ATKINS
Member of the SNC-Lavalin Group

Freeports

The UK Government's aim is that Freeports become national hubs for global trade and investment, that promote regeneration and job creation, and become hotbeds for innovation.

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Foreword

Since the Government's publication of its Freeports Bidding Prospectus in November 2020, there has been heightened interest about the role of Freeports, and what they will mean for business; an interest only heightened by the revealing of eight of the Freeport sites in the March budget announcement.

The Government has said it wants Freeports to:

"unleash the deep potential of our port regions to help create the next generation of jobs, prosperity and opportunity for this country..."

Backed by our expertise in the UK borders space – specifically in relation to ports, Freeports, cyber resilience, and aviation – we offer this thought leadership paper to set out our current thinking on how the chosen Freeport sites can realise their full potential. We aim to address the issues Freeport consortia will need to focus on now, potential challenges and opportunities that are likely to lie ahead, and we provide some timely recommendations.

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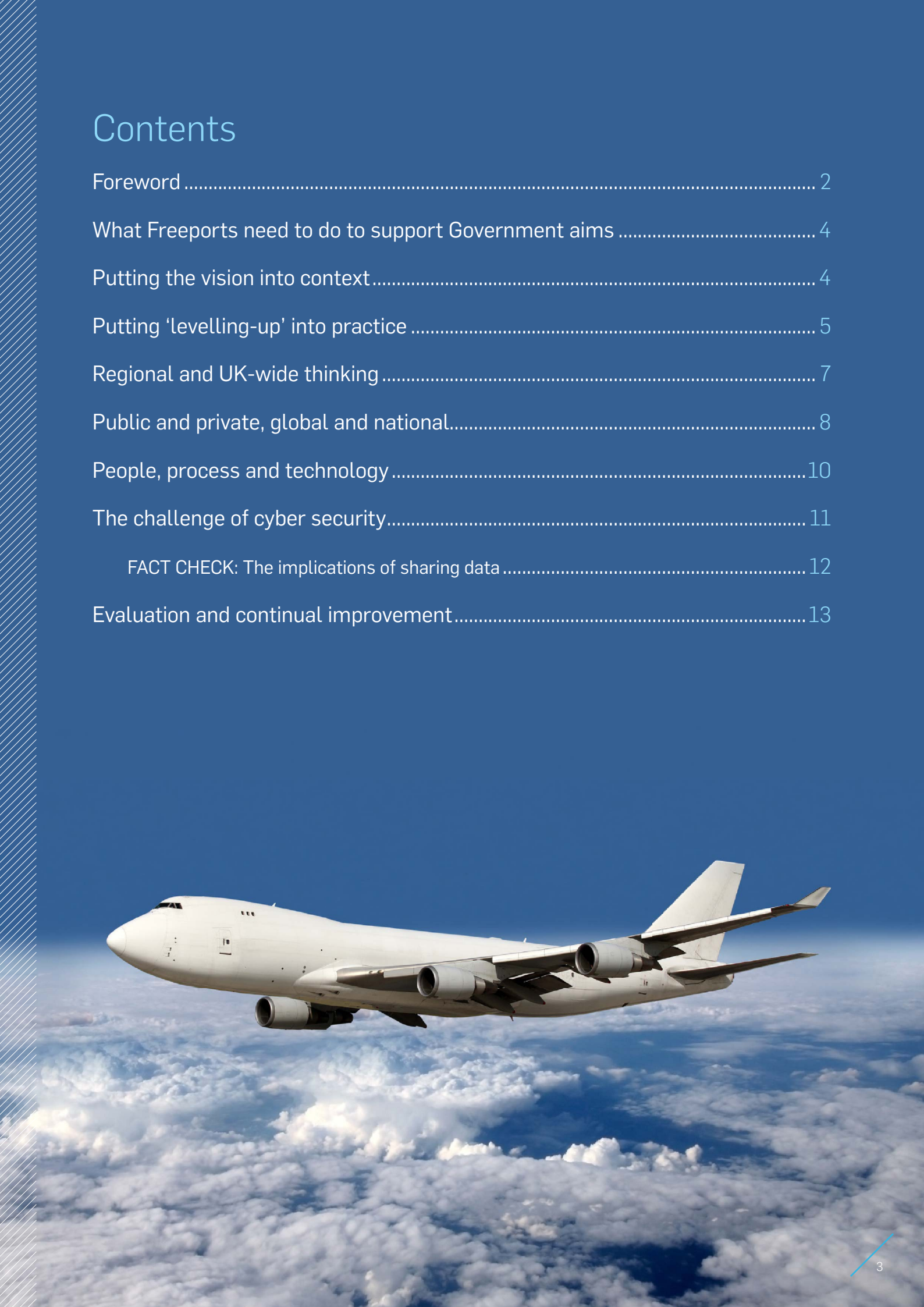

