

RELEVANT INFORMATION FOR COUNCIL

FILE: S116884.008 **DATE:** 21 November 2016
TO: Lord Mayor and Councillors
FROM: Graham Jahn, Director City Planning, Development and Transport
SUBJECT: Information Relevant To Item 9.2 – Post Exhibition - Draft Car Sharing Policy 2016 - At Council - 21 November 2016

Alternative Recommendation

It is resolved that:

- (A) the draft Car Sharing Policy 2016, as shown at Attachment A to the subject report, be adopted, subject to the amendment of clause 5.2 such that it read as follows (with additions shown in ***bold italics*** and deletions shown in ~~strike through~~):

5.2 Preferential Allocation

In precincts where more than 75% of potential on-street spaces in a precinct are held by a single operator, the City ~~may choose to~~ ***will*** issue remaining spaces preferentially to another eligible operator in order to facilitate competition and user choice.

- (B) a revised car sharing permit fee be publicly advertised in accordance with the requirements of the *Local Government Act 1993*.

Background

At the meeting of the Planning and Development Committee (Transport, Heritage and Planning Sub-Committee) on 14 November 2016, further information was sought.

1. Preferential allocation of on-street spaces

The draft Policy 2016 proposes that, in precincts where more than 75% of the total potential on-street car share spaces are held by a single operator, the City may choose to issue remaining spaces preferentially to another eligible operator in order to facilitate competition and user choice within precincts.

After discussion in Committee, further examination of potential mechanisms to operationalise this has identified some potential implementation and probity issues.

To support the desired outcomes of competition within precincts, the following is recommended:

Change clause 5.2 of the draft Policy as follows:

“In precincts where more than 75% of potential on-street spaces in a precinct are held by a single operator, the City ~~may choose to~~ **will** issue remaining spaces preferentially to another eligible operator in order to facilitate competition and user choice.”

As well as being a simple administrative guideline to follow, this has the effect of preventing monopoly by a dominant operator and setting aside a portion of spaces for other operators. In these precincts where the 75% limit is reached, the dominant operator can still grow their presence and fleet availability by providing additional off-street spaces.

2. Cost benefit analysis

The Phillip Boyle report “The Impact of Car Share Services in Australia”, documenting the potential benefits of car share schemes, was not commissioned by the City. The report was prepared for the International Car Sharing Association. However, its overall findings on the net benefits of car share are broadly consistent with the City’s own analysis (SGS Economics, 2012) and international studies of car share schemes.

The report estimates the annual benefit of each car share space at approximately \$71,000. The cost of the scheme is estimated at approximately \$11,500 per space. The resultant estimated net benefit is approximately \$59,500 per space.

The analysis estimates a cost to the City of \$9,207 for a kerbside parking space, including actual costs and a notional opportunity cost of alternative land uses. The relative value of a kerbside space was estimated by averaging four different methods of valuing space in the City:

- cost to lease a car parking space in a parking station;
- cost of streetscape works in particular converting road space to park;
- value of a tree if it replaced a car parking space; and
- cost of leasing commercial office space.

This is considered to be a reasonable estimation method, although in practice these would not usually be viable or recommended uses for residential parking spaces.

In terms of actual costs, the cost of a creating a new car share space (\$2350, comprising \$450 in administration costs and \$1,900 for signage and line marking [2014/15 fees]) are fully recovered from car-share operators. The cost of administering the car share scheme is approximately \$150,000, which is currently partly recovered through a \$52 parking permit fee. The recommendation is to increase the parking permit fee to \$122 which would recover around half of the administrative cost (approximately \$75,000 per annum).

Key benefits of car share include more walking and cycling by car share participants, reduced congestion from lower overall car use, greater availability of parking spaces for other residents, and direct benefits from lower transport expenditure for car share members.

The benefits and costs are calculated using industry standard values and are drawn from bodies such as Austroads (the peak organisation of Australasian road transport and traffic agencies), the federal Department of Infrastructure and Transport, the Australian Transport Council, the Australian Road Research Board, the Royal Automobile Club of Victoria and the Commonwealth Bank.

Not all benefits of car sharing (such as the health benefits from walking and cycling more and the local economic benefits of reduced household travel costs being spent locally) have been included in the analysis, as research on these benefits is still being developed and was not considered sufficiently robust.

Many benefits of car sharing occur because car share scheme members drive less than they would have if they owned a private vehicle. This is because the high fixed cost of owning a car (purchase price, insurance, taxes, and maintenance) is converted into an hourly hire rate and per kilometre charge. As each trip more closely reflects its marginal or actual costs, members have a strong incentive to drive less and use other ways of travelling.

The report assumes that 52 out of each 100 members sell, or do not buy, a vehicle. The average sale value of a vehicle and the value of a deferred purchase of a vehicle are taken from the Australian Transport Council's *National Guidelines for Transport System Management in Australia* (2004). This benefit accrues to individual residents.

