



GOVERNMENT POLICY AND THE FUTURE
OF RETAILING

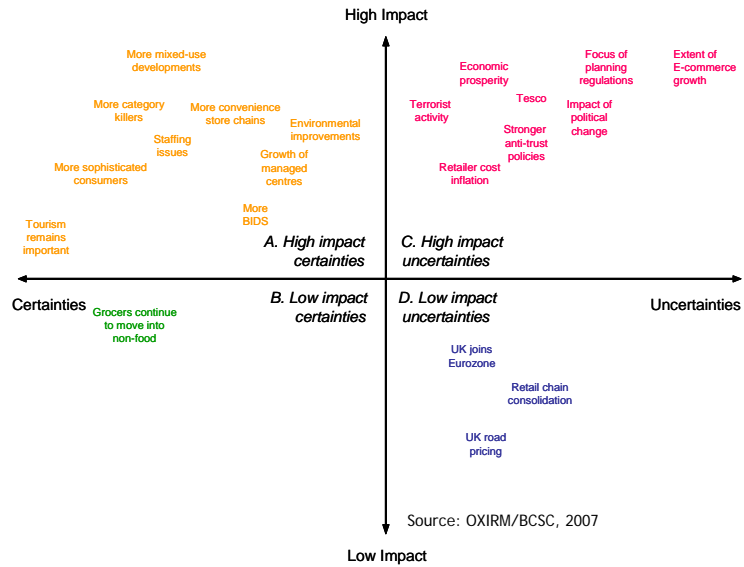
*Dr Jonathan Reynolds, Director
Oxford Institute of Retail Management*



*"The UK should be the magnet for inward
investment, but the bureaucracy involved is
a barrier and not in consumers' interests.*

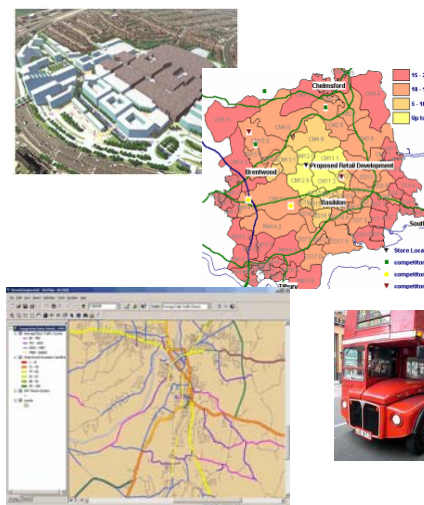
*Retailers have different formats and concepts
and regulations should be sympathetic to this"*

(Peter Højsted, IKEA UK)
'Forced to Jump Through Hoops'
Retail Week February 2006

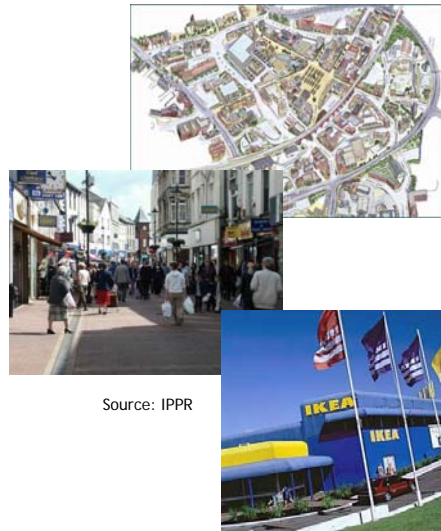


Outline

- Planning policy developments in the UK
 - Town Centres First
 - Barker Review
 - Planning White Paper
 - Options for change
 - Competition Commission
- Transport policy developments in the UK
 - Eddington Review
 - Implications of transport policy for retail locations
 - Oxford case study



