
Economic Perspective

FREEPORT PRESTWICK : BEHIND THE DECISION

by
Jim Walker
Fraser of Allander Institute

On the 2nd February 1984 the Treasury, announced Britain's first six freeport sites. These, it was claimed, represented a "geographical mix with a spread of airports and seaports which would enable the five year experiment to be properly tested." Thus ended more than a year of debate, applications and assessment within government and the forty-five bodies who applied for freeport status. The result, however, was much more than a victory for the 'chosen six' - Belfast, Prestwick, Liverpool, Birmingham, Cardiff and Southampton - it was also a victory for political expedience over economic experience and sense.

The rules of the game, and so it seemed, had been firmly set out in July last year. The whole concept of freeports (unlike that of enterprise zones) was declared to lie outwith the embrace of regional policy. Freeports were not to be used as a vehicle to redress employment imbalances or promote growth poles in stagnating local economies but were intended as a way of reinforcing already successful sites. The major reason for this emphasis was that the evidence available, derived mainly from experience in the US, showed that the successful freeports (or free trade zones) in that country were to be found in generally prosperous areas or in places with specific locational and trading advantages. Accordingly, the government laid down a number of guidelines for potential applicants, two of which were singled out for emphasis - evidence of trader demand and potential economic viability.

In the light of the government's subsequent decision it must be said that either the rules, the game or both were changed out of all recognition. The freeport decision is the first example to date of something which was never mentioned as being included in the government's 'secret manifesto' - the privatisation or regional policy. Of the six sites chosen, five are in areas of the economy where the recession has struck particularly deep: Northern Ireland (Belfast), the West of Scotland (Prestwick), Merseyside (Liverpool), the West Midlands (Birmingham) and South Wales (Cardiff), whereas the last is a port (Southampton) which has been badly hit by competition from neighbouring south east ports in recent years. The government seems, therefore, to be taking the opportunity of being seen to do something for these communities by granting private operators, which in some cases includes local government and quasi-governmental organisations, licences to run freeports but meanwhile insisting that no 'additional funding by central government will be forthcoming.

The purposely nebulous criteria laid down at the outset by the government facilitated the manipulation or the 'spirit' of the guidelines and allowed 'loose' interpretations to be placed on the criteria. "Evidence of trader demand" can be provided by enlisting the support of companies who need merely profess an interest in the setting up of a freeport at a given site. No actual commitment on the part of these firms is required. An example of the worthlessness of this approach is given by the experience of one proposed US 'freeport' which reportedly received 10,000 positive replies to

its postal survey. On becoming a freeport not one of these "expressions of interest" were taken up. "Potential economic viability" could mean anything from the existence of some derelict land available for development into industrial units to the proposed area being situated within a current economic growth centre. It seems obvious that the most liberal definition possible was placed on these criteria.

On the strictest interpretation of the guidelines set out last year there can be no doubt that, of the Scottish submissions, Aberdeen came closest to fulfilling the requirements. However, it is also hard to believe that, on the stated criteria, Edinburgh, Glasgow and Grangemouth were considered less appropriate than Prestwick. There are two points to be made here. First, it is not pertinent to argue, as some have, that it would have been 'unfair' if Prestwick had been passed over since it was "first on the scene with the idea". That would be akin to suggesting that because Trafalgar House were the first private company to bid for Scott Lithgow they should be allowed to take over the yard without even looking at the other deals on offer. Fairness was not a government criterion any more than it has been in the past. Secondly, it seems a pity that so much time and energy has been wasted in setting out economic guidelines and, more distressingly, raising the hopes of a number of areas when, after all is said and done, the decision could have been made right at the outset on political grounds.

And so to the decision. What will Prestwick and its airport gain from freeport status? Some jobs will be attracted to the area and air cargo traffic will be boosted through the airport. How much the restriction of a five-year licence, subject to review on the basis of the site's success, will actually preclude that success remains to be seen. One reassuring feature, from the point of view of other areas in Scotland, has been the avowed aim by Kyle and Carrick District Council to attract new jobs to the freeport (especially in the form of American companies not already operating in Scotland) at the same time as trying to avoid attracting existing firms from other localities. Notwithstanding these facts, the decision to site Scotland's freeport at Prestwick must bring an air of optimism to the airport's authorities in their bid to block British Midland's proposal to operate transatlantic flights from Glasgow. It seems inconceivable that the government will not now veto the Civil Aviation Authority's decision to allow BMA to operate direct to the USA from Glasgow Airport, especially as the CAA decision prompted Prestwick's only scheduled flight operators, North West Orient and Air Canada, to express an interest in moving to the city airport as well. It could surely only be described as economic madness if within a few weeks of boosting the prospects of an ailing airport the government landed it with what would almost surely be a death blow.

The future, then, for Prestwick as an international airport (both in passenger and freight terms) seems infinitely brighter than it did a month ago. All good wishes must go towards the successful operation of the freeport (and a renewed ability to attract passengers) from those with Scotland's interests at heart. A successful Prestwick may lead to more freeports and, hopefully, more jobs in Scotland in the future - at the same time as demonstrating to other depressed areas that it is never too late to redeem a seemingly lost situation. However, not every area has the benefit of a Secretary of State for Scotland as its MP.