

House of Commons

ODPM: Housing, Planning,
Local Government and the
Regions Committee

**PLANNING
COMPETITIVENESS
AND PRODUCTIVITY**

Fourth Report of Session 2002–03

Volume I

HC 114-I

House of Commons

ODPM: Housing, Planning,
Local Government and the
Regions Committee

**PLANNING
COMPETITIVENESS
AND PRODUCTIVITY**

Fourth Report of Session 2002–03

*Volume I:
Report and Proceedings of the Committee
together with Minutes of evidence and
Appendices taken before the Committee*

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ODPM: HOUSING, PLANNING, LOCAL GOVERNMENT & THE REGIONS COMMITTEE

The ODPM: Housing, Planning, Local Government the Regions Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Office of the Deputy Prime Minister and its associated public bodies.

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§ Chairman of the Urban Affairs Sub-Committee

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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No.152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at http://www.parliament.uk/parliamentary_committees/odpm.cfm

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Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the memorandum number, eg PCP 01.

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FOURTH REPORT

**The ODPM: Housing, Planning, Local Government and the Regions Committee
has agreed to the following Report:**

PLANNING, COMPETITIVENESS AND PRODUCTIVITY

Conclusions

It is not possible to derive a balance sheet of the costs and benefits of planning. The implication of this is not for 'more research' to add up the costs and benefits of planning, but rather to be more discerning in our approach to the relationship between planning and business—what can planning do for business? On the implementation and delivery side (which is what those submitting evidence are primarily interested in), how can improvements be made to planning practice and effectiveness, without losing the benefits that planning brings?

Claims that planning damages the nation's competitiveness seem to have been made without evidence. The evidence that we have received suggests that businesses generally support the planning system and seek a number of changes in implementation, which do not necessarily require legislation. The best local authorities already run their planning departments in proactive, responsive ways and if the resources are put into place, such approaches can be adopted by others.

The 'cost / benefit' approach to planning has not only tended to focus on the easier to measure costs but has also failed to produce definitive answers, fostered anti-planning sentiments amongst those predisposed to that perspective, and delayed attention to what matters: which is making the planning system work better for business whilst staying true to its wider purposes.

We recommend to the Government that what is most needed is a move from a system predominantly of regulation. Instead whilst the regulation remains to underpin the system, there has to be clearer assistance to business and others to deliver better the 'sustainable economic development' which planners (and the business sector) want. In this way we can have a prosperous economy and a high quality environment.

Introduction

1. During its enquiry into the Planning Green Paper, our predecessor Committee received oral evidence from the Confederation of British Industry (CBI) to the effect that the planning system was a major impediment to business, “*In every respect, every survey, we conduct, every business we talk to ... planning is always at the top of the agenda as a fetter on the productivity enhancement and the job creation in British business.*”¹ At the time of the Planning Green Paper enquiry, the evidence submitted was unsubstantiated, and the Committee described it as based on “*anecdote and prejudice.*”²

2. Rather than leave the issue in this way, the Committee announced an inquiry into the effects of planning on competitiveness and productivity in October 2002,³ as a serious attempt to get past the anecdote and prejudice to the evidence of the impact of planning on business. The Committee took two unusual steps:

- (i) it specifically asked those submitting evidence to restrict themselves to facts rather than opinions; and
- (ii) the Committee commissioned an external, expert review of the literature, which was then considered at a peer review seminar.

The Committee’s inquiry provided an opportunity for those with complaints about the planning system to prove their case.

3. We received 36 written submissions and took oral evidence from nine organisations over two evidence sessions, culminating with evidence from Tony McNulty, MP, Parliamentary Under-Secretary of State at the Office of the Deputy Prime Minister (referred to as the Minister throughout this report). A volume of evidence was printed in December 2002.⁴ We wish to thank Richard Bate for his advice, Roger Tym and Partners for their research, the experts who attended the seminar⁵ and all those who gave evidence to the inquiry.

The Review of the Literature

4. We commissioned Roger Tym and Partners, independent planners and development economists, to review the literature on the relationship between planning and business productivity. They found that the academic literature on this subject has a number of limitations:

- there is little reliable data available;
- it is difficult to distinguish the impact of planning from the impact of many other influences;
- benefits of planning are especially hard to pin down;
- there are social and economic costs and benefits from planning aside from the economic ones, and these are very important but even more difficult to quantify; and
- it is in any event difficult to put one’s finger on the consequences of individual planning decisions or plan allocations.

5. The literature review was published in December 2002.⁶ It concluded that:

¹ Q557, Transport, Local Government and the Regions Committee, *Planning Green Paper*, Thirteenth Report of Session 2001-02, HC476-III

² Paragraph 185, Transport, Local Government and the Regions Committee, *Planning Green Paper*, HC476-I

³ Terms of Reference are set out in Press Notice No. 5 of the 2001/02 Session

⁴ HC114-II

⁵ Seminar Note is published in HC114-III

⁶ HC114-III

“There is no evidence that planning is a significant explanatory factor for the UK's low productivity compared to its main competitors.”⁷

It also found that it was not possible to pull together a balance sheet of the costs and benefits of planning.⁸ The findings of the report were supported by the written and oral evidence that we received and the Minister welcomed the report.⁹

6. The Committee's report does not attempt to repeat the findings of the literature review. Rather it comments on the issues that arose from both that review and the written and oral evidence which we received.

The Evidence We Received

7. Much of the evidence which we received began by saying how valuable and beneficial the planning system was, overall, even including those who had previously attributed to it significant adverse effects on business. The benefits of the planning system have always been difficult to pinpoint in economic terms, but contributors were keen to align themselves with the benefits in principle, such as allocating land for economic activity, the provision of housing and infrastructure, certainty, the creation of a level playing field for developers, correcting for market failures and externalities¹⁰ and creating attractive environments in which to live and do business.¹¹

8. Hardly any evidence at all was presented on the adverse strategic effects of the planning system on the macro-economic environment in which business operates: the concerns expressed were almost entirely about day-to-day operational issues such as delays, direct costs to firms, and uncertainty. As the submission from the British Retail Consortium said:

“Retailers recognise that England is a crowded country and therefore accept that development is subject to some kind of regulation. On the whole they are more concerned with the speed and efficiency of the present system than major deregulation.”¹²

9. Those who had previously chastised the planning system for its adverse strategic consequences on business retreated significantly from the position. For example, the CBI warned against taking “*too literally*”¹³ the evidence of its Director General to our previous inquiry that, “*In every respect, every survey, we conduct, every business we talk to ... planning is always at the top of the agenda.*”¹⁴ There was no support for, and some detailed criticism of, the principal recent publication attributing a range of productivity deficiencies in the UK to over-zealous land use regulation, the 1998 McKinsey report.¹⁵ It was criticised on technical grounds such as its failure to take account of the manifold

⁷ Paragraph 3.22, *Planning, Competitiveness and Productivity*, Research Commissioned from Roger Tym and Partners, Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions Committee, HC114-III

⁸ Q178

⁹ Q307

¹⁰ For example, the planning system requires every developer to contribute to the costs of new infrastructure, overcoming the ‘free-rider problem’ and it ensures that information about land uses is available to everyone overcoming ‘information asymmetries.’ For further information see PCP22 and Appendix 2, *Planning, Competitiveness and Productivity*, Research Commissioned from Roger Tym and Partners

¹¹ PCP26 and PCP 31

¹² PCP31

¹³ Q211

¹⁴ Q557, Transport, Local Government and the Regions Committee, *Planning Green Paper*, Thirteenth Report of Session 2001-02, HC476-III

¹⁵ *Driving Productivity and Growth in the UK Economy*, McKinsey Global Institute, October 1998

differences between the UK and USA.¹⁶ More fundamentally the Trades Union Congress (TUC), advised that it “*mis-diagnosed*” the UK’s productivity problem and ignored factors such as investment, innovation and technology, skills and new ways of working.¹⁷

10. As many of our witnesses pointed out, the promotion of business competitiveness is not the sole aim of the planning system. Indeed the role of the planning system is to take the long view both in terms of competitiveness and the wider social and environmental factors. For example, the memorandum from the Royal Town Planning Institute said:

*“One of the key roles of planning is helping to resolve apparent conflicts between social, environmental and economic issues ... It must be recognised that in a number of cases the needs of commerce will not take priority—as in the clear example of the recent change of policy with regard to out of town hyper markets. Such decisions are, however, of benefit to the competitiveness of the country as a whole in creating environmental and social capital, making sustainable investment decisions and in engendering spatial efficiency.”*¹⁸

UK Competitiveness

11. Roger Tym and Partners reported that “*The consensus is that land-use planning has little to do with UK productivity.*”¹⁹ The oral and written evidence we received supported that statement. As we heard from David Coats of the TUC:

*“We cannot see any direct link either from the UK evidence or the international evidence that can demonstrate that the nature of your planning system has some fundamental impact on overall productivity. The US, France, Germany have broadly similar levels of productivity, with the US marginally ahead but very different planning systems. The Netherlands I think has higher GDP per hour worked than any of those countries and a rather rigorous planning system because it is a small country with lots of environmental constraints. We do not see that there is any strong evidence to draw a linkage between planning and productivity.”*²⁰

12. The British Retail Consortium identified seven key factors which it described as being at least of equal consequence as planning in determining UK competitiveness and productivity:

- (i) the macro-economic environment,
- (ii) skills, education and productivity,
- (iii) transport infrastructure,
- (iv) taxation,
- (v) research and development,
- (vi) product and labour market regulations, and
- (vii) crime.²¹

Our evidence shows that planning is not a significant factor in determining productivity, even in the retail sector.²² Skills, innovation and investment are most important.

¹⁶ Paragraphs 2.60-2.63, *Planning, Competitiveness and Productivity, Research Commissioned from Roger Tym and Partners*

¹⁷ Qq205 and 234

¹⁸ PCP32

¹⁹ Paragraph 2.4, *Planning, Competitiveness and Productivity, Research Commissioned from Roger Tym and Partners*

²⁰ Q206

²¹ PCP26

²² Described by the Town and Country Planning Association as the sector most strongly affected by planning (PCP2)

13. Rather than blaming planning for the UK's low productivity, our evidence shows that businesses consider the planning system to be an essential part of doing business in the UK. We are pleased that in its response to our report on the Planning Green Paper and in its evidence to this inquiry, the Government has begun to recognise the positive role of planning in the British economy. We hope that the Minister's enthusiasm is shared by officials and ministers in the Department of Trade and Industry and Treasury.

14. Surprisingly, the nine English Regional Development Agencies (RDAs) did not share business' perspective on this issue and could find little if anything good to say about the planning system. They clearly saw it as a hurdle for business to overcome.²³ The Minister told us that he was "*disappointed*" in the RDAs' evidence and that they had "*missed an opportunity*" to contribute positively to the debate.²⁴ **We share the Minister's disappointment that the RDAs did not identify the structural benefits of the planning system in their evidence.**

15. One of the macro-economic affects attributed to the planning system by some economists is that by constraining the supply of land, the overall costs to businesses are raised and that this is a cost to the country as a whole. Government research has concluded that high property costs can be due to a number factors and it is not possible to isolate the effects of planning.²⁵

The Regions

16. There are huge differences in productivity between the UK regions.²⁶ We received no substantive evidence pointing to significant differential effects of the planning system between regions. Indeed the evidence of efforts at tighter controls in the South East region and other hotspots where costs are already higher suggests the reverse: that businesses prefer to pay the extra and meet any additional requirements for the benefits which these locations offer, rather than move elsewhere.²⁷

17. Some of our witnesses expressed concerns about the pressure facing individual local authorities to pursue investors, without weighing up all the long term consequences.²⁸ The Minister told us that the Regional Spatial Strategy (RSS) will in future help to reduce competition for business investment between neighbouring local authorities.²⁹ Our predecessor Committee's inquiry into the Planning Green Paper recommended that, "Regional Spatial Strategies should take precedence over and guide the land-use aspect of all other regional strategies drawn up by other regional agencies."³⁰ The Minister told this inquiry that:

"I think the RSSs will end up predominating and getting broader in terms of what they do. They are intended to be fairly all incumbent and far more than simply local plans. They are pretty all incumbent documents already and they will lead the process."³¹

We were pleased to hear the Ministers statement that the Regional Spatial Strategy could become the predominant regional document.

²³ PCP24

²⁴ Qq299-300

²⁵ PCP29

²⁶ *Productivity in the UK 3: The Regional Dimension*, H M Treasury and Department of Trade and Industry, November 2001

²⁷ PCP32

²⁸ PCP22

²⁹ Q305

³⁰ Paragraph 27, Transport, Local Government and the Regions Committee, *Planning Green Paper*

³¹ Q306

Inward Investment

18. The RDAs argued that inward investment had been adversely affected by the planning system, though their case studies fell short of making a convincing case on this point. In contrast, surveys carried out for the CBI and Invest UK have found that planning ranks very low in factors that determine inward investment.

MORI / CBI: Economic Outlook Survey ³²	
<i>Which of the following factors do you consider most influential when choosing the country of your investment / business?</i>	Availability of land / planning restrictions 'very influential' ranked 13 out of 15
Arthur Anderson / Invest UK: High Tech Industry–Survey of Foreign Investors ³³	
<i>In your view which is the single most important thing that the UK government could do in the short term to ensure that it remains the number one location for business?</i>	Planning ranked 16 out of 19

Contradicting their previous concern, we also heard from the RDAs that, “*Attracting large scale inward investors is not the way forward for raising the competitiveness of our regions.*”³⁴

Day to Day Implementation of the Planning System

19. The problems with the planning system identified in our evidence relate to the process of dealing with development control by individual companies. Companies can be put into three groups:

- (i) those that have no contact with the planning system (i.e. most businesses—fewer than 7% of businesses make a planning application in a year³⁵);
- (ii) regular users of the planning system; and
- (iii) occasional (e.g. once in a generation) users.

Regular Users of the Planning System

20. Regular users of the planning system include property developers and owner occupiers in sectors such as retail. Such companies have a number of comments on the implementation of the planning system—they describe it as inconsistent, slow and unhelpful.

Inconsistency

21. Business groups, such as London First, identify a great deal of variation in practice between local planning authorities.³⁶ If the problem with planning is essentially to do with its practical operation, and if some local planning authorities are able to provide a high

³² MORI / CBI, *Economic Outlook Survey—Is the UK a good place to do business?*, November 2002

³³ PCP29(a)

³⁴ Q120

³⁵ PCP32

³⁶ PCP09

quality service to business, (as the Corporation of London claimed³⁷ and no-one refuted), then **improving the planning system is a matter of better resourcing, better focusing of effort, and implanting more understanding attitudes amongst staff and councillors. It is not about changing the rules. We recommend that priorities for Government action should reflect these identified needs.**

22. In the Comprehensive Spending Review 2002, the Office of the Deputy Prime Minister was allocated, “*a significant increase [£350 million over three years]³⁸ in resource for local planning authorities through a new three-year incentive grant which will be paid to reward improved performance by local authorities against targets.*”³⁹ Whilst there is a logic in not rewarding authorities’ failure to invest, there is a foreseeable risk that some authorities will continue to fail their residents on planning. **We recommend that new money identified in the comprehensive spending review must help the poorest performing planning departments to raise their game.**

Speed

23. The Government’s evidence states that there has been no systematic analysis of the costs of planning delay to businesses. It draws attention to its own research which found that delay was as much due to poor project management by applicants and a desire to change planning policy, as to prolonged negotiations.⁴⁰ The Construction Industry Council, South West, added that “*Much delay in the determination of planning applications stems from the poor quality of applications submitted and the attempt to pursue cheap development solutions.*”⁴¹ **Better organisation by developers could ensure that planning applications are processed at the same time as other core tasks within a development project to avoid delays. Applicants who try to confront the system will face bigger problems than those who work with it.**

24. Our predecessor Committee’s Planning Green Paper inquiry was concerned that Ministers were measuring performance in terms of speed and not quality of decisions.⁴² **We were therefore pleased to hear Lord Rooker, Minister of State for Housing, Planning and Regeneration’s commitment to another of our inquiries that quality in planning decisions is more important than speed.**⁴³ **We recommend that the Government’s measures of improved performance should take account of the quality of planning decisions, not simply their speed.**

Helpfulness

25. Our predecessor Committee’s inquiry into the Planning Green Paper concluded that, “The Committee was astonished by the lack of attention to the most obvious problem facing the delivery of an effective planning service, namely its under-resourcing. There is a shortage of professional and experienced staff in most local authorities, low morale and a recruitment problem.”⁴⁴ This was reinforced by the evidence to this inquiry. For example the British Retail Consortium stated:

³⁷ PCP28

³⁸ Q284

³⁹ Chapter 9, 2002 Spending Review White Paper: *Opportunity and Security for All*, H M Treasury, July 2002

⁴⁰ PCP29

⁴¹ PCP04

⁴² Paragraph 211, Transport, Local Government and the Regions Committee, *Planning Green Paper*

⁴³ Q273, Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions Committee, *The Annual Report and the Estimates*, Oral Evidence, 20 November 2002

⁴⁴ Paragraph 211, Transport, Local Government and the Regions Committee, *Planning Green Paper*

“Better planning requires a more sophisticated approach, which will in turn demand greater resources in terms of money, skills, training, facilitation, implementation, monitoring and enforcement.”⁴⁵

26. We received evidence about the proactive approach taken by the Corporation of London, which has a dedicated ‘hand-holding’ team for business. This team

“bridges between Corporation departments, the property industry, its advisers and the business end users, by providing information on all properties and development opportunities available in the City and City Fringe and by providing advice and support in overcoming problems in the process.”⁴⁶

We recommend that the facilitating / enabling approach used by the Corporation of London should be adopted more widely, facilitating interaction between both businesses and communities with local planning departments.

