

PO-CH/NL/0517

PART A

Part. A.

Begins: 18/4/89.
Ends: 3/7/89.

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO CH | NL | OSIF.
ft.A.

Chancellor's (Lawson) papers:
Surplus Stocks of Duty - Paid Two
and Three star petrol from the 1989 Budget.

DD's: 25 Years

Phelan

1/3/96.

PO CH | NL | OSIF.
ft.A.



H.M. CUSTOMS AND EXCISE
NEW KING'S BEAM HOUSE, 22 UPPER GROUND
LONDON SE1 9PJ
01-620 1313

ECONOMIC SECRETARY

FROM: P G WILMOTT

DATE: 18 APRIL 1989

BUDGET 1989 : SURPLUS STOCKS OF DUTY-PAID TWO AND THREE STAR PETROL

BACKGROUND

1. This note explains what we are doing to sweep up an awkward practical consequence of introducing a higher rate of excise duty for two and three star petrol. It is for information only.

MARKETING PROBLEMS

2. Discussions with various oil companies show that the market for two and three star has virtually collapsed as a result of the Budget measure. This has left many major companies with substantial duty-paid stocks at distribution depots which they cannot deliver to filling stations. A knock-on effect is that some tankage earmarked for unleaded petrol cannot be released because of the continued need to store unsold two and three star.

Circulation:

PS Chancellor

Mr Gilhooly

Mr Michie

CPS

Mr Jefferson Smith

Mr Gaw

Mr Allen

Mr Budd

Mr Spackman

*PSR let me
have a note on X
(rapid uptake of unleaded)*

3. I received incidental corroboration of this myself when I visited Shell at Ellesmere Port last Friday. They were taken by surprise by the Budget measures in question, and confirm that the rapid increase in up-take of unleaded is causing them storage difficulties.

UPGRADING TO FOUR STAR

4. The oil companies would like to return unsold two and three star to bonded warehouse, but existing revenue law does not permit duty credit on its return to warehouse. Such returns would consequently bear the duty charge a second time when ultimately delivered for home consumption as, for example, re-processed four star, and the costs of freight, tank clearance and re-processing, on top of a double duty charge, would make such action uneconomic without some concession on our part.

EXTRA-STATUTORY CLASS CONCESSION

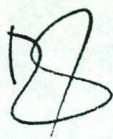
5. I have therefore granted a short term extra-statutory class concession permitting duty credit on return of two and three star petrol to bonded warehouse. The main condition is that duty-paid tankage thus vacated is then used for the storage of duty-paid unleaded petrol. We are notifying the concession to trade associations today.

REVENUE IMPLICATIONS

6. Informal discussions with the major oil companies indicate that this will release a minimum of 30000 tonnes (40m litres) of duty-paid storage capacity for unleaded petrol. Duty credit may amount to £10 million, but this will be largely recouped on delivery of re-processed leaded petrol and increased quantities of unleaded.

OTHER GOVERNMENT DEPARTMENTS

7. The Department of Environment and Energy will be advised of the action taken.



P G WILMOTT

bf. 25/4



FROM: J M G TAYLOR
DATE: 19 APRIL 1989

A handwritten signature in dark ink, appearing to be "JMG".

PS/ECONOMIC SECRETARY

cc Mr Gilhooly
Mr Michie

Mr Unwin C&E
Mr Jefferson Smith C&E
Mr Willmott C&E

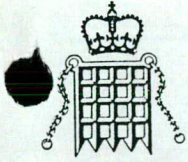
BUDGET 1989: SURPLUS STOCKS OF DUTY-PAID TWO AND THREE STAR PETROL

The Chancellor has seen Mr Willmott's note of 18 April.

2. He would be grateful for details of the increase in uptake of unleaded since the budget. I should be grateful if Mr Willmott could arrange for this to be provided.

Handwritten initials, possibly "JMG", in dark ink.

J M G TAYLOR



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Prof
 [Handwritten scribbles]

PS/ECONOMIC SECRETARY

Ch.
 In other words, there is only anecdotal evidence so far for the assertion that there has been a 'rapid increase in unleaded take-up'.

FROM: D A GAW
 DATE: 19 APRIL 1989

Noted!
 15/4

BUDGET 1989 : SURPLUS STOCKS OF DUTY-PAID TWO AND THREE STAR PETROL

The Chancellor asked for details of the increase in uptake of unleaded since the budget to be provided.

2. At 14 March the market share of unleaded based on clearances from bonded warehouse was 6.42 per cent. Information for the period ended 14 April will not be available until 28 April at the earliest. We shall advise details as soon as possible.

D A GAW

D A GAW

Circulation:

PS/Chancellor

Mr Gilhooly

Mr Michie

CPS

Mr Jefferson Smith

Mr Wilmott

Mr Allen

Mr Spackman



H.M. CUSTOMS AND EXCISE
NEW KING'S BEAM HOUSE, 22 UPPER GROUND
LONDON SE1 9PJ

Direct Dial 01-865 5101.....
Telephone 01-620 1313 Ext.....
GTN Number 3913.....

