



PA12.4

REPORT FOR ACTION

Bike Share Program Operations & Fee Considerations

Date: June 8, 2018
To: Board of Directors, Toronto Parking Authority
From: Acting President, Toronto Parking Authority
Wards: All

SUMMARY

This report seeks approval of the Board of Directors of the Toronto Parking Authority ("TPA") to:

- adjust certain Bike Share user fees;
- amend the terms of the Operator Agreement ("Agreement") with Shift Transit Inc., the current system operator, to extend the term by one year to expire on December 31, 2019. Shift Transit Inc. has operated Bike Share Toronto for just over one year now; in that time operations of the program have improved substantially in all aspects;
- authorize short-duration promotional opportunities as they may arise; and
- direct the Acting President, TPA to report back to the Board at the earliest opportunity for approval of parameters of an agreement currently being negotiated with Astral Out-of-Home/Bell Media to facilitate advertising on the Bike Share station caisson panels as previously contemplated by City Council.

The measures outlined in this report (June 8, 2018) are within the purview of the TPA Board to approve. These actions set a base for further development of a longer term financial sustainability strategy for Bike Share which TPA staff are currently formulating as directed by City Council, in consultation with the City's Financial Planning and Transportation Services Divisions. Staff will be in a position to present this strategy in conjunction with the 2019 Budget process.

RECOMMENDATIONS

The Acting President, Toronto Parking Authority recommends that:

1. The Board of Directors, Toronto Parking Authority approve adjustments to the Bike Share program user fees, not including HST, effective July 1, 2018 as follows:
 - (a) adjust the Annual Membership Fee to \$99.00;

- (b) adjust and streamline the Usage Overage Fee to \$4.00 for every extra 30 minutes (to a maximum of \$100 in 24 hours);
- (c) introduce an Annual Corporate Plan Fee of \$450 (minimum of 5 memberships at \$90); and
- (d) introduce a Single Trip Fee of \$3.25 for a one-way trip;

(Table 1 - *Proposed Bike Share Toronto Fees (not including HST)*, contained in this report of the Acting President sets out the complete listing of current and proposed fees for the Bike Share program);

2. The Board of Directors, Toronto Parking Authority authorize the Acting President, TPA to extend the termination date of the Bike Share Program Agreement (system operating contract, April 1, 2017 Memorandum of Understanding) with Shift Transit Inc., by one year to expire December 31, 2019, and on such other or amended terms and conditions as may be more favourable to the TPA and acceptable to the Acting President, and in a form satisfactory to the City Solicitor;

3. The Board of Directors, Toronto Parking Authority authorize the Acting President, TPA to seek out and implement from time-to-time, "activations", or short-duration promotional opportunities with interested partners, to augment Bike Share system revenue and promote the recognition and use of the system; and

4. The Board of Directors, Toronto Parking Authority direct the Acting President, TPA to report back to the Board at the earliest opportunity for approval of terms and conditions of an agreement currently being negotiated in consultation with the General Manager, Transportation Services, in the context of the City of Toronto's Coordinated Street Furniture program, with Astral Out-of-Home/Bell Media, to facilitate advertising on the Bike Share station caisson panels.

FINANCIAL IMPACT

The impact of the recommended operational changes are considered in TPA's 2018 budget. The 2018 Bike Share approved Operating Budget anticipated user fee changes which will help drive annual and casual ridership day pass and single trip purchases, contributing approximately \$0.3 million to 2018 projected operating revenues of \$3.6 million.

The budgeted monthly operating costs payable to Shift Transit under the expanded operating system are \$0.4 million. By extending the Shift agreement, Bike Share will be able to avoid \$0.6 million of additional operating costs on the expanded system of 6,200 docks in 2018 and avoid a further \$1.2 million in 2019.

