

10/4

MT

Confidential filing

Future of the Werther Collection
at Luton Hoo.

ARTS and AMENITIES

MAY 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
15.7.80							
29.7.80							
15.9.80.							
23.10.80							
13.11.80							
2.2.81							

PREM 19/391

MFJ

*Arts & Adventure
May 80*

2 February 1981

The Prime Minister has seen your letter to me of 27 January with further information about arrangements to secure the future of the Wernher Collection at Luton Hoo. She was grateful to be kept informed.

MAP

P.A. Michael, Esq.
HM Treasury

KCS

7

Prime Minister



MPD 27/1

ms

Treasury Chambers, Parliament Street, SW1P 3AG

M Pattison Esq
10 Downing Street
LONDON SW1

27 January 1981

Dear Mr Pattison,

LUTON HOO

Mary Giles in her letter of 12 November brought you up to date on the arrangements for raising a capital sum to finance an endowment to secure the future of Luton Hoo and the Wernher Collection. You may be interested to have a brief report of subsequent developments.

Following the sale of the Altdorfer to the National Gallery Mr Nicholas Phillips and his five cousins propose to set up a charitable trust and have discussed with Treasury and Inland Revenue officials the most appropriate way in which to proceed so as to secure their objectives within the range of available tax concessions. In the light of these discussions, the family are in touch with the Charity Commissioners and once the charitable trust is established propose to transfer to it £700,000 as an initial endowment. The transfers will be made by way of charitable gifts under the provisions of Paragraph 10 of Schedule 6 to the Finance Act 1975. The family has preferred this route to the alternative of the "gifts for public benefit" provisions of Paragraph 13 of the same Schedule because it will allow the trustees greater flexibility to make use of any surplus income, for example for the purchase of further works of art to enhance the collection.

Once the charitable trust has been set up and the endowment paid over, the future of Luton Hoo and the Wernher Collection should be secured.

I am copying this letter to Jeff Jacobs (Department of the Environment), Mary Giles (Office of Arts and Libraries) and David Wright (Cabinet Office).

Yours Sincerely,

Peter Michael

P A MICHAEL

Private Secretary



CF

10
A+A

10 DOWNING STREET

From the Private Secretary

13 November 1980

The Prime Minister has seen your letter of 12 November about Luton Hoo, and is pleased to note the satisfactory outcome of discussions about the future of the Wernher Collection.

I am sending copies of this letter to Nigel Brotherton (HM Treasury), Jeff Jacobs (Department of the Environment) and David Wright (Cabinet Office).

M. A. PATTISON

Miss Mary Giles
Chancellor of the Duchy of Lancaster's Office.

RH



cc Press Office

2

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster
and
Minister for the Arts.

12th November 1980

M Pattison Esq
10 Downing Street
LONDON SW1

Dear mine

MB

Prime Minister

*A satisfactory outcome
in the Wernher
collection*

LUTON HOO

MAP 12/47

In his letter to you of 11th September Nigel Brotherton reported that the Chancellor of the Duchy of Lancaster had asked Mr Nicholas Phillips to call on him on 15th September to discuss the proposed sale of a painting from the Wernher Collection at Luton Hoo. I am now writing to let you know of the developments that have taken place since then.

At the meeting on 15th September Mr Phillips explained his proposal to sell a painting by Altdorfer "Christ taking leave of His Mother before the Passion". This is universally accepted as a major monument of German renaissance painting. Although one of the finest paintings at Luton Hoo, it is not however integral to the Wernher Collection and its sale will not detract from the Collection as a whole. The Chancellor expressed the hope that the painting could be acquired by a public collection through private treaty sale and asked that the National Gallery should be given time to consider the possibility of purchasing the picture before it was sent for auction. The painting has for long been on the National Gallery's list of desired acquisitions.

I can now let you know that the painting has been acquired by the National Gallery with assistance from the National Art Collections Fund, the Pilgrim Trust and a grant of some £825,000 from the National Heritage Memorial Fund. We understand that the National Gallery will be making an announcement tomorrow and the Chancellor of the Duchy of Lancaster will also issue a statement welcoming the purchase. The proceeds of the sale (about £2½m) will provide the endowment required for the preservation of the Wernher Collection at Luton Hoo.

Contd

I am sending a copy of this letter to Nigel Brotherton (Treasury), Jeff Jacobs (Department of the Environment) and David Wright (Cabinet Office).

