

# **BRIEFING ON PUBLIC CONSULTATION ON COE ISSUES**

**26 AUG 2013**

# Update on the Public Consultation on COE Issues

## 1. Public Consultation Exercise

- ❑ Online and face-to-face surveys
- ❑ Focus Group Discussions

## 2. Topics

- ❑ COE Re-categorisation: Ways to better define Cat A to delineate mass market from premium cars
- ❑ Multiple car ownership: Multiple-Car Surcharge

## 3. Views also received on

- ❑ Role of Dealers
- ❑ Pay-as-you-bid vs. Lowest Successful Bid Auction

# Public Consultation Exercise

# Consultation Details

## About 3,900

members of the public, industry bodies and academics engaged through:



- Online and face-to-face survey
- Focus group discussions
- Consultations with industry bodies, academics

# Key Consultation Findings

# Topic 1: COE Re-categorisation

- In recent years, car models generally viewed as luxury cars have become more common in Category A.
- To better retain the original purpose of Category A catering to mass-market cars, we are reviewing if and how we could refine the COE categorisation.

# COE Re-categorisation

- Most agree that the passenger-car COE categories should be reviewed 
- Car value (OMV) was most frequently suggested criterion 
- On the other hand, some noted that the OMV for the same model can vary by changes in specifications, fluctuating exchange rates and other factors

# COE Re-categorisation


- Many highlighted that new criterion such as OMV and engine power could be circumvented.
- Others suggested using various combinations of engine capacity, engine power or value of car



## Topic 2: Multiple-Car Surcharge (MCS)

- LTA also sought views on the desirability and effectiveness of levying surcharges for multiple car ownership.
- This was due to feedback that those who own more than one car deprive others of the opportunity to own a car, given the limited number of COEs available.

# Multiple-Car Surcharge (MCS)

- Majority of online survey respondents supported MCS **but** most Focus Group participants agreed that MCS would be ineffective because it would be easily circumvented and extremely difficult to enforce 
- No consensus on whether MCS should be levied on households or individuals, one-off or recurring, or levied on companies
- Some were concerned about the fundamental unfairness of such a measure

# Multiple-Car Surcharge (MCS)

- Some highlighted that this might lead to more congestion as cars owned by single-car owners are likely to be driven more than those owned by multiple-car owners, on a per car basis
- Others pointed out that it was not worth the effort to target multiple-car owners who are small proportion of total

# Other Issues

## Pay-as-you-bid (PAYB)

- Although consultation was only on re-categorisation and multiple cars, participants also gave other views.
- One frequent feedback idea is to adopt Pay-as-you-bid (PAYB) for COE
- Respondent believe that the current Lowest-Successful-Bid system leads to aggressive overbidding; and a PAYB system may result in more conservative bidding and therefore lowers COE prices.

# Other Issues

## Pay-as-you-bid (PAYB)

However, experts in Auction Theory say that

- The current system is **most efficient**
  - Everyone would bid at their true willingness to pay
- The current system is **least costly across all buyers** and leads to least revenue for Government


# Other Issues

## Role of Dealers

- Many survey respondents and Focus Group participants suggested banning dealers from COE bidding
- Strong perception that motor dealers are driving up COE premiums

# Other Issues

## Role of Dealers

- However, others suggested that dealers provide a convenient service by taking care of the paper work and allowing the COE Quota Premium to be covered by vehicle loan etc. 
- Some recognised that prices are ultimately driven by market forces and banning dealers will not make COEs cheaper
- Some noted that dealers actually have an interest to lower COE prices because COE premiums reduces their profit margin.
- Many pointed out that a ban will be difficult to enforce as buyers may resort to making their own arrangements with dealers.

