



Llywodraeth Cymru
Welsh Government

PUBLICATION, DOCUMENT

Freeport Programme for Wales: integrated impact assessment

An assessment of the impact of the freeport programme.

First published: 18 October 2024

Last updated: 18 October 2024

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What action is the Welsh Government considering and why?

The Freeport Programme in Wales offers an opportunity to harness Wales's abundant economic potential.

The Welsh Government (WG) worked with the UK Government (UKG) to design a Welsh freeport model, to deliver three main objectives:

1. Promote regeneration and high-quality job creation
2. Establish the Freeports as national hubs for global trade and investment across the economy
3. Foster an innovative environment

Businesses will benefit from being part of a special zone. This includes:

- simplified customs procedures
- relief on customs duties
- tax benefits

The Programme includes policies on fair work and social partnership to ensure workers:

- are fairly rewarded, heard and represented
- can progress in a secure, healthy, and inclusive working environment
- have their rights respected

On 23 March 2023, the UK and Welsh governments announced that Anglesey Freeport and Celtic Freeport have been successful in their bids to establish Freeports.

WG is working with the prospective freeports to ensure they:

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- have a positive impact; and
- can start operating as soon as possible.

The Freeport Programme for Wales will be affected by:

- climate change challenges (Dr A Netherwood (2021) Evidence for the third UK Climate Change Risk Assessment (CCRA3)) and the urgency to transition to a low carbon economy to ensure future prosperity
- risks to our natural environment (State of Nature Partnership (2023) State of Nature) and the opportunity to protect biodiversity to protect Wales's ecological resilience
- long-standing inequalities in some geographies and communities (State of Nature Partnership (2023) State of Nature) that can be addressed by mainstreaming equality and fairness in policy and delivery, including specific consideration of the opportunity to address socio-economic disparities currently experienced in the Freeport areas
- the wider context of high demand on health services (NHS Confederation (2023) Briefing: Current challenges facing the health and social care system in Wales), and the need to take forward skills and employment initiatives to address economic inactivity to improve healthy life expectancy (The Health Foundation (2018) Relationship between employment and health)
- a Welsh culture and language that has to be protected and promoted (Welsh Government (2023) Commission for Welsh-speaking Communities: Position Paper) through strong engagement with local communities
- WG's duty to adhere to the Well-being of Future Generations (Wales) Act, which requires Wales to establish itself as a globally responsible nation

Freeports are part of wider WG policy that addresses over-reliance on fossil fuels by supporting the transition towards cleaner forms of energy production (Welsh Government (2021) Net Zero Wales). Net Zero Wales states, "We will also support projects that deliver sustainable ports infrastructure and ensure work with the Welsh Ports Group and other partners on a Welsh Ports and Maritime Strategy for Wales is aligned to our net zero targets. Looking beyond

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the scope of this chapter, we will work with ports in Wales to identify opportunities to support the wider decarbonisation of the Welsh economy such as offshore renewable energy generation”.

This change will be underpinned by Wales’s planning system and environmental regulatory system that will protect and enhance our biodiversity through minimising waste, resource use and emissions while improving air and water quality.

The employment and skills opportunities at the Freeports will raise standards of living which in turn will help tackle poor health prevalent in many areas (Institute of Fiscal Studies (2023) Freeports: What are they? What do we know? And what will we know?).

Underlying economic and social problems in Freeport areas are marked for groups or communities that are already disadvantaged (Dr Sara MacBride-Stewart & Dr Alison Parken (2021) Inequality in a Future Wales: Areas for action in work, climate and demographic change). The equality and fairness focus of Freeports will help address these problems.

Community cohesion will also be improved in Freeport areas, particularly those with a strong Welsh language identity where Freeport opportunities can have a positive impact.

