

Business and Trade Committee

Oral evidence: The performance of freeports and investment zones in England, HC 272

Tuesday 21 November 2023

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

Questions 78 - 132

Witnesses

I: Steve Foxley, Chief Executive Officer, Advanced Manufacturing Research Centre (Sheffield); Jan Ward CBE, Chair, Plymouth and South Devon Freeport; Tom Newman-Taylor, Chief Executive, East Midlands Freeport; Thomas O'Brien, Chair, Liverpool City Region Freeport.

Examination of witnesses

Witnesses: Steve Foxley, Jan Ward CBE, Tom Newman-Taylor and Thomas O'Brien.

Q78 Chair: Welcome to this morning's session of the Business and Trade Committee, which is looking at freeports and investment zones. I want to declare an interest at the outset. I am the chair of the east Birmingham taskforce, which has been negotiating an investment zone in east Birmingham, which may, fingers crossed, be announced in the autumn statement tomorrow.

I wonder whether our guests could say a word of introduction and then we will get into the questioning.

Steve Foxley: Good morning. My name is Steve Foxley. I am the CEO for the Advanced Manufacturing Research Centre. We are one of the UK catapults, part of the University of Sheffield, and we sit at that interface between public and private R&D investment. For today's topic, the AMRC was part of an enterprise zone in 2011. We are part of the investment zone now, in 2023.

Jan Ward: My name is Jan Ward and I am the chair of the Plymouth and South Devon Freeport.

Tom Newman-Taylor: Good morning. Thank you for inviting me here. I am Tom Newman-Taylor, chief executive of East Midlands Freeport, which is the UK's only inland freeport and, I would say, the best connected of them all.

Q79 Chair: Thomas, you are joining us from Washington. Thank you for getting up at what must be a very early hour to be with us.

Thomas O'Brien: Good morning. My name is Thomas O'Brien. I am the chair of the Liverpool City Region Freeport. I am delighted to join you. I have been in this role now for almost two years. Before that, I was working with the World Bank in Washington DC on global development issues. It is great to be involved in this new role. Thank you.

Q80 Chair: The regional inequalities that scar our country are pretty pronounced. They are pretty deep and they are not getting much better. Freeports and investment zones are designed to help level up and close some of those inequalities. The first question is just to understand how you think that is going to happen and how you think it is making progress. Steve, can you give us a sense from your region? What do the regional inequalities look like to you and how do you think investment zones are going to help close that gap?

Steve Foxley: South Yorkshire is one of the poorest regions in the country. As part of the enterprise zones in 2011, we have transformed the Orgreave coking plant into an Advanced Manufacturing Research Centre. Over the last 20 years, we have seen £300 million of inward investment and created 2,500 jobs. In Sheffield, we have Boeing's only



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manufacturing facility in Europe, McLaren's only facility outside of Woking and Rolls-Royce's facility around advanced blade casting. All of those would have been overseas manufacturing plants, but were attracted into South Yorkshire.

We have seen transformation over the last 20 years and we see the investment zone as another opportunity to make even further impact in the postcodes we are already in, but also wider across South Yorkshire. In terms of our potential, we think that the investment zone could have a three or four times bigger impact than the enterprise zone that we saw with the Orgreave transformation.

Q81 Chair: In the King's Speech, the goal was set out to help create tens of thousands of jobs and billions of new investments. The idea was that investment zones could provide a similar boost. What is your sense of how many jobs and how much investment your investment zone has created?

Steve Foxley: For South Yorkshire, we think that it could be potentially up to 8,000 or 9,000 jobs and £1 billion of private investment.

Q82 Chair: How do you think about that contribution in the context of the inequalities that you confront, say compared to the English average?

Steve Foxley: It will help with the relevant postcodes within the investment zone to create high-value jobs, so typically salaries that are 13% or 15% higher than the average salaries in the country. They are long jobs. These are high-value manufacturing sectors. They are talking about 10 or 20-year investments. We have one particular project with Boeing. If we can secure the research, it is talking about £2.1 billion-worth of new exports per annum that could be homed in the UK.

Q83 Chair: If you think about the gap in South Yorkshire's GVA or GDP compared to, say, the English average, do you have a sense of what fraction of that gap you can close through an investment zone, your investment zone specifically?

Steve Foxley: I can only talk specifically about the Advanced Manufacturing Research Centre. We have seen a £55 million per annum increase in GVA from the enterprise zone mark 2. We are hoping for a three or fourfold increase with the investment zone.

Q84 Chair: Jan, how does it look to you? What does the gap look like against the English average and what fraction of that gap do you think you can close through your work?

Jan Ward: I hate to throw lots and lots of stats at you.

Chair: No, this is the numbers bit. Do not worry.

Jan Ward: I can give you a really good picture of the reasons why I feel that Plymouth falls well into an area that needs this sort of investment. The GVA per head has been approximately 25% lower than the UK



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average for the previous five years until now. Productivity has been 13% lower in the whole region gathered together, so we are talking about Plymouth, South Hams and Devon County Council.

There has been a lot of work, in Plymouth especially, to try to transform this picture and there has been some progress, but there are still a lot of inequalities that remain in place. When we submitted our bid, Plymouth was within 20% of the most deprived local authority in the country and was on the index of multiple deprivation as well.

We have a low-wage economy, which is one of the big things that the freeport and our programme want to try to address. On average, it is about 6% lower than the UK average. In South Hams, it has been about 15% lower than the national average. This has also been exacerbated by Covid. That has made the situation even worse.

Q85 Chair: Do you have a sense of what fraction of that gap you are going to be able to close through the freeport?

Jan Ward: No, not in percentage terms. I know that our aims are between 3,500 and 4,000 jobs. We are looking at, potentially, £250 million to £300 million-worth of investment. It is a much smaller scale than some of the other freeports, but in terms of the effect I think that it would be quite significant.

Q86 Chair: That is useful, thank you. Tom, how about you?

Tom Newman-Taylor: The East Midlands is an interesting region because we have a really strong and rich manufacturing heritage with some household names such as Toyota, Alstom and Rolls-Royce. There is that base and strong universities, but, at the same time, to your question, some pockets of significant deprivation in our cities, Nottingham, Derby and Leicester. We perform below average in terms of productivity and I think that we have the highest number of social mobility cold spots of any area in the country. On a number of metrics, we have those challenges.

To your next question about what the freeport will do to address those—

Q87 Chair: None of us is expecting the freeport to be the silver bullet that fixes everything. We are just interested in what kind of fraction of the problem you get a sense that you can fix with a freeport.

Tom Newman-Taylor: Like Jan, I am not able to give you a percentage of how far we will go to address those problems. We are one of the largest freeports. We have over 1,500 acres of development land. If we see all of those developed out, that is tens of thousands of jobs and about £9 billion-worth of GVA productivity uplift for the region, just from the freeport and specifically around our development sites, our tax sites, so by attracting the investment into those in our target sectors.

Q88 Chair: Thomas, I will put a similar question to you, if you do not mind.



Thomas O'Brien: I can give you a couple of numbers, but then also a story to bring it to life for you. On the numbers side, we hope that over the long term our freeport will create up to 10,000 new jobs based on the floorspace that we are creating in the three tax sites. It will add a lot to the innovation and skills agenda of the Liverpool city region. That is a positive. We think that we have some great assets to build upon, generally speaking, in the Liverpool city region.

Having said that, we absolutely agree with you that this is a long haul. I have actually worked in this area for many years. You know the core statistics. The GVA of the Liverpool city region is well behind the national average. A project such as this is super-important but will not be enough on its own.

I have two quick points. We have inequalities within the UK. We also need to make sure we address inequalities across even a city region such as Liverpool city region. It is important for us that the freeport generates benefits across the metropolitan area, not just in one or two locations. We are very careful about that. Combining the freeport with the investment zone, which is also part of your conversation, for us is a really powerful tool.

Lastly, on the duration, one of our tax sites in the freeport is a location called Parkside in St Helens. I mention that in terms of long haul because that was a coalmine and has been derelict for possibly 40 years, if I recall. It is a brownfield site. That is being brought back into productive use finally now in the freeport programme. The message there is that it is not a silver bullet, as you said. We think that it is very useful, but it is a long-haul effort. The lesson is that you have to be sustained and consistent in your support for regeneration and levelling-up efforts.

Q89 **Chair:** How long is the long haul, Thomas?

Thomas O'Brien: In terms of the GVA gap, it is very substantial. I know that because, if you look at the statistics, as you said at the beginning, if you look at the English and UK pattern, that has not changed, or not changed favourably, over a long period of time. At the freeport, by the way, we are making good progress now, so I am absolutely convinced that, in the three to five-year horizon, we will see visible impacts from the freeport and similarly from the investment zones. To get the full benefit it is even longer.

Q90 **Mark Pawsey:** There is a suite of incentives that the Government make available in freeports. Each of you has told us what your objectives are over the next few years. I am interested in which of the incentives that are available is going to best help you achieve that target.

Steve Foxley: The investment zone is part of a really important package. When we are looking for inward investment, it is a global market. What we have learnt from the experience at Orgreave is that there has to be a focus around innovation. There has to be a cluster. That



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is what McLaren, Boeing and Rolls-Royce have clustered around. There has to be a skills pipeline as well, and then the incentives come in. Particularly, it is around the land and the capital allowances. Those are the things that make the difference.

Q91 Mark Pawsey: Steve, is that specific to your area or do you think that the incentives that would apply in your area apply equally elsewhere?

Steve Foxley: They do. We have also expanded into north Wales. We are co-located with Airbus. We have also expanded into Samlesbury with BAE. These incentives are important, but they cannot be there on their own. There has to be an innovation hub and a skills pipeline for these incentives to work.

Q92 Mark Pawsey: Jan, you told us that your size is rather smaller than some others. Which of the incentives provided are going to best help you achieve your objectives?

Jan Ward: It is a range. It is not just the investment, the cash incentives that are given to investors that are coming into the freeport. That is a hook to get them on board. It is all the other support networks that go around that, the support with R&D and innovation. As Steve says, that is very important, especially, in my view, to SMEs, which find that part of their work very difficult to finance.

Q93 Mark Pawsey: How are you providing that in Plymouth?

Jan Ward: At the moment, we are having an audit done of all of the region's assets in innovation and R&D. We are trying to bring together all of the information around the whole region.

Q94 Mark Pawsey: You are telling us that nobody knew that up until now.

Jan Ward: Yes, exactly.

Q95 Mark Pawsey: Really?

Jan Ward: Yes.

Q96 Mark Pawsey: Who should have known it?

Jan Ward: Potentially, it should have been the local authority. It would have been able to signpost people to that.

Q97 Mark Pawsey: Has it not been doing its job properly?

Jan Ward: I do not think that, with the current pressures it has, it is something that is at the top of the agenda, to be honest. It is something that it probably would have aspired to.

Q98 Mark Pawsey: Increasing the economic output of its area is not a priority for the local authority in your area. Is that what you are saying?

Jan Ward: I think so, potentially, yes.

Q99 Mark Pawsey: That is pretty worrying.



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Jan Ward: It could be in this context, but if you have other pressures on you, in terms of social care, it is very difficult to say that a local authority should be concentrating efforts—

Q100 **Mark Pawsey:** You are filling that space.

Jan Ward: We are filling that space. That also reflects on all the business organisations that have bits and pockets of that information. One big problem with R&D and innovation for small businesses especially is access to the information and the connectivity with other areas and businesses so they can then progress their projects. I see that as one of the great things. One of the very big important things for us is our investment into innovation centres, so that we can give spaces to small businesses that can come in and do their innovation projects and R&D alongside our partnerships with the universities.

Q101 **Mark Pawsey:** That is very interesting. This Committee did an inquiry into support for SMEs a couple of Parliaments ago. It is incredibly patchy. There are some areas that are doing it well. You seem to be suggesting that that has not been done well up until recently in Plymouth and you are now filling that space.

Jan Ward: As an SME owner myself and somebody who started an SME 30 years ago, I would say that has not really changed very much in the last 30 years.

Q102 **Mark Pawsey:** Tom, which of the incentives are going to enable you to deliver your ambition?

Tom Newman-Taylor: I totally agree with my colleagues. In terms of the tax incentives, it is a strong package. The business rates relief is particularly attractive, but the others will depend on what exactly the type of investor is and the scale of employment and so forth. I would echo what others have said: that that is only one part of attracting investment into a region. It is about the fundamentals of the strength of the area, the regional industrial base that we have, the connectivity and the universities.

Where we as a freeport are seeking to add further value is around trying to join the dots with all kinds of interesting stuff that our universities—Nottingham, Loughborough and Derby—are doing around transportation, the decarbonisation of transportation and alternative fuels. We are working with them on how you make that an innovation offer to foreign investors to make the region more attractive and how you help them scale up from the research end through to commercialisation.

Similarly, on the skills side, we have been partnering with the East Midlands Institute of Technology. When you are an investor, one of the first questions you ask is, “What is the skills landscape?” We have a good workforce within our region, a lot to build on, but we are also working with local institutions to try to forecast how that demand might change and how we can help to be ready for it.



Q103 Mark Pawsey: If freeports and investment zones are for the areas that are struggling most, I am not sure why East Midlands is so important. You have three great universities. You are in the middle of England. You have great road networks. You have established businesses. You have attracted the likes of Toyota. Why do you need those incentives?

Tom Newman-Taylor: As I said at the outset, you need a combination. It is that balance between the fundamentals to make a proposition work and the fact that we are there to address some of those longstanding issues that the region faces.

Q104 Mark Pawsey: With the advantages you already have within your region, why do you need these extra incentives? Why are businesses not attracted to come there anyway?

Tom Newman-Taylor: As I say, despite the strong base that we have, there are absolutely challenges. There are pockets of deprivation. There is a long-standing below average performance in terms of productivity and weekly wages. There are certain areas of skills gaps. Also, if you look at the industries that we are working with and talking about, they have a real challenge on their hands to adapt to the new net zero economy.

Q105 Mark Pawsey: Give us some examples.

Tom Newman-Taylor: A really good example is if you take the Ratcliffe power station. It is the last operational power station in the country. It is due to be decommissioned next year. Our freeport partner, Uniper, is the landowner there and it has a really exciting plan.

Q106 Mark Pawsey: It is immediately adjacent to the motorway with great connectivity. It is going to be snapped up, is it not?

Tom Newman-Taylor: It is fantastic, but these things are tricky to get off the ground. It is 200 hectares of development. It is predicated on a move to low carbon and renewable energy generation on site, including hydrogen, and then having the raw materials, the factors at play, to attract the next gigafactory or decarbonising industry.

To answer your question, I would go back to the fact that we are competing on a global stage here. We know that the United States, the EU, China and Japan—countries around the world—have an attractive and compelling package. We need to do that too.

Q107 Mark Pawsey: We could make that argument for those incentives across the UK as a whole, could we not?

Tom Newman-Taylor: That is absolutely true, but I suppose that I would go back to the earlier point I made that our part of the country suffers from a range of social and economic issues. I would not sit here and claim that we, as a freeport, are going to answer all of those, but we are an important component of trying to make that work.

Q108 Mark Pawsey: Thomas, which of the measures are going to be most



helpful to you in the Liverpool city region?

Thomas O'Brien: I will mention three. One, if you recall, in the freeport programme there is what we call seedcorn capital investment to help get things off the ground. That is essential. I will mention two of our locations. One is in Halton, which is on the outskirts of the Liverpool city region area. Those sites need quite a lot of remediation, so that type of money coming in from the seedcorn capital is important. I mentioned this Parkside site in St Helens. Our money is being used for a link road through the site to get proper access to the highway network. That is ingredient number one.

There are the companies that I think you are referring to that we are hoping to attract. The incentives in that mix of incentives are all quite important. They will vary in terms of their attractiveness and influence, depending on the nature of the company. The support for stamp duty exemption and other land-based initiatives are important. The national insurance contribution waiver up to a limit is also potentially useful. I wonder whether that might be explored in the future because that is more directly tied to and related to job creation, so that could be a link that we could make more of.

Lastly, there is a slight distinction. In the investment zone package now being developed, there is somewhat more flexibility for the local area to assemble its package, rather than with the freeport, where it is fairly defined. On balance, we are happy with the freeport programme. We can make good use of it, including on the customs side, but the flexibility in the investment zones potentially could be even more powerful.

Q109 **Charlotte Nichols:** According to the Government investment zones policy prospectus, "Investment zones are ultimately about boosting productivity". I wanted to hear from the panellists about how investment zones will increase local and national productivity specifically.

Steve Foxley: Again, the productivity puzzle is bigger than just investment zones. The Nesta report that Richard Jones did, looking at how we solve the UK's productivity has the solution within it. It is about how we invest in research and development outside of the golden triangle and try to align public and private spending.

If I give the example from the AMRC, we have 120 industrial members. Their global private R&D spend is £20 billion per annum. My job is to align the technologies that they are interested in, together with public funding, to then create manufacturing opportunities in the UK in the regions where I work. That is how I solve the productivity problem: by aligning that private and public investment outside of the golden triangle.

Jan Ward: I would probably give a similar answer, to be honest with you. I also think that quite often it is missed that things such as public investment in core infrastructure, such as the roads, rail and energy provision, is the sort of thing that will also be desperately needed on top



of the innovation and R&D piece. The vast majority of manufacturers in this country are in a low-productivity area. They generally are struggling to invest in improving their productivity. Quite often, that is because of lack of space and lack of investment.

I see that some of this work that we are doing in investing in the core infrastructure and trying to encourage developers to put new spaces in place will help those businesses. The larger businesses struggle too, but they have far more support and find it easier to do that investment. If you want your productivity and SME base to grow, it needs public money to help it do that.

Tom Newman-Taylor: I would build on what Jan has just said. There is a lot that we can do as a freeport, as a partnership between our local authorities and private sector members and developers, bringing both public and private capital to make our sites work and attract that investment in. There is that point about the wider enablers.

To be very specific, one of our sites has recently got through its planning approval, but one of the conditions on that is about understanding and potentially mitigating some of the impacts on the National Highways routes. It is absolutely right that developers should pay their fair share in order to do that and there is an established process for that, but it is also true that our transport and energy networks are already almost full.

In order to cater for the kind of growth that we are trying to attract into the region, we need Government to be thinking now about how we pull all these things together. For me, it would be very helpful. We have a very good relationship with Government and very good support from DLUHC and DBT, but we need to see that wider coalition of Government Departments—energy and transport—with the infrastructure piece and skills all brought together. All those things need to work in tandem in order to make these kinds of big regeneration projects work.

Q110 **Charlotte Nichols:** Would you say that the lack of an industrial strategy for the last two years has been something that has been detrimental to the potential productivity gains from project such as yours?

Tom Newman-Taylor: I would say that we have had really good support from colleagues within Government, and indeed at a ministerial level, for making a success of the freeports. The announcement yesterday that the tax windows would be extended until 2031 was a recognition of the fact that these are long-term projects. They have been listening to us as a group of freeports to make that change. For me, it is really about those infrastructure enablers and how you bring all of these different Departments together in a focused way to say, "How do we make these sites work?"

Thomas O'Brien: On the question of whether a freeport will improve productivity or close the productivity gap, the answer is yes in some measure. It is difficult to assess exactly the quantity, but yes. It will do



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that through two routes. One is, if you take the Wirral, where we also have a tax site, you are bringing local folks who otherwise may not be in the labour market into new jobs. In aggregate, that will improve the productivity because you are moving from a place of joblessness and not adding to the economy in terms of GVA to actually being in employment and creating output. That is the first route.

The second route is that these sites that I described will be more efficient and effective locations for business expansion, so that should also help the region. That is the narrow or direct path.

I will just mention, if I may, an indirect path. The city region and the Liverpool city region metro mayor Steve Rotheram set ambitious targets for innovation across the city region to be a driver of growth and to close the productivity gap. In the freeport, and particularly in the upcoming investment zone, which is focused on life sciences, this is a theme. How can we support businesses to increase their research and development expenditure and therefore, over the longer term, create higher added value through closing the productivity gap? The investment zone will also see that as a key feature.

Q111 Charlotte Nichols: The investment zones have been focused on five priority industries: digital and tech, green industries, life sciences, advanced manufacturing and creative industries. Mr O'Brien, you have mentioned the Parkside development a few times. I will declare an interest as the MP for the constituency next door to it. Parkside aims to attract advanced manufacturing and logistics business.

I am particularly interested in the progress made on the former. You have spoken about some of the connectivity improvements on the local road network, but the improvements to junction 22 of the M6 and the hoped-for Lane Head bypass are both quite a few years away. Of course, next door in my constituency there are already thousands of jobs in logistics. How can you make sure that the jobs that are being created in Parkside veer towards that advanced manufacturing and the innovation you have spoken about and will not be something that either displaces jobs in the local area or continues to attract more jobs that tend to be dominated by zero-hours contracts, low pay and poor health and safety in an area such as St Helens, which is already financially very disadvantaged compared to a lot of the rest of the Liverpool city region?

Thomas O'Brien: Thank you for the question. Let me confirm the thought process that you are describing: social value, providing good jobs for our local residents and providing them the skills to link into good jobs is what we are all about. We are not about a race to the bottom. We are not about zero hours and so on. All of the board of the freeport and our political leadership across the city region have made that abundantly clear. We have to be about creating a better place for the region and better jobs.



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We have a range of individual programmes and measures to help achieve that. Maybe I will not go through all of them in detail, but there are also very specific measures to avoid the issue you were referring to around displacement and jobs just moving around the chess board. We have very specific steps to avoid that happening. That is the broad answer.

I have two quick points. In the St Helens location that you were chatting about, there will be logistics jobs. Let me be quite upfront about that. That is fine because the market is still strong. This is a good location and we want to create proper jobs for local folk. We are not embarrassed by that. You have them next door. We are going to have some in our area as well.

We are quite happy with that, but we also need to have proactive marketing and outreach to other companies to get that advanced manufacturing in there. That will take a little longer, but it is a programme on the way. It is important to re-emphasise that that is why this joined-up Government thinking is critical.

The reason I mentioned the investment zones is that we look at this as an overall package. Yes, there might be some jobs in some locations and they are blue-collar logistics or other types of jobs, which suit certain residents. There will be other jobs in the Liverpool city region that are high-end white-collar research and development, infectious disease or biomanufacturing. That is attractive for other parts of our community and skillset. Together, the combination is something that can reach across the metropolitan area and provide a wider benefit to a spectrum of the community.

Q112 Douglas Chapman: Maybe I can start by saying that, in terms of the record, I have a green freeport within my constituency, but I do not think that that will affect my questions in any way. I want to look at some of the issues around governance. Freeports in general, thinking globally, usually get a fairly bad and negative press. In terms of some of the fears and concerns that people have in terms of deregulation, maybe poorer pay, maybe a lack of productivity and crime as well, which I think is a big concern for a lot of people in or near freeport areas, how are you coping with that kind of criticism? What makes what we are doing in England, Scotland or the UK as a whole different from other freeport areas that we have seen around the world?

Jan Ward: For me, the governance of the freeport in general is actually very robust. Certainly, in our freeport we are a limited company. That then allows us to be governed by the rules of running a company and being a director. You are taking on personal liability because you are a company director. Then that is balanced against the taxpayer and public spending through our accountable body. I think that actually gives quite a lot of rigour to our governance.

On the back of that, we also have a number of advisory boards and sub-committees that do deep dives into specific topics, for example trade



and investment and innovation. Net zero is slightly different for us, inasmuch as I am very much concerned that sometimes net zero gets siloed within an organisation. We have a policy that the net zero is across all of the sub-committees, all of the board and all of the advisory boards. I feel that our governance is actually quite robust.

If you consider that, as a company director, you are taking on personal liability, there is absolutely no sense in a director taking on a directorship of a business that is going to be involved in criminal activity, for example. We also operate all of our governance under best practice codes and Nolan principles. I am very comfortable that we have very good governance in place.

Q113 Douglas Chapman: Tom, what is your view on East Midlands?

Tom Newman-Taylor: I absolutely agree with the point you make that, at least within this country, there are a lot of myths and fears around freeports and the term “freeport”. If you are talking to people in the international investor community, it is a better-understood model. Lots of conversations I have are about trying to help people understand why our governance is strong and why some of those myths that are around are not true.

I would echo what Jan has said. We are a partnership of six local authorities and six private sector members. We get the best of both from that arrangement but also have clear delineation in place in terms of public funding. Decisions around public funding and the business rates relief are made by our public sector members, whereas the private sector members are developing their sites and making that investment to get those up and running.

Q114 Douglas Chapman: Could you take anyone else on to your board, maybe from a trade union? We talked about SMEs prior to this discussion. SMEs are going to be crucial to success, so should we not have some SMEs on the board to make that voice heard? In terms of some of the concerns around employment rights and so on, should we not have someone from the trade unions as well? Is there the facility to do that?

Tom Newman-Taylor: A bit like Jan, we have a series of sub-committees. We are in the process of setting those up. Absolutely, in those forums, whether it is looking at skills, innovation or other aspects, where relevant we will bring in trade union colleagues, SME partners and universities.

I have had some good engagement since I started with trade union colleagues in the midlands. That is an interesting conversation that probably started in and around some of those worries around, “Will this impact on workers’ rights?” and “What is your governance structure?” Where we got to was, “We as a region are facing the risk of lots of jobs sunseting as a result of the transition from a high-carbon to a low-carbon economy”. If the freeport, working with colleagues such as



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trade unions, can help to address some of those problems and create high-skilled jobs and skills, that is a good thing.

Q115 Douglas Chapman: Thomas, from your previous World Bank perspective I am sure you are very keen to make sure that governance is top notch. Do you have any comments to make?

Thomas O'Brien: Absolutely, yes. I would agree with you, by the way. The global experience of freeports is mixed. That is a fair comment. There are good examples and not so good. Our challenge is to make sure that the ones in England and in Scotland and Wales turn out to be strong examples. We are committed to doing that in the Liverpool city region and I believe that we will.

On the governance side, we have a very strong model, trying to follow all the good practices, including the Nolan principles and other elements of transparency and connectivity. We are very much grounded in structures within the Liverpool city region, so the Liverpool City Region Combined Authority, our individual local authorities and then our stakeholders. We are fully anchored in there, which I think gives us a strength to build upon and various control measures and underpinning structures to help ensure the best possible governance and use of resources. I can tell you more about that later.

The second thing that I want to say, if I get the drift of your question, is about good jobs, treating people properly and protecting the environment. Part of our answer to that is not just the individual elements of our freeport programme. It is making sure that we are part of that path for the Liverpool city region. For example, in our combined authority structures, the metro mayor has a plan for prosperity. We have a social value charter with fair employment provisions and so on. We are doing our best to link in with those. Rather than invent them ourselves, let us adopt and try to deploy well-structured processes that are already trying to be embedded to the city region as a whole.

Q116 Douglas Chapman: I believe that in England the Department for Levelling Up, Housing and Communities has an observer role for freeport boards and is providing feedback on the effectiveness of governance structures, it says here. How much is the Department actually interested in the governance aspects? It may be interested in looking at the economic activity that freeports may be generating, but how much is it actually involved in the governance? How keen is it to make sure that governance levels are of a high standard?

Jan Ward: We have had our relationship manager at board meetings. They have come to scrutinise how we have met and whether we are operating to the best practice. I am not aware that they have actually been given a written report on how our governance structures have been set up, but certainly for our case they will be very well aware of how we have structured everything. I would say that they have taken initial



interest. It would be very difficult to tell you whether there is ongoing interest, to be honest.

Q117 **Douglas Chapman:** Steve, how about the investment zone approach?

Steve Foxley: We are in the early stages of setting up the governance on the investment zone, so I cannot really talk to that topic.

Q118 **Douglas Chapman:** Have you had good engagement with the Department in terms of where things are in terms of the context of the governance?

Steve Foxley: In terms of the Department for Levelling Up, Housing and Communities, yes, we have had a number of visits over the last 12 months around the investment zone and where we are focusing, together with the mayor.

Tom Newman-Taylor: There was a rigorous and lengthy process of getting the business cases approved. Part of that was an approval of the management case, including all the governance arrangements in some detail. In terms of ongoing spotlight, like Jan, we have a representative from DLUHC who joins board. From our memorandum of understanding, if we want to change aspects of our governance, that will need to have Government approval. From my perspective, they take quite a keen interest in how we are operating.

Q119 **Douglas Chapman:** Thomas, do you have anything to add on that?

Thomas O'Brien: It is very similar. I could add more but it is very similar.

Q120 **Douglas Chapman:** In Scotland, we are probably about 18 months behind in terms of the whole process. Are there any lessons you would learn or have learned from the governance process that you have implemented that you could pass on to the two freeports in Scotland? In terms of your outline business case, is that something that you will all take in to your local communities to try to get buy in and an acceptance of what you are trying to achieve? There is a gap there between what you are trying to do and the understanding that is actually in communities at the moment.

Jan Ward: We have just experienced something very similar locally to us. We have found it quite difficult to get that transparency public. It has been quite hard. It would certainly be one of the asks of Government, to help us with that. We are finding it quite difficult to reach the communities in some cases. If I am honest, I think we probably could have done better on public consultation and transparency at the outset.

Tom Newman-Taylor: We actually talk as a collective of freeports, including Scottish freeports. There are lots of questions that your colleagues at the Scottish freeports will ask us, being 18 months or so ahead, and we will try to help on that front. Yes, community engagement is really important. I would add business engagement to that. Some of



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the big players in the region know what a freeport is, but we have been doing lots of work with East Midlands Chamber, Make UK and others to try to explain what we are to the SME world.

Q121 Andy McDonald: I am pretty staggered at the conflict of evidence there. There are opposite governance arrangements. At investment zones you are in the early stages and yet we are told that in the business case governance is well addressed. This is an area of grave concern to me around the whole issue of transparency as well. In my experience, I have met with a wall of non-disclosure agreements, failure to answer Freedom of Information Act inquiries and so on.

We all want these to work. We want to see that alignment of public and private spending as well. We want to see that the public interest and the many millions of pounds that are invested are protected. How are we going to go about the evaluation of these? What is success going to look like and how are we going to evaluate? Who is doing to evaluating?

Steve Foxley: In terms of success, for our investment zone it is having an impact of three or four times more than the impact we had at Orgreave. I mentioned the numbers earlier. For us, that would be success. We have mentioned Boeing, McClaren and Rolls-Royce. We have a pipeline of manufacturing opportunities around things such as hydrogen, electric batteries, green aerospace and so on. I can already see the type of investment zone and businesses we will be attracting to South Yorkshire.

How will we measure it? The same way that we did enterprise zone mark 2. It was around inward investment, jobs created and GVA as a result of these new manufacturing jobs coming into the region. I imagine that, over the next 10 years, we will do a similar sort of exercise, collecting that evidence.

Where we can be successful, to try to reassure some of your concerns, is that, as I mentioned, we have industrial partners spending £20 billion a year globally on R&D. They have helped shape the innovation strategy for the AMRC. We know that they want us to invest in innovation around green aerospace technologies, future power and how decarbonisation and digital are converging. We worked together with the mayor to make sure that, under the banner of advanced manufacturing in the investment zone, we are clear about what the themes are, so that industry can see that we have one voice and that we are aligning where we are investing our innovation monies together with where the investment zone funding is going to then tap into that private investment.

We have a good track record. Boeing could have built a factory in Mexico. It built it in South Yorkshire. McClaren re-shored manufacturing from Austria into South Yorkshire. Rolls-Royce could have built in the far east; it built in South Yorkshire. For us, it is building upon that recipe of success.



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Jan Ward: Success to us would be the creation of high-quality jobs to get up our wage levels.

Andy McDonald: Jobs, jobs, jobs, yes.

Jan Ward: The other thing would be the regeneration of historically deprived areas, where we can unlock some of this unused land. Certainly, in South Yard we have a very high level of dilapidated 19th-century buildings that are empty and just sitting there rotting. Those are the sorts of areas. Improvements to the wharf would enable us to do a lot more of the marine innovation that we are focusing on.

Q122 **Andy McDonald:** Before you go any further on that, what I am getting back is that the dialogue with the south-west is good with trade unions. They speak highly of it.

Jan Ward: Yes, it is very good.

Q123 **Andy McDonald:** Of course, with the anticipated increase in merchant shipping there is a focus on good jobs. I hope that there will be some attention paid to the terms and conditions that would be applied there. Do you want to say something about that? Good jobs, and I would say unionised jobs, are important here.

Jan Ward: To a certain extent, this is market-driven. If anybody around this table is trying to employ people, they will understand how very difficult it is to recruit good people at the moment. We have a real shortage of high-skilled people. These people will not go to jobs that do not have good conditions. It ends up being driven by that very fact.

I do not believe that there are many companies around these days that are able to recruit people on zero-hours contracts, bad terms and conditions and disadvantages to people. They cannot get the recruitment if they do not offer good-quality jobs, good training and prospects. Those things certainly, from my perspective as somebody who employs people, are absolutely in demand now. You have to meet those terms and conditions to recruit people.

We have a national measure that we have to report on to Arup that is a monitoring and evaluation framework that it brought together for this. We also report and measure at a local level. We have a whole list of measurements that we monitor. This is then reported through the advisory boards, which go through, as I said before, a deep dive in specific areas. They will look through the opportunities, the progress and the risks. Each risk register is actually quite detailed within each of those boards.

Q124 **Andy McDonald:** That sounds like very good practice, but, with your collective, are you assured that that is being carried out across the country in respect of all of these zones? That seems to be patchy to me.

Jan Ward: It probably is not the same in every freeport. I do not really have information that I could give you about other freeports, but I can



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tell you that we started to convene the chairs together. I know that the CEOs get together too. We are talking to each other, but it is very early days yet. I think that we will become more aligned as those forums happen.

Q125 Andy McDonald: Freeports have been up and running for a little while now. You say that it is early days, but should this not have been done at the outset?

Jan Ward: I do not think that it would be useful for everybody to have uniform practices. It depends on the local area and the freeport, but I certainly think that we are aligning ourselves much better now than we were.

Q126 Andy McDonald: Can I perhaps bring Tom in on this one? When we visited the Teesside freeport we were given that sort of story, that it was down to the freeport itself to tell us whether they were doing a good job or not, which I found staggering, quite frankly. In fact, there was an absence of any recognition or adherence to monitoring and evaluation nationally. Of course, we have discovered from the Minister that there is a very detailed programme of monitoring and evaluation and metrics are set out there. At the moment, we have not seen any meaningful data. We have had an initial report. Do you think that we are going to get anything by which we can measure success or otherwise and whether this has been a wise investment of public funds?

Tom Newman-Taylor: You are absolutely right that there is a rigorous and detailed monitoring and evaluation programme that Arup runs on behalf of DLUHC. Every quarter we report in on all kinds of metrics. It is not just jobs and GVA. It is also, "Of those jobs, tell us how many are at what different wage levels? How many apprenticeships are there?" et cetera. That reporting happens.

I believe that it is published on an annual basis, but I may be wrong about that. I can write and clarify. That is for DLUHC. We absolutely report regularly, and rightly so, to make sure that we are delivering against the things that we are committed to deliver.

Q127 Andy McDonald: The thing you are committed to deliver is good jobs. In your area, you have Maritime Transport in the East Midlands. There have been some concerns expressed to me about the way in which it engages with its employees. Are those examples? It also has land in Glasgow where it is going to develop. Is that the sort of company that has a good track record of dealing with trade unions and giving good employment to people?

Tom Newman-Taylor: Maritime Transport is a partner. Maritime Transport is on one of our tax sites and, as a result of that tax site status, it is doubling the size of its rail freight hub there, which is obviously good news for moving lorries off the road. I have no insight into that issue and it is not something that has been raised by trade union colleagues with me.



Q128 Andy McDonald: I am raising it with you now. We have heard from Thomas O'Brien about the social value charter in Liverpool. I will come on to Thomas in a moment. Is that not something that we should be looking at within these zones? If they are going to deliver, we should be talking about good work charters and social value charters.

Thomas, do you want to come in on the evaluation and standardisation of it? Perhaps you would say something about P&O pulling out of the Dublin-Liverpool route. It would be good to have a commitment from you to support UK seafarer jobs and drive those anti-trade union employers out of the freeport and encourage good ones in. Do you want to say something about those several issues?

Thomas O'Brien: On the monitoring and evaluation, I would reinforce what your colleagues in the room have said. There is a fairly detailed process. We are following that carefully. It has been agreed with the Department for Levelling Up, Housing and Communities. It is rigorous. It seems to be taking some time to get running, but it will be rigorous and we are using it.

I want to give you a little illustration. What they call the customs site operators are a feature of the freeport that we have not spoken about much this morning. We have got our first customs site operator off the ground right at the end of last year and beginning of this year. The second one was approved last month, and the first one is already expanding. Its original site was in St Helens, and it is now looking for a new site in Widnes in our freeport zone. That is being reported on in those quarterly statistics. That is an illustration of how we are trying to monitor and keep a tab on that, which is a useful way of doing things.

Q129 Andy McDonald: Can I look back and perhaps rattle through on this last one? On this issue of additionality, there is a concern here, which has been raised by the Centre for Cities. I think that it has suggested that these could just be cheap places to do business. It is the anxiety that people have. How are we going to effectively measure whether the jobs that we all want to see—my goodness, we are hearing tens of thousands of jobs, which would be so welcome—are genuinely additional jobs to our economy and not simply displacing? How do we go round the evaluation and monitoring of that element?

Thomas O'Brien: That is a great question. We are doing it through two routes. The micro route is that, in this individual reporting, which I referred you to, on a quarterly or annual basis, we are tracking whether there are completely new jobs created in that location or whether there is some element of a company moving in and, if so, where the company has come from and whether the jobs are new to the area. We have an arithmetic way of tracking that.

To get to the nub of your question, because you want genuinely new activity and new jobs, not displacing or robbing Peter to pay Paul, we have two strands to doing that. The first, on which we continue to need



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support from central Government, by the way, is to have proactive, sustained outreach and marketing campaigns to the international business community. We can do some of it ourselves in the city region, but it is limited and we need joined-up Government thinking on that. We have some. We need to keep it going and, if anything, expand it. The strongest way of making sure it is genuinely additional is that these new companies are coming from locations that we all know; it is obviously coming into the UK. That is route number one.

Route number two is rather technical and we may not have time to go through it. Most freeports, certainly the Liverpool City Region Freeport, have what is called a gateway policy for companies coming on to tax sites. In that gateway policy that is one of the tests. Essentially, in layman's terms, "Is it new? Is it fresh or is it just a recycle?" Obviously, it is the former we are trying to focus on and the latter we are trying to screen out.

Q130 Mark Pawsey: I wanted to follow up on Douglas Chapman's question. Douglas was asking about lessons learned. I wondered whether there was anything further Government could do. Tom, you told us about the collective of freeports coming together for the ask for the financial incentives to be extended from five to 10 years, which the Government have now done. What else could Government do? How could they make life better for you?

Tom Newman-Taylor: That is really great news and I should get on the record that we are really grateful to the Department for Levelling Up, Housing and Communities and the Treasury for doing that. As I said earlier, there is definitely something about bringing the infrastructure Departments of Government around the table to think about how we make this work as a package and how we make the roads and the energy be an enabler for that. Like any long-term infrastructure or regeneration project, we need long-term and cross-party support. That is really important for us, because we will be delivering out to 2031 and beyond.

Specifically for East Midlands Freeport, where we have both a freeport and an investment zone, there is a job for us to do regionally, but with the Government's support, in making sure that those two things talk to each other and align effectively. When you are talking to the outside world, the last thing you need is, "Am I talking to an investment zone or a freeport or a devco? How does this all work?" You can lose people. You need a really compelling proposition. That is a bit on us as a region to work that out, but Government have a role to play in trying to get that right.

Q131 Mark Pawsey: Jan, you have been pretty critical in some of your remarks about the landscape. What would you like to see changed?

Jan Ward: I echo what Tom says about the extension of the tax window. That is really helpful. One of the huge obstacles that we are facing is that we are being told by the energy companies, both operators and



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distributors, that we are looking at a four-plus year window for connections to be made to the grid. We really need Government help with that in our area because we are a rural location. Some of the bigger city regions find it a little bit easier than us. Our connections are very remote in a lot of cases.

Q132 Mark Pawsey: That is preventing you from attracting the businesses that you might otherwise attract.

Jan Ward: Yes. I will give you a very obvious example and that is with Carlton Power. It is building a hydrogen plant in Langage and being told that it is four-plus years before it can have a connection.

Mark Pawsey: That is really helpful.

Steve Foxley: I would echo the 10 years and the grid connections. We have to remember that we are in a global market for this and need to have globally relevant incentive schemes. Our experience from the enterprise zones is that they were quite often plugged with ERDF funding for certain key assets. Going forward for investment zones, the Government can help with targeted grant funding being available regionally to offset that ERDF gap.

Thomas O'Brien: We provided a written submission to the Committee. There are actually nine points, so I will not go through them all. If you get a chance, your colleagues can read them and you will see what we are asking for. Big picture, it is two things: staying in for the long haul and combining with the investment zone in the city region. That is what we are excited about: the freeport plus the investment zone, and making that a coherent package.

The third thing is joined-up responses from Government. We had some great support, but we need that to be continued and, if anything, expanded with international business marketing and grid connections. We have the same problem, Jan, even as a city region. It is the joint innovation. Let us get more of that linked explicitly to the freeport and investment zone issue. For us, those would be the types of asks that we would like to see delivered.

Chair: Thank you very much indeed. That has been extremely useful for our inquiry so I am very grateful to you for coming and spending time with us today. Thank you for what you are doing and for your evidence today.