# Next Steps

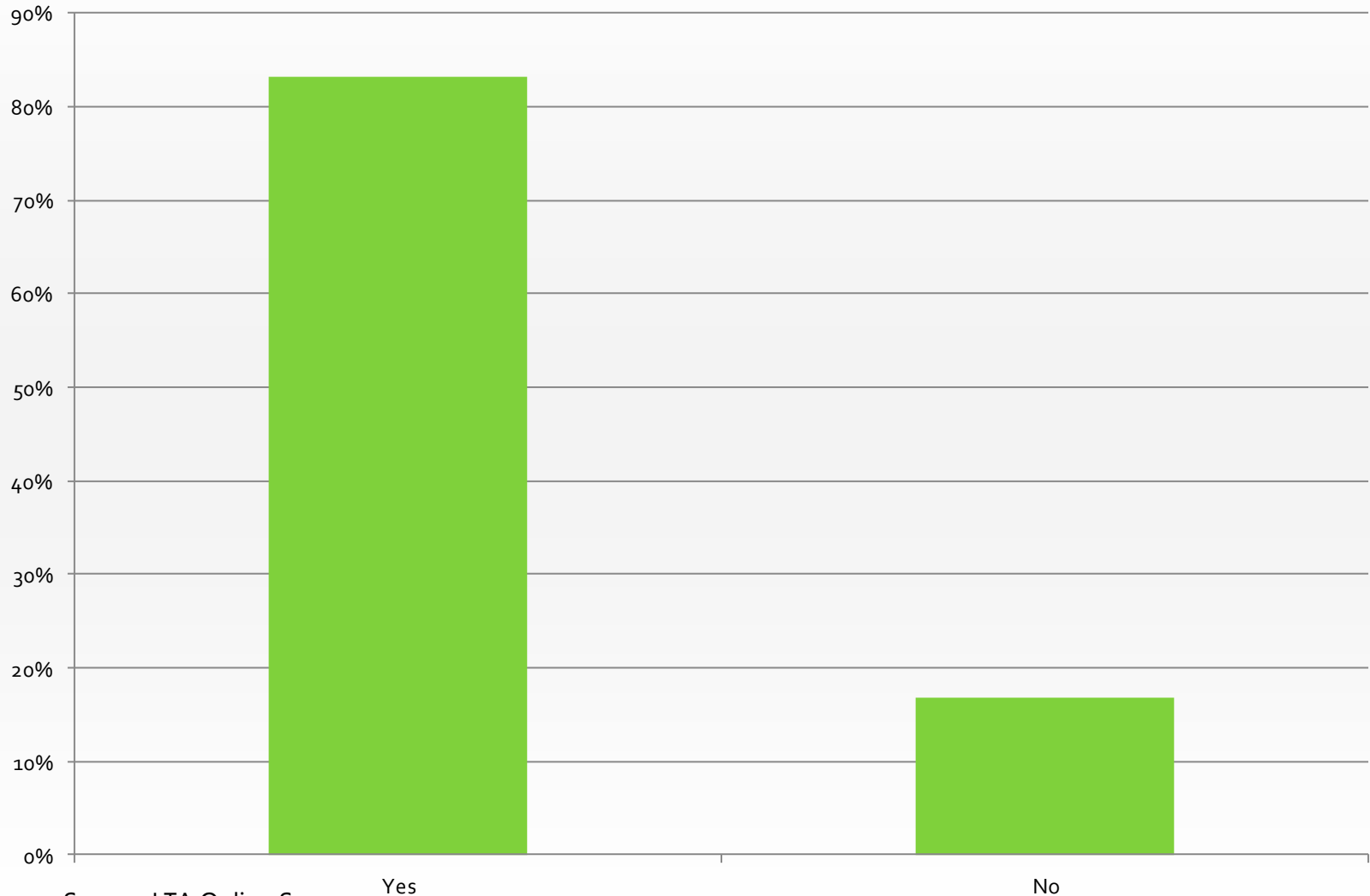
- LTA is in the final stage of the COE review
- We will assess the suggestions received and refine the options in a few weeks
- We will announce details when ready but we will give time for public and industry to adjust