By generating multiple benefits Freeports will contribute to many Welsh Government policy agendas:

- Economic mission: priorities for a stronger economy
- Export Action Plan for Wales
- Innovation Strategy for Wales
- International Strategy
- Working together to reach net zero: all Wales plan
- Future Wales, The National Plan 2040

- Planning Policy Wales
- Wales Transport Strategy
- A guide to fair work
- Net Zero Skills Action Plan
- Cymraeg 2050 Strategy

Freeports must embody Well-being of Future Generations (Wales) Act 2015 values and make a positive contribution to the seven goals set out in the Act. Section 2.1.3 of the **Freeport Programme in Wales: bidding prospectus** (Welsh Government / Department for Levelling Up, Housing and Communities (2022) **Freeport Programme in Wales: bidding prospectus**) outlines that ‘A Freeport applicant is encouraged to demonstrate throughout their bid, its commitment to supporting Wales becoming a more sustainable nation through improving the social, economic and cultural well-being of Wales, specifically how they have applied the sustainable development principle designed to maximise contribution to achieve each of the Well-being goals as set out by the Well-being of Future Generations (Wales) Act 2015.’

The formation and delivery of Freeports is a collaborative process. At a national level, UKG and WG develop policy, support, fund, guide and monitor and evaluate. At regional and local levels, the establishment and effective running of Freeports depends upon the social partnership way of working involving local government, the third sector, businesses, workers, and local communities.

Freeport proposals must evidence strong community support to get government support, and this must be sustained through engagement strategies. The need to build capacity within coastal communities has been recognised by WG as a key component of a broader Blue Recovery programme of work. This has arisen in response to the various challenges facing coastal communities across Wales in recent years, including the UK’s Exit from the EU, the impact of the Covid-19 restrictions, and the ongoing impacts of the climate and nature emergencies; as well as responding to long-term marginalisation and decline in some coastal areas.

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The arguments for and against Freeports have been extensively researched (D Webb and I Jozepar (2023) Government Policy on Freeports, [Senedd Research \(2021\) Freeports in Wales: Opportunity or risk?](#)). In summary, arguments for Freeports are that they:

- stimulate economic growth by attracting businesses, creating jobs, and increasing investment in the designated areas
 - can lead to job creation in both direct and indirect ways, as companies establish operations and hire local workers.
 - may attract foreign investment by offering tax incentives and a favourable regulatory environment, boosting the economy.
 - can simplify and expedite international trade processes, reducing paperwork and bureaucracy, and thus increasing trade efficiency.
 - lead to investment in infrastructure within Freeports that can improve transportation, logistics, and connectivity, benefiting an entire region.
 - can foster innovation and the adoption of advanced technologies as businesses seek a competitive edge.

Arguments against Freeports are that they:

- can be used for tax evasion, money laundering, and smuggling, making it difficult for governments to collect revenue and enforce regulations.
 - primarily benefit large corporations and the wealthy, exacerbating income inequality and leaving local workers with low-wage jobs.
 - can cause environmental degradation as lax regulations can lead to pollution and unsustainable resource use.
 - can distort competition by giving an unfair advantage to businesses located within them, potentially harming competitors outside these zones.
 - cause Governments to lose tax revenue from businesses operating within Freeports, potentially affecting public services and infrastructure funding.
 - give rise to a lack of transparency and accountability which can make

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them vulnerable to corruption and illicit activities.

- may draw economic activity away from existing regions, leading to a regional imbalance.
- result in complex administration and regulation, requiring significant resources to ensure compliance and prevent abuse.

These arguments were explored in depth in discussions between the officials and Ministers of the UK and Welsh governments.

The potential disadvantages have been mitigated by government policy requiring Freeports to:

- follow measures to minimise the risk of tax evasion or other criminal activity in the tax sites
- do equality impact assessments, produce Fair Work Plans and engage workers and trade unions including through a Workers Consultative Forum
- meet the same environmental standards as all other development
- invest tax revenue into infrastructure
- monitor, evaluate and publicly report on activity
- work closely with wider regional economic development initiatives such as City and Growth Deals

Freeports receive funding from UKG including:

- revenue funding to support governance set-up costs and the production of business cases; and
- seed capital for land assembly, site remediation, and internal small-scale transport infrastructure to connect sites within the Freeport to each other, the immediate surroundings, or other economic assets

Freeports are expected to match or part-match UKG funding with private sector investment, local authority borrowing and co-funding from other public bodies where relevant. Specifically, local authorities are expected to use an uplift in

non-domestic rates to cover borrowing costs for infrastructure (where relevant); re-invest in the Freeport tax sites to generate further growth; or offset expected effects of displacement of local economic activity from disadvantaged areas.

