

# International Trade Committee

## Oral evidence: UK Freeports, HC 258

Wednesday 7 October 2020

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Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Mark Menzies; Taiwo Owatemi; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley; Craig Williams.

Questions 144 - 165

### Witnesses

**I:** Roger Pollen, Head of External Affairs, Federation of Small Businesses Northern Ireland; Tim Williams, CEO, Welsh Automotive Forum; Chris Starkie, CEO, New Anglia Local Enterprise Partnership; and Roy MacGregor, Chairman, Global Energy Group.



## Examination of Witnesses

Witnesses: Roger Pollen, Tim Williams, Chris Starkie and Roy MacGregor.

Q144 **Chair:** Welcome to today's third evidence session on the Committee's UK freeports inquiry. Quite a timely day to be having freeports: the media has been reasonably full with Government talks and pronouncements on freeports, so it is topical. We have four witnesses today. We have Chris Starkie, Roger Pollen, Roy MacGregor and Tim Williams. I will ask each to introduce themselves in that order—name, rank and serial number—on their own terms.

**Chris Starkie:** My name is Chris Starkie. I am the chief executive officer of the New Anglia Local Enterprise Partnership, which covers the counties of Norfolk and Suffolk.

**Roger Pollen:** My name is Roger Pollen. I am head of external affairs for the Federation of Small Businesses Northern Ireland. We have about 6,000 members here across Northern Ireland.

**Chair:** Thank you. Good to have you, too.

**Roy MacGregor:** I am Roy MacGregor, chairman of Global Energy Group, based in the Highlands of Scotland and the north-east.

**Chair:** Fantastic. Very good to have you indeed, Mr MacGregor.

**Roy MacGregor:** Nice to hear a kent voice.

**Chair:** Good. Last, but by no means least, Tim Williams.

**Tim Williams:** Good afternoon, everybody, Angus. I am Tim Williams. I am a director at the Welsh Automotive Forum. The forum is the trade body for automobile manufacturers in Wales.

Q145 **Chair:** Thank you all for giving up your time this afternoon. It is much appreciated. This question is to everybody, but I will start with Chris Starkie. How would the UK Government's freeports policy impact the businesses and regions you represent?

**Chris Starkie:** We are broadly supportive of the freeports policy. We see it as an opportunity to stimulate additional trade and investment, particularly around exports. We think that, on their own, customs measures, as promoted, would not be enough of an incentive and we need the opportunity and the possibility of a rounded package of support and incentives to encourage greater investment. We think it could have an opportunity to stimulate manufacturing, particularly in coastal areas nearest ports, but also to feed through to the wider supply chain. We think there are opportunities to link with skills provision in local areas through to freeports, as well as innovation and R&D development. For the policy to be successful we think it should be keyed in and aligned with the existing enterprise zone policy.



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**Roger Pollen:** I think very similarly here. Our members have been quite clear that we will be in a very unusual position post-31 December, where we will have an opportunity to face into two different markets. I think there is a sense that the freeports policy could create a real stimulus that draws together a lot of the talent and capacity within Northern Ireland, but gives it a new platform to work from.

For probably two generations, Northern Ireland has lagged badly behind. It has lost the place that it used to have in terms of economic output. It has done well in terms of inward investment, but it is still lagging. We have a very strong competitor south of the border that has a differential tax rate and has a number of other benefits down there. There is a sense right across the membership that if we had the right sort of freeports policy—and we will maybe touch on that later, about how it could be centred and located—it would give a good boost to a whole lot of things that would draw together manufacturing, the knowledge economy and everything else, and also Northern Ireland's unique position where it is facing into those two markets. So broad enthusiasm for the potential of what it could offer.

**Chair:** Thank you. I do not think I have seen Roy MacGregor since four and a half years ago when Ross County beat Hibs in the cup. Maybe that is a happy memory to start you off with, Mr MacGregor, but moving on to the question at hand.

**Roy MacGregor:** Thank you, Angus. A good start. I am coming from a different angle as a private employer, the biggest private employer in the Highlands and one of the biggest in Scotland. We are mainly in oil and gas, but I have been making the transition to renewables with some of the fields in Scotland in particular. We have been on this journey with the Scottish Government for five years, and we are about to announce tomorrow a £100 million investment in a renewable factory, the third biggest in Europe, at Nigg on the Cromarty Firth. Key to that sort of investment, and with a lot of Government money, is the ability both to trade with Europe post-Brexit and to trade with a supply chain that can be developed around a hub. Very much for the new industry and that new transition, it is pretty critical that a lot of the stuff that is involved with freeports is giving the benefit to this area.

