

<b>Committee(s):</b>	<b>Date(s):</b>
Planning & Transportation Committee	30 July 2014
<b>Subject:</b> On-Street Parking: Pay & Display	<b>Public</b>
<b>Report of:</b> Director of the Built Environment	<b>For Decision</b>
<b><u>Summary</u></b>	
<p>There are over 100 on-street parking Pay &amp; Display (P&amp;D) machines in the City offering customers the option to pay for parking by cash or credit and debit card. The majority of these machines are now ten years old and approaching the end of their useful life. In addition, they are not chip and pin enabled therefore the facility to pay by credit and debit card at the machine is not supported by the clearing banks. This means that the authorisation of credit and debit card payments at the machine may be withdrawn at any time by the banks.</p>	
<p>The P&amp;D maintenance contract and Credit Call agreement (for authorisation of card payments) are due to expire in September 2014 and December 2014 respectively. With the success of mobile phone payment technology (PaybyPhone) the reliance on the P&amp;D machines for on-street payments has significantly reduced. Taking all these factors into account, it appears timely to consider alternative solutions for providing payment for parking using on-street P&amp;D machines.</p>	
<p>Various options have been considered, which are detailed in the attached appendix but in summary include: continue with the existing arrangements; replace all P&amp;D machines with a modern alternative; offer customers the option of paying by PaybyPhone only; remove the facility to pay by credit and debit card at the machine but continue payment by cash; significantly reduce the number of machines. The advantages and disadvantages of each option are detailed in the appendix.</p>	
<p>PaybyPhone (Verrus UK Ltd) was introduced in November 2011 and 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. The take up of the service is high (currently 68% of all transactions) and ways of increasing it further are also considered in this report. The PaybyPhone contract is due to expire on 27 November 2014 and extending this further by 2 years will allow the impact of the proposed changes to this service to be fully determined. It is not be proposed to extend the Credit Call agreement if it is agreed that the facility to pay by credit and debit card at the P&amp;D machines is removed as this would no longer be required.</p>	

## **Recommendations**

Members are recommended to approve, that:

1. Officers review the usage and location of P&D machines with a view to reducing and optimising the overall number.
2. The credit and debit card payment at the P&D machines be removed encouraging customers to use PaybyPhone, but retaining the option to pay by cash at the machine.
3. The Pay & Display maintenance contract with FAAC (UK) Ltd (trading as ZEAG Parking Ltd) be extended by 2 years from 29 September 2014 ending 28 September 2016.
4. Verrus UK Ltd (trading as PaybyPhone) contract is extended by 2 years from 27 November 2014 ending on 28 November 2016.
5. The Comptroller and City Solicitor be instructed to prepare the appropriate documentation for the contract extensions in respect of ZEAG UK Ltd and PaybyPhone.
6. A programme for replacing machines with a modern alternative is considered with full cost proposals presented to Members later in the year.

## **Main Report**

### **Background**

1. There are currently 109 Hectronic PA2 and 5 Citea Solar Powered Pay and Display (P&D) machines in use within the City. All machines accept payment by cash, credit and debit card (for which there is an authorisation fee payable to our contractor Credit Call). Payment for parking can also be made using PaybyPhone for which there is no cost to the City currently.
2. The P&D machines were installed in 2004 and when installed were state of the art, being solar powered and taking credit card payments using mobile phone connections. However, they are now approaching the end of their life. Those machines that have been replaced recently are Chip & Pin enabled (these are the five Citea machines), however, the majority of machines (103) do not have this facility and rely on old technology (mag-stripe) for card transaction authorisation. Whilst debit and credit payments continue to be accepted at all machines, at some point in the near future this is likely to be withdrawn by the clearing banks. The existing machines cannot be upgraded to allow Chip & Pin facilities.

