

Business and Trade Committee

Oral evidence: The performance of investment zones and freeports in England, HC 1492

Tuesday 24 October 2023

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Members present: Liam Byrne (Chair); Douglas Chapman; Jonathan Gullis; Ian Lavery; Anthony Mangnall; Andy McDonald; Charlotte Nichols; Mark Pawsey.

Questions 1 - 28

Witnesses

I: Professor Steve Fothergill, Professor, Sheffield Hallam University; Dr Nichola Harmer, Lecturer in Human Geography, University of Plymouth; Dr Patrick Holden, Associate Professor, University of Plymouth; Dr Peter Holmes, Fellow of the UK Trade Policy Observatory (UKTPO) and Emeritus Reader in Economics, UKTPO, University of Sussex.

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Examination of witnesses

Witnesses: Professor Steve Fothergill, Dr Nichola Harmer, Dr Patrick Holden and Dr Peter Holmes.

Q1 **Chair:** Welcome to this session of the Business and Trade Select Committee. I am delighted that you are able to join us for our hearing today on freeports and investment zones. I wonder whether you could start off by giving us a quick word of introduction, who you are and where you are coming from, and we will open the questions.

Professor Fothergill: I am Steve Fothergill. I am a professor of regional economic development at Sheffield Hallam University. I suppose that on this particular issue I probably know more about the investment zones end of things than the freeports.

Dr Holmes: I am Peter Holmes from Sussex University, the UK Trade Policy Observatory. I am basically a trade economist and my interest is more in the freeport area and, in particular, what the effects of freeports could be on trade. That is my area of expertise. I know nothing like what Steve knows about regional policy.

Dr Harmer: Hello. My name is Dr Nichola Harmer. I am a lecturer in human geography at the University of Plymouth. Over the past year or so, I have been working with my colleague, Dr Holden, looking at some of the publicly available documentation that is available on the freeports, both from Government and on the freeport websites themselves.

Dr Holden: Hello. I am Patrick Holden, associate professor of politics and international relations, also at the University of Plymouth. My research looks at trade policy and politics, mostly at international level, but I have spent a couple of years now with Nichola looking at the communications and institutional set-up for freeports.

Q2 **Chair:** Steve, would you mind kicking us off with something of an explanation, in plain English if possible, about what the difference is between an investment zone and a freeport? It would be useful to get our guests' reflections on how these initiatives are different to the kinds of investment zones and spatial-based initiatives that we have seen in the past.

Professor Fothergill: Let us start off with a very simple answer. There is not a lot of difference between investment zones and freeports. If you look at the financial incentives, they are identical. The only distinguishing factor between the two is that freeports have various exemptions from customs duties. Otherwise, they are very similar, identical indeed.

On how they compare with what we have had previously, you need to bear in mind that the investment zones that were tabled in the spring are very different from the Liz Truss and Kwasi Kwarteng investment zones that were put forward back in September. Whether you are looking at this spring's version or last September's version, in many respects you



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should think of investment zones as enterprise zones mark 3. We do not start off with a blank sheet of paper in terms of understanding their impact.

The basic concept of having a highly targeted set of financial incentives in particular very highly defined local places is something that we have worked with here in Britain since the mid-1980s and have a lot of experience on. We know what works and what does not work. Think of investment zones as enterprise zones mark 3 and freeports as a variation on the theme.

Q3 Chair: That is a very good place to start. Peter, do you want to add anything to that?

Dr Holmes: The crucial point that I have been interested in is what difference is made by that small difference in the incentives. The key point to bear in mind is that the goods coming into freeports are not actually exempt from tariffs. All they do is they get a deferral and they are not even exempt from all tariffs.

I was at some conversations with the then DIT and Treasury just before the scheme was finalised and there was an issue about what to do about anti-dumping duties. Most tariffs are actually extremely low. The ability to defer the payment of tariffs is not a big deal, but if you could avoid paying anti-dumping duties, say, on imported Chinese steel, that would be a big deal. They realised right at the beginning that that would be a big distortion, so goods coming into freeports are not exempted from anti-dumping. For any goods coming in with anti-dumping duties on, that has to be paid before the stuff goes into the freeport.

