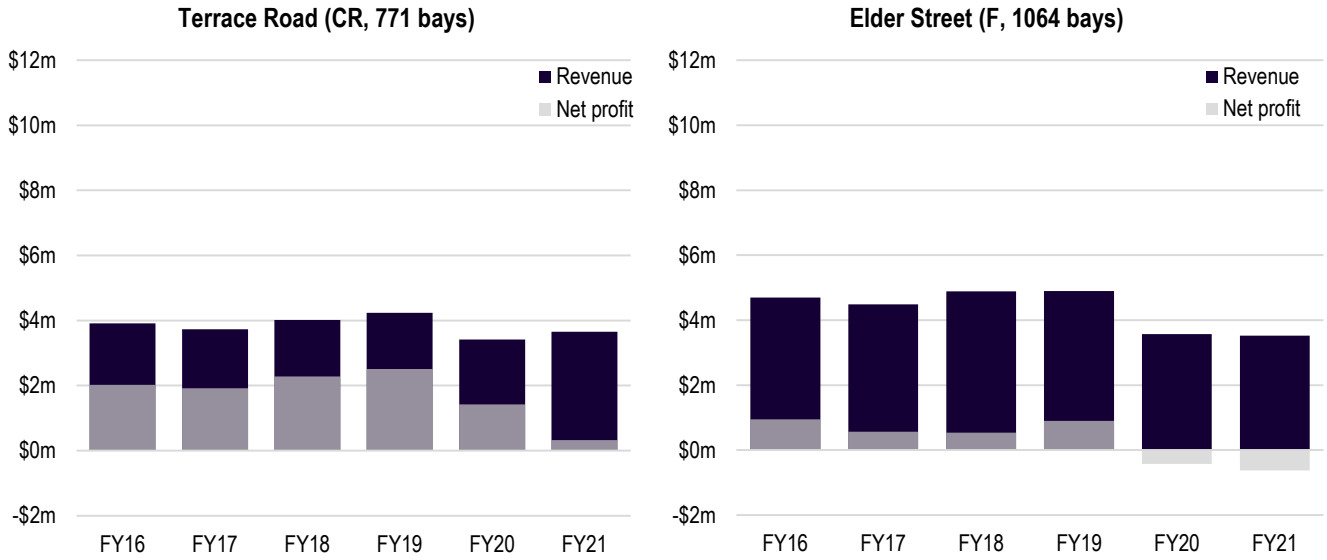
# Individual CPP Car Park Performance Summary



This section provides a summary of every car park in the CPP's portfolio, detailing net profit per year between 2015-16 and 2020-21.