Because people who use car share are driving less, there are fewer vehicle kilometres travelled overall, fewer road crashes, less air and noise pollution and a reduced impact on soil, water, biodiversity, nature and landscape. These benefits accrue to all residents.

The economic value of each of these benefits for each kilometre not travelled has been estimated by Austroads in the *Updating Environmental Externalities Unit Values* report (2014).

The Phillip Boyle report uses this data and assumes that each car share user drives on average a net 1,947 kilometres less than they used to, each year. The total benefits are arrived at by multiplying the total number of members by the reduction in vehicle kilometres travelled and calculating value/benefit/km.

The value of not having to store a private vehicle was based on the value to members – such as apartment dwellers - of not having to purchase private vehicle parking. The report assumes 30 per cent of users now did not have to pay for an off-street car parking space and estimating the market rate to purchase a car space in the City of Sydney (\$73,000) and paying for it with a typical mortgage (5.0%). This benefit accrues to individual residents.

Table 1. Summary of costs and benefits (Phillip Boyle report)

Benefits	
Net Reduced Congestion	\$10,576
Road Crashes avoided	\$2,282
Air pollution, greenhouse gas, and noise avoided	\$1,031
Reduced impact on soil/water, biodiversity, nature/landscape	\$546
Value of not owning a car space	\$34,355
Value of not owning a car	\$12,481
Value of driving a car less	\$7,609
Council fees	\$2,350
Total benefits	\$71,230
Costs	
Community value of kerbside space	-\$9,207
Council mode management costs	-\$2,350
Total costs	\$11,557
Net benefit	\$59,673

3. Competition

The current 2011 Car Sharing Policy contains a number of clauses to encourage competition and ensure spaces are allocated through a transparent, rules-based process:

- any car share scheme operator, provided it meets the City's criteria, is entitled to request access to dedicated on-street car share parking spaces;
- all requests are assessed on merit and based on clear criteria;
- speculative and large scale placement of car share vehicles is prevented, thus helping avoid operators from being crowded out of precincts; and
- all commercial car share operators are treated consistently.

The draft Car Sharing Policy 2016 contains measures to increase competition and improve safeguards against use of market power against the public interest:

- reserves the future right to call for an Expression of Interest (EOI) for use of any or all car sharing spaces (over 10 years old) by one or more operators if the City assesses the public interest is not being met.
- reserves the City's right to reallocate spaces in the event that one operator takes control of another.
- preferentially allocates spaces in precincts where one operator has 75 per cent or more of car share spaces.
- provides new operators the opportunity to establish a presence by extending the grace period in which newly allocated car share spaces must meet minimum use criteria from six to 12 months.

The report to the meeting of the Planning and Development Committee (Transport, Heritage and Planning Sub-Committee) on 15 March 2016, recommending exhibition of the draft Policy, considered a number of options regarding holding an Expression of Interest for access to established car sharing spaces.

The first option considered the benefits of a rolling EOI, where a proportion of established spaces are issued annually. This option would allow smaller operators to gain access to a manageable number of spaces. It was considered that this approach could undermine confidence as to the long term availability of convenient cars for residents and use of car share, reduce the quality of services and dissuade further investment in new spaces due to uncertainty on returns. A rolling EOI also has a high administrative overhead for the City, it would increase user costs and/or reduce the viability of car share.

The second option considered offering a contract for all spaces to a single operator, or multiple operators, for a fixed period of time. Offering a contract for all spaces to a single operator could prevent innovation by competitors for the duration of the contract period and reduce the existing diversity of operators. Concerns included the disruption to members from a large-scale reallocation of spaces, recognising that currently 87 per cent of existing cars are with the same operator. As well, smaller operators may not be able to scale up to take all offered parking spaces in one tranche and thus be locked out of the market. An EOI for multiple operators has the concern that members will be disrupted, and that the market could be overly fragmented.

The third option considered, and which is recommended, does not commit the City to an EOI at a particular point in time, but does establish the City's right to conduct an EOI, subject to an assessment of the effectiveness of the Car Sharing Policy and the performance of existing operators. This reaffirms public control of car sharing spaces, while ensuring the City has a mechanism to increase competition in the provision of car sharing, if required.

While the UK Competition Commission¹ asserts that competition can result in reduced costs, it also found that public transport and taxis present competition to car share, restrain prices for hiring periods of less than a few hours, and traditional car rental alternatives constrain the prices of daily hire fees.

The Competition Commission found that car ownership does not limit prices because ‘the decision to join a car club [car share] rather than owning a vehicle is a major decision to avoid the significant expenditure associated with owning a car, rather than a decision made in response to small changes in the pricing of car club [car share] membership or usage fees.’”

The peak car sharing organisation CarPlus² suggests there is little margin for end-user cost competition, price wars are unlikely and the quality and reliability of service from main operators is largely comparable. CarPlus recommended authorities have a mechanism to re-allocate bays if standards or growth targets are not met. The draft Policy 2016 does include these mechanisms.