It is a very minor tweak on the import side. You just defer the payment of duties. You still have to comply with all the security and so on regulations. The benefit is that you have to go through two sets of customs controls, in and out, in order to get the deferral of payment. I do not want to tell the whole story, but this really matters in a country with very high tariffs on imported inputs, but it is a very small benefit, a very small difference for the UK, where tariffs are very low.

Chair: That is useful.

Q4 Anthony Mangnall: Professor Fothergill, could you talk a little bit about the economic incentives? I am going to start with you and then go over to Dr Holmes, because I want to see the disparity between investment zones and freeports. What will the economic incentives provided by freeports and investment zones deliver at a national level and a local economic growth level?

Professor Fothergill: Are you talking about what the incentives are or what I think the impacts will be?

Anthony Mangnall: We will start with what you think the incentives are and then go to what the impacts will be.



Professor Fothergill: It is a package of financial incentives on the investment zones. It is an exemption from stamp duty. There is a business rates holiday for the first five years. There are capital allowances for investment in plant and machinery and investment in buildings. There is an employer's national insurance contribution holiday up to a certain threshold for three years.

Those financial incentives on the investment zones are identical to the equivalent financial incentives available in freeports, putting aside the customs duties issue. On the subsidiary question, which is whether that is a particularly strong package, it is interesting to compare it with the packages that we had for previous generations of enterprise zones. As I say, see this as enterprise zones mark 3.

Enterprise zones mark 1, the EZs established in the 1980s and the early 1990s, initially by Michael Heseltine, had a somewhat stronger package. For example, the exemption from business rates was not for five years. It was for 10 years. Crucially as well, the capital allowances for investment in buildings were rather more powerful. I think in the first year you could offset all your spending on investment in buildings against tax, whereas the new arrangement is staggered over 10 years. Compared with enterprise zones mark 2, which is the package that we had that was brought in by the Cameron Government, this is a rather more powerful package that we have now.

Looking back at previous experience, would I expect this package of incentives to have a big impact? If the incentives are weaker and for a shorter duration than in enterprise zones mark 1, I would not expect the impact to be as significant. Enterprise zones mark 1 were quite powerful in some locations in terms of their impact. I would expect it to be a step up from what we have had over the last 10 years in enterprise zones mark 2. That is a rather complex answer, but I hope that I have set it out properly.

Q5 **Anthony Mangnall:** You have, but you have also made it very clear that we have had many iterations of these different schemes. Are we tinkering around too often, too frequently? I realise that there is a bit of distance between Heseltine and Cameron, but there is less distance between Cameron and where we are now. I realise what you are saying. Having a 10-year period on, say, business rates is something very good. Are we messing around with this and not allowing them to bed in for businesses to have a little bit more confidence?

Professor Fothergill: We have always had a model where enterprise zones, or now investment zones, only exist for a certain period. A site that got enterprise zone status, even in mark 1 enterprise zones, which were the most powerful, only had that status for 10 years. The intention was to make things happen in that period. If we have been fiddling around too much, it is perhaps not that we have moved from site to site, but we have fiddled around with the package and failed to build enough



on the lessons that were learned, and often learned the hard way with the enterprise zones.

One great lesson that we should have learned—I am still not quite sure we have learned it—is that it is no good just drawing lines around pieces of land on maps and saying, “That is the new investment zone”. The sites have to be ready to go. They have to be up and ready for building developments. The infrastructure has to be in, etc. If this is a brownfield site, forget it, because you are going to take five years just to bring it up to developable standard. That is one of the hard-won lessons.

