

# THE PERFORMANCE OF INVESTMENT ZONES AND FREEPORTS IN ENGLAND

ACE response



## ABOUT ACE

The Association for Consultancy and Engineering (ACE) is the association for the UK's professional consultancies and engineering companies operating in the social and economic infrastructure sectors.

The ACE champions infrastructure and the built environment to government and other stakeholders, representing the views of around 400 members. Our members employ over 60,000 in the UK and 250,000 worldwide, contributing more than £15 billion to the UK economy. However, the buildings they create actively contribute over £570 billion a year of GVA.

Our vision is for a safe, innovative, resilient, and globally competitive UK built environment sector driving economic growth by delivering well-connected, socially valuable and environmentally sustainable places. Our mission is to advocate, anticipate, and educate on behalf of our members. That means proactively engaging with government and stakeholders about challenges and opportunities, ensuring members of all sizes have a voice.

## INTRODUCTION

We are pleased to submit this evidence to this ongoing consultation. Freeports represent a unique and transformative initiative aimed at driving economic growth, fostering innovation, and creating opportunities in some of the UK's most disadvantaged communities. With members playing a pivotal part in the projects, ACE is keenly interested in the progress, challenges, and prospects of Freeports.

This submission provides a comprehensive overview of Freeports, their objectives, their current status, and the critical role of ACE members in their development. Our submission also examines the views of businesses and investors on Freeports as investable propositions and outlines the metrics and indicators by which success should be measured. ACE recognises the importance of Freeports in the post-COVID-19 recovery, the achievement of the levelling-up agenda, and the pursuit of clean growth and innovation.

Freeports and investment zones are a welcome focus on regional investment that is needed across England. When delivered in a transparent and accountable manner they bring together industry, employers and educators to develop centres of innovation and growth in a region.

For continued growth and success of the programme, early engagement with all project stakeholders is essential. During this early engagement, clear purpose needs to be articulated for the project's outcomes, with links to the local economy, skills and labour market. All this should be undertaken with environmental sustainability goals, climate change resilience and inclusivity in mind.

These steps will ensure that the growth generated by the Investment Zone or Freeport will benefit the region and its people, and that a positive legacy of opportunity is embedded.

## ACE RESPONSE

### **What is the current status of investment zones in England?**

From the perspective of ACE members, the introduction of Freeports in England has presented both opportunities and challenges.

#### **Opportunities:**

- Infrastructure Development – Many of the announced Freeports require significant infrastructure development, including transportation systems, utilities, and facilities. ACE members are already beginning to play a crucial role in designing and implementing these infrastructure projects.
- Innovation and Research – Some of the announced Freeports are aiming to promote innovation through partnerships between government, industry, and academia. ACE members are beginning to engage in research and development projects, particularly in areas related to renewable energy, advanced manufacturing, and green technologies.
- Regeneration and Economic Growth – The Freeports programme is expected to drive economic growth and job creation in disadvantaged communities. Through some of those already announced, ACE members are contributing to the regeneration of these areas by designing projects that align with the local economic and social priorities.
- Driving investment – Freeports provide a beacon project that signals economic confidence in a region's future, with this in turn having the potential to drive further investment and attract capital from other sources.

### Challenges:

- Infrastructure Complexity – Developing the required infrastructure within Freeports can be complex, requiring integration of various systems and facilities. ACE members involved in some of these projects need to address challenges related to transportation, utilities, and land use planning.
- Stakeholder complexity - due to the various regional actors and stakeholders with an interest in Freeports, project oversight can quickly become opaque and hard to track. ACE and its members have worked closely with lead organisations at Freeport sites throughout the UK, our experience is that a clearly identified lead and project board can help drive engagement and accountability of the Freeport.
- Innovation and Technology Integration – While innovation is encouraged within Freeports, integrating new technologies and ideas into existing infrastructure can be challenging. ACE members, during the process, are having to ensure the smooth integration of innovations while maintaining operational reliability.
- Skills and Workforce Development – The success of Freeports relies on a skilled workforce. ACE members are contributing to this challenge by participating in skill development initiatives and providing training to local communities, but like other industries, the availability of a local skills is still a challenge.

