## Models for delivery and transformation of off Street Parking

1. This Appendix outlines a number of alternative models for the operation for the provision of off street Car parking in light of the experience of the Marygate trial and soft Market testing that has taken place over the last year.

2. There are a number of considerations that would need to be taken into account in deciding how best to proceed that can influence the viability of the different models of operation such as:

    a. The minimum size and number of viable car parks.
    b. Existing layout and physical alterations required.
    c. Detailed specifications requirements of the Council.
    d. Enforcement policies.
    e. Disabled parking provision.
    f. Length of potential contract/ agreements.
    g. Identify the specific objectives/ outcomes from expansion of PoF.
    h. Will there be any capital contribution incorporated in any model adopted.

3. Initial assessments of the existing Pay and Display car parks have identified 9 locations covering some 1,950 spaces that are deemed suitable for conversion to Pay on Foot systems of operation.

4. The following possible models of operation will be considered in summary below:

    a. In-house provision
    b. Contract Out
    c. Licence arrangement
    d. Franchise
    e. Joint Venture (Special Purpose Vehicle)
    f. Term Maintenance Contract

## In-house provision

5. The Council may choose to continue to operate the car parks as it presently does, with full control and ownership within the Council and full responsibility for staffing and capital upgrades remaining its sole responsibility. This option does not however address the need for any capital investment and any reductions in operating costs which would need to be found from other service

improvements/ efficiencies. There is limited potential for these improvements on what ultimately will be a small car parking estate relative to providers who operate at a regional or national scale.

6. The implementation of the Marygate trial has been a steep learning curve for officers and has demonstrated that capital cost is only one consideration as design, reliability, capacity all carry significant risk of loss of revenue through the implementation phase.

7. In order to fully exploit the potential of Pay on Foot national operators have undertaken significant investment in technology mobile applications and innovative pricing strategies the Council does not have significant experience in any of these areas.

**8. In light of the limitations of the in house model and the fact that the Council would be taking all the risks associated with identifying Car Parks suitable for pay on foot, technical implementation of physical upgrades and back office technology, capital cost overruns and potential loss of significant revenue this option is not recommended.**

**Contract out**

9. The City's car parking stock could be treated as a capital asset and transferred to the private sector as a 'one-off' sale. This could involve selling the freehold to the sites and hence relinquishing all control, or the leasehold and receiving a ground rent. For either option, the Council would likely lose its influence on car parking policy, operation and costs which would be led by market forces. The Council would also lose all revenue from the car parks, (except any ground rents) but would be free of any risk involved in their operation. The Council would have little involvement in car parking policy or any means by which to ensure their operation continues to compliment transport policy in the City.

10. This option would in all probability lead to a post sale re financing of the revenue stream associated with the Council car parks a process very common in the private sector which has seen venture capitalists extract billions of pounds of value from private sector car parks over the last twenty years and left car parking operations operated entirely for the benefit of servicing debt which in York could see short term predatory pricing structures designed to

eliminate competition in particular the Councils Park and Ride franchise.

**11. Due to the significant risks associated with the loss of control of all off street car parking in the City both to sustainable transport policy and the Park and Ride franchise this option is not recommended.**

**Licence arrangement**

12. The Council could consider appointing a long-term licensee arrangement to operate the car parks. In this model, the Council retains ownership of the real estate but grant the licensee the right to operate the car parks for a fixed period of a number of years. The operator would brand the car parks as their own and be fully responsible for their operation. Although there may be some terms imposed on the operator at the time of the license award and there would be a regular reviews of operation to ensure their performance was to any specification agreed. Within these broad limits the operator would be free to determine operational issues and tariffs. The Council could agree a fixed licence fee from the operator, incorporating some form of annual multiplier but may not share in the profit or risk beyond this. This option would not allow control of the car parks in terms of tariff setting, and the incentive on the operator to increase profit by increasing usage could lead to decisions that could run contrary to the Councils transport policies for instance in relation to Park and Ride. This model would not require the Council to fund capital upgrading of the car parks, as this would fall to the operator. However, in order to maximise potential revenues it is likely that a comprehensive specification for improvements would not be included in a licence agreement, it would be up to the operator to determine what upgrades should be made, based on likely levels of financial return.

13. This option could be refined through a competitive dialogue process in order to provide the Council the opportunity to understand the impact of tariff restriction to maintain sustainable transport objectives. The impact of capital investment levels, car park upgrade selection, technology choices and service levels could all equally form part of a competitive dialogue process.

14. Competitive dialogue is however very resource intensive, time consuming and ultimately may not produce a bidder that meets the Council’s revenue or output expectations. It would also be the case

that to warrant the expense of a competitive dialogue process and provide the operator the time to recover capital investment that a relatively long term contract would be necessary probably in excess of 10 years.

**15. Therefore whilst probably the most credible traditional outsourcing option, due to the complexities and risks of competitive dialogue this option is not recommended without a significant revenue commitment in the order of £500k to resource the procurement process and an acknowledgment of an anticipated 18 – 36 month procurement timetable.**

**Joint Venture (Special Purpose Vehicle)**

16. The Council enters a joint venture with an operator to establish a ‘parking provider’ for York. This model would involve an entity (possibly a ‘company limited by guarantee’) being set up, into which access to assets (the car parks) are transferred either by ownership or by licence. The administration of the company would be jointly between the Council and the private sector operator and profits shared between them. The company would undertake to operate the car parks and manage and fund them on a day to day basis, but under the direction of its board on which the seats would be shared between the Council and the operator, (in some agreed proportion). This option would give the Council control over the operation of the car parks and the ability to ensure they fit in with policy objectives and do not abstract business from the P+R service. This however could reduce the attractiveness of the proposition to the private sector operator, who could see their opportunity to make a profit from the operation impaired by the Councils desire to meet policy objectives. As a joint owner of the company, the Council would share in the revenues but would also bear some of the risk associated with its operation, This option would require the Council to establish and SPV (Special Purpose Vehicle), to insulate the risk from general Council business.

17. This option whilst still requiring a procurement process would negate the need for a complex competitive dialogue procurement as the partnership procurement is based on a high level risks sharing / asset contribution agreement associated with developing the car parking operation between the partners. Whilst the Council undoubtedly brings a significant asset to any proposed partnership the private sector partner would undoubtedly bring expertise that

the Council does not have and may also dependent upon the partner be willing to bring additional parking capacity within the SPV and be willing to take a greater proportion of operational risk due to their expertise.

**18. Whilst this option see's the Council retain risks associated with the car parking operations it would significantly mitigate the risks associated with the necessary transformation and upgrade of the Councils off street parking offer through a high level risk sharing partnership. The opportunity to bring commercial expertise and risk sharing to the development of the Councils car park management plan and sustainable transport objective will ensure that the plan reflects best practice. An SPV partner may also give the opportunity to expand the proportion of the City's car parks subject to the parking management plan. Due to these factors it this option is recommended and that officers proceed with the procurement of an SPV partner.**

**Term Maintenance Contract**

19. The Council retains operation of the car parks and retains their revenue. In order to decrease the costs associated with operation, a maintenance or 'operations' company is appointed for a fixed term who, for an agreed fee provide services such as maintenance, cash handling and enforcement. The Council not only retains all income from the car parks, (less contractual payments to the company), but also retains operational and policy control. This option would fix, (and potentially reduce) the Council's costs but risk associated with operation and responsibility for funding capital upgrades would remain.

**20. This option provides very little risk transfer for the Council and is therefore not recommended as it has little benefits over the in house model. In some respects as the Term Maintenance Contractor will be directed by the Council in a period of operational change this could lead to perverse, contractual and operational incentives.**