

The Westco guide to
Freeports





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This Guide

This guide provides local authorities with a guide to the Government's freeports policy and the potential benefits that might flow for local areas from achieving freeport status. It draws upon a range of online sources, which are referenced throughout the paper, as well as conversations with officials and advisers administering the freeports policy.

Local authorities, port authorities and Local Enterprise Partnerships will be working together and in cooperation with investment partners in the coming months on ideas for freeport areas, which will culminate in the submission of bids to the Government to achieve freeport status.

This paper has been published in advance of the closure of the Government's consultation on freeports, the deadline for which is 13 July 2020.

The guide should be read by anyone who Communications teams enthuses communities, local stakeholders and decision-takers in government.





Westco Communications

Westco is a company owned by the City of Westminster. With expertise in public service communications, Westco has an excellent pedigree in developing theory of reputation management for local areas, as well as in practical delivery on the ground.

Westco has completed more than 30 marketing and communications reviews for local authorities since 2005. In combination, these have enabled major efficiency savings by rationalising communications output, unifying departmental teams and aligning the delivery of strategy and communications to the organisation's goal and business imperatives.

Westco delivers full-service strategy, public affairs and communications consultancy for clients including policy, scrutiny, media management, campaigns, design, marketing and digital. Westco has worked on funding bids for local authorities and regions across the UK and further afield, including Staffordshire, the London boroughs of Sutton and Southwark, and Ayrshire which in 2018 achieved an area growth deal. Our strategy and communications teams help clients maximise opportunities from devolution and the changing landscape in funding models.

We find that many clients have different economic growth marketing strategies and plans that have been developed in silos within the organisation. This tends to lead to disjointed marketing outputs that at best confused audiences and at worst work against each other and risk damaging reputation. Our approach is to bring complementary plans for growth under a single coordinated narrative, capable of delivering a strong place offer to well defined audiences.

Westco can act as an adviser and facilitator of communications. Westco is an architect of the OASIS model of communications (now widely used across Government) having developed its predecessor, ROSIE (Research, Objectives, Strategy, Implementation, Evaluation).

- **Objectives:** we agree specific communications objectives, from raising awareness in the media and in government of the work being done to engage local stakeholders; and identifying key projects to fund.
- **Audience insight:** Westco can assist by researching audiences from government to media to local stakeholders and residents.
- **Strategy:** we can put together a communications strategy rooted in a compelling narrative and programme which will persuade and motivate our key audiences.
- **Implementation:** we will use multiple channels to communicate what the Town Board is doing to develop its Implementation Plan.
- **Scoring:** we evaluate the success of a campaign using feedback from the activities that we carry out. A monthly report and review process ensures that progress is being made against a timetable agreed at the outset.

What are Freeports?

Freeports are designated areas inside a country geographically, but outside of that country's established customs area. Activities which are typically carried out at a freeport include manufacturing, warehousing, labelling, packaging, refining, consolidating and re-exporting. The crucial difference is that these economic activities take place outside of the host country's standard tariffs and export/import procedures.

In the designated area of a freeport, companies and individuals are often able to bring in goods with little or no tax while they are stored or processed, before the goods are moved on. This could include items such as valuable artwork, cars and jewellery, or raw materials that are processed in the port into products before being transported elsewhere.

There are estimated to be 3,500 freeports in the world, employing 66 million people¹ of which there are currently 83 operating in the EU (according to the European Commission, November 2017). Most were historically freeports before they joined the EU.

Seven freeports operated in the UK at various points between 1984 and 2012; the remaining five (Liverpool, Southampton, Port of Tilbury, Port of Sheerness and Prestwick Airport) lost their designated status in 2012. There are now no freeports in the UK, though there is one on the Isle of Man.

The Government is considering the reintroduction of ten new freeports to the UK. The objective is to increase trade, investment, job creation, regeneration and innovation, without compromising on high regulatory standards with respect to security, safety, worker's rights and the environment.

