



D

PRIME MINISTER

FILM INDUSTRY with AT

The Secretary of State for Trade and Industry has sent me a copy of his minute to you of 18 June, and I have seen a copy of the Chancellor's minute of 12 June and the DTI/Treasury minute attached to it.

I do not wish to express a view on the tax treatment of the film industry but I should just mention the film industry's importance as a source of product for cable and satellite broadcasting. Films are the single most important kind of programming that viewers will be prepared to pay to see, in addition to their "basic" television services; and there is a serious shortage of films suitable for showing on television. The British film industry has begun to provide more suitable material but it still has a long way to go and it would be unfortunate if it now lost out to foreign competition.

I would only make two other points. First, if there is to be any modification to section 72 (of the Finance Act 1982), it needs to be a tax regime which fits the circumstances of the television companies as well as the film producers. The broadcasters are reasonably content with section 72: if there are to be changes they may need to be consulted.

Second, the resurrection of the idea of a levy on films shown on TV seems to me a backward step. It threatens to perpetuate all the anomalies and bureaucracy of the Eady system but based on a different source of funds. What we ought to be aiming for is a greater reliance on the market. The price paid by television for feature films is likely to be bid up significantly in the future as Channel Four, cable and satellite join the BBC and ITV in competing for a limited supply of suitable films. The cost of film purchases by the BBC and ITV has risen by 300% over the last five years. If this price effect continues, it may prove to be far more significant in the long run than any levy on films shown on TV.

I am copying this minute to Geoffrey Howe, Nigel Lawson, Norman Tebbit and Grey Gowrie.

25 June 1984

L.B.



Exempt.
June '79

Alan Finances

25 JUN 1984

11 12 1 2 3 4
10 9 8



10 DOWNING STREET

Andrew

~~John~~

Home Office may also
want to comment. If
so, they will do so
before the weekend.

Dms
19/6