What Freeports need to do to support Government aims

Our recommendations

Help to stimulate investment through targeted tax relief and duty exemptions, including business rates relief and enhanced capital allowances designed to encourage capital investment. Simplified customs processes and streamlined planning procedures will also support this.

Support innovation and boost R&D; the Freeport model must drive innovation, and research and development, so as to deliver against a local and a national agenda. The business cases for Government seed funding should examine how both can be achieved.

Freeports will need to boost prosperity for deprived communities. They will need to be operated by consortia in a way that supports the regeneration of the UK's coastal towns, aligned to the levelling-up agenda, and help growth across wider zones beyond their own locale through the creation of skilled jobs and boosting prosperity.

Putting the vision into context

The Government describes Freeports as one of the engines of change that will "create jobs, drive investment and regenerate communities," and Freeports' three main objectives will be first, to act as national hubs for global trade and investment, second, to promote regeneration and job creation, and third, create hotbeds for innovation.

The question we should be asking isn't why we need them, but why we need them now. Freeports are not a new idea; they have already been successfully implemented in other countries, from the Netherlands – Rotterdam being a particularly successful example – to the UAE, to drive prosperity and boost trade.

Why now? Because we need to recognise that Freeports have a very important undertaking in the months and years ahead. As the world looks for new economic investment opportunities, after the COVID-19 global pandemic, at the same time as the UK adjusts to its new role as a nation able to trade freely with the rest of the world following its departure from the European Union, it would seem that the optimal time for Freeports has arrived and there is no time to waste.

They hold huge potential to act as a framework that enables the opening-up of many more new opportunities for different kinds of trade, and pivot to a more robust economy. They will provide different vehicles for investment, and deliver unforeseen opportunities for manufacturing, specialist sector clusters, and supply chains. Most important of all, they are set to play a vital role in turbo-charging the investment and innovation needed to help the UK meet its Net Zero CO^2 commitment by 2050.

As the Government has already announced that there's little reason why the first Freeports cannot become operational in the UK as soon as early 2021, and economic growth is desperately needed to recover from COVID and pivot to a Green economy.

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Putting ‘levelling-up’ into practice

Alongside the economic shockwaves caused by COVID-19 and the new opportunities outside of the EU, the Government’s lead policy objective for Freeports is that they help to meet the challenge of ‘levelling-up’ the UK’s economy to address some of the most deprived regions in the UK economy.

In late November 2020, during the HM Treasury spending review, Chancellor Rishi Sunak announced plans to launch a new infrastructure bank headquartered in the north of England, and a new £4 billion fund for ‘levelling-up’ to which any local area can bid for the funding of local projects.

Freeports have the potential to play a key role here. As hubs of free enterprise across the UK, the aim is that they will attract major domestic and international investment and become hotbeds of innovation and enterprise in and of themselves, inside the UK’s physical land border, they will be set within designated spaces where different customs rules apply, effectively becoming tariff-free business, science or enterprise parks.

Operationally, businesses set within a predefined Freeport boundary, will benefit from changes in customs and excise tax breaks and generous wider tax incentives, enabling them to operate more competitively on the international market.

