

Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria, 3061.

6 July 2008

Secretary
Senate Economics Committee
The Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

By Email:

Dear Sir/Madam

Subject: LUXURY CAR TAX LEGISLATION

INTRODUCTION

Thank you for the opportunity of providing comment with regard to legislation seeking to implement a decision by the Government to increase the luxury car tax rate from 25% to 33% from 1 July 2008. We appreciate the opportunity.

Ford Australia does not, as a matter of principle, support a specific tax such as the luxury car tax. We do not believe it to be economically efficient or equitable to tax some motor vehicles in a way different to the taxation of other vehicles. The company does recognise the luxury car tax has been in place for many years, and that Governments have over that time resisted numerous calls of its removal. However, despite such an environment, Ford Australia believes the current threshold arrangements have not kept pace with the changing character of the new car market, or with what could fairly be described as what are luxury motor vehicles. We therefore believe it necessary that the current threshold level and associated mechanisms be reviewed.

BACKGROUND

Ford Australia is a leading automotive manufacturer. Its core products are the Ford Falcon and the Ford Territory, for which the company has full design, engineering, manufacturing and sales responsibility. Ford Australia directly employs approximately 5000 people in Geelong and Broadmeadows, Victoria. In 2007, Ford Australia, which has just launched the all-new Ford FG Falcon model series, sold more than 108,000 locally manufactured and imported vehicles.

In 2006, Ford Australia announced a new, innovation-focussed, strategic direction for the company including significant investment in new projects and accompanying facilities. This strategy also includes the local manufacture of the four cylinder Ford Focus, beginning in

Head Office: Private Mail Bag 6, Campbellfield, Victoria, 3061. Telephone: 03 9359 8211. Facsimile: 03 9359 8200. Internet: www.ford.com.au

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2011, for local and regional export markets. A key feature of this new strategic direction is an expansion of Ford Australia's product development capability, and its enhanced role as a design and engineering "Centre of Excellence" for the Asia Pacific and Africa region. One of the first major projects under this umbrella is the design and engineering leadership by Ford Australia of a new light commercial vehicle that will be manufactured in multiple overseas locations and sold in more than 100 countries worldwide.

Vehicles manufactured and/or imported by Ford Australia do not significantly attract the luxury car tax. Those vehicles directly impacted by the tax tend to be limited to up-market and/or performance variants of the Ford Falcon and Ford Territory. Such vehicles includes the Ford Territory Ghia Turbo and the Ford Territory-based F6X. However, Ford Australia is indirectly impacted by the luxury car tax as a result of the marketplace distortions emerging from the present threshold levels.

LEGISLATIVE COMMENT

Ford Australia has contributed to, and is supportive of, a submission made to the Economics Committee by the Federal Chamber of Automotive Industries. It urges the Economics Committee to give careful consideration to the issues raised in that submission.

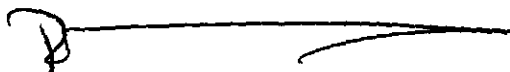
Ford Australia is particularly concerned that the present arrangements for establishing the threshold levels for application of the luxury car tax have not kept pace with the changing character of new motor vehicles, and the Australian marketplace. The result of this has been to create a number of artificial distortions in what is the most competitive new vehicle market in the world. These distortions include a spreading over time of the incidence of the tax to encompass vehicles which are clearly not luxury vehicles and the creation of a congested showroom "log-jam" of vehicles just below the \$57,123 threshold level. This congestion makes it increasingly difficult for vehicle manufacturers to position vehicles in "clear-air". The impact of this is increasing as the threshold has been barely adjusted in recent years. This has been compounded by a greater rate of increase in the CPI. As part of its comprehensive submission to the current Bracks Review of post 2010 automotive policy arrangements, Ford Australia indicated it was disappointed with the increase in the luxury car tax rate announced in the Budget. It said it would support a review of the appropriateness of the current threshold.

CONCLUSION

Ford Australia would strongly support a review of the present threshold levels with regard to the luxury car tax, and urges the Economics Committee to recommend this be undertaken.

Please contact me on (03) 9359 7142 or at rscoulal@ford.com if you have any queries.

Yours sincerely



Russell Scoular
Government Affairs Manager