



# Port Zones UK

## A Licence to Operate: ‘Enterprise, Development and Free Trade Zones’

A coalition of British airport and seaport operators promoting regional growth centred on key UK transport hubs through the designation of enhanced ‘Enterprise, Development and Free Trade Zones’.



## Foreword

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Sparking greater regional economic activity, increasing high-value employment and improving local transport and digital connectivity are long-held policy objectives for the Government.

Brexit provides a valuable focus for the UK to take stock, reappraise and drive forward with positive endeavour.

Over the centuries, our shores have been the home to great industrialists, pioneers and merchant traders.

But too often in recent years we have failed to provide the business conditions that maximise the value from Britain's natural assets, leading academic institutions and world leading services sector to seize the substantial supply chain opportunities from developing and commercialising new technologies.

The Government's commitment to establishing a contemporary version of free ports for a UK context is welcome in this regard.

By overlaying the fiscal measures of enterprise zones, speeding up – not reducing – consenting at airports and seaports, combined with a modern version of free ports utilising supply chain technology, the port zones concept provides a clear template for the Government.

Whether modern free ports cover Bournemouth or Milford Haven, the Humber or Tyne, Grangemouth or London, Peterhead or Heathrow, the UK must act with positive intent to continue to attract substantial foreign direct investment in an ever competitive global environment. Free ports are key.

In the year since we set up the Freeports Group in Parliament, we have had a positive impact and I am pleased the Government under Rt Hon Boris Johnson MP is committed to seriously investigating the viability of free ports. I commend this report to the Freeports Advisory Panel.



**Martin Vickers MP**  
**Chairman**  
All-Party Parliamentary  
Freeports Group

### Founding members:



## Conditions for Growth

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As the UK recasts its global economic relationships, trade has never been so important to the fortune of the nation.

Business, consumer and investor confidence are – and will be – inextricably linked to the future success of the British economy. But to forge new trade agreements and transition existing ties, strong domestic foundations are needed to maximise the value of inbound and outbound business flows through our international gateways.

Most major British cities and towns owe their past success to trade and commerce.

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Forged in the spirit of Sir Stamford Raffles' vision for Singapore, Port Zones UK calls for new 'Enterprise, Development and Free Trade Zones'.

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Airports and seaports play a vital role in our economy, facilitating almost all of the UK's international trade in goods and tourism.

The sectors provide important hubs of regional and nationally significant economic activity, employment, manufacturing and industrial processing, many of which are in areas of deprivation.

The UK's imminent departure from the EU has created a fresh impetus for a new and innovative growth-generating policy in our regional and coastal communities.

As well as goods and tourism, ports play a unique role in enabling both business travellers come to Britain and deal internationally.

These are also gateways for other sectors such as the aviation and maritime services, air and marine recreation fuel and energy and other traditional industries such as fishing.

The efficient exchange of goods, the execution of value-added activity, supplemented by high quality services, is the bedrock of the UK economy.

In a global marketplace where competition for capital, resources and skilled personnel is fierce, it's crucial that vital transport nexuses – like airports and seaports – are given the necessary business conditions to continue to grow.

Port Zones UK believe this can be achieved through 'zonal' enhancements to the terrestrial and marine planning systems, and modifications to the business focused policies of enterprise zones, overlaid with free port status.

As the UK departs the European Union, it is critical that the UK Government and devolved administrations create an economic framework that boosts business clusters by lowering developer risk around global transport links.

During a period of public policy uncertainty, maintaining business confidence through a competitive regulatory and fiscal system is key.

## A Licence to Operate

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Enterprise, Development and Free Trade Zones

By combining and enhancing enterprise and free trade zones, Port Zones UK believe British governments can create a post Brexit business environment that boosts trade, inward investment and regional growth.

Harnessing their natural capital and transport networks, major economic centres around airports and seaports should be prioritised as economic zones.

Reclassifying 'port zones' with improved planning, fiscal and regulatory status will provide a regulatory environment which makes it easy for existing and new businesses to operate, invest and employ.

With a strengthened presumption in favour of development, the UK governments could lower developer risk, by shortening development time frames and lowering project costs.

