

# Environmental impact of supermarket competition

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1. The Government welcomes the Select Committee's report on the environmental impact of supermarket competition. It represents a valuable contribution to the current debate on how best to accommodate the growth in the number of supermarkets. In particular we welcome the strong endorsement that the Committee has given to the current planning policy guidance, PPG6: Town Centres and Retail Developments, as supplemented by subsequent clarifications.
2. The Government remains firmly committed to the objectives of PPG6, which seeks to sustain and enhance the vitality and viability of our existing city, town, district and local centres and to make them the focus for retail investment. PPG6 helps to promote an urban renaissance, more sustainable patterns of development and social inclusion. The Government believes that focusing retail development in existing centres improves their competitiveness, and provides a planning framework common to all retailers in which they can compete.

## CONCLUSIONS AND RECOMMENDATIONS

3. The Government has set out its response to the Committee's principal conclusions and recommendations below:

### Sequential Approach

4. With regard to the sequential approach, the Committee recommended:

**Existing planning policy guidance on Town Centres and Retail Developments is widely supported. The evidence is clear: leading experts on planning and retailing, planning associations, local authorities and almost all the supermarkets themselves, support the central thrust of policy laid down in PPG6. We have rarely seen so much support for a Government policy. (Paragraph 10).**

**We recommend that the Government clarify what is meant by the statement in PPG 6: "sites in town centres which are suitable, viable and available within a reasonable time period". We consider unacceptable an interpretation which defines 'suitable' as meaning suitable for the size of store and format which retailers wish to develop and which could mean that they would seek to develop sizes and forms of store which could only be met out-of-town. Compulsory post opening surveys should be introduced. (Paragraph 18).**

5. The Government agrees that there should be a consistent interpretation of the sequential test. Paragraph 1.12 of PPG6 states clearly that the Government expects "developers and retailers will need to be more flexible about the format, design and scale of the development, and the amount of car parking, tailoring these to fit the local circumstances". The Government has a clear policy that new retail investment should be used to strengthen existing centres and expects this paragraph of PPG6 to be read in that light.
6. Research recently published by the National Retail Planning Forum, and part-funded by the Department of the Environment, Transport and the Regions, considered how the sequential approach is being applied in practice and its effects on retail development. This showed an inconsistency in the application of the sequential approach and contrasts two approaches taken:

- i. the format-driven approach, where the developer has a preferred format, which, in their view, does not fit into town centres and should be exempted from the policy; or
- ii. the "class of goods" approach, where the key question is whether there is any reason why such goods cannot be sold from town centres.

7. The Government's policy - as stated in PPG6 - is to take the latter approach, as most goods can be sold from town centres. PPG6 does not propose exceptions to the application of the sequential approach.

8. The Select Committee has suggested that there is a need to clarify how the policy should apply to large-format developments. The Government considers that PPG6 is clear - it expects developers to demonstrate flexibility. It recognises that the need to demonstrate flexibility will have consequences for retailers who insist on the need for very large formats.

9. The food retail sector has been demonstrating increasing flexibility and has been able to adjust to the need to find more central sites. Where large out-of-centre superstores are proposed, the Secretary of State for the Environment, Transport and the Regions will call in applications for his own decision where the local planning authority proposes to allow a development in which the sequential test has been inappropriately applied and the need for flexibility has not been demonstrated.

### **Site Assembly in Town Centres**

10. The Committee proposes that:

**Local plans must make adequate provision for supermarket sites in town centres if stores are not to be built out-of-town. Local authorities must use CPO powers to assemble suitable sites. The Government should publish its CPO review as a matter of urgency. (Paragraph 21).**

11. The Government agrees that local planning authorities should adopt a more proactive approach to identifying sites in local plans and use compulsory purchase powers where necessary to assemble these sites.

