

Bike Share System Operating Structures

Over the next few months, SACOG staff, in close coordination with city partners, will conduct a detailed analysis to dig into questions around profitability, user pricing, ridership, and the region's policy objectives for bike share in order to bring the committee options for a sustainable bike share system. As a preliminary step in gaining a better understanding of the operating structures that exist in today's market place, SACOG conducted a high-level scan of bike share systems across North America. This document provides a summary of the information collected on operating structures for bike share systems and some specific examples of systems across North America.

The descriptions of operating structures that follows is an adaptation from the Institute for Transportation and Development Policy's ["The Bikeshare Planning Guide"](#). It provides an overview of the three main structures used to operate bike share systems and the advantages and challenges with each of those structures.

The guide was written in 2018 and it is important to note that the economic environment for micromobility companies has changed significantly in the last year. While the privately-owned and operated structure still exists as an option, the marketplace is seeing a consolidation of, and reduction in, private operators providing bike share at no cost to the public sector. Most micromobility providers are still paying fees to operate scooters, but fewer companies are operating bike share systems that require regulatory fees compared to 2018. For example, Lime is beginning to relaunch JUMP bikes in some of the preexisting markets operating prior to COVID-19, but it is requesting that cities allow them to also operate scooters and to reduce bike share fees. Lyft and Gotcha are focusing on markets where they have exclusive rights to operate bike share through competitive contracts that provide operations subsidies.

The table at the end of this attachment is a high-level overview of some of the bike share systems in North America.

Publicly Owned and Operated

Under this structure, the government plans, designs, implements, and operates the bike share system. The government also owns all the assets of the system and carries all financial risk. The implementing agency operates the system through its own employees or contracts with a nonprofit corporation or another government agency.

Advantages: Accountability; ability to prioritize goals

The greatest advantage to this structure is that one entity is responsible for the planning, procurement, implementation, operations, and future expansion of the system. Additionally, the public authority can prioritize the desired goals of the system—e.g., supporting transit use, encouraging mode shift, addressing disadvantaged communities or inequity, etc.—over traditional private sector objectives or motives, such as profitability. A publicly-owned and operated system could also potentially be a more stable option compared to a privately-owned and operated system – if the public entity is able to secure sustainable funding for multiple

years of operation. A longer-term commitment to this structure could create branding consistency and reliability for riders where a privately-owned and operated system is more prone to external market forces, as we have seen locally with the change from SoBi to JUMP to Lime.

Challenges: Need for public funding; lack of competition and innovation

The major downside to this structure is the need for, and risks associated with, securing sustainable long-term public funding. Public sector ownership and operation also is not seen as conducive to innovation (in an area that has been driven by innovation) and the lack of competition could dampen both innovation and service delivery.

Examples: In Germany, Deutsche Bahn Connect (a subsidiary of the national train system, Deutsche Bahn) operates the Call-a-Bike system in cooperation with more than 50 cities across the country. In this structure, the public authority usually creates an internal entity/department to manage the entire project, including station siting and network development, operational planning, fee structuring, and collection and marketing.

Publicly Owned and Privately Operated

In this structure the government owns the assets and a private entity operates the system. This can be a simple fee-for-service system, like in Barcelona, or a station-based system, like in Shanghai where the fee is based on the number of bikes in the system. The procurement of bicycles can be done by the government or it may be the responsibility of the operator. All other assets—software, control center, stations—are typically owned by the government.

Advantages: Less public financial responsibility; fewer risks to public agencies

The advantage of this structure is that the private operator manages all logistics. The public agency typically has some control during key phases of the project, but day-to-day operating and system financial risk generally fall on the private operator. In some cases, shorter contracts can be negotiated if the operator has no investment in the infrastructure. This offers more flexibility for the city, but can also compromise long-term stability, service, and reliability.

Challenges: Reduced public control over operations

This structure may require more staff time for planning (issuing requests for proposals, negotiating, signing a contract potentially every year) and contract management compared to privately owned and operated systems. The public agency may need to be more flexible on service level agreements, including rebalancing and user pricing in order to create a system that is financially sustainable for the private company. However, the public agency could negotiate an agreement in which the public sector shares some of the financial risk with the private operator, or agrees to subsidize the system in order to achieve transit integration, equity, or other goals. These service level agreements and financial commitments could be included in competitive procurement processes and further negotiated before executing an agreement with a private operator.

