

Insights report: Enabling affordable transport through sustainable vehicle leasing

Insights and learnings on the journey to developing a social leasing scheme

August 2023

How did the idea of social leasing come about?

- Buying and maintaining vehicles is a main cause of financial hardship for people on low incomes.
- Many people in Aotearoa New Zealand face ‘forced vehicle ownership’. They risk being locked into high-emission vehicles (often with low safety ratings) due to cost barriers to obtaining low-emission, safe vehicles.
- The initial idea of social leasing was to provide people on low incomes with vehicle cost certainty through the option of leasing a safe, low-emission vehicle at a price they could afford.

How did the idea of social leasing come about? – cont'd:

- In 2022, the Government identified the need for a more equitable transition to a low emission, climate resilient future. This means a fairer and more inclusive land transport system where everyone living in Aotearoa New Zealand has access to safe, clean and affordable transport options.
- Te Manatū Waka Ministry of Transport and Waka Kotahi NZ Transport Agency worked together to design and establish a social leasing scheme in at least three locations across Aotearoa.
- This scheme was to be based on learnings from Waka Aronui – an existing 3-year car leasing scheme being trialled by Manukau Urban Māori Authority in South Auckland.
- Waka Aronui is primarily a collaboration between the non-profit, philanthropic and commercial sectors. Central government (MBIE and Waka Kotahi) provide Waka Aronui with administration and monitoring support.

How does a social leasing scheme work?

- Leasing a car is similar to renting a car. However it's an ongoing arrangement where you pay a set fee each week, which includes all costs to take care of the car (excluding petrol):
 - Registration
 - Warrant of Fitness
 - Insurance
 - Maintenance
- In a leasing scheme there are usually a few car options to choose from and an end of lease period set eg 1 – 3 years.

What we intended to do

Enable people on low incomes to have reliable access to a safe, zero- or low- emission vehicle at an affordable price.

- The scheme would lease up to 250 safe, low-emission vehicles to people on low incomes in at least three locations.
- Participants in the trials would lease a vehicle at a set weekly cost.
- The trial period of 2 – 3 years would allow feedback and insights to be gathered. This would help determine whether the Scheme could be scaled up and rolled out nationally.
- Engagement with community entities took place in several regions, to understand different transport needs and challenges eg rural and isolated and urban. This was integral to designing the trials with the customer at the heart of the schemes.

The key benefits from social leasing

- Social leasing could reduce financial pressure for those who were likely to be 'locked-in' to high interest car loans, expensive maintenance and higher fuel costs for older cars, or have unreliable or limited access to public transport.
- A fixed weekly cost would provide financial certainty for participants by including vehicle costs such as insurance, Warrant of Fitness, registration and maintenance.
- This would lead to a reduction in stress and the chance of unexpected bill shock: all costs (apart from petrol) and administration of the vehicle would be taken care of.
- Participants would be driving safe, reliable and more environmentally friendly cars.
- It could create opportunities, independence and contribute to improved wellbeing by providing access to things like work, education, essential services, social and recreational outings, visiting whānau and connecting with community.

For the scheme to work

- The weekly leasing cost needs to be **affordable** for the participants.
- The available vehicles need to be **fit for purpose** and meet lifestyle requirements eg large whānau, disability needs, driving on rural roads etc.
- A **trusted community entity** to provide support for participants - through education, onboarding and ongoing pastoral care.
- Budget advice or pastoral care services are critical to ensuring no one is worse off.
- A fleet management and administration function ie this could be a function of the community entity or could be outsourced.

What we learnt pre-trial

Time, resource and effort is required to stand up and run a social leasing scheme

- Key items that make up weekly lease cost
- Cost components
- Things that influence cost
- Managing unexpected events and access
- Enabling mobility – variations to consider
- Business will support social good
- Funding – impact investors
- Entities to engage with

Key items that make up weekly lease cost

The fundamental costs for consideration to get this scheme off the ground.

