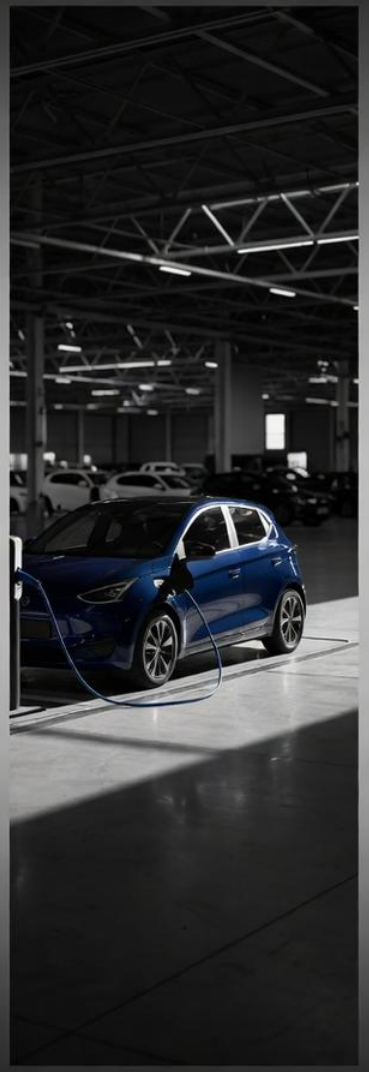
European Social Leasing:
From Policy Ambition to Operating Model

An Evidence-Led Assessment of Execution Models and their Efficiency

Executive White Paper
USD Consulting | September 2026

Author: Andy Shields



Billions of euros are heading to Member States for Social Leasing — the question is whether the delivery model will spend them wisely

Social Leasing serves **social** equity, **environmental** transition and **industrial** protection simultaneously. France approved **50,000 lease orders** in the 2024 launch; funds were exhausted in six weeks. The European Commission intends to channel **€8–16bn** (T&E scenario estimate) to Member States via ETS2 and the Social Climate Fund by 2032.

BUT THREE CRITICAL QUESTIONS REMAIN

Spending efficiency

If billions are potentially available, even a modest difference in execution efficiency becomes economically material. The delivery architecture determines what share of public funding reaches vulnerable households as affordable mobility.

French model effectiveness

France has proven demand, but execution remains fragmented across OEMs and captive finance companies. Insurance and maintenance sit outside the product. French OEMs are playing a tactical game with the programme, failing to put in the levels of discount commensurate with the volumes and commitment of the French Government.

Alternative benchmarks

The UK Motability Scheme has operated an integrated Social Leasing model for nearly 50 years, currently serving 915,000 social customers with an all-inclusive package including insurance and full maintenance with a leniency to its customer demographic's needs.

Will adopting a similar delivery model **reduce costs significantly** and give its customers the **support and consistency** they need?

This white paper examines the evidence.

Objective: Europe has the ambition and funding — this paper asks what delivery mechanisms will really convert the investment efficiently into **affordable green social mobility**. And how do you develop and govern them.

Source: T&E / Öko-Institut 2024; ICCT 2025; USD Consulting analysis

Social Leasing in Europe

Executive Summary — From France's Pioneer Programme to a Scalable European Framework

USD Consulting

EXEC SUMMARY 1 – France's "Leasing Social" demonstrates the demand for Social Leasing — BUT different execution methods are needed for Europe

Demand

- The French "Leasing Social" has demonstrated a **demand** for Social leasing.

BUT

- The programme is **inconsistent** with OEM's using it a **tactical low discount** profit opportunity – **Not reflective of the scale and investment** made by the French Government – and risks potential user **nonparticipation** due to the **mobility risk** that brings

Vulnerable Customer Demographic

- The **target audience** is a low income, **vulnerable** demographic

BUT

- Despite attempts by the French Scheme to protect the client base, the move to financial products **not covered by** the Consumer Credit Directive (and **CCD2**) puts this **client base at potential risk.**

Scheme Economics

- Significant subsidy is given by the French Taxpayer to make the lease rates affordable

BUT

- Benchmarking it against other Social Leasing Schemes show the lease costs could be reduced to almost a third the current levels

Monthly lease

€49

Possible

vs

€140

Lower target

Operational Delivery Is Key

- The French Scheme was a "**Fast Start**" to prove the case and "**learn the learnings**"

BUT

- It is administratively **complex** and **fails** to lever the **negotiation power** and operational **effectiveness** volume fleet sourcing and management can bring

EXEC SUMMARY 2 - France has barely touch the opportunity for Social Leasing — BUT constraints on ETS2 and Social Climate Fund mean more efficient solutions are needed to scale cost effectively

France's pioneering programme has demonstrated demand, delivered initial BEV adoption and established an invaluable foundation for the wider European Social Climate Fund.

~50,000 orders per year	**Demonstrated real demand.** France has shown that targeted support can make BEVs accessible to lower-income households otherwise excluded from the transition, supporting mobility, decarbonization and European industry. The programme were limited to 50,000 units per year and overall have been oversubscribed
2024–26 programme evolution	**Established valuable operating experience.** Successive iterations have informed subsidy structures, vehicle eligibility, lease products, OEM participation, supply management and the practical challenges of delivering support at scale. It has allowed further opportunities on delivery architecture and enhancement to be identified.
The need for consistency	**Long-term customer confidence requires consistency.** Whilst the 2024 and 2025 programmes with quickly sold-out, lack of OEM consistency in 2026 programmes highlighted the importance of **predictable access**, transparent total mobility costs and confidence that customers can obtain a replacement vehicle when their lease expires.
€8–16 bn European opportunity	**The next stage offers an opportunity to optimize efficiency.** France has demonstrated that the programme can generate demand. The European wide availability of funds from the Social Climate Fund and ETS2 will allow broader adoption…but highlights the challenge is to maximize the **number of households supported per euro**. The increasing resitance from some Member States to support the fund show the need to delivering tangible financial effective schemes

France has provided Europe with an important proof of concept — the task now is to translate that experience into a **scalable**, **efficient** and **consistent** Social Leasing framework for all Member States.

Source: USD Consulting analysis

EXEC SUMMARY 3 – Using UK's Motability as a benchmark indicates a substantial opportunity to improve Social Leasing economics

Financial Comparison

French Social Leasing
€140/month vehicle-only rental (lower-price programme threshold, after support)

Motability Benchmark
€49/month French-equivalent vehicle cost (USD Consulting adjusted estimate, 2020–2026 H1)

Potential financial opportunity at scale:

- Monthly difference per vehicle: **€91**
- Saving over 36-month lease: **€3,276** (~47% of a €7,000 assumed CEE grant)
- Illustrative value across 50,000 leases: **~€165 m**

Scaled across the €8-16bn estimated investment by the Social Climate Fund, the potential saving are €3-7bn

Procurement

- **Aggregated purchases** across the full fleet generate significant purchasing power
- Moving to **professional fleet scale** procurement will transform cost base
- **Multi-OEM competitive tendering** drives down unit costs

Funding and "Not for Profit" Org.

- **Centrally procured financing** improves visibility of true cost of capital
- Limits unnecessary **intermediary margins** and dividends between OEM, finance house and customer
- Transparent **cost-recovery / re-investment model** rather than commercial profit extraction

RV Management & Remarketing

- **Sophisticated** eCommerce platforms and processes add vale in vehicle resale
- **Whole-market remarketing** across all channels, not OEM franchise only return routes.
- Europe can further lever **cross-border remarketing** to optimise values

Operational Efficiency

- **Dedicated organisation** can specialise in delivery competency and reduce overheads vs OEM delivery
- Special structure can then include **insurance, maintenance and service** with efficient scale.
- Removes **complex government agency approach** and with single delivery ownership

The next generation of European Social Leasing could achieve significantly greater value from **existing support** by improving the **delivery model**, rather than relying solely on increased subsidies.

Source: USD Consulting analysis of Motability operating data, 2020–2026 H1

EXEC SUMMARY 4 – Europe needs a Route Map from successful national pilots to cost efficient European Social Leasing delivery.

The Social Climate Fund provides an opportunity to combine France's practical experience with Motability's operating principles, creating a framework that Member States can adopt and adapt.

Stage 1	Stage 2	Stage 3	Stage 4
Establish a common European framework	**Enable delivery model selection**	**Capture not-for-profit advantages**	**Build shared European capabilities**
• Define minimum **customer protection**, total-cost transparency and procurement standards • Set **financial benchmarks**, programme continuity requirements and measurable social and environmental outcomes	• Structured choice between **OEM-led competitive tendering**, centrally managed national procurement and dedicated not-for-profit operators • Selected according to national **scale, funding, capabilities** and implementation readiness	• Place programme design, procurement, **funding oversight**, RV management and customer standards under a specialist operator on a **cost-recovery** basis • OEMs and suppliers continue to **compete commercially** to deliver the programme	• Integrate **purchasing scale**, funding frameworks, RV data and cross-border remarketing where it adds measurable value • Establish **launch audits**, ongoing benchmarking and independent governance while preserving national responsibility

The proposed division of responsibility

European Commission / Social Climate Fund

- Common programme and **customer standards**
- Economic **benchmarking** and funding oversight
- Shared **data and governance** framework
- **Impose clear hurdle –** Funds matched by strong delivery mechanism
- Ongoing **governance** criteria for ongoing access to funds

Member States / delivery operators

- National **eligibility** and social policy
- Delivery-model selection and **procurement (not frame pricing)**
- Contracting, **customer service** and protection
- Internal **governance and benchmarking**
- Performance reporting and **continuous improvement**

The objective is to use experience to establish a **repeatable European approach** that maximises the impact of public funding, protects vulnerable customers and supports sustainable BEV adoption.

Source: USD Consulting

The opportunity is clear:

Combine France's proven demand with Motability's integrated delivery model to build a scalable, efficient and sustainable European social leasing programme.

Section 1: What Is Social Leasing?

Definition, Policy Objectives & European Scale

Social Leasing combines public funding, leasing and social eligibility to deliver affordable electric mobility



What Is Social Leasing?

A subsidised long-term lease — not a purchase grant — combining three elements:

- **Targeted public support** — government subsidy reducing monthly cost to an affordable level
- **Leasing structure** — defined-term lease (typically 3 years), avoiding a large upfront purchase
- **Social eligibility** — income-tested or vulnerability-based qualification ensuring support reaches those most in need

Why It Matters

- Removes the **upfront affordability barrier** excluding lower-income households from BEVs
- Provides mobility where **public transport is not a practical substitute** — rural and peri-urban areas
- Enables access to **employment, healthcare and education** for transport-vulnerable households
- Accelerates transition away from **older, polluting fossil-fuelled vehicles**

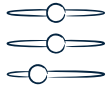
How It Can Be Funded

- **ETS1** — carbon market auction revenues; Member States allocate a share to social-mobility objectives
- **ETS2 (from 2027)** — extends carbon pricing to road transport fuels, creating a new revenue stream for transport decarbonisation
- **Social Climate Fund (SCF)** — addresses ETS2's social impact; T&E estimates up to **€16bn** by 2032 across five largest EU markets (scenario estimates, not committed policy)
- **National mechanisms** — Member States supplement with national budgets or domestic instruments (e.g. CEE in France)

Social Leasing is not an abstract concept — it has a clear mechanism, proven demand in France, and a credible European funding pathway through ETS2 and the Social Climate Fund.

Source: TE / Öko-Institut 2024; USD Consulting analysis

Social Leasing is moving from pilot policy to a potentially major European mobility instrument

Demographic need	Potential scale	Funding availability	Policy benefit	Proof of Concept
				
~20 million	**~1.5–3.0 million**	**€8–16bn**	**Triple policy alignment**	**Proven demand**
Transport-vulnerable adults across France, Germany, Italy, Spain and Poland (T&E estimate)	Potential Social Leasing contracts by 2032 across five markets under T&E scenarios	Illustrative Social Leasing funding potential by 2032 via ETS2 and Social Climate Fund	Simultaneously addresses social inclusion, decarbonisation and European industrial policy	France has demonstrated strong customer take-up at meaningful scale

Note: These are T&E / Öko-Institut scenarios, not committed EU policy or funding allocations.

Social Leasing has moved from concept to demonstrated demand — the question now is delivery architecture.

Source: T&E / Öko-Institut analysis

Every major stakeholder can benefit from a *well-structured* Social Leasing programme – but the delivery mechanism needs to ensure balance

Customer / Lessee

- **Affordable BEV access**
- Predictable mobility cost
- Greater vehicle choice
- Specialist support
- Reduced maintenance shocks
- Replacement confidence

Dealer

- Vehicle delivery income
- Servicing revenue
- Repeat customer flow
- Used-car supply

OEM

- Predictable BEV volume
- Demand certainty
- Decarbonisation contribution
- No parallel infrastructure
- Disciplined mix planning

Member State

- Social-mobility outcomes
- BEV adoption
- Better subsidy efficiency
- Transparent governance
- Measurable performance

European Commission

- **Most effective use of funds**
- Cross-country framework
- Balanced policy achievement
- Aggregate scale
- Effective delivery

Social Leasing is not a zero-sum transfer — it generates value for customers, dealers, OEMs, Governments and the Commission simultaneously

Source: USD Consulting analysis

Social Leasing combines public support, leasing and social eligibility to deliver affordable BEV access

	Stage 1	Stage 2	Stage 3	Stage 4
	Targeted Public Support	**Leasing Structure**	**Social Eligibility**	**Affordable BEV Access**
	Government subsidy via ETS2, Social Climate Fund or national programmes	Vehicle delivered through a defined-term lease, not outright purchase	Lower-income or transport-vulnerable households meeting defined criteria	Household gains BEV access at a subsidised monthly cost
Purpose	• Reduce the **upfront affordability barrier**	• Enable **transport-vulnerable households** to access BEVs	• Provide mobility where **public transport is impractical**	• Accelerate transition from **fossil-fuelled vehicles**

Key finding: Social Leasing is a structured policy instrument — not simply a purchase subsidy.

Source: USD Consulting framework

ETS2 will deliver significantly (eventually); the Social Climate Fund needs to govern execution to ensure fair use and maximum leverage of funds

	What it does	Who is affected	Scale & timing
ETS	• EU's **Emissions Trading System** covering power generation, heavy industry, aviation and maritime • Declining emissions cap makes carbon progressively more expensive, driving investment in **lower-carbon technologies**	• Regulated industrial and energy operators pay directly for emissions allowances • Consumers experience mainly **indirect price effects** through higher energy and product costs	• Already operational with a large, established EU carbon market • Tightening cap steadily increases the cost of emitting, strengthening the economic incentive to decarbonise
ETS2	• Separate cap-and-trade scheme covering **road transport, buildings** and smaller industry • Obligation imposed **upstream on fuel suppliers**, not on motorists or households directly	• Fuel suppliers surrender allowances; costs can pass through to **petrol, diesel and heating fuel** prices • Low-income households risk bearing higher costs **without the capital** to switch to alternatives	• Fully operational **from 2028 following the 2026 postponement** • Targets a **42% emissions reduction** by 2030 vs 2005 levels in covered sectors
Social Climate Fund	• EU funding mechanism **recycling carbon revenues** to protect vulnerable households, transport users and micro-enterprises • Eligible measures explicitly include purchase or **leasing of zero-emission vehicles**	• Households facing **energy poverty** • Transport users lacking alternatives to private vehicles • Small businesses exposed to fuel costs	• Theoretically runs **2026–2032** & mobilises at least **€86.7bn** (€65bn EU funding + minimum 25% Member State co-financing) • Delays of ETS2 mean near term funding constraints and need to "borrow" from ETS and other funds to deliver programmes

The SCF has resistance from various Governments (IT PL HU SK CZ GR) and risks being delayed. Is this the opportunity to define what makes an effective delivery method and withhold approvals until Members States can demonstrate procurement competency?