DECISION HISTORY

City Council, at its meeting of November 13, 14, 15 and 18, 2013 in considering, "*Strategy for Continuing Toronto's Bike Share Program*" (Item EX35.8), enacted a multi-faceted strategy to develop a plan and strengthen the financial viability of Toronto's bike share program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.8>

City Council, at its meeting of December 5, 6, 7 and 8, 2017, in considering, "*2018 Rate Supported Budgets - Toronto Parking Authority*" (Item EX29.20), among other things, directed the Acting President, Toronto Parking Authority to report back to the Executive Committee, through the Budget Committee, with a comprehensive strategy to address the funding for the Bike Share Program on a longer term basis, to inform the 2019 and future years Budget processes by March 31, 2018.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX29.20>

The TPA Board, at its meeting of March 16, 2017, (Minute 17-044) approved the appointment of Shift Transit Inc., ("Shift") as the new Bike Share Toronto operator for the remainder of the original term of the Program Agreement expiring December 31, 2018.

The TPA Board, at its meeting of May 15, 2018, received a report from the Acting President (April 30, 2018), titled, "*Bike Share Toronto - Program Marketing Campaign and Promotion Agreement with the Canadian Automobile Association (CAA)*" (Item PA11.6).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PA11.6>

COMMENTS

The Bike Share Toronto program continues to play an important and increasingly prominent role in the City's wider integrated transit and mobility system in promoting and enhancing active transportation alternatives and environmentally friendly, green transportation options for residents of Toronto. It has a demonstrable and expanding positive impact on reducing road congestion and supporting public transit use. This has been clearly established through the funding commitments made by all three levels of government for capital expansion. The Toronto Parking Authority is now into its fifth year of the re-launch of Bike Share Toronto.

The bike share program has been successful in terms of capitalizing on a number of opportunities to facilitate significant expansion of the system and accelerated use by the public since its re-launch. With that said, Bike Share Toronto reflects the experience of all similar systems, and in fact all public transit operations worldwide, in that user/operating revenues alone will not completely offset operating expenses.

Funding of the vast majority of bike sharing systems, both in Canada and internationally, typically derives from three primary sources – user-pay operating revenues, sponsorship/advertising rights and public subsidy of remaining shortfall. In this regard, TPA staff have been working concertedly with the City's Financial Planning and Transportation Services Divisions to develop a sustainable long term financial strategy addressing all aspects of past and future capital and operating elements. This review involves a number of complexities and we will be reporting further on the details of this through the 2019 Budget process. In the meantime, the elements advanced in this report will establish a sound base for furthering the overall strategy.

System Operations

The operations of the Bike Share Toronto system utilize a third party service provider, Shift Transit Inc. The operations work includes all elements of the system including: bike & station maintenance, bike distribution, station removal & installation, management of the software system (back-end), customer service, marketing (e.g. social media), management of sponsors / partners as well as operational metrics and financial reporting. The efficiency and quality of the operations has a direct impact on system revenue. A brief overview of operations since TPA assumed responsibility for Bike Share is provided in the following:

- Upon assumption of the system, in February 2014, TPA awarded a five (5)-year contract to Alta Bike Share (subsequently sold to Bike Share Holdings Inc. of New York and branded as Motivate Company Toronto Inc.) to operate the system.
- The structure of the program operations agreement with Alta/Motivate essentially assigned full operation responsibility for the system to the service provider including setting membership fees, the collection of all revenues and payment of all expenses, with TPA sharing in total operating revenue over a fixed annual amount on a 60:40 split, to the service provider and TPA respectively. All operational risk was transferred to the service provider, with TPA making a fixed fee contribution to offset the deficit.
- Through culmination of a series of issues and concerns, the parties, in March 2017, mutually agreed to the termination of the relationship. At that time, TPA retained its current operator, Shift Transit Inc. (Shift), which is a subsidiary of system equipment supplier PBSC, as of April 2017 to continue operations for the remainder of the original term of the Program Agreement, being December 31, 2018.
- The contract with Shift was restructured on a fixed fee model to provide TPA with better operational cost certainty and transparency, and contract clarity. As well, under the new model, the fee structure is established by Bike Share, not the operator, and all user-based (gross) revenues flow to Bike Share (TPA). This approach has removed operational biases and operator disincentives as service levels are now clearly defined, thus avoiding many performance issues that previously existed. The operating cost under the contract is \$89/month per dock - for a typical station (comprising on average 17 docks) the number of trips per station to break even is 68 per station or 4 trips per bike.

