

Evidence base for imposing new scheme of increased charges for CPZ permits: Paper from Merton Liberal Democrats council group for the meeting of the Overview and Scrutiny Cttee on 14 August 2019

1. It's clear that a significant measure of success for the Council will be lower car ownership in the borough – largely through increased costs in residents parking permits. As the final report to Cabinet on 15 July 2019¹ notes at para 2.8:

"In setting out its measures of success, the new charging policy aims to deliver reduced car ownership and usage across the borough, encourage more people to undertake alternative forms of active travel, purchase fewer resident permits..."

And again, at para 4.2: *"A number of comments and feedback suggested that there was no evidence to demonstrate that raising parking charges would reduce car use and lead to improved air quality. The council believes that there is evidence to show that the level of parking charges is likely to stimulate or nudge people into reducing car usage or removing their reliance on needing a car altogether ..."*

2. This note addresses the issue of what evidence has been provided to support the explicit claim that the level of charges for residents parking permits will encourage residents to give up their vehicle entirely. We also look at the issue from first principles. For the purposes of the call-in, we feel that this goes to the core of the proportionality of the decision, the evaluation of alternatives and the clarity of aims and desired outcomes.

3. The administration's basic position is that the law of supply and demand applies to the decision to own a car and therefore, ceterus paribus, an increase in the cost of running a car in Merton will reduce the number of cars owned by Merton residents: see para 4.3 of the report to Cabinet: *"The basic law of demand and supply states that more will be demanded at a lower price than that of a higher price."*

4. Similarly, this was stated in response to a question from Cllr Holden at full Council on 10 July 2019:

"The Council believes that most residents will make the right choices in light of clear information regarding the impact that the motor car has on air quality and the climate alongside sensible pricing to reduce demand (emphasis added).

5. At the same meeting there was a question from Cllr Fairclough specifically on the evidence base of the impact of residents parking permit increases on car ownership and the answer was:

"Price is a long established and recognised economic tool to manage demand. Where prices remain low demand increases, all other things being equal. Over the last 10 years where car parking and permit prices have been frozen the number of cars registered in Merton rose from 69,500 to 71,900,²

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¹ [Emissions, public health and air quality a review of parking charges 4](#), Merton Council Cabinet 15 July 2019

² Note: The claim that there is a link between permit prices being frozen and cars registered in Merton increasing over 10 years from 69,500 – 71,900 (3.4%) is a little odd, given that the registration of private cars in the UK as a whole has increased by 12.5% over the same period and the population of the borough by 5.3%

³ <https://www.gov.uk/government/statistics/vehicle-licensing-statistics-2018>

⁴ <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland>

Decisions on car ownership take price into account. This might be at the point when a decision on car replacement is being made or at some other point in time but car owners or prospective car owners will weigh up future costs as well as alternate transport options. This administration believes that Merton is not isolated from these economic principles and that sensible and appropriate pricing strategies for parking and permits will assist in reducing car use and ownership”

6. To some degree of course this is obviously true: were the cost of a parking permit to be £10,000 a year there would be many fewer cars owned by those without off-street parking⁵. The question is whether there is evidence that the increases proposed will affect behaviour in the way needed to enable the policy to work. The assumption that has been made for budget purposes is a 20% reduction in car ownership⁶ driven by the changes, however, when asked at the Sustainable Communities Scrutiny Panel on 27 June, officers said no modelling had been carried out on the reduction of car ownership or the reduction in trips, or the ratio between the two.

7. As such, we have briefly reviewed the studies which the Council have claimed are evidence for the effect of their proposals, as set out in the report to Cabinet. In general, these look at the effect of parking pricing on whether drivers choose to make particular journeys by car or by other means, or whether they change their destination (for example go shopping somewhere else). We have not reviewed the details of whether there is evidence that the proposed increases in town centre parking will reduce traffic, but have focused on whether they support the contention that increasing residents parking permit charges will reduce car ownership.

NB: University of Leeds

8. At the Sustainable Communities Scrutiny Panel on 9 January 2019, officers referred to evidence in academic studies. When subsequently asked by Cllr McGrath what that evidence was, a paper from the University of Leeds⁷ was quoted. There is nothing in this paper which supports the view that increases in residents parking permit charges will reduce car ownership, and there are no references to the paper in subsequent Council papers.

