



# Second hand vehicle import: Challenge and action



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Environment, India  
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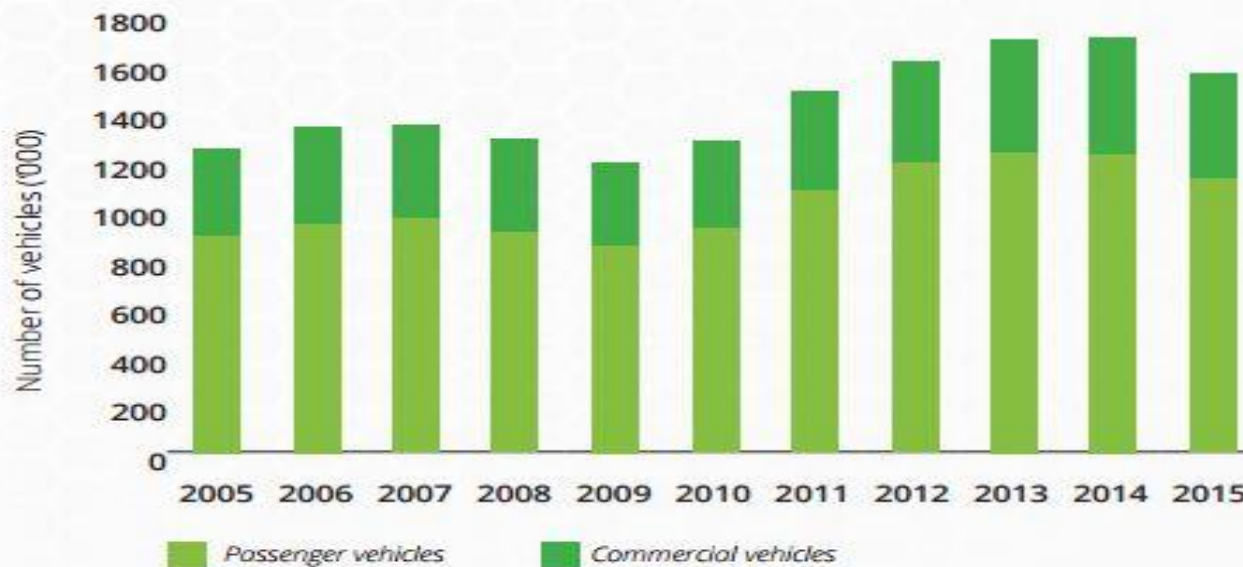




# Motorisation riding high on used vehicle imports



*Annual vehicle registrations in Africa, 2005-2015*



Source: OICA, 2016

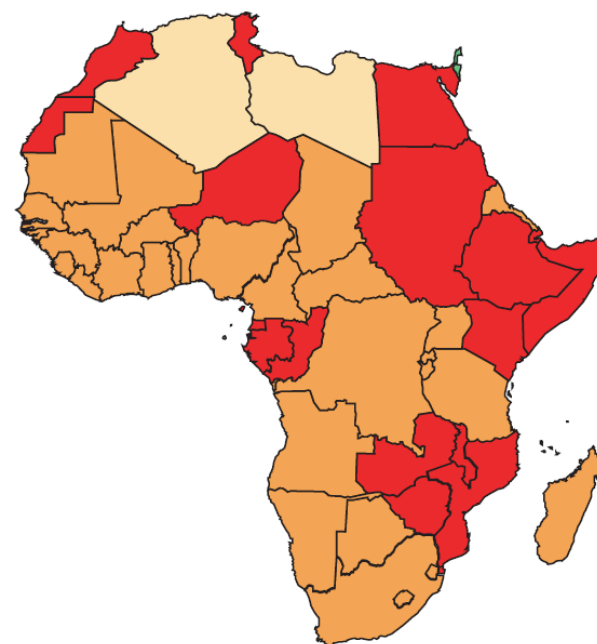
Source: Deloitte Africa Automotive Insights Report, 2016



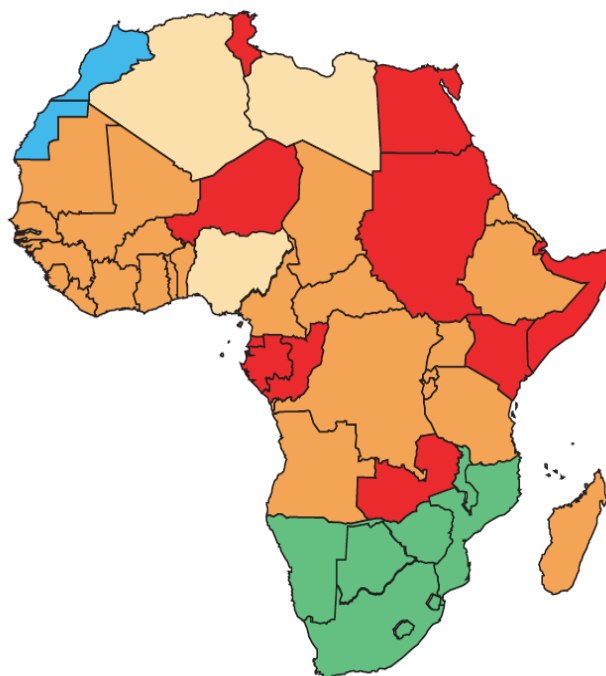
# Progress in Lowering Sulphur in Diesel in Africa



