

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 29 - 77

Witnesses

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II: Kevin Shakespeare, Director of Strategic Projects and International Development, The Institute of Export and International Trade; Stephen Marcos Jones, CEO, Association for Consultancy and Engineering (ACE); James Brougham, Senior Economist, Make UK.



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Examination of witnesses

Witnesses: Kevin Shakespeare, Stephen Marcos Jones and James Brougham.

Q29 **Chair:** Welcome to the second panel of our inquiry into freeports and investment zones. Thank you so much to everybody for joining us. Would you mind saying a word of introduction?

James Brougham: I am James Brougham, a senior economist at Make UK. Make UK is the manufacturers' organisation representing the breadth of all manufacturing across the country and across all sectors as well, collectively representing the interests of businesses, but, more critically, over 2.6 million people employed in the sector.

Kevin Shakespeare: Good morning. I am Kevin Shakespeare, director at the Institute of Export and International Trade. We are an impartial organisation, a charity, covering all elements of international trade and trade customs best practice. Recently, we have been doing a lot of work in the foreign direct investment and trade facilitation space.

Stephen Marcos Jones: I am Stephen Marcos Jones, chief executive of the Association for Consultancy and Engineering. We are a representative body. Our members are involved in a lot of the freeport projects at the moment. They tend to be involved in the design and infrastructure side of the work. We have members that range from SMEs, very small consultants, right through to large consultants such as AECOM, Arup and so on and so forth.

Q30 **Jonathan Gullis:** We have heard from the first panel about there not being a massive difference between freeports and investment zones apart from the freeports particularly around the customs and tariffs. I am keen to understand whether the economic incentives provided by freeports and investment zones will deliver, in your opinion, first, national and, secondly local economic growth.

Kevin Shakespeare: I would probably agree that there is not a huge amount of difference. You touched on the customs part and I guess the international trade supply chain piece. That can link to investment zones as well. Yes, it can deliver the economic regional and local benefits, but one thing we need to consider is the actual connectivity between freeports and investment zones, the opportunity to work together.

Q31 **Jonathan Gullis:** When you say about connectivity, is it your basic road infrastructure and public transport, or is it more about the placement of these freeports and investment zones in order to work cohesively together?



Kevin Shakespeare: There is an element of this transport-trade corridor in it. There is also an element of linking supply chains, so linking tier 1, tier 2 and tier 3 suppliers as well in, say, an investment zone with an OEM—original equipment manufacturer—in a freeport, for example, or even the other way round.

Q32 **Jonathan Gullis:** Mr Marcos Jones, what are your general views?

Stephen Marcos Jones: Connectivity is key. There has been a level of confusion around the language that Government have used to describe investment zones and freeports. There is a risk that the freeport becomes a bubble. The benefit of the freeport needs to expand across the region. We need to look at ensuring that supply chains are invested in and grow. We need to make sure that jobs are created and that this forms a cornerstone of regional development, not just happening within the confines of the freeport. I would absolutely agree with what Mr Shakespeare just put forward.

James Brougham: In terms of freeports and investment zones, while the composition is very similar, the evidence that Make UK has to offer the Committee today is largely focused on investment zones themselves. The perception of manufacturers across the country is far more divided on freeports than it is investment zones. This could be because investment zones are rather in their infancy.

The division in freeports comes more around those that have and those that have not and those that are perhaps benefiting from perceived benefit from being located within freeports, and, particularly within the SME space, those that may not be able to so readily take advantage or move location.

With regards to investment zones, these are far more unilaterally supported, except there are a lot of questions and views around the potential impact and perhaps a guardedness from the sector about how successful they may well be, particularly given the nature of the current incentives, but, critically, how long they intend to run on for.

Q33 **Jonathan Gullis:** One thing that we heard from Professor Holmes in the first panel was the fact that some of the announcements, particularly around the freeports, have been in areas where, essentially, industry, particularly in green and in hydrogen, for example, was already taking place. Are we saying that, with the growth that has been created, this was essentially already forecast and the Government were just adding an extra bit of incentive? Have we gone to new areas where maybe the ground is ready, as we have heard about the importance of, but ultimately there has not really been a hub of discussion about how that area could become a leader in a manufacturing space, digital and so forth?

