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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET 5186
Telephone (Direct dialling) 01-215
GTN 215)
(Switchboard) 01-215 7877

From the Minister of State for Industry

THE HON PETER MORRISON MP

R G Smith Esq
Managing Director
Haxted Motor Co Ltd
Marlpit Hill
Edenbridge
Kent
TN8 6HZ

NAPN

11 April 1986

See J. S. H.

Thank you for your letter of 13 March to the Prime Minister expressing concern about the future of the Austin Rover Group and raising a number of questions concerning trade in vehicles.

It was in order to end speculation and growing uncertainty arising from the Austin Rover Group (ARG) and Ford talks that Paul Channon indicated in the House of Commons on 6 February, that the possibility of the sale was not being pursued. I hope you will be reassured on this point.

As regards the future of BL I am sure you would agree that the Government's fundamental concern must be to consider what would best contribute to the long-term health of the vehicle manufacturing sector in this country. Whilst some of BL's operating companies have maintained or even improved their market share, much still needs to be done in a hostile trading environment. Both the Government and the BL Board believe the future of BL's operating companies could be best secured in the private sector rather than in public ownership and it has been the Government's long standing and publicly declared policy to return both the company and its constituent businesses either together or separately as soon as practicable. However, as you will know, the talks with GM on the Land Rover and Leyland van and truck businesses have now ended. Paul has also made it clear that there is no question of the talks with Ford and Austin Rover being reopened.

FRIARH



You raised a number of very specific questions concerning of the UK's trade in vehicles. I hope you will appreciate that I have received a number of such letters and am unable to reply in detail to each of them. I hope though that you will agree that where barriers to UK exports exist particularly in countries whose exports enjoy access to the UK the solution lies in pressing for their removal rather than restricting trade. The latter course would only encourage a descent into a greater degree of protectionism which would be particularly harmful to the UK, we do after all export nearly a third of our GDP, a much greater proportion than most of our major trading partners.

In seeking the removal of barriers to UK vehicles exports we have had some success with regard to both Japan and Spain. Japan has announced a number of import promotion packages which have been aimed at improving access to their market. These included measures designed to simplify procedures for the import of motor vehicles, in addition the Japanese have removed all tariffs on vehicles and are in the process of removing or reducing tariffs on vehicle components.

The disparity in treatment of cars in Spain stemmed from the trade agreement signed by the Community with Spain in 1970 which confirmed a generally high level of Spanish duties on imports of industrial products, including cars, from the Community and a very much lower level of duties for Community imports from Spain. Unfortunately these arrangements were in force when we joined the Community and we could not change them at the time. However we made it a major priority to change all this in the negotiations of Spanish membership of the Community. As a result, under Spain's Treaty of Accession, all her import duties on Community industrial products including cars will be eliminated over the next seven years. At the same time we have also secured a special reduced duty arrangement which will enable community manufacturers to export a substantial number of cars at lower rates of duty. Our share of the Community quota, which included a higher allocation for Austin Rover than for any other European manufacturer, is 5,000 cars in 1986. This is more than double our exports of cars to Spain in 1984. We expect an even higher figure for 1987.

FRIARH



I can well understand your points of concern. Thank you for bringing them to my attention I am sorry that I cannot comment in more detail at this stage but let me assure you that the Government's objective is to see a strong vehicle sector in the UK.

A handwritten signature in black ink, appearing to read 'Peter Morrison', with a large, sweeping flourish extending to the right.

PETER MORRISON

FRIARH

PS/PM

RECEIVED
20 MAR 1986
10 DOWNING STREET



RECEIVED IN
21 MAR 1986
C. SECRETAR
OFFICE

From the Private Secretary

20 March 1986

Dear Catherine,

I attach a letter the Prime Minister has received from Mr. Robin Smith of the Haxted Motor Company Ltd.

I should be grateful if you could arrange for a Minister or Private Secretary in your Department to reply to this on the Prime Minister's behalf.

