

<b>Committee(s):</b>	<b>Date(s):</b>
Planning & Transportation Committee	4 June 2013
<b>Subject:</b> Mobile Phone Payment Technology for Parking	<b>Public</b>
<b>Report of:</b> Director of the Built Environment	<b>For Decision</b>
<b><u>Summary</u></b>	
<p>This report provides an update on the introduction of mobile phone payment technology (credit and debit card payment using mobile phone), which was introduced in the City for on-street parking on 28 November 2011. This service is currently provided by Verrus UK Ltd trading as PaybyPhone.</p> <p>PaybyPhone provides a convenient way for customers to pay for parking by credit and debit card using their mobile phone. It is an alternative to paying for parking using coin, or credit and debit card payments at the Pay &amp; Display (P&amp;D) machine.</p> <p>The report also outlines proposals to extend the PaybyPhone contract by 12 months, with the introduction of a trial to encourage greater take up of PaybyPhone. In addition, Members are asked to note the removal of P&amp;D machines in specific locations to reflect the fall in customer usage and agree the possible introduction of the service in the City's car parks, which are managed by the Department of the Built Environment.</p>	
<b>Recommendations</b>	
The Committee is recommended to note:-	
<ul style="list-style-type: none"> <li>• The take up of the new service to date and,</li> </ul>	
Approve:-	
<ul style="list-style-type: none"> <li>• The removal of pay and display machines to reflect the fall in usage by coin, debit and credit card payments at the P&amp;D machine.</li> <li>• The possible introduction of extending the service by PaybyPhone in those car parks managed by the Department of the Built Environment, as an interim measure to replacing the existing pay on foot equipment</li> <li>• Extending the PaybyPhone with Verrus UK Ltd trading as PaybyPhone contract by 12 months to 27 November 2014</li> <li>• The introduction of a free one-hour parking trial for three months to encourage greater up take of the service provided by PaybyPhone subject to a review at three-months.</li> </ul>	

## **Main Report**

### **Background**

1. Members agreed at their Committee meeting on 19 April 2011 to introduce mobile phone payment technology (mobile phone parking) in the Square Mile. This service is currently being provided on behalf of the City by PayByPhone, and was introduced on 28 November 2011 following a public offering. Since its implementation, customers can use their mobile phone to pay for their parking at any of the City's 800 parking bays using Visa and Mastercard, and any UK debit cards.
2. As the service provides a customer friendly alternative to using coins at the P&D machines, it has been well received by the business community as well as visitors to the City. Customers can top up their parking sessions (up to the maximum stay) without having to return to the P&D machine, view their parking transactions on line and print out receipts, and add or change their vehicle registration details either by telephone or on-line. A particular benefit is the business account facility for those businesses that have a fleet of vehicles, and the reminder text messages that can be sent to the customer when a parking session is due to end.
3. Back-office systems supplied by PayByPhone provide excellent management reporting on customer transactions, for example, the number of new users, starting transactions, and editing user accounts. Although the service is automated, customers are given the opportunity to be connected to a call centre (24/7) if they encounter difficulties paying for their parking session, or have a question about the service.

### **Service Take Up**

4. PaybyPhone transactions now account for 57% of the overall parking payments compared to coin (16%) and credit and debit card payments at the P&D machine (27%). There was a huge take up of the service following its implementation in 2011, but the number of transactions has now reached a steady state with approximately 27,700 PaybyPhone transactions made in a given month.
5. PaybyPhone has 43,858 customers who are registered to use this service at any location in London where the facility has been introduced. It is a convenient way of paying for parking as customers need only register once to receive the benefits. The service has been well received by customers, and the management information regarding transactions is efficient and effective having recently been audited by the City's Auditor.
6. The P&D machines are reliable, but on occasions are subject to coin jams and very rarely machine vandalism. When a machine is rendered out of order, payment by phone can still be offered as an option for payment as it is not reliant on P&D machine availability, allowing continued use of the parking bays.

### **P&D Income & Reduction in Costs**

7. Consistent with many other authorities the City adopted the "user pays" model passing on the small cost of providing this additional benefit on to the customer (convenience charge of 20p per transaction). This small charge covers the operating costs of both PaybyPhone and City of London.
8. Income from P&D has increased by 7% (£255,000) in the last 12 months and this is attributed to the convenience of customers being able to top up payments without having to return to their vehicles (subject to the maximum stay of 4 hours). It is anticipated that greater up take of PaybyPhone will further increase P&D income.