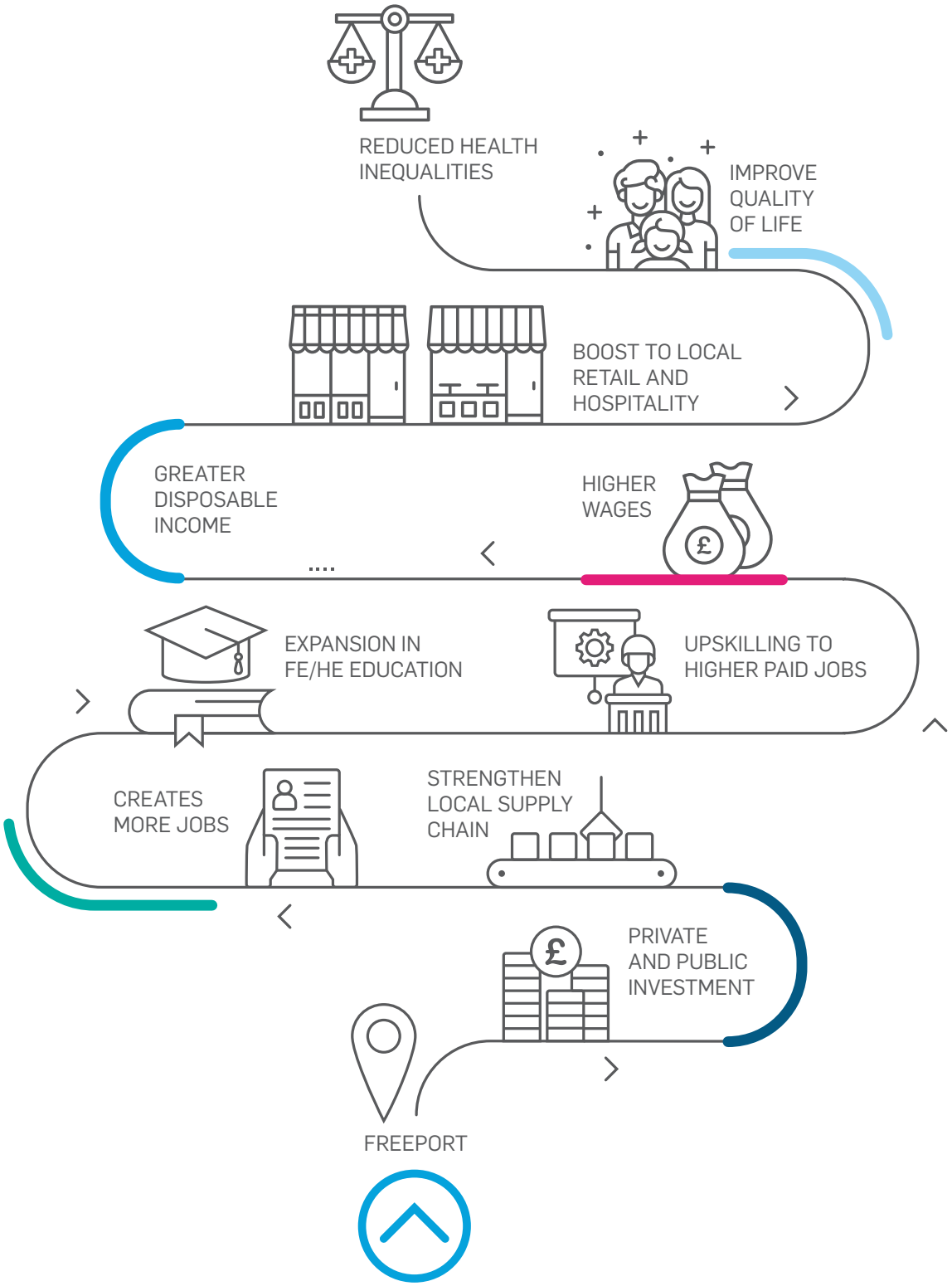
That could include manufacturing car parts, or processing goods, with the Freeport zone operating as a more modern-day bonded warehouses, with high security measures in place.

