

REFINEMENTS TO THE COE SYSTEM

Media Briefing
9 September 2013

Outline

1. Public Consultation Exercise
2. Fundamentals of COE Framework
3. Categorising Cat A and Cat B Cars
4. Multiple Car Ownership
5. Other Suggestions
6. Conclusion

Public Consultation Exercise

- LTA consulted the public from May to Jul
- Consultation generated robust discussion with a diversity of views
- Broad findings have been shared with some participants and the media on 26 Aug

Fundamentals of COE Framework

- Singaporeans understand the need to control car ownership through COE
- Fundamentals of COE system are still relevant:
 - A car is not a necessity unlike housing, healthcare or education
 - Market-based approach is still the most appropriate way to allocate a limited and non-basic resource
 - Consideration for some degree of social equity could be given, but the system should not be over-burdened with multiple objectives
 - There are other measures outside of the COE system that can address social equity

Categorisation of Cat A/Cat B Cars

- In recent years, premium car manufacturers have introduced new models of cars with smaller engine capacities, encroaching into Cat A

Year	% of New Cat A Cars Registered with OMV > \$20k
2010	23.6%
2011	47.3%
2012	56.2%

Categorisation of Cat A/Cat B Cars


- To better retain the original purpose of Cat A for mass-market cars, we will **add a new engine power criterion of up to 97kW (130 brake horsepower)** to the existing engine capacity threshold of up to 1,600cc

Category	Current	Revised
A	1,600cc & below	Up to 1,600cc <u>and</u> 97kW (130bhp)
B	1,601cc & above	Above 1,600cc <u>or</u> 97kW (130bhp)

Categorisation of Cat A/Cat B Cars

- Implementation timeline:
 - To allow car buyers and industry time to adjust, this new categorisation will apply for cars registered using **COEs obtained from the first COE bidding exercise in Feb 2014 onwards**

Categorisation of Cat A/Cat B Cars

- Had the additional criterion been applied in 2012, almost 50% of Cat A cars would have moved into Cat B 
- Criteria will be reviewed every few years to keep pace with longer-term market trends and technology improvements

Categorisation of Cat A/Cat B Cars

Why not use Open Market Value (OMV) to categorise?

- OMV can fluctuate significantly – same car model can be in Cat A and Cat B at different times due to exchange rate and car specification changes
- We need a good proxy for car value that is consistent and easy to understand and implement
- Engine capacity had been good proxy; addition of engine power will improve upon this proxy

Multiple Car Ownership

- Imposing a surcharge on multiple car ownership was a popular suggestion in the online survey
- However, subsequent focus group discussions found no agreement on design or implementation
- Various loopholes were identified, e.g. registering second car in name of relative, or registering under a different address
- Some were concerned about fairness and the signal it sends against our meritocratic system
- **LTA will not implement a multiple car surcharge**, and will instead leverage further on other measures outside of COE system, such as tiered vehicle taxes, to further address social equity

Other Suggestions

- In the course of the consultation, issues of a Pay-As-You-Bid (PAYB) auction system and banning dealers from bidding for COEs were frequently raised
- We are mindful of changes that would make COE bidding more inefficient and inconvenient for buyers, without necessarily changing outcomes
- **LTA will not make any changes in these areas**

Implementing a PAYB Auction System

- Experts in auction theory explained that the current system does not encourage aggressive bidding
 - Risk paying more than what one is actually willing to pay, or risk forfeiting the deposit
 - Best strategy is to bid at one's true value; no need to hide one's willingness to pay and monitor bidding
 - And that in open PAYB, the price outcome is likely to be similar to under current system
 - Makes the bidding process more burdensome but not likely to lead to lower successful COE prices
- [See next presentation on COE bidding]

Banning Dealers from Bidding

- Mixed public feedback
 - Substantial proportion (~45%) of survey respondents from an earlier survey were against banning dealers from bidding
 - Some preferred the convenience of dealers bidding for them
 - Others pointed out that it would be impossible to prevent people from getting dealers to bid for them by proxy
 - COE bid price is ultimately dependent on buyers' willingness to pay

