London Borough of Hammersmith & Full				
hammersmith & fulham	CABINET 12 OCTOBER 2015			
PHONE PAYMENT PARKI				
Report of the Cabinet Member for Environment, Transport and Residents Services : Councillor Wesley Harcourt				
Open Report				
<b>Classification - For Decisi</b>	on			
Key Decision: Yes				
Wards Affected: All Wards				
Accountable Executive Director: Mahmood Siddiqi, Director for Transport and Highways				
Report Author: Edward Stu Engineer	ıbbing, Project	<b>Contact Details:</b> Tel: 020 8753 4651 E-mail: edward.stubbing@lbhf.gov.uk		

# 1. EXECUTIVE SUMMARY

- 1.1. This report provides feedback and analysis on the current phone payment parking trial that is underway in Controlled Parking Zone E (CPZ E). The report provides details of usage, income and enforcement of the phone payment system. The report also details recommendations regarding the trial and the expansion of the scheme across the entire borough.
- 1.2. The phone payment trial in CPZ E has been live for nine months, during this time an average of 66.5% of all Pay & Display transactions have been made by phone payment. This method has quickly become the predominate method of payment and users have suggested the ease of use and convenience of the service have been key factors in choosing this mode.
- 1.3. Offering the phone payment option as an additional method of payment has meant that there are no discrimination issues as the existing cash method of payment using the pay and display machines, is retained.

Parking compliance has improved within the subzone since the introduction of phone payment suggesting that the ease of phone payment encourages motorists to pay to park rather than run the risk of parking illegally. Officers have received very few complaints about phone parking and we estimate a total of 31 penalty charge notices were issued to drivers as a result of difficulties experienced with the phone payment system.

- 1.4. The current administration have committed to making parking fairer and supporting local high streets. Increasing both the interfaces used to make payments and the number of modes accepted will target this pledge.
- 1.5. Officers recommend that approval is given to commence the tendering process to appoint a service provider to introduce phone payment across the entire borough. This will require a full tender process with the results being reported back to the Cabinet Member for Environment, Transport & Residential Services to award the contract. Phone payment necessitates the replacement of the existing parking signs to include details of the phone payment service. The signs would need to comply with DfT guidelines to ensure enforceability of the parking controls.

## 2. **RECOMMENDATIONS**

- 2.1. To approve the introduction of phone payment parking across the borough. With the installation taking a phased approach, based on a zone by zone introduction.
- 2.2. To place an order with Bouygues Ltd, the Council's existing Measured Term Highways Contractor in the sum of £964,676 for replacement signage (example is shown in the Appendix 1) and associated sign posts.
- 2.3. To delegate to the Cabinet Member for Environment, Transport & Residential Services and the Leader of the Council, the authority to award a framework agreement for a telephone payment service provider, and to award a contract for telephone payment service.

### 3. REASONS FOR DECISION

- 3.1. Phone payment for parking charges has been offered in other boroughs for a number of years as an alternative to putting coins in pay and display machines. The system has been welcomed by motorists as the charge is directly charged to their debit or credit card avoiding the need for them to carry large amounts of cash in coins.
- 3.2. In LBHF many of our pay & display machines have been in place for over 20 years and are now reaching the end of their serviceable life. They are prone to vandalism, malfunction and theft which can affect our ability to enforce the parking controls. Providing an alternative payment system

would ensure that motorists are able to pay to park without relying on the pay & display machines.

- 3.3. Phone payment technology allows three distinct methods of payment:- by calling a call centre and providing payment details, by sending a text message to an automated service, and by using a smartphone app. Many motorists are now accustomed to phone payment technology and officers regularly receive requests from residents, businesses and visitors asking for a phone payment option.
- 3.4. In line with national legislation, the value of the new contract will exceed the minimum value for a formal tender process to be conducted. Officers will therefore need to complete a full tender process in advance of awarding a contract. The contract will affect the entire borough requiring a cabinet decision.

