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**Motor industry needs supportive Budget**

**that does not slow economic recovery**

SMMT looks to the 22 June Budget to deliver:

* Long-term business confidence.
* Stability and certainty on motoring taxes.
* A collaborative approach to secure sustainable growth.

“The potential for growth in the automotive industry makes the sector crucial to the UK’s long-term economic development. It is vital government takes the necessary steps to nurture business and consumer confidence,” said Paul Everitt, SMMT chief executive.

“There are undoubtedly tough times ahead and government action to ease access to affordable finance will help support private sector investment in important skills and technologies needed for the long term.”

The UK automotive industry is well placed to make a significant contribution to the rebalancing of the country’s economy, but requires supportive legislative and fiscal policies to fulfil its potential. Ahead of the emergency Budget on 22 June, SMMT has delivered a firm set of recommendations to the new chancellor that outline industry’s recommendations for its future prosperity.

SMMT made the following points and suggestions to chancellor George Osborne:

**Support for business growth:**

* Government should immediately address access to affordable credit to encourage renewed investment and enhance business and private demand.
* Raising VAT could detrimentally impact the economy’s recovery and decrease the level of private car demand.
* Businesses need confidence to plan the research and development of new technologies, so require consistency in the provision of associated tax credits. Industry has the potential to lead the country into a low carbon era, but the extent of success relies heavily on research and development.
* Government’s aim to achieve a lower rate of corporation tax is welcomed by business, but industry has reservations over the changes to relief allowances and credits that may be required to achieve the lower tax rates.

**Provide stability on motoring taxes:**

* Build confidence in the VED tax regime by assessing market response over a period of stability.
* Promote the move to lower emitting vans by incentivising the purchase of vehicles with lower emissions levels, funded by progressively higher rates for models with Euro 3, 2, 1 and 0 engines.
* Changes to company car tax rules, due to be phased in from 2010 to 2015 should be retained and the three percentage point penalty for diesel cars should be removed.
* Fuel duty should be more clearly linked to world oil market trends, environmental goals, fiscal needs and the cost to business users. Incentives such as the cut-short boost for biofuels need to have durability and consistency.

**Collaborative approach to tackling the future:**

* The development of the Automotive Council, plus the Technology and Supply Chain Councils, demonstrates a new era of collaboration between government and industry. This productive partnership and government’s promotion of manufacturing as a core industry must continue to ensure a strong and sustainable future for UK automotive.
* Loan guarantees must remain in place with their development focused on providing medium-term aid to the sector.

***Notes:***

*The Society of Motor Manufacturers and Traders (SMMT) is one of the largest and most influential trade associations in the UK. It supports the interests of the UK automotive industry at home and abroad, promoting a united position to government, stakeholders and the media.*

*The automotive industry is a vital part of the UK economy with £51 billion turnover and £10 billion value added. With over 800,000 jobs dependent on the industry, it accounts for 10% of total UK exports and invests £1 billion each year in R&D. In the last ten years, huge strides have been made to reduce the environmental impact of its products throughout the life cycle.  Improvements in production processes mean energy used to produce cars is down 24%, water use is down 45% and 57% less waste enters landfill sites. Average car tailpipe CO2 emissions have also been slashed and are down 20% compared to 1999 levels.  For more details, download SMMT’s tenth annual Sustainability Report or annual facts booklet from the SMMT website* [*www.smmt.co.uk/publications*](http://www.smmt.co.uk/publications)*.*

**Note to broadcasters: SMMT has its own ISDN studio**

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