Port Zones UK call for airports and seaports to be granted special status to enable them to facilitate greater business development, inward investment, manufacturing and processing-led growth through enhancing enterprise zones and, where appropriate, combining with free trade zone designations and harnessing supply chain technology.

Regardless of the eventual EU-UK Brexit settlement, Port Zones UK believes that the planning changes mapped out within this document should be pursued to boost Britain's business environment, manufacturing clusters and coastal communities.





## Boosting port-based development

by Eversheds-Sutherland  
(International) LLP

Airports and seaports form part of the country's essential infrastructure and are vital to the economy; they must be able to respond effectively to changing national and international demands.

The regulatory framework governing terrestrial and marine planning is extensive and complex, with differing legislation and consenting authorities.

To enable ports to function effectively it is important that they can secure the necessary consents in an efficient and, crucially, timely manner.

Port Zones UK believe there are number of areas where improvements to current systems can be achieved, without the requirement for major new primary legislation.

The three main areas identified:

- 1 speeding up the process and granting of planning permissions for appropriate forms of development
- 2 ensuring that the marine and terrestrial planning systems relating to ports are closely co-ordinated and providing for the faster delivery of marine licences, and
- 3 reducing delays arising from environmental legislation such as the Habitats Directive and environmental impact assessments.

Speeding up the planning process for land-side development

For airports and seaports, the power to grant planning permission normally resides with a local planning authority.

In the spirit of this paper, a number of special provisions have been introduced into the planning legislation, or exist, to reduce delays.

These include General Development Orders, Special Development Orders, Simplified Planning Zones, Enterprise Zones, Permitted Development Rights and Local Development Orders.

Although there are a number of differences in terms of detail and procedures, they have a number of advantages in common:

- they have utility across any area of a local planning authority and are not subject to any size constraints, such as an airport or seaport
- certainty that, if the type of development is described in the relevant Order or Zone scheme, it will be granted planning permission automatically
- removal of delays in obtaining permission, and
- significant reduction in costs both in obtaining permission and preparing supporting material for the application.

Port Zones UK invite the UK Government and devolved administrations to:

- ✓ encourage greater use of these mechanisms – through the introduction of a statutory duty on local planning authorities to make suitable orders of these kinds or introduce clear guidance to those authorities that they should prepare such orders as frameworks for future land-side developments
- ✓ review the scope of the permitted development rights – currently contained in the General Permitted Development Order, which are legally restricted to matters concerned with shipping and development.

Co-ordination of marine planning and faster delivery of marine licences

The marine planning system was established by the Marine and Coastal Access Act 2009.

The system is designed to ensure that all public authorities exercising authorisation – or licensing – and enforcement powers do so in accordance with marine planning policies.

The UK marine area extends on the seaward side up to the level of mean high water spring tides.

There is therefore a degree of overlap with the extent of the terrestrial planning boundary, which extends to the level of low water springs.

The overlap was designed to ensure that marine and land planning should address the whole of the marine and terrestrial environments and there should not be an artificial boundary.

The Government published a Marine Policy Statement (“MPS”) in 2011, which governs authorisation and enforcement powers until Marine Plans are adopted.

The Marine Plans are to be made for a series of marine areas adjoining the coast of England, Wales and Northern Ireland. The designation of the plans is ongoing.

The Marine Plans must reflect a range of designations, protections and uses, including marine protected areas, defence and national security, energy and infrastructure development, oil and gas, renewable energy, ports and shipping (including port development), marine aggregates, dredging and disposal, fisheries, aquaculture, surface and waste water management.

The MPS addresses the relationship of marine planning to terrestrial planning and seeks the integration of the two regimes through:

- consistency between marine and terrestrial policy
- liaison between the relevant terrestrial and marine planning authorities
- sharing the evidence base and data where relevant and appropriate so as to achieve consistency in the data used in plan making and decisions.



The marine planning authorities are under a duty to keep under review the content of the marine plans and may amend or withdraw plans or parts of plans.

To aid the development of floating wind farm and marine renewable energy deployment, Port Zones UK considers that it is essential that:

- ✓ Marine Plans, when made or amended, should be in conformity with development plans for land-side development. Otherwise there will be the risk of conflicting policies, delays and possibly refusal of applications on the basis of policy prematurity.