We are an enterprise zone as well, so we are uniquely positioned to do that, and that could be in a wider area that includes the Western Isles and Arnish. I think it is very critical for private employment and for making a case. I was involved in the oil industry 40 years ago and how that regenerated the hinterland, particularly the north of Scotland. We are seeing the levelling and the slight change of emphasis to non-fossil fuels, and we want to be right at the centre of this new industrial revolution. It is pretty critical for this investment that we are able to trade and are able to trade at the right conditions with the rest of Europe in particular, because some of the products that we do are only made in Europe as far as the nacelles and the things that are in components.



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Having the ability to invest that amount of money in Scotland is pretty critical to wrap it around the freeports.

Q146 **Chair:** I was going to get to that point. A freeport in the north around Inverness, the Moray Firth basin, would be useful to you, do you think?

**Roy MacGregor:** Yes, and it could be extended to the west coast as well in a geographical area. You know the difficulty in your own constituency, Angus, so the geography in this thing, whether it is 50 miles to the west, is not so important, but the hub is important. We are involved at the moment in three other wind farms, creating them, but not in a manufacturing hub. It is a manufacturing hub that is key to wanting a freeport in this area.

**Tim Williams:** The automotive industry is spread across Wales, predominantly in the south, but it does cover the whole of Wales, so the location of where a freeport might be would have a pretty serious effect on who is advantaged and who is disadvantaged.

This is an area where, from a Welsh Government point of view, they would have to decide on which is the right area so that we get the biggest bang for the buck, as it were, in terms of advantage for Wales. Our automotive industry obviously depends now on the outcome of transition. We are all waiting to see if there is a deal or no deal, what the tariff might be, whether it is world trade or whether there is a deal to be had. That would have a big impact on the automotive industry, which in principle supplies the UK and European automotive markets.

At the moment, transition would have a big effect. If there was a freeport in one location, what would be the advantage of that compared to the additional cost of having a freeport and the logistic costs of moving goods in and out? The area that is of great interest for Wales would be the area of energy. Energy is critical across Wales, and there are projects that could be linked around energy. We have potential for new technologies in terms of the automotive industry. We are working with a company in terms of a gigafactory. That could cluster companies around an area, so there is great potential for that.

The advantage or disadvantage of where a freeport goes, bearing in mind that we could have Bristol nearby to us as much as Liverpool in the north-east, location for me is a very big question. There is no doubt that a freeport—as has been shown across the world in many areas—has a distinct advantage, but there are a lot of questions to ask, certainly from a Welsh perspective, of where that would be and why it would be there.

**Chair:** Interesting questions. Given the mention of Wales, it is only right that I move at this stage to a fine Welsh MP of the same surname, Craig Williams. Craig, the stage is yours.

Q147 **Craig Williams:** Picking up on Roy and Tim's points, can I ask about the targeting of freeports? Should it be in areas that have existing specialities already? Would that be beneficial? If so, how would you see that



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achieved? Building on the points you both made about geographical location, should we be looking at what skills, assets and companies we currently have when we locate freeports? Tim, I can see you nodding. As the Chair uses his special ability of being Scottish with witnesses, I am going to go to Tim first.

**Tim Williams:** Thanks very much, Craig. Yes, this is a question that now has to be gone into. We have to do cost-benefit analysis, we have to do some research. There is not a one size fits all or a location that is definitely the one to go to. I think there are a number of places. We could be looking at energy, we could be looking at potential around electrification of the transport and motor industry here in Wales and there are locations for that.

As a current sector, I think it would be hard to say that it would directly benefit the automotive industry here in Wales, but I could see areas where it could help on the energy front and in the new technology area. It would effectively bring in new skills and new inward investment, so there would be a multiplier effect for a given area. There is a lot of data that has to be gathered for Wales, certainly from our perspective, before we go into the next phase of looking at where it should be.

**Craig Williams:** Roy, did you want to build on that?

**Roy MacGregor:** Yes. I am speaking from a traditional industry that has been brought into Scotland for 40 years in oil and gas, but I am also making the transition, a bit like your car industry, to a new industry where we have a lot of European competition against the Danes with Esbjerg, Antwerp and we have GE in France. If we want to compete, as our Prime Minister said yesterday, and power every home in the UK with wind electricity within 10 years, it is the new industry that I am focusing on. We have the skills and we have the site. If Scotland wants to play its part there, we need to look to the future, not the past, and make sure that our infrastructure and our supply chain around the region is built for the next 40 years.

It is not the old industry that I am looking at. It is the new industry, and that transition is important for my area and for Scotland. I started here by creating a yard with 5,000 people for my greenfield thing. This was farmers and bakers and candlestick men that became and led the oil industry. I feel we are touching a new industry that is going to be involved with hydrogen, with wind and with CO<sub>2</sub>. We have the innovation, we have the diversification. We are in a deprived area and we are hungry to get the opportunity to be equal with our cohorts in Europe. We need to be equal if we are going to develop this industry.

