

Freeports consultation

Purpose of report

For discussion and direction.

Summary

In February 2020, the Government launched a consultation on its proposed freeport policy, inviting stakeholders to provide views on the policy by 20 April 2020.

This paper briefly outlines the Government's objectives for freeports, the policy proposals captured in the freeports consultation, and the proposed options for identifying freeport locations. Members are invited to comment on the consultation and feedback received will be used to inform the LGA's consultation response.

Recommendation

Members are asked to:

Comment on the Government's policy proposals as outlined in the freeports consultation, particularly on those elements of the consultation relating to skills, business support and the wider trade and investment landscape (**paras 9 - 13**).

Comment on the Government's proposed options for identifying freeport locations (**paras 14 - 16**).

Action

Officers to develop the LGA's freeports consultation response in line with Members' steer.

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Freeports consultation

Background

1. Freeports are secure customs zones traditionally located at ports where business can be carried out inside a country's land border, but where different customs rules apply.
2. At a freeport, imports can enter with simplified customs documentation and without paying tariffs. Businesses operating inside designated areas in and around the port can manufacture goods using the imports and add value, before exporting again without ever facing the full tariffs or procedures.¹ For example, a car manufacturer could import car parts to a freeport, construct the vehicle within the freeport area and export the finished car to outside the UK without paying UK tariffs.
3. In August 2019, the Government announced plans to invite ports and airports across the UK to bid to become one of up to ten freeports. This was accompanied by the establishment of a new Freeports Advisory Panel to advise the government on their plans.²
4. This commitment was restated in the 2019 Conservative manifesto which pledged to 'create up to ten freeports around the UK, benefitting some of our most deprived communities.'
5. In February 2020, the Government launched a consultation on its proposed freeport policy, inviting stakeholders to provide suggestions and comments on the policy by 20 April 2020.³ The Consultation has been published in the name of four government departments: HM Treasury, the Department for International Trade, the Ministry for Housing, Communities and Local Government, and the Department for Transport.
6. In its consultation, the Government describes freeports as 'innovative hubs which boost global trade, attract inward investment and increase prosperity in the surrounding area by generating employment opportunities.' There is clear alignment with these ambitions and the work undertaken by this Board and the City Regions Board to promote the role of local government in driving trade and investment, as well as the Board's continuing work on devolution, skills and local growth.

¹ <https://www.instituteforgovernment.org.uk/explainers/trade-freeports-free-zones>

² <https://www.gov.uk/government/news/trade-secretary-announces-freeports-advisory-panel-will-ensure-uk-is-ready-to-trade-post-brexit>

³ <https://www.gov.uk/government/consultations/freeports-consultation>

7. The LGA will be preparing a response to the freeports consultation which it is anticipated will draw principally on existing LGA lines from across these policy areas as well as those, such as housing and planning, that fall within the remit of other LGA Boards.
8. The Board is today invited to provide feedback on key elements of the consultation which will be used to inform the LGA's consultation response.

Consultation overview

9. The consultation document sets out the Government's objectives for freeports, the proposed freeports model and the Government's plan for the freeports agenda, including how the location of freeports could be selected.
10. The government has the following stated objectives for UK freeports:
 - 10.1. **establish freeports as national hubs for global trade and investment across the UK:** intensify the economic impact of our ports by enhancing trade and investment and generating increased economic activity across the UK
 - 10.2. **promote regeneration and job creation:** create high-skilled jobs in ports and the areas around them, prioritising some of our most deprived communities to level up the UK economy
 - 10.3. **create hotbeds for innovation:** create dynamic environments, capitalising on new ideas and fostering the conditions that will attract new businesses, investors and innovations.
11. The consultation captures the key elements of the Government's proposed freeports policy and it acknowledges that many of these fall within the delivery remit of local government. Policy areas focused on within the consultation include:
 - 11.1. **Customs** – including the core customs and tariff benefits to offer businesses bringing goods into a freeport site, the location of freeports and the types of goods which will be permitted to enter freeport sites. The consultation outlines that freeport sites could be located inland as well as adjacent to ports.
 - 11.2. **Tax** – the Government intends to draw on the experience of Enterprise Zones to inform the possible tax incentive arrangements for freeports, including business rates discounts. The consultation invites views on whether tax incentives in existing English Enterprise Zones encourage business activity and employment.
 - 11.3. **Planning** – the consultation outlines that 'both the Government and local planning authorities have a role to play in supporting the functioning of freeports and their ability to boost trade and investment through planning and development

management.’ It looks at the possible role of permitted development rights, Local Development Orders and additional planning freedoms in facilitating this.

- 11.4. **Regeneration** – the consultation outlines that freeports, alongside the National Infrastructure Strategy, will be a key part of delivering the Government’s ambition to ‘level up’ the economy across the country. It outlines that government will ask local areas for proposals setting out how becoming a freeport could enable them to maximise regeneration benefits and complement other investment, such as the Towns Fund and the Coastal Communities Fund.
- 11.5. **Business support** – the consultation proposes that dedicated trade and investment support could be made available to provide advice and guidance to help maximise the positive impact of freeports. Views are invited on the type of support that would best enable businesses to take advantage of the opportunities presented by freeports.
- 11.6. **Skills** – the Government’s ambition is for the creation of freeports to lead to new, skilled jobs in and around the port. Views are invited on how a freeport could contribute to the skills offer in an area, informed by newly established Skills Advisory Panels.
- 11.7. **Housing** – the Government is looking to work with local areas to ensure housing provision meets the demands of freeport areas. The consultation cites an interest in exploring the role of zonal planning, including the use of Local Development Orders, in supporting planning of residential and commercial development around freeports.
- 11.8. **Innovation** – the consultation invites views on how ports can collaborate with public agencies, including local government, to develop and adopt new technologies. It also invites views on how freeports can help drive the decarbonisation agenda.
12. In many of these areas the LGA has existing policy lines that officers will draw on to inform our response and ensure that local government’s views and needs are represented to Government. We have also invited councils, through our existing communications channels, to share any feedback or views with us.
13. Members are invited to comment on the Government’s policy proposals as outlined in the freeports consultation, particularly on those elements of the consultation relating to skills, business support and the wider trade and investment landscape.
14. The consultation concludes by outlining the Government’s proposal for a competitive bidding process to appoint areas with freeport status. It suggests two possible models for this bidding process:

14.1. Where Mayoral Combined Authorities (MCAs) or Combined Authorities (CAs) exist, they could submit a freeport application on behalf of partners. Where they do not exist, the application could be submitted by the Local Enterprise Partnership (LEP) and the upper-tier authority(s) in which the freeport site is located. Within this model, the consultation suggests that MCAs/CAs/LEPs could be asked to prioritise one application for freeport status from within their geography.

14.2. The consultation also outlines an alternative model where ports would be allowed to submit applications for freeport status directly to central government – though government would expect any application to have the support of a named local authority.

15. The Government outlines an expectation that irrespective of the bidding model, the port, upper-tier authority, LEP, and other local partners, including the private sector, would form a joint board to support the application for freeport status and collaborate on matters relating to the freeport.

16. Members are invited to comment on the proposed bidding process and the role of councils and combined authorities in this process.

Implications for Wales

17. In the freeports consultation document, the Government outlines that it is working with the devolved administrations to develop proposals that would enable the creation of freeports in Scotland, Wales and Northern Ireland, in addition to those in England.

18. LGA officers will liaise with colleagues at the WLGA to help inform our response to the consultation.

Next steps

19. The LGA will use feedback from members of this Board, the City Regions Board and its wider membership to inform the development of our consultation response which will be submitted prior to the 20 April deadline.

20. In parallel to the online consultation, we understand that Government are planning further engagement with local and national stakeholders to feed into the consultation process.

21. Once the 10-week consultation is completed, the Government will invite sea, air and rail ports to bid for freeport status on a competitive basis. The aim is for locations of the new zones to be announced at the end of this year so that freeports can open in 2021.