

Prime Minister:

dc NO 4

This is a sensitive issue as you will recall from recent correspondence about Wick and Swansea airports. Are you content with the line proposed?

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MR FLESHER

THE SCRUTINY PROGRAMME: CUSTOMS ATTENDANCE

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This minute advises you of progress with the scrutiny on attendance arrangements for customs officials at ports, airports and inland clearance depots. The Prime Minister asked Sir Derek Rayner (as he then was) to take a particular interest in the scrutiny on her behalf.

Findings and recommendations

2. The scrutiny examined the places and hours at which Customs Officers should be deployed, including the basis on which any charges should be made.
3. There are currently more than 1500 authorised places for the international movement of goods and passengers. Attendance is provided at the general taxpayer's expense during a "free" period of normal working hours which varies according to local need. In total, about 7000 field staff are involved, of whom 2000-3000 may be called upon to work outside these "free" hours in order to facilitate the import and export of goods and about 1300 are employed to deal with all passenger movements.
4. Attendance to clear goods outside working hours at the request of commercial concerns has been provided almost as a matter of course until recently when cash limits and reduced manpower have dictated a less generous approach. The charges currently levied for such attendance only partly cover the extra costs (about £4 million in 1980 compared to extra costs of £11 million). Except in the cases of concessional aerodromes and occasionally approved wharves no charge is made for clearing passengers at any time.

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5. The report's main proposals are:
- a. to establish more rigorous criteria for assessing where and when new customs facilities should be provided and to institute regular reviews of existing locations;
  - b. to standardise a period of "free" hours for all locations;
  - c. outside these hours to charge for the clearance of freight at one full economic rate rather than the present range of rates (some of which have been held at uneconomic levels by successive administrations);
  - d. to introduce for the first time a system of charging for the out-of-hours clearance of passengers on a similar basis.
6. Looking critically at the justification for providing attendance at uneconomic locations would indicate reducing or terminating the service provided by Customs at a few small airports and inland clearance depots - though vociferous local opposition is likely and care will be needed if decisions are not to provide political opposition beyond the worth of the realisable savings. The report estimates there will be modest savings of staff (of the order of 30-40 according to the examining officer). But, more importantly, the proposals for a rigorous approach to requests for new facilities and for regular reviews of existing facilities are intended to provide the means to cope with future growth in trade and passenger traffic without lowering standards of control.

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7. The effect of an economic charge for freight clearance would be to increase the overall costs to private business by about £1.5 million a year and opposition can be expected from SITPRO and other trade interests.

8. The proposal to charge for passengers would impose a significant and unpopular new expense on aircraft and ferry operators - estimated as in the region of £5.5 million a year.

Ministers' decisions

9. Customs is one of the Chancellor of the Exchequer's departments but much of its control work is also carried out on behalf of other Ministers - notably the Secretary of State for Trade and the Home Secretary. The Secretaries of State for Northern Ireland, Scotland, Wales, Industry and Transport also have interests affected by where and when Customs facilities are provided.

10. The Chancellor of the Exchequer took a meeting of the Ministers concerned last November. They decided:

10a. Customs and Excise should have a recognised right to approach other Departments to propose the withdrawal of existing facilities, where they believed this could be justified, and that machinery should be set up to enable inter-Departmental consultation to take place on new applications.

10b. There is a case for rationalising the basis on which charges should be levied for Customs attendance for freight outside "normal hours" and setting charges at more realistic levels.

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But Ministers generally felt that what constitutes "normal hours" should be decided case by case.

- 10c. Any increase in charges should probably be in a single step and should have due regard to the sensitivities of timing.
- 10d. Charges should not be imposed for the clearance of passenger traffic at any time of the day or night.

Comments

11. Lord Rayner has commented that he is sure that Customs must keep up the pressure for improvements in internal procedures and he is encouraged, for example, by subsequent work in 1982 to investigate procedures associated with import entries and to see how a bonded agents scheme can be made to work.

12. But Lord Rayner does not believe that this is likely to be enough to solve the recurrent difficulty of management. He does not see how to reconcile strict limits on manpower - to be achieved by greater efficiency - with an open-ended commitment on the part of Customs to provide manpower in circumstances in which it is not economic for them to do so. In his view, new facilities should only be provided if trade is already above a reasonable threshold or if the prospect of meeting such requirements quickly is firmly based. Where trade falls away or does not reach the specified targets, the facilities should be withdrawn.

13. He would prefer to see the criteria for provision of Customs facilities made public.

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14. Lord Rayner accepts that there is a clear link between the general good and the accessibility of Customs to freight and passenger traffic but believes the principle of a "free good" is wrong. He would not regard a charge as out of line with the normal operation of market forces. The present hotch-potch of charges is no more than historical accident and he considers that the Customs authorities are entitled to build incentives into the pricing mechanisms which are designed to hold down costs.

15. On the other hand, Lord Rayner would not press for an extension of the charging arrangements to include attendance for the clearance of passengers (and in the light of the practical difficulties, nor would the Customs authorities).

Proposed action

16. The scrutiny work took place in 1981 and action upon it is overdue. If the Prime Minister is content with the thrust of what is proposed the priority should be to create practical expression of Ministers' decisions by:

16a. Announcing acceptance of the principle of vetting the provision of new facilities rigorously and reviewing existing facilities.

16b. Promulgating the criteria to be applied and getting the machinery working.

Publicity

17. Scrutiny reports are often made available to Parliament and the public at the time decisions are announced. In this case, however, the report covers sensitive issues - such as pricing - about which Ministers are not yet ready to make an announcement. It would be preferable, therefore, to release a summary of the parts



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relevant to the decisions in paragraph 16 above, together with a general statement of the Government's intentions. If pressed to release the report in full, Ministers would be able to say that consideration of its findings were not yet complete but further announcements would be made in due course.

Conclusion

18. The Prime Minister's agreement to going ahead on the basis of paragraphs 16 and 17 above is sought.

19. I am copying this to John Kerr in the Chancellor of the Exchequer's Office and to Mary Brown in the Lord Privy Seal's Office.

*Jim Beadley*

*P.P.* CLIVE PRIESTLEY  
Head of the Rayner Unit

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