On-Street Parking Charges
Business Case

1.0 Introduction

1.1 The reasons for the introduction of on street parking charges is set out in the Cabinet Member report of the 12 January 2011 and below in more detail.

1.2 There are a number of sound reasons for introducing 'pay and display' parking charges in many locations around the County :

- On street parking areas outside shops are currently very difficult to enforce effectively as number plates have to be recorded and checked at repeated intervals. This is very cumbersome and not very efficient, meaning Civil Enforcement Officers are not able to enforce these areas as effectively as we would like. The more time they spend checking parking bays the less time is available to patrol areas with yellow lines where parking could pose a safety or obstruction hazard.

- The difficulty of enforcing on street parking bays (some towns have more than 100 spaces) means compliance with parking time limits is poor and many cars remain parked for longer than they should in short term parking areas.

- A 'pay and display' system makes enforcement much easier as parking attendants can see instantly if a car is parked legally. Compliance improves as enforcement become effective.

- The real benefit of this is that parking spaces near shops are turned over more quickly which can help local businesses by making them more accessible. Customers will be more likely to find a space due to the increased turnover which is particularly important on routes with passing traffic (or trade).

- There is less 'cruising' for free on street parking which can increase congestion and CO_2 emissions.

- Blue badge holders would be exempt from the charges.

1.3 If a surplus is generated from the introduction of on street parking charges then it must be used for highway improvement and environmental works. The introduction of parking charges should also help ensure that on street parking management and enforcement in Surrey will not operate at a deficit and need subsidy from the general highways fund.

2.0 Financial Considerations

2.1 The key factor is to get tariff levels right so that drivers will not be deterred from visiting an area. Surrey Highways have been consulting on a range off proposals, with varying charges in different areas. The consultation process so far has raised a lot of suggestions, particularly the idea of having a free 30-minute period in some locations. If the parking tariff is set at an appropriate level then it should improve the viability of any High Street rather than harm it as churn can be improved.

2.2 It is not straightforward however, as we are trying to more away from a position where parking enforcement in Surrey is subsidised by approximately £500,000 a year from the highways budget. A free parking period that is too long or widely available could mean the income from parking tickets would not cover the cost of maintaining the machines and enforcement. In other words it would continue to need a subsidy that could otherwise be used to maintain the roads.

2.3 Discussions have been taking place between the District and Borough Councils and Surrey County Council to look at ways of improving the efficiency of the on street Civil Parking Enforcement (CPE) operation in Surrey from April 2012. A decision has not yet been reached as to how this will work, however it is anticipated that there will be efficiencies by sharing back office costs etc by the District and Borough Councils in the administration of on street parking enforcement. 2011/12 is a transitional year, however Surrey County Council is expecting that the current annual cost in operating CPE of about £500,000 will be significantly reduced as our enforcement agents start to bring in some more efficient ways of working.

2.4 The long-term trend in Surrey and the UK is that fewer Penalty Charge Notices (PCN's) are being issued each year. This could be because compliance with parking restrictions is slowly improving and that the national economy has been subdued for several years. Consequently it cannot be presumed that a completely efficient enforcement operation can operate solely within the income from PCN's.

2.5 Consequently the income from parking charges is the only other source of funding to make sure that parking enforcement does not need to be subsidised from the general highways budget or to ensure non motorists are not subsidising parking management.

2.6 The potential income from on street parking charges in Surrey will not be known until the Executive have agreed proposals in each district, and these will be influenced by the ongoing consultation process. A range of income has been shown on the attached table, based on a selection of possible tariffs. The Cabinet should not generally be asked to agree the imposition of parking charges where there is a risk that in the long term the operating cost would not be recovered.

2.7 Any surplus, must by law, by used for maintaining or improving the highway in accordance S55 of the Road Traffic Regulation Act.

3.0 Efficient Enforcement

3.1 Where parking is free an enforcement officer has to note the vehicle registration number of all the cars and the time and then return after the maximum time allowed and see whether any of cars are still there. If they are, the officer can take action, but only if he/she can be sure that the car has been there the whole time. (If the maximum parking time is 2 hours with return prohibited within 1 hour, the officer would need to be sure that the car had not left shortly after the first observation and returned over an hour later and happened to find the same space free to park in again). Also it is possible that when the officer first recorded the registration numbers of all the cars, any number of those cars could have already been parked for a considerable time, but the officer has no way of knowing how long that may have been.