The Ministerial Foreword to the Government's Consultation Paper states:

"Most importantly, Freeports will be a cornerstone of the Government's plan to level up opportunity across the country. So our criteria for allocating Freeports will be geared towards areas of greatest need. This will allow us to drive forward investment and regeneration in some of the most deprived areas in the UK, delivering highly-skilled jobs for people across the country."²

1 researchbriefings.parliament.uk/ResearchBriefing/Summary/CDP-2018-0211#fullreport

2 assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/878352/Freeports_Consultation_Extension.pdf



Why Now?

The renewed interest in freeports is partly driven by the fear that, after the UK's departure from the EU customs bloc, industries may relocate away from the UK if the UK were to impose an import tariff regime on goods that were previously tariff-free. Goods entering freeports do so tariff-free, and so would avoid tariffs if they were then re-exported without entering UK customs territory.

The UK published its tariff regime which will apply when it leaves the EU customs union on 1 January 2021³. This is the first time in 50 years that the UK has had the freedom to set its own tariff regime. The Government estimates that around £30 billion worth of imports will see lower tariffs than the EU's common external tariff (including cuts to zero on screws, bolts, glass rods and alloy tubes) but some EU rates (eg beef, cars) will continue to apply.

One way of attracting investment to a freeport will be to establish a business which refines or modifies a product which has been imported, and then to export it for sale elsewhere. For example, a car arriving at a freeport which is then modified and re-exported would pay no tariff. Meat or fish which is then packaged or canned at a food processing facility and re-exported would, similarly, attract no tariff.

The supporters of freeports say that they can not only support longer term growth in exports and trade but also help to transform Britain's hard-pressed coastal communities. They are driven by a conviction that the Government needs to rebalance the economy away from dependence on the services sectors and reliance on the south east. Outside the EU, the UK can use freeports as a form of regional policy, establishing them in an area where local industries already import, improve and export goods.

A Centre for Policy Studies paper authored by Rishi Sunak in 2016 indicated that freeports can deliver 86,000 new jobs and in areas where jobs are most needed. The report notes that of the UK's 30 largest ports, 17 are in the bottom quartile of Local Authorities when ranked by the ONS' Index of Multiple Deprivation. Rishi Sunak says in the paper:

"Upon leaving the EU, Britain will find itself with more opportunities for economic innovation than at any time in almost 50 years. As the date of our departure draws closer, it will be the responsibility of Government to ensure Britain is not timid in seizing those opportunities. Foreign Trade Zones are flourishing all around the world – except in the EU. Post-Brexit they could play an important role in signalling Britain's openness to the world, as well as reconnecting the nation with its proud maritime history."⁴

³ [gov.uk/government/news/uk-global-tariff-backs-uk-businesses-and-consumers](https://www.gov.uk/government/news/uk-global-tariff-backs-uk-businesses-and-consumers)

⁴ [cps.org.uk/research/the-free-ports-opportunity/](https://www.cps.org.uk/research/the-free-ports-opportunity/)

The Freeports Champions

Ministers and their Departments

It is claimed by some that the Government's previous freeports policy was closed in 2012 because the Treasury did not allow it to succeed. Any ideas for meaningful tax breaks and regulatory concessions were stopped by the Treasury before they were given their head.

This time promises to be different, not least because the main driving force behind freeports in the Government is the Chancellor of the Exchequer himself. Rishi Sunak has championed the policy since his Centre for Policy Studies paper was published in 2016. In the paper, he claimed:

- Freeports could create more 86,000 jobs for the British economy if they were as successful as those in the United States.
- Freeport jobs would mainly be created in areas outside London where economic need is higher. Of the UK's 30 largest ports, 17 are in the bottom quartile of Local Authorities when ranked by the ONS' Index of Multiple Deprivation and three quarters are in 'below average' Local Authorities.
- Leaving the EU will enable Britain to capitalise on the freeports opportunity. Today, the EU Customs Union and EU State Aid laws make this almost impossible.
- Freeports have a broad appeal that could command bipartisan support, allowing the policy to act as a rapid response to Brexit.
- A freeports policy is fundamentally simple and is supported by a wealth of international precedent – making implementation possible over a short timescale.
- Ports are already a vital strategic asset for the UK economy, accounting for 96% of all trade volume and 75% of trade value.
- A freeports programme would build on an existing UK strength and reconnect us with our proud maritime history: Britain's port infrastructure is world class, and the UK ports sector is already the second largest in Europe.