## 4. INTRODUCTION AND BACKGROUND

- 4.1. LBHF have operated Controlled Parking Zones (CPZs), in the borough for over forty years. As part of the CPZ controls vehicles can either display permits available to residents, business and resident visitors or Pay & Display. Until recently the borough has only ever offered Pay & Display parking through the use of a ticket machine that accepts coins only, as the sole mode of payment.
- 4.2. In August 2013 LBHF introduced a new Pay & Display ticket machine in CPZ K that accepted debit and credit cards as the sole method of payment. This trial aimed to establish the acceptance of alternative methods of payment, taking the example of other London boroughs and TfL in moving away from cash only. The trial has demonstrated that the vast majority of users are keen to use alternative payment methods.
- 4.3. With over 146million debit and credit cards in circulation in the UK, the popularity of payment by card is continuing to rise. In response to this change in payment method several new services have been developed in relation to Pay & Display parking. Phone payment has emerged as one of the most popular alternative payment methods. At present 29 out of the other 31 London Boroughs are operating phone payment parking, with the remaining two currently trialling or planning to introduce phone payment.
- 4.4. The growth of phone payment has increased in the past five years with phone ownership levels rising from 80% nationally in 2008 to 91% in 2013. This increase has seen many local authorities across the country introduce phone payment in their parking locations as an alternative method of payment. Despite the high levels of phone ownership, there is still a number of people without access to a phone. Providing phone payment as the sole payment method could possibly lead to legal challenges on the basis of discrimination. At least one London borough intended to remove all on-street payment machines when they introduced phone payment,

only to subsequently reinstall them following complaints and legal challenges from residents, businesses and visitors.

4.5. LBHF introduced a trial of phone payment parking in October 2014 as part of the boroughs review of Pay & Display technology. The trial aimed to provide information on the costs, usage and enforceability of the phone payment system in a live environment.

## Trial Launch

- 4.6. The trial in CPZ E was awarded based on a mini tender process conducted by LBHF to determine the most suitable provider. RingGo were awarded the trial on the basis of their tender submission. As part of the tender process, companies were asked to confirm what modes of payment they would accept. The trial in CPZ E allows users to activate their session and pay by phone, text, smart phone application, website and using PayPoint.
- 4.7. At the time phone payment was introduced all of the parking signs in the trial area were changed to the DfT authorised version of 660.7 that includes phone payment (Appendix 1). The sign includes both the phone number that users can call as well as the SMS text number. Stickers were also attached to the sides of each ticket machine advertising the service and providing further information on how to use smart phone apps and websites to activate sessions.
- 4.8. As part of the launch of the trial, all residents and businesses within CPZ E were notified by post of the trial. LBHF Communications also used an array of marketing tools to promote the launch including e-newsletters, council website and twitter. Council Officers and RingGo staff also held two information sessions for residents and visitors during the launch, a total of 23 people attended the two sessions.

### 5. ISSUES

- 5.1. As a public body, the council is required to ensure that any service is inclusive and accessible to all. Phone payment as a payment method for parking charges could be deemed restrictive, as it relies on the user having access to a phone. Phone payment providers can offer alternatives such as the PayPoint facility through local shops but this relies on the shops being open during the controlled hours.
- 5.2. The method of enforcement is an important factor. The existing pay & display machines dispense a ticket that the motorist displays in their windscreen making it relatively easy for a civil enforcement officer to check its validity. With the phone payment system, the vehicle's registration number is held on a database that the enforcement officer can access through their hand held devices. The devise would display all valid registration numbers of cars parked in the street and the enforcement

officer would go through the list to verify each parked car. The civil enforcement officers have reported that their average period for completing a beat patrol has increased in the subzone where phone payment is being trialled, however we anticipate this will improve through training and as the CEOs become familiar with the handheld device.

5.3. A number of councils have cited the cost of damage and maintenance to ticket machines as being a reason to reduce the number they operate, instead using phone payment in these areas. This is useful in areas where machines are repeatedly targeted for theft or vandalism, or where machines revenue generation is less than the cost of operating the machine.

