

## Levy Board UK Consultation

Many thanks to all those who responded either verbally or in writing to my letter regarding the consultation on the draft Levy Board UK Order 2007. The responses were overwhelmingly similar. A large majority was opposed to the expanded functions contained in the draft Order and there was unanimous opposition to the proposal to change the basis of calculating the levy from hectarage to an adjusted sales figure less certain costs.

As a result, we responded to the consultation opposing the expansion of functions, requesting that the levy from growers of apples and pears should be ring-fenced for R and D in that sector, and that hectarage should remain the basis for calculating the levy.

Subsequently, Sir Ben Gill and I met with John Bridge, Chairman of Levy Board UK, and Kevin Roberts, one of his senior colleagues. Following a summary of the history of the APDC, the APRC and EAP, we raised all growers' points of concern stemming from the contents of the draft Order. They responded as follows:

1. The Levy Board UK wished to work with organisations like EAP and their activities would be complementary rather than competitive. It was intended that the work undertaken in the apples and pears sector should continue as at present and that the expanded functions would be progressed only if necessary to respond to market changes. We pointed out that changes in personnel or pressure from outside sources (eg Government) could alter this direction to encompass some or all of the expanded functions. The final Order should restrict to R and D the functions in relation to apples and pears, as was the case with the APRC.
2. It was intended that levies from growers of apples and pears should be spent only on activities related to that sector. Again, we thanked them for their reassurances but stressed the importance of this being stated in the Order.
3. We pointed out that significant sales of apples from trees not designated as cider varieties are being made to cider manufacturers. Levy was payable on this production yet not on fruit from designated cider or perry varieties. We suggested this was an anomaly which should be rectified after discussions with the cider industry.
4. They noted our concerns in relation to the proposed changes in calculating the levy. We pointed out that the research on which the conclusion that the levy income would be similar if based on an adjusted sales figure at 0.5%, rather than hectarage, was based on inaccurate hectarages and sales values. All growers who had undertaken comparative costings had reported that the proposed new method would result in greatly increased levy payments and they would also face increased costs for additional accountancy. We emphasised that levy payments should continue to be based on hectarage.
5. It emerged there is a potentially serious issue relating to VAT. HM Customs and Excise have indicated they will investigate Levy Board UK to reconsider whether the Board should be registered for VAT against the background of them having recently deregistered a similar body in the fisheries sector. It is hoped this will be resolved satisfactorily.

It was agreed that I should meet with the Levy Board twice a year to discuss any issues which may arise. This was a good meeting and the responses to the points we raised were very constructive. However, despite the reassurances, it will be important that the draft Order itself is amended to reflect the views of growers. We will continue to monitor the situation and, if necessary, to take further action to try to achieve this outcome.

Adrian Barlow  
Chief Executive  
29<sup>th</sup> June 2007