**Thank you for all your contributions!**

# Public's Feedback

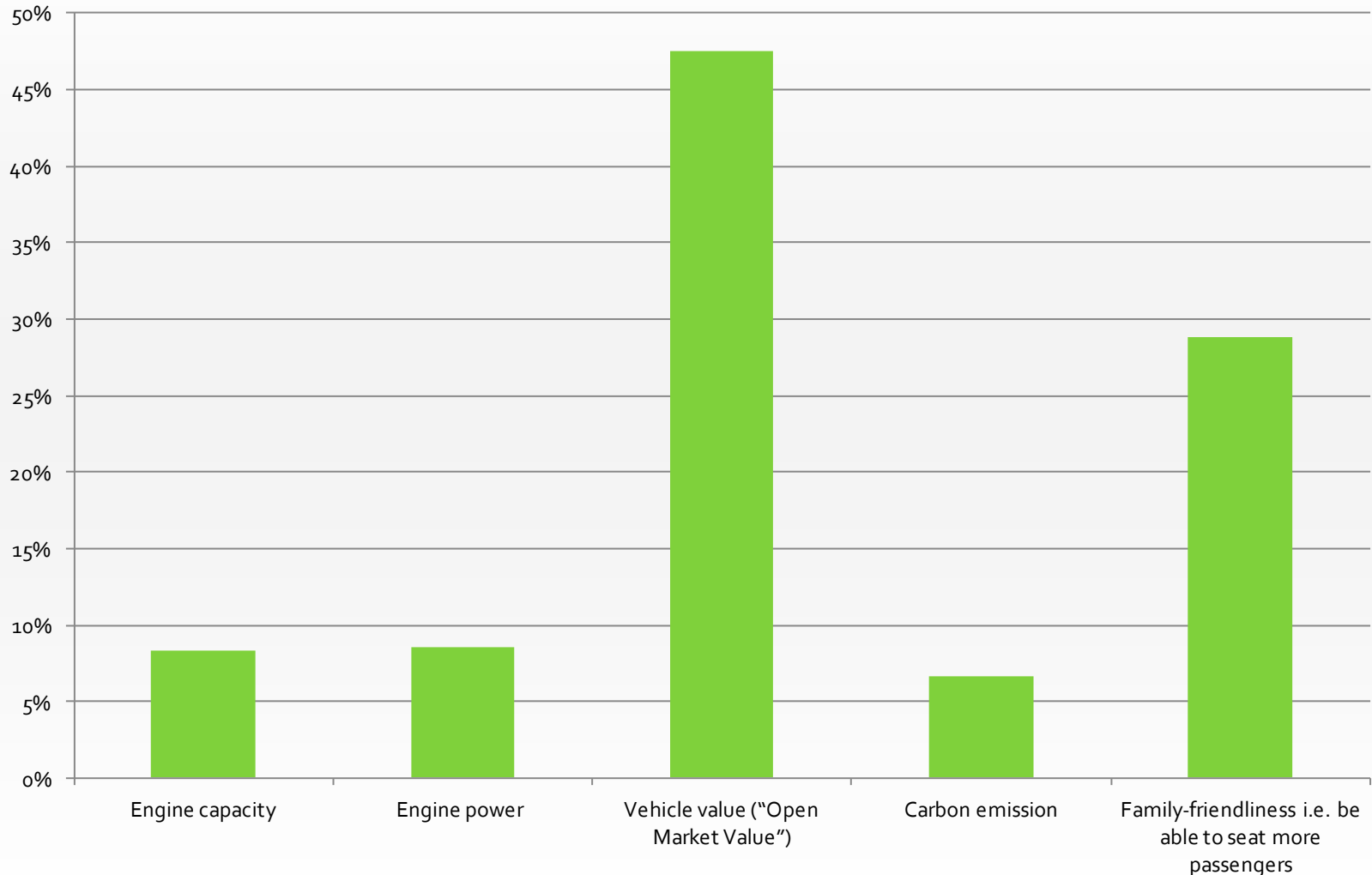
## Do you think the current COE categorisation based on car engine cc (capacity) should be changed?



