Social leasing

Proposal for a green and innovative programme that supports both low-income households and industry

June 2023

Summary

During his 2022 re-election campaign, French President Emmanuel Macron announced a social leasing programme for electric vehicles that would cap prices at €100/month for low-income households. But there has been a long list of stumbling blocks: high vehicle prices, a programme cost overrun, a shortage of vehicles, a lack of suitable French and European car models, and misgivings from the consumers targeted by the measure.

T&E and IDDRI have put together a proposal for delivering a social leasing programme that would support both low-income households and industry. This paper outlines an eight-step plan for implementing a comprehensive social leasing programme that addresses consumer expectations, the issue of government funding and how to develop a supply of suitable electric vehicles.

- **The programme should enable low-income households to lease an electric vehicle for a low monthly price: starting from €100 for a small car (including maintenance) and varying based on income and model (microcars, city cars, compact cars).**
- **The government should negotiate a contract with manufacturers, incentivising them to produce small, affordable electric vehicles in France and Europe.**

- **This would present a real economic opportunity for manufacturers and maintenance and repair providers. The programme would create a brand-new market, representing as many as 900,000 electric vehicles by 2030, or 15% of all electric vehicles projected to be in circulation.**
- **Leasing vehicles at a reduced rate would require not only government subsidies, but also more affordable products (at 30% lower prices): lighter, more economical vehicles with basic features, as well as reduced marketing and distribution costs made possible by a captive market.**
- **The programme would need to embrace circular economy principles (reuse, recycling, etc.) to optimise costs and reduce its environmental impact.**
- **While the central government would play a key role in the programme, it would also be important to involve regional stakeholders (local and regional governments, mobility platforms) in order to target eligible recipients and adapt the programme to their needs.**
- **The social leasing programme could replace France's existing "ecological bonus" measure over a five-year period, at no increased cost. Transitioning the existing measure would help target subsidy recipients based on need and deliver a social justice outcome.**
- **Social leasing could become a pillar of Europe's industrial policy. By incentivising manufacturers to supply more economical models that are fit for everyday needs, it would address not just industrial policy but also climate action and social justice.**

Background

The government has promised to have a social leasing programme in place by 2024. The measure was announced at a time of heightened concern about the cost of living and the environment, amid rising fuel prices and an energy crisis driven by our dependence on fossil fuels. The energy crisis has compelled some people to give up certain forms of travel and is a reason for the creation of low-emissions zones.

While there is clear interest in a social leasing programme, what's less clear is the automotive industry's ability to accommodate it. The idea has come at a tricky time for the automotive industry in France and Europe. It's a time of profound transformation, not only in terms of the shift to electric, but also in terms of the types of vehicles being produced, with manufacturers turning their backs on small, affordable, electric vehicles manufactured in France and Europe. The industry isn't currently able to meet the demand that a social leasing programme would entail. But subsidising imported vehicles isn't a palatable option for a government aiming to reshore manufacturing in Europe and France.

In coming up with its proposal for a social leasing programme, T&E and IDDRI considered it important for French and European manufacturers to be a part of it, to create opportunities for the industry as well as jobs.

To do that will require political innovation, bringing social, industrial, economic and transportation policies into line with each other at both national and regional levels. It would require the central government to play a crucial role in setting up the programme, coordinating between multiple stakeholders and ensuring targets are met.

In this paper, T&E and IDDRI outline a set of eight recommendations for an ambitious social leasing programme, basing ourselves on a study conducted by C-Ways as well as in-depth discussions with members of IDDRI's Mobility in Transition initiative. We have taken care to address environmental, social and economic concerns in our proposal.

A collaborative arrangement with manufacturers and servicing providers

We propose that the government work with manufacturers to ensure an annual supply of new electric vehicles to be leased at affordable prices to those most in need of such a programme: households that depend on a car (with no alternatives for accessing essential services or travelling to work) and low-income earners (with a taxable income of less than €13,500) as a priority, as well as people in essential professions. To accomplish this, the government would need to formalise agreements with willing manufacturers, via an annual call for tenders for the provision of new, low-cost vehicles across a series of models designed to meet everyday needs (ranging from microcars to segment C vehicles). Production volumes would be established for two- to five-year periods, with the potential to fluctuate based on demand. The vehicles would also need to meet a range of environmental requirements: low carbon footprint, use of recycled materials and end-of-life recyclability.

The vehicles would be purchased by an agency (private or public) responsible for leasing them to eligible consumers for a minimum period of two years. The vehicles would remain in the programme for ten years (which means potentially being leased out under multiple successive contracts). The agency would also enter into agreements with maintenance and repair providers in order to include the cost of servicing in the leasing price, benefit from economies of scale and pool risk. For the automotive industry, a social leasing programme would be an opportunity to tap a new and stable market and establish.

A medium-term budget to fund the programme

To achieve the lease pricing target of €100/month for an entry-level model, the government would need to cover at least 27% of the purchase cost of the vehicles, which equates to what it is currently spending on its ecological bonus measure. The agency would them lease them out at a set price. Our budget estimate factors in the partial reconditioning of vehicles between leaseholders and coverage for non-payment risk. With a leasing price of around €75/month for a microcar and €100/month for a small city car, for example, electric vehicles would become an option for households that don't currently have access to one, helping them reduce their expenses and their carbon footprint.

We propose gradually transitioning the government's existing ecological bonus, a measure for which there are currently no conditions attached, to the social leasing programme. This would ensure the government takes a social justice approach to its electric vehicle policy, prioritising consumers most in need of support, and without an increase in budget. The funding requirement would remain the same or potentially lower than what is currently being spent on the bonus measure (roughly €1 billion/year). It would also be a way for the government to align its industrial, social and economic policies with its climate commitments.

A shared governance model with regional stakeholders

Key to the success of the programme would be ensuring the involvement of regional stakeholders (mobility platforms, transportation providers and social service agencies) in order to target eligible recipients, promote the programme, maximise its potential and ensure it meets needs as efficiently as possible. A social leasing programme could become part of an inclusive mobility policy, including in low-emissions zones.

It would also be beneficial to promote the concept of a social leasing programme at European level, not only to secure funding from the future social climate fund, but also to help member states shift production toward more truly economical, fit-for-purpose vehicles, including the small vehicle segments that manufacturers have turned their backs on.

Our recommendations

1	Establish the programme parameters based on the needs of low-income households with a limited budget for transportation and keeping risk to a minimum.
2	Gradually transition the existing ecological bonus measure to the social leasing programme under a multi-year financing scheme.
3	Establish an agreement between the government and manufacturers to produce electric vehicles specifically for the social leasing programme that are more economical and fit for everyday needs.
4	Establish agreements with maintenance and repair providers to pool risk.
5	Include requirements for circular economy principles in these agreements.
6	Involve manufacturers as well as regional, social and financial stakeholders, with the central government playing a coordinating role.
7	Involve local authorities as facilitators or leasing agencies.
8	Establish a transparent monitoring and evaluation process.

If these recommendations are followed, social leasing could become a leading example of the kind of social innovation needed to deliver the green transition in France, with strong potential for the rest of Europe as well.

Further information

Marie Chéron
Responsible for vehicles policy
Transport & Environment - French office
marie.cheron@transportenvironment.org
Mobile: +33 (0)6 81 64 33 92

Jean-Philippe Hermine
Coordinator of the initiative Mobilités en Transition
Iddri- Institut Du Développement Durable et Relations internationales
Jeanphilippe.hermine@sciencespo.fr
Mobile: +33 (0)6 07 05 30 19