

## **GM LOCAL ENTERPRISE PARTNERSHIP BOARD**

SUBJECT: Freeports  
DATE: January 2021  
FROM: Economy Team, GMCA

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### **PURPOSE OF REPORT**

This report sets out the background on the government's Freeports policy and the implications for Greater Manchester.

### **RECOMMENDATIONS**

The LEP Board is asked to:

- Note that the Freeport bidding criteria mean that a GM only bid is not being progressed but there are opportunities to work with partners across the North West to support their work, ensure that GM's businesses and economic assets are able to benefit from any Freeports established, and prepare for any future rounds which build on the initial Freeports.
- Note that conversations with other partners are continuing and we will update on the latest at the LEP meeting. We will then keep the LEP updated on progress around Freeports and other opportunities listed above as these arise.

### **EQUALITIES IMPLICATIONS**

There are expected to be no significant equalities implications from the contents of this report. Linking into a future Freeport may bring opportunities which would benefit those with protected characteristics.

### **CLIMATE CHANGE IMPACT ASSESSMENT AND MITIGATION MEASURES**

There are expected to be no significant climate change implications from the content of this report. The government is seeking to embed environmental benefits into its design for Freeports so there may be some positive effects depending on the outcomes of the bidding process.

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## 1. INTRODUCTION

- 1.1 Freeports are designated pieces of land which will be outside the UK for customs purposes. This creates some benefit in terms of tariffs and regulations for those business located within the zone. As a key part of its post-Brexit policy offer, the government is also looking to create other specific tax and regulatory benefits around Freeports.
- 1.2 The Freeport model being developed by the government permits multiple customs sites across a wide area and allows multiple ports to collaborate. The key geographic constraint is that the furthest point between sites within a Freeport should not be more than 45km. Further detail on the government's Freeports model can be found in the Appendix.
- 1.3 Following consultation in 2020, the government published a 'Bidding Prospectus' for Freeports in England in November, with the bid window open until 5th February. Winners are to be announced in Spring 2021. The government has indicated it will approve around 7 Freeports in England, which would be less than 1 per region, but could go above this depending on the number of high-quality bids.
- 1.4 Each bid requires support from both the Local Authorities covered and the owners/operators of the Ports. Following this, bids will be assessed by government against 5 criteria (with further detail on each set out in the Appendix):
  - 1.4.1 Criterion A - establish Freeports as national hubs for global trade and investment across the UK
  - 1.4.2 Criterion B – promote regeneration and job creation
  - 1.4.3 Criterion C – create a hotbed of innovation
  - 1.4.4 Criterion D - deliverability of proposal effectively at pace
  - 1.4.5 Criterion E - a high level of private sector involvement in the proposal
- 1.5 The criteria above mean that there is little chance of success for a GM only bid, so that has not been progressed, but there are opportunities to work with economic partners across the North West with major port facilities to support their work, ensure that GM's businesses and economic assets are able to benefit from any Freeports established in the region, and prepare for any future rounds which build on the initial Freeports.
- 1.6 If a North West bid does come forward, we will ensure proposals align with the GM Local Industrial Strategy, GM International Strategy and other policy frameworks such as the Infrastructure Programme and Innovation GM. In particular, the sectoral links through to GM's four frontier sectors would be essential.
- 1.7 Outside of this direct Freeports competition, there are other opportunities where we need to consider how all GM's growth assets and centres are prepared for:
  - 1.7.1 other bidding processes which are likely to be similar to the Freeports approach, such as the Levelling Up Fund;
  - 1.7.2 new trading patterns and relationships which are likely to emerge when the UK's transition period out of the EU finishes;
  - 1.7.3 future Freeport bidding rounds, or successor policies, if they happen;
  - 1.7.4 the opportunities of any Freeports established in 2021, particularly given the trading opportunities for our Local Industrial Strategy strengths such as in advanced materials and health innovation.
- 1.8 These issues will be considered as part of the work GM will need to do on responding to the government's competitive bidding funds such as the Levelling Up Fund and UK

Shared Prosperity Fund. This will need to incorporate the work already underway on driving economic recovery and delivering the LEP/CA Economic vision – including Innovation GM – linking with skills provision, and the ongoing support of Midas in developing and delivering propositions.

- 1.9 **Conversations with other partners are continuing and we will update on the latest at the LEP meeting. We will then keep the LEP updated on progress around Freeports and other opportunities listed above as these arise.**

## APPENDIX

10. A Freeport has two different types of 'zone' as shown in the diagram below.
11. Primary Customs Zone: designated in or near a port of any mode, within which customs benefits (duty deferral/exemption/inversion, simplified declaration) will apply. Could be an inland location, so long as an economic relationship can be clearly demonstrated between the site and the port. Could be of any size so long as a clear economic case for the site can be made and strict security requirements from HMRC and Border Force can be met. Bidders will need to fund the cost of establishing and securing sites.
12. Additional Subzones: Where bidders can make an economic case, the government will allow multiple additional customs sites ("subzones") to enable multiple sites to benefit from the customs model. An economic case would need to provide clear justification of any customs subzones' relationship to the wider Freeport. For example, the government suggests that 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. These subzones may be of 'any reasonable size', be within ports or inland, and be empty spaces or existing productive sites. They will be authorised in the same way as primary customs sites.
13. Tax sites: Freeports can contain up to 3 'tax sites' up to a total of 600 hectares within which tax reliefs will apply, building on the approach taken for existing Enterprise Zones in England and Wales. The tax sites have to be located on primarily underdeveloped land to generate new, additional productive activity in Freeport locations. 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 tax site will benefit from tax reliefs. Reliefs mostly apply from 2021 to 2026 on SDLT, Corporation Tax (enhanced allowances for structures/capital investment), Employer NICs and Business Rates (with local retention of growth guaranteed for 25 years).
14. Outer boundary: The primary customs site, tax site, and any additional subzones shall all be contained by a Freeport outer boundary. All measures will be applied within this outer boundary. 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. 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 should be up to 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.

### **Other Benefits**

15. Planning: Permitted development rights for Seaports to be aligned with Airports by April 2021, encouraging consideration of Local Development Orders.
16. Infrastructure: winning bids can get share of 'seed capital' £175m pot for regeneration and infrastructure that will need to be matched by local areas.
17. Innovation: Freeports Challenge Funding: to find solutions to problems faced by Freeports and their businesses, can bid into Place-based R&D funds, Freeports Regulation Engagement Network: dialogue with potential for regulatory sandboxes.

18. Bidders need to include a diagram of a logic model that shows the links between inputs, outputs, outcomes. (p.14 shows an example and looks like this will form the core of the bidding process)

19. Freeport governance: bidders will need to set out how governance will work, including a Chair and a board with representation from LAs, landowners, customs operators, business, MCAs/LEPs, MPs and 'innovation stakeholders' (such as universities).

### **Detailed Criteria**

20. Criterion A - establish Freeports as national hubs for global trade and investment across the UK

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

21. Criterion B – promote regeneration and job creation (this is described as the 'lead' objective)

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

22. Criterion C – create a hotbed of innovation

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

23. Criterion D - deliverability of proposal effectively at pace

- Planning: how the local authority will ensure quick and efficient delivery
- Governance and Timing: organisational charts and Gantt charts

24. Criterion E - a high level of private sector involvement in the proposal

- Investments: by councils and private sector
- Businesses: number and size involved in the bid