While the Chancellor will have the final say over the shape of the Government's freeports model and the timing of its introduction, the Department for International Trade is leading on the Government's freeports consultation. It was the Secretary of State for International Trade Liz Truss who first announced the freeports plan in August 2019; it is she who hosts the meetings of the Freeports Advisory Panel; and it is her Department that is coordinating government activity in this area. Ms Truss will be assisted in this work by Greg Hands and Graham Stuart, Trade Ministers in her department.

In the February 2020 reshuffle, Kelly Tolhurst was appointed Maritime Minister with responsibility for the Department of Transport's involvement in freeports policy. She reports to Secretary of State for Transport Grant Shapps.

The fourth government department to take a close interest in freeport policy is the Ministry of Housing, Communities and Local Government, not least because of the regeneration, housing and planning aspects of introducing freeports to the UK.



The Freeports Advisory Panel

The Government has appointed a Freeports Advisory Panel, comprising:

- Tim Morris, CEO of UK Major Ports Group
- Richard Ballantyne, CEO of British Ports Association
- Dr. Meredith Crowley, Trade Economist, University of Cambridge
- Henry Overman, Professor of Economic Geography, London School of Economics
- Dan Korski, CBE, Founder, Public
- Dr Eamonn Butler, Director, Adam Smith Institute
- Tom Clougherty, Head of Tax, Centre for Policy Studies
- Emma Jones, MBE, Enterprise Nation Founder
- Ben Houchen, Tees Valley Mayor

The Panel met in 2019 in advance of the publication of the Government's 2020 consultation paper, with Trade Secretary Liz Truss presiding. Former Maritime Minister Nus Ghani also attended this meeting alongside officials. The Panel will probably meet again after the end of the consultation period in July 2020.





The Government's Model

The Government is considering a wide range of measures to make freeport attractive to investors looking to start or grow their UK operations.

The model includes:

- Tariff flexibility to promote trade
- Tax measures to incentivise investment
- Trialling new customs and transport technologies
- Planning reforms to facilitate construction and new housing
- Targeted funding for skills development and infrastructure improvements
- Separate arrangements for Wales, Scotland and Northern Ireland

Customs benefits

The plan is to designate ten freeport "customs zones" in the UK. These could be located within or away from a port. Over or around each customs zone will be a Special Enterprise Zone-style zone which may also enjoy many of the tax and regulatory benefits set out above.

Within each customs zone, no tariffs, import VAT or excise will be payable until they enter the UK's domestic market. For importers able to store goods in a freeport, the deferment of these taxes provides a cashflow boost.

For manufacturers importing component parts which carry a higher domestic tariff than the finished product, there will be tax savings for assembling the product inside a freeport, as they will only pay the lower rate of duty when the finished product enters the UK domestic market. Where the finished product is re-exported, there will be no duty payable.

Customs declarations made for goods entering freeports would be simpler than those which come into the domestic market. This should make it easier and quicker for goods to arrive at freeports, without the need to apply for goods to be released from the customs control system run by HMRC, known as CHIEF. Only when goods enter the domestic market will normal import declarations need to be made.

Some freeports may be located inland, for example off a motorway or a railway goods hub or near an airport. Businesses wishing to move goods from a port to a freeport while the goods remain under duty suspension would provide a customs guarantee to the value of the duty that would be owed if the goods never arrived at the inland freeport site.

Tax incentives

Businesses that locate in enterprise zones in England already enjoy business rates discounts worth up to £55,000 a year for five years.

In England and Northern Ireland, Stamp Duty Land Tax comes under the jurisdiction of the UK Government. The UK Government would have the power to vary or remove it as a means of getting investors to buy property in freeport areas in England and Northern Ireland.

Across the UK, other tax incentives that could be used include the provision of Research and Development Tax Credits, the removal or discounting of employer National Insurance Contributions, and enhanced capital allowances (as is enjoyed by new companies in some Enterprise Zones where they invest in plant and machinery.)