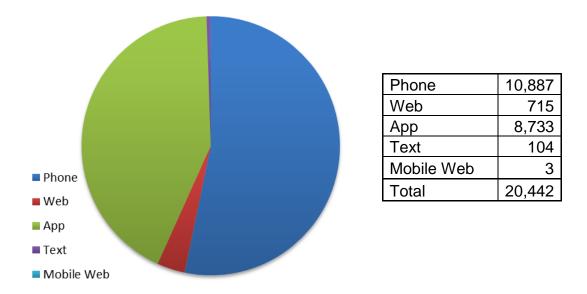
## 6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. The current phone payment trial has been running since October 2014, at the time this report was produced, six months of data was available for analysis.
- 6.2. As the trial has been conducted free of charge by the provider there have been no associated transaction costs. It is not anticipated that any provider will offer the service for free as part of a tender submission. Estimates of the costs of the service have been collected from other boroughs in order to provide cost comparison information.
- 6.3. The trial did not see the removal of any ticket machines, with the phone payment option being added as an additional layer. This provided LBHF with the opportunity to compare the usage of the two methods when operating side by side. The information from the first six months detailed in Table 1 below, shows that the average split was 66.5% phone payment and 33.5% ticket machines. This means that about two thirds of all transactions were made via phone payment.

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
Ticket						
Machines	28,643.02	7,648.25	10,975.55	12,077.55	11,127.60	12,741.25
Phone						
Payment	6,571.40	19,456.80	18,014.70	20,435.80	21,373.00	29,627.95
Total	35,214.42	27,105.05	28,990.25	32,513.35	32,500.60	42,369.20
% TMs	81.3%	28.2%	37.9%	37.1%	34.2%	30.1%
% Phone	18.7%	71.8%	62.1%	62.9%	65.8%	69.9%

Table 1: Ticket machine vs phone payment revenue for CPZ E (£)

The trial data clearly shows that the percentage of transactions taking place via phone payment has risen significantly since its introduction in October 2014. Apart from an initial spike in the first full month of operation, phone payment has seen a steady increase in the percentage share of total zone transactions. 6.4. This modal split shows that more parking sessions are taking place via phone than by ticket machines. Table 2 provides details of which activation method was used for phone payment, between January and April 2015.



Table/Chart 2: Phone payment for CPZ E activation method

- 6.5. The table shows that the two predominate activation methods are by phone and smart phone app. The percentage of activations is lower than other boroughs have seen and is slightly surprising given 91% of the population own mobile phones and 61% of the population own smart phones (Statista).
- 6.6. The nine month period since the trial began has not provided a sufficient period to produce a clear picture of annual enforcement levels for before and after phone payment was introduced. However the nine month trial period has provided some data as detailed below:
  - The level of compliance appears to have increased since the introduction of phone payment. In the nine month period that the service has been operating the average number of PCNs has decreased by about 5%. However other boroughs have reported larger decreases in the number of PCN's issued as a result of the introduction of phone payment, in particular overstay contraventions have reportedly decreased.
  - Since the trial began only 31 of these have been issued for contravention codes that could relate to a problem with using the system. However the contravention codes cover more than one possibility for a noncompliance and so the number of people issued PCNs because of phone payment issues is likely to be lower.
  - The time taken for a CEO to complete a scheduled beat has increased. This is due to the requirement to check Vehicle Registration Numbers (VRNs), against an online database,

compared to previously checking for a ticket in the vehicles window. At present CEOs are using older equipment that is not optimised for checking online information. Parking Services are in the process of introducing new equipment as part of a larger contract upgrade of their services. It is anticipated that these new devices which are optimised for online VRN checks will help improve foot patrol times.

- Parking Enforcement have not reported any experience of CEOs having to deal with customers complaining about the phone payment service, or claiming it has impeded their ability to park lawfully.
- 6.7. LBHF have not received any complaints since the launch of the trial regarding the introduction of the service. Since the trial has been launched Parking policies have received a total of 27 separate correspondence asking for phone payment to be introduced in other parts of the borough. A consultation of CPZ E was conducted in June 2015, with more than 80% of respondents in support of introducing phone payment across the borough.

# 7. PROPOSAL

- 7.1. The trial of phone parking in CPZ E has demonstrated that there is demand for the service with an average 2 out of 3 transactions taking place by phone. LBHF are now proposing that the service is introduced across the entire borough in a phased approach.
- 7.2. LBHF have compared the option of providing the service internally and using a third party contractor. The cost and administration of an internal system are prohibitive, LBHF therefore recommend that a full tender process be undertaken. The expected value of the phone payment contract is above the financial threshold set out in the Public Contracts Regulations 2015 and therefore the Council will undertake a regulated procurement.
- 7.3. The timescale for the implementation are detailed in Table 3. These timescales are based on an October approval.

Activity	Date	
Project Preparation	October 2015	
Tender Process	November 2015	
Tender Evaluation	December 2015	
Tender Award	December 2015	
First Zone launch	January 2016	
Complete Launch	November 2016	

Table 3: Timescales for borough wide roll out of phone payment

- 7.4. LBHF would access an existing Highway contract with third party supplier Bouygues E&S Infrastructure UK Limited, for the procurement of signs and posts and the installation of these items.
- 7.5. The phone payment service would be rolled out on a CPZ basis, as each zone will require programming into the providers database. LBHF would prioritise zones with older signage where enforceability is an issue, and zones where the times of controls have recently changed e.g. CPZ which have recently been reviewed.
- 7.6. As well as the DfT signage required for the designation of parking bays, LBHF would also advertise the introduction of the service using signage on ticket machines. These would offer the only on street visuals of the new service, in order to comply with LBHF's StreetSmart guidelines.
- 7.7. As part of the roll out process, LBHF would look to promote the new service through digital publications and other forms of media. This would provide information to users about the new service and encourage uptake.
- 7.8. As the phone payment service is rolled out, there would be a phased removal of some of the existing stock of ticket machines. As the phone payment system is offering a service that does not require users to move from the car, it is considered the demand for ticket machines will be lower.
- 7.9. The removals would be done strategically to ensure that no parking bay was too far from a ticket machine. Appendix 2 is a table detailing how many ticket machines could be removed from each zone, depending on whether the maximum distance a ticket machine from a parking bay could be was either 80m or 120m.

# 8. FINANCE

- 8.1. The average transaction fee for the phone payment method is lower than the fee for card or cash transactions, as there is less physical equipment to maintain and manage. The phone payment provider is also able to pool the credit card transactions, which means the fee per transaction is lower than a ticket machine using card where each transaction is processed individually.
- 8.2. Several other London boroughs such as Wandsworth currently charge the transaction fee for phone payment to users (20p in Wandsworth), rather than the Council paying this fee. This means that the individual transaction cost of the service to the Council is zero. As phone payment is being offered as an additional layer of payment it is considered a more convenient service and so it is acceptable to pass on the charge to the customer. The transaction charge is normally higher when the user pays compared to the Council due to the inability to pool transactions.

8.3. In order to introduce the phone payment system the current parking signage on street would need to be changed. In order to comply with DfT regulations an approved version of the 660.7 sign (TSRGD, see Appendix 1), would need to be installed in all locations. As well as complying with DfT regulations, the new signage would also help to raise the awareness of the new payment method. Table 4 gives an overview of the cost of introducing the phone payment system (Appendix 3 provides full details).

CPZ	Borough wide
Cost of Signs	£527,336
Cost of Posts	£363,680
Cost of Installation	£272,760
Total	£964,676

Table 4: Estimated costs of introducing phone payment

- 8.4. The introduction of phone payment would likely create opportunities for the removal of some of the existing stock of ticket machines. The trial data from CPZ E shows that roughly two thirds of transaction would take place via phone payment, when offered alongside existing ticket machine numbers. The reduction in transaction through ticket machines would allow for the removal of some machines as well as other cost saving opportunities listed below:
  - The reduction in transactions, would mean lower quantities of cash been taken by individual machines. The current cash collection contract might be reduced through less collections and lower amounts of cash requiring counting.
  - The reduced number of transactions may reduce the number of ticket machine breakdowns and reduce the cost of associated parts.
  - Reducing the number of ticket machines would also mean a decrease in the utility costs associated with the ticket machines.
- 8.5. The level of savings that can be made on the annual running cost of the existing infrastructure, will be related to how many ticket machines can be removed. The current 1100 ticket machines offer the only method of payment at present, with the introduction of phone payment there would be less requirement for the ticket machines. The number of machines left on street will depend on the decision regarding the spacing of ticket machines.
- 8.6. LBHF would look to further maximise the potential savings involved with introducing phone payment by creating a framework contract with the tender awardee. This could encourage the service provider to offer discounted rates in the knowledge that other boroughs could join the contract.

- 8.7. Officers did explore the option of joining an existing framework contract. The West London alliance boroughs are currently using a framework contract, however the scope of this contract is much larger than just phone payment and so this is not an option for LBHF. The anticipated expectations of the service also limit the option to join other frameworks as LBHF will be looking for a curtailed service. Westminster currently run such a service, however this is also part of a larger service contract and due to the level of customisation prohibitively expensive to adopt.
- 8.8. LBHF believe that their framework contract could be constructed to give the degree of customisation and level of service expected of such a prestigious borough. It would also be designed to allow The Royal Borough of Kensington and Chelsea to join the framework, at the conclusion of their current phone payment trial.

## 9. EQUALITY IMPLICATIONS

- 9.1. The introduction of the phone payment service is not anticipated to have any negative effect on equalities as there is no existing service being removed or altered. After consultation with LBHF disabilities awareness group it is anticipated that there may be some positive impacts of the phone service as it will provide a more convenient and accessible service for certain sectors of the public to use for Pay & Display parking within the borough.
- 9.2. Implications verified/completed by: (Edward Stubbing, Engineer, ext: 4651).

# 10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1. The financial implications of the proposal above have been incorporated within the financial analysis appendix. This modelling/forecasting is a combined appendix for both phone payment parking report and the ticket machine parking report.
- 10.2. The appendix shows the capital implementation costs and the annual implications for the revenue budget for all of the pay and display infrastructure options presented. The revenue implications are a combination of additional costs incurred as a result of the introduction of credit and debit card as a method of payment, and savings due to reductions in cash collection, machine maintenance and energy costs. Apart from the straight replacement option, all of the other options will result in a net saving in the revenue budget.
- 10.3. The option being recommended is mixed mode 1, which proposes a reduction in the number of machines to 400 card only machines and an option to pay by phone. Upfront investment of £3.180m is being requested from the Efficiency Projects Reserve. Annual revenue savings are

expected to be £436,768. This gives a payback on the investment over 7.3 years.

- 10.4. The upfront (capital) investment figure covers the purchase and installation of the new machines, removal of the existing machines and the cost of changing the signage. A full breakdown is shown in the appendix.
- 10.5. There are additional revenue costs of £572,800 for mixed mode 1, due to the transaction and processing costs for card payments at the machines and those made by phone.
- 10.6. There is a reduction in existing revenue costs of £1.01m. This is due to cash collection no longer being required and a reduction in the maintenance and energy due to there being fewer machines. This means there is a net overall annual revenue saving of £436,758.
- 10.7. The impact of theft and vandalism has not been taken into account, but is an issue with the current machines. Reducing the number of machines and having them accept only card payment, should eliminate this problem.
- 10.8. It is proposed that the upfront (capital) investment of £3.180m be funded from the Efficiency Projects Reserve. The reserve balance was £13.2m at the start of £2015/16 and £9.8m is currently uncommitted. The Council continues to review earmarked reserves so as to ensure adequate funding is provided in the efficiency projects reserve.
- 10.9. Funding could also be considered through capital resources. But this would potentially impact on debt reduction savings as the council would potentially need to set aside sums (the minimum revenue provision) for debt repayment. For this investment, this would reduce the net revenue saving by £127,187 and so increase the payback period to 10.3 years.
- 10.10. The current machines are around 20 years old and reaching the end of their useful lives. Therefore, they will need replacing in the near future. The introduction of a new £1 coin in 2017 will also mean the current machines need adapting to accept the coin.
- 10.11. The potential saving from this proposal will need to be taken account of within the council's forward financial plans.
- 10.12. Implications verified/completed by: (Amit Mehta, Finance Manager, ext. 3394)

# 11. LEGAL IMPLICATIONS

11.1. There are no legal implications arising from the proposals in relation to the Road Traffic Regulation Act 1984 under which the power to regulate and charge for on street parking derives.

11.2. Implications verified/completed by: (Adesuwa Omoregie, Solicitor ext: 2297)

## 12. IMPLICATIONS FOR BUSINESS

- 12.1. Council officers have received a number of comments and complaints from local businesses regarding the limited modes of payment for Pay & Display parking. The introduction of additional modes should allow visitors more options for payment and easier parking, encouraging more visitors to local businesses. The ability to remotely extend parking sessions may also encourage visitors to make longer stays in local shops and businesses.
- 12.2. The programme for the implementation of new ticket machines includes a consultation with businesses in the borough, this will allow officers to determine the level of demand for cash payment. At present it is not known whether businesses will consider the removal of cash beneficial or not, this consultation will help determine what impact there might be when changing the ticket machines and methods of payment. The results will be carefully reviewed to determine whether some ticket machines should continue to accept cash. It should be noted that all new machines will be built with the ability to accept both card and cash and so conversion post installation to accept/ stop accepting either method will be relatively easy.
- 12.3. Implications verified/completed by: (Edward Stubbing, Engineer, ext: 4651)

### 13. RISK MANAGEMENT

- 13.1. There are no risk implications arising from this proposal.
- 13.2. Implications verified/completed by: (Michael Sloniowski, Shared Services Risk Manager, ext. 2587)

### 14. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 14.1. Council officers have investigated the option of accessing existing framework contracts for both phone payment and ticket machines. Neighbouring boroughs with an existing framework contract such as the West London alliance operate phone payment, however this is only one element of a much larger contract which precludes Hammersmith and Fulham from joining.
- 14.2. Consideration has been given to the reduced rates potentially available to the council through the use of a framework agreement and the participation by other councils. It is for that reason both elements relating to this procurement (a) the phone payment and (b) supply and maintenance of new ticket machines will be let as framework agreements that other councils can call off from. However, the 2015 Regulations require clear disclosure of all local authorities who have agreed to

participate and therefore in the Contract Notice they must be clearly identified. This will allow RBKC to access this contract if they wish, particularly as a bi-borough agreement currently operates for ticket machines.

14.3. Implications verified/completed by: (Alan Parry, Interim Head of Procurement (Job-share), ext: 2581).

## LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

### LIST OF APPENDICES:

#### Appendix 1:

Example of parking sign 660.7 variation with phone payment parking included

#### Appendix 2:

Zone breakdown of where ticket machines could be removed in order to increase savings

#### Appendix 3:

Estimate's of the costs involved for the installation of signage on a zonal basis

**Appendix 1 -** An example of the DfT authorised variation to 660.7 parking sign from the Traffic Sign Regulations and General Directions Manual, including the phone payment option for Pay & Display



**Appendix 2 -** Approximate number of ticket machines that could be removed from the existing arrangement in order to provide either 80m or 120m catchment of all parking bays.

Zone	80m Spacing	120m Spacing
A	11	16
AA	6	9
В	2	4
С	0	1
CC	0	2
D	3	4
E	0	3
F	4	9
G	0	4
Н	5	9
I	3	7
J	1	5
K	3	5
L	2	5
М	1	8
N	2	4
0	4	8
Q	5	8
QQ	0	0
R	4	9
S	3	8
Т	2	9
U	6	10
V	10	14
W	8	12
Х	5	9
Y	2	6
Z	1	5
	<u> </u>	400
Totals	93	193

**Appendix 3** - Estimated costs on a CPZ basis of all physical works involved with the introduction of phone payment parking

CPZ	Cost of Signs	Cost of Posts	Cost of Installation	No of Signs
Α	£22,968	£15,840	£11,880	396
AA	£6,264	£4,320	£3,240	108
В	£17,342	£11,960	£8,970	299
С	£11,890	£8,200	£6,150	205
CC	£9,860	£6,800	£5,100	170
D	£22,330	£15,400	£11,550	385
Е	£14,210	£9,800	£7,350	245
F	£23,374	£16,120	£12,090	403
G	£7,772	£5,360	£4,020	134
Н	£19,488	£13,440	£10,080	336
	£26,912	£18,560	£13,920	464
J	£23,490	£16,200	£12,150	405
K	£16,414	£11,320	£8,490	283
L	£14,094	£9,720	£7,290	243
Μ	£16,820	£11,600	£8,700	290
Ν	£17,458	£12,040	£9,030	301
Ρ	£13,920	£9,600	£7,200	240
Q	£36,250	£25,000	£18,750	625
QQ	£290	£200	£150	5
R	£18,908	£13,040	£9,780	326
S	£14,616	£10,080	£7,560	252
Т	£12,238	£8,440	£6,330	211
U	£19,314	£13,320	£9,990	333
V	£53,070	£36,600	£27,450	915
W	£35,844	£24,720	£18,540	618
Χ	£13,224	£9,120	£6,840	228
Υ	£16,124	£11,120	£8,340	278
Ζ	£22,852	£15,760	£11,820	394
	1	1	l	
Total	£527,336	£363,680	£272,760	9092