

HM TREASURY**HMT REF: PQ 224/98****FOR ANSWER ON FRIDAY 8 MAY 1998****Mr Malcolm Moss****Conservative - North East Cambridgeshire**

To ask Mr Chancellor of the Exchequer, what representations he has received from the Petrol Retailers Association about the illegal importation of petroleum products into Northern Ireland; and if he will make a statement. (41549)

DAWN PRIMAROLO

The Chancellor has received representation from the Petrol Retailers Association via Northern Ireland MPs. These representations cover both the difference in the selling price of petrol and diesel in Northern Ireland and the Republic of Ireland, and the illegal importations which are taking place as a result. The letters have received replies explaining the measures which are being taken to counter the threat posed by this illegal trade.

There is evidence of smuggling of duty paid fuel across the border into Northern Ireland for onward sale. The Government recognises that this is a serious problem which disadvantages legitimate traders. Customs are aware of the problem and are active in mounting investigations against those involved.

SARAH HARLEN**EXTN: 0323****DAVID HOWARD****EXTN: 5018**

HM TREASURY

HMT REF: PQ 223/98

FOR ANSWER ON FRIDAY 8 MAY 1998

BACKGROUND NOTE

HMT REF: PQ 224/98

There is a substantial price differential for road fuels between the Republic and Northern Ireland caused by a large duty differential (19.71 pence per litre for unleaded petrol and 23.84 pence per litre for diesel) and the current strength of the pound. This results in legal cross border sales of fuel and is simply a consequence of the single market, and the freedom of movement of goods and services across borders. Cross border issues such as this are common throughout the European Union and are a powerful argument for the programme to harmonise further duty rates between Member States. This legal cross border shopping is, however, causing considerable hardship for legitimate fuel retailers on the Northern Ireland side of the border.

There are two cross-border problems with fuel in Northern Ireland. The cross border smuggling of duty paid fuel into Northern Ireland for onward sale is a bigger problem which has now spread to many sites inland from the border. Some sales are taking place direct from the road tankers which are used to transport the fuel from the Republic.

Customs are acting in conjunction with other authorities, including the Royal Ulster Constabulary, to make seizures of oil tankers and vehicles carrying oil tanks. It is policy that any vehicle or oil fuel seized in these circumstances is not restored, and that cases are progressed with a view to criminal prosecution of the individuals concerned. Customs are aware of the concerns expressed by the Northern Ireland oil industry and road haulage representatives in recent bi-lateral meetings. Whilst duty differentials between Northern Ireland and the Republic of Ireland are maintained at present levels, cross-border shopping will not diminish, and the potential for illegal activity will be unaffected. Against this background Customs intend to continue to deploy resources to counter the threat posed to the revenue and to the Northern Ireland business community.

SARAH HARLEN

EXTN: 0323

DAVID HOWARD

EXTN: 3018

HM TREASURY

HMT REF: PQ 223/98

FOR ANSWER ON FRIDAY 8 MAY 1998

Mr Malcolm Moss

Conservative - North East Cambridgeshire

To ask Mr Chancellor of the Exchequer, what is the estimated loss of revenue through the illegal importation of petroleum products into Northern Ireland; and if he will make a statement. (41535)

DAWN PRIMAROLO

There are no estimates available of this illegal activity.

There are two cross-border problems with fuel in Northern Ireland. The first is the legitimate cross-border shopping which occurs because of the pump price differential of petrol and diesel between Northern Ireland and the Republic of Ireland caused by a large duty differential (19.71 pence per litre for unleaded petrol and 23.84 pence per litre for diesel) and the current strength of the pound. This legal activity is a natural consequence of the single market and the freedom of movement of goods and services across borders. Cross border issues such as this are a powerful argument for the programme to harmonise further duty rates between Member States. One of the ways to achieve this is by increasing EU minimum rates, and the UK fully supports this line.

The other problem is the illegal importation of duty paid fuel across the border into Northern Ireland for resale. Both the Government and Customs are aware of this situation and recognise that it is a serious problem which disadvantages legitimate traders. Customs are deploying resources and actively mounting investigations against those involved to counter the threat posed to the revenue and to the Northern Ireland business community.

SARAH HARLEN

EXTN: 0323

DAVID HOWARD

EXTN: 5018

HM TREASURY**BACKGROUND NOTE****HMT REF: PQ 223/98**

There is a substantial fuel price differential between the Republic and Northern Ireland which results in legal cross border sales of fuel. The current large differential is caused in part by the difference in duty rates and partly by the strength of the pound.

The cross border smuggling of duty paid fuel into Northern Ireland for onward sale is a bigger problem which has now spread to many sites inland from the border. Some sales are taking place direct from the road tankers which are used to transport the fuel from the Republic.

Whilst duty differentials between Northern Ireland and the Republic of Ireland are maintained at present levels, cross-border shopping will not diminish, and the potential for illegal activity will be unaffected. Against this background Customs intend to continue to deploy resources to counter the threat posed to the revenue and to the Northern Ireland business community. Customs have set targets for the coming year and in particular they are to:

- plan operations in the vicinity of and at land boundary locations in conjunction with local police to disrupt, prevent and detect movements of tankers or road fuel consignments from the Republic of Ireland; and
- plan action in relation to inland diesel sites and other premises where it is suspected that smuggled fuel is on sale.

A number of investigations are on-going, many of which result from seizure of oil tankers, other vehicles and consignments of road fuel known to have been, or admitted to have been, smuggled from the Republic of Ireland. Enquiries have extended to the Republic of Ireland jurisdiction where requests have been made under the Convention for Mutual Assistance between Member States of the EC to the Irish Customs Investigation Branch for discovery of documentation at premises of oils suppliers in the Republic of Ireland to support intended criminal proceedings.

There are no estimates available of the size of the problem, but anecdotal evidence from at least one oil company tells us that their retail sales in Northern Ireland are falling far short of projected targets.