There are currently no similar provisions for simplification of the marine licensing system to those Orders and Zones schemes available within the terrestrial planning system.

There are provisions for fast-tracking and self-service for some marine licences, but those only relate to very minor works and differ across jurisdictions.

Port Zones UK would therefore wish to see the:

- ✓ introduction of a system that confers licences without the need for applications to be made and processed in a similar way to the grant of permitted development rights under a General or Special Development Order or Local Development Order.

## Environmental impact assessments

Reducing delays arising from environmental legislation such as the Habitats and the various Environmental Impact Assessment (EIA) regulations could have significant benefit to airport and seaport operators.

Environmental impact assessment can be an important tool in determining applications for relevant types of development.

However, it can represent a lengthy and expensive process producing an assessment which is unnecessary or is scoped too widely by local planning authorities.

Port Zones UK would therefore wish to see:

- ✓ local authorities encouraged to ensuring that EIA screening and scoping is targeted at cases where it is necessary and avoiding the over-precautionary approach.

## Habitats Regulations

The Habitats regulations impose very stringent controls on developments that would have an adverse effect on the integrity of European sites contained in Natura 2000.

The approach in this case is required to be highly precautionary as a matter of EU law. However, many sites covered by the regulations are located in areas close to seaports and the periods taken to screen projects, produce and consider appropriate assessments can be very lengthy.

Obtaining licenses in areas that are designated under the Birds and Habitats regulations has become increasingly difficult in some parts of the UK in recent years and all administrations are under increasing cost pressures which is impacting licensing times.

The regulations are particularly rigid and struggle to reflect the dynamic and changing nature of marine environments.

With no prescribed periods for carrying out such assessments and decisions delayed by years, Port Zones UK would like to:

- ✓ see guidance issued to the relevant authorities that urges them to carry out the procedures contained in the Habitats Regulations as *expeditiously* as possible.
- ✓ review the impact of the Birds and Habitats Regulations on both the environment and species they are designed to protect and businesses operating in or nearby to areas designated for protection by them
- ✓ ensure that environmental conservation area designations are excluded from seaport limits and boundaries to ensure that permitted development rights are not overridden by these designations.



## Free Trade Areas

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A free trade area or free port is an area within a country which is treated, for customs purposes, as an independent jurisdiction.

This means goods can be manufactured, imported and exported in the zone without incurring normal barriers to trade like tariffs and customs duties.

The main benefits that businesses can enjoy within a free trade area are:

- ✓ simplified customs procedures
- ✓ relief on customs duties relating to transshipment, handling and processing of goods destined for re-export
- ✓ cash-flow benefits of duty deferral until goods are released for free circulation in the domestic economy
- ✓ tariff inversion: some finished goods incur lower tariffs than intermediate goods; this means that intermediate goods can be imported to the free trade zone tariff-free, processed and sold as a final product, incurring lower tariff rates
- ✓ lower business rates including an improved capital allowances regime.

Within the European Union (EU), 83 free trade areas are defined under the Community Customs Code.

Exemptions beyond customs arrangements can include services such as grants offered for research and development and advanced infrastructure, alongside tax incentives.

However, as these may distort the competition within the European Common Market, the tax regime applied needs to be compliant with internal market and State Aid rules.

In essence, the European Commission does allow member states to create customs free trade areas within its customs jurisdiction.

## Seizing the Brexit opportunity

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The benefits of a free trade area are entirely dependent on what form of Brexit is negotiated by the UK.

The future trading relationship with the EU will determine what would be permissible, as well as the scale and ambition of pursuing such a policy.

In simple terms, a customs-based EU-UK trade relationship – as laid out in the Political Declaration of the proposed Withdrawal Agreement – diminishes the utility of the policy.

However, a free trade agreement-based agreement makes it much more plausible.

Academic studies show that free trade areas encourage foreign trade, which helps each country specialise in the production of goods that best suits its environments and thereby promotes international trade.





## Aviation-based Development

### Bournemouth Airport Free Trade Area

Bournemouth Airport sits at the heart of the south coast economy, providing national and international connectivity to residents and businesses.

