



Proposals for Introducing Public Bike Schemes in Regional Cities

Funding and Procurement Options
Report

National Transport Authority / Jacobs
Engineering

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COMMERCIAL IN CONFIDENCE

Glossary

BSS	Bike Sharing Scheme
Capex	Capital Expenditure
DCC	Dublin City Council
DBOM	Design, Build, Operate and Maintain
D&B	Design and Build
DTTAS	Department of Transport, Tourism and Sport
GDA	Greater Dublin Area
Jacobs	Jacobs Engineering Ireland Limited
JCD	JC Decaux
LCHS	London Cycle Hire Scheme
NTA	National Transport Authority
OMA	Outdoor Media Association
O&M	Operation and Maintenance
PPP	Public Private Partnership
Serco	Serco Group plc
TfL	Transport for London
VFM	Value for Money

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1 Executive Summary

Introduction

The dublinbikes bike sharing scheme was introduced in Dublin in September 2009. The scheme, which is operated by the outdoor advertising firm JC Decaux in return for a concession from Dublin City Council over advertising sites in the city, has been very successful. Given this success, the Minister of State at the Department of Transport, Tourism and Sport has requested that the National Transport Authority examine the potential for bike schemes in regional cities – Cork, Limerick, Galway and Waterford.

Bike Sharing Schemes

Two distinct models for bike sharing schemes can be typified as follows:

- 1 Advertising funded: The dublinbikes scheme came about from a tender by Dublin City Council for the provision of public amenities in return for concession over advertising sites. The winning tender from JC Decaux included a bike hire scheme. The scheme launched with 450 bikes and 40 stations, though Dublin City Council has plans to increase the scheme over the coming years to 300 stations and 5,000 bikes. JC Decaux fund all costs with respect to the scheme including initial set-up costs and ongoing Operations and Maintenance costs.
- 2 Publicly funded: In 2009 Transport for London awarded a six year contract to Serco to design, build, operate and maintain the London scheme which includes 400 stations and 6,000 bikes. Unlike many other cities advertising was not included in the contract. Barclays Bank entered a five year sponsorship of the scheme.

Bike hire schemes operate in many other European cities such as Paris, Barcelona, Berlin, Stuttgart and Milan and are generally either publicly funded or funded through advertising.

Market Consultation

As part of the process of producing this report a market consultation exercise was performed.

The following points are a distillation of some of the key points noted:

- 1 At the outset it is essential that the scheme objectives are identified and agreed. The scheme cannot be all things to all people and it must be agreed who it is intended to serve. The schemes can be part of an integrated transport solution but this must be planned correctly. Different types of scheme can have very different costs;
- 2 The current outdoor advertising market is depressed with revenues significantly down compared to a number of years ago. It is unlikely that the schemes could be entirely funded by advertising. There is a pool of money which companies have available to spend on outdoor advertising. Increasing the number of advertising spaces does not increase this pool of money. It may however have a displacement effect where advertising revenues are transferred from other areas, for example bus shelters;
- 3 A common theme among operators was that if performance standards are overly onerous, as opposed to being flexible as demand evolves, the scheme becomes commercially very much less

attractive. Requirements, for example, with penalties applying, to ensure that every station all day every day has either bikes for hire or spaces to return bikes are very difficult and potentially expensive to meet;

- 4 Depending on the length of the contract, bikes and infrastructure may need to be replaced when the contract comes to an end. Perhaps the most important aspect might be the database of users which would of course be required for a new operator should a subsequent contract not be awarded to the incumbent operator;
- 5 The locking mechanism is vitally important to schemes with later schemes demonstrating admirable theft and vandalism statistics;
- 6 The cost of subscriptions in Dublin is very low. London is c. 5 times higher. Having subscriptions higher than Dublin is something which might be considered.

Potential Funding Options

With limited public funds available to the NTA, other potential funding options have been explored. A number of potential options are discussed in this report including:

- Using revenues from advertising sites in the Regional Cities;
- Advertising on the bikes;
- Scheme Sponsorship / sale of Naming rights to the scheme;
- Business contributions; and
- Higher subscriptions from members.

Market consultation suggested that given the difficult outdoor advertising market at present, it is likely that the schemes would not be capable of being funded solely out of advertising revenues. A scheme sponsorship could be considered, similar to what TfL did with the London scheme, but again this may largely be reliant on the outdoor advertising market. Subscription and usage revenues higher than Dublin could be considered. Dublin is at the lower end of the range of usage fees and market consultation clearly indicated that higher fees could be charged. Business contributions are something which could be considered while acknowledging that any revenue could be modest for the time and effort spent.

Potential structuring options

There are a number of potential commercial structuring options which could be utilised to procure the scheme in the Regional Cities:

- Option 1 - Combined bike and advertising contract;
- Option 2 - Publicly funded scheme – possibly using ring-fenced revenues from advertising on the bikes and/or city sites to fund scheme but not included in tender;
- Option 3 – Bike contract with a separate but linked advertising contract;

- Option 4 - Combination of Option 1 and a Naming Rights/Sponsorship Competition;
- Option 5 - Combination of Option 2 and a Naming Rights/Sponsorship Competition;
- Option 6 - Combination of Option 3 and a Naming Rights/Sponsorship Competition.

With respect to outdoor advertising and acknowledging the feedback from the market consultation, each of the city councils in the Regional Cities in question would need to carry out a detailed assessment of their overall outdoor advertising strategy. This would include examining the potential for new advertising sites. The city councils would need to consider where might the best available sites be to maximise revenues where saturation point for outdoor advertising has not already been reached. This needs to be done in the context of the total public sector linked outdoor advertising space in each city.

Options 1 and 3 might appeal to existing outdoor advertising operators, while acknowledging that advertising is not likely to fund the entire scheme. With Option 1 tenderers may include significant risk contingency with respect to advertising revenues. These would not be evident in Option 2 and would be likely lower in Option 3. A recovery in the advertising market would benefit solely the operator in Option 1 and solely the Authority in Option 2 but would be shared in Option 3. Option 3 would need to include incentivisation for the operator to maximise advertising revenues which would be shared with the Authority to offset the subvention needed.

Options including advertising would likely appeal more to the existing advertising company operators. With Option 2 the Authority would have to enter into a separate advertising management contract with an outdoor advertising company with the attendant costs involved. Option 3 would see an outdoor advertising company manage the advertising and provide a share of the revenues to the Authority.

Recommendations

Cities need to have clear objectives for what it is they want the bike sharing scheme to achieve. The first thing each city should do is identify what are the scheme objectives.

Based on the analysis in the Report it is recommended that advertising revenue be utilised to fund the scheme in combination with a competition for the sponsorship/naming rights to the scheme. The possibility of seeking business contributions should be further explored while acknowledging that there are significant complications with respect to this potential funding and the amounts involved might be modest.