3.2 Monitoring the compliance of and enforcing paid for parking is more straightforward and therefore more cost-effective and efficient. Pay and display tickets instantly give the Civil Enforcement Officer (CEO) information about whether a car is parked legally or not. On street charging can be used as a means of helping improve enforcement and increase compliance which in turn contributes to increased 'churn'.

3.3 The introduction of pay and display parking should allow CEO's to enforce more efficiently and, although they will need to spend some time checking ticket machines, there should be a net decrease in the time they spend enforcing parking bays, leaving them more time for yellow line enforcement that could improve safety and reduce congestion.

3.4 The improved efficiency of enforcement will help the district and borough councils as they work together on a new enforcement operation from April 2012.

4.0 Evidence on parking and impact on economic competitiveness

4.1 The most important factor in deciding where to shop is the quality of the 'town centre offer' – the range and quality of shops. The next most important is the availability of parking. The cost of parking is the 6[h] most important issue [1.]

4.2 In a survey about parking in market towns, the most important attribute was the availability of spaces. Ease of parking was the second most important issue [2.]

4.3 In Winchester, many people had said they would drive less into Winchester or use the car parks less, but this did not materialise in practice. In addition, in restricted on-street parking bays, parking acts increased by 50%. This means more shoppers and more visitors.

4.4 Research by Litman shows that charging for on street parking increases turnover of convenient spaces, increasing consumer convenience and reducing cruising for spaces. 8-74% of congestion caused by cruising for a space [3.]

4.5 Ease of parking is crucial to shopping - 44% of shoppers could not find a parking space whilst out shopping in the last 12 months [4.]

4.6 35% of people limit their car use because of the cost of petrol, 28% because of the availability of parking and only 27% due to the cost of parking [5.]

4.7 A 10% increasing in charges results in a 1% decrease in demand for parking [6.]

5.0 Pay and Display Machines

Maintenance costs

5.1 The financial viability of pay and display (P&D) parking charges depends on the income. If it is unlikely to cover the cost of installing and maintaining a ticket machine then it should not be installed, as a subsidy may be needed from the highways budget. It is not straightforward to determine where the breaking point is in terms of viability for the installation of P&D however these assumptions can be used as a guide:

5.2 These are the worst case costs associated with operating pay and display machines (This example assumes pay by phone in parallel to reduce coin collections)

Cash collection (3 per week @£6 each, 52 weeks/year)	£936
Maintenance agreement	£200
Replacing ticket rolls etc/CEO time (1 hr per week@£20)	£1040
Maintaining signs and lines	£50
Damage and replacement	£150
Repay capital investment	£150
Total cost of a P&D machine per year	£2530

Assume £2500 per year to maintain a coin only P&D machine per year.

Pay and Display Machines – other considerations

5.3 On street pay and display machines are typically relatively compact, cost about £2,500 and do not have the facility to give change.

5.4 Ticket machines that can give change are much larger and cost in the region of £12,000. They also require higher levels of maintenance to collect notes and maintain coin levels. Their physical size would also make them obtrusive in many on street locations. They are typically used

in large multi story car parks where they are easier to maintain and less vulnerable to theft or attack.

5.5 There is no guidance as to how far a pay and display machine should be located from a parking bay although it would be beneficial if a driver could see a machine when they got out of their car. If this is not possible due to the layout of an area then the direction of the nearest machine can be placed on the parking bay sign or post.

Upgrades

5.6 A single basic coin P&D machine that has a modem to report faults and operational status, installed costs approximately £3000.

5.7 A coin/chip and pin/contact less machine supplied fully equipped and installed would cost £4400

5.8 It would cost about £2k including parts and labour to retrofit a basic machine to a fully equipped machine. This is about £600 more than buying from the factory.

5.9 Basic machines can be upgraded to take a variety of configurations. This could include number plate entry and a residents parking card reader.

5.10 A residents card reader would typically costs £400 to install and could read specially issued pre paid cards should the council decide to operate a resident parking card scheme in the future.

5.11 A number plate entry system can prevent more than one free ticket from being issued within the 'no return' period to the same vehicle. This prevents free tickets being issued in succession to the same vehicle. This would be advisable in areas with free parking periods.

5.12 Modern P&D machines can also be programme not to issue free tickets at all outside the operational times of the parking restriction to prevent tampering at night times.

Conservation areas

5.13 On street pay and display machine from most manufacturers typically have a footprint or about 350mmx450mm and are about 1.5 to 2m tall. They are available in an almost infinite range of colours and have been used in many conservation areas around the UK including Bath and Cheltenham.

5.14 The best approach in terms of locating p&d machines in conservation areas is work with conservation officers and strike a balance between visibility for drivers who need to buy a ticket whilst keeping the machines relatively inconspicuous. Consideration of the aspect of the machines has

also to be given for solar powered machines. The choice of colour will probably be the most important consideration.

5.15 Additional signs can be placed on existing street furniture whereever possible.

6.0 Income from parking charges

6.1 The income from parking charges depends on the occupancy and tariff. In the original proposals there are three tariff levels as follows:

High   £1.40 p/h
Medium   £1.00 p/h
Low   60p p/h

For the purposes of calculating income, assumptions have been made about occupancy levels in parking spaces as follows:

- High tariff locations are in larger, busy shopping areas and likely to be well used. Assume 80% occupancy between 0830 and 1730.

- Medium tariff locations are likely to be less busy so assume 60% occupancy between 0830 and 1730.

- Low tariffs locations are mainly smaller towns or shopping areas so assume an occupancy level of 40%.

This means for a single parking space in each area the potential income could be:

	High tariff	**Med. tariff**	**Low tariff**
Income per space (original tariff)	£2800	£1500	£600
Income per space (free 30 mins)	-	£750	£300

Therefore from the above table the following can be used as a general guide.

30 minute free period – low tariff

6.2 It has been assumed that income would be decreased by 50% with a free 30 minute parking period. This is an estimate based on data from Guildford where P&D has been in place for some time. A location would need to have at least 8 spaces per machine to break even on a low tariff with a 30-minute free period. A minimum of 12 spaces per machine would be preferable. There is a **significant risk** however that income per space

could be reduced below 50% with a free 30 minutes. In the some smaller shopping areas the proportion of visitors that stay for more than 30 minutes could be lower, particularly if there is ample free parking nearby.

Free 30 minutes followed by the medium tariff (50p for 30/mins)

6.4 Potentially the income per space is higher and therefore the ratio for the number of spaces to cover the cost of a machine is about 6.

Table showing minimum number of spaces vs. tariff:

	High	Medium	Low
Number of spaces to break even (proposed charges)	1	2	5
Number of spaces to break even (free ½ hour)	N/A	6	15

Other factors with P&D machines

6.5 Income can also be generated by allowing advertising on the back of parking tickets. In some cases this can mean that that there is no net cost in purchasing tickets.

6.6 Most P&D machines can issue split tickets. These can be separated so that customers can take part of the ticket into a participating shop where their parking fee could be refunded. This is an option open to retailers in some areas.

Comparison of Costs – different payment options

6.7 There are costs associated with setting up infrastructure and then collecting payments for parking. The table below shows a comparison of operating costs involved with different payment options assuming an example of 1500 on street parking spaces:

	Coin machines only	Coin/CC machines	Coin and pay by phone
Initial set up costs	£300,000	£484,000	£225,000
Annual operating costs	£280,000	£428,000	£255,000
Initial and 5 years operating costs	£1,700,000	£2,624,000	£1,500,000

Payment by coin machines only

6.8 A typical basic pay and display machines accepts only coins. It is the cheapest to purchase, however cash must be collected at regular intervals. These cost about £300 to supply and install. A typical ratio of 1 machine to 15 spaces means in the example above 100 machines are required for 1500 spaces. The annual maintenance cost of the machine is about £2800 P/A. More cash collections are needed without pay by phone, about 4 per week increasing costs by approx. £300p/a.

Payment by Credit/Debit card P&D machine.

6.9 These are pay and display machines that accept credit and debit cards as well as coins. They cost about £4400 to supply and install.
The payment can take longer by card and in some busy locations additional machines may be needed compared to coin only payment to avoid queues. In the example above 10% more could be needed so the total required is 110.

6.10 The annual maintenance cost of the machine is lower than a coin machine as there are fewer cash collections, but the cc machine needs a phone connection and has more technology installed. Annual maintenance costs could be £2900-400+300=£2800.

6.11 The card handling fees associated with card payments vary between 3% and 20p. Calculations are based on:
- ½ tickets are paid by card at 10p handling charge
- The ratio of machines to spaces is 1 to 15.
- All spaces 50% occupancy, 3 card transactions per space per day. (about 50% tickets)

The cost of card transactions per year per machine could be £1200 although this is subject to a tender process.

Pay by phone with combination of coin payment machines

6.12 Fewer coin machines are needed and can be spread more thinly as there is an alternative payment option. Total number of machines required in the example above is therefore reduced by 25% to 75.
Assume 50% of transactions are by pay by phone. Card handling costs could be in the region of £900 P/A for 20 spaces as pay by phone service provider would be able to achieve discounts for high volumes of transactions.

6.13 There would be fewer cash collections on fewer machines with this option.

6.14 The benefit of pay by phone is that it has the potential to continue growing, reducing the need for cash collections and coin machines. As the number of users grows, the cost of using the service should reduce for

every single transaction, benefiting the customers and SCC. The cost of installing pay by phone is very low, requiring signs and IT.

Displaced Parking

6.15 A budget should be set as part of this project to look at the effect of parking displacement where new charges are introduced. This will be carried out 6 months to 1 year following implementation in a given location.

7.0 Future developments

Residents Parking Card

7.1 A residents parking card gives the facility for residents to use a card to pay for parking and would be supplied by the council through the parking shop/locality office or local libraries. The idea is that the card gives a degree of convenience, as a driver would not have to remember to carry change. A discount can also be applied for card users as opposed to using cash.

7.2 Some Council's operate these schemes, however most seem to only offer the cards that can be used in their car parks. The card could be topped up through retail outlets, online or council offices. Problems have been reported finding suitable retail outlets for the 'validation unit' necessary to top up the card.

7.3 Disposable, fixed value cards could be a better option, which could not be topped up but purchased from local shops.

7.4 Some authorities offer a discount for using the parking card. There seems little incentive to use one if there is no benefit to the customer. There would be administrative costs in setting up and running a residents parking card scheme. The level of internal administration could be prohibitive, especially in the current climate. The scheme would need to be promoted and advertised to encourage take up, adding costs.

7.5 It also seems that a resident parking card scheme would need to be big enough to work. It might work in Guildford or Surrey as a whole but is unlikely to work in Leatherhead or Camberley in isolation. More research would be needed in this area.

7.6 However, Canterbury as an example have a residents card that allows discounts and encourages the use of certain car parks. Wandsworths 1400 machines give a simple discount to residents and East Herts use the system as a method of people buying in advance parking time. There are lots of ideas for cards, some take off, others don't.

7.7 At the moment with on street charges in their infancy in Surrey, it would be better to wait until charging proposals were established so that the income

were known. In this way is would be possible to determine whether the financial costs of setting up a parking card scheme could be covered by the income.

7.8 There are also likely to be more developments in the future relating to electronic payment methods such as pay by phone that could make the payment card obsolete.

7.9 It is technically possible for 'pay by phone' company's to offer a scheme whereby Surrey residents could be offered a discount as opposed to non-residents. The way this would work, and the finances associated with it would need to be explored through the tender process.

8.0 Summary

8.1 The Council is aiming to make it easier to access on street parking by encouraging more short stay trips and greater turnover. This in turn helps more people access shops and helps deliveries. The effective pricing of on-street parking is particularly important since these spaces tend to be the most visible and convenient. If on-street parking is free or inexpensive, motorists will cruise around looking for an available space rather than paying for off-street parking, resulting in parking and traffic congestion, and inefficient utilization of off-street car parks.

8.2 With the strategic countywide approach adopted, it is much less likely that people will drive onto the next town. Parking payment methods need to be easy to use with simple machines and good signage.

8.3 Estimates have been made of the potential income from parking charges in order to determine whether the cost of maintaining the pay and display machines will be recovered, particularly with an initial free parking period.

8.4 The Council needs to find ways to work with the boroughs and districts to coordinate on and off street parking provision and pricing in a more integrated way. Current proposals place the burden for reducing the overall parking account deficit with district and boroughs. Income from additional on-street charging would be shared with districts and boroughs and would provide an important way for them to reduce net costs.

8.5 The technology to allow electronic payment of parking fees such as 'pay by phone' and e-permits are becoming more widely available and should be adopted as conditions allow.

References:
1. Retail Assessment, 2004
2. Retail Distinctiveness of Market Towns, 2006
3. Parking Pricing Implementation guidelines, Litman 2010
4. RAC/British Retail Consortium, 2006.
5. DfT survey

6. Booz 2006 – Booz Allen Hamilton (2006), *International Approaches to Tackling Transport Congestion: Paper 2: Parking Restraint Measures*, Victorian Competition and Efficiency Commission