Another hard-won lesson is that the key incentive among the entire package is the capital allowance on buildings. That is the one that has really triggered the development. I am not giving you my personal impressions here. It is also my personal impression, but it is the result of hard research and evaluation that has been done on enterprise zones. The investment allowance for capital investment in buildings sucks in a lot of speculative property development. When firms need to grow and expand, they move to where there is available property.

That is the way the growth model works in these locations: property first, firms second. You have to get that one right. It is nice to see that it has made a comeback in investment zones. It is not there in enterprise zones mark 2, but it is probably still not as strong as it should be.

Q6 Anthony Mangnall: Dr Holmes, perhaps you could give a perspective from the freeport side of things. Can I also add to this how you think freeports are going to generate increased trade and investment across the UK?

Dr Holmes: The incentives created by freeports are really rather small. One point to bear in mind is that most of what a freeport, as such, offers is already available, for example what is called inward processing relief and bonded warehouses. All these things can be done. You can import materials, export them again and not pay the tariff already. If you want to look at the actual impact on trade of a freeport, you need to compare it not only with the investment zone but with existing long-term incentives.

The freeport offers a slightly more convenient way of bundling together these various exemptions. Many of the things that a freeport offers are there already. It is worth recalling that, when the idea came up, it was launched by Rishi Sunak himself in 2016. He was suggesting great benefits by comparison with the US. One point that has not really been addressed by the supporters of the freeport system is that the US tariff structure is very different. US free trade zones, as the British ones actually, are essentially import promotion zones. They are not export promotion zones.

In free trade zones in the US there are obviously a lot of warehousing operations. Amazon apparently runs a lot of the free trade zones in the



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US. The biggest job creation in the US is in industries where—this is awkward to get your head around—the tariff on the finished product is lower than the tariff on the parts and components. It is something that Trump used to complain about. Cars imported into the US bear a duty of only 2.5%. Parts and components are around 7%, 8% or 9%. It pays to import parts and components into the US, avoid the 7% or 8% tariff on the duties, and then you pay only the 2.5% on the finished product when it goes into the US. You do not avoid the tariffs altogether. You can just defer and transform them if you are changing the nature of the good.

The British tariff system is not like that. The old EU common external tariff had very few examples in where the tariff on the parts, components or materials was higher than on the finished product. When the UK global tariff was designed in 2020-21, one very specific element in it was that they were going to eliminate cases where they found that tariffs were restricting production because of the high tariffs, so there are very few examples.

We did a little study, which actually got to the front page of the *Financial Times* once. Dog food was the only example where we could locate specifically a product where the material bore a higher price, so the dog food industry is thriving because it can import bulk dog food, put it into cans and save the tariff. There may be other cases that you cannot easily identify, because you do not know, looking at the tariff data, what actually goes into what.

Q7 Anthony Mangnall: The big winners of freeports right now are the dog food producers.

Dr Holmes: Exactly, yes—big dog food.

Q8 Anthony Mangnall: Sorry to push you on this. You are struggling to find anyone else who would be benefiting from that side.

Dr Holmes: I am not saying that there is not a possibility. There could be. On the other side, there are very few incentives to export. Most of the UK free trade agreements we have signed include a provision that is called a duty drawback prohibition. If a product is made with inputs that have been exempted from tariffs when they came in, that product will not get the preferential treatment in the export market.

The trade and co-operation agreement with the EU has a provision in that says that there is no duty drawback ban, but it is to be discussed in 2023. If any country, whether the EU or anybody else, considers that freeport treatment is giving a benefit, they can invoke WTO compatible countervailing duties or rebalance things in the TCA. There is not really a lot in it for trade.

Q9 Jonathan Gullis: Will new jobs created in freeports and investment zones increase overall national employment, or will any new jobs simply be displaced from other locations?



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Professor Fothergill: Here, I have to go back to the research that has been done evaluating the enterprise zones, which was very good quality research. I trust the findings. Not all the jobs that will be created will be net new jobs to the UK economy, by any means.

