

UNCTAD MONOGRAPHS ON PORT MANAGEMENT

*A series of monographs prepared for UNCTAD in collaboration
with the International Association of Ports and Harbors (IAPH)*

13

Freeport development: the Mauritius experience

by

*Gerard Sanspeur
Director General
Mauritius Freeport Authority*

and

*R. Chellapermal
Marketing Manager
Mauritius Freeport Authority*

with the collaboration of the UNCTAD Ports Section



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INTRODUCTION TO THE SERIES

UNCTAD has been cooperating with the International Association of Ports and Harbors (IAPH) for many years in various fields, and in particular in the production, translation and distribution throughout the world of technical papers in the form of **Monographs** which help contribute to the development of the management skills needed for the efficient operation of ports in developing countries.

As a result of UNCTAD VIII, new developments have taken place in UNCTAD which have resulted in the adoption of a new work programme in the ports field. It is worth emphasizing that the previous objective of improving the efficiency of ports, on which the UNCTAD/IAPH monograph scheme was based upon, was reaffirmed.

The UNCTAD Services Development Division is therefore pleased to continue cooperating with IAPH in producing monographs where the practical experience gained by a specific port or individuals is presented for the benefit of the international port community. Such a scheme supplements the other research, training and technical cooperation activities carried out by the UNCTAD Services Development Division with the objective of fostering competitive maritime and international transport services, strengthening capacities for trade and promoting international cooperation and exchange of expertise. We would like to thank the authors for their contribution to these monographs, all of which have been made on a voluntary basis.

Rainer Vogel
Officer-in-charge
Services Development Division
UNCTAD

FOREWORD

When UNCTAD first decided to seek the cooperation of the International Association of Ports and Harbors in producing monographs on port management, the idea was enthusiastically welcomed as a further step forward in the provision of information to managers from ports in developing countries. The preparation of monographs through the IAPH Committee on International Port Development has drawn on the resources of IAPH member ports to record, for the benefit of others, the experience and lessons learnt in reaching current levels of port technology and management. In addition, valuable assistance has been given by senior management in ports of developing countries in assessing the value of the monographs at the drafting stage.

I am confident that the UNCTAD monograph series will be of value to managers from ports in developing countries in providing indicators towards decision-making for improvements, technological advance and optimum use of existing resources.

The International Association of Ports and Harbors looks forward to continued cooperation with UNCTAD in the preparation of many more papers in the monograph series and expresses the hope that the series will fill a gap in the information currently available to port managers.

Goon Kok Loon
Chairman
Human Resources Committee
IAPH

Abbreviations used in this monograph

COMESA	Common Market for Eastern and Southern Africa
EPZ	Export Processing Zone
FTZ	Free Trade Zone
GATS	General Agreement on Trade and Services
GDP	Gross Domestic Product
MEDIA	Mauritius Export Development and Investment Authority
MFA	Mauritius Freeport Authority
MMA	Mauritius Marine Authority (Port Authority of Port Louis)
Rs	Rupees of Mauritius
TEU	Twenty-foot Equivalent Unit
US\$	Dollar of United States of America

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Introduction

Freeport Zones: a key role in promoting national development

1. The aims of this monograph are to describe the different phases of setting-up a Free Trade Zone and to provide an insight on economic, juridic and managerial concepts including marketing activities in order to help port managers who may wish to create a free-trade-zone in the port area.
2. The Mauritius Freeport Authority was established in 1992 with the objective to promote the country as a regional warehousing, distribution and marketing centre. Through the development of the Mauritius Freeport and the modernization of the port, the objective of the Mauritius Government is to transform Port Louis from a "tonnage port" into a "value-added port". A pro-business and outward-looking policy by the Government has led to the development of the Mauritius Freeport which derives its competitive edge from the established air, sea and trade links with Southern and Eastern Africa and the Indian Ocean islands.

Box 1. Mauritius at a glance

Geography:	1,870 sq. km. - 54 per cent arable land; 31 per cent forest and woodland 177 km of coastline.
Population:	1,081,000 in 1991 - 1,269,000 (projected 2010); urban population: 46.2 per cent.
Labor force:	Full employment; 335,000; 29 per cent: government services; 27 per cent: agriculture & fishing; 22 per cent: manufacturing.
GDP:	Total: US\$ 42,750 millions (1991); US\$ 2514 per capita (1991) Annual average growth rate of GDP at market prices: 1980-91: 6.3 per cent; 1991-92: 5.8 per cent Breakdown of GDP in 1991 (1975) - agriculture 11 per cent (24 per cent); industrial activity 25 per cent (15 per cent); construction 7 per cent; services 57 per cent including transport 11 per cent (7 per cent).
Trade:	1992 - Exports: US\$ 1,291.5 millions; Imports US\$ 1,472.5 millions; Goods and Services balance: US\$ + 17.1 millions. Main categories of export (per cent of total): All food items 30.9 per cent; Manufactured goods 66.2 per cent; Textile 54.1 per cent. Main categories of import (per cent of total): Manufactured goods 74.6 per cent; All food items 13.2 per cent.

Source: UNCTAD Handbook of International Trade and Development Statistics - 1993

3. The port of Mauritius is a successful example of the creation of a Free Trade Zone. The approach of Mauritius may be either imitated or preferably adapted to the local conditions of one's country. For instance, not all ports create a separate authority to manage the Free Trade Zone.¹ Besides some ports may emphasize financial advantages of a Free Trade Zone in their marketing strategy, whereas others may prefer to highlight the paperless environment of a Free Trade Zone. Moreover, the success of the Mauritius Free Trade Zone follows a more general national economic policy which has been exportation-led since the early 70's. In some other countries where the institutional and economic environment is less developed, additional efforts may be required to make the Free Trade Zone successful.

¹ A Freeport is usually a designated area at a port or airport where goods can be imported, stored or processed and re-exported, free of all Customs duties. It is a free area which normally falls under the authority of the port or airport management.

Chapter I

CREATION OF THE MAURITIUS FREEPORT

A. Concept of Free Trade Zone or Freeport

(a) Definition

4. Before elaborating on the concept of Free Trade Zone or Freeport, it is necessary to define Free Zone. There are two types of free zones, namely Industrial Free Zones and Commercial Free Zones. Industrial Free Zones² are essentially geared towards the manufacturing of a product for export whereas Commercial Free Zones involve trading activities such as entrepôt trade and transshipment. However, both types of free zones operate within a minimum of customs control and goods enter the zone duty free. Mauritius decided to create a Freeport, ie. Free Trade Zone adjacent to the port.

5. While Free Trade Zones have existed for centuries, their recent development really started in the early 1960's. Today, it is estimated that there are approximately 600 FTZs in the world and they account for about 10 to 20 per cent of world trade.³ The classic Freeport or Free Trade Zone is normally situated at a seaport or airport bounded by ring fence or natural barrier and permits warehousing and storage of goods, transshipment, minor processing and simple assembly operations. However, during the years there has been a number of variations in the activities carried out in Free Trade Zones as both industrial and commercial trading activities were combined, e.g. Shannon Free Zone in Ireland and Singapore Free Trade Zone.

6. The Free Trade Zone could also be used as a bonded warehouse for the storage of goods for the local market. Thus traders would only need to pay Customs duties when goods were withdrawn. However under a Free Trade Zone, there is much more flexibility in the procedures and operations compared to normal bonded warehouses.

(b) Objectives

7. When considering the role played by Free Trade Zones in international trade, three concepts have evolved:

- a point for re-export;
- a means to facilitate import;
- a link in the channel of distribution.

The legal framework of Free Trade Zone with duty free access enable the re-export of such goods with a minimum of customs procedures. In fact, re-export has been the major historical reason for existence of various Free Trade Zones. Re-export trade is an integral and important part of Freeport operations.

² *Export processing free zones in developing countries: implications for trade and industrialization policies*, TD/B/C.2/211/Rev.1.

³ For a list of Free Trade Zones see *Ports of the World, 1996*; Lloyd's of London Press; pages 845-864.

B. A sound environment for the creation of the Freeport

8. The Freeport development cannot be viewed in isolation. Apart from a general export strategy since the 1970's, the Mauritius Government took some concrete initiatives to boost trade. The Government has developed a number of institutions with the objective of stimulating and diversifying the economy. Among others initiatives is creation of the Mauritius Export Development and Investment Authority (MEDIA). Its main objectives is to promote the export of goods and services from Mauritius.

9. An Export Processing Zone regime was offered and besides an Export Processing Zone Development Authority was established in 1990 whose role is to help Export Processing Zone companies to develop through technical assistance and advice. In 1992⁴, the Mauritius Offshore Business Activities Authority was established to promote Mauritius as a centre for offshore business activities.

