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# Improving the effectiveness of town centre policy- PPS6

**LGA/NRPF**
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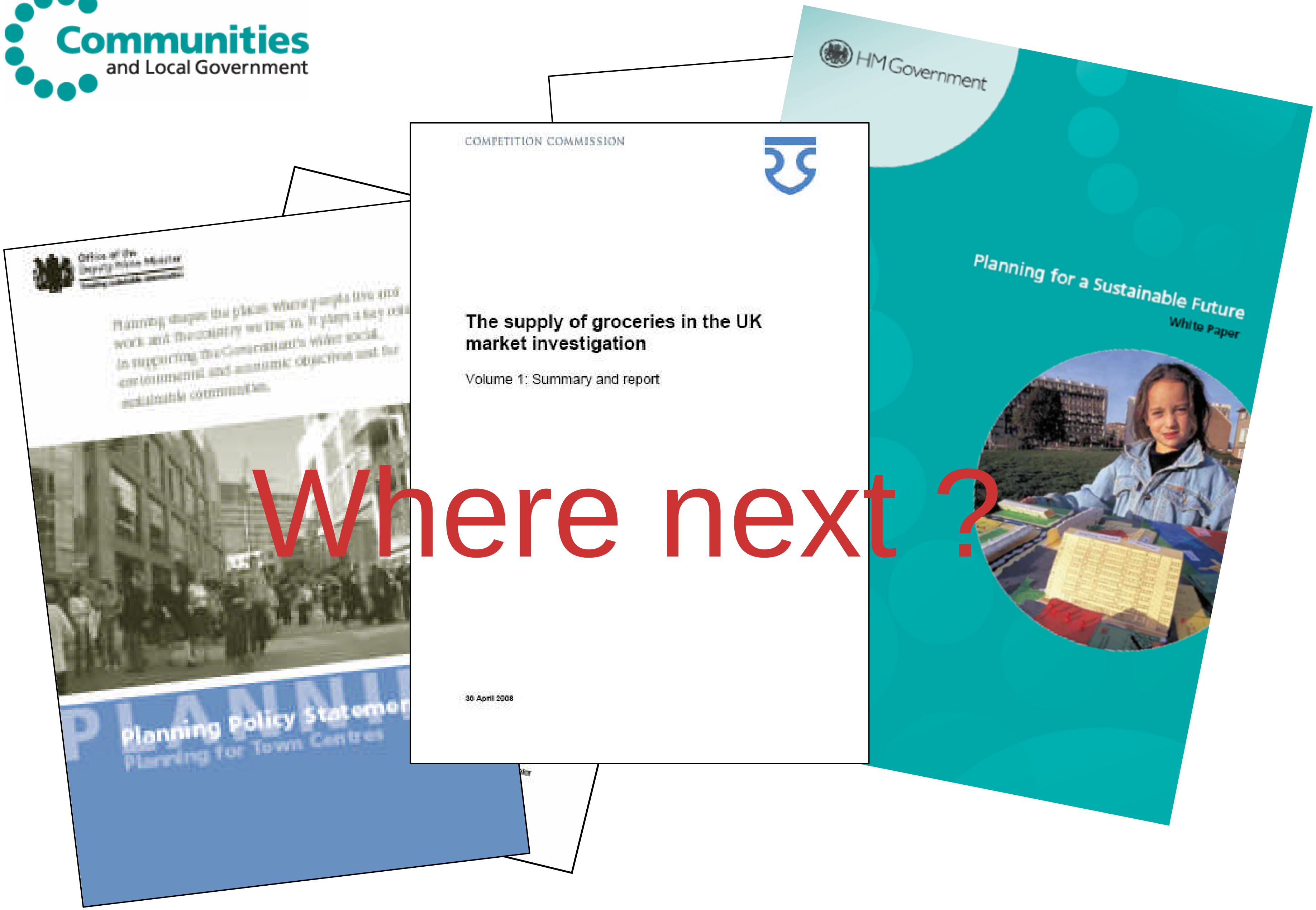


# Where next ?

## Barker Review of Land Use Planning (Dec 2006)

- Support for ‘town centre first’ policy, impact test and sequential approach

BUT

- Remove requirement to demonstrate need (the ‘need test’) <u>as part of the planning application process in PPS6</u>

  (but assessment of ‘need’ in plan-making recognised as important)

- If competition an issue – examine how planning can best address it?

