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Secretary of State for Trade and Industry

11 July 1984

Miss M O'Mara
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Dear Margaret

FILM INDUSTRY WHITE PAPER

You will have received separately a copy of a letter I have sent to Andrew Turnbull and Private Secretaries to EA members, seeking urgent clearance of the draft White Paper on films policy. I spoke to you on the telephone today about the arrangements for additional support to help the film industry discussed at the Prime Minister's meeting on 6 July.

2 My Secretary of State is concerned to avoid premature disclosure of the proposed allocation of £2 million a year for five years to the film industry, and references to this have not been included in the draft for general circulation. He has, however, asked me to send you the attached draft paragraphs which will, if the Chancellor of the Exchequer agrees, replace those in the circulated text. You told me that the Chancellor had been attracted to the idea that this might come from an offset of the ITV levy. Kenneth Baker has discussed with officials here and from the Home Office the feasibility of this offset arrangement and has concluded that it is not a feasible option. This option would clearly have resulted in a loss to the Exchequer of £2million a year of the revenue it receives direct from the levy. My Secretary of State would accordingly propose that an additional allocation to this Department's budget of £2million a year for the years 1985/86 to 1989/90 in order to cover this commitment - and which will have the same resource effect as the levy option. But my Secretary of State is content to leave the resolution of this matter until the forthcoming PES discussions, and he does not believe that this need delay the White Paper's publication. In order to keep to the timetable for publication of the White Paper on 18 July, my Secretary of State will, unless he hears to the contrary by the close tomorrow (12 July), assume that the Chancellor does not wish to object to the proposals in the attached drafts.

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3 I am sending a copy of this letter to Andrew Turnbull (No 10), Nigel Pantling (Home Office) and to Richard Hatfield (Cabinet Office).

Yours etc,
Andrew Lansley

ANDREW D LANSLEY
Private Secretary

Encs

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for film we believe that this important work should be firmly based in the private sector and directed towards the development of talent for the commercial market. The Government has made outline arrangements with certain organisations in the film, television, and video sectors that they should provide annual contributions of £1.1 million for a period of three years to a new company whose primary purpose will be to part-finance low budget feature films involving largely British talent. The Government will also contribute by placing at the disposal of the new company the portfolio of rights from past and present projects of the NFFC, which has an income-generating capacity of not less than £200,000 a year and which, if intensively managed, many consider could yield considerably more for the next few years. There is therefore already at least £1.3 million a year, and possibly as much as £1.5 million a year available to the successor company to the NFFC. The Government hopes that other companies in the industry and in the television industry, which is so dependent on good film production, will invest in the new company.

In order to encourage this the Government is prepared to establish a fund of £1.5 million a year for five years to be available for co-financing films jointly with the new company. Details will be subject to discussion with the industry. It is envisaged that the new company will take over from the NFFC in Autumn 1985.

8 THE EFFECT OF EADY ABOLITION ON OTHER BODIES

8.1. Apart from the NFFC, three other bodies are entitled to receive money from the proceeds of the Eady levy. The arrangements we intend to adopt for these organisations are as follows.

The National Film and Television School

8.2. The School currently receives some £½ million a year from Eady funds. We believe that it is essential for this money to be replaced and have negotiated arrangements which provide a satisfactory solution. The cinemas, the independent television companies, and the BBC, all recognise the benefit that they ultimately derive from the School and they have jointly undertaken to provide £600,000 a year, rather more funds than are currently provided from the Eady levy, for a period of five years from the cessation of that fund. For the BBC and the independent television companies, this is in addition to their existing level of contributions. This effectively secures the funding of the School until the end of this decade. Whilst it seemed to us unreasonable to seek firm commitment for any longer period, the Government hopes that participants in this scheme will consider in due course how they might continue to assist the School. [Meanwhile, the Interim Action Committee on

the Film Industry recommended that further support should be given to improve the television facility at the School. The Government proposes to contribute up to £250,000 for this purpose in the year 1985/86. This will come from the fund of £1.5 million a year described in paragraph 7.3.

The Children's Film Foundation

8.3. As mentioned in paragraph 4.8, the Foundation no longer seeks funds from the Eady levy, and has diversified into television. We do not feel that there is any need to make further provision after the abolition of Eady, and the Foundation is content with this.

The British Film Institute Production Board

8.4. The Eady levy currently supplies £125,000 a year towards the finances of the BFI. The receipt of this money is not a prescriptive right, and it represents some 10 per cent of the Production Board's current budget. We do not believe however that this funding should cease entirely at the end of the current year. There are no other obvious sources from which money can be found for these purposes, and the Government therefore, in consultation with the

Effects of These Policies on Public Expenditure and
Public Service Manpower

9.4. The continuation of the NFFC's work of supporting new British talent, will require £1.5 million a year for five years of public money by way of co-financing in addition to the contributions from the private sector and the income from the NFFC's portfolio of rights. The project development scheme will involve £500,000 of expenditure annually by the Department of Trade and Industry.

9.5. The removal of legislation requiring among other things the registration of exhibitors and distributors will permit a small saving of staff (1 post) within the Department of Trade and Industry. The project development scheme will need more Departmental oversight than its predecessor scheme, operated by the NFFC, but this can be contained within existing Departmental provisions due to the cessation of work involved in oversight and monitoring of the NFFC.