In conclusion, the establishment of Freeports in England is offering ACE members the opportunity to contribute to various aspects of infrastructure development, innovation, and economic growth. However, as these develop over time, there is a need to address challenges related to infrastructure complexity, environmental considerations, regulatory compliance, and stakeholder collaboration. By navigating these challenges effectively, ACE members can play a pivotal role in shaping the success of Freeports and their positive impact on local communities and the economy.

<p><b>How will/should these differ to enterprise zones, freeports, power houses and combined authorities?</b></p>
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It is our members view that investment zones, freeports and other future regional interventions work together as generally overlapping in terms of geography. A lesson which can be learned from enterprise zones is encouraging new investment rather than investment being 'moved' from one location to another.

Our members and stakeholders in regional government would also value further clarification on the purpose of these different interventions.

ACE members play a vital role in each of these initiatives, focusing on designing and implementing infrastructure projects that align with the specific goals of Freeports, Enterprise Zones, Powerhouses, and Combined Authorities. The emphasis certainly varies, with – in most cases - Freeports focusing on trade facilitation, Enterprise Zones on business growth, Powerhouses on regional development, and Combined Authorities on coordinated regional improvements. However, ACE members and stakeholders would value further clarification on the purpose of these different interventions to ensure they reach their potential and desired outcomes.

Members are also keen to see a move away from a broader competition-based funding for a region, with the attendant costs for bid writing and time taken in bid application and evaluation. Using a means-based allocation of funding for a region, alongside the other initiatives outlined, will help reduce costs and increase transparency.

### Freeports v Enterprise Zones:

- **Freeports:** Freeports are areas with unique tax and customs incentives to attract investment and promote economic growth. ACE members involved in Freeports focus on designing and developing infrastructure, transportation systems, and customs facilities to facilitate trade and manufacturing within the designated area. ACE members play a role in integrating innovative technologies and ensuring compliance with high regulatory standards.
- **Enterprise Zones:** Enterprise Zones are designated areas with incentives to attract businesses and create jobs. ACE members operating in Enterprise Zones primarily focus on developing infrastructure, utilities, and facilities to support new businesses. The emphasis is on providing a favourable environment for business growth through streamlined planning and regulatory processes.

### Freeports vs. Powerhouses:

- **Freeports:** Freeports aim to boost trade and investment through tax incentives and customs benefits. ACE members contribute by designing and implementing the necessary infrastructure, including transportation networks and facilities, to enable efficient movement of goods within the Freeport area.
- **Powerhouses:** Powerhouses, such as the Northern Powerhouse, focus on regional economic growth and development by investing in key sectors like technology, manufacturing, and energy. ACE members in Powerhouse initiatives work on large-scale infrastructure projects, transportation improvements, and energy-related developments that contribute to regional growth.

### Freeports vs. Combined Authorities:

- **Freeports:** Freeports are specific geographic areas with tax and customs incentives to promote trade and investment. ACE members contribute by designing, developing, and optimising the physical and digital infrastructure within these areas.
- **Combined Authorities:** ACE members working with Combined Authorities are involved in designing and implementing large-scale transportation projects, urban planning, and infrastructure improvements that benefit the entire region.

**What is the current status of freeports in England? What has the funding - that has been allocated so far - been spent on?**

Members have noticed a step change in Freeports policy over the past 9 months. This has been contingent on the FBC confirmation and the establishment of Freeport Boards. Feedback from members and ACE engagement with the Freeports team in Liverpool is a prime example of this new approach. Funding to date has followed different approaches in different locales, the key achievements of which are connecting the different stakeholders needed and preparing sites for development.

Successful examples of Freeports development so far have brought together infrastructure investment, Higher and Further education partners and local Jobcentres to create a joined up pipeline of investment, development and employment for localities.