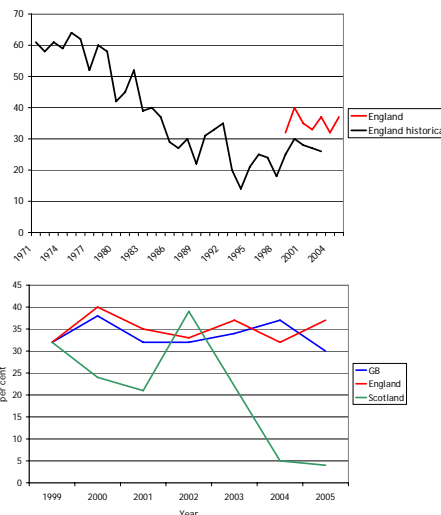
- The case for
 - Planners should balance market needs against wider welfare issues
 - PPS6 has helped cities' recovery
 - Space restrictions may encourage business innovation
 - PPS6 is not a constraint - 2/3 retail development still out of town
- The case against
 - The market, not planners, should determine economic need
 - Space restrictions raise rents and may help indirectly create 'clone towns'
 - Many regeneration sites are outside town centres



Source: IPPR

Effectiveness of "Town Centres First"?

- 1994 was the all-time low for the proportion of newly-completed retail floorspace in town centres - only 14%;
- "it has taken ten years of consistently applied policy - PPG6 - to raise this to the town centre levels of the mid 1980s before the policy was relaxed" - 32% in GB for the years 1999-2005
- the performance of town centre development varies within Great Britain, with performance highest in England (35%), with Scotland (22%) and Wales (19%) significantly lower
- pipeline data for the next 5 years suggests that the proportion in town centres in England will exceed 40%, whilst those for Wales (29%) and Scotland (10%) will be lower - there is no 'need test' in Scotland
- more recent analysis shows that performance varies with the type of retail development - for 1999-2005 about 80% of space in newly-completed shopping centres was in a town centre, whilst for supermarkets and retail warehouses the proportions were about 20% and less than 10% respectively.



Sources: DCLG, BCSC, Geofutures

- Improving the efficiency of the planning system
- Ministers to set national policy statements for major infrastructure development following full consultation.
- There will be a presumption in favour of development for major infrastructure if consistent with national policy statements, EU law and European Convention on Human Rights.
- An independent planning commission will make decisions on major infrastructure schemes of national significance.
- Applicants will have to carry out local consultation at the pre-application stage.
- Consent regimes will be rationalised to eliminate duplication and overlap.
- Introduction of a clear framework for statutory rights to challenge at key stages of the process.



 Barker Review
of Land Use Planning



- Planning should focus on market failure not need.
- Investors better placed than local authorities to determine nature & scale of demand
- Needs test costs £50,000
- Protects incumbents
- Gives preference to operators with lower sales densities
- The report (Recommendation 4; paragraphs 1.32/33) supports a need assessment in preparing development plans, but appears to consider it inappropriate to use this evidence in assessing the need for particular (out-/edge-of-town) planning applications. It therefore proposes removing the need for out-of-town retail developments to have to demonstrate that there is a need for the scale of development proposed.
- Kate Barker: "I have rethought this part of the report"
- Impact-based 'market share' test proposed



- Town Centres
- Some are worried that if we remove the 'needs test' we will undermine our town centres. Others are concerned by what the Competition Commission might conclude on supermarkets. Let me first say that we remain absolutely committed to promoting the vitality and viability of town centres and we will be sticking to our town centre-first policy, while providing choice, competition and innovation. The planning system has a real role in supporting thriving high streets, where small shops can succeed and provide real choice for consumers. We must ensure that we continue to have tough tests for new development that help us protect and enhance our town and city centres as the bustling hearts of every community. I want to work with the industry and our stakeholders to develop the best and most robust methodology for assessing the impact of new development proposals on our town centres. That will help build on all we have done in recent years to turn round our town centres. In the mid-1990's only about 25 per cent of new development was in or around our town centres. By 2003, it was up to 40 per cent. Look at the vibrant town centres in Guildford, Norwich and Newcastle. Let those who talk about Ghost Town Britain see what the best local authorities are achieving when they plan for the future of their centres. We want continued town centre investment to help make all our town centres the vital, thriving places they should be. Whilst we need to look carefully at Barker's proposals, I want to be clear that we do not want to return to the free for all of the 1980s. Our policies will continue to be about creating great towns, not ghost towns.

