

## 1. Opinions



# Commuter support schemes: the case for a review in light of the transition

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Many commuter support schemes were implemented long before the recent surge in oil prices, for reasons that have since become obsolete due to the need to transition towards low carbon mobilities. This article identifies these schemes, assesses their impact on CO2 emissions and public finances, and offers pathways away from them, guided by public acceptability, fairness and environmental efficiency.

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"There are some certainties, beliefs, theories and institutions that were established at a certain point in history. They may have been relevant then, but they remain to this day even though our society and collective challenges have changed dramatically. (...) It isn't by upholding the same frame of mind, the same institutional system and the same actors that we will achieve any radical change." Pierre Calame, "L'économique et le vivant" [The economy and the living], Up magazine, 4 July 2022.

While the Yellow Vests crisis and the recent surge in oil prices have led the government to plan new commuter support schemes, such measures are nothing new: as early as 1864, large industrialists in Mulhouse looking for "stable and sensible" <sup>1</sup> workers negotiated preferential fares for their workers on the East railway company. Later, in 1883, public authorities used the system of concessions to offer workers' rates on suburban networks, in order to "convince Parisian workers to find better housing in the suburbs." <sup>2</sup>

Our social and cultural history has bequeathed us with a legacy of multiple support schemes, driven by different aims and with various ecological impacts (CO2, emissions, urban congestion) and social implications (distribution of beneficiaries, impact on public finances). The current context invites us to analyze these effects on three major areas: CO2 emissions, public finances and socio-territorial inequalities. After identifying these support schemes and assessing their impacts, we will offer a critical analysis based on examples and consider how to create a framework that is better adapted to contemporary issues.

## Commuter support schemes: an endless inventory







Some support measures can be claimed as a right. This is the case for income tax deductions for travel expenses (a flat-rate deduction of 10% or the actual expenses), the mobility payment for urban transport (which is not aimed only at workers, so is not considered here), and half the cost of public transport passes being covered by employers. Others are optional, such as employers providing free parking at the workplace. Others are rarer, but can have a very significant impact: for instance, employers covering commuting costs (most of the time by car) and providing company cars (which are provided for 10% of employees in the private sector).

The latest scheme comes from the Mobility Orientation Law (LOM) of 2019: the sustainable mobility package enables employers to cover commuting expenses performed in "sustainable" modes (other than single-driver car or motorcycle), with reductions in social security contributions of up to €800 annually. Finally, it should be noted that there are other support schemes that are not concerned with commuting, but which have an effect on how trips are structured: for instance, financial aid for disadvantaged young people to obtain their driving license, so as to help them to find a job.

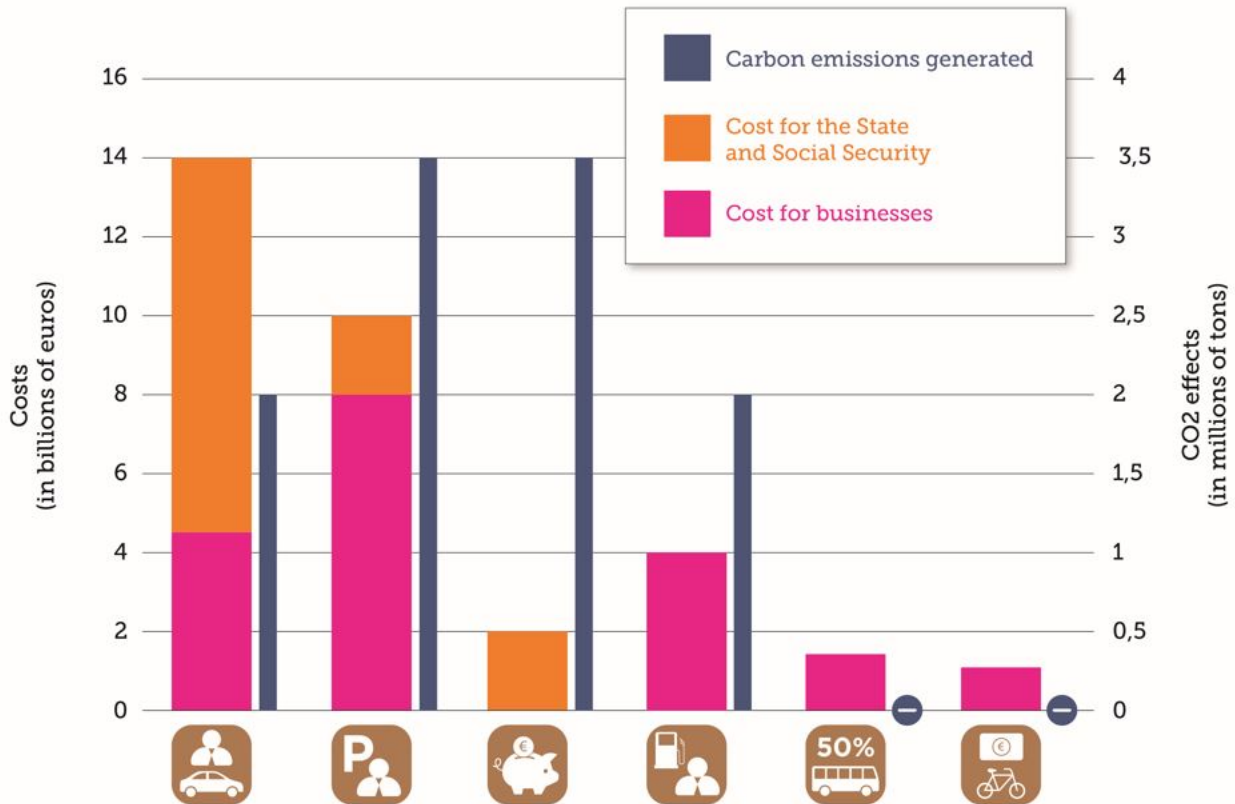
## Support schemes that strain public finances and increase CO2 emissions