Source: European Commission, Climate Action; Employment, Social Affairs and Inclusion

If billions are potentially available, even a modest execution gap becomes economically material

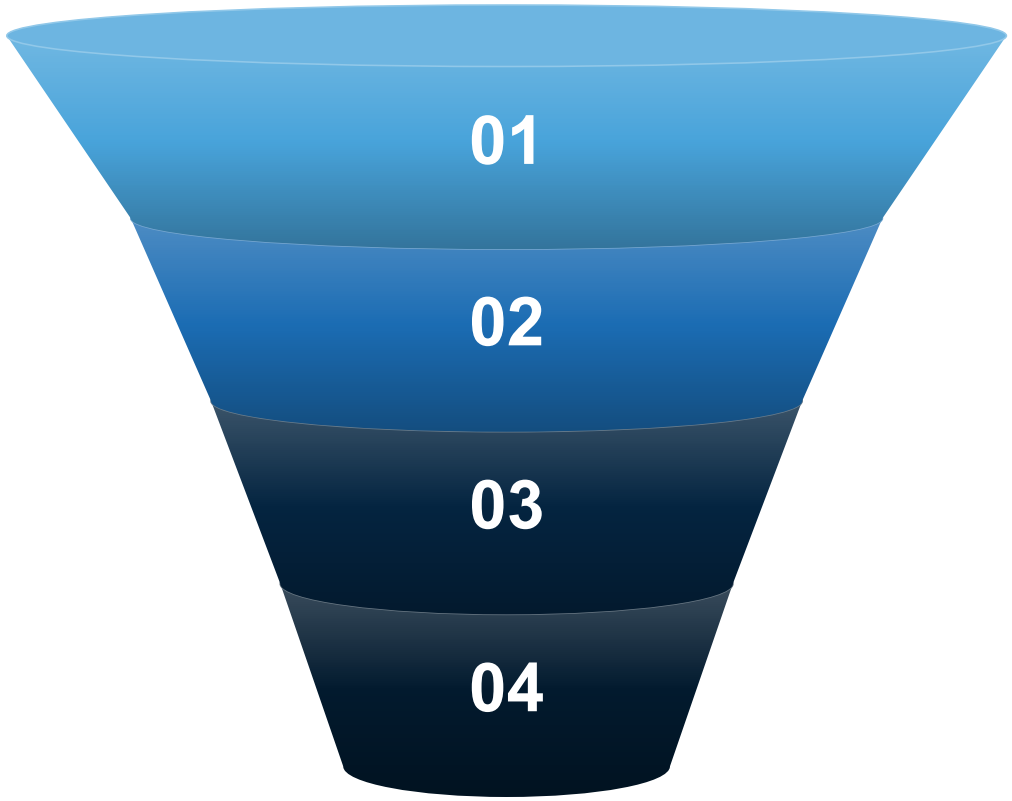
Implication: Poor execution absorbs part of the policy benefit between public money in and customer mobility out.

Public Funding
ETS2, Social Climate Fund, national subsidies — potentially **€8–16bn** by 2032 (T&E scenarios, not commitments)

Delivery Model
OEM-led fragmented delivery vs. integrated specialist operator — determines conversion efficiency

Vehicle Economics
Procurement, RV management, funding cost, operational productivity — each layer absorbs or preserves value

Customer Mobility
Actual affordable, consistent mobility delivered to vulnerable households — the policy objective



Key finding: The delivery architecture determines what share of public funding reaches vulnerable households as affordable mobility.

Source: USD Consulting framework

Multiple delivery models exist; From simple “cash to customer”, framed lease programmes, to professionally tendered and/or centrally executed

1
Grant-led Access

- Consumer or business receives a **subsidy** and negotiates individually in the normal market
- No control over vehicle specification, pricing or residual value
- Example: **Germany** (€1.5–6.0k grant)

2
Government-defined Social Lease

- State sets **eligibility criteria** and price tolerances; OEMs and lessors construct lease offers within those rules
- State shapes policy but does not actively negotiate vehicle or funding procurement
- Only partial or no control on delivery and quality
- Example: **France** (lease cap €200/month plus 25% of leases below €140/month)

3
Central Tender / Active Manager

- Public body tenders a **defined product specification** and selects model(s), creating procurement leverage
- Execution remains with 3rd party OEM and finance house
- Example: **Italy** ACI pilot (€100/month, central tender for ~3–4k vehicles)

4
Integrated Fleet Operator

- Single specialist entity **procures at scale for** vehicles, finance, insurance and maintenance
- Manages customer relationships, leases, residual-value risk and remarketing
- Operates on a **“@cost” or “cost +”** basis
- Example: **UK Motability** (~900k active vehicles)

The question is not "more subsidy" — it is which platform controls fairness of delivery, procurement, pricing, residual-value risk and remarketing to maximise the use of funds and deliver policy objectives most efficiency

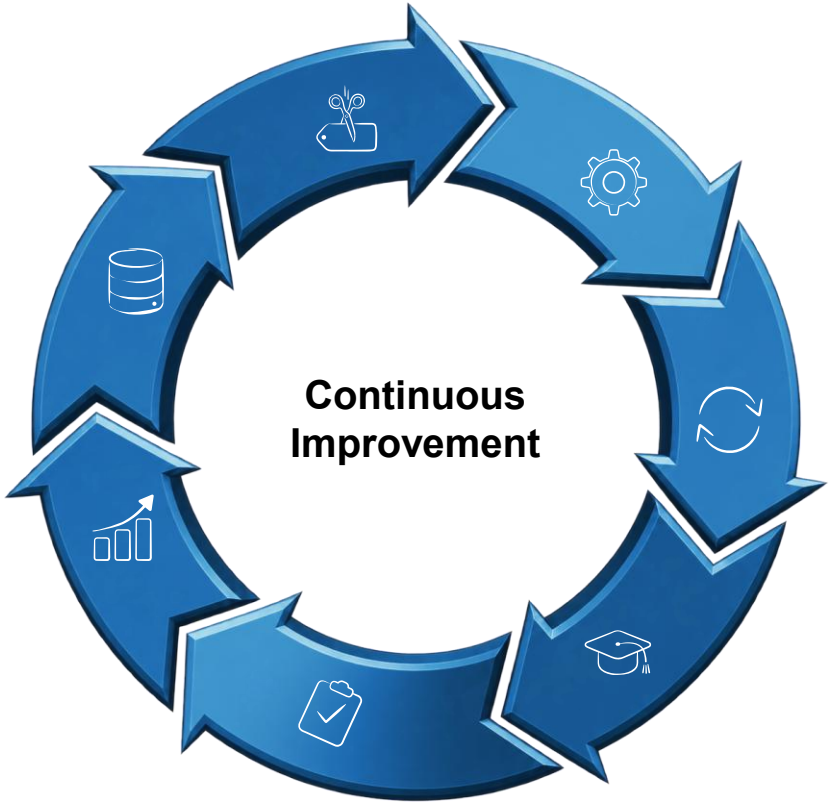
Source: European scheme matrix, October 2026

Despite the need to optimise, there are already multiple different schemes, and more coming – yet with no insight to "What does good look like?"

	Model to be confirmed	Consumer / business receives funds and arranges purchase or lease	OEM / lessor executes lease within government tolerances	Central tender / single operating platform
In operation or pilot live **Mix of Social Climate Fund, social benefits or State funded schemes**		**GERMANY** (State funded) ~800k vehicles / **€3.0bn**; €1.5–6.0k per vehicle Live May-26 → 2029 **SWEDEN** (Social Climate Fund) ~115k households; SEK 46.8k basic, extra SEK 18k poorest Live Mar-26 → 2029 **POLAND – NASZEauto** ~40k apps / PLN 1.26bn Closed Apr-26	**FRANCE** (State funded) ≥50k vehicles / **€401m**; lease capped **€200/month** Round live Jul-26	**ITALY – ACI PILOT** (State funded) €50m / ~3–4k vehicles; **€100/month** Tender/launch → Jun-30 **UK's MOTABILITY** (Social benefits funded - PIP) ~900k active vehicles/ customers Integrated operator: procurement, lease, RV, remarketing; mature @cost model
Social Climate Fund - Approved – not started	**GREECE** 15k leases / **€165.3m**; ~€11k per lease Approved Aug-26; model being defined	**LITHUANIA** 3,650 hh / €60m + 3,230 micro / €30m Launch 2027 **LATVIA** Up to **€15k per BEV** H2-27 launch		
Social Climate Fund - Awaiting approval	**LUXEMBOURG** Reduced-payment BEV lease Submitted; planned 2027	**CROATIA** 3,000+ EVs; ZEV access incl. micro-enterprises Submitted; budget split unclear		
Concept planning in Member State	**POLAND – SCF CONCEPT** Potential SCF pool very large Social leasing advocated; not in submitted plan		**GERMANY – SCF OPTION** SCF plan still being developed Vehicle-supply measure not confirmed	

Source: European scheme matrix, October 2026. Figures rounded; positioning based on current public scheme design.

Consistency itself creates economic value through a compounding operational cycle



1. **Common Process** — Standardised operations create a repeatable foundation.
2. **Repetition** — High-volume execution builds operational familiarity.
3. **Expertise** — Specialised knowledge accumulates in procurement, RV, remarketing.
4. **Standardisation** — Proven processes become codified, reducing variation.
5. **Investment** — Stable volume justifies systems and infrastructure investment.
6. **Data & Refinement** — Programme-wide data drives continuous improvement.
7. **Lower Cost / Better Service** — Cumulative gains translate to lower cost and better proposition.

Key finding Motability's efficiency was built over decades through consistent operation, not through a one-off subsidy.

Continuity matters: Operationally (driving cost down), scale (building customer confidence) and socially (fair protective proposition).

Source: USD Consulting analysis; Motability case evidence

France's "Leasing Social" and UK's "Motability" are the only two schemes with the scale to compare and contrast their financial effectiveness

FR Leasing Social - *OEM-Led Model*

- Policy set by governments including target lease rate frame
- Execution **fragmented** across OEMs and captive finance companies – who define their price position within frame
- Customer proposition differs by OEM provider
- Insurance and maintenance outside the core lease
- Product availability and terms can change during the programme
- One short availability window each year with changing subsidy and proposition each year

VS

UK Motability - *Central procurement and execution*

- Central procurement at industrial scale (**~£6.5bn annually**)
- **Integrated** lifecycle management: procurement, RV, maintenance, insurance, remarketing
- Independent RV management and whole-market remarketing
- Funding at cost — no captive-finance profit margin
- Insurance and maintenance fully integrated
- Consistent customer proposition

Key challenge

The "cash to customer" / grant model does not allow for robust value or delivery optimisation through effective procurement processes

But do either of the UK or French models deliver a fair proposition to a vulnerable demographic AND add value…or simply add cost and bureaucracy .



The delivery model determines how efficiently public funds convert into affordable, consistent and fair social mobility.

Source: USD Consulting analysis; Motability published accounts

Section 2: Two Models of Social Leasing

The French OEM-Led Scheme & the UK Motability Benchmark

Section 2a: The French Social Leasing Model

Scheme Design, Evolution & Structural Assessment

The French Social Leasing scheme is the only continental European model operating at scale — here is how it works

Who Does It Target?

- **Lower-income, transport-vulnerable** households: car-dependent (rural/peri-urban), lowest income deciles
- Income-tested via Government / DGEC / ADEME rules
- 2026 threshold: net monthly income below **€2,200**

How Is It Funded?

- **CEE (energy savings certificates)** + direct government subsidy
- 2026 ceilings: **€6,500** basic; **€9,000** European vehicle/battery; **€9,500** qualifying motor
- Total 2026 budget: **€401 million**
- Public subsidy reduces monthly cost; OEM contributions fill the gap

Who Delivers It?

- Entirely dependent on **OEMs and captive finance companies**
- Government sets rules; OEMs determine vehicles, credit, pricing, RV, customer proposition
- **No single programme operator** — experience depends on which OEM the customer chooses

Three Phases of Evolution

- **2024:** Strong demand, weak economics
- **2025:** Tighter economics, better risk allocation
- **2026:** Tiered support, European production incentives
- Subsidy architecture improved each year; OEM-led delivery structure mainly unchanged bar RV risk

2026 Lease Terms

- Monthly rentals from **~€100/month**; low-rental quota
- Mileage allowances of 45,000Km
- European production incentives in tiered support
- Vehicles must score **60/80+** on ADEME eco-score; list price below **€47,000**
- Lease below €200/month with 25% below €140/month

Vehicle Lease Only

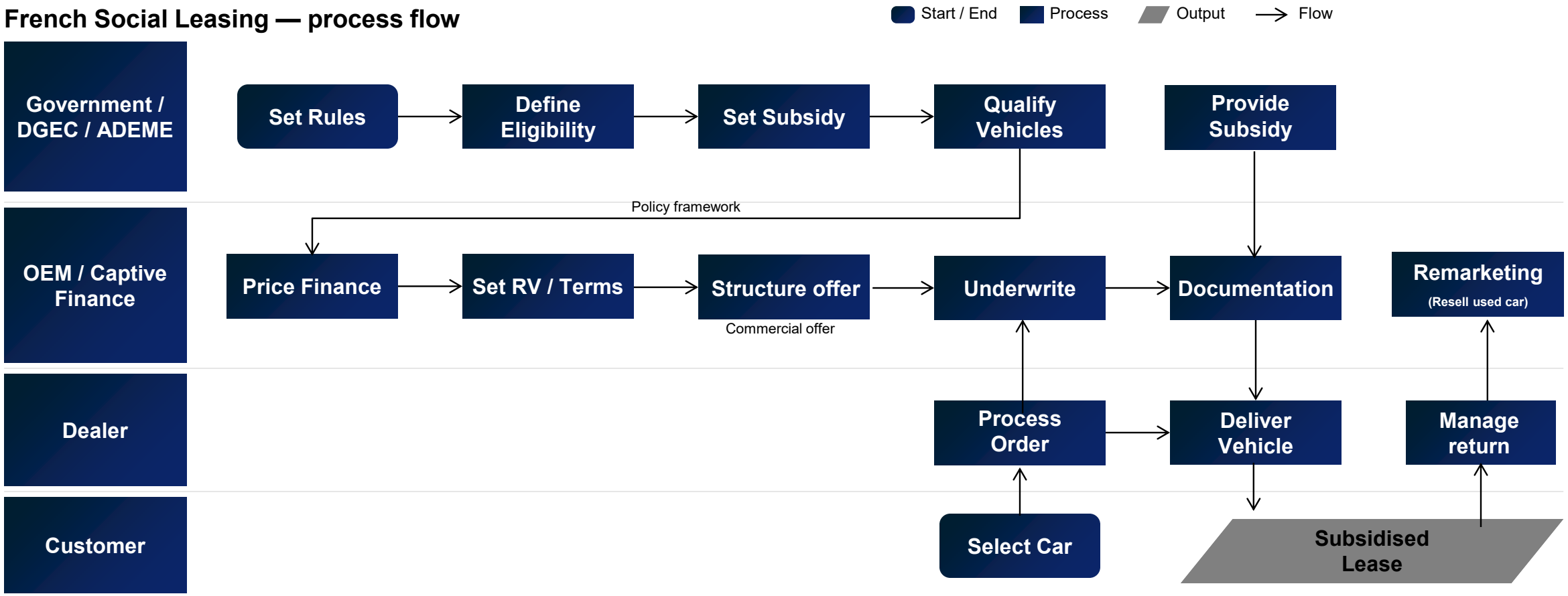
- Insurance, maintenance, tyres, breakdown, hardship protection and early-termination rules are **outside the product**
- The advertised rental is **not the household's total mobility cost**
- Transition from LOA (Option to purchase) to LLD (Operational lease) means scheme now outside of Consumer Credit Directives

Key question: France has proven demand exists at scale — the question is whether the OEM-led delivery model converts public support fairly, efficiently and consistently...and represent value for money?