10. The general intentions of the Government are clearly stated in this declaration of the Finance Minister of Mauritius:

"The Government has an integrated approach. We have a pool of qualified labor, of professionals crying out for better jobs. We have removed all taxes on computer equipment, and we have an educational master plan which aims at upgrading our work force. We are gearing ourselves to build an economy increasingly based on service industries. The development of Mauritius as an offshore center is a vital component of this strategy. We expect a high level of synergy between the offshore and Freeport sectors. (...). The Mauritius Offshore Business Activities Authority acts as a one-stop shop in the processing of applications for the setting up of offshore companies, which greatly facilitates the development of that sector, and it will help the Freeport achieve faster growth".

11. As a result of all these initiatives Mauritius has developed industry - mainly a textile industry which accounts for over half of exports by value - and now is expanding its capabilities in trade and financial services. Nowadays, Mauritius has reached full employment and the creation of the Free Trade Zone was a logical step of the policy to develop further export of goods and services.

C. The main phases of setting-up the Free Trade Zone in Mauritius

12. The following activities took place to establish the Free Trade Zone:

- | | |
|-------------------|--|
| <i>May 1991</i> | A seminar on Freeports was organized jointly by the Mauritius Marine Authority and the Ministry of Finance. Experts from Singapore and Italy were invited to explain the concept of Freeports. |
| <i>Sept. 1991</i> | A White Paper was prepared to open discussion with interested parties (Annex I). |

⁴ Major incentives for offshore companies are: a zero-rate tax on corporate profits; free repatriation of profits; exemption from duties and taxes on imported equipment, cars and household equipment for expatriates; no withholding tax on dividends and benefits paid by offshore companies; no deduction on interest payments earned from deposits in offshore banks; exemption from stamp duties on all documents relating to offshore business transactions.

- June 1992* A Bill was passed and hence the Mauritius Freeport Authority was established.
- Jan/June 1993* The Director General and other members of the staff, ie. Marketing Manager, Operations Manager and Administrative Managers were recruited.
- Sept. 1993* The first operations were started and the Freeport regulations were published.
- 1994* A Freeport Development Strategy Study was carried out including marketing activities and its implementation initiated.
- 1995* New facilities are built within the Free Trade Zone area.

D. The legal environment

(a) The "Freeport Act"

13. The first requirement to establish a Freeport is that there is appropriate legislation for controlling the licensing and monitoring of Freeport activities. The Freeport Act was passed in 1992 which provided, inter alia, for the creation of a Freeport Authority which has the responsibility of controlling the issue of licences and of managing infrastructure (See annex II: "Freeport Act 1992"). In connection with the Freeport Authority's licensing role, there are provisions in the Act that applicants must comply with a certain number of conditions.

14. The legal framework formulated to develop the Freeport follows the principles of trade liberalization of the new GATS agreement. The Mauritius Freeport is one of the instruments through which the Government is implementing its objectives of liberalizing progressively the economy of Mauritius.

(b) Approval of licences

15. No operation can take place within the zone without having a licence from the Freeport Authority. Activities which can be carried out within the zone are listed in the Freeport Act. Mauritius Freeport Authority (MFA) is responsible for issuing licences. A company which applies for a licence is requested to provide information on its activities. The process is rather flexible in order to encourage companies to apply⁵. A standard form is supplied by the MFA. Then the MFA management, through a steering committee, reviews the application according to the principles enacted in the Freeport Act. Finally, the decision is submitted to a Technical Committee linked to the MFA Board and empowered by the Board to approve the granting of licences. Licensees have to pay an annual licence fee and are required to keep records to the satisfaction of the MFA. There are provisions in the "Freeport Act" to revoke a licence when the licensee fails to fulfil his obligations.

⁵ According to the policy of the Free Trade Zones, type of information to be provided by the applicants may vary: company background, planned activities and projections, financial capability, development and investment plans, employment policy, marketing policy, etc.

Chapter II

OPPORTUNITIES OFFERED BY THE FREEPORT

A. Transport facilities

16. For accessibility to markets and control of transport costs, Free Trade Zones are preferably located close to existing ports and airports. Maritime Free Trade Zones tend to concentrate on entrepôt and trade operations (i.e. storage/warehousing). Developments close to airports tend inevitably to be based in favour of companies which can be serviced by air cargo and as such attract low volume / high value goods. Mauritius Freeport area is located within the Port Louis premises.

(a) Port facilities and maritime services

17. The quality of services offered by the Freeport will depend on the quality of the maritime services and port facilities.

Box 2. Port Louis at a glance

Berthing facilities	<i>Quay</i>	<i>Length (m)</i>	<i>Draft (m)</i>	<i>Cargo handled</i>
	1	123.5	11	Bulk and general cargoes
	2	184	11	General cargo and containers
	3	180	11	General cargo and containers
	4	185	11	Container terminal
	D	149	9.45	General and liquid bulk cargoes
	Bulk sugar Terminal	210	11	

Note: no quay cranes but one yard gantry crane at the container terminal

Storage Transit storage of 19,000 m² (covered) and 115,000 m² uncovered
64 reefer points (no refrigerated space)

Container facilities Quay 4; container park of 6 ha
Storage capacity: 2,800 TEUs at one time
70 forklifts (7 to 42t capacity); one 30 ton capacity yard gantry crane

Bulk cargo facilities Bulk sugar terminal; 2 storage sheds of 175,000 ton capacity
(sugar is centrifugally pumped at max. rate of 1,440 tons per hour)
Bagged sugar storage of 50,000 ton capacity.
Cement storage of 25,500 ton capacity.
16 silos for wheat of 40,000 ton capacity.
3 tanks for bulk bitumen of 2,250 ton capacity.
Fertilizer storage: 2,000 ton capacity.

Traffic 1994: 1,105 vessels; 3,392,453 tons of cargo handled; over 80,000 TEUs

Future plans A new deep water quay is being constructed and quay D will be re-aligned with the new quay, ie. a total of 380 m of quayage will be available.
A new container terminal will be developed. The project includes construction of 2 container quays, development of a 10 ha container park, installation of 2 ship-to-shore gantry cranes.
A new cement terminal is under construction.

Source: Port Handbook, Mauritius Marine Authority, the Strategic Port of the Indian Ocean

18. High freight rates of maritime services may constitute a major constraint for the development of a Freeport. In Mauritius, about 25 shipping lines call regularly at Port Louis Harbour. As customers requirements have to be met, efforts are continuously made to attract new lines. A master plan has been recently prepared for the extension of Port Louis in order to provide more competitive port services. A major infrastructure development programme is under implementation (see Future plans in box 2).

