

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: July 24, 2013

SUBJECT: BOARD ENQUIRY ABOUT BIXI AT TTC

ACTION ITEM

REASON FOR CONFIDENTIAL INFORMATION:

This report involves the security of property belonging to the City of Toronto.

RECOMMENDATIONS

It is recommended that the Board:

1. Endorse the TTC staff position that the BIXI bike-sharing program should not be considered for integration into the TTC because:
 - BIXI is a bike-sharing program which is not part of the TTC's core business of providing mass transit and would constitute a distraction from the TTC's already-challenging mandate;
 - The existing BIXI program is not financially sustainable. BIXI Toronto is carrying a \$3.9 million capital debt and other potential financial liabilities associated with the program, and its operating revenues are currently insufficient to cover its operating costs. The TTC is already forced to cut important transit-related capital projects, because of funding constraints, as well as limit service improvements owing to financial pressures. There is no business case to support the TTC taking on additional expenses to support a non-transit initiative;
 - The City of Toronto has specialized staff who are responsible for all public cycling matters in Toronto, while TTC staff do not have such specialized expertise. Therefore, City staff are in a better position to manage a program like BIXI;
2. Note that:
 - public bike-sharing programs can be an additional environmentally-sustainable means of providing mobility within a city, which can complement traditional public transit;
 - some major world cities such as London, Montreal, and Chicago have committed public funding to public bike-sharing, and the City of Toronto could consider providing similar financial support to BIXI;
 - expansion of public bike-sharing in Toronto would require property for additional docking stations – an aspect which would be best managed by the City of Toronto;

3. Direct that the information contained in Attachment 1 remain confidential as it contains information respecting the security of property belonging to the City of Toronto; and
4. Forward this report to the Executive Committee of the City of Toronto, and Deputy City Manager, Cluster B, for consideration together with the City staff report on the future of BIXI.

FUNDING

This report has no effect on the TTC's operating or capital budgets.

BACKGROUND

At its meeting on April 24, 2013, the TTC Board passed the following motion:

1. That TTC staff be requested to prepare a report by the July 2013 TTC Board meeting on the feasibility and expected costs of integrating BIXI Toronto into the TTC; and
2. Forward this decision to the City of Toronto Executive Committee, with a copy to the Deputy City Manager, Cluster B, with a request that any decision on the BIXI matter be deferred until the subject TTC report is referred by the TTC Board to the Executive Committee for consideration.

This report responds to the motion.

DISCUSSION

Toronto's BIXI Program

BIXI is a public fee-based bicycle-sharing program. Toronto's BIXI program was launched on May 3, 2011, and it currently serves primarily the area bounded by Bathurst Street, Bloor Street, Parliament Street, and Lake Ontario. The system has 1,000 bikes and 80 stations with 1,500 docking points. (This spare capacity at stations is essential because, if someone wants to drop off their bike at a particular station that is full, they have to find a different, nearby station that has an available docking point.) There are currently 4,630 paid subscribers (memberships), and the majority of these are annual memberships.

The fees for use of BIXI are designed to encourage short trips:

- customers must first pay a "System Access Fee" before renting a bicycle – either a Full Membership (\$97 per year or \$41 per month) or Casual Use (\$5 for 24 hours or \$12 for 72 hours); and

- “Usage Fees” apply to all trips over 30 minutes (\$1.50 for a 31-60 minute trip; \$5.50 for a 61-90 minute trip; and an additional \$8.00 for each half-hour – or part thereof – beyond 90 minutes).

Financial Information and Issues

The City of Toronto has a 10-year agreement (2011-2020) with BIXI Toronto Inc. to implement and operate BIXI in Toronto. BIXI Toronto Inc., a private for-profit company, is responsible for all costs (capital and operating) and operations, including administering work performed by other service providers (e.g., call centre, membership sales, station installation/maintenance, bike maintenance, and continual re-distribution (or “rebalancing”) of bikes among stations). City staff oversee the program, provide local technical expertise, and coordinate approvals to locate bike stations.

Bike-sharing programs improve the mobility of residents and provide an additional environmentally-sustainable transportation option, but usually require either government funding or another external revenue stream, like advertising revenues, to be viable. The BIXI Toronto operating model is different from other cities which provide government subsidies and grants for their bike-sharing systems. The City of Toronto has not provided any start-up funding or revenue guarantees. The City of Toronto’s only financial commitment to date has been to guarantee BIXI Toronto Inc.’s \$4.5 million loan to launch the program. In addition, most programs in other cities have added revenue from advertising at bicycle stations. However, sponsorship/advertising opportunities in Toronto are limited due to the City’s existing virtually-exclusive contract with an advertising agency with respect to advertising on City property.

BIXI Toronto Inc. is currently experiencing financial difficulties. User fees and sponsorship revenue are not currently sufficient to cover the operating costs of the program. BIXI Toronto Inc.’s loan balance as of December 31, 2012 was \$3.9 million.

