

International Trade Committee

Oral evidence: UK Freeports, HC 258

Wednesday 15 July 2020

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Members present: Angus Brendan MacNeil (Chair); Robert Courts; Mark Garnier; Paul Girvan; Sir Mark Hendrick; Mark Menzies; Taiwo Owatemi; Martin Vickers; Matt Western; Mick Whitley; Craig Williams.

Questions 46 – 80

Witnesses

I: Professor Catherine Barnard, Professor of European Union and Labour Law, University of Cambridge; Alex Stojanovic, Researcher, Institute for Government; and Chris Walker, Director and Co-founder, ChamberlainWalker Economics.

II: Simon Bird, Regional Director (Humber), Associated British Ports; Karen Dee, Chief Executive, Airport Operators Association; and Charles Hammond, Chief Executive Officer, Forth Ports.



Examination of witnesses

Witnesses: Simon Bird, Karen Dee and Charles Hammond.

Q46 **Chair:** Can I ask panel 2 to introduce themselves? We have Charles Hammond, Simon Bird and Karen Dee. Introduce yourselves on your own terms, please—name, rank and serial number.

Karen Dee: Good afternoon, everyone. I am Karen Dee. I am the Chief Executive of the Airport Operators Association. We are the trade body for UK airports.

Simon Bird: Good afternoon, everybody. My name is Simon Bird. I am the Regional Director for ABP Humber. I am responsible for the four Humber ports of Immingham, Hull, Goole and Grimsby and I sit on the ABP board.

Chair: I have a feeling there is no need to introduce you to Martin Vickers.

Simon Bird: Never heard of him.

Charles Hammond: Good afternoon, Chair. Good afternoon, everybody. I am Charles Hammond. I am the CEO of Forth Ports. We are the third largest port operator in the UK and the largest one in Scotland. I am also the Chair of the UK Major Ports Group. It was referred to in some of the consultation responses in panel 1.

Q47 **Chair:** Excellent. We may have ended panel 1 on a bit of a negative note as regards freeports, but a general question for you to set a positive tone: what benefits would being granted freeport status offer to you and your members? We will start with the glorious area of Immingham, one of Martin Vickers's favourite areas.

Simon Bird: ABP is a supporter of freeports for a variety of reasons, but we certainly see it as an opportunity to attract new business to our ports across the Humber. That will drive investment. We see manufacturing opportunities in those freeport zones that create employment and ultimately, as the Government are talking about, create global trading hubs. The benefits are around those four points.

Q48 **Chair:** What if Charles Hammond gets all the freeports and you do not? How would you feel?

Simon Bird: Charles mentioned he is the third biggest operator in the UK. ABP is the largest, of course, and the Humber is the largest port cluster in the UK for tonnage. We have a lot going for us in the multiplier effect that a freeport may well bring to the region.

Q49 **Chair:** Charles Hammond, since I have mentioned you, I will let you come next.

Charles Hammond: Thank you. I support what Simon said. I am not sure I see it as a competition between the ports as to who will get



freeport status. This is a very successful industry. It is the fourth most productive industry in the whole of the UK. It is an industry that has increased its skill base by 25% in the last five to seven years and that invests £500 million a year in infrastructure and facilities, so we all have common characteristics. When I look at what freeports will do, it is not a silver bullet but it is something that can capitalise on the success of the industry, improve trade flows and also get some of the wealth that has been created from trade back into coastal communities, which are some of the most deprived areas in the UK.

Karen Dee: I think very similar to what the two previous gentlemen have said. I suppose for us the difference as airports is that I represent 50 airports in the UK. We are very supportive of the concept. We think that most of the work that Government have done to date has been how it would work in a seaport context, so we would like to see a little bit more thought going into how that would apply in an airport. Certainly aviation, airports, is something that the UK is really good at and pre-Covid the UK was the third largest aviation market in the world and the largest in the EU, so it is something we want to protect. Anything that we can do to increase the attractiveness of our airports and continue to attract investment and trade is a good thing.

We feel that the model may be slightly different according to different airports. They are very different. Some of them are more similar to seaports and some of them are not at all like that. There will be different elements that will apply in different settings. Of course, not all airports are in deprived areas; some are, some are not. If your objective is regeneration, you might target certain airports. If your objective is economic trade, that might lend itself to other airports. We are looking for a bit more from the Government about how we can bid into this process, but certainly we think there are a lot of opportunities there.

Chair: Thank you very much for those distinctions, and they were well made. Waiting by is a man who never fails on the "mute" button, Robert Courts.