12. A fundamental review of the laws and procedures relating to compulsory purchase and compensation is being undertaken. The Compulsory Purchase Policy Review Advisory Group published an interim report in January 1999 and, having considered evidence from a number of sources, expects to be in a position to make a final report to DETR Ministers within the next two months. A decision will then be made whether, and when, to publish it. The Group's aim is to make recommendations which strike the appropriate balance between streamlining procedures, protecting the public purse and safeguarding the rights and interests of those from whom land is being acquired.

### **Design**

13. The Committee was concerned about the quality of supermarket design, observing:

**In future, we expect that, in all but exceptional circumstances, new supermarkets will be in urban centres or on edge-of-town sites, which can be the best site in some historic towns, where a supermarket in the town centre could be very damaging. (Paragraph 22). However, if we are to have more supermarkets in town centres, they must be built to a much better design than most existing stores. (Paragraph 23).**

**We note that PPG6 mentions the need for good design, but we are concerned that it has not been sufficiently effective. We recommend that stronger supplementary guidance to PPG6 be**

**issued to make very clear to local planning authorities and to developers the need for better design for supermarkets which is appropriate to the surrounding buildings. Similar advice must be contained in the long-awaited publication on Design in the Planning System. (Paragraph 24).**

14. The Government agrees that supermarkets have all too frequently been poorly designed. This can be particularly damaging to the character of town centres where ill-conceived development can often change a place for the worse, sometimes dramatically so.

15. The Government expects good design to be the aim of all those concerned with new development. This will be the main message of the good practice guide on design in the planning system which will be published very shortly. The guide will encourage greater attention to urban design and will complement work such as that undertaken by the former Royal Fine Art Commission on design in the High Street. The Government will consider the scope for further good practice guidance in this area, in conjunction with the Commission for Architecture and the Built Environment.

16. Good practice guidance, however, cannot substitute for the use of skilled designers and a commitment to good design from those bringing forward new development. This applies no less to the retail sector than others. We will continue to remind local authorities that poor design should be rejected, particularly where their decisions are supported by clear plan policies and supplementary planning guidance: but the onus must remain with developers of supermarkets to improve their design quality.

### **Car Parking**

17. The Committee's concerns about car parking were:

**We welcome the proposal in the new PPG13 that there should be maximum, rather than minimum, parking standards. However, we are very concerned that they will be too lax. (Paragraph 28).**

**The large amounts of free car parking offered by existing out-of-town supermarkets gives them an enormous competitive advantage over city centre stores. In addition supermarkets at these sites generate more car use, making the situation on already congested roads worse. The situation needs to be addressed urgently. We recommend that the Government outline, as a matter of urgency, the measures it proposes to address this situation. One matter it should consider was raised by our predecessor Committee: the level of business rates at out-of-town and city centre stores. (Paragraph 29).**

18. The Government is currently considering responses to the consultation on draft PPG13: Transport. We will take careful note of the Committee's views, and those of other respondents, in assessing the maximum level of car parking that is appropriate for supermarkets. PPG13 will be issued in its final form later this year.

19. Our Transport Bill will enable local authorities to levy a charge on workplace car parking where this can help them to tackle congestion as part of a Local Transport Plan. The levy will be able to apply to all or some parts of a local authority's area. This includes workplace car parking at out-of-town stores.

20. As rates are a property tax, they reflect the value of the property, with rateable values being based on open market rental values. In this there is no difference between out-of-town and city centre stores, and indeed other types of non-domestic property. We have no proposals to depart from this principle: the existing rating system works well, and is a well-established form of property tax.