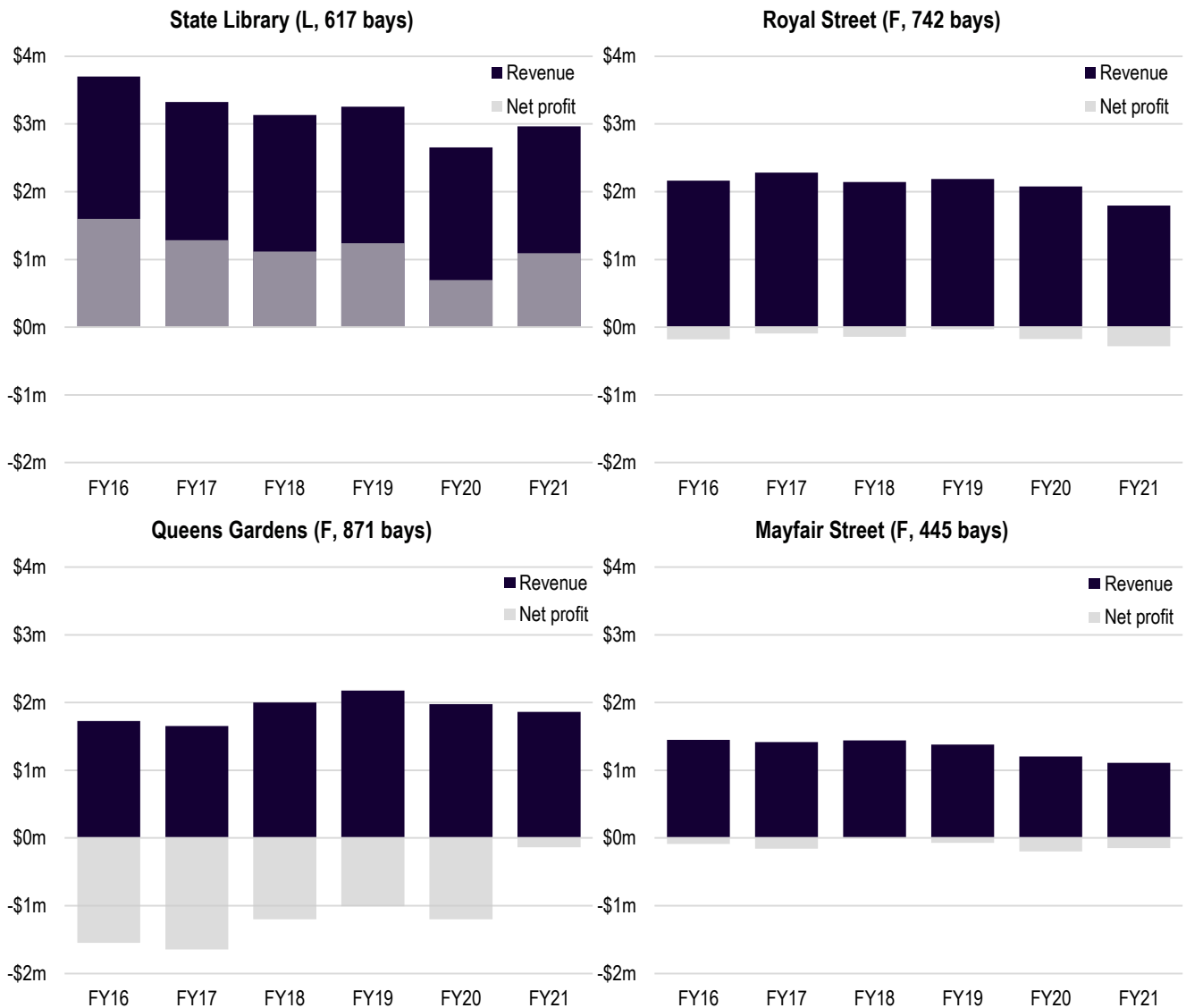
**Table 6.1** CPP car park portfolio performance (annual revenue \$3 to \$12 million)

