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Llywodraeth Cymru
Welsh Government

Ein cyf / Our ref: KS/474/21

Rt Hon Steve Barclay MP
Chief Secretary to the Treasury
Action.CST@hmtreasury.gov.uk

4 February 2021

Dear Steve,

Further to our discussion on the 28th January, we are writing to confirm the Welsh Government's position on the UK Government's proposal for Freeports in Wales.

We remain open to the prospect of having Freeports within Wales. We recognise the attractiveness of the proposals to ports and businesses, and the substantial priority that the UK Government has placed on the Freeports policy. We are therefore willing to work with you to explore the introduction of Freeports into Wales, but we need confidence that they are consistent with our own values and priorities, treated with equal significance by the UK Government, and not left at a disadvantage.

Freeports in Wales should be given the same opportunities as those in England, including a commitment from the UK Government to match the offer in England by providing £25 million in seed capital funding. We have previously made clear our position that, as the overall Freeports policy is a place-based intervention, population-based funding formulas would not be appropriate and we could not accept an outcome which would make Wales worse off as a result of the UK Government's Freeports policy.

Additionally, an open-ended commitment by the Welsh Government to match the UK Government's offer on Non Domestic Rates and Stamp Duty (Land Transaction Tax in Wales) would present a significant risk to Welsh tax revenues. We are prepared to cover devolved tax costs up to an agreed threshold, but would seek with UK Government covering costs above that.

The Welsh Government's assessment of this policy is based on the risks and

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

opportunities associated with the creation of Freeports as they apply to the Welsh economy. These factors are based on the interests of, and outcomes for, the people of Wales and are of course distinct from considerations concerning other devolved administrations. As discussed at our meeting, the urban and industrial centres situated close to our porous border are more likely to be impacted by potential displacement.

We expect any Freeports in Wales to be consistent with the values and priorities of the democratically elected government of Wales, including our commitments to Fair Work and protecting the environment. Your stated position during our discussion was that the Chancellor would ultimately decide on Freeports. Whilst our preference would be for decision making to lie with Welsh Ministers, as we are best placed to make decisions in the interest of the people of Wales, we would be willing to accept joint-arrangements on criteria, decision making and allocation. We could not accept a proposal that would treat the Welsh Government as an unequal partner and we do not believe this would be in the interests of successful delivery.

Furthermore, as we approach the end of the Senedd parliamentary term, the UK Government's proposal would require a significant commitment of the Welsh Government's resources at a time when important priorities have had to be re-profiled due to the pandemic. It is important to note the additional pressure this proposal adds to that process in this extraordinary period.

However, despite these challenges we recognise that this is a significant priority for the UK Government and, with the right deal, we would seek to advance this priority with you with positivity. The Welsh Government is uniquely placed to bring together the partners and stakeholders who will be integral to delivering a successful intervention but we cannot accept a situation where Wales is left disadvantaged by entering into the arrangements you have proposed.

Ultimately the UK Government must demonstrate the same level of commitment to Freeports in both Wales and England, and we need to ensure we have the right arrangements to work positively together effectively. Without this agreement, Wales faces being left with either a weaker Freeport offer which is lacking devolved levers, less funding support, or no Freeport at all. We further note that it remains unclear whether a unilaterally imposed Freeport in Wales would draw investment of £25m seed capital from the UK Treasury or whether such a Freeport would secure less UK investment because it is located in Wales.

We are copying this letter to the Secretary of State for Wales and the Chancellor of the Exchequer.

Yours sincerely,



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