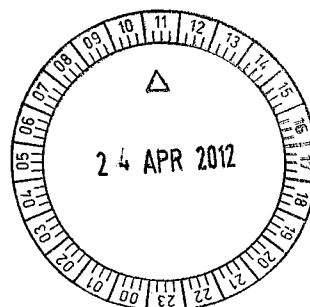




Your ref : 3880/15, 3882/2, 4, 5, 6  
Our ref : 00066326  
Enquiries : Rod Whithear  
Telephone : 6551 2400



Mr Joe Francis MLA  
Chairman  
Joint Standing Committee on  
Delegated Legislation  
Parliament House  
PERTH WA 6000

Dear Chairman

**SCRUTINISING HOSPITAL PARKING FEES – AMENDMENT BY-LAWS  
IMPOSED AT SIX HOSPITALS**

I refer to your letter dated 28 March 2012 relating to the hospital parking fees proposed in a number of hospital by-laws. You asked about the recovery of capital costs in a single financial year and requested my advice as to whether the methodology used to calculate costs was compliant with the 'Costing and Pricing Government Services Guidelines for use by agencies in the Western Australian Public Sector' (April 2007) (Costing and Pricing Guidelines) and any other existing guidelines. Similar advice was also sought on the compliance of the 'Access and Parking Strategy for Health Campuses in the Perth Metropolitan Area'.

The Department of Health (DOH) provides a parking service at hospitals for the convenience of staff and visitors with the parking rates set for the various hospital sites via the relevant by-laws. The by-laws that apply the proposed parking rates are issued under section 22 of the *Hospitals and Health Services Act 1927* (HHS Act) and section 20 of the *Queen Elizabeth II Medical Centre Act 1966* (QEII Act). Section 22 of the HHS Act refers to 'prescribed charges' whereas section 20 of the QEII Act refers to 'prescribed fees'.

In response to your question about compliance with the Costing and Pricing Guidelines and any other existing guidelines, I advise that the Costing and Pricing Guidelines are not mandatory and that no other guidelines apply. The Costing and Pricing Guidelines are issued by the Department of Treasury to assist agencies to better understand their costs and the factors influencing those costs when setting prices for their services. As there is no single costing methodology which can be applied universally, the guidelines do not recommend specific methodologies. Illustrative guidance is provided but it is recommended that agencies adopt the most relevant method to their circumstances, having considered materiality and the balance between the accuracy of costings and the costs of sourcing the information.

The DOH has undertaken analysis of the costs involved in providing the hospital parking service at the various hospital sites to give an indication of the cost of the service. In undertaking a costing exercise for a service, the Costing and Pricing Guidelines highlight the reason for engaging in the exercise needs to be clarified as the purpose may influence the range of factors taken into consideration and may affect judgements about the treatment of some expenses.

To further assist agencies understanding, the Costing and Pricing Guidelines include a discussion on fees, charges and taxes. As you would be aware, there is a legal distinction between fees, charges and taxes. In Western Australia a fee is limited to cost recovery whereas a charge is not subject to the same limitation and, subject to government policy, does not need to be set on a cost recovery related basis. Where a fee or charge bears no discernable relationship to the value of what is being provided and is of a non-discretionary nature, i.e. there is no choice available to avoid payment, such a charge may be argued to be a tax. Whether, a charge may constitute a tax may ultimately require determination by a Court.

Advice from the State Solicitor's Office (SSO) has confirmed that the parking charges proposed under the amended by-laws issued under section 22 of the HHS Act are not a tax.

The *'Access and Parking Strategy for Health Campuses in the Perth Metropolitan Area'* (Access and Parking Strategy) sets out a framework for the delivery of a consistent approach to access and parking at hospital sites with policy objectives centred on sustainability and environmental benefits.

The Access and Parking Strategy seeks to meet the objectives of the *'Hope for the future: the Western Australian state sustainability strategy 2003'*, keep impacts of vehicular traffic within acceptable levels, ensure economically responsible development of the provision of public transport, walking, cycling and parking options and improve air quality around health care campuses. All of these objectives recognise the Strategy is basically a 'green' scheme that will provide benefits to the community by reducing the economic incentives to drive cars to work.