- Simplifying plan-led process (3yrs-> 1yr)
- Recognises importance of town centres first: *'a crucially important aspect of creating places where people want to live'*
- But
 - Needs test 'a blunt instrument'
 - Problems in plan-led approach
- 7.55 *" We therefore intend to review the current approach in PPS6 to assessing the impact of proposals outside town centres. We will replace the need and impact tests with a new test which has a strong focus on our town centre first policy, and which promotes competition and improves consumer choice avoiding the unintended effects of the current need test."*
- What does this mean?
- *"I wonder whether DCLG has actually worked out yet what it is going to propose?"* (Cliff Guy)
- Consultation, 'Summer 2007'



Options for test reform

Option	How this would work	Pros	Cons
Status quo (no change)	No change from current regime	Has helped urban regeneration, particularly in bigger cities	Needs test too blunt, Impact test not well-used, likely negative impacts on competition and choice
Market share test (as proposed by Barker)	Proposals assessed by impact on applicant's local market share, measured by e.g. sales	Promotes competition and consumer choice, may promote quality	Doesn't factor in wider impacts on town centres, regeneration in deprived areas outside town centres - may damage these if applied on its own
'Super test' (as proposed by the Planning White Paper)	Balances a number of factors, including need, economic, social and environmental impacts, and effects on competition and choice	Takes everything into account, minimises potential distortions	How are these different factors to be weighed up? What is the best set of tradeoffs? Risk of being overly complex, hard to use.

ATCM roundtable, June 2007

- What are the strengths and weakness of current planning guidance?
- What should a replacement look like?
- Problems at the local level?
 - Lack of consistency in application
 - Supposed to be plan-led
 - Lack of resources & talent
- Needs test
 - Consensus: don't abolish
 - Have to do impact assessment anyway
- Not TESTS so much as CERTAINTY
- What lies behind the policy shift?
 - Triple bottom line
- Chief Planning Inspector
 - 'planning doesn't deal well with economic issues'



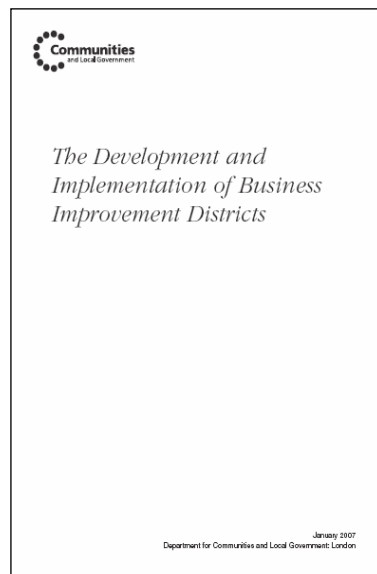
- Retail grocery market is delivering consumer value - real prices fell 7% since 2000, while real sales rose 17%
- Supermarkets have done a lot better than independent stores - 26% real sales growth since 2000, against 1% for independents
- *There is conflicting evidence on PPS6 - its impact on competition is unclear*
- *The Needs test alone does not appear to prevent competition*
- *The Sequential test may represent a barrier to competition, if convenience stores represent a clearly separate market from larger stores (product/market boundary)*
- Incumbent stores may be 'gaming the system' to lock others out - for example, by repeatedly applying for extensions to existing premises
- Other aspects of the planning system may have a bigger effect on competition - e.g. land holding and land use
- September '07 provisional findings

COMPETITION COMMISSION



BIDS - issues for retailers

- BRC concerns
 - Government refusal to accommodate levy on property owners
 - Removal of provisions that required BIDS to demonstrate support pre-ballot
 - Limited information sent to ratepayers (budget, cash flow)
 - Short length of time for the ballot
 - "This could lead to poorly supported or poorly constructed proposals passing through low turnout, leading to additional and unnecessary costs to businesses"
 - "We have a clear criteria on the type of BIDs we support, which is why we have only supported half of those that were proposed to us," (Sainsbury)
- Results of DCLG research
 - 73% firms unaware of any BID activity in their BID area
 - 49% claimed to have heard that a BID had been set up
 - If BIDs are perceived by businesses to be extensions of the local authority, this may create a barrier to future support and a risk that the levy is seen as an additional financial contribution to local authority services.