## **P&D Machine Replacement & Reduction**

3. With the success of PaybyPhone the reliance on the on-street pay and display machines has significantly reduced (see below). However, not everyone has a mobile phone and to ensure services are accessible to all, it is not proposed to limit customers' use of a mobile phone as the only method of paying for parking in the City. Instead it is suggested that the service be offered as an additional customer benefit. Offering the facility to pay using a Pay Point outlet i.e. shops/post offices where payment for parking is accepted, was also considered, but this is not a viable option as there are too few outlets in the City (only four in total).
4. It is also important to maximise efficiency by reducing the number of machines on-site to the optimum number for each location. A number of P&D machines have already been removed to reflect the fall in payment at the machines, for example, at locations where there was more than one machine such as Basinghall Street, Chancery Lane. This was agreed by Members at Committee in June 2013. There were no customer complaints received as a result of this reduction in provision.
5. It is now proposed that a further reduction of around 50% in machine numbers is made following an assessment of usage e.g. where more than one machine is located at a site or other machines are available nearby. In doing so, there will be savings achieved in maintenance and cash collection costs (through negotiation with the respective contractors), as well as savings achieved through the reduction in the card authorisation fees.
6. For those remaining machines, it is proposed that a business case be prepared to consider replacing them with a modern alternative with full cost proposals presented to Members at a future meeting of the Committee later this year.
7. It is further proposed that all remaining machines be adapted to accept cash only payments thereby encouraging customers to use PaybyPhone for credit and debit card payments. This will negate the need to renew the Credit Call agreement for authorisation of credit and debit card payments at the machines achieving a saving of around £55,000 per annum. Currently this agreement is renewed annually in December each year.

## **Machine Maintenance**

8. All machines are maintained by FAAC (UK) Ltd (trading as ZEAG Parking Ltd). There is currently a maintenance contract in place with ZEAG Parking UK Ltd, which is due to expire on 28 September 2014. The value of the contract is £54,000 per annum. Whilst the machines are generally reliable, it should be noted that with the increasing age of the equipment higher maintenance costs are expected with replacement parts becoming increasingly difficult to source.
9. To ensure the existing machines continue to operate effectively, it is proposed to extend the existing maintenance contract with ZEAG Parking UK Ltd by 2

years, during which time it is anticipated that a replacement programme for the P&D machines will be agreed by Members.

### **PaybyPhone (Verrus UK Ltd)**

10. PaybyPhone was introduced in the City on 28 November 2011 and has proved to be a very popular method of payment for parking. Customers pay an additional fee of 20p on top of their paid for parking amount, which covers the cost of providing the service. But despite this additional fee, PaybyPhone now accounts for the highest number of payment transactions. The number of PaybyPhone transactions is approximately 500,000 per annum compared to 200,000 transactions by cash, debit and credit card payments at the machine combined. The high take up of this service is attributed to the convenience of paying by mobile phone, and ability to pay for extended parking without the customer having to return to the P&D machine.
11. Members agreed at their Committee in June 2013 to the introduction of a trial to encourage greater use of PaybyPhone. The trial, which offered new users one hour free parking, was introduced in the City in November 2013 and ended on 31 March 2014. The trial was successful in increasing the number of PaybyPhone transactions from 57% in 2013 to 68% as at March 2014. In contrast, card payments at the machine fell from 27% to 18% and cash payments from 16% to 14% in the same period.
12. The current contract with PaybyPhone expires on 27 November 2014. To allow for the impact of the changes in P&D provision and removal of credit and debit card payments at the machine to be fully assessed, Members are asked to agree to a further extension of 2 years to the current PaybyPhone contract. The contract extension will continue to operate at nil cost and is supported by CLPS and the Comptroller & City Solicitor for the commercial reasons identified in this report.

### **Financial and Risk Implications**

13. The annual parking income from PaybyPhone from the City machines is currently in the region of £2.7m compared with £806,000 from debit/credit card payments at the machine and £550,000 cash.
14. Cash collection from the P&D machines is undertaken by Vinci Park Services at an annual cost of £30,000. The cash collection is undertaken as part of the Combined Civil Parking & Traffic Enforcement including Cash Collection Contract, which is in place for 5 years having recently been tendered. In addition, the City has an agreement with Credit Call for the authorisation of card payments at the machine, which expires in December 2014. The card transaction costs through Credit Call are approximately £55,000 per annum. There are no card authorisation fees charged to the City for PaybyPhone transactions (as these are covered by the 20p convenience charge paid by the customer).

