

Transport and Environment Committee

10.00am, Tuesday, 4 June 2013

Bike Lease Scheme and Promotion of Cycling – Motion by Councillor Mackenzie

Item number	7.18
Report number	
Wards	All

Links

Coalition pledges	P43 , P45 , P50
Council outcomes	CO10 , CO22
Single Outcome Agreement	SO2

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Bike Lease Scheme and Promotion of Cycling – Motion by Councillor Mackenzie

Summary

At its meeting of 15 March 2012 the Council approved a Motion by Councillor Mackenzie to instruct the Head of Transport to pilot a bike leasing scheme and seek third party support, including the potential for commercial sponsorship. The full text of the Motion is included in Appendix 1.

Under a bike leasing scheme, members would be provided with a bike which they would keep for the period of the lease. This is distinct from a bike share or hire scheme, where members have access to bikes located on-street and return them after each use.

The Motion also instructed that proposals which will deliver targeted cycling promotion activities, and promote better cycling, be prepared, and that the outcomes of these work streams should be reported to the former Transport, Infrastructure and Environment Committee.

A feasibility study has been undertaken where options for the configuration of a bike leasing scheme have been developed and costed. A market research exercise has been undertaken across businesses and organisations in Edinburgh to gauge the level of interest in commercial sponsorship opportunities related to the scheme.

This report presents the outcomes of the costing exercise to implement a scheme as referred to in the Motion, and the outcomes of the market research which demonstrates the level of interest in commercial sponsorship. It also proposes that further work is undertaken to engage with potential operators and users to develop a more detailed understanding of the scheme's feasibility. The report also includes an outline of targeted cycling promotion activities which are currently being undertaken by Transport, including proposals for further activities.

Committee has also previously considered a bike share scheme on several occasions, most recently as part of a report on the Active Travel Action Plan on 21 September 2010. The report concluded that income from a bike share scheme was not expected to cover its costs. It noted that income from advertising/sponsorship revenue could help to fund such a scheme but that the main opportunity for this would not become available until the renewal of the Street Advertising Contract in 2014.

The possibility of including a bike share scheme in the new Street Advertising Contract has since been investigated and it has been concluded that market support for this is limited. If the scheme was included within that tender, it is likely that bidders would sub contract making it a more expensive route to procure for the Council. The Street Advertising Contract will therefore focus on the main commercial elements of street furniture and hoardings with a view to securing best value for the Council. An update report on the Street Advertising Contract will be considered by the Finance and Budget Committee on 6 June 2013.

Recommendations

It is recommended that the Committee:

- 1 discharges the Motion to the Council by Councillor Mackenzie on 15 March 2012;
- 2 notes the outcomes of the feasibility study and other work undertaken to date and approves further investigatory work into the viability of the scheme. This will include engaging with potential operators to improve understanding of the level of financial risk to the Council; and
- 3 notes that a further report will be made to Committee following completion of this investigatory work and prior to appointing any operator.

Measures of success

Potential implementation of a Bike Leasing Scheme and targeted cycling promotion activities will contribute to increasing the modal share of cycling in Edinburgh. The Council's objective, contained in the Active Travel Action Plan, is for 15% of journeys to work and 10% of all trips by 2020. Furthermore, activities to promote safer cycling and driving will contribute to improved road safety in Edinburgh.

Financial impact

A budget of £25,000 was originally allocated from last year's Transport Revenue Budget to develop the bike leasing scheme. The cost of the work carried out to date is approximately £10,000.

The cost of the further investigatory work recommended in this report can be met from within this year's Transport Revenue Budget and is not expected to increase the total cost of developing the scheme beyond the amount originally allocated.

The expected financial performance of the scheme was assessed over a five year operating period and two scenarios were tested:

- Option 1, which would be available to students enrolled on further education/degree programmes (and staff up to certain grades) in Edinburgh; and
- Option 2, which would be a general public based scheme targeted at all residents of the city, including those served by Option 1.

Both schemes incurred a substantial loss in year one due to scheme set up costs, and continued to produce a cumulative loss over the remainder of the five year period. Option 1 costs less over the five years (£59,500 compared to £73,250 for Option 2). These costs could be prioritised and contained within the budgets available for cycling.

The funding for the targeted cycling promotion activities is allocated from existing budgets.

Equalities impact

There is potential for positive equalities impacts arising from this report. Promoting cycling contributes to increasing mobility for both socio-economic and age groups which do not have access to private motorised transport.

