



HM Government

Freeports

Response to the Consultation



Freeports

Response to the Consultation

Presented to Parliament by the Chief Secretary to
the Treasury by Command of Her Majesty

October 2020



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Ministerial Foreword

As we look beyond the unprecedented disruption caused by the Covid-19 pandemic, we are more determined than ever to boost our economy, level up our country and strengthen our Union. In seizing the opportunities of leaving the European Union, we want the new Global Britain to be a hub for international trade and investment, partnering with our friends around the world as an independent trading nation. Revitalising our port regions through an ambitious Freeport policy is a key component of realising this vision and unlocking the deep potential of all nations and regions of the UK.

We wanted to give you the chance to give us your views. That is why in February we set out our ambitious proposals for a brand-new, bespoke Freeport policy in the Freeports consultation, containing measures which will increase trade and investment, kickstart regeneration through job creation and boost innovation across the four nations of the UK. Due to the immediate shock of Covid-19 and the additional challenges this created for all of us, we extended the consultation process to fully capture your views. Hundreds of you got in touch from across the length and breadth of the UK to express your enthusiasm for the policy and engage us on its details.

In this document, we set out what we heard, what we learnt and how this developed our UK Freeports vision. We reaffirm our commitment to establishing Freeports across the whole of the UK, and we offer greater detail about how Freeports will work and the benefits they are set to offer. We also share our plan for a bidding process to decide Freeport locations, which I will launch shortly.

This government stands ready to get on and deliver our commitment to the British people. Freeports form a key part of our wide-ranging plans to ensure that no one in our country is left without hope or opportunity. However, we cannot do this alone.

Whether you are a port or a local authority, a start-up or a multinational investor, a university or a local business, if you believe you can play a part in realising our ambition for Freeports, reach out to each other, collaborate and begin to build a strategy for how your Freeport will transform our ports and our regions to solve a new generation of challenges. Together, we can build a stronger Britain with a bright economic future.



Rt HON RISHI SUNAK MP
Chancellor of the Exchequer

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Introduction

The Freeports consultation was published in February 2020; this set out the government's vision to establish up to 10 Freeports across the UK. It was due to close in April; however, the UK and the rest of the world have seen wide-ranging disruption as a result of the ongoing Covid-19 pandemic. Due to the disruption to key sectors arising from Covid-19, the consultation was extended to 13 July. Overall, the government received 364 responses. This response follows a comprehensive process to analyse all respondents' views. It outlines the responses the government received and how they fed into our policy development while providing further clarity on how Freeports will work.

"With the focus on recovery from the Covid-19 crisis and the levelling-up agenda across the country, creative solutions and imaginative policy ideas that will rejuvenate the UK and its economy are needed." – Port operator

Now we have left the European Union, and we emerge from the initial economic shock of the virus, the government is focused on economic recovery and long-term, sustainable growth for the whole of the UK. Freeports are designed to be innovative hubs that boost the economy by helping businesses to invest in their machinery, infrastructure and staff. They will help to level up the country by bringing jobs, investment and prosperity to some of our most deprived communities around the UK. Freeports will strengthen our Union and boost global trade, by showcasing the best of British industry, technology and innovation to the rest of the world. Freeports will also be a key element of the government's 2025 Border Strategy, which the government has simultaneously been developing and has consulted on.

"Freeports offer the opportunity to have a wider national impact on levelling up regions and creating new businesses. Potentially promoting new areas of growth, construction and new business approaches and opportunities" – Business (Urban Development)

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.

"Freeports present an opportunity to reduce bureaucratic burdens on business and reduce costs from customs administration."- Business (Professional Services)

"Having a Freeport ... would increase levels of import and export to the UK, supporting businesses of all shapes and sizes to drive innovation levels, impact and geographic spread." – Local Enterprise Partnership

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.

The consultation process has been undertaken to ensure that Freeports are effective, value-for-money and minimise any risks. Through a rigorous review process, the government has analysed and reflected on all respondents' views and has used them to develop our Freeports model. We have also engaged seriously and extensively with a wide group of stakeholders to discuss our proposals. The government has subsequently expanded its proposed measures to better contribute to Freeports objectives while adjusting measures to better manage the risks noted by respondents.

The government remains committed to high standards in all areas where respondents raised concerns, and this document sets out further plans to ensure Freeports are best in class for both safety and security while driving green economic growth and investment in their regions.

“The development of Freeports as hubs for innovation in low carbon energy could help create jobs and support regeneration in the wider area. – Business (Utilities)

Having carefully considered all responses and having expanded our initial Freeports offer, the government now wants Freeport coalitions – of international and local businesses, academic institutions, ports and local authorities – to start forming around what we have announced and to begin to iterate how their region can best meet Freeports’ objectives. The finalised policy and bidding process, including a clear Bidding Prospectus, setting out what Freeports will offer and how interested parties might apply, will be launched in due course.

“Freeport designation represents a significant commercial opportunity for the port, but also for the wider city region.” – Port operator

Our Freeports policy will continue to be developed alongside discussions on our future international trading relationships and will comply with their obligations. Any UK Freeport model will ensure that the UK’s high standards on security, safety, workers’ rights, tax avoidance and evasion and the environment will not be compromised.

Responses

The government received 364 unique responses to the consultation from a mixture of port operators, businesses, local authorities, non-government organisations and others. Consultation responses were mostly received through the online consultation portal; several responses were also received via official Freeports email and postal addresses.

Table 1 – Breakdown of consultation responses, by respondent type:

Respondent category	Number of Responses	Percentage of Total
Business (port operator)	28	8%
Business (other)	74	20%
Business association	40	11%
Public sector body	74	20%
Non-governmental organisation	42	12%
Individual	106	29%
TOTAL	364	100%

Table 2 – Breakdown of consultation responses, by response medium:

Response medium	Number of Responses	Percentage of Total
Freeports consultation portal	267	73%
Email	86	24%
Postal	11	3%
TOTAL	364	100%

Additionally, HMT, along with DfT, DIT, MHCLG and the Northern Ireland Executive, held 16 roundtables, reaching over 200 stakeholders representing ports, businesses, local authorities, non-government organisations, industry experts and trade bodies from all four nations of the UK.

Respondents represented a variety of interests and were not obligated to answer all questions when submitting a response to the consultation. Accordingly, some questions received higher levels of engagement than others.

In outlining the response to each of the questions, “majority” indicates the clear view of more than 50% of respondents in response to that question. “Minority” indicates less than 50%. The following additional terms have been used to summarise the views of respondents: “many respondents” indicates more than 70% of those answering the particular question; “a few respondents” means fewer than 30%; “some respondents” refers to the range between 30% and 70%. Finally, “we” refers to the UK Government. This is consistent with the approach of other UK Government responses to consultations.

Document Structure

This document has been written to follow the structure of the original Freeports consultation document, as published in February 2020. In the following ten chapters, we will aim to summarise the responses the government received, address concerns raised and outline our developed thinking for Freeports in the UK.

The document begins by providing additional detail on what a Freeport in the UK may look like and how they may operate. It then outlines our latest thinking for customs, tax, planning, regeneration and innovation, before addressing illicit activity and additional policy considerations. Finally, the document provides clarification on the Freeports bidding process.

A summary of questions asked in the Freeports consultation is provided from page 41.

Chapter 1

What is a Freeport?

- 1.1 In the Freeports consultation document, the government explained how Freeports around the world operate as secure customs zones, usually located at ports, where business can be carried out inside a country's land border, but where different customs rules apply. Secure Freeport customs sites will enable UK businesses to access a range of benefits to boost their international competitiveness in a high productivity cluster.
- 1.2 The government also highlighted that countries around the world had adapted this basic model by adding different elements to create their own bespoke Freeports based on the Special Economic Zone (SEZ) concept. Each combines a mixture of customs flexibilities, to provide relief from duties, import taxes and administrative burdens; tax measures to incentivise private investment; regulatory flexibilities; and investment in infrastructure, all concentrated in the geographical area around the Freeport.
- 1.3 The government signalled its intention to draw on the best of these examples and design a bespoke, world-leading UK Freeport model aiming to achieve three objectives:
 - Establish Freeports as national hubs for global trade and investment across the UK
 - Promote regeneration and job-creation
 - Create hotbeds for innovation
- 1.4 Moreover, the government proposed combining five sets of measures – customs, tax reliefs, planning, regeneration funding, and innovation – to achieve these objectives by encouraging the maximum number of businesses to open, expand and invest in our Freeports.
- 1.5 The government has carefully considered the hundreds of responses received about this model and will now set out in greater clarity our intentions for Freeports across the UK.

UK Freeport geography

- 1.6 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. Further details will be outlined in the Freeport Bidding Prospectus, which will be published in the autumn. However, we strongly encourage interested parties to read this document carefully and begin discussions with potential coalition partners and investors regarding plans for a Freeport in their area.
- 1.7 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 (see Chapter 10). 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.

Freeport primary customs sites

- 1.8 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. The government will expect bidders to fund the cost of establishing and securing these sites according to these requirements. Overly expansive or inadequately secured customs sites will not be authorised.

Additional Freeport subzones

- 1.9 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.
- 1.10 Subzones may be of any reasonable size, may be within ports or inland, and may be empty spaces or existing productive sites. As with primary sites, beneficiaries will be expected to cover the cost of securing their subzone and obtain authorisation from HMRC. They will be authorised in the same way as primary customs sites.

Freeport tax sites

- 1.11 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, and further details on this will be provided in the Bidding Prospectus. The tax site could encompass all or part of the primary customs site and may include any customs subzones, but will not have to. Only customs sites located within the Freeport tax site will benefit from the Freeport tax reliefs.
- 1.12 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

- 1.13 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. At least one port of any mode should be included within this outer boundary, but it does not have to be a customs site so long as the Freeport bid and the customs sites it proposes can demonstrate a clear economic relationship to that port and the wider Freeport objectives.

- 1.14 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. Proposals that go beyond this boundary will be considered but will have to present compelling evidence that there is a robust economic case connecting Freeport sites situated across such a large area. Further details on proposing boundaries will also be included in the Prospectus.