Source: French Social Leasing programme 2024–2026; USD Consulting analysis

French Social Leasing separates government policy control from commercial execution

French Social Leasing — process flow



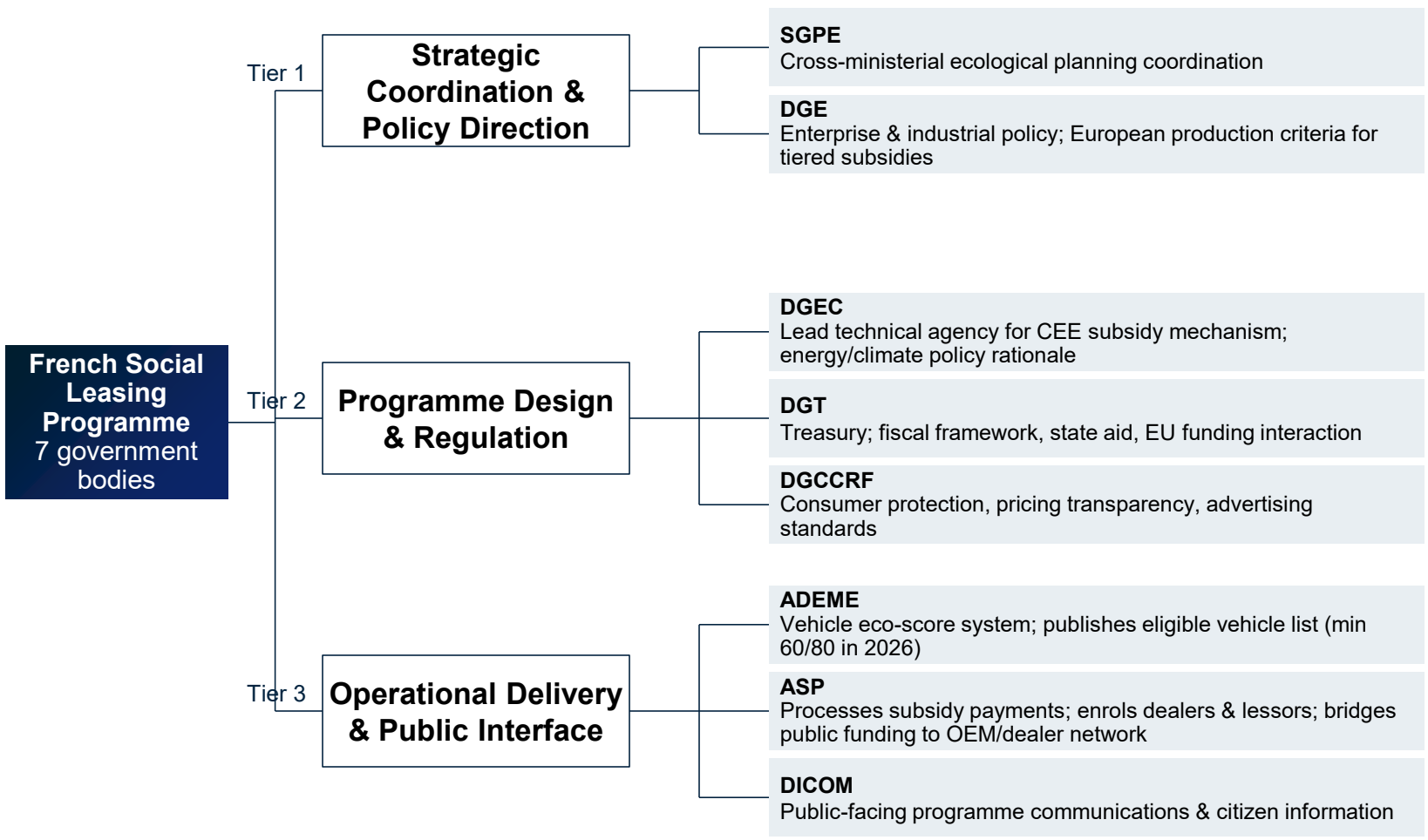
Government controls
Eligibility, subsidy, vehicle qualification, programme requirements

Commercial operator controls
OEM contribution, credit acceptance, finance pricing, RV assumptions, insurance, damage/mileage, hardship/termination, remarketing

Government controls the policy framework but not the commercial execution — the OEM/captive finance company determines the actual customer economics.

Source: USD Consulting analysis of French Social Leasing programme structure

The French programme involves multiple government agencies — Policy, consumer protection, vehicle qualification, payments are spread across separate bodies



Key finding

- Seven government bodies are involved before a single vehicle reaches a customer
- Once the policy framework is set, commercial execution passes entirely to OEMs, captive finance companies and dealer networks
- None of the commercial actors are governed by the agencies shown
- Social Leasing is designed for a **less affluent** more **venerable** demographic, yet the OEM predominantly controls the engagement, not the policy or policy makers

Implication: Complex government-side architecture — complex coordination or multiple agencies who define and mange rules and governance

But a single OEM determines the customer's actual experience and treatment (e.g. insurance, maintenance, early termination and hardship)

Source: Service-Public.fr; ASP; ADEME; USD Consulting analysis

2024 demonstrated strong demand but not an economically mature delivery model

1. **Very strong customer demand** — rapid programme take-up confirmed appetite for affordable EV leasing.
2. **High public support levels** underpinned very low rental rates, driving broad accessibility.
3. **Aggressive residual value assumptions** embedded in parts of the programme created hidden risk for dealers.
4. **Material dealer RV exposure** in some cases, with risk insufficiently allocated.
5. **Weak economic discipline** in early programme design left delivery costs unchecked.
6. **Demand proven, but delivery economics not yet sustainable** — the model required structural reform.



2024 proved Social Leasing demand is real and strong — but the economic model was not yet disciplined.

Source: USD Consulting analysis of French Social Leasing 2024 programme

2025 improved risk allocation and some economics - but did not change the underlying structure

KEY DEVELOPMENTS

The 2025 programme addressed several commercial weaknesses:

- **Reduced public support** levels, requiring higher customer contribution
- **Higher rental ceiling** reflecting reduced economics
- Greater **central OEM/captive RV risk absorption** replacing some dealer exposure
- **Tighter underwriting** standards
- More **sustainable commercial terms** – particularly for dealers

STRUCTURAL POINT

- OEM-led delivery structure **unchanged**
- Individual OEM decisions still determine availability and terms
- **No move** toward aggregated procurement or integrated lifecycle management

USD Consulting analysis

Takeaway: The scheme became more sustainable, but the underlying OEM-led execution architecture remained.

Source: USD Consulting analysis of French Social Leasing 2025 programme

2026 French state improves subsidy architecture, but still does not change the delivery architecture nor underlying costs

Basic Support

- **€6,500** ceiling for qualifying vehicles

European Vehicle Bonus

- Up to **€9,000** for vehicles with qualifying European vehicle/battery content

Motor Bonus

- Up to **€9,500** with qualifying motor specifications

Additional features across all tiers
Increased mileage allowance · Low-rental quota requirements · European production incentives

Key finding: France has progressively improved the subsidy architecture — but has not fundamentally changed the delivery architecture.

Source: French Social Leasing 2026 programme; USD Consulting analysis

2026 take-up was initially strong but has now stalled as brands have withdrawn models or increase prices –undermining long term credibility

1 French Social Leasing – Launch list under €140/month

Model	Launch price	Current status
Citroën ë-C3	€94	Available
Fiat Grande Panda Electric	€95	Withdrawn
Opel Frontera Electric	€99	Increased to €139
Citroën ë-C3 Aircross	€114	Increased to €181
Renault Twingo	€130	Withdrawn
Kia EV2	€137	Withdrawn
Hyundai Inster	€139	Available
Nissan Micra Electric	€139	Available
Renault 5	€139	Withdrawn
Opel Corsa Electric	€139	Withdrawn



Citroën ë-C3
€94/month



Hyundai Inster
€139/month



Nissan Micra Electric
€139/month

2 French Social Leasing – Launch list €140–€200/month

Model	Launch price	Current status
Peugeot e-208	€149	Withdrawn
Jeep Avenger Electric	€169	Withdrawn
Renault 4	€170	Withdrawn
Peugeot e-2008	€170	Withdrawn
Hyundai Kona Electric	€189	Withdrawn
Opel Mokka Electric	€189	Withdrawn
Renault Mégane E-Tech	€190	Withdrawn
Lancia Ypsilon Electric	€195	Withdrawn
Alfa Romeo Junior Electric	€199	Withdrawn
Peugeot e-308	€195	Withdrawn



Peugeot e-208
€149/month



Hyundai Kona Electric
€189/month



Opel Mokka Electric
€189/month

OEM's cite stock restrictions (undisclosed at the start of the programme) and financial hardship – but is this fair or just a co-incidence?

USD CONSULTING ANALYSIS

- After only **6 weeks**, OEM brands started to withdraw models and increase prices
- Some have implemented "Leasing for All" programmes — taking the **marketing benefit** of the scheme but offering both higher prices AND worse terms
- The **brand equity and consumer confidence** of the scheme is being heavily eroded
- Consumers are unlikely to swap from their current old ICE vehicle if they feel the scheme is **transient**

- *Why risk being immobile at the end of your lease with no available replacement Social Lease and **no finance or cash** to buy a €5,000 ten-year-old Corsa.*
- ***Staying with your old ICE car is safer!?***

Source: French Social Leasing programme Sep/Oct 2026; USD Consulting analysis

Section 2b: The UK Motability Scheme

History, Scale, Governance & the Integrated Mobility Proposition

The Motability Scheme enables 915,000 disabled people to exchange a government mobility allowance for an all-inclusive vehicle lease



Reducing transport disadvantage for disabled people

- The Scheme provides reliable personal transport for access to **employment, education, healthcare and community life**; the customer does not have to drive — a family member, carer or nominee can drive on their behalf
- Eligibility requires **Personal Independence Payment (PIP)**, enhanced-rate mobility component (**£80/week**), with at least 12 months remaining on the award; participation is voluntary. Larger vehicle are available by making a single Advance Payment
- The customer assigns their allowance to Motability Operations, which funds an **all-inclusive lease** (typically three years) covering a **new vehicle, insurance, servicing, maintenance, tyres and breakdown assistance**;
- Of **~915,000 customers**, ~35,000 have Wheelchair Accessible Vehicles (~4% of fleet) and ~60,000 have other mobility adaptations; approximately **90% of Scheme vehicles are, unconverted however, Motability** provides flexible insurance to allow careers and family to support mobility and to drive leased vehicles at no additional cost.
- The purchase run rate is ~16-17% BEV (H1 2026), **c50,000 new BEV's leases per year**. This is in line with UK consumer adoption. Consumers have an open choice of BEV vs ICE on the Motability scheme.

The Scheme's primary social purpose is broader than providing converted vehicles — it delivers **dependable, affordable transport** to people whose disability would otherwise restrict their independence.

Source: Motability Operations; GOV.UK

The UK Motability Scheme is the world's largest integrated social-mobility operator — here is how it works

Who Does It Target?

- People with disabilities receiving qualifying mobility benefits (Enhanced Rate, PIP Mobility Component)
- **~915,000** active customers
- Majority use ordinary production vehicles
- Eligibility set by Government benefit assessment, not by the scheme

How Is It Funded?

- Customers assign qualifying PIP* mobility benefit (up to **~£80/week**) directly to Motability — no separate rental payment
- Some vehicles require an additional Advance Payment
- Fleet funded via debt markets and retained reserves
- Bank owners (Barclays, HSBC, Lloyds, NatWest) historically waive equity dividends; profit reinvested for resilience

Who Delivers It?

- **Single integrated operator** — Motability Operations — controls entire lifecycle: procurement, fleet management, RV forecasting, insurance, maintenance, remarketing, customer administration
- OEMs are suppliers, not programme operators
- Dealers deliver/service within a centrally managed framework
- Customer deals with one scheme, not one OEM

How Did It Evolve?

- **1977/78:** Scheme created by Act of Parliament
- **Early years:** Fragmented OEM/dealer RV guarantees and dealer-managed servicing — structurally similar to today's French model
- **~1999:** Pivotal transition — Motability takes control of procurement, RV, maintenance, remarketing
- **Today:** Fully integrated lifecycle operator at industrial scale

Scale of Operations

- **~£6.5bn** annual new vehicle purchasing
- **~250,000** vehicles returned and remarketed annually
- **~£3bn** annual used-car sale proceeds (82% sold online via MFL Direct)
- **~18%** of UK new-car registrations
- **~535** vehicles managed per employee

All-Inclusive Mobility Proposition

- Vehicle, insurance, maintenance, servicing, tyres, breakdown cover, vehicle tax/MOT, disability adaptations
- Nominated drivers/carers, changes-in-circumstances support, benefit-eligibility changes, early return under defined rules
- **Advertised cost IS the household's total mobility cost — nothing excluded**

Motability demonstrates that an integrated operator delivering a complete mobility proposition at industrial scale is not theoretical — it has been operating successfully for nearly 50 years.