Planning changes

The Government is considering planning liberalisation in freeport areas to ensure more land is brought forward for development. In England, there are already different permitted development rights in seaports and in airports, both provided by the Town and Country Planning (General Permitted Development) (England) Order 2015. The Government is proposing to align these permitted development rights so that seaports can use the rights to erect buildings to facilitate seaport activities, rights which airports already have in respect of aviation activities.

More use of zonal planning would see local planning authorities issue Local Development Orders – an automatic grant of planning permission to specific types of development within the zoned area. The question is asked in the Government’s consultation as to whether the National Policy Statement for Ports should be reviewed to take account of this. The consultation also asks if zonal planning could facilitate the building of new homes around a freeport for the people whose jobs will be located at or around the freeport.

The Government believes that local authorities would benefit from the introduction of greater planning flexibilities for freeports and more streamlined planning procedures, freeing up local authority resources to be spent elsewhere.

Infrastructure and skills

While the idea behind freeports is to leverage private (and particularly international) investment into some of the most disadvantaged towns and cities in the country, public money is on offer to designated freeports to attract the new private investment.

The Government invested £30 million in port infrastructure in 2019 in preparation for Brexit. It says it will ask local areas for proposals setting out how becoming a Freeport could enable them to maximise regeneration benefits and complement other investment. Some areas that may be suitable to become freeports are also potential areas for investment from the £3.6 billion Towns Fund and Coastal Communities Fund.

The Government has suggested that Skills Advisory Panels may have a role to play in helping LEPs, Mayoral Combined Authorities and Combined Authorities invest in developing the right skills in a local area to match the needs of local employers locating to a freeport. Businesses involved in freeport might also support local FE colleges and Universities to derive maximum benefit from this opportunity. The question is asked as to how ports can collaborate with public agencies – including universities, academic institutions, businesses and local government – to develop and adopt new technologies.

Legislative measures

Some of the legislation for the introduction of freeports is already in place.

- The Treasury already has the power, for example, to designate free ports by Statutory Instrument under section 100A of the Customs and Excise Management Act (CEMA) 1979.
- Inward Processing Relief⁵, through which HMRC which provides relief from Customs Duty and import VAT on goods that are imported from outside the EU to be processed, is already legislated for.
- Some of the planning incentives that will be features of freeports can be introduced under the Government’s existing powers to create special economic zones.
- The EU state aid rules will meet their demise from 1 January 2020, removing an obstacle to the provision of government grants to be invested in freeport areas.

How much more primary legislation is needed before freeports can be introduced will depend on the complexity of the freeports model that the government ultimately opts for, following the consultation. In the wake of the economic wreckage of the Covid-19 pandemic, the Chancellor will want to waste no more time in binging forward a competition to get ten freeports in place by the end of 2020.

⁵ [gov.uk/guidance/inward-processing](https://www.gov.uk/guidance/inward-processing)

Responding to the Consultation

The Government's consultation specifically asks

"local areas, working with businesses and ports, to consider the unique opportunity Freeports represent for their region, so that we ensure that communities around the country benefit from economic growth."

Any Mayoral Combined Authority, Combined Authority, local authority, Local Enterprise Partnership, Port Authority or business should consider responding to the Government's consultation.

The Government wants to shape its Freeport offer and tender around what is going to work best for investors, ports and local authorities. They are, after all, the agents for delivering its stated objectives of creating hubs for global trade and investment, promoting regeneration and job creation, and creating hotbeds of innovation.

The consultation asks 68 questions. Respondents only need to answer those on which they have firm views. The deadline for submissions is 13 July 2020.

The consultation specifically asks for the views of the those involved in the 48 Enterprise Zones currently operating in England alone, which offer tax incentives and reduced regulation to encourage private sector growth. The Government is also keen to hear views as to whether the incentives work. In addition, there are over 100 Local Development Orders which have been adopted across the country. Local authorities could give their views on whether these have been successful and how they could be improved.

Making a submission carries with it the advantage of indicating interest to the Government in your area achieving freeport status. Not only does it give you the chance to influence the outcome of the consultation but to provoke enthusiasm for your area amongst officials and Ministers receiving your submission.