Chapter 2

Freeports in all nations of the UK

- 2.1 There has been significant interest in Freeports policy from stakeholders throughout the nations of the UK, including in response to the consultation. 100 unique responses, 27% of total responses, came from respondents from Wales, Scotland and Northern Ireland, or from respondents who expressed an interest in Freeports in these nations. 81 responses referred to a single nation – 23 for Wales, 23 for Scotland, 35 for Northern Ireland – while 19 referred to multiple nations.
- 2.2 The table below provides an overview of relevant reserved and devolved policies in Wales, Scotland and Northern Ireland. Where policies are devolved, the implementation and design will be a matter for each devolved administration to decide upon, although the UK Government will provide any assistance necessary if requested.

Table 2.1 – Overview of Freeports policy levers in Wales, Scotland and Northern Ireland:

Policy	Wales	Scotland	Northern Ireland
Customs	Customs policy is generally reserved, with a few exceptions including sanitary and phytosanitary controls, which are mainly devolved.		
Tax	Most tax policy is reserved.		
	Some aspects such as Business Rates and Stamp Duty Land Tax are devolved.	Some aspects such as Business Rates and Stamp Duty Land Tax are devolved.	Business Rates are devolved.
Planning	All planning policy is devolved.		
Regeneration	Regeneration policy is in part devolved.		
Innovation	Innovation policy is part-reserved, part-devolved. The Freeports innovation measures are reserved, except where stated otherwise.		

- 2.3 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.
- 2.4 The UK Government will continue to engage proactively and positively with each of the devolved administrations. The UK Government and devolved administrations will announce their next steps in due course.

Chapter 3

Customs (Q1-17)

- 3.1 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.
- 3.2 Responses have generally been positive about the proposed Freeports customs model, and many respondents have welcomed the proposed customs facilitations. Many respondents, including port operators, view the customs procedure simplification as useful and a necessary tool to reduce administrative burdens for businesses.
- 3.3 In the consultation, the government outlined some of the duty benefits that businesses could take advantage of. The government can confirm that goods entering a Freeport customs site will be eligible for duty deferral, duty exemption and duty inversion. The government welcomes views that businesses can benefit from Freeport customs procedures and is committed to making sure these are facilitative for businesses. The government recognises that businesses have expressed a preference for a wide range of customs benefits and is committed to delivering them. This model will work hand in glove with the changes to the border, which will be set out in the 2025 Border Strategy.

Declaration (Q1-2)

- 3.4 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.
- 3.5 The government intends to have simplified declaration procedures for goods entering a Freeport to balance trader facilitation and ensuring the security of the border. The government will also expect Freeports to have robust security to tackle illicit activity. HMRC and Border Force will continue to conduct compliance checks on goods within the Freeport. Businesses bringing non-controlled goods into the Freeport will need to make a customs declaration into their commercial records, while traders bringing in controlled goods, including those that are subject to Excise duty will need to complete a simplified frontier declaration.
- 3.6 Businesses bringing goods into the UK will need to complete the Entry Summary Declarations. This is to ensure that goods entering the Freeport satisfy the security and safety requirements and are not treated differently from other ports.
- 3.7 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.

Freeport operators and Freeport businesses (Q3-6)

- 3.8 A majority of the respondents (64%) felt that they could adapt their current process to move goods into a Freeport, a few respondents (18%) said they were unable to, and others (18%) did not know. Port operators suggested that adapting existing processes could include using a customs-approved inventory system to manage goods in a Freeport.
- 3.9 As set out in the consultation, Freeport operators will be required to have systems in place that enable government agencies to inspect goods if necessary. This includes having a customs-approved inventory system to monitor the movement of goods. The Bidding Prospectus will outline the security requirements for having an authorised customs site.
- 3.10 Many respondents (76%), including many port operators, favoured perimeter fences as they act as a deterrent against illegal and illicit activities.
- 3.11 Although a few respondents (24%) advocated using technology instead of physical fences, the government considers a physical perimeter to be a robust solution. However, we welcome the inclusion of additional technology as part of the security process and would encourage bidders to set out what they can achieve. Additionally, the government remains open to exploring alternative security measures in the future if they can be demonstrated to be effective and not burdensome for businesses.
- 3.12 Some respondents (39%) thought the responsibilities outlined in the consultation for Freeport operators and businesses were correct while a few respondents (19%) thought they were incorrect. Others (42%) stated that they did not know. Respondents highlighted that the responsibilities of Freeport operators and businesses need to be clearly outlined – particularly around record-keeping and keeping goods secure, which would address difficult issues such as assigning liabilities if goods go missing or addressing commercial sensitivities of sharing business records.
- 3.13 The government understands the concerns raised and acknowledges the need for having clear responsibilities for Freeport operators and businesses. We will set these out in the Bidding Prospectus.

Goods already in the UK (Q7)

- 3.14 Many of the respondents (76%) considered it essential for their business to bring in goods into a Freeport from either the UK's domestic market or under another customs procedure. Businesses felt the simplified procedures, duty and tariff benefits would be advantageous. A few (15%) felt it was only moderately or somewhat essential, while others (9%) did not consider it impacted their business.
- 3.15 Some considered the cost of moving goods into a Freeport would be a barrier. They suggested having "virtual Freeports" or a corridor linking multiple sites (for example nearby industrial sites) would be beneficial for businesses to move their goods as it would incorporate wider supply chains.
- 3.16 We acknowledge that the position set out in the consultation has been positively received and that businesses are keen to extend Freeport benefits to the wider supply chain. To support the demand for "virtual Freeports", the government will make available the option of additional customs sites that goods can move between within an outer Freeport boundary. These sites must be authorised by HMRC and Border Force in the same way as the primary custom site and meet the necessary security requirement. This includes having appropriate security to tackle illegal and

illicit activities. There will be additional requirements that bidders will need to meet, including demonstrating that goods moving between sites are secure for customs purposes.

Location of Freeports (Q8)

- 3.17 Inland sites are not directly adjacent to a port. They were viewed favourably by a majority of respondents for a number of reasons, including the availability, links to existing business parks and diversity of sites on offer, as opposed to ports or port-adjacent sites. Some local authorities were concerned about the security risks associated with inland sites, and others felt the cost of moving goods from the port of entry to an inland Freeport would be prohibitive for some businesses. They preferred port or port-adjacent sites because of their easier logistics for businesses, and that Freeport benefits could be targeted rather than spread over a large area (in the case of an inland site).
- 3.18 The government understands that businesses and industrial clusters have expressed their preference for greater flexibility in the location of Freeport sites. We recognise that, given the complexities of modern supply chains, bidders may want to have an inland site as it is commercially beneficial for them, although others may not wish to as their benefits may be limited. These sites must be authorised by HMRC and Border Force in the same way as port-adjacent sites and must meet the same robust security requirements to mitigate risks. Ultimately, it is a commercial decision whether the bidder wants to apply for an inland site.

Excluded goods and excise goods (Q9-12)

- 3.19 Many respondents (78%) thought the proposed customs design was attractive, while a few respondents (22%) thought it was unattractive or very unattractive to their business.
- 3.20 Welcoming the customs benefits, many respondents (88%) considered the proposed customs design for storing imported goods or manufacturing products using imported goods as attractive. They felt this would be useful for businesses processing multiple components from different sources into finished products and duty deferrals would encourage domestic processing.
- 3.21 A few respondents (12%) thought it was unattractive or very unattractive to their business when storing or importing goods as they considered the proposed customs design to be more complicated and less controllable than existing rules.
- 3.22 A few respondents felt that it would be hard to see the benefits of the proposed customs design versus existing procedures as the proposed design is no different from clearing goods at the port and moving inland. The government considers Freeports to offer several benefits to businesses in one location. Operating in a Freeport remains a commercial decision for individual businesses as the totality of this package will provide substantial benefits to certain businesses, especially those who intend to process and transform goods on a Freeport site.
- 3.23 Although the customs benefits were positively received by a majority of respondents, some respondents were unclear about what the benefits would be for Excise. Respondents were unclear as to whether the Freeports Excise regime would be different from the existing rules and how that may impact existing Excise infrastructure.
- 3.24 The government can confirm that all Excise duties will be suspended when the goods enter a Freeports procedure; businesses will follow the same Excise regime that is in operation in the rest of the UK.

- 3.25 Some respondents felt that import VAT suspension would be particularly valuable to businesses importing and directly exporting from the Freeport. For other businesses, it represented a cashflow benefit, and many considered this would improve business competitiveness internationally. Respondents conveyed that simplification of processes, particularly if re-exporting, would be useful and offer an opportunity for differing import VAT procedures to be brought together in one place.
- 3.26 Additional suggestions from a small number of respondents included VAT exemptions targeting particular industries to encourage growth. A few non-governmental organisations and individuals commented on the risk of tax avoidance.
- 3.27 We envision the proposal of suspending import VAT, which will work in tandem with Postponed VAT Accounting (PVA), will benefit businesses operating within a Freeport in terms of reduced administrative burden and cashflow advantages. The government takes a strong position against tax avoidance and will ensure that anti-abuse rules will apply in a Freeport.
- 3.28 A majority of respondents, and many businesses, felt that permitting buying and selling goods in the Freeport would have the effect of establishing 'economic clusters' such as attracting whole supply chains. It is the government's intention to permit buying and selling of goods within a Freeport as we recognise that it is important for business supply chains. Businesses will be able to sell and buy goods that are subject to duty suspension if both the buyer and seller have the same customs authorisation. For example, a business that is authorised for Excise will not be able to sell Excise goods to a non-Excise authorised business. The duty would be due when the goods leave the Freeport, and this would need to be paid by the responsible business at the time they exit the Freeport, or if consumed within the Freeport.