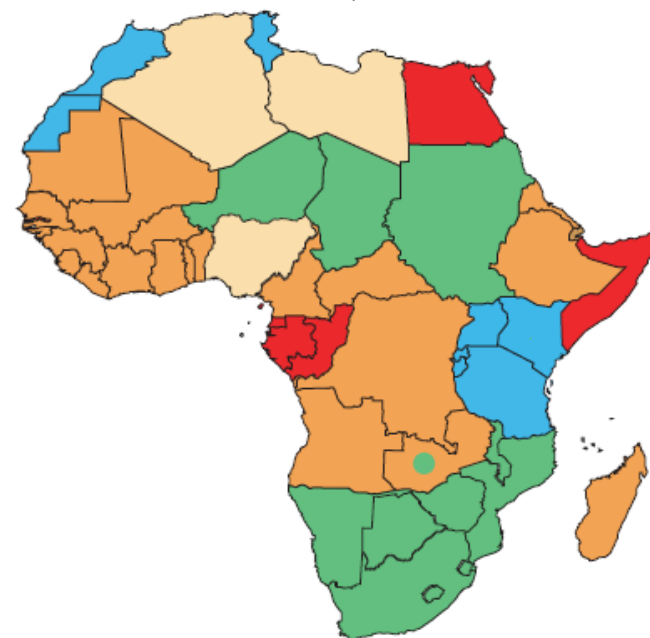
2002



February 2009



2015

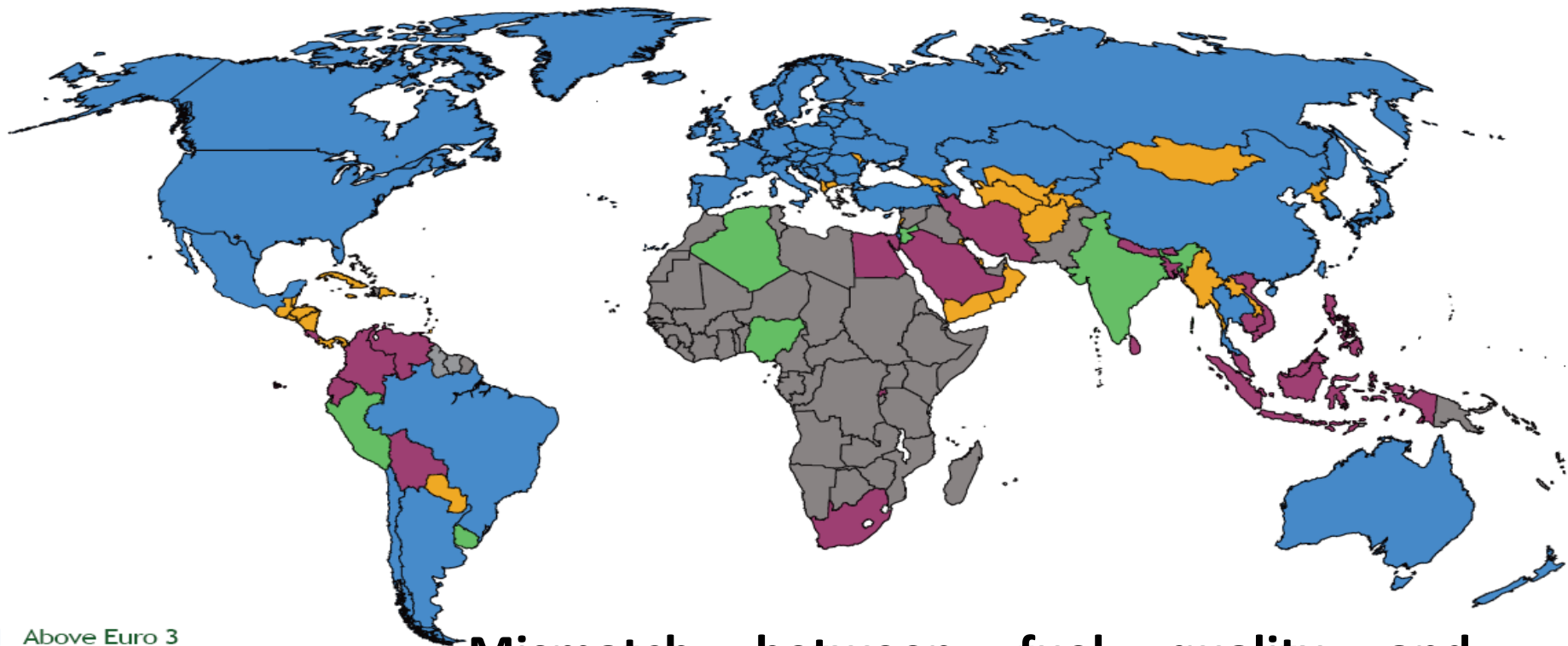




# Progress in emissions standards in Africa

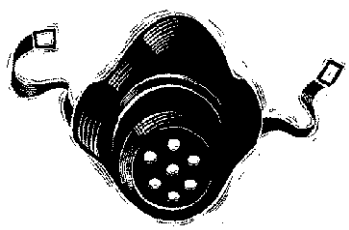


## Vehicle Emissions Standards March 2016



**Mismatch between fuel quality and emissions standards: Used vehicles are a barrier**

[www.unep.org/Transport/pcfvr](http://www.unep.org/Transport/pcfvr)



# Difficult challenge



**Without policy intervention this problem will grow**

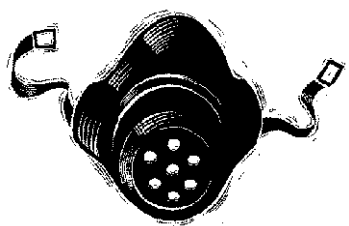
**Rising income level and cheaper old cars: deadly combination**

**Unfavourable fiscal policies disadvantage new vehicles. Price difference between used old vehicles and new vehicles**

**Internet based sales makes market access easy. Studies show in Nigeria internet based car sales is 89% of all car sales**

**Political resistance to banning old vehicles**





# Number of used vehicles are overwhelming



Indicator (Unit)	Ethiopia	Kenya	Nigeria	Year
Fleet size	587,400	1,300,000	3,590,000	2015
Sales of new vehicles (p.a.)	18,000	19,523	26,400	2015
Commercial vehicles (% new sales)	16	86	29	2015
Passenger vehicles (% new sales)	84	14	71	2015
<b>New vehicles (% total fleet)</b>	<b>15</b>	<b>20</b>	<b>10</b>	<b>2015</b>
<b>Second hand vehicles (% total fleet)</b>	<b>85</b>	<b>80</b>	<b>90</b>	<b>2015</b>
Motorisation rate (/1000 people)	2	28	20	2014

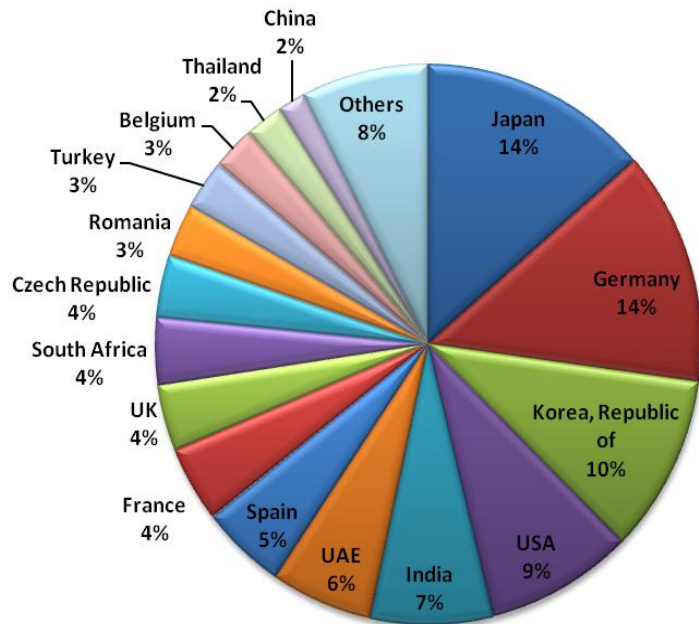
Source: Deloitte Africa Automotive Insights Report, 2016