Source: LTA Online Survey  
n = 3,681



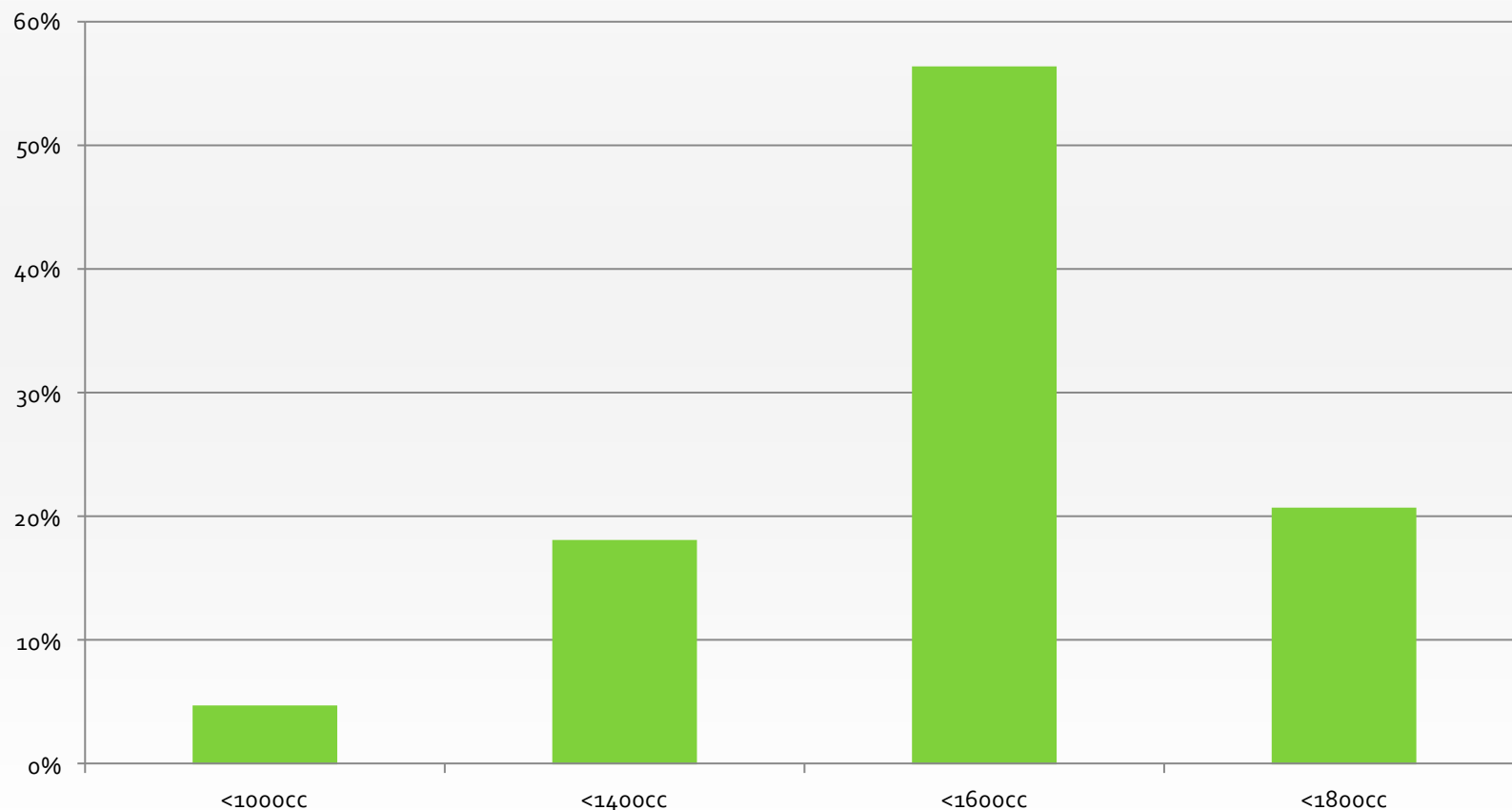
# What do you think should be the characteristics of a mass market car?



