Dear Mr Parsons

The Portas Review

Accessible Retail (AR) understands you are considering the above with a view to publishing a response sometime in the spring. Set out below are our submissions on the recommendations in the Review for your consideration.

Role of our Sector in the Economy

AR represents the property interests of the retail warehouse and retail park sector of the retail industry. We have over 900 members comprising retailers, developers, owners/investors and advisers, including most of the major companies active in the sector. Most of our member's interests are located in out-of-centre locations, but they have major investments in town centres also.

In our view, this duality of interest is an important codicil to our submissions. While they represent the interests of the out of town sector, our members do not wish to damage their town centre investments and AR's views on the individual Portas recommendations have been formulated with this in mind. A second codicil is that growth in our sector is not anticipated to come from new retail parks; but largely from the refurbishment and improvement of existing estates. Our comments, reflect this also.

The economic importance of our sector is another important consideration. The retail industry is a major part of the UK economy accounting for upwards of 6% of GDP, employing nearly 3 million people (c10% of total employment) and is historically one of the major providers of growth in GDP.

Our sector constitutes a major part of this important economic role. It accounts for (Experian 2010) some 30% of total retail spend from 3% of all retail outlets and comprises the largest part of investment grade retail commercial property with a value in 2010 of some £39.1 billion (compared with £37.9 billion for shopping malls and £30.9 billion for high street shops).

In our submission, there are three key considerations that should inform how each of the Portas' recommendations is assessed.

1. Permanent and Non Cyclical Structural Change in Retailing

First, change is taking place in UK retailing which is structural not cyclical and permanent not temporary. In 1971, 200 centres took 50% of trade, but now only 83 take 50% and 300 multiple retailers (0.15% of all retailers) take 70% of trade whilst occupying only some 10% of premises (UK Regeneration). Between 2000-2009 (beginning well before the 2008 onset of the recession), 25,000 shops closed in high streets and town centres and as online sales continue to grow (14% and rising), it is predicted that another 9000 will close in the next three years (Verdict). Of non-food retail spending, some 14% is now taking place on-line with a further 14% being captured by big food retailers (Morgan Stanley/Local Data Company 2012).

These trends have left many retailers with wrongly configured and uneconomic estates. For some retailers, town centres and high streets no longer provide them with the cost efficient trading spaces needed to be able to respond to growing pressure from competitor formats, especially online retailing. As a result, these retailers are looking to out of town locations where consumer demands for more convenient, accessible and competitively priced shopping outlets can be more easily met. Alongside this, there is a shift from secondary to primary centres and from small stores to larger stores.

On our behalf, leading chartered surveyors, GVA, is currently undertaking further research on the detailed nature of this structural change looking at retailer business models in the UK, what is driving their introduction and the implications of this for retailers' preferred locations and operational space requirements. GVA are surveying some 250 of the leading retailers drawn from town centres, retail parks and warehouses and those trading from both formats. When the results are to hand (shortly), we will send them to you with any appropriate further comments.

In short, the retail landscape is permanently changed. Accepting this is central to identifying which policies are likely to succeed in boosting and regenerating town centres and those which will not. The planning system should not be used to prevent retailers from moving out of town centres and high streets where they judge this to be the only option which will enable them to survive the intense competition from on line formats. To do otherwise, as the statistics above demonstrate, is likely only to result in their failing as businesses. This will not help the regeneration of town centres or the revivial of the economy. Significantly, where retailers are denied the opportunity to move out of town, a growing number are indicating they will not remain in uneconomic and unsuitable town centres and high streets. .

<u>2. The Causes of Town Centre Decline</u>

Second, GVA research for AR (2007 and 2009) on the causes of town centre decline (previously sent to you) shows that the implicit assumption underlying current planning policy that nearby out of town retailing is invariably the prime cause of town centre decline is not substantiated in many cases. There are sometimes adverse impacts, but out of town retailing is often complementary to town centres and provides other benefits. A more significant cause of town centre/high street decline is competition from other nearby town centres coupled with failure to improve the retail offer in response to this. The research showed that the remedy lies firmly within the scope of 'self-help' improvement rather than the use of planning policy to discriminate against the out of town format.

<u>3. Maintaining our Sector's Contribution to the Economy and Growth</u>

Third, account should be taken also of the potential impact the Portas Review recommendations could have on the contribution made by the retail parks and warehouses sector to the economy. A 2004 report for AR by Experian (also sent to you) showed that out of town locations improve competitiveness to the benefit of customers by providing more efficient and lower cost trading space than is achieved in town centres. Since the onset of the recession, the sector has invested four times more strongly in new development than other parts of the retail industry (Local Data Company 2012); retail parks and warehouses, therefore, are making an important contribution to securing a growth pathway out of recession.

This significant economic contribution should not be compromised by the imposition of more restrictions on the sector. Also, over half of the sector's assets are owned by pension funds and inflicting more damage on its investment performance would not be in the interests of millions of pensioners, shareholders and other investors who depend on the returns it provides.

<u>Recommendations which are supported</u>

Judged against these three key considerations, most of the recommendations have our full support as they suggest self-improvement actions by town centres and high streets and do not involve more discriminatory policy intervention against out of town retailing. We do not propose to comment on each of these in turn, but would simply say that self-improvement involves town centres rethinking what they have to offer especially promoting diversification, cheap or free parking and public realm improvement. More residential development, small suites of offices, the return of public services (councils, health, HE/FE education etc), leisure and the night time economy will all be key components of this with the retail offer concentrating on convenient, service oriented retailers including independents rather than the traditional multiples. No longer, can town centres outside the top 250 shopping destinations rely solely on their retail offer as the key to vitality and prosperity.

<u>Recommendations which are not supported</u>

Two Portas recommendations, however, the introduction of 'exceptional sign off' and making an explicit a presumption in favour of town centre development in the NPPF, should be rejected. The first is intended to operate as a veto on out of town schemes that cut across more complex town centre regeneration schemes to drive new retail investment into town centres and the second to strengthen the already town centre first bias in planning policy.

Neither is likely to work. As is pointed our earlier, retailers prevented from going out of town are unlikely to switch investment into town centres as the collective terms of trade there (rent, rates, parking cost and availability, unit size and flexibility) are too onerous and the business model based on them unable to respond effectively to new competitive pressures from e-trading formats. The strength of these drivers on retailer locational choice is evidenced by the fact that, even under the present town centre preferred planning policy, since 2000 town centre floorspace has fallen while out of town space has increased by one third.

Finally, we wish to comment on the suggestion that warehouses and out of town parks should be forced to introduce charges for the currently free car parking spaces they provide. This did not feature among the Portas recommendations, but it has been mooted elsewhere and merits comment from AR. More appropriate in our view, would be to encourage town centres and high streets to reduce their currently high charges or even make parking free. Car parking would thereby be directly supportive of the town centre as a destination rather than as seems increasingly to be the case, as a source of local authority income to be used to support general municipal purposes.

Moreover, charging for out of centre parking would not help town centres as any monies collected by landlords would have to be added to the service charge and spent exclusively for the benefit of tenants through improvements to the services provided. Charging for car parking, therefore, would result in out of centre retailing improving their competitive position compared with town centres and high streets – in other words the result would be the opposite of what was intended.

If I can be of any further assistance, please contact me at the address below.

Yours Sincerely

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