- The difference between what you pay for the vehicle and what you sell it for
- Insurance
- GPS
- Vehicle maintenance and repairs, WoF, Registration
- Resource to manage the scheme

The harder you can work to get those costs down, the more affordable it will be for the participants ie the weekly leasing fee.

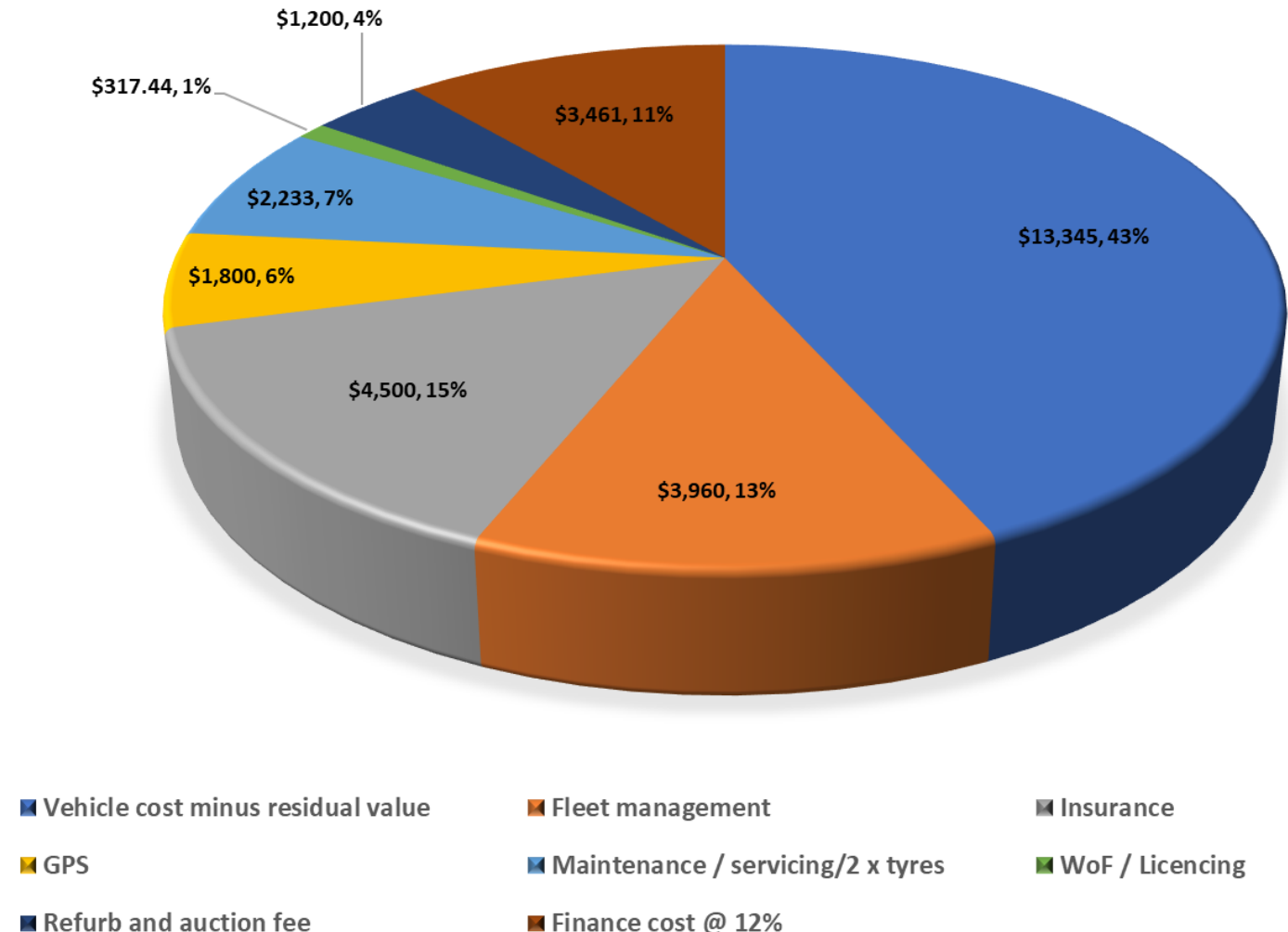
Cost components

Breakdown of costs based on hybrid vehicles:

- Weekly lease cost per vehicle: approx. \$197 with no discounts applied.
- The cost of these hybrid vehicles were retail price as at February 2023.
- Several factors could help bring these costs down such as negotiating a discounted price when buying multiple cars, insurance companies and impact investors offering a discount for social good etc.

SLS COSTS - 36 MONTH LEASE

Based on average costs for Suzuki Swift & Toyota Corolla hybrids - February 2023



Things that influence costs

The cost of the vehicle:

- **Factors to consider when buying vehicles:**
 - choice of car ie some models hold their value more than others
 - new versus used
 - features that add value eg safety features and rating, fuel efficiency
 - negotiate discounted pricing when buying multiple cars – consider putting out a Request for Proposal (RFP)
- **When selling the vehicles, things to consider to preserve value:**
 - keep the cars in good condition – both internally and externally
 - keep good service history records
 - capture GPS data as evidence that the vehicle has been driven ‘carefully’

Things that influence costs – cont'd

- **Insurance:**

- private versus commercial
- comprehensive versus third party, fire and theft
- driver profile eg gender, age, experience, etc.
- licence class eg full, restricted, heavy, etc.
- infringement and claims history
- off-street or on-street parking, garaging, etc.

- **GPS:**

- monitor vehicle use to preserve resale value
- address any privacy issues
- encourage participants to see GPS as a positive tool ie as a driver training improvement tool, it could influence overall cost of insurance, can help locate the vehicle if stolen, etc.

Things that influence costs – cont'd

- **Finance:**
 - investigate community and impact investors as a means to access low interest finance (see slides 17 – 19).
- **Vehicle maintenance and repairs, WoF, registration:**
 - servicing covered free of charge during warranty (or part) period for newer vehicle.
- **Resource to manage the scheme:**
 - fleet management and administration
 - ongoing management and support of the scheme – duty of care eg onboarding, eligibility, leasing administration, assessment, pastoral care partner.

Managing unexpected events & access

It will be important to consider how you manage unexpected events and who can lease a vehicle.

- There's a few things to consider when you run a scheme like this, such as, what you would do if:
 - a participant is involved in a crash
 - the car is scratched, damaged or stolen
 - someone gets a speeding or parking ticket
 - someone doesn't pay when using a toll road.
- The owner of the vehicles will receive the fines, safety camera infringement notices, payment requests etc. so a process needs to be in place to pass these on to the participant or known driver if appropriate.

Managing unexpected events & access - cont'd

- How will you decide who can lease a vehicle? Some of the criteria to consider may include age of participant (from a vehicle insurance perspective), length of time on a full licence, credit rating, income and affordability, criminal records etc.
- Criteria may be based on:
 - what you are trying to achieve through the scheme,
 - the influence on insurance costs, or;
 - to support a specific segment within your community.

For more information, contact us on 0800 699 000.

Enabling mobility – variations to consider

A social leasing scheme may not only look like a commercial leasing arrangement. Here are some other options to consider:

- Weekly leasing by individuals of vehicles owned by a single entity eg Iwi, community association or service provider.
- Community shared vehicles managed through a booking system
 - Mobility as a service – set up your own or look into arrangements with existing services eg, Zilch www.zilch.nz, Mevo - whitepaper to electrifying fleets through car sharing <https://assets.mevo.co.nz/articles/2021-03-10-Mevo-Govt-EV-Whitepaper.pdf>
- Using your organisation's vehicle fleet – eg nights and weekends when they're not in use
- Shared use of vehicles at whānau level – shared weekly cost if leasing from a community entity or combined contributions to the purchase and maintenance of a vehicle

Whether the cars are leased or owned and by who will be a key consideration for what type of arrangement would work best.