NTA should further consider Option 3 - the linked contract option. This would retain an advertising element within the contract structure. While recognising that outdoor advertising alone could not currently fund the bike sharing schemes, it would provide some revenue from advertising at this time. However, were the market to improve at some time in the future revenues from advertising could be potentially much more significant. The contracts would need to include strong incentivisation mechanisms in order to maximise advertising revenue over the period of the contract and minimise subvention. Any inclusion of outdoor advertising to fund the schemes however, needs to be considered within the context of the overall Authority/City Council outdoor advertising strategy for the cities.

Consideration should be given to the potential for progressing planning on advertising sites during or in advance of tender in order to maximise certainty for tenderers as to the sites available. In seeking planning permission and depending on what information is in the public domain at that time with respect to the potential bike sharing schemes in the Regional Cities it may be useful to make it known

that planning is being sought for structures to help fund a bike scheme. This may help to reduce the number of planning objections.

Serious consideration should also be given to the level of the subscription and usage fees payable. The fees associated with schemes in other European cities would suggest that the fees in Dublin are relatively low. London, for example has an annual subscription fee of £45 (c. five times the dublinbikes fee). Higher subscription and/or usage fees could be a more significant contributor towards costs.

Suggested next steps have been included in the report.

2 Introduction and Background

2.1 Introduction

On 13 September 2009 a bike sharing scheme ("dublinbikes") was launched in Dublin. dublinbikes is a partnership between Dublin City Council ("DCC") and the outdoor advertising company JC Decaux ("JCD") and initially comprised of 450 bicycles and 40 bike stations.

The scheme has proved extremely popular with the public and is generally regarded as being a massive success. By December 2010 dublinbikes had over 30,000 annual subscribers - greatly in excess of the 5,000-10,000 envisaged at the launch of the scheme. The Scheme is seen as an integrated transport alternative which has improved linkages and accessibility within the city centre.

Such has been the success of dublinbikes that DCC has developed a longer term strategy for the scheme with plans to expand the Scheme to 5,000 bikes and 300 stations over the next 5 years.

Similar bike sharing schemes ("BSSs") are also in operation in many cities around the world, for example London, Paris, Barcelona, Milan, etc.

2.2 Regional Expansion

The success of dublinbikes has prompted the consideration of introducing similar BSSs in regional cities around the country.

To this end the Minister of State at the Department of Transport, Tourism and Sport ("DTTAS") has requested that the National Transport Authority ("NTA" or "the Authority") examine "potential means of introducing public bike schemes to other cities". As part of this examination, the Minister asked that an assessment of the "potential for partnership with or sponsorship by private sector collaborators to deliver the schemes at the lowest cost to the wider Government system" be included.

2.3 NTA

The NTA is a statutory body established by the Minister for Transport on 1 December 2009.

At a national level, the NTA has responsibility for securing the provision of public passenger land transport services. This includes the provision of subvented bus and rail services by Bus Éireann, Dublin Bus and Irish Rail. The Authority also licences public bus passenger services and has responsibility for the regulation of the small public service vehicle sector (i.e. taxis, hackneys and limousines).

The NTA also has responsibility for the development of an integrated transport system within the Greater Dublin Area ("GDA"). The principal functions of the NTA with respect to the GDA are:

- strategic planning of transport;
- development of an integrated, accessible public transport network;
- promoting cycling and walking;

- provision of public transport infrastructure generally including light rail, metro and heavy rail;
- effective management of traffic and transport demand.

2.4 NTA Framework agreement with Jacobs

In 2010 Jacobs Engineering Ireland Limited (“Jacobs”) were appointed under a framework agreement as technical advisors to the NTA. The NTA has requested that Jacobs carry out an initial feasibility report in relation to the introduction of a BSS, similar to the scheme operated in Dublin City, in the cities of:

- Cork;
- Limerick;
- Galway; and
- Waterford

(together the “Regional Cities”) (the “Project”).

Jacobs separately engaged KPMG to assist with elements of this assignment.

2.5 Purpose of this document

The purpose of this document (the “Report”) is thus as follows:

- 1 To discuss potential funding options for introducing a BSS to the Regional Cities; and
- 2 To discuss potential options for procurement of BSSs in the Regional Cities.

Jacobs are producing a separate report - “Proposals for Introducing Public Bike Schemes in Regional Cities – Technical Feasibility Study” - examining various technical aspects of feasibility of the schemes.

The points noted above are discussed in turn in the following sections. A market consultation exercise was also carried out and is discussed below. The Report also considers “Next Steps” for the Project. However, firstly we discuss the dublinbikes scheme in greater detail in order understand how the scheme came about and to better identify what is involved in such a scheme. A number of other schemes are also discussed.

3 Bike Sharing Schemes

3.1 Overview

This section describes the success factors of the dublinbikes scheme which is the only Irish BSS precedent. It also discusses the London scheme and gives an overview of a number of other examples from around Europe. Included in each section is a comment on the funding of the schemes.

3.2 dublinbikes

3.2.1 Success factors

As noted above dublinbikes is regarded as being a very successful scheme. Set out below are some of the factors which may have attributed to this success:

- The scheme seemed to have a clear vision. It was designed to appeal to regular users who could use it as a viable transport alternative in the city centre. It also appeals to short term visitors and its registration system allows for this with the short term subscription. The network was selected with the objectives in mind. For example, Hueston Station was not included in the scheme because as a major commuter hub it did not fit with the size and scale of the original scheme (though there are plans to include it in an expanded scheme);
- Considerable time and effort was spent on deciding where to locate stations so that they would appeal to the maximum numbers of users but also stations tend to be in brightly lit, visible locations which it is thought helps to reduce vandalism;
- The scheme is run by an experienced operator who has clearly learned from experiences elsewhere in setting up dublinbikes. The locking mechanism and registration system are such that theft and vandalism has been negligible.
- The scheme was procured at the height of the boom when advertising revenues were strong;
- Subscription Fees are extremely low. At €10 per annum the subscription fee is set at a level which appeals to a very wide range of people; and
- Scheme registration is straightforward and the system is well maintained. The user experience seems to be very positive.

3.3 London

The London scheme is quite different from dublinbikes in that it does not include advertising as part of the contract. In 2008 TfL issued a Tender notice for a London Cycle Hire Scheme ("LCHS") seeking proposals to "design, build, operate and maintain a Cycle Hire Scheme which will comprise a fleet of bicycles, docking stations (some of which may be mobile), docking points and supporting infrastructure in London"¹. The Tender was in three lots:

¹ Source: TfL Tender Notice - 302105-2008

1) Design and Build of the Cycle Hire Scheme – this was to include “the design of bicycles, docking points, registration terminals, initially for a fleet of 6,000 bicycles across approximately 400 docking stations, with the possibility of future expansion to allow for additional numbers of bicycles and other assets and/or additional sites and/or different geographical areas.”² The Tender also included “the design and implementation of information management, business operations and maintenance processes.”³ The build element included “site preparation, surveying, build and installation of cycle hire assets”⁴. The D&B contract was for 6 years, with options to extend the duration for up to a further 2 years.