Examples: Portland's BIKETOWN 1.0 system is a good example of this structure. It was owned by the city, which allocated \$2 million in federal funding to cover the system's startup costs. Public

funding, however, ended there since the system was operated by a private bike share company. The city's contract with the operator included few specific requirements for rebalancing or maintaining certain capacities at each station. This flexibility was designed to encourage the operator to run bike share like a business—as efficiently and cost-effectively as possible—and this notion was further incentivized through a requirement that the operator covered any financial losses the system generated in its first three years of operation. However, the company received 60% of any program surplus (with the rest going back to the city). Portland's BIKETOWN 2.0 system (set to launch soon) is a different example of how a public-private partnership can be structured. This system will not be publicly owned. Instead, the city will require specific service level agreements aimed at equity and transportation goals, as part of a \$11.3 million agreement with the operator, funded by a \$12 million sponsorship from Nike.

Privately Owned and Operated

Under this structure, one or more private entities own the assets and provide the service, while the public agency grants access to public space and the rights-of-way. The public agency often establishes a regulatory framework, including fees, permits, and operating conditions. Ultimately, the government grants the rights, in the form of regulation and street space, to operate, but the capital assets are owned and operated privately.

Advantages: Less (potentially zero) public funding needed

This approach avoids the need for cities to budget public funds to bike share and, in some cases, cities can actually generate revenue by requiring operators to pay a fee to apply for a permit. However, in the current environment there are fewer operators (compared to two years ago) that are willing to operate bike share without a reduction in, or elimination of, fees.

Challenges: Private companies focus on optimizing profits; companies merge or go out of business

Privately-owned and operated systems do entail risks, particularly around balancing the city's goals for widespread distribution against the private operator's desire to optimize revenue. Normally, the private operator is interested in the most dense, high-revenue-producing areas or neighborhoods, while the city may have a greater interest in making sure the system is equitable across the city, covering areas that may produce relatively low revenue. The city's regulatory framework may impose conditions for service, such as service level requirements in low-density, low-income communities of concern, but these conditions can also impact profitability and the market conditions for entry.

Another risk with privately-owned and operated systems is the volatility of the market place for micromobility. In the current marketplace, private operators are consolidating and changing frequently, which means that a bike share system brand can change or disappear without notice.

Examples: Privately-owned and operated systems are very attractive to cities that have struggled—or completely failed—to raise enough funds to support bike share. This was the case in St. Louis, Missouri, which has been trying to fund a station-based bike share system estimated to cost as much as \$3.3 million to implement since 2014. Following another failed funding

attempt in 2016, city officials pivoted in early 2018, passing detailed permit regulations that allow private dockless bike share operators that comply to provide service to the city.

Summary

Each of the foregoing structures provide opportunities and challenges to design partnerships and agreements that impact profitability, reliability, innovation, and mobility. The table below provides high level summary of the current marketplace, with specific examples of bike share system structures in North America, including fleet size, subsidy levels, and current operation status (green = currently operating, yellow = working to launch/maintain operations, red = no longer operating). Staff will bring back more detailed analysis of potential options for regional bike share in October/November.