Source: Motability published accounts and annual reports; USD Consulting analysis
PIP = Personal Independence Payment a needs assessed social benefit

Not for profit ecosystem — a charity & an operator - government provides benefits (but with no client obligation to lease nor control of scheme)

Motability Foundation

- Owns and oversees the Scheme framework
- Sets **policy and performance** requirements; monitors Motability Operations
- Provides grants for **complex adaptations** and wider mobility funding
- Does not itself operate the vehicle fleet

Government & Benefit Agencies

- Determine eligibility for qualifying benefits (**PIP, DLA, AFIP**, War Pensioners)
- Transfer qualifying **mobility allowance** directly to Motability Operations
- Provide the regulatory framework supporting scale and affordability



Motability Scheme

Regulated charitable-commercial ecosystem

Motability Operations

- Purchases, finances and leases vehicles; arranges **insurance and breakdown** support
- Covers sourcing, dealer management, remarketing servicing, repairs and tyres; manages adaptations and customer support
- Owned principally by **Barclays, HSBC, Lloyds, NatWest** — who waive equity dividends; profits retained or donated to Foundation

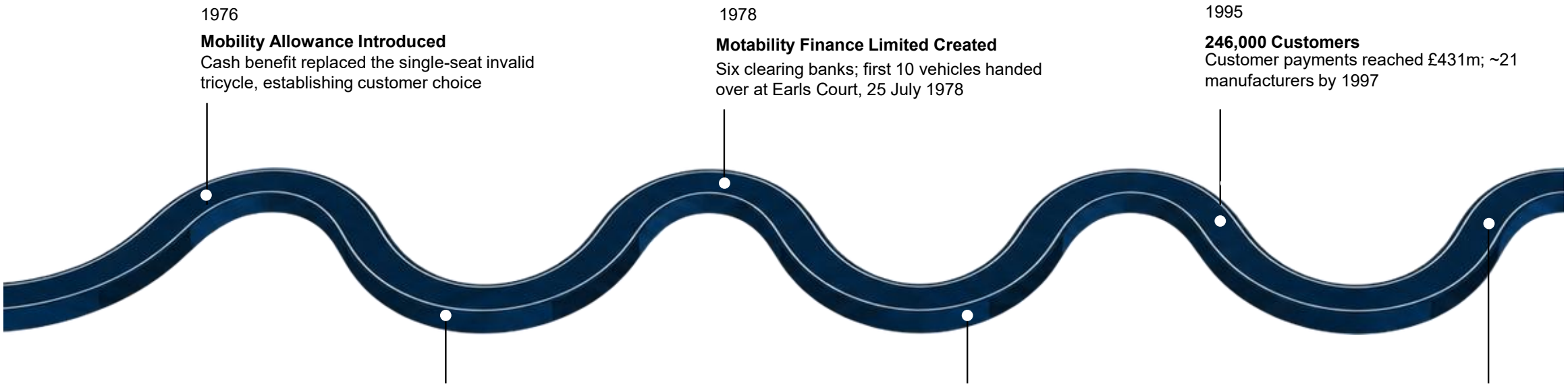
Customer

- Chooses vehicle through an **accredited dealer**
- Assigns mobility allowance to Motability Operations
- May pay an additional **Advance Payment** for higher-specification vehicles

The modern Motability Scheme is a regulated charitable-commercial ecosystem — publicly funded allowances provide spending power, a charity defines the social purpose, and a bank-owned company carries the fleet and residual-value risks.

Source: Motability Foundation; Motability Operations

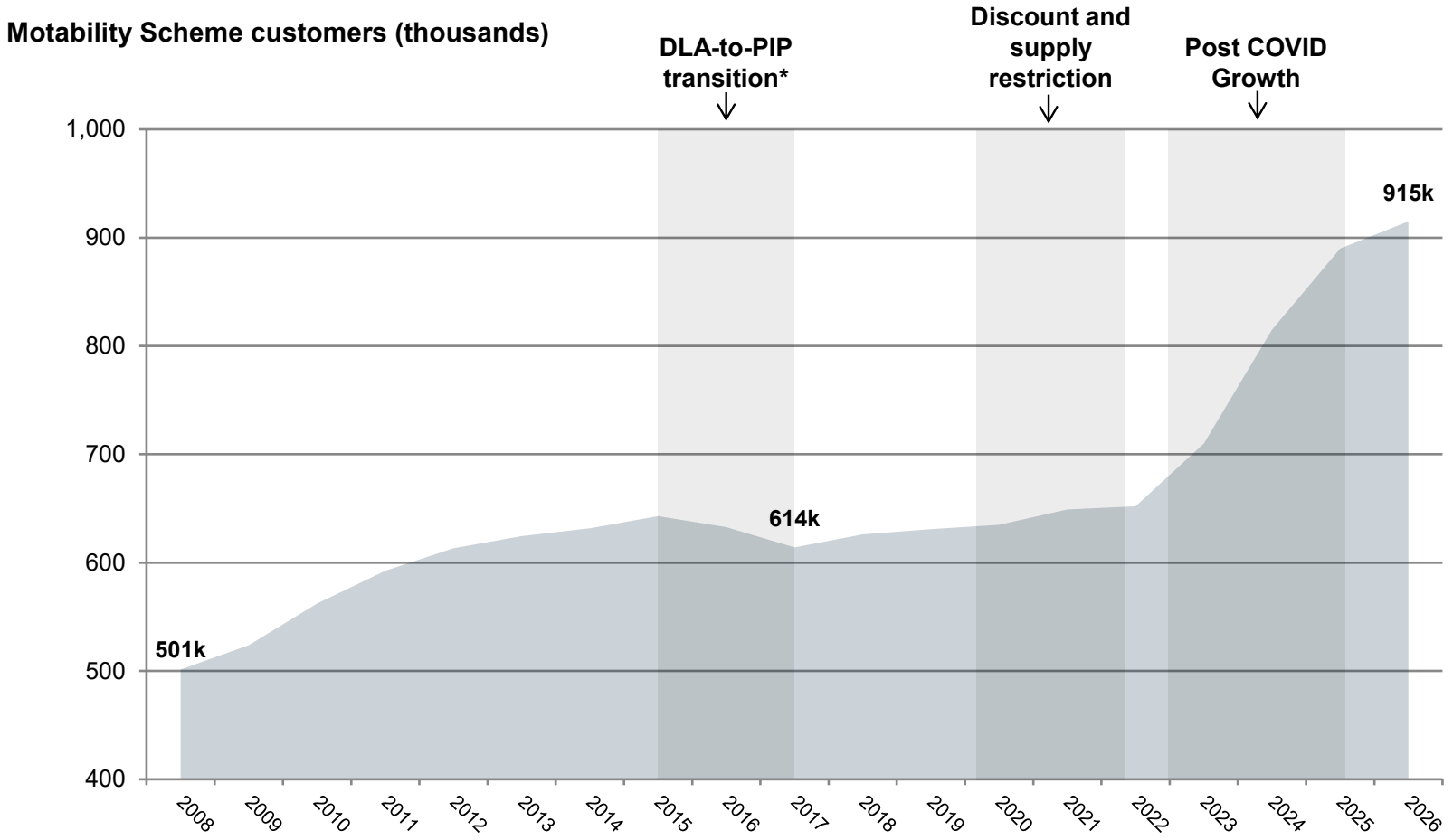
The Scheme was founded between 1976 - replacing government-issued invalid tricycles with customer choice



The Scheme was a **purpose-built partnership from the outset** — not a collection of competing commercial lease schemes later consolidated nor a complex web of government agencies

Source: Motability Foundation; Hansard; UK Parliament

Scheme nearly doubled from 2008-26; Its OEM independence and financial reserves allows it manage external headwinds and achieve policy objectives - regardless



Key context

- Any un-expected **profits** (sale of vehicles) are retained or used by the Charity. Retained reserves are used to **lower funding costs** and overcome external issues.
- It currently holds £3.9Bn in reserves generating a **saving of £173m** in funding costs.
- Despite COVID supply and discount restriction by OEM's, delivery was sustained by reserves and extended holding periods.
- Post COVID vehicle supply plus increasing eligibility to PIP drove growth 2023-2026
- Consumers have free choice of ICE or BEV, however its estimated 45,000 BEV purchases (2025) is equivalent to 35-40% of the UK Consumer BEV market.
- Reserves give protection from RV instability

The Scheme is no longer a niche programme — it is an intrinsic part of UK automotive – with the reserves and the negotiation power to handle major macro-economic and political issues coupled with OEM inconsistency – so ensuring ongoing delivery to its vulnerable customer demographic

Source: National Audit Office; Motability Operations; SMMT
* DLA (Disability Living Allowance) was the forerunner to the PIP (Personal Independence Payment) eligibility was restricted during the transition

Motability delivers a complete mobility proposition — French Social Leasing delivers a vehicle

● Included ● Not included / Limited

Component	French Social Leasing	Motability
Vehicle (BEV)	√	√
Insurance	×	√
Maintenance	×	√
Servicing	×	√
Tyres	×	√
Breakdown cover	×	√
Change of circumstances	Limited — at OEM discretion / some State support	√
Early return (defined rules)	Limited	√



The gap between a subsidised vehicle lease and a complete mobility proposition is the difference between a headline rental and a true mobility cost. Motability exceeds all European CCD's and French scheme protectons

Source: Motability published product specification; USD Consulting analysis

Section 3: Comparative Financial Analysis

Reverse-Engineering French Economics & Benchmarking Against Motability

Section 3a: French Lease Economics

Reverse-Engineering the OEM Contribution & Assessing Value for Money

USD Consulting reverse-engineered the implied OEM and dealer combined discounts from observable lease data

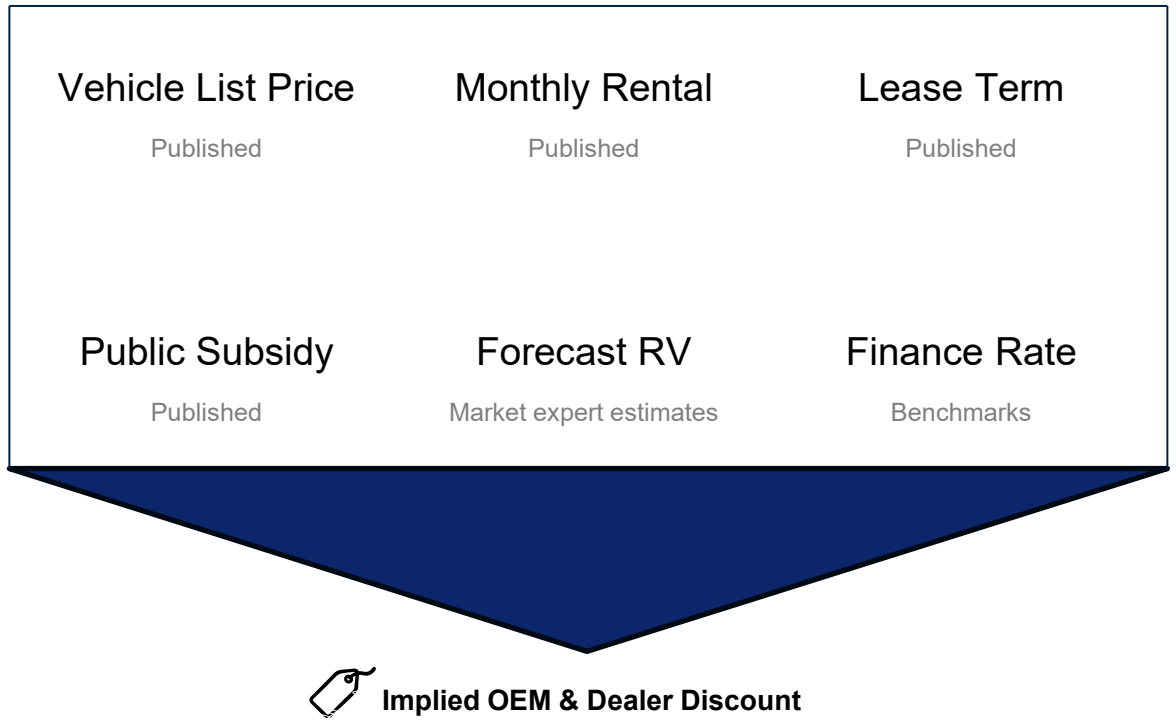
Methodology

USD Consulting analysis

The customer rental, vehicle list price, public subsidy and lease term are published or known. Residual value is estimated independently using market RV tools from recognised European providers. Finance assumptions (captive wholesale funding cost, deal finance rate) are set from market benchmarks.

By reconstructing the lease economics from **known and estimated inputs**, the implied OEM/dealer contribution is solved as the **residual unknown**.

Known & Estimated Inputs



Key finding: The methodology isolates the one variable that is not publicly disclosed — the OEM's and dealer's nominal discount

Source: USD Consulting analysis

USD Consulting reverse-engineering of the lease rate calculation – Technical methodology detail…

Example offer: €25,000 list price vehicle with €139/month advertised lease rate

Buying CEE Support Discount and Residual Value	**Purchase**	**List Price**	**€ 25,000** Inc VAT	
		*Gov. CEE Support**	*€ 7,000*	
		OEM & Dealer Discount **	***€ 4,125***	***16.5%***
		Purchase Price	€ 13,875 Inc VAT	
		Purchase Price	**€ 11,563** Excl VAT	
	Residual Value	RV % of List Price***	*44.5%*	
		RV	**€ 9,271** Excl VAT	
	Depreciation	€10,742-€8,844 =		**€ 2,292**
Funding costs	**Average Funded Amount**	**(€10,742+€8,844) / 2**	**€ 10,417**	
	Interest / Term	Interest Rate (Annual)	*6%*	
		Contact Length (Years)	*3*	
	Funding Costs			**€ 1,875**
Lease Rate	**Total Payment Due**	**Depreciation and Funding**	**€ 4,167** Excl VAT	
		Initial Payment*	€ 0	
		Payment Due	€ 4,167 Excl VAT	
	Lease Payments	36 Payments	€ 116 Excl VAT	
		Lease (Inc VAT)		**€ 139**
		Website offer		**€ 139**

* In their offers, the OEMs engineer and put the initial lease payment to equal the Government's CEE support. This is an industry practice that allows the finance house to obfuscate the **funding benefit** of CEE or indeed OEM subvented support. The interest earned on the €7,000 is hidden profit for the OEM finance house. For correct comparability, CEE is considered as a discount in USD analysis. This make a 1-3% reduction in the nominal level of discount needed

** By adjusting the OEM and Dealer Discount level, a lease rate can be generated to match the OEM's advertised offer. Thus, the **nominal discount** offered by the OEM and dealer combined can be estimated.

An **assumed OEM captive financing rate of 6.0%** is applied, compared with an indicative wholesale cost of funds of approximately **4.5%**, based on securitised debt funding (see sources below). The resulting **1.5 percentage-point margin** provides for the finance company's operating costs, financing and credit risks, and an element of commercial profit, separate from the OEM's margin on the vehicle itself.
Financing costs are calculated using the **Average Funded Amount** method rather than Discounted Cash Flow (DCF), to maintain methodological consistency with the Motability analysis.

*** The residual values used in the assessment were based on recognised external RV forecasts at the start of the programme for 3 year / 45,000 Km. Where possible these were also triangulated with any consumer LOA offers (adjusted for Km). Normally LOA RVs are lower than a LLD RVs as the consumer has option to purchase. The OEM will (rightly) look to minimise LOA RVs to minimise “cherry picking” risk and to manufacture end of term equity. By selecting the lower of the two RVs, the analysis potentially increases the nominal discount that the OEM and dealer are giving in this analysis.

