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Motability

THE ECONOMIC IMPACT OF THE MOTABILITY SCHEME

DECEMBER 2021

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EXECUTIVE SUMMARY

The Motability Car Scheme works to provide affordable, worry-free motoring to more than 630,000 customers in the UK. The expenditure needed to achieve this supports economic activity at UK car manufacturers, retailers and distributors, and other companies that provide a range of services such as insurance, servicing and repairs, breakdown cover, and specialist vehicle adaptations. This makes an important economic contribution to the United Kingdom, which we assess in this report.

The analysis then goes on to investigate the benefits the Scheme delivers to the beneficiaries. We have chosen to analyse the impact of the Scheme on disabled peoples' lives through increasing their employment and educational opportunities, and boosting their access to healthcare. The report then looks at the impact having a Motability vehicle has on increasing recipients access and control over their own lives, boosting their confidence and self-esteem, reducing their isolation and raising their emotional well-being.

The Motability Scheme makes an important economic contribution to the UK economy. This contribution in 2019/20 would have been notably higher absent of the pandemic, which caused Motability Operations' purchases of vehicles to decline to close to zero in April and May 2020 and were 17.3% lower on the year before. Whilst a sharp fall, this was a smaller fall than overall UK new car sales, which were 24.7% for the full year.

Overall, we find that in 2019/20, the Motability Scheme supported a total contribution to UK GDP of £3,427 million, equivalent to 0.2% of GDP.^{1,2} Some £2,086 million, or around 60% of this, was generated by Motability Operations' own UK operations. This is the **direct contribution**. Motability Operations' procurement from its supply chain – from vehicles manufacturers to repair and maintenance – stimulated another £667 million: the **indirect contribution**. The payment and spending of wages by Motability Operations and the firms in its supply chain, supported a further £675 million contribution to the UK economy: the **induced contribution**.

Motability's activities also had a significant impact on UK employment. We estimate that the Motability Car Scheme supported a total of 30,280 jobs across the UK in 2019/20, equivalent to one in every 1,070 jobs in the UK.³ This includes 9,090 jobs directly supported by Motability Operations and other firms engaged in providing worry-free motoring to its customers. An additional 11,130 jobs were supported indirectly by these firms' spending on inputs of goods and services. The spending of wages in the consumer

¹ 2019/20 refers to the year between October 2019 and September 2020, inclusive.

² Office for National Statistics. 2021. GDP quarterly national accounts, UK: January to March 2021.

³ Employment data sourced from the Office for National Statistics Business register and Employment Survey.

economy by these firms' staff is estimated to have supported a further 10,070 jobs.

The Motability Car Scheme also supported the generation of £576 million in tax receipts for the Exchequer in 2019/20. To put this into perspective, this amount was equivalent to the average salary of around 20,500 UK nurses.⁴ Of this total, some £225 million was paid directly by Motability Operations and staff, and other firms engaged in providing motoring to its customers. A further £180 million was indirectly supported by Motability Operations and these firms' spending, whilst £171 million was stimulated through the induced channel.

In addition, we estimate that the Motability Car Scheme also had a social impact on customers' lives estimated to worth be £8.5 billion. This was generated by improved employment resulting in higher wages, improved mobility leading to less usage of NHS resources, and improved wellbeing for beneficiaries.

⁴ Source: Office for National Statistics Annual Survey of Hours and earnings, 2020.

1. INTRODUCTION

1.1 THE MOTABILITY CAR SCHEME

The Motability Car Scheme, which has been running since 1978, helps disabled people across the United Kingdom to remove barriers to leading a fuller life, by providing a more affordable and convenient way to get access to cars and wheelchair accessible vehicles. The Car Scheme allows people to exchange their government-funded mobility allowance for a worry-free car lease. All the main considerations of running a car such as insurance, maintenance, and road tax are taken care of, ensuring customers do not face any large or unexpected costs from the use of their vehicles.

The scheme offers choice from a wide range of vehicles from 29 manufacturers, with leases typically running for three years.⁵ For those customers who have more specialised requirements, the scheme also offers larger, wheelchair-accessible vehicles, or bespoke adaptations based on need. This means that Motability is able to help as wide a range of disabled people as possible.

In order to be eligible for the Motability Car Scheme, customers must be in receipt of one of four benefits; the Higher Rate Motability Component of Disability Living Allowance; the Enhanced Rate Mobility Component of the Personal Independence Payment; War Pensioners' Mobility Supplement; or the Armed Forces Independence Payment. These benefits are received when customers' disabilities present mobility challenges.

The Motability Car Scheme has continued to increase in scale since its inception, helping disabled people in the UK become, or remain, more mobile. From just over 20,000 cars and wheelchairs being supplied to Motability customers in the first five years, the scheme has grown to become the largest single purchaser of cars in the UK, providing just under 197,000 new cars and wheelchair-accessible vehicles (WAVs) to its customers in 2019/20.

The scheme has a significant impact in the country, with its more than 630,000 customers representing approximately one third of all people in the UK who were eligible for the scheme in 2019/20.⁶ To date the Motability Scheme has provided over 5 million vehicles to its customers. In addition, the non-profit nature of the scheme is key to its success, as this allows their customers to gain access to a vehicle at around a 45% lower price than would be available in the commercial market.⁷

Government support also assists in offering affordable prices to customers. Savings are achieved by the transfer of individual customers' disability benefits by the DWP direct to Motability Operations. This reduces Motability Operations' exposure to credit risk arising from customers defaulting on payments, and allows customers who may not pass the credit checks of other car leasing

⁵ Source: Motability Scheme Website, available [here](#).

⁶ Motability Annual Report and Accounts, 2019/20, available [here](#).

⁷ As above.

providers to access the scheme. The Government also provide VAT and Insurance Premium Tax concessions to the Scheme.

1.2 THE SCOPE OF THIS REPORT

This report is comprised of two main chapters. Chapter 2 quantifies the scale of the Motability Scheme's contribution to the UK economy in terms of three metrics: its gross value-added contribution to GDP; the employment that the Scheme supports; and the tax revenues it generates. The economic impact results are presented in total, as well as broken down into five channels through which Motability and its expenditure support economic activity within the UK. These are:

1. Motability Operations;
2. The vehicle manufacturing industry;
3. Distribution and retailing of new cars;
4. Distribution and retailing of used cars; and
5. Motability Operations' expenditure on vehicle-related goods and services to provide worry-free motoring.

Following this, Chapter 3 investigates the social impact of the Motability Car Scheme, evaluating the wellbeing benefits that Motability's customers receive through the use of their vehicles (i.e. the difference it makes). In this section, using evidence from both a customer survey and the economic literature, we estimate monetary valuations for four social outcomes: improved employment prospects, better educational opportunities, health costs savings and improved wellbeing.

AN OVERVIEW OF ECONOMIC IMPACT ANALYSIS

The economic benefits of the Motability Car Scheme are assessed using an economic impact assessment (summarised in Fig 1). This approach is used to quantify the Scheme's impact across three expenditure channels. These can be understood as follows:

- Its **direct impact**, the economic activity that results from the operational expenditure undertaken to provide and maintain cars for Motability customers;
- Its **indirect impact**, the economic activity that arises from the procurement of goods and services by Motability Operations, car manufacturers, dealers, and other firms involved in the Scheme; and,
- Its **induced impact**, comprising the wider economic benefits that arise from the payment of wages by Motability Operations (and the firms in its supply chain), which then get spent by staff in the consumer economy.

Three main metrics are used to present a picture of the economic footprint of the Motability Scheme:

- **GDP**, or more specifically, gross value-added contribution to GDP;⁸
- **Employment**, meaning the number of people employed, measured on a headcount basis; and,
- **Tax revenue**, the estimated fiscal contribution resulting from transactions and employment sustained by the Motability Car Scheme.

The modelling is conducted using an Input-Output based model of the UK economy. It uses macroeconomic, employment, and tax data published by the Office for National Statistics (ONS) and HM Revenue & Customs (HMRC).

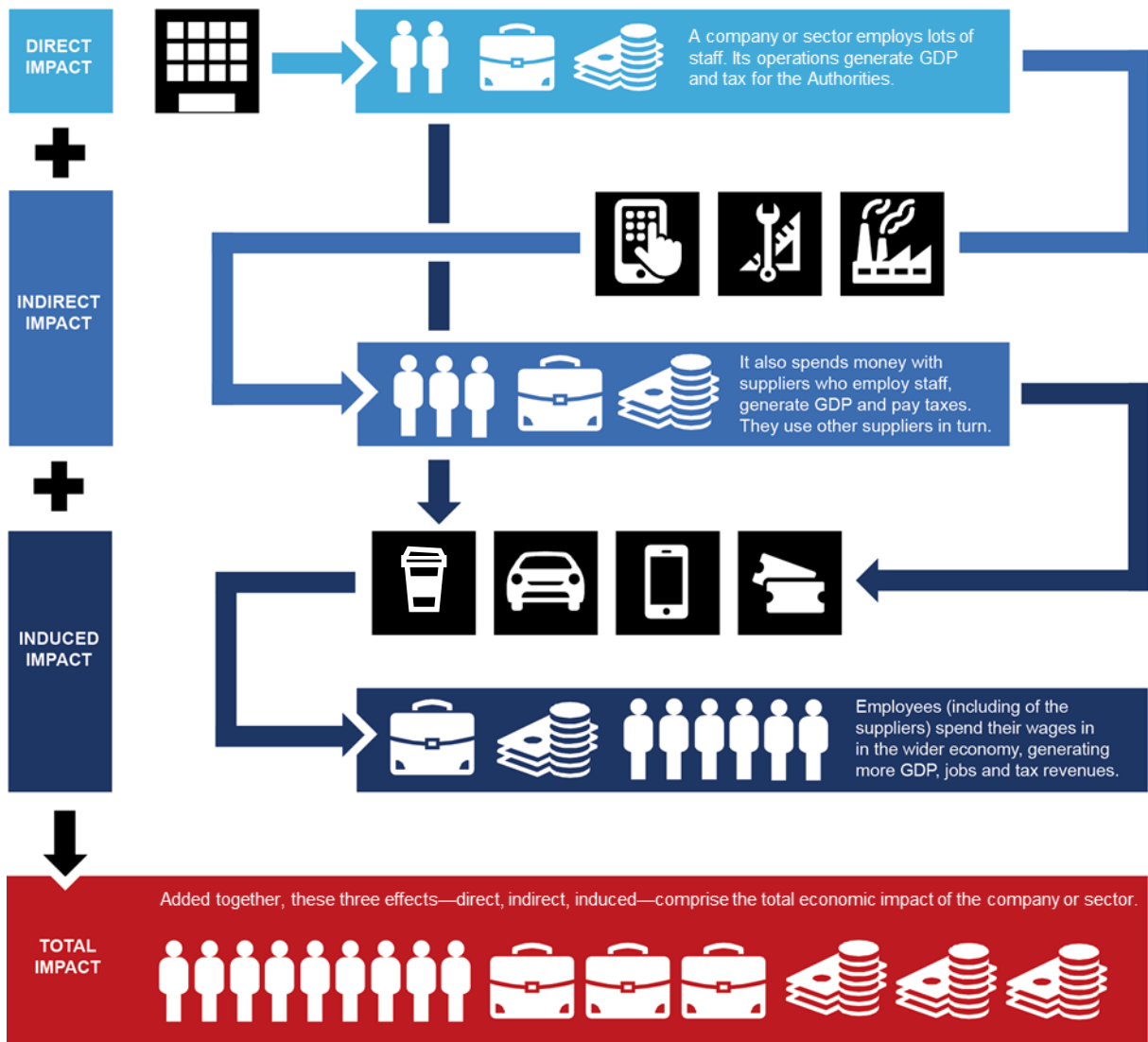
For this study, the direct impact is defined as the operations required to provide and maintain the cars to Motability's customers. It is made up of:

- 1) **Motability Operations** (the not-for-profit company that runs the Motability Car Scheme);
- 2) **Motor manufacturing industry**—the UK-manufactured cars and components (for example, engines) in imported cars leased to Motability customers;
- 3) **Distribution and retailing of new cars**—the economic activity in the sales outlets and distribution networks required to help a potential customer select and receive a car through the Scheme;
- 4) **Distribution and retailing of used cars**—the activity generated by Motability Operations' disposal of ex-lease cars; and
- 5) **Motability Operations' expenditure on vehicle-related goods and services to provide motoring**—expenditure on insurance, breakdown cover, servicing, repairs, tyres, adaptations to new cars to make them suitable for disabled drivers, and vehicle hire (when the customer's car is off the road being repaired).

As parts 2) to 5) lie in Motability Operations' supply-chain, care has been taken not to double count.

⁸ Gross value-added measures the contribution to the UK economy of each individual producer, or sector. It is most easily thought of as the value of output produced by an economic unit less the value of inputs used in that output's production. Aggregating all economic units' gross value added plus taxes less subsidies on products gives GDP. GDP is a key indicator of the state of the whole economy, used to measure its growth rate.

Fig. 1. Illustrating the channels of economic impact

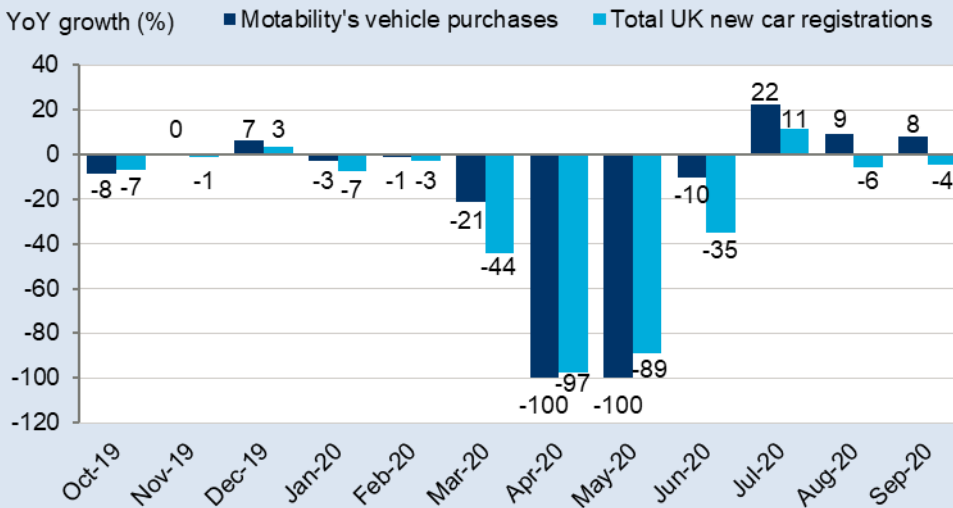


IMPACT OF THE PANDEMIC ON MOTABILITY’S PURCHASES IN 2019/20

The severe economic and social disruption from the pandemic and resulting temporary closure of car dealerships and factories in spring 2020 caused a sharp reduction in Motability Operations’ vehicle purchases. Purchases in April and May 2020 were close to zero (Fig. 2). This will have had a negative impact on Motability Operations’ spending along its supply chain, the spending of wages of the employees in the economy, and thus its overall contribution to the UK economy.

Following this sharp fall, Motability Operations’ purchases of vehicles recovered over the summer of 2020, boosted by easing lockdowns, continued welfare payments, and pent-up demand, with Motability Operations’ purchases outpacing the recovery in overall UK new car sales, and returned to annual growth between July and September (Fig. 2).

Fig. 2. Annual growth of Motability Operations vehicle purchases and total UK new car sales, 2019/20

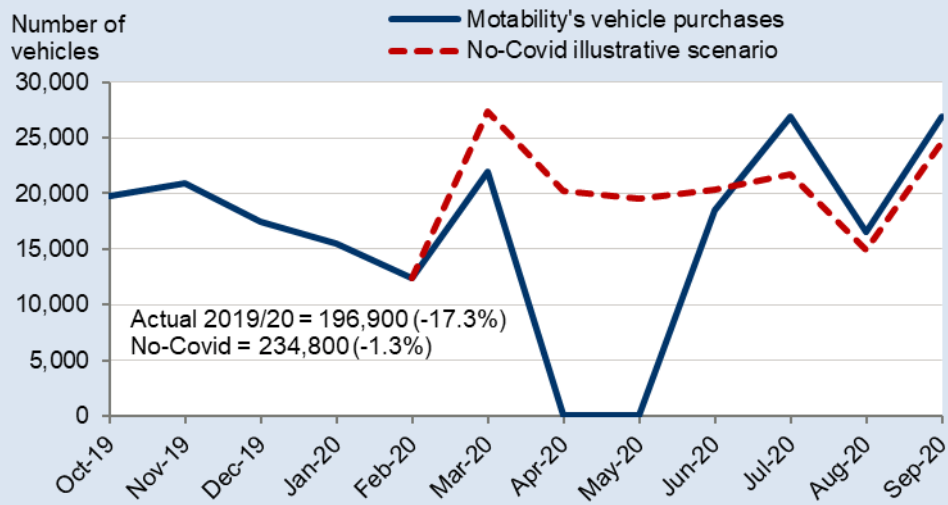


Source: Motability; Society of Motor Manufacturers and Traders/ACEA

Nonetheless, given the extent of the decline in the spring, Motability Operations’ full-year purchases in 2019/20 were 17.3% below the level in 2018/19, or down 17.2% since 2015/16, the financial year of the previous Motability Economic Impact study. This, in turn, led to a 9.9% decline in Motability’s contribution to the UK economy in 2019-2020 relative to 2015/16. This, however, was a smaller decline than the 15.9% fall in the gross value-added of the motor vehicle wholesale and retail sector over the same period.

Absent of the pandemic, if we were to assume Motability Operations’ purchases from March 2020 followed the pre-pandemic trend of the first five months of the financial year (Fig. 3), down just 1.3% year-on-year, Motability’s contribution to the UK economy in 2019/20 would have been far stronger.

Fig. 3. Level of Motability Operations' vehicle purchases vs. no-covid illustrative scenario, 2019/20



Source: Oxford Economics; Motability

Note: The No-Covid counterfactual simply grows forward the financial year-to-February 2020 growth rate for the rest of the year

2. ECONOMIC IMPACT OF THE MOTABILITY SCHEME IN THE UK

The Motability Scheme makes an important contribution to the UK economy. This chapter quantifies the scale of this contribution in 2019/20. The results are disaggregated into five segments: Motability Operations; the impact on motor vehicle manufacturers; the impact on retailers and distributors of new cars; the same for the vehicles Motability disposes of; and the providers of the worry-free motoring package.⁹

2.1 MOTABILITY OPERATIONS

Motability Operations delivers the day to day running of the Motability Scheme, under the Scheme Agreement with Motability the charity, and is responsible for raising finance, negotiating with retailers and distributors of cars, and providing “worry-free motoring” to its customers. In 2019/20, Motability Operations earned £2,026 million in revenue, excluding revenues received from disposals of used vehicles.¹⁰ **On this income, the company made a £1,445 million gross value added contribution to UK GDP.**

In the same year, **Motability Operations employed a total of 1,241 staff**, paying a total of £58.4 million in wages and salaries, including pensions. Around 55% were female, and 84% were employed on a full-time basis.

The activities of Motability Operations also generated a range of tax revenues. **In 2019/20, the company and its employees paid £64 million to the Exchequer in tax receipts.** Some £42 million of this was corporation tax paid by Motability Operations, as well as £22 million in income tax and national insurance contributions paid by the staff and company.

In 2019/20, Motability Operations spent just under £120 million on inputs of goods and services it required to run the company. **This spending is estimated to have supported an indirect contribution to UK GDP of £105 million** along its UK supply chain. We estimate that this spending also supported **2,020 jobs** and stimulated a further **£38 million in UK tax revenues.**

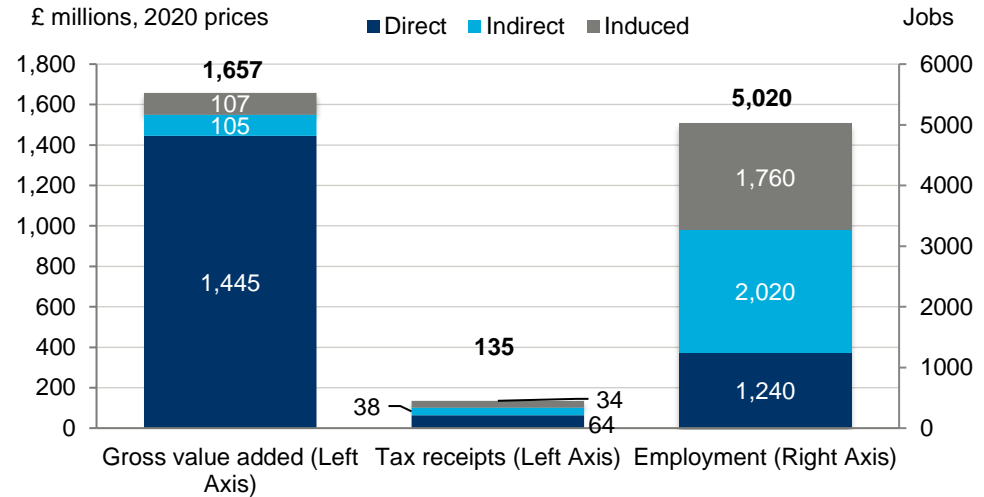
In total, Motability Operations spent £52.4 million on wages and salaries for its staff in 2019/20. Its employees, as well as those employed within its supply chain, spent a portion of their income in the consumer economy. This is the *induced* impact. We estimate that in 2019/20, the spending of wages by Motability Operations’ employees and those within its non-car related supply chain stimulated an **induced contribution to UK GDP of £107 million.** This spending is also estimated to have supported **1,760 jobs**, and a further **£34 million in UK tax revenues.**

⁹ Details of the methodology used to calculate these impacts can be found in the Appendix.

¹⁰ If disposals of lease assets are included the total 2019/20 revenue figure for Motability Operations was £4,064 million

Taking the direct, indirect, and induced impacts together, we estimate Motability Operations supported a £1,657 million gross value-added contribution to UK GDP in 2019/20. It stimulated 5,020 jobs across the UK's countries and regions and £135 million in tax revenues (Fig. 4).

Fig. 4. The total economic impact of Motability Operations, 2019/20



Source: Oxford Economics; Motability

2.2 IMPACT ON THE UK MOTOR MANUFACTURING INDUSTRY

Through Motability Operations' purchases of vehicles, the Car Scheme supports activity in the UK motor manufacturing sector. Motability Operations spent £3.2 billion on just under 197,000 vehicles in 2019/20. This was equivalent to 11.6% of all new vehicle registrations in the UK in 2019/20, a 1.4 percentage point increase on the 2018/19 share, as the pandemic-induced drop in Motability Operations' purchases was less pronounced than that in the broader UK automotive market.¹¹

Of the 197,000 purchased, approximately 46,500 vehicles were either wholly or partly manufactured in the UK (engine, bodywork, or the complete vehicle), with a total value of just under £330 million. This provided a valuable source of revenue for UK motor manufacturers, in a year where pandemic-related disruptions meant total vehicle production was 27% lower than 2018/19.

The most popular UK-manufactured cars purchased by Motability Operations were the Nissan Qashqai and Juke models, where the whole cars, including engines, are manufactured in Nissan's Sunderland factory in the North East of England. Other UK car manufacturers that saw significant purchases by the Scheme included Mini (manufactured in Oxford), Toyota (made in Burnaston), and Honda (made in Swindon).¹²

In 2019/20, Motability Operations' spending on vehicles supported a £82 million contribution to UK GDP at the motor manufacturers themselves.

¹¹ Data on new car registrations were sourced from the Society of Motor Manufacturers and Traders/ACEA

¹² SMMT. 2020. *SMMT Motor Industry Facts 2020*.

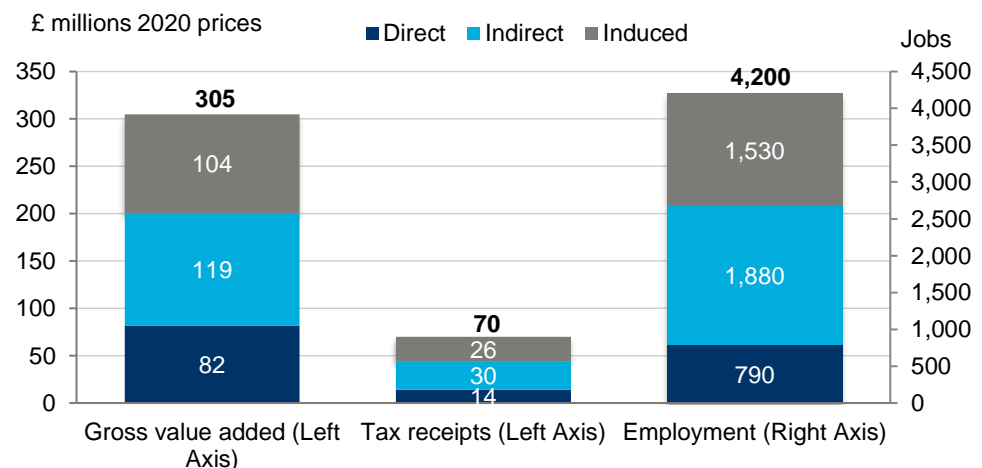
We estimate that this spending sustained the employment of 790 staff, and the resultant economic activity generated £14 million in tax receipts.

In order to produce the vehicles purchased by Motability Operations, UK motor manufacturers spend money on inputs of goods and services from suppliers within the UK. We estimate that in 2019/20, this expenditure supported a further £119 million contribution to UK GDP, sustained 1,880 jobs, and stimulated £30 million in tax revenues.

Employees of motor manufacturers and their suppliers are paid wages, some of which will be spent in the consumer economy. We estimate that this spending stimulated a £104 million contribution to UK GDP, some 1,530 jobs, and an additional £26 million in tax receipts for the Exchequer.

Combining the direct, indirect, and induced effects of Motability Operations' spending with domestic car manufacturers, the Car Scheme supported a total contribution to UK GDP of £305 million. This economic activity supported a total of 4,200 jobs and stimulated a total of £70 million in UK tax revenues (Fig. 5).

Fig. 5. The economic impact of Motability Operations' procurement from UK motor manufacturers, 2019/20



Source: Oxford Economics; Motability

2.3 IMPACT ON RETAILING AND DISTRIBUTION OF NEW CARS

Through its purchases of vehicles intended for leasing to its customers, Motability Operations stimulates economic activity in the UK new car retail and distribution sector. To obtain these vehicles, Motability Operations goes through UK dealers, who will earn margins on each car sold.

As mentioned above, Motability Operations spent £3.2 billion on just under 197,000 vehicles in 2019/20. This expenditure stimulated economic activity in UK dealerships. We estimate that Motability Operations' purchases of new cars generated a £74 million contribution to UK GDP within new car

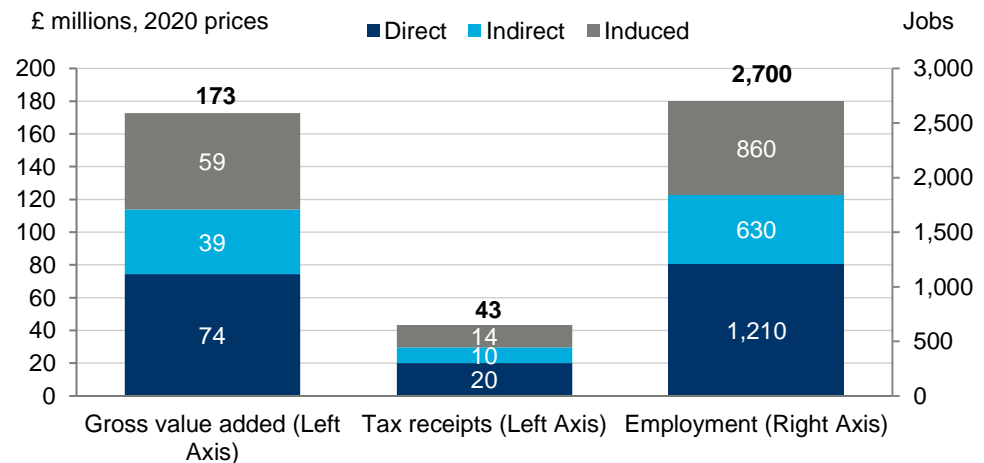
dealers themselves, and supported 1,210 jobs in the sector, as well as £20 million in tax receipts.

New car dealerships’ spending on inputs of goods and services supported a further £39 million contribution to UK GDP. This spending also supported a total of 630 jobs within dealerships’ supply chains and stimulated an additional £10 million in tax revenue for the Exchequer.

The wage-induced consumer spending by employees of new car dealers and those in their supply chains stimulated a £59 million contribution to UK GDP. This expenditure also supported 860 jobs and stimulated a further £14 million in tax receipts.

Taking the sum of these three channels of impact; direct, indirect, and induced, Motability’ Operations’ purchases of cars through domestic dealerships supported a total contribution to UK GDP of £173 million. The resultant economic activity supported 2,700 jobs in the country and stimulated a total contribution to UK tax receipts of £43 million (Fig. 6).

Fig. 6. The economic activity Motability Operations supported via its spending with new car dealers and distributors in 2019/20



Source: Oxford Economics; Motability

2.4 IMPACT ON RETAILING AND DISTRIBUTION OF USED CARS

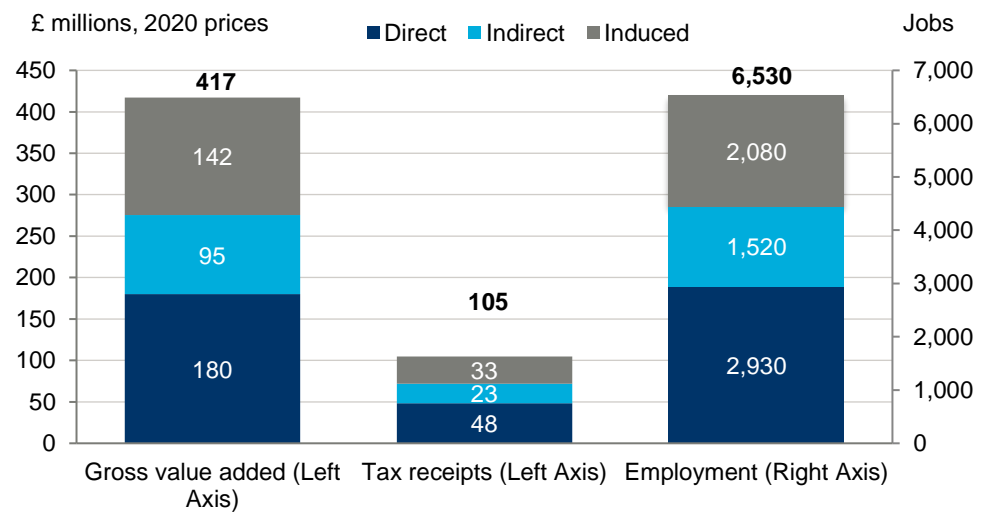
The Car Scheme’s customers generally lease their Motability vehicles for a period of three years. Following the lease period, Motability Operations sells the vehicles onwards to used car dealers, through auctions and online. The onward sale of these vehicles allows used car dealers to earn margins, supporting economic activity in the sector.

In 2019/20, Motability Operations sold 180,400 used vehicles, with a total value of just under £2.1 billion. We estimate that this generated a £180 million contribution to UK GDP via the activities of used car dealers. This economic activity supported 2,930 jobs and stimulated £48 million in tax receipts for the Exchequer.

To sell the second hand vehicles, the used car dealers spent money buying cleaning products, parts, advertising, and other goods and services. **This procurement stimulated a further contribution to UK GDP of £95 million in the same year along their supply chain.** We estimate that this expenditure also supported 1,520 jobs and stimulated an additional £23 million in UK tax receipts.

The spending of wages by workers employed at used car dealerships and in their supply chain stimulated a £142 million contribution to UK GDP. We estimate that this consumer spending supported a further 2,080 jobs across the UK and stimulated £33 million in tax receipts (Fig. 7).

Fig. 7. The economic activity Motability Operations supported via its sale of used vehicles in 2019/20



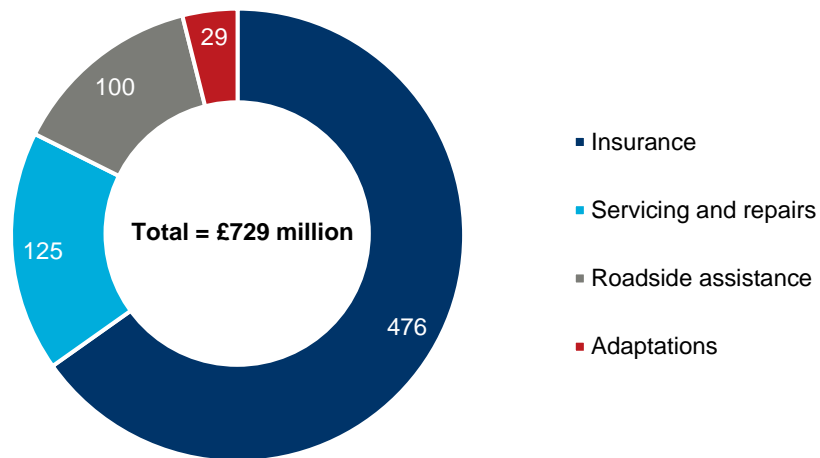
Source: Oxford Economics; Motability

2.5 IMPACT OF VEHICLE-RELATED EXPENDITURE

Motability Operations seek to provide its customers with “worry-free motoring”, whereby the scheme takes care of insurance, maintenance, and road tax, leaving the customers with less of an administrative burden, aimed at making the experience as straightforward and stress-free as possible, and ensuring that Motability customers do not face any large or unexpected costs from the use of their vehicles.

In 2019/20, Motability Operations spent a total of £729 million on providing “worry-free motoring” to its customers. Of this, insurance represented 65%, or £476 million. Servicing and repairs was the next largest category of expenditure, at £125 million (17% of total), followed by roadside assistance which represented £100 million (14% of total). The final component of expenditure was for adaptations to vehicles, carried out by UK firms, to meet the more specific needs of some customers, which represented the final 4% of total spending, or £29 million (Fig. 8).

Fig. 8. Motability Operations' spending on worry-free motoring in 2019/20, £ million



Source: Motability

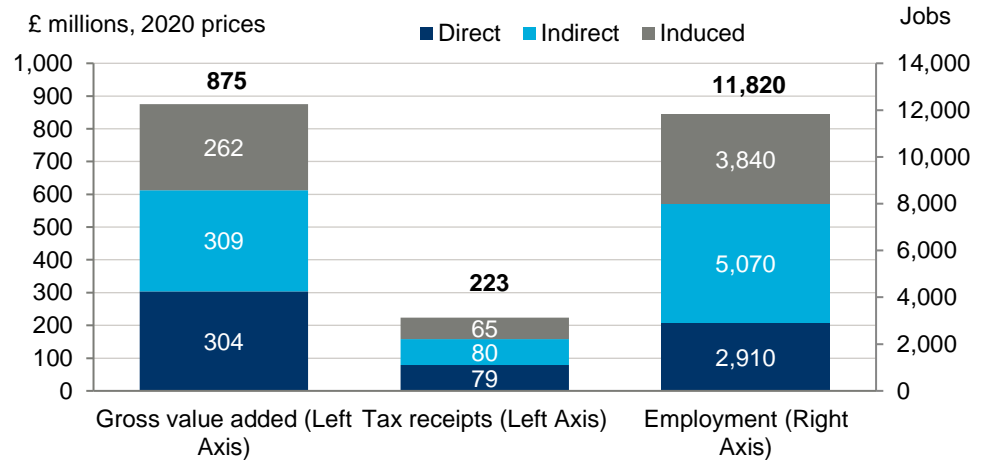
This expenditure supported a contribution to UK GDP of £304 million amongst the suppliers who facilitate Motability customers' motoring. This economic activity is estimated to have supported 2,910 jobs and stimulated £79 million in UK tax receipts.

The spending by Motability's suppliers on goods and services required to meet the Scheme's demand is estimated to have supported an indirect contribution to UK GDP of £309 million in the same year. We estimate that this supported an additional 5,080 jobs throughout the supply chain and stimulated a further £80 million in UK tax receipts.

The spending of wages paid to workers within these firms, and their suppliers in turn, stimulated a further contribution of £262 million to UK GDP. We estimate that this wage-induced spending supported 3,840 jobs, and £65 million in tax receipts for the Exchequer.

Taking the sum of the direct, indirect, and induced impacts, we estimate that Motability's spending on goods and services involved in providing "worry-free motoring" supported a total contribution to UK GDP of £875 million in 2019/20. We estimate that this expenditure supported a total of 11,820 jobs and stimulated a total contribution to UK tax receipts of some £223 million (Fig. 9). This represents the largest channel of impact for Motability Operations in terms of employment and tax receipts.

Fig. 9. The economic activity Motability Operations supported via its vehicle-related expenditure in 2019/20



Source: Oxford Economics; Motability

2.5.1 Total economic impact of the Motability Car Scheme

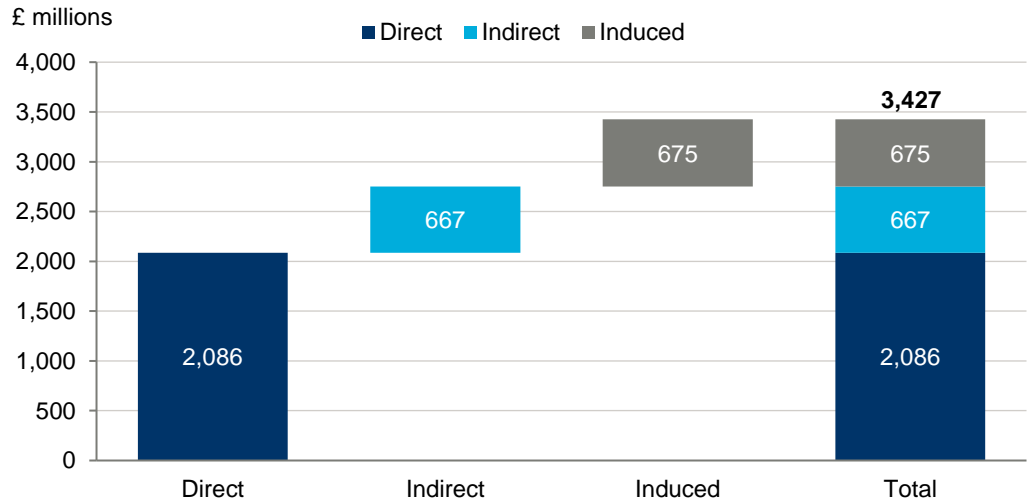
The total economic impact that Motability supported in the UK in 2019/20 can be calculated as the sum of the five segments previously covered in this chapter: Motability Operations; UK motor manufacturers; new car dealers; used car dealers; and vehicle-related expenditure.

2.5.2 Gross value-added contribution to UK GDP

We find that in 2019/20, Motability supported a total contribution to UK GDP of £3,427 million (Fig. 10). This represented 0.2% of all UK GDP in the same year.¹³ Of this total, £2,086 million, or 61%, was made by Motability Operations, firms engaged in the supply of vehicles to the Car Scheme, and those firms involved in the maintenance and insurance of its fleet. The spending of these firms on inputs of goods and services from suppliers supported a further contribution of £667 million (19%), and the remaining £675 million (20%) was stimulated by spending of wages by employees of these firms and their suppliers.

¹³ Office for National Statistics. 2021. *GDP quarterly national accounts, UK: January to March 2021*.

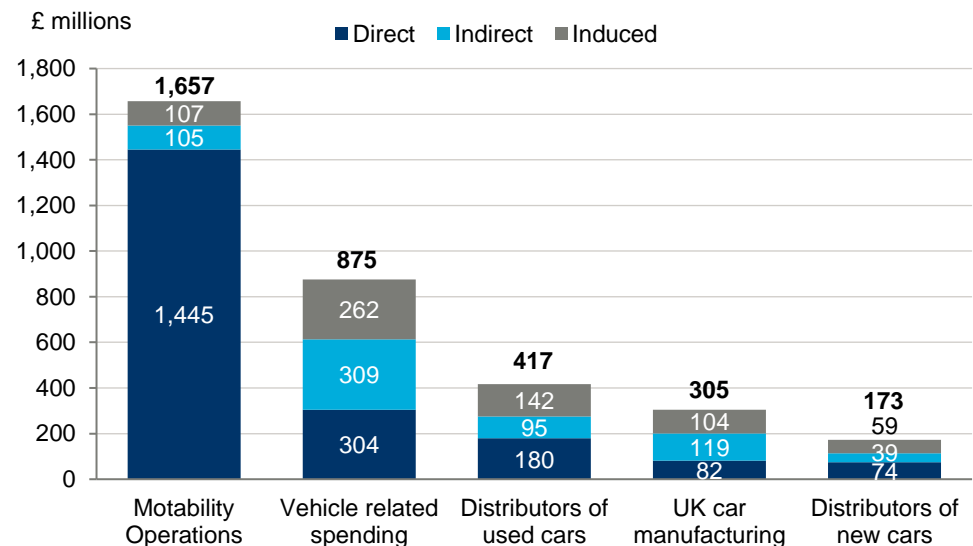
Fig. 10. Motability Operations' total contribution to UK GDP in 2019/20, by impact channel



Source: Oxford Economics; Motability

Motability Operations supported a greater contribution to UK GDP than the other four segments, contributing £1,657 million in 2019/20, or 48% of total (Fig. 11). Motability Operations' vehicle-related expenditure and sale of used vehicles contributed a further £875 million (26%) and £417 million (12%), respectively. Motor manufacturing in the UK supported an additional £305 million (9%), and the remaining £173 million (5%) was supported via the new car retailers and distributors channel.

Fig. 11. Motability Operations' total contribution to GDP in 2019/20, by segment

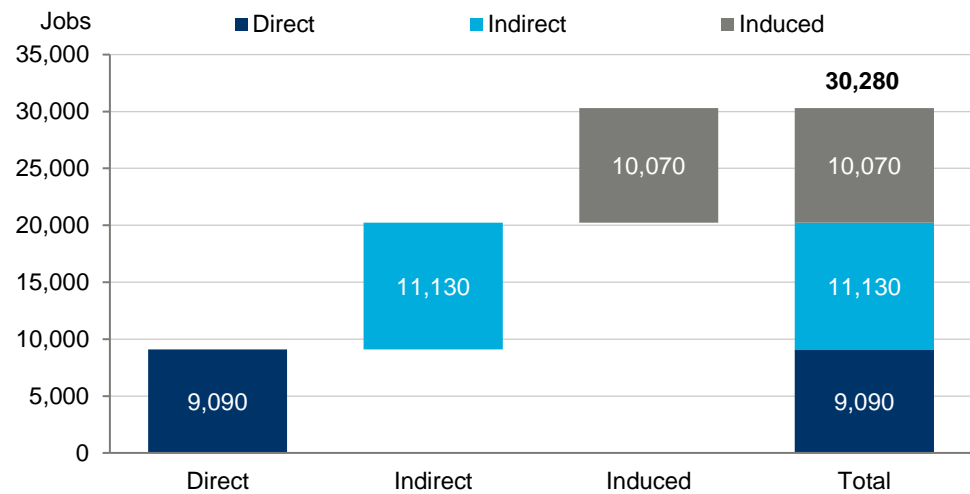


Source: Oxford Economics

2.5.3 Employment

We estimate that the Motability Scheme supported a total of 30,280 jobs across the UK in 2019/20, equivalent to one in every 1,070 jobs in the UK in the same year. Some 9,090 jobs, or 30% of total, were supported within Motability Operations, firms engaged in the supply of vehicles to the scheme, and those firms involved the maintenance and insurance of its fleet (Fig. 12). The spending of these firms on inputs of goods and services from suppliers supported another 11,130 jobs (37% of total), and the final 10,070 jobs (33% of total) were supported by the wage-induced spending of the firms' employees.

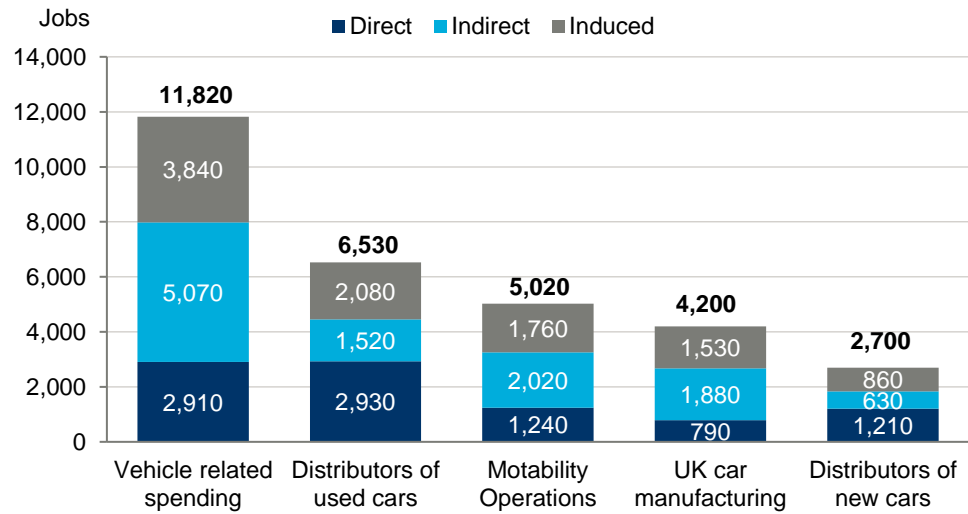
Fig. 12. Motability Operation's total contribution to employment in 2019/20, by impact channel



Source: Oxford Economics; Motability

Of the five channels of impact, the largest impact on UK employment was supported by Motability Operations' vehicle-related expenditure, which supported a total of 11,820 jobs in the country, or 39% of total (Fig. 13). This is followed by used car dealers and distributors, which supported 6,530 jobs (22%). Motability Operations was the third largest impact channel, having supported an additional 5,020 jobs in total (17%). The remaining jobs stemmed from Motability Operations purchases of new vehicles, which allowed UK motor manufacturers and new car dealers to support a further 4,200 jobs (14%) and 2,700 jobs (9%) respectively.

Fig. 13. Motability Operation’s total contribution to GDP in 2019/20, by category of impact



Source: Oxford Economics

2.5.4 Taxes

In 2018 the National Audit Office estimated that the maximum annual value of tax concessions from which the Scheme benefited in 2017 was £888 million. This was calculated by applying VAT and Insurance Premium Tax (IPT) to existing business. This assumes customers would have been able to afford a significant increase in their lease cost with no impact on volumes. Calculating the value a different way, on the assumption that customers are already paying the maximum they could afford, and imputing the notional VAT and IPT content on existing revenues, results in a lower figure of £740 million.

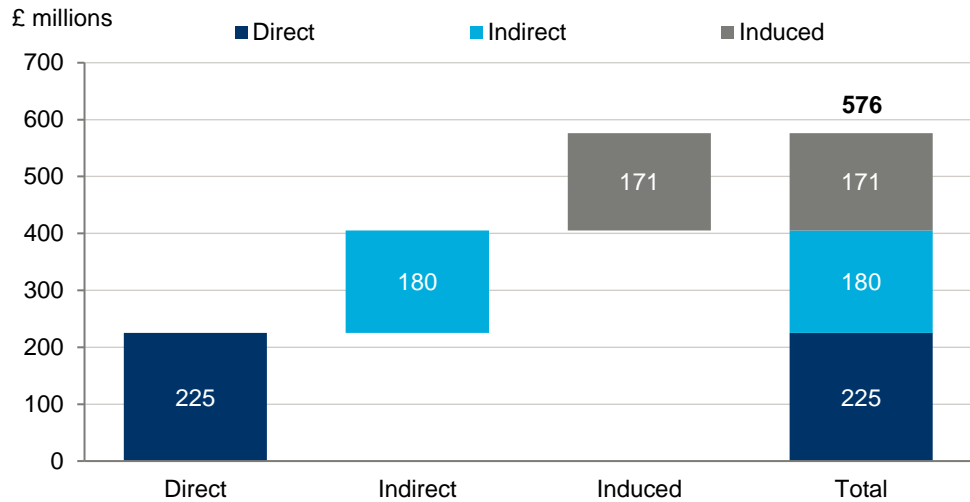
The theoretical £740 million would not be collectable by the Treasury in full if the Scheme did not exist or if the tax reliefs were removed. The full value of the VAT and IPT concessions is passed through to customers in the lease price. Without the tax concessions, the Scheme would not be affordable for the vast majority of customers.

However, the scheme also generates tax revenues through its activities. **In 2019/20, we estimate that the Motability Scheme supported a total of £576 million in UK tax receipts.** To put this into perspective, this amount would have been sufficient to pay the average salary of 20,500 nurses in the same year.¹⁴ Of the total figure, £225 million, or 39%, was supported directly by Motability Operations, firms engaged in the supply of vehicles to the scheme, and those firms involved the maintenance and insurance of its fleet (Fig. 14). A further £180 million (31%) was supported by the spending of these firms on inputs of goods and services from suppliers, and £171 million (30%) was

¹⁴ Office for National Statistics. 2020. *Annual Survey of Hours and Earnings, 2020*.

stimulated by the spending of wages by employees of these firms and their suppliers.

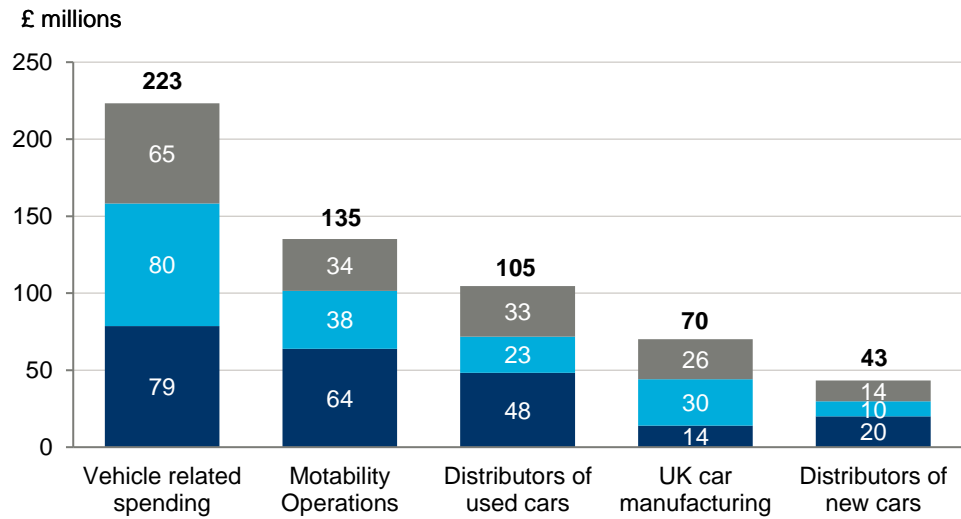
Fig. 14. Motability Operations' total contribution to UK tax revenues in 2019/20, by impact channel



Source: Oxford Economics; Motability

Of the five segments' impact on UK tax receipts, Motability Operations' vehicle-related spending was the largest, supporting a total contribution of £223 million in 2019/20, or 39% of total (Fig. 15). Motability Operations and used car dealers contributed a further £135 million (23%) and £105 million (18%), respectively. The remaining tax receipts were stimulated by Motability Operations' purchases of new vehicles, which allowed for UK car manufacturers and new car dealers to support a further £70 million (12%) and £43 million (7%), respectively.