Bidding for Freeport Status

After the Government has considered responses to its consultation, it is expected to bring forward the process for designating areas with freeport status. In England, this is likely to take the form of a competition. The devolved administrations will develop their own governance processes in Scotland, Wales and Northern Ireland.

Any area in the UK will be able to bid for freeport status. The best placed candidates are shipping ports and airports because of the logistical potential for importing and exporting from those places.

However, the UK is now connected to continental Europe by train and it is therefore possible for the area around a railway depot to be designated with freeport status, from where freight trains could take goods to and from the EU without needing to pay a UK tariff.

Nor is it inconceivable for goods which arrive by van or lorry to be brought to a landlocked area of the UK for processing, and then for the processed goods to be exported tax free because the area has been designated as a freeport. An area off a motorway continuing industrial assembly plants might be granted freeport status.

A freeport advisory panel member has indicated that the Government may allow freeports to be any shape, size or form, so they would not have to be restricted to the area around a shipping port or an airport. It could cover a university, for example, or a car assembly plant. It could even be a "virtual" freeport which covers a category of business and not just a geographical area.

That said, the Government's consultation paper suggests that

"two seaports in close proximity may wish to become a single Freeport; or an inland rail port (terminals and interchanges) may wish to become a Freeport with either a connected seaport or a nearby airport."

It remains an open question as to who will be asked to take the lead in the bidding. It could be:

- Mayoral Combined Authorities or Combined Authorities
- Local Enterprise Partnership (where MCAs and CAs do not exist)
- Port authorities

But it is clear that a high premium will be placed on collaboration between all of these parties. Under any model, the port, the upper-tier authority, LEP and other local partners, including the private sectors, would be expected to form a joint board to support the application for Freeport status – in the same way that Towns Fun Boards oversee their bids for funding from central government.

Finally, it is worth considering that a freeport on its own may not be an economic panacea. Many successful freeports have a large economic hinterland behind them (eg Hamburg, Antwerp and Singapore). Some areas of the UK looking to become freeports will need significant regional investment in infrastructure and business investment too. Joint bids from councils, LEPs and ports seeking to make a big regional economic impact are likely to receive a warm welcome.



Westco Support

Westco delivers full-service strategy, public affairs and communications consultancy for clients. Our team is available to provide advice to any local authority, port authority, educational institution or investor on:

Policy and research

- What your business, institution or local community stands to benefit from being located in or near a freeport
- What policy measures need to be enacted in your area to deliver the benefits in terms of innovation, skills, jobs, business and housing growth
- Evidence gathering and economic impact studies
- Local opinion studies

Strategy and programme management

- Becoming part of a consortium bidding for freeport status
- Leading a bid for freeport status
- Forming a Freeports Board
- Defining objectives
- Identifying and utilising resources
- Creating a route map to success
- Managing a programme of campaign activity

Communications and Lobbying

- Developing key messages
- Creating a brand identity for your area and bid
- Handling contentious issues
- Identifying target audiences and what action is needed from them
- Community and stakeholder relations
- Consultation submission to the Government
- Writing your bid for freeport status
- Media and social media promotion and management
- Facilitating and administering Board meetings



To win a bid for freeport status, an area will need to create a compelling narrative, explaining the investment that will take place and the beneficial consequences that will flow from it.

The key messages about the bid will be used in communicating with government officials, Ministers, stakeholders and the general public. Westco can advise on the use of various forms of communications media, from social media to websites to press releases and broadcast appearances.

Westco are experts at navigating the corridors of Whitehall. We can advise which officials to contact, when, how, what to say, and what we are seeking from them. We can make sure the local MP is involved to maximum effect, and that Ministers and their Special Advisers are made familiar with the attractions of giving an area freeport status.

Westco can map how to reach the ultimate decision takers with our messages and arguments. We can draw up a plan of who is going to have what conversations and make representations – and when.

Covid-19 restrictions present a challenge to holding an in-person events but we may be able to coordinate engagement with events taking place in the future, be they Ministerial tours, party conferences, and meetings in Whitehall and in Parliament when is sitting.



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