Options Being Explored by City Staff

On April 23, 2013, the City’s Executive Committee considered a City staff report and confidential attachment which presented options for restructuring the City’s relationship with BIXI Toronto Inc., in order to protect the City’s financial interest (i.e., the loan guarantee). Following that meeting, staff issued a non-binding Request for Information (RFI) for the purposes of collecting information on, and assessing market interest in, bicycle-sharing operations and assuming the BIXI program. None of the six respondents to the RFI considered it viable for a private operator/owner to assume the BIXI Toronto operation without City subsidy.

On July 3, 2013, Executive Committee considered another City staff report and confidential attachment regarding recommended “next steps” for BIXI Toronto. Executive Committee referred the item to the Deputy City Manager, Cluster B, with confidential instructions.

BIXI Montreal, PBSC and STM

BIXI Toronto Inc.’s parent company, Public Bicycle System Company (PBSC), was created by Stationnement de Montréal (Montreal’s parking authority, an arm’s length agency of the City of Montreal), which was tasked with developing Montreal’s bike sharing system. BIXI Montreal was launched in 2009, and currently has 5,120 bikes and 411 stations, making the

program five times bigger than BIXI Toronto.

PBSC is in the process of selling the part of its business that manufactures and sells the BIXI system and services to other cities. All aspects of the BIXI system, including sales and service in cities worldwide, will be owned by a new private company. The Montreal BIXI program will be operated by PBSC as an entity wholly owned by the Société de Transport de Montréal (“STM,” Montreal's transit authority) and will not continue to support the BIXI Toronto program beyond 2013.

STM and BIXI Montreal have an existing partnership-affinity arrangement whereby mutual discounts are provided for annual subscriptions – STM subscribers get \$20 off a BIXI Montreal membership, and BIXI subscribers get \$39 off the annual cost of STM's OPUS fare card. Such an arrangement is uncommon among similar North American bicycle-sharing systems. STM's service area encompasses the island of Montreal, which comprises the City of Montreal proper and 15 independent municipalities. Unlike the City of Toronto, the City of Montreal does not have a group of specialists dedicated to city-wide cycling programs and initiatives.

Media reports indicate that, although BIXI/PBSC will be integrated into STM, the City of Montreal – not STM – will assume BIXI Montreal's deficit. The City of Montreal will spend \$2.4 million on 1750 additional docking points and 100 bikes, to replace older bikes. The City of Montreal will also contribute \$245,000 in operating funds this year.

The Question of Integrating BIXI Toronto into the TTC

TTC staff have considered several factors regarding the potential to integrate BIXI into the TTC.

TTC Core Business

The TTC is fundamentally a provider of mass public transit in the City of Toronto. The BIXI program is a bike-sharing program, and not part of the TTC's mandate. If the TTC were to take over BIXI, it would distract from the TTC's mandate of public mass transit.

Staffing

If the TTC were to take over BIXI, we would need additional staffing. In order to maintain the existing contracted-out program, the TTC would need to hire at least one additional staff. Additional resources would be required from other departments, to look after matters such as property negotiations. If other functions which are currently undertaken by BIXI Toronto Inc. were to be done in-house by TTC staff – such as the call centre, membership sales, station installation/maintenance, bike maintenance, and bike “rebalancing” among stations – additional staff would need to be hired. Any expansion of the existing program may require additional staff, particularly related to locating additional bike stations. City cycling staff would have to provide continued “hands-on” assistance, such as input on the best locations for new BIXI stations, and assisting with City approvals for locating these facilities on City property.

Locating BIXI Stations at Subway Stations

At the majority of subway stations in the BIXI service area, there is no space on TTC property to locate any type of bike parking – either BIXI or regular parking. TTC staff currently assist, and will continue to assist with any proposal for a new BIXI station on TTC property, but these opportunities are very limited and would represent only a small fraction of any expansion plans for BIXI.

City staff are in a better position than TTC staff to arrange approvals to locate BIXI stations on City property, or to negotiate agreements with private landowners to locate BIXI stations on private property.

TTC Use by BIXI Members

Bike sharing can facilitate additional transit use, because it can be used to complete the so-called “last mile” of a transit trip. Bike sharing can also reduce transit use because some trips (particularly shorter or intermediate trips) previously made by transit may be made, instead, by bicycle. Early published research suggests that Toronto BIXI members are using transit less, overall, than they did before BIXI: these people may be replacing shorter downtown trips, which they used to make by transit, with BIXI bicycle trips.

The City has Dedicated Cycling Staff

The City of Toronto’s Cycling Infrastructure & Programs group is responsible for the City’s integrated approach to developing cycling programs and related infrastructure in Toronto. They have overseen Toronto’s BIXI program from its inception. A bicycle-sharing program such as BIXI falls naturally into the responsibilities of that group. It would be disjointed to separate BIXI from other City-led cycling initiatives.

JUSTIFICATION

The TTC should not take ownership or responsibility for the BIXI bike-sharing system because it is not consistent with the TTC’s core business of operating mass transit, the BIXI system is currently not financially viable and would put additional financial pressures on the TTC, and because the City of Toronto has staff with specialized expertise pertaining to city-wide bicycle programs and initiatives.

11-31-58

Confidential Attachment: Board Enquiry About BIXI at TTC