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PRIME MINISTER

cc. Mr. Pattison
Mr. Ingham

The attached thank-you letter from Lady Plowden mentioned the question of the I.T.V. levy.

The Chief Secretary is pursuing this with the Home Secretary (see flag A), and there is likely to be a meeting between the Chancellor and the Home Secretary about it next week. I will let you know the outcome.

I understand that Home Office officials dislike the idea of changing the levy arrangements: they think that the fourth channel proposals will cause enough of an upset without moving on the levy at the same time. But the Home Secretary may be more willing to countenance a change on this front because of the I.T.V. pay settlement which may all too easily carry over to the B.B.C.. As you yourself have pointed out, the present levy arrangements mean that - as long as the I.T.V. companies are making a profit - the Government effectively foots 83 per cent of any extra pay bill.

(I don't like the 4th channel arrangements. They resist the possibility of fully raising their revenue (without need) for redundancy)

[Handwritten signature]

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(I am wholly in support of the Chancellor's arguments)

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21 November 1979



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THE LADY PLOWDEN, D.B.E.

Chairman

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20 November 1979

Jean Prime Minister

Thank you so much for having included me in the dinner last night for M. Siscard d'Estaing. It was a most interesting and pleasant evening - indeed a historic one - and I enjoyed it enormously. It was a pleasure talking to your French guests as well as my indigenous friends.

Geoffrey Howe mentioned at dinner that he was concerned by the fact that the levy from ITV was on profits rather than on revenue, and you also referred to it later. I thought it might be helpful if I explained to Geoffrey why the change had been made in 1973 from revenue to profits and the great disadvantages of the old system. So I have written to him tonight.

Thank you again
yours
Brian.