Q148 **Craig Williams:** That is very interesting. So you see this as looking at what kind of skills and companies you have in a region at the moment and using the freeport policy to speed it up or to transition to whatever is the next fourth industrial revolution, for want of a better phrase?



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**Roy MacGregor:** That is exactly where I am. With Covid we have created an industrial revolution. The transition to our green economy and to where we are going needs to speed up. UK content is the big thing, and we are being left behind against freeports and manufacturing in Europe in this industry. We need this not only in Scotland but in other areas of the UK, Wales and the north of England. We need to have that ability to operate in freeport environments to be able to compete with our European partners.

**Roger Pollen:** From a Northern Ireland perspective we approach it in a similar way. Roy puts up a lot of good points, but our sense is that we do not want to be overly prescriptive from the centre and try to design a response at the centre and then impose it. There is a real sense within Northern Ireland that there are a lot of different parts that have different strengths. We can set up the right framework around that and then let industry and the private sector work within that, respond to that and create the innovations. We may be designing something now that is completely unrelated to what we might be looking at in five or 10 years' time anyway, so we do not want to constrain new industries by getting a centralised design imposed at this stage.

Our model very much looks at the ability to share out the benefits in different centres around Northern Ireland and respond to where the strengths are, in many ways partly because of the politics of here and also because of the size of the place. We do not want to create local distortions. We want to create an opportunity for people to respond to the markets that they find and the opportunities that they see.

**Chris Starkie:** The policy is not entirely clear as to whether there should be 10 freeports. Ten is an interesting number. I notice from the consultation they have not responded to the question of 10, unless I have missed that in the document. Ten would predicate that you would go to the largest 10, the biggest 10, which might or might not be the right 10. Is it a policy that is around stimulating the biggest impact on those locations, or is it better placed as a regional policy that would have an impact on a particular worthy region with a particularly strong bid? It is not entirely clear; both could work.

Our concern, representing England, is that there will be quite a lot of locations that will not succeed, with the danger of displacement, particularly along the east coast. If you take from the north-east through Humber, through the east coast, the east coast where we cover is, of course, where oil and gas was discovered back in the 1960s and then all the investment went north up to Aberdeen from Great Yarmouth. So likewise we are determined to work with Roy and others on the offshore wind revolution and so on.

For us, the choice is going to be interesting. We would ask to ensure that it is a transparent process and, for places that feel like they are on a



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promise, we would want some clarity from Government that there will be an equal and open process for applications.

**Chair:** Thank you very much. I note that Roy had quite a lengthy list there of those who built the oil industry in the north and, of course, I am sure the next one was going to be crofters from the west coast. I will leave that as it is at the moment, as we do not want to go down that line too much.

Q149 **Taiwo Owatemi:** Roger, what benefits do you think the freeports offer businesses in terms of customs procedures and paying for duties? Do you think these benefits vary by sector?

**Roger Pollen:** That is an open question, in some ways, in local terms, because we do not yet know the relationship between the UK and the EU after the end of the year. Northern Ireland's ambition is to export around the world, in some ways almost irrespective of a free trade agreement between the EU and the UK and irrespective of the Northern Ireland protocol. There is an opportunity to use freeports effectively for sourcing, manufacturing and re-exporting outside of those territories to the rest of the world. I think it creates a great opportunity for us.

We have spoken with members in the last few days, in advance of coming here, to look at what their investment intentions would be were this policy not to come into play or not be easily accessible in Northern Ireland. Generally, the sense has been that businesses here will make investments under the cloak of this policy, if you like, that they would not otherwise make. They see it as being very much a stimulatory thing. Could you repeat the second part of your question?

**Taiwo Owatemi:** Do the benefits vary by sector?

**Roger Pollen:** Yes, they probably will. Again, this is just trying to put a few lines in the water with members and see what they say, but obviously it depends on what products are being brought in to produce, whether it is largescale heavy manufacturing, of which we have quite a lot here and have an appetite to have more, or whether it is drawing on the IT economy that we have been developing very successfully in cybersecurity and linking that with the knowledge centres that we have in Belfast, up in the north-west and in Derry-Londonderry.

Yes, there is definitely quite a big difference across the sectors but, none the less, if we get the structure right and see how those businesses respond to the opportunities they find within the context of that structure, that is where the exciting development will come from.

**Chris Starkie:** I agree that there will be a difference in sectors, and I think that may help in terms of the selection process. The concept of freeports particularly works for manufacturing goods and so on, and there is an opportunity for exporting. Clearly, bids that connect the opportunity to reshore manufacturing and, as Roger said earlier, then export as well, I think there is a particular focus on those sectors.