## *Planning for a Sustainable Future*

## Planning White Paper (May 2007)

- ❑ Committed to strong and effective town centre-first policy

- ❑ Policy showing real signs of success (growth of town centre development increased from 25% in 1994 to 41% in 2004), but scope to make more effective

- ❑ Two objectives for more effective town centre policy:
  - support current and prospective town centre investment
  - promote competition and consumer choice without disproportionately constraining market

- ❑ Essential that development plans up to date and have strong evidence base, supported by robust assessment of need and demand for new facilities

- ‘Need test’ can have unintended consequences and is blunt tool. Current ‘impact test’ often secondary consideration and not working well in practice

- Want to introduce better ‘impact test’ for unplanned development outside town centres which can replace current ‘need’ and ‘impact test’

- Carefully consider how best to address competition and consumer choice issues and take account of Competition Commission inquiry conclusions

- Finalise policy changes and publish guidance 2008

## Stakeholder feedback

- Concern about practical effect of removing ‘need test’- say it would weaken town centre policy, more out of town development

- Some said it was difficult to judge the Government’s proposals when they were not yet clarified (need to see detail)

<u>But</u>

- Broad consensus that while need test and PPS6 policies have played significant part in revitalising town centres, there can be unintended consequences from imposing too rigid and prescriptive national planning policy

## Better testing impacts
## what stakeholders are saying…

- ❑ Scope to more holistically test impacts in a more transparent and robust way
- ❑ Impacts on planning authority's development plan strategy for town centre(s)
- ❑ Economic costs <u>and benefits</u>
- ❑ Social costs <u>and benefits</u>
- ❑ Environmental costs <u>and benefits</u>
- ❑ Focus test on town centre <u>as well as wider impacts</u>

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# Role for competition as a consideration ?

Two key concerns:

1. Several grocery retailers have strong positions in a number of local markets and there are barriers preventing competitors from entering local markets, leading to lack of competition and choice for consumers.

2. Suppliers face excessive risks through various supply chain practices which, if un-checked, will have an adverse effect on investment and innovation in the supply chain, and ultimately on consumers.

## Some findings

- Town centre-first policy good- helps promote competition, in so far as it results in grocery retailers being located in close proximity to each other… BUT
- Planning system, although having wider objectives, limits development of new larger grocery stores
- Planning process takes significant amount of time and is significant barrier to entry for new stores entering market
- Grocery retailers not holding undeveloped land to restrict competition, although about 90 undeveloped sites were controlled/held by retailers which could prevent competition
- TESCO not overly dominant- there is nothing that TESCO does that could not, over time, be challenged by competitors

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## Key remedies

- Introduce **competition test** for large grocery store planning applications (DC focus- no Development Plan dimension)
- Action to prevent land agreements which can restrict entry by competitors
- New strengthened and extended Groceries Supply Code of Practice (SCoP)
- Establish independent Ombudsman to oversee and enforce SCoP

BUT

- NO requirement for forced selling of divestiture of stores or land holdings

- NO changes to planning system (eg. ‘need’ test or ‘town centre first’ policy), other than new competition test

  **“…decided not to recommend specific changes to the planning system (beyond the competition test)… in choosing and designing our remedies in relation to the planning regime, we have taken account of the reforms proposed in the Planning White Paper. Our remedies are additional to those reforms and do not preclude any of the reforms proposed in the Planning White Paper in any way.” [11.135 of report]**

- NO action to deal with impact of larger supermarkets on <u>small shops</u> because they operate in different markets

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# How would the 'competition' test work

Does planning application contain grocery store of net sales area over 1,000m2?

N

Is planning application for A1 retail over 1,000m2 net sales area?

Y

**Impose planning condition limiting groceries floor space to less than 1,000m2**

**LPA Decision**

N

**No competition issue- don't consider competition effects further**

Y

Is planning application made by large grocery retailer

N

Apply competition test to identify which large grocery retailers would fail competition test **[slide 2]**

**OFT Analysis**

Y

Apply competition test to applicant retailer **[slide 1]**

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# 1. Large grocery retailer applicant

**OFT Analysis**

Is large grocery retailer already present with a store over 1,000m2 net sales area in a 10 minute drive time of the proposed development (the Isochrone).

- N → **Retailer passes test**
- Y ↓

Are there 3 or fewer large grocery retailer fascia (including proposed development) with stores over 1,000m2 net sales area within the Isochrone?

- N → **Retailer passes test**
- Y ↓

Would applicant have a share of total groceries sales area for grocery stores over 1,000m2 in the Isochrone of 60% or over?

- N → **Retailer passes test**
- Y → **Retailer fails test**

# 2. If applicant is not a large grocery retailer (or not known)

**OFT Analysis**

Are there large grocery retailers already present in Isochrone with stores over 1,000m2 net sales area?

- N → **No retailer fails test**
- Y ↓

Are there 3 or fewer large grocery retailer fascia already in Isochrone with stores over 1,000m2 net sales area

- N → **No retailer fails test**
- Y ↓

Will any of large grocery retailers in Isochrone (if they operated the proposed development) have a share of the <u>total groceries sales area</u> in Isochrone of 60% or over for stores over 1,000m2?

- N → **No retailer fails test**
- Y → **OFT specifies which large grocery retailers would fail the test if they operated the proposed development.**

**LPA Decision**

**LPA imposes planning condition that prevent those large grocery retailers that would fail the test from operating the proposed development**

# Competition Commission report’s definitions

- **Grocery store**: a store a significant proportion of which is devoted to groceries
- **Groceries**: food (other than that sold for consumption in the store), pet food, drinks (alcoholic and non-alcoholic), cleaning products, toiletries and household goods; and excluding: petrol, clothing, DIY products, financial service plants, flowers, perfumes, cosmetics, electrical appliances, kitchen hardware, gardening equipment, books, tobacco and tobacco products.
- **Isochrone**: area within a 10 minute drive time of a proposed development
- **Larger grocery  store**: grocery retail store in excess of 1,000m2 net sales area
- **Large grocery retailer**: Grocery retailer with operations throughout Great Britain and, in some cases, Northern Ireland which carries a full range of grocery products and has an integrated grocery wholesaling function that purchases directly from grocery suppliers.
- **Net sales area**: The sales area within a building (ie all internal areas accessible to the customer), but excluding checkouts, lobbies, concessions, restaurants, customer toilets and walkways behind the checkouts.
- **Groceries sales area**: The sales area within a building that is dedicated to the sales of food (but not restaurants and coffee shops); drink (alcoholic and non alcoholic); tobacco products and accessories; toiletries, non-prescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers & periodicals; pet food & accessories, and stationery.

## Competition and planning some challenges

- Government planning policy seeks to:

  - support an efficient, competitive and innovative retail sector
  - enhance consumer choice
  - meet needs of entire community

- But, <u>identity</u> of retailer not normally a relevant consideration for determining planning applications

- Decisions on planning applications based on whether principle of retail use is acceptable, not who retailer is

- Important to be clear what planning can and can't do

## Wider policy challenges

- Proactive planning
- Competition
- Opportunity to strengthen policy not weaken
- Don’t undermine investor confidence- need for sustained town centre investment

## Where next…

- Government response to Competition Commission inquiry final report… July 2008

- Consultation on limited revisions to Planning Policy Statement 6… Summer 2008

- Finalise revisions to PPS6 and supporting guidance, taking account Competition Commission recommendations and stakeholder feedback… Early 2009

- Comprehensive roll out with stakeholders… Spring/Summer 2009

## Questions for discussion:

1. Is the approach to testing competition in the planning system, as recommended by the Competition Commission, workable?

2. Is there a role for the development plan in promoting competition between supermarkets?

3. What will be the resource implications for local authorities?