- Regulatory reform in transport a critical influence on retailing and retail locations
- Eddington Transport Study Review
 - December 2006
 - up to 52% of retail road freight journeys are delayed, mainly due to congestion
 - knock-on impact upon out-of-stocks, the need for buffer inventories and productivity foregone
 - 63% of shopping trips are made by car and their concentration in weekend lunchtime periods leads to considerable congestion around town centres.
- Recommendations
 - National policy framework for transport development
 - Road pricing on strategic routes
 - The implications for retailers are complex and significant: (what?)
 - Implications for trading locations?

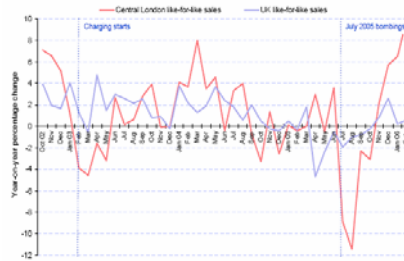


The Eddington Transport Study

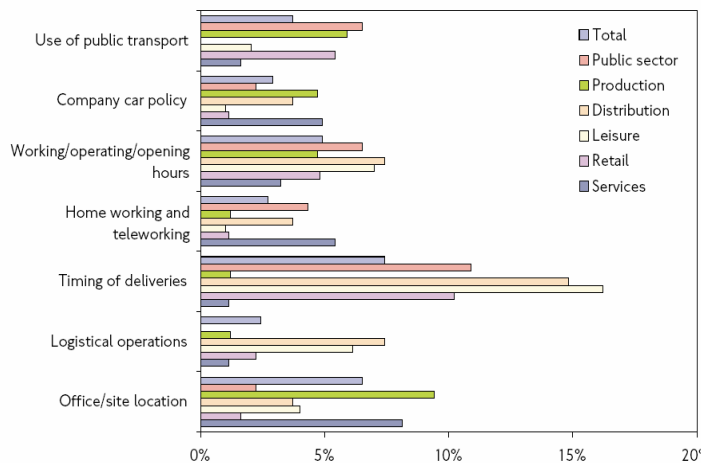
- Announced in Sept 2006, operational from 19 Feb 2007, following consultation
- Charging hours end at 1800 throughout the combined zone
- Extended discount for residents/Chelsea tractors
- Daily rate increased from £5 to £8
- *"We are very disappointed that the Mayor's announcement willfully ignores the voice of those who stand to be negatively affected by the Western Extension of the Congestion Charge, particularly large and small retailers. Congestion charging represents a significant cost to retailers who rely on the road network for access to customers, staff, and the delivery of the goods they sell."* (London Retail Consortium)
- Est 6,000 job losses (CEBR), £238mn lost business
- Manchester, Three Cities (Nottingham, Derby, Leicester), Birmingham, Newcastle, Bristol



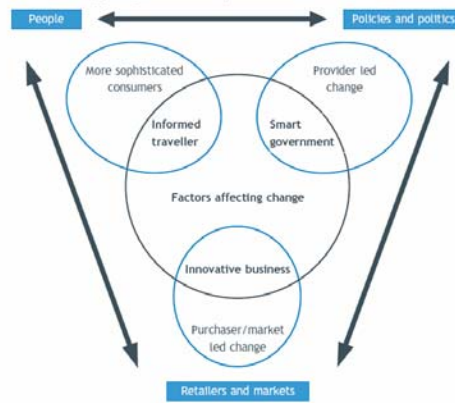
“Although the impact of congestion charging has not gone away, John Lewis Oxford Street achieved a 6% sales increase in the first half, driven by its move to permanent Sunday opening throughout the period. Like many of our fellow retailers, we are deeply concerned about the Mayor’s plans to extend the congestion charging zone westwards and believe that without radical adjustment, the economic consequences of extension will be significantly greater in the western zone, as it does not have the central zone’s public transport network infrastructure.” (JLP H1 trading statement, September 04)



