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the department for Enterprise

*CEB*

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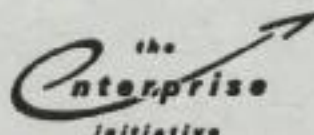
**ITV LEVY FOR CONTRACT EXTENSION PERIOD**

*at Hap PTC*  
In his letter to you of 12 September Douglas Hurd invited me to comment on the concerns which have been expressed in some quarters about the effect on the UK film industry of moving to a revenue-based levy for the ITV contract extension period.

I have indeed been lobbied by the film industry, who are worried that the change might seriously reduce, or even put an end to, ITV investment in feature films. The incentive to such investment which a profits-based levy provides is however a distortion; and while we should be prepared for further articulate lobbying on this issue, I do not believe we should allow it to divert us from moving to a revenue-based levy.

It has also been put to me that moving to a revenue-based levy for the contract extension period could undermine progress on independent access to ITV. I would view such an outcome with some concern. But I am reluctant to accept that the achievement of our target on independent access should be dependent on continuing with a tax regime which we otherwise regard as unjustified. If moving to a revenue-based levy does lead to a loss of momentum on independent access we shall simply have to consider whether other means can be brought to bear to ensure that our target is achieved.

In summary, therefore, I am not convinced that the arguments which have been advanced on films and on independent access provide adequate grounds for shifting from our original

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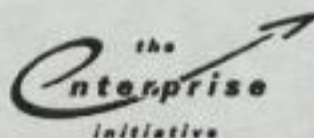
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position that a revenue-based levy would be the correct approach for the contract extension period.

I am copying this letter to the Prime Minister and other members of MISC 128, and to Sir Robin Butler.

*Y. L. David*

The logo for the Enterprise Initiative features the word "Enterprise" in a stylized, bold font with an arrow pointing upwards and to the right. Above "Enterprise" is the word "the" in a smaller font, and below it is the word "Initiative" in a smaller font.

the  
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