TO MR HEADWAY (V12) FOR ADVICE (AND DRAFT REPLY IF APPROPRIATE) PLEASE BY: 2/14/86	Copies To P/S MFT P/S JB MR MOUNTFIELD MR COULIN (V) MR BROWN (V11) MR THORNTON (4P12)
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DAVID NORGROVE

Miss Catherine Bradley,
Department of Trade and Industry

HAXTED MOTOR COMPANY LTD

Marlpit Hill
Edenbridge
Kent TN8 6HZ
Telephone: (0732) 866202



RGS/AM

13th March 1986

The Prime Minister,
House of Commons,
London,
SW1A 0AA.

Dear Prime Minister,

I am writing to you as Managing Director of a Garage in Edenbridge, Kent, holding the Austin Rover franchise.

We have been established at this location for just two years, and carefully considered which product we would sponsor in our new outlet. In our opinion the market was now ready to 'Buy British' again and Austin Rover products were much improved, in fact leaders in the sphere of car design, and increasing their penetration of the market.

We have been very successful in our enterprise; starting with a staff of ten, we now employ twenty-five people and are considering expansion plans.

We feel that although the Government have made a statement that it was not planned to sell Austin Rover at present, we were disturbed to hear you stating on the radio that Austin Rover may still be sold.

You are correct in stating that the British tax payer has put large sums of money into Austin Rover and this has been wisely used to develop a completely new range of cars and re-equip the factories to increase production of cars to the same number per employee as the Japanese. Now is the time for the tax-payers to reap the benefit of their investment, not see Austin Rover sold off cheaply to foreign competition.

We are very concerned that you have not made it public information that Austin Rover and other manufacturers in this country are effectively having to accept that the U.K. operates a Free Market Economy, with which in itself there is nothing wrong, but which in isolation is extremely dangerous. This creates a situation which virtually invites manufacturers from all parts of the world to compete for the 1.8 million cars sold annually in the U.K., but does nothing to break down the barriers that prevent British industry from selling throughout the world markets.

cont'd.



V.A.T. No. 395 1523 40
Directors: R.G.SMITH P.A. SMITH P.C. DALLINGER
Registered Office: Marlpit Hill, Edenbridge, Kent
Registration No: 1761864

The Prime Minister

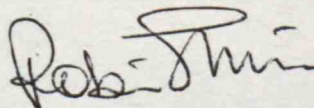
13th March 1986

We would appreciate your answers to the following:-

1. Why is it that other countries are able to sell some 350,000 cars into Britain annually, but Britain is not allowed equal access overseas?
2. Japan operates a restriction whereby 99% of all cars sold in Japan are of Japanese manufacture, which in itself enables them to build a very strong base to export at subsidised prices.
3. The Korean car company has just reported record sales in the U.K. U.K. produced cars attract a duty rate of 70% to enter Korea, but Korean cars are zero-rated to enter the U.K.
4. At the time of Spanish accession to the E.E.C., a complex system of Quotas and Tariffs was established, forcing Austin Rover to compete on unequal terms with Spanish manufacturers in Spain until 1993. The Austin Rover quota for 1986 is 4,500 units, on which there is 17.4% duty. Austin Rover could sell more than this quota in Spain, but would then attract an additional punitive 33% duty. The result being that Spain will sell as many cars in one week to Britain, as Britain will sell to Spain in one year!
5. The Comecon countries are effectively closed to U.K. based manufacturers. However 33,000 cars per year come into the U.K. from this area.
6. There are many other countries enforcing import duty rates from 75% to 300% on U.K. produced cars, whereas Britain charges a rate of 10.3% on their cars imported into the U.K.
7. U.K. produced cars imported into Australia attract a duty of up to 95%, whereas Australian cars into Britain attract only 10.3%.
8. Within the E.E.C., a number of mechanisms are operated by individual member states to distort the market. The case of Spain has already been discussed. Further examples include emission incentives in Germany and Holland; price controls in Belgium; extreme sales taxes in Denmark; tariffs and quotas in Portugal; import deposits and differential import duties in Greece. In addition, public sector purchasing policies in all parts of the market effectively preclude normal competition.

It is all very well talking about free market economy and the drain on the tax payer. However, if politicians really want a thriving industry, their time would be better spent in creating the right kind of environment to give equal opportunity and fair trade for British industry, rather than allowing it to struggle in the most competitive car market in the world, whilst many of the competitors and their governments seek ways to look after their own.

Yours sincerely,



Robin G. Smith
Managing Director

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