

This is the sixth in a series of articles commissioned by the Committee for Perth that aims to inform the conversation around the rising costs of living that we are experiencing in Perth and other Australian cities. This series is written by consultant researcher Gemma Davis.

By considering the data and examining the causes of rising costs of living, we aim to identify what can be done by government and the private sector to address the issue.

The series provides an eye opening overview into just how expensive our region has become. Currently sitting in 21st position in the Economist Intelligence Unit's top 50 most expensive cities in the world, nearly all areas of living costs such as groceries, fuel and housing have doubled in the last ten years.

When the results of the Economist's survey are pitted against the findings of our FACTBase research relating to the increasing gap between the haves and have nots, the picture is concerning.

What is your commute costing you?

Perth is the most expensive city in Australia to own and commute to work by car – and the further your commute, the more you pay.

Research recently released by the Australasian Railway Association tells us that commuters travelling to work in the Perth CBD annually spend anywhere from \$9,180 for a 5 km commute to the CBD to up to \$22,306 for a 25 km commute to the CBD.

This compares to an Australian city average of between \$7,432 for a 5km commute and \$14,639 for a 25km commute, per annum¹.

Why are commuting costs so much higher in Perth than the national average? According to the report, Perth's high commuting costs are primarily the result of having higher CBD parking charges than most other capital cities, for the purchase of annual unreserved parking, but it's also influenced by high fuel costs compared to most other Australian capitals².

Perth's relatively high CBD parking rates are, according to Colliers, a reflection of demand versus supply. Perth currently has 18.3 CBD parking spaces per 100 workers, the third lowest ratio behind Sydney (11.4) and Melbourne (13.4).

Between 2008 and 2011, Perth experienced substantial growth in office rental markets – which was coupled with increases in parking rates³. Similar growth in the demand and cost of CBD office and car parking space occurred in both Sydney and Melbourne over the same period⁴.

Restrictions on parking provision and car park levies and licenses also influence parking costs. In Perth, the Parking Management Act (1999) aims to improve air quality, reduce congestion, improve pedestrian safety, free-up parking for short term visitors, and increase environmental quality and economic vitality by requiring the licensing of all non-residential parking bays in the CBD⁵. Revenue from licensing fees is required to be spent on planning and implementing balanced transport initiatives including the Central Area Transit (CAT) bus system and the Free Area Transit Zone, as well as bicycle and pedestrian initiatives⁶.

License fees in Perth are currently \$728.70 per annum for non-residential parking bays, \$697 for long term bays and \$630.80 for short term bays⁷. A significant cost, but much lower than levies in Sydney and Melbourne which sit at \$2,160 and \$930 per bay per annum respectively⁸.

This is reflected in the fact that, while the rates for monthly car parking in the Perth CBD are the second highest in Australia, daily parking rates are significantly lower – i.e. less than half of the daily rate of parking in Sydney⁹.

Ultimately the combined costs of driving to work means that if you live 25km from the Perth CBD and travel to work by car you could be spending up to \$1,900 a month on car ownership and commuting¹⁰ – not far short of the region's median monthly mortgage repayment of approximately \$2,000¹¹.

Reducing this cost significantly will depend on someone's ability to change their travel behaviour, particularly whether they can switch to using public transport.

¹ Wand J, 2013, Commuter costs and potential savings: Public transport versus car commuting in Australia, Australasian Railway Associations

² Ibid.

³ Colliers, 2012, White Paper: Australian CBD Car Parking – The Next Decade, Colliers International

⁴ Ibid.

⁵ Ibid.

⁶ Department of Transport, 2012, Perth parking license revenue, <http://www.transport.wa.gov.au/projects/20228.asp>

⁷ Department of Transport, 2013, Licensed parking in Perth, <http://www.transport.wa.gov.au/projects/20228.asp>

⁸ Urbis, 2013, Melbourne Congestion Levy Increase, www.urbis.com.au

⁹ Ibid.

¹⁰ Based on the 25km commuting costs for Large SUV's outlined in: Wand J, 2013, Commuter costs and potential savings: Public transport versus car commuting in Australia, Australasian Railway Associations

¹¹ ABS, 2011, Census QuickStats, Median Monthly Mortgage Repayments for Greater Perth, www.abs.com.au

For example:

- Choosing to drive a small, light vehicle rather than a large vehicle like an SUV, could save approximately \$1,500 a year; however
- Leaving your car at home and travelling to the CBD by public transport could save up to \$10,000 every year; or
- Forgoing your car, or a second car, in favour of public transport could save as much as \$20,000 each year,
- depending on the length of your commute and type of vehicle you drive¹².