2) Operation and Maintenance - “To include the operation and maintenance of all the cycle hire assets (including the bicycles, docking stations and registration terminals), redistribution of the bicycles to meet customer demand, provision of a customer service centre, revenue collection, user communications and marketing”⁵. Again, it was envisaged that the operation and maintenance contract would run for 6 years, with options to extend the duration for up to a further 2 years.

3) Sponsorship – the tender provided that “The Cycle Hire Scheme may be supported through sponsorship arrangements. Bidders may be invited to act as sponsors (either themselves or by including a sponsor within their consortium). Sponsorship rights may be granted to more than one sponsor and may be for varying durations at different times over the life of the contract(s). Such arrangements may be agreed outside of this procurement process”. Creation of street furniture which was not directly related to the operation of the scheme for advertising or sponsorship purposes was not considered or envisaged to be an acceptable form of sponsorship by TfL.

In August 2009 Serco Group plc (“Serco”), the international service company was awarded a DBOM contract (lots 1 and 2) which was valued at approximately £140m⁶ over its six year term, split between installation and operation of the scheme. Serco is a well known service company which operates in various sectors including transport (in London they operate the Dockland's Light Railway and the Woolwich Ferry and maintain traffic signals for TfL), health, defence, education etc. This seems to be its first foray into the bike hire operation market. However, for the London scheme, Serco teamed up with The Public Bike System Company which runs the BIXI system in Montreal.

The Sponsorship of the scheme is discussed further in Section 5.4 below.

3.4 Other Schemes

The following table sets out information with respect to a number of other schemes to give a sense of the different types of contracts being operated.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Source: TfL, “London Cycle Hire scheme takes big step forward as operator announced”, 12 August 2009

City	Scheme Size	Operator	Funding ⁷
Paris	Stations 1,450 Bikes 20,600	JCD	The scheme was implemented and is operated, free of charge to the city by JCD, in return for rights to c. 1,600 advertising hoardings around Paris and space to allocate the cycle stations. JCD also pays the City of Paris €3.5 million a year and a percentage of any revenue raised.
Lyon	Stations 400 Bikes 4,000	JCD	The scheme was implemented and is operated by JCD, giving it the rights to advertising in Lyon similar to the contract awarded in Paris. It seems that the contract awarded by the government to JCD for Lyon was on a much smaller scale, with a lower prevalence of advertising around the city.
Barcelona	Stations 400 Bikes 6,000	Clear Channel	The City of Barcelona decided to pay Clear Channel a fixed sum each year to implement, maintain, operate and expand the scheme, rather than fund it through advertising. Some of the funding comes from the on-street car parking charges. A third of the cost is also covered by the revenue generated from registration fees and extended time usage.
Milan ⁸	Stations 103 Bikes 1,400	Clear Channel	BikeMi is managed by Clear Channel. The company covers the operational costs for the service (maintenance, bike repositioning, customer care and service planning) from revenues generated via external advertising displays. At the present time 206 free standing units, i.e. backlit signs measuring 120 x 180 cm with variable advertisements (12 m ² of advertising space for every station) are in place. The total investment for systems and infrastructure was €5m which was paid by the Municipality of Milan.
Berlin	Stations not required. Bikes left at intersections Bikes 2,000	Deutsche Bahn	The Berlin scheme was initiated and funded entirely by Deutsche Bahn with no financial commitment from the city authority. Permissions from the authority are not necessary, giving Call a Bike complete flexibility in locating its bicycles.
Stuttgart	Stations 64	Deutsche	The City Council went to tender and chose Call a Bike over other providers. This was mainly due to cost, but it

⁷ Source (except Milan): TFL, "Feasibility Study for a central London cycle hire scheme", November 2008.

⁸ Source: Cosimo Chiffi, Eltis case study - Eltis is part of Intelligent Energy Europe which is the EU's tool for funding action to move towards a more energy intelligent Europe.

City	Scheme Size	Operator	Funding ⁷
	Bikes 400	Bahn	also saw Call a Bike as a successful, viable option. The city didn't want a single private company to control onstreet advertising.

4 Market Consultation

4.1 Overview

As part of the process of producing this report a market consultation exercise was performed to establish the level of interest within the Bike Scheme operator marketplace for BSSs in the Regional Cities. This market consultation exercise included meetings or conference calls with bike scheme operator entities.

4.2 Summary of findings

Each of the operators consulted had slightly differing viewpoints depending on their particular approach to providing schemes and their commercial positions. However, in attempting to distil some of the common themes coming out of the consultation exercise the following points are worth noting:

- 1 At the outset it is essential that the scheme objectives are identified and agreed. The scheme cannot be all things to all people and it must agreed who is it intended to serve. The schemes can be part of an integrated transport solution but this must be planned correctly. Different types of scheme can have very different costs;
- 2 The current outdoor advertising market is depressed compared to a number of years ago. It is unlikely that the schemes could be entirely funded by advertising. There is a pool of money which companies have available to spend on outdoor advertising. Increasing the number of advertising spaces does not increase this pool of money. It may however have a displacement effect where advertising revenues are transferred from other areas, for example bus shelters;
- 3 A common theme among operators was that if performance standards are overly onerous, as opposed to being flexible as demand evolves, the scheme becomes commercially very much less attractive. Requirements, for example, with penalties applying, to ensure that every station all day every day has either bikes for hire or spaces to return bikes are very difficult and potentially expensive to meet;
- 4 Depending on the length of the contract bikes and infrastructure may need to be replaced when the contract comes to an end. Perhaps the most important aspect might be the database of users which would of course be required for a new operator should a subsequent contract not be awarded to the incumbent operator;
- 5 The locking mechanism is vitally important to schemes with later schemes demonstrating admirable theft and vandalism statistics;
- 6 The cost of subscriptions in Dublin is very low. London is c. 5 times. Having subscriptions higher than Dublin is something which might be considered.

5 Potential Funding Options

5.1 Overview

The funding requirement will include upfront capital set-up costs and annual O&M costs thereafter. However it may be possible to structure a contract with low or zero upfront cost and rather have all costs factored into an annual payment (akin to an availability payment type Public Private Partnership ("PPP") structure).

Public funds are an increasingly scarce resource in Ireland and the NTA will have limited resource available to meet the costs of a BSS in the Regional Cities. Recognising this, other sources of funding must be considered. The remainder of this section examines the potential revenue raising options for the BSS. Section 6 then considers how these revenue generating options might be incorporated into a tender for the scheme.

