
This paper will be considered in public

1 Summary

- 1.1 This paper sets out the commercial strategy for the London Underground (LU) car park portfolio.

2 Recommendation

- 2.1 The Panel is asked to note the paper.

3 Background

- 3.1 On the formation of Commercial Development in 2012, a review was undertaken of the commercial management of LU's portfolio of 61 car parks. The review confirmed that the car parks were considered safe and an important part of the customer experience by those who used them. The review also however highlighted that the car parks were expensive to operate and lacked best in class facilities. Weekday occupancy was high, driven by tariffs generally well below market rates.
- 3.2 At that stage, we identified a number of key objectives:
- (a) revise tariffs;
 - (b) reduce the cost of operation;
 - (c) improve customer service, including making payment easier;
 - (d) improve capacity at locations where there was clear case to do so; and
 - (e) introduce of ancillary services.

4 Activity to Date

- 4.1 In January 2013, tariffs were increased by an average of 20 per cent. Despite this, there was year-on-year increase in occupancy from an average of 72 per cent to 78 per cent.
- 4.2 In July 2013, 'Park &Go' was launched which meant that for the first time customers were not limited to paying in cash. From that point (and at no additional charge) customers could pay by calling a local rate telephone number, by text, using a smartphone app, online or, where there was Automated Number

Plate Recognition (see paragraph 4.6 below) through automated payment. Park & Go has been very popular, and has almost 140,000 registered users.

- 4.3 In November 2013, 'click & collect' was introduced in six car parks. This offered customers the option of ordering groceries or other products in the morning and collecting these on their way home. Click & collect operates at 42 car parks, with retailers Asda, Ocado, Sainsbury's and Waitrose, as well as e-lockers from Amazon and InPost. They are popular not only with users of the car parks, but also with local residents.
- 4.4 In January 2014, it was confirmed that there would be no increase in tariffs for Pay & Go customers, with customers who pay by cash seeing an average rise of 3.1 per cent. At that stage, in line with some London boroughs and train operators, dedicated motorcycle bays were installed with all-day tariffs for motorcyclists capped at £2. At that time it was also announced that members of the Source London network could charge their electric vehicles at 15 of the car parking sites for no additional cost on top of the tariff for the parking space.
- 4.5 In December 2014, following a competitive tendering exercise, three new contracts covering the key car parking service functions were awarded. NCP was awarded the Car Park Management and Automatic Number Plate Recognition (ANPR) contracts. Smart Parking was awarded the contract for Bay Sensors.
- 4.6 The new management contract has reduced annual management costs from £3.3m to £1.5m. The contract is performance based with financial incentives to encourage delivery against a range of Key Performance Indicators. ANPR is already in place at North Greenwich and is being introduced at the other larger car parks (the 50 per cent of car parks with over 200 spaces). It offers registered customers the option of fully automated payment at no additional cost. Bay Sensors are being introduced at the smaller car parks, and will give customers a real time view of parking bay availability through a dedicated online portal. ANPR and bay sensors are currently being rolled out across the network.
- 4.7 In January 2015, it was confirmed that customers using cashless payment would benefit from a second consecutive year of tariff freeze. Customers who pay in cash saw an average rise in line with RPI of 2.5 per cent. The increase in cash payments took the average cost from £5.18 to £5.32 for all day parking, still lower than the average for local competing car parks of £6.35. Cash prices at weekends remained at an average of £2.23 for Saturdays and £1.63 for Sundays. Tariffs for motorcyclists remained capped at £2. Despite the tariff increases occupancy levels have risen to 81 per cent.
- 4.8 Tariff rises always take account of individual circumstances at each car park. Tariffs have been reduced where occupation is impacted by lower tariffs in a nearby car park. By way of contrast, at North Greenwich tariffs have increased for event parking, most recently from £18 to £25, to reflect the fact that our car park was being heavily used by people attending events at The O2 (the adjoining AEG car park has its equivalent tariff at £40).

5 Future Plans

- 5.1 Car parks remain an important part of the customer offer. TfL will therefore seek to retain car parking, including when developing land adjacent to stations. Whilst it is unlikely to be cost-effective to acquire land specifically for new car parks, TfL will take the opportunity to expand existing car parks where there is a local demand and a positive business case. This is particularly the case where TfL can ameliorate an existing issue with on-street parking around a station.
- 5.2 For these reasons, TfL is expecting to increase the number of spaces from 9,750 to 10,270 through targeted investments at Epping (350 additional spaces), Northolt (90 additional spaces) and Theydon Bois (80 additional spaces).
- 5.3 Where car parks are being taken over, for example as a part of franchises transferring into TfL, the aim is to incorporate these into existing management, contractual and tariff structures.
- 5.4 Over the remainder of the Business Plan, TfL is assuming tariff increases only in line with RPI, with an expectation that these will be aligned with any increases to public transport fares.
- 5.5 In keeping with our commitment to openness and transparency, data from car parks, particularly bay sensor data, will be freely and openly available through the TfL website. This will ensure that third-party developers can offer fully integrated journey planning advice, and is in keeping with the goal that any person who needs travel information can get it wherever and whenever they wish, in any way they wish. The plan for releasing this data is being worked up jointly by the Commercial Development and Online teams.
- 5.6 In addition, a number of further interventions are being evaluated. These have the ability to improve the service offered whilst generating additional revenue streams and / or support TfL's broader aims. These include:
 - (a) valeting and car washing;
 - (b) Premier Parking – a 25 per cent uplift to secure individual bays – this has been successfully trialled by Train Operating Companies and may be suitable for TfL car parks where there are high occupancy levels;
 - (c) contactless payments – along side Pay & Go, offering payment machines that accept contactless payment;
 - (d) Low Emission Tariff – a 10 per cent discount for vehicles with low CO2 emissions;
 - (e) expansion of 'click & collect' to all car parks; and
 - (f) electric vehicles – expanding the number of charging points across the portfolio.

6 Financial Implications

- 6.1 The new management contract will generate gross revenues of £10.3m in 2014/15, up from £6.2m in 2012/13. Investment of £2.2m over the next 24 months and expansion of new locations will deliver revenues in excess of £160m over the ten year business plan.

7 Conclusion

- 7.1 In the last three years the operating cost has been reduced by over 50 per cent, introduced a range of easy payment methods that have proven very popular with TfL's customers, maintained tariff increases at RPI after one rise to bring tariffs closer to TfL's competitors, introduced the widest portfolio of 'click & collect' of any landlord in the UK, introduced electric vehicle charging, and steadily increased occupancy levels so that income continues to rise.
- 7.2 Though only a small part of the £4.25bn gross revenues expected from commercial development during the Business Plan period, the progress on car parking shows the clear benefits of investment in and professional management of non-core activity.

List of appendices to this report:

Appendix 1: Location of LU car parks

List of Background Papers:

None

Contact Officer: Graeme Craig, Director of Commercial Development
Number: 020 3054 3417
Email: graemecraig@tfl.gov.uk



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KEY
 - Denotes existing Car Park locations