Shift Transit has operated Bike Share Toronto for just over one year now, including the transition from the previous operator. In that time operations of the program have stabilized and improved substantially in all aspects. The following specific improvements during this period are noted:

- A 54% increase in revenues from 2016 to 2017;
- An 81% increase in the number of rides supported by a 98% reduction in bikes out of service;
- The number of customer complaints decreased dramatically. In 2017 only 1.5% of all trips leading to communications with the call centre or customer service email, compared to 3.5% in 2016;

Shift doubled the number of annual staff (from 20 to 39) and doubled the number of vehicles in their rebalancing fleet. When Shift took over the operation of the program, more than 600 bikes were in a state of disrepair; currently only 35 bikes in system are in disrepair (2750 bikes total). Shift has also made investments in their asset management and customer service ticketing programs. They have hired a marketing director and put together a comprehensive marketing plan to help promote and grow the system.

The issues and ultimate change-over in system operators consumed considerable staff time and effort in 2016 and 2017. Recognizing that Shift has been successfully managing the Bike Share operations over the past year and that TPA wishes to minimize system operation disruption during the launch of new marketing initiatives and sponsorship negotiations, staff recommends that the TPA Board authorize a one-year extension of the Program Agreement to December 31, 2019. This course will also allow TPA to focus its resources in the coming months on those critical areas that will more effectively address the financial challenges of the program, including the significant roll-out of new equipment and securing revenue opportunities as discussed in more detail below.

The proposal negotiated between TPA staff and Shift Transit for extending the operating contract under favourable reduced rates is outlined as follows:

- TPA commits to installing all 90 stations purchased in 2018 as previously approved;
- Operating fee calculations effective July 1, 2018 will be fixed at 5,000 docks, while the full system will include 6,200 docks;
- TPA will extend the existing contact with Shift Transit to December 31, 2019;
- Shift Transit will not charge any additional costs for operations related to the 2018 expansion;
- Shift Transit will procure a boom truck and one additional rebalancing vehicle for 2018, bringing total vans to five; and
- Shift Transit will procure two rebalancing vehicles, bringing the total to seven vans and one boom truck in 2019.

User Fees

The Bike Share system is intended to function as a sustainable transportation option, promoting short, one-way trips. The current pricing structure is designed to incentivise shorter trips and maximize the number of trips per day, making the most efficient use of the system's infrastructure. Bike share fees in North America have historically followed a structure similar to that of local mass transit. Bike share largely complements transit systems, providing a first/last mile solution to a transit journey. Most cities offer an annual bike share membership that has similar characteristics to a standard monthly transit pass. Users have unlimited access to the system for a certain period of time. The price of annual bike share memberships typically equate to the cost of a one month transit pass. The 1-day casual fee is typically in the range of the cost of two transit trips.

The current Bike Share fee structure has been in effect since 2014. Bike Share has completed a review of this structure with a view to increasing revenues without impacting ridership levels. The basis of this review has been a detailed scan of other bike share systems in North America, as well as gauging the fees against inflationary trends and transit fares since they were last adjusted.

Based on our review and analysis, an aggressive alteration of the user fee structures would not represent a viable revenue option as it could undermine the original operational principles and functioning of the pricing scheme. Based on this review, fee changes for the bike share system are recommended to modestly increase the annual membership fee, update and simplify the overage fees (when a rider exceeds the time limit) and introduce a new option, a corporate plan that would offer a group of five (5) annual passes for \$450.

There is limited potential to generate additional revenue through substantial rate increases in the short term. For example, Bike Share's 1-day pass rate increase from \$5 to \$7 in 2014 resulted in decreased ridership by 20% and revenue by 19%.