With 21,510 resident members (17.6 per cent of the population with a driver’s licence) and 10,081 business members, it is clear that car sharing is very popular with residents and is considered an attractive financial proposition. This suggests that the City’s policy settings are effective, and measures to enhance competition supplemented by the EOI mechanism are a commensurate response.

While competition can result in reduced costs and improved services, this needs to be balanced against the potential disruption and loss of car availability to members. There are competitive aspects in the existing arrangements, and the proposed enhancements are delivering very high public benefits which could be eroded should current arrangements be disrupted.

Competition does exist through alternative transport offerings, in particular, public transport, taxis and traditional car hire.

This aspect of the draft Policy 2016 will be monitored closely to ensure that desired outcomes for the City are being realised, and progress will be presented annually to Council.

4. Car sharing membership fees

The membership plans and fees charged for car sharing are similar to mobile phone plans – there can be many variations and it is thus difficult to compare charges across different operators. Indicative fees are provided in Table 2.

¹ UK Competition Commission, 2010, A report on the completed merger between Zipcar, Inc and Streetcar Limited

² Carplus, 2014, Car Club Parking Guidance

Table 2. Car share membership fees and charges

	Establishment fees			Standard car		Premium car*		Super fancy car*	
	Joining fee/driver	Yearly fee	Monthly fee	Hourly rate**	Daily Rate***	Hourly rate**	Daily Rate***	Hourly rate**	Daily Rate***
Hertz 24/7^	-	-	-	\$10.90	\$80.00	\$11.50	\$88.00		
GoGet									
gostarter	-	\$49.00	-	\$10.45	\$85.00	\$14.45	\$91.00	\$16.45	\$109.00
occasional	\$25.00	-	\$12.00	\$9.30	\$78.00	\$11.30	\$88.00	\$13.30	\$99.00
frequent	\$25.00	-	\$30.00	\$6.35	\$74.00	\$8.35	\$88.00	\$10.35	\$99.00
accessible	-	-	-	\$6.35	\$74.00	\$8.35	\$88.00	\$10.35	\$99.00
business	-	-	-	\$6.95	\$75.00	\$8.95	\$88.00	\$10.95	\$99.00
student	-	-	-	\$6.55	\$74.00	\$8.55	\$88.00	\$10.55	\$99.00

* GoGet requires a \$250 or \$500 pre-authorisation fee for premium and super fancy car hire

** GoGet also charges 40 cents per km (petrol and insurance included)

** GoGet gives the first 150km free and then 25 cents per km (petrol and insurance included).

^ Hertz offers a fee option to avoid insurance excess

5. Resident parking

Numerous studies, from Australia and internationally, are very clear that car sharing removes vehicles from the streets as residents sell existing privately owned vehicles or decide not to purchase a car. These studies include: SGS, 2012, *Benefit-Cost Analysis of Car Share within the City of Sydney*; Centre for Transport Studies, Imperial College London, 2014, *Carsharing: evolution, challenges and opportunities*; London School of Economics and Arup, 2012, *Where should the Public Sector invest in Alternative Modes?*; Transport for London, 2015, *Car Club Strategy - Summary of Evidence*; and Phillip Boyle and Associates, 2016, *The Impact of Car Share Services in Australia*.

6. Off-street parking

The Committee asked for information on what the City could do to promote car-sharing off street. The proposed amendments to the draft Car Sharing Policy deal only with the management of car share parking spaces on City streets and off-street parking stations.

The City's DCP provides guidelines on rates of car sharing spaces recommended for new developments and permits these spaces to be provided in addition to other on-site parking. However, the use of this option has been modest. The City is currently researching the reasons for this and will develop strategies to address the issues identified.

One area where the NSW Government could potentially assist would be to examine making car share spaces exempt from the Parking Space Levy. City Access and Planning are drafting a response for the City on the current review of the Levy.

7. Vehicle choice

It is not proposed to limit the types of vehicles offered by operators. However, vehicles offered must be high environmental performers within their class.

8. Is the City favouring one operator over another?

GoGet is an Australian start-up and commenced operation in Sydney in 2003. GoGet took significant investment risks in the early stages of its operation, when it was unclear there were long-term, sustainable commercial opportunities for car share in Sydney. The risks are evidenced by the failure of other ventures in car sharing in Sydney over the same period.

With the long-term opportunities for car share services in Sydney now clear, services in the City are now also provided by the international company Hertz, via Hertz 24/7. Other operators, such as ZipCar and PopCar, may offer services in future.

To support competition in car share provision, the Draft Policy will have the effect of, in some instances, preferencing Hertz or other market entrants over GoGet – for example, by the way spaces are allocated on a monthly basis, and the proposed capping of market share at 75% in a precinct (in future, this cap may apply to operators other than GoGet, but in the immediate future it will generally apply to GoGet).

A consideration in developing the 75% cap was the major success of GoGet in securing off-street spaces for residential or commercial members. This provides GoGet an option for increasing their overall presence in precincts were they are capped on-street.

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Approved



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