

Freeports: Opportunities for Logistics

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Sally Morris-Smith, a partner in the Real Estate team at international law firm DAC Beachcroft, considers how better infrastructure, better access and shared services arising from a revitalized Freeport model benefit the Logistics sector.

Britain closed the last five of its freeports in 2012. Under the Government's revitalized model the first of the new generation are planned to be up and running by the end of 2021. The ambitious plan proposed could see freeports established both inland around airports as well as in traditional seaport locations; creating new jobs and opportunities in these areas. Freeports have the potential to assist in rebalancing the UK's trade geography at this crucial time facilitating more efficient trade access with our partners in Europe other countries. Businesses with international supply chains now have the opportunity to rethink their logistics planning. Although the basket of advantages is not yet fixed - it is likely that expedited planning, reduced business rates and tax benefits will feature as well as beneficial treatment of import and export trade tariffs. Additional warehouse space in such new locations is likely to be a welcome addition to a sector where demand outstrips supply.

A freeport is an international logistics interface, free from external border friction. Customs, tariffs and taxes are either deferred or, in the case of the latter, eliminated. A model that combines infrastructure investment, reduces planning restrictions and enhances digital connectivity has been welcomed by the British Ports Association as a plausible boost for logistics players.

Globally, more than 3,500 freeports exist in over 130 countries, employing 66 million people. Analysis from Mace forecasts seven enhanced freeports located across the north, for example, as yielding £12bn in international trade, providing a £9bn boost to the regional economy and creating over 150,000 jobs¹.

The UK government's proposal suggests that freeports could include inland freezones, linked to existing manufacturing plants such as Airbus or Nissan. Traditional shipbuilding locations such as Barrow and Newcastle are also investing time in their bid applications. Freeport status might also offer a leg up to our regional airports which have suffered as result of discount airline failures and a fall off of holiday traffic. Heathrow airport is an obvious candidate seeking 'associated freeport status' to link with sites elsewhere in the UK. This multi-site concept could widen opportunities for a more diverse range of industries, especially if it becomes a vehicle for new transport infrastructure, favourable planning rules and enhanced digital connectivity. The changing geography of freeports will inevitably allow operators to use new hubs, potentially allowing hauliers to optimise trip capacity and improve efficiency.

One element of the UK Government's concept is the opportunity to use a controlled environment to develop new tech-driven customs processes that could then be implemented across other trade borders around the world. With the UK-EU relationship set for a period of flux, deal or no-deal, freeports could serve as laboratories for the UK to preserve aspects of access to the continent while allowing for free trade agreements with other countries.

Nearly 7 in 10 logistics executives say it will be very important for their organisations to be part of a wider logistics information sharing systems in next three to five years². Such a development will allow for further collaboration and knowledge sharing, following the example of on-demand warehousing. The creation of a shared workforce with on-demand staffing could enable more flexibility and agility for logistics providers and provide a boost to the local economies. For some logistics operators, redesigning processes and investing in innovation that could then lead to solutions with wider applicability, R&D tax relief might also feature.

It is not difficult to envisage how such ecosystems would thrive in a Freeport - both between logistics providers and trade partners overseas via new forms of partnership across borders. If the concept is applied inland, or virtually, opportunities could exist throughout the value chain.

Collaboration between private, public and academic organisations will be both encouraged and fundamental to success. It will merit a more forensic examination of footprints and operations for current manufacturers and supply chains. For those acquiring strategic land sites to promote or develop for logistics Freeport status is an important consideration.

We look forward to seeing how the Freeport concept develops and wish the consortia bidding every success in their endeavours.

References

¹Source: infrastructure Intelligence, 2018 <http://www.infrastructure-intelligence.com/article/jun-2018/supercharged-free-ports-could-deliver-%C2%A39bn-boost-northern-economy>

²Source: Ericsson, 2020 <https://www.ericsson.com/en/reports-and-papers/industrylab/reports/pre-emptive-logistics>

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