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Secretary of State for Trade and Industry

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7 April 1986

The Rt Hon John MacGregor OBE MP  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
London SW1P 3AG

*Dear John,*

1. *DIY* *Issue*  
2. *CF* *NBPM*

#### BLANK TAPE LEVY

I am very concerned that our officials have been unable to agree on the treatment for public expenditure purposes of the proposed levy on blank audio tapes.

The position ought to be extremely simple. The Government will raise revenue of about £5m each year from the levy, probably starting in 1988/9; a collecting agency will disburse the same amount (net of its administrative costs) to copyright owners. The financial effect is therefore neutral. Your officials have maintained however that the levy is not a public expenditure item whereas the payments from the collecting agency together with its costs would be, and that these payments would therefore have to be funded from my PES provision, not from the receipts themselves.

I am not challenging the correctness of the classification of the levy and payments, although as Norman Tebbit said in his letter to you of 21 November, we should not allow this sort of bureaucratic nonsense to cloud the argument. Whatever the classification, however, I do need an assurance, which has not so far been forthcoming, that the practical effect of these flows will be neutral for my own PES provision. If necessary this could be by the payments being deemed to represent a call on the Reserve, even though we know that they are in fact covered by the levy receipts themselves. Norman Tebbit was quite right to stress that it would be very damaging to look for offsetting savings from DTI's provision.

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The alternative course of action, which your officials appear to be suggesting I adopt, is that I submit a bid for the amounts in question in the forthcoming PES round. If I may say so, this seems to go right against your own efforts, described in your recent minute to the Prime Minister, to improve the operation of this year's Survey and to ask Ministers in spending Departments to give more time to winnowing out unnecessary bids.

There is also a presentational need to keep a direct link between the levy and the payments. Introduction of this levy, as you well know, will not be popular. If it becomes apparent that payments to copyright owners may be affected by the availability of funds in my overall Departmental budget, that will make the task of putting across the levy and its operation much more difficult. Some satisfactory way does, therefore, need to be found of linking the levies and payments so that the one can be clearly seen to be financing the other.

I propose to announce details of the levy in the White Paper on Intellectual Property and Innovation. This is due to be published on 15 April. I should be grateful if you could let me have your assurance before then.

I am copying this letter to the Prime Minister, members of H Committee and Sir Robert Armstrong.

PAUL CHANNON

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