Source: LTA Online Survey  
n = 3,681

# What do you think should be the maximum engine capacity for the mass market car COE category?

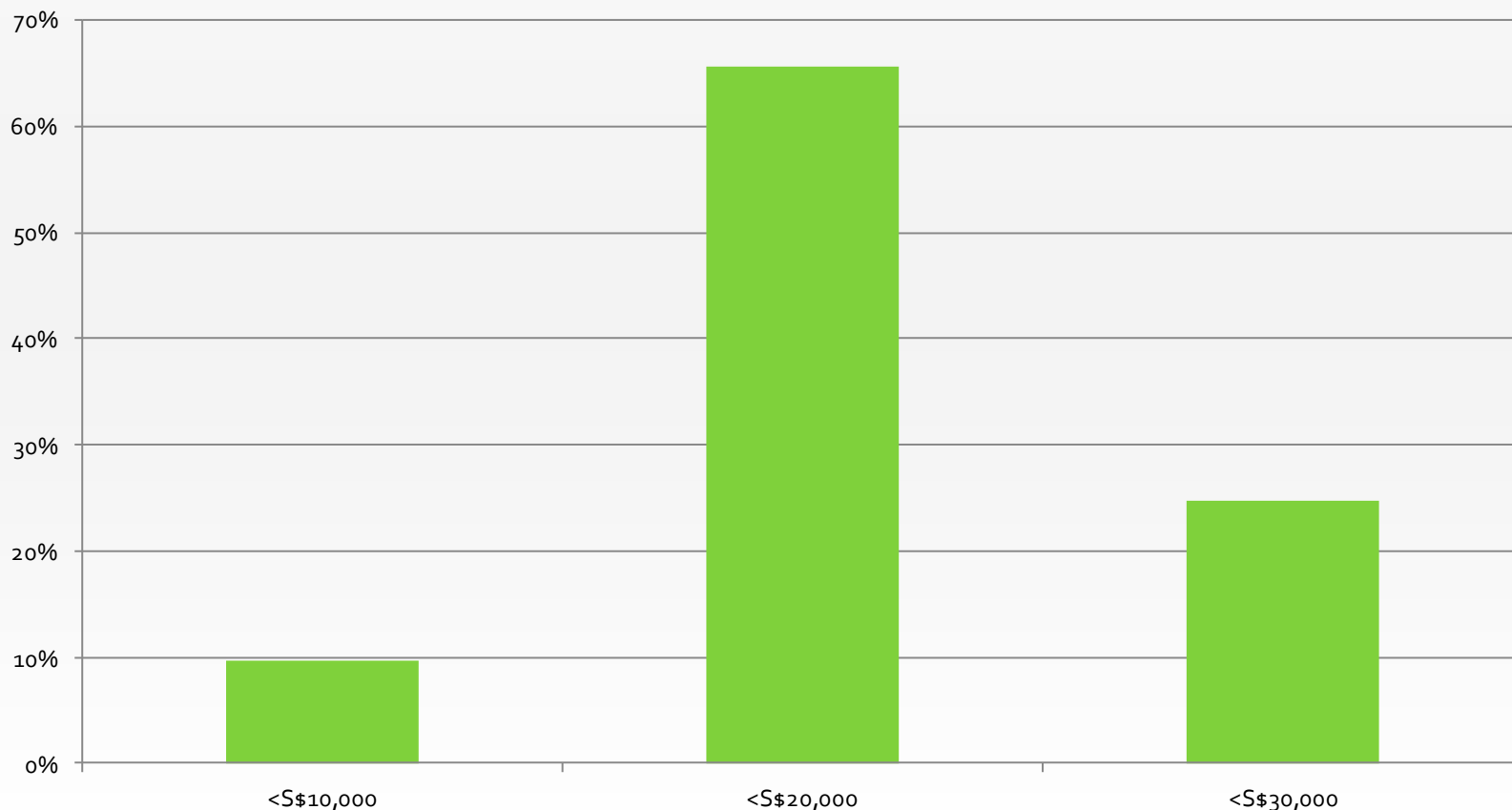
## Maximum engine capacity



Source: LTA Online Survey  
n = 3,035