Action for Government

Planning and Compulsory Purchase Bill

27. The Government has tried to address the concerns of business with new legislation in the shape of the Planning and Compulsory Purchase Bill, although we received evidence from developers that *“some of the problems raised could in fact be achieved through minor changes to the current system as opposed to the wholesale changes floated by the Green Paper.”⁴⁷* The CBI told us that it was impossible to tell whether the Planning and Compulsory Purchase Bill met the Government’s or business’ objectives because the regulations were not available for consideration.⁴⁸ **We were pleased to receive the Minister’s commitment that the regulations to be made under the Planning and Compulsory Purchase Bill will be made available to the Standing Committee.**⁴⁹

28. One of the main benefits of the planning system identified by businesses is the certainty it gives about neighbouring sites.⁵⁰ It is therefore surprising that Clause 39 of the Planning and Compulsory Purchase Bill amends the 1990 Planning Act to allow local authorities to extend the range of automatically ‘permitted developments’ in their areas. **We recommend that the Government should not pursue measures such as Clause 39 of the new Bill which potentially reduce the number of activities for which planning permission is needed.**

Planning Policies

29. The Minister told us that revisions to planning guidance and circulars would be as important as new legislation, in reforming the planning system.⁵¹ **We recommend that Planning Policy Guidance Notes 1 (General Policies and Principles) and 4 (Industrial and Commercial Development) are revised to promote ‘positive planning’ for business. We hope that the Government will revise its planning advice with the speed that it expects local authorities to act.**

⁴⁵ PCP31

⁴⁶ PCP28

⁴⁷ PCP21. Our predecessor Committee’s report into the Planning Green Paper also concluded this (Paragraph 64, Transport, Local Government and the Regions Committee, *Planning Green Paper*)

⁴⁸ Q198

⁴⁹ Q243

⁵⁰ Paragraph 3.10, *The Economic Consequences of Planning to the Business Sector*, DETR, November 1998

⁵¹ Q243

Occasional Users of the Planning System

30. We received evidence from the Small Business Service about the particular problems faced by small companies, which do not understand the planning system, have very high expectations of it and do not receive any assistance in dealing with it:

“Smaller businesses may take longer than larger chains to obtain planning permission because they lack the expertise to negotiate their way through such a complicated process. Local authorities assume that businesses either understand the system or will engage a consultant.”⁵²

“The planning process can prove extremely bureaucratic and costly for small stores making applications. They often cannot afford specialist planning advice and therefore have to negotiate the process themselves. The cost of applications and the time taken in making them usually far outweighs the scale of the application.”⁵³

We recommend that the Government should place particular emphasis on supporting small businesses’ interactions with the planning system, as there seems to have been little consideration given to the needs of such businesses. This is an area where the Small Business Service could promote proactive measures.

Conclusions

31. It is not possible to derive a balance sheet of the costs and benefits of planning. The implication of this is not for ‘more research’ to add up the costs and benefits of planning, but rather to be more discerning in our approach to the relationship between planning and business—what can planning do for business? On the implementation and delivery side (which is what those submitting evidence are primarily interested in), how can improvements be made to planning practice and effectiveness, without losing the benefits that planning brings?

32. Claims that planning damages the nation’s competitiveness seem to have been made without evidence. The evidence that we have received suggests that businesses generally support the planning system and seek a number of changes in implementation, which do not necessarily require legislation. The best local authorities already run their planning departments in proactive, responsive ways and if the resources are put into place, such approaches can be adopted by others.

33. The ‘cost / benefit’ approach to planning has not only tended to focus on the easier to measure costs but has also failed to produce definitive answers, fostered anti-planning sentiments amongst those predisposed to that perspective, and delayed attention to what matters: which is making the planning system work better for business whilst staying true to its wider purposes.

34. We recommend to the Government that what is most needed is a move from a system predominantly of regulation. Instead whilst the regulation remains to underpin the system, there has to be clearer assistance to business and others to deliver better the ‘sustainable economic development’ which planners (and the business sector) want. In this way we can have a prosperous economy and a high quality environment.

⁵² Better Regulation Taskforce, quoted in PCP30

⁵³ Association of Convenience Stores, quoted in PCP30

Summary of Conclusions and Recommendations

- (a) **Our evidence shows that planning is not a significant factor in determining productivity, even in the retail sector. Skills, innovation and investment are most important (paragraph 12).**
- (b) **Rather than blaming planning for the UK's low productivity, our evidence shows that businesses consider the planning system to be an essential part of doing business in the UK. We are pleased that in its response to our report on the Planning Green Paper and in its evidence to this inquiry, the Government has begun to recognise the positive role of planning in the British economy. We hope that the Minister's enthusiasm is shared by officials and ministers in the Department of Trade and Industry and Treasury (paragraph 13).**
- (c) **We share the Minister's disappointment that the RDAs did not identify the structural benefits of the planning system in their evidence (paragraph 14).**
- (d) **We were pleased to hear the Ministers statement that the Regional Spatial Strategy could become the predominant regional document (paragraph 17).**
- (e) **Improving the planning system is a matter of better resourcing, better focusing of effort, and implanting more understanding attitudes amongst staff and councillors. It is not about changing the rules. We recommend that priorities for Government action should reflect these identified needs (paragraph 21).**
- (f) **We recommend that new money identified in the comprehensive spending review must help the poorest performing planning departments to raise their game (paragraph 22).**
- (g) **Better organisation by developers could ensure that planning applications are processed at the same time as other core tasks within a development project to avoid delays. Applicants who try to confront the system will face bigger problems than those who work with it (paragraph 23).**
- (h) **We were therefore pleased to hear Lord Rooker, Minister of State for Housing, Planning and Regeneration's commitment to another of our inquiries that quality in planning decisions is more important than speed. We recommend that the Government's measures of improved performance should take account of the quality of planning decisions, not simply their speed (paragraph 24).**
- (i) **We recommend that the facilitating/enabling approach used by the Corporation of London should be adopted more widely, facilitating interaction between both businesses and communities with local planning departments (paragraph 26).**
- (j) **We were pleased to receive the Minister's commitment that the regulations to be made under the Planning and Compulsory Purchase Bill will be made available to the Standing Committee (paragraph 27).**
- (k) **We recommend that the Government should not pursue measures such as Clause 39 of the new Bill which potentially reduce the number of activities for which planning permission is needed (paragraph 28).**

- (l) **We recommend that Planning Policy Guidance Notes 1 (General Policies and Principles) and 4 (Industrial and Commercial Development) are revised to promote ‘positive planning’ for business. We hope that the Government will revise its planning advice with the speed that it expects local authorities to act (paragraph 29).**

- (m) **We recommend that the Government should place particular emphasis on supporting small businesses’ interactions with the planning system, as there seems to have been little consideration given to the needs of such businesses. This is an area where the Small Business Service could promote proactive measures (paragraph 30).**

**PROCEEDINGS OF THE COMMITTEE RELATING
TO THE REPORT**

MONDAY 27 JANUARY 2003

Members Present:

Andrew Bennett, in the Chair

John Bercow

Clive Betts

Mr David Clelland

John Cummings

Chris Mole

Mr Bill O'Brien

Dr John Pugh

Christine Russell

Gary Streeter

The Committee deliberated.

Report [*Planning, Competitiveness and Productivity*], brought up and read.

Ordered, That the Report be read a second time paragraph by paragraph.

Paragraphs 1 to 34 read and agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House-(*The Chairman.*)

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select committee (reports)) be applied to the Report.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[The Committee adjourned.]

LIST OF WITNESSES*Page***Tuesday 10 December 2002**

BRITISH RETAIL CONSORTIUM

Mr William Moyes, Mr Albert Caterall and Mr Andrew Smith EV 1

BOOTS PLC

Mr David Stathers CBE EV 1

COUNCIL FOR THE PROTECTION OF RURAL ENGLAND (CPRE)

Mr Neil Sinden and Mr Henry Oliver EV 8

ROYAL TOWN PLANNING INSTITUTE

Mr Vincent Goodstadt and Mr Kelvin MacDonald EV 8

OXFORDSHIRE COUNTY COUNCIL

Mr Martin Stott and Mr Chris Cousins EV 13

CORPORATION OF LONDON

Mr Peter Wynn Rees and Mr Peter Bennett EV 13

EAST OF ENGLAND DEVELOPMENT AGENCY

Mr Vincent Watts and Mr Steve Cox EV 16

NORTH WEST DEVELOPMENT AGENCY

Mr Nick Gerrard EV 16

Tuesday 17 December 2002

ROGER TYM AND PARTNERS

Ms Nora Galley and Mr Andrew Clarke EV 21

CONFEDERATION OF BRITISH INDUSTRY (CBI)

Mr Michael Roberts EV 25

TRADE UNION CONGRESS (TUC)

Mr David Coats and Mr Ian Brinkley EV 25

OFFICE OF THE DEPUTY PRIME MINISTER

Mr Tony McNulty, MP and Mr Michael Bach EV 31

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03. Small Business Council (PCP 36)	EV 43
04. Supplementary Memorandum by The Office of the Deputy Prime Minister (PCP29(a))	EV 46

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Session 2002-03

First Report: Local Government Finance: Formula Grant Distribution (HC 164-I)

Second Report: Committee's Annual Report (HC 288-I)

Third Report: Affordable Housing (HC 75-I)

Fourth Report: Planning, Competitiveness and Productivity (HC 114-I)

MINUTES OF EVIDENCE

TAKEN BEFORE THE OFFICE OF THE DEPUTY PRIME MINISTER:
HOUSING, PLANNING, LOCAL GOVERNMENT AND THE REGIONS COMMITTEE

TUESDAY 10 DECEMBER 2002

Members present:

Andrew Bennett, in the Chair

Mr John Cummings
Chris Mole
Mr Bill O'Brien

Dr John Pugh
Mr Gary Streeter

Examination of Witnesses

MR WILLIAM MOYES, Director General, MR ALBERT CATERALL, Head, Economics Research, and MR ANDREW SMITH, Head, Property and Planning, British Retail Consortium; and MR DAVID STATHERS CBE, Head of Policy Development, Boots plc, examined.

Chairman

1. Can I welcome you to the Committee this morning. This is the first of the Committee's sessions on planning, competitiveness and productivity. I would just draw to people's attention that the memoranda that we have had on time have now been published and they are available at some exorbitant price, but you can get them free on the web. We are also publishing this week a research paper that the Committee asked to be carried out, *Planning and Competitiveness: a Selective Literature Review* by Roger Tym. We hope that by the time we come to the debate next week on the new Planning Bill, we will have a bit more information which we can pass on to the House. Anyway, can I ask you to identify yourselves for the record please?

(*Mr Moyes*) My name is Bill Moyes and I am the Director General of the British Retail Consortium.

(*Mr Smith*) I am Andrew Smith and I am responsible for property and planning at the BRC.

(*Mr Caterall*) I am Albert Caterall, head of economics research at the British Retail Consortium.

2. Do you want to say anything by way of introduction or are you happy to go straight to questions?

(*Mr Moyes*) Would you mind if I just made one or two opening comments?

3. Brief remarks are very welcome.

(*Mr Moyes*) If I may, I would like to start with an apology because the plan was to have with me several active, real retailers and I am afraid they are all stuck on different forms of public transport around the country. There may be one or two issues that we cannot handle, but we will write to the Committee on those, if that is acceptable. Very briefly, if I may, the BRC of course is the trade body for retailers and, one way or another, about 90% of retail turnover is covered by our membership. The retail industry is a key part of the economy. It has been a major creator of jobs and a major creator of economic growth for the last couple of years. For retail, property is obviously a key element of delivering its services, but retailers are not in the business to develop property; it is incidental to their business of selling goods. Planning, though very, very important to retail, is

not in our view necessarily the ultimate determinant of differences in productivity. Planning, as an issue, is an issue which divides retailers to some extent, and I will separate planning into two components. On planning policy, here are very sharply divided views in the industry and there is no point in trying to conceal that. Some retailers would like to see the planning policy relaxed so that larger developments can take place, whereas some retailers would argue vehemently that that would be a great mistake and that town centres depend on an active retail centre, so on planning policy you will get as many views as retailers in the room if you ask about it. On the system, however, there is a very large degree of agreement around the retail sector that the planning system could do with improvement and a very high measure of support for the proposals in the Government's Planning Bill. Perhaps on that note I will stop and say I am very happy to answer questions.

Mr Cummings

4. In your evidence to the Committee, you argue that, "it might be hasty to say that the planning system is the most important influence on UK competitiveness and growth", and then you go on to list eight other factors, being: a stable macroeconomic environment; skills and education of the workforce; transport infrastructure; taxation; research and development; regulations and red tape; product and labour market regulations; and crime. Would you tell the Committee what you believe to be the three most important factors in determining UK competitiveness and productivity, and why?

(*Mr Moyes*) Yes, I will attempt to. Again I think there would be a number of views in the industry depending on the type of retailer one would ask. I think that the first factor that everyone would agree on is the need for a stable macroeconomic environment. If the economy is not being well managed, if growth is erratic, if inflation is high, if unemployment is a problem, then the industry faces, any industry faces a very uncertain future and that makes planning, investment decisions, decisions about hiring labour, decisions about investing in

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labour quite difficult to take. So I think any retailer would say to you that the first and most important issue for them would be a stable economic environment in which to develop the business. After that, my own view, and I think many retailers would agree, is that the second most important thing is probably skills, a good, skilled labour force, because an awful lot of management time at the moment is being diverted into making sure that when young people come into retail from school or college, they have the basic skills of numeracy, literacy and the ability to deal with people that are pretty much essential to retail, and if those skills are absent, then they have to be put in place. I think the experience of retailers at the moment is that quite often those skills are absent and a lot of time and money is having to be invested in putting those skills in place so that young people coming into retail can be effective employees. We do believe that the Government's policies are making an impact on that, but it is a very long-term issue which is not going to be solved quickly, so for the medium to long term, I think retail would say at the moment that skills and training are probably critical factors. After that, I think opinions would begin to divide quite sharply. I think many retailers would talk to you about the burdens which they face with regulation and enforcement. On that, I think that retailers would agree that there is a core of regulation and enforcement which is absolutely critical and no one is going to quarrel with, but there are also a number of regulations which take a lot of time to make sure that you are within the law, but may not be terribly productive and may not add very much and their enforcement can be terribly time-consuming. Again I think there the issue would be how much management time and effort is being diverted into something that adds very little to the business and does not appear to retailers to add much to society at large. So if you ask me for three factors, those are the three I would identify.

5. Can I perhaps refer you to the second factor, which is skills and education of the workforce, because in your evidence you say that 30% of the productivity gap between the United Kingdom, France and Germany is due to poor basic skills in the workforce. What improvement would you like to see to basic skills training to bring about the biggest increase in productivity and what do you believe the Government should do and what should retailers do to bring about these changes?

(Mr Moyes) Well, we are very supportive of the Government's decision to move from national training organisations to the sector skills councils. The British Retail Consortium successfully bid to establish one of the trailblazer skills councils which is for the retail sector and we think that one of the most important changes that has introduced is that retailers are asked to take the lead. They are asked to set up the sector skills council, to look at the problems that the industry is facing in the labour market and to propose solutions within a broad framework of government policy, and we think that is the right approach. The issues which the sector has identified and which do need to be tackled are really two in nature. One is the point I have already made, that a lot of people coming into retail are not terribly good at basic skills, and that is not just shopfloor

staff, but staff who come in for buying functions and management functions of various kinds. There is a lot of effort needed to make sure that their people-management skills and their numeracy and their literacy and their understanding of business is at an acceptable level.

6. Have these needs been truly embraced by the various skills and training councils?

(Mr Moyes) Well, the sector skills council approach is only just coming into effect and it is being phased in over a number of years. The Government's objective, as I understand it, is to have about 25 sector skills councils, but only five, I think, have been established at the moment, and the sector skills council for retail is literally starting from scratch. The work it has done so far, and it has only been operative since May, it has established in the industry that a lot of money has been spent on training, but it has been done in little boxes. Each individual company quite often does quite a lot of training, but it does not lead to any kind of certificate whatsoever, so we are trying to create a practical certificate in retailing within the framework of the modern apprenticeship approach, which will mean that training does transfer from one company to another and the individual gets accredited with the training they have undertaken and that travels with them. That, we think, will help us to tackle the secondary issue on training which is the failure to transfer technology from the large company to the small company and that seems to us also a very important factor in the retail sector.

Mr Streeter

7. What do members say were the trends in relation to skills and attitudes of young people coming into their workforce over the last 10 years? Is this issue getting better, worse or is it standing still?

(Mr Moyes) I think what members find is that young people, whether it is from school or whether it is young graduates, do not see retail as being a particularly attractive place to work. It is a paradox because something like 70% of young people experience working in retail when they are at school. They have Saturday jobs, they have evening jobs and increasingly as students they have to work part-time to finance themselves, so they come in contact with the retail sector, but they do not stick. The brighter graduates—

Chairman: Do you blame them?

