



10 DOWNING STREET

Prime Minister 2

There is some
special pleading in this.
But the Chancellor's proposal
for 5% stamp duty on
ADRs is protectionist.

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Prime Minister

to Chancellor - kindly

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SUBJECT CC MASTER



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10 DOWNING STREET

25 March 1986

From the Private Secretary

Dear Tony,

STAMP DUTY

The Prime Minister has seen Lord Hanson's letter of 21 March to the Chancellor about the imposition of stamp duty at 5 per cent on conversion of shares into ADRs. She also saw today Mr. Jack Hennessey, Chairman of Credit Suisse First Boston Bank, who made similar representations that the imposition of the 5 per cent stamp duty was protectionist, and would damage the ability of British companies to raise equity in American markets. He mentioned the risk of damage to the sale of British Gas. He also argued that the extension of the coverage of stamp duty at $\frac{1}{2}$ per cent would simply drive transactions offshore, giving as examples the ICI and MEPC Euro-sterling issues which were made after the Budget.

|| The Prime Minister would be grateful for the Chancellor's comments both about the criticisms of the 5 per cent stamp duty on conversion of shares into ADRs and about the effect of extending the coverage of $\frac{1}{2}$ per cent stamp duty.

Yours,

David

(David Norgrove)

Tony Kuczys, Esq.,
HM Treasury.

VC

WITH COMPLIMENTS

Lord Hanson

12413

Sir Gordon White K.B.E.
Chairman

Hanson Industries

410 Park Avenue
New York, NY 10022
Telephone (212) 759-8477
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21st March 1986

Dear Nigel,

I am writing to you as an interested party in connection with the Budget proposal concerning stamp duty at 5% on conversion of shares into ADRs, something which I feel would be extremely detrimental to the declared policy of encouraging US investors into UK industry.

Hanson Trust is an extensive user of securities markets in virtually every aspect: as a company with its shares quoted on the Stock Exchange; as a corporate investor and, through our many pension funds, as a long term institution. We are also about to make a sponsored ADR issue in New York. Hence our special interest.

To its utmost credit, your Government has consistently favoured free trade and set its face resolutely against protectionism and special pleading. The Stock Exchange must be able to compete effectively and fairly with other securities markets and be able to retain our rightful share of business within the City. But to favour the Stock Exchange so positively is going too far.

The purpose of issuing ADRs is not to avoid stamp duty but to extend the market for shares to new investors. In the United States, many investors are not able to hold UK registered shares. Furthermore, the ADR form eases problems of settlement for purchases and sales.

There is a further reason, often overlooked, for UK quoted companies seeking listings for their shares in overseas markets. In order to continue to invest successfully overseas, companies such as Hanson Trust have had to rely on borrowings in the local, primarily US, currency to finance expansion. This creates a wide geographic gap between ownership and operation. Since a balance must be maintained between debt and equity, the ability to place out, in effect, part of a UK equity issue to the vast United States investing public will have a favourable impact on the terms. The ADR is a convenient means of achieving this aim. The additional stamp duty would be an additional and unnecessary burden.

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page two

21st March 1986

I urge you to consider the larger and longer term implication for British industry, its overseas expansion plans and its capital raising needs. The UK economy, in the light of the increasingly global investment environment, can only benefit from the greater involvement of overseas investors.

My greatest fear is that this kind of action will give ammunition to the protectionist lobbies in the United States. As you know, British industrialists have been working hard on such issues as the abolition of the Unitary Tax principle. It is vital that no measures are taken that encourage reciprocal action against our national interests.

With best regards.

Yours Gordon.

P.S. Many congratulations.

The Rt Hon Nigel Lawson, MP,
The Chancellor of the Exchequer,
11 Downing Street,
London, SW1

Think positive —top industrialist

WHATEVER happened to our manufacturing industry? It has certainly shrunk. Where did it go? It must be the Government's fault. Of course—that goes without saying; we all know that everything's the Government's fault.

It is all the fashion now to wail about the decline of our country's manufacturing base. Politicians have had quite a bit to say about it recently—especially Labour politicians and a Liberal or two and even a former Tory Prime Minister. Not too many of them have actually earned a crust in industry.