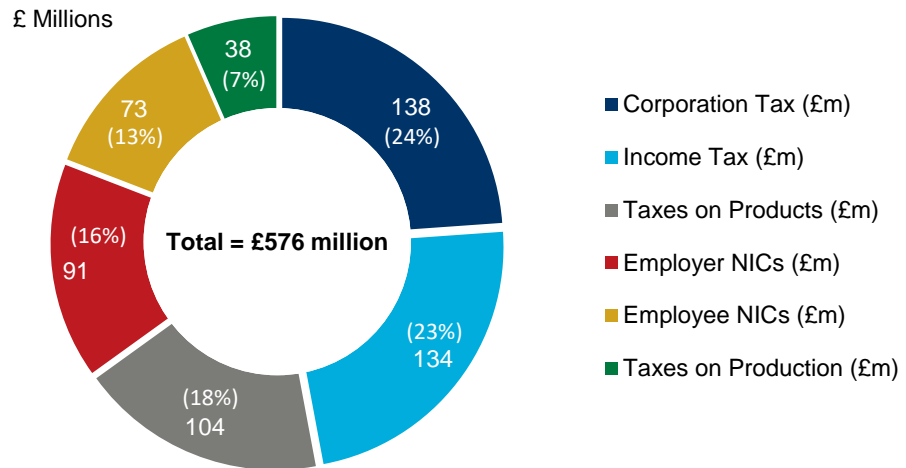
Fig. 15. Motability Operations' total contribution to tax revenues in 2019/20, by category of impact



Source: Oxford Economics

By type, the largest tax contribution came through corporation tax, which we estimate accounted for just under one quarter of total, at £138 million (Fig. 16). We estimate that taxes on labour represented a combined 52% of total, which included £134 million in income taxes, £91 million in employers' national insurance contributions (NICs), and £73 million in NICs paid by employees.

Fig. 16. Breakdown of total tax revenues supported by Motability Operations in 2019/20, by type



Source: Oxford Economics

2.6 OTHER ECONOMIC IMPACTS

The Motability Car Scheme has other effects on the UK economy, not captured in the core economic impact assessment. In this section, we consider the impact on UK tax receipts of Motability customers' spending on fuel.

2.6.1 Expenditure on fuel

The 634,600 Motability customers are responsible for paying for their own fuel costs, which generate significant tax revenues in the form of fuel duty and VAT. The average annual mileage of a Motability customer is approximately 8,200 miles.¹⁵ Car Scheme customers spent an estimated £447 million on fuel at the pumps in 2019/20. These fuel purchases generated £290 million in tax receipts for the Exchequer, which consisted of £216 million in fuel duty, and £74 million in VAT.¹⁶

In a survey of its customers in 2010, Motability found that 88% of the Car Scheme users reported having a car in their household prior to joining the Motability Car Scheme. Therefore, arguably some of this expenditure may have occurred anyway.¹⁷ However, not only did a significant number of customers not have a car in the household before joining the Scheme, research shows that the Motability Scheme also increases usage amongst those that did. Research from 2010 suggests that 16% of these customers did not previously use their household car, and that for those who did, more frequent usage is a key benefit of the Scheme. With this in mind, it is appropriate to assume that the Motability Car Scheme does increase expenditure on fuel, therefore boosting the associated tax revenues

¹⁵ Motability, 2020

¹⁶ Calculation of fuel expenditure is based on miles per gallon figures for the five most popular petrol and diesel cars chosen by Motability customers, and average prices of diesel and petrol between October 2019 and September 2020.

¹⁷ Oxford Economics and Plus Four Market Research Limited, *Economic and social impact of the Motability Car Scheme*, (2010).

3. SOCIAL IMPACT OF THE MOTABILITY CAR SCHEME

The benefits of the Motability Car Scheme go well beyond its core economic impact. The Scheme helps disabled people improve their mobility, widening their access to healthcare, employment, education, and social activities. This has a positive influence on the lives of Motability customers themselves, and their families or carers. But the positive benefits also spill out into the wider economy, reducing pressures on publicly funded transport, and expanding the workforce. In this chapter, we will explore these various benefits.

3.1 THE SURVEY OF MOTABILITY'S CUSTOMERS

In April 2021, the Research Institute for Disabled Consumers (RIDC) undertook a survey of Motability's customers. In total, they received 4,279 responses, of which 3,812 were used.¹⁸ There were 2,775 full responses and 1,037 partial responses. The survey asked respondents to evaluate 34 statements about what impact having the Motability vehicle had on their lives.¹⁹ The potential benefits having a vehicle might have provided to customers were split into six topics: Access, Control, Social, Wellbeing, Employment and Education.²⁰ Respondents were able to answer from a selection of responses, which ranged from "No impact" to "Life Changing".²¹

For the subsequent analysis, we used data on customers who had received a lease between 2018 and 2020. Of the 3,235 responses available by lease year, 1,035 customers had leases that started in 2018, 1,567 for 2019 and 633 for 2020.

We used these responses in estimating the monetary valuations associated with various social outcomes; for each of the social outcomes we selected the questions that we thought were most appropriate. There were four categories of social outcomes: Employment, Education, Health and Wellbeing. For Employment, Education and Health, we used one question each. Wellbeing was split into four subcategories (explained in the Wellbeing section below); we used a variety of questions for each subcategory, taking an average of the results across questions. In our analysis, we assume that the scheme had an effect in the associated category if the respondents answered either "Significant

¹⁸ Of the survey respondents, 90% were classified as having a "Vehicle type Charity" versus 10% which were classified as "Vehicle type Ops".

¹⁹ For clarity, some of the phrasing of the questions had been changed in the below paragraphs. For example, for Q2.6: "I/we can do my/our day to day activities (e.g shopping, etc)" has been changed to "I can do my day to day activities (e.g shopping, etc)".

²⁰ ACCESS: Increased ability to access people and places using own transport; CHOICE AND CONTROL Improved independence and control to make own decisions; WORK Increased ability to work and pursue a career; EDUCATION Increased ability to access education and training; CONNECTIONS Increased social connections and relationships; WELL BEING Improved sense of health and well-being

²¹ The choices available were, in order of magnitude of impact: "No difference at all", "Limited difference", "Some difference", "Moderate difference", "Significant difference" and "Life-changing difference".

difference” or “Life-changing difference”; in the following paragraphs we term these as “substantial differences”.

The survey responses were combined with the number of Motability customers that could achieve each outcome. So for improving employment outcomes, we focused on just those estimated to be in employment. For the wellbeing outcomes, we included all customers in the calculations. Due to data limitations we were not able estimate a total valuation for educational outcomes.

3.2 MONETARY VALUATIONS

3.2.1 Employment

The increased mobility that receiving a vehicle from the Motability Car Scheme enables may allow some customers to get a job or retain one. This delivers financial benefits to them in the form of earning an annual salary.

Respondents were surveyed on the statement “More employment opportunities have opened up to me”. In general, beneficiaries see limited effects on their employment prospects after the scheme— 27.1% of responded “Significant difference” or “Life-changing difference” to the question.

In order to estimate the monetary value (i.e. the salary gained as a result) of increased employment generated by the Motability Scheme, we utilise various labour market data. To begin with, we note that occupations that disabled workers and non-disabled workers tend to be slightly different. Using data from the ONS, we estimate the occupational distribution of disabled workers, and the associated hourly wage for these occupations.^{22,23,24} Using the occupational distribution as weights, we were then able to estimate a weighted average for the hourly wage for disabled workers.

Secondly, the average length of the working week worked by disabled and non-disabled people is different. Data showed that in 2019/2020 65.4% of disabled workers worked full time, and 34.6% of workers worked part time; hence we assumed this to be full-time-part-time split for Motability beneficiaries.²⁵ Data for 2020 showed that the average weekly hours for part-time workers was 14.0

²² The occupational data: ONS. 2021. *Disability and employment (2020 edition of this dataset)*. 18 February 2021. Available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/disability/datasets/disabilityandemployment> [Accessed 12 August 2021]

²³ Wage data: ONS. 2019. *Raw pay gaps by disability*. 2 December 2019. Available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/disability/datasets/rawpaygapsbydisability> [Accessed 12 August 2021]

²⁴ The latest available data on hourly wages for disabled workers was for 2018; to get an estimate for 2020 we grew this figure using data for median hourly earnings, by occupation, for the whole population. This data was from: ONS. 2020. *Annual Survey of Hours and Earnings time series of selected estimates*. 03 November 2020. Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/ashe1997to2015selectedestimates> [Accessed 12 August 2021]

²⁵ ONS. 2021. *Disability and employment (2020 edition of this dataset)*. 18 February 2021. Available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/disability/datasets/disabilityandemployment> [Accessed 12 August 2021]

hours per week, and 33.7 hours per week for full time worker.²⁶ Assuming 52 paid weeks a year, and combining the above data, we get an average annual salary of £17,375.

Internal survey evidence from Motability indicated that around 8% of Motability customers were in paid employment, government training or an apprenticeship scheme in spring of 2021. Applying this figure to the 634,604 recipients of a Motability vehicle, we estimate that 49,711 recipients were employed, in government training or on an apprenticeship scheme in spring of 2021.

Of the users sampled in the survey, 27.1 % stated they had seen a substantial difference in employment opportunities; hence we assume that of the 49,711 recipients in employment, government training, or on an apprenticeship scheme, 27.1% were able to obtain this outcome because they had a vehicle from the scheme. Combining this figure with the average wage benefit of £17,375, we get a **monetary valuation of £234 million in additional wages for Motability customers.**

3.2.2 Education

Increased mobility also allows Motability customers to attend educational institutions and obtain qualifications. In the survey, there was the statement “More educational opportunities have opened up to me”, of which 30.6% of respondents replied “Significant difference” or “Life-changing difference”.

These educational opportunities may also lead to a higher annual salary (or “wage premium”) when the individual enters the labour market.²⁷ To calculate this, we use data on gross hourly wages, by educational qualification.^{28,29} Here we assume that Motability beneficiaries are able to earn A level or equivalent qualifications, as opposed to having no qualifications. In addition, disabled workers are typically paid less than non-disabled workers—data for 2018 showed this pay gap to be around 12%, which we assume to be the same in

²⁶ ONS. 2021. *Average actual weekly hours of work for full-time workers (seasonally adjusted)*. 15 July 2021.

Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/timeseries/ybuy/lms> [Accessed 12 August 2021]

ONS. 2021. *Average actual weekly hours of work for part-time workers (seasonally adjusted)*. 15 July 2021.

Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/timeseries/ybvb> [Accessed 12 August 2021]

²⁷ In this section, we calculate the additional income generated through gaining an educational qualification. One could also argue that gaining an educational qualification may allow an individual to enter the labour market from being previously unemployed. We have not calculated this effect in this section.

²⁸ ONS. 2021. *Mean and median gross weekly and gross hourly earnings measured by highest education qualification in major industry, 2018 to 2019*. 16 March 2021. Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/13033meanandmediangrossweeklyandgrosshourlyearningsmeasuredbyhighesteducationqualificationinmajorindustry2018to2019> [Accessed 13 August 2021]

²⁹ Here, the data was available for 2019, and so we grew it to 2020 using data on median hourly earnings across all qualifications. This data was from: ONS. 2020. *Annual Survey of Hours and Earnings time series of selected estimates*. 03 November 2020. Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/ashe1997to2015selectedestimates> [Accessed 12 August 2021]

2020.³⁰ Using these data, we find that the hourly wage increase amount to £1.8 per hour. Combining this result with the part-time-full-time split, we estimate that the rise in the annual salary of a beneficiary would be around £2,534 per year.

Unfortunately, we are unable to estimate the total impact of increased educational opportunities, as data on the number of Motability customers enrolled in education was unavailable.

3.2.3 Health

In this section, we estimate the health cost savings that having a Motability vehicle may generate for society. The logic is that the vehicles provided make it easier for the Scheme's customers to attend health appointments on their own. This means that vehicle recipients don't need to use non-emergency patient transport services (NPTS), and are less likely to miss their appointment, both of which lead to costs savings to the NHS. When surveyed on the statement "I can go to health appointments or access health services" 80.4% of respondents replied that they had seen a "Significant difference" or "Life-changing difference".

We estimate that in 2020, the cost of NPTS was £37.72 per person per visit; we assume that a beneficiary had to utilise this service five times a year.³¹ Hence the cost per person per year was £188.58. Combining this result with the 80.4% response rate from the survey and the 634,604 customers with a vehicle, we get a saving of £96.2 million.

In addition, we estimate that the cost of a missed GP appointment was £37.72, and that prior to having a Motability vehicle, a beneficiary missed one appointment a year.³² Hence, combining this data with the 80.4% response rate from the survey and the 634,604 customers, we get a total saving of £15.7 million per year.

Hence, **the total health savings as a result of the Motability Scheme was £111.9 million.**

³⁰ ONS. 2019. *Raw pay gaps by disability*. 02 December 2019. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/disability/datasets/rawpaygapsbydisability> [Accessed 12 August 2021]

³¹ This is based on evidence that the cost of NPTS in 2021 was £38 (NHS, 2021). These prices were converted to 2020 figures using CPI health inflation data from the ONS (2021); NHS. 2021. *Improving non-emergency patient transport services: Report of the non-emergency patient transport review*. August 2021. Page 4. Available at: <https://www.england.nhs.uk/publication/improving-non-emergency-patient-transport-services/> [Accessed 12 August 2021]

³² This is based on evidence that the cost of a missed appointment for the GP was £30 (NHS, 2019). These prices were converted to 2020 figures using CPI health inflation data from the ONS (2021); NHS. 2021. *Missed GP appointments costing NHS millions*. 2 January 2019. Available at: <https://www.england.nhs.uk/2019/01/missed-gp-appointments-costing-nhs-millions/> [Accessed 13 August 2021]; ONS. 2021. *Consumer price inflation time series*. 14 July 2021. Available at: <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceindices> [Accessed 12 August 2021]

3.2.4 Wellbeing

We use data from the Greater Manchester Combined Authority to estimate the wellbeing impact of the Motability Car Scheme.³³ The original estimates were calculated for 2009-2010 financial year and were “based on apportioning the willingness to pay value for the QALY impact of depression (£35,400 per annum) across all the domains of wellbeing as set out in the National Accounts of Wellbeing”.^{34,35} The four domains that monetary valuations were available for were “Increased confidence/self-esteem”, “Reduced isolation”, “Positive functioning (autonomy, control, aspirations)” and “Emotional well-being”. Using the ONS’ GDP deflator to convert these values to 2020 prices (and rounded down to the nearest £100), the value for “Increased confidence/self-esteem”, “Positive functioning” and “Emotional well-being” was £4,300 per person a year; the value for “Reduced isolation” was £10,500 per person per year.

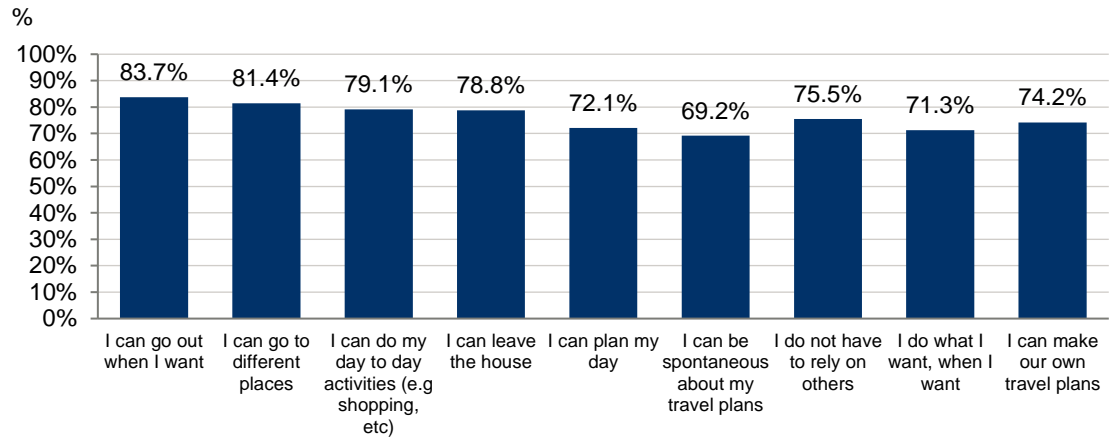
In the survey, there were a variety of questions related to wellbeing, which we sorted into the four sub-categories. The “Positive functioning” questions asked respondents about their ability to plan, move and travel, and had the highest average substantial difference rate across the four sub-categories, at 76.1%. The responses to individual questions are shown in Fig. 17. The highest substantial difference rate was 83.7% for “I can go out when I want”; the lowest was 69.2% for “I can be spontaneous about my travel plans”.

³³ A similar approach is followed in the paper: Melville, D., Stevens, C. and Vaid, L. 2015. *Access to Work – Cost benefit*. Centre for Economic and Social Inclusion. Available at: <https://www.nib.org.uk/professionals/knowledge-and-research-hub/research-reports/employment-research/access-work-cost-benefit-analysis> [Accessed 30th September 2021]

³⁴ Greater Manchester Combined Authority. 2019. *Greater Manchester Cost Benefit Analysis Tool*. 15 November 2019. Available at: <https://greatermanchester-ca.gov.uk/what-we-do/research/research-cost-benefit-analysis> [Accessed 12 August 2021]

³⁵ QALY stands for “Quality-adjusted life year”. It is a measure used by health officials to determine how they should allocate limited resources between treatments (for example, between spending on giving one person a heart transplant versus five people knee replacements). To be able to compare across different treatments a healthy life year is given a financial value, and each health issue a percentage deduction from that figure. The National Institute of Care Excellence define a QALY as we “A measure of the state of health of a person or group in which the benefits, in terms of length of life, are adjusted to reflect the quality of life. One quality-adjusted life year (QALY) is equal to 1 year of life in perfect health.” National Institute for Health and Care Excellence. 2021. Glossary. Available at: <https://www.nice.org.uk/glossary?letter=q> [Accessed 30 November 2021]

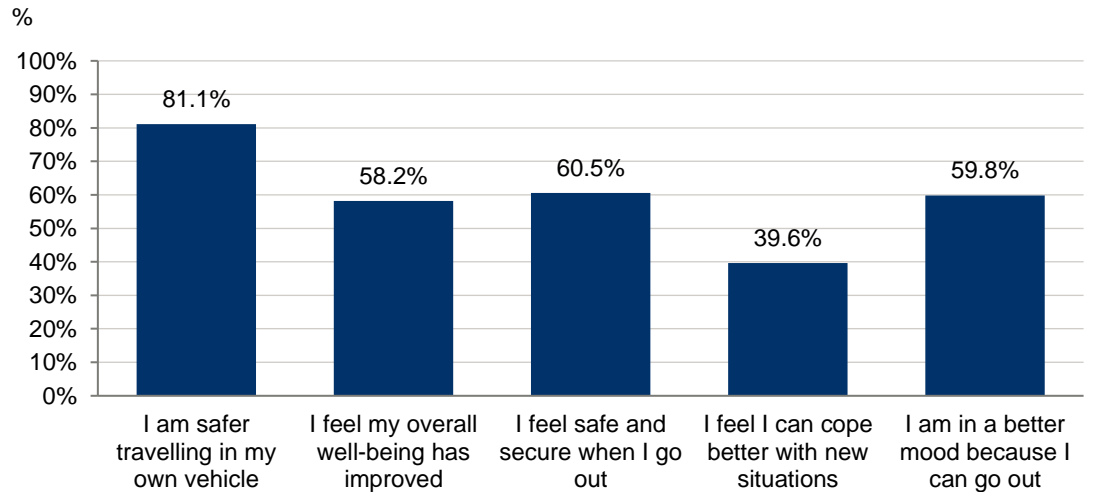
Fig. 17. Proportion of customers replying “substantial difference” to “Positive functioning” questions



Source: RIDC, Oxford Economics

The “Emotional well-being” questions asked respondents to evaluate statements regarding safety and mood. Here there was a lot more variance than for the “Positive functioning” questions (Fig. 18). The statement “I am safer travelling in my own vehicle” had an 81.1% substantial difference rate; in contrast “I feel I can cope better with new situations” had a 39.6% substantial difference rate. The average substantial difference rate across all questions was 59.8%.