As part of the bike leasing scheme feasibility study, initial equalities impact scoping work has been undertaken. This identified a risk regarding Option 1 for the scheme configuration, which in the feasibility work undertaken to date was designed to be available to students enrolled on further education/degree programmes (and staff up to certain grades). In order to mitigate this risk it is proposed that further work would be undertaken in relation to a scheme which would be connected to these institutions, but not exclusively linked to them. This would be likely to have an adverse effect on the financial performance of Option 1. A full Equalities and Rights Impact Assessment would be undertaken in relation to any proposals to be taken forward.

Sustainability impact

The impacts of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account and are noted at Background Reading later in this report.

The proposals in this report:

- may reduce carbon emissions as they contribute to the core objective of the Active Travel Action Plan to increase the number of people cycling in Edinburgh, by extending access to bicycles for use in the city;
- will increase the city's resilience to climate change impacts as increased levels of cycling in the city may reduce the need for vehicular travel; and
- will help achieve a sustainable Edinburgh through the promotion of healthier forms of travel.

Consultation and engagement

A market research exercise has been undertaken to gauge the potential for commercial sponsorship. Approximately 70 businesses and organisations either located in Edinburgh, or with a particular connection to the city, were contacted. Responses were submitted via email and indicated there is little interest in commercial sponsorship. Where there interest in becoming involved it was indicated that this would be on a non-financial basis.

Background reading/external references

Bike Leasing Feasibility Study, undertaken by Halcrow for the City of Edinburgh Council under the Transport Planning Services Framework (March 2013).

Bike Lease Scheme and Promotion of Cycling – Motion by Councillor Mackenzie

1. Background

- 1.1 At its meeting of 15 March 2012 the Council approved a Motion by Councillor Mackenzie to instruct the Head of Transport to pilot a bike leasing scheme and seek third party support, including the potential for commercial sponsorship, for this scheme.
- 1.2 Under a bike leasing scheme, members would be provided with a bicycle which they would keep for the period of the lease. This is distinct from a bike share or hire scheme, where members have access to bikes located on-street and return them after each use.
- 1.3 The Motion instructed that the bike leasing scheme should initially comprise 200 bikes, with the flexibility to expand in future. A feasibility study has been undertaken to assess the scheme's projected income and expenditure. Two scenarios were tested; Option 1, which would be available to students enrolled on further education/degree programmes (and staff up to certain grades) in Edinburgh; and Option 2, which would be a general public based scheme, targeted at all residents of the city. The projected financial performance of each option was appraised over a five year period.
- 1.4 Both schemes incurred a substantial loss in year one due to scheme set up costs, and continued to produce a cumulative loss over the remainder of the five year period.
- 1.5 The ultimate assessment of a scheme's feasibility, however, would not be undertaken purely on financial grounds. A bike leasing scheme would make a contribution to the Council's transport policy and cycling objectives as well as a contribution to the Active Travel Action Plan. Further work is proposed to develop the Council's understanding of the overall benefits of a scheme. This would enable an informed judgement to be made in terms of the validity of allocating resources from existing cycling budgets on an ongoing basis.

- 1.6 The Motion also instructed that proposals which will deliver targeted cycling promotion activities and promote better cycling be reported back to Committee; information on ongoing and future activities is included in the Main Report.

2. Main report

Bike Leasing Scheme Feasibility Study

- 2.1 The 'Bike Leasing Feasibility Study' report details the process undertaken to predict the financial implications of delivering such a scheme. As was instructed in the Motion, each option for the scheme configuration was based on an initial operation of 200 bikes.
- 2.2 Users of the scheme would be supplied with a bicycle fitted with lights, a bike helmet and a bike lock. The scheme would also include an annual bike service and insurance, including cover for roadside recovery and repair of accidental damage.
- 2.3 As the target markets varied across Option 1 and Option 2, the assumed rates of uptake and income from leasing charges were varied accordingly. The base rates were determined using research into existing schemes operating elsewhere. Assumed leasing charges were £40 per quarter for Option 1 and £15 per month for Option 2.
- 2.4 The financial analysis element of the feasibility study predicted that the scheme would require ongoing financial support.