5.2 Outdoor advertising in cities

Many global bike hire schemes similar to what is proposed by the NTA have been provided by outdoor advertising companies in return for advertising space. This is the basis of the dublinbikes scheme as discussed above, where JCD is the provider. JCD also provides a similar service in many European cities including Paris (Vélib - in return for operating the Velib scheme in Paris JCD get exclusive rights to the 1,628 billboards⁹), Brussels (Villo), Lyon (Vélo'V) and Seville (Sevici). Clear Channel provides schemes on a similar basis in Stockholm (City Bikes), Oslo (Citybikes), Milan (BikeMi), Perpignan (BIP) and Zaragoza (bizi). Clear Channel also provides the scheme in Barcelona (Bicing) which has been funded from ring-fenced public funds generated through additional car parking revenue rather than advertising. (Transport for London ("TFL") operates a bike hire scheme - Barclays Cycle Hire, known colloquially as Barclay Bikes – which does not use the advertising model. This is discussed further below).

JCD provide the dublinbikes scheme (and additional services) in return for the concession to erect advertising panels (and sell the advertising space) in specific locations on DCC property. JCD was given the concession to the site. They then had to separately obtain planning permission. The experience in Dublin was that there many objections from members of the public against the planning applications. This is worth bearing in mind with respect to the Regional Cities – for example objections might be reduced by specifically linking the advertising site planning applications to the provision of a bike hire service in the city.

In order to progress this option each of the city councils in the Regional Cities in question would need to carry out a detailed assessment of their overall outdoor advertising strategy. This would include examining the potential for new advertising sites – new sites would be required as simply diverting existing advertising revenues to this use from another would be a zero sum exercise leaving a shortfall elsewhere. The city councils would need to consider where might the best available sites be to maximise revenues where saturation point for outdoor advertising has not already been reached. This needs to be done in the context of the total public sector linked outdoor advertising space in each city.

This process has already been discussed with each of the city councils as part of the process of producing this Report. Each was asked to consider the following:

⁹ The Economist, "Vive la Vélorution! JCDcaux and Clear Channel Outdoor battle over urban bike-schemes," Sep 20th 2007

- a) would the city councils be amenable to using advertising to fund a BSS in the city?;
- b) could they identify likely locations and types of advertising structures?; and
- c) could they estimate the likely revenue which could be generated?

This process should be continued in the next phase of the project.

Section 6 below discusses how the tender might be structured using revenues from advertising; however it is worth stressing that the strong view from the outdoor advertising market is that the schemes cannot be entirely funded from advertising alone.

5.3 Advertising on bikes

Advertising on the bike itself is another option to generate additional revenue for the scheme. Small advertising panels could be included on the bikes – for example under the crossbar, on mudguards, or on the front. This space could then be sold, most likely to a single advertiser for the entire scheme or on a city by city basis. The traditional outdoor advertising of selling panels on a 2-week cycle is not likely to be practical. More likely would be a 2-3 year contract with a single entity.

This is similar in some respects to the option considered in Section 5.4 below - Scheme Sponsorship / Sale of Naming Rights. It is likely however, that if advertising were to be included on the bikes then Scheme Sponsorship / Sale of Naming Rights would not be a viable option. The two are likely to be mutually exclusive.

Again, it is a very difficult advertising market at present. Advertising on the bikes is unlikely to be a long term solution. A sponsorship deal, which is similar in many respects, be a preferred option.

5.4 Scheme Sponsorship / Sale of Naming Rights

In Ireland there is little by way of direct precedent for what is suggested here. Sale of “naming rights” typically attach to music venues (The O2) or sporting arenas (The Aviva Stadium). It is an option however to sell the “naming rights” to, or obtain sponsorship for the proposed BSS. In this respect it is useful to further consider TfL’s London bike scheme.

Section 3 above gives an overview of the London scheme. Lot 3 of the TfL tender sought a sponsor for the scheme. Barclays bank was awarded sponsorship rights to both the London scheme and to “cycle superhighways” which are dedicated cycle lanes in the city. Barclays agreed to pay TfL £25m over five years. The sponsorship deal entitles Barclays to name the scheme, design the bikes’ branding space and brand accompanying marketing and communications material. The bank’s corporate insignia is also stamped on maintenance support vehicles and uniforms.

With respect to the proposed Regional City BSSs the sponsorship/naming rights competition could be run individually for each of the Regional Cities which might appeal to more local companies specifically associated with or based in each of those cities. However, a single competition for the four cities might provide a greater critical mass for a potential sponsor and might appeal to a wider range of companies.

It is important to point out that this is generally another form of outdoor advertising, although targeting companies interested in raising brand awareness rather than simply a time limited specific advertising campaign. As noted already in this Report the outdoor advertising market is very weak at present so interest in such a sponsorship is likely to be lower than might have been the case a number of years ago. In different times such a scheme might have appealed to the Irish banks for

example, similarly to London; however this may not be the case at present. The Outdoor Media Association (“OMA”) produces information each year detailing the top 10 purchasers of outdoor advertising. The 2010 top 10 was as follows¹⁰:

2010 - Advertisers	
Advertiser	€m
DIAGEO	7.3
METEOR	5.4
HEINEKEN IRELAND	5.2
UNILEVER	3.8
VODAFONE	3.4
NESTLÉ	2.7
COCA COLA IRELAND LTD.	2.6
UPC IRELAND	2.6
GLAXOSMITHKLINE	2.1
WARNER BROS	2.0

Such a sponsorship/naming rights competition might appeal to these or similar companies. (Consideration may need to be given to whether sponsorship by an alcoholic drinks company for example would be appropriate). The scheme might also be of appeal to international companies who might not otherwise have a large outdoor advertising budget but who may simply find sponsoring a scheme perceived as “green” or “environmentally friendly” or “healthy” as an appealing prospect – multinational IT, software or internet companies for example.

It is extremely difficult to estimate what the advertising associated with the sponsorship of the BSS might be. Looking at the TfL deal each £1m of investment by Barclays allows them to brand the equivalent of c.240 bikes, 16 docks and a portion of the “cycle superhighways”. However, this is for sponsorship of one of the world’s largest bike schemes in one of the biggest tourist destination cities in the world. The price that Barclays paid may also be subject to an “Olympic Premium” as the 2012 Olympics will see London’s zone one, where the bike scheme is located, heavily branded with Barclays’ corporate insignia. Given the difficulties associated with putting a value on a potential sponsorship deal this Report has not sought to do so. Ultimately the value would be determined by what somebody would be willing to pay in a Tender competition. Again, it is worth making the point that there is a single pool of funds available for outdoor advertising. If a traditional outdoor advertiser were to sponsor the scheme it is likely that its budget for traditional outdoor advertising would be reduced accordingly.

Section 6 below discusses how the tender might be structured using a sponsorship / naming rights competition.

5.5 Business contributions

Since the inception of dublinbikes in 2009 DCC has had a number of unsolicited approaches from private companies interested in locating bike stations adjacent to their premises. Companies see this as an attractive proposition for their employees and a potential influencing factor in attracting staff. It would be worth exploring the possibility of generating revenue from possible business contributions in return for locating stations close to a particular business premises, in the context of a BSS in

¹⁰ Source: OMA Rol January - December 2010 Top 10 Reports

Regional Cities. The location, it must be emphasised, would have to fit within the parameters of the network.