The airport is set within a 182ha site and currently provides connectivity to over 30 destinations, having the infrastructure and capacity capable of supporting sustainable growth to help meet the UK's aviation needs (unlike many other constrained sites). The airfield has an extensive pavement system that includes a 2271m runway that currently facilitates short haul operations, but is capable of supporting medium to long haul connectivity.



connectivity to over 30 destinations

Since Rigby Group acquired the airport in late 2017, it has invested in order to provide excellent connectivity to its growing passenger base, but also to act as an important development hub for the region's economy.



Serving around 700,000 passengers in 2018

Situated in a growing market of 4.5 million people, Bournemouth Airport's reach extends as an alternative London gateway, offering shorter passenger processing times than the main London airports, particularly as they reach capacity. Serving around 700,000 passengers in 2018, the opening up of new routes to Europe forecast further year on year growth in 2019. The airport's ambitious plans to drive growth across its operations include doubling passenger numbers to 1.5 million over the next five years.

More broadly, the airport supports the £16.2 billion Dorset economy. The region's key growth industries – Aerospace and Advanced Engineering, Digital, Creative and Information services, Financial and Business Services – are all outward-looking and the airport serves a crucial role in reaching domestic and global markets.

Located on the site, the 80ha Aviation Business Park acts as an important development hub for the regional economy, comprising offices, general and business aviation, maintenance repair and overhaul, logistics, advanced manufacturing and engineering. Acting as a hub for more than 200 businesses which benefit from the airport's international connectivity, it employs around 4,300 people. The decision of Gama Aviation to relocate to the airport further enhances Bournemouth Airport's offer as a one-stop shop to airlines given its credentials as major maintenance, repair and overhaul (MRO) location.

Planning applications have recently been submitted which aim to create a further 100,000 sqm of commercial floorspace that could lead to the creation of up to 2,000 direct jobs.

In order to facilitate this progress, targeted intervention can help support this strategically important asset for the local economy, including improving the strategic connectivity of the airport and ensuring it meets its infrastructure needs.

With the new unitary authority serving Bournemouth, Christchurch and Poole, as well as the development of a local industrial strategy from the Dorset LEP, there is a great opportunity to coalesce all local partners behind a refreshed approach to unlocking the region's largest employment site.





## Boosting the Rural Economy

### Haven Waterway Free Trade Zone

The Port of Milford Haven is Wales' largest port and Britain's largest energy port.

It is a trust port and an independent commercial business providing marine services and facilities to its customers.



Britain's largest energy port

The port and the cluster of energy facilities operating within the Milford Haven Waterway support around 5,000 jobs in Wales. In 2018, approximately 32 million tonnes of cargo passed through the Port, comprising principally crude oil, fuel products and liquefied natural gas (LNG).



In 2018, approximately 32 million tonnes of cargo passed through the Port

The Port of Milford Haven also owns and operates South Wales' largest ferry port – Pembroke Dock Ferry Terminal – handling around 70,000 freight units and 350,000 passenger movements each year, and has a strong presence in the fishing, leisure, engineering, boat building and, increasingly, marine power generation.



70,000 freight units and 350,000 passenger movements each year

A recent Oxford Economics report presented some sobering realities about the Pembrokeshire economy.

The report presented the stark prediction of what might happen in Pembrokeshire if nothing is done to replace the oil and gas cargo flows and associated processing facilities, but also what could be achieved through some considered intervention, such as the creation of a free trade zone (FTZ) encompassing the area that currently forms the Haven Waterway Enterprise Zone.

Pembrokeshire hosts considerable capabilities by virtue of its existing workforce, assets and infrastructure.

While FTZs tend to be associated with general purpose manufacturing and logistics, the Port of Milford Haven's internationally significant energy sector and the largest Welsh fishing port offers a unique opportunity.

Thanks to its abundant natural capital and associated infrastructure, the Port holds a comparative advantage.

It is home to some key energy companies. And it is emerging as an important marine renewables and engineering development centre.

The world class supply chain businesses and excellent utility connectivity here make it an obvious choice for further investment in these sectors and, with the Pembroke Dock Marine project, the Port

is playing a leading role in encouraging that investment.

Milford Haven is in this sense distinctively different to other UK ports and would not be displacing logistics or manufacturing from other ports where these activities are more prevalent.