Trade remedies and countermeasures (Q13-14)

- 3.29 A majority of respondents (58%) favoured applying trade remedies to goods exiting Freeports regardless of whether they are processed, compared to a few respondents (7%) who disagreed. The prevailing view was that remedies and countermeasures should be applied without exception to protect UK's industry and that Freeports should not dilute this protection. Some respondents suggested that this should be aligned with the wider government industrial strategy and that a list of goods subject to remedies in a Freeport should be published.
- 3.30 Although many respondents did not make a distinction between processed and unprocessed goods, a few respondents suggested that, while a pure circumvention of trade remedies or countermeasures should be avoided, processed goods should be eligible for exemption.
- 3.31 Similarly, a majority of respondents (55%) favoured applying trade remedies and countermeasures on goods exiting Freeports, regardless of whether they were destined for domestic consumption or export, compared to a few respondents (10%) who disagreed.
- 3.32 Although a majority of respondents suggested no distinction should be made between goods exiting the Freeport to the domestic market or being re-exported, some suggested exemptions for goods being exported while others argued this would leave them vulnerable to trade remedies subjected by overseas governments.
- 3.33 The government intends to ensure trade remedies are applied to all goods subject to trade remedy measures whether imported to the UK's customs territory, being subject to processing and/or being exported from a UK Freeport. The government also intends to ensure that countermeasures, which include rebalancing measures or retaliatory duties applied in the context of an international

trade dispute, are similarly applied to all goods subject to those duties when entering the UK, including Freeports.

- 3.34 The government will work with customs in designing a system to ensure that this policy works in practice.

General questions (Q15-17)

- 3.35 Many businesses and port operators felt that Freeports will provide a good opportunity to streamline processes and that the proposed Freeport procedures will increase the accessibility of customs for small businesses.
- 3.36 A few respondents felt that any relaxation on requirements or controls could lead to risks, including counterfeiters diverting or changing consignments. The government remains committed to ensuring the security requirements are met and tackling illegal and illicit activities.
- 3.37 The government recognises the benefits of making best use of technology in Freeports and welcomes bidders' view on how they can utilise it to deliver Freeport objectives. While the government will set the requirements, much of the operation will be delivered by private sector partners and only by working in partnership can we design and deliver Freeports that are truly best in class.
- 3.38 The government commits to continuing to review the role that technology can play in making Freeports as accessible as possible for traders. The government wants Freeports to form part of its wider strategy for the border, which will establish resilient 'ports of the future' at border crossing points to make the experience smoother and more secure for travellers and traders, while better protecting the public and environment. We will create a highly digitised and automated border to increase productivity and enable swift and secure clearance for legitimate goods and people at the frontier while protecting the UK from security and biosecurity threats; and ensure better infrastructure across the UK that is resilient, multifunctional and facilitates secure and safe interventions
- 3.39 In addition to Freeports, the government is committed to improving the application process for existing customs procedures and making it easier for businesses to access the wider customs benefits. We are looking at making customs procedures simpler and quicker to apply and considering ways to reduce the administrative burdens for business. The government is committed to the continuous improvement of customs procedures (both existing and in Freeports) and will keep this under review.

Chapter 4

Tax (Q18-Q23)

- 4.1 The government wants Freeports to boost trade, promote regeneration and employment, and create hotbeds for innovation. The government has focussed on the best way to achieve these objectives in considering the wide range of responses received from a wide variety of stakeholders in relation to proposals that would enable businesses to claim reliefs to key business taxes within the bounds of a Freeport.
- 4.2 Overall, responses from local authorities welcomed a regime of tax incentives to catalyse business activity and investment within a specific area. They also agreed that the prospective Freeports tax offer had significant potential to regenerate areas of lower economic activity, a fundamental objective of the overall programme. Some responses emphasised the importance of restricting displacement of economic activity. The primary suggestion to combat this was for the government to ensure that the Freeports programme works with localised industrial strategies to incentivise new economic activity.
- 4.3 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. Business groups were clear that to truly incentivise long-term investment within Freeport areas, the tax offer must be long-term in scope and integrate with wider incentives offered both by the wider Freeports programme and local areas.
- 4.4 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. As with many responses from businesses, port operators largely emphasised that the prospective tax offer must be long-term and generous in scope to attract significant investment to Freeport areas. In addition, some responses from port groups highlighted the likelihood of significant regional variation between Freeport areas, asking the government to ensure there was enough flexibility in the proposed tax offer to account for this. Through measures such as enabling bids to choose the location of their single, contiguous tax site (see Chapter 1 for more detail) within their Freeport, the programme will enable bids to account for local specificities and ensure the proposed tax offer has the maximum possible impact.
- 4.5 The government will set out further details of the proposed tax reliefs confirmed in this document in the Bidding Prospectus. Our objective is to use the tax system to encourage immediate inward investment to a particular area, followed by sustained agglomeration and economic growth which will benefit the local area. The government intends for the proposed tax reliefs to be time-limited and is designing them in such a way as to support businesses' decisions on investment, as well as the development of Freeport locations.
- 4.6 As with all tax policy, the government will continue to keep these reliefs under review and monitor their costs to ensure that they remain effective and well-targeted within the context of the government's commitment to the Freeports programme.
- 4.7 The government welcomes the engagement from respondents in relation to the questions on the proposed Freeports tax offer, and the following section confirms the next steps for the tax element of the Freeport programme. The programme will continue to evolve, and further details on the measures will be announced in the Bidding Prospectus.

Business Rates Relief (Q18)

- 4.8 A majority of respondents expressed positivity about the potential for a business rates relief within Freeports to attract significant business activity to those areas. Of the 165 responses to this question, a few respondents (24%) discussed the business rates relief available in Enterprise Zones.
- 4.9 Some of these 40 respondents expressed a desire for the relief on offer to be expanded in scope and duration beyond that offered in Enterprise Zones. In line with this, these respondents expressed mixed views over the Enterprise Zone measure's effectiveness, especially in relation to large businesses. Some of these 40 respondents suggested the relief in Freeports should last longer than in Enterprise Zones (5 years) to maximise its effectiveness, for example by giving businesses enough time to establish premises and take maximum advantage of the relief.
- 4.10 Many Local authorities were positive about the potential for a business rates relief to attract businesses to a specific area but wanted to know how it would be implemented. Many Local authorities also emphasised the importance of revenue from business rate receipts in funding their day-to-day operations. Local authorities made clear in their responses the importance of them being able to retain business rates under the Freeports programme.
- 4.11 The government is evaluating options for local authorities to retain business rates as part of the Freeports programme.
- 4.12 After assessing these responses in the context of the government's wider objectives for the programme in boosting employment and aiding sustainable growth in Freeport spaces, the government proposes to offer business rates relief to businesses within Freeport tax site. This relief will be time-limited.
- 4.13 Further detail, such as the level and duration of any business rates relief that will be offered to businesses as part of the Freeports programme, will be announced in the Bidding Prospectus.

Capital Allowances (Q18)

- 4.14 Of the 165 responses to Question 18, a few respondents (28%) discussed Enterprise Zone Enhanced Capital Allowances (ECAs). A majority of these 47 respondents were positive about the ECAs available in Enterprise Zones and their potential to offer significant relief to business in acquiring the equipment needed to conduct business activity in major business sectors. Respondents from local authorities specifically praised the measure for its ability to attract businesses to designated Assisted Areas.
- 4.15 Some respondents pointed out that in current Enterprise Zones, small businesses tend to choose business rates reliefs over ECAs as they do not tend to invest above the level of the current Annual Investment Allowance.
- 4.16 A few business groups made a case for ECAs available in Enterprise Zones to be made more generous in scope in order to increase the incentive for businesses to invest if the measure was applied to Freeport areas.
- 4.17 The government has considered these responses, particularly in the context of the wider ambition for Freeports to promote regeneration. To best achieve this, the government has decided to offer Enhanced Capital Allowances in Freeport tax sites. The government proposes to implement an enhanced, Freeports-specific, Structures and Buildings Allowance (SBA) for enterprises within Freeport tax sites. The proposed allowances will be available for a limited time period.
- 4.18 Work developing each of the proposed allowances is ongoing. Further details, such as the timing, scope, and rates of relief of these measures, will be set out in the Bidding Prospectus.

Research and Development (R&D) Tax Credits (Q19)

- 4.19 Of the 164 responses to this question, a few respondents (20%) discussed the prospect of an R&D tax credit being introduced in Freeports. Almost all of these 33 respondents believed R&D tax credits had significant potential to attract investment to a specific area.
- 4.20 Some respondents, especially from local authorities, emphasised their belief in the effectiveness of such R&D incentives in attracting employment to a specific local area. Many respondents were positive about the existing UK R&D tax credits regime for its track record on enhancing productivity and innovation.
- 4.21 A few respondents, however, did specifically point to R&D tax credits as an abuse risk; it was argued that, as a localised relief on operational expenditure, it would be difficult for the government to confirm all claims were legitimate. In addition, some of these respondents suggested that a localised R&D incentive could lead to displacement, as opposed to genuinely new economic activity, to and within Freeport areas.
- 4.22 The government has been clear that, in achieving its objectives, Freeports must not increase the incidence of abuse of tax reliefs and allowances.
- 4.23 Having considered the responses to the consultation in the context of the wider objectives set out for the programme, the government does not intend to offer a specific R&D incentive within Freeports.
- 4.24 The existing regime of R&D incentives available within the UK is highly competitive internationally. This, in combination with the other tax incentives detailed in this chapter, as well as the innovation policy detailed in Chapter 7 of this document, will mean that Freeports provide innovative enterprises with considerable support.

Facilitative solutions on VAT (Q19)

- 4.25 Of the 164 responses to this question, some respondents (45%) commented on the government's VAT proposals. Many of these 74 respondents, particularly from port groups, recorded positive reactions to potential facilitative solutions on VAT and Excise duty within Freeports. A few respondents particularly identified they could provide cashflow benefits to Freeport businesses, and potentially increase trade flow through Freeports.
- 4.26 Chapter 3 of this document sets out more detail on the government's VAT and Excise duty proposals within Freeports.

Stamp Duty Land Tax relief (Q19)

- 4.27 Of the 164 responses to this question, a few respondents (21%) discussed a Stamp Duty Land Tax (SDLT) relief. The prospect of such a relief received a largely positive reaction, in particular for its potential as an incentive for businesses to expand their presence within a specific area.
- 4.28 Some of these 34 respondents cautioned that SDLT relief must be implemented carefully to ensure it did not incentivise land banking. A few port operators highlighted that this was outweighed by the attraction of SDLT relief to property developers, who can act as crucial drivers of investment and business activity within a local area.
- 4.29 The government has considered these comments in the context of the wider objectives on the Freeports programme, especially in promoting regeneration. As a result, the government proposes to enable businesses to claim a relief on non-residential SDLT on commercial land and property transactions within a Freeport tax site.