Some Welsh legislation will be required for Freeports including legislative amendments to the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (“LTTA”). The amendments will provide a relief from land transaction tax (“LTT”) for qualifying transactions of land within a designated Welsh special tax site for a fixed period. This will include qualifying transactions within the Welsh freeports. A Regulatory Impact Assessment will be completed for this and published when the legislation is laid before Senedd Cymru (the Welsh Parliament).

Conclusion

How have people most likely to be affected by the proposal been involved in developing it?

The Freeports Programme for Wales involved different parts of Wales bidding to establish a Freeport. The bidding prospectus required that local communities and partners were engaged including:

- landowners;
- businesses;
- local politicians;
- town councils;
- colleges and universities; and
- other public bodies.

The stakeholder engagement work of the bids was appraised by the UKG and WG.

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The legislative amendments to the LTTA were subject of an eight-week public consultation and engagement exercise, which began on 19 December 2023 and ended on 18 February 2024. The consultation document, which included the draft Statutory Instrument (SI), was published on the consultation pages of the Welsh Government's website. Respondents were able to submit their views and comments. During the consultation, Welsh Government officials met with stakeholders, including representatives of the Ynys Mon and Celtic Freeports and tax experts, to discuss the proposed legislative amendments

What are the most significant impacts, positive and negative?

Promoting equality

Welsh Freeports will directly benefit those of working age who will have the opportunity to take up the new jobs that Freeports are expected to create. Fair work principles will ensure the new jobs are fair, safe and secure, helping to address socioeconomic disparities within the local populations.

The Welsh Freeport business cases will develop pathways to the new work for local people. It is expected that those pathways would cater for all people with protected characteristics to have equal opportunity to take up jobs in the new employment by removing barriers to participation.

Over time there is expected to be £11 billion of trade and investment benefit for Wales from the two Freeport areas with further economic benefit at significant scale expected to stem from FLOW in the Celtic Freeport. The impact on the wider economy, and consequently all of those with protected characteristics and who are currently classified in the lower socio-economic groups, would benefit.

The Welsh Freeports are required to set up governance arrangements that

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include, but are not limited to, skills and experience, gender, disability, and ethnicity, to reflect the diverse nature of the environment in which the Freeport would operate and will be made in the context of the skills, knowledge, experience, background and independence that is required for any governance structure to be able to ensure effective delivery. Workers consultative fora will enable the participation of trade union representatives to provide a mechanism to further ensure barriers to participation are removed and there is equal opportunity for people who share a protected characteristic.

The Freeport Programme in Wales will help to promote regeneration across local economies and communities by driving inclusive and sustainable growth locally, regionally and nationally.

Bringing together local organisations that are trying to achieve similar regeneration goals, pooling resources and creating shared objectives can be the best way to deliver outcomes that are truly transformative communities.

The Freeports will also support work to decarbonise industry at local, regional and national levels helping to meet the net zero carbon targets. Green economic growth will help to address structural issues of poverty and deprivation in the local and regional economies stimulating local supply chains and increasing the skills and qualifications of resident populations. As part of the final business cases, development work will be undertaken to establish clear pathways to work for local people and local businesses. This will be designed in a way that removes barriers to participation and will enable people from different groups to have equal opportunity to access the new employment the Freeports are expected to create.

Community cohesion and tackling poverty

The Freeport Programme for Wales will incentivise private businesses to invest in new opportunities in Wales, particularly in relation to climate resilience and

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making maximum progress towards decarbonisation. The Programme in Wales will build on existing local strengths and will make cities, towns and villages in travelling distance of the Freeports even better places to live and work.

Bringing together local organisations in the Freeport areas that are trying to achieve similar regeneration goals, pooling resources and creating shared objectives has the potential to deliver outcomes that are truly transformative across communities.

Some areas in proximity to the Freeports will be amongst the most deprived (10%) in Wales. Inclusive economic growth has the potential to transform these communities and to address the root causes of the poverty and disadvantage that people currently experience. The commitment to Fair Work and sustainability should ensure that new employment will be fair, safe and secure.

Welsh language

Lack of local employment opportunities in communities with high levels of Welsh speakers can lead to out-migration particularly of young people. This can erode the use of the language in these communities. Boosting local economic conditions in Freeport areas with high concentrations of Welsh speakers can therefore contribute to the preservation of the Welsh language by providing increased employment especially for young people.

