



House of Commons
International Trade Committee

UK freeports

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*Report, together with formal minutes relating
to the report*

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The International Trade Committee

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Summary

A freeport is a designated geographical area which can benefit from concessions on customs, taxation and planning advantages, and reduced bureaucracy. The Government's intention is to establish freeports in the UK, and it announced the locations of freeports in England in March 2021. Our scrutiny has focused on the objectives of the freeports policy and the package of measures available within the chosen sites.

We commend the Government's ambition to increase trade and investment across the UK through its freeport policy. It remains to be seen how successful freeports will be at achieving this objective. We welcome the Government's clarity on its objectives for freeports and the related outcomes freeport operators must deliver against. Progress made toward meeting these objectives and outcomes must be measurable and monitored, and the Government should set out in further detail the metrics that will be used to measure success against these objectives and outcomes.

Now that freeport locations in England have been announced, HM Treasury should promptly publish an impact assessment for the policy. This should include estimates for economic growth, increased trade and investment, and job creation, as well as an analysis of the impact on different sectors.

Further, we recommend that the Government commission a full, independent evaluation of the implementation of the freeports policy, to take place within five years of the establishment of the first freeports. This should include: a review of the bidding process and suitability of locations chosen; an assessment of progress towards meeting the objectives and outcomes set out in the bidding prospectus; a measure of new economic activity and job creation generated by the policy; an assessment of the impact of the policy on different sectors; an assessment of what economic displacement, if any, has occurred due to the policy; and a value for money analysis including comparison with the findings of HM Treasury's impact assessments.

We welcome the flexibility the Government has demonstrated on the final number of freeports. There were eight successful freeport bids for England, and we assume that this means the total number of freeports in the UK will likely exceed ten, given the Government's intention that at least one freeport will be established in each of the devolved nations.

To succeed, the freeports policy will require extensive cross-departmental coordination. HM Treasury and the Ministry of Housing, Communities and Local Government have responsibility for the policy, while other departments will play a role in the operation and administration of freeports. We are concerned that, in light of the disagreement between HM Treasury and the Department for International Trade about which department was best-placed to give evidence to our inquiry, the necessary cross-departmental collaboration and clear accountability required to implement the policy is absent. The Government should set out how it will ensure effective accountability and cross-departmental collaboration in the implementation of the freeports policy. We recommend that the Department for International Trade has oversight of the policy, and administration of freeports, to support businesses to grow internationally.

The objective to establish freeports as national hubs for global trade and investment across the UK is of particular interest to us. This objective, and the Department for International Trade's role in supporting businesses to grow internationally, means that it should have a central role in the development and implementation of the freeports policy, yet this appears to have diminished over time. The Department for International Trade should provide further information about how it will support the Government's objectives for freeports and set out its approach to freeports within its export and investment strategies. In addition, we would welcome clarity from the Department on how the new Office for Investment will be utilised to attract investment to freeports.

The package of incentives associated with the UK freeports policy distinguishes it from the traditional freeports model and we welcome the range of measures the Government has committed to. Freeports focused solely on tariff benefits would be unlikely to be successful in the UK.

It is not possible to eradicate fully the risk of economic displacement associated with freeports. To minimise it, the Government will need to be careful to distinguish between new economic activity and economic activity moving to a freeport from elsewhere. We recommend that the Government devise a framework for assessing economic activity occurring at freeports, distinguishing between that which is new and that which is relocated.

We note the security risks that accompany freeports. We welcome the steps the Government has taken so far to address these in its consultation and bidding prospectus. It is encouraging that freeport operators will be required to comply with the OECD's Code of Conduct for Clean Free Trade Zones and that the Government does not intend to authorise the use of freeports for high-value storage. Nonetheless, these risks will require ongoing monitoring and enforcement, and the Government should set out how it will seek to do this.

We support the Government's intention to establish a freeport in each of the devolved nations but acknowledge that this is a decision for each of the devolved governments. We are eager that the policy is implemented in a manner that brings increased trade and investment to all parts of the UK.

We received concerning evidence from the devolved governments about the UK Government's engagement with them in the development of this policy and their access to the information underpinning the policy. While the development of the freeports policy in the devolved nations is ongoing, we recommend that ministers and officials intensify engagement and information sharing efforts to ensure that the devolved governments have access to all the information necessary when making policy decisions.

We support the devolved governments' call for an appropriate funding allocation. It is important that freeports in the devolved nations are not disadvantaged due to the way in which funding is allocated. We call on HM Treasury to ensure that funding available to freeports in the devolved nations corresponds with awards in England.

The freeports policy documents published to date do not clearly set out the Government's proposals for the long-term oversight and governance of freeports. We call on the Government to publish its proposals in this area so that there is transparency about the oversight of freeports.

1 Introduction

What are freeports?

1. Special economic zones are geographically defined areas within which governments can provide fiscal and regulatory incentives to facilitate economic activity.¹ A freeport is considered one type of special economic zone and the term is often used synonymously with “free zone”.² There is no single definition of freeports and the exact arrangements can vary from country to country. The House of Commons Library has described freeports as:

[...] designated areas which enjoy various concessions on customs. They may also enjoy other tax and planning advantages and reduced bureaucracy.

While being within a country’s geographical borders, freeports are effectively outside a country’s customs borders. Goods imported into a freeport are generally exempt from customs duties until they leave the freeport and enter the domestic market. No duty is payable if they are re-exported.³

The Government has characterised freeports as:

[...] secure customs zones located at ports where business can be carried out inside a country’s land border, but where different customs rules apply. They can reduce administrative burdens and tariff controls, provide relief from duties and import taxes, and ease tax and planning regulations.⁴

Freeports are usually located in proximity to a sea border but can also be situated inland.⁵

2. Freeports are distinct from enterprise zones. The UK introduced enterprise zones in 2012. These are “geographically defined areas, hosted by Local Enterprise Partnerships in which commercial and industrial businesses can receive incentives to set up or expand”.⁶ Incentives offered in England include business rate discounts alongside a range of other funding initiatives, simplified planning and superfast broadband.⁷ Enterprise zones do not have to be located in proximity to a port and in general, do not offer customs concessions. There are 48 enterprise zones in England currently and similar policies have been adopted in the devolved nations.⁸

Freeports around the world

3. Due to the absence of an agreed definition of freeports, estimates on the number in operation globally vary, but studies have suggested that there are approximately 3,500 free

1 United Nations Conference on Trade and Development, *World Investment Report 2019* (2019), p 128

2 UK Trade Policy Observatory, *What is the extra mileage in the reintroduction of ‘free zones’ in the UK?* (February 2019), p 2

3 *Freeports*, Standard Note [SN8823](#), House of Commons Library, 16 November 2020, p 4

4 HM Government, *Freeports Consultation Boosting Trade, Jobs and Investment Across the UK* (February 2020), p 9

5 [Q2](#)

6 *Enterprise Zones*, Standard Note [SN5942](#), House of Commons Library, 21 January 2020, p 3

7 *Enterprise Zones*, Standard Note [SN5942](#), House of Commons Library, 21 January 2020, pp 4–5

8 *Enterprise Zones*, Standard Note [SN5942](#), House of Commons Library, 21 January 2020, p 3; see also HM Government, *Enterprise Zones* (2021)

trade zones in operation worldwide.⁹ Amongst the most notable is the Jebel Ali freeport in Dubai. It is one of the largest freeports in the world and its success has been attributed to its highly liberal approach to taxation, the permitting of 100% foreign ownership of businesses within the site, and no restrictions on the repatriation of profits, or controls on foreign currency exchange.¹⁰ There are also over 70 free zones in the EU but it has been contended that the operation of these zones is limited by EU state aid rules.¹¹

Freeports in the UK

4. Seven freeports operated in the UK at different points between 1984 and 2012, when the Statutory Instrument that established the remaining five freeports (Liverpool, Southampton, Port of Tilbury, Port of Sheerness, and Prestwick Airport) expired.¹² In 2018, the Government indicated that the zones were not redesignated in part due to concerns about customs assurance. It added that it understood that “many of the companies that operated in those free zones now benefit in almost exactly the same way as they did before from customs facilitations the UK already offers”.¹³ In evidence, the Chief Secretary to the Treasury, the Rt Hon Steve Barclay MP, told us that the original policy was “limited to UK port boundaries, did not allow multiple sites, did not allow sites to interact with each other, and was focused only on customs, not on tax, spending, planning or innovation”.¹⁴ Charles Hammond, Chief Executive Officer of Forth Ports, ran the port of Tilbury for seven of the years it was a freeport. He explained:

All it did at Tilbury was helped a number of the panel product importers to defer duty and there was a slight cash flow benefit. There was a comment earlier in the panel about what the rationale was for stopping the legislation and I think the comment was made that there was not any great benefit.

I would tend to agree with that. It helped us to reassure customers that their cargo was secure and they had their own police force there as well. The cargo was traceable and there was a small cash flow benefit for customers, but I do not really regard the freeport status we had at Tilbury at the time as really comparable to what we are talking about in the Government consultation document now. If we were returning to that, I would say it would not merit attention at all.¹⁵

Overview of the Government’s freeports policy

5. Upon her appointment as Secretary of State for International Trade in July 2019, the Rt Hon Elizabeth Truss MP, listed freeports as one of her three priorities in the role.¹⁶ She later announced the creation of the Freeports Advisory Panel in August

9 Centre for Policy Studies, *The Free Ports Opportunity* (November 2016), p 4, Vivid Economics, *A proposal for a national Free Zone policy* (July 2019), p 8; see also United Nations Conference on Trade and Development, *World Investment Report 2019* (2019), pp 137–138, UK Trade Policy Observatory, *What is the extra mileage in the reintroduction of ‘free zones’ in the UK?* (February 2019), pp 2–3

10 UK in a Changing Europe, *Freeports* (2 March 2021), p 6

11 *Freeports*, Standard Note [SN8823](#), House of Commons Library, 16 November 2020, p 5; see also [Q38](#)

12 *Freeports*, Standard Note [SN8823](#), House of Commons Library, 16 November 2020, p 5

13 HC Deb, 11 October 2018, [col 188WH](#) [Westminster Hall]

14 [Q212](#)

15 [Q57](#)

16 Secretary of State for International Trade, the Rt Hon Elizabeth Truss MP, *Priorities as Trade Secretary* (30 July 2019)

2019 to advise the Government on the creation of up to ten freeports across the UK.¹⁷ A commitment to establish up to ten freeports was included in the 2019 Conservative Party Manifesto. Following that year's General Election, a consultation on freeports was published in February 2020. The Government responded to the consultation in October, after extending the deadline for stakeholders to respond due to the Covid-19 pandemic.¹⁸ A bidding prospectus, setting out the parameters for freeport bids in England, was published shortly afterwards with the deadline for submissions set for 5 February 2021. The freeports offer includes devolved policies and the Government indicated that it was working with the devolved governments to establish separate allocation processes.¹⁹ In the subsequent Budget on 3 March, the Government announced the locations of freeports in England, at East Midlands Airport, Felixstowe and Harwich, Humber, Liverpool City Region, Plymouth, Solent, Thames, and Teesside.²⁰ We did not seek evidence on individual freeport locations as part of this inquiry and have not commented on the specific sites chosen in this Report.

Our inquiry

6. Our scrutiny has focused on the objectives of the freeports policy and the package of measures available within the chosen sites. Our predecessor committee held a one-off evidence session on freeports in September 2019. We launched our inquiry in April 2020. Over the course of four evidence sessions, we heard from twenty witnesses, including the Chief Secretary to the Treasury, and the Minister of State for Regional Growth and Local Government at the Ministry of Housing, Communities and Local Government (MHCLG), Luke Hall MP. In addition, we took evidence from ministers and an official from the devolved governments. Our other witnesses included academic and legal experts, port operators, civil society organisations, local government and business representatives. We also received 17 pieces of written evidence. We are grateful to all those who provided oral and written evidence to our inquiry. We also acknowledge the work of the Welsh Affairs Select Committee in this area, including their report examining *Freeports and Wales*.²¹

7. We acknowledge the Government's intention is to establish freeports in the UK and our scrutiny has focused on the implementation of the policy. This Report seeks to consider the objectives for the policy and proposals for its evaluation, which will be key in assessing the long-term success of freeports (see Chapter 2). We examined the Government's proposed design for freeports in the UK and the cross-departmental working required to implement the policy (Chapter 3). We heard about the importance of the overall freeports package and considered the main aspects of the Government's proposals for freeports (see Chapter 4). The freeports offer includes devolved policies and therefore, we gave particular consideration to how the policy would be implemented in the devolved nations (see Chapter 5). We also considered the long-term oversight and governance arrangements for freeports (see Chapter 6).