Q150 **Taiwo Owatemi:** Tim, how likely are freeports to generate duty savings, and is this a key consideration for businesses in deciding if they are going to locate at a freeport?

**Tim Williams:** I think, going forward, definitely. If I take our industry here in Wales, it is very much dependent on the UK automotive industry. We supply components from Wales into the likes of Jaguar Land Rover, Nissan, Toyota, Bentley, Aston Martin and so on. It is up to those companies to have that ability: 80% of car output from the UK is exported, and 50% of that 80% goes to Europe. We are dependent in that sense in the current phase of export activity.

When we go forward into new technologies, I think the opportunities open up massively. Therefore the attraction of companies coming into Wales and, of course, other parts of the UK, the opportunity of having that freeport gives them a reason to come. That is the comparative advantage that companies look for when making location decisions. Certainly that is our experience.

**Taiwo Owatemi:** Roy, do you have anything to add?

**Roy MacGregor:** No.

Q151 **Martin Vickers:** In the first instance my question is to Chris Starkie. How are local enterprise partnerships supporting freeport bids in England, and what assessment has been made of the risks of displacement of activity from enterprise zones to freeports?

**Chris Starkie:** In the consultation process, Government were keen for local enterprise partnerships across England to play a part. I know that my colleagues have been working closely with different partners across England, in some cases leading bids and in other cases supporting bids. The same is true of mayoral combined authorities as well, so for local enterprise partnerships I would add mayoral combined authorities to that, where they exist.

In terms of lessons learned, we think there are some very helpful lessons to be learned from the enterprise zone policy. To pick up your particular point on displacement, I note in your previous session you had a witness from the Centre for Cities, which published a report on enterprise zones. I have to say the local enterprise partnerships were not involved in that particular report and were quite surprised at its outcome. We have done our own research and there is some limited displacement within enterprise zones, but in the main there are new, additional jobs that have been created across the piece.

In terms of the core issue about displacement: would businesses move internally or move to take advantage of the benefits? The benefits for enterprise zones are relatively modest. For a multinational company an intervention of about £250,000 is unlikely to mean they are going to move their business lock, stock and barrel to take advantage of the incentive. What we found is that, where businesses have moved, it has





only been on a growth basis. In other words, they are moving because they need more space or to invest in more facilities, and so on. Displacement is an important characteristic to be aware of. Certainly it should be one of the key criteria that are used to assess bids coming in. In other words, we should be looking to minimise displacement where possible.

**Tim Williams:** I think the points Chris made there in terms of displacement are well made. We have a number of enterprise zones across Wales. If there is an opportunity in a geographic location that a freeport could be linked to enterprise zones, that is something that could be an attraction, but it depends on the movement of goods and the logistic costs to get from port to, say, an enterprise zone, so this cost-benefit analysis has to be done before we can make a definitive statement about how this would work in the round of freeport and enterprise zone. Enterprise zones have been modestly successful in Wales. I sit on one of the boards for an enterprise zone where I had first-hand experience of this. I guess later on we will be discussing the impact of business rates and that sort of element on a freeport or a free zone attached area.

Displacement is certainly a question mark, but we have to take the positive out of this, that we are creating something for us to do something with. While it could be a clean sheet of paper, this is about writing the future. I think the points Roy made earlier are very well made in that sense, that this is perhaps about the future rather and looking at how we support and create anchorage for our existing companies while, at the same time, creating new opportunities and new technologies, green energy, et cetera.

**Roy MacGregor:** As I have an enterprise zone in my area, I think it is very much complementary. I do not think there is a displacement issue with enterprise zones because the advantages are not there. I see that the focus is on preparing new jobs, not displacing work from one area to another. The focus must be on new areas of growth and being able to be competitive against—for us—Europe in new industries. I see that the green industry is one, and I see the car industry having to meet the challenge of making that transition. It is new jobs that we should be looking at, rather than displacing jobs from one area to another.

**Martin Vickers:** Roger, did you want to comment at all?

**Roger Pollen:** Not on that point, thank you.

Q152 **Chair:** Chris Starkie, can I come back in momentarily before I bring in Mark Garnier? If we could have a brief exchange, due to time. If you do not get freeport status, or if somebody does not get freeport status, is the fear that you do not have the freeport and the tariff and all that benefit, or is one of the fears that people will lose out on the Government incentives that go along with the freeport?



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**Chris Starkie:** Talking to the port operators, they are a fiercely competitive bunch, as I am sure you already know.

**Chair:** We have gathered a bit of that.

**Chris Starkie:** Yes, so there is the issue about an unlevel playing field. Let us say your main competitor—it does not have to be in the same geography, but your main competitor—gains freeport status and you do not. All other things being equal, you are now at a competitive disadvantage.

