HARVARD Kennedy School
Government Performance Lab

Project Feature

Procuring a Bike Share System Operator in Boston, Massachusetts

The public bike share program, Hubway, operates across Boston, Brookline, Cambridge, and Somerville.

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Boston, neighboring municipalities, and its partners leverage their procurement for a new bike share operator to improve the user experience, maintain the current system's state of good repair, and expand the network of stations without significant public expense.

The Problem: Boston and three neighboring municipalities (Brookline, Cambridge, and Somerville) own the regional bike share system, Hubway. In coordination with the Metropolitan Area Planning Council, these participating municipalities had to procure a new operator for Hubway as their current contracts were set to expire in April 2017. Boston sought to use the procurement as an opportunity to address a number of challenges with the bike share system. Hubway members frequently encountered stations that were empty, preventing them from picking up a bike, or full, preventing them from dropping off a bike. The participating municipalities also wanted to expand the system to improve bike and dock availability in areas that were already served, boost total ridership, and increase access for low-income and minority communities.

Applying Results-Driven Contracting Strategies: Boston, its partners, and the GPL used this system operator procurement to:

1) **Implement performance metrics that better capture the user experience.** Hubway's previous key performance indicators (KPIs) were too broad to track a central performance challenge: keeping certain high-traffic stations "normal" – meaning at least one dock and one bike are available – during rush hours. Under the old contracts, individual

stations were evaluated on whether they were "normal" for at least 85 percent of the time between 6 AM to 10 PM every day each month, an overly broad metric that did not focus on the times and places where rebalancing services were most needed. To better capture the user experience, the request for proposals (RFP) recommended that respondents a) use a "cluster" approach to measure bike and dock availability, and b) vary KPI targets by timing and by site. Using a cluster metric, a full or empty station would be considered "not normal" only if its immediately neighboring stations did not offer the needed bike or dock. And providing distinct KPI targets for rush hours and for high-traffic stations will focus the operator on making bikes and docks available to the greatest number of users. By adopting KPIs that incorporate these structures, the operator will have a greater incentive to maximize user satisfaction, and will be positioned to collaborate with participating municipalities to pinpoint and troubleshoot challenges that arise after the contracts launch.

2) **Improve system operations by balancing operator oversight and flexibility.** Under the old contracts, many changes to system operations required parties to reenter negotiations. The new RFP instead proposed that the operator could modify the pricing and structure of some Hubway membership options, allowing for a) demand-based discounts that encourage users to return bikes to stations where they are most needed, reducing dependence on expensive rebalancing vehicles or valet services; b) promotions that increase ridership; or c) the creation of new membership tiers based on user demand, such as single ride passes for tourists. Where the operator's incentives to maximize revenue might not align with the participating municipalities' goals, the RFP included requirements and oversight measures. For example, the participating municipalities set goals for marketing and multilingual customer support to increase the diversity of members.

3) **Recruit private financing for the system expansion while promoting the participating municipalities' goals.** Hubway's complicated financing structure was typical of public-private partnership bike share systems. In the past, one participating municipality shared profits with the operator while the others paid the operator a fixed monthly fee for each functioning dock within their borders, as well as specific fees for other services needed during the contract term, such as installing or moving a station. The revenue sharing agreement proposed in the new RFP has the potential to remedy the current financing structure's limitations as well as to encourage the operator to improve user experience and to maximize the capital raise. The RFP identifies four revenue streams—a title sponsorship, which could give a single company branding rights akin to New York City's Citi Bike; secondary sponsorships to fund specific elements of the system such as single stations; member fees; and casual user fees—and proposes that each be split differently between the participating municipalities and the operator. This arrangement recognizes that revenue streams should be shared based on which party's performance will most influence that stream's size, the amount of funds parties need to fulfill their respective programmatic obligations, as well as the timing of when parties need funds to meet those obligations.

The Results: In April 2017, Boston and its partners finalized the new operations contracts and a regional Memorandum of Agreement. Under these new agreements, Boston will expand its station network by more than 70 stations over the next two years – there are 127 stations now – without spending additional public dollars. Through the expansion, the City is increasing access to the bike share system for low-income and minority communities, including reaching the neighborhoods of Roxbury and North Dorchester. The relaunched Hubway bike share system incorporates new procedures and financial incentives to improve the user experience.

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