17 ["Trade Secretary announces Freeports Advisory Panel will ensure UK is ready to trade post-Brexit"](#), Department for International Trade and HM Treasury press release, 1 August 2019; see also ["Liz Truss hosts first meeting of the Freeports Advisory Panel"](#), Department for International Trade press release, 6 September 2019

18 *Freeports*, Standard Note [SN8823](#), House of Commons Library, 16 November 2020, p 7

19 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 7

20 HM Treasury, [Budget 2021](#) (3 March 2021), p 56

21 Welsh Affairs Committee, Second Report of Session 2019–21, [Freeports and Wales](#), HC 205

Attendance of ministers

8. It is routine for select committees to examine ministers as part of their inquiries. Such evidence-taking is an important part of government accountability and the scrutiny process. It enables committees to hear directly from the Government on its policies. In seeking to do so for this inquiry, we issued invitations to the Department for International Trade (DIT) and HM Treasury (HMT). These invitations were declined and both departments suggested that it would be more appropriate for the other to attend the session to assist the Committee. We subsequently wrote to the Secretary of State for International Trade and the Chancellor of the Exchequer with further invitations, but these were also declined. The provision of written evidence was offered as an alternative.²² In seeking to find a resolution to the impasse, our Chair raised the issue with the Speaker of the House of Commons and the Chair of the Liaison Committee, Sir Bernard Jenkin MP. The Chair of the Liaison Committee brought the matter to the attention of the Prime Minister during a public evidence session in January 2021.²³ Following this, ministers from HMT and MHCLG committed to appearing before us. The session took place in February, a number of months after our initial request, and both ministers offered their apologies for the delay in appearing before us.²⁴

9. While we acknowledge the apologies from the Chief Secretary to the Treasury and Minister of State for Regional Growth and Local Government during their appearance before us, we find this episode of evident confusion and apparent unwillingness to appear before us extremely regrettable. Aside from hindering the important role Parliament plays in scrutinising the Government, this unwillingness caused substantial delay to our evidence-taking, and to the preparation of this Report.

10. We do not consider this Report the conclusion of our work on freeports. We intend to continue to scrutinise the policy and to question ministers as freeports become operational.

22 [Letter from the Chair to the Secretary of State and the Chancellor of the Exchequer regarding UK Freeports evidence session, 25 November 2020](#); see also [Letter from the Minister of Exports to the Chair regarding the Committee's UK Freeports inquiry, 30 November 2020](#), [Letter from the Chief Secretary of the Treasury to the Chair regarding the UK Freeports ministerial evidence session, 1 December 2020](#)

23 Oral evidence taken before the Liaison Committee on [13 January 2021](#), HC (2019–21) 1144, Qq99–101

24 [Q202](#)

2 Objectives and evaluation

Economic impact

11. Freeports have been the subject of several studies in recent years with a range of findings on their potential economic growth and job creation. The Centre for Policy Studies report, *The Freeports Opportunity*, authored in 2016 by Rishi Sunak MP, then a backbencher and now Chancellor of the Exchequer, said it was not possible to quantify the precise impact of a freeports programme in the UK. Nonetheless, the report provided indicative figures based on job creation in free zones in the US which suggested the policy could create as many as 86,000 jobs in the UK.²⁵ In 2018, Mace Consultancy estimated that “supercharged freeports,” whereby freeports were integrated with enterprise zones, could boost international trade by nearly £12 billion and create 150,000 jobs in the north of England.²⁶ A report by Vivid Economics, on behalf of the Tees Valley Mayor, said a successful free zone at Teesport could generate 32,000 jobs and £2 billion of gross value added (GVA) after 25 years. It contended that if this was successfully rolled out to five other ports across the UK, it could deliver 70,000 jobs and make a £4.2 billion contribution to gross domestic product (GDP) after 25 years.²⁷

12. In evidence, the Chief Secretary to the Treasury did not provide figures on the possible economic impact of the freeports policy. He told us that “it is very difficult to model exactly what the impact on jobs, inward investment, and innovation will be”, and that “The economic benefits will vary between sites and the sectors the sites focus on.”²⁸ He added that the Government would be completing economic modelling once successful bids were agreed and the focus of businesses at those sites was known.²⁹

Objectives for freeports

13. As part of our inquiry we considered the Government’s stated objectives for the freeports policy, and how achievable they are. The Government launched its consultation on freeports in February 2020. The consultation document set three objectives for the policy. Each objective was subsequently allocated two expected outcomes in the bidding prospectus. The bidding prospectus outlined that bidders would be required to set out a strategy based on the objectives and their plans to support the delivery of the related outcomes. The final objectives and related outcomes were:

Objective 1 – establish Freeports as national hubs for global trade and investment across the UK

- a) Trade: increase in trade throughput through the designated Freeport area
- b) Investment: increase in investment within Freeport boundary area, surrounding area and nationally

25 Centre for Policy Studies, *The Free Ports Opportunity* (November 2016), pp 6, 36

26 Mace, *Insights 2018 Supercharged Free Ports* (June 2018), p 3

27 Vivid Economics, *A proposal for a national Free Zone policy* (July 2019), Executive Summary, p 33

28 [Q199](#)

29 [Qq200–201](#)

Objective 2 – promote regeneration and job creation

- a) Employment: increased number of jobs and average wages in deprived areas in and around the Freeport
- b) Economic activity: increase in economic specialisation in activities high in GVA relative to the current makeup of the local economy

Objective 3 – create a hotbed of innovation

- a) Innovation: Increased local involvement and funding in R&D and innovation
- b) Productivity: Increased productivity in each target region, through increased capacity to absorb innovation³⁰

14. Prior to the publication of the bidding prospectus, we heard from Charles Walker, Director at ChamberlainWalker Economics, that the objectives were “broadly the right ones”.³¹ Catherine Barnard, Professor of European Union and Labour Law at the University of Cambridge, told us they were a positive indication of a more ambitious plan for freeports than the traditional use of importing goods to add value before re-export.³² However, Centre for Cities warned that “it is unrealistic to expect that freeports are able to address these objectives all together”. It suggested different primary objectives and packages of measures for different types of freeports should be agreed.³³ Andrew Carter, Chief Executive Officer of Centre for Cities, referenced the importance of the skills of localities and the extent to which they match the requirements of freeports. He said a greater focus on these issues would be required to meet the Government’s objectives and aspirations for the policy.³⁴

Trade and investment

15. The first objective, and the intention that freeports play a role in increasing the UK’s international trade and investment, has been a key focus for us throughout this inquiry. The Government has claimed that “Freeports will play a significant role in boosting trade, attracting inward investment and driving productive activity across the UK.”³⁵ Evidence from the UK Major Ports Group (UKMPG) said that “the development of freeports provides a strong base for supporting existing UK trade with the world and creating more capacity and capability to boost trade further”.³⁶ Charles Hammond, of Forth Ports, echoed this view telling us that while freeports were not “a silver bullet”, they could improve trade flows and “get some of the wealth that has been created from trade back into coastal communities”.³⁷ Nonetheless, we heard evidence that successful

30 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 13

31 [Q36](#)

32 [Q35](#); see also [Q82](#)

33 Centre for Cities ([FRP0014](#))

34 [Q84](#)

35 HM Government, [Freeports Clarification Q&A](#) (January 2021), p 3

36 UK Major Ports Group ([FRP0012](#))

37 [Q49](#)

international special economic zones were “much broader in ambition in what they do” and to compete, the UK would also have to look beyond the traditional freeport model and adopt “a broader ambition”.³⁸

16. Evidence also indicated that the ability to attract investment would be a measure of the attractiveness and success of freeports.³⁹ The British Ports Association contended that by utilising enterprise zones alongside freeports, it would create a business environment conducive to inward investment and stimulate growth across the UK, if managed successfully.⁴⁰ Roger Pollen, Head of External Affairs at the Federation of Small Businesses Northern Ireland, said the sense from businesses was that they saw the policy as a stimulatory measure and would make investments linked to it that they would not otherwise make.⁴¹ Other business representatives felt that the policy was an opportunity for exports.⁴² Aberdeen Harbour Board contended that it could prompt new activity and growth in traditional markets alongside supporting the commercial delivery of net-zero and low-carbon technologies.⁴³

17. Despite the potential to increase trade and investment, research by the UK Trade Policy Observatory (UKTPO) concluded that benefits and savings to businesses from the trade elements were likely to be limited in the UK context. This was because tariffs were generally low, and where this was the case, the direct benefits of freeports were small. It found that there could be small cash-flow gains for businesses due to duty deferral and savings from simplified customs procedures, but that bigger gains could be achieved through greater use of enterprise zones (see Chapter 4).⁴⁴ Further, while the freeports policy is primarily focused on supporting manufacturing activity, Dr Peter Holmes, of the UKTPO, alongside the UK Free Trade Zone Association, also noted the importance of services to the UK economy and their relative absence from the freeport proposals.⁴⁵

Regeneration and job creation

18. Submissions that we received from port operators and representatives generally agreed that freeports had the potential to be a catalyst for regeneration and to generate employment. UKMPG contended that coastal communities around the UK, and not just at freeport locations, would benefit from regeneration activity but that the freeports policy should be seen as one element in a wider strategy including planning reform and connectivity.⁴⁶ Councillor Kevin Bentley, Chair of the Local Government Association’s People and Places Board, said the policy could offer a good stimulus to areas but that it was important that local government was involved.⁴⁷ Others questioned the rationale for linking regeneration initiatives to ports. Dr Peter Holmes suggested that new efforts should be put into regional development schemes as an alternative.⁴⁸

38 [Q7](#); see also [Qq4–6](#)

39 UK Free Trade Zone Association ([FRP0017](#))

40 British Ports Association ([FRP0007](#)); see also [Q98](#)

41 [Q149](#)

42 [Q145](#)

43 Aberdeen Harbour Board ([FRP0009](#))

44 UK Trade Policy Observatory, *What is the extra mileage in the reintroduction of ‘free zones’ in the UK?* (February 2019), p 11; UK Trade Policy Observatory, *Tariff inversion in UK Freeports offers little opportunity for duty savings* (28 July 2020); see also [Qq6–7](#), [11](#)

45 Dr Peter Holmes ([FRP0013](#)), UK Free Trade Zone Association ([FRP0017](#))

46 UK Major Ports Group ([FRP0012](#))

47 [Q84](#)

48 Dr Peter Holmes ([FRP0013](#))

Employment and skills

19. The Chief Secretary to the Treasury told us that jobs would be the key metric in determining the success of freeports from HMT’s perspective.⁴⁹ As noted above, estimates for the job creation potential of freeports vary widely. Alex Stojanovic, a researcher at the Institute for Government, told us there were examples of benefits in employment but caution was required because many of the locations were in closed economies and it was not known how translatable the benefits would be to the UK.⁵⁰ Research by the UKTPO found that in the case of the US, while there were many jobs in the free zones, “there is little evidence of how many are net creations”.⁵¹ Further, drawing on its research into enterprise zones, Centre for Cities was cautious about the job creation potential of freeports.⁵² It contended that while enterprise zones were open to all businesses, freeports would only be attractive to manufacturing businesses. It said “That will further limit a freeport’s ability to create jobs and there is a real risk as a result that they will be less successful in creating new jobs than enterprise zones were.”⁵³ It suggested mitigations such as having skills schemes and apprenticeships in place targeted to people who are economically inactive or unemployed, with a job available at the end of the scheme, alongside incentives for companies to create such jobs.⁵⁴

Agglomeration effect

20. Evidence also referenced the potential for agglomeration benefits through greater concentration of activities from key sectors, provision of connectivity, and the alignment of local skills and innovation providers.⁵⁵ Andrew Carter suggested these benefits would depend on the types of businesses located close to one another:

[...] we do think about the agglomerative effects from proximity, but all the evidence tells us agglomeration effects for manufacturing firms are massively lower than they are for services firms. Manufacturing firms get very few additional gains from being in close proximity to another manufacturing firm—the evidence is pretty clear on that—whereas services industries and sectors benefit massively from being in close proximity to others.⁵⁶

Innovation

21. The Government has said freeports will drive innovation by bringing together business clusters and encouraging the trialling of new ideas.⁵⁷ UKMPG said the third objective, to create hotbeds of innovation, had caused a “certain degree of confusion

49 [Q241](#)

50 [Q8](#)

51 UK Trade Policy Observatory, [What is the extra mileage in the reintroduction of ‘free zones’ in the UK?](#) (February 2019), p 11

52 In its submission to the inquiry, the Centre for Cities said that in 2011 HM Treasury claimed enterprise zones would create 54,000 but that between 2012 and 2017, the zones had created 13,500 sustainable private sector jobs. Further, it said the zones encouraged economic displacement with at least a third of jobs in the enterprise zones having moved from elsewhere in the same period. See also [Q101](#), Centre for Cities ([FRP0014](#))

53 Centre for Cities ([FRP0014](#))

54 Centre for Cities ([FRP0014](#))

55 Cromarty Firth Freeport Steering Group ([FRP0001](#)); UK Major Ports Group ([FRP0012](#))

56 [Q107](#)

57 [Qq199–202](#); see also HC Deb, 16 November 2020, [col 1WS](#) [Commons written ministerial statement]

amongst potential bidders”. It said that while innovation was desirable, it should not be regarded as material a factor as the other objectives.⁵⁸ Centre for Cities maintained that not all freeports will have the same potential to develop into innovation hotbeds. It outlined that the main attractions for such firms was the presence of a highly skilled workforce and other innovative companies. It cited research it had completed which suggested that Derby and Coventry were the only cities in the UK with the strong manufacturing base and elevated innovative capacity to transform into innovation hotbeds.⁵⁹ Nonetheless, evidence suggested aligning freeports with local sources of talent and innovation, such as universities, further education colleges and incubators, alongside incentives to foster innovation would help to attract inward investment.⁶⁰ Atkins, an engineering and project management consultancy, also said that to drive innovation, freeports would need to be set up to succeed with modern infrastructure and a collaborative environment such as 5G coverage, research facilities and a stimulatory regulatory regime.⁶¹ Thales, an international technology firm, said it believed freeports presented “an opportunity to apply new digital technologies to improve efficiency and take a generational leap over traditional borders and ports”.⁶² To support innovation, it suggested designating a national “smart port” testbed to trial technology that could then be deployed to freeports.⁶³

22. We commend the Government’s ambition to increase trade and investment across the UK through its freeport policy. It remains to be seen how successful freeports will be at achieving this objective.