Biodiversity and Net Zero

Existing energy production in the Freeport areas – especially in South Wales - has a negative impact on the environment, including from noise and CO2 emissions. Pivoting activity in these areas towards green energy will reduce this impact, as well as supporting the UK's transition towards a lower carbon future. The set up and development of the Freeports are being guided and monitored

by WG and UKG to ensure any impacts on biodiversity can be fully mitigated and biodiversity enhanced.

Leading the transition to net zero will be a priority for both Welsh Freeports. Fundamentally, without a transition to renewables comparable and bigger than the existing fossil fuel-based economy, Anglesey, Port Talbot and Milford Haven / Pembroke Dock are at risk of declining living standards and growing deprivation.

Addressing decarbonisation is a key building block in the UK meeting its 2050 net zero target. The Welsh Freeports Programme is centred on the opportunities presented by energy transition. Both Freeports have the potential to be world class renewable energy bodies.

Well-being of Future Generations (Wales) Act 2015

Long-term

The Freeport Programme for Wales will aim to promote regeneration across local economies and communities by driving inclusive and sustainable growth locally, regionally and nationally. The Welsh Freeports will aim to support WG's mission to build a prosperous, green and equal economy based on the principles of fair work, sustainability, and the industries and services of the future. The Freeports will aim to further enhance Wales's ability to attract investment and new businesses, bringing growth and prosperity to some of our most deprived communities.

The Freeport programme also aims to help Wales become a more sustainable nation through improving the social, economic and cultural well-being of Wales, specifically applying the sustainable development principle designed to maximise contribution to achieve each of the well-being goals as set out by the

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Well-being of Future Generations (Wales) Act 2015.

The Freeport Programme will provide access to a mixture of financial incentives coupled with good governance that will support a strong partnership between local, private and public sector stakeholders. The Welsh and UK governments will support the Freeports to attract investment and develop strong local and regional skills bases.

The Welsh Freeports can be a catalyst for significant economic growth within their localities and the wider regions linked to emerging industries especially in green energy. This will support work to decarbonise industry at local, regional and national levels helping to meet the net zero carbon targets. Green economic growth will help to address structural issues of poverty and deprivation in local and regional economies stimulating local supply chains and increasing the skills and qualifications of resident populations. Both Welsh Freeports present a unique opportunity to transform local and regional economies, arresting and reversing the negative impacts associated with the long-term decline of traditional industries in their areas.

Prevention

The Freeport Programme in Wales represents a new opportunity to help Wales continue to develop a globally competitive, entrepreneurial, inclusive and sustainable economy. It will make a positive contribution to WG's commitments to the economy, fair work and the seven well-being goals set out in the Wellbeing of Future Generations (Wales) Act 2015 which deliver long term benefits to improve the economic, social, environmental and cultural wellbeing of Wales.

The Freeports' regional economic challenges are linked with long term industrial change that is still ongoing. The industrial base in Pembrokeshire and Neath Port Talbot is reliant on fossil fuels which possess significant risks associated

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with the transition to net zero, while Anglesey's economy remains disproportionately reliant on tourism. As things stand there is a risk that these sectors will not be able to sustain jobs for future generations and provide fair, safe and secure jobs to large parts of the population. This could result in declining living standards and growing deprivation.

The potential of the Welsh Freeports is a unique opportunity to fast track high potential economic projects particularly low carbon technology and decarbonisation focussed projects, contributing to the net zero agenda. Freeport status should trigger larger scale private investment.

Government is seeking to overturn the advantages overseas manufacturers have amassed through state support, sunk costs, and accumulated economies of scale and extensive experience. The combined Welsh Freeport offer of land, tax incentives, coordination of planning, enabling infrastructure and skills/innovation investment is compelling to investors.

Collaboration and involvement

Welsh Freeports policy and oversight is a joint UKG and WG endeavour.

On the ground, the Freeport consortia involve local authorities and ports bodies working together. They are required to have a communications and engagement strategy which includes a plan for marketing the opportunities and benefits of the Freeport, a stakeholder map, and a detailed plan for engaging local communities (including under-represented groups), prospective investors, local strategic stakeholders including entities with a remit for (sub-) regional economic strategy; local political stakeholders; and local education and skills providers.