4.30 Consideration of the proposed relief is ongoing; further details, such as time limits and rate of relief, will be announced in the Bidding Prospectus.

Employer National Insurance Contributions relief (Q19)

4.31 Of the 164 responses to this question, a few respondents (18%) to this question discussed National Insurance Contributions relief. A majority of local authorities and port groups were supportive in their responses about the potential for an Employer National Insurance Contributions (ER NICs) relief to create a highly attractive business environment within a local area.

4.32 Many of these 30 respondents supported the prospect of an ER NICs relief within Freeports, with a few arguing it would represent a beneficial relief to the costs to businesses, providing significant boosts to investment and employment within Freeport spaces.

4.33 Some business groups highlighted the administrative complexities that can be associated with claiming tax reliefs; they emphasised that, in order for small businesses to gain maximum benefit from such a relief, the government should consider how to make the process which businesses go through to claim the relief as simple as possible.

4.34 Upon assessment of these comments with the wider objectives of the programme, particularly in relation to promoting employment within Freeport spaces, the government proposes to offer an ER NICs relief to businesses located in a Freeport tax site, on eligible employees who are based in that site. The proposed relief will be claimable for a limited time period.

4.35 Further details on this proposal, such as the rate and duration of the relief, will be announced in the Bidding Prospectus.

Tax Incentives and Investment Decisions (Q20)

4.36 The government received 101 responses to this question. Respondents were split on whether tax incentives were the deciding factor in investment. Many respondents, including from some port groups, argued that, although tax incentives can be a significant driver behind businesses investing within an area, they were not usually the sole determinant. Many respondents from local authorities emphasised their experiences of businesses placing heavy emphasis on the tax regime available when deciding to invest in local areas.

4.37 A few respondents specifically cited successful international examples of Free Trade Zones (FTZs) and Special Economic Zones (SEZs) to highlight how tax incentives are paired with a wider industrial strategy. Some respondents also indicated the success of tax incentives was partially dependent on local factors, especially the quality of transport infrastructure and the skills and availability of local labour.

4.38 As detailed throughout this document, the proposed tax offer will be one element of a wider programme of measures designed to ensure Freeports achieve their key objectives.

Tackling Avoidance, Evasion and Abuse (Q21)

4.39 The government welcomes the emphasis almost all the 126 responses to this question placed on the need to ensure that the proposed Freeports tax offer does not attract and enable those seeking to abuse the regime of reliefs that will be offered.

4.40 Many respondents emphasised the UK's positive international reputation in matters of tackling tax avoidance and evasion. They recommended that the UK continue its adherence to the OECD's international tax standards and encouraged further cooperation within international frameworks.

- 4.41 Many responses from port operators highlighted their view that avoidance and evasion could be effectively combatted by enhanced coordination between government organisations (particularly HMRC) and private entities.
- 4.42 In citing international examples of free zones, a few respondents pointed out they have obtained a negative reputation by enabling tax evasion through the storage of high-value goods. These respondents suggested that disabling this capacity would reduce the risks of tax evasion within UK Freeports.
- 4.43 A few respondents made suggestions as to how the government might combat avoidance and abuse of tax incentives. Suggestions included the use of sunset clauses on the proposed tax measures, as well as introducing clawback mechanisms on reliefs being used improperly.
- 4.44 The government recognises and appreciates the focus of many respondents on ensuring that the Freeports programme adopts necessary safeguards to limit risks of avoidance and evasion, including through continued adherence to international tax standards. It will continue to consider these as it finalises the tax offer.
- 4.45 The design of the tax site as a single, contiguous space within the Freeport is a policy decision taken by the government in order to combat abusive tax practices. Implementing the tax offer within a defined space will support and facilitate a robust system of monitoring to ensure the available reliefs are claimed legitimately.
- 4.46 Further details on the nature of the tax site and its involvement in the bidding process will be detailed in the Bidding Prospectus.

Administrative Burdens (Q22)

- 4.47 Of the 93 responses to this question, some respondents (39%) contended that a key incentive that could be offered by Freeports was a reduction in the administrative burdens experienced by businesses operating in those areas.
- 4.48 It was argued by a few of these 37 respondents that the government should take active steps to ensure that Freeports achieved these reductions in administrative burdens. A step suggested by some respondents was that Freeports should not create additional compliance or registration processes. In addition, some respondents argued Freeports should seek to digitize and streamline their administrative processes. A few respondents pointed out that these measures would be important in ensuring that any savings made by businesses as a result of the proposed tax offer were not offset by increases in administrative costs and procedures.
- 4.49 The government will take all the necessary steps to ensure that the tax incentives available as part of the proposed Freeports tax offer can be claimed quickly and easily by Freeport businesses, while ensuring appropriate safeguards are in place to ensure incentives are being claimed legitimately.

Further Comments (Q23)

- 4.50 119 responses to this question were received by the government. Many respondents used this question to further emphasise points they had made in earlier questions.
- 4.51 A few respondents used this question to specifically re-emphasise the importance of UK Freeports gaining a positive reputation internationally, particularly in terms of the competitiveness of the business environment they offer. It was the view of many of these respondents that if the UK Freeports programme could be positively compared to similar Free Trade Zone and Special Economic Zone environments globally, this would help greatly in attracting foreign investment to Freeport spaces.

Chapter 5

Planning (Q24-28)

- 5.1 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. Many respondents noted that additional planning freedoms, such as expanding permitted development rights, would support development in Freeport locations and the proposed measures were broadly welcomed by industry representatives.
- 5.2 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.
- 5.3 The government welcomes the responses received in relation to these questions. As suggested, the government will explore expanding permitted development rights to bring seaports in line with airports, use the Freeports bidding process to encourage the use of Local Development Orders where appropriate, and consider reviewing the National Policy Statement for Ports to further support port development. The government is committed to working with local authorities and businesses to ensure the planning system supports the development of ambitious Freeports across the UK.
- 5.4 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.

Permitted development rights (Q24)

- 5.5 Of the 209 responses received to this question, a majority of respondents (62%) agreed that permitted development rights should be brought into closer alignment with existing rights for airports by allowing the development of buildings for purposes connected with the operation of the port. All stakeholder groups contained a majority of respondents in favour of this change, including 87% of port operators.
- 5.6 Many industry and port respondents highlighted that expanded permitted development rights for seaports would support the regeneration of existing port sites, provide greater flexibility in their operational requirements; and allow seaports to operate on more equitable grounds with airports. Some respondents noted that expanded permitted development rights for seaports would support time-sensitive port developments owing to a simpler, more certain route to development and would open up opportunities for increased commerce in those areas.
- 5.7 Of the 209 responses, a few respondents (13%) cautioned that, while expanded permitted development rights for seaports would be a sensible change, existing standards (in particular, environmental protections) should not be adversely affected by these changes. A few respondents (6%) who overall disagreed with the proposed changes stated similar concerns and highlighted the importance of planning protections to mitigate the risks of inappropriate development.
- 5.8 Some industry representatives noted that seaports face different operational challenges compared with airports and would therefore benefit from permitted development rights that are more specifically tailored to support the operational activity of seaports.

5.9 Given that many respondents were broadly in favour of expanding existing permitted development rights for seaports, the government will amend those regulations to align with similar rights for airports by April 2021, allowing for a wider range of development and operational activities to take place in seaport areas. The government will ensure that the amended permitted development rights are proportionate to support the development needs of seaports while ensuring appropriate planning and environmental protections remain in place.

Zonal planning (Q25)

5.10 Of the 203 responses received to this question, a majority of respondents (60%) were unsure about whether suitable incentives are in place to encourage the use of Local Development Orders (LDOs). While a few respondents (17%) considered that there were adequate incentives in place, a few (23%) noted that more incentives could be introduced to encourage their use. Of this final segment, many respondents were in favour of LDOs in general but considered that they were not straightforward to implement.

5.11 Some respondents agreed that encouraging the use of LDOs was an effective way of expediting regeneration and could provide greater planning certainty to developers in Freeport locations, particularly given their success in Enterprise Zones. Some respondents emphasised that speeding up planning processes would enable Freeports to emulate the success of Enterprise Zones in bringing forward development more quickly. Some respondents argued that LDOs should align with the government's ambitions on decarbonisation.

5.12 Many respondents noted that, while LDOs could helpfully support Freeports development and attract business investment, local authorities often face challenges in producing and implementing LDOs owing to resource constraints. Some respondents recommended developing mechanisms to reduce the costs on local authorities and provide increased central government support.

5.13 In partnership with relevant local authorities, the government intends to encourage prospective bidders to consider whether an LDO would be appropriate for their Freeport location. This is in order to provide greater planning certainty while ensuring that it aligns with other government commitments (for example, on decarbonisation) as set out in national planning policy. As part of the bidding process, the government will consider the strength of local authority support for the use of LDOs or alternative measures that would indicate similar and significant support from the local authority. Bidders will be expected to have fully engaged the relevant local authority and have its full buy-in to proposals to be a Freeport. The government welcomes the Planning Advisory Service's existing guidance on the preparation of LDOs and will consider whether further incentives are required to encourage their use.

National Policy Statement for Ports (NPSP) (Q26)

5.14 A minority of respondents (46%) were of the view that amending the National Policy Statement for Ports would be appropriate to support the government's Freeports policy and allow for significant port development. Of those respondents, public sector bodies (64%) and port operators (69%) were predominantly in favour. A small number of respondents (11%) considered amendments inappropriate.

5.15 Many of these respondents emphasised that such changes were necessary to support regeneration and economic growth in these areas and would further provide certainty to developers to speed up planning processes. For example, they could help the modernisation of existing port facilities, such as the extension of Extended Temporary Storage Areas. Others noted that updating the NPSP would align with other government priorities such as the Maritime 2050 strategy.

- 5.16 However, some respondents highlighted that any changes should not be in direct competition with Enterprise Zones or disproportionately favour port development over other sectors.
- 5.17 The government will consider whether the National Policy Statement for Ports (NPSP) should be reviewed. If, following a review, the government concludes that the NPSP should be amended, the government will consult and publicise the proposed changes and comply with the relevant parliamentary scrutiny processes as required by law.