Mr Streeter

8. That is your fault as employers.

(Mr Moyes) When I am giving evidence, I have to blame them. No, it is our fault as employers, not being facetious. I think employers have not put nearly the effort in that they might have done to expose young people to the huge range of jobs that there are in retail. Young people come into retail and they see grafting on the shopfloor as what it is about and in fact it is a large slice in terms of numbers, but it is a small slice in terms of the business of what retail does and the whole areas of buying, merchandising, managing the supply chain, HR management, financial management, property and planning, and I could go on, those are all very exciting things to do.

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[Mr Streeter Cont]

Retail has woken up to the fact that it has to sell to young people that this is a tremendous industry to work in and you can make a very, very good career for yourself and at the top end of the business you can make a lot of money.

Mr Cummings

9. In your memorandum, you mention that the UK retail sector has world-leading "Total Factor Productivity". Can you explain that to us?

(Mr Moyes) If you would not mind, I will ask our economist.

(Mr Caterall) I will start off with my, if you like, journey to understanding it. To start off with labour productivity, how much people produce per hour worked or per worker in some sense, very often when you do comparisons across the industry in Britain compared to America or the Continent, we do perform badly in labour productivity for what we produce. Part of the explanation for Britain as a whole is that we do not have the same investment per worker, so you could say some of it is because of a lack of capital investment. Now, total factor productivity is, if you like, saying, "Even if we did have that sort of capital investment, how would we compare?" There are ways of measuring it, but it is trying to say that, given the same amount of inputs of labour, capital and maybe land as well, how would we do relatively to other people.

Chairman

10. If I go shopping and I do not buy anything and I come away very happy, is that factored into this total factor productivity?

(Mr Caterall) That would just be a non-event and it would not count in any way whatsoever.

(Mr Moyes) Although your happiness is very important to us, Chairman!

Mr Cummings

11. I will have to digest the answer to make sure I understand. What changes would you like to see to the planning system to improve competitiveness and productivity in retailing without losing the current benefits that you see?

(Mr Moyes) In a moment I will ask Andrew to elaborate, if I may, but there are one or two points. I think speed is the first point I would like to make, that we do find the planning system quite slow in many ways and we would like to see ways in which the planning system, taking decisions, could be speeded up. The experience of our members is that planning is quite often a negative, that it is to stop things rather than a positive way of developing a better community, and we would like to see a bit more consistency around the country as well.

(Mr Smith) In terms of speed, I think it is a question of making sure that the performance management regime targets are the right targets which will increase the level of performance in the system to make sure that the Government's investment goes to the right places where perhaps performance is less than adequate and in terms of issues like certainty, making sure that particular

policies are implemented on the ground in a proactive way rather than a reactive way, so it could be about local authorities using practice to assemble sites for retailers, but it could be about a whole range of other things and being more positive about development and the benefits it could bring.

12. Would it be fair to say that you accept the wider economic effects of having a regulatory planning system because you appear not to have been too critical of planning policies in your evidence? Does it mean that you feel we should concentrate more on the implementation of planning in practice?

(Mr Moyes) On the whole, yes. As I said in my introductory remarks, there are some retailers who, if they were here, would argue quite strongly for the content of planning policy to change, but I think the vast majority of retailers would say to you that if the planning system were more efficient, were faster, had met the kind of points that my colleague has just mentioned, 70 or 80% of concerns about planning in retail probably would have been dealt with, so I think the balance is more towards the system.

Mr Streeter

13. Do you feel that the drift from town centres to out-of-town retail has now halted?

(Mr Moyes) Well, the Government's policy, as you will know, is to try and make sure that out-of-town developments are in a sense a last resort, so the—

14. But from your members' point of view?

(Mr Moyes) I think some of my members would like to see more out-of-town developments, but equally there are large numbers of my members who would argue very strongly that out-of-town developments damage city centres, so if you had, for example, Asda here and Arcadia here, just to quote two, you would get quite different views and both equally legitimate.

Dr Pugh

15. In your response to the Planning and Compulsory Purchase Bill, you have largely been favourable and most of the concerns you had appear to have been addressed. Does that mean you are completely content with the Planning and Compulsory Purchase Bill and ought that not make the rest of us suspicious?

(Mr Moyes) On the latter point, no. I would like to think that part of the function of government is to make its citizens feel happy with it. I think that if the planning system emerges as the system in which there is a strategic planning authority which delivers clarity about planning intentions and a local planning authority which delivers on the ground an efficient system where people can understand how it works and encourages local development in a proactive way, in principle, we would be content with that kind of system.

16. What is your feeling about regional spatial strategies and local development frameworks? Are you comfortable with these new beasts?

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(*Mr Moyes*) In principle, yes. I think in our evidence we would say that the London plan concept is one that we rather liked. We would like to see proper joining together of strategy.

(*Mr Smith*) In terms of the local development documents or frameworks, whatever they end up being called, I think if they can be streamlined, if they can be adopted reasonably quickly compared to the current system and local authorities have up-to-date plans which would improve the environment for our members to build a development, because of the certainty which would arise from that, we are in favour. If they can be streamlined and brought forward far more quickly, then we would be in favour.

Chairman

17. What is the evidence that the present ones are taking a long time?

(*Mr Smith*) I think if you look at the figures for the number of local authorities which still do not have one adopted, that has obviously declined, but those which have plans which are approaching a date when they will run out of validity, that is going to be a massive number in the next two or three years. It is a question of how we can replace those plans with a process which does not take three or four years to adopt, to go to inquiry, et cetera.

18. Have you looked at those that have been redoing their plans and are not most of them doing them pretty quickly this time round?

(*Mr Smith*) They are because again they have got to learn the current system, the effects of it, but again in terms of perhaps having a clearer system of documents and maps and plans, there is room for improvement.

Dr Pugh

19. Do you like the sound of local development frameworks because you have heard the words “speed”, “resolute move” and that kind of thing? I know that one or two authorities like local development frameworks because they provide community consultation and they provide new levers that they can control development with. Is there not the possibility at any rate that local development frameworks may end up not satisfying either the retail sector or the local authority sector, which might be offering a lot now, but may disappoint in the future?

(*Mr Smith*) It could be. If the new consultation procedures are lengthy and time-consuming and do not deliver, we would think would be effective consultation and it could indeed be the case are not an improvement on the current system, but we are being optimistic.

(*Mr Moyes*) Part of the planning function is surely to strike a balance between the interests of the corporate sector or business and the interests of the individual. In a sense, a degree of dissatisfaction on both sides is probably an indication of success.

Chairman: Everybody unhappy!

Mr O'Brien

20. Following up your comments there, where does quality fit in with the framework of the proposals by the Consortium? You have never mentioned the word “quality”.

(*Mr Moyes*) May I ask, quality of what? Quality of planning decisions or?

21. Quality of planning.

(*Mr Moyes*) It is in everyone’s interest for—

22. Why do you not make that quite clear?

(*Mr Moyes*) Well, I suppose it is almost axiomatic, in our view.

23. It is not because all you have been speaking about so far is speed

(*Mr Moyes*) And speed, we think, is part of policy.

24. When we had the Minister for Planning here, Lord Rooker, and we asked him what he considered to be important, quality or speed, he said quality. Now, we have a situation and you have admitted that the Consortium is divided on certain issues—

(*Mr Moyes*) Yes.

25.—so if they are divided on certain issues, are they divided on quality? Some of the out-of-town shopping issues are a real problem, with no design, no architecture, so quality does not feature a great deal. I think you admitted that today, but you do not use it anywhere in your evidence.

(*Mr Moyes*) No, I would not accept that contention. I think that quality has many facets. One of them from our perspective is timeliness and timeliness feeds into the return on investment and that in turn feeds into the amount of investment that can be placed on the ground. Ultimately, retailers depend on attracting customers and there is undoubtedly more retail capacity in this country than there needs to be, so customers can move from one retailer to another and from one location to another, and they do in very large numbers, so to attract customers, retailers have to put on the ground, whether it is out of town or in city centres or anywhere else, developments that people want to go to and we would see that as being part of quality too, but it is a very subjective issue, quality, I would like to say.

26. Let me give you an example. I have witnessed in supermarkets narrow aisles, aisles with pallets in them, more so at this time of the year, and the interest of the customer appears to be secondary to the fact that so much has got to be packed into aisles, et cetera, that the quality does not seem to feature at all in many instances. Now, what are you doing about that?

(*Mr Moyes*) Well, the fact that retailers have to cram the shelves and load down the aisles with goods reflects demand in part. I entirely agree with you that there are some supermarkets and other shopping environments which are not comfortable. There are others I could take you to which are quite splendid. In the end, however, if retailers do not give the customer what the customer wants, not just in goods and price, but also ambience, environment and location, customers will go elsewhere and there are plenty of examples where customers have gone elsewhere.

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27. Can I ask also a question on development because in a previous exercise that we undertook, we had Asda here and the question was the involvement of Walmart in their planning decisions. We were told at that time that there were no plans to develop supermarkets in the Walmart issue. Is that a matter which is considered by the Consortium?

(Mr Moyes) We have discussed planning issues with our members, including the chief executive level regularly. As I said earlier on, I think if Asda were here, though I cannot speak for the company and I am only representing what I understand to be their position, but if Asda were here, I think they would say that they would like to see larger formats. I am not sure that they are as concerned as you might think about whether those large formats are in town or out of town. They need to be accessible to customers, however, and customers need to be able to get there and park there, but I do not see myself that the huge stores that Walmart promote in the United Kingdom are regarded by Asda as a realistic ambition in this country.

Dr Pugh

28. Going on to the big-style stores that we see popping up all over the place now, has planning been a serious constraint to the development of those?

(Mr Moyes) I think planning has been certainly a delaying factor. I think the location of some of these developments has been much influenced by planning. I think the scale of them has probably been influenced by planning, but this is where the absence of retailers around me does cause me some difficulty because I do not always have the detailed knowledge of individual cases. If you would like us to quote examples, we can certainly ask our members and write to the Committee.

29. What is the key determinant to the availability of land because if you want to build a huge store, you cannot plonk it easily in the middle of a city centre, can you, regardless of whatever planning system you have got?

(Mr Moyes) No, you cannot always, as you say, plonk it in the middle of a city centre, although the point my colleague made earlier on is that as planning works at present, local authorities do not see it very often as part of their job to help assemble sites for developments that might be desirable when viewed in the wider community context. I think there are plenty of examples in even historic city centres with a lot of listed buildings of retail developments of a scale that has fitted in quite well. I think of Guildford, for example, where I live where there are four or five retail developments in the city centre which blend beautifully into the environment and are very, very successful, so I think it can be done.

30. Just talking about the environment, do you think that anything in the way of retail development over the last decade has done anything, for example, to improve transport in and out of cities because it seems to me that the retail developments operate almost parasitically off the back of the transport system and aggravate some of the problems we have got. They are plonked by a motorway and put more traffic on that motorway.

(Mr Moyes) Well, wherever any kind of development takes place, people need to get to it, whether it is a manufacturing facility that workers need to get to or a retail development or a major university or a major hospital.

31. People do not need to go to the Trafford Centre until you build the Trafford Centre, do they?

(Mr Moyes) But they go somewhere. There is a certain amount of additional activity that takes place, but there is also quite a lot of displacement taking place. I do not think that retail is in any sense parasitical. In the end it responds to demand.

32. Are there some retail developments now which would not consider town centres and actually regard town centres as places they would not wish to be?

(Mr Moyes) No, I think my assessment is that most retailers realise that the thrust of government policy and in fact much of the demand of customers is to have well-developed, lively city centres and I think there is a high degree of agreement that if that is where your customers want to be, that is where you need to be and that, therefore, retailers are mostly pretty active in developing in the town centre.

33. But in the town I live in you have no choice and if you want a DIY store, there is only one place you can go and that is out of town because they have all moved out of town and the smaller ones in town cannot compete, so really it is not a question of where customers want to go, but they have to go where the DIY facilities are.

(Mr Moyes) That may be true in very small towns, but across the country as a whole, locations of retail developments to a large extent have to meet the convenience of customers, otherwise customers will not go there because there are plenty of other places to go in most towns and cities.

Chris Mole

34. Mr Moyes, twice now you have said that it would be good if local authorities could be helpful and proactive in the planning process. Is there not a tension between them doing that and their quasi-judicial role in overseeing planning judgments and do you believe that the Planning and Compulsory Purchase Bill does anything to resolve that tension?

(Mr Moyes) Perhaps I can take the first point and then perhaps ask my colleague to answer the second. I think the way the system works at the moment, as I understand it, local authorities tend to operate it as giving a yes or a no. We would like to encourage a system to develop whereby there can be a consensus about the type of development which should take place and that local authorities would play a part in facilitating that. We think that is workable.

(Mr Smith) In terms of the question of them being proactive, they already have under a variety of different government initiatives the duty to be proactive. PPG6 itself does say that it is to encourage the vitality and viability of retail which, to us, would suggest that they have to help in the location and assembly of sites. It is not just a reactive tool to prevent certain types of development, but promoting it in the right places as the local authority.

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Mr Cummings

35. The Corporation of London, in their evidence, argue that “the planning system is entirely capable of working well for major developers even though it does not always do so”. My question is do you know of any cases where significantly-sized retail schemes have been processed swiftly by the planning system or do you consider the problems of speed, inefficiency and lack of transparency are inevitable in the current structure?

(*Mr Moyes*) I do not myself have a sufficiently detailed knowledge of individual cases to give you a very satisfactory answer. The impression I have got, and it is only an impression, is that most BRC members would say that major developments suffer considerable delay, by which they mean several years’ delay.

Chairman

36. Are there some local authorities that you would give stars to because they were good and some local authorities that you would put black marks against?

(*Mr Moyes*) Well, I think in our evidence we identify the differentials in the speed of dealing with planning applications, so there are some local authorities that in our evidence we say deal relatively quickly and some very slowly.

37. Yes, we have already addressed the question of whether it is speed or quality, so you are still marking them on the basis of speed rather than quality.

(*Mr Moyes*) Well, I thought I was being asked about speed. Quality, I do not know how one judges.

Mr O’Brien

38. On the issue of transport and the sustainability of transport objectives by the Government in respect of retailing, should we not make a use of the policies on social issues and the fiscal issues when we are planning for retailing, particularly outside the town centres?

(*Mr Moyes*) Sorry, I am not sure I am fully understanding the point.

39. We have talked about transport and the sustainability of transport objectives in respect of retailing. All right, we want wider roads, we want larger car parks, but there is a social problem with that, particularly if it is located near a village or near a community. There are social problems and fiscal issues which should be addressed. Is that taken into account by the Consortium?

(*Mr Moyes*) I think the Consortium would entirely accept that part of the planning function, as I said earlier, is to strike the right balance between the interests of the individual and the interests of retailers or any other business.

40. Does that apply to town centres also, that there should be a balance, with free car parking, for instance, as against charging? Would the Consortium level the playing field?

(*Mr Moyes*) Can I introduce David Stathers from Boots who was meant to be on the team and he has been delivered to us by British railways.

(*Mr Stathers*) Yes, it took me four hours to get here from Nottingham and I do apologise. I am sorry I missed some vital evidence of this discussion, but I think there is a very big issue in terms of retail and transportation. I do not think sufficient attention is given to the need to ensure that there is adequate connectivity between the town centre and those communities that lie within not only the built environment, but within the wider environment of rural communities and market towns. To me, it is a great shame that all of the focus that I see is all about bringing transportation into the city centre, but there is very little debate about how one can connect communities throughout the built environment, the urban environment in particular, into which there is something like approaching 50% of the retail market and if there were opportunities to improve public transportation links across communities rather than from communities into city centres, then perhaps we might get more diversity.

Chairman

41. You have not answered the question about whether there should be a level playing field about parking charging.

(*Mr Stathers*) Objectively, there are arguments for and against.

42. Let me put it to you this way: I use Boots in Stockport to get my films developed and I rather object to there being a surcharge when I go into Boots in Stockport of £1 for having to park in order to leave my film and £1 when I come back. Boots in Stockport do a rather better job than one, two or three out-of-town stores which also have development facilities. Should I pay that £2 every time I take my film to Boots in Stockport?

(*Mr Stathers*) I have to say I was not aware you pay a surcharge at Boots for having your films processed.

43. A parking charge, which in effect is a surcharge. If I did other shopping, I could share the charge out amongst other things.

(*Mr Stathers*) What is clear is that retail provision and retail demand is driven by accessibility. If you are beginning to charge higher prices for parking in town centres, then given that there is 50% of the retail market outside of town, those customers will migrate to out of town. One way of stopping that would be to have equality of car parking charges, but would that act in the long-term interests of the consumer? I doubt very much that it would.

44. It would work in my long-term interests!

(*Mr Stathers*) The other way is to make town centres more accessible by reducing car parking charges or abolishing them altogether.

Chris Mole

45. Looking at sustainability as a whole, it has three legs and we can see that the retail industry has done a lot in social and economic terms for society, but what would you say it has done for the environment?

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[Chris Mole Cont]

(*Mr Moyes*) I think over the last few years retailers have, at their own volition and as the law has changed, done an awful lot and I think there is an awful lot more to do in relation to things like packaging and waste management. Again, David, as a practising retailer, could perhaps add to that, but I think there is a good number of examples where retailers can demonstrate quite convincingly that the environmental agenda which has been developed in Brussels and Westminster is one that they follow.

