

## Could Free Zones give Welsh ports a boost?

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Free Zones are areas which are geographically inside a country's land border, but considered to be outside customs controls. In these areas, import duty and VAT are not applied until goods leave the zone and enter the host country. When located in sea ports they are often referred to as Free Ports.

Free Zones appear all over the world, from Brazil to Bulgaria, and act as catalysts for international trade by allowing traders and shipping companies to store goods with minimal expense and bureaucracy.

As part of an [External Affairs and Additional Legislation Committee](#) inquiry into the effect of Brexit on Welsh Ports, the committee have [heard evidence of the potential benefits](#) of establishing one of more Free Zones in Welsh ports. The discussion was held in the context of concern over the impact of potential post Brexit customs checks on Welsh ports.

Professor Beresford, an expert in international transportation from Cardiff University, was one of those giving evidence. He explained why introducing a Free Zone could improve the appeal of Welsh ports by providing a stopover point where goods can be stored tax-free before being re-exported. In addition, he claims, they can help businesses manage their import and export costs:

There's a cash-flow benefit, but also it allows importers [...] to smooth their logistics so, if they have too much coming in for a while, goods could wait there [...] until they're actually required.





1

## Free Zones in the EU

Europe enjoys a generous scattering of Free Zones, with around 80 populating 20 EU countries. [According to the EU Commission](#), in June 2017, Lithuania declared the most with a sizeable 12 Free Zones, while Germany and France sported two each.

The [EU Customs Code](#) permits any member state to declare 'any part of their territory' as a Free Zone. The zones must be enclosed and entrances and exits must be under supervision. The code states that 'persons, goods and means of transport entering or leaving free zones may be subject to customs controls'.

## Free Zones in the UK

Arrangements for establishing Free Zones in the UK are set out in [the Customs and Excise Management Act 1979](#). Essentially, the Treasury can establish Free Zones by Order 'as a special area for customs purposes'.

Prior to 2012, the UK had five Free Zones in Southampton, Sheerness, Tilbury, Liverpool and Prestwick. However, in recent years these have been forfeited in favour of a process of '[Customs Warehousing](#)'.



Customs Warehousing is also defined under the EU Customs Code, and enables any Member State to declare a building or other location as a duty free area. In the UK, these are often termed HMRC bonded warehouses and, while there is no definitive list in the public domain, HMRC bonded warehouses are reportedly distributed inland as well as on the coast.

Wales is reported to have its own smattering of bonded warehouses, including a [warehouse of fine wines in Cardiff](#), although it is not possible to confirm the exact number.

## Possible ports in Wales

In the [evidence session on the 12 June 2017](#), several ports cropped up in the discussion as potential Free Zone hosts, including Milford Haven, Cardiff and Newport.

Dr Andrew Potter, a transport and logistics expert from Cardiff University, described the reasons for mentioning these ports;

Milford Haven could be one, on the basis that it's a deep sea port, it would be able to potentially handle larger vessels and the goods that would go through them. There are small amounts of unitised cargo that come through the south Wales ports, so the likes of Cardiff, Newport [...]. Those sites also have space to put warehousing and so on, so that may well be an opportunity there to look at setting up a small Free Port area.

Establishing a Free Zone could bring increase shipments to the area, increasing employment and economic growth in the port areas. Professor Beresford went on to describe why it is timely to examine the Free Port possibility:

Now we're in a new environment looking and Brexit and looking at the ports' roles in that—it's possible that, with the Free Port idea, a fresh look at distribution in this immediate area could be a good idea

Following this evidence, Free Ports were discussed in an [evidence session with the Cabinet Secretary](#) for the Economy and Infrastructure, Ken Skates, on the 3 July. He was joined in the session by Simon Jones, the Director of Transport and ICT Infrastructure in the Welsh Government.

When asked whether the Welsh Government supports the use of Free Ports, Ken Skates replied:



If the UK Government determines that free ports can be rolled out, then we'd certainly want to get our fair share of them, but not just in terms of sea ports; I think there is huge potential for Cardiff [airport] in this regard.

He went on to say that he thought it more appropriate that the ports themselves, 'individually and collectively' decide which should be designated Free Ports, rather than the Welsh Government. Mr Jones later added the Government have identified several sea ports and airports in Wales that are interested in 'moving forwards' with the Free Ports concept.

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