There is a problem, one of dead weight, where you get some firms being subsidised that always would have been on that site. You also get a problem of a displacement, which is that some of the economic activity might have been located in the neighbourhood, in the local subregion, in the absence of the enterprise zone or investment zone. There is still a net addition to employment that has been identified by the research. It is hard to pin down quite what the exact proportions between dead weight, displacement and the net increase in new jobs are. I suppose that, if you wanted a rule of thumb, I would probably say that it is about a third, a third and a third.

In terms of focusing growth on very specific places, sometimes it does not actually matter that these jobs might have been located 50 miles down the road. If you want the jobs to happen in that particular place, rather than in some prosperous place further down the road, it is a good thing that you have created the jobs on that particular site rather than somewhere else. You should not necessarily regard all of the displacement as negative, if it is happening in a place that really needs the jobs as opposed to one that does not need them quite so much.

Q10 **Jonathan Gullis:** Dr Holden, do you have anything to add?

Dr Holden: I have looked at additionality in different contexts, how you determine that this is really new money, and it is safe to say that it is not an exact science. You can never know the counterfactual of what would have been done.

Q11 **Jonathan Gullis:** Dr Holmes, from your view on freeports, do you have anything to add when it comes to the employment side of things?

Dr Holmes: I very much agree with what Steve said. I will throw one thing in. One thing that the freeports seem to have an advantage in is in certain environmental green projects. The problem there is the counterfactual, what would have happened. In Scotland, for example, they designated two areas of green freeport, but those are areas where there was already going to be development in so-called green hydrogen and so on.

We observe that there is a jockeying for position among the freeports. Humberside and Teesside have argued about one particular plant. The Centre for Cities—I completely agree with what Steve says—has done a lot of good work on enterprise zones and what the effect was. It finds that the benefits were less than expected and very heavily towards displacement. I recommend the Committee to look at its work.

Q12 **Jonathan Gullis:** Professor Fothergill, how important is it that, when these things are being announced, the locations, the skills available



within that local area are taken into account? For example, it could be argued that, as you have already mentioned, if you do not have the infrastructure—and you could argue that your infrastructure means your college and university sectors, and the skills that are there, how much is that a factor when it comes to needing to decide where these types of areas are, in order to, as you say, create new jobs, or potentially displace and then create?

Professor Fothergill: I have two comments on that. One is that actually the labour market is remarkably flexible. We have a skills shortage generally. I would accept that. If I was looking for a key factor to determine where to draw the lines on a map, it would not be necessarily about the availability of skills.

The key factor that you need to identify when you are targeting an investment zone, or indeed a freeport, is the fact that you have developable land, land that can be brought forward quickly. Going back to the point I was making earlier, it is no good just drawing lines around brownfield sites and saying, "This is where we want the investment zone to happen". These have to be ready to go.

Some of the more successful enterprise zones over the years have acquired enterprise zone status after perhaps a decade of preparatory work, turning derelict sites into ready-to-go sites. There is a moment for designating a site as an enterprise zone and it is at that particular moment when they are ready to go. You will always find skills shortages everywhere these days, but I would not suggest that should be the driving factor.

Q13 **Ian Lavery:** I am wondering whether Dr Harmer can start on this one, if indeed it is your speciality. Will investment zones deliver greater economic benefit than freeports? I know that it has been said already that there is really not much difference between the two, but there is a huge difference in terms of what the Government are investing in the freeports and the investment zones. Will investment zones deliver greater economic benefit than freeports?

Dr Harmer: I might, if you do not mind, pass that back to one of my colleagues because that is not an area that I have been looking at in detail. I would perhaps rather speak to areas that I have done the research on, if that is okay.

Professor Fothergill: I have been going through a learning process in all this, I have to admit, listening to Peter and what Peter has to say about the extra layer of incentives that you get in freeports over and above what you have in investment zones. Peter's judgment is that actually that package of the extra incentives in freeports is not worth very much. In that case, I would not expect freeports to be in a different league to investment zones, in terms of their impact. Does that answer your question?