Canadian Parking Association

9. The first is a report by the Canadian Parking Association in 2015, *The value of parking*⁸. The larger part of the 5 page paper is about effect on decisions as to whether to make a journey by car, and as they say “the pivotal point in this is the low elasticity of parking demand; this means that the percentual change in parking demand will be smaller than the percentual change in fees” – a point we will come back to.

10. There is no reference in the paper to any effects of increasing parking charges for residential parking. There is, however, a reference to a paper on the effects of private parking spaces on residential house prices in Amsterdam. It found that in areas with a long waiting list to obtain a residential parking permit, houses with private parking can be worth nearly €40,000 more. This does not suggest that increasing permit will reduce car ownership – if any implication can be drawn it is how much car owners will pay to keep their car, which hardly supports the argument that increasing CPZ charges will reduce ownership.

⁵ For the avoidance of doubt the Liberal Democrats are not proposing this

⁶ mail from the Director of Corporate Services to Cllr Quilliam, 4 February 2019

⁷ http://www.its.leeds.ac.uk/projects/konsult/private/level2/instruments/instrument025/l2_025b.htm

⁸ <https://canadianparking.ca/the-value-of-parking/>

11. Interestingly the Canadian paper does briefly cover employer-provided parking. It says “offering free, or below cost parking to employees leads to extra parking demand” – clearly the case in Merton where half the staff currently have parking permits provided by the Council.

Swedish Congestion Zones

12. There is a reference to a study of the impact of introducing Congestion charges in Stockholm⁹ - on air pollution and children’s health. It includes unreferenced (but we assume accurate) information on the effect of the London Congestion charge and the ULEZ on vehicles movements – none of these have anything to do with the effect of residents parking permit charge increases.

Theoretical Chinese Study¹⁰

13. It is difficult to understand why this paper has been referred to. It provides – from a theoretical perspective – a way of looking at how Chinese City managers can use parking price mechanisms to manage traffic. There are no specific references to resident parking permits but there is also no information on the elasticity of demand for parking, even if we could readily apply data from Chinese cities to Merton.

Report for London Councils¹¹

14. This is a comprehensive report produced by the transport consultancy ITP in 2018. It has useful information but nothing on whether increasing permit charges will reduce car ownership – this was confirmed in an e mail from the author of the report to Cllr McGrath

Discussion from first Principles

15. In the absence of any evidence, like the administration, we need to fall back on the basic assertion that the laws of supply and demand will apply. In order to consider whether an increasing in resident parking permit prices will reduce car ownership we need to compare the costs of owning a car with the increase in charges.

16. There is a curious lack of definitive data on the typical costs of car ownership. One source is ONS data on Household Expenditure¹² for households which owns a car, which shows a cost of £99.50 per week (£5,174 pa). It should be noted that this figure varies substantially by income decile – ranging from £58.20 pw for the lowest decile to £163.90 pw for the highest.

17. For ease of analyses we will take the 5th income decile, of £69.10 pw, (£3,593 pa). If we compare this with the increased charges:

New Charges	Increase	Increase as a % of 5 th income decile motoring costs
£80	£15	0.42%

⁹ Emilia Simeonova & Janet Currie & Peter Nilsson & Reed Walker, 2018. "Congestion Pricing, Air Pollution and Children’s Health," NBER Working Papers 24410, National Bureau of Economic Research, Inc

¹⁰ *Parking Fees an Economic perspective* (The Price Mechanism Analysis of Parking Fees on Economic Perspective Liqin Shan¹ & Shaodan Qian¹ School of Management, Northwest University for Nationalities, Lanzhou, China)

¹¹ *Benefits of Parking Management in London*, Final Report, August 2018

¹² https://www.racfoundation.org/wp-content/uploads/ONS_households_with_cars_spending_on_cars_by_disposable_income_decile_201617.pdf

£120	£55	1.53%
£150	£85	2.37%

18. Members will be able to assess whether they believe a (at most) 2% increase in the cost of motoring will cause residents to decide to get rid of their cars – particularly bearing in mind the information in the Council's own evidence that motoring costs are particularly inelastic in terms of price.

Conclusion

19. The Council have been asked to produce evidence that a policy of increasing CPZ permits will reduce car ownership. They have not been able to do so, therefore should not implement this change.