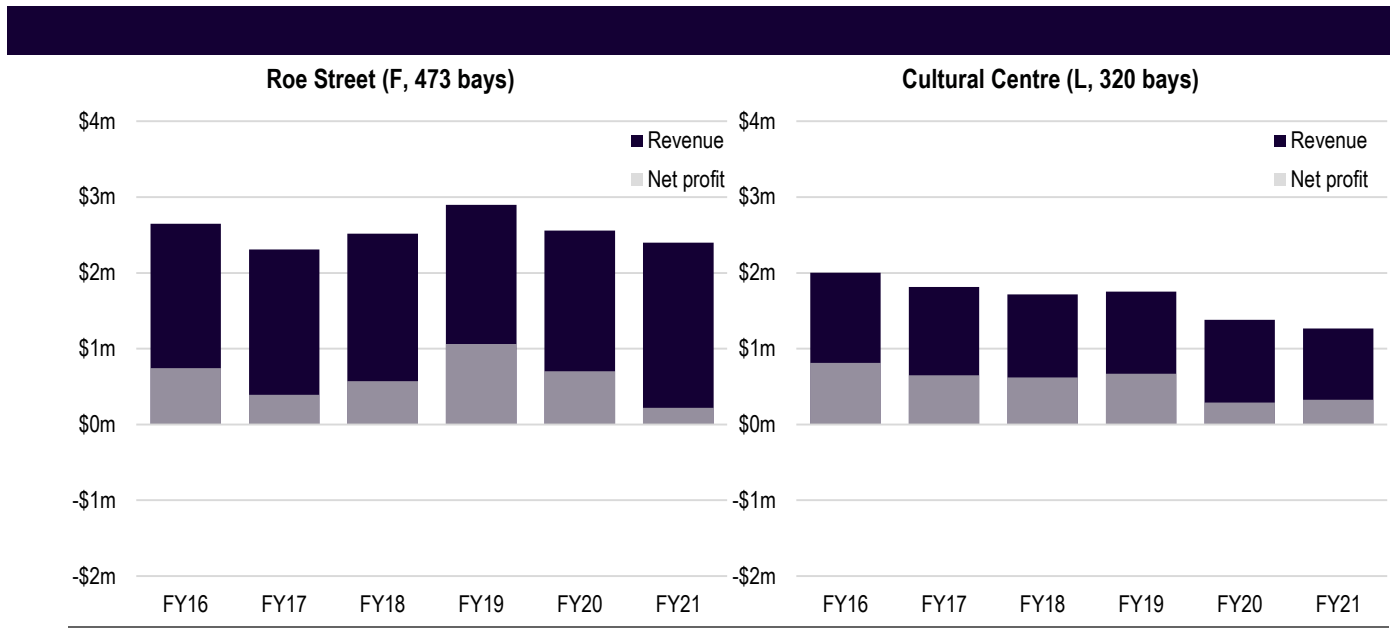




Source: ACIL Allen; CPP.

**Table 6.2** CPP car park portfolio performance (annual revenue \$1 to \$4 million)





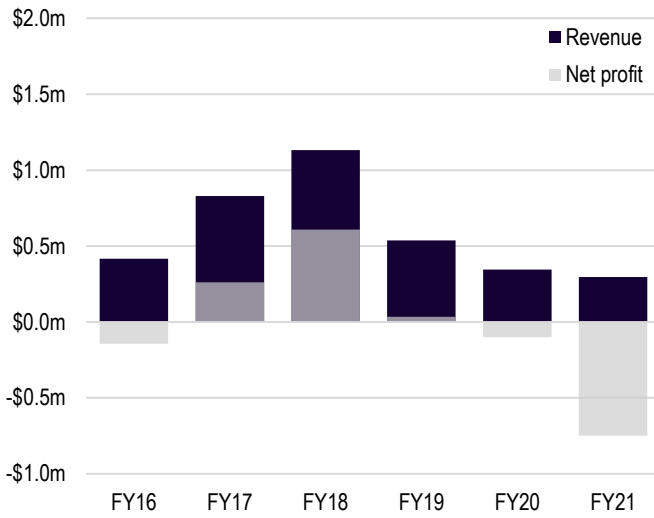
Source: ACIL Allen; CPP.