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Q14 Ian Lavery: It does. There is the different financial investment from the Government. I am probably stepping on someone else's question here, but for the investment zones it is about £80 million. For freeports it is about £30 million. Would you expect different economic benefits? Is it justified that the difference in the investment will have a huge impact on the outcomes?

Professor Fothergill: One of the differences that exists—correct me if I am wrong here—is that the financial incentives in investment zones at present are cash-limited. The Government have only set aside a certain amount of money for that. Once it is spent, presumably it is spent. I am not aware that the cost of the financial incentives in freeports is cash-limited in the same way. Even if the up-front availability of cash is rather less in a freeport than in an investment zone, I would not necessarily read into that that, at the end of the day, the public expenditure cost is going to be vastly different.

Dr Holmes: Steve has said what I think very well. I would like to add one small point. It costs money to set up a freeport. You have to have quite complicated security arrangements around the customs side. It is not the whole of the freeport zone. I should have made this clear earlier. It is only customs sites within the freeport territory that benefit from these customs allowances.

We had freeports until 2012. The then Government decided not to continue them because the security requirements changed under EU regulations and they did not think that it was worth bothering to carry on with the new arrangements. They are expensive to run. The amount of money available is not very great. The trade incentives are quite small. In reviewing the freeports, the Office for Budget Responsibility has said that the benefit is likely to be negligible.

I would still stick with the thing that the bolt-on effects of the trade dimension to the freeports is very small. It is the investment allowances that really matter. Then we come to the points that Steve has raised. The trade dimension will not work very much, so the equation is whether somehow investment zones and freeports will get different amounts of growth from the investment allowances, but there is a subtle difference. We had a conversation yesterday in which Steve discovered that there was a difference in the type of investment that could be subject to capital allowances between investment zones and freeports.

Chair: Let me bring in Mark Pawsey, because this is the question of benefits now.

Q15 Mark Pawsey: I was going to ask about benefits, but I wonder whether I can ask a question first to Dr Holmes. In your reply to Mr Gullis, you said that Humberside and Teesside were both investment zones and they were contesting a particular piece of investment. Is that a bad thing?



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Dr Holmes: Not really, no. I forget which particular project it was. It was going to go into Humberside and then went to Teesside. Absolutely not, but, from a methodological point of view, when you are trying to count the amount of extra investment, one has to be aware that some of the investment that went into Teesside would have definitely otherwise gone to Humberside. That is the only point.

Q16 **Mark Pawsey:** They are both investment zones and subject to the incentives.

Dr Holmes: They are freeports, yes.

Q17 **Mark Pawsey:** They were not looking at putting it somewhere where there were not those incentives.

Dr Holmes: I think that is correct.

Q18 **Mark Pawsey:** In that case, the question is whether the existence of the investment zones and freeports provides sufficient benefit for the investment that is being made. In the example you gave, there was a contest between two investment zones, but it went to an investment zone, or it may have been split, but it might not have happened at all had the investment zone not been there.

Dr Holmes: We will never know. It was a particular project related to the geographical locations, which were similar in the two cases. You are right.

Q19 **Mark Pawsey:** Are the Government wasting their money in that case? If it was going to go there anyway, why bother?

Dr Holmes: I do not really have an answer for that one. It is very complicated to know what would have happened otherwise.

Q20 **Mark Pawsey:** Professor Fothergill, how do we measure the effectiveness of this strategy, the investment zones. You told us that mark 1s were really good because they seemed to have more cash behind them than the current mark 3s. Mark 2s did not work terribly well. Is the mark 3 that we are on now just a bit of an effort? Could it be stronger?

Professor Fothergill: I am using the yardstick of overall number of jobs there, though you need to bear in mind of course that some of the jobs might not be net new jobs to the economy as a whole, or indeed to the locality as a whole. Jobs are a nice, easy thing to count.

