
Report To:	Policy & Resources Committee	Date:	17 November 2020
Report By:	Corporate Director Environment, Regeneration and Resources	Report No:	PR/44/20/MM
Contact Officer:	Martin McNab	Contact No:	01475 714246
Subject:	Freeports		

1.0 PURPOSE

- 1.1 The purpose of this report is to update Members on a letter received from the Minister for Trade, Investment and Innovation on the Scottish Government approach to Freeports and the imminent commencement of the bidding process for Freeports in England.

2.0 SUMMARY

- 2.1 On 15 October 2020 the Council received a letter from the Minister for Trade, Investment and Innovation updating on the Scottish Government's approach to Freeports. The letter is attached at Appendix 1. There is not a settled position on this however the letter makes clear that any process for selecting Freeports will be a joint undertaking between the Scottish and UK Governments.
- 2.2 Separately the UK Government has published further information on the process in England with sea, air and rail ports in England to be invited to bid for Freeport status in a process to open by the end of 2020. The UK government envisages the first Freeports being open before the end of 2021.
- 2.3 The UK Government has further stated that it will work with the devolved administrations to seek to establish at least one Freeport in each nation of the UK. Members should be aware that high level discussions have taken place regarding the feasibility of a wider Clyde based application potentially including the Inverclyde and Glasgow seaports together with Glasgow Airport.

3.0 RECOMMENDATIONS

- 3.1 That the Committee notes that the application process for Freeports will shortly open in England;
- 3.2 That the Committee notes that a process for applications in Scotland has yet to be agreed between the Scottish and United Kingdom Governments;
- 3.3 That the Committee grants authority to the Corporate Director Environment, Regeneration & Resources to reaffirm to the Scottish and UK Governments the desire that the Clyde should be considered as a potential Freeport; and
- 3.4 That a report is brought back to Committee as and when the process for application is clear.

4.0 BACKGROUND

- 4.1 The UK Government is seeking to establish a network of Freeports in the UK including at least one in each of the devolved nations. The policy will introduce different customs rules in the areas of the Freeports allowing potentially import, processing and re-export of goods without the need for tariffs. The UK Government has also stated that there will be a package of tax reliefs for businesses investing in Freeports together with measures on planning rules in Freeport areas.
- 4.2 In February this year, the UK Government commenced a consultation on Freeports. This concluded on 13 July 2020. Local Authorities were not invited to comment and it is fair to say that most local authorities and many private companies were wholly engaged with managing the implications of the Pandemic during this period. Officers engaged with the Scottish Government, which was consulted and a copy of the response from Scottish Government to the UK Government is attached to this report at Appendix 2 for information. Officers have flagged to the Scottish Government that Inverclyde wishes to be part of any process associated with selecting a Freeport location in Scotland.
- 4.3 High level discussions have taken place around the possibility of a Freeport application being made on a joint basis to cover the port facilities and wider areas in Greenock and Glasgow together with Glasgow Airport. Officers will report back prior to any formal application being made however it would be helpful if the Committee were to delegate authority to the Corporate Director to reaffirm to the Scottish and UK Governments our potential interest in such an approach.

5.0 IMPLICATIONS

5.1 Finance

There are no immediate financial implications arising from this report.

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/(savings)

Cost Centre	Budget Heading	With effect from	Annual net impact £000	Virement From	Other Comments
N/A					

5.2 Legal

There are no immediate legal issues arising from this report.

5.3 Human Resources

There are no HR issues arising from this report.

5.4 Equalities

- (a) Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO - This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore no Equality Impact Assessment is required.

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO

5.5 Repopulation

There are no impacts on repopulation arising from this report.

6.0 CONSULTATIONS

6.1 None

7.0 BACKGROUND PAPERS

7.1 None

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15 October 2020

Update on the Scottish Government approach to Freeports

I am writing to thank you for the valuable contribution you have made to the discussion on the potential of Freeports in Scotland to drive inclusive growth. As you will be aware my officials and I have conducted extensive engagement with Scottish stakeholders including four recent 'roundtable' calls with key sectors. We have also engaged with local authorities and our enterprise agencies. Those discussions identified a number of potential opportunities, and some risks, around the adoption of this policy, along with a number of questions around the specifics of how Freeports would be supported and operated. I felt it helpful to take this opportunity to write to update you on the current situation and to keep you abreast of the Scottish Government perspective on this policy.

As you will be aware the Scottish Government has extensive engagement with the UK Government on this issue since the Freeports policy was first announced. I recently spoke with the Chief Secretary to the Treasury, Steve Barclay MP, to discuss the policy and the implications for Scotland and we read with interest the UK Government's [response](#) to its public consultation on Freeports. Officials have held regular discussions with their UK Government counterparts to ensure we are abreast of the most up to date information available. We do find ourselves unfortunately in the position where key information we have requested, including on economic modelling and the specific tax, finance and regulatory levers the UK Government intends to apply, has yet to be shared. As a result we are unable to make a full assessment of the risks and opportunities of the policy for Scotland, or to calculate the likely impact on Scotland's economy and finances at the current time.

