



This article first released by: Society of Motor Manufacturers & Traders

In: Mar. 2006

*Due to this article's content, it appears within the Transport section in the following areas:
Government, Industry Comment.*

Motor industry responds to Budget

- Does this signal a budget-by-budget bidding war for road tax increases?
- Automotive sector £9.8bn value-add to UK economy, 12.4 per cent of exports
- Budget unlikely to stem the erosion of UK competitiveness

SMMT, the body representing automotive manufacturers, has warned that today's road tax changes send a worrying message to consumers and car makers about the future of motor-ing taxes.

'Stability, certainty and long-term must be the watchwords when changing sensitive tax instruments', commented SMMT chief executive, Christopher Macgowan. 'None appear to have been applied here. Now the uncertainty that followed the collapse of grants for the cleanest vehicles¹ will be mirrored by fears about a budget-by-budget bidding war on road tax changes.'

The industry acknowledges some reduction for lower emitting models but buyers of many other larger family cars and saloons will pay more at the new top rate; eight per cent of the market.²

The changes will also bring more administrative pressure to manufacturers and dealers in replacing all colour-coded environmental labels in new car showrooms. This comes at a time when manufacturers, dealer staff and consumers are becoming more familiar with this fledgling initiative, designed to give buyers more information about CO₂ emissions - and annual running costs - at the point of sale.

On wider competitiveness issues, Christopher Macgowan added, 'The motor industry is a key value-add sector. The media focus on VED masks the more serious issue of support for manufacturing. As cost and legislative pressures mount, we heard nothing to help ease costs, reduce the amount of red tape and drive a manufacturing sector accounting for more than 220,000 jobs to a more competitive future.'

The table below illustrates the squeeze on competitiveness, with input costs rising by a factor of four compared to output prices. It also reveals the huge increase in fuel costs over the last two years and, more recently, in the last three months.



Input / output	2004	2005	3 months to Jan 06
	% change	% change	% change
Total input costs	+2.2%	+5.2%	+4.0%
Output prices	+1.1%	+1.4%	+1.1%
Fuel costs			
Electricity	+6.6%	+33.9%	+49.8%
Gas	+10.0%	+49.1%	+94.4%
Crude oils	+16.6%	+43.8%	+49.9%

Source: ONS various, www.statistics.gov.uk

1. Powershift grants: It's now more than a year since new car buyers received government grants to buy cleaner vehicles. The collapse of the Powershift grant scheme last year - and lack of any replacement - created uncertainty for manufacturers and consumers. Sales of cleaner, new petrol/gas cars plummeted as a result, down from 3,185 cars in 2003 to just 489 last year.

2. Cars affected by new rate of tax: this is a selection of cars, which are not 4x4s/SUVs, but whose owners will pay the new highest rate VED

- BMW 130i automatic petrol: 226 g/km
- Chrysler PT Cruiser 2.4 hatch automatic: 251 g/km
- Citroën C5 3.0i V6 automatic petrol: 238 g/km
- Fiat Stilo 2.4 20v manual petrol: 231 g/km
- Ford Galaxy 2.8i CD-V6 24v manual petrol: 259 g/km
- Honda Accord tourer 2.4i-VTEC Ex (ADAS) automatic petrol: 229 g/km
- Mazda 6 2.3 MPS manual petrol: 245 g/km
- Peugeot 407 SportsWagon 3.0 V6 automatic petrol: 236 g/km
- Renault Espace 3.5V6 24v automatic petrol: 292 g/km
- Toyota Previa 2.4 vvt-i automatic petrol: 259 g/km
- Vauxhall Signum 2.8i V6 24v turbo manual petrol: 257 g/km
- Vauxhall Vectra 3.2i V6 24v 5 dr hatch automatic petrol: 252 g/km
- Volkswagen Sharan 2.0 automatic petrol: 264 g/km
- Volvo V70 2.4 automatic petrol: 231 g/km
- Volvo S80 T6 executive automatic: 268 g/km

3. New colour-coded label: In July 2005, SMMT and the Low Carbon Vehicle Partnership (LowCVP) introduced a new colour-coded label for new car buyers. The label shows CO2 emissions by vehicle in a familiar format, similar to that used for white goods. The bands run from green to red, and were based on CO2 emissions corresponding directly to existing VED rates. The introduction of a new band means all labels in every showroom will now have to be ripped up, reconfigured and replaced.



VED Band	CO2	Change	Petrol Diesel	
A	100g and under	-£65	£0	£0
B	101-120	-£35	£40	£50
C	121 to 150	-£5	£100	£110
D	151 to 165	0	£125	£135
E	166 to 185	0	£150	£160
F	186-225	+ £25	£190	£195
G *	226+	+ £45	£210	£215

* For new cars registered after 23 March 2006