9. In addition, mobile phone parking encourages compliance with the parking restrictions, and reduces ticket transfers and shared tickets. The number of Penalty Charge Notices (PCNs) issued to motorists who have failed to pay for parking has reduced by 1,872 (2.9%) in 12-months following the introduction of the service. This is because customers do not have to return to the P&D machine to top up their parking fee if their stay is longer than initially anticipated, and risk the possibility of being issued with a PCN for expired time.
10. Other efficiencies of a cashless parking system include lower maintenance costs, as well as a reduction in cash handling, ticket roll and payment transaction costs. The use of foreign coins and the risk of theft and vandalism are also reduced.

### **Removal of P&D Machines**

11. Not everyone has a mobile phone and to ensure services are accessible to all, it is not proposed at this time to introduce mobile phone as the only method of paying for parking in the City. Instead it is an additional customer benefit, providing a more convenient method of payment using mobile phone.
12. It is however proposed to remove P&D machines at some locations within the City to reflect the fall in payment at the machines. The locations identified have more than one machine, therefore by reducing the number customers still have the option to pay for their parking using coin or credit and debit card at the P&D machine if they choose.
13. It is proposed to remove P&D machines at the locations specified below. The machines to be removed are those that are least used at these locations in terms of on-street transactions.
  - Basinghall Street
  - Chancery Lane
  - Devonshire Square
  - Golden Lane
  - John Carpenter Street
  - Wilson Street
  - Finsbury Circus x 3

### **Increasing Usage of PaybyPhone**

14. Following approval from the Residents Consultation Committee on the 28 January 2013, and the Barbican Residential Committee on 11 February 2013, PaybyPhone was introduced in the Barbican car parks. There are also plans to introduce this service in the Hampstead Heath car parks in the summer subject to approval.
15. Whilst the take up of PaybyPhone in the City has been excellent, the number of PaybyPhone transactions has remained relatively steady in recent months. It is however recognised that further adoption of the service will bring about further savings to the City. Research undertaken by PaybyPhone has indicated greater usage would be achieved through simplifying the information displayed on the machines and the registration process, at the same time as giving people a reason to try the service.
16. Working with PaybyPhone, it is proposed that a trial be introduced, initially for a four-month period to encourage greater take up of the service. If successful then the trial period could be extended up to a maximum of 12 months.

17. The trial would involve a simple registration process whereby the new customer sends their vehicle number by text to an SMS short code and be given up to one-hour free parking (£4) concession.
18. Once the vehicle registration number has been received by PaybyPhone the customer will receive two text messages explaining how to use the service (this will be at no cost to the customer). Research undertaken by PaybyPhone suggests that 70% of new users go on to become regular customers of the service.
19. Should Members approve this trial, then officers in the Department of the Built Environment will continue to keep it under review; it can be terminated by either party at any time if it is found to be unsuccessful.

### **Off-Street Car Parks**

20. The Department of the Built Environment manage a number of car parks namely: Baynard House, London Wall, Minorities, Tower Hill (including the coach park), and Whites Row. Smithfield car park is also managed by the Department of the Built Environment on behalf of the London Central Markets.
21. With the exception of Smithfield car park, all car parks operate a Pay on Foot System. This means that customers take a ticket at the entry barrier when they arrive and pay at a Pay on Foot machine located in the car park before they exit. The validated ticket from the Pay on Foot machine opens the exit barrier to allow the customer to leave.
22. The existing Pay on Foot equipment is more than 18 years old and has now reached the end of its operational life. Maintenance costs have risen considerably and replacement parts are now difficult or impossible to source and a high level of repairs is needed.
23. The aged equipment is planned for replacement as part of the retendering of the off-street car parks in 2014, and scoping for this contract is currently being undertaken. However as the equipment is becoming increasingly unreliable, alternative methods for payment of off street parking are being considered. The introduction of PaybyPhone in some or all of the car parks may provide an alternative to the existing Pay on Foot system.
24. By its very nature, the PaybyPhone method of parking payment is reliant on mobile phone reception, which is not conducive to the City's under-ground car parks. However by introducing PaybyPhone in the car parks where reception allows, this may offer an interim measure reducing reliance on the aged equipment.
25. Implementing PaybyPhone in the car parks is currently being considered. Where it is technically possible, Members are asked to approve its introduction in the car parks, as well as any changes needed to facilitate the service such as the introduction of a grace period e.g. 15 minutes to allow customers the opportunity to exit the car park to make their call from a location where mobile phone reception is available.