**Table 6.3** CPP car park portfolio performance (annual revenue \$0.5 to \$2.0 million)





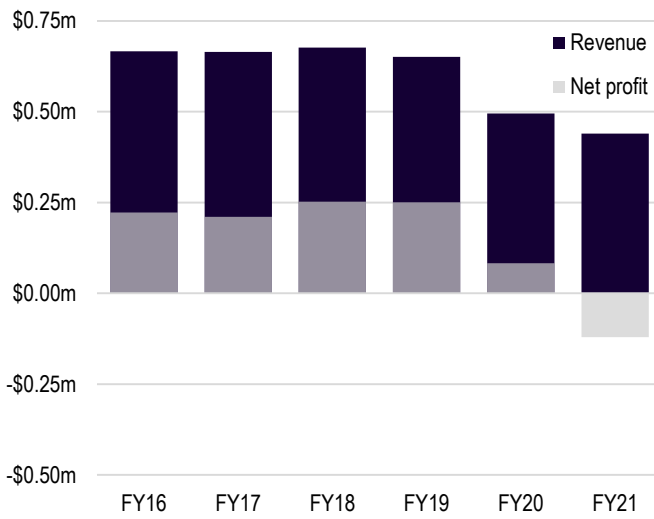
**Point Fraser (CR, 269 bays)**



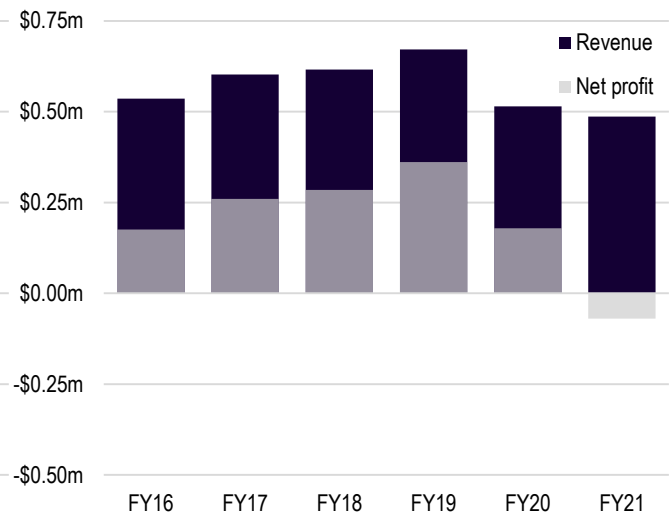
Source: ACIL Allen; CPP.

