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CC NO

JF6798

PRIME MINISTER

THE FILM INDUSTRY : TAXATION

You are aware that the Budget has created a very serious problem for the film industry and for my attempts to sweep away the whole Government regulatory framework within which the industry operates.

2 Officials have been trying to find a way forward and I had a meeting with the Chancellor earlier this week to see whether we could make progress.

3 I still hope that we will be able to reach a satisfactory agreement which will allow the White Paper to go ahead. But time is now very tight: amendments to the Finance Bill at Report stage need to be drafted by next Friday, and we must agree the White Paper so that it can be published before the House rises.

4 If it is not possible to reach agreement by close of play on Monday, I am afraid I will have to bring the issue to you. I have therefore asked the Chancellor to forward to you the jointly agreed official paper which sets out the background and the issues.

5 I am copying this minute to Nigel Lawson, Geoffrey Howe, Leon Brittan and Grey Gowrie.

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N T

2 July 1984

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PRIME MINISTER

FILM INDUSTRY

Despite discussions during the week, the Treasury and DTI have been unable to reach agreement on the taxation of the film industry. Mr Tebbit has, therefore, asked that the attached paper be sent to you for consideration. You are not being asked to give a view now but Mr Tebbit feels that if agreement is not reached with the Treasury during the course of Monday he will have to put the issue to you as amendments to the Finance Bill need to be settled by Friday. His case is that unless the Treasury concede a better tax treatment he cannot launch his White Paper removing the present regulatory framework. I attach a Policy Unit note which urges you to stay close to the Treasury position.

AT

29 June 1984

CONFIDENTIAL

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Andrew Turnbull Esq
Private Secretary
10 Downing Street
London SW1

29 June 1984

Dear Andrew

FILM INDUSTRY TAXATION

I enclose, as requested, a note produced jointly by Treasury, Inland Revenue and DTI officials which sets out the main issues on the taxation of the film industry. The note has been agreed by the Chancellor and the Secretary of State for Trade and Industry and replaces the Chancellor's minute of 12 June and its attachment, and the Secretary of State's minute of 18 June.

As you will see, the note was produced at the end of last week. Since then, the Chancellor and the Secretary of State have met to discuss the problem and some further concessions to the industry have been proposed but as yet, Ministers have not been able to reach agreement on a solution.

I am sending a copy of this letter and enclosure to Callum McCarthy (DTI).

Yours sincerely,

Margaret O'Mara

MISS O'MARA
Private Secretary

CONFIDENTIAL

FILM INDUSTRY TAXATION

Note by Officials

The policy issue is whether or not the film industry should be given, in addition to access to the Business Expansion Scheme, tax treatment better than Section 72 of the 1982 Finance Act. This Section treats the cost of making films as revenue expenditure which can be written off in line with the expected flow of income. The attached note deals with the policy issue at length. The arguments are summarised in paragraphs 2-4 below.

2. The industry have proposed a change to Section 72 which would make it more advantageous. On the one hand, the Secretaryof State believes that either the industry's proposal or something equivalent is politically necessary for launching his White Paper; that it is justified by the particular characteristics of the industry; and that by operating on Section 72 the strategy and philosophy of the Budget would not be undermined and abuse and repercussions would be avoided.

3. On the other hand, the Inland Revenue advice, supported by information from the City, is that any special regime for films will be widely used for the purpose of tax sheltering. It would not be possible to limit any widening out of the Section 72 relief without blocking off the tax benefit which has encouraged the American and other foreign finance which the industry wishes to attract.

4. With this advice in mind, therefore, the Chancellor of the Exchequer believes that the incentive which any widening of Section 72 provided through the tax system would not be compatible with the principles of the Budget tax changes. Operating on revenue expenditure via Section 72, rather than on capital allowances, does not affect the principle: nor would it disguise the special treatment which the film industry would be receiving. So it would substantially increase the difficulties of resisting other claims, which Ministers are already having to face, for special tax treatment following the loss of 100% first year allowances.

22 June 1984

FILM INDUSTRY TAXATION

The central issue is whether there is a case for introducing tax rules for the film industry which are more favourable than those currently on offer.

2. Before the Budget the Department of Trade and Industry was in the course of preparing a White Paper on the film industry which would have announced the abolition of the statutory framework in which the industry operates. The proposals included the abolition of the Eady Levy. Ministers had already agreed to the inclusion of a Films Bill in the next session for this purpose.

