



## Unite submission to Freeports Consultation<sup>1</sup>

This submission is made by Unite, the UK's largest trade union with over one million members across all sectors of the economy including manufacturing, financial services, transport, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not for profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our union.

Of particular relevance to this submission Unite represents over a quarter of a million transport workers, together with tens of thousands more in all aspects of manufacturing, including automotive workers, the aerospace industry, food, drink and agriculture and thousands more in the public sector who all will be directly impacted by the proposals to set up new freeports in the UK.

### Executive summary

Unite contributed to and concurs with the main points contained in the TUC's submission to this consultation. In addition, we have some more specific points which we cover under the relevant questions.

Unite notes that the government **consultation document suggests lower taxes and tariffs and different regulation for a 'freeport' area compared to the rest of the domestic economy.** The document claims that the intention is to attract more foreign investment to the UK through freeports.

Unite **concurs with the consultation document's observation that there is a need to 'level up' regions to create good jobs, infrastructure, quality public services and skills opportunities** across the country.

**However, we do not consider that the proposals will achieve these objectives.** Indeed, we are concerned that the freeports proposals as presented **stand to undermine good quality jobs, workers' rights, equalities and the delivery of high quality public services in some parts of the country which may exacerbate rather than address regional inequalities.**

Unite sees **no evidence to support the Government's claim that freeports result in new investment and new jobs.** Rather, it is **existing investment and jobs which may relocate to within such zones to the detriment of other regions.** It is this very approach to trade, a sum total competition between regions and workers, which Unite opposes.

The Government's central justification for freeports is that it is a solution which could result in the trade and outward processing of goods without the application of tariffs. This issue should be resolved through **a trade agreement with the EU which retains existing frictionless trade and related processing arrangements.** There are existing HM Customs procedures in place which can

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<sup>1</sup> UK government (2020) 'Freeports consultation', <https://www.gov.uk/government/consultations/freeports-consultation>

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exempt goods from tariffs where they are exported in order for these items to undergo a procedure before it is returned under a process called **Outward Processing**.

**Trade unions have valuable insights** into both workers' priorities and business needs, including such processes, and are an essential part of any conversation about investment and the local or regional economy. It is regrettable that they have not been engaged by government in its plans.

The TUC is right to point to the need for:

- **good jobs**
- the **highest social standards and employment rights**
- **robust regulation and collection of taxes**
- **high quality public services**
- **infrastructure development**
- **skills development**
- **a trade deal with the EU which guarantees tariff free trade in goods and low barrier trade in services and that UK workers continue to be protected by the same standards as those found in the EU.**

Any freeports proposals must also be **subject to local democratic structures and scrutiny**. The government must engage with local government, unions, employers and local civic partners to ensure freeports and any infrastructure developed to support them promotes good jobs, supports high employment and safety standards and adequate skills investment.

A major concern is the **potential for workers in freeports to have less protection** than in the rest of the UK. In addition, we have concerns about the **potential for freeports to encourage tax avoidance, and, based on experience from ports, to become hotspots for organised crime, money laundering, smuggling** and possible funding links to terrorist activities.

The setting up of new freeports also **risks more greenhouse gasses** being released as suppliers and workers are forced into longer commutes.

The consultation discusses the potential of **inland freeports** which are not connected to any port or airport and also discusses the potential of freeports that have no physical barrier between the freeport and the rest of the economy **appearing to overly rely on technology**.

Whilst food production supply chains may also include the exporting of goods for processing, **food processing activities could just as easily be performed in the UK** thus reducing food mileage.

A reason there are mounting food miles, is comparative labour costs. For example, some British fish has been sent to China (where labour costs are much lower) for processing, then sent back here to be sold<sup>2</sup>. Should the UK provide a food processing facility within a freeport arena, it is supporting this practice and sending out a message that this is acceptable behaviour in an era when the UK is committed to combatting climate change.

There is a **need for protections against social dumping** and the exploitation which already occurs such as in the 'Flags of Convenience' model. The ITF (International Transport Workers Federation) inspectorate currently plays a vital role in this respect.

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<sup>2</sup> <https://www.thesun.co.uk/news/10775752/fresh-fish-caught-off-britain-goes-on-10000-mile-round-trip-before-being-sold-in-uk-supermarkets/#:~:text=FISH%20caught%20off%20Britain%20are,then%20shipped%20back%20to%20Britain.>

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Unite is also concerned about the safety of free ports. There needs to be **independent, union recognised labour and health and safety inspectors to protect against abuses**. Irrespective of 'ports' status there needs to be trade union access, recognition and collective bargaining rights.

It is important to note that zones with lower tariff and tax regulations are allowed within the EU single market. These are termed '**free zones**' and exist in countries such as **Germany, France and Italy**.<sup>3</sup> These zones are **importantly different from those envisioned by the government, however, as EU rules on employment and social standards must be followed** by businesses operating in these zones. Should differing employment protections exist in freeports this would undermine the efforts of the Gangmasters and Labour Abuse Authority (GLAA) with respect to the processing of food and drink and some other products, and its wider role in relation to labour abuse.

Finally, it is also important to note that **the idea of free trade zones in the UK is nothing new**. Seven free trade zones operated in the UK between 1984 and 2012. However in July 2012, the Statutory Instruments that established the remaining five free ports (Liverpool, Southampton, Port of Tilbury, Port of Sheerness and Prestwick Airport) expired. The government has not indicated why it did not continue to have free zones in the UK after 2012. These zones did not have the benefit of "regulatory flexibilities", **however, as these were operated without the ability to vary employment minimum standards and they supported trade union representation**.

### Consultation Questions

#### Customs

#### Declarations

*Q1: To what extent do you agree/disagree that the reduced declaration requirements for moving goods into a Freeport represent a useful simplification of the administration of customs processes? Please explain your answer.*

*Strongly agree/Somewhat agree/Neither agree nor disagree/Somewhat disagree/Strongly disagree*

*Q1.i: Please explain your answer.*

Unite strongly disagrees with the whole process of reducing requirements. Each step has been introduced in order to preserve the safety of personnel and the general public as well as preserve the viability of the domestic producers of such products. It is important to ensure that sufficient duty is properly applied to stop a race to the bottom.

Declarations ensure that the containers do not contain dangerous items such as diseased goods, explosives, radioactive items, etc. If they do then specialist measures can be put in place before the container is moved or opened.

If there is a relaxation of declaration requirements, as has happened in freeports elsewhere, such goods could be smuggled into the country potentially putting lives at risk. A European investigation

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<sup>3</sup> European Commission (2020) 'Free zones in operation in the customs territory of the Union', available at: [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/resources/documents/customs/procedural\\_aspects/imports/free\\_zones/list\\_freezones.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/customs/procedural_aspects/imports/free_zones/list_freezones.pdf)

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into freeports<sup>4</sup> highlighted serious concerns. It is the nature of freeports that goods can be traded within the freeport for the purported value of goods in that container. There is nothing to prevent such containers being empty or containing items which are worthless being passed off as something far more valuable. Obtaining court orders to inspect items in a freeport is extremely problematic making the areas in effect 'off limits' to the authorities. As the owners of goods stored in such areas can be shrouded in a cloak of corporate law it is almost impossible to determine who could be charged any levies that do apply.

In short, if the declarations are simplified, as suggested, the potential for fraud increases significantly.

*Q2: Please suggest any ways in which you think the administration of customs processes could be simplified further in Freeports.*

Unite does not wish to comment on this point.

### Freeport operators and Freeport businesses

*Q3: If you are a potential Freeport operator, will you be able to adapt current processes you have to allow goods to be moved into a Freeport? Yes/No/Don't know/Not applicable*

*Q3.i: Please explain your answer.*

N/A

*Q4: Please provide any feedback you have on the requirement for perimeter fences.*

Unite firmly believes that there is a very strong requirement for a series of physical barriers to prevent items entering the economy without the full customs checks and application of levies.

As to the nature of employment in an extraterritorial arena, there are also concerns regarding the applicability of some protections provided under the normal UK jurisdiction. Extraterritorial jurisdiction and its application are one of the most hotly debated issues in the area of human rights generally, and within the area of business and human rights. Specifically, Commentary to United Nations General Principles 2<sup>5</sup> states that:

*"At present States are not generally required under international human rights law to regulate the extraterritorial activities of businesses domiciled in their territory and/or jurisdiction. Nor are they generally prohibited from doing so, provided there is a recognized jurisdictional basis. Within these parameters some human rights treaty bodies recommend that home States take steps to prevent abuse abroad by business enterprises within their jurisdiction."*

Given that a freeport is by definition a defined area outside of the territorial borders there is technically nothing to stop a business producing food without the normal checks and balances on welfare. This could include the use of genetically modified seeds, etc with implications for the natural environment in the UK.

Dock workers have highlighted that containers at ports are being broken into by trespassers who jump the security fences and open containers before they have been inspected by HM Customs. They suspect that these individuals are targeting specific containers that were used to smuggle

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<sup>4</sup> [https://www.europarl.europa.eu/cmsdata/155721/EPRS\\_STUD\\_627114\\_Money%20laundering-FINAL.pdf](https://www.europarl.europa.eu/cmsdata/155721/EPRS_STUD_627114_Money%20laundering-FINAL.pdf)  
published October 2018

<sup>5</sup> <https://globalnaps.org/issue/extraterritorial-jurisdiction/>

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illegal items such as narcotics. Unite believes there is a case to be made for heightened security at ports and airports to stop this activity before someone is killed or injured by these smugglers, as opposed to the proposed freeport areas without any physical barriers.

*Q5: Please highlight any alternative ways you think security could be maintained without a perimeter fence.*

Unite believes that the simplest way to secure a freeport is with a perimeter fence but recognises that a fence is not needed if and only if the freeport area connects with the secured area of a port or airport. Even in these circumstances there needs to be close monitoring of the flow of goods in and out of these areas via human monitored CCTV and random inspections. Security requirements would also need to ensure that any CCTV does not cycle through an excessive number of cameras but focusses on movement detection software.

The principal issue with any method that does not involve a physical barrier is that such a system would not have the capability to stop the transit of goods into a freeport or out of this facility without the correct authority or declarations. Such systems would only be capable of telling the operators and government departments that a container has entered or left a freeport but there would be no way of telling what would be in the container without it being physically inspected.

Some items do not respond well to x-rays, photographic film, for example. Other items such as radio-active isotopes require specialist containers to ensure against contamination and the safety of those working around the container. For this reason, a simple x-ray examination of containers would not be appropriate.

There is a precedent for the transfer of goods by road from one port or airport to another prior to it entering the UK economy. An example of this would be the road journeys between regional airports and Heathrow. Heathrow currently lacks the runway capacity to receive the freight-only flights direct and some regional airports lack the specialist handling facilities to process some cargo types, simply due to the lack of any substantial traffic in that type of cargo<sup>6</sup>. In theory this principle could be used to cover trips out of ports to a freeport area that is not connected to a port. To do so, however, these bonded lorry journeys would need to be treated as either sailings or flights and covered by either the Maritime and Coastguard Agency (MCA) or the Civil Aviation Authority (CAA) making it either the first seaport without any water and/or an airport without a runway or helipad. Conducting shipments in this fashion would provide the benefit of legal protections against hijacking and piracy should the cargo be tampered with en route over and above the protections afforded by UK law.

*Q6: In your view, is the proposed split in responsibility between Freeport operators and Freeport businesses correct or incorrect?*

*Correct/Incorrect/Don't know*

*Q6.i: Please explain your answer.*

Unite believes that the owners of a freeport should at all times know what is on their premises as they may need to put into place special measures to increase security and health and safety. Having a 'light touch' on a declaration requires a very high level of trust in the security of the entire transit path of the shipment and the safety/security of the origin of these materials.

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<sup>6</sup> An example would be rare animals that are too big to fit in the belly hold of passenger aircraft flights.

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All too many times at ports containers that arrive do not contain what is declared on the paperwork as shippers do not wish to undertake all the additional checks that are required for the shipment of some items. Fires on board ships have started due to chemical shipments not being correctly stored in their shipping containers.

On occasion smuggled goods are hidden in otherwise innocent consignments. As already highlighted, freeports can be a magnet for unlawful activity including the storage of works of art and other high value items that can be traded to launder money, assist in terrorist activities and avoid tax.

### Goods already in the UK

*Q7: How important is it for your business to be able to bring goods into the Freeport from the UK, whether the goods are in free circulation or under another customs procedure?*

*Essential to my business/ Very important to my business/Moderately important to my business/Slightly important to my business/Not important to my business/Not applicable*

*Q7.i: Please explain your answer.*

Unite is not in the business of shipping goods into or out of the UK but represents workers who are involved in this process as well as members who manufacture products that are required to cross borders multiple times before those goods are in a state ready to enter general sale.

It is critical that there be as seamless a transit process for the shipment of goods out of and into the UK to avoid delays in the manufacturing processes and ensure products can meet the demands of customers. Today's 'just in time' delivery schedules mean that goods need to be with the consumers of those products when they are needed. This reliability of supply means that the consumer does not need to have huge warehouses full of stock that will degrade or depreciate over time.

The consultation envisages the potential for goods in free circulation in the UK domestic market to be brought into the freeport area for processing. If these goods then re-entered the domestic market without a tariff being applied this would constitute a state intervention into the market as it would mean that this process could also avoid VAT, employer national insurance payments and an environment where the employer can utilise workers without the need to comply with state regulations. Unite would therefore call for import anti-dumping duties to apply to make such a practice<sup>7</sup> less profitable than processing the product domestically.

Several manufacturing sectors of the economy have a history of benefiting from free trade areas and may need specific protection for its supply chain post Brexit, if there is no trade deal. These include aerospace, automotive, and the food processing industry to name but three. In automotive a component may leave and re-enter the country several times before it is finally installed on a vehicle. If there is no tariff zero rating for these components it is possible that production of the entire vehicle could relocate due to reduced costs elsewhere in the world. Unite is calling for no additional tariffs or additional barriers to frictionless trade with the EU.

The consultation is unclear, however, as to the applicability of such duty to the components at some interim stage or the finished product which then goes on sale in the market. Without this clarity it is difficult to determine if there would also be a financial benefit obtained by changing the categorisation of the items entering the UK market for other sectors of the economy.

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<sup>7</sup> of simply sending a product into a Freeport from the UK and back after processing

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It is therefore possible that setting up such a freeport activity may create problems in terms of World Trade Organisation (WTO) subsidy rules and any EU/UK level playing field provisions that are brought in during negotiations.

If goods are to be sent out of the UK for processing there is a HM Customs special method called Outward Processing<sup>8</sup> which is discussed later in this response that is a realistic and preferable alternative to freeports in the absence of a trade agreement which zero rates such processing of such goods.

### Location of Freeports

*Q8: What do you see as the advantages and/or disadvantages of an inland Freeport site compared to a Freeport site which is adjacent to a port?*

At an airport or port the major issue is how you accommodate such a facility without compromising the activities of the port. The major issue with a freeport site that does not have a port or airport is the issue of how goods enter or leave such a facility.

As the major trade union for transport workers, Unite can foresee several logistical and security issues which have already been highlighted earlier in respect of the problem of getting produce into and out of a freeport that does not have direct access to a port/airport.

Other disadvantages include the prospect that every factory or processing facility may become a freeport area. This would create a loophole in the established employment law protections which would need to be resolved with the passing of extraterritorial legislation to ensure the status quo.

Secondly, the normal tax and national insurance regimes would not apply as the employment and any activities within a freeport area are still considered to be taking place in international waters. This could result in a substantial loss in revenue to HM Treasury.

If the freeport is to create the need for additional road haulage, Unite would call for the provision of facilities for drivers to rest, have the opportunity for a meal, have access to a toilet and clean themselves away from their vehicles. All too often drivers are left with very little option but to find a safe space to park on the side of the road where they may be the subject of attack for their load. This will be especially problematic if the lorry journeys in question are those moving cargo from a port to a freeport area that is not associated with a port.

### Excluded goods and excise goods

*Q9: If you are considering becoming a Freeport operator, how attractive would the proposed customs design be to your business?*

*Very attractive to my business/Attractive to my business/Unattractive to my business/Very unattractive to my business/Not applicable*

*Q9.i: Please explain your answer.*

N/A

*Q10: If you are considering becoming a Freeport business and would like to store imported goods or manufacture products using imported goods in the UK, how attractive would the proposed customs design be to your business?*

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<sup>8</sup> [https://ec.europa.eu/taxation\\_customs/outward-processing\\_en](https://ec.europa.eu/taxation_customs/outward-processing_en)

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*Very attractive to my business/Attractive to my business/Unattractive to my business/Very unattractive to my business/Not applicable*

*Q10.i: Please explain your answer.*

N/A

*Q11: To what extent would the suspension of import VAT be of value to your business?*

*Very valuable to my business/Moderately valuable to my business/Not very valuable to my business/Not at all valuable to my business/Not applicable*

*Q11.i: Please explain your answer.*

Unite asks if VAT and other taxes were suspended for one facility, what is to stop every manufacturing or processing facility applying to become a freeport and if one facility was denied this opportunity, would this not be state interference with the market?

Unite believes that a level of state intervention is therefore clearly needed to avoid opening the flood gates to an environment where one industry can gain a commercial advantage if they are in a freeport over rival producers of goods who operate within the UK and pay taxes.

Additionally, if there is state intervention which provided a commercial advantage in the production of an item then a potential trade partner, such as the United States of America, could cry foul and suggest that there had been some state aid in breach of WTO rules. This could risk an escalation in the cost of the product to the consumer, making products using the freeport unsellable in markets the manufacturer wished to sell into.

*Q12: How important would it be for your business to be able to buy and sell goods within Freeports?*

*Essential to my business/Very important to my business/Moderately important to my business/Slightly important to my business/Not important to my business/Not applicable*

*Q12.i: Please explain your answer.*

Unite would warn against allowing goods to be bought and sold in freeport areas within the UK. It is the trade in goods within a freeport that allows for money laundering and trade in stolen or illegal goods to take place.

## Trade remedies and countermeasures

*Q13: To what extent do you agree or disagree that trade remedies or countermeasures should be applied to goods exiting Freeports, whether or not they are processed in the Freeports?*

*Strongly agree /Somewhat agree /Neither agree nor disagree /Somewhat disagree /Strongly disagree*

*Q13.i: Please explain your answer.*

*Q14: To what extent do you agree or disagree that trade remedies or countermeasures should be applied to goods exiting Freeports, whether they are destined for consumption in the UK or exported to foreign markets?*

*Strongly agree/Somewhat agree/Neither agree nor disagree/Somewhat disagree/Strongly*



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*disagree*

*Q14.i: Please explain your answer.*

Whilst the consultation document acknowledges the importance of trade remedies and commits to ensuring that UK industry has the protection it needs when unfair trading practices arise and it is clear that freeports should not undermine any trade remedies, by applying “*additional tariffs*”<sup>9</sup>, it goes on to discuss some form of economic “*balancing*”.

Unite believes that such remedies are required in order to protect the UK market from goods produced in an environment that has little to no regulation to one which needs to comply with the normal domestic legal requirements. Sectors, such as steel, tyres, glass and ceramics are calling for stronger trade defence remedies at the EU-level as a minimum.

General questions

*Q15: In your view how does this Freeport design compare to existing customs special procedures, such as customs warehousing or inward processing?*

Unite understands that the limits on input processing<sup>10</sup> are such that the importation of the items that you wish to use to affect a repair or produce a new item can only occur three times in a year and only with permission of the HMRC. In addition the HMRC states that the value of these items involved in input processing must be less than £500,000. Furthermore, the items must come into the UK and leave again within a year and duty will be payable on exit.

Customs warehousing similarly has limitations<sup>11</sup> in that specified items cannot be stored in them.

The goods stored in a customs warehouse must be:

- Imported from outside the EU, and are liable to customs duties or import VAT<sup>12</sup> moved from another EU country in duty suspension
- Common Agricultural Policy goods that qualify for an export refund
- EU goods that qualify for common storage arrangements.

You can also put goods into a customs warehouse if:

- you do not know the final destination of your goods when they arrive in the UK
- there has been a delay to your import licences or paperwork, or you are waiting for a duty-relief quota to become available (for example, for agricultural goods)
- you want to use another customs procedure (for example, Inward Processing for non-excise goods)
- With a freeport system the goods can enter, be stored indefinitely, processed, used in repairs or to manufacture new goods or components and be of any value.

The problem here is that the goods so held in a warehouse would only be stored and not processed. This is similar to an arrangement where importers of goods obtain permission for a temporary

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<sup>9</sup> See Page 14.

<sup>10</sup> <https://www.gov.uk/guidance/inward-processing#conditions-and-requirements>

<sup>11</sup> <https://www.gov.uk/guidance/customs-warehousing>

<sup>12</sup> includes goods imported under Customs Freight Simplified Procedures (CFSP)

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admission<sup>13</sup> so that samples of goods can be shown to clients. Goods that are covered by a temporary admission arrangement cannot be worked on, altered or processed in any way.

With a freeport arrangement goods can be processed and stored indefinitely allowing more flexibility. Furthermore, no further special permissions are required for the types of goods held.

Under another HM Customs special method, called Outward Processing<sup>14</sup>, the reverse is true. In this situation goods may be temporarily exported from the customs territory in order to undergo processing operations. The processed products resulting from these goods can be re-imported and released for free circulation with total or partial relief from import duty.

Additionally a trade deal as discussed can zero rate defined items, eliminating the need for a freeport.

*Q16: Please suggest any ways in which this customs design could be improved. For example, could technology be used to streamline the requirements?*

*Q17: Please provide any other feedback you have relating to this customs design.*

Unite does not wish to comment on the customs streamlining methods.

## Tax

*Q18: In your view, do the specific tax incentives provided in existing English Enterprise Zones (Business Rates discount and Enhanced Capital Allowances) encourage increased business activity and employment in England? Yes/No/Don't know*

*Q18.i: Please explain your answer and support your response with evidence where possible.*

Unite is concerned that any reduction in business rates and the use of enhanced capital allowances to encourage businesses to relocate or incentivise new businesses to open up in these areas will not have the stated outcome, while leading to other detrimental consequences. Unite believes that the returns do not outweigh the lost revenue and disruption to peoples' lives.

*Q19: How could the following policies be used to encourage employment and investment in business, infrastructure and innovation in a Freeport or surrounding area? Please explain your answer, and support your response with evidence where possible:*

- *facilitative solutions on VAT and Excise Duties for goods within Freeports (UK Wide)*
- *Stamp Duty Land Tax (England and Northern Ireland)*
- *Research and Development (R&D) Tax Credits (UK Wide)*
- *Employer National Insurance Contributions (UK Wide)*

Unite sees no evidence that freeports will encourage employment and investment in an area. Rather, free ports can encourage the relocation of existing work from other areas to freeports, thereby resulting in zero sum competition between regions. This is the very approach to trade which Unite rejects. A report produced by the Centre for Cities<sup>15</sup> supports this view concluding that freeports promote low value-added warehousing jobs. In 2012, 24 new enterprise zones (EZs) were created in the UK and the paper examines how the EZs have performed between 2012 and 2017. The EZs offered a series of incentives including discounted business rates, simplified planning,

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<sup>13</sup> <https://www.gov.uk/guidance/temporary-admission>

<sup>14</sup> [https://ec.europa.eu/taxation\\_customs/outward-processing\\_en](https://ec.europa.eu/taxation_customs/outward-processing_en)

<sup>15</sup> *In the zone? Have enterprise zones delivered the jobs they promised?* Centre for Cities (2019)

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superfast broadband and 100% first year capital allowances for plant and machinery. Conclusions of this report included:

- the EZs regenerated derelict areas;
- but they did not create many jobs. Many of the jobs were displaced from elsewhere. displacement accounted for over a third of the 'new' jobs;
- urban zones with good transport links grew the fastest;
- they were expensive;
- the gross effect was a lot less than the net effect i.e. jobs were shifted to the privileged area.

Another study by Larkin and Wilcox<sup>16</sup> found that of up to 41% of the 58,000 jobs created in the EZ's of the 1980s were relocated from elsewhere in the UK.

A report by Serwicka and Holmes<sup>17</sup> reviewed the evidence on freeports and concluded that:

- The Sunak/Centre for Policy Studies report took the total number of jobs across the 250 US free zones (420,000) and proportionately applied this figure to the UK. By doing so they concluded that 86,000 jobs will be in freeports. Serwicka and Holmes point out, however, that this assumes that all jobs in US freeports are additional jobs, something which is highly unlikely.
- When tariffs are low the direct benefits of free zones are small
- Bigger gains could be from wider use of enterprise zones, though there may be problems in terms of WTO subsidy rules and any EU/UK level playing field provisions.
- The net benefit of free zones is limited.

Unite is therefore concerned that not only is there the potential for up to 86,000 families<sup>18</sup> to suddenly arrive in communities near freeports and for those community services to be overwhelmed, but also for other communities to be deprived of the income from the families who have left the area. This migration of people may overstretch some local services and businesses, whilst causing others to close through lack of patronage.

The government consultation document suggests that local business rates may not have to be paid by companies locating in a freeport. This would mean that companies did not contribute to local infrastructure they were benefitting from. This is a particular concern as the additional infrastructure likely to be required by freeports will potentially need to be extensive.

Unite therefore remains to be convinced that such a migration, caused by the opening of a freeport would provide for a net benefit to the economy at large.

Unite is equally concerned that workers may also be subject to "*regulatory flexibilities*"<sup>19</sup>. Previous advocates of freeports have suggested that one of the major reasons for establishing freeports was to enable 'US-style Free Trade Zones in the UK' turning away from EU regulations and existing

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<sup>16</sup> Larkin, K. and Wilcox, Z. (2011) What Would Maggie Do? Why the Government's Policy on Enterprise Zones Needs to Be Radically Different to the Failed Policy of the 1980s, Centre for Cities, London.

<sup>17</sup> *What is the extra mileage in the reintroduction of 'free zones' in the UK?* Ilona Serwicka and Peter Holmes, UK Trade Policy Observatory, Briefing Paper 28 (February 2019).

<sup>18</sup> Based on the calculated figure from the Centre for Political Studies

<https://www.cps.org.uk/research/the-free-ports-opportunity/>

<sup>19</sup> see page 5 of the Freeports consultation.

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standards<sup>20</sup>. However the ‘flexibility’ in the US freeports has been used as a weapon to undermine workers’ rights. At the Smyrna Tennessee free zone, Nissan hired union busters to stop the United Auto Workers union (UAW) being able to organise and gain recognition. Nissan were able to act with impunity simply because of their location within a freeport area<sup>21</sup>. Unions have also reported that workers in the free trade zone are subject to a high level of surveillance by employers and this surveillance has been used to intimidate and exploit workers<sup>22</sup>. This intimidation and abuse of workers has been reported in numerous freeports or free trade zones around the world, particularly in response to unions seeking to redress health and safety breaches – something now recognised globally as being of vital importance to preventing and dealing with the spread of the current pandemic.

The government is suggesting that there may be “regulatory flexibilities” to encourage investment into new freeports in the UK and has not invited any trade union or the TUC to participate in the Freeports Advisory Panel. Such actions heighten fears that freeports will be used to undermine decades of work fighting for workers’ rights in the UK opening the market up to a race to the bottom. It is in the very nature of a freeport that they are totally separate from the normal jurisdictional practices applicable to the rest of the UK, removing it potentially from the normal legal or moral oversight which is the most concerning.

Unite is particularly concerned that the introduction of “regulatory flexibilities” could undermine the efforts of the Gangmasters and Labour Abuse Authority (GLAA). The GLAA covers a range of sectors within the fresh produce supply chain including the licencing of companies who process and pack all fresh food, drinks and other produce, as well as its wider labour abuse remit. Though good practice and decent pay and conditions have been achieved in unionised workplaces, the food and agriculture sector overall already has a poor record on labour rights, with persistent low pay, poor working conditions, low levels of skills and training, poor safety especially in agriculture and the meat sector, high levels of vulnerable migrant workers, little enforcement, and wide inequalities in terms of pay ratios and other measures. Labour exploitation remains rife in this industry, including at the worst end of the spectrum, with human trafficking and modern slavery. Freeports have the potential to make this far worse.

Unions in TUC regions have flagged concerns about the impact of freeports on jobs and conditions in particular areas. Concerns highlighted include:

- the already small number of jobs in Great Yarmouth being displaced if Felixstowe became a free port
- workers’ rights and pay in both Teeside and South Tyneside being reduced if Teeside became a freeport, these areas are already two of the poorest in the North East
- increased deprivation in the Humber estuary and Doncaster if freeport zones are established that draw large employers away from their current locations

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<sup>20</sup> Sunak, Rishi (2016) ‘The Freeports Opportunity’, available at:

<https://www.cps.org.uk/files/reports/original/161114094336-TheFreePortsOpportunity.pdf>

<sup>21</sup> USA Today (2019) ‘Where UAW goes now after rejection by Nissan workers in the South’, available at:

<https://eu.usatoday.com/story/money/cars/2017/08/05/nissan-workers-deal-big-blow-uaw-and-where-does-union-go-now/542624001/>

<sup>22</sup> Orenstein, D. (2019) Out of Stock: The warehouse in the history of capitalism University of Chicago Press, p.241

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It is also important to note that any job gains from freeports will be undermined if the UK is not able to secure a good deal with the EU.

TUC analysis shows that at least one million jobs could be at risk if the UK leaves the EU with a deal that increases tariffs and barriers to trade, drawing on the projections of NIESR.<sup>23</sup>

The TUC has also calculated that a no deal exit from the EU and the resulting tariffs on manufactured goods would cause particularly high job losses in the West Midlands and the South East (over 18,000 jobs at risk), with the North West, East Midlands and South West all seeing over 15,000 jobs at risk.

For these reasons Unite cannot advocate or support the idea of freeports but supports instead the idea of achieving a trade deal with the EU and other nations which zero rate items that are only entering the UK to be processed. If a freeport is established then Unite will be calling for legislation which is specifically aimed at freeports within the geographical borders of UK territorial waters that guarantee the full applicability of all existing employment law and practices, underpinned by collective bargaining between employers and trade unions and tri-partite sectoral bodies.

As stated elsewhere there are additional HM Customs special measures that are preferable to the creation of freeports.

*Q20: Is there any evidence to suggest that changes in these tax policies would be the deciding factor in investment decisions? Yes/No/Don't know*

*Q20.i: Please explain your answer.*

Unite is concerned that the possible avoidance of taxes, money laundering and other illegal activities which could accompany the creation of a freeport, would be one of the reasons why some organisations will make the decision to open or take advantage of freeports. Chancellor Rishi Sunak's proposal on freeports explicitly stated that there would be areas with lower rates of taxes, drawing on examples of free zones in China with lower taxes and less tax regulation.

Unite believes that the UK should be attracting investment that will support good jobs, higher quality and increased productivity, skills and decent wages as opposed to attracting investment on the basis of lowering rates of tax and lower regulations. The reduction of such taxation and regulation will only encourage businesses to relocate from the UK to these areas. Additionally if companies can avoid the cost of paying for all the infrastructural improvements that may be needed to support such a relocation, the bill will fall on the local tax payer, which could mean that housing costs will be significantly higher promoting the prospect of longer commutes by workers.

Transport infrastructure would particularly be needed if freeports were established in coastal areas, such as the Yorkshire and North East coast that do not enjoy the environmental benefits from an electrified railway, has limited if any electrified light rail, buses or freight capacity. East-West connectivity in the North of England is also severely lacking. These add to existing concerns that the expanded fund recently announced by the Chancellor which city regions can bid for may see funding diverted from long overdue investment in regional transport infrastructure towards building and maintaining infrastructure.

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<sup>23</sup> National Institute for Economic and Social Research (2019) 'UK trade and trade policy after Brexit', available at: <https://www.niesr.ac.uk/sites/default/files/publications/NIESR%20Election%20Briefing%20-%20UK%20Trade%20and%20Trade%20Policy%20after%20Brexit.pdf>

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*Q21: In your view, are there any particular tax policies that could increase the risk of tax avoidance or tax evasion activity being routed through a Freeport? Yes/No*

*Q21.i: Please provide details.*

*Q21.ii: If your answer is yes, then please suggest ways in which the Government could deter or prevent the tax avoidance or evasion risk you have identified.*

Unite believes that the suggestion by Rishi Sunak that freeports could have less tax regulation raises the threat that freeports could also attract money laundering and tax avoidance activities. Unite further believes that just the lack of customs intervention, the lack of examination of the content housed within a freeport and the ability to trade or process goods within a freeport provides the environment to instigate tax avoidance and evasion. It is the core definition that a freeport is not subject to domestic taxes.

*Q22: In your view, would any of the potential tax policies set out in this document unnecessarily increase the administrative burden of business activity in the Freeport? Yes/No/Don't know*

*Q22.i: Please explain your answer.*

*Q22.ii: If your answer is yes, then please explain which of the tax policies could be modified to reduce administrative requirements and how they could be modified.*

Unite firmly believes that the extraterritorial nature of a freeport increases the burden as every activity within the freeport given that workers tax/national insurance, business rates, etc. will be modified from the norm and hence potentially require a non-standard ICT solution.

*Q23: Please provide any other feedback you have relating to tax incentives for Freeports.*

Unite would highlight that a major factor that will need to be examined if an inland freeport is to attract new businesses is both the access to customers and the available logistics paths as discussed previously. If a business is to relocate, they will also consider the state of the site into which they will relocate.

## Planning

### Permitted development rights

*Q24: Do you agree or disagree that the permitted development rights for airports and sea ports should be brought into closer alignment by allowing the use of buildings on ports for purposes connected with the operation of the port?*

*Agree/Disagree/Don't know*

*Q24.i: Please explain your answer.*

Unite believes that existing buildings are required, in the vast majority of cases, for the operation of ports and airports, especially when there are delays in the dispatch of ships and flights. As such the transfer of buildings to freeports will increase the potential for extended disruption affecting the attraction of business use of that port/airport. If a port runs out of space, ships cannot be unloaded. Equally in airports like Heathrow, East Midlands and Stansted, fog can seriously impact flights reducing the frequency of departures increasing demand for short term freight storage. If this

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capacity is not vacant it is possible that local roads serve as short term lorry parking. It is already the case at Heathrow that due to the limited runway capacity, freight lands in other airports as discussed. It is also the case that at Heathrow lorries waiting to arrive at the airport have had to use local roads as a makeshift waiting area, before they can unload. Such unsecured parking raises a range of concerns for security and driver welfare, as well as wider environmental concerns.

### Zonal planning

*Q25: Are there suitable incentives in place that encourage the use of Local Development Orders by local authorities to support faster development?*

*Yes/No/Don't know*

*Q25.i: Please explain your answer.*

*Q25.ii: If not, what more could be done to encourage their use?*

Unite feels that there are not enough incentives in place to overcome the potential negative effects to the rates base returns from any new freeports to offset the investment that would be needed to make the freeport attractive and reduced functionality of a port/airport due to loss of operational capacity.

Secondly, as discussed previously, the relocation of families from an area, will have the potential for substantial negative effects caused to the local authority areas vacated. It is possible that the opening of a new freeport may stimulate the redevelopment of one deprived area but in turn could create many more areas of deprivation, on the scale not envisioned by the Sunak/Centre for Policy Studies report. This full impact must not be excluded from the assessments that take place.

The creation of a new freeport may cause the release of additional greenhouse emissions from the transit of goods to customers or to and from the ports/airports and suppliers of the component parts, as described above. Further emissions may be released as a result of the workforce's desire to maintain contact with family and friends in the area that was vacated, or if the result is a longer commute, also as described above.

In the case of *R. (on the application of Plan B Earth) v Secretary of State for Transport*<sup>24</sup> the Government lost an appeal by a collection of environmental groups opposed to the construction of Heathrow's third runway on grounds that the Government had failed to consider the implications of the expansion in the light of the United Kingdom's commitment to the Paris Agreement achieved at the UN's 21<sup>st</sup> Conference of the Parties (COP21) when it drafted its "*Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England*"<sup>25</sup>.

The decision in this case makes it clear that **all** future planning decisions must be viewed in the light of the United Kingdom's commitment to the Paris Agreement. Furthermore, the COP21 requires a review of progress toward achievement every five years of the goal to keep global warming below 2°C and if the scientific evidence supports such a requirement below 1.5°C. This review of progress

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<sup>24</sup> EWCA Civ 214 a public copy of the judgement can be found at <https://www.judiciary.uk/wp-content/uploads/2020/02/Heathrow-judgment-on-planning-issues-27-February-2020.pdf>

<sup>25</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/858533/airports-nps-new-runway-capacity-and-infrastructure-at-airports-in-the-south-east-of-england-web-version.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/858533/airports-nps-new-runway-capacity-and-infrastructure-at-airports-in-the-south-east-of-england-web-version.pdf)

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has been delayed by the Covid-19 pandemic and is now is to take place at COP 26 in Glasgow in November 2021.

It is widely expected that the scientific evidence presented to the fifty-second session of the Subsidiary Body for Scientific and Technological Advice (SBSTA 52) and the fifty-second session of the Subsidiary Body for Implementation (SBI 52) which were originally scheduled to take place in Bonn in June 2020, will recommend a far more stringent effort by the signatories to the Paris Agreement. Currently published scientific papers have indicated that the planet is on a path towards a 3.5°C to 4°C increase in global average temperatures by 2100. The SBSTA 52 and SBI 52 will now take place in June 2021 and feed their findings into COP 26 in November 2021.

If the Government is therefore committed to the creation of new freeports, this may lead to mass movement of the population and increase emissions. The Government consequently needs to show how this could be achieved in a world with far tighter restrictions on greenhouse gas emissions than are currently in place. They will also need to show that the creation of freeports and freeport areas will not increase pollution from commuting, logistics or any other demands placed on the UK economy by their existence. It is already the case that transport in the UK is now the largest single source of greenhouse gas emissions responsible for 28% of the UK total<sup>26</sup>. This is mainly due to the 43.5% reduction in UK emissions since 1990 and 2.5% in the previous year's amounts but slow if any reduction in emissions from transport.

Finally if the new freeport is within a commutable distance, there is the need to provide sufficient rail, bus or other public transport options to enable workers to reach their place of work. To do this these public transport options need to operate at times to enable workers to reach work in time to start their shift and return home again, with safe and accessible walking/wheelchair user routes. Provisions are also required to provide for cyclists and users of electrically assisted personal transport.

### National Policy Statement for Ports (NPSP)

*Q26: Would it be appropriate or inappropriate to consider amending the National Policy Statement for Ports to allow for changes to planning process(es) for significant port development? Appropriate/Inappropriate/Don't know*

*Q26.i: If your answer is 'appropriate', what specific element(s) of the process or document could this focus on, and what potential benefits could this unlock?*

*Q26.ii: If your answer is 'inappropriate', please explain why.*

Unite believes that there are not enough powers contained within the NPSP to introduce new freeports. The NPSP focusses on the development of ports to accommodate greater operational capacity. Unite believes that the inclusion of a freeport facility within its boundaries would be detrimental to operational capacity if anything and would in no way assist the port operations as there would be a greater call for road, rail, sea and possibly air onward connectivity. At ports like Felixstowe such capacity is already under strain and would not benefit from additional demands on its capacity.

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<sup>26</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/790626/2018-provisional-emissions-statistics-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790626/2018-provisional-emissions-statistics-report.pdf)



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One major feature of a freeport is that it attracts those wishing to store items of value that owners do not wish to pay tax or duties on. Such long-term storage and the potential for attracting criminal activity would also be inconsistent with the NPSP.

### **Additional planning freedoms**

*Q27: Please tell us about any additional planning freedoms related to planning powers and/or increasing the efficiency and effectiveness of planning that you think could be used to support development in Freeports.*

Unite is a supporter of alternative solutions such as the Outward processing process and trade deals which are preferable, which do not bring with them the issues associated with freeports. Unite does not believe that changes to planning freedoms would be enough to overcome the issues with freeports as set out elsewhere in this response.

### **Regulatory impacts**

*Q29: What infrastructure could encourage increased business activity in a Freeport? Please support your response with evidence where possible*

*Q30: What infrastructure could support wider regeneration opportunities and promote job creation in the areas around a Freeport?*

Given that businesses will be potentially moving away from supply chains and customers to take advantage of a freeport the simple answer is more transport connectivity as discussed previously.

Furthermore, as freeports by their very nature have to be in a secure location to preserve the income flows into HM Treasury, all personnel will need to have full background checks and undergo security checks when entering and leaving the freeport area. Consequently, Unite would want to ensure that any new freeport areas provide enough security transiting capacity, police capacity to support the additional security needs, as well as enough staff to administer the checks on a day to day basis. This is especially important given the magnets that freeports may become for criminal activities. It is only in respect to these provisions, that Unite can envisage any additional employment.

*Q31: Please provide any additional feedback you have on the issue of infrastructure for Freeports not specifically addressed by any of the questions in this section.*

Unite has nothing further to add on this point.

### **Business support**

*Q32: What dedicated trade and investment support, advice and guidance would best enable your business to take advantage of the opportunities Freeports would create?*

Whilst Unite has no interest in becoming or operating a freeport, it would highlight that any business relocating to a freeport would need to consider the potential of losing key workers. Workers have personal commitments, existing housing and travel arrangements, and may for a range of reasons experience problems obtaining or retaining a security pass to enter a freeport area. If the Government intends to press ahead with this idea despite all of the above concerns, then it would need to ensure that the employers moving into buildings in a freeport address these issues and understand what are the daily security checks and what level of oversight on anything moving between the freeport and the rest of the UK is to be expected.

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Freeports, if they are to exist, should not dilute workers' rights in order to gain an economic advantage over rivals. Unite demands that workers be guaranteed access to trade union representation and that the union be guaranteed access to its members at every level.

### Skills

*Q33. Working with Mayoral Combined Authorities, Combined Authorities and Local Enterprise Partnerships (which will be informed by their newly established Skills Advisory Panels), how might a Freeport contribute to the skills offer in your area?*

Unite believes that freeports could be a drain to surrounding areas of a skilled workforce (see, for example, the work of Larkin and Wilcox<sup>27</sup>). The relaxation of employment legislation, tax and other benefits will no doubt encourage companies to relocate but there are no guarantees that the new area will be able to provide the skilled workforce they will need.

Significant under-investment in workforce skills has left a legacy of poor productivity and entrenched barriers for people wanting to improve their job prospects. Government spending on adult education and skills (excluding apprenticeships and higher education) fell by 47% between 2009–10 and 2018–19 and the total volume of employer-led training has declined by around 60% since the end of the 1990s. Whilst the increased investment in apprenticeships in recent years is welcome, there remain significant challenges.

Unite has witnessed course after course being created which will only provide employees with a paper qualification that does not help them find employment anywhere else - a three-year level 2 qualification in engineering with a level 3 in train upholstery, for example. Employers argue that once they have put in the investment into training there is nothing to stop the newly qualified staff member leaving for a new employer. Unite's answer to this dilemma is to instil loyalty, ensure the worker feels valued, engage with them and provide them with terms and conditions that will encourage them to stay. If every employer did this it would dissuade any attempt by rivals to head hunt staff.

Unite is concerned that there is a very limited representation of unions at decision-making levels on Combined Authorities, LEPs and Skills Advisory Panels (while employers continue to retain a strong representation). Trade unions can add significantly to the overview of not just one industry but the economy as a whole to help guide the provision of funding for courses to where it is needed and at a level which would enable workers to hold qualifications that are more universally in demand.

Unite therefore believes if freeports are to exist they must support the fundamental requirement to provide investment into good skilled jobs rather than head hunt workers from elsewhere in the economy.

Key features of this investment should include:

- A job guarantee at a real living wage or the union negotiated rate for the job for those who have faced a period of unemployment, targeted initially on young people. The training element of this programme should be flexible and include the option for kick starting an apprenticeship. Older workers' skills should be included and recognised as part of this programme.

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<sup>27</sup> Larkin, K. and Wilcox, Z. (2011) *What Would Maggie Do? Why the Government's Policy on Enterprise Zones Needs to Be Radically Different to the Failed Policy of the 1980s*, Centre for Cities, London.

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- A new right to retrain for everybody, backed up by funding and personal lifelong learning accounts. This should involve bringing forward the £600 m promised investment in a national skills fund, and accelerating the work of the national retraining partnership to ensure there is a gateway to new skills for everyone, with specific recognition of women (and men) who have had periods of childcare and caring responsibilities.
- An “education and training guarantee” for all school leavers and other young people aged 25 and under who wish to take up this option. This guarantee would include an apprenticeship, place at college or other form of education or training. In support of this the apprenticeship levy should be flexed to allow employers to use their funds to also provide pre-apprenticeship training programmes where appropriate.

*Q34: How could employers involved in Freeport applications demonstrate their commitment to engagement with, and support for, local FE and skills providers?*

Unite would hope that if a freeport area was to be established that the providers would financially support all forms of education, public transport, health provision and local policing through the normal tax regimes. In ports and airports there is a commitment in their founding requirements that they help fund security. Each major port has its own police force, for example, or has the protections of the British Transport Police. Consequently, given the additional demands on education, health and public transport etc. it is also possible to legislate that freeports contribute.

### Housing

*Q35: What are the main housing needs of the local economies which surround ports (suitable for Freeport status), both now and in the future?*

*Q36: How can local areas align their housing interventions with the wider regeneration agenda to make Freeports a success?*

*Q37: What role could zonal planning, including the use of Local Development Orders, play in delivering the wider regeneration of local areas around Freeports?*

Unite believes that the provision of suitable affordable housing, including sufficient social and council housing, remains an important issue.

An issue with housing planning is that local planners do not take enough account of the population's quality of life including air quality and noise pollution. Unite suggests that land is set aside for industrial processes under any zonal planned development

Infrastructure - including schools, hospitals, police and emergency resources, public transport provision, together with other services like the provision of internet connectivity, energy and water, likely to be required by freeports is extensive.

Unite does not believe that freeports are the best way to boost local infrastructure. Any freeport that is established must provide local authorities with adequate investment in transport, housing, electricity and other infrastructure required to support them. To maximise the returns from investment in transport investment, public transport should be publicly owned.

Equally provisions will also need to be put into place to support the many businesses that supplied the communities affected by the loss of employment to another parts of the country.

Unite calls for the wider impacts of regeneration plans of areas, not just around freeports, to use a more holistic approach.

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### Innovation

#### Challenge-based initiatives

*Q38: What specific operational barriers to efficiency exist in ports that could be addressed through the development of innovative technology and processes?*

Unite members report that port areas are in some cases very tight on the physical space which is needed to handle shipments prior to them clearing customs. This is especially true in ports that specialise in short sea shipments to Europe such as Tilbury, as well as those that will already be facing challenges on space following Brexit, such as Dover. Tilbury was one of the old freeports but has no plans to go down that path even though it has expanded into Tilbury 2.

The other barrier to freeports is the potential delay to 'just in time' delivery caused by HM Customs' administration processes and checks. The government consultation would have us believe that everything will be seamless and flow possibly without the checks on the items entering and leaving the port, but instead relying on technology. The opening up of port traffic to an uninspected or checked cargo can place lives at risk and hence Unite believes that the Government's efforts should be focussed on securing a deal while one is on the table.

*Q39: What specific aspects of customs administration present barriers to business efficiency?*

Unite is very concerned about the loss of key skilled workers due their loss of a security pass for committing a minor criminal offence such as minor speeding offences or failure to pay parking fines on time. This potential for the loss of employment is of constant concern to all port and airport workers. If a company relocates into a freeport, then it needs to consider that simply obtaining such passes could take up to three months and that staff may not all obtain such a pass.

Unite is also concerned about the delays to vital supplies that can occur if they are delayed in passing through customs when entering or leaving a freeport. Such impacts may cause businesses additional expense due to the need to have a buffer zone of warehoused components as opposed to the ability to rely on 'just in time' deliveries.

*Q39.i: (Only if answered first question) How could the development of innovative technology and processes be used to address these, and maintain a secure environment?*

Unite knows of no technology which could provide the United Kingdom with the security it needs to maintain its borders without a physical barrier. Unite believes nothing can replace a trained customs official and sniffer dogs. Technology only provides a means to possibly enforce a breach of the law, whilst a physical presence is a visual and physical deterrent to such activities.

#### Freeports and academic collaboration

*Q40: How can ports collaborate with public agencies - including universities and other academic institutions, businesses, and local governments - to develop and adopt new technologies?*

Unite would stress that the term 'public agencies' would normally include trade unions but as stated elsewhere such involvement to date has been badly lacking.

A technical solution to the challenge of replacing fences and official checks would require the technology to have the capacity to scan paperwork, search vehicles and determine the content of a consignment and check all personnel entering or leaving a port instantaneously to enable vehicles and people entering or leaving are as stated. Such technologies would require a very high level of

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artificial intelligence, X-ray and/or ultrasonic and/or mass spectrum or chemical identification analytical capabilities combined with the ability to prevent a vehicle proceeding any further should irregularities arise. In addition, if there are no fences then the technology needs to have a 360 degree field of view.

Currently, Unite believes that the only 'technology' capable of providing anything near the specific requirements required to maintain a barrier between the freeport and the rest of the UK, is as previously stated. This does not mean that the provision of security measures should be static and devoid of new solutions but would caution that X-rays, ultrasonic investigation technology, CCTV and other technology may flag a possible issue that needs further investigation - without the security force to police the transit of goods across the threshold, barriers would be a paper tiger, leaving the UK economy open for abuse.

Unite demands that trade unions have access to represent any member or potential members of a collective, have full recognition rights and can apply full collective bargaining rights. Unite also demands that independent ITF (International Transport Workers' Federation) safety inspectors are also granted access, especially if freeports diverge from health and safety rules as one of these 'regulatory flexibilities'.

The use of such scanning technology on personnel may also infringe rights to privacy giving rise to requirements to ensure the compartmentalisation of any security/intelligence based on any information gathered by the equipment.

### **Regulatory sandboxes**

*Q41: How could challenge-based initiatives and innovative procurement opportunities help ports and local partners work together to innovate?*

Unite will fight to protect and improve upon the statutory minimum provisions afforded all workers in the UK. The relocation of businesses into freeports or the creation of new freeports around existing facilities should not enable a race to the bottom placing competitors who remain within the UK at a disadvantage.

### **Data availability and usability**

*Q42: What obstacles are there to greater data availability in the customs and transport sectors?*

Unite is not aware of obstacles to the availability of data save for what is absent from the information contained in the declarations.

*Q43: What opportunities are there for data generated within Freeports to support innovation by businesses and innovation stakeholders?*

*Q43.i: (Only if answered first question) What changes would be needed to facilitate this?*

Unite is not aware of opportunities for data generated within freeports to support innovation by business and innovation stakeholders. The main reason for this is the need for continued commercial sensitivities to be respected.

### **Contribution to the decarbonisation agenda**

*Q44: How could regulatory flexibility within Freeports help businesses to trial and implement new products and processes?*

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*Q45: How could Freeports be used to test new ideas and support business and industry to decarbonise in line with the UK's Net Zero target?*

*Q46: Please provide any additional feedback you have on the issue of innovation in Freeport policy not specifically addressed by any of the questions in this section.*

Unite is extremely concerned about the availability of 'regulatory flexibility' within freeports to ensure that hard fought for employment rights and protections are not undermined. Unite would therefore urge the Government to ensure that products or processes that are not deemed safe within the UK proper are also prevented in a freeport.

Unite believes that the creation of new freeports will increase the carbon footprint of transport methods especially if vehicles are left to idle while transiting through security provisions, (something that may be necessary for refrigerated vehicles) and by the relocation of industrial practices away from their supply chain.

Unite is not aware of any regulatory barriers to decarbonising of business practices, quite the contrary. Unite believes that freeports will not drive emissions down but could cause more emissions. Practices such as the use of grey water, better insulation, reactive smart lighting and trade union worker engagement will reduce emissions regardless of their location.

### **Additional policy considerations**

#### **Preventing illicit activity**

*Q47: In your view, what is the level of risk of illicit activity in Freeports?*

*Very high /High /Medium /Low /Very low /None /Don't know*

*Q48: What additional measures should be implemented to mitigate such activities?*

*Q49: Please provide any other feedback you have on the issue of preventing illicit activity within Freeports.*

Experiences from around the world have highlighted that freeports can attract money laundering, tax evasion, as well as become a source of funding for criminal and terrorist enterprises. A European Parliamentary Research Service report by Ron Korver,<sup>28</sup> focussed on just those freeports found in the European Union but also examined the popularity of storing high value items, including art, anonymously, in freeports located in Switzerland, Singapore, Monaco, Beijing, Luxemburg and Delaware. These items have increased in value considerably over time, amongst private collectors due to the increase in demand especially from Russia, the Middle East and China. As such they are seen as a far more stable and mobile commodity to that of land and property with the benefit that sales can be held literally offshore or within a freeport without the need for these goods to leave the freeport area. The value of these high-end value items is generally declared by the owner or a representative ('self-declaration') and in most cases is not checked.

With their preferential treatment they resemble offshore financial centres, offering both high security and discretion and allowing transactions to be made without attracting the attention of regulators or direct tax authorities. Goods entering free ports are not subject to customs duties. Goods sold in the free ports are not subject to value added tax. No withholding tax is collected on

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<sup>28</sup> [https://www.europarl.europa.eu/cmsdata/155721/EPRS\\_STUD\\_627114\\_Money%20laundering-FINAL.pdf](https://www.europarl.europa.eu/cmsdata/155721/EPRS_STUD_627114_Money%20laundering-FINAL.pdf) published October 2018

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capital gains, though sellers may need to report to the tax authority in the country where they are tax resident. If the high value item does not leave the freeport or at least does not enter any country's land border then no importation taxes apply either. HM Customs procedures even make it possible for items to obtain permission for a temporary admission into the UK if it returns within a set time window.<sup>29</sup>

Whilst most operators of freeports allow customs officers in various jurisdictions to have access to inventory data of what is stored in the freeport, these individuals are not art experts nor are they experts in the value of all high-end items and they only have the self-declaration paperwork to go on. Consequently, there are no real checks or balances to determine if each item is genuine or as described. Furthermore, as the ownership can be held anonymously, under the name of a shell company with that company's ownership hidden by tax havens such as the Cayman Islands, or buried deep in an overly complex corporate structure. There is also no way to determine if the item is something other than stated, illegally obtained, contains illegal substances, or even chemical or biological agents. As nobody truly knows who owns each item, the true value of that item when or if that item has been bought or sold, what was used as the currency for the sale, then to apply any real policing is challenging to say the least.

In 2010 the Financial Action Task Force on Money Laundering, an intergovernmental body based at the headquarters of the Organisation for Economic Co-operation and Development (OECD) in Paris, published a report<sup>30</sup> claiming that free-trade zones, which include free ports, were a 'money laundering and terrorist-financing threat' partly due to inadequate safeguards, relaxed oversight and weak inspections.

By way of example of how such operations work, one needs look no further than the case of 'Seated man with a cane' by Amedeo Modigliani (1918). This was a piece of art sold at a Christie's auction for US\$ 3.2 million in 1996, yet the true ownership was brought into question when it was traced back to a sale at some point between 1940 and 1944, anonymously, having previously been part of a collection held by a Jewish Art dealer. There was considerable evidence that this painting had been taken and then sold by the Nazis and was therefore subject to a restitution claim. The painting had been purchased by a company called IAC registered in Panama and stored in the Geneva freeport. To proceed, and extract the painting from the freeport, the courts needed to pursue the owners of IAC who could not be found. It was only after the publication of the Panama Papers in 2017 that it could be established that the Nahmad family had controlled IAC for at least 20 years. As a result, the court ruled that the Nahmad brothers and IAC were one and the same and the painting could then be seized.

### Business impacts

*Q50: Please provide any comments on the impact on businesses of the measures set out in this consultation. Please provide any information on the costs and benefits to businesses of these measures.*

As mentioned earlier, Unite sees no evidence to support the Government's claim that freeports result in new investment and new jobs. Rather, it is existing investment and jobs which may relocate to within such zones at the detriment to other regions.

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<sup>29</sup> <https://www.gov.uk/guidance/temporary-admission>

<sup>30</sup> Money Laundering Vulnerabilities of Free Trade Zones, FATF Report, March 2010.

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### Equalities impacts

*Q51: Please provide any views about the implications of our proposals on people with protected characteristics as defined in section 149 of the Equality Act 2010.*

*Please provide any evidence you have to support your views. Is there anything that could be done to mitigate any impact identified?*

*Q52: If you are a business owner, what actions would you take if a Freeport was established in your local area? Please explain your answer.*

As stated previously Unite is very concerned about what is meant by “regulatory flexibilities”<sup>31</sup> particularly with respect to the rights of women, Black & Asian ethnic minority people, disabled and LGBT+ people and all workers who fall under the relevant protected characteristics as set out in section 149(7) of the Equality Act 2010. Unite rules are clear in our commitment to equality for all, active opposition to all forms of discrimination and action to promote equality, and the equality legal framework has been developed to support this approach across all working areas. It would be totally unacceptable for this minimum standard of protection to be undermined through the creation of freeports.

### **Unite strongly opposes the use of freeports to relax legislation and create a two-tier workforce.**

The Equality Act was set out to remove and prevent discrimination, and requires the public authority to, in addition to ensuring fair treatment and dealing appropriately with harassment, discrimination and bullying, take positive steps to meet the needs of people covered by the Act.

Key issues of equality are impacted through lack of access to childcare and caring support which workers can combine with their working lives. It is known that this disproportionately disadvantages women workers, recognising in particular the deeply concerning numbers of women who face pregnancy discrimination including losing their jobs, each year.

Rather than reducing action on equality, Unite is clear that it needs to be increased, and supports the vital role of union equality representatives, union education in equality for all union representatives and joint training on equality with employers, positive action to redress past discrimination, active support for the social model of disability and independent living, and all the steps needed to address the underlying inequalities faced by Black & Asian ethnic minority people now exposed through the clear disproportionate impact of Covid19. Action to support all of these should be built in as requirements, and not undermined in any way.

Additionally, the public authority is required to tackle prejudice and promote understanding and ensure that there is no less favourable treatment, including when it comes to the provision of social housing. The local authority as the public authority as defined by the Act, must ensure that it does not permit conduct that would otherwise be prohibited by or under the Act. If a local authority is to meet the requirements of the Equality Act 2010, then it needs to ensure that there will be safe and accessible transport to the freeport, medical and social care provisions to meet the needs of people that will move into the area as well as assuring that there is no trafficking or breach of any of the provisions of the protections for posted workers.

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<sup>31</sup> see page 5 of the Freeports consultation.



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Unite is concerned that there will be a potentially unintentional impact on communities throughout the UK caused by the economic displacement of workers from family groups to ones much more in isolation, simply to maintain jobs with an employer who has relocated to a facility within a freeport.

Additionally, even in the most multicultural cities on earth, action is needed to address all forms of discrimination. Authorities need to provide protection from violence against women and girls, and to take action in line with the recently agreed ILO Convention addressing Violence and Harassment in the world of work.

Unite has additional concerns about areas that have been depopulated of people with the required skills set as it may leave communities without businesses and with a predominantly retired population, and local authorities with the ongoing financial burden associated with more care needs without the incomes from business rates.

*Q53: In your view, what is the level of risk of economic displacement?*

*Very high /High /Medium /Low /Very low /None /Don't know*

*Q53.i: What should the Government do to mitigate these risks? Please explain your answer.*

Unite does not believe that there will be extensive job creation derived from the creation of freeports as many businesses require skilled and trained professionals to step directly into roles. As a consequence, these employers will be offering incentives for staff to relocate. There will be instances where due to family commitments such a move may not be possible, creating potential skills shortages for the Freeport, but also the impact in businesses elsewhere losing skilled workers.

Even where a freeport area is created around an existing factory it will create issues, including the required security to enter a freeport area, as set out above.

The Government can expedite the clearances needed for all existing staff to enable their continued work at any new freeport area and legislate to ensure that any equality provisions apply in full in any facility that exists within the geographical boundaries of UK Territorial areas regardless of any legal jurisdictional flexibilities provisions which could be introduced into by the creation of a freeport.

*Q54: Please provide any other comments on any potential environmental impacts which may arise as a result of the considerations in this consultation.*

As has been highlighted previously in this consultation response, Unite is concerned about the addition of emissions from transport as goods produced by supply chain providers are subject to increased journeys to the new facility location. The same will be true of commuting distances, delays in entering and leaving freeport areas, especially where vehicles are left to idle. As stated previously the Government needs to be extremely careful to ensure that any planned freeport or freeport area that is created will not create any additional emissions and make it more difficult to achieve its commitments under the Paris Agreement difficult.

Whilst food production supply chains may also include the exporting of goods for processing, the processing activities could just as easily be performed in the UK thus reducing food mileage. A reason there are mounting food miles, is comparative labour costs. For example, some British fish has been sent to China (where labour costs are much lower) for processing, then sent back here to

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be sold<sup>32</sup>. Should the UK provide a food processing facility within a freeport arena, it is supporting this practice and sending out a message that this is acceptable behaviour in an era when the UK is committed to combatting climate change.

*Q55: Please provide any other feedback on the impacts of the development of Freeports in the UK not specifically addressed by any of the questions in this section.*

Unite does not wish to comment further.

## Allocation and Governance of Freeports in England

### Port modality

*Q56: What factors do we need to consider in order to support different port modes becoming Freeports?*

Commercial sea ports fall into four main categories: ferries and other roll on - roll off freight; containerised freight; general cargo/tankers and fishing/leisure. Equally, commercial airports are either mainly passenger driven, freight driven or designed to cater for general aviation. Unlike sea ports, the method of freight distribution on aircraft can either be on dedicated freight aircraft or under the floor of passenger flights in what is known as belly hold freight which may require the physical loading of each item by members of a ground support team.

Each type of port will have its own capacity requirements to enable it to turn a ship or aircraft around for its onward journey. It is only amongst the smaller ports and airports that you may find it specialising in just one area.

At ports like Felixstowe, Southampton, Glasgow, Immingham and Liverpool the key is capacity as they may on one day have spare capacity but the next be struggling to find space especially since the shipping industries move toward ever larger ships. When one of the 31 Triple E class container ships calls at a port there is the potential for 18,000 twenty-foot shipping containers to be unloaded, that could produce a chain 109.7 km long if placed end to end requiring a minimum of 22 acres of surface storage area assuming no gaps are left between containers and they are stacked three high. From the cargo unloaded from just 1 Triple E class ship would require enough lorries to form a queue 106.25 miles (171 km) long. At Felixstowe they have the capacity to load and unload several Triple E class ships in one go but when they do space is at a premium.

When Tilbury was a freeport companies used the fact that they could bring goods into the UK prior to passing through customs and avoid paying any tax on them until these items were needed. This practice of creating a tax free buffer zone for just in time deliveries quickly impacted on the operational capacity of the port as spare warehouse capacity disappeared.

Heathrow handles over 65% of the air freight coming into the UK but in every instance the freight is carried in the belly hold of passenger aircraft. Consequently, all over size freight is dealt with at Stansted or East Midlands Airport. East Midlands Airport deals with a significant volume of transshipments as flights from all over Europe hub into East Midlands Airport for onward shipment to the United States and other transatlantic destinations. In every case the space provided by the airport is at a premium. East Midlands Airport campus includes an airside facility for DHL to enable it

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<sup>32</sup> <https://www.thesun.co.uk/news/10775752/fresh-fish-caught-off-britain-goes-on-10000-mile-round-trip-before-being-sold-in-uk-supermarkets/#:~:text=FISH%20caught%20off%20Britain%20are,then%20shipped%20back%20to%20Britain.>

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to manage not just the air freight entering the UK while TNT, FedEx and Royal Mail have a similar facility at Stansted.

Placing an additional large storage or processing facility, carrying out a manufacturing airside of this or any major ports or airports would be very difficult to accommodate without a significant expansion of the geographical footprint of the airport/port.

Expansion of Dover is not possible without the reclamation of land from the sea as the port itself covers the majority of the seafront preventing landward expansion due to the town and the cliffs.

*Q57: Do you agree or disagree that a Freeport could include multiple ports?*

*Agree/Disagree/Don't know*

*Q57.i: Please explain your answer.*

*Q58: What factors do we need to consider in order to support applications from multiple ports?*

A freeport area that encompasses the ports in the Bristol Channel, Mersey, Humber or Medway, for example, could each be linked with the provision of a single dock side area, if they were each administered by the same owner. This is not always the case, however, and in each case the ports are often separated by estuaries, housing of other non-port related activities such as leisure facilities and even historical monuments and fortifications as is the case between Tilbury and Tilbury 2.

If there were such applications from a series of ports in an area for an interconnecting freeport area the major concern would be one of jurisdiction and ownership of facility.

### Objectives and criteria

*Q59: In your view, how appropriate are the proposed criteria for assessing how potential Freeport applications can meet the stated policy objectives?*

*Very appropriate /Fairly appropriate /Not very appropriate/Not at all appropriate/Don't know*

*Q59.i: Please explain your answer.*

*Q60: Please suggest any other criteria that we could use to effectively assess potential Freeport applications.*

Unite realises that there will be a significant number of specific issues which may arise depending on, as well as associated with, each site chosen as a potential location for a freeport. If a new freeport was to be constructed on the Thames, Humber, Severn or any other major shipping route, the addition of more ships could impend the flow of traffic for other ports. The key is to ensure that any additional traffic is properly managed with the required number of pilots and tugs to ensure a safe transit to the ships destination quayside.

### Public and private sector partnerships

*Q61: What are the advantages and/or disadvantages of asking Mayoral Combined Authorities/Combined Authorities where they exist, or Local Enterprise Partnerships and upper tier local authorities where they do not, to lead on submitting applications?*

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*Q62: What are the advantages and/or disadvantages of asking MCAs/CAs where they exist, and LEPs where they do not, to support a single application in their local area? In what circumstances should this be flexed to allow for more than one application?*

*Q63: What are the advantages and/or disadvantages of enabling ports to submit applications for Freeport status directly to central government?*

*Q64: Please outline the most effective models for partnership between private, public sector and local economic partners to design and submit applications.*

*Q65: Please provide any other feedback you have on the allocation of Freeports not specifically addressed by any of the questions in this section.*

Unite members have overwhelmingly negative experiences with Public Private Partnerships (PPPs). A key example of such failures has been in the health service, where Sadiq Khan, Mayor of London described them as “a millstone round the necks” of London hospitals<sup>33</sup>, PPPs are profoundly unpopular with 68% of respondents in a survey in England, and even more unpopular in Scotland where 76% of respondents said PPPs should be banned<sup>34</sup>. Risks associated with PPPs include how they have:

- Cost the government more than if it had funded the public infrastructure by borrowing money itself
- Led to large windfall gains for the private companies involved, at public expense n Enabled tax avoidance through offshore ownership
- Led to declining service standards and staffing levels
- Hollowed out state capacity to design, build, finance and operate infrastructure and
- Eroded democratic accountability.

Any consideration of PPP would need to ensure that such risks are avoided.

### Measuring impact

*Q66: How can the Government best monitor and evaluate Freeports?*

*Q67: Are there ways that we could ensure a counterfactual impact evaluation is feasible and deliverable for all Freeport areas? Please explain your answer.*

*Q68: For the Freeport model described in this consultation, what might be an appropriate time period for incentives to initially operate for to give certainty to investors and businesses and provide an opportunity for the Government to evaluate their effectiveness? If you think the appropriate period could differ for different incentives within the Freeports model, then specify a different time period for each incentive.*

As highlighted earlier, Unite concurs with the consultation document’s observation that there is a need to ‘level up’ regions to create good jobs, infrastructure, high quality public services and skills opportunities across the country.

However, we do not consider that the proposals will achieve these objectives. Indeed, we are concerned that the freeports proposals as presented stand to undermine good quality jobs, workers’

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<sup>33</sup><https://www.theguardian.com/uk-news/2015/aug/20/sadiq-khan-pfidebt-london-hospitals-nhs-trusts>

<sup>34</sup> <https://www.crimeandjustice.org.uk/sites/crimeandjustice.org.uk/files/Redefining%20corruption%20briefing%2C%20May%202016.pdf>

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rights, equalities and the delivery of quality public services in some parts of the country which may exacerbate rather than address regional inequalities.

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