There are a number of important considerations which would need to be analysed. For example, the scheme would need to remain freely available to all users – paying to have a station nearby could not automatically give rights to employees of that company to use the bikes to the exclusion of others. The concession in return for the “fee” would be the station location (or potentially the naming of the station if scheme naming rights were not separately considered), not any concession over usage.

If such an approach was being considered and sufficient companies could be identified who were keen to participate the level of the fee would need to be carefully considered. Most companies are carefully watching their discretionary spending so the fee level would need to be such that it encouraged participation. However, it should also be high enough that it would make a meaningful impact on the costs involved. The structure of the fee would also be very important - for example would it be a once off fee which would assist with the station capital costs or would it be an annual fee to assist with ongoing O&M costs, or perhaps a combination of both?

Other matters requiring some consideration include whether stations needed to be on city council land or whether they could be considered on the property of the company in question and how this would impact on the agreement; how close would the station be required to be to a company’s premises; a standard agreement would need to be drafted giving the NTA required flexibility over, for example, contract termination and its consequences.

An exercise should be performed to identify from the initial feasibility study document the likely locations for stations in the Regional Cities and the companies in the locality who might be approached regarding financial support. A market consultation in this area might be useful in developing a strategy for business contributions. However it is important to note that in the context of the overall scheme costs this option is unlikely to generate significant funds towards costs – it would just be a contributor.

5.6 Higher Subscription Fees

Bike schemes each have their own subscription pricing and payment structures; however there tends to be similar aspects to most. Generally there is a subscription fee which allows free trips for a short period of time after which an additional charge is levied. This varies between schemes.

The dublinbikes subscription fees and charges are set out on the table below¹¹.

SUBSCRIPTION FEES					
LONG TERM HIRE CARD €10	3 DAY TICKET €2				
A guarantee of €150 is required					
db SERVICE CHARGE					
First ½ Hour	1 hour	2 hours	3 hours	4 hours	Every extra ½ hour
FREE	€0.50	€1.50	€3.50	€6.50	€2

The subscription fees and usage charges for the London, Paris and Barcelona schemes are detailed in the following table¹²:

¹¹ Source: dublinbikes website

¹² Source: TfL website; Velib website; and Bicing website.

London	Paris	Barcelona
Access fee 24 hours -£1 7 days - £5 (equivalent to only 71p/day) Annual - £45 (equivalent to only 12p/day) Usage charge (time between picking up and returning a cycle) Up to 30 minutes - FREE Up to an hour - £1 Up to one and a half hours - £4 Up to two hours - £6 Up to two and a half hours - £10 Up to three hours - £15 Up to six hours - £35 Up to 24 hours (maximum) - £50	A subscription to use the system is required and prices vary as follows: Annual subscription - €29 Seven-day subscription - €8 One-day subscription - €1.7 There is a 30-minute free period of use. For the first additional half hour €1 is charged and €2 for the second additional half hour. After this, the cost rises to €4 per additional half hour.	Annual subscription Registration fee - €30 First 30 minutes Free Additional 30 minutes up to two hours - €0.50 Penalty for exceeding two hours €3 per hour Cancellation of the service for exceeding two hours of use after three notices.

Looking at subscription fees in other cities it could be argued that subscription fees and service charges for dublinbikes could be raised and that by doing so significant additional revenue could be generated.

However, it is felt that one of the major reasons for the success of the scheme has been that it is seen as relatively inexpensive. If the pricing levels were higher the scheme may not have been as successful. Indeed increasing the pricing could risk alienating the scheme users who have made the scheme so successful. If there was significant price elasticity of demand an increase in pricing might not lead to an increase in revenue. Notwithstanding this however, there is likely to be some scope for price increase.

As seen from the data above with respect to other cities higher annual subscriptions can be achieved. The pricing scheme adopted with respect to the Regional Cities would need to be carefully considered balancing the desire for maximum usage with revenue generation. Comparisons by users to dublinbikes would also be likely.

5.7 Advantages and Disadvantages

	Advantages	Disadvantages
Advertising sites in cities	<ul style="list-style-type: none"> Well established method for funding similar schemes; A source of potential new revenue for the authority; Allows opportunity to consider new forms of outdoor advertising e.g. on motorways. 	<ul style="list-style-type: none"> Advertising market is currently depressed; Potentially significant displacement effect; Additional outdoor advertising may not be desirable from a planning perspective; Possible that insufficient appropriate sites available;

	Advantages	Disadvantages
		<ul style="list-style-type: none"> Availability and scope vary by city.
Advertising on bikes	<ul style="list-style-type: none"> Again a source of potential new revenue. Potentially different target advertising market versus advertising sites. 	<ul style="list-style-type: none"> Advertising market is currently depressed; Potential displacement effect; Additional outdoor advertising may not be desirable from a planning perspective; Would likely make a sponsorship deal less attractive to companies.
Sponsorship of scheme or sale of naming rights	<ul style="list-style-type: none"> Again a source of potential new revenue; Precedent exists in London scheme; Potentially different target advertising market versus advertising sites. 	<ul style="list-style-type: none"> Difficult to estimate interest or value; Potential displacement effect.
Business contributions	<ul style="list-style-type: none"> A source of potential new revenue which shouldn't reduce revenues elsewhere; 	<ul style="list-style-type: none"> Potentially difficult to structure to suit multiple parties – must ensure that network structure not adversely impacted; Potential revenue relatively small for efforts involved; No known precedent; Again difficult to estimate interest and value.
Higher subscription fees	<ul style="list-style-type: none"> Higher fees seem to be achieved elsewhere (though trade-off between usage level and fee levels not known); 	<ul style="list-style-type: none"> Risks alienating potential users if higher than “benchmark” dublibikes scheme; Risks fewer users.

6 Procurement structuring options

6.1 Overview

This section explores some of the options available to the NTA for how the Project might be commercially structured for procurement.

6.2 Scheme Objectives

In order to assess the different potential options available for structuring the procurement it is useful to set out what are the likely key objectives of the NTA for the BSS.

One of the key messages coming out of the market consultation exercise performed was that before commencing the procurement of a BSS the cities had to have a clear understanding of what is the objective of the BSS to the city. Is it aimed at commuters for example, or workers during business hours or tourists etc? They need to decide what they are trying to achieve with the scheme and then devise a scheme in this light. If the scheme does not have a clear objective and vision it risks trying to appeal to everyone and succeeding in appealing to none.