Fig. 18. Proportion of customers replying “substantial difference” in response to “Emotional well-being” questions

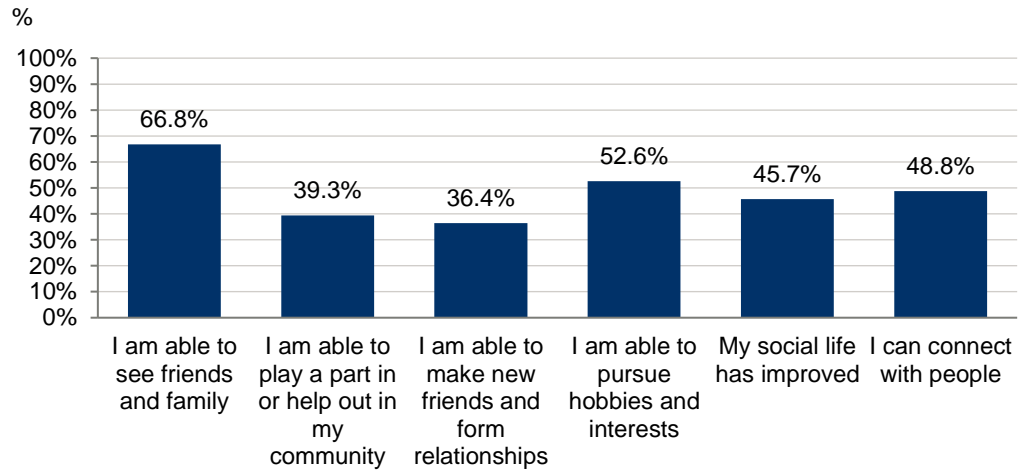


Source: RIDC, Oxford Economics

The “Reduced isolation” questions concerned how the Motability Scheme had affected the beneficiaries’ social lives and being able to see friends and family (Fig. 19). The average substantial difference rate was lower than for the two previously discussed subcategories, at 48.6%. Of the questions within this subcategory, 66.8% answered they had seen a substantial difference for the statement “I am able to see friends and family”, whilst only 36.4% said the

scheme had a substantial effect with respect to the statement “I am able to make new friends and form relationships”.

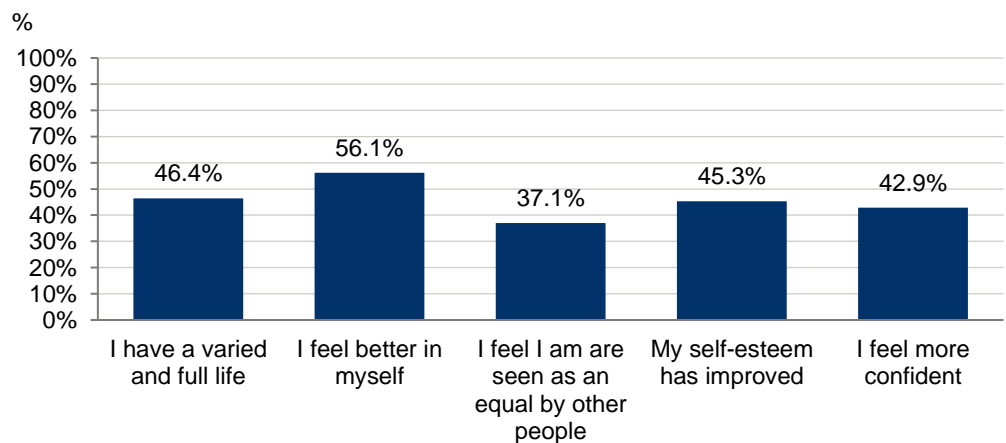
Fig. 19. Proportion of customers replying “substantial difference” in response rates to the “Reduced isolation” questions



Source: RIDC, Oxford Economics

Finally, the “Increased confidence/self-esteem” questions asked respondents to evaluate how they feel about themselves, after receiving a vehicle through the Motability Scheme (Fig. 20). This question had the lowest average substantial difference rate amongst all the subcategories, at 45.6%. Within the questions, 56.1% answered “Significant difference” or “Life-changing difference” to the questions “I feel better in myself”, the highest substantial difference rate amongst the various questions in this subcategory. The lowest was 37.1% for “I feel I am are seen as an equal by other people”.

Fig. 20. Proportion of customers replying “substantial difference” in response to the “Increased confidence/self-esteem” questions



Source: RIDC, Oxford Economics

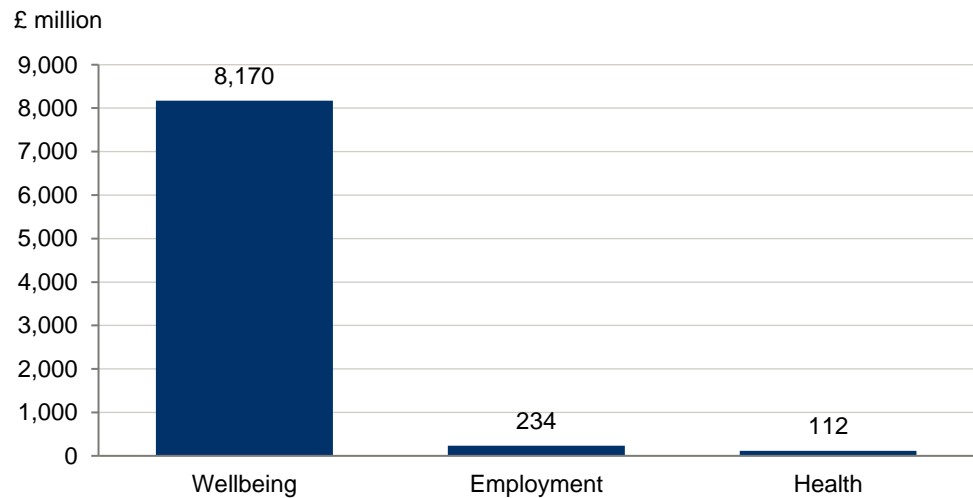
Of the wellbeing effects, we calculate that the monetary **valuation is highest for “Reduced isolation” at £3.2 billion**. This was followed by “Positive functioning” at £2.1 billion, Emotional well-being at £1.6 billion and finally

“Increased confidence/self-esteem” at £1.2 billion. In total, we calculate the total wellbeing effect to be £8.2 billion.

3.2.5 Total valuation of the benefits the Scheme brings customers

Summing all of the effects, we get a **total estimated monetary valuation of the benefits customers received from having a Motability vehicle in 2020 of £8.5 billion** (Fig. 21). Of this, the wellbeing benefits contributed £8.2 billion (or 96%). There were also likely to be educational benefits that were unable to calculate.

Fig. 21. Estimated monetary value of the benefits the Scheme brings customers in 2020



Source: Oxford Economics

4. CONCLUSION

The Motability Car Scheme makes a substantial contribution to the UK economy. This impact comes from Motability Operations' administration of the Scheme, the Car Scheme's purchases and sales of cars, and its spending on the goods and services needed to deliver "worry-free motoring" to its customers, such as insurance and servicing.

Via the three channels of impact, direct, indirect, and induced, the Motability Car Scheme supported a £3.4 billion contribution to UK GDP in 2019/20, a year in which the UK economy was significantly affected by the global coronavirus pandemic. This economic activity is estimated to have supported 30,280 jobs across the UK and stimulated the generation of £576 million in tax revenues for the Exchequer.

The social impact of the Motability Car Scheme is immense. The access to cars and wheelchair-accessible vehicles can be an extremely valuable source of freedom and independence for customers of the scheme, especially in cases where the costs of such vehicles in the general market may be prohibitively high for many. This access to personal transport can open up a range of possibilities including improved access to education, jobs, healthcare, and can be of great benefit to the wellbeing of participants in the scheme.

Through the channels identified and considered in this report, we estimate that the Scheme generated social benefits of £8.5 billion across its customers in 2020. The vast majority of the Motability Car Scheme's social impact came from the estimated £8.1 billion in wellbeing benefits that its customers experience through use of their Motability vehicles. These benefits accrued to Motability customers in the form of reduced isolation, more freedom or autonomy, and improved confidence or self-esteem. There was also £234 million in employment benefits and £112 million in health benefits that accrued to Motability customers.

5. APPENDIX: METHODOLOGY

DIRECT IMPACT

The direct impact of Motability Operations uses data from its 2020 Annual Report and Accounts. Gross value added has been calculated following the income method, summing gross operating profits (EBITA) and staff costs, and the output method, subtracting the value of inputs from revenue.³⁶ Employment and Corporation Tax paid were both detailed in the Annual Report and Accounts. Labour taxes (income tax, and employers' and employees' National Insurance Contributions) have been calculated using gross wages from Motability's data, and official statistics on tax allowances and rates from HMRC.

For other firms engaged in providing Motability cars (manufacturers, new and used car dealerships, and firms providing the components of the worry-free motoring packages), direct estimates have been calculated using expenditure data from Motability, and ONS industry-specific gross value added to gross output ratios. Employment and taxes have been calculated using ONS industry-specific productivity data and HMRC tax allowances and rates.

INDIRECT AND INDUCED IMPACT

The indirect impact captures the economic activity stimulated by supplier purchases made in order to fulfil Motability Operations orders. As some of the direct impact could be considered the indirect impact attributable to Motability Operations from a supply chain perspective, any other purchases made by Motability Operations have been excluded to avoid double counting.

The modelling for this study was based on the ONS' UK Input-Output tables.³⁷ They set out the goods and services that UK industries purchase from one another in order to produce their output (as well as their purchases from firms abroad). Similarly, they provide detail on the spending pattern of UK households, and indicate whether this demand is met by UK production, or imported products. In essence, the I-O table shows who buys what from whom, for the time period in question.

The indirect and induced effects have been calculated using a common approach for all five types of Motability Scheme spending impacts. Using the detail on these linkages provided by the I-O tables, Oxford Economics constructed bespoke UK impact models, which trace the supply chain and wage consumption impacts attributable to each of the types of firms engaged in providing and maintaining Motability cars.

We introduced the firms' procurement data and spending on wages into these models, which then quantify all rounds of subsequent purchases along the supply chains. These transactions are translated into GDP contributions, using industry-specific ratios of value added to gross output, sourced from the UK I-O table. Likewise, industry-specific productivity data are used to calculate the employment estimates. Taxes were estimated using HMRC data on tax bands and receipts, along with ONS statistics on average profitability of each UK sector, the average wage rates seen in these sectors from the ONS (2020) Annual Survey of Hours and Earnings, and the indirect employment supported within them.

³⁶ In principle, the two methods should be equivalent.

³⁷ Office for National Statistics, *Input-output supply and use tables 2015*.



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