The following table provides a comparison of the existing vs. proposed fee structure:

Table 1 - Proposed Bike Share Toronto Fees (not including HST)

	Fee Description	Current Fee	New Fee
A	Annual Membership Fee	\$90	\$99
B	24 hr Pass Fee	\$7	\$7 (no change)
C	3-Day Fee (72 hr pass)	\$15	\$15 (no change)
D	Overage Fee	31-60 minutes \$1.50, 61-90 minutes \$4, for every additional 30 minutes \$7	\$4.00 for every extra 30 minutes (max in 24hrs \$100)
E	Single Trip Fee	N/A	\$3.25

	Fee Description	Current Fee	New Fee
F	Fee for lost or stolen bicycle	\$1,200	\$1,200 (no change)
G	Annual Corporate Plan Fee	New fee option	\$90 (min. 5 memberships + 1 free)
H	Station move fee	\$399 per dock	\$399 per dock (no change)
I	Station shutdown fee	\$2 per dock per hour	\$2 per dock per hour (no change)
J	Card replacement fee	\$10 per card	\$10 per card (no change)

Annual Membership Fee:

The current annual membership fee is \$90 per year, which entitles riders to 365 days of access to the system with an unlimited number of 30 minute rides. Users are charged overage fees if their rides exceed 30 minutes. Annual memberships are user-specific and non-transferable. The fees associated with bike share systems in other cities illustrate that the annual membership fee in Toronto is relatively low. For example, New York has an annual subscription fee of \$169 and San Francisco is \$149. The Annual membership fee for Toronto in 2011 was \$97 and was lowered in 2013 to \$90.

The chart below highlights a sample of the prices of annual memberships and 1-day passes for select bike share systems in other North American cities. In all of the cities listed the annual memberships provide similar system access to members (unlimited number of rides with a capped amount of time per ride, if a user exceeds the time limit, they are charged overage fees). All of these systems operate 365 days a year, with the exception of BIXI Montreal.

Table 2 - Comparison of Select Municipal Bike Share Fees

City	Bike Share Toronto	CitiBike New York	MoBi Vancouver	Ford GoBike (San Francisco)	Divvy Chicago	BIXI Montreal
Annual Membership Fee	\$90 CA\$	\$169 US\$	\$159 CA\$	\$149 US\$	\$99 US\$	\$91 CA\$
1-day fee	\$7 CA\$	\$12 US\$	\$9.75 CA\$	\$10 US\$	\$3 US\$ (single trip fee)	\$5 CA\$

With respect to inflation, staff have calculated that had the fee rate increased annually since 2014, it would now currently stand at \$97.29. Bike Share Toronto exists as a relatively inexpensive transportation option which is one of the major reasons for the success of the pricing scheme. Substantially increasing the annual membership fee could risk alienating the users who have made the scheme successful. Taking into consideration all of these factors, staff are recommending that the annual membership fee be set at \$99. Annual membership stands at over 12,000 as of May 2018. The proposed increase is estimated to generate approximately \$110,000 in additional annual revenue.

Annual Corporate Plan (New):

The corporate plan fee would consist of annual memberships sold in groups of five to a company or agency. Companies would be able to buy a group of one year memberships for a total of \$450 (\$90 each) that could be distributed to members of their group/company. For every five memberships purchased, the company would receive one for free.

Overage Rates:

The overage or extra-time fee is charged when a user exceeds the 30 minutes travel limit on one trip. The current overage rate is \$1.50 for the first 30-minutes (i.e., if the trip lasts 31-60 minutes), \$4 for the next 30 minutes (61-90 minutes), and \$7 for each additional 30 minutes thereafter. In the interest of making Bike Share Toronto's overage fee schedule more transparent and easier to understand for our customers, it is recommended to switch to a flat overage fee of \$4 for every extra 30 minutes of usage. This change will reduce confusion and complaints from the users and increase revenue for the system.

1-day (24hr) Casual Fee:

The 1-day, short term casual pass is set at \$7 and will not be changed. This option is generally used by locals and visitors to the city, particularly during the summer months. The user is given access to the bike share system for a 24h period (Unlimited 30 min per trips) with the \$7 but additional fees start after the allocated trip period. The additional fees are billed at the end of the access period, directly to the users' credit card. The 1-day pass generates more revenue than the annual membership and any other existing bike share fees. The offer of an affordable short term option to use the scheme supports a positive image and brand of the city abroad to potential visitors.