(*Mr Stathers*) I think it extends to the way in which we deal with our products, the way we source materials, and a lot of materials, particularly those which are wood-based, come from managed forests. In terms of transportation, there is a great deal of liaison and cooperation between retailers who actually share lorries to ensure that not only are they full when they are going out to deliver goods in stores, but when they come back, they are full again in terms of empty goods, returned goods and also waste material, so there is a great deal which is done by the retail sector to improve and make the environment better.

46. Do local goods not go from my area to a central distribution place and then come back again to the local shop? That does not sound very environmentally sustainable.

(*Mr Moyes*) There are some examples of that in food retailing and it is largely driven by laws on hygiene and food processing and food handling. One of the things which has emerged, for example, in meat processing is that a small local network of abattoirs has not proved a very acceptable way to manage meat processing and the development of meat products, so yes, I would quite readily acknowledge that there are some examples of that, but I think it is mainly in relation to food rather than generalised goods.

Dr Pugh

47. I cannot help thinking it is special pleading. What you have said in effect is that you have subscribed to or are reactive to environmental legislation, whereas you would have to anyway. I am trying to find what positive initiatives you have made to actually improve the environment. As I see it, the general trend of retail has been to increase, as the outcome of development, the amount of carbon in the atmosphere and the buildings you build on the outside of town are almost universally horrible and very similar from one place to the other. If we go back to the 1950s and 1940s, retail used to build relatively decent buildings, not universally, but

compared to what is going up now which are very standard developments. If you drive past one retail centre, you cannot tell where you are or what town you are in or anything like that. Apart from fitting in with European legislation and doing something you have got to do anyway, could you cite an instance where the British Retail Consortium has, say, subsidised a park-and-ride scheme, helped public transport and all the sort of things which are regarded as good environmental practice anyway?

(*Mr Moyes*) Well, the BRC would not do that because that is not what we do; we represent the industry. I think there are plenty of examples where, as David said earlier on, retailers have taken the initiative in their sourcing policies to make sure that they are sourcing, for example, wood products from the Far East from sustainable sources, so I think our record on what has come to be called corporate social responsibility is pretty good and I think our record on developing energy-efficient buildings is pretty good. I think we need to see retail development in a wider context which is the intense pressure to reduce prices.

48. What you do anyway is good commercial practice as no retailer wishing to make money would have non-energy-efficient buildings, but tell me about something you have done which is actually positive for the environment rather than simply for your own interests.

(*Mr Moyes*) Developing the environment and being environmentally sensitive goes hand in hand with good commercial practice and I do not think that one should regard the two as a dichotomy in any sense.

Chairman

49. Over the last 20 years, retail shopping has been revolutionised in terms of location in this country. Do you see Internet shopping making the same sort of impact over the next 20 years and, if so, will the planning system help that?

(*Mr Moyes*) No, I do not myself see Internet shopping making anything like the impact that people thought it would five years ago. It is another channel of getting goods to people and there are some products like books and CDs and so on where it works terribly well. I think that it will grow in importance for some types of commodities, but going shopping is a leisure activity and people will still do that.

Chairman: On that note, can I thank you very much for your evidence.

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[Continued

Examination of Witnesses

MR NEIL SINDEN, Director, Policy, and MR HENRY OLIVER, Head of Planning and Local Government, Council for the Protection of Rural England; and MR VINCENT GOODSTADT, Senior Vice President, and MR KELVIN MACDONALD, Director, Policy and Research, Royal Town Planning Institute, examined.

Chairman

50. Could I welcome you to the Committee and could you please tell us who you are.

(*Mr MacDonald*) My name is Kelvin MacDonald and I am the Director of Policy and Research at the Royal Town Planning Institute.

(*Mr Goodstadt*) I am Vincent Goodstadt, Senior Vice President in the Royal Town Planning Institute.

(*Mr Sinden*) I am Neil Sinden, Director of Policy at the CPRE.

(*Mr Oliver*) And I am Henry Oliver, the Head of Planning at the CPRE.

Chairman: Would any of you like to say anything by way of introduction? Okay, straight into questions.

Chris Mole

51. The evidence we have received from you and a number of others is that we are not going to develop competitiveness without a robust and effective planning system. Given some of the comments that have been made, do you believe it is currently robust and effective?

(*Mr Goodstadt*) It is needing improvement and that is something that the Institute is concerned to promote in various ways. In relation to the specific issue of competitiveness and how planning actually influences it, it is a cornerstone of creating a competitive environment in Britain, particularly with regard to delivering infrastructure, delivering quality and a place in the environment in which this takes place. There are three cornerstones of a competitive economy. One is to do with the labour supply, training and things of that nature, the other is to do with the nature of businesses, and the other is the environment in which people work and invest, and planning has a critical role in delivering that quality of infrastructure and particularly the quality of place. Now, the current system does not allow that, particularly at the regional level, and a move towards the introduction of regional spatial strategies through the new Bill is something that we should be deeply supportive of in order, amongst other things, to help create a more competitive environment. The other thing though, even if we got that regional level of planning right, is that when we talk about competitiveness, we are talking about the UK because in fact the economy works at the UK level, not even at the regional level, for instance, in terms of transportation systems, and we actually still do not have the clarity of policy at the national level, particularly in the development of infrastructure, in terms of the development of the transport system, rail, ports, airports and so on, which allow people to compete effectively in the outside world. We have actually advocated a stronger policy context for decisions at the national level ideally through a national spatial planning framework which in fact the Government has actually moved away from in

terms of the Bill, but it has sought to at least strengthened the way we develop major infrastructure projects.

Chairman

52. So you want the airports sorted out quickly?

(*Mr Goodstadt*) And a few other things.

(*Mr Sinden*) From CPRE's point of view, we would agree very much with most of that. Our starting point is somewhat different, however. I think we argue that planning has a vital contribution to make to overall quality of life and that should be, if you like, the touchstone for the quality and the assessments of the robustness and effectiveness of the planning system. Competitiveness clearly does not automatically promote quality of life and the thrust of our written evidence aims to demonstrate that simple point. It is a point, I should say, that the Prime Minister recognised in his foreword to the Government's Sustainable Development Strategy a couple of years ago when he said that success has been measured by economic growth, GDP, alone. We fail to see how our economy, our environment and our society are all one and delivering the best possible quality of life for us all means more than concentrating solely on economic growth, so our starting point is somewhat different, but we do believe that the planning system has a vital contribution to make through improving quality of life, through promoting environmental quality, through promoting efficient land use and so on and so forth to business competitors.

Chris Mole

53. So I think that you have both said that it needs improving, but in what way?

(*Mr Goodstadt*) Well, I have already touched on the importance of getting the strategic planning process right where in fact we deal with the true labour market, for example, which are at the regional level. It also involves ensuring that we can have a better delivery of housing, which has been an issue in some parts of the country also in terms of the appropriate infrastructure and priorities for investment in road, rail and so on.

54. So you say counties are not strategic enough?

(*Mr Goodstadt*) No, because they do not reflect the true geography of Britain in terms of the way people work, commute and so forth.

(*Mr Sinden*) We may agree in some instances that the county level is not the sensible tier at which strategic decisions might be taken, but, nevertheless, they have performed, the counties, pretty well over recent years in terms of providing a relatively up-to-date comprehensive strategic planning framework within which decisions can be taken. Vitally what they have done is that they have ensured there is a degree of public acceptability and public accountability of strategic planning decisions. Our

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[Continued

[Chris Mole Cont]

great fear is that with the current planning reforms before this House in the shape of the Planning Bill we will see the complete loss of a publicly-accountable strategic planning tier. However quickly the regional assembly process moves in some parts of the country, we are unlikely to see decisions taken at that level by directly-accountable bodies within the next five years across much of the country and our concern is that the valuable role that planning plays in ensuring that the public interest in the development of strategic planning is reflected, which is a vital part of ensuring that planning delivers quality of life and improvements to quality of life, will be lost with the planning reforms.

55. You are keen for us to take the broad view and look at the contribution of planning to the business environment, but in reality what should be the local response when local business needs a rapid decision if it is going to stay in business?

(*Mr Sinden*) Our view is that too much emphasis has been placed on the speed at which planning decisions are taken. Clearly speed is an important part of the outcome of planning decisions, but in some cases an emphasis on fast, quick decisions can actually probably undermine business competitiveness and business success and where, for example, local planning authorities feel that they are under pressure to come to quick decisions, they may decide on the basis of insufficient evidence, let's say, to refuse an application which might otherwise have been acceptable had the local authority felt able, in terms of the time available to it, to enter into negotiations with the developers or the proposers of the development to improve the proposed development and to improve its contribution to environmental quality and local quality of life.

(*Mr Goodstadt*) I think speed is an issue, and everyone accepts that, but in terms of speed, I think that work and our evidence highlight the fact that the big issue is actually in areas with delays are to do with the resourcing of planning which the Government are addressing and so we recognise that it is not so much delay as a lack of resources. Secondly, where you take more time, you actually often end up with a better decision and often a bigger chance of approval. The third thing about speed is that when you were talking in your earlier evidence about retailing, it applies to business, there are examples of where things move quickly and normally this is where there is a clear, up-to-date plan.

56. Perhaps as a supplementary to the Royal Town Planning Institute, there are almost prohibitive costs to some small businesses engaging in the planning process. We had Boots here who would probably find it fairly straightforward as they are probably people used to these things, but how can the system better respond to small businesses?

(*Mr Goodstadt*) I think this is the clarity of the plan and providing for them in that. There has been some discussion about whether there can be local development orders and the Bill raises that as some way in which there can be a much clearer signal, almost a *de facto* outline consent where you can move with confidence to getting a detailed consent, and I think that is something worth looking at, but it has to be done carefully.

(*Mr MacDonald*) I think one other aspect of that is that it is far easier to quantify the direct costs to small businesses who are engaging in the planning system and far more difficult to quantify the returns to that small business in terms of the environment that is created by the planning system, the infrastructure that is brought in by a planning system and the accessibility of labour markets that is helped by the planning system. Too much of the consultation has been on cost and not enough on benefit.

Chairman

57. The CPRE has argued for more planning. What do you mean by that?

(*Mr Sinden*) Well, very much in line with what the RTPI have said, we believe that there should be stronger, more effective strategic planning for many years, not just—

58. So you would like to see the airports sorted out?

(*Mr Sinden*) Clearly, it is vitally important that we have clearer statements of national policy governing issues like major infrastructure developments, such as airport development, but I think, above all, what we want to see is a strengthening of the strategic planning tier. On the basis of the evidence that we have before us, for example, in relation to the level of detail, the level of public support and awareness of regional planning guidance, we do not believe that the new proposals for regional spatial strategies, which we support in themselves, will actually do as much as needs to be done at the strategic level in the absence of county structure plans to ensure that we have a strong and robust planning framework.

(*Mr Oliver*) There are two crucial things here. One is that regional spatial strategies need to form the framework for all the other regional strategies and the Government has, in publishing the Planning Bill, cast some doubt on whether that will be the case. That is important for certainty. It is vital also that there is accountability in strategic planning, as has been pointed out just now, and in terms of local development frameworks and the local development documents that make them up. If we are going to have certainty, if planning is going to continue to improve competitiveness through certainty, they have to be comprehensive, they have to cover a whole area and they have to have sufficient detail. Again there is some doubt around that issue.

(*Mr Goodstadt*) In terms of the issue of counties which has been raised, I think there is a difference between this and ensuring that there is effective strategic planning through regional spatial strategies and, therefore, that has implications for county structure plans, and the more critical issue is that the resource lies within counties to cope with the RSS process and the point of not losing that resource and ensuring that counties engage. I think there are questions in the Bill in terms of the way consultation should take place on the regional spatial strategies which, I understand, is meant to be in the secondary legislation, but the RTPI want to see that clearly defined in legislation because there has to be as accountable and as open as any system which exists at the moment.

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[Continued

[Chairman Cont]

59. Both of you are trying to sort of hint that a good planning system actually improves our competitiveness. Does it not really mean that if you have too many planning restraints in this country, businesses go elsewhere?

(*Mr Goodstadt*) I think that, if anything, the evidence is internationally that there is a growing recognition of the importance of spatial planning. If you take the OECD's work, they have now started to measure the whole question of what they call "territorial management" which is what we call "planning" and how it is critical to the management of the economies of the world as well as the macroeconomics. So that the efficiency and effectiveness of strategic planning particularly is something which has been highlighted and used internationally and which we have to get right. If we do not get it right here, Britain will be less competitive, especially in terms of creating the quality of places in which to invest.

(*Mr MacDonald*) Just as a quick example, I have just returned from China looking at strategic planning in the Pearl River Delta and the towns that are most competitive are the ones that have taken to themselves the greatest planning powers to control the use of land and to protect their environment, which in itself is an attraction for inward investment, so international experience on the ground shows that your supposition is not true.

(*Mr Oliver*) And nearer home, places like Oxford and York are some of our most competitive and most sought-after places to live and work and locate to and they also tend to have very strong planning regimes.

Mr O'Brien

60. On the question of quality of life in planning and the business competitiveness surrounding that, what are your views on introducing issues which do refer to quality and quality of life in planning decisions?

(*Mr Goodstadt*) Quality of life is a critical part of planning judgments. Planning is about the balancing of values which the society seeks, but when it comes to competitiveness, which is what you are looking at, the whole quality of life is now becoming a much more significant issue in the judgments people make about where to invest. Research done not in England, but in Scotland suggests that in fact it is actually becoming as important as other decisions about access to labour, transport and so on, not as high, but it is increasingly a critical factor in determining whether people decide whether to come to Britain or not to come. Also in terms of quality of life, especially when the labour market is generally more fluid, the quality of life on offer to people is going to be increasingly important in where people choose to live and work.

61. What about the CPRE?

(*Mr Sinden*) From our point of view, we would entirely support that approach, but our concern is that we see example after example of local authorities with beggar-thy-neighbour type approaches in order to attract investment into their local area by lowering environmental standards, for example, by allowing development on greenfield sites, by allowing development which might in other ways damage the

local environment. Our concern is to ensure that we have a policy framework in place at the national level, but also at the regional and strategic level which enables local authorities and other interested parties, third parties as well, to ensure that the issues and considerations that are taken into account in relation to individual decisions on investment proposals are taken in an open and rigorous manner with full awareness of the potential costs and benefits of that decision to the local area in terms of quality of life.

62. Do you consider that competitiveness is business growth is being pursued at the expense of planning?

(*Mr Sinden*) I think there are signs within government that the Government is not speaking with one voice on this matter itself. It is no secret, it is believed that the Treasury has been behind a lot of the sort of deregulatory pressure that has been put on the planning system for the past few years.

63. Why is the Treasury involved with that?

(*Mr Sinden*) Because of its primary concern to promote business growth and economic competitiveness in this country. There seems to be this misconception around that within the Treasury and in other parts of government planning has been an obstacle to competitiveness. One way of improving the economic performance of this country is to somehow deregulate.

64. What about the benefits and costs in that?

(*Mr Sinden*) As has already been said by the RTPI, it tends to be easier to measure the specific costs of individual planning decisions for particular businesses in terms of planning refusals and so on and not so easy to measure the benefits that planning can bring in terms of environmental quality, in terms of efficient land use, in terms of provision of infrastructure, risk management and many other issues.

(*Mr Goodstadt*) The issue of regional planning and business development is one that I do not recognise as being in conflict. I do not say this with a perspective of planners producing plans, but if I go to the RDA strategies for England and look at them they consistently have a range of either four, six or eight themes on which they are majoring. Consistently, quality of life, quality of infrastructure, are seen as absolutely paramount to their strategies. What we have had therefore are those responsible for competitiveness requiring action which they cannot deliver, which only the planning system can deliver.

Chairman

65. Have you looked at their evidence to us? It is pretty depressing.

(*Mr Goodstadt*) I have gone to what their programmes and strategies are and if you go to the North West Development Agency one they have four key themes, two of which are about investing in infrastructure, image and environment. If you go the south-east strategy, they have seven themes, four of which are about planning, about world class transport, world class environment, world class urban regeneration and world class rural economies and so on. The people who are doing the day to day investments in economic development who have

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[Continued

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been given the statutory job to do it are looking to the planning system to deliver a key component of their strategy.

Mr O'Brien

66. Are you saying we need more resources in some areas?

(*Mr Goodstadt*) The examples I have given have been across the country but there is evidence suggesting that, where investments have taken place and regeneration in places like Birmingham and others that have done major work, we have seen real productivity increase in terms of GDP within those regions.

(*Mr Oliver*) It is important to point out however that there is a fairly stark difference between the rhetoric of the regions and the practice.

67. What is your view on the Chancellor's suggestion for enterprise areas?

(*Mr Oliver*) We have a number of concerns about them. Primary among them is that if planning is a good thing, which we believe it is, and if we think it contributes to quality of life, competitiveness, prosperity and so on, why in those places where we most want to encourage better quality of life and economic growth are we effectively suggesting that planning controls should be loosened or removed? Business planning zones, simplified planning zones and possibly enterprise areas, though we do not have much detail on them at the moment, we think are likely to undermine public confidence in the system.