Q50 **Robert Courts:** Thanks very much indeed. I would like to unpack some of those topics that we started talking about there. I would like to look at some of the positive impacts but focusing particularly on inward investment and job creation. If you could also help me look at how you can maximise the impacts on those two particular things? I will start with Simon.

Simon Bird: Let me pick an example. In Hull, as was referred to earlier by Alex or Chris, the Humber estuary is very much known as the Energy Estuary. In the past we have handled millions of tonnes of coal for coal-fired power stations and now we are very rapidly transiting to the offshore wind sector. A couple of years ago Siemens set up a JV with ABP where we brought back into operation a redundant dock in Hull where Siemens now manufactures blades for the offshore wind sector. From a standing start, there is a factory that is making the blades that are being



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used now and, of course, well into the future as that sector gathers pace and as more capacity is established in the North Sea and there are 1,000 new jobs created as part of that factory. Obviously that is not in a freeport, but there is a model. Why Siemens in Hull? The market is out of the North Sea and Hull is very close to that market for transiting out there with blades and towers and nacelles, and the economics work for them being in Hull.

At the end of the day, whatever is set up in a freeport, assuming we have them, will be driven by the ultimate economic benefit of being in a freeport in the UK as opposed to being somewhere else. There is a good example of investment and new jobs.

Q51 **Robert Courts:** Thank you. Is there any way we can maximise that? As things stand at the moment, that is a very positive example. How would you use a freeport to maximise the effect that you have already seen in that example?

Simon Bird: Martin will have an interest on the south bank and I am sitting here in Immingham so I do too. There is a fully consented site here on the south bank that is outside of the ABP ports where it is consented to develop a site for the manufacture of blades, towers and nacelles to be used in the North Sea. The world is looking at offshore wind and if you had these manufacturing centres in a freeport, clearly they are going to be looking to export from here around the world. Right now, without telling tales out of school, I know Taiwan, the US and plenty of nations that are developing it are looking to source out of the UK. A freeport will add impetus to that, more bang for the buck in that respect.

Q52 **Robert Courts:** It sounds as if that is an industry in which we already have a good interest and a very good record but a freeport, as opposed to the existing setup, would give us the ability to take that global and really maximise that emerging industry. Is that right?

Simon Bird: Indeed.

Q53 **Robert Courts:** Thank you very much indeed, Simon. That is very helpful. Can I go next to Karen? It is the same question: positive impacts and how can you maximise them with regards to job creation and investment?

Karen Dee: I think there is a number of examples where making UK airports attractive for flights to come in, for people to base themselves, are where you get the jobs. For example, some airports, particularly smaller airports, become bases for the MRO activities. An airline will base all of its maintenance in one particular place, so you have all of the activity going on. They will be competing for that business with any airport in the rest of Europe, so there will be a number of elements, but the more that we can get those types of activities based in the UK the better, and a freeport could be a way of doing that.



The other area for aviation where you get a lot of job creation is simply by ensuring that the airport can compete and becomes a fundamental part of the local area and the region that it is engaged with. Quite often, for example, we have skills colleges based on airports or they are part of a local enterprise zone, where the local authority has a key plan that relies on good links internationally but because of the existence of the airport and the airport being part of it, that will allow for more job creation.

The area where we think that there will be a link, but quite how that will work is interesting, is that we know whenever we can encourage greater connectivity into an area that encourages trade, business and jobs, for example when you have a new international route. Manchester set up some new routes into China and Hong Kong and that vastly increased the types of businesses investing in Manchester because of that link and also the trade flows. Similarly in Newcastle where they had a direct Emirates route. Before that there was not a direct route and the numbers of people exporting there were very limited, but because of those links and we can attract them into the area, that has a knock-on impact in making the area an attractive place to base a business. There are some direct impacts and some that are slightly more to do with making sure that aviation continues to be attractive in the UK.

Q54 Robert Courts: Thank you. That is very helpful. One of the things I was going to ask you about was focusing in on that. I was interested in how you may have different advantages coming from an airport as opposed to a seaport. Just outside of my constituency by about 50 yards is Oxford Airport, which is known as a major servicing centre for helicopters but also as a major training centre worldwide for air crew. Using that as an example, simply because I am familiar with it, is that the sort of area that you could look at and that might have a different advantage? I am thinking particularly of the comments that you have just made, talking about skills and so on in the context of airports. Could you address that in a bit more detail so that I fully understand it, please?