Freeports have the potential to be greater than the sum of their parts when the activities that happen within their operational boundaries have a knock-on effect on what happens outside of it.

Freeports have the potential to be greater than the sum of their parts driving economic growth far beyond their formal boundaries. This is where Freeports are likely to deliver the most economic value; driving supply chain growth, creating high value jobs, and injecting money into local economies.

Delivering this wider economic benefit therefore needs to be at the centre of consortia's thinking right now. How will Freeport activity regenerate not only their surroundings in coastal towns, but also the hinterland beyond? Considering the supply chain – how will businesses located 50, 60 or 70 miles away from those operating within the Freeport share in the benefits?

Where will the employees come from, and how can the access jobs and improve their incomes? Because, when we talk about regeneration – this is really what we mean. We can only improve the economy if we improve income. From there, economic prosperity can grow, and socio-economic factors can be improved, such as reducing health inequalities.



Regional and UK-wide thinking

In our view, Freeports will really prove their value when they are vertically integrated with their locale, playing to their local strengths. Consortia must therefore focus on sector specialisms in their region and illustrate how a Freeport could further capitalise on those strengths. That means taking into account not just geography, but also existing labour and skills, innovation, natural resources, and infrastructure.

The Government advises that bidding consortia include in their proposals: "Why a Freeport is the right public intervention for your proposed location, including any local economic strengths or strategies that your proposal will build on and any identified economic needs or market failures you expect to remedy?" In its bid prospectus the Government also states its first objective is to establish Freeports as national hubs for global trade and investment – and its second, to ensure they are engines for regeneration.

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Consortia need to deliver to both the local and national agenda. The best Freeports will demonstrate local economic development and a national impact through the supply chain. The business cases for seed funding from Government should examine how both can be achieved in partnership.

It's vital that Freeports take forward our national capacity in trade and manufacture, and don't simply attract local or national businesses looking for tax breaks. Indeed, the Freeport prospectus asks how bidders will ensure additionality. Key to this will be plans to exploit existing and new innovation, and to scale-up and deliver manufacturing locally, with a national supply chain, and develop an international market. Freeports should map into and develop local industry and skills strategies to the next level.

As part of this, every Freeport should be developed in partnership with the private sector. In our view, private investment must come to the fore as early as possible in Freeport delivery, with Government funding and intervention retreating to national monitoring, catalysing innovation and regulation.

The Hinkley Point C project demonstrates how a framework can be used for a public-private initiative, to deliver local and national growth. Realising the socio-economic benefits | Hinkley Point C | EDF (edfenergy.com). Some £2.27 in regional value has been generated for every £1 spent; and more than 12,000 people have been trained in construction and engineering skills. The project has a national impact, with 64% of its construction costs being spent in the UK.

When we look at advances now happening at HyNet North West – whose ambitions are to become a low-carbon cluster by 2030, and the world's first Net Zero carbon industrial cluster by 2040 – we could be seeing the northwest becoming a centre of excellence and sector cluster for hydrogen power, and the development of new hydrogen technologies for global export.

But what is essential is that UK plc does not start competing against itself. One way to safeguard against this is the stipulation that Freeports set out clear innovation strategies and business plans so that regional variations are regarded as attributes – and regions complement each other. Whilst elements of Freeports will compete, to succeed internationally there needs to be cooperation and joint development.

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Public and private, global and national

Alongside exploiting strengths in terms of regional clusters and sector specialisms, we also need to apply systems thinking to the creation of Freeports in the broader, global sense. Their value will be in systems and networks, and not just in the companies within the system.

Putting Freeports sites in place won't be enough. To ensure Freeports are successful, we also need to understand more about what the barriers are to trade at the moment, and how, by operating within a Freeport, companies can address those barriers.

This will involve consortia developing a better understanding of how networks work – that is, globalization networks, trade networks, supply chain, skills and jobs, travel, investment and all sorts of other networks which a Freeport will interact with and potentially derive benefit from. Turning to aviation, and the role that airports might also play as Freeports, that means thinking more broadly than simply air cargo and its potential to bring in new revenue streams.