# Where are used cars and two-wheelers coming from?

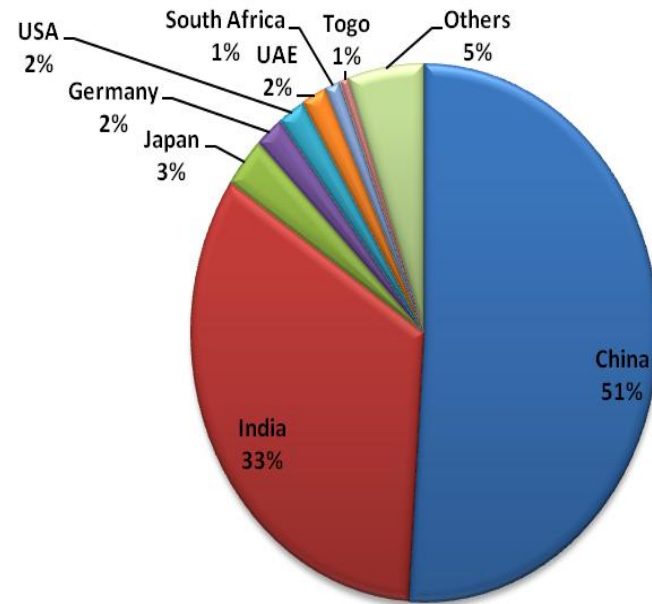


**Car imports in Africa (% of value of import)**

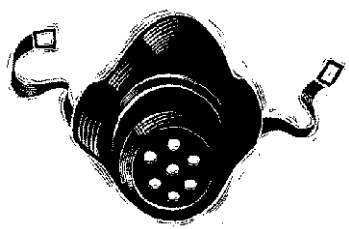


- Japan is the largest exporter of cars to Africa followed by Germany

**Two wheelers imports in Africa (% of value of import)**



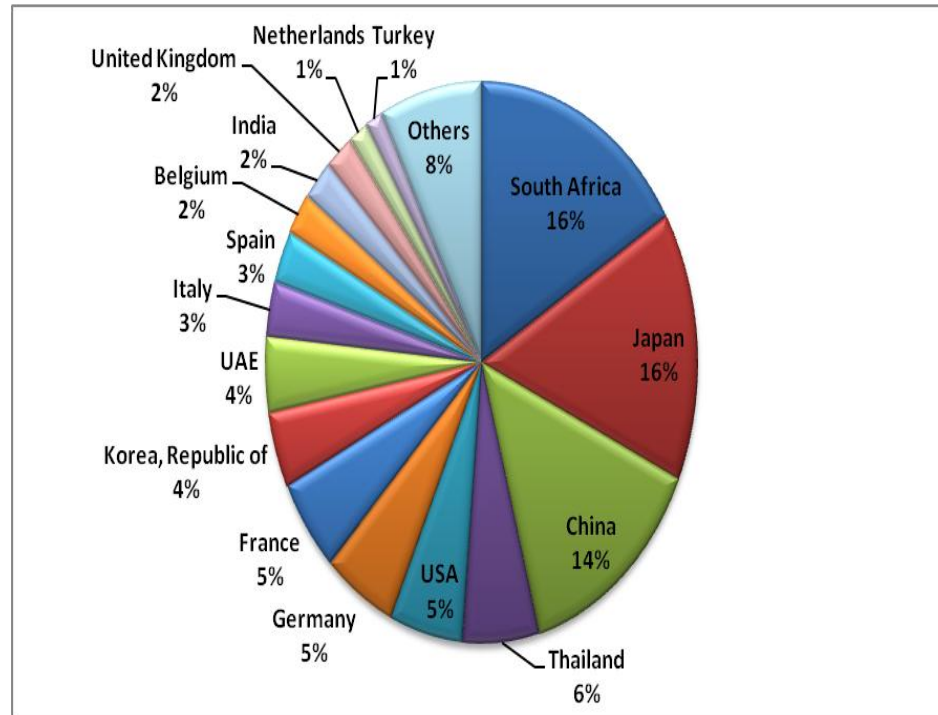
- China and India are the largest exporter of two wheelers to Africa



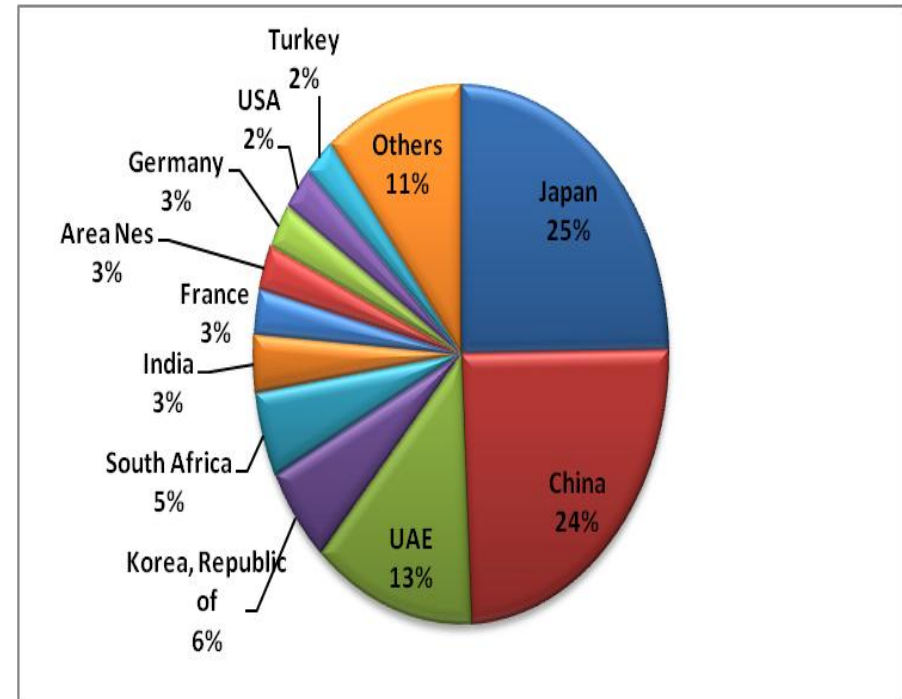
# Where are used goods vehicles and public transport vehicles coming from?



**Goods vehicle imports to Africa (% of the import)**



**Public Transport vehicle imports to Africa (% of import)**



- South Africa and Japan dominate
- Japan followed by China

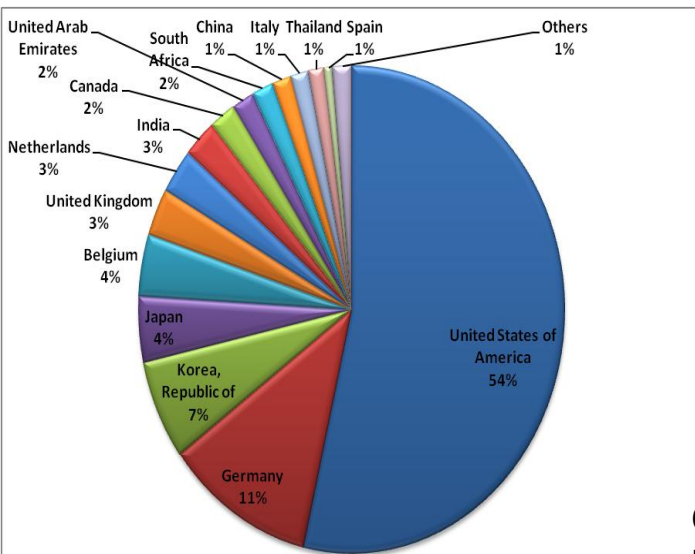




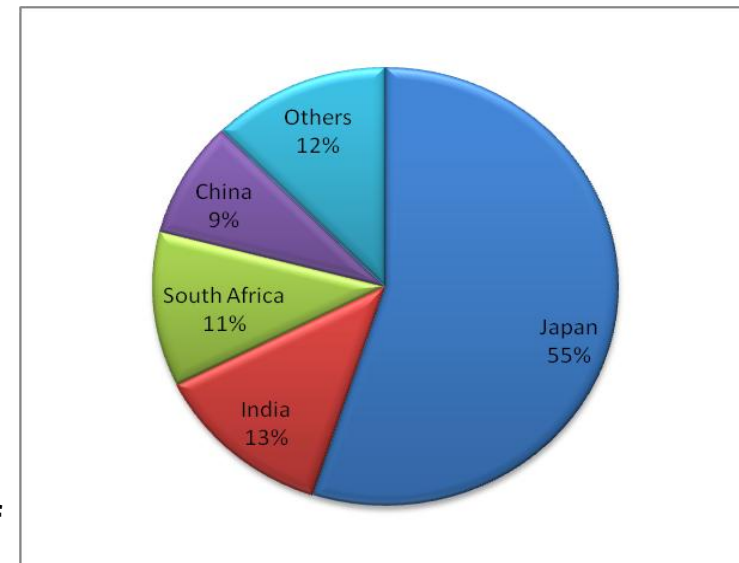
# Source of imports in few countries



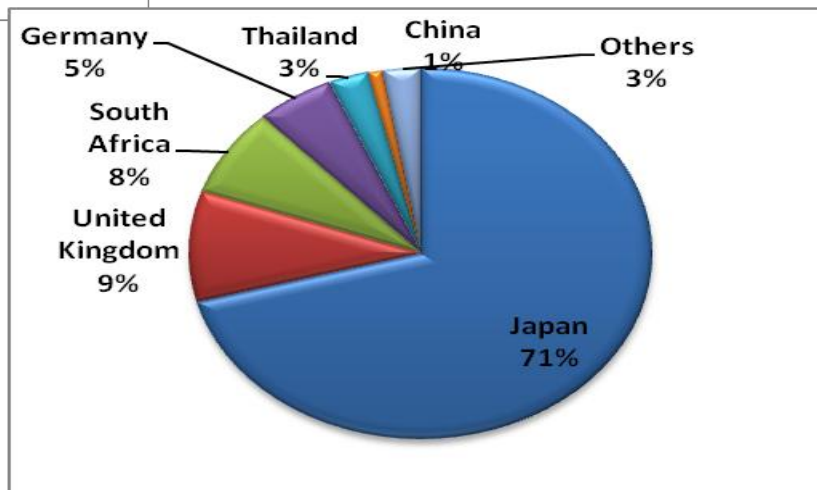
**Car imports to Nigeria (% of import value)**



**Car imports to Ethiopia (% of import) value**



**Car imports to Kenya (% of import value)**



□ **Nigeria:** Ratio of used cars to new cars on the road is 1:131 (Source: PwC)

Source: Computed by Centre for Science and Environment based on data from International Trade centre Statistics, 2014



## New vehicle sales increasing in Kenya. But old vehicles dominate



*Estimated new vehicle sales in Kenya, 2004-2015*



Source: KMI, 2016

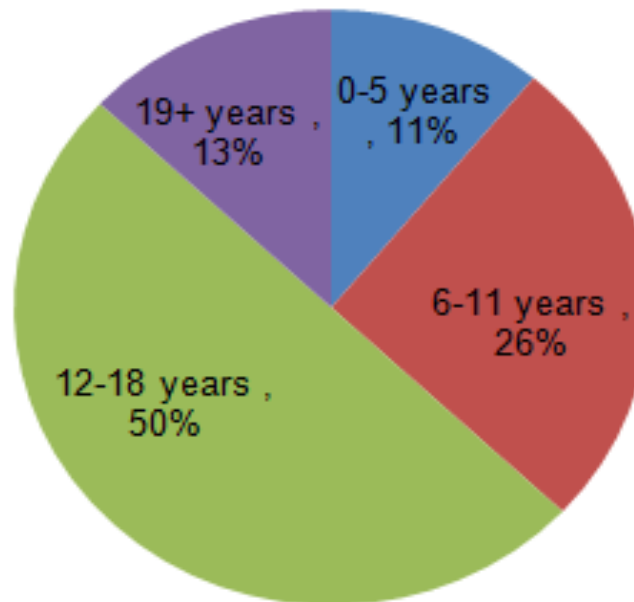
□ 80% of Kenya's total vehicle fleet are second-hand vehicles



# How old are imported vehicles?



## Age profile of used cars in Nigeria



- 11% are below 5 years;
- 50% are 12- 18 years old.
- 13% are more than 19 years old

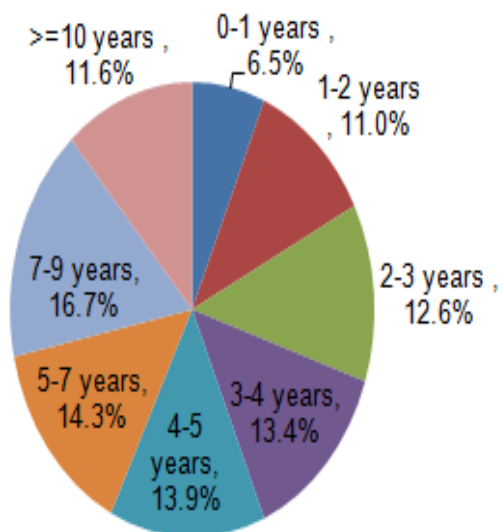


# How old are imported vehicles?

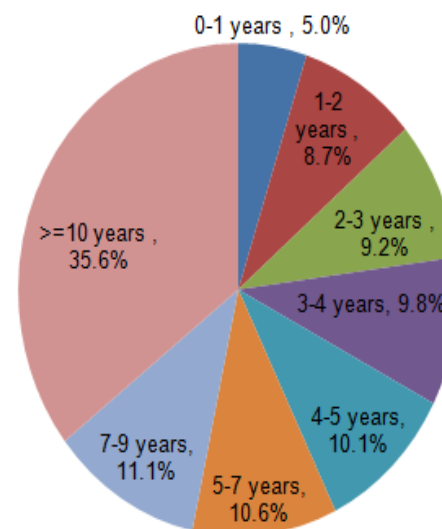


## Age profile of used cars in Ethiopia

### Age-wise registered vehicle fleet



### Age-wise registered car fleet

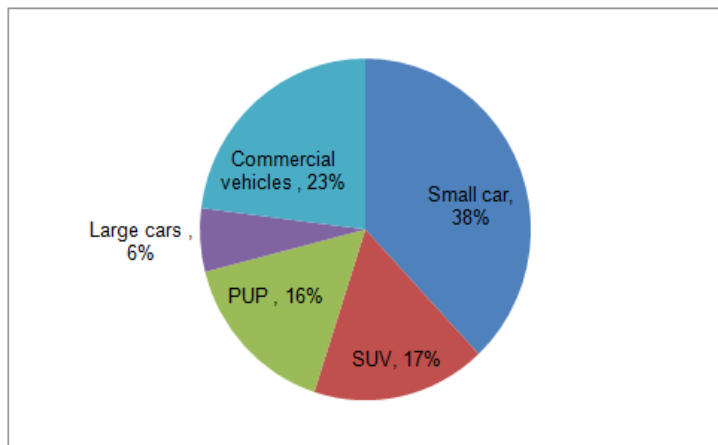




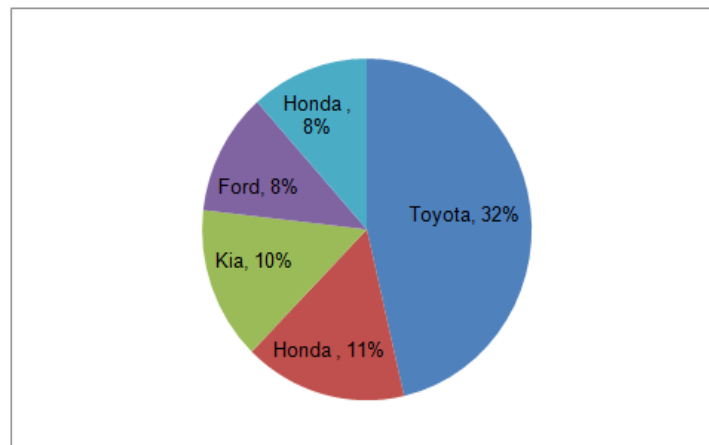
# Segment and brand wise new and used vehicles in Nigeria: Used cars pushing the market towards bigger and polluting cars