The following table sets out our understanding of what those key objectives might be:

Objective	Description
Procure BSS for regional cities that meets the objective of that city	The key objective is to procure a BSS for the Regional Cities which meets the objectives and vision for the scheme for the city.
Ensure Value for Money ("VFM") for exchequer. Ideal would be if cost neutral for Exchequer	As with all public procurements the scheme should provide VFM for the Exchequer. It would be preferable if a solution could be found which were cost neutral for the Exchequer – while acknowledging that this may not be possible.
Maximum usage in cities	The dublinbikes scheme has been very successful as it has attracted a large number of users. The BSS in the Regional Cities should have the objective also of maximising users.
High Service standards	A BSS in the Regional Cities would be expected to have high service standards.
Flexible contract	The contract for the BSS should specifically deal with the concessionaire's obligations and in what manner they could be amended. The NTA should have the ability to expand or reduce the scope of the scheme and to vary or terminate the contract. In particular, flexibility should be provided to deal with amendments to numbers of stations or bikes. In addition, any contract should be "future proofed". The dublinbikes scheme is in the third generation of such bike schemes globally. Advances are being constantly made in this respect and the NTA should ensure that the BSS can be updated in time, for as yet unknown, future advances in the technology and infrastructure.
Ease of contract management	Ideally the management of the contract should not cause undue pressure on the resources of the NTA.
Timely roll-out	The BSS should be rolled out in a timely manner. In order to achieve

	this, the procurement process should ideally not be overly protracted.
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The options discussed below will be considered in the context of these objectives.

6.3 Options

6.3.1 Option 1 - Combined bike and advertising contract

As noted in Section 3 many bike hire schemes, including Dublin, are provided by outdoor advertising companies in return for advertising space. The contract for this BSS could be structured in a similar fashion.

Where advertising sites/panels were to be used as a source of revenue and planning sought post signing of contract, there is no clear visibility on contract signing as to the actual number of sites/panels which will ultimately get planning consent and provide advertising revenue. This is clearly an issue as it means that there isn't visibility on the difference between scheme cost and advertising revenue. A potential solution to this would be to obtain the planning permissions in advance of the signing the contract or even in advance of going to tender. This approach would potentially cause a delay in procurement but would give greater certainty over advertising revenues. Were this approach not taken the consequences for the scheme of reduced advertising panels and revenue as a result of refused planning permission would need to be agreed in advance.

As noted in this Report, market feedback from the outdoor advertising companies describes a market which is struggling considerably in the current economic climate. Feedback further suggests that it may be very difficult to get the outdoor advertising market to take the risk on revenue generated from outdoor advertising in funding a BSS. This was possible when Dublin was contracted but the economy was very different at that time. It is likely that outdoor advertising companies would put a low value on the additional advertising space in order to de-risk its own position. The operator would then get the benefit if the market improved.

A significant factor which must also be considered is the IT / back-office system required for a BSS. If an operator had to develop the software and processes from scratch it is likely that this cost would be significant.

Were Option 1 to be chosen the scheme would have the following characteristics:

- In return for providing a BSS (i.e. Design, Build, Operate and Maintain ("DBOM")) to the specification of the NTA, the successful tenderer would obtain a concession granting access to a specified number of advertising sites;
- Depending on the approach taken the successful tenderer may have to separately obtain planning permission for the sites;
- The successful tenderer would be required to erect the advertising panels on the sites and would then generate revenue from the advertising panels for the period of the concession;
- The operator would be best placed to maximise revenue from additional advertising space as this is their business;
- Subvention would probably still be required; and

- The process at the end of the concession would need to be agreed but the contract would be structured in such a manner that ownership of the advertising panels and bikes remains with the NTA (akin to a PPP transaction e.g. a road PPP).

6.3.2 Option 2 – Publicly funded scheme – possibly using ring-fenced revenues from advertising on the bikes and/or city sites to fund scheme but not included in tender

The key difference from the NTA's viewpoint between Options 1 and 2 is that the advertising sites would not be included as part of the tender in Option 2. Rather, the NTA would seek a tenderer to DBOM the BSS in return for an "operating fee". The tender could be structured such that the operating fee covered both Capex and O&M (this would be akin to an availability payment type approach in a PPP contract) or perhaps could be structured such that there were separate capital payments during the Design and Build ("D&B") period to cover Capex and an operating fee to cover the O&M period (this would be more akin to the Construction Payment and Operating Payment structure of earlier road PPPs). The Milan scheme for example, discussed in Section 3, above had capital costs funded by the municipality.

The identified advertising sites (which would need to fit into the wider outdoor advertising strategy of the city) would generate revenue for the NTA or City Councils which would be used to fund the BSS. However the advertising would be controlled by the NTA or the City Council (through a service provider) but would be ring-fenced to fund/part-fund the BSS. The revenue risk associated with the advertising would remain with the NTA or City Council. On the flip side of this however, there would be no in-built contingency in the tender as there might be under Option 1 to allow for a potential short fall in advertising revenue. If advertising market conditions were to improve the NTA / City Council would get the benefit. The NTA would have the added issue of having to manage both a bike and an operating contract.

The closest precedent to this approach might be Barcelona where ring-fenced parking fees are used to fund the scheme rather than advertising. A number of German schemes operated by Deutsche Bahn are also publicly funded though not through advertising. The Barclays Cycle Hire scheme in London as discussed in Section 3 above is also publicly funded. This has a sponsorship model as discussed rather than advertising. Usage fees in these examples also help to fund.

From the operators point of view Options 1 and 2 are very different and may appeal to different bidders. It must be borne in mind that some operators, who operate many of the similar schemes in Europe, primarily are outdoor advertising companies rather than bike scheme operators. The operation of the bike schemes developed as a means of obtaining access to outdoor advertising locations. Option 1 would very much appeal such operators but perhaps not to operators who are not in the advertising industry. Conversely, Option 2 would appeal to some operators but not others. While non-advertising operators may be less interested in Option 1 which includes advertising, the possibility exists for them to team up with an advertising company, if they so wished, to work around this point.

Option 2 would have the following characteristics:

- There would be a tender for a contractor to DBOM the BSS in return for a fee (which could be structured in a number of different ways);
- The BSS would be publicly funded;

- The party operating the advertising i.e. the NTA or City Council would apply for planning permission for the structure and would be responsible for the capital and ongoing O&M costs associated with the structure; and
- Any shortfall in the difference between the advertising revenue and the “operating fee” would be for the NTA/City Council’s account.

6.3.3 Option 3 – BSS Contract with a separate but linked advertising contract

Option 3 involves a procurement which would have two linked contracts. The first contract would be for a publicly funded BSS. The second contract would then be a separate contract for advertising space with a significant revenue share for the procuring authority. The fact that the BSS would be publicly funded would ensure that it was not entirely reliant on the advertising element to operate, thus ensuring that, as in the current environment where outdoor advertising revenues are depressed, the scheme could be procured. The contracts would need to include an incentivisation mechanism to encourage the maximum generation of advertising revenue so that the costs to the authority of funding the BSS could be offset via the revenue share. As the outdoor advertising market picked up the operator would need to be incentivised to generate additional advertising revenue. This could be achieved for example by giving a greater proportion to the operator for higher levels of revenue attained. The level of subvention would then gradually decrease as the advertising market recovers.

