

Public Bike Hire Scheme For Auckland

Purpose

- 1) To identify international models of public bike hire schemes.
- 2) To identify next steps for progressing and possibly funding a public bike hire scheme in Auckland.

Executive Summary

The market for public bike hire schemes has matured in recent years and a number of proprietary systems are in use around the world. While many operators operate a single scheme on a small scale, a number of larger operators have emerged to run multiple schemes across different countries. Typically, operators rely on advertising or sponsorship for the largest portion of their revenue.

To progress the next steps for funding and implementing a public bike hire scheme for Auckland a Request for Expressions of Interest (REOI) will be advertised. This will determine the level of operator interest in providing a new scheme for Auckland. An outline of the proposed REOI is shown in Attachment 2.

The REOI provides the first stage of a tender process to gauge the cost, timeframes and business models available and shortlist operators to tender for a service. It is anticipated that a trial scheme could be in operation by October 2011 for the Rugby World Cup.

Auckland Transport is not able to fund commercial operations directly without a public tendering process (except for a short term emergency essential service such as retaining a ferry link to a Gulf Harbour Island or an essential bus service), due to the subsidy conditions of contracted services provision.

Public Bike Hire Schemes

Public bike hire schemes incorporate low-cost access to a bike network. Users either pay a per-use fee to access a bicycle at a bike station (normally, near a mass transit hub) or they hold an annual membership which allows them regular access to the public bicycles. Users are then able to return the bicycles to any station in the system.

Common uses are for commuting, recreation, quick trips, and travel between transit stations, resulting in an overall reduction in the use of motor vehicles. The bicycles used in the program often include unique markings or colouring to distinguish them from privately-owned bicycles.

Public bike hire schemes are common in Australia, Europe, America, and many parts of Asia with over 200 in operation. Large schemes have recently commenced in Melbourne (opened July 2010) and Brisbane (opened October 2010).

Attachment 1 shows a number of existing overseas bike hire schemes which are based on a number of different funding models. The schemes are either run privately through advertising (using bikes, billboards or bus shelters) or major sponsorship / naming rights and public subsidies. The schemes have been based on the following funding models:

1. Commercial operator funded –financed by the operator in exchange for advertising rights
2. Public/private partnership – joint delivery with profit share arrangements
3. Publicly funded –contract award to operate scheme
4. Grant or loan funded – public sector provides operator with a loan

Costs associated with the delivery and operation of overseas schemes vary considerably dependant on size and business model. Examples of costs are shown in Attachment 2. The

Melbourne scheme has been identified to cost taxpayers \$5.5m over 5 years while the Brisbane scheme initially costs \$1 million per annum.

The commercially operated Nextbike NZ Ltd public bike hire scheme suspended its Auckland operations in November 2010. The Nextbike scheme was unable to generate sufficient advertiser and user revenue with the limited cycle fleet (170) and parking location (current public bike stands) available to make it a viable business operation. Nextbike NZ Ltd identified that the operating cost of the 170 bike operation was approximately \$350,000 per year.

Key issues / Constraints

- The implementation of a public bike hire scheme would need to be a new budgeted item. Currently no specific funding has been identified for a public bike hire scheme.
- Operational costs for public bike hire schemes do not currently receive funding from NZTA but capital costs associated with cycle infrastructure can receive funding.
- An appropriate business model for an Auckland based scheme to be sustained and successfully utilised.
- Ability for a commercially operated model to raise enough revenue to sustain operation and the level of any public funding required.
- Ability to deliver a trial scheme by the 2011 Rugby World Cup.

Next Steps - Request for Expression of Interest (REOI)

Advertise a Request for Expression of Interest (REOI) for a public bike hire scheme for Auckland. The REOI would gauge the level of interest and how the various business models might operate in the Auckland context. The scope of the REOI would cover scale of operations, geographical coverage, business models and funding requirements (if any), linkage to the Rugby World Cup, type of equipment and infrastructure.

It is proposed to evaluate the REOI submissions and select a shortlist of operators by early February 2011.

Recommendation

That the Board approve release of an REOI for an Auckland Public Bike Hire scheme.

Attachments

Attachment A - Examples of Overseas Public Bike Hire schemes

Attachment B - Outline of REOI for an Auckland Public Bike Hire scheme.

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APPROVED FOR SUBMISSION by	David Warburton Chief Executive	

Attachment A

Examples of Overseas Public Bike Hire schemes

Different models are currently utilised in delivering public hire schemes from commercial, private/public partnerships through to publicly funded. A naming sponsor is often utilised for the bike scheme to increase revenue and create an identity for the scheme

Several European cities, (Lyon, Paris and London) have signed contracts with private advertising agencies (including JC Decaux) and are operated through public-private partnerships

Bicycles are supplied free of charge (or for a minor fee) and in return, the agencies are allowed to advertise both on the bikes themselves and in other selected locations in the city.

