



Date: 18 July 2013

Item 11: Barclays Cycle Hire Usage

This paper will be considered in public

1 Summary

- 1.1 This paper outlines the early impact of the tariff changes applied to Barclays Cycle Hire (BCH). The data provided is necessarily in outline only, given the limited time that has elapsed since tariffs were changed and that there were alterations to the scheme size and unusual weather during that period. Caution should be exercised before assuming long term trends.

2 Recommendation

- 2.1 The Committee is asked to note this paper.

3 Background

- 3.1 On 2 January 2013, the access fees for the scheme doubled:

- (a) 24 hour access increased from £1 to £2;
- (b) 7 day access increased from £5 to £10; and
- (c) Annual access increased from £45 to £90.

Usage charges and penalty charges were unchanged.

- 3.2 As cycle hire usage (and therefore income) is highly seasonal and weather related, this paper considers the impact on Period to Period usage and on user generated income, in comparison with equivalent Periods in the preceding year.
- 3.3 In early March 2012, the BCH scheme was extended by around 20km², adding an additional 2,300 cycles through the Phase 2 project, meaning that the overall year on year usage and income levels in January and February (although higher in 2013 than they were in 2012) are not strictly comparable. As a result, this paper only considers comparable periods – those being period 13 in 2012/13 and periods 1-3 in 2013/14.
- 3.4 Traditionally, around half of the annual BCH income comes from the four financial periods between June and September. This is, therefore, an interim assessment and more comprehensive analysis will be carried out after the summer period.

4 Usage

- 4.1 BCH usage measured as a 12 month rolling average has been growing year on year, through a combination of expansion, growth driven by improved distribution and from special events.
- 4.2 Following the tariff rise, in the periods of comparable scheme area, usage has fallen by just over 20 per cent. However, this total is influenced by the extreme variability of weather conditions experienced between March 2012 and March 2013. Historical evidence shows that there is a very strong correlation between ambient temperatures and numbers of cycle hires, particularly among non-registered (casual) users (see appendix 1).
- 4.3 March 2012 was the second warmest on record in London, whereas March 2013 was the third coldest. As a result, hires in this period were down by some 38 per cent on the previous year. This also reflects reported data for overall levels of cycling in London in March, which were also down by over 20 per cent on the same period last year.