### **What progress has been made and what needs to happen next?**

Where success has been delivered so far, it has been where freeports have delivered added value to deprived and left behind areas around the UK in a transparent and accountable manner. As stated previously, further clarity is needed about how a freeport is established, how stakeholders and partners are engaged, and the collaboration needed between both the public and private sector in these processes.

ACE members are pivotal in turning the vision of Freeports into reality. The progress made in designating Freeports and forming stakeholder coalitions is significant, but the focus must now shift to detailed planning, innovative design, regulatory compliance, and sustainable development to maximise the positive impact of Freeports on the local communities and the national economy.

- **Infrastructure Development** – ACE members need to see opportunities to focus on the detailed design, planning, and implementation of the infrastructure projects within Freeports. This includes transportation networks, customs facilities, energy infrastructure, and innovation centres.
- **Innovation and Research** – The Freeport model emphasises innovation and collaboration in various industries. ACE members want to see more opportunities to facilitate the creation of innovation hubs, research centres, education institutions and facilities that encourage businesses to collaborate and experiment with new technologies.

Any next steps should explore how infrastructure projects are designed with environmental sustainability in mind, including energy-efficient solutions and consideration of their ecological impact.

### **Do businesses and/or investors see freeports as an investable proposition today?**

The experience of our members is if investors understand the proposition of Freeports and the value they add. Conversations with Freeport stakeholders has shown that the messaging around Freeport is working as enquiries are coming from investors. Essential to the success of the programme is clear understanding of the purpose and the value proposition for Freeports.

Investor confidence will be boosted where they can see clear examples of innovation and the value this will add to a region. A clear purpose and deliverable outcomes will support this confidence. It is critical to show how the Freeport or Investment Zone supports local growth and skills – these will create opportunities for further growth and success.

Development of infrastructure between the Freeport and existing connectivity across the region will also ensure that goods and services can move more effectively, adding to the attractiveness of the proposition.

As a note of caution, members have stated that recent political turbulence and economic uncertainty have led to a cooling of confidence in the Investment Zones and Freeports programme. In order for the initiative to succeed, long-term cross-party commitment to their purpose and roll out is needed.

## **What does success look like for freeports and how will this be measured and reported on?**

Successful implementation of Freeports will create a network of interconnected facilities across the UK that facilitates import of materials at one site, with processing at other sites. The Freeport Innovation Network is essential in bringing industry, education institutions and other stakeholders together and create the low carbon, innovative practices that will bring success.

This should not be at the cost of any social outcomes; Freeports and Investment Zones should bring high quality and well-paid jobs to the region they are in. Out and in region investment should be measured against a baseline to establish if these interventions are working – alongside other metrics such as regional GVA, well-being and job figures. ACE members are working with ONS and other bodies to explore how and which information is being tracked.

More widely, ACE members want to see success defined in terms of non-economic outputs. This would include reporting on measures that support wellbeing of individuals and communities around Freeports and Investment Zones, the social capital created and the positive environmental impacts of the initiative. Developments in a Freeport or Investment Zone should be linked to wider community regeneration, for example affordable housing stock or high street regeneration.

The local skills picture is crucial to the success of the initiative. ACE members have observed where local skills providers and commissioners have been successfully involved in planning for the skills needs of the Freeport, both during its construction and operation.

Any development should at minimum contribute to net zero objectives, with a drive to actively reduce CO<sub>2</sub> emissions and other particulates on the site. Environmental impact should be minimised – indeed a successful site could be a showcase for innovative responses emissions and other environmental risks. Any opportunity for in situ renewable energy utilisation/ capture at the site should be leveraged as part of the development too, adding to community resilience and energy security more broadly.

Oversight of the various projects is key – through outputs such as annual reports or performance dashboards that can be accessed by all interested parties. We recommend that this information is clearly communicated to the communities around Freeports and Investment Zones.

Progress against on delivery of all the above Freeport objectives should be clearly tracked and reported upon in a transparent and accountable manner.

