



DEBATE PACK

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The establishment of free ports in the UK

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Summary

A debate on the establishment of free ports in the UK will take place in Westminster Hall on Thursday 11th October at 1:30pm. The subject for the debate has been chosen by Simon Clarke MP and Frank Field MP.

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The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

1. Background

1.1 What are free ports?

There is no fixed definition of the idea of a free port (the term is often used synonymously with free zone) with their exact arrangements usually differing between countries in which they operate.

As a generic term, free ports are understood to be designated areas inside a country geographically, but outside of that country's established customs area, thus allowing components and goods to be imported, manufactured and exported without being subject to the host country's standard tariffs and export/import procedures. These concessions are offered in the expectation that companies operating in free ports will attract business and boost manufacturing and trade.

Free ports are often situated within or in proximity to seaports, riverports and airports.

It is estimated that there are 3,500 free ports in the world, employing 66 million people.¹

1.2 Free ports in the UK

There are not currently any free ports in the UK, though there is one on the Isle of Man.

The Treasury currently has the power to designate free ports by Statutory Instrument under [section 100A of the Customs and Excise Management Act \(CEMA\) 1979](#).

Seven free ports operated in the UK at various points between 1984 and 2012. In July 2012, the Statutory Instruments that set up the remaining five free ports (Liverpool, Southampton, Port of Tilbury, Port of Sheerness and Prestwick Airport) expired.²

1.3 Free ports and Brexit

Free ports are permitted in the EU – there are currently 83 operating, based on the most recent list of free ports published by the [European Commission in November 2017](#).

In the majority of cases, these free ports “existed before the host state became a member of the EU and retained their status after accession to the Union.”³ 56 of the EU's 83 free ports are located in states that joined the EU post-2004.

A common criticism of EU free ports is that they are more limited in scope than international comparisons. A 2013 Canadian study of free ports internationally states that “the development of the Union itself

¹ Mary Jane Bolle and Brock R. Williams [U.S. Foreign-Trade Zones: Background and Issues for Congress](#), Congressional Research Service, 2013, pg. 1

² Free Zones, [HC Deb 19 Oct 2012: C 540W](#)

³ Catherine Barnard, [Free Zones](#), UK in a changing Europe, 7 October 2018

has placed some restrictions” on free ports that “have narrowed the scope of their capabilities... In order to keep a level playing field, the EU has restrictions on state aid to private enterprises and these reduce the scope for incentives.”⁴ Similarly, the French academic Alexandre Lavissière has argued recently that “while continental Europe was the birthplace of free ports, the EU neither develops them directly nor encourages them.”⁵

This has led to the argument put forth by Conservative MP Rishi Sunak that the UK should take advantage of the “new economic freedom” resulting from the UK leaving the EU to create new free ports in the UK, based on the American model of Free Trade Zones.

In a 2016 report, published by the Centre for Policy Studies think tank, Sunak argues that Single Market regulations in the Union Customs Code and EU state aid rules have ensured EU free zones “amount to little more than storage and warehouse facilities with simpler customs formalities” and free of these constraints, the UK could use “sovereignty over customs issues and compliance to drive economic growth, employment and investment in specific areas.”⁶

The Government’s Chequers proposals indicate however, that it is willing to commit to “a common rulebook on state aid” in its future terms of trade with the EU, on the basis that continued application of these rules will help ensure a level playing field for businesses.⁷

Sunak goes on to estimate that free ports in the UK could create up to 86,000 jobs in the UK if they were as successful as Foreign Trade Zones in the United States.⁸

By contrast, James McGrory, co-executive director of Open Britain has described the 86,000 number as “deeply suspect” and a fraction of the number of the number of jobs “that could be lost if we leave the Customs Union and Single Market.”⁹

It has been argued that lower levels of regulation in free ports could lead to “misuse of competitive advantages and attract money laundering and tax avoidance activities” as well reductions in workers’ rights and standards.¹⁰

1.4 Regional calls for free ports

Representatives and business interests have spoken on behalf of various parts of the UK in attempts to secure free ports in their area.

⁴ McMaster University, [Maximizing the Potential of the Foreign Trade Zone Concept in Canada](#), January 2013, pg. X

⁵ Alexandre Lavissière, [Brexit offers free-port opportunities – but the EU can beat Britain to them](#), The Conversation, 10 January 2017

⁶ Rishi Sunak MP, [The Free Ports Opportunity](#), Centre for Policy Studies, 2016, pg. 18-19

⁷ HM Government, [The future relationship between the United Kingdom and the European Union](#), 23 July 2018, pg. 30

⁸ Rishi Sunak, [ibid](#), Centre for Policy Studies, 2016, pg. 5

⁹ James McGrory, [The economic benefits of a free port scheme after Brexit are an illusion](#), City AM, 14 November 2016

¹⁰ Catherine Barnard, [ibid](#)

- Redcar MP Anna Turley has argued that Teesport “has strong structural advantages for being favoured for free port status” and that a “free port would increase employment and economic activity in areas where economic need is high and could play a major role in rebalancing our London-centric economy.”¹¹
- An inquiry into the impact of Brexit on Welsh ports by the Welsh Assembly’s External Affairs and Additional Legislation Committee recommended the Welsh Government become “more proactive in its approach” to the designation of free ports and “undertakes further work to determine whether or not a port, or ports in Wales, could benefit from Free Port designation.”¹²
- In 2018, Tina McKenzie, policy chair of the Northern Ireland Federation of Small Businesses called for Northern Ireland to be made an “enhanced economic zone” to enable tariff-free trade with the EU and make Northern Ireland the “Singapore of the Western Hemisphere”.¹³