23. We welcome the Government’s clarity on its objectives for freeports and the related outcomes freeport operators must deliver against. *Progress made toward meeting these objectives and outcomes must be measurable and monitored. We recommend that the Government, or the cross-Whitehall governance body, set out in further detail the metrics that will be used to measure success against these objectives and outcomes, and how it will report on progress made annually.*

24. *Now that freeport locations in England have been announced, we recommend that HM Treasury promptly publish an impact assessment for the policy. This should include estimates for economic growth, increased trade and investment, and job creation, as well as an analysis of the impact on different sectors. Such an assessment would aid a full evaluation of the policy in due course.*

Monitoring and evaluation

25. The Government has stated that “Rigorous monitoring and evaluation will be key to the success of Freeports.”⁶⁴ This aligned with evidence we received from Atkins, who said:

Once selected, UK Freeports should continue to be assessed on the volume of extra trade and jobs they generate as well as their wider impact

58 UK Major Ports Group ([FRP0012](#))

59 Centre for Cities ([FRP0014](#))

60 UK Major Ports Group ([FRP0012](#))

61 Atkins ([FRP0018](#))

62 Thales ([FRP0016](#))

63 Thales ([FRP0016](#))

64 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 37

on communities and the environment. These assessment processes must be meaningful, challenging and credible, overseen and assured by an independent body and used to reassign Freeport status, if necessary.⁶⁵

The bidding prospectus set out that freeport operators will be required to collect data on the proposed reliefs and their outcomes, particularly for the tax measures, new jobs, businesses created, private investment attracted and on local displacement.⁶⁶ In addition, freeports will be assessed against the objective outcomes as part of the monitoring and evaluation process.⁶⁷

26. In evidence, Minister Hall provided more detail on how the evaluation process would be developed. He said there would be an England-wide evaluation framework based on the three objectives and six outcomes. Each location would be allocated individual project milestones and programme outcomes, and would be expected to have a monitoring and evaluation plan agreed as part of its business case. He added that the process was still under development but that the Government would be providing further information ahead of the business case process.⁶⁸ The Chief Secretary to the Treasury noted that the Government would also be seeking to evaluate and monitor the tax elements at set points. He maintained that:

The key issue is agreeing the metrics and having the quality of work around how that is done. Whether that is in house or outsourced is probably secondary to the quality of the work there.⁶⁹

27. We recommend that the Government commission a full, independent evaluation of the implementation of the freeports policy, to take place within five years of the establishment of the first freeports. The findings of this evaluation should be published promptly. The evaluation should include: a review of the bidding process and suitability of locations chosen; an assessment of progress towards meeting the objectives and outcomes set out in the bidding prospectus; a measure of new economic activity and job creation generated by the policy; an assessment of the impact of the policy on different sectors; an assessment of what economic displacement, if any, has occurred due to the policy; and a value for money analysis including comparison with the findings of HM Treasury's impact assessments. Those carrying out the review should be engaged at an early stage to ensure the information collated by freeport governance bodies, local authorities and others is relevant to, and can support, this evaluation.

65 [Atkins \(FRP0018\)](#)

66 HM Government, [Freeports Bidding Prospectus](#) (November 2020), pp 35, 37

67 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 13

68 [Q255](#)

69 [Q256](#)

3 Design and implementation

Proposed design

28. Under the Government’s proposed design, freeports can be situated around any mode of port—seaport, airport or rail port. Bids were required to include at least one port of any mode; and bids with multiple ports, including of different modes, were permitted. In response to questioning on establishing freeports at sites other than ports, the Chief Secretary said the intent of the policy was to boost trade and that:

Currently, 95% of our goods pass through our maritime ports, so there is a natural synergy in combining innovation around the regulators, greenage and quality with regeneration opportunities, which often sit around port sites, and where there are also opportunities from a trading perspective.⁷⁰

The bidding prospectus also set out that freeports would have to define an outer boundary of a maximum of 45 kilometres (km). The primary customs site and related subzones (where customs benefits arise) and tax sites (where tax benefits would be applied) had to be contained within the boundary.⁷¹ The Chief Secretary to the Treasury told us the 45km limit was not a physical boundary and there was scope for innovation within it. He later added that there was a degree of openness to be flexible if there was “a particular bespoke reason”.⁷²

Number of freeports

29. In its consultation document, the Government set out its intention to establish “up to 10 Freeports across the UK,” including at least one freeport in each of Scotland, Wales and Northern Ireland.⁷³ In its response to the consultation, the Government indicated that it was open to approving additional freeports “in the event of a large number of high-quality proposals”.⁷⁴ The bidding prospectus subsequently stated that “further awards may be made if bids are particularly strong” but noted that the final number of freeports must be limited “to control costs and maximise agglomeration benefits”.⁷⁵ The Government also indicated that it would seek regional distribution in the allocation of freeport sites by selecting one freeport per Local Enterprise Partnership.⁷⁶

30. Prior to the Government’s clarification on the final number, port operators told us that they were keen understand why only ten freeports were being considered “if there are wider benefits that could be had”.⁷⁷ Richard Ballantyne, Chief Executive Officer of the British Ports Association, referenced “the arbitrary figure of 10 freeports”.⁷⁸ He said that this increased the stakes of the policy somewhat and would mean that there would be winners and losers.⁷⁹ UKMPG said the selection should be “steered by the number of truly

70 [Q209](#)

71 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 16

72 [Qq207–208, 210](#)

73 HM Government, [Freeports Response to the Consultation](#) (October 2020), pp 7, 10

74 HM Government, [Freeports Response to the Consultation](#) (October 2020), p 39

75 HM Government, [Freeports Bidding Prospectus](#) (November 2020), pp 6, 38

76 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 20

77 [Q54](#); see also [Q77](#)

78 [Q82](#)

79 [Q88](#)

compelling bids”.⁸⁰ While he did not offer a view on the ideal number of freeports, Andrew Carter, of Centre for Cities, told us “by definition, these are area-based type interventions” requiring boundaries to be set and some degree of selection and prioritisation.⁸¹

31. Concerns were also raised about the inclusion of a geographic or modal spread in the policy. UKMPG contended that:

The cap of 10 would become even more concerning if there was some form of attempt to ‘share out’ the 10 amongst UK nations / geographically and transport modes. That risks restricting potentially compelling bids in particular categories.⁸²

Our colleagues on the Welsh Affairs Select Committee similarly concluded that:

The UK Government must neither artificially cap the number of potential Freeports in Wales, nor create a ‘Welsh Freeport’ purely for optical or political purposes. All bids should be assessed on their merits even if that results in no Freeports, or several, being awarded to Wales.⁸³

Following the announcement of freeport locations in England, it is clear the Government has sought to include a degree of geographical and regional distribution in the policy.⁸⁴

32. The Chief Secretary to the Treasury said the Government had committed to establishing up to ten freeports in the Conservative Party 2019 General Election manifesto but that “Our position is that if we receive high-quality bids, we will be open to considering the number.”⁸⁵ Minister Hall later added that the Government was seeking to “focus investment on a smaller number of places to increase the attractiveness for investors” but that it was open to a limited number of additional freeports if there were exceptional proposals.⁸⁶ The Government has confirmed that there will be eight freeport locations in England, suggesting the final figure will exceed ten should at least one freeport be established in each of the devolved nations. It said the reason for eight locations was to remain consistent with the policy of prioritising bids with high regeneration and private sector involvement, and to ensure geographic spread.⁸⁷

33. During our inquiry, we heard a range of views on whether the number of freeports to be established should be capped. We welcome the flexibility the Government has demonstrated on the final number of freeports. There were eight successful freeport bids for England, and we assume that this means the total number of freeports in the UK will likely exceed ten, given the Government’s intention that at least one freeport will be established in each of the devolved nations.

80 UK Major Ports Group ([FRP0012](#))

81 [Q92](#)

82 UK Major Ports Group ([FRP0012](#))

83 Welsh Affairs Committee, Second Report of Session 2019–21, [Freeports and Wales](#), HC 205, para 63

84 HM Treasury and Ministry of Housing, Communities and Local Government, [English Freeports selection decision-making note](#) (17 March 2021)

85 [Q206](#)

86 [Q208](#)

87 HM Treasury and Ministry of Housing, Communities and Local Government, [English Freeports selection decision-making note](#) (17 March 2021)

The bidding process

34. The bidding process for freeports in England ran from November 2020 to 5 February 2021 with submissions made to MHCLG via an online portal. The Government said that bids would be assessed initially against pass/fail criteria set out in the bidding prospectus. Passing bids would have their full submission assessed against five further criteria:

- ability to deliver the objective “Establishing national hubs for global trade”;
- ability to deliver the objective “Regeneration and levelling up”;
- ability to deliver the objective “Creating hotbeds of innovation”;
- deliverability of proposal effectively at pace; and
- level of private sector involvement in the proposal.⁸⁸

Following this, it was proposed that officials would draw up a long list of candidates in March 2021 to be presented to ministers to make the final decision on successful locations in the spring.⁸⁹ The bidding prospectus included a commitment that “Once successful bidders are announced, MHCLG will publish the rationale for their selection under this process.”⁹⁰ The Government announced the location of freeports in England as part of the Budget on 3 March. We note that this was ahead of the timeframe set out in the bidding prospectus. HMT and MHCLG published a decision-making note outlining the process for determining locations in England and the scoring of bids in March 2021.⁹¹ The Government expects the first freeports to be operational from late 2021.⁹² It has also indicated that it has no plans to designate any additional freeport sites in England.⁹³

35. Atkins told us that “a good selection process enables sound, evidence-based decisions and inspires confidence amongst stakeholders”.⁹⁴ To achieve this, it said there must be clarity about how the different aims will be prioritised, the criteria for assessment, the format for evidence presentation and the mechanism for evaluation. In the case of freeports, it said:

The selection process must enable applicants to succeed on merit whilst allowing government the flexibility it needs to achieve the mix of Freeport types and locations that best serves national and regional interests.⁹⁵

We heard calls from port operators to ensure the allocation process was transparent. UKMPG welcomed the use of a “competitive bidding process” and emphasised that “it is crucial that the process for becoming a freeport is fair, transparent and evidence based”.⁹⁶ Charles Hammond, of Forth Ports, indicated that this transparency applied to the bids, the data accompanying the bids and the weighting given to different criteria.⁹⁷ Simon

88 HM Government, *Freeports Bidding Prospectus* (November 2020), pp 39–40

89 HM Government, *Freeports Bidding Prospectus* (November 2020), pp 38–39

90 HM Government, *Freeports Bidding Prospectus* (November 2020), p 39

91 HM Treasury and Ministry of Housing, Communities and Local Government, *English Freeports selection decision-making note* (17 March 2021)

92 Q205; see also HM Treasury, *Budget 2021* (3 March 2021), p 58

93 HC Deb, 9 March 2021, [col 654](#) [Commons Chamber]

94 Atkins ([FRP0018](#))

95 Atkins ([FRP0018](#))

96 UK Major Ports Group ([FRP0012](#))

97 [Q75](#)

Bird, Regional Director, Humber at Associated British Ports, added that the Government was likely to receive a large number of applications and as a result, “it is going to have to be transparent and we all need to understand why those 10 have been selected”.⁹⁸ Richard Ballantyne cited the risk of challenges following the allocation process and said that it “has to be watertight”.⁹⁹

36. Our evidence emphasised the importance of transparency in the bidding and allocation process. We welcome the publication of the decision-making note for bids in England. We recommend that the Ministry of Housing, Communities and Local Government establish a formal means to give feedback to unsuccessful bidders.

Departmental responsibility for the freeports policy

UK Government

37. DIT held initial responsibility for the freeports policy. In September 2019, the Secretary of State for International Trade hosted the first meeting of the Freeports Advisory Board alongside the then Chief Secretary to the Treasury and the then Maritime Minister.¹⁰⁰ The Department also initially led on engagement with the devolved governments.¹⁰¹ The freeports consultation was signed by the Secretaries of State for International Trade, Housing, Communities and Local Government, and Transport; and the Chief Secretary to the Treasury. The freeports team within DIT was listed as the point of contact for responses.¹⁰² In the spring of 2020, policy responsibility for freeports transferred to HMT. The consultation response was signed solely by the Chancellor of the Exchequer. The subsequent bidding prospectus was signed by the Chancellor and the Secretary of State for Housing, Communities and Local Government.¹⁰³ In addition, the Government has indicated that HMRC, Border Force, and the National Crime Agency alongside other departments and agencies such as the Department for Environment, Food and Rural Affairs (Defra), the Home Office, and the Animal and Plant Health Agency will play a role in the operation and administration of freeports.¹⁰⁴ In respect of this, Charlotte Morgan, Partner at Linklaters LLP, told us that “it is important to understand how all of those Government authorities and Departments and local government will co-ordinate together”.¹⁰⁵

38. Despite the inclusion of the objective to establish freeports as national hubs for trade and investment, DIT’s role in the policy appears to have diminished over time and is now focused on the provision of business support. Ministers from both DIT and HMT initially declined to provide us with oral evidence on the policy, suggesting that it would be more appropriate for the other to attend. In correspondence, the Minister for Exports, Graham Stuart MP, confirmed that DIT was not one of the departments with responsibility

98 [Q77](#)

99 [Q88](#)

100 [“Liz Truss hosts first meeting of the Freeports Advisory Panel”](#), Department for International Trade press release, 6 September 2019;

101 [Q170](#)

102 HM Government, [Freeports Consultation Boosting Trade, Jobs and Investment Across the UK](#) (February 2020), p 11

103 HM Government, [Freeports Response to the Consultation](#) (October 2020), p 5; HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 5

104 HM Government, [Freeports Bidding Prospectus](#) (November 2020), pp 21–22, 32, 35

105 [Q138](#)

for the policy.¹⁰⁶ Nonetheless, the bidding prospectus stated that DIT would work “with successful bidders to establish a clear and relevant trade and investment support approach within Freeports”, and that it would provide a business support programme to successful bidders.¹⁰⁷ In response to questioning on responsibility for freeports within the Government, the Chief Secretary to the Treasury told us that HMT and MHCLG had co-designed the policy and that DIT would have a role “working with the successful bidders on the trade elements”. He also indicated that the Department for Business, Energy and Industrial Strategy (BEIS) “has a role with business perspectives”.¹⁰⁸

39. The Secretary of State for International Trade has said that the founding of freeports “will drive enterprising growth in port cities and towns across the country as we turbo-charge trade across the world”, however, DIT has not yet set out how it will seek to engage with successful freeport bidders or what specific support it will provide to businesses operating within freeports.¹⁰⁹ Further, the Department’s ongoing work programme is relevant to the freeports policy. One of DIT’s key objectives is to support UK businesses to grow internationally in a sustainable way.¹¹⁰ We heard previously that the Department had adapted due to the Covid-19 pandemic and was seeking to improve its business support offering through sector specific supports and e-commerce tools.¹¹¹ Nonetheless, the Department’s existing strategy for exports, published in 2018, does not address how support for freeport operators and businesses operating at freeports will be integrated within this offering.¹¹² DIT also has responsibility for the UK Global Tariff which will be relevant to the long-term competitiveness of UK freeports.¹¹³ Further, the Department is in the process of negotiating a number of free trade agreements and freeports will be subject to the subsidy provisions agreed within them (see Chapter 4).¹¹⁴

40. In 2020, DIT told us that it was also developing an investment strategy. The Government later announced the creation of a new Office for Investment to support high value, inward investments.¹¹⁵ The Minister for International Trade, Ranil Jayawardena MP, has indicated that freeports will form part of the Department’s investment offer:

We continue to radically transform the United Kingdom’s investment offer, including through freeports, to drive economic and productivity growth in every corner of the United Kingdom. For example, the newly created

106 [Letter from the Minister of Exports to the Chair regarding the Committee’s UK Freeports inquiry, 30 November 2020](#)

107 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 20

108 [Q202](#)

109 HC Deb, 11 January 2021, [col 72](#) [Commons Chamber]

110 Department for International Trade, [Annual Report and Accounts 2019–20](#) (July 2020), p 13

111 International Trade Committee, First Special Report of Session 2019–21, [The COVID-19 pandemic and international trade: Government Response to the Committee’s First Report of Session 2019–21](#), HC 815, pp 5–7; see also Oral evidence taken on [24 June 2020](#), HC (2019–21) 534, Qq85–86

112 Department for International Trade, [Annual Report and Accounts 2019–20](#) (July 2020), pp 20–21; see also Department for International Trade, [Export Strategy supporting and connecting businesses to grow on the world stage](#) (2018)

113 Department for International Trade, [Annual Report and Accounts 2019–20](#) (July 2020), p 36; see also UK Trade Policy Observatory, [Tariff inversion in UK Freeports offers little opportunity for duty savings](#) (28 July 2020)

114 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 20

115 International Trade Committee, First Special Report of Session 2019–21, [The COVID-19 pandemic and international trade: Government Response to the Committee’s First Report of Session 2019–21](#), HC 815, pp 13–14, [“New Office for Investment to drive foreign investment into the UK”](#), Department for International Trade press release, 9 November 2020

Office for Investment will work closely with existing and new investors to unblock issues and corral the whole of HM Government to work together to improve the business environment.¹¹⁶

Local government

41. We heard that local government also had a role to play in the delivery of the freeports policy. Councillor Kevin Bentley, of the Local Government Association, told us that “it is important that we in local government are equal partners in this, because we are on the ground working with our ports authorities”.¹¹⁷ He cited examples of how local government would be involved in the delivery of the policy including through regulatory services, regeneration, planning and transport.¹¹⁸ The consultation response and bidding prospectus outlined the role that local authorities, mayoral combined authorities and Local Enterprise Partnerships were expected to play in supporting bids and as members of bidding coalitions.

42. **To succeed, the freeports policy will require extensive cross-departmental co-ordination. HM Treasury and the Ministry of Housing, Communities and Local Government have responsibility for the policy, while other departments will play a role in the operation and administration of freeports. We are concerned that, in light of the disagreement between HM Treasury and the Department for International Trade about which department was best-placed to give evidence to our inquiry, the necessary cross-departmental collaboration and clear accountability required to implement the policy is absent. We recommend that, in its response to this Report, the Government set out how it will ensure effective accountability and cross-departmental collaboration in the implementation of the freeports policy. We recommend that the Department for International Trade has oversight of the policy, and administration of freeports, to support businesses to grow internationally.**

43. **The objective to establish freeports as national hubs for global trade and investment across the UK is of particular interest to us. This objective, and the Department for International Trade’s role in supporting businesses to grow internationally, means that it should have a central role in the development and implementation of the freeports policy, yet this appears to have diminished over time.**

44. **We recommend that, in response to this Report, the Department for International Trade provide further information about how it will support the Government’s objectives for freeports and set out its approach to freeports within its export and investment strategies. In addition, we would welcome clarity from the Department on how the new Office for Investment will be utilised to attract investment to freeports. We also recommend that the Department for International Trade set out how it will tailor its business support and trade promotion activities to the businesses located at freeports.**

116 [PQ 132811](#) [UK Trade with EU: Import Duties], 19 January 2021; see also “[New Office for Investment to drive foreign investment into the UK](#)”, Department for International Trade press release, 9 November 2020

117 [Q84](#)

118 [Q84](#)

4 Incentives and risks

Incentives

Customs

45. The Government has proposed a package of incentives to accompany freeports in the UK. In evidence, we heard that this support would be critical to distinguish the freeports policy from traditional freeports.¹¹⁹ A key component of traditional freeports is customs benefits. The Government's offer provides five specific customs benefits to support businesses trading at freeports. These include:

- duty deferral available while goods are on the freeport site;
- duty inversion available where the tariff on the finished goods is lower than on the component parts;
- duty exemption where goods are imported into a freeport for processing and subsequently re-exported;
- suspension of import VAT; and
- simplified import procedures.¹²⁰

46. Dr Anton Moiseienko, Research Fellow at the Royal United Services Institute's Centre for Financial Crime and Security Studies, told us the proposed customs measures were broadly in line with the offering in freeports around the world. Some witnesses indicated that the customs benefits alone would not be sufficient for the success of freeports in the UK context.¹²¹ Chris Starkie, Chief Executive Officer of the New Anglia Local Enterprise Partnership, expressed the view that the customs measures "would not be enough of an incentive" and a more rounded packaged would be required.¹²² In evidence before the Treasury Committee for their inquiry into UK customs policy, Tim Reardon, Head of EU Exit at the Port of Dover, said of freeports:

If the scheme were to be confined purely to temporary relief from customs tariffs, the value is likely to be substantially less than if it were to take a more holistic approach to making life easier to generate new activity.¹²³

Nonetheless, business representatives were confident that there would be opportunities from the customs procedures but that these would vary by sector and by the products being brought in freeport sites for production purposes.¹²⁴

47. Some evidence suggested that established customs procedures such as inward processing relief and bonded warehouses offered many of the same benefits as those in

119 [Qq4–7, 18–19, 82–83](#)

120 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 20

121 [Q118](#)

122 [Q145](#)

123 Oral evidence taken before the Treasury Committee on [22 September 2020](#), HC (2019–21) 776, Q82

124 [Qq149–150](#)

the freeports package.¹²⁵ Alex Stojanovic, of the Institute for Government, said there had been suggestions that these processes were still quite burdensome and could be simplified further as part of a freeport.¹²⁶ Port operators welcomed the opportunity to simplify and streamline customs procedures and we heard that there was an opportunity to embrace technology to ensure effective customs checks.¹²⁷

48. The impact of the UK’s global tariff regime of the freeports policy was also raised in evidence. Dr Peter Holmes, of the UKTPO, outlined that “The value of the concessions on customs duties is clearly related to the height of the duties that would otherwise be paid.”¹²⁸ He noted that the Government’s global tariff, a zero-tariff agreement with the EU, and the rollover of continuity trade agreements, would mean zero tariffs on more than half the UK’s imports. Therefore, he maintained “the value of the tariff concession will be very low, and would do little to encourage economic activity within the Freeport”.¹²⁹ Alex Stojanovic referenced the relative significance of the tariffs on intermediate goods and cited the example of Foreign Trade Zones in the US, where tariffs on some intermediate goods are high, benefitting industries such as car manufacturing.¹³⁰ Research based on the UK Global Tariff by the UKTPO found that the weighted average tariff on intermediate goods was 1.6%, compared with 8.8% for finished goods, and just under 60% of intermediate goods were duty-free in the UK context. Where the UKTPO identified potential savings from tariff inversion, it said “the benefits are small and would not have any material impact on the UK economy”.¹³¹

49. When questioned about the customs aspects of the freeports policy, the Chief Secretary to the Treasury referenced the pre-2012 policy and said the difference was “in the breadth of the package as a whole”.¹³² He elaborated that:

It is not a question of picking out one bit of customs policy and comparing that with what there was before, in 2012, or with what there is outside of the wider freeports policy. What you have is the package on the customs side, the tax side and the planning side, and some seed funding.¹³³

Taxation

50. The Government’s proposals included a range of tax reliefs to “incentivise business investment in capital assets and employment within Freeports to increase productive activity and achieve the Freeport policy objectives”.¹³⁴ The reliefs proposed included:

- Stamp Duty Land Tax relief;
- Enhanced Structures and Buildings Allowance;

125 Oral evidence taken before the Treasury Committee on [22 September 2020](#), HC (2019–21) 776, Q85; see also HC Deb, 11 October 2018, [col 188WH](#) [Westminster Hall]

126 [Q13](#)

127 [Qq58–60](#)

128 Dr Peter Holmes ([FRP0013](#))

129 Dr Peter Holmes ([FRP0013](#))

130 [Q7](#)

131 UK Trade Policy Observatory, [Tariff inversion in UK Freeports offers little opportunity for duty savings](#) (28 July 2020)

132 [Q212](#)

133 [Q212](#)

134 HM Government, [Freeports Response to the Consultation](#) (October 2020), p 11

- Enhanced Capital Allowances;
- Employer National Insurance Contributions Rate relief;
- Business Rates relief; and
- Local retention of business rates.¹³⁵

While most tax policy is reserved, business rates are devolved in each nation and Stamp Duty Land Tax is devolved in Scotland and Wales.¹³⁶ The bidding prospectus confirmed that the tax offer would only be available within a tax site. It indicated that bids should aim for a single site but that up to three sites would be considered where there was an economic case to do so. The Government's criteria included that the sites should be located in areas with below national average GDP per head and above average national unemployment rates.¹³⁷

51. The Government said its tax offer intended to build on the approach to enterprise zones in England and Wales.¹³⁸ The Chief Secretary to the Treasury told us that the tax offer went “to the heart of how we see the freeport sites operating as drivers of regeneration and innovation”.¹³⁹ He explained the Government's approach:

[...] often sites around ports that may well become, or are likely to become, freeports are areas that need levelling up. What you want is businesses investing in those areas, in things like site acquisition. When they have the land, they need to invest in the buildings and the plant and machinery, and they also need to recruit, and that is the tax package that has been put together.¹⁴⁰

The Chief Secretary to the Treasury did not say what the change in revenue to the Exchequer would be from these measures but responded that “Ultimately, and as always within the Treasury, the real prize on offer is increased productivity.”¹⁴¹

52. The Aberdeen Harbour Board felt that tax incentives would be “vital” in attracting investment to support the development of infrastructure for new business opportunities. Further, it said that Enhanced Capital Allowances would also attract new businesses and support the development of green energy and alternative fuel technologies.¹⁴² UKMPG referenced the need to retain flexibility in the financial offer to recognise different local needs and cost bases of different industries. Further, it said different levers would have differing effects, using the example of business rate relief which “might have a low incentive effect for some potential occupiers”.¹⁴³ The devolved governments suggested that the tax offer in their jurisdictions could differ from the UK Government's offer where taxes were devolved.¹⁴⁴ In addition, Aidan McMahon, Deputy Director at the Department of Finance in the Northern Ireland Executive, indicated that more information about

135 HM Government, *Freeports Bidding Prospectus* (November 2020), pp 22–24

136 HM Government, *Freeports Response to the Consultation* (October 2020), p 13

137 HM Government, *Freeports Bidding Prospectus* (November 2020), pp 17–18

138 HM Government, *Freeports Response to the Consultation* (October 2020), p 11

139 [Q217](#)

140 [Q217](#)

141 [Q218](#)

142 Aberdeen Harbour Board ([FRP0009](#))

143 UK Major Ports Group ([FRP0012](#))

144 [Qq169](#), [176](#), [178](#)

why particular tax levers were selected and others not included, such as corporation tax, would be welcome.¹⁴⁵ Roger Pollen, Head of External Affairs at the Federation of Small Businesses Northern Ireland, told us that corporation tax was of particular significance in Northern Ireland due to the disparity with the Republic of Ireland.¹⁴⁶ Some evidence also raised concerns about the risk of tax evasion at freeport sites in the context of the wider risk from illicit activity (see below).¹⁴⁷

Government funding

53. In its bidding prospectus, the Government announced that successful bids in England would have access to a share of £175 million of seed capital funding. The Spending Review 2020 stated that this would be partly funded from the Towns Fund. The Chief Secretary to the Treasury told us this would then be subject to Barnett consequentials to determine the level of funding for the policy in the devolved nations (see Chapter 5).¹⁴⁸ Minister Hall outlined the Government's expectation that financing would be focused primarily on land assembly, site remediation and small-scale transport infrastructure. The bidding prospectus noted that seed capital could not be used for security infrastructure at customs sites and that proposals to spend it on skills, digital or other infrastructure would only be considered in exceptional circumstances.¹⁴⁹ Subject to the acceptance of a business case, bids were expected to receive similar shares of the fund with larger requests considered in exceptional circumstances.

54. The bidding prospectus indicated that other funding streams would also be accessible to organisations within a freeport including innovation funding and funding from existing or future government funding rounds.¹⁵⁰ The Government said it would also make some funding available initially to assist with local governance set-up costs and contract some support centrally to aid freeport operators in developing governance structures.¹⁵¹ In the Spending Review, it was indicated that this would be resource funding valued at up to £10 million.¹⁵²

55. UKMPG commented that “Developing capable global gateways is not an overnight task and is one that requires hundreds of millions, if not billions, of pounds of investment.”¹⁵³ It contended that public funds should act as “incremental incentives” and build on locations where investment had already been made. We also heard of the importance of sustained investment in infrastructure. Alex Stojanovic cited the example of the Isle of Dogs and told us that one of the reasons it was successful was due to investment in transport infrastructure, skills, housing and commercial property for over a decade.¹⁵⁴ Transport infrastructure and connectivity in particular were raised. Charles Walker, of ChamberlainWalker Economics, told us that freeports generated economic growth through enhanced international connectivity which made trade more seamless but that

145 [Q188](#)

146 [Q160](#)

147 Ana Gomes ([FRP0004](#)), Anonymous submitter ([FRP0002](#)), Atkins ([FRP0018](#)), Dr Anton Moiseienko ([FRP0003](#)), Professor Robert Barrington ([FRP0005](#)), UK Free Trade Zone Association ([FRP0017](#))

148 [Q224](#); see also HM Treasury, *Spending Review 2020* (November 2020), p 73

149 [Q221](#); see also HM Government, *Freeports Bidding Prospectus* (November 2020), p 26

150 HM Government, *Freeports Bidding Prospectus* (November 2020), pp 27–28, 30

151 HM Government, *Freeports Bidding Prospectus* (November 2020), p 35

152 HM Treasury, *Spending Review 2020* (November 2020), p 73

153 UK Major Ports Group ([FRP0012](#))

154 [Q20](#)

improvements would be required to both domestic and international connectivity.¹⁵⁵ Councillor Kevin Bentley, of the Local Government Association, said consideration would need to be given to any necessary infrastructure enhancements, including the impacts on services for train passengers.¹⁵⁶

56. The Chief Secretary to the Treasury indicated that the Government had adopted an approach which sought to incentivise businesses to invest. He told us that the figure for seed capital funding was based on “what we think would be a reasonable sum for some of the things that are needed for freeports from an infrastructure and works perspective”.¹⁵⁷ He later added:

The point is that this is not about making infrastructure works. It is about innovation and businesses themselves being incentivised to invest, which business, not Government, should do.¹⁵⁸

In terms of ongoing Government support, the Chief Secretary to the Treasury said the tax lever was demand-led and that the wider nature of the Government’s support would be important in maximising the opportunity. He recognised that the offer was different to other international freeports and said that DIT would work with successful bidders to ensure the right package of support was available.¹⁵⁹

Other incentives

57. We also heard evidence about some of the non-fiscal elements of the freeports package. Port representatives and operators highlighted planning in particular as an element of the freeports package of significant benefit to them.¹⁶⁰ The Government has proposed to extend permitted development rights for seaports to align with airports and to adopt simpler, area-based planning through Local Development Orders. It said these changes would allow for a wider range of development to take place and would provide greater certainty for defined types of development.¹⁶¹ The bidding prospectus also set out how the Government planned to incentivise innovation. This included funding for the establishment of a Freeport Regulation Engagement Network to provide an opportunity for direct engagement between freeport operators and relevant regulators.¹⁶² The Chief Secretary to the Treasury indicated that the innovation aspects would include working with regulators to get products to market more quickly and that the regulatory response would depend on the sectors located within freeports.¹⁶³

Legislation

58. The Chief Secretary to the Treasury told us that there was unlikely to be a Freeports Bill as legislation was already in place in a number of areas. He said the tax changes could

155 [Q21](#); see also [Q53](#)

156 [Q88](#)

157 [Q220](#)

158 [Q220](#)

159 [Q222](#)

160 [Q58](#); see also Cromarty Firth Freeport Steering Group ([FRP0001](#)), Wildlife and Countryside Link ([FRP0006](#)), British Ports Association ([FRP0007](#)), UK Major Ports Group ([FRP0012](#)), Centre for Cities ([FRP0014](#)), UK Free Trade Zone Association ([FRP0017](#))

161 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 25

162 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 29

163 [Qq213–214](#)

be made through the Finance Bill and that the Government already had powers under the Customs and Excise Management Act 1979 to designate areas for customs purposes. Minister Hall said the Government had committed to changing regulations related to permitted development rights in this calendar year (2021). Further, he said he expected changes to business rates due to the policy to be implemented by regulation in early 2022.¹⁶⁴

59. The package of incentives associated with the UK freeports policy distinguishes it from the traditional freeports model and we welcome the range of measures the Government has committed to. Freeports focused solely on tariff benefits would be unlikely to be successful in the UK.

60. Investment in freeports will also be critical to their success, particularly in the areas of infrastructure and connectivity. *Increasing connectivity for both the freeport, and the wider area within which it is located, should be a key consideration in the allocation of seed capital funding.*

Risks to freeports

Economic displacement

61. UK freeports will be competing with ports and freeports internationally alongside other UK ports and industrial bases.¹⁶⁵ This creates a risk of displacement, when economic activity, including investment and job creation, moves from one location to another due to the availability of fiscal and other incentives. The risk of displacement has been raised frequently in reference to the freeports policy and in evidence to our inquiry. A recent report by UK in a Changing Europe concluded that:

The main impact of freeports—and any associated reductions in regulation—is therefore likely to be to relocate rather than create economic activity and jobs. That said, freeports in the UK could be a part of a broader industrial policy drawing on recent experience with enterprise zones.¹⁶⁶

Dr Peter Holmes, of the UKTPO, said there was “undoubtedly a strong case for supporting areas of the UK that are doing less well than average” but that “Once one restricts benefits geographically, one opens up the possibility that you relocate activity from outside to inside the favoured area.”¹⁶⁷ Andrew Carter, of Centre for Cities, outlined that it was not possible to eradicate displacement and that “there will have to be an element of displacement in the very functioning and style design of the scheme”.¹⁶⁸

62. Chris Walker, of ChamberlainWalker Economics, told us that it was important to distinguish between good and bad displacement. He cited potential for clustering and agglomeration benefits where disparate economic activity was brought together within a freeport site. He also referenced levelling up, where economic activity is displaced from rich areas to poor areas, as another example of good displacement from the national perspective.¹⁶⁹ Alex Stojanovic highlighted that some bad displacement had the potential

164 [Qq203, 219](#)

165 [Atkins \(FRP0018\)](#)

166 UK in a Changing Europe, [Freeports](#) (2 March 2021), p 10

167 [Dr Peter Holmes \(FRP0013\)](#)

168 [Q101](#)

169 [Q9](#)

to create a loss by replacing economic activity and applying lower taxes. He also noted that it was possible to lower productivity by moving activity from a high-productivity place to a lower-productive place.¹⁷⁰ Evidence also referenced the longer-term economic disadvantage displacement could create. Centre for Cities said that displacement of jobs from elsewhere was a possible risk and that:

Although this may appear on the surface to be a success story for the location of the zone, it does not result in new economic output, despite the investment and subsidies which the policy requires.¹⁷¹

Dr Peter Holmes also noted that:

Even if firms do not relocate from elsewhere with the introduction of a Freeport, as the economy evolves, if an Enterprise Zone is effective, firms outside it will be less competitive and in an economy they may decline in relative size.¹⁷²

63. Some port representatives felt the risk from displacement and economic disadvantage to areas not selected as freeports was due to the limit on the total number of sites to be chosen. The British Ports Association suggested that this could be mitigated by not restricting the total number of locations.¹⁷³ The Cromarty Firth Freeport Steering Group also proposed expanding the number of locations or addressing the issue by only awarding freeport status to ports in areas of deprivation which could demonstrate that they were attracting new business.¹⁷⁴ We also heard evidence from the Centre for Cities about its research into displacement linked to the enterprise zones policy.¹⁷⁵ Chris Starkie told us that Local Enterprise Partnerships were surprised by the findings of the research and that in their experience, the benefits of enterprise zones were relatively modest. He said that where businesses had moved, it was for growth reasons such as requiring more space of to invest in more facilities.¹⁷⁶

64. Andrew Carter told us that to minimise displacement “you have to be very focused and clear on the degree to which you can identify new rather than existing [economic activity]”.¹⁷⁷ He cited taking market share from ports overseas as an example of how displacement in the UK could be minimised.¹⁷⁸ In evidence, we asked about possible concerns in the Republic of Ireland due to this risk. Aidan McMahon told us that he was not aware of any specific views that had been raised to date.¹⁷⁹

65. The Chief Secretary to the Treasury described displacement as “a very live risk”.¹⁸⁰ He also referenced displacement from overseas, telling us:

170 [Q10](#)

171 [Centre for Cities \(FRP0014\)](#)

172 [Dr Peter Holmes \(FRP0013\)](#)

173 [British Ports Association \(FRP0007\)](#); see also [Cromarty Firth Freeport Steering Group \(FRP0001\)](#), [UK Free Trade Zone Association \(FRP0017\)](#)

174 [Cromarty Firth Freeport Steering Group \(FRP0001\)](#)

175 [Q101](#); see also [Centre for Cities \(FRP0014\)](#)

176 [Q151](#)

177 [Q101](#)

178 [Q101](#)

179 [Q182](#)

180 [Q238](#)

To the extent that there is displacement, we would hope that what we are creating is something that causes displacement from overseas to the UK, not displacement within the UK.¹⁸¹

Minister Hall said the Government was asking bidders to explain how their choice of tax sites would minimise the displacement of economic activity and that the tax measures included in the package had been carefully designed to encourage new economic activity. He was confident that the risk was being minimised through the process the Government had designed.¹⁸²

66. It is not possible to eradicate fully the risk of economic displacement associated with freeports. To minimise it, the Government will need to be careful to distinguish between new economic activity and economic activity moving to a freeport from elsewhere. We recommend that the Government, or the cross-Whitehall governance body, devise a framework for assessing economic activity occurring at freeports, distinguishing between that which is new and that which is relocated. This framework should be used by freeport governance bodies to collect relevant information on economic activity which can later be incorporated into an independent evaluation of the policy.