Last week, I attended the UK Parliament's International Trade Select Committee session on UK Freeports to give evidence on behalf of the Scottish Government. I made it clear to the Select Committee that the Scottish Government has not yet taken a decision on Freeports. I stressed that we are open to exploring the policy and its potential benefits further, while also being cognisant of potential detriments such as economic displacement, which was also highlighted as a concern by many at the four roundtable stakeholder sessions.

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In the UK Government's response to its consultation, it notes that Scotland and the other devolved nations will not be included in the forthcoming competitive bidding process, likely to be launched by the end of this year. As soon as we receive the necessary details of the Freeports offer from HM Treasury, we will take a view on our approach to the policy in Scotland. The UK Government have made clear to us that any process for selecting Freeports in Scotland would be agreed upon and undertaken jointly by both the UK and Scottish Governments. This would allow for a process that is better suited to the particular needs and geography of Scotland than a UK-wide process.

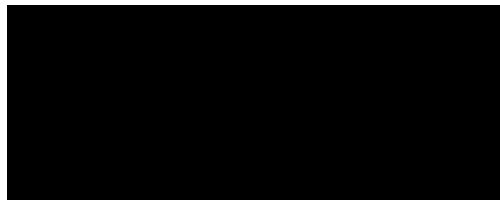
In the meantime we will continue to engage with stakeholders and I would invite you to continue to share your views and the evidence you have on the opportunities and risks attached to Freeports.

The Scottish Government's primary focus remains navigating our way through the global pandemic. Our [Programme for Government](#), published last month, sets out the actions we are taking to ensure Scotland's economic and social recovery. It sets out a range of measures towards building a stronger, more resilient and sustainable economy with a clear focus on creating new, good and green jobs.

The Scottish Government's opposes a damaging hard Brexit and we are clear that Freeports will not undo the damage caused to Scotland's economy by the UK Government's decision to take us out of the world's biggest single market.

Finally, let me assure you that the Scottish Government is entirely focused on delivering sustainable, inclusive economic growth in Scotland and driving forward a green recovery.

Yours sincerely,



IVAN McKEE

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10 June 2020

Dear Steve,

I write to you with regard to the UK Government consultation on Free Ports, due to close on 13 July. Naturally, the primary focus of both the Scottish and UK Governments at the current time is addressing the COVID-19 public health emergency and the economic impact arising.

I can confirm that the Scottish Government is willing to continue a dialogue aimed at establishing whether the introduction of Free Ports in Scotland can help drive long term inclusive and sustainable growth. However, designation of any Free Ports in Scotland would be contingent on Scottish Ministers being confident that they would play an impactful role part in securing economic resilience and recovery in the medium to long term.

While the Scottish Government is happy to examine the potential of Free Ports, we remain of the opinion that the best interests of Scottish businesses and the promotion of international trade are best served by close alignment with the EU.

In taking forward a dialogue, I would highlight the following points as important to the Scottish Government:

- Potential design and implementation of Free Ports in Scotland must feature maximum devolution to Scotland in terms of decision making regarding number, location, design and implementation in order that they best align with the Scottish economy and our wider policy context;
- Any Free ports in Scotland should be designated in a manner that is complementary to our trading ambitions with the EU, our largest export market;
- Economic benefit to the Scottish economy from Free Port designation in Scotland would need to be additional, avoiding harmful displacement effects in other regions of Scotland; and,
- It is vital that the introduction of Free Ports would not dilute employee rights or compromise environmental standards and our climate change ambitions.

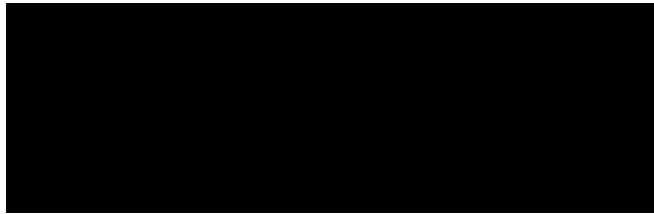
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In general terms, the Scottish Government requires more compelling evidence of the potential economic benefits arising from Free Ports, including the powers they offer. The consultation was relatively under-developed in that sense. However, I would be happy for our respective officials to discuss strengthening the evidence base as part of their wider collaborative discussion. Part of this must be a granular examination of how the anticipated tax incentives associated with Free Ports would affect overall revenue income in the Scottish context.

My officials will also continue a dialogue with business and other stakeholders in Scotland, with a view to ensuring that as wide a spectrum of opinion is considered. I have copied this letter to Ministerial colleagues in Wales and Northern Ireland.

I look forward to hearing from you.



IVAN McKEE

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