Richard Ballantyne, chief executive of the British Ports Association has argued that while “any proposals which make the UK ports and logistics industry more competitive and improves the flow of goods at ports should be welcomed” free port status “could... be more beneficial to certain ports and it is therefore important to ensure any future proposals properly reflect the diversity of the UK ports industry.”¹⁴

¹¹ Taxation (Cross-border Trade) Bill, [HC Deb 8 January 2018](#), c 91

¹² National Assembly for Wales External Affairs and Additional Legislation Committee, [Inquiry into the implications of Brexit for Welsh ports](#), August 2017, pg. 27

¹³ FSB, [One small step for Brexit, one giant leap for Northern Ireland](#), 25 September 2018

¹⁴ [BPA calls for more discussion on UK free ports policy](#), Ports Strategy, 3 October 2017

2. Press Articles

[Call for free port in North after Brexit](#)

Michael McHugh

The Times, 26 September 2018

[Teesside views free port as route to post-Brexit prosperity: North East faces risks from disruptive exit but can also see opportunities](#)

Chris Tighe and Gavin Jackson

Financial Times, 17 July 2018

[Can free ports save the North post-Brexit?](#)

Augusta Riddy

New Statesman, 20 June 2018

['Free ports' plan for North could give UK £9bn boost: Government to look at creation of tariff-relief zones with as many as 150,000 jobs created](#)

Alan Tovey

Daily Telegraph, 17 June 2018

['Freeports are answer to post-Brexit storm'](#)

Robert Lea

The Times, 4 June 2018

[The rise of the Teesside Tories](#)

The Economist, 22 March 2018

[Brexit: 'Free ports' urged to boost Welsh economy](#)

Sarah Dickins

BBC, 23 February 2018

[Strength in depth for port with big plans](#)

Anna Isaac

Sunday Telegraph, 24 September 2017

[Brexit offers free-port opportunities – but the EU can beat Britain to them](#)

Alexandre Lavissière

The Conversation, 10 January 2017

[The economic benefits of a free port scheme after Brexit are an illusion](#)

James McGrory

City AM, 14 November 2016

3. Parliamentary material

3.1 Written questions

[HM Treasury: Ports: 122487](#)

Asked by Luke Pollard

Asked on 12 January 2018

To ask the Chancellor of the Exchequer, whether British ports will be designated as free ports after the UK leaves the EU.

Answered by Mel Stride

Answered on 22 January 2018

Section 100A of the Customs and Excise Management Act 1979 (CEMA) provides the legal basis for the designation of free zones by HM Treasury and will continue to do so following UK withdrawal from the EU. Applying for designation as a free zone will be a commercial decision to be taken by private port operators.

3.2 Oral questions

Prime Minister's Questions

Mr Simon Clarke: Unemployment has fallen faster in the north-east than anywhere else in our country, which is tremendous news. The next step to put rocket boosters under the economy on Teesside would be to create a free port at Teesport. Will my right hon. Friend look seriously at this idea, which has great support from the Tees Valley Mayor, Ben Houchen, and from local business leaders?

The Prime Minister: When I visited Ben Houchen and Teesport, this was one of the proposals that they did put to me. I am very happy to join my hon. Friend in welcoming the fall in unemployment that we have seen in the north-east, and there are a number of ways in which we are providing that economic growth and ensuring that we see it continuing in the north-east. That is why we are investing £126 million through the Tees Valley local growth deal. My right hon. Friend the Chancellor has confirmed recently that we do remain open to ideas that could drive growth and provide benefits to the UK and its people, so we will keep all these options under consideration.

[HC Deb 28 February 2018 c 823](#)

Topical Questions

Maria Caulfield: The excellent report "The Free Ports Opportunity", written by my hon. Friend the Member for Richmond (Yorks) (Rishi Sunak), sets out the possibilities for UK ports to become free ports, post-Brexit. It estimates that that could create 86,000 jobs in the UK. Will the Minister of State outline the possibilities for ports such as that in Newhaven in my constituency to become free ports, post-Brexit?

Mr John Hayes: I have with me the report to which my hon. Friend refers. It is an excellent piece of work, and I have already arranged to meet its author. I initiated the maritime growth study when I was last in the Department, but it is time to refresh that. It must be a living document. As part of that exercise, we will consider the role of ports now that we are freed from the clutches of the European Union. My ambitions are, as ever, measured and modest: I seek nothing more than for Britannia to rule the waves.

[HC Deb 12 January 2017, c 455](#)

3.3 Debates

Taxation (Cross-border Trade) Bill

[HC Deb 8 January 2018, c 55 – 142](#)

4. Further reading

[Supercharged free ports: the ultimate boost for Britain's economy](#)

Mace Group

June 2018

[Free ports: towards a network of trade gateways](#)

Journal of Shipping and Trade

November 2017

[Free Trade Zones: Part of the UK's post Brexit international trade strategy](#)

Crowe Clark Whitehill

September 2017

[Inquiry into the implications of Brexit for Welsh ports](#)

National Assembly for Wales External Affairs and Additional Legislation Committee

August 2017

[Could free ports boost trade and manufacturing in the north after Brexit?](#)

Womble Bond Dickinson (UK) LLP

June 2017

[The Free Ports Opportunity](#)

Rishi Sunak MP, Centre for Policy Studies

November 2016

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