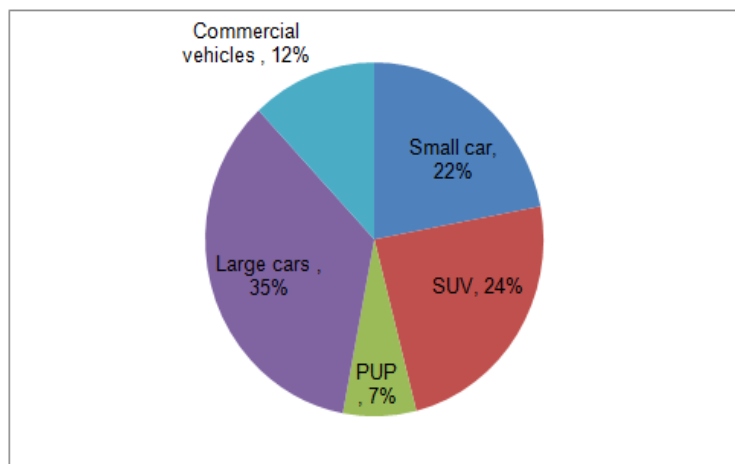
## New vehicles: segment-wise



## New vehicles: Brand wise

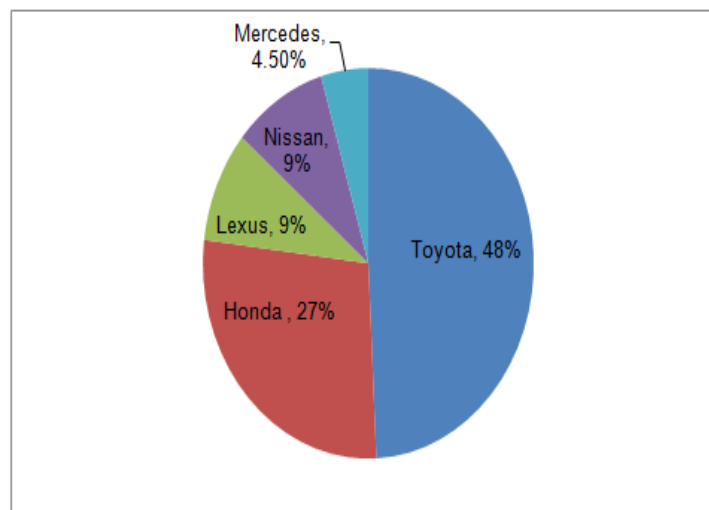


## Used vehicles: segment-wise



Source: PwC

## Used vehicles: Brand wise





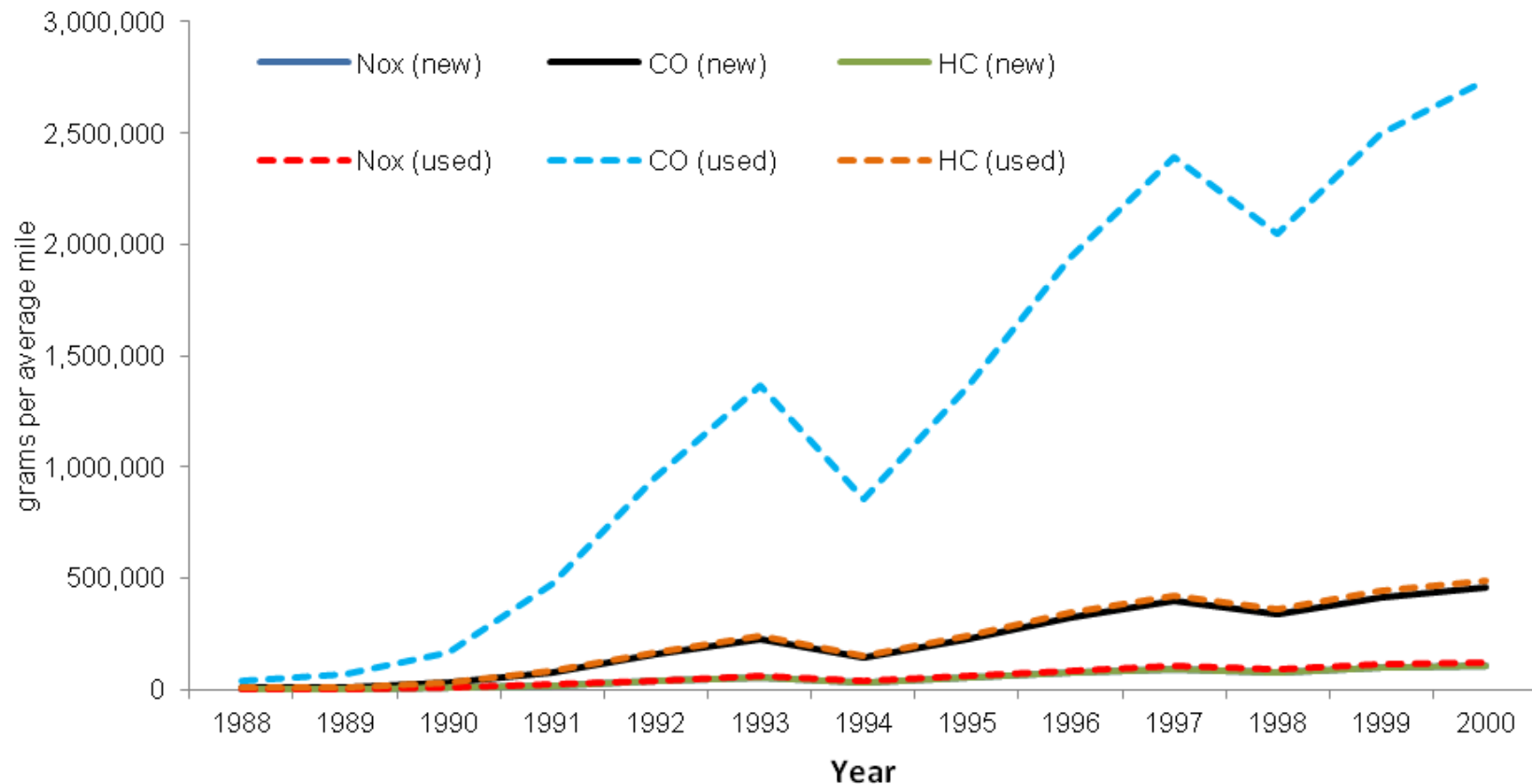


# Pollution impact of used vehicles

## Evidence from Nigeria



### Estimated emission from new and used vehicles between 1988-2000

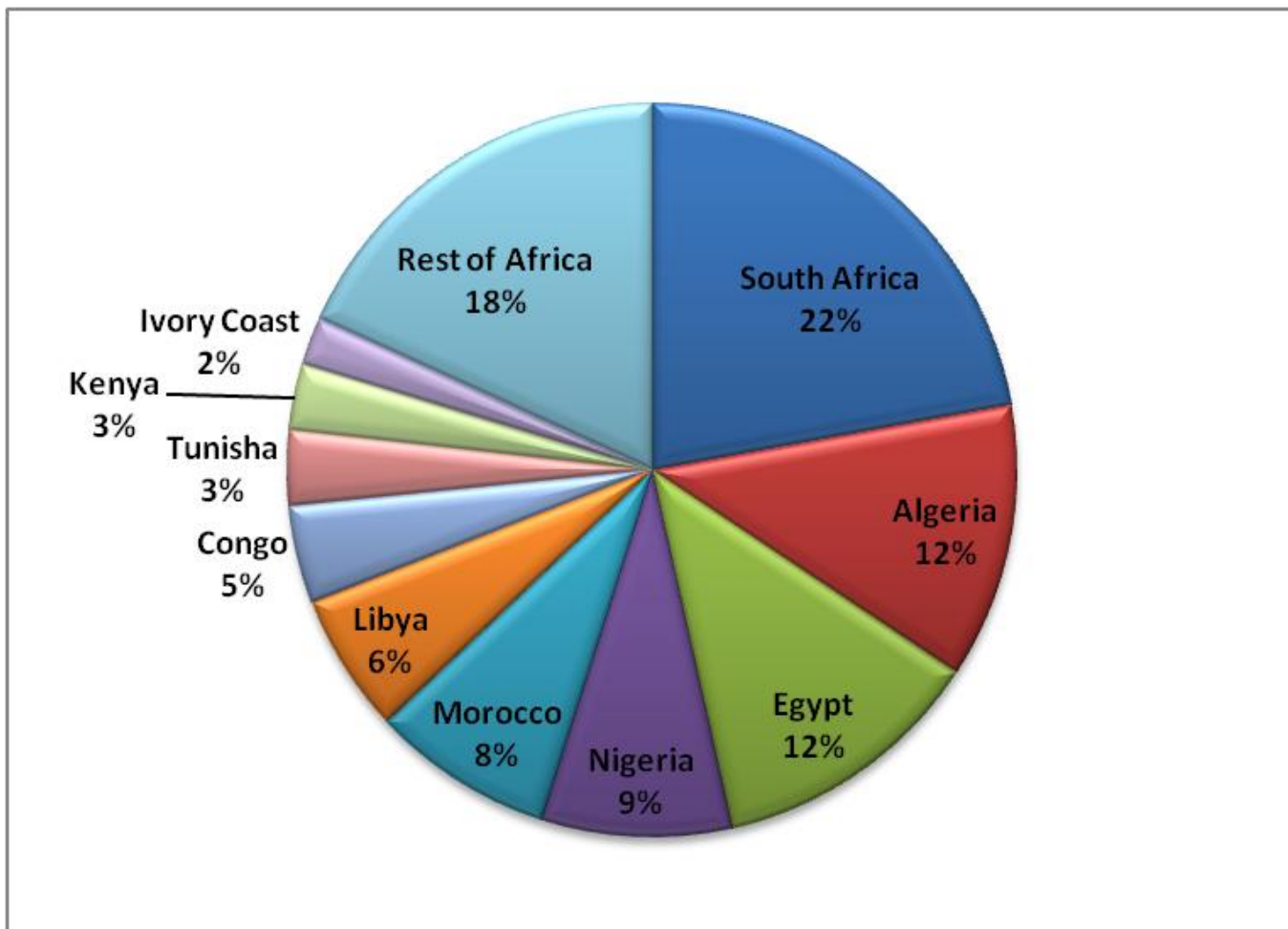


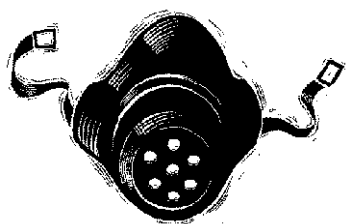
Source: University of Lagos , 2002

•University of Lagos study shows very high carbon monoxide emission from used vehicles.



## Country-wise distribution of vehicles in Africa: Need stringent action





# Regulations for vehicle import in Africa



None permitted	Restricted by Age		Higher Duty		No restrictions	N/A
Algeria South Africa Sudan	Chad	< 4 years	Cape Verde	> 4 years	Angola	Comoros
	Gabon	< 4 years	Ghana	> 5 years	Botswana	Djibouti
	Mauritius	< 4 years	Zimbabwe	> 5 years	Burkina Faso	South Sudan
	Tunisha	< 4 years	Tanzania	> 8 years	Burundi	Sao Tome &
	Egypt	< 5 years	Gambia	> 10 years	Cameroon	Principle
	Morocco	< 5 years			CA	Togo
	Mozambique	< 5 years			Eq. Guinea	
	Seychelles	< 5 years			Ethiopia	
	Libya	< 6 years			Guinea	
	Senegal	< 6 years			Guinea- Bissau	
	Congo	< 7 years			Madagascar	
	Cote d'Ivoire	< 7 years			Malawi	
	Lesotho	< 8 years			Mali	
	Mauritania	< 8 years			Niger	
	Kenya	< 9 years			Rwanda	
	Namibia	< 9 years			Sierra Leone	
	DRC	< 10 years			Uganda	
	Eritrea	< 10 years			Zambia	
	Nigeria	< 10 years				
	Benin	< 14 years				
Swaziland	< 16 years					
Liberia	> 20 years prohibited > 10 years restricted					



# Tax measure for vehicle import in Nigeria



**November 2013:** Federal Government raised duty and levy on imported new and used cars from 20 to 70 per cent

0% on completely knocked down (CKD) units for local assembly plants.

Higher import taxes on cars --- Cars pay 35% duty and a separate 35% levy

Commercial vehicles pay 35% duty

Complete knocked down units do not have to pay any duty

Semi knocked down are charged 5 to 10%

Ban on import of two-stroke two-wheelers

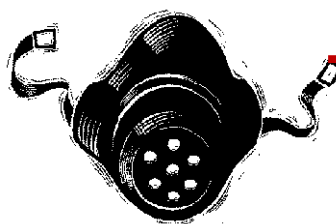


# Tax rate for imported vehicles in Ethiopia



S.no.	Vehicle Category	Customs duty	Excise tax	Surtax	VAT
1	Cylinder capacity 1000- 1300 cc	35%	30%	10%	15%
2	Cylinder capacity 1301- 1800 cc	35%	60%	10%	15%
3	Cylinder capacity 1801- 3000 cc	35%	100%	10%	15%
4	Cylinder capacity > 3000 cc	35%	100%	10%	15%
5	C-cabin and single cab, carrying capacity not exceeding 1500kg	35%	0%	0%	15%
6	<b>Public transport – seating capacity =&lt; 15 passengers</b>	<b>35%</b>	<b>0%</b>	<b>0%</b>	<b>15%</b>
7	<b>Public transport – seating capacity &gt; 15 passengers</b>	<b>10%</b>	<b>0%</b>	<b>0%</b>	<b>15%</b>