In a 2022 publication, we tried to estimate, despite the lack of documentation, the impact of these support schemes on inequalities, public finances and CO2 emissions. <sup>3</sup> Building on this publication, the table below provides an amended summary, incorporating more recent elements. It reconfirms that the issue deserves more public attention.

## Attempt to estimate the effects of mobility support mechanisms

Type of aid	Initial motive	Effect on behaviors	Workers who benefit	Cost for businesses (in billions of euros)	Cost for the State and Social Security (in billions of euros)
 Allocation of company cars	- Distinction and reduction of taxes and contributions - Itinerant activity	Extensive use of the car for all purposes, including outside of work	- 10% - High socio-economic group - Itinerant workers	4,5	10
 Provision of parking spaces by employer	Reduction of on-street parking	Strong incentive to use the car	65%	8	2
 Deduction of actual expenses from income tax	Extension of employment pools	Acceptance of travelling longer distances to the workplace	Taxable workers with significant travel distances	0	2
 Coverage of car expenses by the company	Extension of recruitment and retention areas	Acceptance of travelling longer distances to the workplace	9%	4	Weak
 50% refund of public transport passes	Urban (decongestion), social and environmental (pollution)	Low modal shift	Public transport users 12% (all employees) 21% (executives)	1,4	Weak
 Sustainable mobility package	Help adopt "sustainable" modes	Measure applied too recently to be assessed	<10%	<1	Weak

NB All figures are estimates by the author



## Support schemes with counterproductive effects given the current challenges

The first weakness is almost tautological, but it is nevertheless worth highlighting: these schemes mostly benefit those who travel the furthest, which does not help to lower CO2 emissions or curb public spending. Meanwhile, no schemes exist to encourage proximity between home and work. While the (desirable) fluidity of the labor market is supported by financial aid for daily mobility, the (also desirable) fluidity of the housing market is hampered by various obstacles: high legal fees when buying a home, difficulties in moving within the social housing market, the increase in rental prices for new tenants which discourages moving, etc.

The second weakness is a failure to anticipate negative effects. For instance, since the Land Orientation Act of 1967, office real estate regulations have required the creation of parking spaces. While this was perfectly justified to avoid all-day on-street parking, over the years it has encouraged people to commute by car to work. More generally, most of these support schemes create positive feedback loops: they are designed to respond to (real) problems experienced by certain people, but they also feed a process that then leads to others ending up in the same situation. For instance, the strong underpricing of public transport in Île-de-France, especially for travel pass holders, contributes to a centrifugal residential movement, significant increases in commuting distances and ever-growing public financing needs. All these effects are far removed from the desirable initial social objectives. Similarly, the positioning of company car fleets (with an average price between 30,000 and 35,000 euros, against 17,000 to 18,000 euros for cars purchased by individuals<sup>4</sup>) leads to an influx of these larger vehicles on the second-hand market for individuals after 3 or 4 years.