68. The purpose was to develop deprived areas.

(*Mr Oliver*) Yes. Why is it that deprived areas do not deserve good planning? We think it is quite likely that the process is likely to reduce the quality of development by encouraging a race to the bottom and to reduce public confidence in the planning system generally because there will not be the same public input. Some regions like the north-east have been supporting substantially lower brown field housing targets, for example, than there is capacity in the area to provide. There is a mismatch there between the environmental rhetoric, the trust and confidence in planning and what is happening.

(*Mr Goodstadt*) The issue in the depressed areas of the country is that the strategy to change them and to be transformational in the action, is based upon the need to improve the quality of the environment. Therefore, you do not want deregulation that diminishes quality. It is how you deliver quality. In the enterprise zones, which are maybe the nearest parallel to this kind of thinking, quality has been delivered and often people say, "What is the problem? You have got rid of the planning. There is no problem and you have quality." The quality, however, is delivered by the landlord control and the management, the ownership, often by the public sector, which controlled and delivered planning through other means. Deregulation as a general process, we have to be very careful about because it could erode quality.

Chairman

69. CPRE, why have you been so effective at lobbying my constituents and so ineffective at lobbying the Chancellor?

(*Mr Sinden*) We enjoy good relations with Treasury officials but there does seem to be a degree of confusion within that department about the role of planning, about what is meant by deregulation of planning and enterprise areas. We are getting assurances from other parts of government—

70. I was not asking about other parts of government; I was asking about the Treasury.

(*Mr Sinden*)—that the business planning zone idea is intended only to take root perhaps in one or two parts of each region, which contrasts very significantly with the Chancellor's plans for 2,000 enterprise areas across the country. Clearly, we need to work on the Treasury more.

Dr Pugh

71. You used a very interesting phrase. You said there was no mileage in different authorities beggaring their neighbours by lowering planning standards. What exactly were you saying? Were you saying that is a bad thing to do anyway or were you saying, as an economic strategy, it does not pay off because obviously it would be a very brave local authority in a depressed area that turns down business investment because it has to lower planning standards.

(*Mr Sinden*) Absolutely. As an economic strategy it is a bad way forward. Our concern is that the Regional Development Agencies on the whole do not appreciate the importance at the regional level of ensuring that they are not just competing with each other for what might be scarce inward investment and that there should be a clearer national framework within which they operate.

72. Does not lowering of planning standards work in the short term or in the long term?

(*Mr Sinden*) In the relatively short term, very often, the negative impacts of decisions to lower environmental standards in order to attract inward investment can be felt on local communities and local areas. There is plenty of evidence to show how, in terms of out of town development, major out of town retail development can have a devastating effect on town centres.

73. There may be fewer people in the dole queue in that town.

(*Mr Sinden*) I am not so sure. We put an example in our evidence which shows that an apparent increase in the employment levels in a local area by inward investment coming into an area can be turned round in a relatively short space of time by the impact that that business has on long established town centre businesses which do employ local people; whereas the company coming in from outside the area will be bringing in labour from outside the area as well. You could have a very negative impact on a local community, even if you are able to secure inward investment from outside an area.

(*Mr Goodstadt*) The confusion over economic competitiveness does arise by not distinguishing between the aggregate change in the economy and

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[Continued

[Dr Pugh Cont]

individual decisions. Where there is a range of opportunities sufficient to cope with the total growth of an area, there is no loss in the economic competitiveness. It is when the land supply is unduly constrained that you do have problems. In terms of the dropping of standards, the question is what benefit arises from it. What standards are we reducing? Why are we deregulating. If we go back to the original idea of the business planning zones that was originally floated, there was to be one per region catering for the high quality end of industrial and business development, which of themselves tend to demand quality and protection of the environment. The Government has moved from that, which was related to an almost international, competitive position to just a general relaxation across the board, which is where the worry comes.

74. You could argue—and you have argued, I think—that, from the south-east experience, you have tight planning controls but you get very good and profitable development; but you cannot market that across the country. You cannot go to the people in Burnley and say, “We are going to tighten up controls and at the same time turn down job opportunities”, can you?

(*Mr Goodstadt*) No. The strategies required for different regions will vary but in terms of Burnley or other areas of need we are talking about creating a place where people come because it has a quality of environment and infrastructure and labour force, rather than being a place where you can just dump anything.

(*Mr MacDonald*) There is a tendency sometimes just to regard planning as an activity that controls things or regulates things but planning in our definition is an activity that plans for the future, that looks at the accessibility of an area in terms of infrastructure and looks at the environment of an area. It created other sorts of wealth for an area. We are talking about economic competitiveness but there is social wealth as well as environmental wealth for an area. You mentioned short term and long term gain. Maybe you would have fewer people in the dole queue but maybe it would be a low wage economy. The longer term effects which you cannot reverse would be lost. You would lose environment. You would lose the opportunity to develop in the way that the community wanted to develop. It is a matter of long term and short term, but it is also a matter of planning being a positive intervention system in giving local areas what communities want.

Chris Mole

75. Are you arguing that significantly tightening up planning controls in the north of England improves competitiveness there as well?

(*Mr Sinden*) We are arguing that the northern regions also need to pursue an approach to economic development which is environmentally led, if you like, which places value on the quality of its environment, of its historic buildings, its open spaces and countryside and uses those assets rather than undermines or degrades those assets in order to attract high quality, long term investment into the area. We do not see enough of that happening in those parts of the country.

(*Mr Oliver*) Indigenous investment is often undervalued by RDAs in particular. They tend to go for the big hits, the shiny inward investment; whereas often the most environmentally and economically sustainable investment tends to be indigenous.

(*Mr Goodstadt*) In answer to the question about northern regions and what is the development agency saying about it, two of the four I said that key themes were about planning related matters. The first one was about investing in infrastructure, which had three aspects. The first was to have a secure planning policy. The second was about developing strategic communications which raised planning issues. The third one was supporting the cultural infrastructure of the area. If you take the second of the themes, which is about image and environment (it also had three dimensions). The first was projecting an image which was positive, restoring the environment which was degraded and damaging and the third one was about ensuring good quality of design and energy conservation. These are not about planning as regulation; these are about planning as creating a much better context in which people have more confidence about investment.

76. We have heard a lot about the difficulties in delay and efficiency at the implementation stage of the planning system. Do you consider that the Planning and Compulsory Purchase Bill is going to tackle these or do you have other solutions?

(*Mr MacDonald*) One of the first solutions that has been referred to in passing, is a properly resourced planning system which this Committee has in the past supported, resourced not only in terms of monetary investment in planning but resourced properly in terms of skills and abilities which sometimes flow from investment. The Bill does not tackle this but other actions which the ODPM is taking which the RTPI supports wholeheartedly are tackling this.

(*Mr Sinden*) We would be concerned that in potentially reducing the level of public acceptance of key strategic planning decisions the overall outcome of the reform could be to delay the delivery of necessary development on the ground.

(*Mr Oliver*) There are some things in the Bill we can unreservedly welcome: the great clarity in the planning review more generally, perhaps, not the Bill itself; greater clarity in terms of section 106 agreements, giving reasons for, giving approval for planning applications, but there are some changes which could damage business by reducing public confidence such as the statements of development principle, where a local authority, instead of giving an outline permission, will be required to give a decision yes or no on a statement of development principle, regardless of the quality of the application and the amount of information in it. It is quite likely that local authorities will simply say, “Sorry, we have to say no”, which is liable to clog things up even more.

Chairman: On that note, can I thank you very much for your evidence?

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[Continued

Examination of Witnesses

MR MARTIN STOTT, Head of External Policy and Partnerships, and MR CHRIS COUSINS, Assistant Director of Environmental Services, Oxfordshire County Council; MR PETER WYNNE REES, City Planning Officer, and MR PETER BENNETT, Deputy City Surveyor, Corporation of London, examined.

Chairman

77. Can I welcome you to the third session this morning and ask you to identify yourselves for the record, please?

(*Mr Cousins*) I am Chris Cousins, assistant director of environmental services from Oxfordshire County Council. This is my colleague, Martin Stott.

(*Mr Stott*) I am head of external policy and partnerships for Oxfordshire County Council.

(*Mr Wynne Rees*) Peter Wynne Rees, city planning officer for the Corporation of London.

(*Mr Bennett*) Peter Bennett. I am a deputy city surveyor for the Corporation of London.

Chairman: Do you want to say anything by way of introduction? You are happy for us to go straight into questions. Very well.

Mr O'Brien

78. Both authorities have claimed business success because of their promotion of planning. Do you feel that your planning systems have worked because you have invested heavily in staff resources or are there any other reasons for the success?

(*Mr Cousins*) In terms of staffing, Oxfordshire County Council has traditionally been very lowly staffed and I would not claim that planning alone has caused Oxfordshire's economic success. I would be foolish to do so. It is not every county that has three universities, one of which is world famous, for example, and a number of other factors. What we have tried to do is to work our economic and land use and transport planning closely together to maximise the benefits of what we have.

(*Mr Wynne Rees*) I do not think it is that we have a much higher level of resources than anybody else. We have adequate resources. It is more to do with having skilled planners who are enthusiastic and, most importantly, are empowered so that the officers know what they are doing and the elected members know what they are doing. We carry out the negotiations with developers. We make recommendations to the Committee and the first involvement of the elected members is at the planning committee when they receive the officer's report.

79. How efficient are you with processing planning applications?

(*Mr Wynne Rees*) 98% of them are done under delegated powers and are then simply reported to the committee.

Chairman

80. That is not telling us how efficient you are. It is a question of how quickly the delegated powers are exercised.

(*Mr Wynne Rees*) Yes, but it depends which measure you want. Over 60% are dealt with within eight weeks. They do tend to be complex in the City of London.

Mr O'Brien

81. Is that because of the low number of applications? If you have low numbers of staff and a large number of applications, somewhere there is a conflict there. If you are saying, "We can process 98%" does that infer that you are not getting a lot of applications?

(*Mr Wynne Rees*) No. We get a lot of applications and we can deal with them very effectively because they are being dealt with through a delegated system where they are not having to go back and forth to committee. The vast majority of them are being dealt with by officers under the policies that have been agreed by the members. That makes a much quicker system.

82. Is that how Oxfordshire works?

(*Mr Cousins*) Being a county council, the applications we have are minerals and waste ones which are inevitably relatively few in number but they are normally complex ones, often with environmental impact assessments attached to them. I would not claim that we were quick in dealing with them but we deal with them efficiently, given the resources we have.

83. If you have delegated powers, how do you assess quality as against speed?

(*Mr Wynne Rees*) By the fact that I have survived 15 years, I suppose. I think I would have been got rid of if the quality that we were delivering in the City was not up to international standards and inward investment was not occurring. Members and their constituents keep a very keen eye on the quality of the environment in the City.

84. What difference would it make if there is no input into it? If members of the council have a view on quality but, because of the delegated powers, there is no input into it, how does that feature?

(*Mr Wynne Rees*) They have an input because they set and agree the policies that we operate. They monitor our activities. We report to them on the cases that we have dealt with.

85. Is that after the decision has been made?

(*Mr Wynne Rees*) Yes.

86. How does that impact upon the work of the local council?

(*Mr Wynne Rees*) If they did not like what we were doing, they would get rid of me.

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MR MARTIN STOTT, MR CHRIS COUSINS,
MR PETER WYNNE REES AND MR PETER BENNETT

[Continued

Chris Mole

87. How critical a role in assisting business is it to have an up to date development plan?

(*Mr Cousins*) I think it is extremely important. In the memorandum we submitted, you will see that the development plan for Oxfordshire for the bulk of the last 20-odd years has been the structure plan. It was only in 1996 when we had the first district wide local plan. Because it has had a very clear locational strategy and it has been kept up to date, that has helped to guide development in Oxfordshire.

(*Mr Wynne Rees*) Likewise in the City we have a fresh, up to date unitary development plan which allows us to give both the certainty as well as the speed to developers who wish to locate in the City or make changes and those are the two things that they are most concerned about. It is getting a clear idea at the very outset of what they are going to be able to develop. They can do that by reading the policies in the up to date plan that the members have approved, that the community has had an input to and I can give them advice that I know I am going to be able to deliver because we have those up to date policies.

88. Mr Cousins, you say a local plan adopted is critical but you did not have one in Oxfordshire at a district level until 1996?

(*Mr Cousins*) I said a development plan is critical. There was partial local plan coverage in Oxfordshire but we were quite unusual in having a very location specific structure plan strategy which guided development to four specific towns and gave a clear idea of where different types of development were likely to be permitted or not permitted, which gave a very strong steer to developers. We have worked very closely with districts in their determination of the major planning applications and also in negotiating section 106 and section 52 agreements before that, trying to get the infrastructure in place.

89. Can I ask Mr Wynne Rees about pre-application discussions? How significant are they in expediting business developments? Is it not labour intensive?

(*Mr Wynne Rees*) It is very labour intensive but we believe it is vital. Any developer wishing to do something in the City or their agents can have unlimited time in terms of pre-application meetings. We discourage anybody from submitting a planning application until we and they are happy with it, so that by the time it comes into the system it is a very swift process.

90. Does that not lack transparency? Is that not one of the bits that businesses complain about? This is where the discussions take place where they do not know what the rules are.

(*Mr Wynne Rees*) From their point of view, it is completely transparent because they are in the room with us when it is being discussed. We invite them to come in before they have even drawn on the back of the envelope, at the very early stage, so we can give them the benefit of a full planning briefing and tell them what the constraints are. They can take that into the process of briefing their architects. By the time they come back to us with a scheme, we have had an input to it. We work with them so that they can achieve what they believe to be the best result from their point of view and we can help them to

produce something that, if it has to go to committee and is a major scheme, it has a good chance of being accepted and approved or, if it is being dealt with under delegated powers, can be approved in accordance with the policies.

(*Mr Bennett*) There is an added level of transparency within the City. I operate a team that goes out and talks to developers and businesses. If they are not particularly happy with what is going on in the discussions, if they feel their perceptions are not being accepted, they can refer to me and I talk to them and ask if they are happy and perhaps broker a further discussion.

Chairman

91. What would be most use to business? Would it be to relax the planning controls? Would it be more positive intervention, as you were just suggesting, or would it be better implementation of the present system?

(*Mr Bennett*) Businesses need certainty, transparency, speed and a system that reflects commercial reality. They need all those in varying degrees. They get certainty in terms of the adopted plan. They get transparency from a system that enables them to have their say. They do not have to have a conflict situation at committee. They can sort those problems out hopefully beforehand. They need a system that can respond to their needs. Businesses need space tomorrow, particularly in the City. They need a system that can provide that very quickly. For instance, we had several large, American banks in the City wanting complex planning permissions granted in a timescale. We worked with them to get a major development through that required a listed building consent, scheduled monument consent, road widening, a whole range of things within a very tight timescale that they agreed. If was, if you like, a partnership.

92. You think that is more important, to be able to give them that assistance through the system, than to relax the system?

(*Mr Bennett*) I think it is working through the system, yes.

93. Is there not a danger that, working through the system, you are starting to give some people competitive advantage because they come to you; you sort them out through the system and therefore they are able to get an advantage over other companies.

(*Mr Bennett*) The system that we operate is open to anybody. We proactively market it to firms and businesses, so nobody has more advantage than anybody else.

94. As far as Oxfordshire is concerned, has the planning system encouraged the development of clusters?

(*Mr Cousins*) I think it has. There are also other factors that are very important in promoting clusters. I gave in the memorandum the example of the Oxford Science Park. That is promoting cluster development. In parallel, through our economic development activities, we have promoted biotechnology networks and other networks and that has tended to encourage cluster development. A lot

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of what I would see as Oxfordshire's economic success and networking in cluster development has occurred within the planning system and in parallel with it.

95. Your clusters are three legged stools, are they not, with one leg missing, because you put the business there but you do not put the housing there for the people who work in the clusters.

(*Mr Cousins*) We have throughout met our housing requirements from regional planning guidance and continue to do so. There is a very big problem with affordability of housing in Oxfordshire as there is in most of the south-east. We are also starting to encounter some problems that are occurring elsewhere in the south-east such as Kent, where having taken the housing allocations all the way through the development plan system, we are now getting the Highways Agency objecting to planning applications that follow on the grounds that the trunk road network is over-capacity and cannot cope. That is not something we can do much about.

96. Is this not a failure of the structure plan, because the structure plan has not really taken into account the implications of developing the economic clusters and housing and the transport between them?

(*Mr Cousins*) No. The county council has no control over the trunk road network; nor over, for instance, investment in rail. I would dearly love those things to be joined up at regional and national level. There was discussion earlier about the regional spatial strategies and if they were to include investment plans for the major infrastructure that is needed that would help enormously.

97. Whose job is it to do that? The government or the regional development agencies?

(*Mr Cousins*) It is the government's job to set the framework. The Highways Agency is an agency of government. The Strategic Rail Authority is semi-independent. If that joined up investment does not happen, the regional spatial strategies will have an uphill task. I think we have joined up, as far as it is within the county council's power to do so, our transport, housing and economic development.

Mr O'Brien

98. To what extent is the success of planning for business linked with planning for transport?

(*Mr Cousins*) Hugely.

99. Give me a bit more than that.

(*Mr Cousins*) It is critically important. It is one of the reasons why we have such cooperation with businesses.