James Brougham: The leading concern is around the availability of labour, as pedestrian as it might seem. The selection of the area is very



important. With many industrial place-based policies right across the western world, the challenge is more so around having access to the appropriate labour in the area. This is one of the major shortfalls we find consistently across freeports, investment zones and indeed previous iterations of enterprise zones. You can have suitable amounts of incentive for investment and a suitable amount of infrastructure built. However, if there is no skilled labour and workforce, so you are unable to accrue it into your business, it is not going to have the eventual longer-term impacts that the ambition of the scheme sets out to achieve.

- Q34 **Jonathan Gullis:** That is interesting, because Professor Fothergill said that for all these—I am sure you would agree—it is about having land ready. It is no good having a brownfield site that has not been remediated. Otherwise, with the time of five or 10 years, ultimately that will not be ready. In his opinion—I hope I am quoting correctly—labour was a secondary afterthought. Essentially, the labour market was quite flexible.

My concern, with my old teacher hat on, was that an area, particularly with skills shortages, needs to be able to have a university and technical colleges. Mr Brougham, you are saying that, in areas that are selected, we need to see the educational institutions or support network around in order to incentivise business to make a home there because they can see the labour market moving with the industry they hope to produce.

James Brougham: This is perhaps where the disconnect lies between the timeframe of the schemes and of course—

- Q35 **Chair:** Let me just check. That is a yes, is it? You are agreeing with Mr Gullis's question.

James Brougham: Could you repeat the question again so I am sure?

- Q36 **Jonathan Gullis:** The question was whether you think labour is equally important to land readiness to make sure the skills market is available.

James Brougham: Yes, very much so. Of course, this is where the disconnect comes with the timeframe of the schemes and the fact that there is none. You can have brownfield readiness and sites ready, and perhaps again that will be a challenge within a short space of time. However, the labour challenge will not be solved overnight. This is a major limiter of output for manufacturers across the country. This is perhaps the sorest point in terms of what is limiting the proliferation and success of the sector's output year on year.

- Q37 **Chair:** Stephen, you were nodding in agreement to this.

Stephen Marcos Jones: Yes, I absolutely believe that the talent pool topic is as important as the brownfield topic. If we are truly going to deliver economic wealth to some of these regions, we need to think about the job creation side of it. What is the opportunity here? What is the opportunity to think differently about job creation within the freeport



confines? There is also conflation between industrial clusters and freeports. How does that all work together?

In our view, we believe that business leaders need to come together and think in a different way about how they stimulate job creation, how they use talent pools in a different way and how they attract different types of apprenticeship schemes, for example. Absolutely, job creation and talent is crucial to this whole discussion. If there is a disconnect between the location and the job creation, you have failed in the objective.

- Q38 Ian Lavery:** Without really positive stakeholder involvement, there will be massive problems. Can you explain to the Committee the primary stakeholders who have shown the greatest interest in the freeports and investment zone policies? Also, who, in terms of primary stakeholders has shown the most investment in both the freeports and the investment zone policies?

Kevin Shakespeare: In the context of stakeholders, it is very much the local authorities, the academics and academic institutions, but also the DfE and colleges. It is really important that they all work together there and it is not seen to be one academic institution in an area. It has to be several academic institutions. There will be key local employers that need to be involved. Also, what we have not seen too much is the SME community, so a big focus there on SMEs and suppliers to the larger businesses is also important.

Coming to the freeports, it is to some extent around the infrastructure, the port operators. The shipping lines become crucial. If we think about trade with the UK, there is too much transshipment through Rotterdam and Dubai. More direct routes will help the UK economy get the goods here quicker, so the shipping lines and the freight forwarders also have a key role to play, certainly within the freeports.

- Q39 Ian Lavery:** Do you think that the main stakeholders are working together in the best interests to get the best results? I am not sure whether I picked you up right there when you said that perhaps they are not.

Kevin Shakespeare: There is an opportunity for stakeholders to work together more in regions. I guess that, if you work for an HE or FE college, you are going to want to do the best for your organisation. By working together in the region and the wider region, we can achieve a lot more.

- Q40 Ian Lavery:** How will small and medium-sized enterprises benefit from the freeports and investment zones?

Stephen Marcos Jones: The opportunity for them to benefit is certainly there, but it comes back to that connectivity argument. It is making sure that the hinterland of the freeport is also stimulated as the freeport develops. That is ensuring that you are making a supply chain to ensure the duration and the longevity of the set-up.



Furthermore, the opportunity to develop the supply chain in phases and bring in more and more SMEs over time is also something that needs to be considered from the get-go. You almost want a phased approach that ensures that the freeport can develop its unique set of competitive advantages. Without the supply chain behind it, I think that it will fail. SMEs certainly need to be part of the conversation up front and thought of outside of the freeport.

Q41 Ian Lavery: How has the green technology sector been involved?

Stephen Marcos Jones: If you look at areas such as the Humber region, absolutely. We talked a little bit about hydrogen. That has certainly been part and parcel of what they are trying to deliver. Net zero principles need to be part of the criteria of the freeport, making sure that we are making model structures, model clusters of companies working together in a net zero way, adhering to sustainability standards. Again, that needs to be up front in the criteria and part of the initial conversation.

Q42 Ian Lavery: Does anybody else want to say anything?

James Brougham: I can certainly speak to the first question, but from the view of representing manufacturers and not other stakeholders. It is rather revelatory, especially when, sat in policy and understanding, you would be well aware of investment zones, but we have some research that only came in as of Friday, so 20 October. It shows that only 63% of the sector are aware of even what investment zones are. That is an interesting starting point to think about when we talk about the minutiae of policy.

Of that 37% who do not know, you are going to find a significant number of SMEs, speaking to your question on SMEs. It is rather unavoidable. With any scheme related to business investment or any pro-business policy scheme, you are going to find that the larger corporates will benefit more, just given the admin capacity, the ability and the exclusive advice in order to maximise those Government schemes. Perhaps we saw this a little bit with the famous, or infamous, super-deduction. That is not to say that SMEs will not benefit. It is simply a function, apart from those schemes that are explicitly limited to SMEs.

Q43 Ian Lavery: Is that really concerning? Did you say that 63% of SMEs—

James Brougham: To correct myself, 63% are aware. 37% are not aware. I had the numbers the wrong way round.

Ian Lavery: I was alarmed.

James Brougham: It is still quite a large figure. It is still a large figure, 37%.

Q44 Ian Lavery: It is still a lot, is it not? Does that alarm you? Does that worry you? Does that concern you?



James Brougham: It very much concerns us. To move on to a similar point, it is around the clarity of investment zones that Make UK has a challenge, because, especially with the five pillars being supported by investment zones, as laid out by the Government, one of them being advanced manufacturing, one of the questions is what constitutes advanced manufacturing. It is quite hard to get a consistent answer and, in turn, for us to communicate what that means to our members and to the sector. For example, to demystify what I am saying, does that mean a very simple product with highly advanced processes or does it mean a very advanced product, but it might be an extremely rudimentary process to get to that end?

Of course, there is a significant proportion of British manufacturing that is small volume, very advanced but extremely bespoke. How you define advanced manufacturing leaves the sector feeling unsure. Some 43% of the sector consider themselves advanced manufacturing: 28% do not consider themselves advanced manufacturing. The same figure, 28%, do not know. They are not quite sure where they fall into, because it is not explicitly contained within an SIC code or within a Companies House registry or something to that effect. That leaves a slight question mark and the scratching of heads around the imposition of investment zones, whether a sector could even benefit. That is even if they are aware of that scheme taking place in the first instance.

Q45 **Ian Lavery:** Finally, are stakeholders who have engaged with the freeports located inside or outside the freeport areas?

Kevin Shakespeare: Yes, from our evidence, there have been linkages with stakeholders outside the freeport area, whether that is colleges or universities. There is a great interest in engaging. To pick up on a point of Mr Marcos Jones, the expansion of the actual area and the region means that there is a demand from businesses and organisations outside of the region to want to be involved in the freeports, for example.

Q46 **Andy McDonald:** On a related point, in the localities, of the businesses and communities that are not directly involved in investment and freeports, are you seeing any evidence of benefit accruing to them? Can that happen? If I roll it on, could you also address whether there is any evidence of the creation of local supply chains where freeports have been created?

Stephen Marcos Jones: The answer is that it is too early to tell. It needs to happen, but the engagement strategy perhaps needs to be reconsidered, because the consistency of language is not helping the matter. What is the value proposition of the freeport and what is in it for me to participate? Some of the large corporates that are perhaps directly in that zone might understand it, but that outreach programme is really key here and I am not sure the message is getting out as effectively as it might.

Q47 **Andy McDonald:** On measuring whether this has all been worthwhile, I



know your organisation has a view about this: that any monitoring and evaluation should track employment, GVA, wellbeing, social capital and environmental impact. What buy-in do you have? It seems eminently sensible to me that, if we are going to do this, it has to be worthwhile. We have to be able to demonstrate that it works. You have heard Professor Fothergill just say, "It is jobs". What sort of purchase are you getting opposite those sorts of metrics of evaluating whether it is a success?

Stephen Marcos Jones: I would say it is low at the moment.

Q48 **Chair:** What is low?

Stephen Marcos Jones: The level of buy-in for those metrics is low. It is perhaps the maturity of the programme that is creating that low buy-in. There is a want to measure, but you have to have something to measure first. It is just where we are in the programme.

James Brougham: I would suggest that the view of success on a regional level—you could look at it on a national level as well—is the totality of the mission of investment zones, but particularly on a given investment zone, given so often it is acknowledged that it is the manufacturing sector that perhaps stands to gain the most, potentially, from these investment zones if correctly rendered, or rendered to the best of their potential. It is a rather simple measurement of improvement of GVA, of the contribution of manufacturing, of the gross value add to the local region's economy, combined with, as you had stated, the creation of suitable manufacturing jobs within the area.

Here is the other point as well. It is not just creation, because we have quite a lot of job creation within the sector. It is the fulfilment of jobs as well, which I know is a pedantic statement but it is a very significant point of concern, because of course we have a very high vacancy rate within the manufacturing sector at the minute. That long-run data goes back 30 years, with an average of 1.9 jobs vacant for every 100 employed. That is the long-run. That goes back just shy of 30 years, in the 1990s. That peaked at its all-time high, as far as that data goes back, in July of last year, at four jobs per every 100 vacant. For every 100 employed within the sector, four were vacant.

We have come down a long way now, but we are still at 2.9. For easy math, let us say it is three jobs vacant for every 100 employed. It is quite easy to proxy and come to the conclusion that the demand for labour within the sector is still 50% as hot as that long-run average. In July and during the post-Covid boom, it was twice as hot. Although Covid is very firmly in the rear-view mirror, the sector is very much clamouring for labour.

That adds some weight as to why Make UK are so focused on perhaps not just the job creation, which is very important, but the job fulfilment, the people to fill those jobs. It is all very well setting up a new, exciting



company at the cutting edge of green technology and all going well in the sense of investment zones, but then securing that local employment will be the ultimate challenge. Actually, this is not something novel in industrial policies that we are seeing in the US, such as the Inflation Reduction Act. That is something that will put the brakes on that as well. They simply cannot magic up the labour to put into the new endeavours.

Chair: That is very useful.

Q49 Douglas Chapman: I am just looking at the report that was published by the Government at around about this time last year, the UK freeports programme annual report, where the Minister states, "2023 is the start of an exciting new chapter for the programme. We will see freeports continue to go from strength to strength by spreading their benefits across the whole of the United Kingdom".

Just on that statement, I am probably more a figures guy rather than a words person, but what would you expect to see in this year's annual report to give you some confidence? For example, if you are the Minister, what are you going to be looking for to publish in this year's annual report to say, "This project is moving on and it is moving on at some pace", so that we can actually see some of the benefits"? We have heard a lot from the Government as well—I am not making a political point—in terms of growth, energy security and net zero going forward. Freeports are crucial to all of that. What would you be looking for to put in your annual report?

Stephen Marcos Jones: I would like to see strong leadership in this annual report. It is key with all of these freeport programmes that you have a strong leader, a plan and buy-in from the business community. Setting that out in this annual report would be very helpful, demonstrating that business and stakeholders are behind it.

Q50 Douglas Chapman: Are there any numbers or evidence in there that we could look towards that would give us some surety that things are heading in the right direction? I take the earlier point you made about the maturity of the project in total.

Kevin Shakespeare: In the context of numbers, it would obviously be good to see the levels of investment. It is also important to see the pipeline and the plan of action, which includes all stakeholders as well. I just want to come back to the point around the green energy, but also the question around whether freeports can work with the local community and businesses outside.

One thing that is an opportunity, which has not quite been realised, is around critical mineral supply chains and green energy supply chains, with this desperate need that we have globally and in the UK. We have an opportunity here, as well as with digital trade and customs innovations here, to really build supply chains, whether it is lithium, cobalt, copper or graphite. That is something that has been looked at but it has not really been fully implemented.



If we think about the north-east, for example, there is a very well-known automotive manufacturer, which is not in the freeport near Teesport. There is the opportunity to create that trade corridor. That organisation has a customs warehouse, but their tier 2 and tier 3 suppliers are also customs-approved. We have that opportunity.

I know I have gone on a bit about customs there, but I would like to see a pipeline to see how we are building it out. The customs site operators are absolutely key and we do not necessarily have enough within the freeports. We have some small customs site operators in employment terms, and particularly large ones, but more should be done to encourage customs site operators to mirror the success of fair free trade zones around the world.

James Brougham: Make UK's most up-to-date evidence is limited to investment zones. We would not be able to robustly comment on what we would expect to see from future accounts in freeports.

Q51 **Douglas Chapman:** It may be a bit of a blank page in terms of their freeport report for this year.

James Brougham: We have a qualitative body of work on freeports. It has fallen off the priority of the agenda for the sector. Where we see, as I mentioned at the start, more unilateral support, we see that in investment zones, so that is where Make UK is focusing its resources at the moment.

Q52 **Douglas Chapman:** I know that all three of you have covered SMEs in some detail. In terms of supply chain, skills and so on, levels of growth and potential for export probably come more from SMEs. If I am looking at my own freeport area, we have Forth Ports as the key partner, along with Babcock, INEOS and Edinburgh Airport, which are all fairly big players and well-structured, experienced companies.

I am just wondering if there is a platform or a space for SMEs to make an entry into to the freeport zones. Is that something that the governance boards really should be pushing hard on, to make sure that there is that space, there is that platform and that part of the real remit is to growth these smaller businesses so that we can look forward to much more success coming from the freeport in general?

Kevin Shakespeare: I would agree, absolutely. There are a couple of positive actions that could be taken in that regard. One is that the UK, like every member of the WTO, has to report trade facilitation indicators. Globally, the lowest indicators are SMEs and women in trade. We have the opportunity here to use that as a basis to support SMEs. Another way is through customs site operators as well, to encourage SMEs to become customs-authorised. That could be through support package that helps them. Currently the customs compliance requirements can be met by big businesses, but smaller businesses do not necessarily recognise them. A support package there could help small businesses.



When we think about green energy and export into the European Union under the green deal, unless we do something there, small businesses are going to struggle to meet those compliance requirements.

James Brougham: Given the consistencies in terms of the incentives between freeports and investment zones, this piece of evidence applies to freeports as well in terms of buy-in for SMEs, if I understand that to be the crux of the question. When we did this research, we looked at what would improve the likelihood of relocation into one of these zones that is not currently available. The make-up of the UK manufacturing sector, by volume, is that it is mostly SMEs. It is a very high proportion; it is around the 90% figure, and it fluctuates in terms of volume, not in terms of value. That is in terms of the number of businesses, of course. These results effectively represent that view. It is about up-front relocation funding. That is perhaps not surprising, considering that it is a significant risk and cost that many SMEs cannot risk, take on board or take the time out of what can often be very small boards and very small senior management teams, to risk the existence of the business, up sticks and move, particularly thinking about whether that local labour force will be willing or able to move.

Of course, going back to that original point, if you do move without your labour force, you are back to square one, trying to get those institutional skills back into the business. It remains a very challenging prospect for SMEs, to up sticks and move, unless they, by chance, are located very near to or within a to-be-designated or designated investment zone or freeport.

Q53 **Charlotte Nichols:** I just have a supplementary around this. We have spoken a bit there about incentives and also the customs arrangements. We heard on the previous panel that really the big winners of freeports are the dog food manufacturing industry, as it had the biggest differential between the tariffs that you are saving on imports versus the tariffs that you then spend on what is exported as the finished product. Obviously, we have been without an industrial strategy in this country for the last two years now. Do you think there are specific parts, either of the manufacturing industry or the industry more broadly, that would specifically benefit from some more direction and intervention there to make additional incentives around customs arrangements?

Kevin Shakespeare: Certainly in customs, there are good opportunities there. Freeports very much come into the World Customs Organisation's revised Kyoto convention. There are opportunities within that to be more flexible with customs. I have an example about a large automotive manufacturer and their supply chain not being in the freeport, but using that as a corridor, even using corridors between freeports and investment zones where you have raw materials, for example, that can join up.

We have also talked around this trusted trader element as well. If you have a customs site operator or the main freeport operator who is a trusted trader, which we refer to in the UK as an authorised economic



operator, the opportunity should be an umbrella arrangement for SMEs to benefit from the same as the large organisation. We can be flexible in customs arrangements and trade arrangements as well.

James Brougham: Can you repeat the question, please?

Q54 **Charlotte Nichols:** Essentially, we heard on the previous panel that the only obvious winners are around the customs differential between the raw materials that are being brought in and the customs that are saved on those by virtue of being in the freeport, and then you are paying them on the finished product. It was something like 9% that you are saving for coming in and then you are paying 2.5% on coming out. The only place that there was a big differential between the raw materials and the finished product tariffs was dog food manufacturing.

I have nothing against dog food manufacturing—we are all animal lovers here—but clearly there must be some mechanism within an industrial strategy around freeports that allows for more customs or incentives for other parts of manufacturing. Do you think there are specific areas within manufacturing that may be the obvious places to start on that for making freeports make more sense for manufacturers?

James Brougham: Thank you for repeating that. In the first instance, in terms of freeports and the benefits offered to them, from what we understand from our members—this data is about two years old—when we ran that work on freeports, we understood that actually the major benefits for members that did locate or happened to be located within freeports were actually not related to the customs, because the end-of-day impact of the customs adjustments were not really the major driver. It was the other incentives, whether it be on the business rates or the stamp duty allowances and so on and so forth.

Of course, what is curious as well is that so much of the UK manufacturing supply chain actually sits in the middle of the value chain, generally speaking. Things come in; we add value; they go out. To that end, something like a freeport system, one would have thought at the outset, would have been exquisitely oversubscribed, but it is not. The point is that that highlights failings in the current system, or at least the incentives are not strong enough, or indeed the received, realised and rendered benefit of the custom benefits are not strong enough, after all costs and implications of relocating within one of those freeport zones are considered.

That illustrates that point fairly clearly, given that so many of the manufacturers located outside of freeports are still engaging in that activity of getting something in, adding value and then exporting it.

Q55 **Mark Pawsey:** I sense from our witnesses that it is too early to understand the effectiveness of the current investment zone and freeport projects, but we heard about mark 1 and mark 2. I wonder if any of our witnesses can give us a “for instance” of an industry or a business that is



performing successfully in the UK right now as a consequence of the earlier projects that existed, either a business or a sector.

James Brougham: I will not be able to offer you an individual case study. I can offer you something to be future-looking, because I understand the Committee is interested in hearing about the potential future.

Q56 **Mark Pawsey:** Sometimes past performance is a good indicator of what might happen in the future.

James Brougham: That is true. Perhaps even more than that, I can offer you what the sector has said as of Friday on, if located within an investment zone, what would occur and what would be the drivers for that. Particularly in the sense of business rates relief, we find this one very interesting. It is relevant and pertinent to highlight that, with a recent business rates value re-evaluation that occurred, relatively speaking, the value change for the manufacturing sector was four times greater than the national average. It increased 27.1%. That goes on to say that, of course, with the incentive of 100% business rates relief for that argued period of time, we would see 70% of the sector would invest in more plants and machinery, because of the business rates regime as it stands. That is extremely strongly suggested.

Q57 **Mark Pawsey:** The incentive one is an attractive incentive.

James Brougham: Yes. What I am saying is that the impact it would have is significant.

Q58 **Mark Pawsey:** Mr Shakespeare, are there any historic success stories that you can enthuse us with?

Kevin Shakespeare: We have talked about a lot of activity on renewable energy and green energy. A lot is taking place. Yes, the argument is some was taking place already.

Q59 **Mark Pawsey:** That is in the current generation.

Kevin Shakespeare: Yes.

Q60 **Mark Pawsey:** What about the ones that happened before?

Kevin Shakespeare: Now we are going back a lot. Again, you could argue that it was really across a broad range of sectors. There was no definite. What we have now is the clean energy.

Q61 **Mark Pawsey:** Mr Marcos Jones, do you have anything?

Stephen Marcos Jones: I would struggle to come up with a specific example.

Q62 **Mark Pawsey:** We heard some comment earlier, in the previous session, about the governance structure for freeports. We heard it was opaque and often stakeholders were not sufficiently aware of what was going on. Do you agree with that, James?



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James Brougham: Yes, very much so. My earlier point, on which I misspoke but I want to correct the record, was that 37% of the sector are unaware of the investment zones offer.

Q63 **Mark Pawsey:** If you are miles away from the investment zone, why should you? What we are more bothered about is the governance within a freeport. How happy are the participants, the local authority, businesses and trade unions about being kept up to speed with what is going on? Mr Shakespeare, can you help us with that?

Kevin Shakespeare: Yes, generally it varies by freeport. For some of the freeports the connectivity is very good. There is good engagement. I cannot speak for all the freeports, but for the freeports I have been involved with, the stakeholders are generally well engaged. The slight exception is, to some extent, there are port operators in some freeports who need to be more engaged.

Q64 **Mark Pawsey:** Should there be a standardised requirement for reporting?

Kevin Shakespeare: Yes.

Stephen Marcos Jones: It depends on how dispersed and varied the companies within the freeport zone are. Where you have a level of sameness or you already have a value chain in existence in an area, such as the Humber, the understanding is much greater. When you have disparate businesses, you need a conductor to come in and say, "We need to think differently about how we create something here."

Q65 **Mark Pawsey:** Are those absent in the case of our freeports now?

Stephen Marcos Jones: It depends on which freeports we are talking about.

Q66 **Mark Pawsey:** Name names. Who is good and who is bad?

Stephen Marcos Jones: The Humber is good. Grangemouth area is good. Liverpool is strong.

Q67 **Mark Pawsey:** Who is bad?

Stephen Marcos Jones: It is all about having a strong business leader in those regions. That certainly helped the discussion move forward.

Q68 **Mark Pawsey:** That is absent in some of them.

Stephen Marcos Jones: That is absent in some of them.

Q69 **Charlotte Nichols:** When you said about having a strong leader, do you think the investment zones and freeports work better in places where there is more devolution, such as Liverpool City Region and so on, where there is a regional figurehead there, versus areas where there is not?

James Brougham: It is likely by secondary effects. What I mean by that is by a joined-up business community. There will likely be other business



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networks and indeed organisations just like our own, Make UK. The businesses are more likely to be bought into the business opportunities available to local businesses. By that virtue, you are likely to have more buy-in in those regions.

Q70 **Chair:** I just want to give you a couple of quick-fire questions. "Yes" or "no" answers would be super helpful on some of the themes that have come through. Are the incentives long-term enough, James?

James Brougham: No.

Q71 **Chair:** Are the incentives big enough?

Kevin Shakespeare: From a customs perspective, no.

Q72 **Chair:** Are we incentivising the right things?

James Brougham: Generally, yes.

Q73 **Chair:** Are there different sorts of incentives that need adding to the mix?

James Brougham: Yes.

Q74 **Chair:** What are they?

James Brougham: That would be relocation grant funding, for SMEs to get a more equitable mix of companies bought into these schemes, so that they do not end up regressive towards larger companies. Secondly, there need to be questions around the potential for energy support set up within these zones in order to make it a competitive manufacturing environment compared to European and other western and international manufacturers.

Q75 **Chair:** Is the governance too opaque?

Stephen Marcos Jones: Yes

Q76 **Chair:** Does it need standardising?

Stephen Marcos Jones: Yes.

Q77 **Chair:** Will the current policy framework help the Government hit the targets they have set out for levelling up?

Stephen Marcos Jones: To a degree.

Kevin Shakespeare: It will be difficult.

James Brougham: By virtue of the previous answers, the timeframe being insufficient, no, because it will not have the maximum impact that they have set. It will not meet their objectives.

Chair: That is incredibly helpful. Thank you very much indeed. You have given us a great deal of evidence that we can now take to Ministers. That will help us get the best possible conclusions that we can come to as a



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Committee. We are very grateful, not only for your evidence today but for the work that you are doing out and about in UK PLC. Thank you very much.