

Committee(s)	Dated:
Planning & Transportation Committee	10 March 2016
Subject: Pay & Display Machine Upgrade	Public
Report of: Director of the Built Environment	For Decision

Summary

The City's stock of Pay & Display machines are now over 10 years old and are approaching the end of their useful life. The City now needs to consider how to deal with its degrading stock of machines; either upgrade them, replace them, or remove them entirely and move to a fully mobile phone payment solution.

Although the majority of parking payments are now made through mobile phone payment technology, a significant minority are still made by cash direct at the machine. As a result, removing that facility would require a step change for those who still use it, which is likely to generate an adverse reaction and have an equalities impact. In addition, there is a risk to relying on just one method of payment, with 'mobile only' payment still vulnerable to issues around mobile phone coverage and system reliability.

From a financial perspective, moving to a 'mobile only' payment solution would save on the cost of machine upgrades or replacement, future maintenance and cash collection. However, these savings would be offset by the loss in income from the removal of the current convenience fee for using mobile payment, and the need to pay for this service. At the moment, phone payment is provided at no cost to the City through the use of the convenience fee, but this cost would have to be met by the City if this was the only payment method.

On balance, the option of upgrading the current machines (rather than replacement or removal) would appear to be the best way of addressing the issues of rising machine costs, a persistent demand by some customers to pay by cash, and limited available funding. In terms of that funding, £227k from DBE's local risk revenue budget has been identified that can be used for these works, provided it is capitalised in order to allow it to be spent beyond the end of this financial year

Recommendation(s)

Members are recommended to agree to:

- Retain both cash and mobile phone payment methodologies.
- Rationalise the number of P&D machines and upgrade those that remain.

Main Report

Background

1. There are currently around 90 on-street parking Pay & Display (P&D) machines in the City offering customers the option to pay for parking using cash. In line with many other authorities, the City has reduced its operational costs by removing a number of P&D machines in various locations, and a further rationalisation of up to a third is likely in 2016.
2. The machines are supplied and maintained by FAAC (UK) Ltd T/A HUB Parking Technology (also known as ZEAG UK Ltd), but most of the machines are now over 10 years old and approaching the end of their useful life. Machines are becoming more unreliable, spare parts are becoming harder to find and maintenance costs are increasing.
3. The City now needs to consider how to deal with its degrading stock of machines; either upgrade them, replace them, or remove them entirely and move to a fully mobile phone payment solution.

Current Position

Payment Methods

4. These P&D machines were originally installed with the intention of providing payment facilities by both cash and credit card direct at the machine. The majority of the machines were not chip and pin enabled as this was not necessary at the time, but despite the clearing banks allowing a grace period, their declining support for this payment method eventually led to its removal in April 2015.
5. However, three years earlier the City introduced the separate facility to pay for parking over the phone. This is currently provided by PaybyPhone, who are under contract until November 2016. It has proved to be a popular method of payment, and with this in place, the City was able to remove the direct card payment facility with little impact.
6. Last year around 80% of all on-street parking payments were made by mobile phone, and this percentage continues to climb. However, there remains a consistent and significant number of payments still being made by cash; approx. 76,000 transactions per year, taking around £465k pa in income.
7. According to Parking News, almost all local authorities in England and Wales still take cash payments. Around 250 also offer some form of mobile phone payment for parking, of which a significant number (including the City) add a convenience fee for using this method. Even Westminster have kept a very limited number of cash payment machines in certain locations.

Operational Costs

8. The machine maintenance budget in 2016/17 for FAAC / HUB is £61k, and costs are expected to rise as the number of machine faults increase due to the aging equipment. The City also purchase ticket rolls from FAAC / HUB for around £4k pa, and there will be upgrade costs to accommodate the new £1 coin in 2017.
9. Cash is collected from the machines, securely counted and banked by Indigo Parking Ltd (previously Vinci Park) as part of the on-street parking enforcement contract, costing around £20k pa. This makes the total operational cost of operating P&D machines that take cash of approx. £85k pa.
10. The City's contract with PaybyPhone is operated at no cost to the City. Instead, the City adds a 20p convenience fee per transaction to the parking charge, which is then divided between PaybyPhone and the City on a 60/40 basis to help cover costs. However, officers believe that if the convenience fee were removed, the City would have to pay for the service at a cost of around £100k pa.
11. As a low crime area, the City does not have a high incident of P&D machine break-ins, and so both lost income and cost of vandalism is extremely low. That means the drive to remove cash from on-street transactions due to crime and disorder is not a factor.