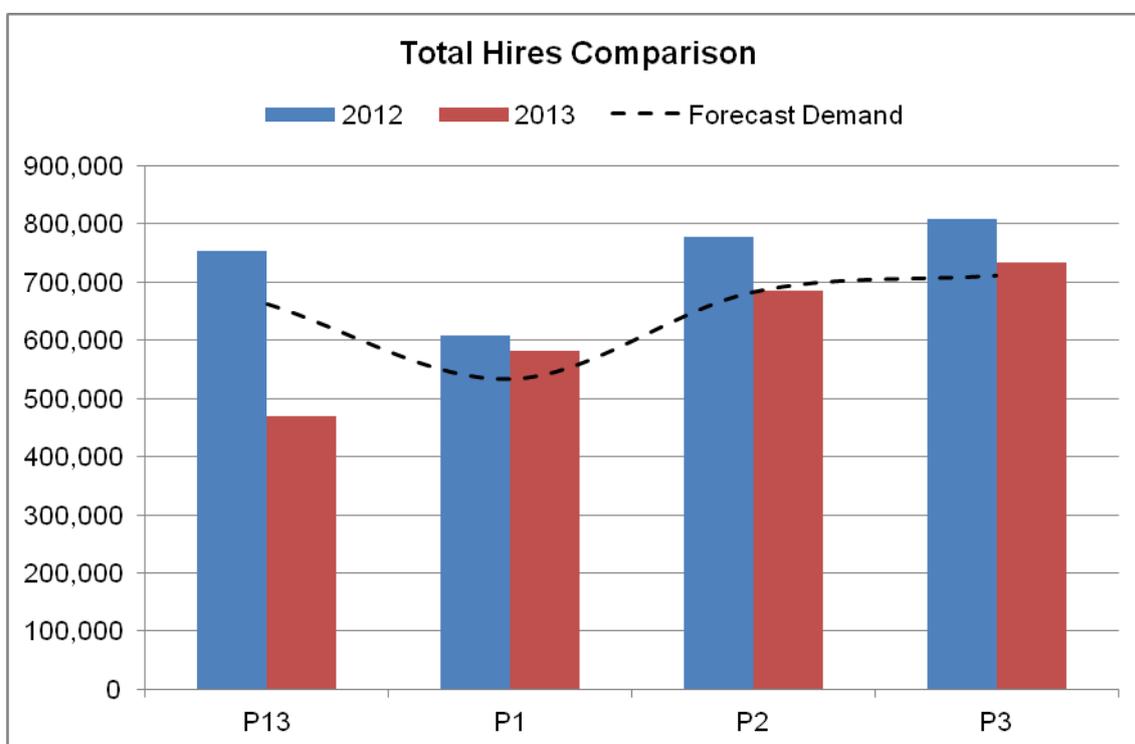


Figure 4.3 – Comparison of total hires for 2012 and 2013

- 4.4 A fairer comparison of the relative impact of the tariff change would be to consider only Periods 1-3. For these periods (April – June 2012 versus 2013), the total number of hires has fallen by an average of 8.5 per cent following the doubling of the access fees, against a forecast reduction of 12 per cent.
- 4.5 Another early but noticeable trend has seen a steady replacement of annual access periods with daily access periods within the member base. The number of active annual access periods has fallen by around 10 per cent since the tariff increase, having remained relatively stable for the preceding year, although this needs to be observed over a longer period to assess whether it is a trend that continues through the summer months.

- 4.6 The most recent member customer satisfaction survey took place in December – prior to the tariff change but after the announcement and customer emails. 83 per cent were aware of the price increase and there was a moderate decline in ‘overall satisfaction with value for money’; a mean of 79, against 83 in June 2012. As expected, there was an increase in those saying that they will not renew their membership when it runs out; up to 20 per cent from eight per cent in June 2012.

Income

- 4.7 Figure 4.7 demonstrates the comparison of the income¹ generated for the same periods. This shows only income from the principal tariff related sources; member and non-registered access charges and non-registered hire charges. Penalty charges and member usage charges are excluded.
- 4.8 For the focus periods there has been virtually no change in the total income received, however, it is clear that the weather in March has once again had a significant impact.
- 4.9 For periods 1 to 3 only, income from the principal sources has risen by 20 per cent on the previous year, this compares to a predicted increase of 36 per cent over these three periods, made when the tariff changes were introduced.
- 4.10 The inconsistency of hire volumes being marginally higher than anticipated and the income not reaching expectations can currently be attributed to greater than anticipated falls in the number of annual renewals. Initial trends suggest that infrequent users who may have made a ‘casual’ decision to purchase annual access may now be looking more closely at the decision. Detailed analysis will be undertaken on this and on the granular effect of the tariff rise across the key income streams after the peak summer usage.
- 4.11 However, it is important to note that the majority of income from cycle hires generated by the scheme comes in between June and September. Therefore, it is somewhat premature to draw too many conclusions about the level of full year income likely to be generated.

¹ Annual membership income is included in Figure 4.7 on the basis of cash received in the period. The financial accounts allocate the receipts across the duration of the membership.