8	Truck	10%	0%	0%	15%
9	SKD	5%	Similar to 1-8, depending on cylinder and seat capacity		
10	Duty free vehicles	Free of any tax			





# Tax rate for imported vehicles in Ethiopia



S.no.	Vehicle Category	Customs duty	Excise tax	Surtax	VAT	With holding tax
11	<b>Diesel vehicles with capacity not exceeding 1300cc</b>	<b>35%</b>	<b>30%</b>	<b>10%</b>	<b>15%</b>	<b>3%</b>
12	<b>Diesel vehicles with capacity 1300- 1500 cc</b>	<b>35%</b>	<b>60%</b>	<b>10%</b>	<b>15%</b>	<b>3%</b>
13	Vehicles for the transport of goods	10%	0%	0%	15%	3%

- The custom duty is same for all vehicles
- Excise tax increases with increase in engine capacity
- No excise tax and surtax imposed on public transport, trucks and cabs
- Diesel cars pay more tax than transport goods



## **Kenya setting rules.....**



- **Vehicle should not be older than 8 years of age.**
- **Kenya bureau of standards (KBS) not to allow vehicles older than 2008 to be imported in 2015.**
- **2011, Ministry of Finance announced exemption for battery operated and environmental friendly vehicles.**
- **There is only one port of entry for imported vehicles -- 'Mombasa'**
- **The imported vehicles must be with right hand drive. Left hand vehicles are not permitted**
- **There is a safety and mechanical needs to be cleared**
- **All vehicles imported into Kenya must be tested for their road worthiness**



## Vehicle import policies: Opportunity to influence and harmonize policies on vehicle's emission norm and road-worthiness and age



### Countries with no import restrictions

- **Mali, Malawi, Zambia, Central African Republic, Democratic Republic of Congo, Cameroon**

### Countries with restriction

**Angola:** Automobile companies are not allowed to import used vehicles. Individuals can import regardless of age

**Ghana:** Used vehicles over five years age pay graduated penalty according to year of manufacture and capacity

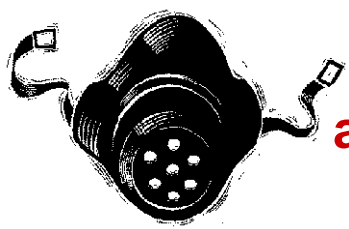
**Sudan:** Imported second-hand vehicles are illegal, except for immigrants, vintage and racing cars, vehicles adapted for physically disabled, and donated vehicles for welfare organizations

**Mauritius:** Has a three year age restriction ; CO2 based taxation

**Gabon:** Used vehicles must be less than four years old

**Seychelles:** Used vehicles must be less than five years old

**Botswana:** Maximum of 100,000 kms on the vehicle



## Vehicle import policies: Opportunity to influence and harmonize policies on vehicle's emission norm and road-worthiness and age



**Chad:** vehicle inspection upon importation

**Côte d'Ivoire:** A fine of FCFA 150.000 is imposed on vehicles older than 10 years and an additional FCFA 10.000 for every year.