We may ask whether these shortcomings are perceived as such by public authorities. Indeed, it is reasonable to question whether they continue to see increasingly large labor markets not only as a means to boost growth and productivity (which is true), but as THE main means to do so. Is the Grand Paris Express not the expression of a dream to be able to live where you want and work where you want, with the guarantee of a comfortable and inexpensive transport system to connect the two? In other words, a traditional message about energy ("the best energy is the one that is not consumed") does not translate well in terms of mobility.

Moreover, such support schemes are often based on a naïve conception of equality. The "deductible 10% as professional expenses for all" when calculating income tax, has all the appearances of an egalitarian system. But we must remember that a household earning the minimum wage receives no aid for commuting, since they do not pay income tax. Furthermore, the deductible 10% becomes more interesting as one's income increases, and the actual average cost of commuting represents over 10% of a manual worker's salary, but only 5% of that of a senior executive. Similarly, as monthly and annual public transport passes in Île-de-France cost the same for everyone (what could be more egalitarian?) a higher burden is placed on the public purse by a worker who chooses to live 60 km from the center, far from the gloom of the closer, more affordable suburbs, than by a worker who lives in a more expensive, less comfortable or less pleasant home, in order to be only a few kilometers from work. It should be added that executives - because their workplaces are usually more central - are much more frequent users of public transport than manual workers.

Finally, while the current situation invites us to focus on workers who depend on their cars to get to work, we should not forget that half of these commuters say that they could use another means<sup>5</sup>.

## How can we spend less and still do better?

While the focus in 2022 has mainly been on creating new support schemes, the medium- and long-term requirements in terms of environmental goals, public finances and territorial equity will undoubtedly require all-round greater sobriety. We should therefore be prepared.

This means first of all performing a statistical assessment of these support schemes, their beneficiaries, and both their desired and undesired effects. It is surprising, for example, that we know very little about the phenomenon of company cars in France, even though this market accounts for half of new car sales and it leads to significant losses in terms of tax and social contributions. Meanwhile, our Belgian neighbors (among others) have in-depth – and public – knowledge on the matter<sup>6</sup>. Such data is a prerequisite for an informed debate on this subject.

We must also believe that we can modify a system that has created so many beneficiaries with very little opposition. It may be that the context is one of making regular modifications, such as the rules for calculating income tax, the recent overhauls of the no-claims bonus system, or the tax on company vehicles to account for CO2 emissions and incentivize the purchase of electric vehicles. Some marginal changes are also taking place. As part of the travel plans implemented by companies for their employees, some firms have limited their available parking options. Similarly, local administrations have moderated their private parking requirements for offices built near major transit stations. These developments are welcome, but they contribute only minimally to emission reduction goals.

Expecting companies to lead a complete overhaul of the commuter benefits system is undoubtedly difficult, but not impossible if we replace a fixed vision of society that is intuitive but false (workers live here and work there for eternity) with a more dynamic vision: each year, nearly 10% of people move house and as many change jobs. The strategy could then be to maintain what are considered acquired rights for workers that stay put, but to propose new rules that are fairer and more adapted to the requirements of sobriety, for newly recruited workers or for those who change jobs or move house. This process, known in English-speaking countries as the "grandfather clause," is consistent with the principle of non-retroactivity of the law, set out in Article 2 of the French Civil Code. It is commonly used, whether implicitly or explicitly: implicitly, environmental standards (building regulations, CO2 emissions, etc.) apply only to buildings or vehicles that came after the introduction of that law; explicitly, status changes at La Poste (the French postal service) or SNCF (the French railway service) come with a right to retain the previous status for current workers.

## How should commuter support schemes be reformed?

1/ With regards to tax deduction for transport costs, the main problems are the tax scale that increases with the vehicle's power (the more powerful a vehicle, the greater the deduction), the maximum distance allowed without justification (40 km) and the fact that non-taxable households cannot benefit from the tax break. We could therefore propose the following measures:

- a single tax scale, with 5 HP vehicles as a benchmark;
- gradually reducing the maximum distance (to 30 km in 5 years) by using the mechanism of "grandfather's rights" (40 km would remain the norm for those who were already in their working and residential position when the new rule came into force);
- transforming the mechanism into a tax credit (creating a right to negative income tax) for workers in non-taxable households;
- a degressive deduction: for example 15% for salaries up to € 20,000, 10% between € 20,000 and € 30,000, 8% between € 30,000 to € 50,000, 5% for salaries above this.