I know that enterprise zones have not always been popular in some quarters, particularly among the Labour Members, as Labour members of this Committee will be aware. If enterprise zones, or indeed their successor, investment zones, are properly designed and implemented, they can be quite a sharp tool in bringing jobs to the places that need those jobs.

Q21 **Mark Pawsey:** Are the levels of investment adequate to nudge the dial? I understand that an investment zone would probably get £80 million,



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£25 million for a freeport and business rates at £15 million at a time when Government are spending £500 million supporting a battery plant in Somerset and new steel manufacturing in Port Talbot. In the context of things, is this programme really going to make any difference?

Professor Fothergill: No, these are not big amounts of money. You are absolutely correct in identifying that. Frankly, if we want to make a success of the investment zones, whether it is this Government trying to make a success of investment zones or indeed a possible new Government in the autumn of next year facing the same question, you have to look seriously at beefing up the package of incentives.

I identify two or three really specific ways in which the package could be beefed up towards the end of my evidence. That is particularly about extending the duration of some of the financial incentives. Five years is neither here nor there. It is also about lifting the cap on the available cash. That does not mean to say that you are going to throw away money willy-nilly. You still need to evaluate each case under the new subsidy control rules that we have brought in since Brexit.

It is also extending the reach of the investment zones, in terms of the sorts of businesses that they are trying to target. At the moment, the way that the investment zones are constructed is that they are trying to conjure up something, a cluster of a very highly-specific industry. They are trying to conjure that up from nothing. That is a very tall order.

Q22 Mark Pawsey: Dr Harmer or Dr Holden, do you have any comments on whether the existing mark 3 that we have heard about is going to make a difference in terms of regeneration and jobs?

Dr Holden: I want to agree that the funding is very modest, especially for freeports, which really are costly with the new customs facilities and so on. Investment in infrastructure will not fall under anti-subsidy legislation, so the Government are free to do that. As for the actual impact on jobs, I will defer to my colleagues.

Chair: Mr McDonald, you might put your two questions together.

Q23 Andy McDonald: I am going to roll them up. I am interested in the panel's views as to whether there is enough information to understand what the basis for these policies is. Are you getting enough information from Government to allow you to understand that? In terms of the locations, are you content that you have enough information about how decisions have been made about the locations? Additionally, I think that other people have asked, some of the people who lead these things, whether, if advantages are spread around the country in such number, does it water down the impact of them? Do they become less relevant? There are a few questions.

Dr Harmer: I am happy to speak to the information available. We have been looking at the publicly available information. The information provided by the Government has been helpful in allowing us, as



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non-insiders, to gain a broad understanding of the programme and how it is intended to work. The documents such as the bidding prospectus, the full business case guidance, the set-up and delivery model guidance and such have given us that kind of detailed information about the expectations for the freeports.

Our desk-based study of the websites of the individual freeports suggests that there are varying levels of public information provided to help people understand some of the more detailed aspects of how individual freeports are developing in practice. This might be partly because the freeports are at different stages of development. Some have only just had their full business case recently approved and more information seems to be coming out, even since we have submitted our written evidence.

However, detailed information about plans for how the retained business rates will be spent and the seed funding are often provided in the full business case of the individual freeports and in the memorandum of understanding. In some cases, those are not readily available on the freeport websites.

There is some information. There are board meeting minutes that are beginning to be uploaded to the websites. There is some information on most of the websites about the governance arrangements, but those are generally quite lacking in detail. Although there is information out there on local authority websites, it can probably be quite difficult for members of the public to piece together the detailed picture of what is happening in practice within various freeports when multiple different stakeholders are involved in the process.

Q24 **Andy McDonald:** That is interesting. When I look at these things, the one that concerns me, a lot of it is either redacted or declared confidential. I cannot really fathom what is actually going on. Is that the case more broadly? It is not just in one freeport governance body. Is that the approach?

Dr Harmer: It varies across the different freeports. We looked at the different freeport websites. Some of them seem to have a good deal of information on them. For example, Solent and Plymouth and South Devon have more information on them. Some of them have less and it seems to be quite difficult to piece together the picture of what is going on at the ground level, yes.

Q25 **Andy McDonald:** Would we be assisted if there was a more standardised approach to governance insights? Presumably that would help us.

Dr Harmer: That would be really helpful if there was some clear guidance on what freeports should make public and explaining that in a way that is easily understandable for people who are not inside the process.

Q26 **Andy McDonald:** Then it is whether they are of value to us. Do they work? Can I move us on to think about monitoring and evaluation? On a



visit we made to a freeport, we were told that it was rather opaque and it was not settled. We have subsequently discovered from the Minister that there is a process for monitoring and evaluation. It is just going to be difficult to determine whether it has been successful. Can you tell me what metrics you think should be used to evaluate whether it has been a worthwhile exercise? Has it been beneficial?

Dr Holden: The public-private element at the highest level is the challenge for transparency because they are saying that it is commercially sensitive. There definitely is an elaborate evaluation system that has been set up. In fact, they have to do quarterly reporting to Arup, I think it is, the consultant. It seems to be maybe not a scattershot approach, but they are asking for all kinds of data and they might want to focus it more. My two colleagues in the room could have a lot to say about that.

Q27 **Andy McDonald:** The Association for Consultancy and Engineering suggests that any monitoring and evaluation should track employment, GVA, wellbeing, social capital and environmental impacts. Is that a reasonable expectation and can we do it?

Professor Fothergill: It is a tall order on all of those variables. I would keep the evaluation pretty simple: jobs. I really would. Tracking some of those other variables is technically difficult, especially at the local level.

Q28 **Douglas Chapman:** Can I follow on from some of Andrew's comments and questions there? Nichola and Patrick, in terms of the governance board itself, we have green ports in Scotland that are just getting under way now and looking at the governance structures. In England, while the information the governance board provides might be a bit patchy, what teeth do you think the governance board actually has? Can they seriously influence the direction of the freeport to deliver more for local economies and local people?

As Steve points out, that focus on jobs and good-quality jobs is what we are looking for, from our green port anyway. I wondered whether you have come across instances where the governance board has put its foot down and said, "We need to do more of X, Y or Z", to actually create more jobs.

Dr Holden: It is worth noting that there is a freeport governance board whether it is a company limited by guarantee or some other partnership. Then there is a lead accountable body. That is the local authority. This is right, in my view. This is how it should be. Certainly in the case of Plymouth and South Devon, the small-scale one, the local authorities have been clear that, on their reserved matters, the major decisions about funding and planning will be made by them. They also of course have a role on the freeport board itself. It will vary.

The important point to understand is that all these different structures are very different. Some are very large-scale, diffuse, across up to nine local authorities. Some are not. It should be that the local authorities



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have ultimate veto power. The boards will have power over the strategic direction, attraction of industry and so on. That is my major response to that question, but it is an important question obviously.

As for the membership of the board, it is made up of local authority representatives, the private sector, landowners, major transport companies, in a couple of cases MPs, which is interesting—I can see pros and cons—and in a couple of cases universities. I would like to see more small to medium-sized enterprises, some representation for them. I would like to see some kind of advisory board, on which you could include broader representation from society, civil society as well. They would not have veto power. That would not be workable, but they have missed a trick there.

In Scotland, they should do that more explicitly. Some citizens are worried about freeports, probably because of the initial political rhetoric that they were these radical, deregulated zones, which in fact they are not. It is a relatively modest policy, but this has caused quite a lot of disquiet.

Chair: That is very useful. Thank you. The clock is against us, I am afraid, and we have a second panel to roll on. I am going to bring this panel to a conclusion now. Thank you so much to all our guests and witnesses today. That has given us a flying start for our work in this area. Thank you very much indeed. Please stay in touch with the inquiry as it rolls on.

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