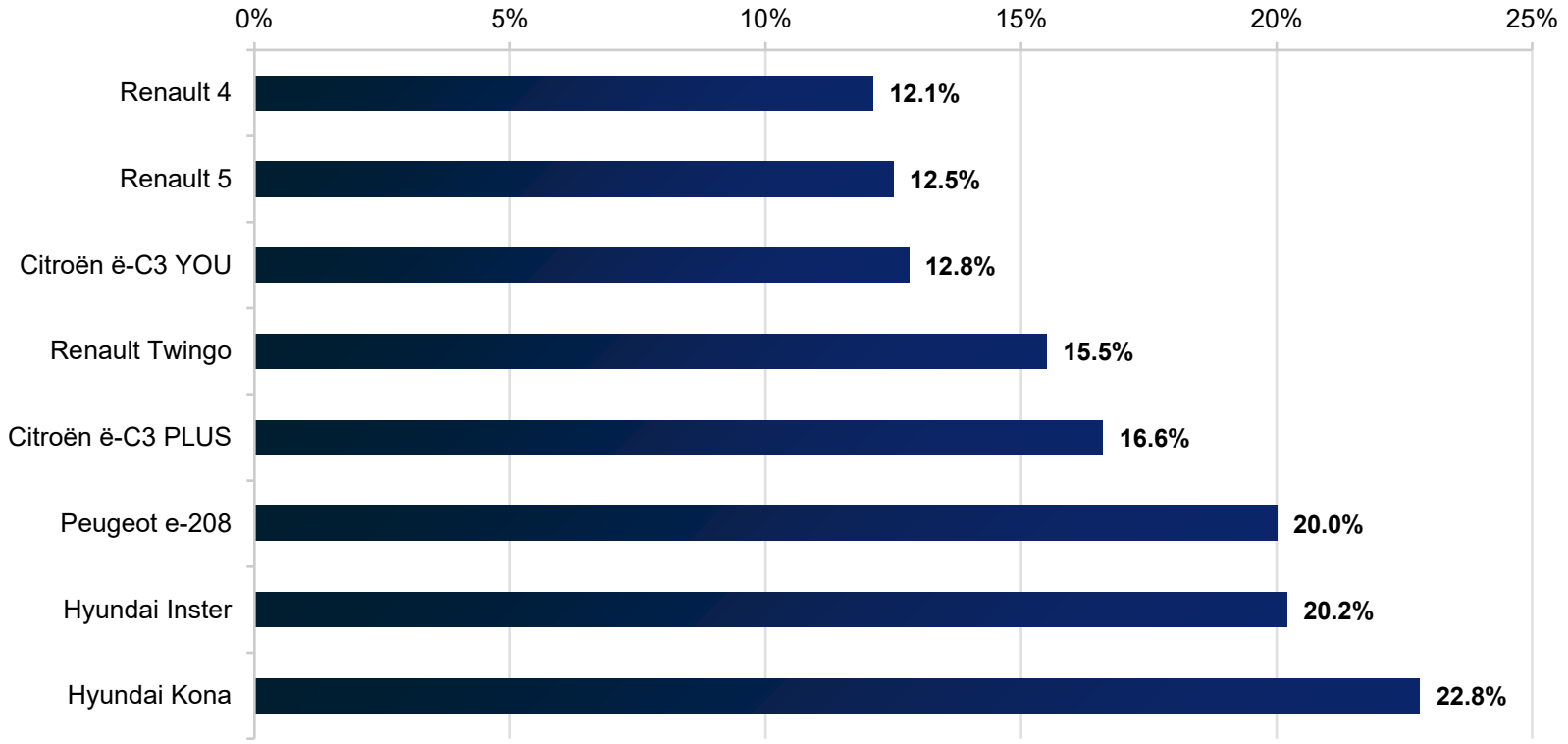
Note: LOA = Location avec option d’achat i.e. the customer has option to buy car at end of lease
LLD = Location Long Duree i.e. Operating lease with no option to buy (the nature of French scheme)

By using a benchmark for RV forecast, the methodology isolates the OEM’s and dealer’s economic contribution.

Source: USD Consulting analysis — reverse-engineered from published programme data, recognised external RV forecasts and stated finance assumptions. 6% internal charge out rate based on the general rate level used by OEMs in unsubverted finance published offers and Banque de France reported consumer rates (unsecured funding). Cost of funds estimate based on OEM Finance house accounts notes or published securitization notes (using Eurobor base as of August ‘26)

Inferred OEM support varies materially by model — from ~12% to ~23%

Inferred OEM/Dealer Support (% of List Price)



Key context

- USD Consulting inferred support under stated RV and finance assumptions
- Higher inferred support mainly reflects **weaker forecast RV** rather than greater manufacturer generosity or other economic drivers.
- This in turn is driven by supply / demand ratio, timing in vehicle life-cycle and brand equity
- Range of **~12–23%** indicates materially different economic commitments

Key Question
Are these levels market competitive?

The variation shows the importance of RV in **vehicle economics** – illustrating environmental policy needs to be **RV first**, BEV volume second.

A programme that hits RVs though **poor legislative policies**, increases cost of ownership and thus **counter productive** on BEV adoption

Source: USD Consulting analysis — inferred support under stated RV and finance assumptions

Section 3b: The Motability Economic Benchmark

Reconstructing a Vehicle Economic Cost & Identifying the Efficiency Drivers

The French and Motability schemes fund Social Leasing through fundamentally different mechanisms

Subsidy Mechanism

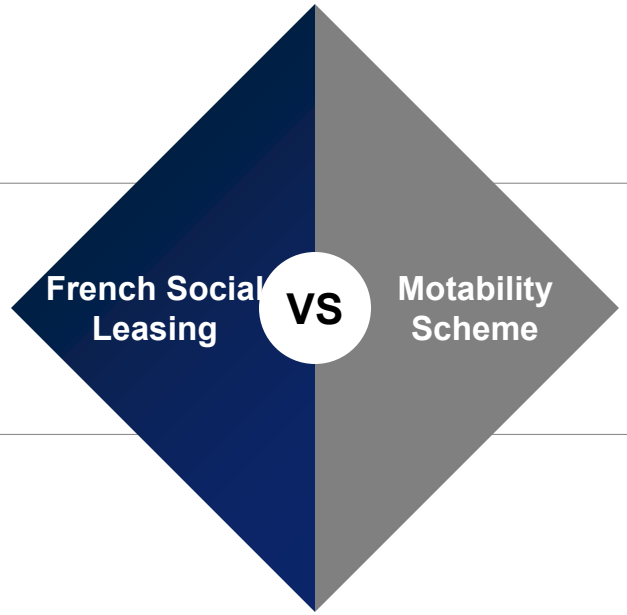
Government pays **CEE upfront** to leasing company (€7,000–€9,500 per vehicle). OEM constructs a published monthly lease rate. Vehicle-only proposition.

Lower Tier

Published rental below **€140/month**. 25% of OEM volume must fall in this band.

Upper Tier

Published rental **€140–€200/month**. Higher-spec vehicles within programme ceiling.



Subsidy Mechanism

Customer assigns weekly **PIP* (~£80/week)** to Motability. No published lease rate. All-inclusive: vehicle, insurance, maintenance, breakdown. VAT recovered on purchase; reserves self-fund ~25% of fleet.

Lower Tier

Zero Advance Payment vehicles. PIP covers all costs; customer pays nothing beyond assigned benefit.

Upper Tier

Advance Payment vehicles. One-off upfront £ payment on top of PIP. Wider, richer vehicle choice.

These structural differences in subsidy, pricing, model mix and **product scope** mean a like-for-like financial comparison requires **systematic adjustment** — as detailed in the following slides.

USD Consulting analysis

Source: Motability published accounts; French Social Leasing programme; USD Consulting analysis
* PIP = Personal Independence Payment a needs assessed social benefit

Part 1 - The Sub €140 tier of French Social Leasing vehicles is highly comparable to the Motability Zero Advance Payment selection



Comparing the **effective monthly cost** of Motability Zero Advance Payment vehicles with the French sub-€140 selection is a fair cost comparison, as seen on the following slides.

Source: French Social Leasing programme Sep/Oct 2026; Motability published vehicle list; USD Consulting analysis

Part2 – From Motability accounts, USD isolated a French comparable vehicle only cost base, clean of all UK subsidies and advantages but inclusive of French CEE subsidy.

Phase 1 — Derive Motability's Unsubsidised Vehicle Economic Cost (VEC)

Step A

Base Vehicle Cost

Total vehicle **depreciation + adjustments + gain on sale** from published accounts (2019–H1 2026), averaged across business cycle to smooth COVID-era distortions.

Step B

Remove Service & Maint.

Strip all **insurance and maintenance costs** (clearly separated in accounts). French scheme covers vehicle only — comparison must be vehicle-only.

Step C

Remove VAT and ECG Advantage

Add back **VAT advantage** embedded in disposal proceeds. (Motability recovers VAT on purchase but sells cars VAT-inclusive).

Add back Electric Car Grant (ECG) advantage estimate

Step D

Strip Advance Payments

Remove accrued income from **Advance Payments** on higher level cars. This Isolates zero-advance-payment vehicles only — comparable to French sub-€140/month tier.

Step E

Remove Self-Funding Adv.

Apply funding cost proxy at **4.4%** on whole asset value (not just funded portion). Motability **self-funds** from substantial reserves, reducing effective funding cost. Adjustment then prices in full market-rate funding.

Step F

Add Allocated Overheads

Include apportioned **general overheads**, manpower, legal costs, bad debt. Apportionment based on ratio of variable fleet costs to variable insurance/maintenance costs.

= Motability Un-subsidised VEC including overheads of delivery

Phase 2 — Overlay French Subsidy and VAT Conditions

Step G — Apply French CEE Subsidy

From Motability Un-subsidised VEC, Deduct **€5,883 excl. VAT** — French government CEE support level under the standard scheme.

→

Step H — Add French VAT

Apply French VAT at **20%** across applicable net lease flows.

→

Step I — Divide by Fleet Months

Per-month cost using total estimated fleet months (2-point average of Motability's yearly opening and closing fleet).

→

Effective French Lease Rate

€49.75 / month incl. VAT

French target: sub-€140/month

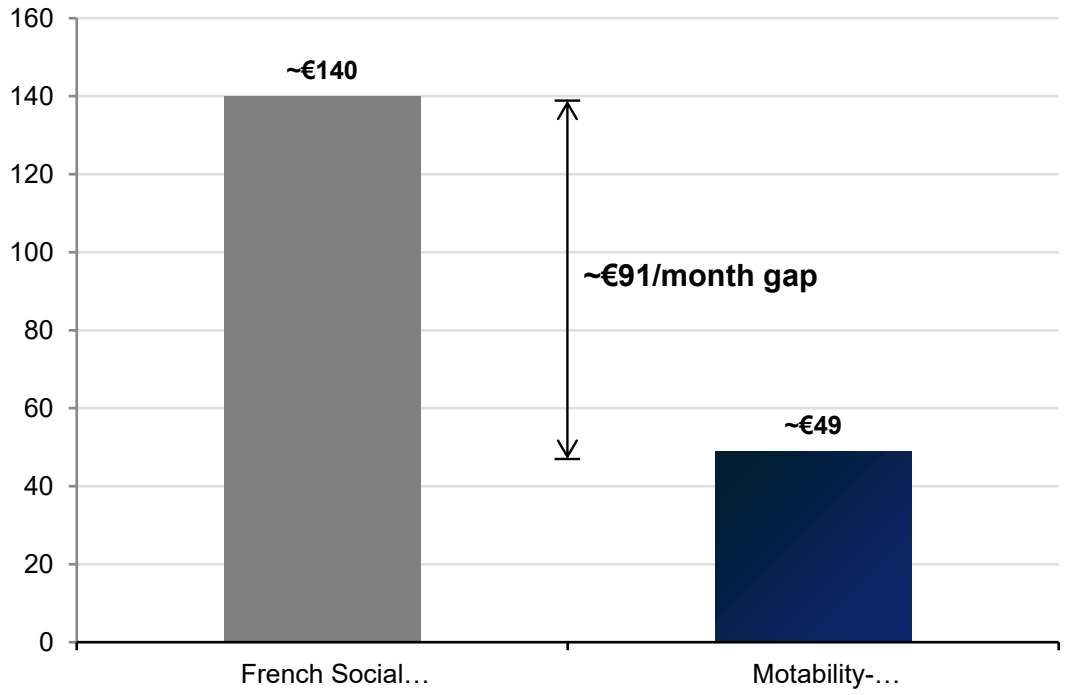
Motability-equivalent: **€49.75/month**

Key takeaway: At Motability levels of efficiency, French government subsidies would deliver a vehicle at **€49.75/month** — approximately one-third of the comparable French target rate.

Source: USD Consulting analysis based on Motability published accounts 2019–H1 2026

French-equivalent Motability economics indicate ~€91/month less than comparable French offers

Monthly cost comparison (€/month)



USD Consulting analytical proxy based on published Motability accounts and defined normalisation assumptions — not a hypothetical Motability offer in France.

USD Consulting analysis

Scaling the Difference

- Per vehicle over 36 months: **~€3,276**
- Across 50,000 vehicles: **~€164 million** potential economic difference

Methodological notes

- Motability delivery overheads significantly below French OEM Finance House funding margins - suggesting an additional delta between UK and French schemes
- Economic funding cost included and comparable between schemes
- UK Motability sales VAT advantage corrected
- Insurance and maintenance removed for comparability

Key Question
Why is the effective cost of Motability so much lower than the French scheme?

Key finding: The **delivery architecture**, **not the subsidy level**, is the driver of the cost difference.

Source: USD Consulting analysis

Section 3c: Why Is Motability So Much More Financially Efficient Than the French Scheme?

Procurement, Remarketing, Funding & Operational Drivers of the Cost Gap

Four structural drivers explain why Motability achieves ~€49/month where the French scheme targets ~€140/month

Procurement

Acts like **major fleet buyer**, securing superior discounts

Remarketing

Highly efficient **technology-based end-of-life disposal**, optimising RVs

Funding Costs

Funding supplied **at cost** without a funding margin

Operational Efficiency

Specialist organisation delivers **similar leases per employee**, but with a far more complex product (maintenance and insurance)

Four structural drivers explain why Motability achieves ~€49/month where the French scheme targets ~€140/month

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Funding supplied **at cost** without a funding margin

Operational Efficiency

Specialist organisation delivers **similar leases per employee**, but with a far more complex product (maintenance and insurance)

Estimating Motability and large fleet comparable OEM and Dealer discounts from published accounts (i.e. vs French discounts achieved)

Methodology

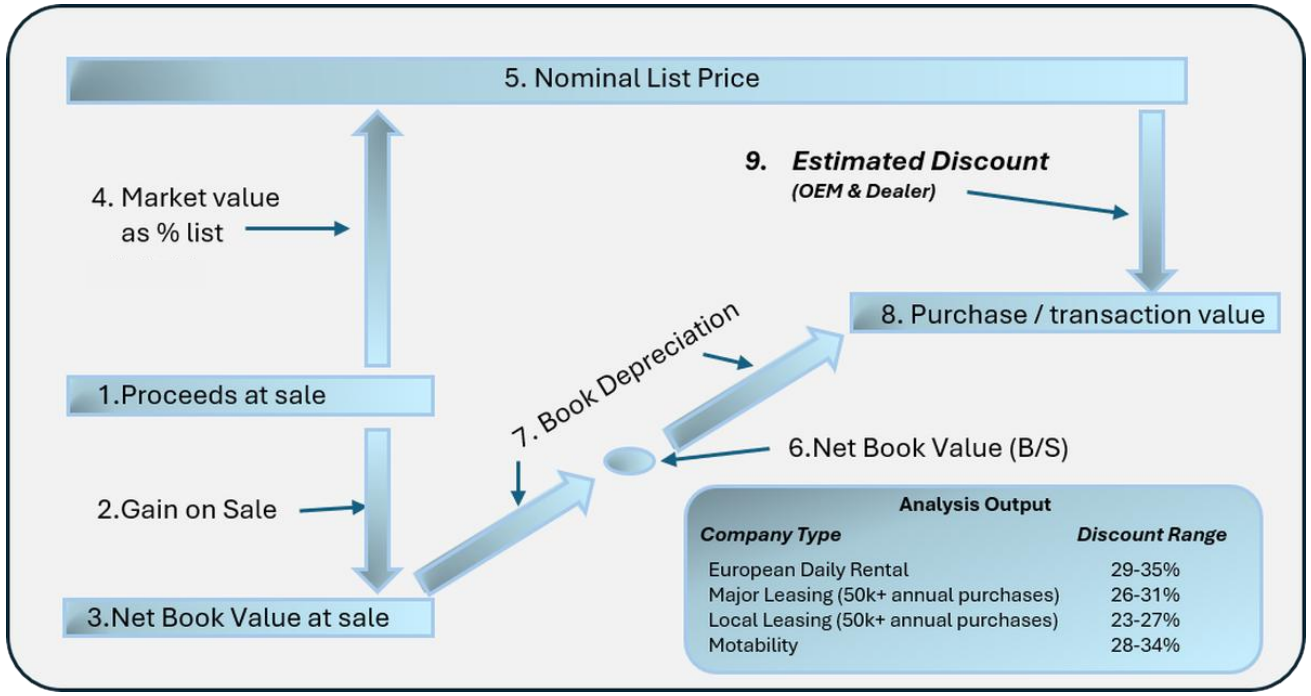
Fleets publish their main accounts, separating the following key datasets:

- **Total revenue** of vehicles sold and number sold
- **Gain / Loss on sale** against book value at sale
- **Book value** at sale
- Stated **straight-line depreciation** rates
- Any **in-life book adjustments**
- **Net Book Value**

Third-party valuation companies also publish:

- **Market price trend** data
- **Used values as % of list price** for individual vehicles, fuel-type segments and the market as a whole

Combining these datasets allows a reasonable assessment of **average discounts** as illustrated in the diagram.