Yet, despite the high costs of car commuting, 84% of Perth residents travel to work by car. For some driving to work is a personal preference for the convenience or comfort of a private car but, for many people, the choice to drive to work is made because they do not have access to public transport services – or the services that they have access to don't meet their commuting needs¹³.

Accessibility to public transport is a particular problem for people living in fringe suburbs that are not close to the region's rail corridors. People in these areas are more likely to drive to work and more likely to own more than one vehicle than people living in Perth's inner and middle suburbs¹⁴.

This paper considers the costs of commuting in Perth and whether the high financial cost of long car commutes are negating the financial benefits of living in Perth's more affordable, but less accessible, fringe locations; and whether poor public transport access could be imposing high living costs on Perth's community. It also identifies the environmental and social costs of commuting and whether long commutes could be hurting more than just your wallet.

The Costs of Commuting from Perth Suburbs

Purchasing a home is a major decision and in Perth the main factors that people consider when choosing where to buy include: cost; safety; character and diversity of the location - with older suburbs perceived to have more character than newer suburbs; availability of appropriate or desired housing; access to public transport - which is more important to older people and low income earners; and access to work, where easy access is considered more desirable than proximity, and access to schools, amenities and nightlife¹⁵.

In Perth, a clear majority of people would prefer to buy a home in the region's inner central or outer central suburbs but far fewer people are able to afford appropriate housing in these areas¹⁶, due to generally higher median house prices¹⁷.

What this means is that many people are forgoing their desire to live in an established suburb in an accessible location and are moving to the fringes where they can afford to buy a house¹⁸.

But can the cost of commuting by car from less accessible fringe locations significantly reduce potentially negate the money saved on housing costs? And, if so, should people have access to better information to enable them to factor commuting costs into their house purchase decisions?

A brief analysis of CBD commuting costs and potential savings in randomly selected outer, middle, mid-central and inner-central areas in Perth suggests that the answer to both of these questions is yes.

Table 1: Cost of Commuting in Perth Suburbs

Suburb	Distance from CBD (approx.)	Estimated Commuting Costs to CBD per annum - driving medium sized car ¹⁹	Potential saving from leaving car at home & travelling by public transport ²⁰	Potential annual saving from forgoing car or second car in favour of public transport ²¹	Median House Price ²²	Access to public transport*
Joondalup	25km	\$16,102	\$8,420	\$14,097	\$533,750	High
Greenmount	20 km	\$14,516	\$8,325	\$12,862	\$475,000	Medium
Bibra Lake	15 km	\$12,930	\$7,875	\$11,281	\$565,000	Medium
Innaloo	10 km	\$11,344	\$7,974	\$10,244	\$605,000	High
Mount Lawley	5 km	\$9,758	\$7,523	\$8,658	\$1,000,000	High

*Suburbs are rated as having high access to public transport if the suburb has a train station directly linking it to the Perth CBD. Suburbs are rated as having medium access if they are within approx. 5 km of a train station directly linking it with the Perth CBD.

¹² Wand J, 2013, Commuter costs and potential savings: Public transport versus car commuting in Australia, Australasian Railway Associations

¹³ Committee for Perth, 2013, Cost of Living: Urban Sprawl Fuels Perth's Traffic Congestion, www.committeeforperth.com.au

¹⁴ Ibid.

¹⁵ Department of Planning and Infrastructure, The Housing We'd Choose A Study for Perth and Peel, www.planning.wa.gov.au

¹⁶ Ibid.

¹⁷ REIWA, 2013, Perth house prices September 2013, www.reiwa.com.au

¹⁸ Department of Planning and Infrastructure, The Housing We'd Choose A Study for Perth and Peel, www.planning.wa.gov.au

¹⁹ Wand J, 2013, Commuter costs and potential savings: Public transport versus car commuting in Australia, Australasian Railway Associations

²⁰ Ibid.

