

C/B



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1E 6RB

NBPM

18 April 1986

*Dear Paul,***BLANK TAPE LEVY**

Thank you for your letter of 7 April in which you seek an assurance that you will not be required to find off-setting savings to cover the additional public expenditure arising from the introduction of the proposed levy on blank audio tape.

My Private Secretary has already informed your office that I am prepared to give that assurance. The arrangements which have finally emerged for the levy are highly unusual, and I accept the need to associate closely the levy receipts and payments, in order to demonstrate that (apart from the collection costs) the former will be used exclusively to finance the latter. Therefore, while the payments should be classified as public expenditure, I am prepared to make an exception to the normal classification rules so that the receipts can be accounted as negative public expenditure. Thus the introduction of the levy will not lead to any increase in public expenditure and the question of offsetting savings does not arise.

I must emphasize that I can agree to this classification only because of the unique nature of the levy arrangements set out in your White Paper, including the fact that the funds collected are to be hypothecated for the benefit of a particular group of people. My agreement is on the understanding that the levy will be ring-fenced from your other expenditure, and administered, so far as possible, in such a way as to ensure that receipts and payments net out within each financial year.

You will, by now, have seen my letter of 11 April to Keith Joseph about his proposals for funding the additional cost to local authorities of the compulsory licensing scheme for video recording in education, which is included in the White Paper on Intellectual Property along with the proposals for the blank tape levy. I hope that you can agree to the transfer from your expenditure programme to cover this, particularly in the light of my agreement to your proposal on the levy. I must emphasise once again that I could not entertain a Survey bid from you to cover any transfer which might be agreed.

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

Yours very,

John

JOHN MacGREGOR

