

Introduction

1. The British Property Federation (BPF) represents the commercial real estate sector – an industry with a market value of approximately £1tn¹ which contributed more than £101.2bn². We promote the interests of those with a stake in the UK built environment, and our membership comprises a broad range of owners, managers and developers of real estate as well as those who support them. Their investments help drive the UK's economic success, provide essential infrastructure and create great places where people can live, work and relax.
2. The UK's commercial real estate sector contributes about 7%³ of UK GVA and directly employs 1 million people, or 6.8% of the labour force. It provides the nation's built environment and is diversifying from its core investment in the nation's offices, shops, leisure facilities and factories, to support the new economy through investments in logistics, healthcare, student accommodation, infrastructure, residential and increasingly through Build to Rent investment in new housing.

Section A: The Freeports Opportunity

3. The Freeports Consultation hits upon a number of issues which are pertinent to real estate, and also it is clear that without the strong involvement of the real estate industry that Freeports may not reach their full potential. We are fully behind the outline of the policy as framed in the Consultation document, but there are some areas which require further elaboration (and we have endeavoured to assist in that regard where possible in our response) and some areas where there are binary choices to be made between innovation and rules-based approaches toward consumer protection and environmental regulation. In the case of the latter, we are profoundly supportive of the outcomes framed in environmental regulation and consumer protection, but the outputs may need to be modulated if Freeports are to be used as a testbed for innovation.
4. Freeports represent an opportunity to correct regional imbalances, some of which are historic, and there is a strong correlation between the sites that will likely be strong candidates for Freeport status and historic underinvestment and high levels of socio-economic deprivation. To bring development to such places, incentives need to move beyond the goods and services that move in and out of the Freeport, and include investment in the necessary infrastructure for their operation. The built environment will be key, not only in the right buildings but the right knowhow being brought to create vibrant and growing places where people want to be. The Government rightly acknowledges this in the consultation document, and this spirit needs to track through policy formulation to the implementation phase.

¹ <https://www.ipf.org.uk/resourceLibrary/the-size---structure-of-the-uk-property-market---year-end-2018-update--december-2019--full-report-.html>

² <https://www.bpf.org.uk/sites/default/files/resources/BPF%20Manifesto.pdf>

³ *ibid*

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5. **While our members are unlikely to be Freeport Operators they will be necessary supporters of Freeport Operators and Businesses.** In providing schools, offices, distribution centres and logistics facilities, retail, healthcare and quality housing for rent, our developer members will be supporting both Freeport Operators and Freeport Businesses. They may also be Freeport Businesses in the sense that real estate owning members may lease built facilities for a variety of the above uses directly on or near to Freeport sites. Build-to-rent members may provide quality housing for rent to house those taking the jobs that will be created.
6. **Freeports must also be seen in the context of the wider levelling up agenda, with a key enduring issue being regional imbalances.** Government funding for research and development activity tends to concentrate in London and the South East. As part of its commitment to levelling up, the Government should do more to equitably distribute those funds to help level up and revitalise local economies; this is especially the case if the Government wishes to see Freeports as hotbeds of innovation.
7. **Freeports must be successful places in the holistic sense,** as well as successful ports. So measures to support a successful Freeport have a symbiotic relationship with wider packages of measures to correct historic regional imbalances, and strengthen and diversify regional economies. Our sector can play a partnership role alongside Government interventions in order to reduce volatility and risk associated with development in parts of the country in need of regeneration. Primary ways that it can do this lie in adjusting existing tax levers (e.g. CIL, Business Rates) that affect viability due to inelasticity of construction costs and streamlining regulatory processes, such as in the case of planning. Therefore, we agree with the broad prescription that the Government suggests for Freeports and their surroundings. Yet as the intent of the High Streets Fund and Towns Fund acknowledge, such measures could be applied liberally (but handled with care) and will level up the country.
8. **Infrastructure investment has a vital role to play in levelling up the country** and creating the conditions in which Freeports can operate successfully. The importance of connectivity and mobility have been sharply underscored in recent months. The Government has taken welcome steps at the most recent Chancellor's Statement to accelerate its infrastructure pipeline to 2020/2021. Research also shows that investment in infrastructure repays in productivity gains. The Government should ensure that new Freeports are supported by targeted investment in infrastructure to ensure that they are connected effectively to national networks, local labour force and business supply chains and make ready for the inward investment opportunities that Freeports will encourage and support
9. **Human infrastructure in the form of suitably skilled employees are also vital for Freeports to operate successfully.** Where the local workforce requires support in transitioning to the new opportunities posed by Freeports, (especially among NEET and the long-term unemployed), devolution of skills to local control would enable regional bodies to more closely align skills and funding with those of employers, and for employers to provide opportunities to local people.
10. **Local authorities need to consider diversity of tenure and housing mix in their local plans** with housing suitable for the area and its inhabitants. Initiatives such as Freeports and the infrastructure that supports them have the potential to significantly boost local economies. To optimise the positive benefits of this it is essential that the housing offer matches the needs of those workers – both in amount and type of homes. Freeports are designed as long term and self sustaining economic development tools and this means that the areas which host them need to have a focus

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on providing a sufficient supply of appropriate homes over the long term so that housing is not a barrier to labour supply.

11. **Freeports need not be contiguous sites.** For example, logistics facilities will be needed to support Freeport businesses. If the area around an existing port of entry is built up (as is the case around many of the UK's historic sea ports), a non-contiguous zone may need to be established. Some of the most successful examples of Freeports around the globe operate on a multi-site model. At a regional level, separate ports (for example a sea port and an airport) may be able to realise economies of scale in becoming a Freeport together, particularly if they have differing import channels and an opportunity to share facilities.
12. **Freeport bids need to command early local support.** We would expect Freeport bids to try to assemble local support at an early stage. This is a function of the fact that the success of a Freeport is not pre-ordained and will require the concerted effort and cooperation of local people, local authorities, regional business intermediaries, Central Government, infrastructure providers, Freeport Operators and Freeport businesses. There should be a concerted effort to ensure that Freeports are a central feature of Local Industrial Strategies, skills and training strategies and recognised in statutory documents such as Local Plans. They will be long-term works-in-process rather than an event, and it is welcome to see the Government's acknowledgement of the need to engage in review of Freeports over time; we see this as being vital to ensure that resteeering can take place as necessary to meet objectives, and to learn from what has worked well to apply it to other places.
13. **Some Freeport candidates may need support in making a bid.** There are learnings from the Towns Fund in terms of taking initial bids, and then providing funding to assist preferred bidders in assembling a final, fully-developed proposal. We consider that at a relatively small cost to the Central Government, more reasoned proposals from those with perhaps the greatest potential for revitalisation of their locale could be obtained.
14. **Incentives applied to Freeports need to be enduring.** Given the timescales over which our members invest and recoup that investment, it would be catastrophic for incentives to be withdrawn without warning. It would also be insufficient an incentive for them to persist over a timescale that is less than a decade. Long-term commitment to the policy is necessary, and therefore we suggest that accountability is given to an agency that gives some long-term stability and certainty. The National Infrastructure Commission could perform this role.
15. We welcome the opportunity posed by Freeports and the opportunity to respond to this consultation. If you have need of clarification or amplification of any aspect of our response, please do not hesitate to make contact.

For further information please contact:

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