



22 May 2008

Hon. Wayne Swan MP
Treasurer
Parliament House
Canberra ACT 2600
Email: ministerial@treasury.gov.au

Dear Treasurer,

I am writing to advise you of the specific concerns my members have with the 2008 Budget proposal to increase the Luxury Car Tax from 25% to 33%.

The automotive industry value chain makes a major contribution to the Australian economy but has always suffered from diseconomies of scale because of its very small market size.

An examination of the outcomes of previous initiatives which increased taxes and charges on cars reveals that the volume of sales will contract and actually result in a net reduction in Commonwealth and State revenues.

Recent increases in Queensland stamp duty have already reduced car sales in this State causing redundancies and my members expect the increase in Luxury Vehicle Tax to depress the market further.

I have attached some briefing notes setting out our concerns for your consideration.

I would also be pleased to discuss its contents with you or your nominee should clarification be required.

Thank you for your consideration.

Yours sincerely,

Aivars Blums
Group Chief Executive

c.c. Hon Kevin Rudd MP
Hon. Kim Carr MP
Hon. Lindsay Tanner

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