²¹ Wand J, 2013, Commuter costs and potential savings: Public transport versus car commuting in Australia, Australasian Railway Associations

²² REIWA, 2014, Perth Suburbs Price Data, <http://reiwa.com.au/Research/Pages/Price-growth-by-suburb.aspx>

It is clear from the information outlined in Table 1 that commuting by car to the Perth CBD costs a lot more each year if you live in a suburb 25km away from the CBD than if you live in a suburb 5km from the CBD. For example, living 20km closer to work could save you \$6,344 a year or \$122 each week.

But it also indicates that regardless of where you live, the potential savings from shifting from car based commuting to public transport are very significant.

For example, if you live in a suburb approximately 5 km from the CBD, leaving your car at home and travelling by public transport to work could save you approximately \$7,520 each year. But if your house is 25km from the CBD, you could expect to save \$8,420 every year.

Even larger savings can be made by people who are willing and able to forgo car ownership, or owning a second car in favour of commuting by public transport. For example, if you live 15 km from the CBD, and travel to work in the CBD using a medium sized private car you could save more than \$11,000 in one year, or \$215 per week.

Obviously, the potential for household savings is higher still if more than one person in the household can start travelling by public transport.

For example, a two car household with two people commuting 15 km to the CBD in separate cars, could save more than \$19,000 each year by forgoing one car completely and using public transport and leaving the other car at home to travel by public transport. This is enough to make the repayments on a \$200,000 loan²³.

Alternatively, a saving of \$19,000 each year would allow a household to pay off their mortgage much more quickly, and

generate even greater savings. For example, repaying an extra \$19,000 each year on a \$508,500 loan, which reflects a \$565,000 median house price²⁴ and 10% deposit, would allow the household to repay their home loan in approximately 14 years, rather than 30 years, saving them more than \$336,000 dollars in interest²⁵.

Ultimately, what this means is that by living close to work, or by living somewhere with good access to work via public transport, and using it, you could save your household a significant amount of money over the medium to long term - enough to warrant serious consideration about changing your travel behaviour, and to factor into your decision making process when thinking about where to buy a house – and the location that you can afford.

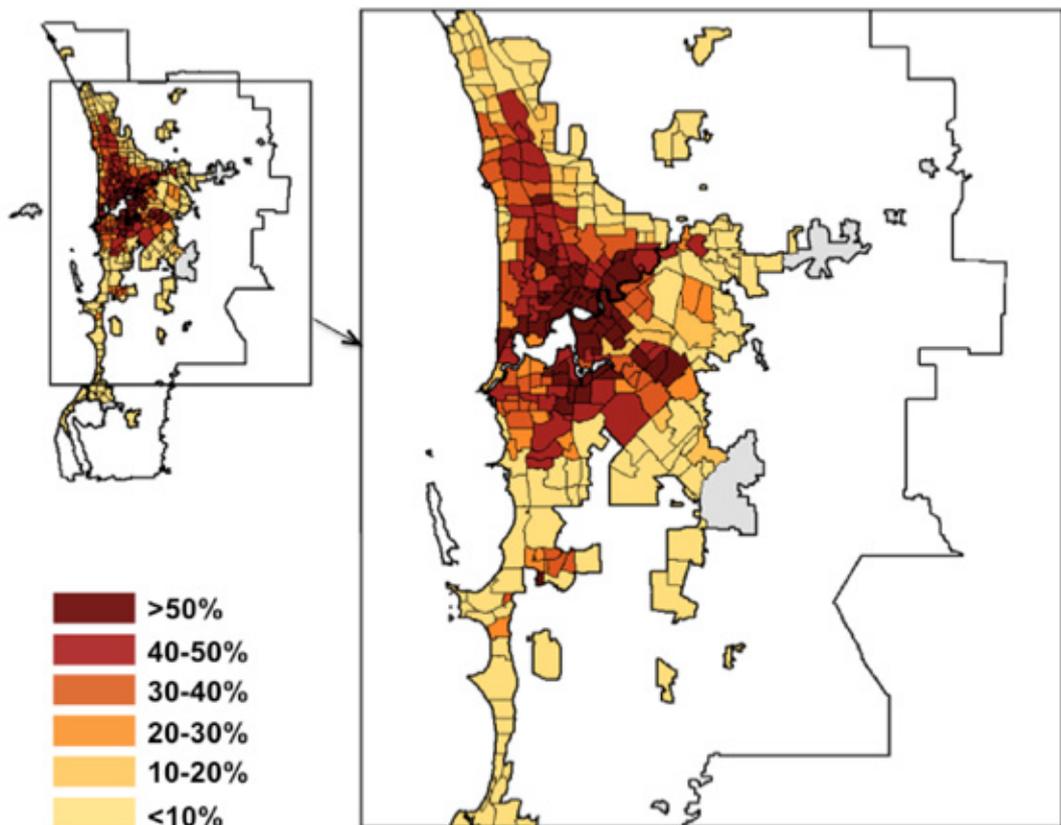
It also highlights the financial costs that households bear when they do not have access to suitable, regular or reliable public transport.