3-day (72hr) Casual Fee:

The 3-day, short term casual pass is set at \$15 and will not be changed. This option is very similar to the 1-day pass as it is used by locals and visitors to the city for a weekend or a business trip during the week. The 3-day casual pass is not as popular as the 1-day pass. For example two 72 hr passes are purchased for every one hundred 24hr passes purchased.

Short Term Single Trip Fee (New):

The new short term single trip fee would be set at \$3.25 and would be for one-way trips. The single trip fee will allow users to use a bike for one-way trips of up to 30 minutes each for \$3.25 + HST. Additional fees (overages charges) will be applied after the allocated 30 minute trip period has ended.

This one-way trip will provide options for the purpose of partnerships, fare integration, activations and sponsorship agreements. For example, on Free Ride days the single trip will be offered instead of the 1-day pass. Discussion with Metrolinx on fare integration are ongoing and one of the requirements is bike share to operate with a single trip fee. The single trip fee will make it easier for Bike Share Toronto to have fare integrate with transit. When the single trip fee was introduced for BIXI Montreal there was no decrease in the sales of 1-day passes and experienced in fact 15.9% growth.

Card Replacement:

When an annual member needs a replacement card/key a fee of \$10 charged. The member needs to contact customer service to deactivate the bike card/key as soon as possible and request a replacement.

Station Fees:

When a request is received to move or shut down a station to accommodate private interests, a fee is charged. On average 10% of the stations are moved each year. The majority of the moves are to accommodate City of Toronto or utility construction, for example sidewalk repairs, road construction, water main repairs, BIA event. The City of Toronto is not charged for moves for construction work. The in-kind savings to the City is approximately \$300,000. Private companies and organizations are charged for station moves and there are between 5-10 moves that occur in a year. The cost to move an average size station is \$6,783 (\$399 x 17 docks). Expected revenue for stations moves in 2018 is \$50,000. The fee is charged to private developers, production companies and large event organizers that request a station be moved or shut down.

Non-User Revenue Opportunities

These opportunities fall into three broad streams, or combinations thereof - system sponsorship, third party advertising and time-limited promotions. Based on past experience and projections through the budget processes, these sources of funds had been expected to fill a significant portion of the user fee gap.

A concerted effort is underway to secure prime sponsorship and/or system naming opportunities for Bike Share. We are confident that there is significant value in the Bike Share system and it offers a very unique and exciting opportunity for sponsorship. Currently, we are directly engaged in discussions with several organizations that identify a relationship with Bike Share Toronto within their scope of consideration. We expect to be in a position to bring a significant sponsor on board in 2018 and will report to the Board accordingly.

In addition to system sponsorship, "activations" provide a way to increase revenue with short-burst (duration) promotions utilizing the value of the system. Essentially, Brand Activations are intended to drive consumer action through brand interactions and experiences. The Bike Share system offers companies unique access to a brand's potential consumer. It enables brands to support local infrastructure and connect with residents and visitors. Activations have become a key success factor for bike shares globally. In conjunction with sponsorship, we are also pursuing a number of potential activation opportunities. An example of an "activation" is the recent announcement of the CAA presenting "Free Ride Wednesdays" in June 2018. In this regard, we are seeking authorization from the TPA Board to enable staff to engage in such activations as opportunities arise.

Finally, at the time of transfer of the program to TPA, City Council authorized the use of the caisson panels on the bike share stations for advertising could be a viable source of revenue to support Bike Share. Recently, Astral Out-of-Home/Bell Media, the partner in the City's Coordinated Street Furniture program, has been working with TPA and Transportation Services on options to integrate the Bike Share panel infrastructure within their street furniture inventory. It is envisaged that one face of the two-sided panels could be used for this purpose. Detailed analysis is underway. Once the results of the negotiation and background analysis are complete, ideally in the next couple of months, TPA staff will report back to the Board on the terms and structure of a pending agreement.

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SIGNATURE

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