A More Stable COE Supply

- Suggestions to stabilise COE supply also received
- Under current system, latest quota is largely determined by de-registrations of previous 6 months
- De-registrations fundamentally uncertain; fixed quota may mean
 - Too many vehicles added at times of low de-registrations
 - Too few COEs released when many owners want to replace their cars
- **LTA will study ways to smoothen COE supply**, e.g. putting aside some supply from the upturn in COE supply from de-registrations in next few years, and saving it for the future when supply becomes tighter

Conclusion

- COE system remains fundamentally a sound policy for managing vehicle population
- COE system should remain market-based
- Improving mobility lies not in a high level of car ownership but in investing heavily in public transport system, and improving taxi services

Thank you

2012 car models which would have been moved to Cat B under new categorisation criteria

Make	Model	Avg. Engine Capacity (cc)	Avg. Engine Power		Avg. OMV (S\$)
			kW	bhp	
Lotus	ELISE	1,598	100	134	\$43,556
Mazda	RX8	1,308	158	212	\$38,935
Volvo	V60	1,596	132	177	\$37,705
Volvo	S80	1,596	132	177	\$36,746
Peugeot	RCZ	1,598	123	164	\$34,654
Fiat	500 ABARTH	1,368	132	177	\$34,568
Citroen	DS5	1,598	115	154	\$33,569
Audi	A1 S-TRONIC	1,390	136	182	\$33,185
Volvo	S60	1,596	132	177	\$32,088
Volkswagen	TIGUAN	1,390	110	148	\$30,770
Volkswagen	GOLF	1,390	118	158	\$29,459
Volkswagen	TOURAN SPORT	1,390	125	168	\$29,179
Mini	COOPER S	1,598	135	182	\$28,979
Mercedes-Benz	C180	1,596	115	154	\$28,977
BMW	118i	1,598	125	168	\$28,863
Peugeot	5008	1,598	115	154	\$28,802
Peugeot	508	1,598	115	154	\$28,634
Citroen	DS4	1,598	118	158	\$27,084
Opel	ASTRA 1.6	1,598	132	177	\$26,231
Citroen	C5	1,598	115	154	\$25,940
BMW	116i	1,598	100	134	\$25,460
Volkswagen	SCIROCCO	1,390	118	158	\$25,344
Alfa Romeo	GIULIETTA	1,368	125	168	\$25,329
Mercedes-Benz	B200	1,595	115	154	\$25,308
Opel	ZAFIRA TOURER	1,362	103	138	\$25,002

Examples of 2012 car models which would have been moved to Cat B under new categorisation criteria

Make	Model	Avg. Engine Capacity (cc)	Avg. Engine Power		Avg. OMV (S\$)
			kW	bhp	
Opel	ZAFIRA TOURER	1,362	103	138	\$25,002
Volkswagen	JETTA	1,390	118	158	\$24,051
Peugeot	308 TURBO	1,598	118	158	\$23,912
Volkswagen	POLO	1,390	132	177	\$22,952
Peugeot	3008	1,598	115	154	\$21,583
Volkswagen	TOURAN	1,390	103	138	\$21,564
Skoda	FABIA RS	1,390	132	177	\$21,520
Opel	ASTRA 1.4	1,363	103	138	\$21,475
Citroen	DS3 1.6	1,598	115	154	\$21,090
Citroen	GRAND C4 PICASSO	1,598	115	154	\$20,964
Alfa Romeo	MITO	1,368	99	133	\$20,406
Fiat	BRAVO	1,368	103	138	\$17,135
Hyundai	VELOSTER FS	1,591	137	184	\$16,839
Hyundai	VELOSTER	1,591	103	138	\$16,140
Suzuki	SWIFT SPORT 1.6	1,586	100	134	\$15,412
Proton	EXORA	1,561	103	138	\$14,129
SEAT	IBIZA	1,390	121	162	\$13,467

