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Drivers in a fog
with Flavien Neuvy, Senior Economist Personal Finance

Journalist, Nathalie Croiset (N.C.)

Hello and welcome to another episode of "On the Move", the podcast in which experts from the BNP Paribas Group decipher the many challenges of sustainable mobility for you. Today I'm talking to Flavien Neuvy. Hello. Hello. You're a senior economist at BNP Paribas Personal Finance and you've just published a highly informative study on the expectations and behaviours of motorists around the world.

The title is "L'automobiliste dans le brouillard" (Drivers in a fog). It's going to be easier to understand why you say that this driver is in a fog. But first, I'd like to introduce the Cetelem Observatory, and what this particular study, which doesn't just concern France, is all about.

Flavien Neuvy (F.N.)

Yes, absolutely. The Cetelem Observatory has existed for almost 40 years. Every year, we carry out several thematic studies on household consumption and mobility. These are international studies. What interests us is questioning the end user, the consumer, on different subjects. In conclusion, we try to do a bit of forecasting, to imagine the world of tomorrow. And so we decipher, as it were, developments in consumption and mobility. For this study, there are sixteen countries, 15,000 people questioned, and it covers about 70% of the global automotive market. So it's a big study.

(N.C.) I said we would get back to the title "L'automobiliste dans le brouillard" (Drivers in the fog). Why did you chose this title?

(F.N.) In reality, we're realising today that this is true in France, in Europe, but it's even wider than that. It's true just about everywhere in the world that motorists are a bit lost. The automotive industry is going through a major period of transition, both technological and regulatory. There's the transition to electric cars, particularly in Europe.There are regulatory changes, with traffic bans gradually coming into force, particularly in major big cities. And it's true that motorists are a little confused when it comes to changing cars. They don't know whether to buy electric, hybrid, diesel or petrol. They don't really know what the regulations are, so it's a bit foggy for them. And when you're in a fog, when you're a motorist, what do you do? Well, you slow down and that's what they do. They buy fewer cars.

(N.C.) So, let's say that one of the brakes is cost, which is a very sensitive issue, especially for the people you interviewed. How do you break down the issue of energy, which is a constant when

you're talking about electric cars and electricity, purchase and maintenance, how did you perceive this?

(F.N.) In fact, there are two categories of costs. There are purchase costs. When you buy a car, when you change your car, you either buy it or lease it. These are acquisition costs. And then there are the costs of using the vehicle, the running costs. This represents around €4,000 to €5,000 a year in Europe per car.It's important to remember that households often have two cars, so it's a very heavy burden. And what we've seen over the last 20 years is an explosion in purchase and running costs. For example, new car prices have risen twice as fast as inflation over the last 20 years. As a result, cars have become almost a luxury item that is difficult to afford for many households. The average selling price in Europe today is around €32,000. So there are a lot of households that can't afford to buy these new cars or don't want to spend so much money on a car, so they're turning massively to the second-hand market. And when you look at sales to private individuals, they're at a very low level.

(N.C.) At a very low level. Maybe that's why the government, particularly in France, wants to give a boost. With a bonus for people who have a little less money and can't afford an electric vehicle.

(F.N.) Yes, because Europe has decided to ban the sale of internal combustion cars in 2035, which is tomorrow, and electric cars are even more expensive than internal combustion cars. In other words, the selling price of combustion-powered cars has risen sharply. But electric cars are still 30 to 40% more expensive. So without state aid, low-income households absolutely cannot afford to buy this type of vehicle. That's why we have social leasing at €100 a month. That's why there are huge bonuses. To be able to offer this leasing at €100 per month, there has to be an ecological bonus of €13,000 per electric car, which is considerable.

(N.C.) You also talked about regulations, with the end of combustion vehicles in the European Union by 2035. How do the motorists you interviewed perceive this issue?

(F.N.) They're quite sceptical, in other words they think that in the end, these regulations will be abandoned or the deadline will be pushed back. There's a lot of scepticism about this and it's not really surprising because when you go back in history, when you take the example of France some fifteen years ago, you have to remember that the ecological bonus was launched to encourage people to buy diesels. In other words, in 2008, 2009, 2010 and 2011, the government financed a bonus to encourage people to buy small diesel cars. And then a few years later, they said: No, it's not diesel any more. We're going to ban diesel, now you have to buy electric. And all that in a very short space of time. So in the end, there's a kind of scepticism around these regulations and people say to themselves that it's best to wait because things will certainly change.

(N.C.) These regulations also include what we in France call low emission zones, or LEZs, which also exist elsewhere in Europe. Are motorists concerned about these too?

(F.N.) Yes, and there are a lot of concerns. So, with the BNP Paribas group, we've started a sort of *Tour de France* of the LEZs, precisely to explain the regulations that are going to come into force to local players and to our customers. Let's take Marseille as an example, since we made this presentation in Marseille, as of September first 2024, there will be 350,000 cars banned from driving in certain areas of Marseille. And when we look at the owners of these cars, which are by definition the most polluting and therefore the oldest, they are often low-income households that don't have the means to change their car. So it's true that there are a lot of questions surrounding the LEZs. And when you ask people what they think, the word that comes first is: unfair. So there's a lot of concern about that.

(N.C.) We're talking about a typically French example. But in the rest of Europe too, are there questions about these choices and in particular, what might be considered as uneven traffic restrictions?

(F.N.) Yes, so it depends on the country. We could take the example of London, which is going to go even faster. There are cities like Madrid too, and Germany has also moved a long way. We can see that the movement is fairly general. But it's important to remember that the idea is obviously to improve air quality in cities where there is a lot of pollution and public health problems. So it's perfectly legitimate. The difficulty, ultimately, is to combine these environmental objectives, these public health objectives, with a kind of social justice so as not to exclude the most vulnerable, the most vulnerable households, in every country and in every city.

(N.C.) There is an important question related to innovation when talking about electric cars, is this point brought up in the Cetelem Observatory, in your study?

(F.N.) When it comes to innovation, it's true that, globally, motorists believe that it's innovation that will make the car of the future cleaner and less damaging to the environment. People actually believe in technological progress. Basically, the question is whether or not the electric car embodies this technological progress. And our study is very interesting there. From that point of view, there are lots of interesting points. But this one, in any case, is particularly salient. In fact, there is a kind of two-speed world: with emerging countries, where the electric car is really seen as the car of the future, the car that embodies this technological progress; and more developed countries such as, France, Germany and the United States, where motorists are a little more sceptical about electric cars.

(N.C.) So, Flavien Neuvy, you've just come back from CES in Las Vegas. Did you see any innovations in terms of electric vehicles?

(F.N.) What's striking about electric vehicles is that everyone is working on improving performance, i.e. cars that have more range and are easier and quicker to recharge. So the equipment manufacturers, whether Bosch or Valeo, have proposed and demonstrated innovations for recharging cars more quickly. And the key word at this CES is very clear: artificial intelligence. All the manufacturers are bringing artificial intelligence into the car, into the cockpit. Take Volkswagen, for example, which has signed a partnership agreement with Chat GPT, meaning that the car will become increasingly intelligent. It will of course be able to communicate with its external environment, but also with the driver in a very intelligent way. And it will be a real aid to driving, making it safer and easier to use your car every day.

(N.C.) When we talk about cars, we often look at Asia, and China in particular. Are all brands the same in the eyes of the motorists you interviewed? How do they view the new Chinese entrants in particular?

(F.N.) The motor industry is pretty interesting because each country gives a premium to their own manufacturers. So when you ask Americans which manufacturers they prefer, they tell me "American manufacturers are the best". When we go to Japan, they tell us "the Japanese are the best" and when we're in Europe, the Europeans tell us "It's the European manufacturers who are the best". So there is a kind of patriotism because the car industry embodies many things, many jobs, many, many emblematic companies. But beyond that, what's interesting about the Chinese manufacturers is that we know they're going to come to Europe because Europe is their priority, because we've opted for 100% electric cars and they're very good at it. Well, today we have about a third of Europeans telling us that they are ready to buy a Chinese car tomorrow if it meets their expectations, and of course,

their budget. And we know that Chinese carmakers have big ambitions and that they also have the means to wage a price war that will not be easy for other manufacturers to win. So we're going to have very intense competition over the next ten years with Chinese manufacturers, but also with North American manufacturers.

(N.C.) We'll have to keep a close eye on that. So there's a lot of change on the market and obstacles to purchase, including price and regulation. What can we do to make access easier?

(F.N.) It's difficult because regulations have changed so much in such a short space of time that, once again, there's a lot of scepticism about the sustainability of the choices that are made. If we take the example of the electric car, today almost one in two Europeans thinks that combustion cars will still be allowed in 2035 and therefore wait before changing their car. So it's very difficult to restore this bond of trust. What we're seeing today is that, on the whole, it's in manufacturers' interests to innovate. Precisely because if we want to make people want to buy a car that has less impact on the environment and is more virtuous, they have to want to change their car. And to do that, they have to have fundamental advantages and attractions. And I think that artificial intelligence is going to be a breakthrough, the scale of which we don't fully appreciate. But it really could be the key to mobility over the next ten years.

(N.C.) So, do you think this is the right time for motorists to buy?

(F.N.) Well, I'm going to use a joker … No, it really depends on what you want to do with your car. I'm often asked the question: "I want to change my car, what should I buy? I don't know." In fact, it depends on how you use it and each case is different. What I'd like to say is that you really need to take the time to think about it, to look at how many kilometres you drive a year, to calculate to know what the best operation is from a technological point of view. Should you buy electric, diesel or petrol? And then take your time to think about it. But that's what motorists do when they're in a fog.

(N.C.) Exactly, that's a very good conclusion to the presentation of this study: Drivers in the fog. Thank you very much, Flavien Neuvy, Senior Economist at BNP Paribas Personal Finance. We'll be back for another episode of the On the Move podcast, to continue talking about sustainable mobility. Stay tuned!