Businesses will support social good

- Don't underestimate the desire for businesses to help you get your scheme off the ground. There is appetite in the corporate world and vehicle industry to support initiatives for the social good:
 - Vehicle suppliers
 - Insurance providers
 - GPS providers.

Funding – impact investors

Impact investors provide value based investments to generate positive impacts for a target group or issue. It's important for impact investors that the social, cultural or environmental impacts they are investing in can be measured and reported on, along with some financial return.

- **Community Trusts and Foundations** – are generally looking for a lower return than banks eg Foundation North, Energy Trust, Tindall Foundation, Te Pai ki te Rangi, Rātā Foundation, etc.
- **Impact Funds** – examples include ACC Climate Change Fund, Soul Capital, Purpose Capital, Climate VC Fund
- **Iwi led impact investors** – eg Tahito invests into ventures which meet indigenous sustainability values

Funding – impact investors cont'd

- Aotearoa New Zealand's **impact investing network** is made up of investors, businesses, government agencies, service providers, foundations, trusts, and other organisations – refer to <https://www.impactinvestingnetwork.nz/ecosystem>
- **Angel Investors** – these organisations are generally looking for equity and convertible note deals eg Icehouse Ventures Climate Fund, Angel HQ, WNT Ventures, K1W1.
- **Sustainable Finance** – New Zealand Green Investment Finance (NZGIF): scalable business models, commercial returns, low carbon benefits to New Zealand including transport, direct investment.

Entities to engage with:

- Ministry of Social Development as a partner
- Mobility-as-a-Service provider eg Mevo, Zilch
- Impact Investors/Advisers eg Carbon Group, Tindell Foundation, Energy Trusts, Ākina
- Fleet management advisers eg Optifleet

Appendix 1: Community insights & impact model

Overall insights gained from design workshops held with community entities/stakeholders & their community (potential participants).

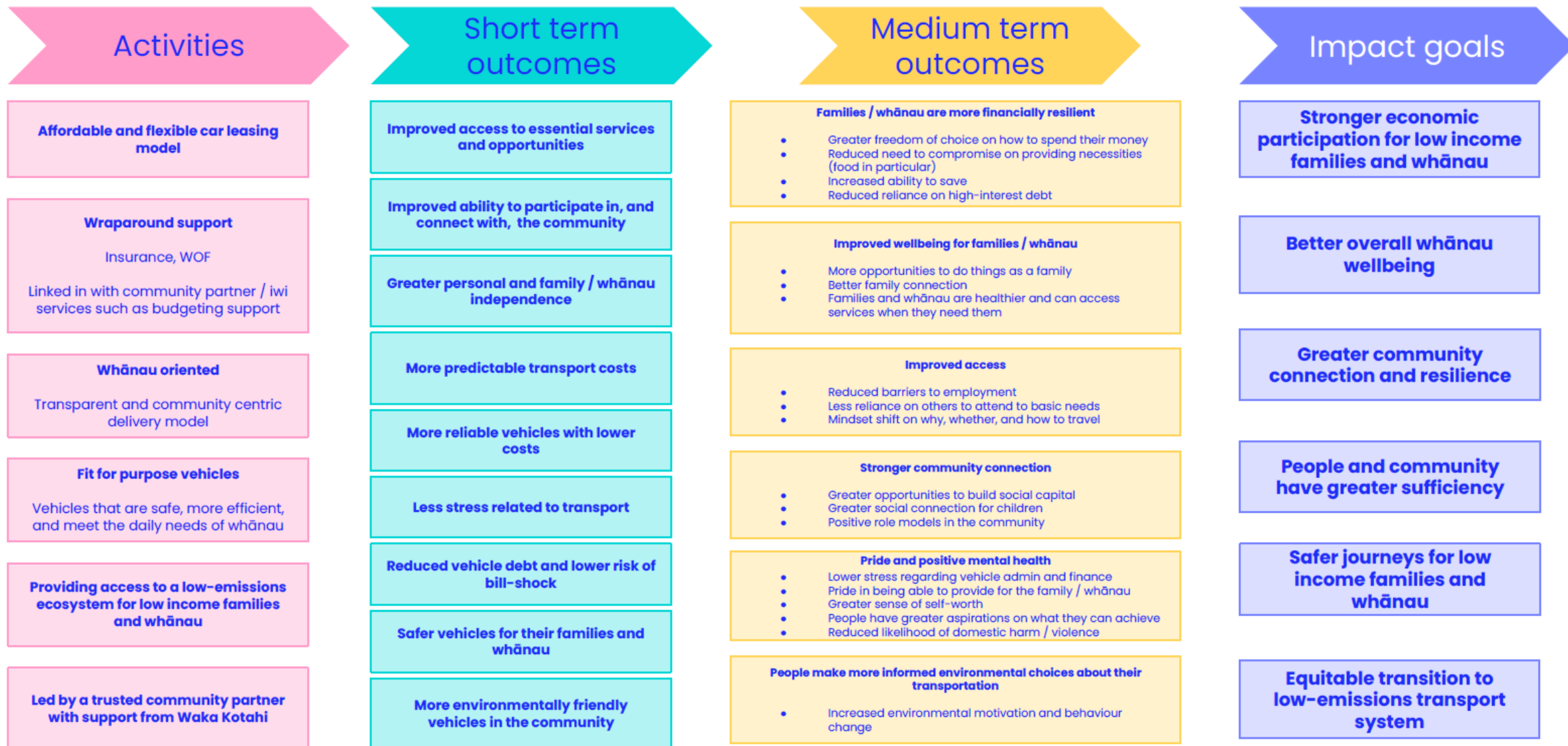
Overall impact model

The following is a high-level summary of the main themes that were discussed in our impact sessions with different community stakeholders around Aotearoa. It indicates what shared positive outcomes or impacts the communities perceive the scheme could enable, assuming it is designed in a way to support these outcomes or impacts.

Note: This impact model is still draft, and should be further validated with community input, as well as in relation to how the final operating model is designed.

Social Leasing Scheme Impact Model

V2 - March 2023



Appendix 2: Costing model

Details the various cost components that influence the weekly leasing fee

Costing model overview

The various cost components that influence the weekly fee vehicles could be offered to participants.

- A selection of vehicles were considered during the development of the social leasing scheme based on the needs of participants across the proposed trial areas.
- Vehicles were to be purchased through the All-of-Government (AoG) vehicle procurement process that provides discounts to government departments through a range of approved vehicle suppliers. This level of discount may or may not be available to community groups who are looking to establish their own social leasing scheme.
- With the assistance of a fleet management provider, Waka Kotahi developed this cost model. We recommend contacting a fleet management provider to discuss vehicle supply costs.

To request an example of a full costing model for the social leasing scheme, call us on 0800 699 000.

Appendix 3: Operating model

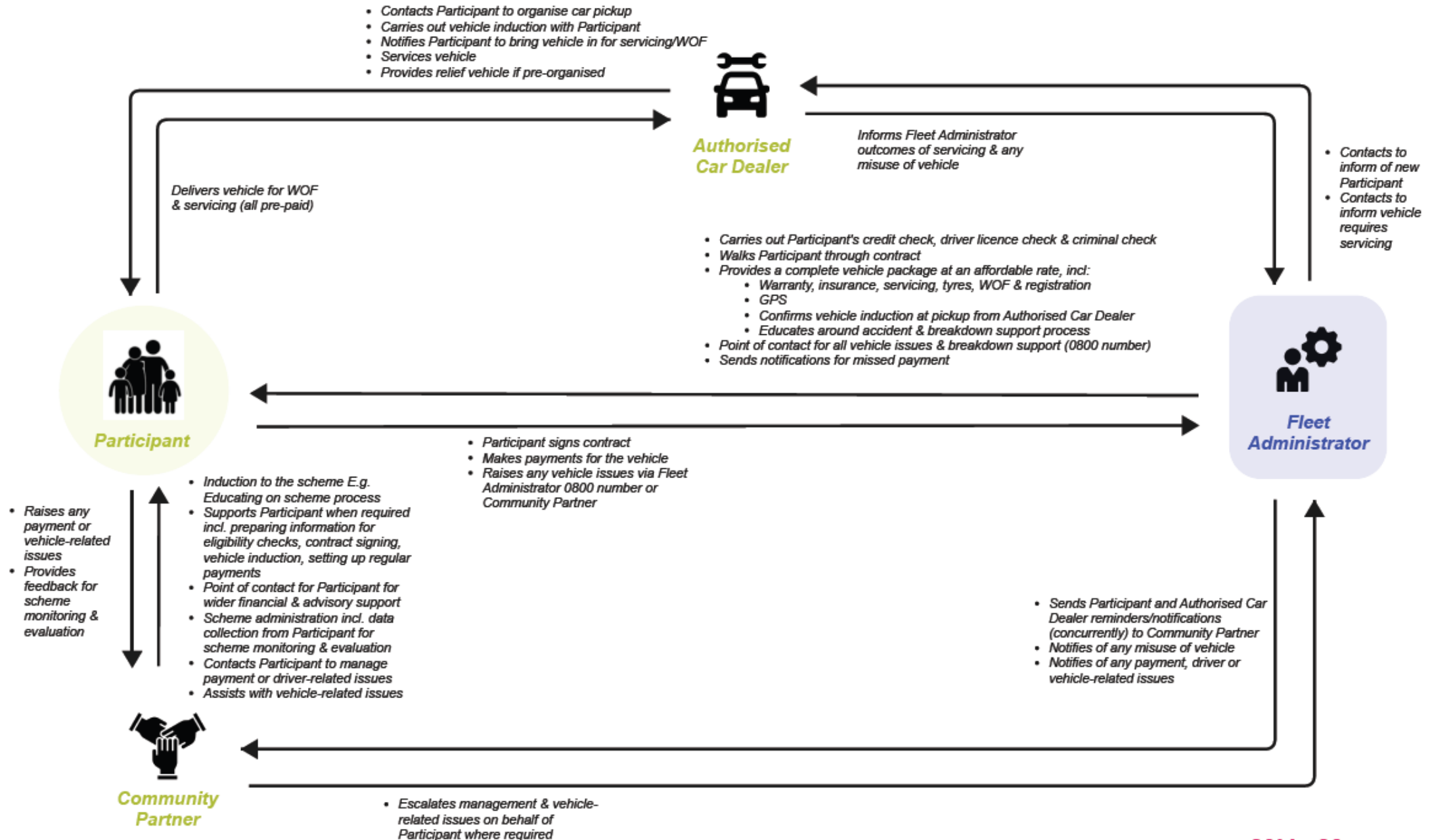
The following is a high-level overview of the operating model Waka Kotahi would have used to deliver the scheme.

Both the front end and back end of the operating model were designed in collaboration with community and industry partners over several months.

The functions within the operating model may differ depending on the community entity that leads the scheme and how that entity is configured. There are several factors which will impact the functions and roles within the operating model eg the in-house capabilities of the community entity, whether cars are leased or owned and what partnerships are formed, etc.

This operating model provides a blueprint that outlines the roles and functions required to run a sustainable vehicle leasing scheme, as a starting point.

SLS Operating Model Front stage - Waka Kotahi owns all vehicles; and outsources their operation, service and delivery



SLS Operating Model Behind the scenes - Waka Kotahi owns all vehicles; and outsources their operation, service and delivery