Illicit activity

67. Freeports internationally have been associated with elevated risks of some illicit activities. The Government identified this as a concern in its consultation document.¹⁸³ In evidence, we heard that the types of activities included: trade in counterfeit goods; drug trafficking; illegal wildlife trade; smuggling; trade-based money laundering; tax evasion; and corruption.¹⁸⁴ Further, the use of freeports for high-value storage, particularly art objects, has been linked to smuggling and illicit money due to poor beneficial ownership records.¹⁸⁵ Dr Anton Moiseienko cited analysis published by the World Customs Organization, based on data from over 600 seizures related to freeports, which evidenced these risks. Further, the Organisation for Economic Co-operation and Development (OECD) reported that the establishment of an additional free trade zone within an economy was associated with a 5.9% increase in the value of exports of counterfeit products.¹⁸⁶

68. Professor Robert Barrington, of the Centre for the Study of Corruption, outlined that “Freeports, by their nature, contain a number of ingredients that make them high risk for corruption.”¹⁸⁷ Dr Anton Moiseienko told us that while the label of a freeport did not open locations to crime, where there was less of an incentive to collect customs duties, there could be less of a reason to have robust customs controls; and that the culture at freeports was focused on trade facilitation.¹⁸⁸ Nonetheless, some witnesses indicated that there were encouraging signs in the Government’s consultation about how it would address

181 [Q238](#)

182 [Q234](#)

183 HM Government, *Freeports Consultation Boosting Trade, Jobs and Investment Across the UK* (February 2020), p 30

184 [Qq26, 27, 132](#); see also Ana Gomes ([FRP0004](#)); Anonymous submitter ([FRP0002](#)); Professor Robert Barrington ([FRP0005](#)); Dr Anton Moiseienko ([FRP0003](#))

185 [Q26](#), Dr Anton Moiseienko ([FRP0003](#))

186 Organisation for Economic Co-operation and Development, *Trade in Counterfeit Goods and Free Trade Zones: Evidence from Recent Trends* (2018), p 13

187 Professor Robert Barrington ([FRP0005](#))

188 [Qq132–133](#); see also Professor Robert Barrington ([FRP0005](#))

these issues. Charlotte Morgan, of Linklaters, told us that due to anti-money laundering provisions in legislation, freeport operators would be obliged to report suspicious financial transactions and be subject to customer due diligence requirements.¹⁸⁹

69. The use of some freeports for high-value storage internationally has been linked to smuggling and illicit money.¹⁹⁰ We heard a range of views on whether UK freeports should be used for high-value storage. We received one piece of evidence which outlined the benefit this could offer.¹⁹¹ Other witnesses were more sceptical. Alex Stojanovic told us that the Government “should just ban it outright because I do not see what benefit that is going to provide for employment or anything else”.¹⁹² Dr Anton Moiseienko felt there were other ways to mitigate the risk rather than outright bans, such as applying the same tax regime to freeports as to the rest of the UK and ensuring that proper information sharing is in place. Charlotte Morgan added that the implementation of anti-money laundering legislation would also help with mitigation.¹⁹³ In evidence, Minister Hall restated that the Government does not intend to designate freeports for the purposes of high-value storage.¹⁹⁴ Charlotte Morgan and Dr Anton Moiseienko also agreed that freeport operators should be required to adhere to the OECD’s Code of Conduct for Clean Free Trade Zones.¹⁹⁵ The Government confirmed this would be a requirement and that checks would be completed on freeport operators and businesses to ensure they did not pose undue risk during the authorisation process.¹⁹⁶

70. We note the security risks that accompany freeports. We welcome the steps the Government has taken so far to address these in its consultation and bidding prospectus. It is encouraging that freeport operators will be required to comply with the OECD’s Code of Conduct for Clean Free Trade Zones and that the Government does not intend to authorise the use of freeports for high-value storage. Nonetheless, these risks will require ongoing monitoring and enforcement. We recommend that the Government set out how it will seek to do this in its response to this Report.

Subsidy control

71. The Government has stated that UK freeports will be subject to any future domestic subsidy control regime, subsidy control obligations at the World Trade Organization (WTO), state aid obligations in the Northern Ireland Protocol, and subsidy control provisions in any free trade agreements (FTAs).¹⁹⁷ The WTO’s Agreement on Subsidies and Countervailing Measures governs the use of subsidies related to goods. Charlotte Morgan, of Linklaters, explained that the Government would have to consider if incentives offered at freeports are subsidies, and if so, if they are permitted or prohibited subsidies.¹⁹⁸

189 [Q133](#); see also Anonymous submitter ([FRP0002](#)), Dr Anton Moiseienko ([FRP0003](#)), Ana Gomes ([FRP0004](#))

190 [Qq26–27](#)

191 Anonymous submitter ([FRP0002](#))

192 [Q26](#)

193 [Qq136–137](#)

194 [Q244](#)

195 [Qq134–135](#)

196 HM Government, [Freeports Response to the Consultation](#) (October 2020), p 33

197 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 20; BEIS is consulting on the UK’s domestic subsidy control regime, see also Department for Business, Energy & Industrial Strategy, [Subsidy control: designing a new approach for the UK](#) (February 2020)

198 [Q128](#)

72. We also heard that the subsidy provisions in FTAs can go further than WTO obligations. In the case of the EU's third country FTAs with Korea and Japan, there were new obligations on subsidies covering debt liability of specific enterprises for an unlimited sum or duration and subsidies to insolvent enterprises.¹⁹⁹ The subsidies provisions in the UK-Japan Comprehensive Economic Partnership Agreement replicated those in the EU-Japan Economic Partnership Agreement.²⁰⁰ Further, the UK-EU Trade and Cooperation Agreement also prohibits or restricts some subsidies for specified purposes; and EU state aid rules apply to subsidies affecting trade in goods between Northern Ireland and the EU (see Chapter 5).²⁰¹

73. Developments in the UK's subsidy control regime could impact the types of support available through the freeports policy and this will require ongoing monitoring.

Labour and environmental standards

74. The bidding prospectus made reference to the UK's existing labour and environmental standards, stating that:

The government remains committed to ensuring its Freeport model maintains the UK's high standards with respect to security, safety, workers' rights, data protection, biosecurity and the environment, while ensuring fair and open competition between businesses.²⁰²

Bidders were required to set out how they would support decarbonisation, reach net zero carbon emissions by 2050, and ensure compliance with application environmental regulations and standards.²⁰³ Nonetheless, evidence from Wildlife and Countryside Link expressed concern about the potential for a reduction in environmental standards within freeports. It said freeports around the world had been associated with environmental degradation such as water, air and land pollution, and industrial waste. It added that poor monitoring and enforcement also hindered the environmental performance of such areas.²⁰⁴ It contended that there should be no regression of existing standards and requirements.²⁰⁵

75. UKMPG also maintained that ports, including freeports, should adhere to high environmental protection and employment protection standards and that where there were adjustments, these should be around the implementation of measures and not the level of standards.²⁰⁶ Councillor Kevin Bentley referenced the role of local government trading standards and environmental health officers and told us that to maintain standards, there was a need to ensure that staffing was increased or that they were heavily involved in any work occurring at freeports.²⁰⁷

199 [Q130](#)

200 International Trade Committee, Second Report of Session 2019–21, [UK-Japan Comprehensive Economic Partnership Agreement](#), HC 914, para 50

201 *The UK-EU Trade and Cooperation Agreement: summary and implementation*, Standard Note [SN09106](#), House of Commons Library, 30 December 2020

202 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 29

203 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 31

204 Wildlife and Countryside Link ([FRP0006](#))

205 UK Free Trade Zone Association ([FRP0017](#))

206 UK Major Ports Group ([FRP0012](#))

207 [Q84](#)

76. We note the Government's assurances that the policy will maintain the UK's high labour and environmental standards. We ask that, in response to this Report, the Government set out in further detail how it will seek to monitor this.

5 Freeports in the devolved nations

77. In its consultation response, the Government stated that it was working with the devolved governments to establish freeports in the devolved nations. Of the locations and bidding processes, it said:

The location of the Freeports in Wales, Scotland and Northern Ireland will be determined collectively by both the UK Government and the devolved administration and should align objectives, processes and timescale where possible.²⁰⁸

The response noted that where policies included in the freeports package were devolved, their implementation and design would be a matter for each devolved government.²⁰⁹ Further, it indicated that there would be separate bidding processes in each nation and the number of freeports in each nation would be jointly agreed with each devolved government. The reasoning for separate processes was to “ensure that local conditions and priorities are considered as part of the allocation process” and to “account for differences between nations where policy levers are devolved”.²¹⁰

78. In evidence, we heard from business representatives who were largely receptive to plans for freeports in the devolved nations. Roger Pollen, Head of External Affairs at the Federation of Small Businesses Northern Ireland, said there was “broad enthusiasm” for the potential of the policy and it would draw together areas such as manufacturing and the knowledge economy.²¹¹ Roy MacGregor, Chairman of the Global Energy Group, cited the benefits freeports could offer the renewable energy industry on the Cromarty Firth through investment and the creation of a manufacturing hub.²¹² Tim Williams, Chief Executive Officer of the Welsh Automotive Forum, said that a freeport has a “distinct advantage” but, in the Welsh context, the location would have a considerable impact on who is advantaged and disadvantaged.²¹³

79. Representatives of the devolved governments were more cautious. While they indicated in evidence that they were open to considering freeports, they were keen to have more information about the policy.²¹⁴ Ivan McKee MSP, Minister for Trade, Innovation and Public Finance in the Scottish Government, said the Scottish Government had undertaken sessions with ports, businesses and sectoral interests to gauge thinking and appetite for the policy. He said that the policy needed to be considered in terms of wider economic development and value for money.²¹⁵ Rebecca Evans MS, Minister for Finance and Trefnydd in the Welsh Government, said the freeports policy would “inevitably evolve in different ways” and indicated that the requirements of the Well-being of Future Generations (Wales) Act, fair work and environmental agenda would be part of the Welsh Government’s approach should it support the policy.²¹⁶

208 HM Government, *Freeports Response to the Consultation* (October 2020), p 10

209 HM Government, *Freeports Response to the Consultation* (October 2020), p 13

210 HM Government, *Freeports Bidding Prospectus* (November 2020), p 7

211 [Q145](#)

212 [Qq145–146](#); see also Cromarty Firth Freeport Steering Group ([FRP0001](#))

213 [Q146](#)

214 [Qq167–169](#)

215 [Q175](#)

216 [Q190](#)

80. Of the devolved nations, only the Scottish Government has announced its plans for freeports to date. Following a survey of business organisations, local authorities and other interested groups, it announced plans for “green ports” in January 2021. It said these would adapt the UK Government’s freeport proposals while also offering streamlined planning processes alongside customs and tax relief. Operators and businesses would be required to pay the real Living Wage; adopt the Scottish Business Pledge; commit to supporting sustainable and inclusive growth in local communities; and contribute to Scotland’s transition to net zero.²¹⁷ The Scottish Government published a draft applicant prospectus in March 2021, with the final version to be published following agreement with the UK Government.²¹⁸

Engagement with UK Government

81. When giving evidence to us early in October 2020, representatives of the devolved governments raised the issue of engagement with the UK Government in evidence. Minister Evans told us “It is fair to say that engagement thus far has not been satisfactory in terms of the development of the proposals.”²¹⁹ Aidan McMahon, Deputy Director at the Department of Finance in the Northern Ireland Executive, elaborated that engagement had largely been related to developments from a UK Government perspective but that his department had “not had that role in helping to shape the policy from the outset”.²²⁰ We heard that initial engagement was intermittent and primarily with DIT. Engagement had intensified following a letter from the Northern Irish Minister of Finance to the Chief Secretary to the Treasury. However, Aidan McMahon noted that the Minister would welcome a fuller role in the development of the policy and said:

The key point there is about the substance of engagement as opposed to the frequency. The frequency has been very regular with the Treasury of late, but it is the substance and the policy development process that is the key issue from our perspective.²²¹

Minister McKee reported that he had met the Chief Secretary to the Treasury and official-level engagement was ongoing but that they had not yet received information in the detail required.²²² Each of the devolved governments indicated that they had also put forward their views on the policy in correspondence to the UK Government.²²³

82. The devolved governments referenced access to information such as impact assessments and analysis as a challenge in developing their own freeport proposals.²²⁴ Minister McKee said the Scottish Government had repeatedly asked for detail of the

217 Scottish Parliament Deb, 21 January 2021, [cols 1–5](#), “[Green ports to aid economic recovery](#)”, Scottish Government press release, 21 January 2021; see also Scottish Government, [Scotland’s Economic Performance - The contribution of place-based economic development zones Analysis of survey responses](#) (January 2021). The Scottish Business Pledge is described as “a values-led partnership between Government and business that is based on boosting productivity, competitiveness through fairness, equality and sustainable employment”; see also Scottish Government, [Scottish Business Pledge](#) (March 2021).

218 Scottish Government, [Green ports: Delivering Freeports for Scotland Applicant Prospectus \(DRAFT\)](#) (March 2021), pp 2, 6

219 [Q167](#)

220 [Q169](#)

221 [Q170](#)

222 [Q170](#)

223 [Q170](#), [194](#)

224 [Qq167–168](#), [170](#)

impact assessment and fiscal shape of the policy.²²⁵ Minister Evans said the Welsh Government had been asking for greater involvement and information sharing for over twelve months and it did not have access to anything that was not in the public domain.²²⁶ Aidan McMahon told us it was his understanding that HMT was carrying out economic modelling work on “the aggregate impact of freeport policy” across the UK and that was to be shared with the devolved governments.²²⁷ Minister Evans also indicated that the Welsh Government understood there was quality assurance work occurring.²²⁸ Scottish and Welsh ministers told us that their ability to complete their own impact assessments was hampered by access to information with Minister Evans telling us:

We are in very much the same position as Scotland in terms of not being able to quantify what it is that we are assessing, where we do not have proper sight of what the plans might be.²²⁹

83. In questioning on the devolved governments’ access to information, Minister Hall said the Government had shared “an unprecedented amount of information with them” including drafts of the consultation and bidding prospectus for England.²³⁰ The Chief Secretary to the Treasury said he “would contend that there has been a huge amount of collaborative working”.²³¹ He said:

On the point of sharing modelling, I would slightly take issue with that because, of course, a number of the powers relating to freeports are within the gift of the devolved Administrations themselves. Therefore [...] the modelling would need to reflect those policy decisions, which, of course, often have not been taken. The devolved Administrations have flexibility, for example, on the planning side and clearly the model would need to reflect the decisions they took in that regard.²³²

He added that the Government had shared notes on how the modelling could be undertaken.²³³

Role in bidding process

84. The Government has said that the location of freeports in the devolved nations will be “determined collectively”.²³⁴ Minister Evans outlined the Welsh Government’s expectation was that it would “have a meaningful role in both developing a bidding criteria and in assessing those bids against the criteria”.²³⁵ She also noted that it was important that the policy be consistent across England and Wales to permit joint bids to be developed across borders.²³⁶ Minister McKee suggested the Scottish Government would want to be “able

225 [Q170](#)

226 [Q194](#)

227 [Q191](#)

228 [Q170](#)

229 [Q190](#)

230 [Q245](#)

231 [Q246](#)

232 [Q245](#)

233 [Q246](#)

234 HM Government, [Freeports Response to the Consultation](#) (October 2020), p 10

235 [Q172](#)

236 [Q173](#)

to make the decisions, working with stakeholders in Scotland, as to how and where those freeports should be with some freedom, given our geographical challenges, to be able to be flexible on that”²³⁷.

Funding

85. The issue of funding was also raised by the devolved governments. In its bidding prospectus, the Government outlined that successful bids in England would have access to a share of £175 million seed capital funding.²³⁸ Aidan McMahon said the Department for Finance in Northern Ireland had heard from stakeholders that there would be a need for “significant public sector investment to make freeports successful;” and that the Minister had raised it with the UK Government but had not received any clarity on the issue.²³⁹ Minister Evans told us she had asked the Secretary of State for Wales and the Chief Secretary to the Treasury, and was told “the starting point is the Barnett formula”.²⁴⁰ She said this:

[...] obviously would not be satisfactory if we were in the position where we have, say, 10 freeports, one of which would be in Wales. We would have 10% of the freeports but 5% of the funding, as per the Barnett formula, so clearly that is not an appropriate funding mechanism for this particular piece of work.²⁴¹

Minister McKee also indicated that the Scottish Government would want “at least the Barnett share of any money” and for any reserved taxes applied at freeports “to be applied in at least equal measure as across Scotland”.²⁴²

86. In discussion on the role of the devolved governments, the Chief Secretary to the Treasury said it was UK policy to delivery freeports but that the Government respected that there are areas of the policy that are for the devolved governments.²⁴³ The Chief Secretary to the Treasury confirmed that he had discussions with colleagues in the devolved governments on funding and that “in the normal way,” the £175m seed capital funding for freeports in England would be subject to Barnett consequentials. In questioning on the share of seed funding for freeports in the devolved nations compared with England, he said:

First, the main benefit is the tax offer. That is the main benefit, not the seed funding. Of the seed funding, which is a component, the point is that that goes through Barnett, which is not hypothecated. The Barnett funding that the Scottish Government receive, as they do for lots of other schemes, is more generous per head than it is for England. The allocation will be applied as it is with other policies, and it will be for the Scottish Government then, through their funding through Barnett, to do as they do in other areas of

237 [Q188](#)

238 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 26

239 [Q169](#)

240 [Q169](#)

241 [Q169](#)

242 [Q188](#)

243 [Q248](#)

policy, consistent with the statement of funding policy, which says that it is for each devolved Administration to determine how overall Barnett funding is allocated within their devolved responsibilities.²⁴⁴

He said he was not in a position to give a clear timetable for when freeports would be established in the devolved nations.²⁴⁵

87. We support the Government’s intention to establish a freeport in each of the devolved nations but acknowledge that this is a decision for each of the devolved governments. We are eager that the policy is implemented in a manner that brings increased trade and investment to all parts of the UK.

88. We received concerning evidence from the devolved governments about the UK Government’s engagement with them in the development of this policy and their access to the information underpinning the policy. While the development of the freeports policy in the devolved nations is ongoing, we recommend that ministers and officials intensify engagement and information sharing efforts to ensure that the devolved governments have access to all the information necessary when making policy decisions.

89. We support the devolved governments’ call for an appropriate funding allocation. It is important that freeports in the devolved nations are not disadvantaged due to the way in which funding is allocated. We call on HM Treasury to ensure that funding available to freeports in the devolved nations corresponds with awards in England.

Northern Ireland Protocol

90. We heard in evidence that the Northern Ireland Protocol would impact how the freeports policy could be developed in Northern Ireland. Professor Catherine Barnard, of the University of Cambridge, explained:

As you know, under the Northern Ireland Protocol the EU state aid regime applies, certainly to Northern Ireland where there is an effect on trade between Northern Ireland and the rest of the EU. You should also bear in mind that the protocol is probably wide enough to catch any freeport legislation that applies throughout the United Kingdom. Any UK legislation that has an effect on Northern Ireland trading goods, and thus an effect on interstate trade, will have to be notified to the Commission under the state aid regime as laid down in the Northern Ireland Protocol. I realise that is quite a mouthful, but the bottom line is that as a result of the Northern Ireland Protocol the EU state aid regime will continue to be relevant to not just Northern Ireland but the rest of the United Kingdom.²⁴⁶

Roger Pollen told us that there was an ambition to export around the world in Northern Ireland and that the sense from the Federation of Small Businesses’ membership was that businesses would make investments due to the policy.²⁴⁷ However, he later acknowledged

244 [Q227](#); see also [Qq224–232](#)

245 [Q247](#)

246 [Q38](#)

247 [Q149](#)

that the relationship between the Protocol and the freeports policy had “not yet been tested and discussed”. He suggested that there could be an opportunity to address some of the issues in the context of the work of the EU-UK Joint Committee.²⁴⁸

91. Aidan McMahon, of the Department of Finance in the Northern Ireland Executive, told us:

From a Northern Ireland perspective, and with the NI protocol in place, there are concerns from the Northern Ireland Executive about how the freeport policy will be delivered within Northern Ireland and if there will be differences in Northern Ireland vis-à-vis other freeports across the rest of the UK.²⁴⁹

He later elaborated that the issue of tailoring the policy to the specific needs of Northern Ireland had been raised with HMT and that:

There is some acceptance that a final model could be a bit different in Northern Ireland, given our unique circumstances. That said, it is important in order to attract trade investment that a freeport in Northern Ireland—as I have said previously—is not at a competitive disadvantage to other freeports across the UK. We need to be able to align the freeport policy with other policy levers being used by the Executive to attract trade and investment into Northern Ireland.²⁵⁰

The Chief Secretary to the Treasury acknowledged that the freeport offer would have to be adapted to comply with the UK’s obligations under the Northern Ireland Protocol. Nonetheless, he said there was flexibility in the Government’s agreement with the EU. He cited the example of customs where he said that changes, other than minor, technical ones, were unlikely to be required. He indicated that discussions with the Northern Ireland Executive to agree the model to be used were ongoing.²⁵¹

92. It is clear that the Northern Ireland Protocol will impact the terms on which a freeport can be established in Northern Ireland. *The Government should set out, in its response to this Report, its view on how the freeports model will need to be adapted in Northern Ireland to comply with the terms of the Protocol.*

248 [Q160](#)

249 [Q181](#)

250 [Q183](#)

251 [Qq249–250](#)

6 Governance

93. The Government’s publications on the freeports policy set out the expectations for governance at individual freeport sites. The bidding prospectus stated that freeports “will ultimately require a per-Freeport governance structure overseeing each selected Freeport location” and bidders were required to set out their plans for a freeport governance body to oversee their freeport.²⁵² It set out the requirements and minimum functions for these bodies, and stated that they would be accountable for the effective delivery of the freeport according to a set economic strategy. This would include co-ordinating the parties on the site, marketing the site and monitoring the security risks.²⁵³ The relevant local authority, or authorities contained within the governance body, would be accountable to MHCLG for the expenditure and management of public money.²⁵⁴ Minister Hall told us the successful bidders would need to meet core standards and that the experience of enterprise zones suggested that such standards were “absolutely crucial for those successful place-based type interventions”.²⁵⁵ In addition, the Government indicated that a small amount of short-term revenue funding would be made available to successful bidders to assist with any governance set-up costs.²⁵⁶

94. While we did not take evidence on the specific governance requirements for freeport operators, we heard from Alex Stojanovic, of the Institute for Government, that governance was an area in the consultation requiring improvement and that:

There needs to be someone who is responsible for not only monitoring the success of the freeport according to its objectives but also monitoring the risks and whether it is being used as a tax haven or being used for smuggling and so on. I think there needs to be some investment in that and other freeports that exist that are successful have the authorities to do that.²⁵⁷

He cited examples of how freeports operated internationally:

In Jebel Ali and in Singapore they set up a specific regulatory authority that helps to improve the success of those areas by interfacing between the operators and the many different departments in central government that still have an ongoing role to play. That is another important factor. It is not the case that you just lower taxes or provide some incentives and that is it. It requires sustained, ongoing investment probably from departments on an ongoing basis. That will be really important.²⁵⁸

He later added:

I think it is quite important that we look at how the successful models have been run. They often set up a whole government authority that is given the task of monitoring the developments of the authority, but the private sector tends to run it. It seems a bit counterintuitive when you are talking about

252 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 32

253 [Q239](#)

254 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 33

255 [Q242](#)

256 HM Government, [Freeports Bidding Prospectus](#) (November 2020), p 35

257 [Q45](#); see also [Q36](#)

258 [Q18](#)

freeports, wanting to reduce burdens and so on, but looking practically at how the successful examples have developed and how they are practically run is important.²⁵⁹

95. We heard a range of views regarding the long-term oversight of freeports by the Government. This included whether a single department should have overall responsibility for oversight or if an oversight body should be established. The UK Free Trade Zone Association said the consultation was “largely silent on who the Regulator for Freeports might be”.²⁶⁰ It advocated for the creation of a regulatory body which would regulate enterprises that joined a freeport and coordinate with agencies.²⁶¹ Minister Evans, of the Welsh Government, highlighted that any proposed governance arrangements and division of responsibilities would also need to be agreed with the devolved governments. She indicated that this should include:

[...] a head of terms to set out the clear roles and responsibilities for Welsh Ministers, the Secretary of State for Wales and wider UK Government Ministers, including the agreed governance arrangements around bidding and implementation. Also setting out the key principles alongside each of our parties’ roles and our responsibilities and our powers, so essentially proper clarity and proper engagement, and then an understanding of what is expected of each partner.²⁶²

96. Charlotte Morgan, of Linklaters, told us that there were pros and cons to the creation of an oversight body or to allocating lead responsibility for co-ordination to one department. Of establishing an oversight body, she contended:

There is also some evidence—and you see this a little bit in the new towns work that has been done particularly in the planning space—that if you can create something that has a little bit more of its own entity itself, it can also become a huge advocate for freeports more generally. It can also perform an advocacy role as well as an oversight and monitoring and co-ordination role. It can also provide that outreach and advocacy for freeports, which if you think about their impact on international trade that could be a very useful additional function for them to perform. I do not think you have to do it. There are pros and cons of doing it, but one of the big pros would be this outreach function, although that equally could be done by the Department for International Trade.²⁶³

She cited new towns legislation as an example of a model the Government could draw on in designing an oversight body.²⁶⁴ Dr Anton Moiseienko, of the Centre for Financial Crime and Security Studies, concluded that freeports would involve a lot of disparate activities and proposed that the Government undertake a mapping exercise of these to determine how they fit into the proposed approach. Charlotte Morgan agreed that this could help ensure that “nothing falls through the cracks” and that each activity was monitored.²⁶⁵

259 [Q36](#)

260 UK Free Trade Zone Association ([FRP0017](#))

261 UK Free Trade Zone Association ([FRP0017](#))

262 [Q188](#)

263 [Q139](#)

264 [Q140](#)

265 [Q141](#)

97. The Government confirmed its intention to establish “a cross-Whitehall governance body to oversee the implementation of Freeports as a whole” in a freeports question and answer document published during the bidding process in January 2021.²⁶⁶ The details of this were not provided in its consultation response or bidding prospectus. In addition, the Government has indicated that HMRC and Border Force will authorise customs sites and monitor activity within tax sites.²⁶⁷ In evidence, Minister Hall confirmed that the freeports programme for England would be governed cross-departmentally. He outlined the present form of this and said its role would be reviewed:

We have input from all Departments involved in the freeports competition that have been listed and we discussed earlier in the delivery of freeports. For the competition, we already have a programme board and that is chaired by a senior civil servant and includes senior civil servants from all the key Departments that we discussed previously. We will be reviewing the role of that board for the delivery phase itself.²⁶⁸

He said the Government was considering if the programme board should be a statutory body as it completed its review and moved through the policy development.²⁶⁹

98. The freeports policy documents published to date do not clearly set out the Government’s proposals for the long-term oversight and governance of freeports. We call on the Government to publish its proposals in this area following its review of the programme board so that there is transparency about the oversight of freeports. Further, this would provide clarity to freeport operators about who will oversee their operation and how this will be carried out.

266 HM Government, [Freeports Clarification Q&A](#) (January 2021), p 18

267 HM Government, [Freeports Bidding Prospectus](#) (November 2020), pp 21, 23—24, 32

268 [Q252](#)

269 [Qq253–254](#)

Conclusions and recommendations

Introduction

1. While we acknowledge the apologies from the Chief Secretary to the Treasury and Minister of State for Regional Growth and Local Government during their appearance before us, we find this episode of evident confusion and apparent unwillingness to appear before us extremely regrettable. Aside from hindering the important role Parliament plays in scrutinising the Government, this unwillingness caused substantial delay to our evidence-taking, and to the preparation of this Report. (Paragraph 9)
2. We do not consider this Report the conclusion of our work on freeports. We intend to continue to scrutinise the policy and to question ministers as freeports become operational. (Paragraph 10)

Objectives and evaluation

3. We commend the Government's ambition to increase trade and investment across the UK through its freeport policy. It remains to be seen how successful freeports will be at achieving this objective. (Paragraph 22)
4. We welcome the Government's clarity on its objectives for freeports and the related outcomes freeport operators must deliver against. *Progress made toward meeting these objectives and outcomes must be measurable and monitored. We recommend that the Government, or the cross-Whitehall governance body, set out in further detail the metrics that will be used to measure success against these objectives and outcomes, and how it will report on progress made annually.* (Paragraph 23)
5. *Now that freeport locations in England have been announced, we recommend that HM Treasury promptly publish an impact assessment for the policy. This should include estimates for economic growth, increased trade and investment, and job creation, as well as an analysis of the impact on different sectors. Such an assessment would aid a full evaluation of the policy in due course.* (Paragraph 24)
6. *We recommend that the Government commission a full, independent evaluation of the implementation of the freeports policy, to take place within five years of the establishment of the first freeports. The findings of this evaluation should be published promptly. The evaluation should include: a review of the bidding process and suitability of locations chosen; an assessment of progress towards meeting the objectives and outcomes set out in the bidding prospectus; a measure of new economic activity and job creation generated by the policy; an assessment of the impact of the policy on different sectors; an assessment of what economic displacement, if any, has occurred due to the policy; and a value for money analysis including comparison with the findings of HM Treasury's impact assessments. Those carrying out the review should be engaged at an early stage to ensure the information collated by freeport governance bodies, local authorities and others is relevant to, and can support, this evaluation.* (Paragraph 27)

Design and implementation

7. During our inquiry, we heard a range of views on whether the number of freeports to be established should be capped. We welcome the flexibility the Government has demonstrated on the final number of freeports. There were eight successful freeport bids for England, and we assume that this means the total number of freeports in the UK will likely exceed ten, given the Government's intention that at least one freeport will be established in each of the devolved nations. (Paragraph 33)
8. Our evidence emphasised the importance of transparency in the bidding and allocation process. We welcome the publication of the decision-making note for bids in England. *We recommend that the Ministry of Housing, Communities and Local Government establish a formal means to give feedback to unsuccessful bidders.* (Paragraph 36)
9. To succeed, the freeports policy will require extensive cross-departmental co-ordination. HM Treasury and the Ministry of Housing, Communities and Local Government have responsibility for the policy, while other departments will play a role in the operation and administration of freeports. We are concerned that, in light of the disagreement between HM Treasury and the Department for International Trade about which department was best-placed to give evidence to our inquiry, the necessary cross-departmental collaboration and clear accountability required to implement the policy is absent. *We recommend that, in its response to this Report, the Government set out how it will ensure effective accountability and cross-departmental collaboration in the implementation of the freeports policy. We recommend that the Department for International Trade has oversight of the policy, and administration of freeports, to support businesses to grow internationally.* (Paragraph 42)
10. The objective to establish freeports as national hubs for global trade and investment across the UK is of particular interest to us. This objective, and the Department for International Trade's role in supporting businesses to grow internationally, means that it should have a central role in the development and implementation of the freeports policy, yet this appears to have diminished over time. (Paragraph 43)
11. *We recommend that, in response to this Report, the Department for International Trade provide further information about how it will support the Government's objectives for freeports and set out its approach to freeports within its export and investment strategies. In addition, we would welcome clarity from the Department on how the new Office for Investment will be utilised to attract investment to freeports. We also recommend that the Department for International Trade set out how it will tailor its business support and trade promotion activities to the businesses located at freeports.* (Paragraph 44)

Incentives and risks

12. The package of incentives associated with the UK freeports policy distinguishes it from the traditional freeports model and we welcome the range of measures the Government has committed to. Freeports focused solely on tariff benefits would be unlikely to be successful in the UK. (Paragraph 59)

13. Investment in freeports will also be critical to their success, particularly in the areas of infrastructure and connectivity. *Increasing connectivity for both the freeport, and the wider area within which it is located, should be a key consideration in the allocation of seed capital funding.* (Paragraph 60)
14. It is not possible to eradicate fully the risk of economic displacement associated with freeports. To minimise it, the Government will need to be careful to distinguish between new economic activity and economic activity moving to a freeport from elsewhere. *We recommend that the Government, or the cross-Whitehall governance body, devise a framework for assessing economic activity occurring at freeports, distinguishing between that which is new and that which is relocated. This framework should be used by freeport governance bodies to collect relevant information on economic activity which can later be incorporated into an independent evaluation of the policy.* (Paragraph 66)
15. We note the security risks that accompany freeports. We welcome the steps the Government has taken so far to address these in its consultation and bidding prospectus. It is encouraging that freeport operators will be required to comply with the OECD's Code of Conduct for Clean Free Trade Zones and that the Government does not intend to authorise the use of freeports for high-value storage. *Nonetheless, these risks will require ongoing monitoring and enforcement. We recommend that the Government set out how it will seek to do this in its response to this Report.* (Paragraph 70)
16. Developments in the UK's subsidy control regime could impact the types of support available through the freeports policy and this will require ongoing monitoring. (Paragraph 73)
17. We note the Government's assurances that the policy will maintain the UK's high labour and environmental standards. *We ask that, in response to this Report, the Government set out in further detail how it will seek to monitor this.* (Paragraph 76)

Freeports in the devolved nations

18. We support the Government's intention to establish a freeport in each of the devolved nations but acknowledge that this is a decision for each of the devolved governments. We are eager that the policy is implemented in a manner that brings increased trade and investment to all parts of the UK. (Paragraph 87)
19. *We received concerning evidence from the devolved governments about the UK Government's engagement with them in the development of this policy and their access to the information underpinning the policy. While the development of the freeports policy in the devolved nations is ongoing, we recommend that ministers and officials intensify engagement and information sharing efforts to ensure that the devolved governments have access to all the information necessary when making policy decisions.* (Paragraph 88)
20. We support the devolved governments' call for an appropriate funding allocation. It is important that freeports in the devolved nations are not disadvantaged due to the

way in which funding is allocated. *We call on HM Treasury to ensure that funding available to freeports in the devolved nations corresponds with awards in England.* (Paragraph 89)

21. It is clear that the Northern Ireland Protocol will impact the terms on which a freeport can be established in Northern Ireland. *The Government should set out, in its response to this Report, its view on how the freeports model will need to be adapted in Northern Ireland to comply with the terms of the Protocol.* (Paragraph 92)

Governance

22. The freeports policy documents published to date do not clearly set out the Government's proposals for the long-term oversight and governance of freeports. *We call on the Government to publish its proposals in this area following its review of the programme board so that there is transparency about the oversight of freeports. Further, this would provide clarity to freeport operators about who will oversee their operation and how this will be carried out.* (Paragraph 98)

Formal minutes

Wednesday 14 April 2021*

Members present

Angus Brendan MacNeil, in the Chair

Mark Garnier Mark Menzies

Paul Girvan Mick Whitley

Anthony Mangnall

Draft Report (*UK freeports*) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 98 agreed to.

Resolved, That the Summary of the Report be agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 21 April at 2.00 p.m.]

* Craig Williams declared an interest on 15 January in relation to the inquiry into freeports, as a Parliamentary Private Secretary in HM Treasury, to which responsibility for freeports had been transferred; and declared that he would take no further part in the inquiry.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 15 July 2020

Chris Walker, Co-Founder and Director, ChamberlainWalker Economics; **Alex Stojanovic**, Researcher, Institute for Government; **Professor Catherine Barnard**, Professor of European Union and Labour Law, University of Cambridge [Q1–45](#)

Charles Hammond, Chief Executive Officer, Forth Ports Authority; **Simon Bird**, Regional Director Humber, Associated British Ports; **Karen Dee**, Chief Executive, Airport Operators Association [Q46–80](#)

Wednesday 9 September 2020

Richard Ballantyne, Chief Executive Officer, British Ports Association; **Andrew Carter**, Chief Executive Officer, Centre for Cities; **Councillor Kevin Bentley**, Chair of the People and Places Board, Local Government Association [Q81–115](#)

Dr Anton Moiseienko, Research Fellow, Royal United Services Institute, Centre for Financial Crime and Security Studies; **Charlotte Morgan**, Partner, Global Energy & Infrastructure Group, Linklaters LLP [Q116–143](#)

Wednesday 7 October 2020

Chris Starkie, CEO, New Anglia Local Enterprise Partnership; **Roger Pollen**, Head of External Affairs, Federation of Small Business Northern Ireland; **Roy MacGregor**, Chairman, Global Energy Group; **Tim Williams**, CEO, Welsh Automotive Forum [Q144–165](#)

Aidan McMahon, Deputy Director, Strategic Policy Division, Department of Finance, Northern Ireland Executive; **Ivan McKee MSP**, Minister for Trade, Innovation and Public Finance, Scottish Government; **Rebecca Evans MS**, Minister for Finance and Trefnydd, Welsh Government [Q166–196](#)

Wednesday 24 February 2021

Rt Hon Steve Barclay MP, Chief Secretary to the Treasury, HM Treasury; **Luke Hall MP**, Minister for Regional Growth and Local Government, Ministry of Housing, Communities and Local Government; **Rachel Campbell**, Deputy Director, Regeneration and Urban Policy, Cities and Local Growth Unit, Ministry of Housing, Communities and Local Government [Q197–257](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

FRP numbers are generated by the evidence processing system and so may not be complete.

- 1 Aberdeen City Council ([FRP0010](#))
- 2 Aberdeen Harbour Board ([FRP0009](#))
- 3 Anonymous ([FRP0002](#))
- 4 Atkins ([FRP0018](#))
- 5 Barrington, Professor Robert ([FRP0005](#))
- 6 Centre for Cities ([FRP0014](#))
- 7 The Cromarty Firth Freeport Steering Group ([FRP0001](#))
- 8 FedEx Express ([FRP0015](#))
- 9 Gomes, Ana ([FRP0004](#))
- 10 Holmes, Dr Peter (UK Trade Policy Observatory, University of Sussex) ([FRP0013](#))
- 11 Linklaters LLP ([FRP0011](#))
- 12 Royal United Services Institute, (Centre for Financial Crime and Security Studies) ([FRP0003](#))
- 13 Thales ([FRP0016](#))
- 14 UK Free Trade Zone Association ([FRP0017](#))
- 15 UK Major Ports Group) ([FRP0012](#))
- 16 Warneford-Thomson, Miss Phoebe (Policy and Economic Analyst, British Ports Association) ([FRP0007](#))
- 17 Wildlife and Countryside Link) ([FRP0006](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2019–21

Number	Title	Reference
1st	The COVID-19 pandemic and international trade	HC 286
2nd	UK-Japan Comprehensive Economic Partnership Agreement	HC 914
3rd	UK trade remedies policy	HC 701
1st Special Report	The COVID-19 pandemic and international trade: Government Response to the Committee's First Report	HC 815
2nd Special Report	UK-Japan Comprehensive Economic Partnership Agreement: Government Response to the Committee's Second Report	HC 1163