Essentially what these people are saying is:

- The erosion of Britain's manufacturing base must cease and it is for the Government to act to stop it.

HANSON Trust is one of the most amazing success stories of post-war Britain.

Twenty-two years ago, Hanson Trust profits were virtually nothing—last year they were up to £252m.

Market capitalisation exceeds £3bn and there are 64,000 employees whose activities range from brick-making to Ever-Ready batteries, from engineering to department stores and airport duty-free shops.

LORD HANSON, Huddersfield-born, the man who has led from the front all the way, takes issue in

the accompanying article with politicians and others who bleat about manufacturing's contraction and argue the case for more taxpayers' subsidy.

"Hanson Trust is one of Britain's biggest manufacturing industries. But we have many service companies . . . are they less valuable than producing pots and pans. Let's be positive," he urges.

"If we continue to fight for competitive industry and for the freedom of the individual, we need not despair about our manufacturing industry,"

- It is our birthright as a nation to produce steel and ships and coal and cars, and the taxpayer must fork out—yesterday, today, tomorrow—yea

even unto eternity, to preserve this birthright.

Recently the wailers and moaners have found another war cry. "Save our helicopters and save our cars and our trucks! Deliver us from the foreign devils who just want to turn us into assemblers and tin-bashers."

Industrial sickness

What stuff and nonsense all this is.

Hanson Trust is one of Britain's biggest manufacturing companies.

I am proud of our factories and our managers and our workforces. But that doesn't mean that manufacturing is the be-all and end-all of prosperity.

We have many service companies—department stores, hire businesses, duty-free shops at airports—are they less valuable than producing pots or pans?

Of course I'm not arguing that we can just as well survive and prosper as a service economy. But I am

questioning whether politicians or economists can tell us what volume of manufacturing industry we ought to have.

In fact, I think I can offer some encouraging words.

I consider that our manufacturing base will start to expand. I say this with some confidence because I believe we have got to the bottom—or anyway near the bottom—of our long-term industrial sickness and lack of competitiveness.

We have—for some years now—recognised and faced the truth that business prospers only when you serve the customer and fight for your share of the market.

The truth of the matter is that any remaining problems in our country do not lie in manufacturing industry. By and large we are pretty competitive.

We still need to work harder to win a bigger share—not, as is usually argued, a bigger share of the export markets—but of our own home market. But we're not doing badly in industry.

'Work harder to win bigger share of the home market'

What we must not do is to relax the effort. We have to press on with shifting the nationalised industries into the private sector. We must continue to encourage the Government to go on with privatisation, including the services sector and, in particular, to reduce the size and bureaucracy of the local authorities.

We have to keep up the pressure to encourage enterprise and initiative.

Siren voices

Since the turning point of 1979 we have come to an environment where incentives encourage and reward those who accept risk and work hard to create the nation's wealth and employment. It has been a hard struggle to reach this stage, but now we see that new businesses—lasting and prosperous ones—and production are on the increase.

But now the siren voices are heard again. Why not a little stimulation here? Why not continuing subsidy there? Why not just another little billion of the taxpayers' money to keep this or that industry alive? It would be a policy of return to the bad old days and in my view the Government is right to resist it.

If we continue to fight for competitive industry and to fight for the freedom of the individual, we need not despair about our manufacturing industry. For myself, as a Yorkshireman and an industrialist, I am not at all despondent.



Lord Hanson—offering encouraging words

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21 April 1986

Weekend Box

The Rt. Hon. Margaret Thatcher, P.C., M.P.,
10 Downing Street,
London SW1

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Dear Prime Minister,

I have been travelling since our recent meeting, but did not want more time to pass by without thanking you for your kindness in sparing so much time for our discussions which Alan Walters had kindly arranged. We certainly covered a wide range of topics and I found the conversation most stimulating.

Needless to say, I am a great admirer of your policies and your steadfastness which I find a continuing inspiration. As a U.S. Citizen and non-voting U.K. resident it is probably inappropriate to use the expression 'your obedient servant' but I should like to wish you continued and deserved success.

Yours sincerely,

Jack Hennessy

J.M. HENNESSY