



File.

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

19 July 1984

N M McMillan Esq
 Private Secretary to the Minister of State for
 Industry and Information Technology
 Department of Trade and Industry
 1-19 Victoria Street
 LONDON SW1H 0ET

Dear Neil

FILMS POLICY REVIEW: STATEMENT

You wrote to Andrew Turnbull on 17 July, enclosing a draft statement which Mr Baker hopes to make to the House of Commons today, announcing the conclusions of your Department's review of films policy.

The Chancellor is concerned that, as currently drafted, the two paragraphs of the statement covering the tax changes for the film industry might raise expectations excessively. He would therefore be grateful if they could be revised as in the enclosed text.

...

The Chancellor would also like to suggest the following two changes to the statement:

- (i) page 3, line 7: insert the words "for 5 years" after "A further £½m a year";
- (ii) page 3, line 18: insert after "provide £250,000 for this" the words "purpose in 1985-86. This will come from the fund of £1½m a year to which I referred earlier".

As you will see, these changes simply bring Mr Baker's statement into line with the text of the White Paper.

I am copying this letter to Andrew Turnbull (No 10), to the Private Secretaries to the other members of E(A), to Mary Brown (Office of Arts and Libraries), Murdo McLean (Government Whip's office), David Morris (Lord Privy Seal's office), Richard Hatfield (Cabinet Office) and Bernard Ingham (No 10).

Yours sincerely,
 Margaret O'Mara

Miss M O'Mara
 Private Secretary



During the passage of the Finance Bill through Parliament, my Rt Hon Friend the Chancellor of the Exchequer made two amendments designed specifically to help the film industry. First, qualifying investment in film projects will now come within the scope of the Business Expansion Scheme. This will be a valuable incentive to equity investment in films and will help the small producers who have lately gained the confidence of the City.

Secondly, my Rt Hon Friend has announced that films will have a further option to write-off expenditure on a cost recovery basis against income as it arises, instead of spreading it over the income producing life of the film. The industry will therefore not normally pay tax on its profits until all expenditure has been written off.

Leon Poir 6179 Film Finance

18 JUL 1937





The British film industry is undergoing a renaissance. We are fortunate to have so many talented producers, writers, directors, and actors; and outstanding technical skills in film making. Several companies in Britain have achieved commercial success in quality films. Channel 4 has effectively encouraged the thriving independent production sector.

However, cinema attendances have continued to decline dramatically. From an annual average of 338m in the 1960's they have dropped to 66m in 1983. In the same period the number of screens declined from some 3,000 to 1,300.

Against this background we have drawn up the following proposals which are contained in the White Paper published today.

Our first and most important conclusion is that the outdated Eady levy on cinema receipts must be ended. Introduced to recycle money from the cinemas to the producing companies it has become an extra tax on seats which cinemas cannot afford. Its revenue in real terms has fallen by six sevenths. It's an elaborate and unfair burden on the industry's weakest sector. The Government proposes to bring in legislation to end this in 1985, and at the same time



to wind up the British Film Fund Agency, the Cinematograph Films Council, and the National Film Finance Corporation. The legislation will also repeal eight Acts of Parliament and twenty-five Statutory Instruments relating to films.

I have considered carefully the case for extending an Eady-type levy to television or to videos. I am, however, convinced that no sort of recycling mechanism is sensible. A levy on TV could lead to an increase in the BBC licence fee and ITV companies are already paying a subscription to Channel 4 which will be financing film making at a level of £8m a year. In its review of copyright the Government is still examining the question of a levy on blank video and audio tapes to protect copyright owners and we intend to invite further comments on this.

I have been able to make satisfactory arrangements to replace the money which the Eady levy raised.