From the operators point of view he would have certainty over his operator fee while still being incentivised to maximise advertising revenues. From the authority’s point of view, it would ensure that experienced operators who are advertising companies remained interested in bidding for the scheme. It would however, mean that the authority would be contractually obliged to initially fund the BSSs through an operator fee while still retaining some advertising revenue risk. While there would be two contracts – they would be connected and be with the same party.

6.3.4 Option 4 – Combination of Option 1 and a Naming Rights/Sponsorship Competition

Option 4 would combine Option 1 above with a tender, which could run in tandem with or separately from the DBOM tender, for a sponsor for the naming rights to the BSS. The Sponsorship/Naming Rights could be included in or separate from the advertising and the contract could be structured for a once off payment or spread over the life of the contract – which would be determined by the NTA. Again, the closest precedent to this model is the London scheme.

6.3.5 Option 5 - Combination of Option 2 and a Naming Rights/Sponsorship Competition

Option 5 would see a combination of Option 2 above with a naming rights/sponsorship tender.

6.3.6 Option 6 - Combination of Option 3 and a Naming Rights/Sponsorship Competition

Option 6 would see a combination of Option 3 above with a naming rights/sponsorship tender.

6.4 Advantages and Disadvantages

	Advantages	Disadvantages
Option 1 - Combined bike and advertising contract	<ul style="list-style-type: none"> • Would attract outdoor advertising companies some of whom are very experienced operators; • Existing outdoor advertising operators have the systems and processes in place already for existing bikes schemes and could potentially just add on new cities; • Advertising revenue risk with operator; • Operator responsible for installing advertising panels (and possibly for getting planning permissions); • Operator most likely an advertising company so risk with person best placed to manage the risk i.e. they have the structures in place to maximise profit from advertising panels; • The authority would have only a single contract to manage. 	<ul style="list-style-type: none"> • Outdoor advertising market is depressed at present; • There would potentially be a displacement impact on other outdoor advertising in the cities e.g. bus shelters; • Operator will possibly factor in a contingency to cover revenue risk i.e. lower revenue benefit and higher subvention; • Operator possibly earning "excessive" profit if advertising revenues outperform; • Possibly a less flexible contract; • Operators who are not Outdoor Advertising companies may not be interested (though they could potentially enter into separate arrangements with an Outdoor Advertising company with respect to the advertising).
Option 2 - Publicly funded scheme – possibly using ring-fenced revenues from advertising	<ul style="list-style-type: none"> • No operator contingency to cover revenue risk; • NTA/City Council possibly earning additional profit if advertising revenues outperform; • Can fit the advertising in with the wider authority advertising strategy e.g. bus shelters; • Potentially more flexible contract as revenues accrue to NTA/City Council who then decide on usage. 	<ul style="list-style-type: none"> • Outdoor Advertising companies may not be interested; • Possible that tendering operators don't have existing systems and processes in place which could be costly to develop; • NTA/City Council responsible for installing advertising panels and for getting planning permissions; • Advertising revenue risk with NTA/City Council; • NTA/City Council would outsource the management of the advertising panels with the inherent cost; • Two contracts to manage.

	Advantages	Disadvantages
Option 3 – Linked Contracts	<ul style="list-style-type: none"> Existing outdoor advertising operators would be more likely to bid – they have the systems and processes in place already for existing schemes and could potentially just add on new cities; Non-advertising companies could simply either team up with an advertising company or appoint one to manage this element of the scheme; Risk contingency in the pricing should be avoided; Risk of operator possibly earning “excessive” profit if advertising revenues outperform reduced or eliminated as revenues would be shared; Operator responsible for installing advertising panels (and possibly for getting planning permissions); Advertising revenue risk shared with operator; Advertising company would run this element of the scheme so risk with person best placed to manage the risk i.e. they have the structures in place to maximise profit from advertising panels. 	<ul style="list-style-type: none"> Possibly a less flexible contract; Some advertising revenue risk with the NTA; Two contracts to manage (but with same party).
Option 4 – Combination of Option 1 and a Naming Rights/Sponsorship Competition	<ul style="list-style-type: none"> As per Option 1; Additional revenue for little additional cost. 	<ul style="list-style-type: none"> As per Option 1; Market demand or interest is uncertain.
Option 5 – Combination of Option 2 and a Naming Rights/Sponsorship Competition	<ul style="list-style-type: none"> As per Option 2; Additional revenue for little additional cost. 	<ul style="list-style-type: none"> As per Option 2; Market demand or interest is uncertain.
Option 6 – Combination of Option 3 and a Naming Rights/Sponsorship Competition	<ul style="list-style-type: none"> As per Option 3; Additional revenue for little additional cost. 	<ul style="list-style-type: none"> As per Option 3; Market demand or interest is uncertain.

	Advantages	Disadvantages
Competition		

6.5 Options versus objectives

The following table examines each of the options discussed above in relation to the objectives identified at the start of this section (Options 4-6 largely the same as Options 1-3).

Objective	Option 1 – Combined bike and advertising contract	Option 2 – Publicly funded scheme – possibly using ring-fenced revenues from advertising	Option 3 – linked contracts
Procure BSS for regional cities that meets the objective of that city	No major differentiation between options.		
Ensure Value for Money (“VFM”) for exchequer or better if cost neutral for Exchequer	Tenders possibly containing risk contingencies for advertising revenue, though would attract outdoor advertising companies who are experienced operators and have systems in place.	If tenderers do not already have the systems and processes in place from existing BSSs then development cost could be high. Would also depend on whether the potential savings associated with having an outdoor advertising company manage the advertising themselves as opposed to for the NTA, would outweigh a potential revenue risk contingency in the tender.	Should avoid risk contingency as the BSS is publicly funded. Authority would need to have advertising revenue share. Operator would need to have incentivisation to maximise advertising revenue.
Maximum usage in cities	No major differentiation between options. Possibly greater profile if there is a sponsor in place but not guaranteed.		
High Service standards	Possibly higher O&M Standard	Possibly lower O&M standard but contract could include performance requirements and penalties – though market feedback suggests that it is not commercially viable for these to be excessively onerous.	Could be an outdoor advertising operator or not depending on bidder structure.
Flexible contract	Arguably less flexible contract as revenues directly for the account of the operator.	Arguably more flexible contract as revenues directly for the account of the NTA/City Council.	Arguably less flexible contract as revenues directly for the account of the operator (but

Objective	Option 1 – Combined bike and advertising contract	Option 2 – Publicly funded scheme – possibly using ring-fenced revenues from advertising	Option 3 – linked contracts
			with revenue share).
Ease of contract management	Single Contract to be managed by NTA (i.e. BSS)	Two contracts to be managed (i.e. BSS and advertising management). Additional time and effort also required for planning permissions.	Two contracts with the same party to be managed (i.e. BSS and advertising). Additional time and effort not required for planning permissions.
Timely Roll-out	Largely the same.		