In Perth, people living in the region’s inner and middle suburbs have significantly better access to public transport for journeys to work than people who live in outer suburban areas. Although even in these areas there are still relatively few suburbs where residents can access more than 50% of jobs in the region by a 60 minute public transport trip.

This is highlighted in Figure 1, recently published by the Grattan Institute, which shows the proportion of jobs that are accessible within a 60 minute public transport trip from specific areas in the Perth region.

The map clearly shows that accessibility to work by public transport is significantly lower in fringe areas than in most inner and middle suburban areas – meaning that people in fringe areas are much more likely to drive to work out of necessity – and pay high commuting costs as a result.

Figure 1: Proportion of jobs that can be reached within a 60 minute public transport journey, Perth



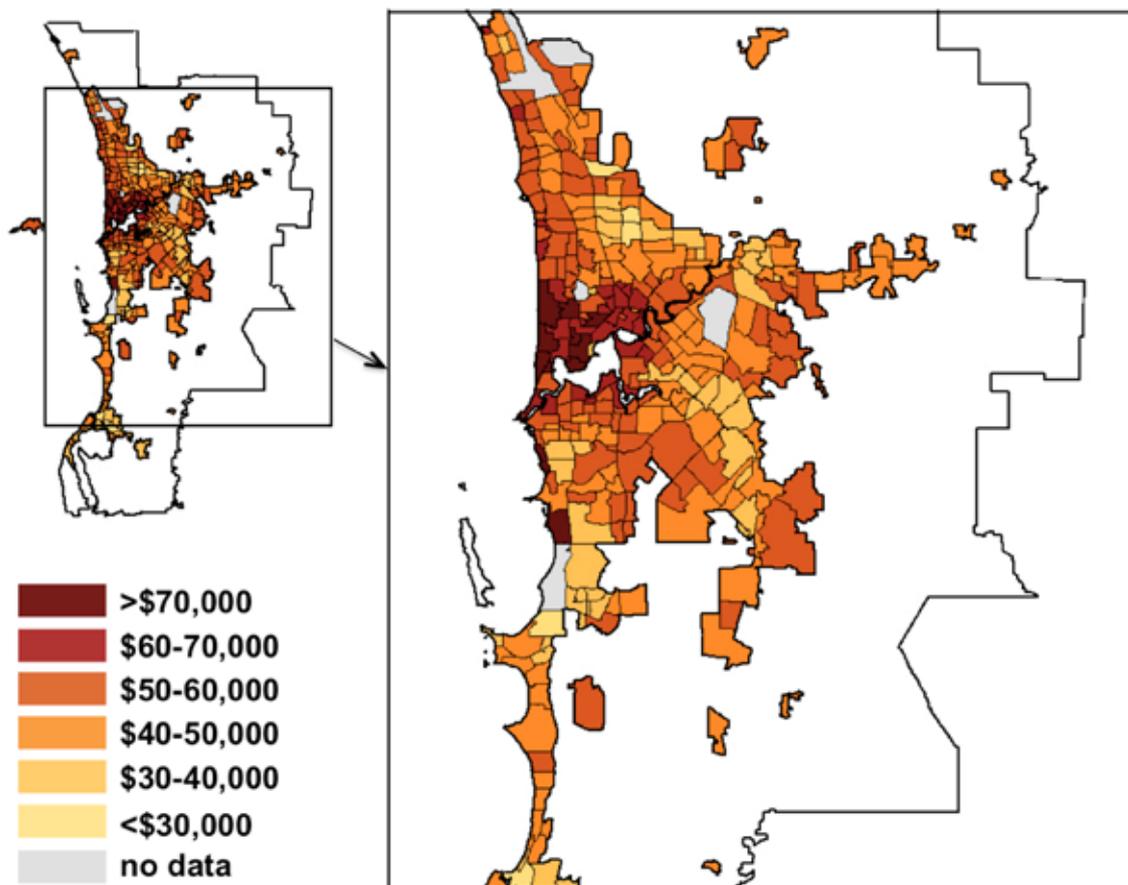
Source: Source: Kelly J, Mares P, 2013, Who lives where, Perth, Productive Cities, Supplementary Maps, Grattan Institute

