

Car-Sharing Plans Develop Traction as Fuel Costs Rise

Members rent vehicles by the hour and don't have to worry about insurance and long-term parking. It's a popular concept in many cities.

By Bernard Simon, Financial Times
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TORONTO — Workers at Mountain Equipment Co-op, a store selling outdoor goods in downtown Toronto, seldom drive their own cars or call a taxi when they go to training courses or boat demonstrations on nearby Lake Ontario. The store also doesn't own any vehicles, and public transport to the lake is not an option.

Instead, Mountain Equipment typically books a car for a few hours from AutoShare, one of a growing number of short-term rental — also known as car-sharing — services springing up in cities across North America and Europe.

The recent surge in oil prices has triggered a wave of interest in car sharing among individuals and businesses.

"It's a fantastic concept for me," said Nancy Harrison, an assistant manager at Mountain Equipment. "You don't have costs like parking and insurance. Most people don't need a car all the time."

Across the Atlantic, StreetCar, which operates in London, Brighton and Southampton, has 6,000 members and is adding 750 each month, co-founder Andrew Valentine said.

The sector is drawing interest from prominent investors. Revolution Living, controlled by Steve Case, co-founder of America Online, bought a 55% stake last year in Seattle-based Flexcar, operated by Mobility Inc.

Case raised his stake in June to 85%. Honda Motor Co. is a minority shareholder. General Electric Co.'s vehicle fleet financing arm recently advanced \$23 million in lease funds to help another operator, Zipcar, enter new markets.

In theory, car sharing is a simple, seductive alternative to owning a vehicle. The idea — pioneered in Switzerland and Germany, where car sharing remains especially popular — is that members can pick up a vehicle whenever they need one, not from a central depot but parked at a location close to their home or office.



The rental period can be as short as an hour and the operator takes care of insurance, cleaning, repairs and a permanent parking spot.

Rental rates in the U.S. are typically \$7 to \$9 an hour, in addition to annual or monthly membership fees. In Britain, StreetCar charges about \$9 an hour, without a membership fee. Bulk-use discounts are common.

In practice, car sharing is not for everyone and the business side can be complicated and risky.

According to AutoShare in Toronto, car sharing typically works best for people who do not need a car to get to work every day and who drive less than 7,500 miles a year.

It also helps if members live or work close to a car-share outlet. Mountain Equipment Co-op rents three spaces in its garage to AutoShare, making it easy for employees to pick up a car.

As for running a car-share business, "when it first starts, it's very difficult to [reach] break-even," said Susan Shaheen, a transport researcher at UC Berkeley. "Viability very much relies on a dense network of vehicles and the availability of those vehicles."

There are other difficulties. Shaheen estimates that a car needs to be used at least six hours a day to earn a reasonable profit.

But demand is typically heaviest over weekends, creating a problem for the operator. Members can end up frustrated at not being able to book a car for Saturday shopping, while the car-share service struggles to hire out the car on weekdays.

Success also requires a heavy investment in technology, such as electronic car keys and reservation and billing systems.

In one sign that car sharing is gaining traction, competition has tended to expand overall demand in cities such as Washington and San Francisco, rather than eat into existing operators' market share.