Integration

The Welsh Freeports can secure a step change in industrial investment, especially in renewable energy to support the zero-carbon industrial transition in a way that works for our communities by creating new, fair, safe and secure jobs in the sectors of tomorrow and safeguarding the living standards of future generations. The consortia are taking a long-term, community-led approach, considering how the Freeports can improve the ‘social, economic, environmental and cultural well-being of Wales’.

A prosperous Wales

Welsh Freeports can deliver significant investment for Wales in modern industrial sectors especially in green energy, enabling people to benefit from the wealth generated through securing fair work. The local authorities are planning to pool recycled NDR to support transformation, for example, through vocational and academic offers at schools, colleges and universities in the Freeport regions, helping to prepare future generations for the jobs the 21st century economy will require, as well as upskilling adults already in employment.

A resilient Wales

The technology investments that the Freeports will bring forward, especially in renewables, will, over the medium to long term, support the accelerated reduction of carbon emissions in Wales. Moreover, by managing the transition away from a fossil-fuel based economy, it will reduce Wales’s exposure to demand-supply shocks of geopolitically vulnerable industries such as gas.

Many of the Welsh Freeport proposed tax site locations are largely existing brownfield locations, minimising the impact of development on local biodiversity.

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Where impacts are identified, the Freeports are planning to deliver mitigation measures.

A healthier Wales

The Welsh Freeports can create fair, safe and secure jobs and increase employment which will improve the mental health of job seekers. People who live in areas with high employment rates are more likely to live longer - there is positive correlation between an area's employment rate and both men's and women's healthy life expectancy.

For the Celtic Freeport in particular, the change from fossil fuel powered industries to renewables-based industries will likely see reduced air pollution generating significant respiratory and cardiovascular health benefits for local people.

A more equal Wales

The Welsh Freeports will direct significant private investment to areas adjacent to some of the most deprived communities in Wales. They will generate labour market and training opportunities (through private investment, landowner/ developer commitments and recycled business rates) for local people in these communities. The projected economic growth around the Freeports will help to tackle entrenched, inter-generational poverty, growing local productivity and wages.

Tax Site Delivery Agreements will commit landowners and employers to offering fair working conditions to employees, and the Freeports will have a designated diversity lead to ensure the Freeport has a positive impact on socio-economic disparities within the local population.

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A Wales of cohesive communities

Increased investment and a growing local economy are often linked with increased community cohesion.

A Wales of vibrant culture and thriving Welsh language

The Freeport will protect and strengthen the Welsh language in Anglesey. The creation of jobs across the whole skills spectrum, combined with a powerful education offering, will provide a strong platform of aspiration for local people. This will reduce emigration from the Island – a particular problem amongst the younger members of the population who are more likely to speak Welsh.

For the Celtic Freeport, the Welsh language plays an integral part of the social fabric of the Neath Port Talbot area particularly the Amman and Swansea Valley, and therefore the Freeport has the potential to create job opportunities for Welsh language speakers.

Furthermore, increased economic growth can generate revenue to invest into culture and arts.

A globally responsible Wales

The Freeports provide the opportunity for Wales to achieve international recognition as a major producer and innovator in renewables.

Reducing negative impacts

Government guidance to Welsh Freeports is comprehensive requiring them to articulate their overarching strategic vision. This must include a summary of:

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- how the Freeport can maximise its contribution to Wales's national well-being goals as outlined in the **Well-being of Future Generations Act**
- how the Freeport Governing Body's decision-making will act in accordance with the Well-being of Future Generations Act's sustainable development principle

In addition, each Freeport must produce a business case in line with the Green Book. Business cases must include an economic case, a fair work plan, an equalities impact assessment, a decarbonisation plan, and environmental management measures.

How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?

The impact of Welsh Freeports will be monitored and measured:

- as part of a UK-wide Freeports Monitoring and Evaluation Framework; and
- through local Freeport specific monitoring and evaluation plans.

Further, WG will conduct a policy review of the Programme in 2028.