Brisbane Scheme, Australia



Scheme operator is J C Decaux. The Scheme currently has 500 bikes at 40 bike stations. Contract is for 2,000 bikes at 150 dedicated bike stations by December 2011. The scheme is funded by advertising with panels located at bike stations.

Scheme commenced operation in October 2010. The initial cost to ratepayers is AUS\$1m per annum. Scheme predicted to generate AUS\$9m profit over 20 years, with Brisbane City Council expected to receive a share of the profit.

Nextbike – Germany and previously Auckland



Scheme operator is Nextbike developed originally for a number of German towns and cities. Scheme dependent upon advertising. For the Auckland scheme, a commercial operation which involved approximately 170 bikes and a 2500 membership base from 2008 to 2010, the revenue ratio was approximately 10% from users and 90% from advertising.

Operational costs associated with the Auckland scheme were identified by Nextbikes Ltd NZ to be approximately \$2000 per year per bike and utilised existing public bike racks. Nextbike NZ Ltd have identified that to run a 250 bike scheme would cost in the region of \$2.7m for 4 years including capital costs of bikes and dedicated bike racks. This is in line with the Melbourne scheme costs identified below.

Melbourne Scheme, Australia



Scheme operator is the Royal Automobile Club of Victoria and Alta Bicycle. Alta Bicycle run four similar schemes in the US. Scheme commenced operation in July 2010. It is identified that the 450 hire bikes will cost taxpayers approximately \$5.5 million (Australian) over four years.

London Scheme



Scheme launched in July 2010. Barclays Bank pay NZ\$45 million for naming rights Scheme has 6,000 bikes at 400 docking stations. Cost approx. NZ \$300 million to set up.

Attachment B

Outline of Request for Expressions of Interest (REOI) for Public Bike Hire Scheme

PURPOSE OF THE REOI

- Issued to inform interested parties of The Auckland Transport's intention to progress a public bike hire project in Auckland.
- Auckland Transport seeks information and expertise from firms with experience of implementing such projects in other cities, as well as from other interested parties to shortlist for a tender process .

EXTRACT OF SUBMISSION INFORMATION

Background

- Auckland Transport, Auckland Council and the New Zealand Transport Agency are proactively developing a programme of walkways and cycleways across the region. The estimated combined spend of these works over the next three years is between NZ \$40 - \$50m.
- Auckland Transport identifies that a public bike hire scheme strategically fits into Auckland TravelWise travel behavioural change aimed at encouraging more sustainable travel to businesses, workplaces schools, colleges and communities.
- Auckland Transport considers a Public Bike Hire project as being a network of publicly available bicycles the goals of which are not only recreational, but also to provide a means of multi-modal transportation.
- A future user may bike from or to transit facilities and others may bike to business, social, educational, tourist and recreational destinations. Components of such Public Bike Hire schemes may include distinctively-designed bicycles, fully integrated and automated bike parking stations as well as the ability to leave a bicycle at any bike parking station in the network.
- The most successful existing Public Bike Hire schemes minimise the cost to bike hire users and provide a sufficiently extensive network of bike parking stations to accommodate a wide range of potential short trips in the network's area of focus. These characteristics are important to Auckland Transport but is also open to receiving new ideas and financing structures that meet the unique challenges and opportunities of operating in the Auckland environment.
- A Commercially operated Public Bike Hire scheme was set up in Auckland in 2008 but ceased trading in November 2010.
- The Rugby World Cup is one of the world's largest sporting events planned for 2011. Auckland Transport would like to see at least a trial of the public bike hire scheme in place during the World Cup.
- The first stage of the Auckland public transport integrated ticketing project is due to launch in 2011. Integrated ticketing opens up opportunities for linkages with a Public Bike Hire scheme.

Geographic area

- Auckland Transport welcomes proposals that extend beyond the CBD that might also include other district centres, hospitals, major employment sites, public transport interchanges, tertiary educational institutions and recreational centres.

Experience

- Summary of background and experience with Public Bike Hire schemes or background and experience which would be suitable to implementing such a project

Project Structure, Logistics, Potential Market and Demographics

- Size, scope and target market for a Public Bike Share scheme in Auckland
- Details on bikes, parking stations, site selection process, infrastructure, technology and other technical features
- The type of equipment, including bikes, bike station stations, including helmets etc., would work best in the Auckland Environment

Business model and costs

- Capital costs and projected annual operating costs of implementing a Public Bike Hire scheme
- Possible funding sources including obstacles and advantages of funding sources for a Public Bike Hire scheme
- End user fee structure should be implemented
- What types of technology can be implemented to ensure the success of a Public Bike Hire scheme, including but not limited to online reservations, membership, real-time availability and equipment diagnostics.
- Opportunities to deliver a scheme by October 2011
- Barriers or issues with a Public Bike Hire scheme in Auckland that may need to be addressed before such a project is launched.

EOI programme

REOI issued

REOI closing date

Evaluation period commences

Clarification and confirmation of EOIs

Identify shortlist (if any)

Proceed to enter into a competitive process or negotiate directly with one or more selected participants (if any)