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Honorable Mike Bonin
Chair, Transportation Committee
Los Angeles City Council
200 N. Spring St
Los Angeles, CA 90017

Ms. Seleta J. Reynolds
General Manager
Department of Transportation
100 South Main Street, 10th Floor
Los Angeles, CA 90012

RE: CF #17-1125 (Dockless On-Demand Personal Mobility Rules and Guidelines)

Dear Chairman Bonin and General Manager Reynolds:

Skip Transport, Inc. (“Skip”) appreciates numerous aspects of the Dockless On-Demand Personal Mobility Rules and Guidelines (the “Mobility Rules”) and commends the LADOT staff on its hard work and willingness to receive feedback from operators. Skip, nevertheless, has grave concerns about the decisions made in the current draft in which the City will play “kingmaker” for the largest, best funded and most brash companies while setting up a system to allow Council offices to create a de facto franchise system.

Moreover, we are concerned that LADOT Mobility Rules ignore the most important falsehood being proffered by the largest and best funded operators: that they are operating environmentally friendly businesses.

These companies have buried the fact that they may be in large part eschewing repair and instead running operations largely based on disposable scooters where new scooters simply replace broken ones. Skip implores the Council and LADOT to require that all operators disclose their “asset churn rates,” as part of the Data Sharing Provision to force the companies to admit whether they are merely substituting new scooters for those needing repairs while doing nothing to the broken ones. Arguing that businesses are environmentally sensitive while basically warehousing broken scooters in place of cheap (for them) new supply is the height of arrogance. Before LADOT bestows a winning franchise on any operator, it should review *historical and go-forward* churn information (which we call a “green score”) from all cities where companies have operated. Like Skip, all companies should stand behind their claim that they intend to run environmentally sustainable programs through repair and not by building the largest swappable fleets.

Fleet Sizes and Exclusivity

The latest LADOT report remains troublesome in that it still fails to provide meaningful information on the manner in which applications will be considered. The new version is still susceptible to the interpretation that applications will be considered on a “first come, first served” basis. There is no discussion about collecting all applications by a set deadline date and considering them together as other cities like San Francisco or Portland are doing.

That omission is particularly problematic when married to the new fleet size rules. As before, the new version plainly allows operators to “cherry pick” the most lucrative neighborhoods in the City. The City has made no attempt to discern the most sought-after neighborhoods and to cap the “per operator” limits in those areas. Thus, the largest and most well-funded operators are free to simply ask for the maximum number (500) in the most sought-after areas (e.g., the West Side and Downtown Arts District), grow the number over time through high utilization rates to 2500 scooters in those neighborhoods and ignore the rest of the City. Sure, they can deploy up to 2500 scooters in lower-income neighborhoods, but they can also refuse to do so and focus on the most lucrative ones instead. Such a system rewards operators, not city residents.

While the Mobility Rules are unprecedented (certainly in comparison to ride-sharing or home-sharing) in their prescription to this new and emerging business (e.g., banning commercial speech in the form of third party advertising, mandating free 30-minute rides, requiring meetings with Business Improvement Districts and other stakeholders, and mandating certain technology such as electronic tip-over detection OR “lock to”), they are strikingly silent as to any requirement to divided up fleet size in more than a single Council District.

It is simply bad policy to allow the operators to pick their favored districts. We realize that Los Angeles is geographically large and diverse. We believe that some effort should be undertaken to identify what are likely to be the most sought-after neighborhoods and to impose per-operator caps in those districts in order to preserve vigorous competition and innovation between multiple operators. We believe that allowing one company to eventually amass 2500 scooters in West LA or the Arts District can lead to monopoly or predatory pricing, poor quality, stifle innovation and frustrate competition. In any event, while operators, residents and tourists in favored districts may benefit, the rest of Los Angeles does not.

Lastly, if this emerging industry has seen anything, it has seen certain companies exploit what they view as ambiguity in the law to allow them to dump scooters on the streets or ignore cease and desist letters with apparent impunity. So, it is not too difficult to imagine a world in which some operators blithely assert that a cap of 500 scooters means that they are allowed to have 750 “on the streets” because in order to get 500 “operable” or “rentable” scooters, they need the additional 250. A cap needs to be a hard cap, plain and simple; 500 scooters whether operable or not. We reiterate our request that LADOT consider imposing an affidavit requirement to have the CEO attest to the precise number of scooters on the streets, one that can be checked against what the data shows.

Council District Veto

The fleet size and cherry picking provisions are bad enough on their own. But as a matter of stimulating sound policy, adding them to the Council District Approval requirement is potentially catastrophic. We respectfully question the necessity of this requirement. Rather than leave the operations of a scooter company up to the wishes of 15 separate Council offices, LADOT and the Council should set in place a thorough list of requirements, prohibitions and other mandates for all operators in all areas of the City. The potential refusal to grant an approval to one company's competitors, in effect a veto, could serve to create a District monopoly. The Rules have no provision for override, no provision for appeal, and no due process. A competitor could simply be frozen out, with an office deciding that its favored operator's 2500 scooters is more than enough for that District. We believe that this system could open the City and the scooter operator approval process to legal challenges based on arbitrary decision-making and a lack of due process.

Data Sharing Should Require Asset Churn Statistics

As set forth in the introduction, Skip believes it is imperative that LADOT consider whether any operator is simply substituting new scooters in place of broken ones, rather than repairing the broken ones. Operators using such a business plan either have to admit that they are shipping the broken scooters to some other city's landfill, or that they intend to clean out their depots by placing them in Los Angeles landfills. We believe that companies which intend to operate a sustainable fleet and, who hire qualified citizens to serve as mechanics to fix broken scooters, should be rewarded. There is a reason Bird and Lime never report their asset churn numbers. We think the City should find out why. We think the City should make an effort to identify the types of companies it wants to have serve its citizens and visitors, and that such identification should include a review of not just go-forward asset churn rates, but to look at those carriers (including Skip's) churn rates in all of the cities in which it has operated.

Conclusion

There is much to appreciate in the Mobility Rules, and we look forward to developing cooperative relationships with all members of City government. We remain willing to discuss our concerns at the convenience of the City. However, as set forth above, we believe that some of the key provisions of the Mobility Rules are flawed and that those flaws lead to significant policy consequences and distortions. We would rather the City get it "right" than be fast.

Very truly yours,



Darren S. Weingard

General Counsel & Head of Government Relations

cc: The Honorable Eric Garcetti
Members, Transportation Committee
John White, City Clerk