100. You do not have much cooperation with the Highways Agency.

(*Mr Cousins*) Our economic development work is very closely involved with our local transport plan, where we have a partnership with businesses. The issues are recognised and it is also recognised how important a drag on their performance congestion is and overwhelmingly they recognise that building new roads is not a way out of it. That is not a long

term solution. Some new road building, yes, but predominantly it is other measures and they are working very closely with us.

101. What about the Corporation of London?

(*Mr Wynne Rees*) I do not have to tell any of you about the problems of transport in London. We do need more input in terms of maintenance of the ageing system that we have. We need extra capacity.

102. Does that influence planning for business?

(*Mr Wynne Rees*) It influences business decisions as to where they will locate. The fact that London has the best connected air transport system in the world is a major reason why London is a world financial centre. You cannot separate the two. The future strategy for airports in the south-east and getting that in order is vital to the continued success of London as a world city. Equally, you have to be able to connect the people where they live with the jobs. To run a world financial centre, we have to trawl a population of about 20 million people, to get the skills that we need. That means good rail links for the whole of the south-east of England into central London. There is one danger in planning that has been practised in certain quarters in London, the idea of decentralising, that it is a good idea to move the jobs closer to where people live. It is a very good theory. The problem is that in practice people do not move home when they move job. What we get now is a tremendous number of people moving through central London every day and out the other side on the way to work. That is one of the things that is overloading the system in central London. We have fewer people coming into central London now than there were just after the war. More of them are crossing over in the middle, rather than just travelling radially. There are sustainability questions there and one needs to be looking very carefully at the linkages between land use and transport.

103. If the suggested abolition of the county structure takes place, how best can the strategic link be maintained with what we have just been referring to?

(*Mr Cousins*) It is very difficult. Having read the Planning Bill, I do not see anything there that gives me encouragement for how that link could be sensibly maintained. If I take Oxfordshire, it is largely a single travel to work area. It is a fairly self-contained labour market. A lot of the transport planning crosses district boundaries within the county, but it is not of regional significance—things like the guided transit expressway that I mentioned and the park and ride system. They are what I would describe as locally strategically important.

Chairman

104. Do you not think quite a lot of people now commute from Oxfordshire into London?

(*Mr Cousins*) They do but in terms of self-containment you are still looking at close on 90% living and working in Oxfordshire. Under the proposed changes, coming back to your question about how might the links be best maintained, there needs to be direct democratic accountability. Otherwise, there is a great danger that county councils will find better things to do with their

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money. There is a real danger of losing the strategic planning skill base. One possible way forward might be for the regional planning bodies to decide themselves where subregional spatial strategies are required and to delegate the preparation of those.

105. Where would you put Oxfordshire together with if you were going to have a subregional strategy?

(Mr Cousins) I would put Oxfordshire on its own.

106. We can have a county structure plan but we would not call it a county structure plan; we would call it a subregional plan.

(Mr Cousins) I would not do that throughout the country. I would follow very much the line that the 1999 DETR report on the future of structure planning was taking. In some areas of the country—for instance, Warwickshire, Coventry and Solihull—you would have structure plans developing on a cross boundary basis. In other areas you have relative self-containment. I gave a quote on Oxfordshire being the Oxford City Region. That, in my view, is the sensible subregional unit, but it will vary.

Chairman: I accept that argument but what I was a bit concerned about was, thinking of my map of Britain, I could not quite fit Oxfordshire in, but you have sorted that out.

Chris Mole

107. We have heard about decision making. Should we put planning fees up in order to make decision making quicker?

(Mr Cousins) I think planning needs better resourcing but it is a much longer haul than maybe some people are thinking, just putting some more money in. Over the last 20 years, planning courses and schools have closed. Putting right the national shortage of planners is quite a long term thing. On planning fees, the Arup Bailey report a couple of years ago which led to the 14% increase in fees differentiated between district and county matters. This is a special plea here. It said that to reflect the increasing costs on district applications fees should go up by 12%; on county applications, 130%. The 14% compromise was okay for districts, but left us a little short.

108. What about the idea of keeping separate accounts for planning services to stop the money leaking out and going into other services?

(Mr Cousins) Yes, although it raises the bigger question of ring fencing.

Chairman

109. To the City of London, since you are always flush with money, how many people in your planning department are paid for trainees who are going through their training?

(Mr Wynne Rees) At the moment we have two or three who are in that process. I would say about 15% of the planners in my department have been trained up on the job, rather than going into full time education.

110. That is at a cost to the City?

(Mr Wynne Rees) Yes. The educational point we touched on earlier is very important. Planning education is at an all time low. We are getting an appalling quality of graduate coming out of the planning schools now and I think this is partly because they have been trying to encourage larger and larger numbers to protect their jobs. We have huge courses in certain areas. The numbers have declined but the quality is declining even faster and I really think that needs addressing.

Mr O'Brien

111. That is the problem with our planning system, is it?

(Mr Wynne Rees) It is a problem with our planning education system, yes.

Chairman

112. Do you think other local authorities ought to be seconding more people to these courses that you do not think much of?

(Mr Wynne Rees) There are good courses and people need to be choosy. The planning education system is not meeting the need of providing the quality or the numbers and that needs to be addressed. I am not saying it is all bad but there are some schools which are producing very low quality products.

Chairman: On that note, can I thank you very much for your evidence.

Examination of Witnesses

MR VINCENT WATTS, Chair, East of England Development Agency, MR STEVE COX, Infrastructure Development Manager, East of England Development Agency, and MR NICK GERRARD, Assistant Chief Executive, North West Development Agency, examined.

Chairman

113. Can I welcome you to the Committee? Can I ask you to identify yourselves for the record?

(Mr Watts) I am Vincent Watts. I am the chair of the East of England Development Agency.

(Mr Gerrard) I am Nick Gerrard, assistant chief executive of the North West Development Agency.

(Mr Cox) I am Steve Cox, the infrastructure development manager of the East of England Development Agency.

114. Do you want to say anything by way of introduction or are you happy for us to go straight to questions?

(Mr Watts) To explain why we are here as this particular group, I know you have shown an interest in the north west and the east of England. Nick is

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[Continued

[Chairman Cont]

going to be talking on behalf of all the RDAs. He has been assembling a lot of material across that area. I am happy to take a wider perspective and Steve Cox will pick up very detailed points in the east of England. Planning is a very important activity and we are fully supportive of the need to use land in the most effective way for economic, social and environmental gain. It is not the only factor though which gets in the way of more rapid progress. In our region in the east of England, we happen to have three areas of very rapid development. They are one of the four areas focused on by the Office of the Deputy Prime Minister, the Cambridge, Milton Keynes, Bedfordshire and Hertfordshire area and the Thames Gateway. All of those we have a serious issue with in how do we get joined up development. Planning is only a part of that. We need to have housing and employment. The transport infrastructure and the social infrastructure provided by the NHS and by schools and other components are all absolutely vital to get together. One of the central things that we have been working on very hard with local government and others around the Cambridgeshire area is how do we join these various activities together so that we can get some real progress. Planning by itself is not going to solve those collective issues.

Dr Pugh

115. If you read all the regional strategies, you would find everybody wants high value added companies, ICT and so on. What three factors do you think are the principal factors in attracting that sort of inward investment into the regions?

(*Mr Gerrard*) This is right at the heart of the regional development agencies' activities in attracting knowledge based companies because that is where future high value added growth is. There are a number of things that are required: key transport links, reliable transport links both within the country and externally. Airports particularly are very important factors in locational decisions. Good universities and research bases to which the companies can have access for other critical decisions affecting companies locating. The nature of the physical accommodation, whether that be the sites or the premises to which they can go. Supportive infrastructure in languages, schools and so on are all important in terms of implementing decisions but, above all, it is the agglomeration of services to which they can have an access, which are very important in affecting these critical, locational decisions. That is rather more than three but it indicates the breadth of activities which the RDAs are seeking to harness with their partners to make the regions competitive.

116. Mr Watts, would you agree with that?

(*Mr Watts*) Yes. I would add the quality of life.

117. None of you has mentioned changes in the planning system. The Council for the Protection of Rural England made the point that lowering planning standards had no economic spin-offs whatsoever and that was a very short term strategy. How do you respond to their comments?

(*Mr Watts*) A lot of the factors that we have covered are very strongly affected by planning and the availability of business premises is absolutely critical. When we are looking at attracting inward investment, one of the things a company wants to see is where they could locate. Showing them a rundown warehouse and saying, "You might get permission to redevelop that site" is not competitive in a global economy.

118. There is a distinction, is there not, between good and bad planning? We all want to see good planning and not bad planning and less or more planning. Would you argue for less planning and fewer controls and more enterprise zones?

(*Mr Watts*) It is something along the lines of zoning, very much focusing on where our strategic sites are, what are the facilities supporting them, how can we make it quick for businesses to set up and start earning money rather than go through a protracted process. We have some examples in the paper we gave to you where businesses have just walked away in the middle of the process because it was taking too long.

(*Mr Gerrard*) If the government's proposed reforms are about lowering standards of planning we would not be supportive of them. Our reading of the intention behind the government's proposals and why we are broadly supportive of them, subject to a lot of detail that is still to come out, is because they are talking about making the planning system work better, more effectively. One of the things we would particularly like to challenge is that the length of time it takes to produce plans or to make decisions does not necessarily improve their quality. It is about improving the quality of the planning process. That is the reliability and certainty that comes with a reliable process.

119. That is not an argument for zones in itself, is it?

(*Mr Gerrard*) No. That is one of the mechanisms that could be used.

120. We heard last week from Jonathan Blackie that inward investment was no longer a primary mechanism in boosting GDP. How does that affect your thinking on planning matters?

(*Mr Gerrard*) Attracting large scale inward investors is not the way forward for raising the competitiveness of our regions. It is an important point and we will continue to pursue that. All the RDAs are focusing on cluster development programmes. In essence, that is building on the strength that they have in their regions to get this agglomeration factor which will enhance the job potential, attracting new investment in by building on those clusters. In terms of supporting those clusters, there are a whole series of factors that come into play. We have to have the support of environment right with the universities and the research base. We have to have the sites and premises, and that is where the planning system has a particular role to play in delivering sites and premises for the support of those clusters. Essentially, a key factor, as well as attracting some inward investment, is attracting the grow your own, indigenous investment, encouraging entrepreneurship and growing businesses within the region, building on the strengths that you have.

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[Dr Pugh Cont]

121. The effect of having a multiplicity of zones and indigenous growth as the main driver of economic development is that businesses will move around the area.

(*Mr Gerrard*) I do not think they will because the strengths of the regions are different. Some of the regions require cooperation between regions because we are talking about global competitive clusters. Aerospace is a good example.

Chairman

122. Which regions do not want biotech industries?

(*Mr Gerrard*) You have picked on one where most of them do. Let me speak for the north west in re-examining our economic strategy. We have reviewed our clusters and made some of them more specific because the first stage was to understand more detail about what the cluster is, what strengths you have, what its needs are and what you can realistically do in that region. Each of the RDAs is doing that.

Dr Pugh

123. Can I tease out a bit about the distinction between regions? The regions differ quite markedly in terms of productivity. What is the principal determinant of that variation?

(*Mr Gerrard*) History. If you talk about the north of England, the dependency on labour intensive manufacturing industry, which has now dramatically declined has left many parts of the north and the Midlands at a competitive disadvantage: poor skill base, low aspirations, lack of entrepreneurship, low levels of innovation arising out of that. That has been compounded by investment decisions such as publicly funded research and development funding which has supported the lack of emphasis on those regions that are the least competitive in the country.

(*Mr Watts*) Endogenous growth has to be the major driver. Part of that is that often, when you do a supply chain analysis, you find that there are some crucial bits missing. That is where you need to focus the attraction of inward investment and that is where we have to be internationally competitive. Often the companies for historic reasons are not located in the place where planners would like them to be from the point of view of growth. I am sure all the regions have examples where there have been some serious problems in companies wishing to grow on their own sites and, because of other restrictions around that area and an unwillingness to reconsider those, we have had some serious risks of losing companies and, in a number of cases, companies have upped and gone.

Chairman

124. Is that not a question for regional development agencies to be able to intervene and say, "Look, for good local planning reasons, you cannot go on expanding in this village but we will find a new site for you and come up with the assistance to move you from your existing site to a new, suitable site"?

(*Mr Watts*) That is one option but on the other hand it may be that the balance of advantage for a particular company is to grow on the site. Frequently the option is not between them growing on one site or let us move them five miles down the road to another; it is often that they go to another country.

125. An example of who has gone to another country?

(*Mr Watts*) In my region, one of the major pharmaceutical companies was very frustrated at its inability to expand on its site so it put the expansion into the east coast of north America where the planning regime was much more encouraging to them.

Mr O'Brien

126. Would you say that planning is a key strategic factor in determining UK competitiveness and business growth?

(*Mr Watts*) Yes, because of its consequences. If we do not have the transport infrastructure because of planning issues, businesses are not able to grow where they have a workforce already and established links with the supply chain and so on. Obviously, those are major factors on productivity and economic growth.

127. If we look at the question of competitiveness and the fact that planning has a direct and more easily understood effect on individual firms than many other influences like innovation, does that not make it more significant because it is more transparent than some other factors? Are we considering like with like?

(*Mr Gerrard*) The important point is that planning has a key supportive role for the whole competitiveness agenda. If the planning system is not working, there is one aspect of the competitiveness agenda which we are not addressing. That is why we are supportive. It is not central to the RDAs' role but it is a critical supporting factor. All the RDAs have programmes in place to address skills, innovation, investment, business support and so on. Those are complex agendas, these frameworks for regional employment and skills action. Those cluster programmes are being developed. When you come to look at the planning system though it is better understood and that is why we have emphasised in the paper the cause of frustration that that often is. Many of those decisions are taken at the local level. With the other factors affecting competitiveness is our national position that has a critical role to play, international in many cases, and also a complex web of inter-relating factors: skills and business, for example. Planning stands there understood.

128. An easy target.

(*Mr Gerrard*) And an easy target. It is an easy target for criticism but it is also a target for something that we can put right.

129. Does that not show in your example (e) that you gave in your submission that a global company in the north west is facing a negative impact on major investment decisions because planning authorities may threaten to drive them away? There are other issues that determine where a company locates. In this case, the company is keen to settle in the north

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[Continued

[Mr O'Brien Cont]

west so it is not saying that planning is a barrier. Are we using planning as a reason to say that this is bad in some of our regions?

(*Mr Gerrard*) Using that specific example, the reason that it is supportive of what Mr Watts has just said is an example of the global nature of investment decisions, that company does not choose between sites within the UK; it chooses between sites in various countries, including the US. The reason they wish to remain anonymous is because they have a good relationship with their planning authority and that is important. The point they are making is that the environment within which they and their local planning authority have to operate is not supportive and they are battling all the time. When they contrast that with the way they are received in this example in the United States, they are welcomed with open arms; they are not treated with suspicion. When their board is making decisions between the UK and the US, that weighs heavily in the balance and puts us potentially at a disadvantage.

130. When you say they are not supportive, who is causing the problem?

(*Mr Gerrard*) They and one or two of the other examples mentioned in the paper are existing, established use in the green belt. That is where they want to place their investment.

Dr Pugh

131. Is it a customer relations point that planning departments in the US are friendlier or is it the case that, when they go to the US, they find themselves not hemmed in by a set of restrictions that hinder them in the north west?

(*Mr Gerrard*) Both. It is partly customer relations. It is this cultural change that the RDAs particularly were supportive of and the government in their announcement say they are trying to achieve in planning the positive approach to planning. I speak from experience having been a chief planning officer in the past where we adopted a positive approach to resolving these issues. For example, the examples that are given in here from the south east are where the fact that these brown field sites were in the green belt automatically meant there was a whole series of hoops that had to be jumped through. They ended up getting permission at the end of the day but why put them through all that when these were brown field sites which were a priority?

Chairman

132. Is it not a problem that in the UK competition for land is much greater than it is in the United States?

(*Mr Gerrard*) Yes indeed.

133. Secondly, is it not a major failure of the regional development agencies? There is only a limited number of the Cheshire Meres, are there not, for people to put business parks around? Most people would want to protect the remaining Cheshire Meres. Is it not simple for you to take a brown field site—and there are plenty of them in the north west—

and create that environment so that you can offer to one of these companies the sort of site that they could get by going on to a green field one?

(*Mr Gerrard*) I agree with your point that there is more competition for land here in the UK. We have to have regard to the realities of where companies are and the historic investment that they have in sites. It is not realistic to expect them to uproot and remove all that investment.

134. It is reasonable for them to uproot and go to the States but it is not reasonable for them to move from Nutsford to somewhere in the Burnley area?

(*Mr Gerrard*) That example is not talking about them uprooting; that is talking about the competition for new investment in the company, where to put research and development facilities. It is not the whole company shifting. Speaking from the north west, we have a programme of identifying the strategic sites and we have a number, the vast majority of which are brown field sites, many of which are in urban areas. The way we have identified those sites to create them is to provide that environment you were talking about to attract incoming investment from overseas or elsewhere in the country, particularly indigenous investment. The quality and improvement of those sites is a high priority for us but there are exceptions to that where we have to have a market led approach if we want to be truly internationally competitive and raise the productivity levels. If we purely do what we want to do and ignore companies' demands in this global, competitive environment, we will lose out and that is our concern.

