



EXECUTIVE SUMMARY

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

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.

ENDS