2/ In principle, the practice of exempting mileage allowances from social security contributions is already regulated: "The allowance will not be subject to social security contributions if the employee is forced to use his personal car either because of scheduling difficulties or because of no available public transport. It cannot therefore be accepted if an employee lives far from work and uses his personal vehicle for reasons of personal convenience" (Urssaf). However, this is difficult to regulate on a practical level. The simplest reforms would therefore consist of removing this exemption for all workers and capping the level of aid (say at €800 annually, as in the sustainable mobility package) for those who cannot claim grandfather's rights.

3/ The availability of parking spaces at the workplace is the provision that most impacts the widespread use of cars for commuting. This impact could be reduced either by authoritarian means (a specific tax on employers' private parking spaces) or by negotiated means (workers who choose not to use an available parking space would be awarded a non-taxable benefit worth the cost of that unused space<sup>7</sup>, which could be an interesting measure at a time of declining purchasing power), or by a combination of both approaches.

4/ Finally, tax and social exemptions on company cars have the biggest impact on public finances and CO2 emissions, both today (through the use of company cars) and tomorrow (as these cars end up on the private market after 3 or 4 years). Therefore:

- a general reduction in tax and social exemptions may limit the number of such exemptions;
- price ceilings for these vehicles (or of unit consumption) for the application of these exemptions may limit their environmental impact;
- the obligation to offer new workers a "mobility budget" (inspired by the provision currently in force in Belgium<sup>8</sup>) instead of a company vehicle could significantly improve the situation.

These proposals will not go far enough for some, yet will be too ambitious for others. They have the advantage of improving social and environmental conditions, of sending a strong message on the need to change how we regulate commuting, of being implementable within the same five-year term, and of being open to negotiation. Some may be criticized for "saving money on the backs of employees." But this statement is only true of the wealthiest employees, and it can be tempered by how the money is then allocated: to reducing the debt, which surely benefits everyone? to supporting the creation of express coach services on motorways where there are no regional trains, which would mainly benefit workers living outside of cities? to more targeted financial aid to support living closer to work? This question - of how to use the money in order to promote sobriety - is at least as important as how to reform commuter support schemes, and is one that should be discussed.

## Notes

1 A. Faure, 1993. "À l'aube des transports de masse" [At the dawn of mass transport], *Revue d'histoire moderne et contemporaine* [Revue of modern and contemporary history], n°40-2, p. 228-255.

2 Ibid.

3 J.-P. Orfeuill, 2022. "Les aides publiques et privées à la mobilité des actifs" [Public and private aid for worker mobility], *Transports infrastructures mobilité*, n°532.

4 Source: *Challenges*, n° 749, 30/06/2022.

5 Source: *Ifof for Alphabet* (2021), *Évolution de la mobilité des actifs français*. [Evolution of the mobility of French workers.]

6 See for example: May X., Ermans T. and Hoofman N. (2019), "Les voitures de société : diagnostics et enjeux d'un régime fiscal" [Company cars: diagnostics and challenges of a tax system], *Brussels Studies*. <http://journals.openedition.org/brussels/2366>

7 Companies in California adopted this measure through the "parking cash out" program inspired by Donald Shoup. See Shoup D. (2005) "The high cost of free parking", APA Planners Press.

8 The Belgian mobility budget, created by the 2021 law on the "fiscal and social greening of mobility," can cover the mobility costs of workers and their family by public transport and active modes, but also the added real-estate cost of choosing to live less than 10 km from work.

## Mobility

For the Mobile Lives Forum, mobility is understood as the process of how individuals travel across distances in order to deploy through time and space the activities that make up their lifestyles. These travel practices are embedded in socio-technical systems, produced by transport and communication industries and techniques, and by normative discourses on these practices, with considerable social, environmental and spatial impacts.

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## Movement

Movement is the crossing of space by people, objects, capital, ideas and other information. It is either oriented, and therefore occurs between an origin and one or more destinations, or it is more akin to the idea of simply wandering, with no real origin or destination.

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