### **Contract Extension**

26. The current contract with PaybyPhone has an expiry date of 27 November 2013 with the option to extend by 12 months. Members are asked to approve an extension to the 27 November 2014, which will allow the further benefits as identified to be determined. The contract extension will continue to operate at nil cost to the City of London.

### **Financial and Risk Implications**

27. The investment made in increasing adoption of PaybyPhone through the introduction of a free one-hour promotion is estimated to have a payback of 16 weeks based on a number of assumptions (data provided by PaybyPhone):

- Each PaybyPhone transaction is higher than a P&D machine transaction, at an average £6.67 compared to £4.89
- The average motorist parks two-times per week in the City of London
- 70% of new users go on to become regular PaybyPhone users
- The cost of a free hour parking is £4
- Savings achieved from lower equipment, card processing and cash collection costs are excluded from this calculation

28. Appendix 1 outlines the expected pay bay period based on the above assumptions.

### **Legal Implications**

29. There is provision within the Contract with Verrus UK Ltd to extend it for a further period not exceeding 12 months. As provided for within the Contract, the extension will have to be recorded by way of an exchange of correspondence. To formally record the service (including the extension to the Barbican & Hampstead Heath car parks, and possibly to other sites in the City), the change request mechanism set out in the Contract will apply.

30. Regulation 4 of the City's Procurement Regulations provides that, the City of London Procurement Service (the CLPS) must be consulted on all opportunities for letting and extending contracts. The CLPS has been consulted in the preparation of this report and supports the extension.

### **Strategic Implications**

31. All costs associated with the introduction of new signage (machine stickers) will be met by PaybyPhone

32. Mobile phone payment technology for parking meets the City's Community Strategy vision; the provision of high quality, cost effective and responsive parking enforcement service.

Theme: A safer City

Vision: The City of London will remain a safe environment for all

Objective: To balance the competing demands of all users of the City's streets.

### **Consultees**

38. The Town Clerk, the Chamberlain, the Comptroller & City Solicitor and Planning & Transportation have been consulted in the preparation of this report and their comments are included.

## Conclusion

39. Mobile phone payment technology for parking is an additional benefit to customers paying for on-street parking and has been well received by the business community, residents and visitors to the City. With more customers paying for their parking sessions using this technology, a review of the number of machines has been undertaken with the intention of removing some at certain locations reducing costs associated with maintenance and servicing. Encouraging its use will reduce costs and income and ways of achieving this are supported.
40. Extending the PaybyPhone contract by one year will allow the opportunity to explore further ways of encouraging use through the introduction of PaybyPhone in the car parks and a trial in offering 1 hour free parking for first time users.

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## APPENDIX 1

### Assumptions:

• Average PaybyPhone transaction	£6.67
• Average non-PaybyPhone transaction	£4.89
• Value of one hour free parking	£4.00
• Additional income from PaybyPhone transaction	£1.78
• New users per month	3006
• 80% of new users expected to take up the offer	2404
• Cost of free promotion per month	£9,616 (2404 x £4)
• 70% of new users become regular PaybyPhone customers (2,104 per month)	
• Income from new PaybyPhone users per month	£3,745 (2104 x £1.78)

### Month 1

Cost of Free Promotion	£9,616
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### Month 2

Cost of Free Promotion	£9,616
Income from Increased PaybyPhone transactions	£3,745

**-£5,871**

### Month 3

Cost of Free Promotion	£9,616
Income from Increased PaybyPhone transactions	£7,490

**-£2,126**

### Month 4

Cost of Free Promotion	£9,616
Income from Increased PaybyPhone transactions	£11,235

**£1,619**

Note: the above estimates do not take into account savings achieved through reduced stationery e.g. P&D tickets, machine maintenance, credit card transaction costs and cash collection.