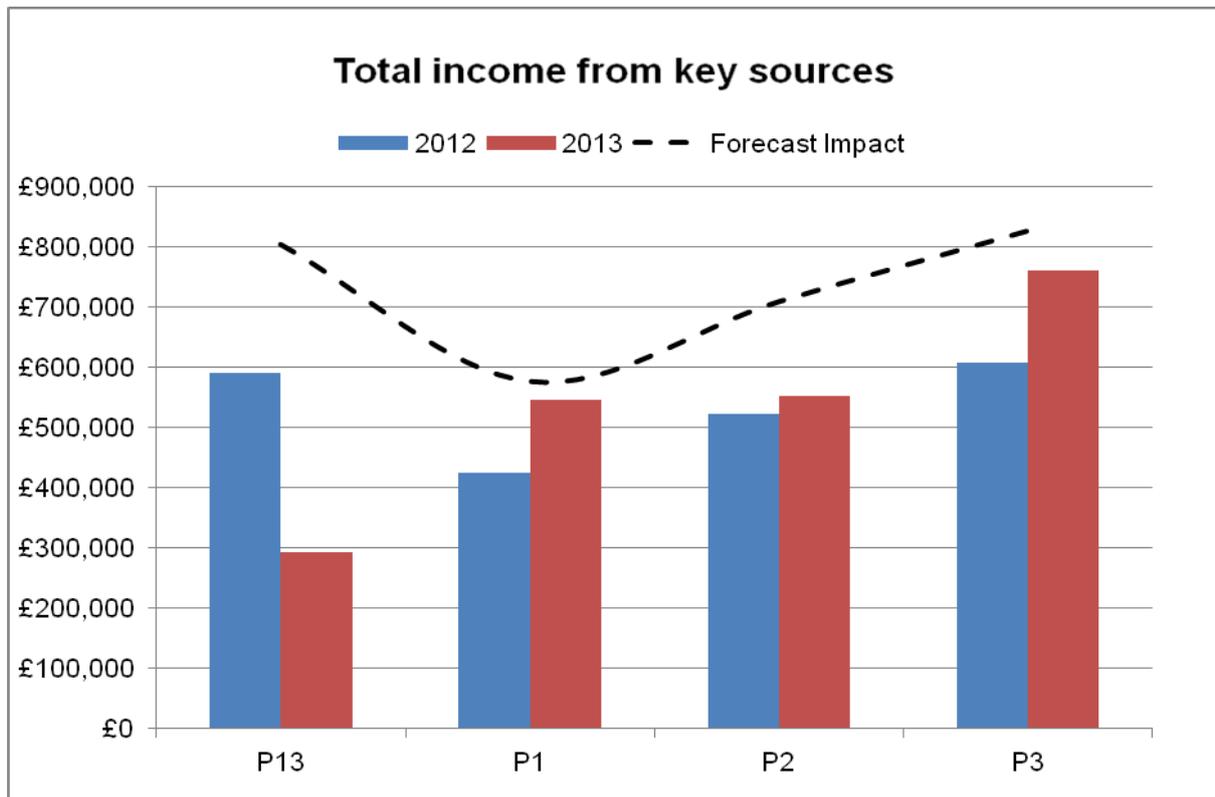


Figure 4.7 – Comparison of total income for 2012 and 2013

5 Conclusion

- 5.1 With only three periods of comparable year on year data – those where alterations to the scheme size or unusual weather would not have provided distortions – caution should be exercised before assuming long term trends.
- 5.2 For these periods we have observed a small (8.5 per cent) decline in usage (compared to a pre-tariff rise prediction of 12 per cent decline) and an increase in principal revenue of 20 per cent year on year, compared to a predicted 36 per cent.
- 5.3 Two of the three principal revenue sources are dependant on non-registered hires. These users are highly susceptible to the weather and as such the summer months will provide greater insight into the true impact of the tariff change.

List of appendices to this report:

Appendix 1 – Weather impact on Cycle Hire usage

List of Background Papers:

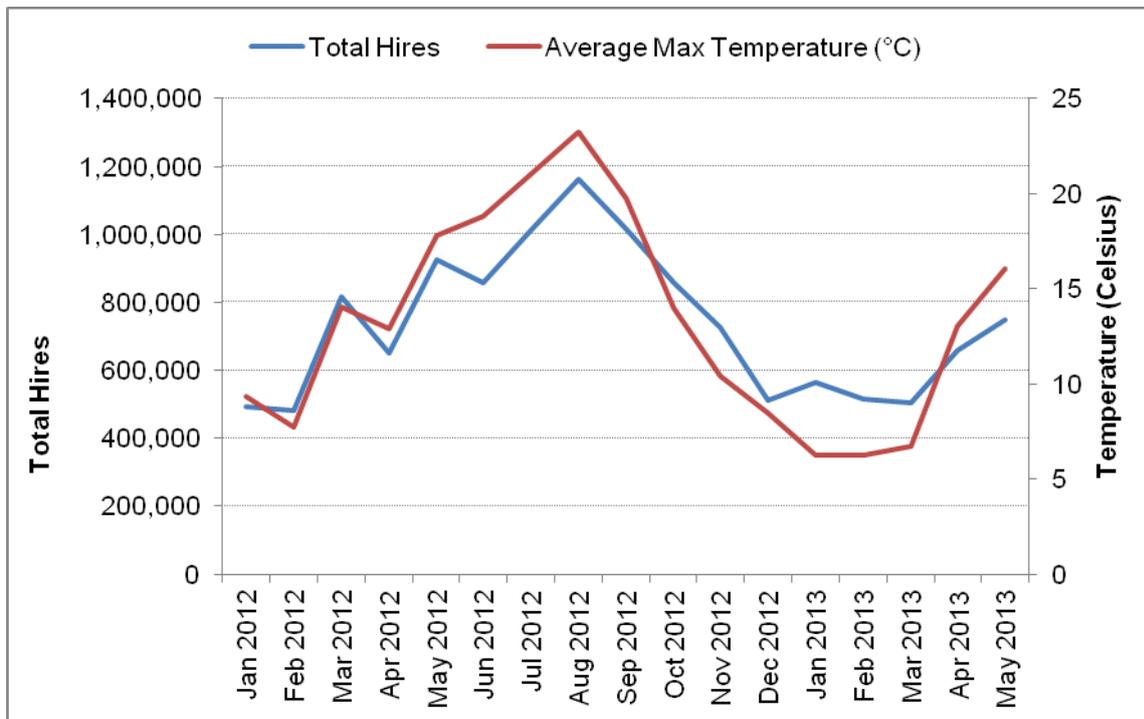
None

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Weather impact on Cycle Hire usage

It is clear that the weather has a significant impact on scheme usage. The following chart shows that although there is a hardy core of users who will hire a bike no matter the weather there is a clear correlation.

Total Monthly Hires Including Average Maximum Temperature



It is also clear that non-registered customer journeys are more directly affected.

Total Non Registered Hires with Average Maximum Temperature