**Table 6.4** CPP car park portfolio performance (annual revenue \$0.25 to \$0.75 million)

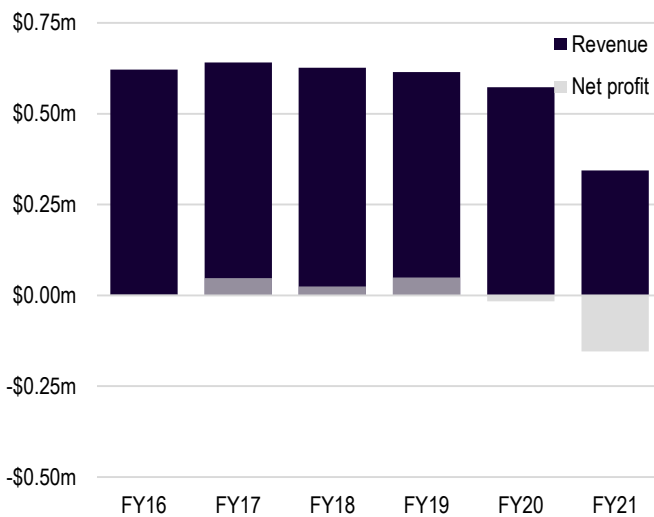
**Aberdeen Street (F, 85 bays)**



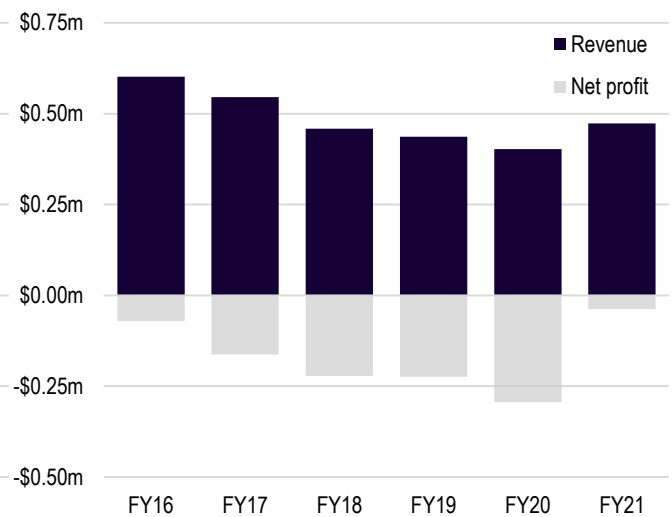
**Plain Street (F, 156 bays)**



**Newcastle Street (F, 