Annex A: Children's rights impact assessment

Policy objectives

This is an impact assessment for the Freeports Programme for Wales

Gathering evidence and engaging with children and young People

After an extensive search, no relevant research and data could be found on children and young people in relation to Freeports or economic regeneration initiatives more generally. The businesses that locate in the Freeports, and the associated infrastructure projects, are being coming to fruition as part of ongoing business case development. Financial and commercial factors will guide this process albeit the investment must align with the Freeport objectives to promote regeneration and high-quality job creation. Children and young people will be engaged when it is clear what investments and infrastructure are planned for each Freeport so they can give their views on the nature and implementation of that investment.

Analysing the evidence and assessing the impact

Freeports policy pays due regard to the United Nations Convention on the Rights of the Child. One of the primary objectives of Freeports is to raise living standards for the local communities within a Freeport's boundary and in the communities linked to it. The 'Rights of Children and Young Persons (Wales) Measure 2011' that is based on 'The United Nations Convention on the Rights of the Child' contains the following article that may be relevant in the context of Freeports. These are:

- Article 12: Children have the right to say what they think should happen, when adults are making decisions that affect them, and to have their opinions taken into account.

Monitoring and review

The impact of Welsh Freeports will be monitored and measured:

- as part of a UK-wide Freeports Monitoring and Evaluation Framework; and
- through local Freeport specific monitoring and evaluation plans.

Annex D: Welsh language impact assessment

Welsh Language Impact Assessment reference number (completed by the Welsh Language Standards Team, email: Safonau.Standards@gov.wales)

Does the proposal demonstrate a clear link with the Welsh Government's strategy for the Welsh language? – [Cymraeg 2050 A million Welsh speakers](#) and the related [Work Programme for 2021-2026? Cymraeg 2050 work programme 2021-2026](#)

Yes, the Freeports Programme can support increasing the number of Welsh speakers and the use of Welsh. In Anglesey in particular, the potential creation of thousands of jobs will mean fewer people leave (or commute off) the Island and those who have already left will have the opportunity to return. This will help build cohesive communities and protect and enhance the Welsh language.

Describe and explain the impact of the proposal on the Welsh language and explain how you will address these impacts in order to improve outcomes for the Welsh language. How will the proposal affect Welsh speakers of all ages (both positive and/or adverse effects)?

The Welsh Government's strategy for the Welsh Language Cymraeg 2050: a million Welsh speakers outlines the importance of sustaining and growing

communities with high numbers of Welsh-speakers. There are links to the proposal in this sense as the movement of people both into and from these communities can have an impact on the number of Welsh-speakers.

The Freeport will protect and strengthen the Welsh language in Anglesey. The creation of jobs across the whole skills spectrum, combined with a powerful education offering, will provide a strong platform of aspiration for local people. The Welsh language strategy mentions retaining young Welsh speakers in Welsh-speaking communities as a goal as this promotes the continuation of the Welsh language into future generations. This will reduce emigration from the island – a particular problem amongst the younger members of the population who are more likely to speak Welsh.

Additionally, it is possible that Freeports will lead to in-migration of non-Welsh speakers to some predominantly Welsh speaking areas. Where this happens, the Freeports and their partners should promote the Welsh language and learning opportunities to incomers.

For the Celtic Freeport, the Welsh language plays an integral part of the social fabric of the Neath Port Talbot area particularly the Amman and Swansea Valley, and therefore the Freeport has the potential to create job opportunities for Welsh language speakers.

Additionally, Section 4 of The Well-being of Future Generations (Wales) Act 2015 highlights the creation of a vibrant culture and thriving Welsh language as one of seven well-being goals. Welsh Freeport business plans are required to set out how they will contribute to the seven National Well-being Goals including, “A Wales of vibrant culture and thriving Welsh language”.

The Freeport consortia and the businesses they support will be required to meet bilingual standards including on digital material, signage, and training and public events.

Evidence for this Welsh language assessment has been obtained from:

- the “Annual Population Survey - Ability to speak Welsh by local authority and year” (Welsh Government (2024) Annual Population Survey - Ability to speak Welsh by local authority and year) and
- engagement with the Welsh Freeports and their associated local authorities

The numbers of Welsh speakers, and the use of Welsh, in the Freeport areas will be tracked to measure the impact of the Programme on the language.

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