Additional planning freedoms, and 'Planning for the Future' (Q27)

- 5.18 Some respondents noted the importance of delivering better environmental outcomes in line with the government's decarbonisation agenda and 25 Year Environment Plan, but criticised burdensome environmental regulations which often cause unnecessary delays in the planning process with little to no environmental benefits. As part of the 'Project Speed' agenda to deliver infrastructure projects more quickly and to a higher quality, the government intends to design a quicker, simpler framework for assessing environmental impacts and enhancement opportunities which speeds up planning processes while delivering better environmental outcomes.
- 5.19 To go further, some respondents suggested that additional devolution of powers to local areas would be beneficial. Some respondents thought any additional powers should be delegated to local authorities, while others thought businesses and ports would be better placed to deliver.
- 5.20 On 6 August, the government published its [Planning for the Future](#) consultation seeking views on a range of radical reforms to England's planning system, to streamline and modernise the planning process, bring a new focus to design and sustainability, and ensure more land is available for development where it is needed. Some of those broader planning reforms could benefit Freeport locations to provide greater planning certainty to developers, reduce delays, and allow high-quality developments to proceed quickly through the planning system. Where possible, the government intends for Freeport locations to act as a testbed for some of these wider reforms, such as zoning land for development and reforms to digitise the planning system.
- 5.21 The government will continue to consider how its wider agenda to reform the planning system interacts with the development needs of Freeports locations. The government is committed to working with local authorities and businesses to ensure the planning system supports the development of an ambitious Freeports model which benefits all Freeports locations.

Chapter 6

Regeneration (Q29-37)

Infrastructure (Q29-31)

- 6.1 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%).
- 6.2 The government is investing heavily in infrastructure across the UK, from the Strategic Road and Freight Networks through to active travel schemes. In July the government also announced a £705 million funding package in 20/21 for border infrastructure, jobs and technology to ensure GB border systems are fully operational after the end of the transition period. The new funding will include up to £470 million to build the on-port and inland infrastructure needed to ensure compliance with new customs, sanitary and phytosanitary (SPS) and other border procedures and controls.
- 6.3 The government's aim for nationwide availability of gigabit-capable broadband as soon as possible will help benefit all businesses, including users of Freeports. To achieve its gigabit commitments, the government is also investing £5 billion through the "Outside-In" programme to deliver gigabit speeds to the hardest-to-reach communities in the UK.
- 6.4 The government recognises that Freeports need to be located in places attractive to investment. The decision to build a Freeport in an area will send an important signal on the government's assessment of the investment potential of that area. Through the High Streets Task Force, local leaders are being given expert advice to support town centres and high streets to adapt and thrive. Over five years, this is providing hands-on support to local areas to develop data-driven innovative strategies and connect local areas to relevant experts.
- 6.5 The Freeports model on offer will provide some seed capital from the UK Government to address infrastructure constraints relevant to Freeports and their surrounding area. This would apply in England only, or where decisions are not devolved. Investment should consider the sustainability of infrastructure and its contribution to meeting the net-zero target.
- 6.6 With this investment, investors can be confident that port infrastructure and connectivity will not impede the growth of businesses located in, or linked to, a Freeport. Further details will be included in the Bidding Prospectus.
- 6.7 In addition to suggested infrastructure investment, respondents pointed to the benefits of aligning Freeport infrastructure investment with local economic or infrastructure strategies. Local areas have been preparing plans for recovery and renewal; these should be reflected in the plans of Freeports where appropriate.

Business support (Q32)

- 6.8 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. Some respondents suggested this should make use of the existing DIT Growth Hub, or other local business support – and be well integrated to provide a coherent offer. There were also calls for a "one-stop shop" service or a dedicated agency to oversee and promote Freeports, as well as some calls for the provision of training support to businesses including SMEs.

- 6.9 The government recognises the importance of providing advice and guidance to help maximise the positive impact of Freeports.
- 6.10 DIT's High Potential Opportunities programme provides a model for mobilising marketing and a global advisory network to target promotion activity to specific investment opportunities. It is an established route for strategically generating leads and building a pipeline to deliver growth where it is most needed.
- 6.11 DIT will explore how this approach could be adapted to deliver clear and robust trade and investment support in Freeports, alongside other interventions, and to draw out specific opportunities at a sub-sectoral level that businesses could exploit across individual Freeports. DIT will work with successful bidders to establish a clear and relevant trade and investment support approach within Freeports and will work closely with BEIS and other departments to ensure effective coordination of the government's overall approach to business support.

Skills (Q33-34)

- 6.12 Respondents to both questions noted the importance of partnering with educational institutions within a Freeport to help contribute to the local skills offer. DfE would like to see employers build relationships and act as contributing partners with local colleges and skills providers to improve the local skills offer.
- 6.13 Some respondents (34%) noted how Freeports would create new job opportunities for local areas and help address local labour market issues such as reducing employment. DfE encourages employers that will be based in Freeports to be active in developing linkages with their Mayoral Combined Authorities (MCAs) and/or Local Enterprise Partnerships (LEPs).
- 6.14 Many respondents (70%) showed support in wanting to provide training opportunities and developing local area skills needs to the industries in a Freeport. This also included using and contributing to what was already on offer from the government within the Further Education skills landscape.
- 6.15 As part of the bidding process in England, bidders will be asked to demonstrate how they will contribute to the local skills landscape by supporting and using the existing programmes on offer, such as Apprenticeships, T Levels and Traineeships. DfE encourages bidders to work in partnership with local colleges and skills providers, their MCA/LEP and their Skills Advisory Panels (SAPs), which bring together local employers and skills providers to help identify and address local skills and labour market needs.

Housing and planning around a Freeport (Q35-37)

- 6.16 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. Furthermore, a quarter of respondents said it was important for local areas to ensure that there was sufficient housing available to current and future residents, while also ensuring that the current stock is used effectively (for example reducing the number of second homes).
- 6.17 A few respondents (17%) suggested that there should be some form of scheme to incentivise the provision of new housing. This could be in the form of funding packages (including grants), schemes directed at building housing for specific groups (for example the elderly or families) or promoting green housing initiatives.

- 6.18 However, a few respondents (20%) noted that housing needs would depend on the location of the Freeport, so a tailored approach should be taken in partnership with relevant local stakeholders such as housing associations, developers, residents and businesses.
- 6.19 The government agrees that the housing needs of Freeports will differ greatly depending on the area where the Freeport is located. To meet the objectives of Freeports, evidence-based assessments of housing challenges will need to be produced, and local partners sought to help address them.
- 6.20 A few respondents (25%) stated that local areas would need to review their Local Plans when considering the housing needs for Freeports.
- 6.21 On zonal planning for housing, there was no clear preference amongst respondents. A few (21%) stated that zonal planning is a clearer, more structured approach to planning, which can reduce up-front costs for individual planning applications. This better supports business activity and provides certainty for investors. However, a few respondents said that zonal planning would not be appropriate in every instance (13%) and others (16%) felt that zonal planning was too costly to properly implement and ultimately too slow.
- 6.22 The government believes that existing zonal planning tools like Local Development Orders (LDOs) have a role to play in delivering residential and commercial development in local areas around Freeports. They could either be funded by business, the council, or a partnership structure; and could be informed by an evidence-based plan for the Freeport. Where possible, the LDO should give commercial and residential property developers flexibility to put forward a range of schemes depending on the most likely ways the Freeport will develop.
- 6.23 The government has published proposals for a more wide-ranging reform of the planning system, to make it simpler, quicker and more accessible for local people to engage with, and more certain for developers. The [Planning for the Future](#) consultation is open until the end of October 2020. Our response to questions in Chapter 5 sets out how the current system can support the development and functioning of Freeports.

Chapter 7

Innovation (Q38-46)

- 7.1 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.
- 7.2 Ports and port operators suggested several ways Freeports could bolster the research, development and innovation already taking place in ports across the country. Many noted that collaboration between a variety of stakeholders, including academic institutions, is key to driving technological development in ports. New technologies were also highlighted as helping to improve processes and enhance efficiency in port operations.
- 7.3 Businesses were also enthusiastic about promoting innovation in Freeports. Many businesses shared ideas about how to take advantage of challenge funds and regulatory sandboxes to innovate, including in furthering the government's decarbonisation agenda. A majority of businesses outlined how they already partnered with universities on research and development and supported further strengthening those relationships through Freeports. Some businesses also highlighted opportunities to enhance or promote data-sharing in Freeports, noting the need to ensure adherence to data protection legislation.
- 7.4 Local authorities, LEPs and MCAs also supported the government's commitment to innovation. Many particularly welcomed how innovation in Freeports could complement ambitious local industrial strategies, including integrating with existing innovation structures. A majority of respondents, including innovation experts, welcomed the proposal to use regulatory sandboxes to test new innovative technologies and noted the importance of collaboration between a variety of stakeholders.
- 7.5 Some non-government organisations and individuals welcomed opportunities to contribute to the government's decarbonisation agenda; however, a majority expressed views about regulatory sandboxes in Freeports potentially having negative impacts on either security, safety, workers' rights or the environment.
- 7.6 The final Freeports policy design will include two additional measures, Freeports Challenge Funding and a Freeport Regulation Engagement Network. The government will also expect bidders to outline how they will collaborate with academic institutions or integrate with existing innovation structures in their area. Together, these measures will support other policy levers to establish Freeports as hotbeds of innovation.

Freeports Challenge Funding (Q38-39)

- 7.7 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.
 - a. Many respondents suggested new technologies to make port operations more efficient, including portside automation, AI and machine learning.

- b. Some ports and port operators noted ways in which technology could be used to simplify or digitalise customs procedures. This feedback will be considered in the development of the wider 2025 Border Strategy.
 - c. Some respondents suggested using a challenge fund to test new green technologies that will accelerate progress towards net zero.
- 7.8 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. In addition, Freeports and Freeport businesses will be able to bid into UKRI national 'Place-based' R&D funds and, where appropriate, Challenge Funding.
- 7.9 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. The quality of the proposals will form one of the assessment criteria for bids.