Accelerating planning processes and simplifying legal and regulatory requirements can deepen levels of investment in sectors closely aligned to this strategically important sector.

Strengthening the economic environment at the Port through a FTZ could increase the viability of key anchor businesses which make significant contributions to the Wales and UK economies, while boosting growth along the supply chain.

We believe this report underscores how some form of intervention, such as the creation of an FTZ, might not only be desirable, but *essential* if the region's economy is not to be left trailing behind that of Wales or the wider UK, and if we are to continue to be able to compete *globally* for foreign direct investment.

Pembrokeshire already hosts *national* assets in companies such as Valero.

But at a regional level, such companies are not simply assets.

They are critical in their role supporting an otherwise rural economy in south west Wales.

Pembrokeshire's future, like its past, is tied to its unique advantages as a port-centred regional economy that attracts international investment. If the Port works, Pembrokeshire works.

Stimulated by FTZ status, the Port offers a unique range of growth opportunities in niche marine and land-based energy and engineering sectors that would not displace economic activity from elsewhere in the UK.

Intervention through EU structural funding is likely coming to an end, with no visibility of long-term replacement mechanisms.

FTZ status would help incentivise direct investment into the Port area and empower economic growth in Pembrokeshire's rural economy and be even more effective than the "subsidy" remedies the region has received in the past.

An FTZ may enable the Port to promote growth in traditional sectors where it holds an existing comparative advantage.

These include refining, processing, specialist engineering, fabrication, service and supply for the oil drilling industry and specialist shipbuilding.

FTZ status could strengthen the current operations of anchor businesses such as Valero and give them confidence to invest further.

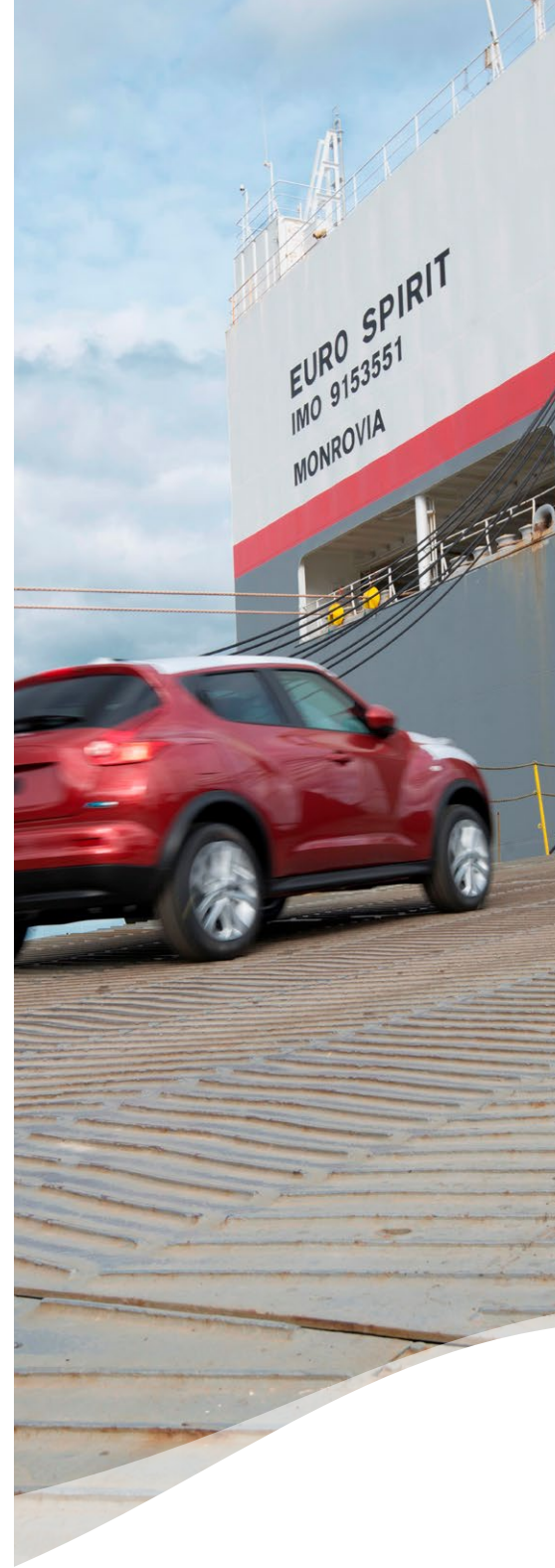
As the UK's leading energy port with the concomitant cluster of anchor

businesses, excellent grid connectivity and world-class supply chain, the Port of Milford Haven would have a strong competitive advantage attracting foreign investment were it to be a FTZ.

Tax and duty incentives should only be part of the mechanism of the FTZ.

Another significant opportunity is the potential for reshoring fish processing from the sizeable catch landed at the port.

Accelerated planning processes and the simplification of regulations would help reduce investment risk and uncertainty and make the Port a more attractive proposition for potential global investors.



## “Virtual Free Port”

A North East Advanced Manufacturing Free Trade Area

The Port of Tyne is a deep-water operation served by a network of European and global shipping connections (container, car carrier, ferry).



a network of European and global shipping connections

This capability is being enhanced by a 40% increase in container terminal capacity, to complement its recent acquired AEO trusted trader accreditation.



main import/export terminal for Nissan UK

The Port hosts two enterprise zones ready for development – 7ha Tyne Dock and 30ha Royal Quays – with unrestricted access to deep-water berths and is the main import/export terminal for Nissan UK.



40% increase in container terminal capacity

A significant number of companies in the UK trade only within the EU.

These companies have little-to-no experience or skill in managing complex customs processes and procedures and will therefore need to contract third party suppliers to manage their customs operations in the future.

Customs procedures for manufactured goods are likely to be further complicated by the integrated nature of European supply chains, with components crossing the UK-EU border repeatedly before final export as finished goods.

For example, in Nissan automotive manufacturing, cylinder heads are cast in Sunderland before being exported to France to be assembled, along with cam shafts machined in the North East, into engines to be imported back into the UK for assembly into finished vehicles for export to the European market.

It is likely that at least some of the imports from the EU will be subject to duty in the UK for the first time in over forty years.

This cost will reduce the competitiveness of UK-based companies.

In this scenario, the application of the so called “Special Procedures”, like Inward Processing Relief (IPR) and Outward Processing Relief (OPR), becomes absolutely essential.



However, the complexity of these processes, together with the complexity of the supply chain in some specific sectors, make their implementation extremely difficult, never mind their optimisation.

The Port of Tyne proposes two measures that the UK Government could implement to optimise the flow of goods between Britain and other countries in order to minimise these impacts, maintain the competitiveness of UK business and reduce the costs for both companies and Government whilst continuing to ensure the necessary levels of compliance and accuracy:

- 1 The establishment of an expanded Free Port based on the Port of Tyne**, but expanded to the International Advanced Manufacturing Park (IAMP) and the Nissan plant and associated enterprise zones at Washington, would reduce the impact of multiple customs declarations for existing complex manufacturing supply chains like Nissan and Komatsu and would complement efforts to attract advanced manufacturing companies into the UK.
- 2 The use of technology to create a virtual free trade zone**, would use supply chain monitoring technology to optimise the use of duty suspensions and processing reliefs in multi-tier supply chains, supporting the competitiveness of UK manufacturers facing possible import and export tariffs.

# Conclusion

Promoting trade and creating the business conditions to increase the flow of foreign direct investment is central to the future of Great Britain.

The place-based measures – enhanced capital allowances and business rates relief associated with enterprise zones – and the ‘zonal’ planning reforms mapped out in this report would provide a fillip to the UK airports, seaports and the business clusters linked to them.

When overlaid with free trade areas, enhanced ‘Enterprise, Development and Free Trade Zones’ would:

- ✓ reduce the costs of trade
- ✓ create a more attractive business investment environment
- ✓ reshoring of manufacturing and processing facilities across a range of sectors
- ✓ improve employment in some of the most hard-to-reach economic areas of the country and, ultimately,
- ✓ lead to lower prices for UK consumers.

We welcome the establishment of the Freeports Advisory Panel. Port Zones UK believe the template outlined in this report provides much of the form that a contemporary British free port might take.



## **Port Zones UK**

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