Yours ever

Mary Giles

Miss M G E Giles

Private Secretary
(Arts)

P.S. We are not disclosing the price of the painting.

A+H

23 October 1980

I am writing on the Prime Minister's behalf to thank you for your letter of 22 October. I know that Mrs Thatcher will be delighted to learn that you have been able to make satisfactory arrangements to secure the future of the Wernher Collection.

The Prime Minister has no present plans for visits in the Bedfordshire area, but I am sure that she will want to keep in mind your kind offer of a visit to Luton Hoo. We will be in touch with you again if an opportunity arises.

MAP

~~N.H. Phillips, Esq.~~

New

Prime Minister

22nd October, 1980

A happy outcome
over the Wernher
collection.
(13) 10
MP 23/x.

THE GABLES
LUTON HOO, LUTON
BEDFORDSHIRE
LUTON 34839

Dear Prime Minister,

Now that we have successfully completed a Private Treaty sale to the National Gallery of our painting by the German master Altdorfer, I would like to express to you my gratitude and thanks not only for the sympathy and understanding of the problem which you demonstrated in your reply to my letter, but also for your administration's help in facilitating a speedy conclusion to the negotiations for the sale and the contribution made by the National Heritage Memorial Fund towards the purchase.

It is gratifying to know that this splendid work of art is to remain in the country and that it was possible to agree a price comparable with the open market value which was acceptable to both parties.

We are proceeding now to set up a paragraph 13. Charitable Foundation for the future preservation and development of Luton Hoo and its collection which will be endowed with a substantial proportion of the funds received from the sale. It is very reassuring for me, particularly, to know that we can now prepare for the future with a greatly enhanced degree of confidence and security.

I very much hope that if your busy political itinerary brings you close to Luton in the future that I can have the pleasure of showing you around Luton Hoo.

Yours sincerely,

Nicholas Phillips

N.H. Phillips



*File 1/16
Arts + Amenities*

10 DOWNING STREET

From the Private Secretary

15 September 1980

Thank you for your letter of 11 September about the Luton Hoo Collection, about which we have since discussed on the telephone.

The Prime Minister is pleased to note that efforts are now in hand to establish a sensible arrangement to preserve the Luton Hoo Collection.

She would like to be kept informed as the work progresses. I think that it would be appropriate for Mary Giles to take on this role in the future.

I am sending copies of this letter to Mary Giles (Office of the Chancellor of the Duchy of Lancaster), Jeff Jacobs (Department of the Environment) and David Wright (Cabinet Office).

M. A. PATTISON

N. V. Brotherton, Esq.,
H.M. Treasury.

2/18



Prime Minister

2

It looks as if a sensible arrangement will come out of this.

Treasury Chambers, Parliament Street, SW1P 3AG

this.

mb
11 September 1980

MA 12/ix

Dear Mike

LUTON HOO

In your letter of 15 July to Richard Tolkien you said that the Prime Minister would like to be kept informed of discussions with Mr Nicholas Phillips about the future of the Wernher collection at Luton Hoo.

2. Treasury officials have been in touch with Mr Phillips in the meantime, and met him and his advisers on 3 September. Representatives from the OAL, DOE and the Inland Revenue and Capital Taxes Office also attended the meeting. This was the fourth such meeting in the course of the last year or so, at which a range of options has been discussed.

3. The meeting considered how to achieve Mr Phillips' objective of setting up a non-profit-making body to run Luton Hoo and the collection, brought together by Mr Phillips' grandfather. The discussion was on the basis that at least £1 million will be needed as an endowment and that it would be helpful if this matter could be settled by the end of this year. Treasury officials confirmed their readiness to discuss the necessary arrangements for setting up the trust within this time scale. This in itself would appear to give rise to no difficulty.

4. Given the time factor and the amount involved, Mr Phillips said that the only feasible option in his view was sale of a major work of art (a painting by Altdorfer) either at auction or by private treaty. He did not wish in his circumstances to seek Heritage Fund help for an endowment.

M Pattison Esq
No 10, Downing Street
LONDON SW1

5. Mr Phillips said that sale by auction had tentatively been arranged at Christies for 5 December and a decision whether or not to go ahead with this would have to be taken during the course of the next couple of weeks. He agreed to approach the National Gallery to see whether a private treaty sale could be arranged. The Director of the National Gallery met Mr Phillips for the first time on 5 September.