138 bays)**

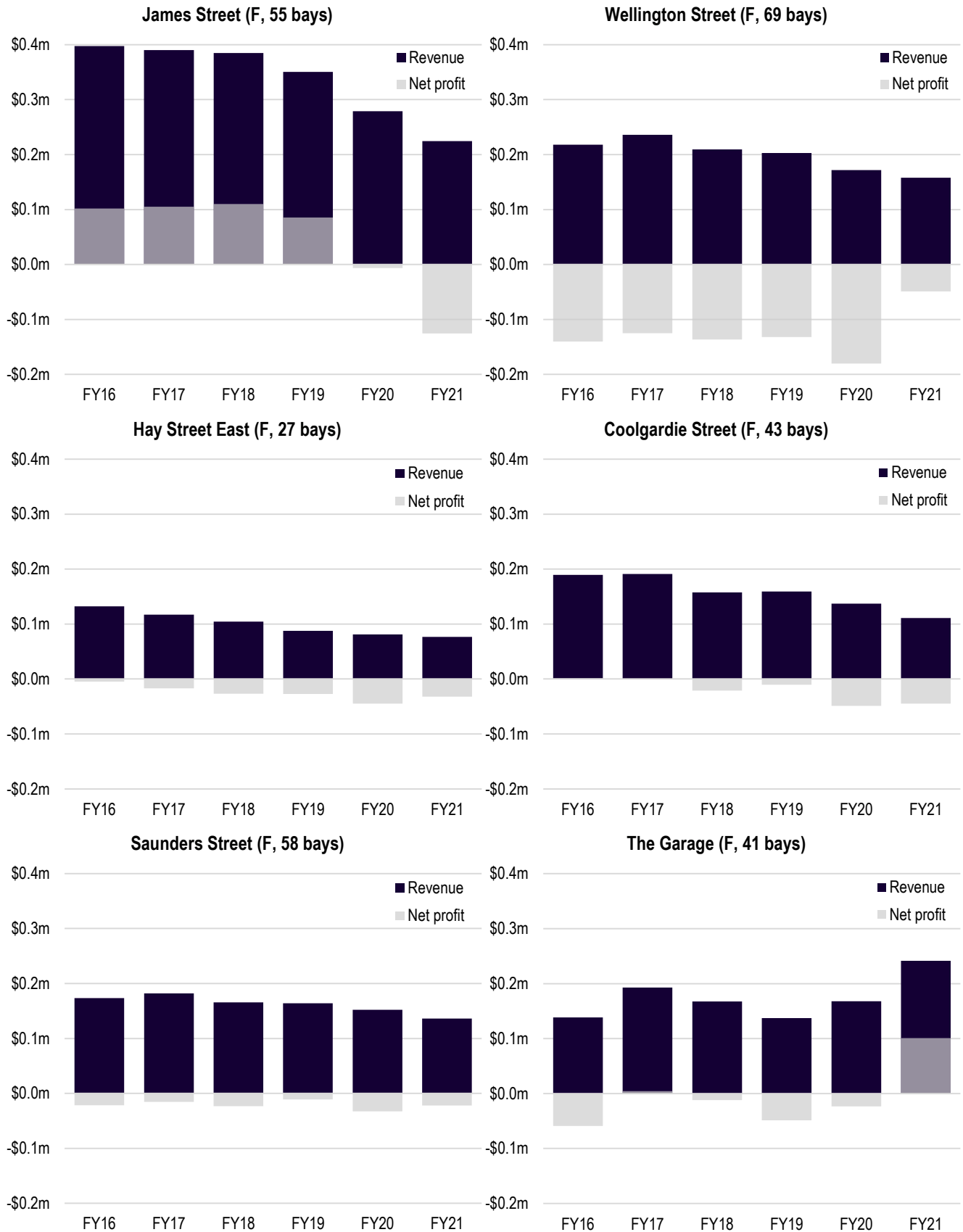


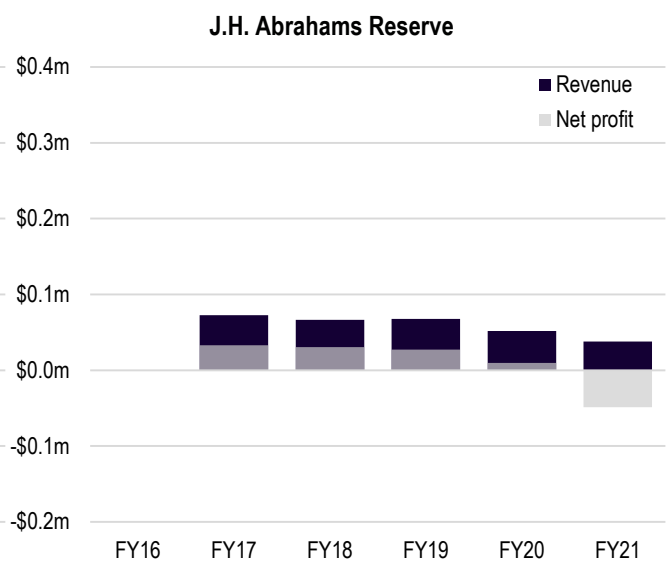
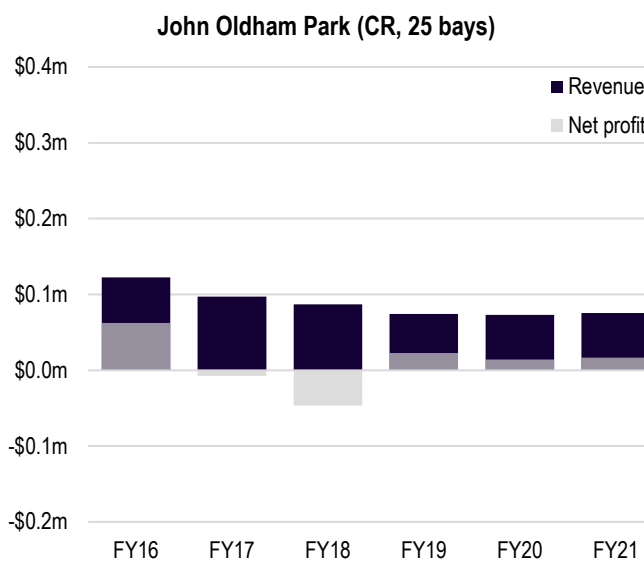
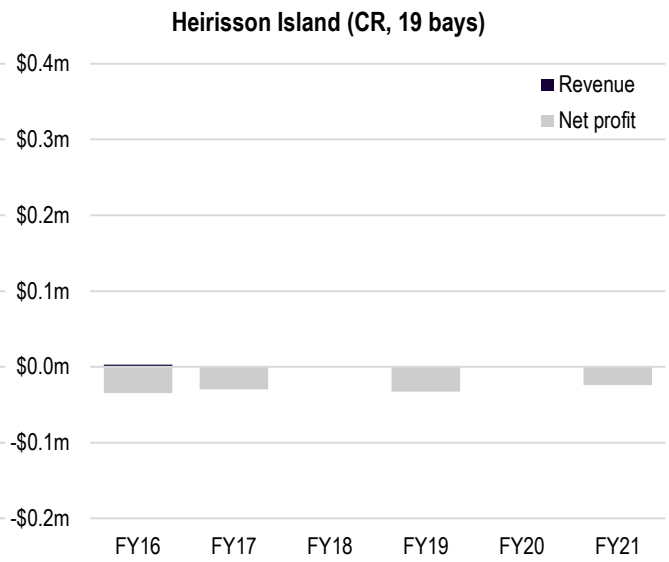
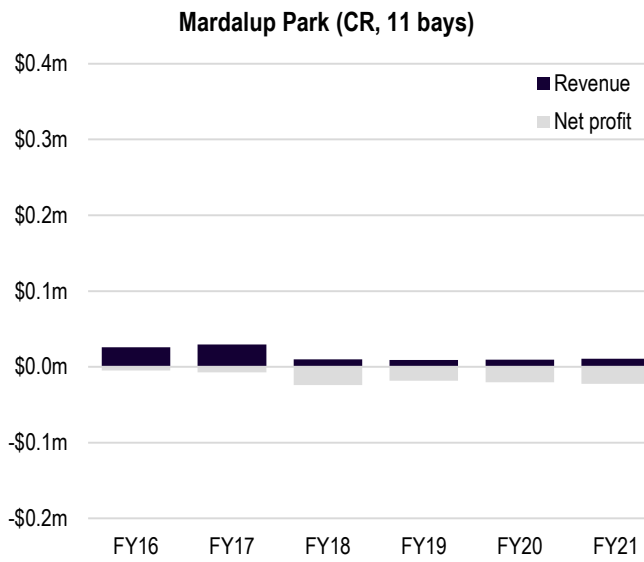
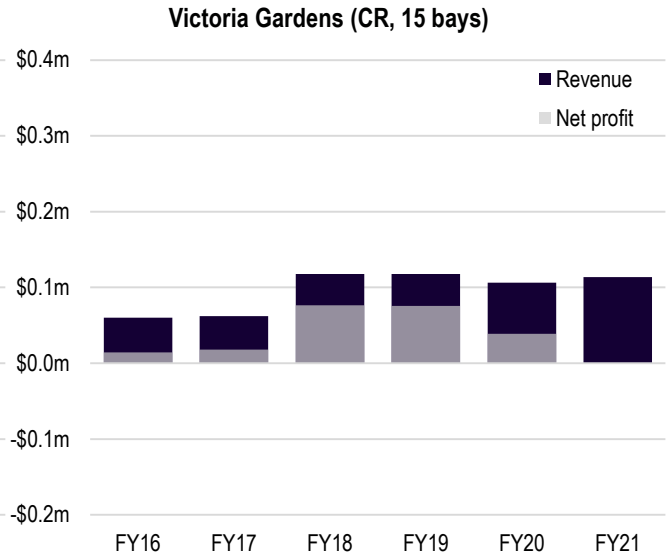