²³ Calculations based on loan amount of \$100,000 with an interest rate of 7.50% and a loan term of 25 years, http://www.yourmortgage.com.au/calculators/repay_basic/result/?sid=7878885-m15tq-BasicRepay
²⁴ Landgate, 2014, Median Monthly House Sale Price Perth Metro, Government of Western Australia
²⁵ Repayments calculated by ANZ Loan Repayment Calculator at Standard Variable Interest Rate <http://www.anz.com/personal/home-loans/calculators-tools/>

What's more, people living in Perth's less accessible outer and fringe suburban areas are generally less likely to be able to afford the high costs of commuting. Figure 2 shows the median income of Perth residents in 2011, illustrating a clear concentration of higher income earners in inner and middle locations, while lower to medium income earners are more likely to live in outer and fringe areas.

Figure 2: Median Income (Residents Aged 25-65) Perth

Source: Kelly J, Mares P, 2013, Who lives where, Perth, Productive Cities, Supplementary Maps, Grattan Institute



Ultimately this means that poor access to public transport is costing Perth people dearly. With more than 540,000 full-time workers across the Perth metro area, 84% of who travel to work by car, shifting an additional 20% of full-time workers to public transport could conceivably save Perth households more than \$600 million every year in travel costs²⁶ – and provide significant stimulus for the local economy.

Shifting people to public transport would also help reduce congestion in Perth, which, will cost Australians \$20.4 billion per annum and the Perth region \$2.1 billion each year by 2020²⁷.

To put these figures into perspective, the Perth to Mandurah railway cost \$1.66 billion to construct²⁸ and the total cost of the proposed MAX light rail project is estimated to be \$1.88 billion²⁹ - which raises the question, not if the Perth region can afford to invest in measures to reduce congestion, but whether it can afford not to.

What can we do to reduce commuting costs?

It is clear that Perth's ongoing preference for travelling by car is costing our bank balances and that reducing these costs primarily requires action to:

- Enable more people to live closer to where they work.
- Enable more people to travel to work by public transport.

The key to the long term success of the Perth region may be in how well it can provide the housing, employment and transport choices that can allow people to make these lifestyle changes – as well as in better informing people about the true cost of their lifestyle, housing and transport decisions.

²⁶ Based on 108,000 people saving an average of \$6,000 per year by shifting to public transport (derived from the average cost of car travel and public transport to the CBD with a discount provided to account for reduced parking costs for people working outside the CBD) as outlined in: Wand J, 2013, Commuter costs and potential savings: Public transport versus car commuting in Australia, Australasian Railway Associations

²⁷ Department of Infrastructure and Transport, 2013, The State of Australian Cities, Australian Government

²⁸ Railway Technology, 2013: <http://www.railway-technology.com/projects/perthtomandurah/>

²⁹ Public Transport Authority WA, 2013 <http://max.wa.gov.au/54.html#funding>

Strategies to achieve this could include:

- Increasing the supply of diverse and affordable housing options close to existing employment centres.
- Increasing the supply of affordable housing options in suburbs that are well served by public transport.
- Concentrating employment in areas that are highly accessible by public transport.
- Connecting more people to employment and service centres by providing new, high quality public transport linking employment and activity centres.
- Ensuring the development of essential multi-modal transport infrastructure keeps pace with growth.
- Encouraging the efficient use of existing infrastructure by, where possible, moving people out of their cars and onto other modes of transport.
- Informing people about the transport costs and options associated with commuting from suburbs within the Perth region to enable them to factor these costs into their home purchase and transport decisions.

These actions will cost money in the short term, but have the potential to deliver very significant short and long term savings to Perth's households and economy – as well as ultimately provide a more liveable future for the region as a whole.

Our work is fully funded by our members and foundation partners who we acknowledge. A complete list of current members is available at www.committeeforperth.com.au

