But new measures may moderate premium hikes, say industry players

By CHRISTOPHER TAN
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THE latest tweaks made to the certificate of entitlement (COE) system may moderate the increase in premiums, but are unlikely to cause prices to go into free fall in the months ahead, motor traders and industry watchers said.

Yesterday, the Land Transport Authority (LTA) announced that, first, the vehicle population growth rate will be cut to 1 per cent from August, instead of to 0.5 per cent as planned. The 0.5 per cent rate will kick in only from next February.

Second, an exercise to reduce COEs to compensate for an oversupply in 2008 and 2009 will be deferred for a year to July next year.

And third, the number of Open category COEs will go down, because its supply will be made up of smaller contributions from the other four categories. Conversely, the number of COEs in the other categories will grow modestly.

Singapore Vehicle Traders Association secretary Raymond Tang said the August to January quota will still shrink, but “the reduction will be more moderate”. The premium for cars up to 1,600cc might still go up to $70,000 for a few months.

This is because the mitigating measures will not fully offset a sharp drop in supply in this category.

Industry players had been bracing themselves for this category to shrink by more than 60 per cent before the LTA’s latest steps. Mr Tang expects COE prices for this group of bidders will go up, given that fewer COEs will be available for this group of bidders. The premium for cars up to 1,600cc might still go up to $70,000 for a few months.

Mr Lim, general manager of Nissan agent Tan Chong Motor, described the move to trim the Open category as “logical”. “COEs in this category are used almost exclusively for bigger cars,” he said.

But motor companies which sell predominantly bigger cars are not thrilled.

Audi Singapore managing director Reinhold Carl said “it will not be easy” for premium marques, and expects COE prices for cars above 1,600cc to go up further. However, he said he reckoned $100,000 was unlikely at the moment.

This was also the view of Dr Park Byung Joon, who heads the Master of Science programme in urban transport management at SIM University.

“In recent months, the COE premium for cars up to 1,600cc breached $60,000, while that for bigger cars crossed $90,000. This has, in turn, sent car prices to near record levels and contributed to a rise in the inflation rate,” he said.

Industry players said the decision to redistribute Open COEs – which can be used to register any vehicle type but end up largely for big cars – will go down well with the public.

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“For the time being, these measures will help avert the $100,000 COE,” he said, in reference to the all-time record premium of $110,000 in 1994.

He noted that when the number of COEs supplied last year was about 30,000, COE prices were floating within the $50,000 to $70,000 range.

With these measures, the number of COEs available this year will be about the same as last year’s. Thus, it would be reasonable to speculate that COE prices will be around those of last year for the time being, he said.

Motor traders, however, expect prices to surge in the coming tender next week.

Mr Lim said this could be fuelled by “pent-up demand” from buyers having held back in the past month in anticipation of an increase in supply.

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REINING IN PREMIUMS

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