## Competition

21. The Committee expressed concerns about the OFT's referral to the Competition Commission, saying that:

**We are uncertain what is to be gained from the OFT's referral or the Competition Commission's investigation in so far as they apply to the planning regime. (Paragraph 40).**

**We support the Minister for Planning's statement on competition. It is a well established principle of planning control that planning decisions should not favour one company against another, but should be even-handed between firms. The task of planning is to regulate the uses to which land may be put, not which firms should take up the opportunities on offer. (Paragraph 43).**

**Even if planning restrictions were a greater barrier to entry than the evidence indicates they are, the relaxation would not be justified because the effect on town centres and village shops would be far too damaging. (Paragraph 44).**

**The evidence overwhelmingly supports the existing planning regime. It requires a little modification to ensure that it works more effectively and gives town centres more protection. However, although the new policy has only been in operation since 1996, the OFT has created doubt and uncertainty by referring planning matters to the Competition Commission. We are appalled that before referring planning matters to the Competition Commission, the OFT took no evidence from planning experts and did not consult the DETR. In failing to take into account such expert evidence, it has behaved irresponsibly. The Commission is to report in April 2000, but may well ask for an extension. It will then be considered by the Secretary of State of Trade and Industry. There is likely to be uncertainty about planning policy until after the next election. (Paragraph 46).**

**We commend Nick Raynsford MP, the Minister for Planning for his robust defence of Government policy. He made clear that the DETR will not change its policy, whatever the findings of the Competition Commission in respect of planning. We must conclude that the Competition Commission's continued consideration of planning policy is a waste of time. (Paragraph 47).**

**We are concerned that the competition authorities and some Treasury and DTI officials, who do not understand the planning system, may now be seeking relaxations in it and may hope that such a policy can be introduced after the report of the Competition Commission. This would be disastrous. A relaxation of the planning regime in respect of out-of-town sites would do little to encourage new entrants. It would run the risk of returning to the laissez-faire policies of before 1993, which did so much damage. (Paragraph 49).**

22. The Government notes the Select Committee's views. The Office of Fair Trading, which is an independent body, issued a statement on 11 January in response to the Committee's conclusions.

23. The Competition Commission was asked to investigate the market for the supply of groceries by supermarket chain stores. The Commission is also an independent body and the scope and conduct of investigations is a matter for the Commission.

24. The Commission on 22 February issued a statement of hypothetical remedies on which it is seeking views. The Commission stresses that it has not yet reached public interest conclusions and will consider the remedies only if it makes adverse public interest findings. The remedies statement indicates that, provisionally, the Commission does not believe there is a case for any major change in the planning regime or land-use principles incorporated in the current guidance. However, they have asked for views on some possible changes, consistent with those principles, which might, if necessary, enable the system to be more responsive to the needs of competition in grocery retailing.

25. The Secretary of State for Trade and Industry will consider any adverse findings that the Competition Commission may make in consultation, where appropriate, with colleagues in other relevant Departments. The Secretary of State has no power to take action in the absence of an adverse finding. The Government's position with regard to the location of new supermarkets remains, however, that new supermarkets should be located in existing centres and that each should be of a size appropriate to the size of that centre and its catchment area.

26. The Committee's additional observations on competition were that:

**We are also concerned about the Pre-Budget Report's references to planning and competition. We are pleased by the clarification provided to us by the DETR which indicates that the references in that Report do not apply to the retail sector and are not meant to change the existing situation whereby the planning system allows open competition between different retailers. However, if it is intended to encourage companies to set up on out-of-town, greenfield, sites, the effects on urban regeneration must be carefully assessed. This is a matter we intend to consider in detail in our next inquiry into the proposed Urban White Paper. (Paragraph 50).**

27. The Chancellor's Pre-Budget Report in November 1999 referred to competition and the planning system in the context of changes to policy guidance on the development of high-tech clusters. As the Committee noted, it did not refer to Government policy on the location of retail development.

28. The Government's policy is to make town centres more competitive by concentrating appropriately-sized new development in existing city, town, district and local centres. The Government will continue to encourage retail competition in existing centres. For this policy to be delivered effectively, it will require a more proactive approach by local planning authorities and a more flexible approach by developers and supermarket operators. This is the basis of PPG6. The Government is committed to making it work positively to promote both competitiveness and competition.

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