3. The policy was based on two main assumptions:

   i. films would continue to qualify for 100% first year allowances (FYAs); and

   ii. the substitution for Eady Levy funding of voluntary private sector funding from within the film industry for limited defined purposes. This agreement was negotiated by Mr Baker who believes that it depends on the industry operating within a sympathetic tax regime.

4. Tax regime: before 1979 expenditure on films was treated as a revenue expense. The normal procedure was for the tax inspector to agree a probable pattern of income for the film and apportion write-off accordingly. In 1979, a legal interpretation required expenditure on film making to be treated as capital investment, so qualifying for machinery and plant capital allowances. That meant that films attracted the 100% first year investment incentive. This change was exploited, partly by people looking for a tax shelter and partly by American film companies using leasing through London in order to pick up our tax subsidy. The 1982 Finance Act (Section 72) brought in rules which applied the pre-1979 principles. (These principles are on similar lines to accounting practice in the United States, where there is a formal accounting standard for the treatment of films). But British-made films were given a transitional period; eventually, capital allowances for these films were to be withdrawn in 1987.

5. However, the reform of corporate taxation in the 1984 Budget included the phased withdrawal of 100% FYAs from the whole of industry, including film making.

Film Industry's Case

6. The industry claims that loss of FYAs will have serious effects. They had hoped that by 1987 the Government would agree to extend the capital allowances indefinitely, or at least their continuation until 1987 to which they believe the Government were committed by a PQ in January 1983. The industry's immediate reaction to the Budget was to press for continuation of the 100% allowances, but it now recognises that this would not be compatible with the objectives of corporate tax reform. The industry proposes instead that expenditure be treated as a revenue expense, but with the Section 72 rules modified to allow earlier write-off of this expenditure. The proposals were to write-off 50% of expenditure on delivery of the completed film, a further 25% on first release, and the final 25% twelve months later.

7. The film industry's case for this treatment is:

i. writing-off expenditure against related income is inappropriate for the UK film industry. In contrast to the US film industry which is able to maintain production companies that make and distribute films on a continuing basis, in the UK films are most commonly made by companies set up specifically for each individual film;

ii. most industrial companies receive income on a continuing basis with a large proportion of output sold in the year of manufacture. Thus expenditure can be written-off when incurred. The film industry, however, produces a long term product through one-shot companies and is therefore disadvantaged by the tax regime. Other industries providing "long term" products (eg building construction) match income with expenditure through stage payments, but this is not generally possible with films where the product cannot be judged until it is completed.

iii. the film industry is particularly affected by the Budget because since 1979 virtually all its costs were treated as capital and therefore qualified for FYAs. The industry claims that this places them in a unique position among production industries: for most companies only a very small proportion of their costs are on capital expenditure;

iv. expenditure on items such as script-writing, development of films scores and general preparations for a film are in the nature of current expenditure which does not create "work in progress" of any capital value;

v. the US dominates the industry with 50% of the market compared to the UK's 4%. International competition is tough, partly because other countries - USA, Canada, France, Germany, Italy, Australia and New Zealand - provide supportive tax regimes or subsidies, or both, for their domestic film industries. This makes film-making in the UK a relatively high-risk business, and is a further reason why films continue to be made on a one-off basis;

vi. the UK film industry has been something of a success story over the last few years. There have been a number of highly successful British films, and we have also achieved a world-wide reputation for special effect films, which are generally financed from US sources. Expenditure by US film companies on goods and services in the UK last year was about £140 million. A film can cost about £30 million; but film making is highly mobile.

Costs

8. The costing figures[1] for the concession start by identifying the additional relief which will be available to the film industry as a result of the Chancellor's undertaking to extend Section 72 treatment to the industry at Report as compared with the new Budget capital allowances. They then identify the further relief that would be available if Section 72 were altered on the lines proposed by the industry. This is the relevant figure to compare with the industry's cost estimate. The final figures, which are the aggregate of the two earlier ones, give the difference between what the industry is asking for and the Budget capital allowances. These were the ones quoted by the Financial Secretary in the debate.