Financial Analysis Undertaken to Date

- 2.5 The costs of running each type of scheme were separated into Capital Expenditure (CAPEX – the outlay costs required to set the scheme up, including purchase of bikes and necessary equipment), and Operational Expenditure (OPEX – the ongoing year-on-year costs needed to operate and maintain the scheme, including insurance, servicing, repairs, a storage facility for unleased bikes and scheme administration).
- 2.6 All assumptions as to the costs of each of these elements were made following background research into established similar schemes operating in cities elsewhere in the UK and Europe and current average retail costs of CAPEX equipment. The total CAPEX per bike (bike, lights, helmet and lock) were estimated to be £291.

- 2.7 All of the potential options for scheme configuration returned a negative Net Present Value (NPV) meaning the scheme would cost money to run rather than generate revenue over its assumed five year lifetime (which is considered to be the maximum lifetime for a bike in constant daily use). The majority of costs incurred by any scheme would be associated with set up in the first year. In the following years the level of subsidy required would be minimal.
- 2.8 Option 1 was predicted to require funding of approximately £59,500 over five years, the projected costs incurred throughout the appraisal period were;
- Year 1 – £58,444
 - Year 2 – £236
 - Year 3 – £228
 - Year 4 – £220
 - Year 5 – £213
- 2.9 Option 2 was predicted to require funding of approximately £72,500 over five years, the projected costs incurred throughout the appraisal period were;
- Year 1 – £61,419
 - Year 2 – £3,005
 - Year 3 – £2,805
 - Year 4 – £2,619
 - Year 5 – £2,445

Market Research Undertaken to Date

- 2.10 The Motion also instructed that third party support, including the potential for commercial sponsorship, be sought to contribute to the costs of scheme delivery. Therefore, 70 businesses and organisations were approached in a market research exercise to gauge the level of interest in becoming involved in supporting the scheme.
- 2.11 This research highlighted a low level of interest in becoming involved in the scheme. The small number of businesses/organisations which stated they would consider any type of involvement all indicated that any support/sponsorship they could offer would be of a non-financial nature.
- 2.12 The report also highlighted existing alternatives, such as salary sacrifice based schemes at several of the city's largest employers and the availability of cheap refurbished second hand bikes from organisations like the Bike Station.

Proposed Way Forward

- 2.13 The financial analysis undertaken to date has highlighted the fact that a bike leasing scheme would require ongoing financial support. The research has determined that the level of funding required to operate a scheme is affordable from within current budgets; currently 6% of the Transport Revenue Budget is allocated to cycling. This scheme would be a suitable use of this funding as it contributes to several transport policy objectives.
- 2.14 It is now proposed that further work should be undertaken to test the assumptions used to predict financial performance by engaging directly with the market place.
- 2.15 Potential users would be consulted regarding the level of leasing charge that they would be willing to pay. The outcomes of this would then be compared to the assumed figures used to analyse expected financial performance. It is likely that sensitivity testing would then be undertaken by varying the assumed levels of patronage and revenue. This would take account of the inter-relationship between assumed leasing prices and assumed patronage levels. This would provide a more detailed understanding of the likely financial risks associated with funding the scheme.
- 2.16 It is also proposed that a Prior Information Notice (PIN) would be issued which would facilitate engagement with potential operators prior to preparation of a tender.
- 2.17 As well as gauging interest in the scheme, this process would identify potential issues that would need to be addressed to make the scheme attractive to potential operators and give them the opportunity to suggest possible ways to reduce capital or operational expenditure. It would also allow operators to present possible alternative delivery models, such as the setting up of a bicycle co-operative. Ensuring the scheme specification is designed in a manner that would attract interest from a range of potential operators would reduce the level of risk to the Council and operators at both the tendering and operation stages of the scheme.

Feasibility Study Conclusions

- 2.18 Research has shown that a bike leasing scheme would require ongoing financial support and that it is unlikely that this could be addressed by external financial sponsorship.

- 2.19 Assessment of the scheme's feasibility has, to-date, been based mainly on its expected financial performance. If a scheme was progressed further, a full Equalities and Rights Impact Assessment (ERIA) would be required. The most favourable option for scheme configuration in terms of financial performance (Option 1) has significant deliverability risks associated with it, in that it may not meet the requirements of an ERIA in its current incarnation. It has therefore been proposed that the configuration of Option 1 be modified to ensure its target market is more inclusive.
- 2.20 Furthermore, a significant financial risk is posed by employers' salary sacrifice bike schemes and the availability of cheap refurbished second hand bikes which could mean the patronage of a bike leasing scheme may in fact be lower than has been assumed in these costing exercises. Further sensitivity testing should be undertaken to explore the impact of reduced levels of patronage.
- 2.21 The outcomes of the bike leasing scheme costing and market research exercises demonstrate that the scheme would not be self sufficient in the current financial climate. Further analysis will indicate the extent to which this is the case, and provide a more detailed picture of the level of funding which would be required to deliver the scheme and the financial risks to the Council it would entail.