135. What benefits does the planning system have for business?

(*Mr Gerrard*) The principal benefits the planning system has for business are to provide certainty of land use allocation when it is working to best effect and clarity of decision making so that people can know where they can invest and where they cannot.

136. Does it not also protect the environment or the land around developments and make the quality of life much better? You did not put many of those into your paper, did you? You took them for granted, did you?

(*Mr Gerrard*) When we were putting this paper together, we were focusing on examples where the system had not supported the competitiveness agenda. There are many examples of positive planning but we want to eliminate these types of examples.

137. It was disappointing when we looked at your evidence compared to all the other evidence we had that you did seem to be stressing all the negative points rather than any of the positive ones.

(*Mr Gerrard*) The reason we did that is because it is a statement of the importance we place on this competitiveness agenda and if we are going to transform the productivity in this country and the disparities between the regions, we have to give ourselves every advantage we can.

138. Even to the extent of selling off the family silver?

(*Mr Gerrard*) I do not understand how we would be doing that.

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[Continued

[Chairman Cont]

139. If you allow developments which spoil the environment, like expanding the development around the Cheshire Meres, you seriously degrade the quality of the countryside.

(*Mr Gerrard*) The quality of the environment is a critical factor in the competitiveness agenda and must be protected, but huge emphasis is on urban regeneration, brown field regeneration.

140. The planning system does not cause any problems, does it, for urban regeneration?

(*Mr Gerrard*) That depends where you go and how the planning system is applied. Some of the examples we have given betray a general negativity towards development.

141. Even on brown field sites?

(*Mr Gerrard*) Yes.

Mr O'Brien

142. You have joined in the old chestnut of local authorities delaying prospects of business development because of the time it takes for planning procedures to be followed. Do you give businesses any advice to help them accommodate the statutory problems within planning procedures?

(*Mr Gerrard*) You mean as the RDAs?

143. Yes.

(*Mr Gerrard*) The types of companies with whom we tend to deal tend to be the major companies in the regions and we do give them advice, but we have not the facilities to give widespread planning advice to the vast majority of companies in the area.

(*Mr Watts*) We have not talked about the issues in rural areas. Most regions have very substantial rural areas which have been badly hit by the rapid decline in farm incomes. In my region, we have been working very actively with farmers on diversification. Part of that diversification advice is also planning advice because an awful lot of planning applications are turned down because they have been poorly prepared in relation to the complexity of the planning environment. There is no particular reason why farmers who are good at running farms should understand that. We have a programme in which we can give money to convert redundant barns or old farm buildings which has been successful in uptake. Businesses start up there and any business that is successful in that context is automatically in a green field site. There have been some very real difficulties in dealing with that particular issue. It is exacerbated by the process of involving statutory consultees which is very slow. There was one instance of a farmer who wanted to diversify. It took him four years to get there and it cost him a great deal of money. He got the result in the end so it was not an unreasonable application in the beginning but a lot of it was the problem of the order in which statutory consultees had their share in the action, so he would get one stage through and then there was another six months. The issue in these deprived rural areas is also a very important one that we need to be thinking about. One, it is very complicated for people to understand and this applies to small businesses generally. Second is the way that the various statutory consultees get engaged slows down the whole process enormously.

144. The planning process is unavoidable and it is on the critical path for any development. You have given an example of what happened in one place. How frequent is that?

(*Mr Gerrard*) From what I have been told, it is very common to have these long, drawn out debates, partly because it takes a while for a community to recognise that an expansion on a farm is a good thing and is supplying jobs to a community which otherwise is in a state of decline. The initial reaction is often one of hostility that there is going to be some commercial activity on a farm. You get attitudinal impact on the planning process which is quite slow to change. These are expectations that have been set. The process problem is complexity and the way people are engaged. There is an awful lot that can be done within the existing system to speed up things and be more responsive. That is one of the reasons why we have this training programme for farmers and other small businesses in rural areas so that they can understand how to submit applications which are going to be successful.

Chairman

145. There is a vast oversupply of land designated for industry in business in almost all unitary development plans across the country. Ought we to be homing in on the sites that need development and substantially reducing that oversupply of land?

(*Mr Cox*) From the east of England perspective, in quantitative terms, there is an apparent oversupply, but if you take a closer look at those sites you quickly establish that quite a few of them are not either ready or suitable for business use.

146. Is that not an absolutely overriding reason for taking them out of the plan for business use?

(*Mr Cox*) I think there is a case for doing that and that is happening to a large degree in some parts of the east of England region. We have to be careful that some sites taken away from employment use for other purposes are not best used for employment uses. There is the danger that you lose the best sites for employment purposes to other uses and we need to work with local authorities to make sure that the best employment sites are retained for business use to support the competitiveness agenda.

147. Is it not very important that there is a link between business development and housing development?

(*Mr Cox*) Very much so. The integration of land uses, the links between housing and employment growth are crucial and transport links also, particularly in our region.

(*Mr Watts*) There is also the issue of housing mix. Affordable housing is a serious problem but there is also the need for executive housing because if you are going to attract businesses or key senior management into rapidly growing businesses they need executive housing. What we tend to get is monoculture of housing development and we need to encourage much more in the way of mix.

Chairman: On that note, can I thank you very much for your evidence.

TUESDAY 17 DECEMBER 2002

Members present:

Mr Andrew Bennett, in the Chair

Sir Paul Beresford
Mr Clive Betts
Mr David Clelland
Chris Mole

Mr Bill O'Brien
Dr John Pugh
Christine Russell

Examination of Witnesses

MS NORA GALLEY, Partner, and MR ANDREW CLARKE, Senior Consultant, Roger Tym and Partner, examined.

Chairman

148. Can I welcome you to the second of the Committee sessions of evidence into planning, productivity and competitiveness. First of all can I apologise to everyone that we are in such a large room, I am assured it is the only one that is available. I hope people at the back can hear me and in due course they can hear the witnesses. Can I also thank our witnesses for all the work they have put in producing the research paper which I think everyone who has read it will have found very useful. Can I ask you now to introduce yourselves for the record, please.

(*Ms Galley*) I am Nora Galley and I am a partner of Roger Tym and Partners.

(*Mr Clarke*) My name is Andrew Clarke and I am a senior consultant at Roger Tym and Partners.

149. Do you want to say anything by way of introduction or are you happy for us to go straight to questions?

(*Ms Galley*) I thought it might be useful if I summarised the paper briefly. It will take about 15 minutes.

Chairman: No, I think people will have read it so I think we will go straight to questions. Thank you very much.

Chris Mole

150. I wonder if you could draw out for us what you believe is how planning relates compared with other factors on business competitiveness in the UK?

(*Ms Galley*) I think the Treasury gives a good account of the principal factors which drive productivity and they conclude that amongst those the key one is skills. Planning works into the system in relation to the access to land or capital and plays a minor role, I think.

151. Can we draw up then a balance sheet of what the costs and benefits of the planning system to business competitiveness might be?

(*Ms Galley*) No, I think we are far, far away from that partly because of the very great difficulties in measuring the benefits of the system which are spread widely throughout the economy and not known or even noticed by most people. Therefore research has

concentrated on the cost to the economy, in particular the cost to individual businesses of the system.

152. How do we compare in the UK with our international comparators with regard to productivity in general?

(*Ms Galley*) There has been some research which has attempted to compare the speed of the planning system in the UK with our competitors, mostly in Europe. I think in all of that research, though it is fraught with difficulties of comparisons with institutions and political difficulties, other countries do not like to be compared unfavourably and are short on providing information but generally the evidence shows that the UK compares favourably and in some cases research has even shown that it is the most efficient system. The exception is in planning for major infrastructure in which the UK seems to fall behind France which has a different system or the Netherlands.

153. So really the only useful thing we can conclude from international comparisons is the way that the major projects are handled or is there anything else?

(*Ms Galley*) No, and I think that the other question which remains unanswered about that particular question is what is the effect on the competitiveness of the economy of those delays.

Chairman

154. The McKinsey Report, do you think it has had too much publicity for what it was worth?

(*Ms Galley*) It might well have. I think there are a number of points about McKinsey which could be questioned. I think the overwhelming emphasis on comparison with America, which is a very different sort of place, a land extensive place with much lower population densities for example, is a problem. On the other hand I think McKinsey raises a couple of interesting points about competitive intensity and our interest in preserving our town centres but on the whole I think we would conclude that it is interesting that there has not been a proper—we think—as far as we know academic response to the points made.

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MS NORA GALLEY AND MR ANDREW CLARKE

[Continued

Sir Paul Beresford

155. The factors that affect the competitiveness of individual business are different from the factors that affect competitiveness in regions, in other words it is different for individual businesses within regions and it affects the regions themselves differently.

(*Ms Galley*) I think there is a debate on the point and it lies in the definition of competitiveness. There is a debate about whether regions or places can be competitive in the sense of being productive. I think Porter says that the competitiveness at region is the sum of the productivity of its companies, and clearly planning is a characteristic of a place so there is some kind of relationship.

156. It is quite clear in this country, certainly from some of the things that the Committee has done, that the economies of different regions and the competitiveness of different regions differ quite drastically. Should and could and does the planning system actually have an effect on the different competitiveness of the areas?

(*Ms Galley*) I want to make two points here. First of all, I think we all observe that in so far as planning regulates or restricts the supply of land in so far as that it does, this occurs probably to the greatest extent in the South East where additionally prices of land and property and the costs of labour are highest also but demand is highest also in the South East. It keeps growing apace and the pace of growth in competitiveness and output tends to divert with the rest of the regions. The Eastern region is the only one which has marginally caught up in recent decades. So we find, also, I think, that in the North, as it were, businesses which apply for property consents or other developers on their behalf, that consents are easy to come by, on the whole, and so both of those factors make it difficult for us to conclude that planning plays a big role in accounting for the productivity differentials. On the other hand, I think Government, rightly, has got an emphasis on improving the relationship between economic development strategies so that the planning system works proactively to promote economic development aims.

157. Do you think the Government should be using it to a greater degree, in other words tightening down areas with high demand and easing the planning restrictions where there is low demand?

(*Ms Galley*) I think there might be something in it. I do not think the research gives us very much help on that but I think the research has shown, also, that certainly in the housing market and in earlier decades even in the office market that there is little substitutability between regions and being able to force demand beyond the region it wants to be in.

158. There is no evidence because it has not really been pushed and tried recently?

(*Ms Galley*) Not recently, I do not think. I think office development certificates, as I recall, are one of the last big aims to try to do that.

Mr O'Brien

159. In the interest of business, and from a business perspective, is there any case for radical change in the planning system?

(*Ms Galley*) I do not think we can conclude that there is a case for that in terms of the relationship between planning and competitiveness defined by productivity. However, it is clear from the evidence that in individual examples planning imposes costs on business which might be avoided without compromising goals of the planning system and, therefore, where efficiency can be improved there must be a case for it.

160. There are occasions when benefits to business are obtained through planning. Can you envisage how we can change the planning system to make it more effective, more transparent and more efficient without losing any of the benefits?

(*Ms Galley*) I think in terms of its efficiency, yes, but I think it must be—and I tried to emphasise that point—done without compromising the other goals of the planning system.

161. Have you a view as to how we could do that?

(*Ms Galley*) I think planning decisions can be made better and believing—it would be a personal opinion rather than anything that is drawn from the evidence—that certainly the kind of personal beef might be that planning councillors, councillors who sit on planning committees, might need to, like, say, magistrates, achieve a certain level of competence in planning law.

162. You do not think we should change planning law?

(*Ms Galley*) No.

Chairman

163. On the question of competence of the councillors though, is that not really the duty of their professional advisors to understand planning law? Are they not supposed to be bringing much more the question of common sense and a certain level of feeling from the local community rather than having that expertise?

(*Ms Galley*) I think that is the principle certainly but I think that the fact of the matter is that councillors are politicians who have concerns and that law is not black and white, it is grey and it has got room for interpretation.

164. What about the cowardice factor? There are a certain number of councillors who will go into one of those decision makings and say “No” on the basis that is what the electorate will like knowing full well that when it goes to appeal then it is going to be granted. So they can feel they have the best of both worlds but it slows the process down. Is there anything that can be done about that?

(*Ms Galley*) I do not know actually, apart from the suggestion that I made that the guidance may be stricter and the competence question could be dealt with.

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MS NORA GALLEY AND MR ANDREW CLARKE

[Continued

Mr O'Brien

165. If I could go back to the question on the involvement of planning with businesses now. Do you envisage that there is more of a problem for smaller businesses than for some of the larger companies? Would you say that smaller businesses are disenfranchised more by planning than some of the larger ones?

(*Ms Galley*) I suspect—I do not have the exact figures to hand—that the number of small businesses which have a direct interface with the planning system is small. I think the CBI's evidence suggested that there were about 150,000 business applications a year and stripping that out I think another ODPM paper thought, taking out minor applications, that fell to about 100,000 and a large proportion of those would be by developers or construction companies who had a regular interface with the planning system. Let us get down to the small numbers. I do think those which are left, say big versus small business, very often they may only have one contact with the planning system and each time a company has that it has to go through a learning curve and probably that is not helpful. I think that then maybe the response is to have better guidance to people on how to process a planning application effectively.

166. Who should offer the guidance?

(*Ms Galley*) I should think that is Government's job.

167. From a Minister's point of view?

(*Ms Galley*) Yes.

168. If we are looking at an industrial development and small businesses want to locate on a new business park, can you see that planning problems could set back that small business because of the urgency of moving, the question of speed to get the business up and running? Do you envisage any planning problems there?

(*Ms Galley*) Again, I do think, certainly in large parts of the country, there simply is not a problem like that. People are very anxious to capture business investment.

169. Is that more pronounced in the North than in the South?

(*Ms Galley*) Possibly, I do not know, I just do not have the facts to hand. Anecdotally that would be true. Again, anecdotally there is the notion that there are fast growing companies who cannot wait for the planning system but I think the planning system tries very hard to direct applicants to areas where that kind of application would be acceptable, thus the development plan led system where employment land, a correct plan, allocates it at the right place and sets the criteria quite clearly.

Dr Pugh

170. Your evidence tends to show that companies locate in areas where property prices are high for a range of different factors. If you could pick the top three factors which send an industry into a high price area what would they be?

(*Ms Galley*) I think the biggest one by far must be this thing variously called the positive externalities of agglomeration which means that companies gain

things like access to a larger labour pool, labour market spillovers, more skills, knowledge spillovers, they learn more about their competitors, their suppliers are closer to hand, and all those efficiencies that they do not have to pay for, apart from the higher price of labour or land, are on balance greater in value than the additional cost of those locations. I think that is by far the most important. Then I think there are just some other factors really. There are socio-demographic factors, for example, increasingly in the hot spots of the economy, there are dual career families where the concentration of employment opportunities is quite an important inducement to encouraging labour to locate there and then, of course, the companies follow the labour.

171. You have not mentioned, for example, transport links or factors like that particularly, have you?

(*Ms Galley*) No.

172. Does it vary from business to business? What type of business primarily will consider a high price area and what type of business will be reluctant to go to a high price area?

(*Ms Galley*) I think for that we can look for the evidence on the renaissance of city centres and the kinds of businesses which clearly bear higher property costs, higher labour costs, higher congestion costs, even higher crime costs in those locations and I do not think we could be having, at least in our city centre, including in the North, what people call a renaissance simply because we wanted to reduce the demand for travel or make city centres attractive places to live in. I think the underlying economics are that concentration produces those positive externalities and the prices are worth paying for.

173. Are you saying that finance institutions are likely to go to a high priced area.

(*Ms Galley*) Yes.

174. But maybe a manufacturing institution is more prepared—

(*Ms Galley*) That is right, I think high innovation, high value added, high skill content industries which tend to be financial and business services and the companies which supply those.

175. Do you think the planning system plays any role in encouraging these clusters?

(*Ms Galley*) I do not know if it was on purpose but certainly I think PPG6, for example, is trying to institute in the first instance a sequential test for retailing, and we know that retailing is an important part of the ingredients that make town centres appealing for business because their staff like them and so on. In so far as the sequential test moves out now—at least that is what is implied, let alone what the guidance says—to leisure and certainly even increasingly offices then it does promote that kind of concentration. I think also there is research. There was research done recently by ECOTEC on clusters which suggested some instances. Curiously, I suppose, they cited Cambridge where local plans said it proactively tries to anticipate the development requirements of software companies so they can cluster and gain agglomeration benefits from each other and the businesses they trade with and the businesses which supply them.

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MS NORA GALLEY AND MR ANDREW CLARKE

[Continued

Chairman

176. Can I take you on to this question of productivity. Is it really valid if you are looking, say, at supermarkets to say that supermarkets' productivity is so much better than corner shops? In a sense in a supermarket you just have people putting stuff on the shelves and then you have the people at the check-out but most of the work in the shop is done by the customers as unpaid work whereas if you go into the traditional corner shop a lot more of the work is done by the staff. Are we looking at like with like when we are making comparisons about those areas of productivity?

(*Ms Galley*) We are comparing like with like because I think on the productivity question clearly the supermarket is more productive. They get more output per unit of labour input. But, perhaps we are not costing or valuing the other aspects of the corner shop trading: that it makes a neighbourhood viable, for example, it supports development of communities, encourages exchange, reduces exclusion or disadvantage in some form which are also goals of the planning system.