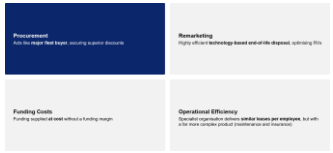
Note 1: Whilst some Leasing companies showed separate volume bonus overrides received from the OEM for the consolidated pan-European volumes (~2-4%), these were excluded from the discount analysis. Whilst it is likely that the majority these are vehicle purchase related, some may be related to purchase of tyres, screens and other non vehicles purchase related items.

Note 2: The various items are dispersed between balance sheet, profit and loss and notes to the accounts. Equally, they have an element of "time shift" e.g. the Proceeds at sale in one year relates to purchase (and thus purchase value in another year. Accordingly, the analysis operates over the period 2019-2025 period and correction factors used to adjust for the time shift.

Note 3: Data was taken from a range of European Leasing Companies, Rental Companies, Local (Country) Leasing Companies and Motability.

Note 4: The companies with the highest discount levels (Daily Rental and Motability) also demonstrated a significant reduction of discounts at the heart of the COVID 19 period, as OEMs pulled back on "Sales of last resort"

Source: USD Consulting analysis; published fleet company accounts; recognised RV Forecasts.



Market analysis by JATO, McKinsey and AutoTrader reinforces the USD Consulting analysis and exposes the French shortfall

Third-Party - Consumer & Fleet BEV Discount Build-Up

Consumer BEV Discount Build-Up

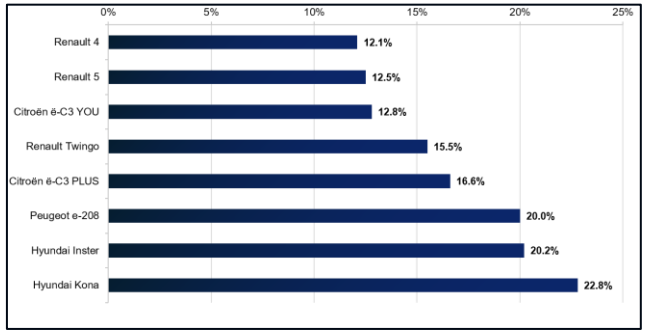
Discount Component	Estimate	Source
Basic vehicle discount	6.35%	JATO
Finance support	4.7%	McKinsey
Tactical dealer bonus	3.9%	McKinsey
BEV premium	2.2%	AutoTrader
Average Consumer BEV Discount	**17.5%**	

Consumer BEV Discount Build-Up

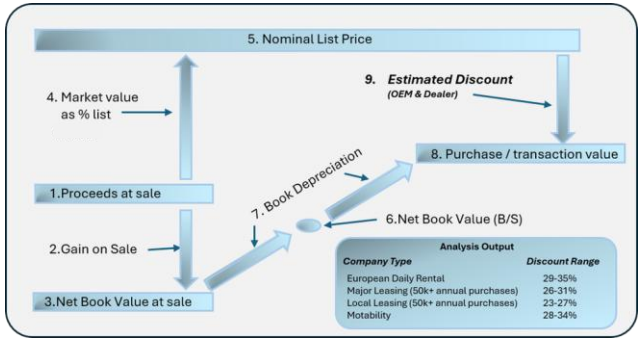
Additional Fleet Component	Estimate	Source
Consumer base	17.5%	As above
Stocking support	2.6%	McKinsey
RV Guarantee / buyback	1.3%	McKinsey
Dealer fixed margin to fleet	5.8%	50% Dlr. Margin
Incremental OEM fleet rebates	3.0%	From Accounts
Total Fleet BEV Discount	**30.2%**	

USD Assessment

French Social Leasing - BEV Discount Summary



USD Assessed Major Fleet Discount structures



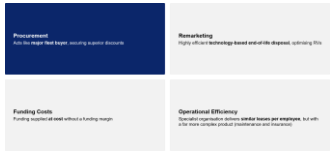
Summary / Conclusion

French Social Leasing's OEM and dealer discounts are similar order to those available to private consumers

- **Motability's Social Leasing is able to secure above average discounts relative to other leasin operations of a similar scale**

Third-party data from JATO, McKinsey and AutoTrader confirms that the French scheme's **12–22%** inferred discounts are well below the **30%+** achievable by a professional buyer of this scale.

Source: USD Consulting analysis; JATO 2025; McKinsey; AutoTrader; recognised external RV forecasts, published leasing company accounts



The pprocurement mechanism fundamentally changes the negotiating dynamic with OEMs

French Leasing Social sets a target lease rate frame, but the OEMs decide what models fit in that frame and thus control the pricing narrative.

In essence the OEM demand the discount they say they need to make the scheme work.

The scheme's lack of constancy reduces the OEM's dependency, and it becomes a tactical profirt opportunity – not fleet tender

French inferred OEM support:
~12–23%

Motability inferred OEM support:
~28-34%

1

Consumer
Individual retail buyer — list price or standard retail discount

2

SME / Corporate Fleet
Modest volume discount through fleet agreements

3

Major Leasing Company
Significant volume and **lifecycle leverage**

4

Daily Rental
High-volume, short-cycle buyer — strong discount through **guaranteed volume** and predictable return

Motability follows an "aggressive" procurement strategy, competitively tendering on discount every quarter. OEM's

OEM's are not aware of competitive position instilling a "Sealed Bid" psychology to the negotiation.

Model withdrawal and repricing mid programme is NOT an option

Through consistency the OEM's have both a dependency on the volume and for its ability to generate dealer profitability (though delivery payments and used cars).

An OEMs exit from the scheme has implications; Volume for factory efficiency and resultant need to support its dealer network profitability.

Motability actively levers this negotiation advantage

The French Government creates significant volume, but the current structure does not fully act as one professional fleet buyer.

Source: USD Consulting analysis; market benchmarks

Four structural drivers explain why Motability achieves ~€49/month where the French scheme targets ~€140/month

Procurement

Acts like **major fleet buyer**, securing superior discounts

Remarketing

Highly efficient **technology-based end-of-life disposal**, optimising RVs

Funding Costs

Funding supplied **at cost** without a funding margin

Operational Efficiency

Specialist organisation delivers **similar leases per employee**, but with a far more complex product (maintenance and insurance)



mfldirect is Motability Operations' digital wholesale remarketing platform — It combines eCommerce sophistication with high "dealer satisfaction" philosophy

Scale & Provenance

Scale:

- **~250,000** end-of-lease vehicles returned annually
- Over **£3 billion** in sale proceeds
- **82%** sold online (vs 70% target, year to Sep 2025)

Provenance: highly prized used stock

- One registered keeper
- ~3 years old / low mileage
- Maintained through approved dealer network
- Known service and claims history

Quality: highly prized used stock

- Normally high standard – only basic preparation for sale needed
- ~50,000 of 250,000 returns assessed or reconditioned.
- Principal facility: 22-acre Coalville site preparing ~25,000 vehicles/year.
- Approach: refurbish only where increase in proceeds exceeds costs.
- Major Damage or wheel-chair converted sild via other channels

Central pricing / Professional Remarking Cascade / eCommerce platform

Pre-lease end (4 Days) → **"Get your own back"** → **Wider "immediate sale"** → **Online Auction**

Offered at fixed price to all 4,000 dealers. Standard damage levels assumed.

Pre-selling limits depreciation and accelerates fund receipt

At lease end original supplying dealer has option to purchase, now with knowledge of preparation needs

All 4,000 mfldirect dealers on Buy it Now platform

Immediate delivery, photos and damage description

Showroom facility (see proposition)

The few unsold cars are placed on electronic auction platform

Dealer Proposition

- No joining charge, no buyer's fee
- Fixed-price and auction options
- Multi-site buying under one login
- Claims protection
- **Showroom facility**: Any physical stock can be shown to a customer from any dealer's showroom, regardless of location. Dealer can set own additional margin

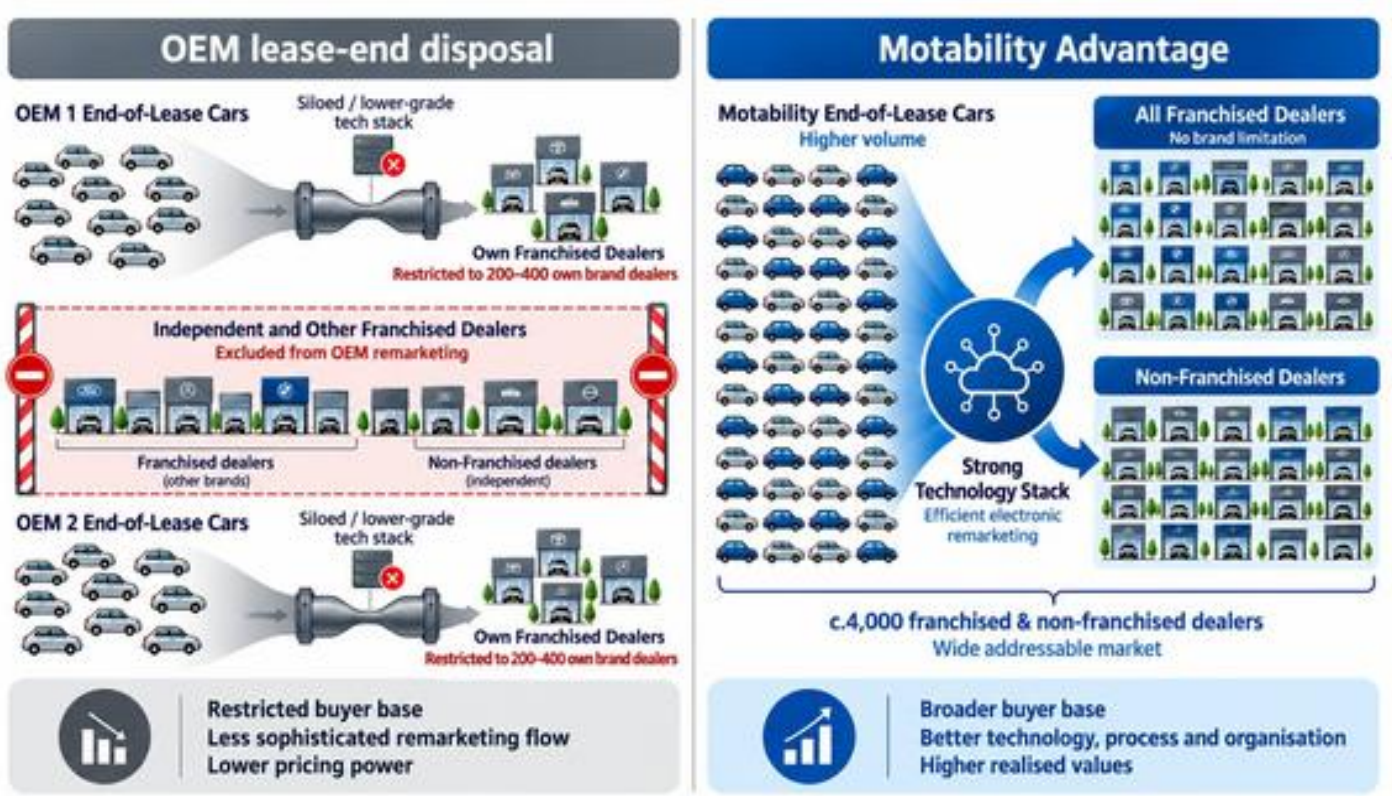
EV Programme

- Dealer "EV Ready" retailing training
  - Business case development
  - Sales training (Ownership & Cost benefits / Objection handing)
  - Product information
- Dedicated field team
- 90% battery-health return threshold

mfldirect is a vertically integrated digital wholesale operation — its performance directly determines the affordability of Motability lease pricing for customers and allows for industrial scale remarketing with strong Residual Values.

Source: Motability Operations

OEM captive remarketing reaches a fraction of the buyer market, suppressing residual values and procurement discounts



Key context

The French OEM Remarketing Constraint

- Each OEM remarkets to just **200–400 own-brand franchise dealers**; independents and other franchises are normally excluded.
- Forcing large volumes though narrow channels undermines the OEM's RV's
- OEMs face dealer pressure not to widen the channels — selling outside the network is seen as undermining **dealer profit and brand value.** OEMs want to be seen to be "supporting their network" so accept this argument

The Upstream Effect on Procurement

- Self-restricted remarketing limits OEM willingness participate in high discount vehicle supply – thus constraining participation, volumes and discounts.

The Motability Advantage (mfl Direct)

- Mfl Direct is motabilities remarketing schemeMotability faces none of these constraints: ~4,000 dealers, open channels, no brand restrictions — UK OEMs know returned vehicles will not flood the franchise network so participate.
- 40-60% of Motability volumes return to the franchise dealer

The French Government pays more at **both ends of the lifecycle** — narrow remarketing suppresses RVs and limits procurement discounts.