We also need to understand more about what the barriers are to trade at the moment, and how, by operating within a Freeport, companies can erase those barriers.

Many goods that travel in the belly of aircraft are high value and or high priority and they play a specific role in economies and supply chain. Freeports need to show how airports and all the elements will fit into their Freeport systems, where this kind of cargo is needed and how it will be developed. For example, air cargo could play a specific role in import and export of time critical manufactured goods.

Freeports will need to focus on the whole end-to-end distribution model and realising the value of delivering to the end of the last mile, and not handing off goods, and profit, to carriers. It won't be enough to place a marker on the map and declare it's a Freeport; consortia will need to understand the bigger picture, and the more expansive network within which it operates. To help business achieve this, the Government needs to help set conditions and let the market work out how it wants to take advantage of it.

On a national level, Freeports will also need to be able to plan and deliver to support the economic ecosystem, so that it spreads benefits out to the wider hinterland. This is already happening with great success in Rotterdam, with the city making it into the list of the top ten large cities in Europe that have the best investment climate, and claiming it is "number one in Europe in connectivity thanks to its seaport, airport, high-quality infrastructure, connections to the rest of the world, and ICT infrastructure."

The catalyst for such success in the UK will be how public and private bodies come together to the best effect. If we are committed to the levelling-up agenda then we must consider not only how Freeports will operate in an economic and business context, but also, we need to ask what is the breadth of that wraparound offer?

In addition to boosting skills and creating jobs, regions must also focus on building houses, new business facilities, and new infrastructure such as road, rail and utilities, and planning for 5G connectivity. Because only a full support ecosystem will enable the regeneration that is hoped for from establishing Freeports.

The Government, as well as providing initial investment, also has a role to play in involving its own agencies in Freeport development. The Highways Agency, the Environment Agency, Homes England, and educational authorities such as local universities and colleges, as well as the Police, the Home Office, and the UK Border Force, and many more, having an important role to play.

This, in turn, will lead to the need for new governance arrangements and new kinds of public-private partnerships – and the need to create not just new governance structures for operating the Freeport, but also new governance structures for the outlying hinterland areas. This means port authorities or airport companies will have to participate far outside of their boundaries if they're going to play their part in making Freeports a success.

The Government obviously wants to make sure it gets the best possible returns from any seed investment it makes, but the way that public and private partners will come together will be crucial in ensuring that Government funds will benefit the whole area, and not just the Freeport.

This will require clarity from the consortia when setting out their business propositions – so that every pound of Government money spent gets multiplied; from the primary economic effect of the Freeport, to the secondary effect of the supply chain supporting the Freeport, onto the tertiary further impact that initial investment will have, such as on retail and hospitality businesses in the area.

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People, process and technology

As consortia across the UK develop their detailed plans and business cases, they must consider people, process and technology, and the relationship between the three that could make a venture work.

Attracting bright, highly-skilled, and digitally-expert professionals – such as software developers or engineers – to hinterland regions in need of regeneration isn't easy.

Many early career professionals want the vibrancy of a city, not office space in the middle of a soulless retail park.

This is perhaps where government has a pivotal part to play, in locating parts of its own organisations nearer to these communities, as has proven successful in locating the Scottish Executive in the port of Leith, Edinburgh.

Attracting bright, highly-skilled, and digitally-expert professionals – such as software developers or engineers – to hinterland regions in need of regeneration won't be easy.

This is important and something that consortia will need to grapple with if they are going to align their bids with the Government's stipulation that:

"bidders should reflect on how they will align the skills available in the local labour market to the needs of the firms and sectors being targeted by the Freeport, including support for upskilling in line with local skills strategies."

