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How BMW cracked the streets of San Francisco

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SAN FRANCISCO — A prime downtown parking spot here costs \$3.50 an hour.

Stay for 12 hours a day, and it adds up to \$250 a week, or \$13,000 a year.

Most car companies don't worry much about the cost of parking, but in a garage under a San Francisco overpass, a group of BMW employees is figuring out how to factor those costs into a new business model. Three years ago, the company chose San Francisco for the U.S. debut of DriveNow, a car-sharing program that presages a future in which car companies won't just sell cars — they'll sell rides, one trip at a time.

San Francisco seemed the obvious place to start, Richard Steinberg, the CEO of DriveNow USA, said in an interview. It checked all the boxes: scarce parking, high rates of mass-transit usage, tech-savvy population. It was the hometown of "sharing economy" startups such as Uber, Lyft, RelayRides and Getaround.

Steinberg: Slogging
in San Francisco

"San Francisco came out absolutely at the top of the list," Steinberg said.



But the rollout in San Francisco has not gone as smoothly as BMW hoped.

Faced with a crazy quilt of parking regulations, a slow-moving city government and a culture in which every inch of curbside space is a battleground, BMW has had to hack together a program almost entirely on its own, without the city permits that have enabled DriveNow to thrive in Europe. (The service operates in seven cities there: Munich, Berlin, Dusseldorf, Cologne and Hamburg in Germany, and Vienna and London.)

In most cities where they operate, Drive-Now and archrival Daimler's Car2Go users can pick up a car from the curb, drive across the city and park at any legal street spot. They can do this because those cities will sell DriveNow and Car2Go a "superpermit" — a master parking pass that serves as payment for parking meters and permission to ignore time limits.

San Francisco still has not granted a superpermit, after years of lobbying.

As a result, Car2Go has not bothered to open up shop here. DriveNow allows its cars to be parked on the street in just five neighborhoods of San Francisco, and achieving that took a level of work that would be impractical, and unprofitable, to repeat in every corner of every city across the United States.

The far reaches of San Francisco, and the highly regulated, \$3.50-per-hour spots of downtown, are still off-limits except for designated parking lots. The parking rules are too complicated; the risk of a car being towed is too high.

Steinberg, who previously managed testing of BMW's all-electric ActiveE coupe in preparation for the launch of the i3 city car EV, hopes that San Francisco will embrace the company's model this year. Otherwise, it seems car-sharing will find itself in the position of Uber, which is waging a city-by-city campaign to operate across the U.S.

"We're not there yet," Steinberg said. "We're definitely working cooperatively with [San Francisco], but now we need to see if there's a way to expand our program so we have a permit that would allow us to park throughout the city."

Street sweepers

DriveNow crawled the streets of San Francisco to build a map of parking restrictions, and now users can park curbside in these neighborhoods.

- Mission District
- Bernal Heights
- Potrero Hill/Dogpatch
- Haight-Ashbury
- Noe Valley

The one-way way

Shared cars are hardly a new idea. Hundreds of thousands of Americans have used short-term rental programs such as Zipcar, which allow users to reserve a car and pick it up from a dedicated space — perhaps in a gas station parking lot.

But Zipcar members have to return the car to its home parking spot. The one-way service that DriveNow and Car2Go offer is more like a taxi because a user can pick up a car in one spot and drop it off near their destination.

When BMW came to San Francisco in 2012 to launch its car-sharing program, it held a celebratory event in front of city hall. Ed Lee, the mayor of San Francisco, grinned and shook hands with Ian Robertson, board member for sales and marketing with BMW Group, welcoming the new model. But the city's actions since

then have been less friendly.

The city launched a pilot program in May 2013 to create dedicated street spots for shared cars from companies such as Zipcar. Each space has a red curb and a white box painted on the street to keep ordinary cars from using it.

Car2Go and DriveNow were not included. "While promising in many respects, the potential benefits and effects of the one-way model are still insufficiently documented and understood at this time," the San Francisco Municipal Transportation Agency said at the time.



Thornley: Effect on taxis, buses

The exact formula for a superpermit varies from city to city. Andy Thornley, a policy analyst at the transportation agency, said his research suggests the going rate is around \$3,000 per car per year, which would translate to \$1.5 million per year for 500 cars — a large fleet by Car2Go's current standards.

Before writing a permit, city officials want to see what has happened in places such as Seattle and Portland, Ore., which were among the first U.S. cities in which Car2Go started service. They would love to get privately owned cars off the road and ease traffic, but city officials said they need to be sure that Car2Go and DriveNow won't backfire and make traffic worse by allowing people to drive instead of using mass transit, biking or walking.



A Car2Go vehicle sits on an L.A. street. The company hasn't bothered to open in San Francisco.

Plus, the transportation agency regulates taxis. It lays out bike lanes to help commuters navigate the city. It runs buses and streetcars. If car-sharing was killing taxis or emptying buses, the agency would hear about it — and fast.

"We want to be able to measure: 'Are these trips eating in on taxis? Are these trips eating in on buses?'" Thornley said. "We can't just shrug and say, 'I hope taxis work out' because there is a commitment to nurture taxis as a trip type. The work that we're doing on car-sharing is a piece of all of these things."

Parking spot politics

Also complicating matters: Parking is a sensitive political issue in San Francisco. Protests against the shuttle buses that clog the streets as they carry workers to jobs at Apple, Google and Facebook have become an international media sensation, coming to symbolize a new gilded era.

As it happens, Google employees are among DriveNow's biggest users.

DriveNow has actively tried to broaden its base of users by courting corporate customers. Google started hosting DriveNow in early 2013 and now has three DriveNow hubs: two at its main campus in Mountain View and one at a satellite campus in San Bruno that houses the YouTube video streaming service.

About 2,500 employees have set up accounts to use DriveNow. They take shuttles to work but use DriveNow to go to the airport, for example, or to a meeting that's not on Google's campus, like a short-term rental car, Google spokeswoman Meghan Casserly wrote in an email.

Thornley, who talks with DriveNow frequently, said DriveNow's gradual rollout has helped the company avoid the complaints that he has heard about the dedicated parking spots for car-sharing. He said the company has helpfully refrained from pouring cars into a neighborhood and jolting neighbors, who might feel their spaces were being taken away.

If the company had moved more quickly, Thornley said, "Someone might say: 'Hey, look, those people are coming.' You know, the wealthy tech people with their BMWs."

Ultimate sharing machine

DriveNow's software for cars and smartphones enables users to unlock a BMW on the street and drive without picking up a key. Here's how it works.

1. A user opens the DriveNow app to find and reserve a car.
2. The user opens the car door by swiping a card that DriveNow provides containing a radio-frequency tag.
3. The user starts the car and drives to a DriveNow location near his or her destination.
4. By consulting the car's GPS system, the user finds an approved parking spot.
5. The user ends the trip on the navigation screen and leaves the car.



Google employees are among DriveNow's biggest users. About 2,500 have accounts.

If at first you don't succeed ...

In early 2013, when San Francisco excluded one-way car-sharing from its pilot program, BMW was zero for two. It had no superpermit, and it didn't have permission to start a small pilot with a few dozen cars. But it

saw an opening.

“We looked at the regulations from the pilot, and there was a very small clause we identified that said one-way car-sharers like ourselves could operate as long as we abided by whatever the local parking regulations were,” Steinberg said. “So we looked at that, and we said: ‘How do we hack our way into the city?’”



Dempster: Obsolete data?

DriveNow asked the City of San Francisco for a map of parking restrictions. The city shared what it had, but the documents could not be converted into raw, usable data, said Peter Dempster, business development manager at DriveNow.

What’s more, the document was a year old, even though parking restrictions were being updated two to four times annually. Dempster worried that a user would park one of DriveNow’s cars in an area with

a brand-new restriction — and it would be towed.

Driving with a reporter through the streets of the Mission District, Dempster recalled his feelings at that moment: “This is useless.”

It felt like strike three. But rather than giving up, DriveNow turned to an employee named Kamasu Livingston. His title is community manager, but his job, for the ensuing year, was something like a census taker.

Every day, Livingston would drive around in one of BMW’s all-electric coupes, stopping in neighborhoods such as the Mission District, Dogpatch and Noe Valley. Once there, he would log the parking restrictions block by block. If there was a parking meter, Livingston took note. If there was a two-hour limit, or a neighborhood permit, or a street-cleaning day, he took note of that, too.

It was grueling, monotonous work, but it paid off.

Having logged that data, DriveNow picked five neighborhoods near the downtown in which people would be able to leave a car for a day or two without getting a parking ticket. DriveNow did not need permission from the city because it was following the local regulations. It was building an app so that people could pick up and drop off cars and obey the street signs without even trying.



Livingston: Hard work paid off.

DriveNow acknowledges that this is not, in the terminology of Silicon Valley, a “scalable” endeavor. No car-sharing company is willing to hire a team of Livingstons to map the streets of every city in which it operates.

BMW Group board member Peter Schwarzenbauer, who oversees the program, set a goal in 2014 of expanding to another 25 locations worldwide, including 10 in the United States. Schwarzenbauer did not set a target date.

Steinberg would not comment on which cities might be next, but he made one thing clear: San Francisco has been a singular experiment. DriveNow will not open for business again without a superpermit from a city.

From now on, Steinberg said, that “is absolutely a prerequisite.”

Bimmers by the minute

BMW launched its DriveNow car-sharing service in the U.S. in 2012 with San Francisco as its test market. It has grown since then but faces obstacles.

Why car-sharing?

- Renting by the minute can be cheap and convenient in dense urban areas where car ownership isn't necessary and parking is expensive.

- Automakers see car-sharing as a way to maintain market power as car ownership rates decline because of urbanization.
- In San Francisco, BMW's program is a way to keep testing its ActiveE coupe, an EV that predated the i3.

What's the catch?

- The City of San Francisco will not sell DriveNow a “superpermit” to exempt its cars from parking meters and time limits.
- Parking restrictions vary by neighborhood, making it difficult to set a blanket policy for where cars can be parked.
- Dedicated spots for car-sharing vehicles, such as corporate shuttle buses, have drawn a backlash in areas where parking is scarce.



Car-sharing vehicles sit in DriveNow's garage in San Francisco. The company says complicated parking rules and slow-moving city government have put the brakes on its growth.

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