

Key points from Governments freeport consultation October 2020

Overview

- The Freeports consultation proposed a brand-new, bespoke Freeport model, with a comprehensive package of measures designed to boost trade, employment and innovation.
- Overall, respondents welcomed the ambition of the proposals, the emphasis on local economic geography and regeneration, the flexibility of the customs model, and the focus on innovation.
- Ports and businesses shared how Freeports could contribute to their sector's success and future growth potential, while many local authorities and public-sector bodies were optimistic about the potential of Freeports to help transform local economies.
- However, some respondents, including several non-government organisations and individuals, expressed views about potential negative impacts on areas including port security, safety, workers' rights and the environment. Some respondents also expressed views around economic displacement – particularly in deprived areas – and the risk of Freeports being used for tax evasion or money laundering

What is a freeport?

- The UK Freeport model will maximise geographic flexibility to reflect best the different assets and needs of ports and regions across the UK. The government has designed this model to apply effectively to areas with seaports, airports and rail ports, and to regions featuring multiple ports – no mode of port or area is excluded.
- The UK Government is working with the devolved administrations on establishing at least one Freeport in each of Wales, Scotland and Northern Ireland. The location of the English Freeports will be established by a bidding process based on the Freeports objectives

Freeport primary customs sites

- The UK Freeport model will require a primary customs site designated in or near a port of any mode, within which the customs benefits outlined in Chapter 3 will apply. The government is prepared to authorise primary customs sites in inland locations, so long as an economic relationship can be clearly demonstrated between the site and the port. The government will consider primary customs sites of any size, so long as a clear economic case for the site can be made and our strict security requirements enabling HMRC and Border Force to monitor the sites effectively can be met.

Additional Freeport subzones

- Where bidders can make an economic case that they are required, the government will allow multiple additional customs sites ("customs subzones") to enable multiple sites to benefit from the Freeports customs model. An economic case would provide clear justification of any customs subzones' relationship to the wider Freeport. For example, a space-constrained port may manage the flow of international goods more effectively using an additional inland subzone; multiple exporting businesses within a region may seek subzone status to benefit from the Freeport; or businesses with geographically dispersed supply chains may wish to support these sites using subzones.
- Subzones may be of any reasonable size, may be within ports or inland, and may be empty spaces or existing productive sites.

Freeport tax sites

- Freeports will also include a single contiguous defined site within which Freeport tax reliefs detailed in Chapter 4 will apply, building on the approach taken for existing Enterprise Zones in England and Wales. The tax site will likely be located on primarily underdeveloped land to generate new, additional productive activity in Freeport locations. The upper limit of the size of these Freeport tax sites will be between 300-600 hectares. Only customs sites located within the Freeport tax site will benefit from the Freeport tax reliefs.
- The purpose of the reliefs is to incentivise business investment in capital assets and employment within Freeports to increase productive activity and achieve the Freeport policy objectives. Clear eligibility criteria will apply to maintain the UK's high standards on preventing tax evasion and avoidance.

Freeport outer boundary

- The primary customs site, tax site, and any additional subzones shall all be contained by a Freeport outer boundary. All measures (including any customs subzones and the planning, regeneration spending and innovation measures outlined in Chapters 5, 6 and 7) should be applied within this outer boundary to ensure UK Freeports are coherent, with a clear economic and geographic focus.
- Bidders will be free to determine the location of the Freeport outer boundary within size limits so long as they can provide a clear economic and geographic rationale for the space the boundary encompasses. These limits will be confirmed in the Freeport Bidding Prospectus but should be within a range of 25 – 45km between the furthest points.

Freeports in all nations of the UK

- The UK Government will work with the devolved administrations in Wales, Scotland and Northern Ireland to consider separate Freeport allocation processes to those in England
- The UK Government and devolved administrations will announce their next steps in due course.

Customs

- The government has proposed an ambitious Freeport customs model that allows businesses operating in Freeport customs sites to access a range of benefits and new opportunities to boost their international competitiveness.
- Businesses will be able to take advantage of customs and tariff benefits, including simplified customs procedures to access Freeports and duty suspension while goods remain in the Freeport.
- Responses have generally been positive about the proposed Freeports customs model, and many respondents have welcomed the proposed customs facilitations.
- A majority of the respondents (69%) agreed that having reduced declaration requirements for bringing goods into Freeports is a useful simplification and businesses felt this would lower costs for them. However, some respondents (31%) were concerned that this might hamper tackling illicit activity.
- The government intends to have simplified declaration procedures for goods entering a Freeport to balance trader facilitation and ensuring the security of the border.
- Businesses bringing goods into the UK will need to complete the Entry Summary Declarations. The government will also require businesses to complete standard import declaration procedures if goods are being moved into free circulation or complete the export declaration procedures if goods within the Freeport are exported.

Tax

- The government wants Freeports to boost trade, promote regeneration and employment, and create hotbeds for innovation
- Overall, responses from local authorities welcomed a regime of tax incentives to catalyse business activity and investment within a specific area.
- Responses from businesses and business groups recorded broadly positive reactions to the prospective tax offer; many emphasised the success of international Free Trade Zone (FTZ) programmes that used similar tax incentives.
- Responses from port operators highlighted their generally positive reactions to the prospect of a regime of tax incentives within Freeports, especially for its ability to create jobs within port areas.
- The government will set out further details of the proposed tax reliefs confirmed in this document in the Bidding Prospectus.

Planning

- The government received positive responses regarding its ambition to support the functioning of Freeports and their ability to boost trade and investment through planning and development management.
- Maritime ports welcomed bringing permitted development rights into alignment with the rest of the sector. All modes of ports agreed that increased use of Local Development Orders would be positive in supporting Freeports development. Some ports noted that anything to simplify the planning regime further would be welcome.
- Since this consultation closed, the government is in the process of consulting on an ambitious set of wide-ranging reforms to England's planning system in its Planning for the Future publication, which may bring further benefits to the development of the government's Freeports offer.

Regeneration

- Respondents suggested a range of infrastructure investment that could support Freeports and their surrounding areas, including transport (71%), training facilities (29%), digital (23%), security (21%), commercial land & property (10%) and residential property (9%).
- The government is investing heavily in infrastructure across the UK, from the Strategic Road and Freight Networks through to active travel schemes.
- The government's aim for nationwide availability of gigabit-capable broadband as soon as possible will help benefit all businesses, including users of Freeports
- The government recognises that Freeports need to be located in places attractive to investment.
- Many respondents recommended that international trade and investment support should be provided to businesses in Freeports, with some recommending that support is dedicated and site-specific to each Freeport.
- Respondents to both questions noted the importance of partnering with educational institutions within a Freeport to help contribute to the local skills offer.
- A few respondents (25%) identified that the affordability of housing for workers was a need, particularly for those in areas with a large number of low-skilled or low-paid workers.

Innovation

- The government received many positive responses about promoting innovation in and around Freeports. There was broad support amongst respondents for innovation and new technologies in Freeports, particularly to contribute towards the government's decarbonisation agenda. A majority of respondents also suggested increasing the availability of accurate, secure and standardised data to promote innovation.

- Respondents highlighted a wide diversity of areas where Freeport-related innovation could be of benefit. These areas included issues specific to an individual port, issues related to the ports sector as a whole, or issues related to the link between a port and the wider economy
- Therefore, the government will work with UKRI to take forward UK-wide open competitions to find innovative solutions to problems faced by Freeports and Freeport businesses.
- As part of the bidding process, bidders will be asked to set out their ambition and initial ideas for how innovation could be delivered as part of their Freeports model.

Preventing illicit activity

- The government sought views on the level of illicit activity in Freeports and asked for respondents to explain their answers. A majority of respondents felt there was at least some risk of illicit activity in Freeports, citing risks such as money laundering, terrorism financing, smuggling of illicit goods – including counterfeit goods and the illegal wildlife trade – tax avoidance and tax evasion.
- A majority of non-governmental organisations believed the risk of illicit activity in Freeports was high or very high.

Allocation and governance of Freeports in England

- Responses to the consultation's questions on allocation and governance processes were broadly positive on the substantive issues. On port modality, there was broad acceptance of multi-modal Freeports, and on the objectives and criteria for Freeport selection, most respondents agreed that the proposed criteria are appropriate. Responses to questions about the role of public bodies in the bidding process were less clear-cut, with a plurality in favour of models which bring together multiple partners to deliver Freeports.
- Businesses also generally welcomed the proposed bidding process. However, many noted that additional time to collaborate with local authorities and other relevant stakeholders would be welcome.
- Many Local areas were enthusiastic about the role they could play in the government's proposed bidding process. Compared to LEPs and CAs, MCAs had the most capacity to take on a coordination role.