Collaboration with public agencies and local academic institutions (Q40-41)

- 7.10 Many respondents highlighted the importance of collaboration between Freeport stakeholders and academic institutions, noting examples where collaboration between academics and local partners already exists.
- 7.11 Respondents welcomed opportunities to strengthen these relationships further:
- a. Many respondents highlighted the opportunity for Freeports to work with academic institutions to establish operating laboratories, testing facilities, translational research centres and business incubators to apply new technologies and research in factories and drive productivity.
 - b. Many businesses and ports highlighted the need for skilled workers and a talent pipeline to ensure Freeports' long-term success, suggesting academic institutions could work with industry in Freeports to provide qualification services. Some local authorities also noted the role that local academic institutions could play in training workers and facilitating apprenticeships for local people.
 - c. Many local authorities noted existing local strengths and the importance of Freeport sites linking into regional economies and existing innovation ecosystems like UKRI catapults.
 - d. Some respondents highlighted the potential for Freeports to drive R&D by collaborating with academic institutions to co-ordinate port-related research programs.
- 7.12 Many respondents agreed that effective collaboration between Freeports and local academic institutions could drive research, development and innovation in Freeports and the surrounding areas.
- 7.13 As part of their bids, bidders will be asked to set out how they would build on these relationships to create jobs, regenerate deprived areas and drive innovation. The strength of these plans will form one of the assessment criteria for bids.

Freeports Regulation Engagement Network (Q42-46)

- 7.14 Many businesses, ports and innovation experts welcomed the proposal for regulatory sandboxes, suggesting that they could drive the testing of new technologies and innovation. Some respondents also suggested that regulatory sandboxes could provide better regulatory oversight of new technologies.

- a. Some respondents suggested regulatory sandboxes could be used to further the government's decarbonisation agenda by facilitating the testing of new technologies, with some other respondents suggesting regulatory sandboxes could offer clearly defined protections to businesses.
- b. Some respondents identified increasing data standardisation as an opportunity to improve supply chains and customs processes.
- c. A few businesses also suggested coordination, alignment or integration between different Freeport sites could unlock additional benefits.

7.15 However, some respondents expressed concern about the risk of deregulation with regard to environmental standards and workers' rights. There were also concerns around data security and ensuring that any regulatory flexibility should maintain adherence to data protection legislation.

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

7.17 Reflecting on the responses to the consultation and additional engagement, we have developed our initial proposals around regulatory sandboxes in Freeports. The government will now establish a framework for Freeports to engage directly with regulators – a "Freeports Regulation Engagement Network". This will aim to provide regulatory support to Freeports in the following ways:

- a. Support a streamlined early engagement process between businesses and a consortium of regulators to minimise bureaucracy and uncertainty for Freeport innovators.
- b. Provide support to businesses on regulatory issues, including guidance on maintaining the UK's existing high standards with respect to security, safety, workers' rights and the environment, as well as data protection.
- c. Generate ideas to engage businesses and regulators on areas of potential opportunity.
- d. Where appropriate, help establish the creation of new regulatory sandboxes to promote the development of new technologies by working with businesses to identify opportunities for regulatory flexibility.

7.18 As part of the bidding process, bidders will be encouraged to outline their initial proposals for the testing of new technologies in their Freeports and how they would look to take advantage of the Freeports Regulation Engagement Network. We will be looking for Freeports to come forward with proposals that will support innovation and innovative industries. Further details of what is expected of bidders will be set out in the Bidding Prospectus.

Chapter 8

Preventing illicit activity (Q47-Q49)

- 8.1 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.
- 8.2 A majority of non-governmental organisations believed the risk of illicit activity in Freeports was high or very high. However, some respondents, notably port operators, felt that the risk of illicit activity was low or very low, citing existing guidance and procedures in ports or other mitigations that could be implemented within Freeports. These variations in views can be partly attributed to respondents' different definitions of risk. Some respondents evaluated the level of risk prior to mitigations being applied, while others evaluated risk after mitigations were applied.
- 8.3 The government also asked for views on additional measures that should be implemented to mitigate the risks of illicit activity in Freeports and other comments on preventing illicit activity in Freeports. Respondents had a wide range of views on what mitigations should be put in place.
- 8.4 Many respondents mentioned checks that could be carried out on either Freeport operator, businesses, relevant staff or goods in Freeports. Some respondents argued for due diligence checks on Freeport operators and relevant businesses, for example as part of an authorisation process. Some respondents called for vetting of relevant staff working in Freeports. Many respondents argued for random checks on goods entering or stored in Freeports to mitigate the risks of contraband, smuggling or trade-based money laundering. A few respondents noted that relevant government agencies would need more resources to carry out such checks and others suggested that strong penalties should be applied for breaches.
- 8.5 A few respondents also mentioned adherence to specific international standards and adoption of existing certification and authorisation processes such as the World Custom's Organisation Kyoto Convention, the OECD code of Conduct for Clean Free Trade Zones, the World Free Zones Organisation certification as a Safe Zone and the OECD TF-CIT authorisation as a Clean Zone.
- 8.6 The government does not want the introduction of UK Freeports to lead to an increase in illicit activity. It will ensure all the necessary safeguards are in place and will continue to meet international standards when considering the risks in a UK context.
- 8.7 The government can confirm that:
 - a. Freeports will have to adhere to the OECD Code of Conduct for Clean Free Trade Zones
 - b. They will maintain the current obligations set out in the January 2020 Amendment to the UK's Money Laundering Regulation 2017.
 - c. As part of the authorisation process, checks will be conducted on Freeport operators and businesses operating to ensure they do not present an undue risk and that Freeport operators have adequate policies in place to ensure control over the movement of goods.
- 8.8 The Bidding Prospectus will give more details on the authorisation procedure for Freeport operators and businesses operating in Freeports. This will include any requirements for physical and technological infrastructure, and for making goods available for security checks. The Prospectus will also set out the governance structure for Freeports and how they will be held to account for taking action to minimise the risk of illicit activity.

Chapter 9

Additional policy considerations

(Q50-55)

Business impacts (Q50,52)

- 9.1 Many respondents (70%) thought that the combined impact of regulatory changes, customs processes and tax considerations offered in Freeports would be significant.
- 9.2 A minority of respondents expressed reservations around customs benefits. For example, they highlighted that some customs benefits might already be available through existing processes such as customs warehousing and inward processing. As such, these respondents suggested that additional fiscal levers are necessary to ensure a positive business impact.
- 9.3 A majority of local areas, ports and businesses anticipate that business impact of Freeports would be positive from an increase in trade. Businesses highlighted that they would take advantage of the opportunities offered in a Freeport by moving into the Freeport, expanding or engaging with Freeports to gain those benefits.
- 9.4 However, some local areas noted concerns around the ease with which businesses could access the levers on offer in Freeports.
- 9.5 The government is designing an ambitious and attractive offer for businesses interested in investing in Freeports. The combination of levers we have consulted on will play a significant role in boosting trade, attracting inward investment and driving productive activity across the UK. The government is committed to working in partnership with ports, businesses and local stakeholders to encourage a vibrant and effective business environment that creates opportunity for new and existing businesses across the UK.
- 9.6 The government is excited about using Freeports to level up the economy and believes that rigorous monitoring and evaluation is key to its success. As part of this, bidders will be asked for information to evaluate impacts. The government will set out its plans for monitoring and evaluation in due course.

Equality impacts (Q51)

- 9.7 When formulating a policy proposal, the government is required to have due regard to the Public Sector Equality Duty as laid out in the Equality Act 2010. The duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people with different protected characteristics when carrying out their activities.
- 9.8 A majority (61%) of respondents were of the view that our proposals would have little or no negative implications on people with protected characteristics as defined in section 149 of the Equality Act 2010. Many noted that they expect Freeports to have a positive effect on equality and diversity in the country on the basis that Freeports will be hubs for new jobs and investment, which will create the opportunities to help improve gender and BAME representation in the workplace and build a new, diverse workforce.

9.9 We welcome the views shared as part of the consultation. The government's focus is on encouraging new investment from around the world and within the UK to create new businesses within Freeports. The government will conduct a full impact assessment taking on board the views expressed in the consultation. Equalities impacts will also be considered as part of the bidding process.

Competition and Displacement (Q53)

9.10 Respondents were evenly spread across the spectrum on the risk of economic displacement. 37% of respondents believed there to be a low or very low risk of displacement; 31% believed there to be a medium risk of displacement; 32% believed there to be a high or very high risk of displacement.

9.11 A majority of local areas and businesses believed the risk of displacement to be low to medium. Individuals were most likely to report the risk of displacement as high or very high. Ports expressed a mixture of views on displacement.

9.12 Concerns raised include: tax incentives exclusive to Freeports; Freeports not being evenly distributed across the regions and nations, or aligned with existing manufacturing sites; new jobs being created by displacement rather than new economic activity, citing a Centre for Cities study on new jobs displacement in Enterprise Zones.

9.13 Some respondents considered they could better judge the issue of displacement once they had further information on the location and size of Freeports, plus their proximity to competing areas.

9.14 Respondents provided numerous suggestions as to how to tackle economic displacement:

- a. A fair allocation process that benefits the entire country, especially in economically deprived areas.
- b. The need for a clear governance structure that identifies objectives, management and monitoring in liaison with local authorities and local organisations.
- c. Government working with local authorities and LEPs to reduce displacement.
- d. Linking Freeport policy to government policy on industrial strategy and levelling up.

9.15 The government's focus is to encourage business investment and create new economic activity in Freeports, rather than harmful displacement. We welcome the views expressed in the consultation, which supported our ambitious Freeport policy driving additional activity. We recognise the concerns expressed by other respondents regarding displacement. As part of assessing bids, the government will consider any potential displacement impacts. Bidders will be invited to provide evidence and potential displacement mitigations as part of their bids.

Environmental impacts (Q54)

9.16 The government will ensure that Freeports are designed to facilitate business activities while suitably protecting the public and the environment.

9.17 Some respondents (32%) suggested there were risks that increased traffic and planning reforms could have a detrimental impact on the environment and the UK's decarbonisation targets.

9.18 However, some businesses pointed out that they believe that Freeports could decrease carbon emissions and help us meet our 2050 targets, on the basis that the application of new technology, sustainable modes of transport, decentralised zero-carbon energy generation and greater efficiencies in Freeports.