# What do you think should be the maximum Open Market Value for the mass market car COE category?

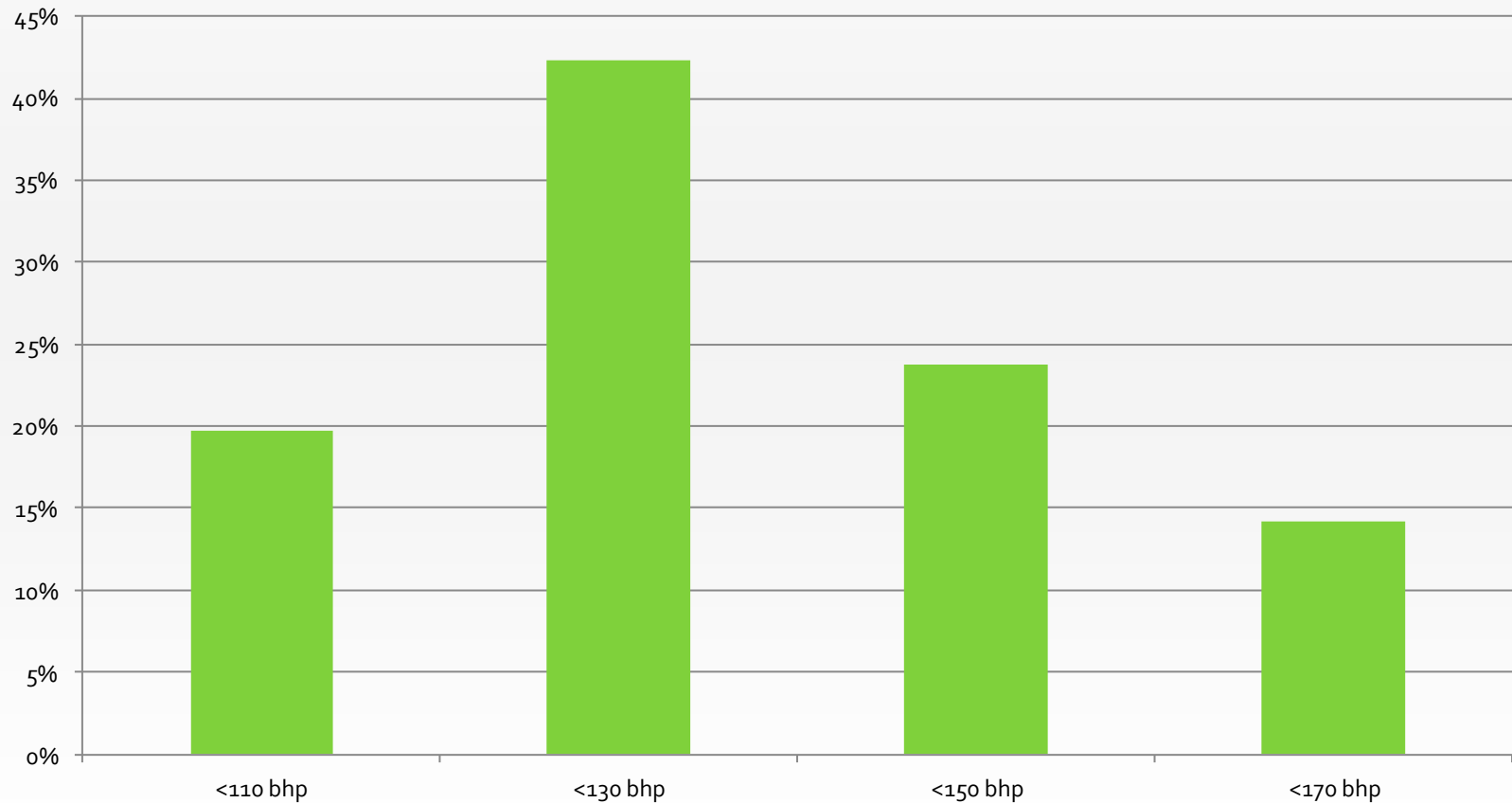
## Maximum OMV



Source: LTA Online Survey  
n = 3,049

# What do you think should be the maximum engine power for the mass market car COE category?

