

At a Glance: Overview of COE Categorisation Consultation

Areas LTA is seeking views on:

1. Merger of Categories A and B into a single passenger car category, with a Fee-and-Rebate (“Feebate”) System	• Whether a single passenger car category with a feebate system should be introduced to maintain differentiation between mass-market and higher-value cars. • Whether median Open Market Value (OMV) is an appropriate basis for determining the applicable feebate band. • Whether a three-band or five-band structure is preferred. • Whether the feebate should apply to COE renewals.
2. Adjustment to Category E	• How Category E should be adjusted if Categories A and B are merged.

Other Suggestions We Heard:

<u>1. Allocating COEs Based on Family Needs</u> Allocating COEs based on household circumstances would require difficult judgements about whose needs should receive greater priority. Giving priority to one group would also mean fewer COEs for other groups with compelling transport needs. Household circumstances may also change over the lifespan of a COE, making such a system difficult to administer fairly.
<u>2. Supporting Individuals to Bid Directly for COEs</u> LTA is looking at making it easier for individuals to participate directly in COE bidding if they choose to do so, while retaining the convenience of dealer-assisted bidding for buyers who prefer it.
<u>3. Pay-as-you-bid</u> Under a pay-as-you-bid system, each successful bidder would pay the amount of their own bid instead of a common clearing price. Given that most bids today already cluster around the eventual clearing price, pay-as-you-bid is unlikely to materially change bidding behaviour, allocation outcomes, or overall COE price levels. Ultimately, the key determinant of COE prices is demand and supply.
<u>4. Separate Category for Private Hire Cars</u> A separate category for private hire cars (PHC) would require quota to be taken from Categories A and B. Setting aside too few COEs could reduce the supply of private hire cars and raise rental rates and fares, while setting aside too many could reduce the number of COEs available to private car buyers and raise COE prices. PHCs can also be used for both ride-hail services and personal journeys. Setting them aside in a separate category would require additional regulatory measures to ensure that vehicles are used only for their intended purpose.
<u>5. Surcharge on Multiple Car Ownership</u> Multiple-car owners are not a key driver of demand in today’s COE market. A surcharge on multiple-car ownership is therefore unlikely to have a significant impact on COE prices and could be difficult to administer fairly.