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After competitor's permit expires, Lyft corners temporary bikeshare monopoly

By Emily Huston
Special to the S.F. Examiner

Since 2018, San Francisco has granted two companies the right to operate bikeshare on its streets: Lyft's Bay Wheels and Uber's Jump Bikes.

But on May 26, bikeshare riders will be left with one rental app, as Jump's permit expires and Bay Wheels becomes the only option in town.

In a court modification to an earlier injunction order, The City and Lyft agreed last week "in light of the COVID-19 viral pandemic" to extend Jump's bikeshare permit to May 25. The April 27 court order came with an important stipulation, however: The City will no longer extend that permit in the future. With its sole bikeshare competitor off the streets, Lyft will control a de facto bikeshare monopoly in San Francisco.

For the 8-year-old transportation company, it's a win just shy of 12 months coming. Last June, Lyft's bikeshare subsidiary Bay Area Motivate filed a lawsuit against The City to stop the San Francisco Municipal Transit Agency from issuing dockless (stationless) ebike permits to new prospective vendors. At the time, Lyft hadn't yet plunged into the ebike market, but was expanding its network of 2000 docked (station-based) classic Bay Wheels pedal bikes across The City.

Without market exclusivity, Lyft's attorneys argued the company wouldn't be able to profit on the \$35 million it invested in developing, expanding and maintaining the Bay



KEVIN HUME/S.F. EXAMINER

Jump Bikes, operated by Uber, will no longer be on San Francisco streets.

Area program—all at no taxpayer expense. Lyft claimed the original 10-year bikeshare contract Motivate signed with the SFMTA and the Metropolitan Transportation Commission in 2015 also gave it first dibs on permitting rights to add dockless bikes to its fleet.

Judge Ethan P. Schulman agreed, and in July ordered The City to stop soliciting ebike permits from new

vendors in violation of Lyft's contractual "right of first offer." The injunction order also allowed Jump Bikes to continue operating a pilot program of 500 dockless ebikes in San Francisco.

Although Jump's permit was originally set to expire Nov. 30, 2019, Lyft has agreed to amend the terms multiple times since. Last October, Lyft allowed The City to extend Jump's

permit until March 1, 2020. During settlement discussions with The City in February and March of this year, Lyft again conceded to draw out Jump's permit to March 25, and then April 25, respectively.

After Jump's operations had technically expired for two days, The City asked Lyft to extend the permit one

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Editor-In-Chief

SARA S. GAISER
Managing Editor

LESLIE KATZ
Arts Editor

KEVIN N. HUME
Photo Editor

MING VONG
Designer

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Bikeshare

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final time to May 25. The language made clear this was the final extension and thereafter Jump Bikes would need to be removed from San Francisco streets.

Until Lyft's lawsuit is decided in court on Oct. 5, the ridesharing behemoth will have cornered temporary control of the bikeshare market in San Francisco.

Lyft widens Bay Wheels' reach

From a national lens, Lyft has long pursued expanding—and controlling—urban bikeshare. In 2018 Lyft bought Motivate, the largest bikeshare operator in North America, for a reported \$250 million. In a press release, Motivate estimated in 2017 it controlled 80% of the bikeshare trips in the country. By joining forces with Motivate, Lyft expanded the reach to burgeoning markets in the Bay Area, Boston, Chicago, New York, Washington D.C., and four other major U.S. cities.

"Our business in part depends on our ability to efficiently grow and fur-

ther develop our network of shared bikes and scooters, which may not grow as we expect or become profitable over time," Lyft wrote in its 2019 Securities and Exchange Commission S-1 filing. The company added that because its multimodal platform is new and unproven, "it is uncertain whether demand for bike and scooter sharing will continue to grow and achieve wide market acceptance."

To minimize the risk of an unproven market, Lyft adopted a competitive growth mindset. In November, SFMTA announced that Bay Wheels would roll out 4000 "hybrid" ebikes, upping its total fleet to 8,500 bikes. The new ebikes could either be docked at a station or parked at bike racks across The City. With the launch, Lyft grabbed a slice of the popular ebike market in hilly San Francisco, since at the time Jump Bikes offered the only local e-bikeshare service.

Lyft's expansion led to quick results. At the beginning of February, Bay Wheels celebrated 5 million trips across the Bay Area, with an average of 15,000 riders per day.

At the same time, Lyft also ramped up the density of its bikeshare network. According to a live station map,

Bay Wheels currently boasts 232 stations throughout San Francisco, up from approximately 130 a year ago. It also operates 209 stations throughout Oakland, Berkeley, Emeryville and San Jose.

When Muni cut service by roughly 80% in response to falling ridership in April, Lyft responded and compensated by dramatically extending its Bay Wheels service map to reach the Richmond District, the Sunset and the southernmost parts of The City. As the COVID-19 pandemic changes how people move around cities, Lyft's expanded service hints that bikeshare might be able to pick up where public transit left off.

"When we think ahead to the lessons we're going to carry forward, it's important to remember that many of us have always felt that bikeshare systems are a part of the public transit system network," said Caroline Samponaro, head of micromobility and transit policy at Lyft, during a national bikeshare webinar. "In a time like this, we're really seeing bikeshare systems in particular serve as true redundancy for the transit network."

Lyft confirmed it will work with the SFMTA to continue expansion

of essential business during the pandemic, albeit at a slower clip. It is eyeing 54 proposed stations across The City, with an additional 12 permitted stations ready to be deployed.

Jump Bikes, in contrast, decreased its service area in the face of COVID-19. In a surprising development Thursday, Uber — which declined to comment for this story — sold Jump Bikes and Scooters to struggling scooter share company Lime. A Lime rep confirmed Jump Bikes will end San Francisco service on May 18.

The cost of market control

In addition to aggressively expanding, Lyft has used its position atop the bikeshare market to influence pricing.

Back on March 1 — the same day Jump's permit was set to expire — Lyft also instituted controversial new ebike pricing. Although Lyft settled with The City last-minute to extend Jump's operations another month, the Bay Wheels price hike originally was set to debut the same day its competitor was leaving the streets.

Some bikeshare advocates rankled by the price changes wondered if Lyft would be allowed to change pricing at its leisure as the sole bikeshare outfit in town.

"You want stability. You want to know that something has a price and if it's going to change, you're going to get notified about it. It's not going to happen for another six months. You don't want to just open up the app one day and it's double, and there's nothing you can do about it," said Jean Walsh, who worked as the director of Motivate's external relations before Lyft laid her off in the Motivate buy-out.

In defending the price changes, Lyft cited the need to match its pricing to the higher overall operational costs of maintaining an electric fleet that moves people farther and faster across the city. A Lyft spokesperson compared Bay Wheel's pricing to that of New York's CitiBike, which offers a similar per-minute charge for ebike trips.

Lyft also argued that having SFMTA oversight over an exclusive San Francisco bikeshare service keeps pricing rates consistent, affordable and equitable. For example, by working with the City, Lyft implemented the Bike Share for All program that offers lower fees for underserved populations.

"It's clearer than ever that a strong public-private partnership model is the best way to ensure bikeshare systems work for cities, operators and riders in the long term," a Lyft spokesperson wrote in a statement to the Examiner.

However, The City's attorneys have long called out the anticompet-

itive effects of such an arrangement. In a June court filing, they wrote, "The public is ill served by the creation of an unnecessary transit monopoly." If allowed to be the sole operator of both docked and dockless bikes in San Francisco, Lyft will unfairly eliminate competition, remove the potential of new transportation options, and harm the public good, they say.

As Jump's attorneys wrote in June, "In short, (Lyft) seeks to wield contractual language specifically aimed at one discrete corner of the bikeshare market as a cudgel to block any competitor that seeks to offer any type of bikeshare service."

Who pays for bikeshare?

Courtney Brousseau, a longtime bikeshare advocate recently killed in a Mission district drive-by shooting, envisioned the creation of a publicly owned and operated Bay Area bikeshare system.

"San Francisco was the first city in the U.S. to create a public transit agency. So we've done that before—we've transitioned private mobility and private transportation to be public. I would love to see that happen again," Brousseau said, just a few weeks before his death.

In 2013, San Francisco founded just such a taxpayer-funded bikeshare system. Bay Area Bike Share started humbly with 35 stations and 350 bikes funded by \$11.2 million in grants from a multi-agency governmental partnership with the Bay Area Quality Management District.

Two years later, the MTC and The City sought to inject private funds into the system by signing a deal with tech startup Motivate. In 2017, Mayor Ed Lee, who became infamous for welcoming tech money into San Francisco, was seen promoting the branding deal of Ford Go Bikes with Motivate in a press conference. Just a year later, tech giant Lyft bought out Motivate.

The dream of a bikeshare agency run entirely on the government's dime stuttered. Instead, private tech dollars—millions of them—stepped in to grow bikeshare into what it is today.

Lyft will soon enjoy the ramifications of those early corporate partnerships, as Jump sunsets its service on May 18 and Bay Wheels remains the last operator left standing. Motivate's grandfathered 10-year contract suggests Bay Wheel's tenure in San Francisco could last until 2025. The tide of inertia from the judge's preliminary injunction suggests the final October court decision will give Lyft the final say.

It's likely the business of bikeshare won't involve much sharing at all.

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