Revenue from the Eady levy has in the past provided finance for the NFFC, which has done valuable work to encourage emerging young talent in the British film industry. It has contributed to many notable films including "Gregory's Girl" and "Another Country" and fostered talent which has come to the fore in such international successes as "Chariots of



"Fire" and "Local Hero". The valuable contribution made with Eady levy finance will in future be secured by a new company in the private sector whose shareholders will initially provide contributions of over £1 million annually. The Government, in addition, will make £1½ million a year available for five years to co-finance low- and medium-budget films to be made in Britain. A further £½ million a year for five years is to be made available to help in the early stages of the development of film projects. The new company will therefore be able to deploy more than double the resources which NFFC has had in recent years. It is an important new deal for the British film industry.

The National Film and Television School is well respected, and enjoys an international reputation. We have secured independent funding for five years which will more than replace the current level of the Eady contribution. Lord Wilson of Rievaulx and the Interim Action Committee on the Film Industry recommended updating the equipment at the School and the Government will provide £250,000 for this purpose in 1985/6.

The British Film Institute Production Board also receives a small Eady contribution and I propose in consultation with the Cinematograph Films Council to see whether a final payment out of the Eady levy can be made.



During the passage of the Finance Bill through Parliament, my Rt Hon Friend the Chancellor of the Exchequer made two amendments specifically to help the film industry. First, qualifying investment in film projects will now come within the scope of the Business Expansion Scheme. This will be a valuable incentive to equity investment in film and will help the small producers who have lately gained the confidence of the City.

Secondly, in addition to the measures announced in the Budget, My Rt Hon Friend has announced that films will have a further option to write off expenditure on a cost recovery basis against income as it arises, instead of spreading it over the income producing life of the film. The industry will therefore not normally pay tax on its profits until all expenditure has been written off. This will give a greater measure of certainty for those investing in films.

I am very pleased that the industry is pressing ahead strongly with plans for British Film year in 1985. This will focus attention on film in education and industry as well as in entertainment. In particular it will aggressively promote the sales of British films overseas.



Our policy is to free the film industry from Government intervention and from an intrusive regulatory regime dating from the days of the silent films. Our policy will clear the way for the industry to operate in a more confident framework and to consolidate upon its success.

SP7/SP7AAP

2



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215)
GTN 215) 5147
(Switchboard) 215 7877

From the Minister of State
for Industry and Information Technology

RT HON KENNETH BAKER MP

Andrew Turnbull
PS/Prime Minister
10 Downing Street
LONDON
SW1

One Mark

17 July 1984
MS
18/7

Dear Andrew,

FILMS POLICY REVIEW: STATEMENT

I attach a copy of the statement which Mr Baker hopes to make to the House of Commons on Thursday 19 July announcing the conclusions of the films policy review. The Policy has been approved by Ministers, and we propose to publish the White Paper on Thursday 19 July.

Briefing on the White Paper, including defensive points will be circulated as soon as possible in advance of the statement.

I am copying this to private secretaries to members of E(A), Mary Brown (PS/Lord Gowrie), Murdo McLean (PS/Chief Whip) and David Heyhoe (PS/Lord Privy Seal), Sir Robert Armstrong and the Chief Press Secretary at No 10.

Yours

Neil

N M McMILLAN
PRIVATE SECRETARY

M54/M54ABE



JU794

STATEMENT ON FILM POLICY

With permission, Mr Speaker, I should like to make a statement on the film industry.

The British film industry is undergoing a renaissance. We are fortunate to have so many talented producers, writers, directors, and actors; and outstanding technical skills in film making. Several companies in Britain have achieved commercial success in quality films. Channel 4 has effectively encouraged the thriving independent production sector.

However, cinema attendances have continued to decline dramatically. From an annual average of 338m in the 1960s they have dropped to 66m in 1983. In the same period the number of screens declined from some 3,000 to 1,300.

Against this background we have drawn up the following proposals which are contained in the White Paper published today.