15. A summary of current costs associated with P&D machines, including maintenance are summarised in the table below:-

	<b>Maintenance</b>	<b>Cash Collection</b>	<b>Card Authorisation (at machine)</b>	<b>Card Authorisation (PaybyPhone)</b>
Value per annum	£54,000	£30,000	£55,000	Nil

16. To adapt the machines to accept coin only to encourage credit and debit card payment using PaybyPhone would be £285 per machine. Assuming a reduction in the number of operating machines i.e. removing those which have a low usage or where there are multiple machines at one location, the total cost of making this change would be in the region of £15,000 (based on removing 50 machines). There will also be costs in removing the machines, which is estimated to be in the region of £10,000. It is anticipated that these one-off costs will be covered by the savings achieved in the machine card authorisation fees, which are currently £55,000 per annum. There would also be the opportunity to negotiate with Vinci Park Services and ZEAG Parking UK Ltd on-going savings in cash collection, and maintenance and consumables as there would be fewer P&D machines.

### **Options Appraisal**

17. Various options for providing payment for parking have been considered and these are summarised in the attached appendix together with the benefits and dis-benefits of each option. In summary options include:
1. Do nothing
  2. Replace machines with a modern alternative
  3. Removal all machines and replace with a PaybyPhone option only
  4. Remove the facility for credit and debit card payments at the machine (with all card payments made by PaybyPhone but retain the cash payment option).
  5. Significantly reduce the number of machines e.g. by 50%, taking into account usage and machine location

### **Other Considerations**

18. PaybyPhone was introduced in the Barbican and Hampstead Heath car parks. No changes to the provision of parking such as the number of P&D machines at these locations are proposed as part of this report.

### **Legal Implications**

19. It is proposed to extend the contracts for Verrus UK Ltd (Pay by Phone) and FAAC UK Ltd (ZEAG Parking UK Ltd) beyond their original terms by 2 years, which are due to expire on 27 November 2014 and 28 September 2014 respectively. As indicated in the report, extending these contracts will allow

the impact of the changes to the provision of Pay & Display, replacement of machines and changes to PaybyPhone to be fully assessed prior to a full procurement process being undertaken.

20. 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 extensions.
21. The proposed extension for FAAC UK Ltd (ZEAG Parking UK Ltd) will have to be implemented by way of a separate Deed of Variation. There is provision under Standing Orders 49(8) and 50(3) to enable Members to approve this. The proposed extension for Verrus UK Ltd (PaybyPhone) will be by way of an exchange of correspondence as the original contract was signed under hand and not by deed.

### **Corporate & Strategic Implications**

22. The provision of high quality, cost effective and responsive parking service is consistent with the City's Community Strategy vision for both a safer City and good transport for a thriving City.

### **Consultees**

23. The Town Clerk, the Chamberlain, CLPS, the Comptroller & City have been consulted in the preparation of this report and their comments are included.

### **Conclusion**

24. Given the City's changing needs in payment of on-street parking provision, the approach outlined in this report seeks to deliver a more efficient, responsive and effective service
25. It is anticipated that savings to the City will be achieved by significantly reducing the number of machines in operation reducing maintenance and cash collection costs. There will also be savings achieved by encouraging greater use of PaybyPhone and termination of the Credit Call agreement. Extending the contracts with PaybyPhone will provide the opportunity to assess the impact of these changes and extending the maintenance contract with ZEAG UK will ensure machines continue to operate until a replacement programme is agreed.

### **Appendices**

- Options Appraisal

### **Contact:**

Ian Hughes  
0207 332 1977  
ian.hughes@cityoflondon.gov.uk

## APPENDIX: OPTIONS APPRAISAL

	Option 1	Option 2	Option 3	Option 4	Option 5
<b>Description</b>	Do Nothing	Replace machines with a modern alternative.	Remove all machines & Replace with PaybyPhone Option only.	Retain current machines pending a review of impact of these changes. Remove the facility for Credit & Debit Card Payments at machine (with all payments to be made by PaybyPhone), but retain cash payment.	Significantly reduce the number of machines e.g. 50% (taking into account usage, location)
<b>Key Benefits</b>	None.	New machines will be reliable and almost maintenance free for a period of 5 years+.  Machines will be Chip & Pin enabled.  Improved management reporting.	Improved management reporting for credit and debit card payments through PaybyPhone reporting.  Card authorisation & cash collection cost savings.	Payment by coin can still be made.  Card authorisation cost savings.	Redundant machines can be used for spare parts.
<b>Key Dis-benefits</b>	Mag-stripe debit & credit payment not supported and can be withdrawn at any time.		14% of payments are still made by cash.  Possible high number of customer	Possibility of customer complaints and possible negative media.  Cash collection costs remain.	Possible customer complaints and negative media.