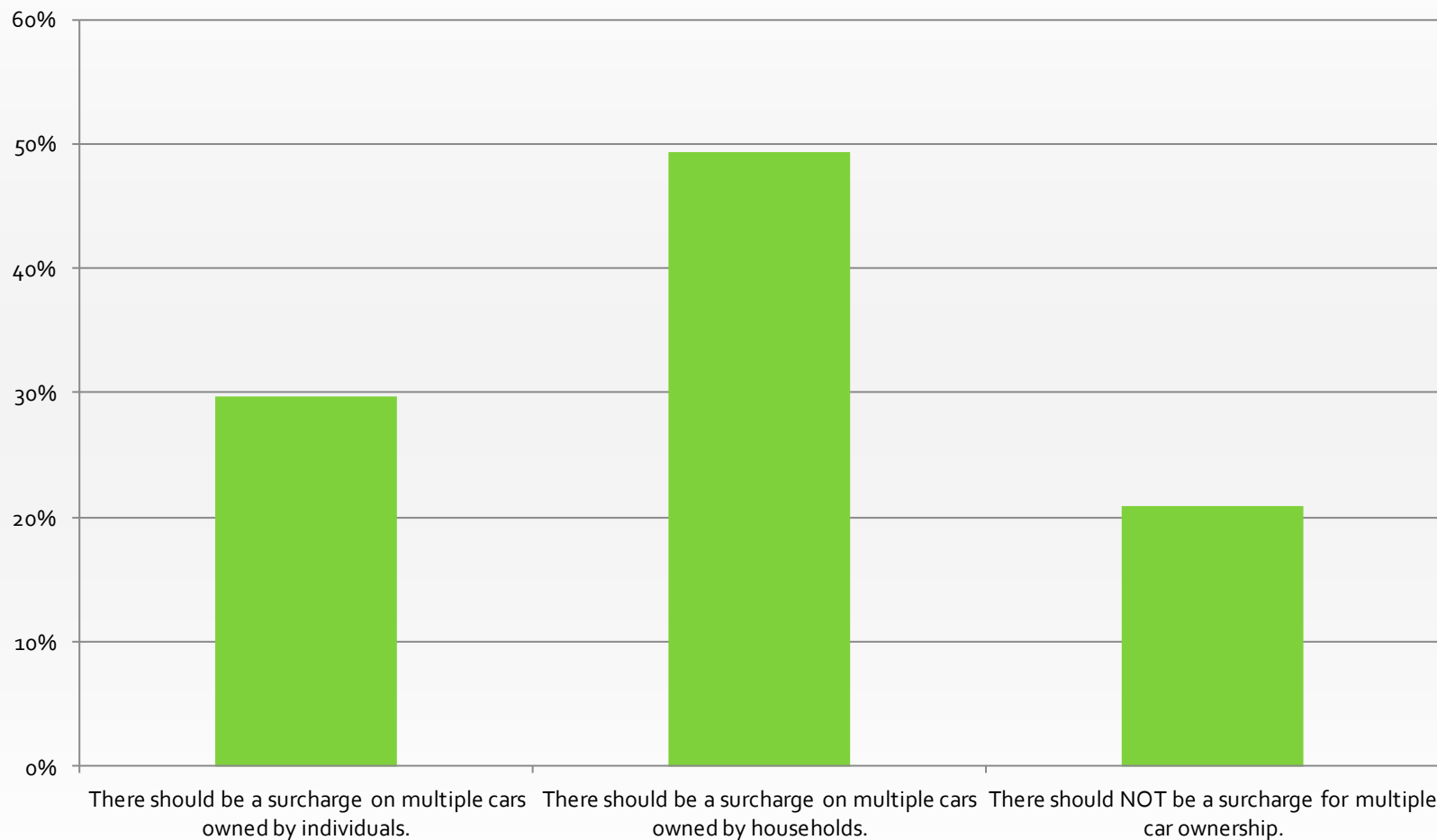
## Maximum engine power



Source: LTA Online Survey  
n = 3,151



# Do you think there should be a surcharge on multiple car ownership? If so, should it be at the individual or at the household level?