	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Cost of Section 72 over the Budget capital allowances	neg	-20*	-30*	15	55	50
Additional cost of industry's proposals (ie Section 72 improved as compared with Section 72 as is)	neg	20	50	40	10	10
Total cost of Tim Smith amendments given by FST	nil	neg	20	55	65	60

* In these years, the industry will in fact take the capital allowances (which they will be able to do under the Chancellor's option) because the allowances will still be better than Section 72; so the figures for 1985/86 and 1986/87 will be nil in practice.

The industry have quoted rather different figures.

1 These figures do not include any additional relief which may be available through changes in the Business Expansion Scheme.

9. The difference between the Treasury Ministers' and the industry's figures arise from different assumptions about the size of the industry for this purpose. The Treasury believes that the relevant figure should be £300 million. The industry has used a figure of £35 million.

10. The difference relates to whether:

   a. foreign investment should be included;
   b. TV film production should be included;
   c. short films should be included.

11. The industry's figures do not include foreign investment of £140 million because they claim that such investment will not be able to pick up the tax relief. TreasuryMinisters argue that it is unrealistic to expect foreign (principally American) investors not to take advantage of new concessions in the same way as they have in the past.

12. The industry have also excluded short films and TV productions amounting to £125 million because they believe they will not benefit from the proposal. However, they are within the new tax regime and so should be included in the figures; even though they will benefit less than feature films, this is taken into account in the detailed costings.

The Views of Trade and Industry Ministers

13. Trade and Industry Ministers accept the film industry's arguments that without modification of the regime on offer the industry will contract: the DTI estimate that UK film production might fall between one-third and one-half. Trade and Industry Ministers argue that Section 72 is already a special provision for the film industry, but it requires modification to introduce a write-off procedure more consistent with UK film industry practices, although not necessarily the one proposed by the industry. The reasons are as follows:

i. they agree that the tax system should aim to be neutral in its effect on economic decisions, but argue that the strict application of Section 72 would be a departure from neutrality because of the nature of film making in the UK;

ii. as they see it there would be no conflict with the Budget strategy, particularly as it is likely that the industrywould accept modification of Section 72 which would exclude the use of leasing, which was the means by which tax losses were absorbed by businesses unconnected with the film industry;

iii. some arrangement along these lines would enable the Government to publish a White Paper on the lines originally intended;

iv. if the case is not accepted there would be a need to reconsider proposals to abolish the Eady Levy and associated quangos so as to provide alternative forms of financial help to the industry, such as levies on television and video.

14. Trade and Industry Ministers are also concerned about the interdependence of films, cable and DBS. It is important that the UK film industry should continue to thrive so that it can meet the increasing demand for its products to feed cable and DBS. The alternative would be to lose these media to US film products.

Treasury Ministers' view

15. Treasury Ministers point out that the effect of the proposals would be to give film making much of the advantage of 100% FYAs. It would imply a significant breach of the general tax principle that expenditure should not be written off until it can be matched against the income arising from that expenditure.

16. Treasury Ministers do not accept that a faster write-off of expenditure would be neutral. It would allow companies to create tax losses which could be cashed in. And only if investors or production companies could do this would the changes be of any use to the industry.

17. A modified Section 72 would thus conflict with the Budget, which was to move to an even-handed corporate tax system that would not discriminate in favour of or against any particular type of asset or sector of industry. Investment in films, or in any other activity, should be primarily attracted by genuine pre-tax returns, rather than by the distorting effect of tax subsidies. Deliberately to introduce a new regime for films would be seen as perverse and a weakening of Ministerial resolve to carry through the overall strategy.

18. Many other industries (shipping, cable, agriculture, computers) are pressing strongly to be exempted partly or wholly from the Budget changes. A concession to the film industry would be very difficult to contain.

19. The concession would be expensive (paragraph 8), and worse if it spread. There are no obvious reasons why the film industry should be regarded as special. If this money "buys jobs" in the British film industry, it will also result indirectly in lost jobs and production in other industries. And in the majority of cases, the benefit of the subsidy goes to foreign investors, particularly Americans, who also retain the profits. This is too high a price to pay.

20. Treasury Ministers do not accept the film industry's argument that normal accountancy and tax principles discriminate against the industry. Many other industries produce long term products. Matching of expenditure with the related receipts is the required practice throughout industry, and the rules ensure that in

these cases neither losses nor profits are anticipated for tax purposes. The fact that British films are often produced by a one-off company, rather than by companies with rolling programmes, is irrelevant.

21. It is a fallacy to think the clause could be successfully amended to leave out leasing. Either the early write-off needs to be available for non-film companies, such as the banks, or there would be little purpose in making the change because American or institutional finance would have no ready channel for entry.

22. However, Treasury Ministers are prepared to do what they can to help the industry in ways consistent with the Budget strategy. Essentially these are:

i. British films will continue to be entitled to capital allowances until 1987 as promised in a PQ of January 1983, though the allowances will now be at the new depreciation rate for machinery and plant generally, which is all the industry could have reasonably assumed. This will now be made permanent. In practice most film makers will prefer to be taxed under Section 72 and they will be allowed to choose this treatment instead of allowances if they so wish. The Finance Bill will be amended to provide for this option;

ii. the possibility of bringing films within the Business Expansion Scheme (BES) is being explored, and this will also be provided for in the Finance Bill. This is a measure which will be particularly helpful to the smaller high risk independent UK production company. (It will not however apply to the larger companies for whom the write-off provisions are the prime consideration.)

In Sum

23. The central question is whether Section 72 of the 1982 Finance Act should be modified in the interests of the film industry.

- If Ministers judge there is no case for modification it will be necessaryto review the proposed White Paper, and possibly to consider alternative methods of raising funds for the film industry.

- If Ministers decide that there is a case for modification the major question is how the concession could be ring-fenced to contain the revenue consequences and damage to the aims and strategy of the Budget, and what level of support should be provided.

24. This paper has been prepared by the Treasury and agreed with the Inland Revenue and the Department of Trade and Industry.

HM Treasury

22 June 1984

CONFIDENTIAL

FROM: C W CORLETT

INLAND REVENUE
POLICY DIVISION
SOMERSET HOUSE

26 June 1984

Pages missing

1. MR ~~BEIGHTON~~ not seen
2. CHANCELLOR

FILMS : MEETING WITH MR TEBBIT

6.30 pm Today (27th).

1. This is the brief for tomorrow's meeting with Mr Tebbit. It reflects points which came up at your meeting yesterday, including those recorded in Miss O'Mara's note.

Background note

2. The attached background note covers:

i. A description of the recent changes in film taxation, including the nature of the pre-1982 abuse (paragraphs 5-8) Sir G Howe's Budget Statement about the reasons for taking action and the need for transitional relief for Eady films (paragraph 11) and Mr Ridley's statement about the extension of transitional relief (paragraph 12);

ii. What the industry is asking for (paragraphs 15 and 16);

iii. The repercussions of accepting the industry's proposals (paragraphs 17 and 18);

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cc Chief Secretary
Financial Secretary
Minister of State
Economic Secretary
Sir Peter Middleton
Mr Bailey
Mr Monck
Mr Monger
Mr R I G Allen
Ms Conn
Mr Lord
Mr Green
Mr Beighton
Mr Lawrance
Mr Pearson
Mr Prescott
Mr Corlett
Mr Tyrer
Mr Elmer
Mr Pascoe
PS/IR

6. If he is concerned with attracting American productions and finance as well, then you can point out that if the tax system has a role to play here it has to provide the American financiers with a subsidy. This subsidy is arranged by the American company selling the film to a UK company (a bank, a financial institution, a commercial company) with profits to shelter, and then renting it back. The British company picks up the tax relief (accelerated capital allowances or accelerated revenue write-off), uses them as tax losses to shelter other profits, and then passes all or most of the benefit back to the American company via reduced lease rentals or reduced distribution charges. To the American company this is equivalent to an interest rate subsidy. How far does Mr Tebbit wish to go in providing interest rate subsidies to American film production/distribution companies to encourage employment in the UK; especially when the profits of the film - as well as the tax subsidy - finish up in the USA?

Minimising Mr Tebbit's demands

7. Your first objective therefore will be to persuade Mr Tebbit to moderate his demands. You can mention BES. You can explain the value of what you have already given by offering the Section 72 option (line C in the table at the end of the attached note). You can indicate the consequences of providing films with a subsidy which no other industry will get (paragraph 17 of the note).

8. In rejecting the Tim Smith approach of a new formula within Section 72, you can refer to the fact that Section 72 applies also to television films. The Independent Television contractor companies do not want the Tim Smith formula because it works to their disadvantage it puts them in a straight jacket. They prefer Section 72 as it is. This point is made in the Home Secretary's minute of 25 June to the Prime Minister. So the feature film industry's proposal would create uproar in the television industry.

13. You will not want to exaggerate the value of this concession. It is not possible to put a cost figure on it, but it would be a small proportion of what the industry is asking for. Nor is it clear whether the Government would even get much thanks. But it would be evidence of good-will, and could be offered on a take it or leave it basis.

Next steps

14. If Mr Tebbit were to accept that the existing Section 72 option, a BES extension and cost recovery treatment met his requirements, you will presumably want a further discussion to take place with the industry before Report. It is important to ensure that a meeting is arranged as soon as possible with either a Treasury Minister or a Revenue official in the lead; you will not want the outcome to reach the industry via the DTI.

15. If no agreement is reached with Mr Tebbit, and the matter has to go to the Prime Minister, you will want to decide whether the existing (unsatisfactory in your view) note will suffice, or whether it should be re-cast, in which case it could reflect also the outcome of the present meeting.

C W CORLETT

FST

The Chancellor has asked for the cost of conceding 100% FYAs up to 1987. MO'M thinks his mind is moving that way, because of the terms of the Ridley statement. I said I thought that was ~~[illegible]~~ wrong, because the industry were not pressing their case on this basis - surprisingly and foolishly, they were trying to argue on principle.

AHH

TAXATION OF THE FILM INDUSTRY

Taxation arrangements up to 1982

1. Until 1979, expenditure on the production or purchase of a film was regarded as revenue expenditure, and written off on normal accountancy and tax principles against the related income from the film. This meant that expenditure was not normally written off when it was incurred, but some time later, following the release of the film or the sale of distribution rights. It is true that there were one or two cases when Inspectors had allowed film expenditure to be written off as it was incurred; these cases are known to the film industry representatives, but it has been made clear to them that the ticking through of those arrangements was incorrect and, where discovered, has subsequently been put right.

2. The fact that the matching of expenditure with income was the normal practice at that time is demonstrated by the pressure which the film industry put on us for an improvement in their tax treatment. This led to a re-examination of the statutory nature of a "film", and to legal advice that expenditure on a film was in fact capital expenditure and that a film was "plant" qualifying for capital allowances.

3. On receipt of this advice, we were obliged to alter our practice. Having cleared the matter with the then Chancellor (Sir Geoffrey Howe), there was an Inland Revenue announcement in August 1979 that expenditure on films would thereafter qualify for capital allowances. This was not a political decision - though the film industry has subsequently sought to interpret it as such.

4. The industry welcomed the new capital allowance regime, because a film being "plant" qualifies for 100% first year allowances. This allowed them immediate write-off of their expenditure.

Withdrawal of capital allowances and transitional relief for British films

9. Substantial amounts of UK Exchequer subsidy were therefore at risk. Americans arrived in London to hawk round films, almost unable to believe what the UK tax system was offering them. Accordingly, the Chancellor (Sir Geoffrey Howe) took urgent action in 1982 to withdraw capital allowances from films, and to insert in their place a system for writing off the cost of film production as revenue expenditure over the film's earning life, broadly on the lines in force before 1979. The reason the write-off rules were formalised in Section 72 was to ensure that there could be no dispute that films would not be able to obtain a subsidy.

10. The then Chancellor decided, however, in the face of very powerful pressure from the domestic industry, to provide a two year transitional period, until 1984, during which films made in Britain could continue to qualify for first year allowances. These included films made by American production and distribution networks, and financed entirely in the United States, but which were substantially filmed in UK studios - blockbusters like the Superman series. It was recognised that the benefit of the Exchequer subsidy would flow to the USA in these circumstances, but it was felt that the employment etc benefits justified including these films in the transitional arrangements, alongside the British products.

11. In his Budget statement in 1982, Sir Geoffrey Howe said:

> "Investment in films qualifies for 100% first year allowances. As with other capital allowance provisions, these investment incentives are available without regard to whether a film is made in this country or overseas. There is evidence that schemes for investment of this kind - primarily in foreign-produced films - are currently being marketed in this country. The potential loss to the Revenue is very great.
>
> I propose, therefore, to withdraw the 100% first year allowance for films and to introduce in its place a provision

14. The Financial Secretary has explained why this is so. In the recent Finance Bill debate he said:

> "The statement [ie Mr Ridley's] related to the existing [ie 1983] structure of capital allowances. There were 100% capital allowances at the time, so the extension of the transitional arrangements to 1987 subsumed within it the initial 100% allowances. The statement related to an extension beyond the time that was established by my rt hon Friend [Sir Geoffrey Howe]. Pressure was applied, as happens so often in politics, to extend the transitional period. The national allowances system had within it the initial 100% allowances at the time, and that was seen as part and parcel of the extension."

What the industry if asking for

15. The industry do not want the capital allowances once the first year allowances are substantially reduced and then abolished. They are content to move to Section 72 treatment (which is better than 25% writing down allowances). But they want Section 72 "improved" to re-introduce a significant acceleration element.

16. Instead of the matching of expenditure with receipts (ie a broadly neutral system) they want a formula under which write-off would be advanced, so that:

50% cost was written off on completion of production;
25% on release;
25% in the year following completion of production.

Repercussions of a further Finance Bill concession

17. A significant concession to Eady films on the lines that the film industry wants, as reflected in the Tim Smith amendments, would have the following effects -

i. It would continue the Exchequer subsidy for American studios producing Eady film in the UK like Superman

Write off of expenditure under Section 72

19. Section 72 of the Finance Act 1982 is unusual in that it provides a specific basis for writing off expenditure on films as a revenue expense. In other industries, the write-off is determined by accountancy and tax principles. Nevertheless, the basis provided for in Section 72 is entirely consistent with the general accountancy approach of matching income to the costs of earning it. Commercial accounts are not drawn up on a simple receipts and payments basis. If production expenses are incurred in one year and the receipts come in during a later year, it would be wrong to regard the trader as having made wholly a loss in year 1 and wholly a profit in year 2. The receipts and expenses have to be brought together, and this is normally achieved by carrying forward uncompleted work as work in progress, and debiting it when the sale takes place.

20. Although there is no one standard accounting method of dealing with film expenditure in this country, the scheme laid down by Section 72 is a method which has been accepted and used in the film industry for over 50 years. But quite apart from any accountancy principles and practices, there is an overriding tax rule established by case law which says that neither profits nor losses must be anticipated. Simply to write off film production costs as they were incurred would be to anticipate a loss - and therefore create a cashable "tax loss" - which may never arise and would contravene this fundamental principle.

21. In his minute of 18 June to the Prime Minister, Mr Tebbitt claimed (paragraph 4) that Section 72 was based on US accounting practices which were inappropriate to the UK industry. There is no foundation in this. The point we have previously made to the DTI is simply that an accountancy standard does exist in the USA, and the fact that it is consistent with Section 72 lends additional support to our argument that the section as it stands correctly reflects the reality of film production and exploitation. The fact that the Americans may or may not have a different tax depreciation system from our own, and may or may not provide investment

24. Cost recovery would adversely affect films which made a loss. So if it is to be offered, it will need to be in the form of an option. It would almost certainly require legislation.

Costings

25. The attached table gives the estimated costs of the various measures and proposals.

26. The impact of the Budget on the industry is shown in line B.

27. The benefit to the industry of the concession under which they can opt for Section 72 treatment, instead of capital allowances for ever, is given in line C.

28. The additional benefit to the industry from the Tim Smith amendment, improving Section 72, is given in line E.

Jobs in the industry

29. Mr Tebbitt mentioned the Financial Secretary's statement that there had been no increase in employment in the industry over the last few years. The DTI say that the Unions claim that there are now another 4000 to 5000 of their members at work, compared to two or three years ago.

30. No-one seems to know how many are employed in the industry, but if Mr Tebbitt should raise the point, you can make the debating point that the figures quoted by the Financial Secretary - 25,000 jobs in all aspects of film production, including feature films, advertising films, shorts etc - came from the official Department of Employment figures, and were agreed with DTI officials beforehand. You can concede that the quirky nature of the industry - with its tradition of self-employment - may mean that some jobs go unrecorded; and that the Union may indeed be right that this element has increased recently. But, even if that is so, the numbers involved do not appear seriously to undermine the message of the official statistics - which is of a fairly flat trend line.