

BRITISH PARKING ASSOCIATION

DRIVING ISSUES, RAISING STANDARDS



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Cash and Digital Payments Call for Evidence
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Dear To, Whom it May Concern,

Response to Cash and Digital Payments Call for Evidence

About the British Parking Association

We welcome your consultation on the '**Cash and digital payments in the new economy**'. We are the largest, most established and trusted professional association representing parking and traffic management in Europe, and the recognised authority within the parking profession. We represent the best interests of our members and the parking community and provide an extensive range of membership services to support parking professionals & organisations in their day-to-day work. Our diverse membership community of around 700 organisations includes technology developers & suppliers, equipment manufacturers, learning providers, consultants, structural & refurbishment experts, local authorities and parking on private land operators including retail parks, healthcare facilities, universities, airports and railways stations.

For more information regarding the BPA please click [here](#).

Our responses to these questions have been informed by a consultation with our own BPA membership.

Chapter 2: Supporting digital payments

1. How do you expect digital payment methods, and the adoption of these by merchants and consumers, to change over the next 10 years?
 - What are the drivers of this?

Our members tell us they expect to see a continuation of the move towards the deployment of parking payment machines which are capable of accepting non-cash payments and consequently less reliance on cash as consumers have more choice about their method of payment.

The reasoning behind this is the observed growing use of contactless and of mobile and remote forms of payments together with an observed gradual decrease in the amount of cash collected from parking payment machines.

Some of our Local Authority members tells that there is an increasing appetite to move towards cash free and online payment methods. Driven not just by consumer activity and demand but also by their need to reduce costs, as cash is a labour-intensive payment process. An additional motivating factor has been spate of criminal damage to and thefts from parking machines to get access to the money inside.

2. What further action could the government take to support greater adoption of digital payments by merchants and consumers (including civil society groups)?

Unanimous agreement from the respondents, that the government could seek to support the reduction of the hidden costs of making payments via digital payment methods. Namely by facilitating the development of wireless networks and reducing the banks' administration fees of cashless payment.

4. Why does the cost of processing payments differ between cash and digital payments?
 - How is it changing?
 - And do you expect the change to continue?

The respondents noted that there are a range of costs associated with processing cash transactions. Those costs include the physical architecture of securing the cash whether in tills, cash machines and safes, all of which needs to be maintained and upgraded as appropriate. The costs of transferring the money from the machines to banks, usually after being counted which is a time-consuming process. Doncaster Metropolitan Borough Council provides an example of some of those costs. The Council recently moved to phone-only services in two of its car parks, a decision which has reportedly saved £40,000 in administration and maintenance costs.

Some of our respondents further suggested that if the amount of cash continues to decline then it is likely that, proportionally, those costs will increase. Potentially reaching the stage whereby the costs of administrating cash payments are more than the value of the cash itself.

Chapter 3: The future role of cash

5. Who uses cash as their main form of payment and why?

There is an indication from the responses that there was a preference amongst older citizens to use cash as their primary means of payment. This perception is likely influenced by the availability of payment options, if digital payment options are available then younger people are more likely to be more familiar them. However, although this is far from certain there are examples of older people adopting cashless payment with gusto. Additionally, it is worth pointing out that many car parks are free at the point of use. This no doubt influences consumer expectations of paying for parking and indeed their method of payment. If the consumer is expecting a free space and discovers that it is a paid car park they may opt to pay quickly using cash rather than then attempting to download an app.

7. How does the level of cash that you handled or used this year compare to what you handled or used five years ago?

Our members tell us that the volume of cash being used to pay for parking is fairly constant, although there has been a decline over the years. This decline seems to have been driven by the adoption of new technologies and methods of payment, which are more convenient for consumers to use. They would expect to see that continue to decline as the availability of alternative payment methods continue to expand. The drivers for this change seems to be a combination of customer choices and availability of alternative options. Coin modernisation itself contributed to some increase in the availability of digital payments as older legacy cash-only machines were replaced. Coin-only payment machines built in the past ten years or so have mainly been updated to accept the new coins.