(b) Freeport facilities

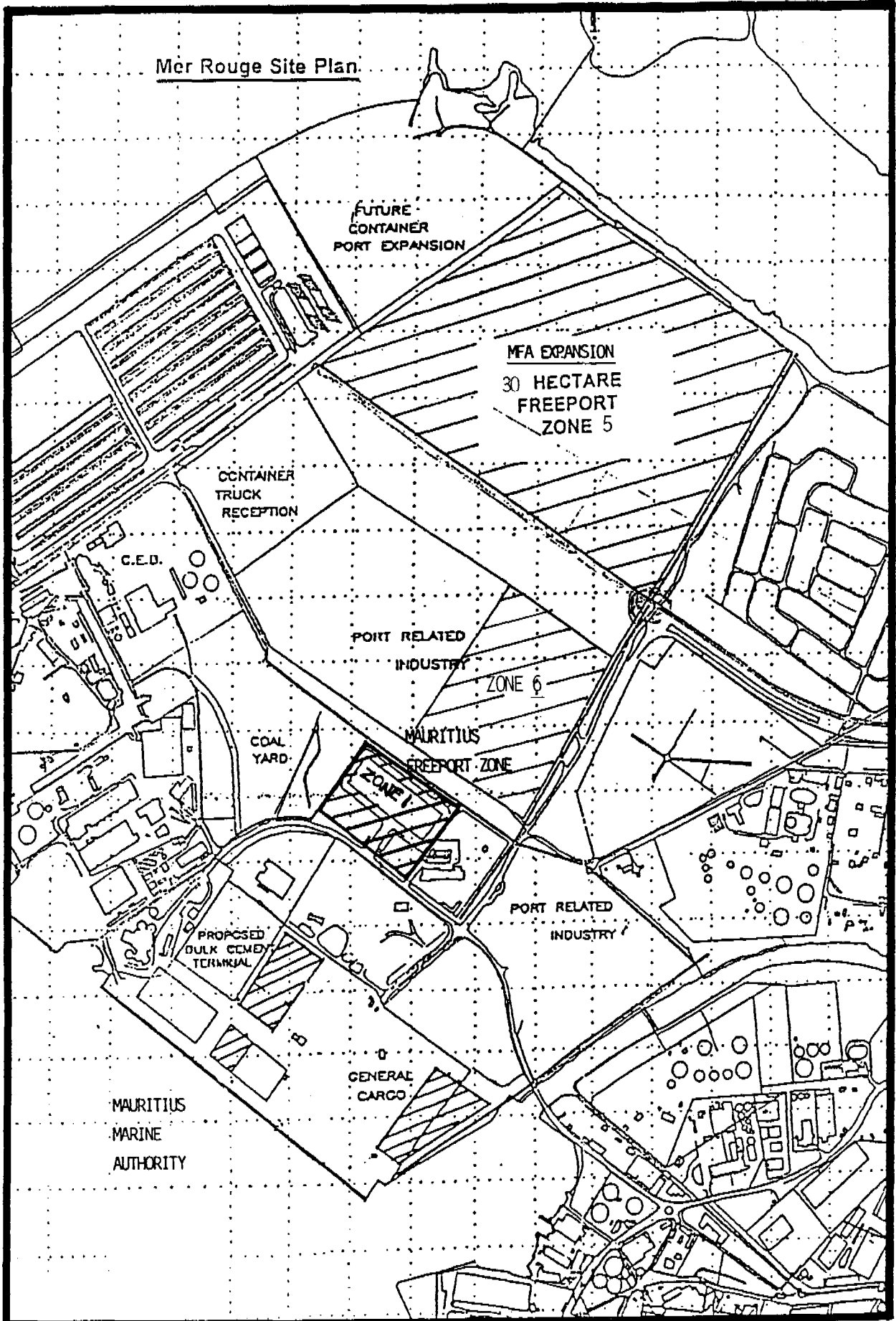
19. The Mauritius Freeport is a fenced part of the main port but the quays are not within the Freeport Zone (see map in figure 1). In Mauritius Freeport, there is 24-hour security and all movement of goods in and out of the Freeport Zone are monitored and controlled. The existing Freeport covers an area of approximately 13,000 m². The Freeport Authority has built warehouses to rent out to licensees. Presently a total space of about 11,500 sq metres partitioned into individual sheds is available. In addition to the port, the Mauritius Freeport Authority has a space capacity of about 2300 sq metres of warehousing at the airport partitioned into individual cubicles, offices and exhibition areas.

20. As Mauritius Freeport needs to provide a total service in the warehousing and distribution of goods, it is planned that suitably located land will be put at the disposal of the Authority to facilitate the development of necessary infrastructure for warehousing and container parks. The Freeport users will then have the option of securing warehouse space tailor-made on a long-term lease. Moreover water front facilities for cold storage and bulk handling of such commodities as rice, chemicals, cereals would contribute significantly in offering high quality services at competitive costs to Freeport operators.

Box 3. Facilities at Mauritius Freeport

Existing	Airport	Covered area of 5,000 sq metres, including 2,300 sq metres warehousing on a site of about 12,000 sq metre.
	Port	11,500 sq metres warehousing in a area of about 13,000 sq metres.
To be developed	Port	Addition of 30 hectares situated at Mer Rouge (Zone #5) and to be developed in four phases by a private consortium, Mauritius Freeport Development Co. Ltd. (MFD). From April 1996 to 2002. By the year 2002, 100,000 sq. metres of warehousing will be available.
		Addition of 10 hectares situated in Zone #6 to be developed by another private consortium, Freeport Operations Mauritius Ltd. (FOM) for warehousing facilities.

Figure 1. Map of Mauritius Freeport



B. Commercial opportunities ⁶

21. A Freeport must offer a series of advantages in order to attract investors. Financial incentives are complementary to other advantages such as transport services - already reviewed in the previous section - but also commercial opportunities. The use of Free Trade Zone or Freeports can facilitate the marketing and distribution of products for international companies.

22. The location of a Freeport and/or the know-how are the first elements to be marketed by a Freeport. The trade potential must be evaluated through market analysis which is part of a development plan. Located in the Indian Ocean off the coast of East Africa, Mauritius Freeport offers trade opportunities with the continents of Asia, Europe and Africa. The island of Mauritius can be used as a regional business base for international trade. It has been estimated that annual imports in Eastern and Southern Africa total some US\$ 30 billion. Mauritius offers access to a regional market of 250 million consumers. Much of this trade comes from Europe, but there is increasing trade with the Far East. By establishing the right legal and physical infrastructure, and developing efficient external communications and transport links with the region, Mauritius is poised to play an important role in this growing market.

23. Advantages of the Freeport are not merely geographical. In Mauritius, there is also the know-how of local businessmen who have long practice in the European Union and African markets. Knowledge of languages (French, English and other Oriental languages) as well as of trading procedures are other advantages offered by Mauritius. For these reasons, local businessmen have a good knowledge of the European and African markets. The Mauritius Freeport offers the advantage to facilitate the promotion of trade between the Common Market for Eastern and Southern African (COMESA)⁷, Africa and Europe.

24. Freeports can be used also as a channel of distribution regionally and internationally. The role of Freeports as central distribution or marketing bases means that these areas offer possibilities and opportunities in terms of greater sales and profits, particularly for small firms.

C. Customs incentives

(a) Advantages in the country

25. Goods may be received in zones without formal customs entry, payment of duties or furnishing of a bond. All finished goods, machinery, equipment and materials imported into a Freeport zone are exempted from customs duty, import duty and sales tax. The effort to minimize bureaucracy and maximize efficiency in clearing goods (often a nightmare for international traders)

⁶ In 1993, Mauritius Freeport Authority commissioned a study by the International Trade Centre (UNCTAD/GATT): "Mauritius as a regional warehousing and distribution centre for exports to Eastern and Southern Africa".

⁷ Members of the COMESA are: Angola, Burundi, Comoros, Djibouti, Ethiopia, Eritrea, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe.

has led to the innovative single goods-in-goods-out document⁸ also called the "Freeport Bill" that the Mauritius Freeport Authority developed as one of the incentives a Freeport licence holder enjoys (annex III shows a copy of this form).

(b) Advantages with other countries

26. Sometimes the country where the Freeport is located has signed free trade agreements with neighbouring countries. According to the legislation of the zone, the advantages provided by the free trade agreement may be extended to the goods which transit through the Freeport. As for Mauritius, the country is a member of the Common Market for Southern and Eastern Africa (COMESA). The main advantages conferred by such membership are the reduced duties payable on imports from member countries, and the central bank clearing house system, which allows settlement of trade bills without the need to use scarce hard currency resources.⁹ The reduction in duty currently stands at 60 per cent. One of the clauses of the Treaty of the COMESA provides for the gradual reduction of customs duties with a view to their complete elimination by the year 2000.

27. Services such as assembling and processing can help companies qualify for a COMESA certificate of origin which under terms set up by the COMESA reduces import duties by 60 per cent. The potential for trade between the countries of the COMESA has been estimated at several billion dollars. This is the largest sub-regional trade bloc in Africa. The realized trade volume is only some 25 per cent of the potential, mainly because of the lack of awareness of existing opportunities, and perhaps a resistance to change from traditional trading partners. The process is, however, already under way.

D. Additional fiscal incentives

28. The Freeport legislation has provided a liberal and comprehensive incentive package, advisory services and other tangible benefits for companies looking for a cost-effective storage, assembly, and redistribution location. The fiscal incentives to Freeport companies are:

- Exemption from company tax;
- Dividends are exempted from income tax for the first 20 years;
- Possibility of selling 20 per cent of the total annual turnover on the local market;
- Access to offshore banking facilities;
- No foreign exchange control;
- 100 per cent foreign ownership allowed.

⁸ The Declaration Document is a five-part form supplied by the MFA and covers all movement of goods. The top copy is completed by the licensee or his agent and presented to MFA. It includes information which can be used for operational, statistical and marketing purposes. After the document has been processed, it is presented to the Mauritius Marine Authority at the port to secure release of the cargo. Mauritius Marine Authority retains the delivery copy of the document. One of the two customs officer at the Freeport receives the three remaining copies. The Declaration Document is sold at a cost of Rp.100. MFA may go further in the simplification of the document with three copies only.

⁹ Lack of hard currencies for settlement of accounts in many of the COMESA countries constitutes a serious obstacle to the development of trade between member countries. The COMESA treaty provides for a multilateral *Clearing and Payments* mechanism utilizing national currencies to overcome such difficulties. It allows PTA businesses to invoice their COMESA exports in their national currencies.

In order to improve flexibility and ease of entry, companies operating in the Freeport were authorized to effect "ad hoc" operations, without having to rent a space during the whole year.

E. Other advantages

29. The Freeport offers a series of other advantages. Imported goods may be left in the zone for storage and handling. Since goods can be stored at zones without time limit for re-export to other countries, companies do not have to tie up capital in payment of duties or providing for bonds. Preferential rates for warehousing storage are also offered to encourage companies to set up their activities. Goods which transit through the Freeport and are destined for re-export can benefit also from reduced port charges - 50 per cent of the normal charges. As the Mauritius economy has full employment, temporary work and residence permits are granted to expatriates operating in the Freeport after the necessary conditions have been complied with the Authority.

30. The Freeport Authority wants to go further in its offer of services. For instance, to solve problems of logistics, the Freeport is encouraging the clearing and forwarding companies to provide a door-to-door service using a multimodal transport network to smooth out the routing problems.

Chapter III

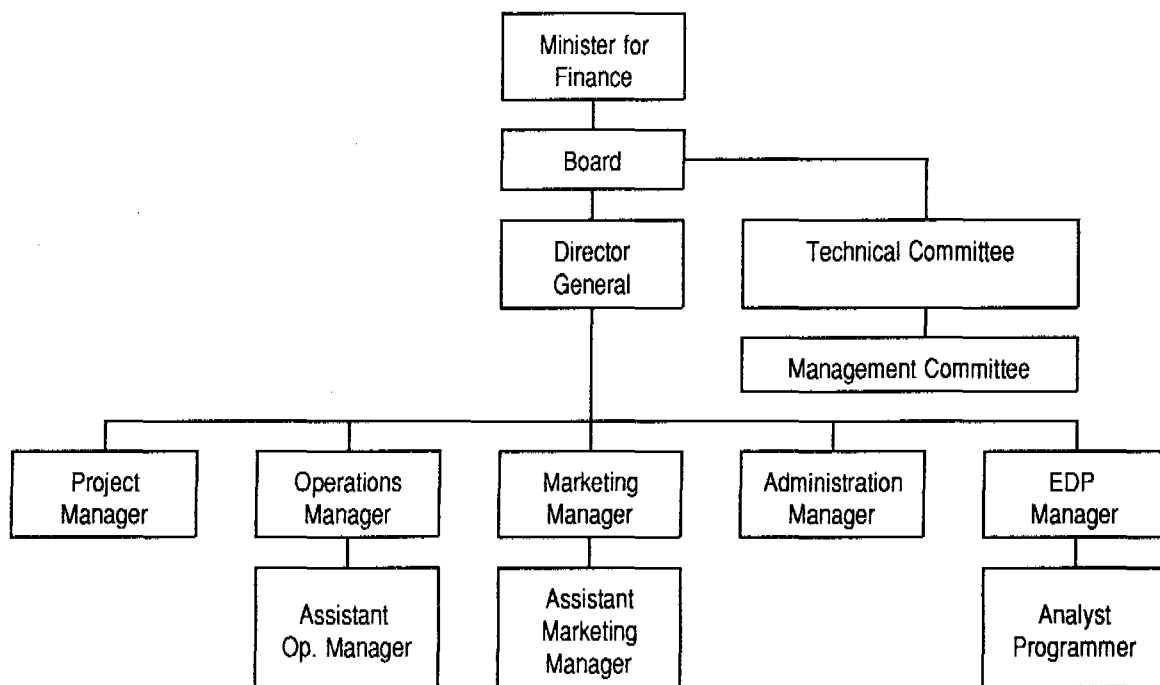
ORGANIZATION & ACTIVITIES OF THE FREEPORT AUTHORITY

31. The objective of the Freeport Authority is to allow goods which are to be transhipped or warehoused to have very little administrative and customs interference. The main objectives are to ensure maximum operational efficiency and security and minimum bureaucracy to meet the market needs of international trade. A close collaboration is required with the Port Authority which provides port facilities and also participates in operations for the transfer of cargo, as well as the Customs Authorities which remain responsible for the control of customs procedures. The importance of Customs and Port Authorities is reflected in the composition of the Board (see annex II - Freeport Act 1992, Section 6).

A. Organization of the Mauritius Freeport Authority (MFA)

32. The MFA is under the authority of the Minister of Finance as the Customs are under the same authority.

Figure 2. Organization Chart of Mauritius Freeport



33. A Board and two committees have been created to administer the Freeport. The Board, whose composition is described in the "Freeport Act 1992", gathers all interested parties in the functioning of the Freeport: Customs, Port Authority, Maritime Administration, representative of the Government. The main role of the Board is to decide on the policy of the Freeport but not the day-to-day operations

B. Relationship between Mauritius Freeport Authority and the Mauritius Marine Authority (Port Authority of Port Louis)

34. Although the Free Trade area is located within the port premises, a distinct entity has been created by the Mauritius Government to manage the Free Trade Zone. There are two reasons for creating a separate body from the Mauritius Marine Authority. Firstly, the Government wanted to create a new institution exclusively responsible for managing and marketing the Freeport. Secondly, it was found more practical to have the MFA under the responsibility of the Ministry of Finance as the Customs Authority is also under the same ministry. This arrangement facilitates coordination between the two bodies. However not all Free Trade Zones in the world follow this approach. Commonly, the Free Trade Area is a designated area within the port and the port authority is responsible to operate and promote it. There are advantages and drawbacks for each of these approaches.

35. There are certain advantages to create an authority distinct from the port authority to manage the Free Trade Zone. Firstly, a cost-centre is created which is an efficient means to measure its profitability. Secondly, an independent and small entity can focus on its activities of promoting and operating the Free Trade Zone without the pressures and sometimes conflicting interests of a larger company responsible for several activities. As for the drawbacks, the Freeport relies on port facilities for much of its services. A lack of coordination between the two entities may lead either to a waste of resources or to a sacrifice of the interests of one of the two entities. The choice among one of these two arrangements will depend on objectives of the overseeing body and also the local environment. For instance, although there are different bodies, a relatively small local economy may be conducive to cooperation between managers. Also Ministries may firmly encourage cooperation between the different authorities.

36. The "Freeport Act" recognizes that the successful development of the Freeport Zone depends on cooperation between developers of port facilities and MFA. This has been addressed by making the general manager of the Mauritius Marine Authority a member of the MFA Board.

C. Relationship between the Mauritius Freeport Authority and Customs

37. The Customs Authorities are major players in the success of a Free Trade Zone. Their understanding of their complementary role is a key issue. Mauritius Freeport efficiency depends on the Customs authorities for the documentary processes. The facilitation of trading procedures to enter and leave the Freeport is the key to the success of a Freeport. The establishment of the Freeport Bill for the movement of goods in and out of the Freeport Zone is another step to reduce administrative interferences and to speed up procedures.

38. Customs ensure the control of cargo transfer at the reception point and for its transfer to the Freeport. For this purpose, the Customs have an officer designated for Freeport traffic who secures the cargo for the short transit to the Freeport, for instance by placing a seal on a container. For re-export, a seal is placed on the export container at the Freeport for delivery to the port and loading onto the ship. Customs have the power to enter licensees premises and examine goods within the Zone. They can also stop and search vehicles and persons entering and leaving the Zone.

D. Internal organization and activities of the Mauritius Freeport Authority

(a) Internal organization

39. MFA is divided into 4 divisions: operations, marketing, administration and electronic data processing. The Director-General is "responsible for the execution of the policy of the Board and for the control and management of the day-to-day operation" (Freeport Act 1992). Although MFA is a state organization, it has a private culture. Staff are customer and service oriented. The addition of the Electronic Data Processing Department in 1995 is a move towards modernizing and improving operations¹⁰.

(b) Activities

40. The Freeport Authority goes further than just legislation and control. The Authority actually manages the physical facilities in the Freeport area. Its duties are:

- issuing licences to operate in the Freeport zone;
- allocating areas, spaces, wharves and any other facility or structure available in the Freeport zone;
- collecting rents, charges and other duties from licensees;
- working out agreements with third parties to provide additional or backup services to Freeport licence holders;

41. The Mauritius Freeport Authority also acts as a developer of the Freeport. One of its main tasks is to promote and encourage external trade. The Freeport Authority has a vital role to play in marketing the Freeport facilities worldwide, and of serving as a link with the port authority for the development of appropriate port infrastructure to make transit operations efficient and cost-effective. The Freeport Authority conceives strategies which are customer oriented.

¹⁰ One objective is to create a computer based movement file and stock record on the basis of information contained within the Single Document. MFA will be able to monitor activities of licensees and use data for marketing purposes. Also data processing by the Customs Authorities will be more rapid.

Chapter IV

PROMOTION OF FREEPORT ACTIVITIES

A. Evaluation of economic benefits

42. Freeport activities occupy a pivotal place in international trade and can contribute significantly to the economy of a country by generating income and also creating a large array of business opportunities and activities. A Freeport Zone may be a good strategy for economic growth.

(a) Companies established within the zone

43. The activities carried out in the Freeport have covered a wide range of Freeport activities as provided under the Freeport Act (see annex II - Freeport Act 1992, Section 22). The Mauritius Freeport Authority has already granted about 320 licences to operate in the Freeport. Ninety Freeport companies were fully operational in December 1995. An analysis of the activities of these companies is given in the table below. Operations carried out in the Freeport amounted to Rs 752 Millions (about US\$ 42 Million) for financial year 1994/95 compared to Rs 218 Million (US\$ about US\$ 12 Million) the previous year 1993/94.

Table 1. Companies operating in Mauritius Freeport

	30/06/94	30/06/95	31/12/95
Trading	42	51	71
Minor Processing / Simple Assembly	2	11	13
Ship repair	1	1	1
Total	45	63	85

Since the establishment of the Mauritius Freeport, the number of joint ventures between local businessmen and foreign investors have increased as shown in the following table. The second column shows the number of local businesses involved in the joint ventures.

Table 2. Joint Ventures in Mauritius Freeport

	local business men	Joint-Ventures						
		South Africa	India	French Reunion	UK	USA	Asia	Others
1992/93	31			3	2		6	3
1993/94	85	5	5	11			10	10
1994/95	59	5	16	13	1	1	3	5
Total	175	10	21	27	3	1	19	18

(b) Trade to and from the Freeport

Table 3. Annual trade activities in volume and value

(from 1 July to 30 June)		1993/94	1994/95
Volume (tons)	Re-exports	704,011	3,976,310
	Imports	843,515	4,306,660
	Total	1,547,526	8,282,970
Value (Rupees)	Re-exports	147,727,921	381,503,021
	Imports	70,517,770	371,325,427
	Total	218,972,866	7,502,828,448

44. The breakdown in terms of percentage as regards the mode of transportation of goods in value terms was about 70 per cent by sea and 15 per cent by air. The remainder is goods which were sourced locally for export or goods meant for re-export which were sold locally. Exports cover a wide range of product groups namely electrical and electronics, textiles, plastics, machinery and equipment, foodstuffs, chemicals, wood, hardware, stationery, paper and paper products, jewellery, etc. Much of this trade comes from Europe but there is an increasing trade with the Far East.

45. The trade pattern shows that goods are sourced mainly from China (about 20 per cent) and India and Thailand (about 10 per cent each). As far as re-export is concerned, Madagascar remains the main re-export market for Freeport operators with more than 50 per cent of total re-export by value. The other main re-export markets are South Africa and Reunion (about 5 per cent).

(c) Financial situation

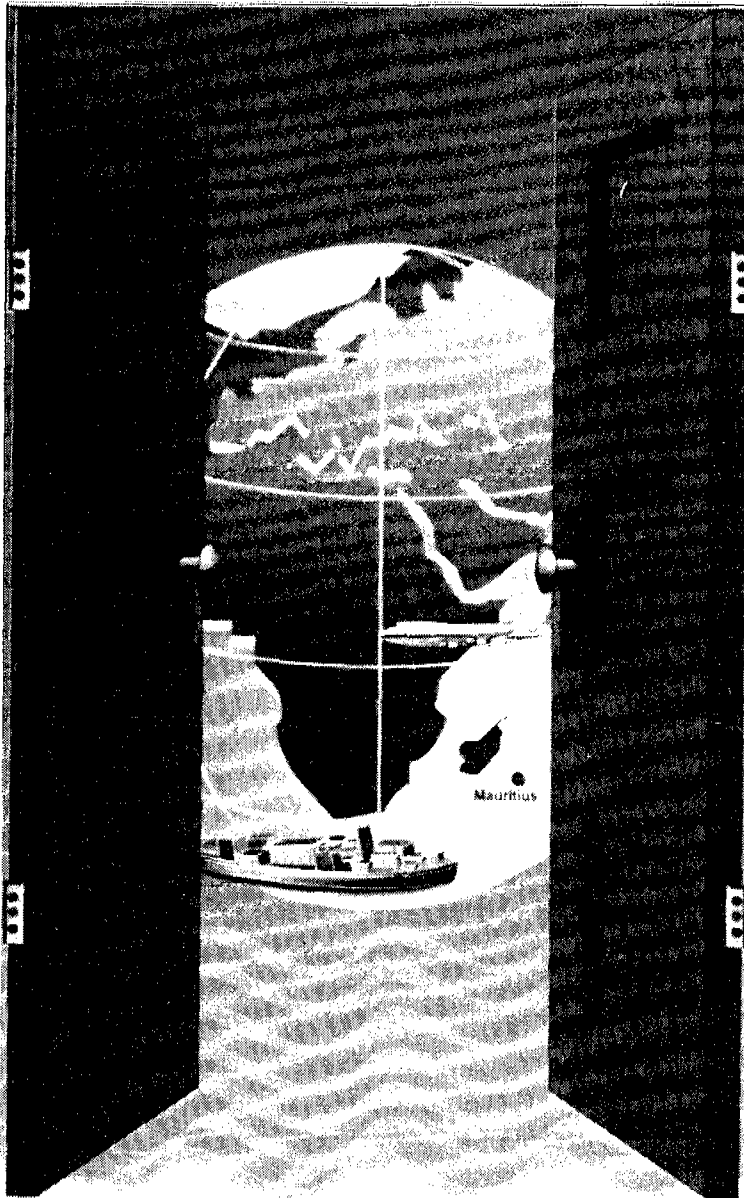
46. Mauritius Freeport Authority's financial objective is to be self-sufficient at the operational level and thus to break even in 1997 excluding the cost of interest and capital payments on debt. For the time being, Mauritius Freeport has two main sources of revenues: i) annual licence fees which has been fixed at Rs 10,000 and ii) rental of land and facilities.

47. These revenues are not sufficient to cover the expenses (administrative, marketing, operations and capital repayment and interest expenses). This results from MFA having to bear the initial investment costs at the time of its creation. MFA also offers rental charges at promotional levels to encourage companies to use the zone. Therefore, the Government has provided a grant in 1993 and 1994 to support the Freeport project during its creation and development phases. Additional sources of revenues are being investigated such as an increase of licence fees. The increase of rental charges to market levels will also be a major source of additional revenue. Nevertheless, a critical mass of facilities must be provided to ensure the financial sustainability of the project. In addition to its own efforts through bilateral or multilateral assistance, MFA seeks the participation of private investors. This is part of the development strategy of the Mauritius Freeport.

Figure 3. Advertisement for Mauritius Freeport

Open your doors to *regional trade*

Set up your warehousing and distribution activities at the
MAURITIUS FREEPORT
strategically located at the heart of the Indian Ocean



Companies that set up storage, assembly and marketing activities at the Mauritius Freeport will enjoy these tangible benefits:

- ▶ A Zero-rate tax on corporate profits
- ▶ Exemption from customs duties on all goods imported into the Freeport zone
- ▶ Reduced port charges for all goods destined for re-export
- ▶ Free repatriation of profits
- ▶ 100% foreign ownership
- ▶ Access to a regional market of 230 million consumers and an export potential of US\$32 billion through these memberships:
The Preferential Area for Eastern and Southern African States (PTA) and the Indian Ocean Commission (IOC)
- ▶ Paper and Commission trading
- ▶ Offshore banking facilities
- ▶ The opportunity to sell a percentage of total turnover on the local market



MAURITIUS FREEPORT AUTHORITY

Deramann Tower, 3rd Floor, 30 Sir William Newton Street, Port-Louis, Mauritius

Tel: (230) 212-9627 Fax: (230) 212-9626

B. Freeport Development Strategy

(a) Preparation of a study ¹¹

48. After the creation phase, Mauritius Freeport Authority entered a development phase. For this purpose, a development plan was carried out to assess the strengths and weaknesses of MFA as well as the market opportunities for future development (Annex III - objectives of the study).

(b) Expansion through participation of the private sector

49. The Mauritius Freeport Authority is also encouraging private investors to invest in the development of new infrastructure facilities. In this respect, two private consortiums (Mauritius Freeport Development Co. Ltd. and Freeport Operations (Mauritius) Ltd.) will set up approximately 30,000 square metres of warehousing facilities, cold storage and offices by the end of June 1997. The entire project will be implemented in four phases. It provides for the construction of 100,000 sq. metres of warehousing and processing zones and 6000 sq. metres of office space in the Mer Rouge area.

(c) Marketing activities

50. Marketing is one of the main activities of the Mauritius Freeport Authority. There are three main aspects to the MFA's promotion role:

- Awareness building: MFA advertises in foreign journals (see advertisement in figure 3), organizes trade missions for Mauritian Freeport traders and procures and disseminates promotional material on the Freeport regime. Promotional trips overseas are undertaken by MFA executives.
- Enquiry servicing: MFA delivers specific information on the Freeport regime to prospective operators, and encourages suitable enterprises to apply for a Freeport licence.
- Provision of Freeport facilities: MFA is vested with means for development of physical facilities for potential Freeport traders and operators. These facilities are being developed as a promotional tool to encourage and enable Freeport activities.

51. The marketing strategy of MFA seeks to reach two target populations. Firstly, promotion is aimed towards encouraging potential investors to set up operations in the Freeport. Multinational companies are targeted to set up their distribution centres in Mauritius. Promotion is carried out in Europe and Far East. Secondly, the MFA carries out promotion activities in the countries of the region - Eastern and Southern Africa - to promote products that can be re-exported from the Freeport to these markets.

52. A comprehensive marketing plan has been carried out for the years 1995 to 1998. It includes a wide range of activities: market surveys and other studies; buyer/seller meetings and promotion missions; participation in trade fairs and in regional conferences related to port/Freeport activities; establishment of a trade information data base to assist Freeport operators in penetrating markets; invitation to potential buyers to visit the Freeport facilities. In the medium-term, it is planned to establish some representational offices in different countries.

¹¹ The Freeport Development Strategy Study was commissioned by the Ministry of Economic Planning and Development (Republic of Mauritius) and financed by the World Bank. The study was carried out by *Portia Management Services* in association with *Shannon IDI* and with inputs from local consultancy firms in Mauritius (*Coopers & Lybrand Mauritius, Hooloomann & Associates*).

Annex I

White Paper on Mauritius Freeport

Preamble

by

Sir Anerood Jugnauth

Prime Minister and Minister of Finance

Introduction

1. As part of its strategy to develop Mauritius as a Regional Trade Centre in this part of the Indian Ocean, Government proposes to establish a Freeport in Mauritius.
2. The Freeport Project can offer tremendous opportunities if properly conceived, planned and commissioned. Once operational, it will facilitate international trade, giving a boost to the offshore sector and to the economy in general.
3. In our endeavour to establish a freeport in Mauritius, we have adopted a three-phase approach, namely:
 - a conceptualization phase;
 - a planning phase; and
 - an implementation phase.
4. In the first phase, it was considered useful to learn from the experience of other countries in the establishment, operation and administration of freeports so as to come up with a model appropriate to the Mauritian concept. Consequently, a fact-finding mission was undertaken in a few freeports of Europe and South-East Asia. The Port Autonome de Rouen was also commissioned to carry out a study. A National Seminar on the Establishment of Freeport was organized in May 1991. The objective of the seminar was to arrive at a consensus on the most suitable type of freeport for Mauritius.
5. This White Paper sets out the broad concept on the type of freeport, its scope, its institutional framework and other features relating to its operation. All these aspects are embodied in a draft Freeport Bill.

The Freeport Concept

6. What is a Freeport ? A Freeport is a well-defined geographical area or zone normally within a port or airport where goods are generally introduced free from payment of any duties or taxes, and thus considered as being outside the customs territory and not subject to the usual customs formalities. There are basically two main categories of freeports:
 - (a) Industrial Freeports where goods are imported, processed and manufactured for export;
 - (b) Commercial Freeports where goods are imported, stored and re-exported.
7. The type of freeport which is being proposed for Mauritius will be a commercial freeport engaged in such activities as storage, warehousing, repacking, labelling, sorting, grading, cleaning,

mixing, bulk breaking and minor processing. This approach has been preferred in view of the existence of a successful EPZ sector in Mauritius. Our Freeport will aim at encouraging more trans-shipment activities and re-export trade, thus developing Mauritius as the focal point for trading with the African continent, Indian Ocean islands and the Far East.

Critical Factors for an Efficient Freeport

8. In order to ensure the successful implementation of our freeport project, it is vital that a number of critical conditions be met, namely:

- (a) the formulation of a proper legal, institutional and regulatory framework;
- (b) the provision of modern infrastructure and equipment facilities;
- (c) the simplification of administrative procedures and training of manpower;
- (d) the provision of an attractive and competitive package of incentives; and
- (e) the launching of an aggressive marketing and promotional campaign.

The Legal and Institutional Framework

9. A draft bill has been prepared to make provision for the establishment of freeport zones in Mauritius and to regulate their operations.

10. Provisions have been made for well-defined areas to be declared as freeport zones.

11. Management of the freeport will be entrusted to a new body to be known as the Mauritius Freeport Authority. The Authority will be a statutory body administered by a Board composed of representatives of both public and private sectors. The Authority will issue licences to operators to carry out authorized activities.

12. Authorized activities will include warehousing and storage, breaking bulk, sorting, grading, cleaning, mixing, labelling, packing, repacking and minor processing.

Provision of Modern Infrastructure and Equipment

13. An ambitious port development plan has already been approved for the modernization of the port facilities for the year 2015 and beyond. The main development projects include the construction of Quay A, rehabilitation of the peninsular area, the strengthening of Quays 3 and 4, the installation of two quay cranes for the handling of specialized container vessels, the relocation of Shed No. 3 and the creation of a marine terminal in Mer Rouge.

14. Major dredging and reclamation works have recently been completed in Mer Rouge and Les Salines. In fact, 98 hectares of land have been reclaimed in Mer Rouge for future development, out of which about 30 hectares have been earmarked for the freeport activities.

15. Action is also being taken to improve the overall port efficiency and to increase port productivity in particular.

16. As regards the infrastructure required for the freeport activities, appropriate warehouses, open storage areas, proper fencing and handling equipment will be provided to cater for safe storage and efficient handling of goods. However, at initial stage, the freeport activities will start with facilities available, especially at the Flour Shed and Fort George.

Administrative Procedures and Training

17. Goods will be admitted into the freeport and cleared for re-export with a minimum of formalities so as to reduce red-tape and delays. A simple declaration made to the Mauritius Freeport Authority will be sufficient for admission and exit of goods from the freeport. No customs formalities will be required for movement of goods from time of importation to time of re-export within the freeport zones. Only goods intended for local consumption will become liable to customs facilities.

18. A computerized system will be put in place to ensure efficient running of the freeport and monitoring of activities. Appropriate training programmes will also be devised for the staff of the Authority at all levels.

Incentives

19. To attract potential operators into the freeport the following incentives are being proposed:-

- (i) machinery, equipment and materials imported by any licensed operator for exclusive use in the freeport will be exempted from duties and other taxes;
- (ii) all goods destined for re-export in the freeport will qualify for reduced port charges at trans-shipment rates;
- (iii) warehousing and storage fees will be at preferential rates;
- (iv) licensed operators will have access to offshore banking facilities;
- (v) companies engaged exclusively in re-export may also apply for Offshore Status Certificates and benefit from reduced income tax rate of 5 per cent and other incentives normally provided to Offshore Companies.

Marketing

20. A campaign with the collaboration of MEDIA will be launched to promote the freeport. Advertisements to that effect will be made in specialized international publications. Participation in specialized fairs is also being envisaged.

Conclusion

21. This White Paper contains Government's proposals on the freeport project. In line with our policy of constant dialogue, we invite interested parties to submit their views and suggestions on

the White Paper. These should be submitted to the **Ministry of Finance, Government House, Port Louis by the 31st October 1991**. The Bill will be finalized in the light of the suggestions received.

September 1991.

Sir Anerood Jugnauth
Prime Minister and Minister of Finance

The Proposed Freeport Bill, similar on many points to "The Freeport Act 1992" reproduced in annex II, was enclosed in the White Paper. After revision, the Bill was passed in Parliament in 1992.

Annex II

The Freeport Act 1992
(Act No.13 of 1992)

ARRANGEMENTS OF SECTIONS

Section

PART 1 - PRELIMINARY

1. Short title.
2. Interpretation.

PART II - ADMINISTRATION

3. Establishment of the Authority.
4. Objects of the Authority.
5. Powers of the Authority.
6. The Board.
7. Meetings of the Board.
8. The Director-General.
9. Delegation of powers.
10. Powers of the Minister.
11. Annual Reports.
12. Appointment of employees.
13. Conditions of service of staff.
14. Protection of members and employees.
15. General Fund.
16. Raising of funds.
17. Investments.
18. Exemption of Authority from taxation.

PART III - OPERATIONS

19. Delimitation.
20. Licence to operation in a freeport zone.
21. Revocation of licences.
22. Authorized freeport activities.
23. Exemption of licensee from taxation.
24. Books and records.
25. Revaluation of goods.
26. Conditions for disposal of goods.
27. Safeguards for customs duty and other taxes.

PART IV - OFFENCES AND ENFORCEMENT

28. Offences and penalties.
29. Jurisdiction of Magistrates.

PART V - MISCELLANEOUS

30. Regulations
31. Savings.
32. Transitional provisions.
33. Consequential amendments.
34. Commencement.

An Act

To provide for the establishment of freeport zones in
Mauritius and to regulate their operations

ENACTED by the Parliament of Mauritius, as follows -

PART I - PRELIMINARY

1. Short title.

This Act may be cited as the Freeport Act 1992.

2. Interpretation.

In this Act-

- "Authority" means the Mauritius Freeport Authority established under section 3;
- "Comptroller" means the Comptroller of Customs or any officer authorized by him to act on his behalf;
- "Customs" means the Customs and Excise Department;
- "customs duty" means duty charged or chargeable under the Customs Act 1988;
- "customs territory" means the territory of the State of Mauritius over which customs authority is exercisable excluding a freeport zone;
- "freeport zone" has the meaning assigned to it under section 19;
- "licensee" means any person licensed under Part III of the Act;
- "Mauritius Marine Authority" has the same meaning as in the Ports Act;
- "Minister" means the Minister to whom responsibility for the subject of finance is assigned.

PART II - ADMINISTRATION

3. Establishment of the Authority.

- (1) There is established for the purposes of this Act the Mauritius Freeport Authority.
- (2) The Authority shall be a body corporate.

4. Objects of the Authority.

The objects of the Authority shall be-

- (a) to control and manage the freeport zones;
- (b) to promote and encourage external trade;
- (c) to provide infrastructural, storage and ancillary facilities to the licensees in the freeport zones;
- (d) to advise the Minister on the development of freeport zones in Mauritius.

5. Powers of the Authority.

The Authority shall have the power to-

- (a) issue licences to operate in a freeport zone;
- (b) allocate areas, spaces, wharves and any other facility or structure which may be available in the freeport zones on such terms as the Authority deems appropriate;
- (c) levy rents, charges and other dues to be paid by a licensee;

- (d) enter into an agreement with another person for the performance or provision by that person of any service or facility which the Authority is empowered to perform or provide.

6. The Board.

- (1) The Authority shall be administered by a Board.
- (2) The Board shall consist of-
 - (a) a Chairman to be appointed by the Minister;
 - (b) the Director-General of the Authority;
 - (c) the Permanent Secretary of the Prime Minister's Office or his representative;
 - (d) the Permanent Secretary of the Ministry of Trade and Shipping or his representative;
 - (e) the Director-General of the Mauritius Marine Authority or his representative;
 - (f) the Comptroller or his representative;
 - (g) not more than 3 other persons to be appointed by the Minister.
- (3) A member of the National Assembly shall not be qualified to be appointed as a member.
- (4) Every member other than an ex-officio member, shall-
 - (a) hold office for a period not exceeding two years and shall be eligible for reappointment; and
 - (b) vacate his office if he becomes a member of the National Assembly.
- (5) Every member shall be paid such allowance as the Minister may determine.

7. Meetings of the Board.

- (1) The Board shall meet at such place as the Chairman thinks fit-
 - (a) not less than once a month; and
 - (b) at such other times as may be requested by not less than 3 members.
- (2) 5 members of the Board shall constitute a quorum.

(3) Where a member has a personal or direct interest in any matter before the Board he shall declare such interest and shall not take part in any deliberation or decision of the Board relating to that matter.

8. The Director-General.

(1) There shall be a chief executive officer of the Authority who shall be known as the Director-General.

(2) The Director-General shall be responsible for the execution of the policy of the Board and for the control and management of the day-to-day operation of the Authority.

(3) In the exercise of his functions the Director-General shall act in accordance with such directions as he may receive from the Board.

9. Delegation of powers.

The Board may delegate to a committee consisting of two or more members or to the Director-General, such of its powers under this Act other than the power-

- (a) to borrow money;
- (b) to make investments;
- (c) to enter into any transaction in respect of capital expenditure which exceeds 50,000 rupees or such other amount as may be prescribed.

10. Powers of the Minister.

- (1) The Minister may-
 - (a) in relation to the exercise of the powers of the Authority under this Act, give such specific and general directions to the Authority, not inconsistent with this Act; as he considers necessary in the public interest and the Authority shall comply with such directions;
 - (b) require the Authority to furnish such information with respect to the activities of the Authority, in such manner and at such times, as he may specify;
 - (c) require the Director-General to furnish such returns or copies of such documents, including the minutes of proceedings of the Board and the accounts of the Authority, as he may specify.

11. Annual Reports.

- (1) The Authority shall submit to the Minister an annual report of its activities together with its audited accounts not later than 3 months after such accounts have been certified.
- (2) the annual report and the accounts shall be laid before the National Assembly.

12. Appointment of employees.

- (1) The Board-
 - (a) shall, subject to the approval of the Minister, appoint a Director-General; and
 - (b) may employ such other employees as may be necessary for the proper discharge of its functions,

on such terms and conditions as it thinks fit.

- (2) Every employee shall be under the administrative control of the Director-General.

13. Conditions of service of staff.

The Board may make provision, in such form as it may determine, to govern the conditions of service of employees and, in particular, to deal with-

- (a) the appointment, dismissal, discipline, pay and leave of, and the security to be given by, employees; and
- (b) appeals by employees against dismissal or other disciplinary measures.

14. Protection of members and employees.

(1) No liability, civil or criminal, shall attach to any member or employee or to the Authority in respect of loss arising from the exercise in good faith by a member, an employee or the Authority of his or its functions under this Act.

(2) Every employee shall, for the purposes of the Public Officers' Protection Act, be deemed to be a public officer.

15. General Fund.

- (1) The Authority shall establish a General Fund-
- (a) into which all money received by the Fund shall be paid;
 - (b) out of which all payments required to be made by the Fund shall be made.
- (2) The Authority may establish such other funds as may be required.

16. Raising of funds.

Subject to the approval of the Minister, the Authority may raise funds on such terms and conditions and in such manner as the Board may determine.

17. Investments.

The Authority may, subject to approval of the Minister-

- (a) invest any money which is not immediately required to be expended in any investments, securities or loans; and
- (b) realize any investments, securities or loans in order to finance its operations or for the purpose of reinvestment under this section.

18. Exemption of Authority from taxation.

Notwithstanding any other enactment, the Authority shall be exempt from the payment of any duty, levy, rate or tax.

PART III - OPERATIONS

19. Delimitation.

The areas specified in the Schedule shall be the freeport zones.

20. Licence to operate in a freeport zone.

- (1) No person shall carry out any activity in the freeport zones without a licence from the Authority.
- (2) An application for a licence shall be made in such form as the Authority may require.
- (3) The Authority may call for such supplementary information as it may require.

(4) A licence issued under this section shall be subject to such conditions as the Authority may impose.

(5) The holder of a licence shall pay such licence fee as may be prescribed.

(6) No licence granted by the Authority shall be transferable except with the approval of the Authority.

(7) The Authority may issue temporary licences in such circumstances as it may deem justified.

21. Revocation of licences.

(1) The Authority may revoke a licence where the licensee-

- (a) fails within a reasonable time to carry out any activity authorized by the licence;
- (b) ceases permanently his activity; or
- (c) contravenes any provision of this Act or any conditions attached to the licence.

(2) Where the Authority revokes a licence under subsection (1)-

- (a) It shall inform the licensee accordingly;
- (b) the licensee shall cease to carry out any activity forthwith.

(3) The licensee may, within ten days of the date of the notice of revocation, make representations to the Authority.

(4) The Authority shall consider any representations made under subsection (3) and take a decision.

22. Authorized freeport activities.

The activities that may be authorized in a freeport zone shall be-

- (a) warehousing and storage;
- (b) breaking bulk;
- (c) sorting, grading, cleaning and mixing;
- (d) labelling, packing and repacking;
- (e) minor processing;
- (f) simple assembly;
- (g) such other activity as the Minister, on the advice of the Authority, may prescribe.

23. Exemption of licensee from taxation.

(1) A licensee shall be exempted from the payment of customs duty, import levy and sales tax-

- (a) on all machinery, equipment and materials imported into a freeport zone for exclusive use in the freeport under his licence;
- (b) on all goods destined for re-export.

(2) Where customs duty, import levy and sales tax has been paid in respect of any goods upon their importation into customs territory, no refund shall be allowed solely on the ground that such goods are later transferred into a freeport zone.

(3) The Excise Act shall not apply to any goods produced in a freeport zone unless such goods are entered for consumption in the customs territory.

24. Books and records.

Every licensee shall-

- (a) keep proper and sufficient records to the satisfaction of the Authority;
- (b) submit such declaration as the Authority may require;
- (c) permit the Authority or the Customs at all reasonable times to inspect the said records and have access to any premises of the licensee for the purpose of examining any goods.

25. Revaluation of goods.

(1) The Comptroller may, on application and at the expense of the owner, reassess the value of goods which have deteriorated or have been lost or destroyed.

(2) Where the Comptroller is satisfied that the owner is not responsible for the deterioration, loss or destruction, duty, import levy and sales tax shall be reassessed accordingly.

26. Conditions for disposal of goods.

(1) Goods imported for the purpose of providing or improving the facilities required by a licensee inside a freeport zone which are movable may, unless exported by a licensee, be sold or otherwise disposed of within Mauritius outside a freeport zone, on payment of duty, import levy and sales tax as prescribed.

(2) Goods imported exclusively for the activities authorized by a licence may, unless they are exported, be sold or otherwise disposed of to-

- (a) the Authority or another licensee without payment of duty, import levy or sales tax provided that the other licensee is authorized to deal in such goods by his licence; or
- (b) any person in Mauritius outside the freeport zone, on payment of duty, import levy or sales tax.

27. Safeguards for customs duty and other taxes.

(1) The Authority shall take such measures to prevent evasion of customs duty, import levy and sales tax by-

- (a) ensuring that a freeport zone is properly enclosed and the enclosure is properly maintained and guarded to the satisfaction of the Comptroller, and
- (b) determining the appropriate entry and exit points.

(2) The Comptroller may at any time stop and search any person or vehicle entering or leaving a freeport zone.

(3) The Authority may-

- (a) issue passes for access to a freeport zone;
- (b) deny access to any unauthorized person.

PART IV - OFFENCES AND ENFORCEMENT

28. Offences and penalties.

- (1) Any person who-
 - (a) without lawful excuse, fails to comply with any condition attached to a licence;
 - (b) refuses to furnish or furnishes any information or produces any document which is false or misleading in a material particular;
 - (c) obstructs any officer of the Authority or of the Mauritius Marine Authority or a public officer in the performance of his functions under this Act; or
 - (d) otherwise contravenes any provision of this Act or any regulations made under it,

shall commit an offence.

- (2) A person who commits an offence under this Act shall, on conviction, be liable to-
 - (a) a fine not exceeding 50,000 rupees and to imprisonment for a term not exceeding 5 years; and
 - (b) payment of all duty, import levy, sales tax and related penalties and interests due.

29. Jurisdiction of Magistrates.

Notwithstanding-

- (a) section 114 of the Courts Act; and
- (b) section 72 of the District and Intermediate Courts (Criminal Jurisdiction) Act,

a Magistrate shall have jurisdiction to try an offence under this Act or any regulations made under this Act and may impose any penalty provided by this Act.

PART V - MISCELLANEOUS

30. Regulations

- (1) The Minister may-
 - (a) make such regulations as he thinks fit for the purposes of this Act;
 - (b) by regulations, amend the Schedule.

(2) Any regulations made under subsection (1) may provide for the destruction of goods in a freeport zone under Customs supervision and without payment of customs duty, import levy and sales tax.

31. Savings.

- (1) Nothing contained in this Act shall in any way affect-
 - (a) the Ports Act;
 - (b) The Customs Act, 1988.

(2) The Landlord and Tenant Act and the Non-Citizens (Property Restriction) Act shall not apply to any lease under this Act.

32. Transitional provisions.

(1) For the operation of the freeport zones during such initial period of time as the Minister may determine, employees of the Mauritius Marine Authority or public officers may be seconded to the Authority under such terms and conditions as may be determined by the Minister

(2) For the purpose of section 6, the Board shall be deemed to be properly constituted notwithstanding the fact, that, when it is first constituted, the Director-General has not been appointed.

33. Consequential amendments.

(1) The Statutory Bodies (Accounts and Audit) Act is amended in Part II of the Schedule by inserting the following item in its proper alphabetical order-

Mauritius Freeport Authority

(2) The Income Tax Act is amended-

(a) in Section 2(1) by adding the following definition in its proper alphabetical order-

"freeport zone" has the meaning assigned to it in the Freeport Act 1992;

(b) by inserting immediately after section 58 the following new section-

58A. Freeport activities.

Where a person is licensed to carry out any activity in a freeport zone, income tax shall be calculated on the person's chargeable income in relation to that activity at the rate of zero per cent.

34. Commencement

This Act shall come into operation on a date to be fixed by Proclamation.

Passed by the National Assembly on the second day of June one thousand nine hundred and ninety-two.


ANDRE POMPON
Clerk of the National Assembly

SCHEDULE
(Section 19)

Zone 1 being that area bounded by a line running South East from point (996621.6mE, 1005579 . 2mN) to point (996771 . 6mE, 1005476n . 0mN); thence South West to point (996687 . 5mE, 1005367 . 4mN); thence North West to point (996544 . 0mE, 1005476 . 4mN) and thence North East to the starting point.

Annex III

Copy of the Declaration Document

 MAURITIUS FREEPORT AUTHORITY		No 5773							
DECLARATION FORM FOR WAREHOUSING [] RE-EXPORT [] HOME CONSUMPTION [] TRANSFER [] [X] Tick in appropriate box									
1. Ship/Aircraft	2. Report No. & Date	3. Manifest Ref.	4. Regime Code	5. No. of Items					
6. Previous Declaration									
7. Licensee Name & Address SPECIMEN COPY			8. Declarant Name						
			Identification No.						
9. Country of origin/Destination*			10. Place of Landing/Shipman*						
11. Marks & Nos.		12. Annexed Documents		13. For Official Use Entry No. Date: ____/____/____					
14. No. & Kind of Pkgs.									
No.	H.S. Code	Description of Goods	QTY.	Gross Weight	Net Weight	Country of origin	Value		
10									
02									
03									
04									
05									
I, _____ do hereby declare that the particulars entered by me in this declaration are true and complete. Sig.: _____ Name: _____ Date: ____/____/____			<i>To be filled by Customs Department</i> Manifest Section, Customs Department Particulars check against Manifest and found to be correct Sig.: _____ Name: _____ Date: ____/____/____					Freeport Section Goods may be cleared for Freeport Authority/Shipman. Sig.: _____ Name: _____ Date: ____/____/____	
I. AUTHORISATION									
The Comptroller of Customs, The Director, Mauritius Marine Authority, Declaration form approved.			Date: ____/____/____ Signature: _____ Name: _____ (Black letters)						
2. CUSTOMS CONTROL									
Goods listed above transferred from _____ _____ on ____/____/____ to _____ Seal No. _____ used Truck No. _____ Sig.: _____ Name: _____ (Black letters) Date: ____/____/____			Received/delivered goods listed above _____ on ____/____/____ at _____ Sig.: _____ Name: _____ (Black letters) Date: ____/____/____			Goods listed above examined and may be cleared for Home Consumption Bill of Entry No. _____ _____ passed. of ____/____/____ on ____/____/____ Truck No. _____ Sig.: _____ Name: _____ (Black letters) Date: ____/____/____			

MAURITIUS FREEPORT AUTHORITY

SPECIMEN COPY

Annex IV

Mauritius Freeport Development Study

Objectives of the study on "Mauritius Freeport Development Strategy"

The purpose of the study is:

- to identify the potential, opportunities and needs and the participation of the private sector in the development of Freeport Zones;
- to prepare an indicative traffic analysis of the Freeport activities;
- to prepare a development strategy for the Mauritius Freeport Authority.

The study objectives are:

- to recommend an integrated (physical and operational) strategy for the development of activities in the Freeport Zones;
- identify opportunities for the participation of the private sector to invest in the facilities and/or provide services within the Freeport such as cargo handling.

The study is being carried out in 2 phases:

Phase 1 Provides a strategy for Freeport development and recommendations for ensuring orderly and successful growth

Phase 2 This involves recommending the design and layout of infrastructure facilities, future siting and layout of Freeport Zones, and providing drawings and construction costs. In addition, tender documentation is to be developed.

Outline of the study

1. Strategy framework for freeport development
2. Strategy for institutional development
3. Traffic projections
4. Freeport development
5. Financing freeport development
6. Marketing strategy
7. Organization and management
8. Management, operational and logistics systems.

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