	<p>Increased repairs and difficulty in sourcing spare parts.</p> <p>Inadequate management reporting.</p>		<p>complaints.</p> <p>Risk to parking income should there be a failure of the PaybyPhone system</p> <p>20p convenience fee could not be applied as customers will in effect be “forced” to use this method of payment.</p>		
<b>Financial Implications</b>	<p>Cost of existing maintenance contract would be £54,000+</p> <p>Credit &amp; debit card authorisation payments - £55,000</p>	<p>Capital investment of approximately £250,000 based on £5K per machine.</p> <p>No maintenance costs within the first couple of years of installation as machines will be under guarantee.</p> <p>However there</p>	<p>Savings in machine maintenance, cash collection and card authorisation approximately £95,000 per annum.</p> <p>Costs associated with PaybyPhone card transactions if 20p is dis-applied. Estimated to be £100,000 pa</p> <p>No capital investment</p>	<p>Savings in maintenance costs could be in the region of £3,000 pa. However a maintenance agreement for the aged equipment will be required.</p> <p>Savings achieved through reduction in card transaction costs – estimated to be in the region of £55,000</p> <p>There are costs associated with removing</p>	<p>Some savings achieved in maintenance, cash collection and card authorisation costs. However a maintenance agreement for the aged equipment will still be required.</p> <p>Costs associated with machine removal – estimated to be £285 per machine.</p>



		will be card authorisation fees (although more favourable rates can be negotiated as machines will be Chip & Pin enabled),	required.	card facilities at the machine of £285 per machine	
<b>Other Implications</b>	Servers are non-compliant	Procurement lead in time is likely to be 12 - 18 months.	Stakeholder engagement and publicity needed.  Increase in PCNs, challenges and Representations.  Increase in tariff is likely to reduce the percentage of cash payments made at the machine.  Equalities Impact Assessment will be required.	An increase in tariff is likely to reduce cash payments.	Extensive stakeholder engagement and publicity required.  Possible increase in the number of PCNs issued, challenges and Representations.  A possible review in parking enforcement policy will be required (allowing more time for customers to locate a P&D machine).

<b>Recommendation</b>	This option is not recommended.	It is recommended that a medium-term strategy is considered to replace machines (but not all) with a modern alternative. This will subject to a separate report later this year.	This option is not recommended.	It is recommended that this be agreed as the short-term strategy pending thereby enabling a review of the impact of removing the credit card payment option before new machines are procured.	It is recommended that the number of machines is reduced to the optimum number taking into account location and usage.
<b>Reasons</b>	On-going costs are high and in respect of maintenance will increase as replacement parts will become more difficult to source as a result of the aged equipment.	<p>There is still a desire for customers to pay for parking by cash.</p> <p>Minimises the risk to parking income should card authorisation systems fail.</p>	<p>This is likely to generate complaints and negative media.</p> <p>Possible risk to parking income in the event of card authorisation systems failure through PaybyPhone.</p> <p>A high number of customers continue to use cash to pay for parking so removing this facility altogether would be disadvantaging those who prefer to</p>	<p>This option is likely to generate fewer complaints as there will be an option to pay by coin on street and credit/debit card via PaybyPhone.</p> <p>Savings will be achieved on machine maintenance and card transaction costs.</p>	<p>There will be cost and efficiency savings.</p> <p>PaybyPhone now accounts for a high percentage of payment transactions</p>

			pay using this method.		
<b>Other Information</b>		A detailed analysis of machine usage will be required to determine the number of replacement machines.	Offering payment using Pay Point was considered but is not a viable option as there are too few outlets in the City (only four in total).	Time-scale November/December 2014.	A detailed analysis of machine usage will be required to determine the best locations for machine removal.