- 9.19 Most local authorities foresaw little to no environmental impact from Freeports, suggesting that Freeports would drive investment in new, efficient technologies and decarbonisation. Similarly, a majority of ports believed that the environmental impacts of Freeports will be minimal as all existing environmental regulations will continue to apply in Freeports.
- 9.20 Some respondents expressed that sea freight has a much smaller carbon footprint than air freight. As such, consideration should be given to sea freight and its lower impact on the environment when deciding where Freeports should be allocated. Some also discussed potential impacts from increased traffic and pollution and how these could be addressed, suggesting locating Freeports on brownfield sites to negate some of the effects.
- 9.21 The government takes its environmental responsibilities very seriously. The UK was the first major economy in the world to legislate to end its contribution to global warming by 2050, increasing the ambition of our commitments to reduce greenhouse gas emissions under the Climate Change Act 2008.
- 9.22 There is a robust process for assessing the impact of spending decisions on achieving our environmental goals. The government will not be removing the requirement for consideration of environmental impacts including, where appropriate, a full Environmental Impact Assessment, as part of planning processes. As part of the bidding process, prospective Freeports will be required to demonstrate how they will align with the broader decarbonisation agenda.

Chapter 10

Allocation and governance of Freeports in England (Q56-68)

- 10.1 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.
- 10.2 Ports of all modes generally welcomed the government's flexibility around port modality. Ports also supported the bidding process proposed in the consultation. They were particularly enthusiastic about working with Mayoral Combined Authorities (MCAs), but their history of collaboration with Combined Authorities (CAs) and Local Enterprise Partnerships (LEPs) varied by location.
- 10.3 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.
- 10.4 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.
- 10.5 Through devolution in England, the government wants to create accountable and effective institutions at the right scale to ensure local areas have the powers they need to deliver for their citizens. This will build upon the success of the directly elected Combined Authority Mayors who are driving local economic growth across their functional economic areas.
- 10.6 The government welcomes the positive responses received in relation to a bidding process. The government will launch a bidding process in due course, based on the policy set out in the consultation. At the point of launching that bidding process, the government will publish a detailed Bidding Prospectus.
- 10.7 The government intends to operationalise Freeports as quickly as possible but recognises that there is strong support for giving bidders enough time to put together bids. The government expects to open the bidding window for several months. However, given the need to move quickly, we would recommend that potential bidding coalitions form now so that they are ready when the bidding process launches.

Port modality (Q56-58)

- 10.8 Respondents were generally accepting of the proposal that multiple modes should be considered for Freeports status, and many respondents stressed the utility of having Freeports which incorporated multiple modes. Similarly, a majority of respondents (76%) had no objection to the suggestion that multiple ports be included in a single Freeport.
- 10.9 The most common reason cited for support of multi-port bids (33% of respondents) was that this could make ports more cost-effective or efficient, particularly if it permitted individual member ports to specialise. 27% suggested that incorporating multiple port sites could maximise growth

opportunities over a wider area, while 19% cited the additional flexibility and potential space for expansion (given different physical constraints between sites). A small proportion, less than 5% of respondents, disagreed with multiple-port bids, flagging a range of concerns but with a particular emphasis on the need to manage security and crime risks associated with movements between sites. Others raised concerns around market power if ports in an area were consolidated.

- 10.10 Many respondents suggested specific factors which might be considered in the context of multi-port applications. These additional factors were similar for both multi-mode and multi-port bids. Connectivity and infrastructure were repeatedly cited – ensuring that proposals included credible transport links between sites/modes, better access to global markets and demonstrating that multiple sites or modes would generate greater impact on a local area in terms of jobs and growth, including through clustering. This formed part of a wider theme of demonstrating that multi-port proposals were coherent wholes with clear business models, aligned with a sector and demonstrating improvements in cost-effectiveness and economic impact from the use of multiple sites or modes.
- 10.11 Several specific concerns were raised by some respondents about both multi-port and multi-mode proposals. As well as managing the risk of crime, security and illicit activity, these included the importance of effective border infrastructure and customs systems across multiple ports and modes – and ensuring governance arrangements were sufficient to coordinate multiple sites. Some respondents also cited the importance of mitigating displacement as a consideration when looking at multiple ports.
- 10.12 The government will permit both multi-modal port proposals and bids encompassing multiple ports, working in partnership with the transport sector and the local area. The important consideration for such proposals being that they are able to function effectively as a coherent whole. The government recognises that there may be additional challenges associated with multi-site and multi-modal ports, and bidders will be expected to demonstrate that they have taken into account all security and transport requirements. All ports will be required to comply with security and regulatory requirements set by Border Force and HMRC. Should the final proposals lead to the creation of a new central government arm's length body (ALB), then the usual, separate government approval process would apply for such entities.

Objectives and criteria (Q59-60)

- 10.13 There was a high level of consensus among respondents, with many respondents (73%) agreeing that the criteria and objectives were appropriate. Some respondents wanted further clarification about the weighting of each criterion and the process for evaluating the criteria, with a few respondents emphasising the importance of a transparent process.
- 10.14 Of those who considered the criteria inappropriate, a range of concerns were cited, mainly around the need to add additional criteria or give greater weighting. In particular, some of these respondents favoured additional weighting on sustainability and environmental protections, mostly concerning alignment with decarbonisation or net-zero policies; this was also a suggested addition among respondents who supported the criteria. A few respondents raised concerns about evaluating measures to ensure security and prevent illicit activity.
- 10.15 Respondents identified an array of different factors which they felt should be prioritised or considered as part of the selection process. Some respondents (30%) stressed the importance of ensuring Freeport bids were aligned with existing local and national strategies and built on specific sectoral strengths. A few respondents emphasised the need to focus on ensuring the Freeport proposal would generate a net economic benefit to the local or UK economy. In particular, some of these respondents flagged the importance of attempting to prevent or mitigate any

displacement of economic activity caused by Freeports, citing geographic distribution as one key factor. Some respondents also felt that a fixed ten port cap was arbitrary and could lead to viable bids being rejected and potentially drive displacement.

- 10.16 The government welcomes the responses on its objectives and will publish its assessment criteria in due course. We note respondents' general support for the proposed objectives and criteria and will take note of some of the proposals around additional criteria (for example, on alignment with the 'Net Zero' agenda). Given concerns around the ten Freeport cap restricting potentially viable bids, the government will consider approving more than ten Freeports in the event of a large number of high-quality proposals
- 10.17 The Bidding Prospectus will set out an expectation that bids should have considered how their bid reflects the priorities and comparative advantages identified by the UK's Industrial Strategy, as well as their local comparative advantages.

Public and private sector partnerships (Q61-65)

- 10.18 Respondents were asked about the advantages and disadvantages of having MCAs, CAs, or LEPs lead Freeport applications; whether they should be asked to support only a single application each; whether direct applications to central government should be encouraged and what forms of governance arrangement might be most appropriate for the management of a Freeport bid.
- 10.19 There was some support for MCA, CA or LEP-led applications with some respondents (47%) citing specific advantages. The most common (39% of respondents) being the belief that these public bodies would have a greater level of local knowledge, particularly of an area's economic strengths, and would have a stronger interest in the economic success of the proposal. Some respondents (35%) cited their ability to provide coordination between multiple interested parties needed to deliver a Freeport bid. Some respondents (20%) cited improved local buy-in. There was also some support for local authorities to lead bids where MCAs do not exist. At the same time, some respondents (21%) noted that these types of model could be slow or excessively bureaucratic, while others were concerned that MCAs/LEPs lacked the necessary capability, vision or democratic accountability to deliver successful bids. However, only a few respondents (6%) actively suggested that bids for Freeports should be led by the private sector.
- 10.20 On the issue of asking public bodies to support a single application in an area, a few respondents (27%) wanted more than one bid per area to be allowed. In comparison, a few respondents (14%) felt that public bodies should be limited to supporting a single bid, identifying the advantages of forcing the selection of a more coherent bid aligned with local strategic priorities. Many of those respondents in favour of multiple bids felt that numerical limits would reduce competition and would penalise areas with several viable sites. Some respondents suggested that endorsement by an MCA/CA/LEP should be a requirement, allowing multiple endorsements. Public bodies were split; of 35 respondents, a few (28%) suggested a single bid while a few (12%) would prefer to permit multiple bids.
- 10.21 Respondents were evenly split on the advantages and disadvantages of direct applications by ports, with the most common advantages cited being the improved commercial understanding of the proposals and reduced bureaucracy within the application. The most common disadvantage cited was that private sector-led bids would be less likely to consider the wider public interest or local economic impact.
- 10.22 In response to questions about the most appropriate structures for designing and submitting applications, the most common proposal (25% of respondents) was for some form of special purpose vehicle or company established with representation from multiple stakeholders, allowing all parties to come together and contribute their strengths to the bid. Less popular options

included specifically MCA/CA/LEP-led (16%), wider public sector-led (7%) or private sector-led (4%) options. One common reason cited for private sector-led bids was the ability to let LEPs serve a more neutral role in the selection process. Some respondents also recommended flexible or structure-agnostic approaches.

- 10.23 The government expects MCA, CA and LEP engagement to have a significant impact on the delivery of a successful Freeport, ensuring alignment with local economic strategies, connections to the wider economy and effective use of planning powers. As such endorsement by the relevant MCA/LEP and council will be an important factor in a successful bid. However, the government will not mandate that bids must be submitted by the MCA/CA/LEP, and MCAs/CAs/LEPs will not be restricted to supporting only one bid.

Measuring impact (Q66-68)

- 10.24 Some respondents suggested measuring economic, social and carbon impact, the impact on competitiveness and productivity, and development opportunities and limitations. A few respondents suggested Freeports could be compared against Enterprise Zones, other UK business centres, and Freeport zones abroad.
- 10.25 Other respondents advocated measuring the impact on government revenues and economic displacement.
- 10.26 Some respondents suggested evaluating Freeports on an ongoing basis, while others supported evaluation after an initial period, such as 12 or 18 months.
- 10.27 Given the government's ambition for Freeports, most respondents supported a long-term evaluation programme.
- 10.28 The government is excited about using Freeports to level up the economy and believes that rigorous monitoring and evaluation is key to its success. It will set out its plans for monitoring and evaluation in due course, informed by the recent update to the [Magenta Book evaluation guidance](#).