6. Sale directly to the National Gallery for £1m or so could be met from the Gallery's funds, perhaps supplemented by a grant from the National Heritage Memorial Fund, should the Fund's trustees be willing. In order to realise a similar amount from auction, after tax, Mr Phillips would need to sell this painting for about £4m. This is in the middle of the range of auction prices expected by Christies. Sale at auction to an overseas buyer could lead to an export stop and attempts to raise the money to buy the picture for retention in the United Kingdom. A figure of £4m, say, will be difficult to raise and a private treaty sale is much to be preferred, as no additional public expenditure would be likely to be involved.

7. Sale at auction will incur a buyer's and a seller's premium, which could net Christies in the region of £½m.

8. As the next move depends on the outcome of the negotiations between Mr Phillips and the National Gallery, OAL have assumed departmental responsibility for the case. I understand that the Chancellor of the Duchy of Lancaster has taken the initiative of asking Mr Phillips to call on him on 15 September,

9. I am sending a copy of this letter to Mary Giles (Chancellor of the Duchy), Jeff Jacobs (Secretary of State for the Environment) and David Wright (Cabinet Office).

Yours
Nigel Brotherton

N V BROTHERTON
Private Secretary



BFA/18780.

✓
MAP

Treasury Chambers, Parliament Street, SW1P 3AG

29 July 1980

Dear Mike

You wrote to Richard Tolkien on 15 July about the correspondence from Mr Nicholas Phillips regarding the future of the Wernher Collection at Luton. You asked that the Prime Minister be kept informed of progress on the discussions with Mr Phillips. She might therefore like to know that officials have been in touch with Mr Phillips and that a meeting is being arranged, to suit his convenience, for 3 or 4 September. I shall report further as appropriate.

I am copying this letter to Jeff Jacobs (Department of the Environment), Mary Giles (Chancellor of the Duchy of Lancaster's Office) and David Wright (Cabinet Office).

Yours

Nigel Brotherton

N V BROTHERTON

Private Secretary

M A Pattison Esq
No 10, Downing St



10 DOWNING STREET

From the Private Secretary

15 July 1980

Thank you for your letter of 12 June, proposing a reply for the Prime Minister to send to Mr. Nicholas Phillips about the future of the Wernher Collection at Luton Hoo.

The Prime Minister has considered the various comments raised in the correspondence, and has now sent the attached reply to Mr. Phillips. She agrees with the Secretary of State for the Environment that it would be a tragedy if the Wernher Collection was dispersed, and she would therefore wish Ministers to find a way of preventing that from happening. But she is prepared to accept the view that this need not require changes in existing tax legislation, and she would therefore like the Departments concerned to make contact rapidly with Mr. Phillips to discuss with him the existing options.

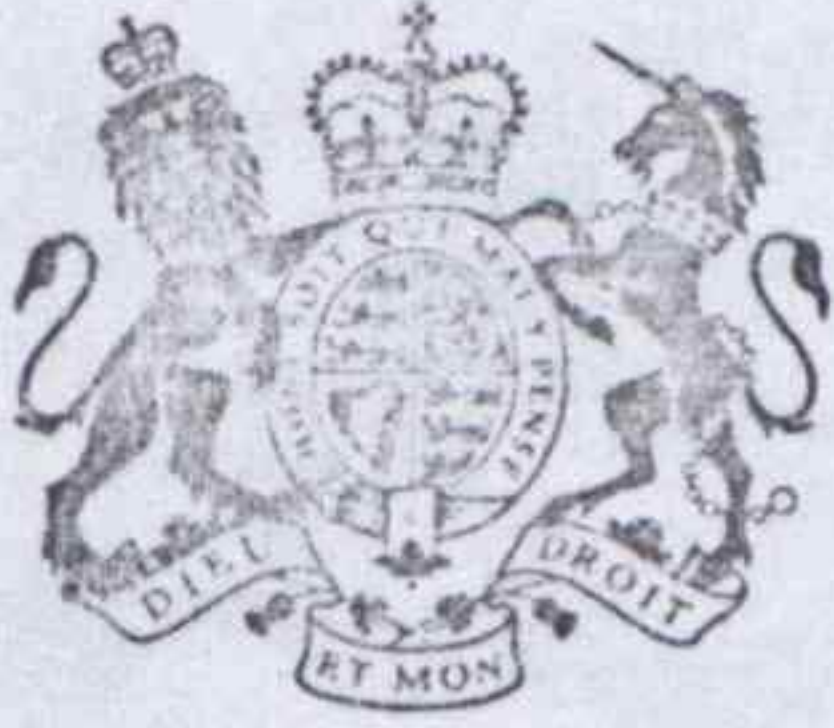
I would be grateful if you could ensure that the Prime Minister is kept informed of progress.

