



PORSCHE

To: The Senate Economics Committee

PORSCHE

Porsche Cars
Australia
Pty. Ltd.
109-111 Victoria Parade, Collingwood,
3066.
P.O. Box 280, East Melbourne, Victoria,
3002.
Telephone: (03) 9473 0911
Facsimile: (03) 9473 0959

mw0707
07.07.08

Dear Sir / Madam,

Re: Tax Laws Amendment (Luxury Car Tax)

This letter serves as a formal submission by Porsche Cars Australia Pty Limited (PCA) to the Senate Economics Committee in relation to the proposed increase of the Luxury Car Tax (LCT).

As a subsidiary of Porsche AG, Germany, PCA is responsible for the importation and sale of Porsche vehicles in Australia. According to official VFACTS figures 1,380 Porsche vehicles were sold in Australia in 2007.

PCA fully supports the submission made by the Federal Chamber of Automotive Industries (FCAI) in relation to the LCT, but would like to raise the following additional points.

Firstly, PCA wishes to express its concern that the LCT is an artificial trade barrier which discriminates against vehicles priced above \$57,180. The LCT is also a selective tax insofar that it mainly affects vehicles manufactured in Europe.

The LCT is also not equitable in context of the Australian tax system as a whole. Other goods which could be described as "luxury" items - such as large power boats, diamond necklaces, home entertainment systems - are not subject to a luxury tax.

LCT is a punitive tax that discourages Australians from purchasing vehicles that lead the way in technical innovation and safety features. Furthermore, the LCT provides no real benefit in helping to secure the future of the local car industry. Porsche has been represented in the Australian market since the early 1950s and over the last half a century has made significant investments in Australia commensurate with the brand's expansion.



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Our experience has helped us stay in touch with the Australian market. PCA undergoes diligent price modeling in its relevant market segments - and against its competitors - that is second to none.

PCA's ongoing pricing analysis shows that increasing vehicle prices in the Porsche market segments by the amount reflected with the LCT moving from 25 to 33% is likely to result in a reduction of sales of between 10 to 13% - for Porsche and its segment competitors. Our experience also clearly shows that it is a fallacy to assume that the upper end of the vehicle market is immune to price elasticity.

Increasing prices by significant amounts in the upper market segments will have a major impact on the Australian business men and women that have invested in Porsche and other European automotive brands.

Porsche is directly responsible for the jobs of more than 250 Australian men and women. PCA's estimation - together with that of our independent dealers - is that an increase of the LCT from 25 to 33% will warrant staff reductions of between 4 to 6% across the areas of administration, sales and servicing.

Porsche dealers have already reported order cancellations attributed directly to the proposed LCT increase. Furthermore, Porsche dealers are bracing for further cancellations - or purchase deferments - as customers reassess their vehicle purchasing needs.

In anticipation of a sales slowdown, some of our dealers have already frozen staffing levels including the indefinite deferment of all cadetship and apprenticeship positions. This is hardly a positive sign or a vote of economic confidence.

It is hoped this submission outlines the inappropriateness of the LCT and the severe impact an increase to it will have on working Australian families employed by Porsche and other European car brands.

And as a final comment, it is extremely disappointing that the Federal Government has chosen to make a policy decision on the LCT without waiting for the recommendations of the Australian Automotive Industry Review.

Yours sincerely,
PORSCHE CARS AUSTRALIA PTY. LIMITED

A handwritten signature in black ink, appearing to read 'Michael Winkler'.

Michael Winkler
Managing Director