

Rights and European Division PQs.

From: ANNABEL JONES
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cc. Mr Briant
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8/6/98 Mr McGee/ file

To see for information.

DRM 5.6.98.

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PS/SECRETARY OF STATE (L&B)

ILLEGAL IMPORTATION OF PETROLEUM PRODUCTS

Summary

Issue:

Action to combat illegal importation of petroleum products from Republic of Ireland.

Timescale:

Routine. For information only.

Detail

There have been a large number of PQs in recent weeks, mainly from Northern Ireland MPs, about the illegal importation of petrol and diesel into Northern Ireland from the Republic of Ireland. Illegal importation of products across UK national boundaries are "excepted matters" which fall to HM Customs and Excise and the Treasury. However, given the concerns raised by Northern Ireland MPs and lobby groups, Ministers will wish to be aware of the problem and the steps being taken to address it.

2. There is a significant difference in the price of petroleum products between the Republic of Ireland and Northern Ireland, mainly because of UK excise duty levels but exacerbated by the strength of sterling. For example, unleaded petrol sells at 66.5p per litre in Northern Ireland, compared to prices as low as 51.9p per litre in the border areas of the Republic. In the first instance, the differential means that retail petrol stations in the border areas of Northern Ireland cannot compete with the prices just across the border and, as a result many are going out of business.

3. In addition, there has been a growing problem concerning the smuggling of duty paid fuel across the border into Northern Ireland for onward sale. Such fuel is being retailed both through legitimate petrol stations and at makeshift fuel sales points. The scale of the problem is huge: Customs and Excise estimate privately that in the first quarter of 1998, compared to the same period in 1997, their revenue loss (excise duty and VAT) in respect of fuel sales in Northern Ireland was in the region of £90 million.

4. I attended a meeting with Customs and Excise and DTI colleagues last week, to review the steps being taken to counter this activity. It was reported that Customs and Excise in Belfast have set up a special Oil Task Force, supported by the RUC, to act as a co-ordinating group. They are taking an intelligence based approach, with all activity focused through the Task Force. Their aim is to deal with the cause and effect of the problem by targeting both those involved in the smuggling and the distributors and retailers. The intention is that their action should very visibly demonstrate that they are clamping down on this illegal activity. Co-operation with Customs in the Republic was reported to be working very well. They have already had some successes: on 27 May, for example, in a series of operations across Northern Ireland, they closed 2 unauthorised fuel delivery sites, seized 2 road tankers, and uncovered a major diesel oil laundering plant.

5. Although the retail petrol and diesel trade in Northern Ireland will be reassured, to some extent at least, to see firm action being taken against the smuggling, it is likely that pressure in the form of PQs will be kept up.

(Signed ANJ)

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