

CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

24 May 1984

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celr Young.

~~USF~~

US Legislation on Taxation of Car Benefits

I attach a letter from Mr. Plastow of Rolls Royce, with which Mr. Egan of Jaguar wishes to be associated. I would be grateful for early advice on how the Prime Minister should respond. Although President Reagan is arriving in London on 4 June, the letter suggests that any intervention from here would need to be before that. Although the letter suggests the Prime Minister should telephone President Reagan, you should consider the alternative of a message. If you believe this would be preferable, could you supply a draft.

I am copying this letter to David Peretz (HM Treasury) and Peter Ricketts (Foreign and Commonwealth Office).

Andrew Turnbull

Miss Ruth Thompson  
Department of Trade and Industry

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D. A. S. PLASTOW

VICKERS P.L.C.  
VICKERS HOUSE,  
MILLBANK TOWER,  
MILLBANK,  
LONDON, SW1P 4RA  
TELEPHONE: 01-828 7777

The Rt. Hon. Mrs Margaret Thatcher,  
The Prime Minister,  
10, Downing Street,  
London, S.W. 1.

23rd May, 1984.

*Dear Prime Minister,*

Attached is a copy of a telex from one of our tax attorneys in the United States, which is self-explanatory.

More than half the Rolls-Royce cars we manufacture are shipped to North America and we are faced with proposed U.S. tax legislation which would clearly discriminate against higher priced imported cars.

When I was in Washington ten days ago I explained to Ambassador Brock, the US Trade Representative, that whilst we accept readily the principle of taxing benefits in kind, we were strongly opposed to legislation which would have a severe impact only upon imported products. I also told him that there was evidence of the American domestic manufacturers supporting this legislation as a protectionist move.

In the case of Rolls-Royce Motors, if the legislation as proposed is enacted, the business would suffer losses and redundancies would have to be declared at our Crewe and London factories.

John Egan of Jaguar Cars joins me in hoping that you will be able to telephone President Reagan on this crucial issue.

*Yours sincerely,*

*Daniel Plastow*

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EASYLINK 244403R001 21MAY84 17:03/17:08 EST  
PRIORITY MESSAGE  
FROM: TLX 703729 MUDGEA UD  
MUDGE ROSE GUTHRIE ALEXANDER  
TO: 85127921

TO: DAVID PLASTOW  
LONDON, ENGLAND

FROM: J. ROGER MENTZ

DATE: MAY 21, 1984

DEAR DAVID:

I AM PLEASED TO CONFIRM THAT I HAVE BEEN ADVISED BY OUR CLIENT, MERCEDES-BENZ, THAT CHANCELLOR KOHL OF WEST GERMANY PLACED A TELEPHONE CALL TO PRESIDENT REAGAN ON WEDNESDAY, MAY 16TH IN THE COURSE OF WHICH HE EXPRESSED THE CONCERN OF HIS GOVERNMENT ABOUT THE PENDING U.S. TAX LEGISLATION THAT WOULD LIMIT THE TAX BENEFITS FOR AUTOMOBILES USED IN BUSINESS TO A FLAT DOLLAR AMOUNT OF COST -- EITHER DOLLARS 15,000 OR DOLLARS 21,000. WE HAVE RECEIVED INDEPENDENT CONFIRMATION THAT THE CALL DID TAKE PLACE FROM THE SECRETARY OF THE U.S. CABINET. MR. KOHL DESCRIBED THE SEVERE ANTICIPATED IMPACT OF THE PROPOSED LEGISLATION ON GERMAN AUTOMOBILE EXPORTS (MERCEDES-BENZ, B.M.W., PORSCHE AND AUDI), AND REQUESTED THAT THE ADMINISTRATION MAKE AN EFFORT TO HAVE THIS PROVISION DELETED FROM THE LEGISLATION.

IT WOULD BE EXTREMELY HELPFUL IN MOTIVATING THE ADMINISTRATION IF PRIME MINISTER THATCHER WOULD PLACE A SIMILAR TELEPHONE CALL TO THE PRESIDENT. THE CONFERENCE COMMITTEE, WHICH WILL RESOLVE THIS ISSUE, WILL BE CONVENING ON MAY 23RD AND 24TH, BUT THIS ISSUE WILL PROBABLY NOT BE RESOLVED UNTIL AFTER THE CONGRESS RETURNS FROM ITS MEMORIAL DAY RECESS, WHICH WILL BE THE WEEK OF JUNE 4TH. THUS THE CALL SHOULD BE PLACED AS SOON AS POSSIBLE TO PERMIT THE ADMINISTRATION TIME TO COMMUNICATE INTERNALLY AND TO ESTABLISH ITS POSITION.

WARM REGARDS.

J. ROGER MENTZ

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27921 VICLON 6



10 DOWNING STREET

*From the Private Secretary*

24 May 1984

I am writing on behalf of the Prime Minister to thank you for your letter of 23 May with which you enclosed a copy of a telex from Mr. J. Roger Mentz.

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

Andrew Turnbull

D.A.S. Plastow, Esq.



10 DOWNING STREET

*From the Private Secretary*

24 May 1984

The Prime Minister has received  
a letter from Mr. Plastow of Rolls Royce  
and this is receiving attention.

Andrew Turnbull

John Egan, Esq.