Source: USD Consulting analysis; Motability / MFL Direct

Four structural drivers explain why Motability achieves ~€49/month where the French scheme targets ~€140/month

Procurement

Acts like **major fleet buyer**, securing superior discounts

Remarketing

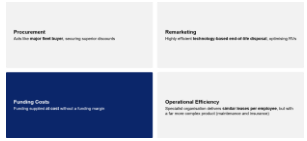
Highly efficient **technology-based end-of-life disposal**, optimising RVs

Funding Costs

Funding supplied **at cost** without a funding margin

Operational Efficiency

Specialist organisation delivers **similar leases per employee**, but with a far more complex product (maintenance and insurance)



The funding issue is margin structure driven, not necessarily cheaper wholesale money

OEM Captive Model

- **Margin Structure:** Wholesale funding cost → finance-company operating, risk and profit spread → lease economics passed to customer
- A conventional **captive-finance shareholder-margin requirement** applies
- Finance pricing includes **captive profit objective**

Motability Economic Cost Model

- Debt + reserves → economic cost allocated into lifecycle → **no conventional captive-finance shareholder-margin requirement**
- Funding effectively passed through at **economic cost**
- Bank owners **waive normal equity dividends**
- Outside of the USD comparison of Motability with the OEM structures, Motability uses it £3.9bn reserves to support the funding costs (Note this element not used in the comparison of the two delivery models)

Note: Motability does not necessarily have a lower cost of capital than French captives. The difference is in margin structure, not wholesale funding cost. (USD Consulting analysis)

Motability passes funding through at economic cost rather than through a conventional captive-finance profit model.

Source: USD Consulting analysis; Motability published accounts

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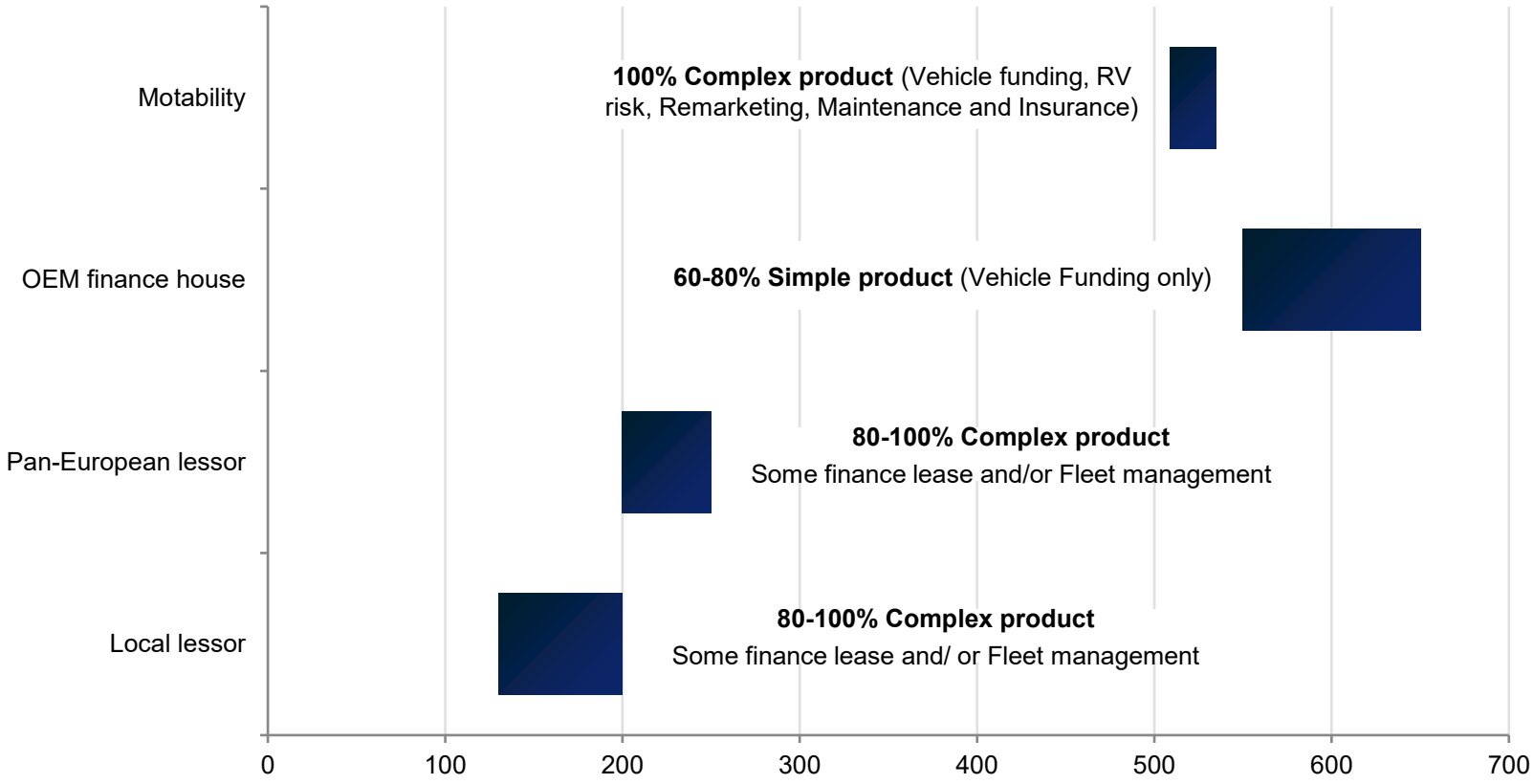
Funding supplied **at cost** without a funding margin

Operational Efficiency

Specialist organisation delivers **similar leases per employee**, but with a far more complex product (maintenance and insurance)

Motability achieves high operational productivity while managing a far broader scope of proposition than OEM Finance companies

Fleet Vehicles / Contracts per Employee



Key context

- OEM finance houses manage a **narrower, finance-only** proposition
- Motability controls procurement, RV, maintenance, insurance and remarketing — **far wider scope**
- The **€49.75 reconstructed VEC** already includes pro-rata Motability overhead
- Motability achieves high efficiency despite complex proposition by **specialising in one customer demographic and product**



Source: Published accounts; USD Consulting analysis

Four structural drivers explain why Motability achieves ~€49/month where the French scheme targets ~€140/month

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Acts like **major fleet buyer**, securing superior discounts

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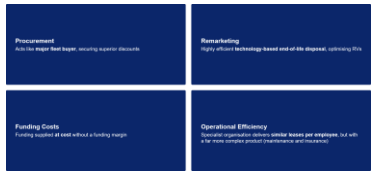
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Specialist organisation delivers **similar leases per employee**, but with a far more complex product (maintenance and insurance)



The economic advantage is cumulative — no single driver explains the full difference

Starting reference: **~€100–200/month**

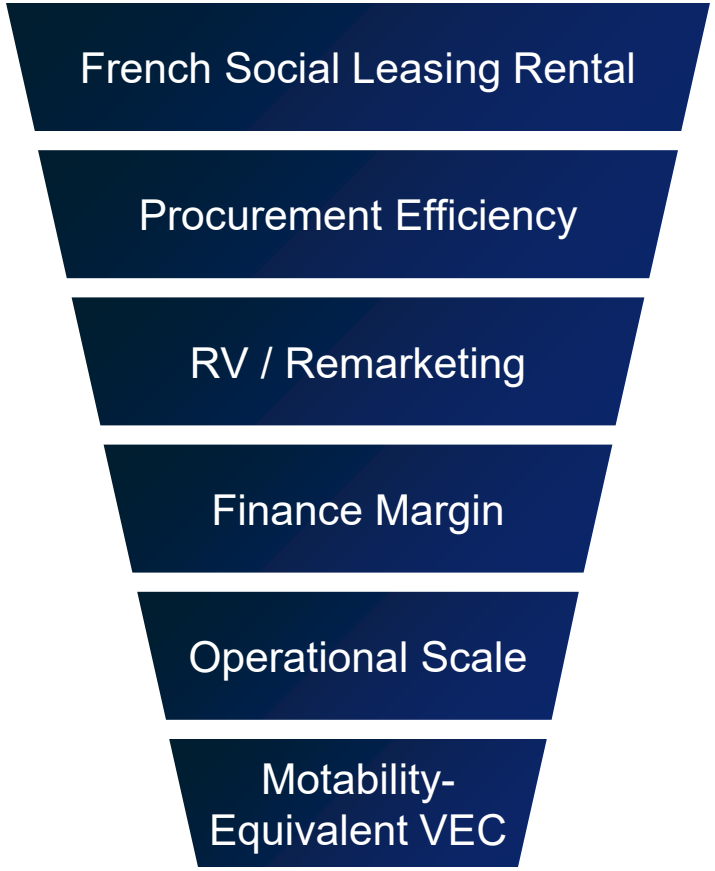
Aggregated purchasing reduces per-vehicle acquisition cost

Independent RV management and whole-market disposal strengthen residual values

Economic-cost funding without captive-finance profit margin

High productivity and integrated lifecycle management reduce per-contract cost

Analytical proxy: **~€49/month**



USD Consulting analysis

- The difference cannot be uniquely decomposed from public information
- These structural factors provide the principal economic explanation
- No single driver accounts for the full gap; the advantage is **cumulative**

Key finding The “Single Entity” delivery architecture combined with proactive procurement techniques creates a cumulative cost advantage that fragmented OEM-led execution cannot replicate.

Source: USD Consulting analysis

Section 4: What a Social Leasing Product Must Include

Complete Mobility, Consumer Protection & Hardship Standards

A Social Leasing programme must be durable even when an individual OEM changes strategy



Key finding — USD Consulting analysis

- **Customer confidence affects adoption.** Unstable availability discourages households from surrendering existing vehicles.
- **OEM withdrawal undermines policy continuity.** Changing model availability weakens the concept of a national social-mobility entitlement.
- **Specialist operators maintain continuity.** They can shift procurement between OEMs rather than withdrawing the customer proposition.

Implication

Programme-level continuity must be structurally independent of any single OEM's commercial decisions.

Consistent availability is both a social requirement (customer confidence) and an economic requirement (programme credibility).

Source: USD Consulting analysis

Lack of programme continuity creates a unique and asymmetric risk for low-income customers

Before Social Leasing — Customer's Position

1. May own an older ICE vehicle
2. No monthly finance obligation
3. Low-cost independent servicing
4. Trade-in / asset value held

3 years later — if scheme unavailable

After Lease Ends Without Renewal

1. **No vehicle asset** — returned at lease end
2. **No trade-in value**
3. **Limited deposit capacity**
4. Difficulty accessing **mainstream credit**
5. Exposed to **retail dealer margin**
6. Potential **sub-prime finance rates**

Implication: For a vulnerable household, Social Leasing requires **confidence that affordable mobility will remain available beyond the first contract**.

Source: USD Consulting analysis

Social Leasing should deliver predictable mobility, not only a low vehicle rental

USD Consulting analysis

1. **Vehicle (BEV)** — Core asset provided under defined lease terms.
2. **Insurance** — Motor insurance integrated, removing a variable household cost.
3. **Maintenance & Tyres** — Routine servicing, repairs and tyre replacement included.
4. **Breakdown Cover** — Roadside assistance and recovery integrated.
5. **Hardship Protection** — Standardised support for employment loss, illness, changed circumstances.
6. **Consistent Termination Rules** — Common early-return and write-off rules across all providers.



For a vulnerable household, **predictability of total mobility cost** can be as important as the headline rental.

Source: USD Consulting analysis

Underwriting should reflect the social purpose of the scheme, not merely standard commercial credit policy

USD Consulting analysis

Government defines a customer as **socially eligible**, but a commercial lessor can still reject that customer under standard credit acceptance policy.

Social Leasing serves households that are **financially constrained by definition** — yet conventional credit scoring may exclude exactly those the programme exists to serve.

Where more relaxed underwriting criteria are used to better support the vulnerable demographic, there is greater risk of default, yet a commercially manage programme is not well suited to manging th complexity of defaults in this situation.

The French Leasing Social does have provisions to support in this area, but are not as complete as the Motability Scheme's

- 3-month payment holidays vs no-cost lease termination

Alignment options

- Common **affordability rules** aligned to social purpose
- **Risk-sharing or guarantee** mechanisms between government and operator
- Central **underwriting policy** reflecting social-mobility objectives
- Specialist **social-mobility underwriting** criteria

This does not mean irresponsible lending. The objective is to align credit assessment with **publicly supported mobility**.

KEY PRINCIPLES

- Social eligibility and credit eligibility must be **aligned**
- Standard commercial scoring may **defeat the programme's purpose**
- Responsible affordability assessment remains **essential**
- Social underwriting and hardship management needs to be bult into the underlying fabric of the delivery programme
- The French programmes spits responsibility for managing complex cases between fragmented government departments and the OEM as a delivery provider and from line engagement with customer
- Ensuring a front like customer argument appropriate for a specialist customer base is key

If the programme defines a household as eligible, the underwriting framework should be designed to **serve that household — not exclude it**.

Source: USD Consulting analysis

Consistent hardship and early-return rules are particularly important for vulnerable households

OEM-specific rules — varying by provider

Common national / European social-mobility standard — consistent for all customers

Loss of Employment

Customer loses income source during lease

Illness / Disability

Health changes affecting mobility or financial capacity

Household Changes

Separation, bereavement or change in composition

Benefit Loss or Change

Qualifying benefit reduced or removed

Vehicle Write-Off

Total loss of the leased vehicle

Death

Standardised treatment for the household

Severe Financial Hardship

Broader financial distress beyond employment loss

Vulnerable households need certainty about what happens when circumstances change — not provider-specific small print.

Source: USD Consulting analysis

Leases without option to purchase falls outside of EU Consumer protection. CCD-type protections should apply regardless of the legal form of the lease

Eight standardised protections a Social Leasing operator can voluntarily apply whether or not pure LLD falls inside CCD/CCD2 scope

1. **Pre-contract information**
   Clear, standardised disclosure before commitment
2. **Total-cost transparency**
   Full mobility cost disclosed upfront, not just rental
3. **Affordability / creditworthiness**
   Responsible assessment aligned to social purpose
4. **Insurance choice**
   Transparency on insurance options and costs
5. **Hardship provisions**
   Defined support for financial difficulty, illness, changed circumstances
6. **Early termination**
   Clear, standardised early-return rules
7. **Write-off treatment**
   Defined rules for total-loss scenarios
8. **Consistent standards**
   Applied uniformly across all providers in the programme

Key finding *Regulatory perimeter should not determine the minimum standard of customer protection in a publicly supported social product.*



The commission is pushing for “option to purchase” to be the standardised product, but this inflates monthly payments. Scheme designs should be affordable AND protect the lessor

Source: USD Consulting analysis; CCD/CCD2 framework

French OEM-led model vs integrated social-mobility operator — structural comparison

Capability	French OEM-Led Model	Integrated Social Operator
Public subsidy	Yes	Yes
Aggregated purchasing	Limited	**Strong**
Independent RV management	Fragmented	**Central**
Remarketing	OEM / captive channels	**Whole market**
Funding transparency	Commercial captive model	**Economic cost visible**
Insurance	Customer responsibility	**Integrated / central**
Maintenance	Often customer responsibility	**Integrated**
Customer contract	Provider-specific	**Common**
Underwriting	Provider-specific	**Common policy**
Hardship	Provider-specific	**Common**
Programme continuity	Dependent partly on OEM offers	**Scheme-level**
Reserves / shock buffer	Operator-specific	**Scheme-level**

Source: USD Consulting analysis

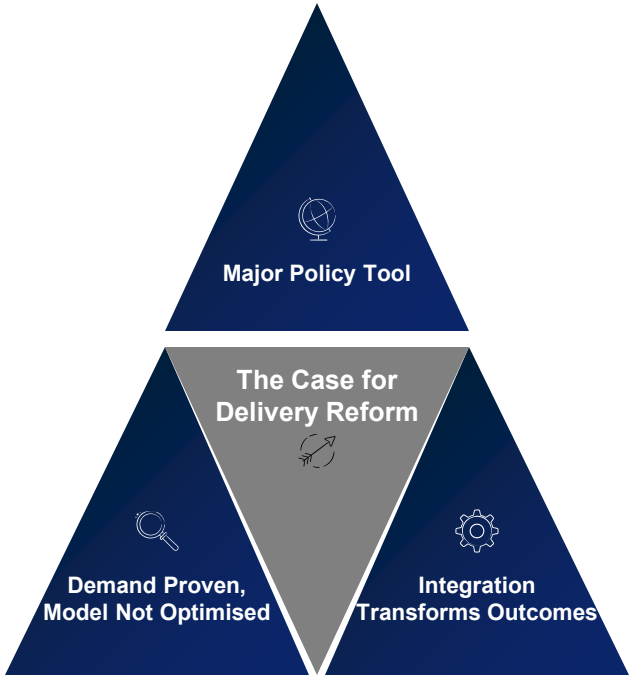
Section 5: Developing and Governing the Delivery Architecture

Consistency, Execution Models & the Benefits of Integration

France proves Social Leasing demand; Motability demonstrates what mature execution can deliver

Key finding

The evidence base now supports moving the European Social Leasing debate from subsidy design to delivery architecture. Three conclusions emerge.