6.6 Other considerations

6.6.1 Business Contributions

The potential to obtain business contributions from companies for locating stations proximate to their premises as discussed in Section 5.5 above should be fully explored. If a workable solution could be structured and agreed with businesses, this could then be incorporated into any of the options discussed above. It would be important to ensure that elements of the business contribution structure did not cut across elements of other revenue raising options chosen – for example giving naming right to stations to individual businesses might impinge on a wider naming rights competition.

6.6.2 Length of Contract

The length of the contract may depend on the procurement structure chosen. For example, if advertising is not included within the contract a shorter term may be preferable e.g. five years, as it would provide more flexibility to the NTA. This could perhaps be combined with an option to extend. However, were advertising is to be included in the scheme it may make sense to have a longer contract term as this would provide more revenue to the operator to cover the initial costs associated with installing the advertising structures, obtaining planning permissions.etc

6.6.3 Infrastructure remaining with NTA

The NTA indicated that it would like the bikes and associated infrastructure to remain in the ownership of the NTA or City Council at the end of the contract. At the end of a (say) 15 year contract the bikes and very likely the infrastructure may require replacement. Technology will have moved on. Any subsequent operator will have its own IT and back-office system as the infrastructure and technology does not appear to be inter-operable between providers. In this respect the database of users may in fact be the most important piece of the scheme to retain.

6.6.4 Backoffice

The norm for existing bike scheme operators is that they have a central backoffice system for all their schemes. They then simply add a scheme on to the existing software when they expand to a new city. If this backoffice structure needs to be set up from scratch the cost implications are likely to be high.

6.6.5 Locking mechanism

Another key point arising from the market consultation is the importance of the locking mechanism. With some earlier schemes the locking mechanism was not secure enough in its functionality and resulted in the considerable loss of bikes. Later schemes seem to have resolved this issue (e.g. Dublin); however the NTA needs to ensure that this aspect of any proposed scheme is robust.

6.6.6 Single versus Multiple Procurements

The Project involves the potential introduction of a BSS to four Regional Cities. In terms of procurement this could be done as a single contract for four cities or as four different contracts, one for each of the cities. For the following reasons the single contract option may be preferable:

- It would provide economies of scale in terms of cost;
- It would provide that a single “control centre” could operate the four schemes with attendant significant cost savings;
- It would provide greater critical mass for the use of advertising as a source of revenue or for a naming rights competition;
- It would provide for the inter-changeability of bikes, service vehicles, staff etc between cities, again with attendant cost savings;
- There would be likely time savings in terms of procurement with a single contract; and
- It would mean a single contract to be managed by the NTA.

If some schemes are more viable than others these could be omitted but the same point would apply to the cities remaining.

This Report generally assumes a single contract for all four cities on the basis of the above.

7 Recommendations

Key issues identified for consideration include:

- A key point arising from discussions with existing operators is that procuring authorities in cities need to have clear objectives for what it is they want the BSS to achieve. They need to decide who are the customers to which they are trying to appeal. This should be the first goal of each city and this will then inform and guide on the scheme which is procured.
- Based on the analysis in this Report it is recommended that advertising revenue be utilised to fund the scheme in combination with a competition for the sponsorship/naming rights to the scheme. The inclusion of advertising to fund any scheme needs to be considered in the context of the overall outdoor advertising strategy of the city, particularly in relation to public sector advertising space e.g. bus shelters, train stations etc. The possibility of seeking business contributions should be further explored while acknowledging that there are significant complications with respect to this potential funding and the amounts involved might be modest.
- The question thus arises as to whether the advertising should be included in the contract or kept separate. Feedback from the market consultation exercise performed was unequivocal in its description of the difficult trading environment being experienced in the outdoor advertising market. Recognising this, it is not likely that advertising will be able to fund the entire scheme and may in fact only be a minor contributor in the short-term.

Options 1 (combined bike and advertising contract) and 3 (separate but linked bike and advertising contracts) might appeal to existing outdoor advertising operators. With Option 1 tenderers may include significant risk contingency with respect to advertising revenues. This would not be evident in Option 2 and would be likely to be lower in Option 3. A recovery in the advertising market would benefit solely the operator in Option 1 and solely the Authority in Option 2, but would be shared in Option 3. Option 3 would need to include incentivisation for the operator to maximise advertising revenues which would be shared with the Authority to offset the subvention needed. With Option 2 the Authority would have to enter into a separate advertising management contract with an outdoor advertising company with the attendant costs involved. Option 3 would see an outdoor advertising company manage the advertising and provide a share of the revenues to the Authority.

Taking the above into consideration the NTA might further consider Option 3 - the linked contract option. This would retain an advertising element within the contract structure, thus keeping the outdoor advertising companies interested in bidding. While recognising that outdoor advertising alone could not currently fund the BSSs, it would provide some revenue from advertising at this time. However, were the market to improve at some time in the future, revenues from advertising could be potentially much more significant. The contracts would need to include incentivisation mechanisms in order to maximise advertising revenue over the period of the contract and minimise subvention.

- Consideration should be given to the potential for progressing planning during or in advance of tender in order to maximise certainty for tenderers as to the sites available. In seeking planning permission and depending on what information is in the public domain at that time with respect to the potential BSS in the Regional Cities it may be useful to make it known that planning is being sought for structures to help fund a bike scheme. This may help to reduce the number of planning objections.

- Serious consideration should also be given to the level of the subscription and usage fees payable. The fees associated with schemes in other European cities would suggest that the fees in Dublin are relatively very low. London, for example has an annual subscription fee of £45 (c. five times the dublinbikes fee). Higher subscription and/or usage fees could be a more significant contributor towards costs.
- If BSSs are tendered together, consideration should be given to permitting users access across all of the schemes for a single membership. This is likely to appeal to a wider group. At some point in the future when integrated ticketing is operational, the possibility of including bike schemes could be considered.

8 Next Steps

The following sets out suggested next steps for the Project:

- Decide on the objective for the PSB in each city i.e. who is the scheme supposed to serve?
- Establish what is the outdoor advertising strategy for publicly owned advertising space in each of the cities where a BSS is to be procured e.g. bus shelters, billboards etc. Perform a detailed exercise with each of these cities to identify potential sites for advertising and endeavour to establish a likely value for each site. (This process has been commenced.) Seek to establish the supply versus demand imbalance for outdoor advertising in each city and the likely displacement impact of additional units;
- Discuss if possible with TfL the deciding factors in not going the route of using advertising in their contract;
- Confirm the current estimate of required stations and bikes per city;
- Confirm identity of potential sites for stations and identify companies located nearby. Engage in a market consultation exercise to determine the level of interest in including provision for Business Contributions in return for locating stations near business premises. This process should also seek to identify likely contribution levels and how such an arrangement might be structured;
- Decide on the preferred commercial structure of the contract; and
- Prepare Tender documentation.

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