In terms of process, and of technology, as we mention earlier, good infrastructure and connectivity are crucial and will call for major investment, alongside a view of the bigger picture of the road and rail network. While the recent £1.5 billion upgrade for Highways England to the A14, a major trunk road whose terminals are the Port of Felixstowe in Suffolk and junction 19 of the M1 in Leicestershire – has been hailed as a great success, and opened one year ahead of schedule, there are zones nearer the port where it does not perform as well as nearer Cambridge, where the upgrade work was largely focused.

Traditional infrastructure will need to be considered to connect sites for road and rail cargo, but the future must also be a key part, the Future or Flight Challenge in the West of England will see all electric Vertical Take off and Landing (eVTOL) vehicles flying between Bristol city centre and Bristol airport. With commercial services targeted for 2024, the rapid pace of technology development needs consideration in long term plans.

Freeports must consider technology and digital as foundations upon which to build. They must leverage green tech as the basis for their own operations and the products and services they export. They must also take a digital first approach, designing virtually to achieve efficiencies of build and operation, and placing data at their heart, driving operational efficiency and security through information.

The coming together of local physical and technical infrastructure is key to what the success of any Freeport, and these infrastructures need to be in place to help make a more compelling case.

The challenge of cyber security

Freeports should be highly connected systems, with digital systems monitoring progress of cargo, controlling security and facilitating customer insight to supply chains. In addition, they will be hotbeds for local and national innovation ecosystems, therefore, the need for extremely robust data security is a priority.

While much consideration is currently being given to the physical security of Freeports, such as goods moving across multiple sites within a Freeport boundary for customs, auditing and taxation purposes, or the height of security fences, Freeports challenge the traditional approach as they rely on moving goods between sites and changing them into other products, making digital traceability vital.

This is an opportunity for the UK to set itself apart as a world-leader in secure, intelligent borders.

The coming of the UK's Freeports give us a good reason to be more ambitious when it comes to cyber security; and this is an opportunity for the UK to set itself apart as a world-leader in secure, intelligent borders – demonstrated by how we will protect our Freeport operations from the modus operandi of our adversaries.

In the Government's 2025 UK Border Strategy public consultation, Atkins' response highlighted how a rethink of the UK's borders also provides a once in a generation chance to develop and deliver world-leading border processes.

These processes, we believe, must have the power to underpin seamless, data-driven entry and exit to the UK for legitimate goods and embrace the challenge of digital transformation.

A new border strategy could help to develop our current concept of borders beyond the purely physical realm towards a 'system of systems' that recognises digital and physical interdependencies at the border. Freeports present the perfect model by which we can pilot and prove on this concept.

Freeports are faced with many challenges when it comes to data sharing. Ambitions may be high, but so is risk. Imagine all the means and ways that data can be shared for the benefit of the greater good: in harnessing the megatrends of big data for port logistics, autonomous Ro-Ro shipping, biosecurity technologies tracking the movement of people, and the visual data capture of vehicles entering or leaving a Freeport.

There will be a great appetite and need to share data – but alongside that, an inevitable nervousness of collaboration with the potential for cyber criminality or losing intellectual property rights, where the overall network will only be as strong as its weakest link. So, this is the time for consortia to think about the practical steps they need to start taking to ensure cyber security is a priority, as Freeports will be treated as national critical infrastructure.

What will be their cyber resilient vision? What kind of data they will need to share and protect, and what common language they will use? What skills they will need to reach their objectives?

Delivering a data rich environment will provide security to freeport, public and political concern that they could be used to facilitate crime, can be mitigated by providing rich and real time data to Border Force. The more information that is available, the more accurate targeting of crime can be and the more secure Freeports will be, but this security will only be as good as the cyber security around the data.

FACT CHECK: The implications of sharing data

As regulations will apply, Freeports will have to make regular submissions to the Government on National Information Security Standards. All parties involved in sharing data within a Freeport boundary will inevitably need to be connected to the internet, and most are likely to use cloud-based IT services.

Having lots of disparate IT systems also gives the opportunity for things not to be patched or managed consistently or correctly. This means every stakeholder operating within the Freeport is potentially open to the Badlands of the computer hacking landscape – with its perilous traps such as phishing, water-holing and honeypots.

Even at the most basic level, a common language of terminologies must be developed, where at present – the different modes of roads, rail, sea and air may be talking about the same systems, but each has a very different vocabulary.

Introducing robust data security across the Freeport ecosystem will also hold great financial benefit at the most granular level. Streamlining IT processes and improving and automating systems will inevitably cut costs through the need for less administration which is currently estimated to make up some 70% of the price of goods.

Added to which, a secure data layer across Freeport operations will mean that if you're a manufacturing business you will know exactly where your components are, in near real time, and operate a much more efficient business. This could prove another welcome side effect of Freeports being UK plc's engines of innovation, backed by data interfaces, data standards, and good cyber security – reflecting again how an ecosystem is likely to develop in yet unforeseen ways, once the conditions are put into place.

So, protecting Freeports, as part of the UK's critical national infrastructure, across the board from precision-timed port gantry systems to personnel entry barriers, will be crucial. At the very least, there will need to be a service-level-type agreement across all Freeport operators, big and small, global conglomerates to local SMEs, that if they are connected to the internet, they must demonstrate they are protecting themselves by taking the obvious measures of regular backups and antivirus software updates, but also by signing up to schemes such as Cyber Essentials Plus, operated by the National Cyber Security Centre.

Other means could include all companies within the Freeport and beyond – including suppliers – having to apply a cybersecurity maturity model to their operations, to determine the level they are at, or taking an aggregated approach depending on business type and size.

Evaluation and continual improvement

Evaluation and monitoring need to be established from the outset, Freeports need to deliver and deliver at pace, if they fail, they should fail fast and lessons should be learned. Baseline objectives should be established in the business case, as should monitoring mechanisms. Crucially, in our view, there should also be alerting, and improvement mechanisms, built in, to allow proactive action to be taken.

Regular evaluation will also pinpoint any unintended negative consequences that might arise, such as displacement; businesses relocating to one area for its economic advantages, only to create a downswing in the original location. Working out how to measure success will be a challenge in terms of indexing deprivation or monitoring displacement, but these questions are something consortia need to be thinking about now.

Taking that early learning and to inform any future plans will be important, Freeports must be flexible and innovative, exploiting what works and not being afraid to walk away from what doesn't. – and there is going to be a huge amount of learning involved so there must also be a mechanism for sharing knowledge between Freeports, which is only likely to happen if it's a community with common goals is build.

Freeports must not be afraid of "failure" or of sharing lessons learned through it, that requires a level of trust that will take time to build, and also faith from central Government, to allow Freeports to take a path that won't always lead directly to success, but will deliver more sustainable and resilient growth in the long term.

This adds to the argument that Freeports being in competition with each other would not be a positive or progressive way forward, and instead, themed clusters are more likely to be more open to sharing knowledge.

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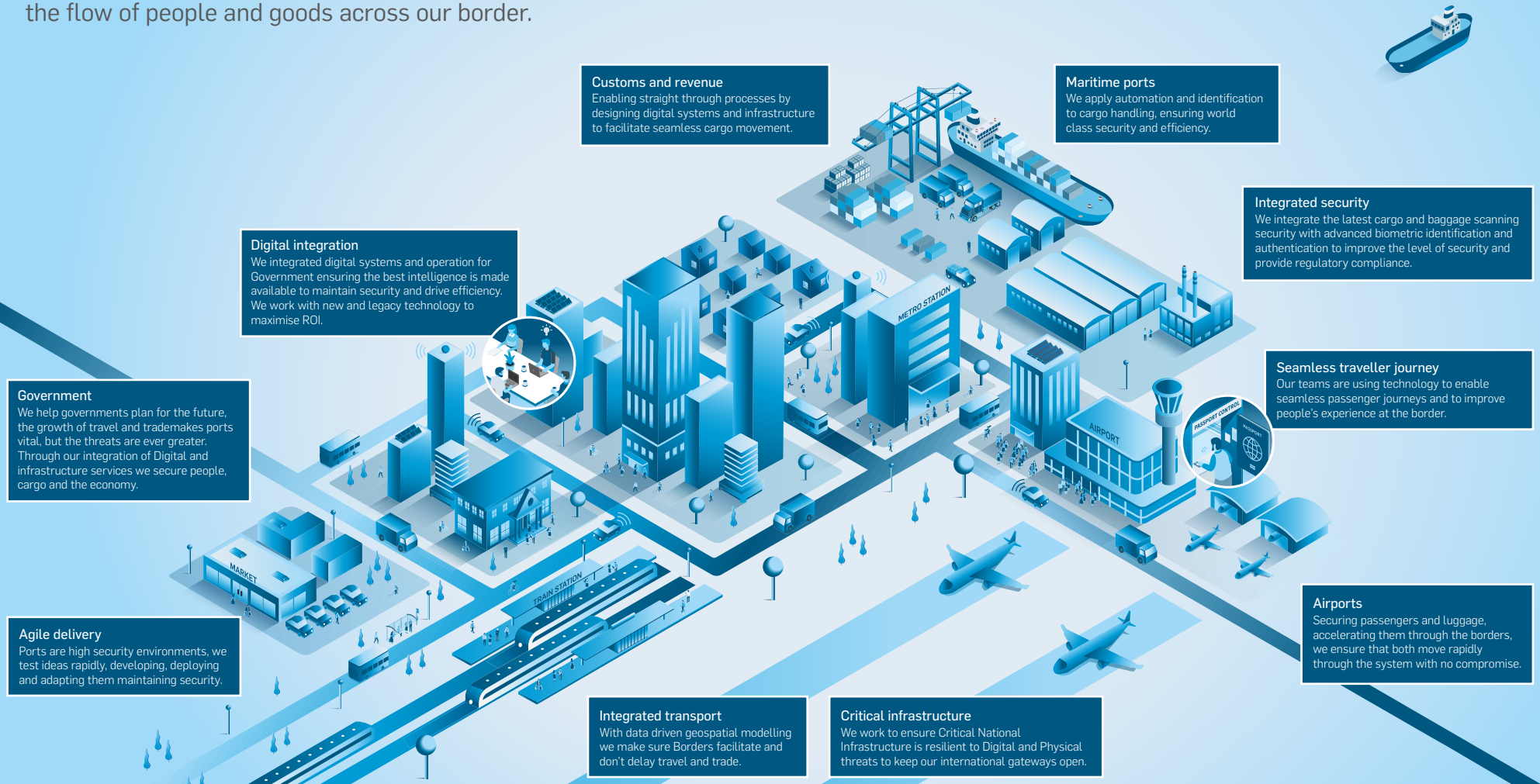
Delivering borders of the future

We're supporting the organisations that enable the flow of people and goods across our border.



Customs and revenue
Enabling straight through processes by designing digital systems and infrastructure to facilitate seamless cargo movement.

Maritime ports
We apply automation and identification to cargo handling, ensuring world class security and efficiency.

Integrated security
We integrate the latest cargo and baggage scanning security with advanced biometric identification and authentication to improve the level of security and provide regulatory compliance.

Digital integration
We integrated digital systems and operation for Government ensuring the best intelligence is made available to maintain security and drive efficiency. We work with new and legacy technology to maximise ROI.

Government
We help governments plan for the future, the growth of travel and trademakes ports vital, but the threats are ever greater. Through our integration of Digital and infrastructure services we secure people, cargo and the economy.

Seamless traveller journey
Our teams are using technology to enable seamless passenger journeys and to improve people's experience at the border.

Airports
Securing passengers and luggage, accelerating them through the borders, we ensure that both move rapidly through the system with no compromise.

Agile delivery
Ports are high security environments, we test ideas rapidly, developing, deploying and adapting them maintaining security.

Integrated transport
With data driven geospatial modelling we make sure Borders facilitate and don't delay travel and trade.

Critical infrastructure
We work to ensure Critical National Infrastructure is resilient to Digital and Physical threats to keep our international gateways open.

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