Targeted Cycling Promotion Activities

- 2.22 The Council's Active Travel Action Plan (ATAP), which was published in September 2010, contains an action to devise an Active Travel Communication Strategy. This will set out plans for targeted promotional activities to increase the level of cycling, raise awareness of cycling, and promote better cycling.
- 2.23 These targeted promotional activities will aim to make a significant contribution towards increasing the amount of cycling in Edinburgh. Promotional activities will aim to increase the level of cycling overall, raise awareness of cycling among other road users, and promote better cycling. Some promotional activities will be targeted at raising awareness of new cycle routes or infrastructure.
- 2.24 Pilots of many of the promotional measures which will be included in the Communication Strategy were undertaken for the launches of the Leith to Portobello and the George IV Bridge to King's Buildings Quality Bike Corridor routes in autumn 2012. Experiences and lessons learned from these activities have been beneficial in the continued development of the Communication Strategy.

- 2.25 European funding has been secured to further develop the range of promotional activities to target cyclists and potential cyclists, as part of the Cycling Heroes Advancing sustainable Mobility Practice (CHAMP) project. This will provide a financial resource to develop a city-wide approach to marketing cycling and promoting better cycling. It will also enable further awareness-raising activities to promote the use of the two aforementioned recently implemented cycle routes.

Bike Share Scheme

- 2.26 Committee has also previously considered a bike share scheme on several occasions, most recently as part of a report on the Active Travel Action Plan on 21 September 2010. The report concluded that income from a bike share scheme was not expected to cover its costs. It noted that income from advertising/sponsorship revenue could help to fund such a scheme but that the main opportunity for this would not become available until the renewal of the Street Advertising Contract in 2014.
- 2.27 The possibility of including a bike share scheme in the new Street Advertising Contract has since been investigated and it has been concluded that market support for this is limited. If the scheme was included within that tender, it is likely that bidders would sub contract making it a more expensive route to procure for the Council. The Street Advertising Contract will therefore focus on the main commercial elements of street furniture and hoardings with a view to securing best value for the Council. An update report on the Street Advertising Contract will be considered by the Finance and Budget Committee on 6 June 2013.

3. Recommendations

3.1 It is recommended that the Committee:

3.1.1 discharges the Motion to the Council by Councillor Mackenzie on 15 March 2012;

3.1.2 notes the outcomes of the feasibility study and other work undertaken to date and approves further investigatory work into the viability of the scheme. This will include engaging with potential operators to improve understanding of the level of financial risk to the Council; and

3.1.3 notes that a further report will be made to Committee following completion of this investigatory work and prior to appointing any operator.

Mark Turley

Director of Services for Communities

Links

Coalition pledges	P43 – Invest in healthy living and fitness advice for those most in need P45 – Spend 5% of the transport budget on provision for cyclists P50 – Meet greenhouse gas targets, including the national target of 42% by 2020
Council outcomes	CO10 – Improved health and reduced inequalities CO22 – Moving Efficiently – Edinburgh has a transport system that improves connectivity and is green, healthy and accessible
Single Outcome Agreement	SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health
Appendices	Appendix 1 – Motion by Councillor Gordon Mackenzie

Appendix 1 – Motion by Councillor Gordon Mackenzie

The City of Edinburgh Council

Meeting 12 – Thursday, 15 March 2012

11 Bike Lease Scheme and Promotion of Cycling – Motion by Councillor Gordon Mackenzie.

The following motion by Councillor Gordon Mackenzie was submitted in terms of Standing Order 28:

“Council notes the success of other cities in increasing cycle use through targeted cycling promotion activities. Council therefore instructs the Head of Transport to:

(a) pilot a bike lease scheme similar to the model proposed by the Bike Station as part of their recent People’s Lottery bid, initially with 200 bikes, and with the flexibility to increase the size in future; and

(b) prepare proposals which will deliver targeted cycling promotion activities and promote better cycling.

Council further agrees that the Head of Transport seeks third party support, including the potential for commercial sponsorship, for the cycle leasing scheme and targeted promotion activities and reports to the Transport, Infrastructure and Environment Committee later this year.”

Decision

To approve the motion by Councillor Gordon Mackenzie.