Options

Do nothing: Retain the current machines – Not recommended

12. Pros

- a. The current service delivery would continue without disruption in the short-term.

13. Cons

- a. Revenue costs for machine repair and replacement will escalate in the coming years and will start to exceed the budgets available.
- b. FAAC / HUB have discontinued manufacturing the City's machine as a current model, and as such, spare parts will become increasingly more difficult and costly to find.
- c. Failure to replace or repair machines will lead to the reputational risk of machines being out of order for long periods.
- d. If there are more and longer machine failures, the dis-benefits noted below of moving to a purely mobile phone payment solution will still be incurred.
- e. As noted below, DBE local risk funding is available from 2015/16 to support a machine upgrade. This may not be available beyond 2015/16, meaning that a future decision to upgrade or replace the machines will require alternative capital funding or utilise monies from the fully committed on-street parking reserve.

Upgrade the current machines, keeping both cash & mobile payment - Recommended

14. Pros

- a. Savings will be made against current maintenance costs.
- b. Additional funds will not have to be found to cover increasing future maintenance costs.
- c. Upgraded machines will deliver increased reliability with reduced downtime.
- d. Retaining cash will be popular as it remains well used, plus it provides choice and flexibility.
- e. Keeping cash payments would still be in step with the general industry approach.
- f. Having both cash and mobile phone approaches would allow the City to retain the convenience fee.
- g. Set up costs associated with moving to a full mobile phone solution (see below) would not be incurred.
- h. There would be no Equality Impact Assessment issues that might result from moving to a single mobile phone payment solution.
- i. Previous instances of upgrading parking equipment using existing supply and maintenance contracts have been deemed to be within the scope of those contracts.
- j. DBE local risk revenue funding is available from the 2015/16 financial year, provided it is capitalised in order for it to be spent in 2016/17.

15. Cons

- a. Although long-term machine maintenance costs will be reduced, they will not be eliminated and other costs for cash collection and consumables will remain.

Replace the current machines with new ones, keeping both cash & mobile payment – Not recommended

16. This proposal has the same operational Pros and Cons of the previous Upgrade option, but given that the Upgrade only involves a replacement of the outer machine casement and the updating of various internal mechanisms, there is a saving of around £1,500 per machine, or around £90k across the 60 remaining machines. This additional amount for the Replacement option could not be met by the available DBE local risk revenue funding.

Remove all Pay & Display machines and move to a fully mobile payment operation – Not recommended

17. Pros

- a. Revenue costs would be saved in terms of machine maintenance, consumables and cash collection, currently totalling £85k pa.
- b. Further increases in machine maintenance costs would also be saved.
- c. The small risk of damage and theft from machines would be eliminated.
- d. P&D machines would be removed from the street, reducing street 'clutter'.

- e. There would be a small non-cashable saving from not having to upgrade for new coins in 2017.

18. Cons (Political / Reputational)

- a. On a national basis, cash continues to be the preferred payment option, and very few public operators have moved to a fully mobile phone payment solution.
- b. With customers still making 16% of payments by cash, the culture shift to moving to a full Pay by Phone solution would be noticeable, and based on experience elsewhere, it is likely to generate an adverse public reaction.
- c. Some drivers do not trust mobile phone technology and prefer instead to place a ticket in their vehicle's windscreen as proof they have paid.
- d. An Equalities Impact Assessment is likely to flag issues resulting from the removal of cash due to the need to have a credit card and operate a mobile phone.
- e. PaybyPhone rely on information displayed on the P&D machines to inform drivers of the scheme, so although street 'clutter' would be reduced by removing machines, a number of new signs and posts would be needed.