Karen Dee: Yes. What you have highlighted there is a great example. We have lots of those types of niche areas around lots of our airports. I think all of those could benefit from the types of things that freeports could offer. The challenge is that if we have only 10 not everybody can get it. Some airports are competing with each other, but there would be a good case for Oxford Airport becoming a freeport in its own right in order to promote that and, equally, somewhere like Norwich Airport, which has a similar MRO type. How do you decide between the two and why don't you have both? In the aviation context, we are keen to understand why we are having only 10 if there are wider benefits that could be had. They might be slightly different, according to the airport.

The other area where we may be slightly different—and I am no expert on ports—is that at a lot of the commercial airports aviation is really big for freight; 40% of exports from the UK by value go by air. Heathrow is



the biggest port by value in the UK. Most of that freight comes in and out on passenger flights. We are successful in freight because we are successful with passengers. That link between the two makes aviation slightly different in what it may need and what it can offer.

That also makes some of the conditions that will be needed for freeports slightly more challenging. If you are driving something based on freight belly hold, freight helps support the commercialisation of a passenger route. The two on their own are very rarely commercially viable, so they support each other. If you drive one particular airport as a freeport based on freight, does that mean that they get more passenger flights that are taken away from other airports, for example? There are some really important interactions that we would want to look at.

Having said that, our view is that aviation has a key role to play and could offer some real benefits in some of those models and in particular where you join it up with the region. If you look at the freeport more in the enterprise zone-type model, if the LEP or the region has a particular dynamic that it wants to play, the airport can help facilitate that either by direct route or by the types of niche businesses. We have quite a lot of diversity in airports that lends itself to freeports if it is done in the right way.

Q55 Robert Courts: You said a moment ago words to the effect of you would like to see the Government be a little bit more focused specifically on how airports can benefit from this in particular. Bearing in mind everything you have just said now, is there anything in particular that would help you have that confidence to understand that airports are being thought of very much alongside ports for this initiative?

Karen Dee: What strikes us in the consultation document is that all of the examples are based on what could happen in the port, and it talks about the planning system for ports. We are very envious of the ports Maritime 2050 strategy. We do not have one for aviation. Similarly there is a national policy statement for all of the ports, which we do not have. I think it is just because traditionally the models that exist have been more around seaports, and it is not clear to us as airports how we could easily translate that. I think you can, and I am sure Government will be keen to do that, but at the moment the thinking is probably not progressed as well as it may be for the seaports or the maritime sector.

Q56 Robert Courts: Thank you. With a very strong personal and constituency interest in aviation, that is something that I can go away and explore, but thank you for your comments.

Could I turn to Charles, please? I would like to go back and ask you the question that I asked the others first of all. How do you see freeport status having an effect on job creation and investment, and do you see them being maximised, from your perspective?

Charles Hammond: It is probably easier to give one or two examples in the same spirit as Simon did. We have just finished building a new port,



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Britain's newest port, down at Tilbury. It will host the largest construction materials terminal in the UK once it is operational later in the year. The raw materials for that will come largely from abroad and then the customer on the site tarmac will be processing those materials. That development is already creating interest from manufacturers abroad to co-locate facilities beside that facility and the freeport status is clearly going to be important in helping to realise that, not only with local jobs but investment and any advantages.

One of the key things about our industry is the multiplier effect in jobs. If I look at the whole industry, we are responsible for about 115,000 jobs direct and indirect in the UK and the multiplier effect is about seven times. That is probably true for ABP or Forth Ports or Peel Ports or anybody else; that is the effect we have. We are great enablers of jobs. The freeport status is helping to capture added value for goods and supply chain resilience closer to the point at which the goods are coming in and giving local people a much better chance of getting local jobs. I do not know if that answers your question.

Another example I can give to go north of the border, we have created quite an interesting decommissioning cluster at Dundee. At the moment decommissioning tends to rely very much on the landsite and the scrap industry, but there are a lot of components coming out of decommissioned rigs that can be remachined and reengineered and then reexported. We are looking actively at whether that would be a possible use for freeports as well.

Q57 Robert Courts: You have also a unique perspective for our purposes today. Until the legislation expired in 2012, Tilbury had a freeport status, albeit a very different freeport status, as I understand it, from what the Government are proposing in these circumstances. With that big caveat, and I accept it is a big caveat, could you help us with what impact on jobs and investment there was from that earlier incarnation of freeport?

Charles Hammond: To be quite honest about it—and I ran Tilbury for seven of the years it was a freeport—I think at the time the freeport status was more about as ports came out of the restrictive practices of the Dock Labour Scheme freeports were just an additional example of saying, "It is much easier to do business and your cargo is going to be secure in those ports". All it did at Tilbury was helped a number of the panel product importers to defer duty and there was a slight cash flow benefit. There was a comment earlier in the panel about what the rationale was for stopping the legislation and I think the comment was made that there was not any great benefit.