177. There are those costs but there is also the unpaid labour that most people going around the supermarket are putting in, is there not?

(*Ms Galley*) Yes, there is.

178. Now you have done a fairly thorough review of the literature. Is this an area that would really justify somebody doing the research or are the questions being posed impossible and that is why there has not been all that much detailed research in this area?

(*Ms Galley*) I think you are probably right but I would like to turn over to Andrew, my colleague, who has got particular views on this point.

(*Mr Clarke*) I think the point I would like to make here would be that this search for a cost and a benefit presupposes that we can come to some accurate picture of costs and an accurate picture of benefits. In the points we have made today it is very difficult to come by an accurate balance sheet in that way because, as Nora mentioned, the costs are very difficult to define and know and the benefits are even more opaque. If we wanted to arrive at this final position of having a figure of what the net cost and the net benefit of the British planning system would be I think we are on a hiding to nothing. What would be more effective, probably, is rather than standing back and trying to choose the effectiveness of the planning system overall is to find ways of making sure the individual processes that have to be gone through to arrive at a planning decision are as efficient as possible, and that is probably the most efficient way of looking at the future lines of research. It is probably more about best practice than academic research.

179. We had evidence last week from the City of London that they have employed people with the specific task of holding the hand of possible businesses through the planning system, and you think that would be crucial?

(*Mr Clarke*) It sounds sensible, given what I have just said. Obviously it would be helpful for any business to be shepherded through the system in as efficient a manner as possible so, yes, it does sound like a sensible process to take.

Mr O'Brien

180. In the Pre-Budget Statement by the Chancellor he advised that local authorities who locate new businesses into their area could retain the rates that are paid by those businesses. Now this is an incentive for local authorities to canvass and to apply to people to locate in their area. Do you think that will have an influence on the planning in those areas?

(*Ms Galley*) If we are talking about local authorities having discretion over spending in order specifically to promote the development of their economies, and for example defray what might otherwise be infrastructure costs that one would want to recover from individual businesses, then it is an interesting thought. I think it strays into the whole issue of local government finance.

181.

I am thinking about the planning. If a local authority is developing an industrial estate, and in view of the fact that they will be able to retain the rates and income from those developments, will that speed on the planning applications, do you think?

(*Ms Galley*) I am not sure there is a direct relationship line.

Mr O'Brien: You do not think so.

Chairman

182. There was a problem, if you take Greater Manchester, as I understand it, the John Lewis stores were approved by Stockport not because they were very keen on having out of town shopping, they felt that if they did not give permission for the site at Cheadle then Cheshire would give permission for the store just across the border. Now at that point there was a benefit to each local authority by getting in the business rate. There is a danger, is there not, that if local authorities are allowed to keep the money it will distort the planning system?

(*Ms Galley*) That is a seriously important point actually and clearly that aspect of allocating land resources to the gain of an individual local economy which has very artificial boundaries can be profoundly unhelpful.

Chris Mole

183. Just returning to the point the Chairman was raising with you about pre-application discussions. It is seen as helpful but is it not effectively just cheating by shifting the starting date of the process and does it not undermine the transparency and accountability of the quasi judicial process if that is happening at an earlier stage?

(*Ms Galley*) No, I do not think so. I think it brings up an interesting point made in the literature that the idea that somehow counting the time that it takes between submitting or even initiating the discussions with the planning authority and getting a decision is

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[Continued

[Chris Mole Cont]

somehow a delay. That implies, certainly, that there is no value in that process whereas I think we would take the view that certainty is improved if the pre-application process is well done so a proposed applicant knows precisely the outcome of the application and why and if he persists in doing something the local authority feels bound to refuse what the implications are going to be for the business.

Chairman

184. Is there not a possibility of getting sort of off-the-shelf planning? I understand some of the biggest whingers about the present system are things like the pizza takeaways and some of the coffee shops and their complaint is that there is an argument about their location but once they get permission each local authority is demanding slightly different requirements in terms of disabled toilets, access and those sort of things, extractor fans. Would it be feasible for a model design for some of those sorts of outlets to be approved nationally and then if the location is agreed by the local authority the rest of the regulations would be a national pattern?

(*Ms Galley*) I think so for some kinds of things. I think, again, that kind of thing falls under the same category as building regulation rules or health and safety rules or standards that need to be achieved to minimise any adverse externalities of the operation.

185. Is that not part of the difficulty that some people who are critical of the present system are

really upset by that detail and that is what upsets them rather than the spatial issues of where particular activities should go?

(*Ms Galley*) I quite agree. I think much of the debate in planning is caused by confusion or disagreement or lack of understanding on what planning is or additionally—and I think this is a very important point—what its role in the economy is, not appreciating that planning is a referee between competing objectives which sometimes conflict.

Sir Paul Beresford

186. If you follow the Chairman's thinking would you not run into the possible difficulty of duplication and no individuality or a reduction in the individuality?

(*Ms Galley*) I think it depends on the matter. I do think that things like recouping the external costs of an operation on the environment, say, by a planning obligation would be very difficult to routinise across the economy as a whole. Values differ, the balance sheets of individual applicants differ, locations/micro-locations differ wildly but I do think that is a different thing than the kind of health and safety, building regulation things which can radically often be put in place to control negative externalities or, indeed, the other way round, to ensure the positive externalities are produced.

Chairman: On that note, can I thank you very much indeed for your evidence and for all the work you have put in on the research.

Examination of Witnesses

MR MICHAEL ROBERTS, Director of Business Environment, Confederation of British Industry, MR DAVID COATS, Head, TUC Economic and Social Affairs Department, and MR IAN BRINKLEY, Senior Economist, examined.

Chairman

187. Can I welcome the CBI and the TUC. I will ask you in a second to identify yourselves but when we are dealing with the questions, if you agree with each other please just keep quiet but if you disagree do not hesitate to jump in. Can I ask you to identify yourself for the record?

(*Mr Roberts*) Michael Roberts, Director of Business Environment at the CBI.

(*Mr Coats*) David Coats, Head of Economic and Social Affairs at the TUC.

(*Mr Brinkley*) Ian Brinkley, Senior Economist, TUC.

188. Do any of you want to say anything by way of introduction or are you happy for us to go straight to questions?

(*Mr Roberts*) Go straight into questions.

Mr O'Brien

189. Mr Roberts, the CBI are expressing main concerns about the planning system and they are concerned about the implementation of the planning system. Are these problems universal or are there

some authorities which are more in keeping in meeting the standards than others? Have you got any information on that?

(*Mr Roberts*) I think there is a generic concern about the way in which the system is operated rather than whether or not there needs to be a system at all. With regard to whether there is a differentiated degree of concern, I think inevitably there are good and bad performers within local planning authorities, and I would refer you to some of the information that was in the Planning Green Paper which indicated that against the current target to determine 80% of planning applications within eight weeks, only 30 authorities met that target so those are the best performers but at the other end of the spectrum 45 authorities were deciding less than 50% in eight weeks and then there was a significant amount in between. It is that spread, if you like, which will give rise inevitably in some cases to satisfaction with the system, in other cases with dissatisfaction.

190. Would you suggest that the problems with the planning system are just a collection of local difficulties which can be sorted out or do you feel that

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[Continued

[Mr O'Brien Cont]

we need structural change of some kind in the planning system to meet the eight week target by more authorities?

(*Mr Roberts*) If I can go back slightly. When one talks about problems with the planning system, the nature of those problems can be fairly varied. On the one hand it can be a concern about development planning or development control, on the other hand it can be a concern about, for example, the planning of major infrastructure projects. With regard to the former, I think there are some issues about what is happening on the ground, about the exercise of good practice, certainly about the level of resource that is available to local planning authorities in doing their job. With regard to the latter, major infrastructure projects, I think one of the concerns there is the extent to which genuinely significant projects are determined necessarily at a national level so, therefore, the focus is rather different.

191. The reason why I press that is because your memorandum says a great deal about the implementation of planning applications. Do you have any evidence of problems with the broader effects of the planning system?

(*Mr Roberts*) In the memorandum what we sought to do was to indicate the types of cost that arise from the way in which the planning system is operated both in terms of the very direct costs, such as planning fees, right through to the indirect costs which arise from deferred benefits due to the time taken in approving projects whether they are major infrastructure projects or individual commercial projects. Now those costs are set out in the paper before you. To be fair and to be clear they include what some of our members feel are the costs of delay, in other words costs of inefficiency as they would term it in the system but they include, also, if you like, legitimate costs. It is always going to take a certain amount of time to reach decisions, both on major and on minor projects, and one cannot completely have a cost free planning system. Where the balance lies between what is acceptable and what is, if you like, the result of inefficiency is extremely difficult to pinpoint.

192. What about implementation? Have you any views as to how we could improve the implementation?

(*Mr Roberts*) There are a number of things in the Planning Bill, which of course has its Second Reading today. There are a number of things outside the legislation that we think would be helpful. I mentioned earlier the issue of resource, we welcome very much the allocation of increased resources to planning within local authorities that was announced recently as a step in the right direction. There is probably a need for more over the longer term. We feel that training of both officers and elected officials, which was mentioned in the previous evidence, is another area that will be very important. Over the longer term we would like to see an improved culture within the decision making bodies which understands, if you like, some of the needs of business with regard to planning.

Sir Paul Beresford

193. Do you agree that targets may be the wrong way in which to judge decisions because some authorities which are meeting targets may make decisions which are not right necessarily? In other words “no” is a decision but actually it would be better if a little more time was taken and a little more discretion was taken and a “yes” decision given?

(*Mr Roberts*) You are right to counsel caution about the use of targets because in other areas, not just planning, they can lead to perverse consequences. We do feel that targets are a useful discipline on local authorities and, indeed, on the Secretary of State with regard to call-ins and recovered appeals. They are a useful discipline to make sure that the process is timely. Where we have had a concern is the use of rather blunt targets in the past, the 80% against eight weeks for all applications, irrespective of size or type, and the proposals to disaggregate between commercial applications on the one hand and household on the other and within commercial between major and minor we think is helpful because hopefully it will remove some of the potential for perverse decisions.

194. You have mentioned good and bad authorities, do you have good and bad applicants?

(*Mr Roberts*) Yes, inevitably. Within any constituency, the business constituency as well as the local authority constituency, we are a reflection of society at large.

195. One could ask the applicants to get their act together in many cases. The evidence we have had previously from two of the supermarket chains was that they work with the system extremely well with a great deal of success, would you agree with that?

(*Mr Roberts*) I think inevitably if you are, if you like, a repeat customer of the planning system, as indeed many of the larger retailers are, it is in your interest to make sure that you are au fait with the way in which the system operates and to work with the grain of the system where that is helpful. Clearly there is an issue for those who are not repeat customers. In some cases their lack of understanding of the system may be one of simple lack of resource, lack of time and, again, in the previous evidence taking session mention was made of the distinction, perhaps, between SMEs and the larger elements of the business community.

196. Does the CBI have a role in educating business?

(*Mr Roberts*) We were joint producers and signatories to the planning concordat which was developed together with people such as the Local Government Association about a year or two ago which was all about signalling best practice, not only within the planning authority community but within the business community as well. Specifically mention was made earlier this morning about the use of pre-application discussions, that is an area where we think there is scope for all sides to learn from each other, to make the system work better and to come up with better outcomes.

Christine Russell: When your Director-General came to our inquiry into the Planning Green Paper he said—if I could quote—“In every respect, every survey, we conduct, every business we talk to . . .

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[Continued

[Sir Paul Beresford Cont]

planning is always at the top of the agenda as a fetter on the productivity enhancement and the job creation in British business” but yet you produce no real evidence to back up that assertion.

Sir Paul Beresford

197. Neither did he.

(*Mr Roberts*) I think he invited us to come back again at some point to try and substantiate that. I am sure my colleagues from the TUC may wish to make some comments. I would allude to a survey which we carried out subsequent to that evidence giving session, the results of which we published at the time of our national conference this year, which asked chief executives and senior directors from a range of companies in a variety of sectors as to what were the issues on their radar screen with regard to the quality of the UK as a place in which to do business. Planning was unprompted, planning was specified as one of a number of issues that was causing concern. It was not necessarily the top issue but it was there in, I would say, the top 10 of issues that was mentioned.

Christine Russell

198. Retrospective certification I think. Can I just ask you—and apologies to the witnesses from the TUC but again it is a question to the CBI—in general are you happy with the proposals as they appear in the Bill that is before Parliament currently?

(*Mr Roberts*) I would characterise the proposals in the Bill as being a bit of a curate’s egg in that there are elements of the Bill that we like, the proposal for example on timetables that might be applied to the Secretary of State in reaching decisions. There are elements where we are less supportive, for example the proposal to introduce three yearly consents. There are a range of proposals within the Bill where we are uncertain genuinely about what the outcome may be, largely I might suggest because the detail of the proposals has been deferred to secondary legislation. But, for example, to be specific, the proposals on the local development schemes is an area where we genuinely do not know whether what is being proposed will be an improvement on what is the case currently.

Sir Paul Beresford

199. Is it worth having the Bill even?

(*Mr Roberts*) If, indeed, there is a new hierarchy of local and regional planning which is simpler, more strategic and more user friendly than is the case currently then, yes, I believe there is a case for the Bill but we would not say that all of the improvements which could be made to the planning system need to be taken through primary legislation. I refer you to my earlier comments, for example, with regard to the need for more resource to support planning authorities’ activities.

200. You have only half answered the question, you said “if”. You have got the Bill, you have seen the Bill, does it?

(*Mr Roberts*) I was quite specific in saying that on the local development scheme proposals we have not seen the detail of how it will operate at this stage. Inevitably my answer is still an “if” on that particular point.

201. You have sympathy for Members of the Committee when they are faced with it because they will have to say “if” too because they will not be seeing the secondary legislation.

(*Mr Roberts*) We have enormous sympathy for you on this point.

Christine Russell

202. Is there not some substance in the arguments that you, the CBI, convinced the Treasury and the DTI that there was a real problem with the structure, if you like, of the planning system and that is why we have got saddled with this Bill?

(*Mr Roberts*) We emphasised that there were a range of concerns with the operation of the planning system, part of it was structural and part of it was about the operation on a day to day basis. To that extent, therefore, we are supportive of the overall programme of reform that the Government has put forward, both in terms of some aspects of what is in the Bill and in terms of what can be done outside of the need for primary legislation. We stand by those initial sets of concerns that we expressed which have led subsequently to this programme of action.

Chairman

203. After you gave evidence to us last time you did this survey, or got MORI to do the survey for you. Actually planning, apparently, was about thirteenth of the things which worry people out of 15, not exactly a very high score, was it?

(*Mr Roberts*) In terms of the proportions of business people who indicated it as a significant issue for their ability to do business and in terms of making investment decisions I think the returns were significant, 65% I think of business people responding to that survey indicated that the planning system had a moderate to significant impact on their ability to do business.

204. But they had an awful lot of worries which were much higher up the list.

(*Mr Roberts*) Which I have said already.

Mr Clelland

205. Can I put a question to the TUC just to indicate you have not been forgotten about. In your evidence you seem to suggest that planning is not a major concern in terms of improving productivity and performance. Can you explain to the Committee what are the main factors that influence productivity and performance in the UK compared with OECD countries?

(*Mr Coats*) Perhaps I can start by referring to the work that we did with Michael’s colleagues at the CBI about 18 months ago where we looked at four areas which we believed were the key drivers of productivity both in the UK and elsewhere. The first is investment and we found that the UK had a

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[Continued

[Mr Clelland Cont]

generally poorer record on investment than many of our major competitors. The second is innovation and technology which is both about the links between the science system in universities and business but also the ability of businesses to network with each other and transfer technology and best practice. The third is skills where the UK has a lot of ground to make up both on basic skills and intermediate skills for people already in the labour market, although new entrants to the labour market are better qualified than in the past. Finally, what the TUC and CBI described as best practice but is really about innovation in work organisation, new production systems and the use of new technologies in the work place. In our view those are the four central drivers of productivity which featured in our joint report.

206. What grounds do you have for arguing that planning is not a major influence?

(*Mr Coats*) We cannot see any direct link either from the UK evidence or the international evidence that can demonstrate that the nature of your planning system has some fundamental impact on overall productivity. The US, France, Germany have broadly similar levels of productivity, with the US marginally ahead but very different planning systems. The Netherlands I think has higher GDP per hour worked than any of those countries and a rather rigorous planning system because it is a small country with lots of environmental constraints. We do not see that there is any strong evidence to draw a linkage between planning and productivity. A final point on the US, it is hardly surprising that planning constraints may be slightly weaker there in that land is not at a premium and population densities are low so it is easier to find a greenfield site for new development. That is not so true in the UK or elsewhere in Europe.

Sir Paul Beresford

207. You think we are wasting our time with the Planning Bill? It is not really going to make the difference it is touted to do.

(*Mr Coats*) If there is a problem with the system as it works at the moment we would not identify necessarily the day to day operation of planning arrangements as an obstacle to improving productivity. I think we would say, however, that the way in which major planning inquiries into big infrastructure projects are handled can get in the way of sensible economic development. Generally speaking these projects, like Heathrow Terminal 5, will go ahead but after a rather long protracted process which turns into, I think, a form of outdoor relief for the planning bar for many, many years which is not something that public money should be spent on.

Mr Clelland

208. