

Introduction of Debit/Credit Card and Contactless Payment Methods for Parking Tickets

Report of the Planning Portfolio Holder

Recommended:

- 1. The Council replace its cash only pay and display ticket machines with new ticket machines capable of accepting debit/credit card and contactless payment methods in addition to cash, as set out in Option 2 at a total cost as set out in Exempt Annex 4 to the report.**
- 2. That the Head of Estates and Economic Development in consultation with the Planning Portfolio Holder be authorised to take such steps as necessary to implement Option 2.**
- 3. That funds to cover the cost of the contract (as set out in Exempt Annex 4) be allocated from the New Homes Bonus Reserve for the purchase and installation of 43 replacement pay and display ticket machines.**

Recommendation to Council

SUMMARY;

- This report considers the options for the introduction of debit/credit card and contactless payment methods for the purchase of pay and display parking tickets, beyond the two “clock in clock out” machines in the Chantry Centre that have proved unreliable. Options considered were;
 1. Retain current cash only system.
 2. Replace existing pay and display ticket machines with new machines that accept card and contactless payments.
 3. Upgrade existing pay and display ticket machines to accept card and contactless payments.
 4. Replace older ticket machines and upgrade newer machines.All the options above include the retention of the 2 “clock in clock out” pay on exit machines at the Chantry Centre.
- It is considered that option 2, new pay and display ticket machines, provides the best long term value for money option to enable debit/credit card and contactless payment.

1 Introduction

- 1.1 The Council own and operate 22 pay and display car parks, generating an income of circa £2 million per year.

- 1.2 The current payment methods on offer are; cash pay and display, RingGo cashless parking and Chantry Centre pay on exit “clock in clock out”. Cash currently accounts for 76.7% of the total income, RingGo 20.6% and Chantry Centre “clock in clock out” 2.7%.
- 1.3 In January 2016, the Council introduced as a pilot, the “clock in clock out” pay on exit system at the Chantry Centre Car Park. This system enables customers to pay for parking by debit or credit card. At the start of their parking stay customers simply insert a payment card into one of the two pay machines in the car park foyer and enter their vehicle registration. At the end of their stay they reinsert the payment card. The parking charge is calculated and deducted from the card account. This system has proved popular but unreliable due to problems connecting to the bank and the authorising of card payments via the two stage operation “clock in clock out” and issues with the system software.

At present there is no reliable alternative “clock in clock out” system meaning that the further roll out of this system cannot be recommended. This report proposes retaining the current, albeit unreliable system alongside the new pay and display machines. The new pay and display machine provider has indicated that they hope in the future to be able to provide a more reliable alternative to the current “clock in clock out” system. At that time it may be appropriate to revisit this issue.

2 Background

- 2.1 The ability to pay by credit/debit card or other contactless methods is now part of our everyday lives. Cash transactions in general have been in decline over the last few years and customers now expect to be able to pay for services via non-cash methods.
- 2.2 In 2017, the British Retail Consortium’s (BRC) annual Payments Survey revealed that cards accounted for more than 50 per cent of all retail transactions. *“For the first time the volume of retail purchases made by card now accounts for more than half of all customer transactions, according to the BRC’s latest annual Payments Survey, released today. This has partly been driven by UK customers increasingly using cards for lower value payments”.*
- 2.3 In the 2018 report, the BRC reported that *“For the first time the value of retail purchases made by card now accounts for more than three quarters of all retail sales, according to the BRC’s latest annual Payments Survey, released today. This has partly been driven by UK customers increasingly using cards for lower value payments, traditionally dominated by cash.”*
- 2.4 Payment by debit and credit card for parking is currently only available at the Chantry Centre Car Park “clock in clock out” system. This system, in its current format provided by the Council’s current ticket machine provider, has proved unreliable. The existing “clock in clock out” system is therefore not being rolled out to other car parks. It is currently not possible to pay for parking in the Council’s car parks by contactless payment methods.

- 2.5 Investigations have therefore been carried out into alternative ways of allowing customers to pay for car parking using debit/credit card and contactless payment methods. This report sets out the options for introducing these payment methods via pay and display ticket machines.
- 2.6 It is anticipated that expanding the methods of payment could encourage customers to stay longer in the car parks. By using card and contactless payment methods, customers can choose how long they would like to park for, rather than the amount of change they have to hand being a limiting factor. Although it cannot be quantified how many customers may have visited a car park and cut short their stay because they did not have enough change, offering these additional payment methods would provide the facility to purchase tickets for as long a stay as they wish.
- 2.7 Convenience is cited to have played a large part in the uptake of contactless pay methods introducing a 'tap and go' mentality specifically aimed at lower value transactions. They offer a convenient, more secure way for customers to make a payment.
- 2.8 With the introduction of Apple Pay and Android Pay as contactless payment methods, customers can use their mobile phone instead of their credit/debit card.
- 2.9 Trends show that cashless pay methods are being used more and more which leads to a growing customer expectation that these facilities will be available to them.

3 Corporate Objectives and Priorities

- 3.1.1 Providing convenient methods of paying for parking will support the Council's corporate priorities "**Work and do business**" and "**Enjoy the natural and built environment**" by encouraging people to use the car parks in Andover and Romsey and hopefully this will result in more visitors to the leisure centres and town centres.
- 3.2 Town Centres form one of the Council's four strategic priorities of its new Corporate Plan – Growing our Potential. This has been informed by large-scale public engagement during the summer of 2019 in which more than 2000 people took part. The evidence from this and from the wider place-based partnerships that the Council is part of, namely Andover Vision and Romsey Future, have all identified that one of the principal keys to the success of our town centres is generating footfall and ensuring accessibility. This can be achieved by ensuring town centres have a diverse offer which includes a mix of retail, family friendly events and leisure activities. Also within this context matters relating to the ease and accessibility of car parking have featured as an important topic when talking about the future vitality of town centres.
- 3.3 Research shows that card payments now account for over half of all purchases, with contactless making up a third of all card payments.

4 Consultations/Communications

- 4.1 A survey of the payment methods available at neighbouring local authorities has been carried out. Of the 15 authorities consulted, nine accept payment by credit/debit card in all their car parks. Only two don't offer payment by debit/credit card in any of their car parks. The results of the survey are at Annex 1.
- 4.2 The newly established Andover Business Improvement District has instituted and maintained a dialogue with the Council around parking in Andover Town Centre. The BID believes that the modernisation of car parking through contactless etc payment will be of tangible benefit to the town centre.

5 Options

- 5.1 In order to establish what the capital cost would be, and the likely revenue cost, of upgrading or replacing the Council's cash only pay and display ticket machines to enable them to accept debit and credit card payments in addition to cash, a tender exercise has been undertaken.
- 5.2 The tender also included an option to include alphanumeric key pads to enable vehicle registrations to be recorded. Having the ability to include vehicle registrations has a number of advantages and disadvantages:
- Reduces fraud.
 - Makes consideration of appeals for flipped or lost tickets easier to consider.
 - May facilitate future parking offers that might be limited to once per day.
 - May enable "clock in clock out" pay on exit to be introduced in the future to all car parks.
 - Facilitates ticketless parking in the future.
 - Users of the car parks may be inconvenienced by having to know and input their vehicle registration at the time of purchasing a ticket.
- 5.3 Having considered the potential inconvenience to users of the car park, it is not proposed to introduce alphanumeric key pads at this time.
- 5.4 Prices were requested for two options to provide card payment facilities;
- Lot 1 Replace all 43 cash only pay and display ticket machines with new machines capable of accepting debit/credit card and contactless payments in addition to cash.
- Lot 2 Upgrade the existing pay and display ticket machines to accept debit/credit card and contactless payments in addition to cash.
- 5.5 The most economically advantageous provider for both options was the tenderer detailed in Exempt Annex 4. They scored highest on both quality and cost. The capital costs for each Lot option are detailed in Exempt Annex 4.

5.6 The options available to the Council are:

- Option 1 Retain the existing cash only pay and display ticket machines.
- Option 2 Replace the existing cash only pay and display ticket machines with new machines capable of accepting debit/credit cards and contactless payments in addition to cash.
- Option 3 Upgrade the existing cash only pay and display ticket machines to accept debit/credit cards and contactless payments in addition to cash.
- Option 4 Replace older pay and display ticket machines and upgrade newer pay and display ticket machines.

6 Option Appraisal

6.1 **Option 1** Retain the existing cash only pay and display ticket machines.

6.1.1 Advantages:

- No capital expenditure.
- No additional transaction costs. Cash is the cheapest method of receiving low value payments.

6.1.2 Disadvantages:

- Does not meet the objective of offering the public the option to pay for parking via debit/credit card and contactless payment methods.
- Greater security risk from theft, especially at remote car parks.

6.2 **Option 2** Replace the existing cash only pay and display ticket machines with new machines capable of accepting debit/credit card and contactless payments, in addition to cash. New machines are able to be fitted to fixing points of the existing ticket machines.

6.2.1 Advantages:

- Enables card and contactless payments.
- Provision of new ticket machines at relatively low additional cost in comparison to upgrading existing ticket machines.
- Increased residual life of equipment.
- Consistent appearance of ticket machines within all car parks.
- Existing ticket machine foundations can be used.

6.2.2 Disadvantages:

- Increased cost over upgrade option.
- Would result in some ticket machine cabinets that are only 5 years old being replaced. These machines could be sold second hand.

6.3 **Option 3** Upgrade the existing cash only pay and display ticket machines to accept debit/credit cards and contactless payments in addition to cash. The upgrade involves replacing the ticket machine door and all internal parts apart from the vault and cash box.

6.3.1 Advantages:

- Lowest capital cost to enable card and contactless payments.
- The upgrade option is essentially the replacement of all internal parts of the ticket machine other than the cash vault and the cash box.

6.3.2 Disadvantages:

- A number of the older ticket machine cabinets, while fully secure and functional, are showing signs of wear, which would not be solved by the upgrade option.
- The upgraded ticket machines are not as visually attractive as the replacement new ticket machines.
- Result in ticket machine cabinets of varying ages up to 15+ years old.
- In the long term the saving between the upgrade and renewal option is relatively low in comparison to the extended life of the ticket machine cabinets.
- The layout of the components and instructions on the upgrade doors is not as user friendly.

6.4 **Option 4** Replace older pay and display ticket machines and upgrade newer machines.

6.4.1 Advantages

- This option could replace all the MP104 and MPC104 ticket machines that are 12 to 16 years old and upgrade the CWT machines which are up to 5 years old. This would provide a cost effective solution to replace older ticket machine cabinets.

6.4.2 Disadvantages

- Would result in not all ticket machines being replaced with new machines of the same appearance.
- In the long term the saving between the upgrade and renewal option is relatively low.
- The layout of the components and instructions on the upgrade doors is not as user friendly.

7 **Risk Management**

- 7.1 An evaluation of the risks indicate that the existing controls in place mean that no significant risks have been identified at this time.

8 **Resource Implications**

- 8.1 **Cash Collection.** The introduction of card and contactless payment will have an impact on the volume of cash collected and the frequency of cash collections resulting in a saving to the Council. However, this cost saving will not fully offset the additional cost of transaction charges associated with card and contactless payments. The cash collection is undertaken by an external contractor and therefore there will be no staff implications as a result of

reduced cash collections.

- 8.2 **Ticket Machine Maintenance.** It is planned that the Council will continue to undertake ticket machine maintenance in house. The upgrading or renewal of ticket machines will therefore not have a staff resource implication.
- 8.3 **Financial Implications.** Option 2 would result in a one off capital expenditure as shown in Exempt Annex 4. As the provision of a convenient way to purchase parking tickets will benefit the community, it is considered appropriate to fund the capital cost from the New Homes Bonus Reserve.
- 8.4 **Revenue.** Due to the Payment Services Provider (PSP) and Acquirer Bank charges, payment by debit/credit card and contactless payment methods is more expensive than the current cash collection contract. At Exempt Annex 2 is a comparison of the payment collection cost of the various payment methods.
- 8.5 It is anticipated that over the initial five years of the contract, 60% of cash transactions will move to debit/credit card or contactless payment methods. This is the best projection of future trends. With contactless payment becoming more popular, the percentage of transactions moving from cash to card and contactless may exceed 60%.
- 8.6 Assuming that 60% of transactions move to debit/credit card and contactless payment methods, based on 2018/19 ticket sales data, this will result in an annual budget pressure of £57.9k. Over the life of the ticket machine, the move from cash to card/contactless could exceed the 60%. For comparison purposes, the annual budget pressure would be £94.1k if 100% of cash transactions moved to card/contactless payment methods. A breakdown of the revenue, additional costs and cost savings is at Exempt Annex 3.
- 8.7 In 2019/2020, assuming the new ticket machines are deployed in October 2019 and that the initial take up of card and contactless payment methods in the remainder of 2019/20 is 30%; the net budget pressure is projected to be £15.4K. This can be accommodated from existing revenue budgets.
- 8.8 From 2020/2021, the net budget pressure as a result of the introduction of card and contactless payment methods will need to be accommodated. Options identified are:
- (i) Accept budget pressure and build into future budgets.
 - (ii) Increase parking charges to offset budget pressure.
 - (iii) Introduce a minimum purchase value for card and contactless payment methods to reduce budget pressure.
- 8.8.1 Accept budget pressure and build into future budgets. This would create an ongoing pressure on the Council's finances. With the ever increasing use of card and contactless payment methods, in the long term the use of these methods of payment is likely to become the norm.
- 8.8.2 Increase parking charges to offset the budget pressure. Parking charges have not been increased since April 2016.

- 8.8.3 Introduce a minimum purchase value for card and contactless payment methods. Exempt Annex 4 sets out the financial details for card charges assuming the tender submitted by the tendered recommended in Exempt Annex 4 is accepted. The card charges comprise an Acquirer Bank charge and a PSP charge, and dependent on the provider in question, these may be a fixed cost per transaction and/or a percentage charge. Fixed charges make low value transactions proportionally more expensive than higher value transactions. Setting a minimum card/contactless purchase value would therefore reduce the budget pressure. If minimum purchase values were introduced, the budget pressure would reduce as follows:

Minimum Purchase Value	Budget Pressure
No minimum value	£57.9k
£1.00	£45k
£1.60	£27.3k

A breakdown of costs is shown at Exempt Annex 3.

- 8.8.4 The budget pressures reported in 8.8.3 above have been calculated assuming 60% of cash transactions move to card/contactless payment methods. A decision on minimum purchase values for card and contactless payment methods can be made at a later date.

9 Legal

- 9.1 The ticket machines and processes to be provided are Payment Card Industry (PCI) Security Standards compliant.
- 9.2 The tender for the replacement of the pay and display ticket machines (Lot 1) and upgrade of pay and display ticket machines (Lot 2) has been tendered in accordance with the Council's Contract Standing Orders.
- 9.3 No legal implications have been identified.

10 Equality Issues

- 10.1 The EQIA has not identified any potential for discrimination or adverse impact and all opportunities to promote equality have been taken.

11 Other Issues

- 11.1 Community Safety – None identified
- 11.2 Environmental Health Issues - No impact
- 11.3 Sustainability and Addressing a Changing Climate – Potential for reduced CO2 emissions as a result of reduced cash collection journeys.
- 11.4 Property Issues - Nil
- 11.5 Wards/Communities Affected - All

12 Conclusion and reasons for recommendation

12.1 Having considered the advantages and disadvantages set out in section 6 it is considered that Option 2, to replace the existing cash only pay and display ticket machines with new machines capable of accepting debit/credit card and contactless payments, in addition to cash, provides the best long term value for money option to enable debit/credit card and contactless payment.

12.2 The recommendation is that;

- The Council replace its cash only pay and display ticket machines with new ticket machines that are capable of accepting debit/credit card and contactless payment methods in addition to cash, as set out in Option 2.
- That funds to cover the cost of the contract (as set out in Exempt Annex 4) be allocated from the New Homes Bonus Reserve for the purchase and installation of 43 replacement pay and display ticket machines.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

It is considered that Exempt Annexes 2, 3 and 4 to this report contain exempt information within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. It is further considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

No of Annexes:

4

File Ref:

N/A

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Report to:

Cabinet

Date:

12 June 2019