Source: London Retail Consortium, 2005

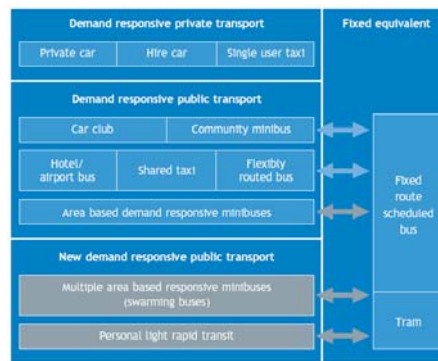


- Key future transport changes
 - Better informed travellers will be more sophisticated consumers
 - Transport modes are evolving with successful options being faster, more flexible, cleaner, and safer
 - More customer-responsive passenger and freight transport will adapt to fast changing needs
 - There is a shift towards an 'access' economy where lifestyles and experiences are more important influences on behaviour



Implications for retailing

- Business implications
 - Retailers could become large purchasers of public transport tickets and parking costs, bundling these with shopper purchases
 - Public transport fares could become as common a staff benefit as company cars
 - Car parking at the workplace will become more expensive for staff
 - Retailers will discourage staff from using car spaces which could be used by customers
- Locational implications
 - Competitive retail locations will be those with high quality accessibility, such as at multi-modal transport hubs and locations with large local population catchments.
 - Many secondary urban centres, freestanding towns, local centres and retail parks will remain viable despite transport changes, but some will not.
 - "Tumbleweed towns" (BRC)



- The original petition said:
- *“The idea of tracking every vehicle at all times is sinister and wrong. Road pricing is already here with the high level of taxation on fuel. The more you travel - the more tax you pay. It will be an unfair tax on those who live apart from families and poorer people who will not be able to afford the high monthly costs. Please Mr Blair - forget about road pricing and concentrate on improving our roads to reduce*



21 February - PM emails road pricing signatories
 Tony Blair has written to more than 1.7 million people who signed an online petition against road pricing. Read his email here.

- Largely successful Park & Ride system
- Congested city centre and poor retail environment
- Reading, Banbury, MK beneficiaries
- Longstanding plans for redevelopment of Westgate Centre finally approved
- GTE failure
- Disagreement between Oxfordshire County and City Councils (e.g. Park & Ride security strike)
- RoX
- Bicester growth axis (41k new housing 2006-2026)
- Oxford Northern Gateway
- Corresponding rail and road improvements? EastWest Rail; A34



- In 2005, Terry Leahy urged the Government to foster a culture that did not "scorn profit" and "deride enterprise" at a conference organised by Chancellor Gordon Brown.
- Still conflicting interests tussling over role of planning for retailing: triple bottom line
- Lack of certainty within and outside government over focus and consequences of planning policy
 - E.g. local resources/capabilities
- Similar lack of integration in relation to transport policy?
 - E.g. infrastructure
 - E.g. differential effects
- Prospects following a change of Prime Minister?



..perhaps we should be thankful!

Ikea shopping centre falls foul of Russian politics

Saturday December 11 2004

Article taken from issue 260 dated Saturday December 11 2004



**Ikea Mega Centre:
Russian authorities
prevent opening**

Local authorities prevent Mega opening

ikea has been prevented from opening in prestigious shopping centre development outside Moscow by the local authorities.

The Swedish furniture retailer had to cancel a grand opening ceremony for the £150m Mega centre in the town of Khimki at the last minute after municipal bosses ordered that the doors stay shut. Guests invited to the opening included the Swedish and German ambassadors.

Retail Location Analysis 2008

- 13th-15th February 2008
- 22nd year
- 3-day programme
- Small scale & international
- Besides major UK retailers, the programme attracts delegates from the US, Australia, Brazil, Germany, Hong Kong and the Netherlands.
- Continually evolving
- Tutored
- 4-5 practitioner sessions
- If you would like a copy of the 2008 brochure on publication, fill in the form with your contact details
- Discount for SLA members!
- <http://www.sbs.ox.ac.uk/oxirm/workshops/workshop.htm>