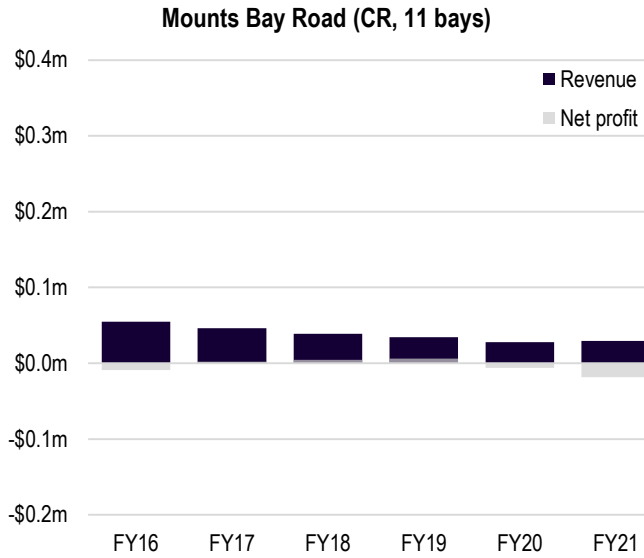
**Goderich Street (F, 178 bays)**



Source: ACIL Allen; CPP.

**Table 6.5** CPP car park portfolio performance (annual revenue \$0 to \$0.4 million)





Source: ACIL Allen; CPP.

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