

The end of ownership

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Leasing is a business model well suited to a continent that depends on imported raw materials.

The recent decision by the European Union, Japan and the United States to launch a World Trade Organization case against China because it has limited exports of rare earths is one indication of a broader phenomenon: the end of easily accessible resources is nigh. Europe simply does not have enough rare metals to make mobile phones, laptops, electric cars and wind turbines.

Yet, there are some hopeful signs. One is a draft European Parliament report on resource efficiency, approved by the environment committee in May, that outlined ways to limit and re-use waste. Another is the clear trend towards dematerialisation visible in, for example, the decline of CDs – which are now moving to 'the cloud' through the music service Spotify – and answering machines, now a standard service on mobile phones.

What is needed, in addition to these trends and plans, is a business model that respects resources and reduces our import-dependency. That model could be the lease society.

In a lease society, the producer focuses on rendering services instead of supplying goods. It assumes that what consumers want is not ownership of a product, but the service it provides. We do not enjoy our television; we enjoy the hours we spend watching television.

In the lease society, consumers pay monthly fees for these services, but the manufacturer retains ownership.

Several companies already use a form of the lease-society model. Michelin now rents out tyres. The Dutch company KPN leases out phones, to enhance service and make costs transparent. And there is a flourishing chemical leasing market, covering responsibility for and the re-use of valuable substances. These companies have realised that leasing combines income security and the benefits of resource efficiency.

It is efficient because, when a company leases a product rather than sells it, it has to consider not just the moment a product is sold, but also what happens when it comes back in. Companies therefore have a strong interest to use materials carefully, since their costs will be minimised. This reverses the economic rationale. The incentive to launch (for example) a fancy tablet computer every few months is gone. A company will outpace its competitors only if it develops a device that is either durable and long-lasting or easily upgradeable and re-usable.

For his or her part, the consumer is now assured, for a fixed fee, of the best and most up-to-date service that a company can provide. This is a viable alternative to buying flimsy goods that are hard to repair and are promptly outmoded.

In the leasing model, the most durable, detachable and resource-efficient product will simultaneously be the most economical product. The traditional conflict of interest between customer and company is removed, in the service of sustainable goals.

This model disrupts our take-for-granted consumption patterns. It breaks the connection between consumption and ownership. It is not, though, at odds with market capitalism; rather,

it uses allocation mechanisms in the market to raise the costs of environmentally damaging goods and to lower the costs of sustainable goods.

But for this model to become commonplace, at least three vital steps are needed.

Firstly, producers' responsibilities need to be increased, with cogent criteria set for product design and recyclability.

Secondly, the export, dumping or incineration of valuable waste needs to be stopped.

Thirdly, the tax system needs to be adjusted in a way that makes it more attractive to provide services and more expensive to use new raw materials.

These steps will not be implemented overnight. But there is awareness – among companies and the public – that economic survival depends on sustainability. An import-dependent and densely populated continent, Europe is at a crossroads. Either it continues to rely on diminishing resources from abroad, or it taps the one resource it has in abundance: innovative ideas. If Europe cannot distinguish itself by intelligence and innovation, two features of the lease society, what means of influence will we have?

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