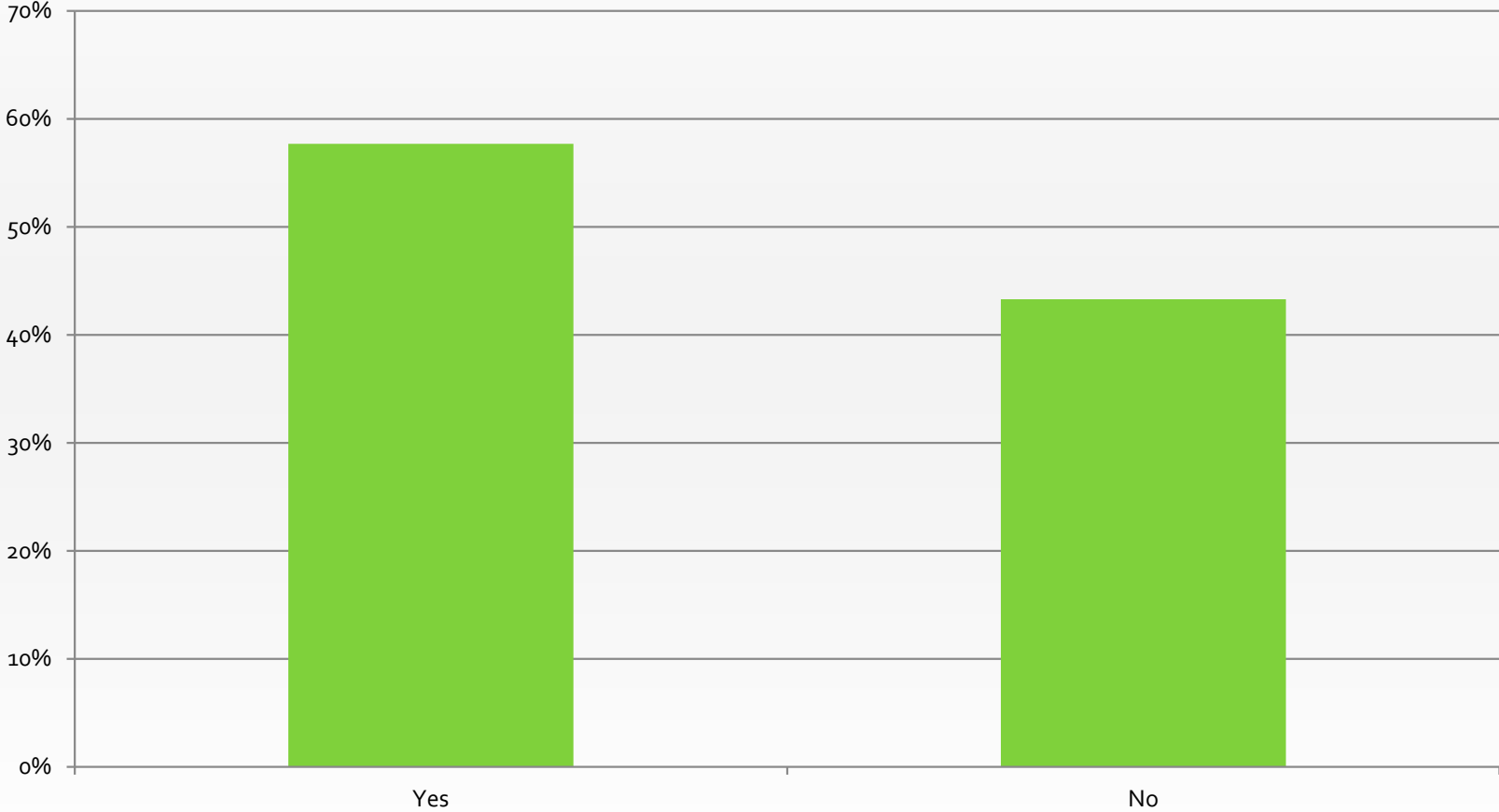


Source: LTA Online Survey  
n = 3,681





# Do you prefer that dealers not be allowed to bid for COEs?



Source: LTA Feb Online Survey  
n = 751

# Reasons for wanting to use a dealer (Can choose more than one)



Source: LTA Feb Online Survey  
n = 751