**The Gambia:** Restricted through taxation – increases in vehicles exceeding 10 years and roadworthiness must be proven before import

**Zimbabwe:** Banned importation of vehicles older than 8 years old and recently increased import duty

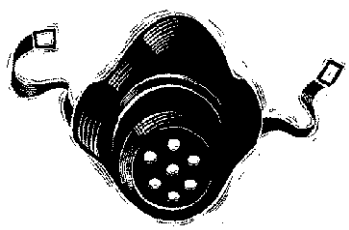
**Benin:** Vehicle import age restriction at 10 years for light duty vehicles and 13 years for tourism vehicles. Imports also requirement emissions control systems

- **Eritrea:** Used vehicles must be less than ten years old

- **Kenya, Réunion and Lesotho:** Less than eight years old

- **Mozambique:** Used cars and vans to be less than five years old and nine years old respectively

- **Niger:** Used vehicles from outside of the SACU area must be less than five years old. However, there is no age limit for SACU-originating used vehicles



# Global Best Practices



## Mauritius:

- It has a three year age restriction and taxation is based on CO<sub>2</sub>
- Taxes on acquisition – CO<sub>2</sub> levy/ rebate scheme

CO<sub>2</sub> > 158 g/km = Levy

CO<sub>2</sub> < 158 g/km = Rebate

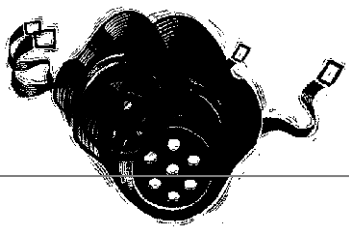
**50% reduction** on Registration Duty and Road Tax for **hybrid and electric cars**.

Excise Duty on Electric cars reduced to 25%.

**2009 to 2015:** number of hybrid cars increased from 43 to 2422.

Range CO2 g/km	Rebate Rate g/km	Levy Rate g/km
Upto 90	Rs 3000	
91 - 158	Rs 1000	
159 - 190		Rs 2000
191 – 225		Rs 3000
226 – 290		Rs 4000
Over 290		Rs 5000



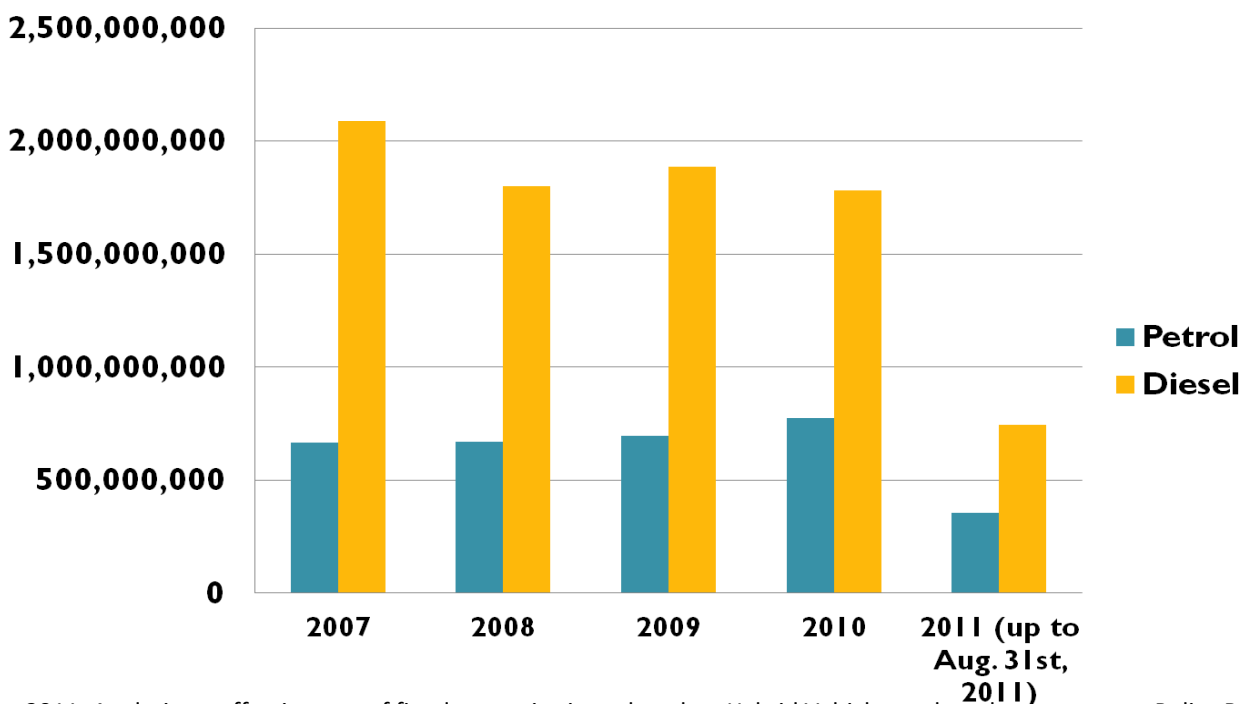


## Global best practice



### Sri Lanka:

- **Age cap:** Second hand vehicles imported for personal use have age restriction of 4 years while those for business use 5 years
- Reducing to two years for personal vehicles, and five years for vans and dual purpose vehicles
- **Tax on diesel cars higher than petrol cars. Incentive for hybrids**





# What do we do?



## Importing countries

Use tax measures to make older vehicles more expensive and encourage new vehicles

- Limit age of imported vehicles
- Link emissions standard with fuel quality and imports
- Ban used vehicles imports on the basis of health and emissions grounds
- I/M is small part of solution
- Need regional platform for harmonised Africa-wide action

## Exporting countries

Identify global platform to influence export policies of the exporting countries to stop dumping. Eg WTP 29. Need global agreement

- Exporting countries need circular policy to stop export of old vehicles.
  - Europe and US have recycling of end of life policy; But does not stop export of old vehicles
  - Japan increases taxes on older vehicles to speed up turnover
  - Finally reduce numbers: There is a limit to dumping



**Let's begin the discussions...**

