

Charging Out-of-Town Customers a Higher Fee for Reserved Parking

Council has directed investigation into how Administration could charge out-of-town customers more for reserved parking. This report will address

- Amount to charge out-of-town reserved parking customers
- Options for verifying customers' home addresses
- The role of the anticipated regional Growth Management Board

Background

Reserved park and ride customers pay \$85/month to reserve a spot between 2:00 am and 10:00 am, Monday to Friday. At any other time, the reserved areas of park and ride lots are available to any customer for free. Currently, Calgary Transit collects postal codes associated with each reserved account of which 11.2% (approximately 340 reservations per month based on Q1 2017) are assigned to residences outside Calgary.

The total operating cost of park and ride was estimated in the June 2016 report to Council at \$11 million annually. The fees charged through park and ride generated approximately \$3.4 million in 2016 (\$4 million in 2015). Reservations have declined significantly (-34% compared to Q1 2015) with economic conditions.

Calculating Potential Revenue

For the purposes of calculating the potential revenue, a monthly fee charged to out-of-town customers is required. In this report, a hypothetical fee of \$125 per month was used, which is an addition of \$40 monthly. Any future fee, if different from the fee charged to Calgarians, would require market testing.

Methods and Implications of Charging Out-of-Town Customers a Higher Fee

Three methods were considered as a means of charging out-of-town customers more for reserved parking. These were by verifying addresses through:

1. Checking the registered license plates
2. Checking a piece of government-issued identification
3. Mailing out a discount code

A fourth method, using the address associated with the credit card used to pay for the spot, was also considered; however it was ruled out. The risk to customers' data is too great and a payment card industry privacy assessment is unlikely to be successful.

Each of the methods was evaluated in terms of the estimated administrative costs, anticipated revenue, potential for fraud (deliberately providing an incorrect address), and the impact on the customer experience. It assumes that annual address verification would be sufficient. None of the methods have anticipated capital costs.

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The anticipated revenue does not account for elasticity i.e. a change in commuting behaviour as a result of a higher fee. It is believed that many out-of-town customers would switch to an alternative means of reaching their destinations, but there is no experience to determine the rate at which that switch would occur. In most cases, the alternative would be driving the entire way creating additional environmental impact, congestion and infrastructure maintenance costs. As a result, the analysis likely overestimates revenue. Some out-of-town customers would also arrive earlier to get a free spot resulting in less free parking for Calgarians.

License Plates

	Added Revenue	Expense
Increase in Revenue (11.2% of Q1 2017 reservations)	\$163,000	
Plate verification through the Province (\$15/plate, 2.2 plates per reserved spot)		\$100,000
Administrative support (1/4 FTE)		\$26,000
NET ANNUAL INCREASE IN REVENUE	\$37,000	

Checking license plates through the Province of Alberta would have the least impact to customers of the methods examined. The ability to check plates exists for a fee of \$15 per plate and would not require further action from customers. Checking license plates is also likely to be resistant to fraud, i.e. it is less likely that customers will change the address associated with their license plate to avoid paying a higher fee.

Presenting Government Identification

	Added Revenue	Expense
Increase in Revenue (11.2% of Q1 2017 reservations)	\$163,000	
Administrative support (1/4 FTE)		\$26,000
NET ANNUAL INCREASE IN REVENUE	\$137,000	

Calgary Transit could accept a piece of government ID to verify the residence of reserved parkers. Submission could be completed online. Since a photograph is easily manipulated, we would anticipate considerable rates of fraud. Anticipated levels of fraud are difficult to estimate without prior experience and, thus, it has not been factored in. As a result, the revenue shown is likely an overestimation.

More importantly, requiring government identification from Calgary customers would have a considerable and negative impact on the customer experience. It would require an extra step for Calgarians even if electronic submission was possible. Calgarians would be asked to prove that they are, indeed, residents of Calgary to avoid the higher fee.

Charging Out-of-Town Customers a Higher Fee for Reserved Parking Mailed Out Discount Codes

	Added Revenue	Expense
Increase in Revenue (11.2% of Q1 2017 reservations)	\$163,000	
Postage (\$2 per mail, 88.8% of customers)		\$5,000
Administrative support (1/2 FTE)		\$53,000
NET ANNUAL INCREASE IN REVENUE	\$105,000	

Another way of verifying addresses is to mail out a discount code to all customers with addresses in Calgary. The discount code would be entered online to receive the base rate. This method would also be subject to fraud not included in the above estimated revenue. A customer could easily have the code sent to the home of a friend in Calgary. As a result, again, the above numbers likely overestimate revenue.

This method would have a high and negative impact on the customer experience. Similar to the method whereby the Calgarians would submit government identification, the process would be more onerous for residents of Calgary. They would need to take an extra step to avoid the higher fee. Implementation would also result in another paper-based system at a time when Calgary Transit is moving, as much as possible, towards electronic solutions.

Benefits

Apart from increases in revenue, there are some benefits associated with increased parking fees charged to out-of-town customers. Some customers will choose to take one of the regional transit services (Airdrie Ice or On It) and contribute to the success of those services. Also, as out-of-town customers found alternatives to public transit, a few more spots would be made available to Calgarians or those out-of-town customers who are willing to pay more.

Summary

Method of Address Verification	Net Estimated Increase in Revenue	Fraud Potential	Impact on the Customer Experience
License Plates	\$37,000	Low	Low
Government ID	\$137,000	Medium	High
Discount Codes	\$105,000	High	High

In the absence of the following information, all the methods above likely overestimate net revenue due to unknown:

- rates of fraud,
- volumes of customers who would find alternatives to reserved parking (elasticity),
- loss of revenue as out-of-town customers use alternatives to reach their destination and cease purchasing transit fares.

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While the methods overestimate revenue based on unpredictable rates of fraud and elasticity, net estimated additional revenue would increase if overall reservations increase. Q1 2017 reservations, on which the above calculations are based, have declined significantly from previous years.

Based on the impact to the customer experience and overall feasibility, the preferred method would be checking addresses using license plates. While it would result in relatively smaller financial gain at the hypothetical fee of \$125, it would have the smallest impact on customers. Verifying addresses through government ID or a mailed discount code impose too much process on Calgarians who represent 89 per cent of customers.

Growth Management Board

Through the Modernized Municipal Government Act, The Province of Alberta requires the establishment of mandatory Growth Management Boards in the Calgary and Edmonton regions. The Capital Region Board in Edmonton has been operating as a mandatory body since 2008. The legislation and regulations are expected to take effect in 2017.

The Boards are intended to ensure effective and efficient regional collaboration and coordinated decision-making in the province's major metropolitan regions. Their proposed mandate is to

- Promote the long-term sustainability of the region;
- Ensure environmentally responsible land use planning, growth management and efficient use of land;
- Coordinate investment in infrastructure and service delivery;
- Ensure the coordination of core regional servicing and other services deemed necessary by members;
- Promote the economic well-being and competitiveness of the region;

One of the suggested responsibilities is to "develop and implement policies for the sharing of costs and coordinate investment in infrastructure, core regional servicing and other service delivery amongst the participating municipalities for regional projects of the Metropolitan region". (Growth Management Board Regulation and Discussion Guide, Alberta Municipal Affairs, 2016)

When finalized, the Growth Management Board may have a role in optimizing regional service delivery. Since the Board will be established later in 2017, unilaterally enacting a new policy at this moment is premature and may hinder establishing positive intermunicipal relationships that will be vital to the successful working of the Board.