Chapter 11

Summary of Questions

Customs

Declarations

- Q.1 To what extent do you agree/disagree that the reduced declaration requirements for moving goods into a Freeport represent a useful simplification of the administration of customs processes?
- i. Please explain your answer.
- Q.2 Please suggest any ways in which you think the administration of customs processes could be simplified further in Freeports.

Freeport operators and Freeport businesses

- Q.3 If you are a potential Freeport operator, will you be able to adapt current processes you have to allow goods to be moved into a Freeport?
- i. Please explain your answer.
- Q.4 Please provide any feedback you have on the requirement for perimeter fences.
- Q.5 Please highlight any alternative ways you think security could be maintained without a perimeter fence.
- Q.6 In your view, is the proposed split in responsibility between Freeport operators and Freeport businesses correct or incorrect?
- i. Please explain your answer.

Goods already in the UK

- Q.7 How important is it for your business to be able to bring goods into the Freeport from the UK, whether the goods are in free circulation or under another customs procedure?
- i. Please explain your answer.

Location of Freeports

- Q.8 What do you see as the advantages and/or disadvantages of an inland Freeport site compared to a Freeport site which is adjacent to a port?

Excluded goods and excise goods

- Q.9 If you are considering becoming a Freeport operator, how attractive would the proposed customs design be to your business?
- i. Please explain your answer.
- Q.10 If you are considering becoming a Freeport business and would like to store imported goods or manufacture products using imported goods in the UK, how attractive would the proposed customs design be to your business?
- i. Please explain your answer.

Q.11 To what extent would the suspension of import VAT be of value to your business?

i. Please explain your answer.

Q.12 How important would it be for your business to be able to buy and sell goods within Freeports?

i. Please explain your answer.

Trade remedies and countermeasures

Q.13 To what extent do you agree or disagree that trade remedies or countermeasures should be applied to goods exiting Freeports, whether or not they are processed in the Freeports?

i. Please explain your answer.

Q.14 To what extent do you agree or disagree that trade remedies or countermeasures should be applied to goods exiting Freeports, whether they are destined for consumption in the UK or exported to foreign markets?

i. Please explain your answer.

General questions

Q.15 In your view how does this Freeport design compare to existing customs special procedures, such as customs warehousing or inward processing?

Q.16 Please suggest any ways in which this customs design could be improved. For example, could technology be used to streamline the requirements?

Q.17 Please provide any other feedback you have relating to this customs design.

Tax

Q.18 In your view, do the specific tax incentives provided in existing English Enterprise Zones (Business Rates discount and Enhanced Capital Allowances) encourage increased business activity and employment in England?

i. Please explain your answer and support your response with evidence where possible.

Q.19 How could the following policies be used to encourage employment and investment in business, infrastructure and innovation in a Freeport or surrounding area? Please explain your answer, and support your response with evidence where possible:

- Facilitative solutions on VAT and Excise Duties for goods within Freeports (UK Wide)
- Stamp Duty Land Tax (England and Northern Ireland)
- Research and Development (R&D) Tax Credits (UK Wide)
- Employer National Insurance Contributions (UK Wide)

Q.20 Is there any evidence to suggest that changes in these tax policies would be the deciding factor in investment decisions?

i. Please explain your answer.

Q.21 In your view, are there any particular tax policies that could increase the risk of tax avoidance or tax evasion activity being routed through a Freeport?

i. Please provide details.

- ii. If your answer is yes, then please suggest ways in which the government could deter or prevent the tax avoidance or evasion risk you have identified.

Q.22 In your view, would any of the potential tax policies set out in this document unnecessarily increase the administrative burden of business activity in the Freeport?

- i. Please explain your answer.
- ii. If your answer is yes, then please explain which of the tax policies could be modified to reduce administrative requirements and how they could be modified.

Q.23 Please provide any other feedback you have relating to tax incentives for Freeports.

Planning

Permitted development rights

Q.24 Do you agree or disagree that the permitted development rights for airports and sea ports should be brought into closer alignment by allowing the use of buildings on ports for purposes connected with the operation of the port?

- i. Please explain your answer.

Zonal planning

Q.25 Are there suitable incentives in place that encourage the use of Local Development Orders by local authorities to support faster development?

- i. Please explain your answer.
- ii. If not, what more could be done to encourage their use?

National Policy Statement for Ports (NPSP)

Q.26 Would it be appropriate or inappropriate to consider amending the National Policy Statement for Ports to allow for changes to planning process(es) for significant port development?

- i. If your answer is 'appropriate', what specific element(s) of the process or document could this focus on, and what potential benefits could this unlock?
- ii. If your answer is 'inappropriate', please explain why.

Additional planning freedoms

Q.27 Please tell us about any additional planning freedoms related to planning powers and/or increasing the efficiency and effectiveness of planning that you think could be used to support development in Freeports.

Regulatory impacts

Q.28 Please provide any feedback you have on the regulatory impact of the planning measures set out in this consultation. For example, do you have any information on the costs and benefits to business of these measures?

Regeneration

Infrastructure

- Q.29 What infrastructure could encourage increased business activity in a Freeport? Please support your response with evidence where possible.
- Q.30 What infrastructure could support wider regeneration opportunities and promote job creation in the areas around a Freeport?
- Q.31 Please provide any additional feedback you have on the issue of infrastructure for Freeports not specifically addressed by any of the questions in this section.

Business support

- Q.32 What dedicated trade and investment support, advice and guidance would best enable your business to take advantage of the opportunities Freeports would create?

Skills

- Q.33 Working with Mayoral Combined Authorities, Combined Authorities and Local Enterprise Partnerships (which will be informed by their newly established Skills Advisory Panels), how might a Freeport contribute to the skills offer in your area?
- Q.34 How could employers involved in Freeport applications demonstrate their commitment to engagement with, and support for, local Further Education and skills providers?

Housing

- Q.35 What are the main housing needs of the local economies which surround ports (suitable for Freeport status), both now and in the future?
- Q.36 How can local areas align their housing interventions with the wider regeneration agenda to make Freeports a success?
- Q.37 What role could zonal planning, including the use of Local Development Orders, play in delivering the wider regeneration of local areas around Freeports?

Innovation

Challenge-based initiatives

- Q.38 What specific operational barriers to efficiency exist in ports that could be addressed through the development of innovative technology and processes?
- Q.39 What specific aspects of customs administration present barriers to business efficiency?
- i. How could the development of innovative technology and processes be used to address these, and maintain a secure environment?

Freeports and academic collaboration

- Q.40 How can ports collaborate with public agencies – including universities and other academic institutions, businesses, and local governments – to develop and adopt new technologies?

Regulatory sandboxes

Q.41 How could challenge-based initiatives and innovative procurement opportunities help ports and local partners work together to innovate?

Data availability and usability

Q.42 What obstacles are there to greater data availability in the customs and transport sectors?

Q.43 What opportunities are there for data generated within Freeports to support innovation by businesses and innovation stakeholders?

i. What changes would be needed to facilitate this?

Contribution to the decarbonisation agenda

Q.44 How could regulatory flexibility within Freeports help businesses to trial and implement new products and processes?

Q.45 How could Freeports be used to test new ideas and support business and industry to decarbonise in line with the UK's Net Zero target?

Q.46 Please provide any additional feedback you have on the issue of innovation in Freeport policy not specifically addressed by any of the questions in this section.

Additional policy considerations

Preventing illicit activity

Q.47 In your view, what is the level of risk of illicit activity in Freeports?

Q.48 What additional measures should be implemented to mitigate such activities?

Q.49 Please provide any other feedback you have on the issue of preventing illicit activity within Freeports.

Business impacts

Q.50 Please provide any comments on the impact on businesses of the measures set out in this consultation. Please provide any information on the costs and benefits to businesses of these measures.

Equalities impacts

Q.51 Please provide any views about the implications of our proposals on people with protected characteristics as defined in section 149 of the Equality Act 2010. Please provide any evidence you have to support your views. Is there anything that could be done to mitigate any impact identified?

Q.52 If you are a business owner, what actions would you take if a Freeport was established in your local area? Please explain your answer.

Q.53 In your view, what is the level of risk of economic displacement?

i. What should the government do to mitigate these risks? Please explain your answer.

Q.54 Please provide any other comments on any potential environmental impacts which may arise as a result of the considerations in this consultation.

Q.55 Please provide any other feedback on the impacts of the development of Freeports in the UK not specifically addressed by any of the questions in this section.

Allocation and governance of Freeports in England

Port modality

Q.56 What factors do we need to consider in order to support different port modes becoming Freeports?

Q.57 Do you agree or disagree that a Freeport could include multiple ports?

i. Please explain your answer.

Q.58 What factors do we need to consider in order to support applications from multiple ports?

Objectives and criteria

Q.59 In your view, how appropriate are the proposed criteria for assessing how potential Freeport applications can meet the stated policy objectives?

i. Please explain your answer.

Q.60 Please suggest any other criteria that we could use to effectively assess potential Freeport applications.

Public and private sector partnerships

Q.61 What are the advantages and/or disadvantages of asking Mayoral Combined Authorities/Combined Authorities where they exist, or Local Enterprise Partnerships and upper tier local authorities where they do not, to lead on submitting applications?

Q.62 What are the advantages and/or disadvantages of asking MCAs/CAs where they exist, and LEPs where they do not, to support a single application in their local area? In what circumstances should this be flexed to allow for more than one application?

Q.63 What are the advantages and/or disadvantages of enabling ports to submit applications for Freeport status directly to central government?

Q.64 Please outline the most effective models for partnership between private, public sector and local economic partners to design and submit applications.

Q.65 Please provide any other feedback you have on the allocation of Freeports not specifically addressed by any of the questions in this section.

Measuring impact

Q.66 How can the government best monitor and evaluate Freeports?

Q.67 Are there ways that we could ensure a counterfactual impact evaluation is feasible and deliverable for all Freeport areas? Please explain your answer.

Q.68 For the Freeport model described in this consultation, what might be an appropriate time period for incentives to initially operate for to give certainty to investors and businesses and provide an opportunity for the government to evaluate their effectiveness? If you think the appropriate period could differ for different incentives within the Freeports model, then specify a different time period for each incentive.

HM Treasury contacts

This document can be downloaded from
www.gov.uk

If you require this information in an alternative format or have
general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk