

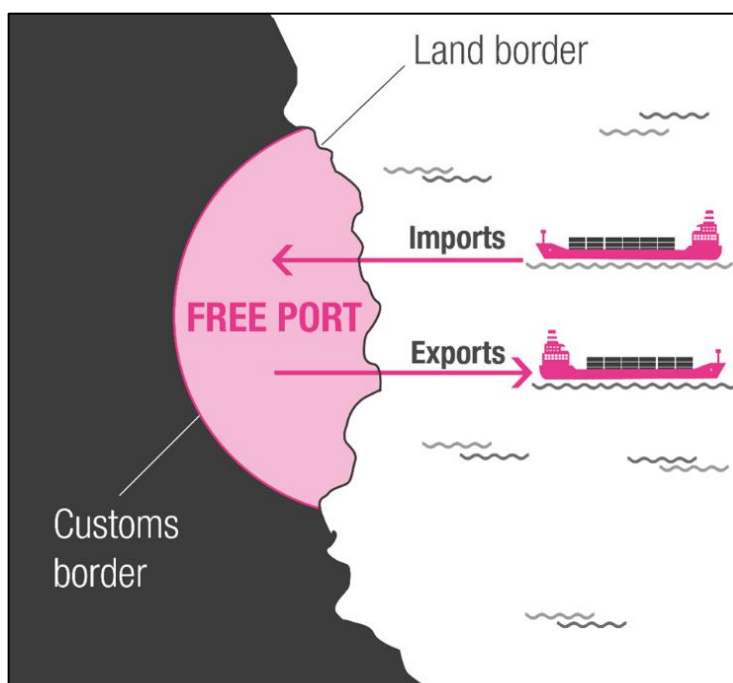
# Briefing: from freeports to union ports

An Industrial and Regional Collective Bargaining Strategy for Unite

## Unite says:

- Unite's strategy is built on solidarity and coordination between sectors and reps within any new freeport.
- Any economic benefits to employers and supply chains must come with protections for workers.
- Freeports must not be a way to attack workers' rights, allow undercutting of conditions or pay, or divide regions or industrial sectors.
- Regional 'levelling up' cannot be achieved through corporate tax cuts and deregulation.

The UK Government intends to create ten freeports in 2021, seven in England and three in Wales, Scotland or Northern Ireland. This briefing sets out the potential implications for Unite members and considers the economic arguments. An industrial response is proposed which is based on solidarity between Unite shop stewards and reps across sectors within any new freeports.



*New freeports are designed to avoid tariffs and taxes on imports and exporting, but only if the goods involved do not enter the rest of the UK.*

Freeports are a special kind of port or zone where normal tax and customs rules do not apply.

These can be maritime ports, airports, the Channel Tunnel or potentially any area in the UK where imports are handled. At a freeport, imports can enter with simplified customs documentation and without paying tariffs.

Businesses operating inside these zones can import components or raw materials, manufacture goods and only pay a tariff when the final product enters the UK. Tariffs and customs checks are avoided entirely if the good is exported again without ever entering the UK outside the freeport.

Freeports are similar to free trade zones or 'enterprise zones' which are designated areas subject to a broad range of tax breaks, government support and exemptions to regulations. The difference is that a freeport is designed to specifically encourage businesses that import, process and then re-export goods, rather than more general business support or regional 'levelling up' objectives.

## What happens next? The bidding process:

The UK Government opened the bidding process in November 2020 and it ends in February 2021. The ten new freeports are expected to include three in the devolved nations and seven in England, with at least two set aside for airports or rail interchanges. The final list of accepted bids will be announced in the spring. Unite anticipates new legislation will be required in May in order for the first freeports to be operational by June.

Bids are submitted by coalitions, which must include the relevant Local Authority and often large manufacturing employers as well as the port or airports concerned. These bids may also be driven by regional politicians and Local Enterprise Partnerships.

## ***What you need to know: frequently asked questions***

### ***Is Unite opposed to freeports?***

Unite is sceptical about the Government's claims because similar 'free zones' have been used in the past to deregulate and drive down working rights, security of employment, conditions and pay. An industrial strategy and political approach is needed to make sure this cannot happen wherever freeports are established. **Any benefits to employers must come with protections for workers** – secure work, decent pay and full union rights.

### ***Are there economic benefits to freeports?***

Freeports and free zones are intended to stimulate economic activity in their areas. Supporters argue that this can result from direct government support in the form of tax breaks. Unite considers this a false economy.



For manufacturing, the main impact of freeports is that they can support imports by lowering duty (tariffs) while avoiding new paperwork and customs costs. Companies inside a freeport may benefit from cheaper imports on components and raw materials in comparison to those outside the area.

If final manufacturing or assembly sites are based within a freeport then a company could import components or materials and then only pay the tariff on the finished product when it enters the UK market. This may be avoided entirely if the product is immediately exported.

### ***What is the reality?***

The UK Trade Policy Observatory (UKTPO) cautions that the evidence of wider economic benefits of freeports and other zones are mixed, as they depend heavily on the design, access to transport infrastructure, skilled labour and capital within the zone. Tax cuts and deregulation cannot be a quick fix solution!

There is evidence that freeports and zones don't create **new** economic activity but rather **relocate existing work from other areas** with the promise of tax breaks. The movement of jobs pits regions against each other, with the double impact of one area losing employment and revenue for local authorities, while employers in the freeport zone avoid tax. Both increase pressure on local infrastructure and public services in the context of austerity measures and public sector pay cuts.

Supporters of freeports talk of regional benefits from an 'agglomeration effect', which is where a particular sector, or related sectors, concentrate in clusters in one place. The risk is that this can mean relocation of work, however these clusters or 'hubs' may also present new opportunities for union organisation, with important supply chain links and 'chokepoints.'

### ***Is this part of a wider 'race to the bottom' or de-regulation?***

Evidence from the United States shows that rather than creating new jobs the main impact of these zones has been to promote imports while creating what has been described as 'legal blackholes'.

While discussion on freeports focuses on the ability of companies to maintain supply chains and gain an advantage through the avoidance of customs and tax, it is clear that the UK Government may allow companies to avoid other regulations – such as working rights – in the name of 'flexibility.' For example, this could include 'relaxing' working time protections as has already been seen for haulage drivers during the Covid crisis.

This could mean, if unchecked, companies within a freeport may attempt to lower levels of workplace protection or potentially even health and safety rules. This would be a substantial risk to the rights and terms and conditions of Unite members in both the immediate area. What's

more the area could drag others down, by acting as an undercutter for the wider region or industry.

### ***Are freeports a new idea?***

No. Britain operated several freeports as recently as 2012; however these were predominantly about avoiding VAT, whereas the new versions are far broader in scope. Within the EU, there are currently 80 free zones located across 21 EU Member States. In April 2019 the European Parliament called for freeports to be scrapped across the EU as a result of a report on tax evasion and money laundering.

The report argues that freeports provide operators “*with a safe and widely disregarded storage space, where trade can be conducted untaxed and ownership can be concealed.*” The lack of scrutiny on imports means that high-value items like art, for example, can be bought and easily stored in freeports without the kind of checks and controls they would normally face.

### ***What are ‘green ports’ in Scotland?***

The Scottish Government have proposed an alternative to freeports called Green Ports, which are based on the UK Government’s model with some significant differences. This includes commitments to pay the real Living Wage, support a transition to net zero emissions and support ‘sustainable’ growth.

It remains unclear if these proposals will be legally binding in Scotland and the union is continuing to monitor this. What is clear is that the commitments do not go far enough and must include commitments to workers’ rights and other protections, including the ability for trade unions to access sites and to organise within any new ‘green port’.

## **From Free Zones to Union Zones: Why we need a cross sector strategy**

The risks outlined in this briefing explain why it is critical that Unite organises members, shop stewards and reps together within any new freeport area. Freeports are going to have an impact on workers across Unite’s sectors.

This includes **dock workers** (Docks, Rail, Ferries & Waterways), and workers within the **Road Transport Commercial, Warehousing & Logistics** (RTC W&L) sector who work within or move goods in and out of the freeport.

Similarly, freeports are not restricted to maritime ports, but may include **airports** as well as large **manufacturing** clusters or major **refineries** which either neighbour a port or are connected to one by their supply chain. Each bid is must also involve the relevant **Local Authority** and, finally, bids may include plans for the **construction** of significant infrastructure or the re-commissioning and repurposing of ‘brownfield’ sites.

This means it is vital that Unite reps and shop stewards are supported to work together to coordinate a joint response. If freeports are introduced it must be **on our terms** – which means using our collective strength to make sure trade union standards are protected and advanced.

**Industrial:** Reps and shop stewards should be supported to coordinate a joint industrial programme to achieve oversight and enforce trade union standards over new freeport zones. This can include **identifying undercutters, setting and monitoring union rates of pay and conditions** within the job, **coordinating collective bargaining** and the joint organising of key ‘**choke points**’ between sites, within the supply chain or in the new zone’s infrastructure.

**Political:** Unite will oppose new legislation based on de-regulation, corporate tax cuts or the undercutting of conditions. Similarly, coordinated approach between Unite reps within the zone and those in the relevant Local Authorities can bring pressure to bear on local councillors, metro mayors and devolved governments.

## ***An industrial strategy for freeports: what you can do***

Unite's strategy must be led locally, built on collective bargaining and solidarity between reps and shop stewards who work in and around any new freeports. **These are the actions we are calling on you to take:**

### **1) Identification and mapping:**

When the new freeports are announced it is important that we identify which workplaces will fall within them. This should include the port or airport, any logistics or warehousing centres, road haulage companies operating within the area, clusters of manufacturing and potential construction projects.

By mapping the whole site we can establish overall union density within the new freeport jurisdiction, the union's positions of strength and which areas are unorganised.

The Research and International Departments, working closely with national industrial sectors and regions, are available to support reps / shop stewards and Regional Officers in this work.

### **2) Coordination:**

How reps and shop stewards choose to coordinate may differ from place to place, but this can include new Combines, Hubs, Area Activist Committees or through a RISC (regional committee). The form this takes is secondary to the principle of bringing reps together across the relevant sectors.

### **3) Employer disclosure:**

Our industrial strategy should assess where we are strongest, where we can bring the employers to the table and how we can use our consultation agreements to learn more about the new freeports.

Submit an urgent **Disclosure Letter** to your employer to confirm their position on freeports, their involvement in a bid and any assessments they have undertaken about the impact on your site or the supply chain. Can this be coordinated for every Unite-organised employer involved in the freeport? By working with Local Authority members, or using a Freedom of information request, identify companies which are working with local government and any links between councillors and corporate interests.

### **4) Establishing our principles:**

We must demand that all employers within a new freeport provide concrete commitments for the protection of union recognised standards, and then seek to advance them. This may mean initially identifying the most significant employers where a 'rate for the job' benchmark can be established, as well as the most likely 'undercutters' to monitor.

These demands may differ according to local conditions, but should include:

- No 'relaxation' of existing working rights, including working time or health & safety protections;
- Adherence to industry collective bargaining agreements and guarantees against blacklisting on all new construction sites.
- Guaranteed trade union recognition, the protection of facility time, and the right to access workplaces;
- Union-approved facilities for road haulage drivers using the port.

### **5) Solidarity and union oversight**

Ultimately establishing, protecting and advancing our standards and principles rests on our ability to organise and build collective strength across the freeport. This can mean mutual support between sites and branches for recruitment and organising, particularly between companies directly connected through the supply chain. These connections between sites and employers allow the identification of 'choke points' which, if organised, can increase the collective bargaining power for all workers across the site and your ability to bring the employers to the table. Beyond the port, working with local authority reps can also add political levers for accountability and enforcement.

**Contact us:** For more information about this briefing contact the Unite Research Department at:

[Research.Enquiries@unitetheunion.org](mailto:Research.Enquiries@unitetheunion.org)