Q153 **Chair:** If you were given the same Government bung, for lack of a better word, but the same lump of cash as the freeport guys, so we just change one variable here—we are not changing the freeport and the cash; we are just changing the freeport—how would that be for the competitor?

**Chris Starkie:** It would depend on the package that is available at a freeport and, to an extent, on the overall wrapper. There is the cash, and how we think freeports would work best is as part of an integrated policy piece. Cash is one thing. There is the additional opportunity to invest in infrastructure, which is another thing, and then there would be local incentives as well. It could work. There have been examples of enterprise zones “light” that are basically enterprise zones in everything but name, and that has worked. It could work, but I am not sure it would be ideal.

**Chair:** Thank you. I hope we did not take too long.

**Mark Garnier:** Thank you, Chairman. You strayed into an area I was going to pick up on.

**Chair:** I hope I was complementary and not stomping all over it.

Q154 **Mark Garnier:** Angus, we work very well together.

Chris Starkie, if I can carry on with you. There is a lot of preoccupation with the fact that free trade ports are adjacent to ports, be they airports or marine ports, but you represent the local enterprise partnership. I am going to come to Tim for his views, so listen carefully to the question, Tim, but the important point is why do you necessarily have to have a free trade port adjacent to a port? If you have a hub of economic activity that is involved in the international marketplace, surely it makes sense to have a free trade port around a manufacturing hub rather than necessarily being transfixed by being next to a port.

**Chris Starkie:** That is an incredibly valid point. Taking an example from our area, the port of Felixstowe is on the east coast, but it is pretty much the gateway for goods coming into the Midlands and the north. In fact, more container traffic comes in from the port of Felixstowe to serve the northern powerhouse than all of the northern powerhouse ports put together. There is some logic in having Felixstowe as a freeport, and we have considered this as an opportunity and an option, but with a hub in the Midlands and the concentration around Northamptonshire, Daventry and so on, where the warehouse and manufacturing is. That is a very live concept. I am not sure the response from Government would necessarily



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support that, but we would certainly be in favour of the flexibility, the innovation and the opportunities to have multinodal sites. Indeed, maybe bring in airports or even rail hubs as well. There is a real opportunity to be genuinely innovative in this.

**Chair:** If I may, that was the kind of point Roy MacGregor might have been making in the beginning. I am not certain, Mark Garnier—sorry, he can speak for himself when you come to him—but I am just wondering if that was the point.

**Mark Garnier:** Can I develop the point, Angus, and then you can leap in at the last minute if I have missed anything?

**Chair:** You had better do that.

Q155 **Mark Garnier:** Chris, in your answer the one thing that slightly alarmed me is when you talked about warehousing, because I think the whole point about free trade ports is not to have bonded warehouses, but to have economic activity and value-adding.

**Chris Starkie:** Absolutely. I appreciate what you are saying, and the benefit is about manufacturing, not in simply shifting goods around. The Midlands is where there is concentrated automotive production and manufacturing, so I would accept that point. Warehousing would be a bad example.

Q156 **Mark Garnier:** Segueing very neatly to Tim Williams on the automotive sector, because again this is probably where it is going to make a big difference—I think it is 3.5% for parts and components, 10% for finished vehicles. I suppose Nissan is but, if you look at the Midlands or other parts of the country, you have big engineering hubs where they manufacture cars. Surely it is much more useful to put the free trade ports within that manufacturing sector than just to be obsessed by a port.

**Tim Williams:** As long as you can put it alongside each one of the manufacturers, you are probably right, Mark. This is how you advantage one area or one group of companies against another across the patch. I totally agree. I think certain areas could be looked at.

If we look at someone like Ford, Ford at Bridgend sadly closed its doors a couple of weeks ago and stopped engine production. By definition, it could bring in a huge amount of componentry to make an engine and export it. It could almost become a freeport area in its own right. Dagenham probably would say equally the same, that it produces engines but all of it is exported, so therefore it could almost be considered as a freeport in its own entity. It is not a port, obviously, but it is a specific geographic location.

The concept around clustering ports, as we described it, but “zone” is perhaps the other word to use here, could have merit, so long as this is a fair playing field. I know, when I talk about freeports across Wales and say that one area could be advantaged as a freeport area, I get a lot of people saying, “What about me? Where is my advantage in all of this?”



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You could argue best of both worlds here, that we have a port that is a freeport, but satellited to that freeport, going back perhaps to enterprise zones or geographic locations of cluster around certain specific manufacturing sectors. You ask a fair question, and I think it is something that we should be looking at. If it is to save the automotive industry, you cannot say that one manufacturer has advantage over another. That is unfair competition.

**Q157 Mark Garnier:** Sorry, there is something I am also very interested in hearing your point of view on. There is this idea that we could be robbing Peter to pay Paul in terms of pinching people out of enterprise zones into freeports if you follow through this idea of having them where they are useful rather than by ports. If you mash the two together and have not only a free trade port but some of the advantages from the enterprise zones—for example, the business rate reduction, the planning grants and all the rest of it—would you finally be coming up with something that is super useful to certain sectors of the manufacturing industry and, indeed, certain areas that need a boost in terms of building economic activity?

**Tim Williams:** I think you can. I think you are coming to this area of anchorage for existing companies versus the opportunity around new technologies and the opportunity to bring in new investment around those new technologies. This is a difficult balance to try to strike, and maybe there is opportunity for a blend of both but, as we have been discussing today, the idea and the opportunity around a freeport, whether or not it is linked to an enterprise zone, is this creation of new opportunity as well as trying to balance and help anchor existing companies.

Certainly from an automotive Wales point of view, most of our companies here are international. Sadly, we have seen Ford go. We are going to have the impact of Honda on the supply chain here in Wales, as well as around the whole Swindon area. There is this balance. Does a freeport secure and anchor existing or does it do both, by trying to do that as well as create new opportunities for new industries, including green energy?

**Chris Starkie:** I agree with Tim's comments. Our approach and our suggestion is you take the best bits of enterprise zones, you continue and maybe reboot that policy and blend that with the freeports. I think you then start to have an integrated policy that can benefit the whole of the United Kingdom, as opposed to 10 particular locations. Undoubtedly freeports will bring benefits to those 10 locations. How do you then blend some of the other benefits, and so on, and feed through to the supply chain?

Ultimately, freeports will be successful to the port operators if they put more goods and services through their ports, but we want it to do more than that. How do we stimulate our own manufacturing base? How do we stimulate exports? You will do that if you feed through to the supply chain and the supply chain companies can benefit, possibly by being located in enterprise zones or in the freeports themselves. We think there is an



opportunity to have a close correlation between the two and have a relatively low-cost policy.

I think one of the unstated successes of enterprise zones is just how good value for money they have been. Cost per job, on our analysis, is about £10,000 and, in many parts of the country, it has also linked innovation and R&D centres to enterprise zones. You suddenly start to have a much more integrated policy that freeports, if you forgive the pun, feel like an island of 10 things on their own. How do you then bring them together in a more holistic way that benefits particularly inland areas, as you articulated earlier?

**Mark Garnier:** Fantastic. Angus, hopefully we have covered everything there.

Q158 **Chair:** I think so. I do not know if there is anything anybody wants to add. The point you are making is an interesting one, of moving them back from the ports. Roy MacGregor made the initial point that it does not matter where it is in almost a 50-mile stretch, as long as it is in a location to do something with. Is that correct, Roy MacGregor? Is that roughly the point you were making?

**Roy MacGregor:** Yes. I have some experience of working in freeports in the Middle East, and I have seen the advantages to the supply chain and to the cluster for particular industries. I was coming from a non-traditional service business or a business that has to change. I am very much coming from a new market. As you know, in Scotland we are going to produce about 60% of the offshore wind. Do we want that business to be done on the continent and imported, or do we want to take the expertise into Scotland, to the north-east of England and to Lowestoft to be able to compete at the same advantage as they will get in Esbjerg, Antwerp or Nantes? We are behind there. If we really want to be a leader in this new green industry, we need to be competitive and then we can use the export market as well. I think it applies very much to manufacturing and less to service, and it is easy to see how new businesses need to be there, but I do understand that the car industry is going to have to change or we are going to have job losses. We are going to have a lack of innovation that will create job losses if we are not competitive post-Brexit as well.

Q159 **Chair:** I notice Alex Salmond's line on Saudi Arabia yesterday, of renewable energy being recycled, which is all part of that sphere. The other point that is happening at the moment, as you will know, Mr MacGregor, is that some countries are getting contracts from the UK Government for renewable energy, but then taking the work to the United Arab Emirates and to China rather than to Methil and to Arnish. That is something we should surely be guarding against if people are getting Government contracts in the renewable energy sphere.

**Roy MacGregor:** I am very much involved in that, Angus. The announcement of this major investment you are going to see is a fight



back. What I would say is that the freeports will help change mindsets. Sometimes old industries and old practices are holding back an industry and we are living in the past. We need to live in the future and create jobs for the future, create training for the future and create mindsets for the future. Whether it is in Stornoway, Lowestoft, Hartlepool or the Cromarty Firth, I think we have to embrace that. At the moment we are at a competitive disadvantage. If we want these new industries to flourish, freeports are a way where I do not see displacement being the issue. In my industry you have plenty of wind compared to Europe, but do we want other people to own the wind or do we want to own it ourselves?

Q160 **Chair:** In politics we are not short of wind either, many often charge.

Moving on a little bit to Northern Ireland. Roger Pollen, Northern Ireland is quite an interesting spot, because of where the border might be with a customs union, single markets and freeports. Bear in mind that the UK had freeports until 2012, and they withered on the vine because they were not needed within the large single market. What sort of responses can you imagine or what sort of issues might come up for businesses in Northern Ireland, given the particular set of circumstances they might have in the freeport policy?

**Roger Pollen:** It just depends how we go about it. We did a number of focus groups and engaged with members on this right across Northern Ireland. If you wanted to summarise what came across, it was ambition. There is a real ambition among businesses in Northern Ireland, particularly small businesses, to seize opportunities and to get out there and do something with it. The flipside is whether the appetite for risk that exists within business is matched by an appetite for mitigating risk and avoiding risk elsewhere in the system here. We have had some examples of this. We have just had what we call the New Decade, New Approach agreement, which was what got the Executive back up and running at the beginning of the year. We have not seen the Executive have a chance to bed down and show its ambition yet, because it got overtaken by coronavirus.

Prior to that, over the last decade or so, we had pretty much unanimity among the five parties of the Executive around one economic policy that could have been transformational. That was around corporation tax and getting the powers for that to come to the Executive so it could then reduce the rate of corporation tax to either match or compete with the Republic of Ireland, which at that time was substantially lower than the rest of the UK. That would have been a formative policy. Unfortunately, because of this attitude towards risk and this failure to grasp and embrace it and move forward, we had the powers put on to statute at Westminster and that is where the whole thing finally ran into the sand. We are still sitting with a huge difference in our corporation tax rate from that of the Republic of Ireland.



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The same thing, the risk is here. You spoke earlier in the discussion about the risk of Northern Ireland not getting one of these freeports, not getting the opportunity that it affords. We would see yet again something like we watched with the south of Ireland, where its economy has taken off because of the policies it has applied. We might risk seeing that happening to our east in Scotland, England and Wales. We need to make sure we grasp this opportunity and mould it to suit Northern Ireland.

I was interested to look at the paper that came out this morning from the Government. There was one point in it about the freeport primary customs sites. I notice they talked to the point you have just been covering, which is that the Government will consider primary customs sites of any size. These can be at inland locations, provided they can meet strict security requirements enabling Revenue and Customs and the Border Force to monitor the sites. The risk we see there is that it might be okay for big businesses, like Tim mentioned with Ford, where they have a secure site and you can give that integrity, but when you come to small businesses that do not necessarily have that, you run the risk of distorting the market you are trying to assist.

That is why we have come up with the modelling we have, which is to make the whole of Northern Ireland loosely the freeport, but with these specific sites and secure zones within that, so that you can meet the objectives set out in this paper but not see regionalised distortions coming into play that distort on the basis of either the size or geography of a business.

**Chair:** Thank you very much, and thanks for that response.

**Roger Pollen:** One other thing to add is that the issue of how the Northern Ireland protocol and the freeports policy meet up has not yet been tested and discussed, so there is challenge there, but there is also opportunity because this could address some of the issues that the Joint Committee has to deal with—the Joint Committee between the EU and the UK—on how Northern Ireland will operate post-31 December. The freeports may allow the secure zone, the fence, without it being a border, because obviously we are very sensitive to borders in this part of the world, whereas we are generally okay with fences. If we have ports and airports with good fences around them that can provide the integrity to allow the businesses to operate, I think there is real opportunity there. There is a challenge, and we need to work our way through that, but if there is the right appetite to risk then I think we can achieve it.

Q161 **Chair:** Yes, there is quite a lot to chew on there. Basically, the status of Northern Ireland at the end of this will affect whether the freeport might succeed.

**Roger Pollen:** It could do. This is where we are all in vastly new territory, but particularly Northern Ireland because our future relationship has already to a certain extent been determined, while the one for the whole of the UK with the EU is yet in flux. We have the Northern Ireland



protocol sitting there as the underpinning, so we know what our minimum status will be. We may get a better relationship if there is a zero-tariff, zero-quota free trade agreement put in place, but at least we know what our underpinning is. We are trying to work out how you would get an effective freeport policy to work within that context that does not unduly distort the market with the rest of the island, but none the less does not leave Northern Ireland behind.

I think the Belfast/Good Friday Agreement and all the spirit that went behind that from the EU, the UK Government, the Dublin Government and others, was very much about trying to assist Northern Ireland to up its game and to be able to pay its way and contribute and then just normalise society and the economy. There are an awful lot of moving parts in this, and we see getting this policy right for Northern Ireland in a way that is not divisive could be a real game-changer for us.

**Chair:** Thank you very much for that. We have about seven to eight minutes left in the session. We are doing okay for time.

Q162 **Lloyd Russell-Moyle:** This is for all of you. Roy, maybe you would be best placed to answer first. We now have the Government outline of their proposals, but how can we ensure that businesses have enough time to prepare for the introduction of freeports so they can hit the ground running?

**Roy MacGregor:** That is probably too political for me. I am just a simple Scotsman. I just want to be innovative in a new industry that needs to be able to compete. If we want to develop the skills within the UK, we need to be at least on a level playing field. How the policy is interacted is not my cup of tea. I just want to make sure that the UK, not just Scotland, is competitive and open to new challenges, new industry and new opportunities. Freeports will allow us to play on a level playing field.

Q163 **Lloyd Russell-Moyle:** From a business perspective, is it a problem if these things all happen at once? Transition with the European Union and the introduction of freeports, is that too much for business to adapt to or is it vital that these things happen all at once and businesses can just react when they are hit by all these different things?

**Roy MacGregor:** In this new industry of green energy, we are uncompetitive at the moment—Angus touched on it a wee bit there—certainly with the rest of the world. We are uncompetitive in that the large manufacturing hubs that will produce these components are in Denmark, Germany, France or Belgium. We have not pump-primed this industry at all. We have had many false dawns of trying to create manufacturing jobs in the UK. If we want to be a serious player and to produce all our electricity from this new industry, we need to be competitive or what is going to happen is that we will have a cheaper price for electricity, but we will have no manufacturing jobs. That is where Scotland, England and Wales are feeling the pinch now. It is a necessity. It is not a variable in my eyes.





Q164 **Lloyd Russell-Moyle:** Tim, do you have any thoughts about ensuring we have enough time to prepare so that these things work when they are implemented?

**Tim Williams:** The short answer, and it is only from a UK automotive perspective, is that we have to have a deal with Europe. This is phase 1 critical. If we do not and we go on to World Trade Organisation rules and tariffs are 2% to 4% on components, 10% on cars, our industry is under severe pressure and we are into a different ballgame.

Right now, in terms of preparation, our companies are working out on their spreadsheets what is the extra cost if we go to world trade rules, if we do not get a deal. What is the message to the headquarters about further investment? In terms of preparation for freeports, we have time to prepare for new industries, new technologies, et cetera, pretty much as Roy has just outlined. I think the timescale we are looking at is current. We are at a knife edge of competitiveness in the automotive industry. For the future, we have to look at how we use freeports to help, assist and grow the economy. The energy sector is a very topical area to look at first, because that covers so many different bases.

Q165 **Lloyd Russell-Moyle:** Would I be right in surmising that we should not take our eye off the prize, which is a decent deal with the European Union and other bilateral deals, and that freeports are something that are developed for the long-term strategy, not just for immediacy?

**Roy MacGregor:** I disagree with that. If we want to build this new green industry, it is with us at the moment. We are shutting coal-fired power stations, we are shutting nuclear power stations. Do we really want to import our energy? This is live today. One of the projects we have here is Seagreen, and Angus touched on it. We have just placed £12 billion of orders in the Middle East, China and Europe for that, with zero going into the UK. We have lost probably in the region of 80,000 jobs. It is immediacy. The Prime Minister cannot say, "In 10 years' time we are going to power every household in the UK," because we are not going to do it if we do not have the investment in manufacturing jobs. We are going to import it, but we are not going to create manufacturing jobs.

**Lloyd Russell-Moyle:** That is good. Roger, I know we are losing time, but if there is anything you wanted to add on this.

**Roger Pollen:** Not on that point, thank you.

**Chair:** We are coming to the end of a very useful session, and I am very grateful to everybody who has helped us here this afternoon. I notice there has been a lot of mention of wind. I have just checked the grid carbon intensity. At the moment, the UK is using about 33.3 gigawatts of power. Half of that is gas, and the wind contribution at this present point in time is 5.1%, so it is about 1.7 of the 33 gigawatts. Clearly there is a lot there but, as Roy was saying, we cannot have those jobs being sent elsewhere.



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Thank you all for this. I notice something else was said about freeports, and it may have been a passing comment—I think it was Roy MacGregor who said it—that freeports might be a catalyst for change in the way that Covid has been a catalyst for change in doing these sorts of virtual sessions. Rather than sitting around a table at Westminster, we can now be in our own locations. That is another interesting aspect of freeports that I had probably not considered, and it might be one worth investigating further at some point. Will they bring about behavioural changes? Forget even the money side from Government, forget even the tariff side, but will something around them create a behaviour change?

With that, can I thank our four panellists on the first panel, Chris Starkie, Roger Pollen, Roy MacGregor and Tim Williams? All of you have contributed immensely to our thoughts on freeports. Thank you very much. I hope this is not the last we see of you. Indeed, we might see Mr MacGregor again in happy circumstances in a cup final. Who knows whether it will be Ross County, though?