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Taxing shared micromobility: How cities are responding to emerging modes, and what's next

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Shared micromobility (including shared electric scooters and bikes provided by private companies) is one of the newest transportation options that has come to cities in the last several decades. A new report explores the different ways cities charge shared micromobility companies to operate, and how these funds are used.

In the newly released report, John MacArthur of Portland State University, Kevin Fang of Sonoma State University and Calvin Thigpen of Lime have examined data from 120 cities in 16 countries around the world. They also conducted a survey of cities' shared micromobility program managers, with responses representing 33 jurisdictions in North America.

"This study builds our understanding of a topic that is near and dear to the hearts of cities, riders, and micromobility operators: how to run a system that is affordable for riders while also remaining financially sustainable for micromobility operators. In the last six months alone, the industry has seen substantial upheaval through mergers, bankruptcies, and closures.

"So as cities revisit their program regulations, we hope they take into consideration that the industry has matured substantially since fees were initially established—with safer vehicles, better operations, and closer city collaboration—as well as the role shared micromobility can play in achieving sustainability and equity goals," Thigpen said

Digging into how each city made the decision of what to charge, the researchers find that taxes and fees vary dramatically from city to city and may not always reflect the city's stated policy goals.

"Though cities are using fees and taxes to mitigate the cost of program administration, which is very understandable given local budget constraints, these additional costs to riders can be at odds with a city's broader goals for supporting sustainable and equitable transportation," MacArthur said.

The findings also reveal a trend of cities charging less for shared bicycles than for shared scooters. The notable exception to this pattern is Denver (which has both e-bikes and scooters), where the city does not differentiate between vehicle types and charges no program fees.

"One concern sometimes raised about shared micromobility is user fares. To the degree fees increase the cost of business and get passed along to riders, cities have a say in fares with their fee levels," Fang said.

Four key findings

1) Fees vary dramatically between cities. Some cities do not impose program fees at all, in line with municipal transportation goals. In cities that do assess program fees, the common types are per-trip, per-vehicle, flat annual, and flat one-time fees. There are large differences in the fee amounts that cities charge—for example, the highest per-vehicle fee is over four hundred times higher than the lowest.

"Fee levels were consistently inconsistent. In some cases, cities had zero permit fees. On the other end they could be a dollar or two for every trip," Fang said.

2) Shared micromobility is taxed twice—via sales tax and program fees—and these revenues can be substantial. On average, cities charging an annual fee received over a third of a million USD each year. If sales taxes/value added taxes (VAT) are included with fees, the average shared micromobility trip generates a fee + tax revenue of $0.70 USD per mile or $0.89 USD per trip. This means that globally, shared micromobility programs bring in an average rate of 16.4% of revenue from user fares in taxes and fees.

3) Shared micromobility taxes and fees are higher than most other modes of transportation, especially driving and ride-hail. The research

team found that fees and taxes on shared micromobility are significantly higher compared to other travel modes, being 23 times higher per mile than personal cars and over 5 times higher than ridehail trips.

"On average, fees and taxes on shared micromobility were quite a bit higher than charges on personal driving or ride-hail trips. This seems counter to many cities' goals of promoting alternative modes of travel," Fang said.

4) When deciding on fees, cities are especially concerned with covering administrative costs as well as influencing operator behaviors. The primary use of fee revenue is to cover program administration costs, rated as the top consideration by 77% of respondents. Ensuring financial feasibility for scooter companies or lowering rider costs were less prioritized, even though both would benefit the shared micromobility system.

While cities' concerns over budgets are understandable, this consideration can be at odds with cities' broader goals for supporting alternative transportation.

"After the boom of shared micromobility in 2017, cities looked at fees as a way to react to this new mode. We see that cities are still setting fees to cover program administration costs, but also as a way to influence operator behavior of how they operate their systems in the public rights-of-way," MacArthur said.

The report's appendix includes a complete summary of program fees in each jurisdiction as well as shared micromobility program fee revenues in 2022.

Who can use this research?

Fees and taxes are relevant to all three of the major "stakeholders" in the shared micromobility field: cities, private micromobility companies, and travelers.

There have been numerous studies on cities' shared micromobility policies around parking, ridership, safety, equitable distribution of vehicles, and sustainability. By contrast, there has been little research on the taxes and fees levied on shared micromobility systems and how they work to advance or deter municipal goals for shared micromobility.

The researchers provide case studies of cities taking different—and evolving—approaches to illustrate how different cities weigh tradeoffs. The information provided in this report can help inform cities who are working with shared micromobility companies to align program fee structures with their goals around climate, equity, congestion and more.

In a section offering rationales for lowering (or not charging) fees, the report notes that the shared micromobility landscape has changed since e-scooters first swept the world in 2017 and 2018. The shared micromobility industry no longer deploys at-will in city streets, but rather works through formal procurement processes to serve cities.

"Considering the newness of shared micromobility, it is not that surprising that approaches to fees have varied so widely initially. Today, though, cities are mostly on the same page with what they want with micromobility operations, so greater alignment on fees probably makes sense," Fang said.

Shared scooters and bikes are no longer just pilots; most cities now have multi-year permits with established operators. Both cities and companies are aware of the risks of poorly managed systems and have developed technologies and programs to address equity and operational challenges. This research offers a comprehensive look at how cities around the world are approaching the question of what to charge, and offers strategies to ensure that a city's fee structure supports transportation policy goals.

More information: Taxing shared micromobility: assessing the global landscape of fees and taxes and their implications for cities, riders, and operators (PDF) (2024).

Provided by Portland State University

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