• Major Policy Tool

~20m transport-vulnerable adults, ~1.5–3.0m potential contracts, €8–16bn illustrative funding by 2032 (USD Consulting estimate). Scale and policy alignment are established; the question is now execution architecture.

• Demand Proven, Model Not Optimised

France improved subsidy design year on year but delivery architecture remains fragmented. Inferred OEM support varies ~12–23%; products incomplete, availability inconsistent.

• Integration Transforms Outcomes

The Motability benchmark demonstrates what decades of integrated operation can achieve. USD Consulting proxy: **~€49.75/month vs ~€100–200/month**.

Implication The evidence supports a structural shift from fragmented OEM-led delivery to integrated social-mobility operation.

Source: USD Consulting analysis; T&E; Motability published accounts

Move the debate from subsidy design to system design

Aggregate Where Scale Creates Value

- Procurement
- Funding
- RV / data analytics
- Remarketing

Keep National Where Policy Differs

- Eligibility criteria
- Welfare integration
- Taxation
- Registration
- Customer support

Standardise Where Customers Need Protection

- Product definition
- Underwriting standards
- Insurance
- Hardship rules
- Early termination
- Write-off treatment
- Continuity commitment

USD Consulting analysis

*The long-term success of European Social Leasing will depend not only on how much public money is available, but on whether the delivery architecture converts that support into the **maximum amount of affordable, consistent and resilient mobility**.*

European scale drives procurement power, remarketing reach and data quality that no single national programme can match.

National policy autonomy is preserved — the hub provides tools, not mandates.

Vulnerable households deserve the same minimum standard regardless of country or provider.

Key finding: System design — not subsidy design — is the binding constraint on Social Leasing's potential impact.

Source: USD Consulting analysis

The Commission can strengthen Social Climate Fund delivery through common standards, implementation support and performance governance

1

Policy & Objectives

Define outcomes, **success measures** and policy vs. delivery effectiveness

2

Delivery Framework

Develop model requirements, **commercial standards** and economic evaluation

3

Member State Assessment

Evaluate national structures against **capability, governance** and risk

4

Capability Development

Provide **procurement toolkits**, model lease terms and training

5

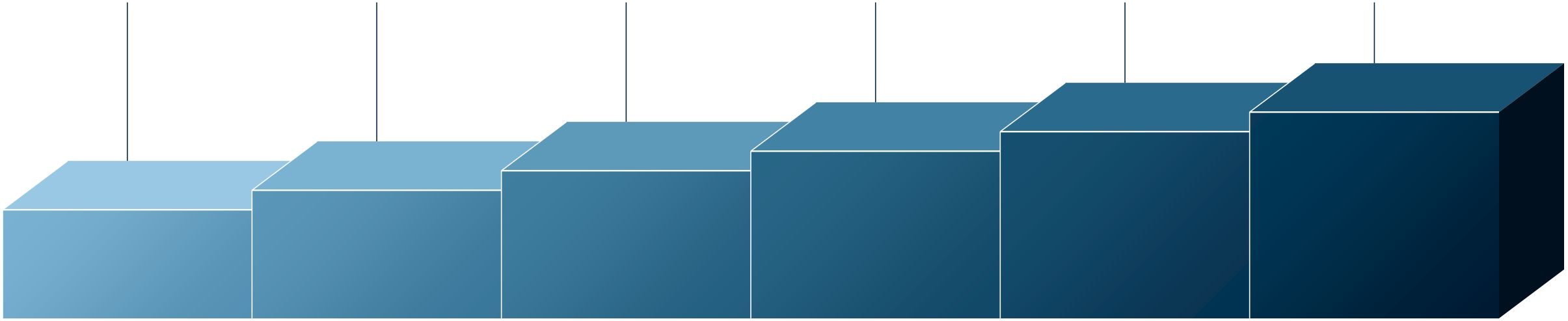
Launch Assurance

Pre-launch review of **legal, financial** and operational readiness

6

Ongoing Governance

Common KPIs, **country benchmarking** and structured reviews



This specialist commercial-delivery framework builds on existing Social Climate Fund mechanisms rather than replacing national operating responsibility or statutory reporting.

An OEM-led programme can become commercially effective through competitive procurement, mandatory standards and active contract governance

National Implementation Flow

Stage 1

Commercial Design

- Independently model **target vehicle costs**, subsidies, acquisition discounts, funding margins and forward residual values
- Establish a **target cost envelope** for each vehicle segment
- The authority must calculate the economic lease cost rather than permit OEMs to select products and define discounts

Stage 2

Tender & Evaluation

- Create supplier specifications and evaluate **sealed offers** on whole-life value
- Negotiate **binding supply commitments** with transparent economics
- Establish **reserve suppliers** to ensure competitive integrity

Stage 3

Contract & Onboarding

- Establish OEM, captive finance, dealer and consumer commitments
- Introduce mandatory rules on **underwriting, hardship, insurance**, early termination, write-offs and complaints
- Provide **role-specific dealer training** and testing

Stage 4

Controlled Launch

- Training, acceptance tests, **mystery shopping** and independent audit
- Five decision gates: (1) commercial proposition approved, (2) supplier evaluation completed, (3) dealer and finance systems certified, (4) independent launch audit passed, (5) **full-volume release** authorised

Programme Commercial Assurance

- **Monthly** contract monitoring of pricing, volume delivery, approvals and complaints
- **Quarterly** cost and RV reviews
- Supplier **corrective action** procedures
- Active management of programme economics and **customer outcomes**

Key Structural Limitation

- OEMs may still retain **vehicle ownership**, most of the RV upside and downstream remarketing control
- Even an actively managed OEM scheme may not capture the entire **procurement and end-of-life efficiency** available to a dedicated operator

A government can become a **sophisticated fleet buyer** without owning the fleet — but it must independently calculate costs, tender for whole-life value and actively govern supplier performance. But this requires skill and infrastructure – it is not simple

A dedicated national operator integrates procurement, financing, customer protection and remarketing to minimise whole-life social mobility cost

Five establishment stages

1. Business Case — Develop a 5-to-10-year plan assessing target population, vehicle mix, acquisition costs, projected **RV performance**, rental income, public subsidy, insurance, maintenance, hardship costs, funding requirements and sensitivities to BEV pricing, falling RVs and policy changes.

2. Legal & Financial Structure — Determine the ownership model from four viable routes: new standalone operator, existing leasing company acquisition, consortium of banks, or public-private consortium, each assessed on capability, cost transparency, governance and alignment of social mandate with profit expectations.

3. Operating Capabilities — Build or select the nine functions listed opposite, with **remarketing capability** designed before procuring the first vehicles.

4. Partner Selection & Training — Distinguish functions controlled directly (RV policy, commercial strategy, funding risk, consumer standards) from those initially outsourced or competitively supplied; recruit and train, including specialist board training on **RV risk**, fleet funding and portfolio stress tests.

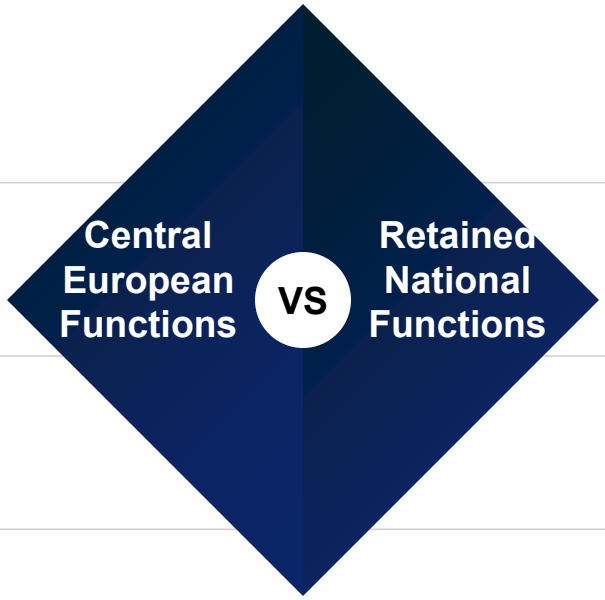
5. Pilot & Launch — Pilot representative segments, validate onboarding, pricing, systems and hardship procedures, test simulated lease-end and renewal processes, and obtain **independent readiness approval** before full-volume operations.

Nine operating functions

- **Vehicle Procurement**
- **RV Management**
- **Fleet Funding**
- **Leasing Administration**
- **Customer Support**
- **Insurance & Maintenance**
- **Remarketing**
- **Technology & Data**
- **Risk & Compliance**

Remarketing should be designed before procuring the first vehicles — it is a **major determinant of vehicle depreciation** and therefore of customer lease cost.

A federated European platform could further aggregate commercial scale advantages while retaining national control of eligibility, services and public funding



Procurement

OEM **volume aggregation** and Europe-wide purchasing frameworks

RV & Remarketing

Shared **RV databases**, forward forecasting and cross-border remarketing intelligence

Funding & Technology

Wholesale **funding coordination**, investor access, common systems, cybersecurity and reporting

Standards & Assurance

Commercial **benchmarks**, assurance standards and cross-country performance governance

Governance

Independent **governing board**, procurement committee, European RV committee, risk and audit committee

Procurement

Eligibility, **customer allocation** and local subsidy policy

RV & Remarketing

National **RV adjustments**, portfolio decisions and local vehicle disposal

Funding & Technology

National **debt facilities**, financial obligations and local data-law compliance

Standards & Assurance

Local **operating contracts** and delivery accountability

Governance

National **programme authority**, operator boards and local regulatory compliance

Shared **procurement and data capabilities** can deliver benefits long before complex cross-border risk pooling is considered.

Effective implementation requires professional programme management, independent assurance and formal readiness approval before public funds are committed

	G1 Mandate & Business Case	G2 Design & Governance	G3 Procure & Select	G4 Build & Train	G5 Test & Launch Audit	G6 Stabilise & Optimise
	Approve programme scope	*Approve target architecture*	*Approve partners & contracts*	*Certify operational capability*	*Authorise controlled launch*	*Approve scale-up to BAU*
Activities	• Define programme **objectives** and success measures • Conduct **economic viability** analysis • Complete legal assessment and identify **implementation risks**	• Develop **operating model** and define responsibilities • Establish **control frameworks** and funding architecture • Design **governance structure**	• Run **competitive tenders** for all service lines • Conduct **due diligence** on candidate suppliers • Negotiate **commercial terms** and finalise partner contracts	• Implement **systems and processes** • Recruit and build **management capability** • Deliver technical **training and accreditation** across four audiences: government, operator boards, operational teams and dealers	• Independent testing: **commercial integrity**, supplier readiness, customer experience • **Vulnerability and hardship** testing • **Financial controls**, risk management, systems and data, and continuity review	• **Live performance review** against approved business case • Implement **audit findings** and execute corrective actions • Validate **operational stability**
Gate decisions	Documented approval to confirm programme **scope** and proceed to design	Documented approval of **target architecture** and proceed to procurement	Documented approval of **selected partners** and contractual commitments	Documented **certification** of operational capability before testing	Documented **authorisation** for controlled launch following independent audit	Documented approval to **scale-up** to business-as-usual operations

Each gate requires a formal decision deliverable — documented approval before the programme advances, ensuring independent technical assurance governs every transition.

Independent implementation assurance protects the programme before launch; continuous **commercial** and **governance** review protects its value throughout operation.

Governance must ensure public investment delivers affordable mobility throughout the vehicle lifecycle, not merely that funds are legally spent

Governance Forum	Frequency	Responsibilities
Programme Steering Board	Quarterly	**Policy delivery**, budget and expenditure, **customer outcomes** and satisfaction, material risk register, programme continuity and supplier strategy
Commercial / Procurement Committee	Monthly or quarterly	**OEM discounts** and pricing, vehicle mix and availability, **contract compliance**, supplier performance metrics and future tender planning
RV & Remarketing Committee	Quarterly; more often during volatility	**Forecast residual values**, market movements, disposal channel performance, **portfolio concentration** and stress-test results
Finance & Risk Committee	Monthly	**Funding costs** and liquidity, profitability and reserves, **subsidy drawdown** and reconciliation, credit and RV exposure monitoring
Customer Protection Committee	Monthly or quarterly	Eligibility and **approval rates**, affordability assessments, **hardship case management**, complaints, cancellations and renewal rates
Audit & Assurance Committee	Quarterly	Internal control findings, **conflict-of-interest reviews**, fraud monitoring, **subsidy reconciliation**, legal compliance and remedial action tracking

Reporting alone is insufficient — defined **risk tolerances**, **exception thresholds**, **escalation procedures** and **corrective-action powers** must be built into every programme and operator contract.

The objective should be to establish not simply a subsidised leasing programme, but a professionally managed, financially sustainable and continuously improving social mobility system.

USD Consulting

About the author

Andy Shields



- Director Fleet And Remarking - Avis Europe PLC
  - Sourcing 200,000 vehicles annually across 11 countries
  - Pan European OEM negotiation, Fleet Operation, RV Governance and Fleet Planning
  - Remarketing / Refurbishment / Damage repair
- Director Strategy and IT - Avis Europe PLC
- Global Business Unit Director Indicata
  - Design, development, launch of Global RV Tracking and Forecasting capability
  - Implementation of Fleet management and RV optimisation tools and structures for Retail, OEM, Leasing and Finance
  - P&L responsibility - 19 Country operations
  - Leadership of Sales, Operations, Market Analysis, Consultancy, AI and Data teams
- Director USD Consulting Ltd
  - Launched VWFS Leasing Ireland
  - Saab AB
    - Global Fleet sales
    - Global wholesale and retail finance
  - Multiple Automotive projects
    - M&A – DEKRA / SI Capital
    - IT Implementation – Startup Loan
    - E-commerce - Fiat
    - Remarketing / Fleet / Used - Honda / JLR
    - Cross Border Feasibility – German OEM
- Graduate Mechanical Engineer
- Diploma - Automotive Finance
- London Business School Diploma in AI

USD Consulting

andy.shields@usdconsulting.com