Bike Share Operating Structures

Market	Operating Structure: Owner	Operating Structure: Operator	Bike Company	Parking	System Size	Rider Pricing	Annual Fees Paid by Operator (2019)	Annual Subsidy: Public or Sponsorship	Annual Subsidy/ Bike	System Status	Notes
Austin	Public	Non-profit/transit agency	B-Cycle	Docked Hub-based	525 regular bikes 200 e-bikes	<ul style="list-style-type: none"> \$1 to unlock + \$.23/min \$11/mo. or \$80/yr. Extra \$3 if not returned to dock 	\$ -	\$ 325,000	\$ 448		Capital Metro is taking over branding, planning and programming. City manages the right of way with wayfinding signage, bike paths, and educational workshops. Bike Share of Austin maintains daily operations. City also allows micromobility providers to pay fees for permits to operate in the city.
Boulder	Public	Non-profit	B-Cycle	Docked	300 regular bikes	<ul style="list-style-type: none"> \$2 for 30 min \$3 for addtl 30 min \$11/mo. or \$88/yr. 	\$ -	\$ 150,000	\$ 500		Regular annual subsidy was \$50K. In 2019, sponsorship fell through, the city and CU Boulder kicked in \$125 (city) + \$95K (CU). City is currently conducting RFI/RFP to bring in private sector to evolve system from docked pedal bikes to dockless e-bikes.
Denver V.1	Public	Non-profit	B-Cycle	Docked	735 regular bikes	<ul style="list-style-type: none"> \$9 daily \$15/mo. or \$75/yr. 	\$ -	\$ 400,000	\$544.22		Non-profit folded this year because it couldn't find a sponsor.
Denver V.2	Private	Private	JUMP (Lime)	Dockless	500 e-bikes 685 scooter	<ul style="list-style-type: none"> \$0.25/min 	\$ 26,000	\$ -	\$ -		These are 2019 numbers, during a pilot test. Issued an RFQ in March 2020 for private company to offer combined bike and scooter share and will license 2 providers.
Hamilton	Public	Non-profit	SoBi (now Mobility Cloud)	Dockless	900 regular bikes	<ul style="list-style-type: none"> \$0.15/min \$30/mo. \$200/yr. 	\$ -	\$ 400,000	\$ 444		This is the first SoBi system. After JUMP abandoned pedal bike systems, Hamilton secured \$400,000 to operate through March 2021. They are exploring options for a sustainable bike share system.
Kansas City	Public	Public	Drop Mobility	Dockless	350 bikes, 100 scooters	<ul style="list-style-type: none"> \$2 for 20 mins \$.10/min \$15/day or \$30/mo. 	\$ -	\$ 375,000	\$ 833		Funded and supported by numerous public, non-profit, and private sector contributions - a mix of small sponsors and public subsidies.
Bay Area	Private	Private	Motivate (Lyft)	Regular bikes are docked. E-bikes are dockless.	Up to 7,000 regular bikes and 4,000+ e-bikes	<ul style="list-style-type: none"> \$2 for 30 mins (reg. bikes) \$2 + .20/min (e-bikes) \$149/yr. (+ \$.15/min for e-bikes) Low-income: \$5 for Yr. 1, \$60/yr. thereafter \$2 for parking out of hub 	\$ -	\$ -	\$ -		Regional partnership with regional MPO, 5 cities (San Francisco, San Jose, Oakland, Berkeley, Emeryville) and Motivate (Lyft). No subsidy paid to Lyft - instead they have exclusive rights to the bike share market in the Bay Area. E-bikes are only in San Francisco and San Jose. Lyft must pay liquidated damages if key performance indicators are not met.
Portland V.1	Public	Private	SoBi	Dockless Hub-based	1000 regular bikes	<ul style="list-style-type: none"> \$2 + \$0.08/min \$19/mo. or \$99/yr. 	\$ -	\$ -	\$ -		Portland solicited proposals for a dockless system in 2019. The new system will replace this system.
Portland V.2	Private	Private	Lyft	Dockless Hub-based	3,000 e-bikes	<ul style="list-style-type: none"> \$1 to unlock + \$.20/minute \$99/yr. + \$.10/min 	\$ -	\$ 2,260,000	\$753.33		Launching soon with 1,500 and increasing to 3,000. Public-Private partnership even though system is owned and operated by private company.
Santa Cruz	Private	Private	JUMP (Lime)	Dockless	500 e-bikes	<ul style="list-style-type: none"> \$1 to unlock + \$0.15/min \$30/mo. for 60 min/day 	\$ -	\$ -	\$ -		These numbers reflect JUMP system prior to Lime acquisition. Currently negotiating agreement with Lime to re-launch bikes + scooters and researching other options.
Seattle	Private	Private	JUMP (Lime)	Dockless	150 e-bikes	<ul style="list-style-type: none"> \$1 to unlock + \$.32/minute Equity and monthly plans similar to Sacramento 	\$ 50,000	\$ -	\$ -		Lime relaunched 150 bikes, ramping up to 500, then 1,000. System may expand to 2,000 bikes IF the city allows scooters, or shrink to 500 bikes if no scooters are allowed. Seattle had 6,000-8,000 bikes from multiple companies in 2018.
Toronto	Public	Private (Shift Transit)	PBSC	Docked	5000 regular bikes	<ul style="list-style-type: none"> \$3.25 single trip \$7/day or \$99/yr. \$15 three-day pass 	\$ -	\$ 2,400,000	\$ 480		Recently increased fleet to 6,850. In 2019 bike share Toronto capital was \$7.5 million (fed grant) and in 2020 it is \$12.5 million (Provincial Grant).