I would tend to agree with that. It helped us to reassure customers that their cargo was secure and they had their own police force there as well. The cargo was traceable and there was a small cash flow benefit for customers, but I do not really regard the freeport status we had at Tilbury at the time as really comparable to what we are talking about in



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the Government consultation document now. If we were returning to that, I would say it would not merit attention at all.

Robert Courts: Thank you. That is very helpful indeed in clearing that up and I appreciate it.

Chair: Excellent, thank you. Turning to the ever-courteous Mick Whitley.

Q58 **Mick Whitley:** Thank you, Chair. Good afternoon, panel. What is your assessment of the Government's package of measures for freeports as outlined in their consultation? Karen, please?

Karen Dee: It seems to us that the types of measures that they are talking about could be very attractive and could help make aviation, UK airports, an attractive place to do business. As I have said previously, we would want to make sure that we are not distorting competition, so it is important that there are good practices. Airports facilitate customs procedures and usually the people at the airport do that, but if there is a good case for streamlining customs procedures I think we would like that to be done anyway. There is probably a good case for doing that, but the freeports initiative highlights what some of those things can do. I think as a package they could be very useful in making us competitive with our competitors abroad.

Charles Hammond: I think the package of measures at the moment is in the right direction. It will be interesting to see the weighting of those measures. Some of the wider stuff is quite important. Karen was talking about connectivity, which I think is key for promoting trade but so is planning. The whole of the ports industry has made a quite detailed submission for making planning easier, not just in freeports but around port complexes, because sometimes it is the planning that can delay good quality opportunities.

I fully agree that we need to simplify the customs processes. I think we have one or two complications coming over the hill before freeport status. What is really important is that the new customs system and the new processes following any form of Brexit or trade deal with the EU are made as simple as possible and there is a level playing field with the support that organisations get in implementing them.

Simon Bird: I agree with the two previous speakers. To pick up on the issue of planning that Charles touched on, ports have the interface with marine planning as well as terrestrial planning. I think it was Alex in the previous session who was talking about how we can make that better. We can certainly make it faster. One of the benefits the Government are looking at with freeports is the speed at which planning and permissions can be granted to get the manufacturing, the activity, up and running faster than it perhaps would be outside the freeport.

The financial incentives that have been kicked around and spoken about, from tax relief, capital allowance, research and development credits, lower security costs, could all be worked out in the wash, but what the



Government have said so far is heading in the right direction. We have given our comments on that, along with the others who have sent comments back into the consultation. Planning is a big area for us.

Chair: I am conscious of time and I know the first panel overran, but if we can be efficient and economic with our wording that would be appreciated. Next up is Mark Hendrick.

Q59 **Sir Mark Hendrick:** Chair, I am not particularly well known for being economic with my words.

Chair: Always a first time.

Sir Mark Hendrick: I am particularly interested in the way in which these freeports in the future may benefit the northern economy. Obviously, being from the north-west of England—and I speak as a former director of Manchester Airport PLC, as a Salford City Councillor I was a director and this is directed particularly to Karen—I think Manchester Airport can benefit greatly from it. Chris Walker, one of the previous panellists, produced a table that shows how much Manchester could benefit from being a supercharged freeport, even. One of the things that worries me, particularly given the development of the discussions with the EU, is how the Government's proposals would change customs procedures in practice. While it is great to have all these tax incentives and everything else, customs procedures are basically a drag on the movement of goods and services. How do you see customs changing in practice?

Karen Dee: I am not an expert on customs procedures and quite often it is the freight forwarders that are part of the airport that deal with that. It is clear from the conversations I have had that the customs procedures and technology can be very challenging on an airport site and very heavy in terms of paper with sometimes repeat declarations, for example. Anything that we can do to streamline that process will be good for all businesses. My view is that what they are proposing as part of the freeport will be great as part of the freeport, but it ought to be something that the Government are focused on anyway for the rest of the freight industry more widely.

Charles Hammond: I agree with that last point, that you have to make things simpler, have to use technology, but it is not just the freeports application. This is about rolling out new customs procedures across all major complexes and getting support and help in doing that.