Our first and most important conclusion is that the outdated Eady levy on cinema receipts must be ended. Introduced to recycle money from the cinemas to the producing companies it has become an extra tax on seats which cinemas cannot afford. Its revenue



in real terms has fallen by six sevenths. It is an elaborate and unfair burden on the industry's weakest sector. The Government proposes to bring in legislation to end this in 1985, at the same time winding up the British Film Fund Agency, the Cinematograph Films Council, and the National Film Finance Corporation. The legislation will also repeal eight Acts of Parliament and twenty five Statutory Instruments relating to films.

I have considered carefully the case to extend an Eady-type levy to television or to videos. I am, however, convinced that no sort of recycling mechanism is sensible. A levy on TV could lead to an increase in the BBC licence fee and ITV companies are already paying a subscription to Channel 4 which will be financing film making at a level of £8m a year. In its review of copyright the Government is still examining the question of a levy on blank video and audio tapes to protect copyright owners and we intend to invite further comments on this.

I have been able to make satisfactory arrangements to replace the money which the Eady levy raised.

Revenue from Eady levy has in the past provided finance for the NFFC, which has done valuable work to encourage emerging young talent in the British film industry. It has contributed to many notable films including "Gregory's Girl" and "Another Country" and fostered talent which has come to the fore in such major



international successes as "Chariots of Fire" and "Local Hero". The valuable contribution made with Eady levy finance will in future be secured by a new company in the private sector whose shareholders will initially guarantee contributions of over £1m annually. The Government in addition will make £1½m a year available for five years to co-finance medium budget films to be made in Britain. A further £½m a year is to be made available to help in the early stages of the development of film projects. The new company will therefore be able to deploy more than double the resources which have been made available to NFFC in recent years.

The National Film and Television School is well respected, and enjoys an international reputation. We have secured independent funding for five years which will more than replace the current level of the Eady contribution. Lord Wilson of Rievaulx and the Interim Action Committee on the Film Industry recommended updating the equipment at the School and the Government will provide £250,000 for this.

The British Film Institute Production Board also receives a small Eady contribution and I propose in consultation with the Cinematograph Films Council to see whether a final payment out of the Eady levy can be made.

My Rt Hon Friend the Chancellor of the Exchequer has made two significant tax changes to help the film industry. First, investment in film projects will now come within the Business



Expansion Scheme. This will be a valuable incentive to equity investment in film and will help the small producers who have lately gained the confidence of the City.

Secondly, in addition to the measures announced in the Budget, My Rh Hon Friend now proposes to give films a further option to write-off expenditure on a cost recovery basis against income as it arises, instead of spreading it over the income producing life of the film. This will help the industry by allowing it to write-off expenditure more in line with its accounting practices and by giving a greater measure of certainty.

I am very pleased that the industry is pressing ahead strongly with plans for British Film year in 1985. This will focus attention on film in education and industry as well as in entertainment. In particular it will aggressively promote the sales of British films overseas.

Our policy is to free the film industry from Government intervention and from an intrusive regulatory regime dating from the days of the silent films. Our policy will clear the way for the industry to operate in a more confident framework and to consolidate upon its success.

one

NMM AT 10/17



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215)
GTN 215) 5147
(Switchboard) 215 7877

From the Minister of State
for Industry and Information Technology

RT HON KENNETH BAKER MP

Charles Marshall Esq
Lord Privy Seal's Office
House of Commons
LONDON
SW1A 0AA

AS to
NMM

10 July 1984

Dear Charles

STATEMENT ON FILMS POLICY

I spoke to you on the telephone last week about the need for a short statement on the Government's policy on films. The Department intends to issue a White Paper on 18 July, and you have kindly pencilled in a slot for us to make a statement on films that day. I would be very grateful if you could now allocate this as a firm fixture. Drafts of the White Paper should be circulating to colleagues today. I am copying this to Tim Flesher and Murdo Maclean.

Yours sincerely
Steve Munnery

PP

N M McMILLAN
PRIVATE SECRETARY

M53/M53ABB

10 JUL 1984