19. Cons (Financial)

- a. If the option of paying by cash was removed, there would be no justification in continuing with the differential 20p convenience fee for using PaybyPhone. This would result in the loss of the City's current share of that income (around £37k pa), plus the cost of operating the contract (of up to £100k pa) would also need to be found from parking revenue. Taken together, this would clearly outweigh the saving on maintenance and cash collection costs.
- b. There would also be set-up costs associated with a mobile phone only solution, including publicity, new signs and additional posts.

20. Cons (Operational)

- a. Mobile phone payment relies on:
 - i. Customers having a working phone
 - ii. Customers having a valid credit / debit card
 - iii. Mobile phone reception
 - iv. The PaybyPhone back office processing system
 - v. The Bank payment clearing system
 - vi. The reliability of the handheld equipment used by Civil Enforcement Officers
- b. Without cash as an alternative, this system must be fully resilient at all times, but a number of vulnerabilities exist, most of which are beyond the scope of the City and PaybyPhone eg mobile phone coverage 'black spots'.
- c. For the small number of authorities who have moved to a 'mobile only' solution, drivers who can't use it (for whatever reason) must use scratch cards and PayPoint outlets, but there are few of these in the Square Mile.

Summary

21. The Do Nothing approach is not financially sustainable in the long run and has considerable operational and reputational risks.
22. Although mobile payment is increasingly popular, the culture change necessary to force 76,000 remaining cash transactions per year to card would be difficult and unlikely to be welcomed. Keeping cash maintains the flexibility of approach currently offered, with one method of payment acting as a fallback to the other.
23. A 'mobile only' solution is vulnerable to any one failure in the chain required to make it work, and that carries operational and reputational risks. Such risks would also be highlighted from an Equality Impact Assessment of moving to 'mobile only'.
24. Financially, moving to a 'mobile only' solution would save machine maintenance & cash collection costs, but these would be offset by the loss in revenue share from the current convenience fee arrangement and the need to pay for this service from the phone payment provider.
25. Moving to 'mobile only' would result in a reduction in street furniture, but new signs to advertise the service would be required in lieu of the information currently on machines.
26. As a low crime area, the risk of theft from, and criminal damage to, P&D machines is not a major concern in the City. In other words, unlike some other parts of London, the incentive to remove machines due to crime and disorder issues is not a factor.

Proposals

27. On balance, the option of upgrading the current machines would appear to be the best way of addressing the issues of rising machine costs, a persistent demand by some customers to pay by cash, and limited available funding.
28. In terms of that funding, £227k from DBE's local risk revenue budget has been identified that can be used for these works. With the cost of an upgraded machine to be around £4k, this amount is expected to meet the cost of the upgrade, provided it is capitalised in order to allow it to be spent beyond the end of this financial year.
29. Therefore it is proposed to:
 - a. Retain both cash and mobile phone payment methodologies.
 - b. Further rationalise the number of P&D machines and upgrade those that remain.
 - c. Use DBE local risk revenue budget for 2015/16 to fund the upgrade, capitalising that funding to allow it to be spent in 2016/17. This will allow sufficient time to procure, manufacture and install the machines.

- d. Submit a Gateway report to the Corporate Projects Board and Project Sub Committee to authorise the initiation of the project to complete that upgrade.

Corporate & Strategic Implications

30. This proposal links to the City's Strategic Aims of providing modern, efficient and high quality local services and policing within the Square Mile for workers, residents and visitors with a view to delivering sustainable outcomes. The continued provision of reliable and effectively managed on-street parking places also supports the City's transport policy objectives.

Conclusion

31. As noted above, the option of upgrading the current machines would appear to be the best way of addressing the issues of rising machine costs, a persistent demand by some customers to pay by cash, and limited available funding

Appendices

- None

Ian Hughes

Assistant Director (Highways)

T: 020 7332 1977

E: ian.hughes@cityoflondon.gov.uk