8. How do you think the level of cash you will handle or use in five years will compare to what you handled or used this year?
 - What are the drivers for that change?
 - And how will different sectors be impacted by this change?
 - What are the drivers for that change (for example, change in customer preferences, currency modernisation programmes such as new polymer banknotes and £1 coin)?

Some of our members expect the level of cash handled to decrease over the coming years. The driving force behind that would be the increasing uptake of new technology and the introduction of more non-cash options for motorists.

Without any statistical back up or evidence, there seems to be a perception that it is the 'young' who are the prime drivers of the move towards cashless payments and because of the passage of time there will be likely be a rise in cashless payments. This will be underpinned by the deployment of more cashless payment options such as the use of Apps and Smartphone based payments.

10. Does the current denominational mix (eight coins and four banknotes) meet your current and future needs? If not, how should it change?

Our members tell us that there was a general consensus that the current denominational mix generally works. It should be noted that 1p and 2p coins are not used in parking machines. Most machines do not accept 5p coins either. So, parking is limited to 10p, 20p, 50p, £1 and £2 coin only. Most parking charges are quite low and thus banknotes are rarely used in payment machines, few if any of which would accept a £50 note. Anecdotally, there is evidence to show that where parking charges are relatively high, such as at airports, and where digital payments are available, there is also a higher propensity to use this method of payment.

11. Have you made, or do you intend to make, any changes to the way that you accept cash due to the change in demand (for example, implemented rounding, restricted the use of certain denominations, or changed machines so that they no longer accept cash)?

Some members are implementing moves to establish new machines to allow a variety of payment options. As highlighted above, Doncaster has begun to move towards a cashless system for its car park. Although in that case the motivating factor was instances of theft and criminal damage. An alternative example is provided by Aberdeenshire which has withdrawn card payment functions from its pay & display machines. While it will retain cashless parking via the RingGo phone system. The card payment function was withdrawn due to a change in legislation relating to cashless payment security and the high cost associated with the upgrade of the machines.

12. What measures can be taken to ensure that coins of denominations that are needed remain in active circulation and do not fall dormant, either with the public or at cash processors?

Coins become dormant when the public sees no use for them, or they're considered valueless. Hence the 'shrapnel' phrase. It's inevitable that inflation and the passage of time devalues low value denominations. Add to that any decrease in the availability to pay by cash and the decline will set in. The parking sector is likely to be the biggest user of coin vending in the UK (given the demise of payphones). The only effective solutions that the sector could offer is a competitive tariff structure at paid-for parking as well as the availability of change-giving machines. However, the expense of maintaining car parks and providing the additional machines is likely to mitigate against the use of these machines. It does seem doubtful that there are many effective means of maintaining and developing the use of coins.

13. In what circumstances is a £50 note used in routine transactions and why (rather than multiple lower denomination notes)?

There are very few occasions, if any, where £50 notes are being used to purchase parking. Thus, it is very difficult to commit on this.

14. How were counterfeit £1 coins able to enter circulation and circulate freely?

It is reasonable to say that the old £1 coin was 'relatively' easy to reproduce and the public generally unable to tell the difference with a good counterfeit coin, and thus it was traded, and the £1 value obtained. Parking machines have only relatively recently been capable of detecting counterfeit coin too. Machines need to have electronic coin validation, as opposed to physical (size and shape) capabilities and most legacy machines didn't, which contributed to the dissemination of counterfeit coins.

In Summary

We have a strategic aim which says we will be "***Encouraging innovation in a sustainable and socially responsible manner***" Innovation is changing the way parking services are managed and delivered. We will continue to encourage the use of new technologies to improve accessibility and sustainability but also to guarantee public acceptance.

We are always very willing to work with Government to develop parking policy and are at your disposal to assist with any further information, advice or support in relation to this very important area of public policy.

Please do not hesitate to contact my colleague **Glenn Dives** by emailing consultations@britishparking.co.uk or calling **01444 447 300** if you require any further information.

Yours faithfully



Kelvin Reynolds
Director of Corporate and Public Affairs