I am sending copies of this letter to Jeff Jacobs (Department of the Environment), Mary Giles (Chancellor of the Duchy of Lancaster's Office) and David Wright (Cabinet Office).

W. A. PATTISON

Richard Tolkien, Esq.,
H.M. Treasury.

JWP



10 DOWNING STREET

THE PRIME MINISTER

14 July, 1980.

Dear Mr. Phillips,

Thank you for your letter of 20 May about the future of the Wernher collection. I am very sorry to hear that you are unhappy with the response you have had so far to your suggestions for ensuring a stable basis for the preservation of the Collection and I fully appreciate your concern to take the right course as soon as possible.

I understand that the specific proposal you have put forward is that the Collection should be transferred to a non-profit making body, set up under paragraph 13 of Schedule 6 to the Finance Act 1975, which would then sell some of the items which are less important to the integrity of the collection on the open market to finance the preservation of the remainder. But since the items in question were conditionally exempt from estate duty on the death of Sir Harold Wernher, the open market sale would, under present law, trigger off a charge to estate duty by reference to his death. You therefore suggest that the law should be amended to enable properly constituted charitable bodies to sell off, on the open market, heritage items which have been conditionally exempted, without a clawback charge to estate duty - or C.T.T. - so long as the proceeds are used to support other heritage property.

I can see the immediate attraction so far as the position at Luton Hoo is concerned of disposing of a few less important items so that the main part of the Collection can be preserved. I am sure you will appreciate, however,

/ that we

Asia

cc. C.D.
D/ES
HMET
CO.

VLB

211

that we must consider the wider implications of the legislative change you propose and, in particular, the effect it might have on our established policy of encouraging the preservation of the heritage in private ownership in this country while securing reasonable access for the public. The present provisions for conditional exemption are framed directly to achieve this by ensuring that owners who hold on to important heritage items are treated more favourably than those who wish to sell on the open market with the attendant risk of the items being lost to overseas buyers. (At the same time the provisions are intended to encourage sales by private treaty to national institutions; on a sale of this kind the exemption is not lost, and the special *douceur* arrangements apply.) To breach this principle - even for charitable bodies - could reduce the effectiveness of this important strand of our heritage policy and we would need to be persuaded that no other way of preserving the Wernher Collection could be found before we could seriously consider it.

Having said this, I accept that the present uncertain situation cannot be allowed to drag on and I was very concerned to read that you are already preparing for the disposal of major works of art. I have therefore requested that officials in the Treasury and other Departments concerned contact you directly to arrange a meeting at which possible solutions to your difficulties can be fully discussed. It seems to me, for instance, that the newly established National Heritage Memorial Fund might be approached for some or all of the endowment you require and this might lend greater flexibility to some of the solutions which, I know, have already been considered.

In the meantime, I have asked Lord Cockfield, with whom you corresponded last year, to keep me informed of the outcome of these discussions.

Yours sincerely,

(SGD) MT

Nicholas Phillips, Esq.

PRIME MINISTER

PRIME MINISTER

*I think you were half way
through considering this.*

MAF.

Nicholas Phillips runs the Wernher Collection at Luton Hoo. He wrote to you on 20 May about the problem facing the Collection.

The owners wish to set up a charitable trust to preserve and maintain the Collection, but they wish to endow the trust by the sale of several of the less important items. The Treasury regard this as unacceptable because the entire Collection has already been exempted from Estate Duty, which by law should now be charged on the proceeds of any sale of the exempted property. Mr. Phillips would like to see an amendment to the Finance Act dealing with this problem.

The solution seems attractive in this particular case, but the Treasury are not prepared to contemplate a change in the law to meet one case. They argue that the proposed change would unbalance the present arrangements which are intended to favour owners who hold on to important heritage items over those who wish to sell on the open market, and whose possessions may therefore be moved overseas.

Mr. Heseltine believes that a dispersal of the Luton Hoo Collection would be a tragedy and a blow to the Government's attempts to preserve the heritage, and he therefore argues that Mr. Phillips' proposal should be very carefully considered and that the necessary amendment to the law to allow it should be made as soon as possible. But Lord Cockfield and Mr. Norman St. John Stevas believe that Mr. Phillips has by no means exhausted the possibilities of finding ways of maintaining the Collection under the existing law - possibly with some help from the National Heritage Fund - and that his threats to sell up regardless should not be allowed to force a change in the law.

Given this slightly unexpected division of Ministerial opinion, Robert Armstrong (Flag A) has suggested that you should make it clear to the Ministers concerned that you agree with Mr. Heseltine that dispersal of the Collection would be a tragedy and that a way / must be

must be found to prevent that from happening; and that you should write to Mr. Phillips, making it clear that you want to see the Collection preserved, but pressing him to discuss it further with the Departments concerned in preference to giving any undertaking about the change in the law. This should not give away the Treasury position but should ensure that Mr. Phillips examines carefully other options. I understand that officials are confident that a solution can be found without amending legislation.

I have had Lord Cockfield's draft reply typed up for you incorporating Robert Armstrong's amendment. Mr. Heseltine's letter is at Flag B. If you agree to write in these terms, shall I write to the offices of the three Ministers concerned to stress your wish to find a way of avoiding a break-up of the collection?

MA

10 July 1980



Ref. A02583

MR. PATTISON

Luton Hoo

I am sorry not to have sparked earlier on this; I have been preoccupied with other business.

2. I agree with the Secretary of State for the Environment that the dispersal of the Wernher Collection would be a tragedy. But I think that the objections to amending the law as Mr. Phillips has suggested are valid. It is difficult to see how an amendment could be devised which would make reasonable sense in terms of "heritage" policy and at the same time not create the possibility of sizeable tax avoidance.

3. So I suggest two things:

(1) The Prime Minister should send a minute to her colleagues concerned, to the effect that she agrees with the Secretary of State for the Environment that it would be a tragedy if the Wernher Collection was dispersed and a way has to be found of preventing that from happening.

(2) She bases an immediate reply to Mr. Phillips on the draft suggested by the Treasury on 12th June, but with a much shorter third paragraph, to substitute for the last three paragraphs of the existing draft, on the following lines:

"I can see that your proposal would be an attractive way of keeping the main part of the Wernher Collection together: an objective with which I have much sympathy. It would, however, present us with some difficulties of principle and policy; before contemplating a measure of that kind we should need to consider whether there were any other way of meeting the objective. I accept that the present uncertain situation cannot be allowed to drag on. I have asked the Treasury and other Departments concerned to get in touch with you direct and arrange a meeting at which possible solutions can be fully discussed; and I have asked Lord Cockfield to keep me informed about the outcome of the discussions".

ROBERT ARMSTRONG

9th July, 1980

cc Sir R. Amstutz.



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:
20 June 1980

See Peter Nichol

You will by now have seen a draft cleared by Arthur Cockfield in reply to a letter you received from Nicholas Phillips about the Luton Hoo Collection.

The background here is that Nicholas Phillips is anxious to set up a charitable trust to look after the Luton Hoo and its Collection, worth at least £15 million. However, he is, understandably, unwilling to provide a further large sum - perhaps £2 million - to endow it. He believes that the charitable trust should be able to sell one or two important objects from the Collection to provide the funds necessary for the endowment. This could be done with minimum damage to the Collection as a whole: but if a CTT "clawback" is made (at a rate of 70%) so much may have to be sold to raise the endowment that the only sensible course is to dispose of the whole collection on the open market.

In my view a dispersal of this Collection would be a tragedy and a blow to the Government's attempts to preserve the heritage. I therefore want to suggest that Mr Phillip's proposal is very seriously considered; indeed I believe that necessary amendment to the law to allow it should be made as soon as possible.

I am copying this to Norman St John Stevas and Lord Cockfield.

*See Mr
H.H.*

MICHAEL HESELTINE

The Rt Hon Margaret Thatcher MP
Prime Minister

DOE rang back - Michael Heseltine is having a meeting on Wednesday and will decide then.

16/6

COL } No
Cabinet Office } comment

~~NA~~

Chase DOE on 19/6

DOE will comment within the next couple of days

Chase on Monday 23/6/80

letter on its way 23/6



G.A.
Please find out whether
DOE ringing back
COL
copy sent 16/6 Cabinet Office (minutes of
are likely to comment 22/6)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

MAP 16/6

12th June 1980

M.A. Pattison, Esq.,
Private Secretary,
No.10, Downing Street

Dear Mike,

..... You wrote to me on 20 May enclosing this copy of a letter from Mr. Nicholas Phillips to the Prime Minister about the future of the Wernher Collection at Luton Hoo.

..... I attach a draft reply which has been cleared with Lord Cockfield here (and which has also been seen in draft by OAL and DOE). I think the reply sufficiently explains the point at issue. I should add, however, that whilst Treasury Ministers and Arts Ministers consider that - for the reasons given in the draft reply - the amendment to the law which Mr. Phillips is suggesting would be damaging to the heritage, the Secretary of State for the Environment feels that there is a strong case for it. I am therefore copying this to Jeff Jacobs (DOE) in case his Secretary of State wishes to intervene, and - by the same token - to Mary Giles (Chancellor of the Duchy of Lancaster's Office).

Yours,

R.I. Tolkien

R.I. TOLKIEN

Thank you for your letter of 20 May about the future of the Wernher Collection. I am very sorry to hear that you are unhappy with the response you have had so far to your suggestions for ensuring a stable basis for the preservation of the Collection and I fully appreciate your concern to take the right course as soon as possible.

I understand that the specific proposal you have put forward is that the Collection should be transferred to a non-profit making body, set up under paragraph 13 of Schedule 6 to the Finance Act 1975, which would then sell some of the items which are less important to the integrity of the collection on the open market to finance the preservation of the remainder. But since the items in question were conditionally exempt from estate duty on the death of Sir Harold Wernher, the open market sale would, under present law, trigger off a charge to estate duty by reference to his death. You therefore suggest that the law should be amended to enable properly constituted charitable bodies to sell off, on the open market, heritage items which have been conditionally exempted, without a clawback charge to estate duty - or CTT - so long as the proceeds are used to support other heritage property.

I can see the immediate attraction so far as the position at Luton Hoo is concerned^{of} disposing of a few less important items so that the main part of the Collection can be preserved. I am sure you will appreciate, however, that we must consider the wider implications of the legislative change you propose and, in particular, the effect it might have on our established policy of encouraging the preservation of the heritage in private ownership in this country while securing reasonable access for the public. The present provisions for conditional exemption are framed directly to achieve this by ensuring that owners who hold on to important heritage items are treated more favourably than those who wish to sell on the open market with the attendant risk of the items being lost to overseas buyers. (At the same time the provisions are intended to encourage sales by private treaty to national institutions; on a sale of this kind the exemption is not lost, and the special *douceur* arrangements apply). To breach this principle - even for charitable bodies - could reduce the

effectiveness of this important strand of our heritage policy and we would need to be persuaded that no other way of preserving the Wernher Collection could be found before we could seriously consider it.

Having said this, I accept that the present uncertain situation cannot be allowed to drag on and I was very concerned to read that you are already preparing for the disposal of major works of art. I have therefore requested that officials in the Treasury and other Departments concerned contact you directly to arrange a meeting at which possible solutions to your difficulties can be fully discussed. It seems to me, for instance, that the newly established National Heritage Memorial Fund might be approached for some or all of the endowment you require and this might lend greater flexibility to some of the solutions which, I know, have already been considered.

In the meantime, I have asked Lord Cockfield, with whom you corresponded last year, to keep me informed of the outcome of these discussions.



N. N. PHILLIPS

Ref. A02232

MR. PATTISON *MP*

You sent me a copy of the letter to the Prime Minister from Mr. Nicholas Phillips about the long-term disposal of the Wernher collection.

2. I have shown this to Sir Robert Armstrong who has commented that the problem is that Mr. Phillips' letter suggests that the collection should remain in private ownership, albeit that of a private charitable foundation.

3. Sir Robert would like to see how this develops. I am therefore copying this minute to Richard Tolkien in the Treasury with a request that he send us a copy of the proposed draft reply.

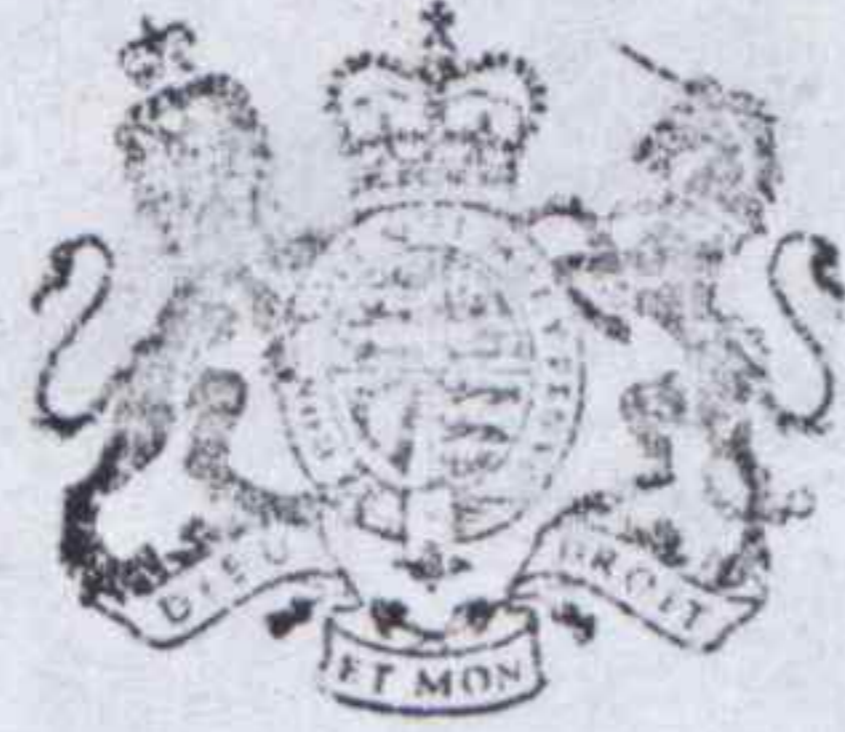
(D.J. Wright)

22nd May, 1980

FILE

TR. N. PHILLIPS

VLB



CCEDL
DOE

b/c CO.

10 DOWNING STREET

From the Private Secretary

20 May 1980

Dear Richard

I enclose a copy of a letter to the Prime Minister from Mr. Nicholas Phillips about the future of the Wernher Collection. You will see that Mr. Phillips reports that discussions with the Treasury and other Departments have made no real progress. Mr. Phillips argues that the 1975 Finance Act seems to have the unintentional result of discriminating against a private charitable body, which hampers the course of action which those responsible for the Wernher Collection had in mind.

I should be grateful if you could let me have a draft reply for the Prime Minister to send to Mr. Phillips.

I am sending copies of this letter and enclosure to Mary Giles (Chancellor of the Duchy of Lancaster's Office) and Jeff Jacobs (Department of the Environment). If there are other Departments already involved, you will no doubt ensure that they are consulted in the preparation of a reply. It would be helpful if the draft could reach me by 5 June.

Yours ever

Mike Paterson

R. I. Tolkien, Esq.,
H.M. Treasury.

RdH

FILE

MR. WRIGHT
CABINET OFFICE

Sir Robert Armstrong may like to see the attached letter to the Prime Minister from Mr. Nicholas Phillips about the long-term disposal of the Wernher Collection. You will see that I have commissioned advice from Treasury/O.A.L./D.O.E.. This may be the first significant test of the new National Heritage Fund arrangements.

M A PATTISON

20 May 1980

20 May 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of 20 May about the Wernher Collection.

Your letter is receiving attention and a reply will be sent to you as soon as possible.

M A PATTISON

N. H. Phillips, Esq.

BY HAND

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THE WERNHER COLLECTION

LUTON HOO
LUTON
BEDFORDSHIRE LU1 3TQ
TELEPHONE (0582) 22955

20th May, 1980.

The Rt.Hon.Mrs.Margaret Thatcher, M.P.,
10 Downing Street,
London, S.W.1.

Dear Prime Minister,

I am taking the liberty of writing to you personally on the future of the Wernher Collection, of which I am part owner and principal custodian, as after prolonged discussions with the Treasury and other Departments we have been unable to get a proper response to the points we have made, and on which decisions are now imminent.

The proposal we have put forward is that to preserve this very important and diverse art collection, whose value can be conservatively estimated as being in excess of £15m, for the benefit of the National Heritage, the present owners would be prepared to divest themselves of their interests into a correctly constituted charitable foundation, which would raise the funds necessary for its future maintenance and development from its own resources by disposing of certain objects of minor importance from the Collection. This solution provides a long-term future for the Collection beyond the lives of the individuals presently involved in its ownership, would require no public funds whatsoever, while certain of the present generation of owners would be prepared to continue shouldering the burden of the responsibility involved in its administration by acting as Trustees of the Charitable Foundation. These three principles I feel correspond closely to the objectives of the present Government.

The problem arises in that a Charitable Body would be liable to pay in taxation the portion of the estate duty carried forward on the items previously exempted from this tax. The consequence of this situation is that the Charitable Foundation would be immediately dispossessed in our particular case of 70% of its maintenance fund and to raise sufficient funds would have to proceed with the disposal of certain works of major importance, which it is being set up expressly to preserve. These objects would then be acquired either by the National Heritage Fund draining its not unlimited resources unnecessarily or, more probably, by foreign purchasers and thus become irrevocably lost to the Nation.

/ cont.

The Rt.Hon. Mrs.Margaret Thatcher, M.P.

20th May, 1980.

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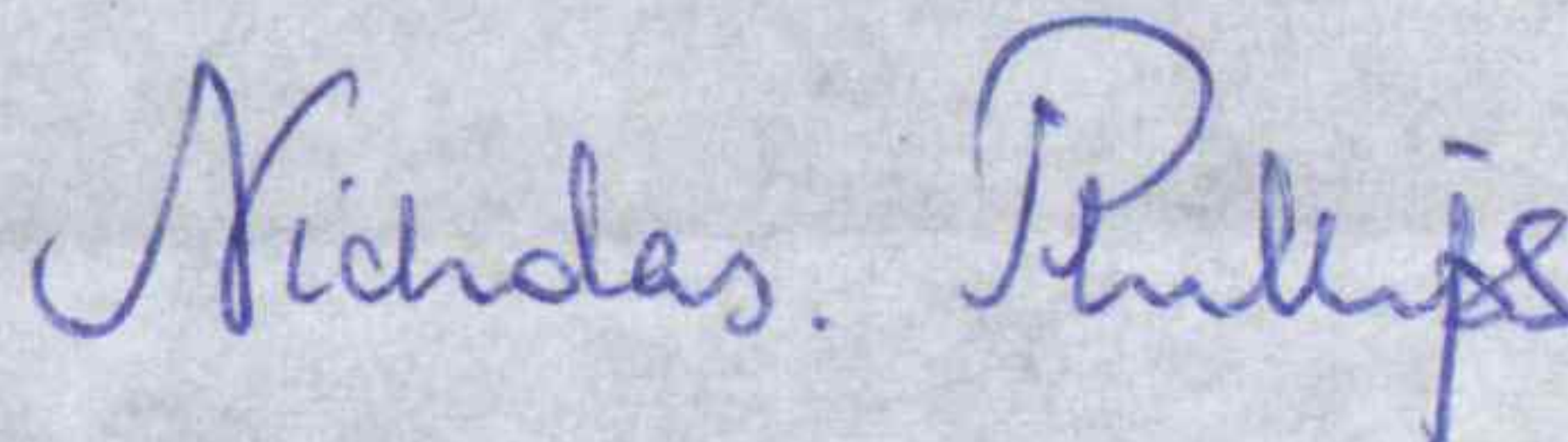
The dual anomaly in the legislation which our particular case has highlighted is that while it has always been politically accepted that Charitable Bodies should not be subject to taxation, over this particular point of taxation there is no relief and that, secondly, Paragraph 12, Schedule 6, of the 1975 Finance Act exempts from this tax specific bodies nearly all of a public or semi-public nature while discriminating against a private Charitable Body set up for the same purpose.

During all our discussions with the administration no one has once been able to give a justifiable reason for the existence of this anomaly and the major impediment it creates in trying to reach what we think is a legitimate and desirable objective. Furthermore, while under the last administration it had been possible to discuss the matter with Lord Lever who had accepted to look at the question sympathetically, all my requests to put the case directly either to Lord Cockfield, under the terms of the capital taxation review, or to Mr.St.John Stevas, as Minister of Arts, have been turned down.

We tabled a simple amendment to the Finance Bill last summer to correct this anomaly which was not called for reasons we well understood as capital taxation was under review, and we would be prepared to do so again in the present Bill if the Government saw fit to support such a move.

In the meantime, on the basis that nothing can be achieved, we are preparing for the disposal of the works of major importance which will become necessary. Knowing the political and public controversy this will inevitably provoke I felt it my duty as the custodian for the present generation of the Wernher Collection to leave no stone unturned in trying to achieve a more sensible solution and in view of the administration's significant lack of response, I can only apologise for troubling you directly with this problem.

Yours sincerely,



Nicholas H. Phillips