The principles to be applied in implementing the Access and Parking Strategy for DOH campuses include:

- parking should normally be provided on-site;
- employees parking must be equitable and applied in a consistent manner across all sites;
- parking fees should be linked to public transport fares, should be payable daily and not normally subsidised by the DOH; and
- options provided to encourage the use of alternatives modes of transport aimed at reducing the number of car journeys made.

The pursuit of these principles further reinforces the sustainable and environmental focus of the Access and Parking Strategy. The principles adopted by the DOH to ensure equity in employee parking (i.e. all staff incur the same cost at similar facilities) mitigates against cost recovery on a site by site basis. Otherwise, parking fees would need to be set based on the value of the land and facilities at different hospitals sites. Clearly this difference would drive different parking rates at different hospitals. This would prevent the pursuit of the 'equity principle' desired by the DOH in setting parking rates for its staff and visitors.

The Access and Parking Strategy is clear in identifying that the parking rates charged for employees are set based on Transperth rates; with the rate applied at each hospital based on the 'Accessibility Category' which takes into consideration public transport accessibility of the site.

The parking rates are set to reduce the incentive to use private car transport and encourage the use of public transport where readily available. The Government provides an ongoing subsidy to the Public Transport Authority for Transperth services in recognition that the fares charged do not fully recover operating costs and capital and financing costs. The annual subsidy is currently around \$400 million per annum for operating costs and a further \$200 million for capital costs which respectively represent about 65% and 75% of the costs.

The Access and Parking Strategy encourages a change in employee travel behaviour aimed at increased usage of public transport and this may also eventually have a minor benefit in delivering a very small decrease in the Government subsidy for public transport. Further, the Strategy outlines the proposed introduction of an employee travel pass which provides additional benefits to the employee. The travel pass can be utilised to pay for hospital parking or public transport and a discount (in addition to the discounts offered by Transperth) for the use of public transport would be provided by the DOH.

A further reasonable benefit flowing from this strategy is that where parking services are provided in inner city precincts such as Fremantle Hospital, Royal Perth Hospital and Princess Margaret Hospital, the new hourly parking rates dissuade patronage by clientele and employees of surrounding/adjacent business in order to service the needs of staff and patrons of particular hospitals.

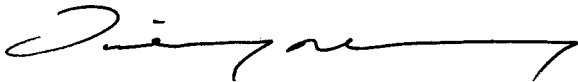
The parking rates for non-hospital employees are set at an escalating hourly rate to deter usage as a long-term park by both hospital and surrounding business employees.

In answer to your questions about the recovery of capital costs in a single financial year, advice from the SSO has confirmed that the capital costs of providing future parking bays can be included in determining cost. However, while it is possible to show that the charges for hospital staff parking at hospitals are based on cost recovery, the rate for parking at major metropolitan area hospital sites is equivalent to two times the two-zone Transperth cash fare. This fee has been set for the reasons set out above, and appear to be the primary policy drivers of the level of those rates – rather than cost recovery.

The contract for the future parking facility at the Queen Elizabeth II Medical Centre site was established using the same two-zone Transperth cash fare rate as the basis for the fee to be charged to the users of the parking facility. The volume (number of car bays) was prescribed in the tender documentation and the bidders were required to nominate a period (number of years) for the term of the contract. The number of parking bays in the future parking facility was established through consultation with the Department of Planning which placed constraints on the number of parking bays to be supplied in the new facility to meet their own sustainability objectives. The contract term enables the provider to recover all costs (i.e. rate x bays x years) associated with the construction and operation of the parking facility. This facility is therefore based on cost recovery for the new multi-story car parking facility based on the lowest contract term obtained through a competitive bidding process.

I trust the information provided here assists the Committee in understanding the different policy drivers that have influenced the setting of parking rates at Western Australian Government hospitals.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Timothy Marney', with a long horizontal flourish extending to the right.

Timothy Marney  
UNDER TREASURER

19 April 2012