I can see a number of examples around the country where freeports will help ports. I agree with Simon that the Humber is an area. The Tees is an area and I see a couple of areas in Scotland—Grangemouth and Dundee—and the Thurrock area and Liverpool area in England. These are all areas that I think will probably benefit from freeports. It might surprise you to know that while ports compete a bit, they do not tend to compete as much as you would think. What they tend to do nowadays is what I call investing in supply chain opportunities. Freeports, to me, are



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an intensification of that process of investment and making the supply chains more resilient.

Q60 **Sir Mark Hendrick:** Simon, what are your views on customs procedures given the state of play of the Government's negotiations generally?

Simon Bird: I really have nothing to add to what Charles has said, other than to say that we have to embrace technology and technology will be the key to ensure that we have effective customs checks. In the interests of time, I agree entirely with Charles. On the Humber, sea cargo comes through a lot our ports around the coastline and disappears into the hinterland. There is certainly a number of areas where investment in job creation is lacking. We are no exception here on the Humber, on the south bank here, around Grimsby, and on the north bank as well. The freeports provide an opportunity for job creation in some of the deprived areas of the UK. The Government talk about it in their consultation, part of levelling up from the south to the north, and I see freeports in the north of England doing just that.

Q61 **Sir Mark Hendrick:** With jobs, are you thinking of customs officers in particular? There is a figure of 30,000 mentioned.

Simon Bird: Sir Mark, we are already waiting to see how Brexit plays out. You saw what we said last week about the Border Force looking for land in Dover and around some of the key ports, including here on the Humber. We are waiting to see what happens with the border control posts and how they are going to be staffed and what checks are going to be in place for the food products coming into the country. The devil is in the detail and we do not have that detail yet. I think there will be, and should be, greater dependence on technology to assist customs, and indeed the port operators, airports and seaports, with managing that.

Q62 **Sir Mark Hendrick:** I think there is no doubt about that, but are you not concerned about the timetable? The end of the transition period is coming at the end of this year and to have all that technology and staff in place to implement any new system to me looks to be near impossible?

Simon Bird: That is not a question for me. I am just the port operator who has to manage the ports and whatever we have to do around the legislation. We are all concerned in understanding the detail and that detail comes with a timeframe by which we have to implement it.

Charles Hammond: We have made a submission on this as an industry body. While there is a kind of transitional relief in the new system until July of next year, it is really tight. The two principles for me are ports have the capacity, they have the willingness, but they need a bit of time to implement these things. We need to work with the customs agencies and we need greater clarity. There seems to be a pot of money available but we do not really have the detail on how that might be spent.

The other thing that is concerning the industry generally is making sure that we have a level playing field. ABP and ourselves and others have



capacity to create facilities on our land. Other ports on the south coast of England do not have that capacity and, therefore, we need a level playing field as to how these facilities are set up and priced.

Q63 Sir Mark Hendrick: Are you particularly concerned about huge car parks around your port facilities at the moment?

Charles Hammond: I am not so concerned around our ports, but when we look at flows of cargo into the UK from the EU, particularly driver-accompanied freight, there is going to be disruption there. As an industry body, what we are saying is that the ports up the east coast, including the north but also in the south-east, have the capacity to handle unaccompanied freight and deal with that problem and have border inspection posts and have surplus land capacity. The Government do not need to start looking for land around the south coast in Dover and creating its own bespoke border inspection posts. They should work with the existing major ports to create those facilities.

Q64 Martin Vickers: We have already touched on some of the ports and the niche operations that might take place. Simon mentioned the Energy Estuary on the Humber. I would like to develop that a little further. Karen, you mentioned the large value of airfreight. An operator of a small airport once said to me that he has an industrial estate with a runway attached to it. Do you see that runway being used more effectively for developing innovation, which is one of the main aims of the Government's consultation? Do you see the possibility of some of the smaller airports developing innovation and skills units perhaps in high value products like pharmaceuticals and so on?

Karen Dee: Yes, absolutely. There are all kinds of opportunities out there, depending on the type of airport and where they are, and not all airports are capacity constrained, as you say, with their runways. What they all have is that they need to encourage the flights in, in the first place. On the types of innovation, there are huge programmes and very good work planned about sustainability in aviation, on future flight, on different types of aircraft and different types of fuel. There are lots of opportunities where the UK could take a lead and invest in these types of businesses, which would have a very natural fit within an airport environment. Freeports could be a good opportunity to bring forward some of that.

If you are a different type of commercial airport your niche activities may be different. I think that is why a one-size-fits-all approach to freeports does not really apply to airports because they are all very different in their nature, in their locations and the types of businesses that are already there that could benefit from further investment. We would like to see some flexibility in the bidding process and the kind of framework that the Government come forward with, so airports or in collaboration with the local authority or even with a port, for example. There is no reason why you could not have a port and an airport working together. We think that Government should keep it fairly flexible to get the most



and to encourage some forward thinking from ports and airports and businesses as to how we could make the most of this initiative.

Q65 Martin Vickers: Simon, you mentioned earlier the offshore energy sector, which I am well aware is crucial to the Humber ports. You also have links with a British Steel facility on your port and you are only 20 miles from Scunthorpe Steelworks. I have heard you speak in the past about free zone corridors linking industrial estates in Grimsby, Scunthorpe or even east-west coast. Do you see other niche products being developed as a result of perhaps developing those corridors?

Simon Bird: I think in any of these freeports we ought to be ambitious. You know, Martin, because you know the area up here, I run the Humber ports as one operational entity. From here to Immingham to Goole is 45 miles. I have to go across to Hull. If we apply for a freeport we will be applying for a Humber freeport, but it is not just about the ABP ports. The land that connects or runs down the south side of the estuary towards Scunthorpe takes in the sites for offshore wind. That, in my mind, should be in the freeport, for the reasons we touched on earlier.

If you have a network of freeports throughout the UK and the Government are talking about only 10, and let's say the Humber is one and Tees is one, Charles's ports further north in Scotland and Liverpool across on the west coast, I am going to take Liverpool. It is the other end of the M62 to where I am on the east. If there are components coming into Liverpool or coming into the Humber that need to go to a manufacturing site in the other freeport, why not let those components move under the same freeport status that exists in the ports they are going to? The Government talk about introducing some legislation to ensure that duty is paid on the components when they leave the freeport to where they are going.

Taking the earlier point about ensuring there are no illegal activities here, equally technology will enable you to move those products I think relatively free of any of those issues. It is another way to drive that volume over the ports and help make the freeports a success. Take the specific one of British Steel just down the road in Scunthorpe, they have their own issues, of course, but they are manufacturing a great deal of steel for export. If they were sitting in a freeport, they would benefit from the freeport status and the export markets they can sell into, absolutely.

Q66 Martin Vickers: Karen, you wanted to briefly come back in before I go to Charles?

Karen Dee: Yes, to agree with that, because I think it is important. Let's take Heathrow, for example. The reason why a large part of freight comes into Heathrow is because of its international global flight links. A lot of those goods will be for onward transit via domestic links to other airports, which are equally important. It is not always going to be commercially viable to have direct global links to every airport, but if you have that sort of link between the two, does that make all of your



airports freeports? It is a really important thing that we do not get hung up on just one particular area. As the previous speaker said, we need to be a bit innovative in how that works. East Midlands, for example, where we have a lot of dedicated freight for aviation, is very close to a rail hub and also has good links to a port. With some innovative thinking, you can make it bigger than the sum of its parts.

Charles Hammond: I fully agree with both these points. I think being flexible about sites and not drawing rigid boundaries around the freeports is important. For example, our Thurrock freeports bid will not just be from Forth Ports. It will be DP World and probably include Purfleet as a port in that area as well, so three privately owned ports plus adjoining land. I think the zoning has to be flexible for that because components can flow in a number of different ways. The example Simon gave of connecting Liverpool and Hull is another good example. I think we should allow sites to be augmented, based on criteria for economic value-add and productivity and other criteria rather than saying, "Because you are not in the initial area, you are excluded from this". We should be able to make the case for them to be included.

Q67 **Mark Garnier:** Simon, can I start with you? I am interested, you have obviously had a look at the freeports and the possibility of setting one up. What is your expectation of what will happen immediately outside your port with business activity, land values and general sort of effects on the neighbouring environment?

Simon Bird: You are picking up the market distortion point in some respects. Let's say the freeport generates economic activity around here, so we create thousands of jobs and those jobs are going to stimulate the economy outside the freeport where the people are living. Are we going to see business spin up that are going to support what is going on in the freeport; are we going to see businesses go out of business because of what is happening in the freeport? It is all around that distortion question. We have to be careful to understand the consequences of the freeport on not just the local economy, because depending on what you do in the freeport, the hinterland could be much larger.

Yes, there is going to be an impact. Exactly what, I can see good and bad there, but the freeport opportunity is about adding more than taking away. The Government, with the response they are getting back from a variety of inputs, need to be very clear on what they are trying to attract and the consequence of what they might damage by doing so. I think the pot is half full. I think it will be an economic generator. It will multiply the impact in a positive way outside the freeport zone—I will not say fence—but I recognise that we have to be careful about that.

Q68 **Mark Garnier:** Charles, you were nodding there and I am quite interested from your point of view. I think you have a number of ports that are not that far from each other. What would happen if one of them was a freeport and the others were not? Do you think that that one freeport would do disproportionately better at the expense of your other



ports or do you think it would just be a net beneficiary?

Charles Hammond: We see the ports as a complex and it is a case of focusing on particular strengths. On the point about distortion that you were asking Simon about, for me land is always at the bottom of the food chain in any development. The big danger is you get people taking land positions and effectively flipping them and making profits and not adding any economic value. When you start with port operators, we all tend to be long term. We are never selling land, we are always developing and investing in our land, and usually we are bringing third parties in who have a similar mentality. I do not necessarily see a freeport zone distorting land values as such, especially as the incentives for creating jobs will all require private investment before long-term value can be created. I do not see the market distortion point.

I also see the point of playing to strengths. For example, Grangemouth has strengths in being Scotland's only refinery and will have to transition into new products in a decarbonisation agenda, whereas Dundee has strengths in emerging industries like decommissioning and offshore wind and Tilbury has strength in a number of commodities, particularly in resilience and logistics. Ports tend to have their own characteristics. I would not be as concerned about market distortion in the freeports proposal.

Q69 **Mark Garnier:** Among the ports specifically?

Charles Hammond: Yes.

Q70 **Mark Garnier:** Karen, you have very different dynamics going on with airports for quite complex reasons, but have you thought about what the effects would be if one of your airports was turned into a freeport?

Karen Dee: I think it depends on the nature of the package of the freeport, how it turns out to be. There are some elements that we would have to really careful about. As I said before, if an airline is encouraged to switch a flight from one airport to another because it can bring the belly hold freight in and it attracts less taxation, clearly there is potential there for some distortion. However, if the model that the airport is going for is much more along the local enterprise and about linking to businesses and transporting passengers and parts for particular manufacturers that would always go to that part anyway, the distortionary impacts could be less. It is quite difficult to say exactly what it might be, but certainly it is something that the airports sector want Government to be quite careful about and to give some thought to how you address that.

That is why we say don't just limit it to 10. Go for something wherever you can demonstrate that there is a positive economic regenerative impact—why not? I think our view is that it should be beneficial, in terms of revenues for the Treasury, rather than cost, if you see what I mean. If this is all about driving trade and driving the economy, it should be delivering positives rather than negatives.



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Mark Garnier: Brilliant, thank you very much.

Chair: I am going to put the Emily Maitlis restraint on people now. If we can imagine we have about 30, 40 seconds to answer questions because of timing.

Q71 **Matt Western:** I will ask this question just to Simon Bird because of the constraints of time. We heard from the previous panel about the issue of reputation for the sector of freeports and particularly when it comes to smuggling or illicit trade. If one of your members—and I am not just talking about the Humber of which you are the Regional Director but across the Association of British Ports—was made a freeport, how would you mitigate against that risk?

Simon Bird: We would have to ensure we had adequate security and checks in there, working with the police and the National Crime Agency to ensure we had the right protection there to minimise and prevent that happening. It is a fact of life that there is organised crime throughout the UK and the ports are no exception to that, but with the freeport incentives we have been talking about, we will be a potential magnet for organised crime. We are going to have to have the right countermeasures in place.

Q72 **Matt Western:** But does the responsibility fall with yourselves or with border officers?

Simon Bird: It is our port, so assuming it is in the port, it is ABP's responsibility, but I work very closely—and I am sure Charles does too—and my port managers work very closely with the local police and the National Crime Agency as well. It is a very close relationship.

Q73 **Chair:** Just a brief point, Simon. The last panel said something about having alcohol, tobacco or expensive arts going through the port. Any brief comment on that?

Simon Bird: That is not really our interest. Our interest is throughput; it is cargo in, cargo out. I am certainly not interested in storing expensive pieces of art.

Chair: Fair enough, thank you.

Q74 **Mark Menzies:** Again, in the interests of time, I will focus this question to Karen and then to Charles. The Government have said that credible freeport locations could involve collaboration between ports located in close proximity or different modes of ports. Do you agree and would you and your members consider being part of collaborative bids of this kind? What I am getting at here is that in my own constituency I have an enterprise zone but it is located across three different sites, two of which are in my constituency and one is 25 miles away. What do you think is the scope of having a freeport—that it could have a physical port and it could also then be linked to an airport? This is one way of getting around or addressing this number—that we have a maximum of 10 or whatever it is. You have a physical seaport, but with an airport associated with it.



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Karen, what are your thoughts?

Karen Dee: Absolutely. I think a lot of my members would be interested in that, either with other airports or with rail, or with ports themselves or just as part of a local regeneration area. I think collaboration would be a good thing.

Charles Hammond: I totally agree. One of our bids is going to be a collaborative bid in freeports in Thurrock, so for sure. I think that is important. When we talk about levelling up, in my view we should not just be talking about the north, we should be talking about areas of deprivation wherever they are. I use Thurrock as a good example of an area of deprivation in the south-east, so it is important to remember that it is not just geographic, in the north-east or the north-west.

Matt Western: That is great. Thanks very much.

Chair: Thank you, a good point well made.

Q75 **Paul Girvan:** Are the Government's proposed criteria for evaluating freeports suitable? That is probably to Charles.

Charles Hammond: I think that broadly speaking they are. What will be important is, first of all, the transparency of the bids and the data accompanying the bids and then the weighting that is given to each of the different factors of regeneration, global trade and investment and innovation. Making the criteria and the weighting of the criteria is important and then adding to that the procedures and the governance that goes with it. I think the template has the potential to do that, but it needs to be developed.

Q76 **Paul Girvan:** Karen, maybe come in on that in relation to airports.

Karen Dee: It is not clear yet quite which type of bid will win out. We are keen to see more about which types of objectives the Government want to have, because they are not always going to all be achievable in the same way. Rather like Charles said about weighting, a bid that is primarily aimed at regeneration could be very different to one that is primarily aimed at the economy and trade. I think what businesses will want is to understand how Government are going to evaluate those.

Q77 **Paul Girvan:** Simon, do you have anything to contribute on that point?

Simon Bird: I am agreeing with everybody on this one, but I think the Government are going to get back an awful lot of applications for freeports, which makes the selection criteria really critical and transparent. Where they come up with their 10 freeports—whether 10 is the right number, because Karen made the point there could be 50 or there could be more than that—or however they determine it, it is going to have to be transparent and we all need to understand why those 10 have been selected.

Q78 **Paul Girvan:** Do you believe there should be a regional reference made to that as well? You made a reference, and Charles probably has a



Scottish perspective. From a Northern Ireland perspective, a rising tide floats all ships, and we would like to be involved.

Chair: A good metaphor.

Simon Bird: Yes, indeed. The objectives talk about national hubs, so if you are looking for—to use that awful expression—bang for your buck, you have to go for scale. Where I am on the Humber is the biggest port complex in the UK and you are going to get scale, but there will equally be cases, I am sure, from Tees, from over in Liverpool and, as Charles said, down in Thurrock and the south-east. There are going to be very strong cases coming forward. We all look forward to being involved in giving our ideas on how selection criteria are made, but I think transparency is key to it.

Chair: Finally to launch the lifeboat for freeports, Martin Vickers.

Q79 **Martin Vickers:** You cannot turn a small port into a large port just by giving it freeport status, so the criteria, as we have just been talking about, are going to be crucial. Do you think from what you know of the situation at the moment that the small ports are going to have a chance and do you think that would be particularly valuable?

Charles Hammond: I think they will have a chance. Scale probably is important to kick this off, but I think what is also important is you may have a small port in an area of extreme deprivation and we are about to hit a situation where we are going to have much more unemployment in this country. Where you can alleviate that disproportionality in the area has to be considered as well.

Q80 **Martin Vickers:** Perhaps Simon would like to have the last word. It would be remiss of me not to allow him that, wouldn't it?

Simon Bird: That is very kind, Martin. On that particular point, we will be coming back with a Humber bid, so the four ports in the Humber but also I think the Humberside Airport and probably some of the wharves further up the Trent and the Ouse. It would be wrong to ignore the smaller ports. Perhaps as part of this consultation, maybe there are the 10 major freeports and there is an argument for having something addressed specifically for the smaller ports that have the right criteria around them, to support the specific issues the smaller ports have.

But to end where we started, I think it is a great opportunity and the ports sector, certainly ABP and wider in the UK, is up for working with Government to develop the concept.

Martin Vickers: The Chairman will always have the last word, of course.

Chair: Only to say that it is no surprise who the advocate for Immingham gave the last word to on the witness panel. Witnesses on the panel, thank you all very much. We got through that in just over an hour, so I appreciate our acceleration there toward the end. I hope there is nothing you missed out. If there is anything you want to send in, please do so as



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written evidence. Colleagues, panel, I wish you all a very good afternoon.
Thank you all.