PS/CHANCELLOR

FROM: D A GAW
REVENUE DUTIES DIVISION A

3 MAY 1989

PhP
Oh, I have had a word with CtE. The simple answer is that a junior official (not Mr GAW, who was away) gave it to Mrs B's office on Friday by telephone, having been rung by mistake by DoE. I have issued a rebuke, + spoken to Mr Unwin's office. They will ensure there is no repetition of this sort of thing.

BUDGET 1989 : SURPLUS STOCKS OF DUTY-PAID TWO AND THREE STAR PETROL

In your note of 19 April you asked for details of the increase in uptake of unleaded since the Budget.

2. For the period ended 14 April the uptake of unleaded was 14.36 per cent compared with 6.42 per cent at 14 March - an increase of 224 per cent. In this period uptake of two star leaded was only 0.68 per cent.

Law

D A GAW

Circulation:

PS/Economic Secretary
Mr Gilhooly
Mr Michie

CPS
Mr Jefferson Smith
Mr Wilmott
Mr Allen
Mr Spackman

Good!

*Thanks.
2. How is it that Mrs Bottomley was my opponent?*

4/5

bt. 2/6



Ch. Unleaded petrol.

ES's office tell me that Croxson's latest figures - for the month to 14 May - show unleaded petrol's market share rising to 19.29% of UK sales. Two-star is down to 0.25%.

S. Jones to report
CIE to report

✓

V. good.
The 400 ps
Company with
opportunities and way
Budget with market?
(PS 1 take a
RPI paid
account
1007 (100)



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PS/ECONOMIC SECRETARY

FROM: S H SPACKMAN
REVENUE DUTIES DIVISION A

1 JUNE 1989

UNLEADED PETROL ; CLEARANCE FROM BONDED WAREHOUSE

For the period ended 14 May the uptake of unleaded petrol was 19.28 per cent compared with 14.36 per cent at 14 April. The uptake of two star leaded has dropped to 0.25 per cent.

2. The Budget forecast was a market share for unleaded of 15 per cent by the end of this year. This was revised by the Economic Secretary on 10 May before the Committee of the Whole House to 20-25 per cent. The latest figures suggest that the top of this range will be achieved with the possibility of reaching towards 30 per cent. Much will depend on the pricing of four star petrol over the coming months.

3. The RPI update in January included an element for unleaded but the effect was negligible.

S H SPACKMAN

Circulation:

PS/Chancellor
Mr Gilhooly
Mr Michie
Mrs Salathiel DOE

CPS
Mr Jefferson Smith
Mr Wilmott
Mr Allen
Mr Gaw

CDEP/115/7/2

RDA 74/89

1 June 1989

Dear

PETROL

In the accounting period ended 14 May 1989 clearance from bonded warehouse to use in the UK was -

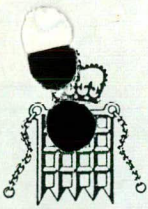
	LITRES
LEADED PETROL	2181,790,546
UNLEADED PETROL	<u>521,356,015</u>
TOTAL:	<u>2703,146,561</u>

Therefore clearances of unleaded petrol in this period represented 19.28% of the total petrol cleared.

Yours sincerely



S H SPACKMAN
REVENUE DUTIES DIVISION A3



H.M. CUSTOMS AND EXCISE
NEW KING'S BEAM HOUSE, 22 UPPER GROUND
LONDON SE1 9PJ
01-620 1313

m-p

PS/ECONOMIC SECRETARY

FROM: S H SPACKMAN
REVENUE DUTIES DIVISION A

1 JUNE 1989

✓

UNLEADED PETROL ; CLEARANCE FROM BONDED WAREHOUSE

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S H SPACKMAN

Circulation:

PS/Chancellor ✓
Mr Gilhooly
Mr Michie
Mrs Salathiel DOE

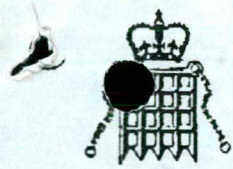
CPS
Mr Jefferson Smith
Mr Wilmott
Mr Allen
Mr Gaw

MR Spackman.

Thanks

psmp

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PS/ECONOMIC SECRETARY

FROM: S H SPACKMAN
REVENUE DUTIES DIVISION A

3 JULY 1989

UNLEADED PETROL: CLEARANCE FROM BONDED WAREHOUSE

For the period ended 14 June the uptake of unleaded petrol was 20.58 per cent compared with 19.28 per cent at 14 May. The uptake of two star leaded had dropped to 0.07 per cent.

2. The UK Petroleum Industry Association estimates that 50 per cent of all filling stations now sell unleaded petrol. This estimate is thought to be conservative. A full survey is to be carried out in some three months time.

S H SPACKMAN

Circulation:

PS/Chancellor
Mr Gilhooly
Mr Michie
Mrs Salathiel DOE

CPS
Mr Jefferson Smith
Mr Wilmott
Mr Allen
Mr Gaw

CDEP/115/7/2

RDA 74/89

3 July 1989

Dear

PETROL

In the accounting period ended 14 June 1989 clearance from bonded warehouse to use in the UK was -

	LITRES
LEADED PETROL	2,686,719,937
UNLEADED PETROL	<u>696,284,985</u>
TOTAL:	<u>3,383,004,922</u>

Therefore clearances of unleaded petrol in this period represented 20.58% of the total petrol cleared.

Yours sincerely

S H SPACKMAN
REVENUE DUTIES DIVISION A3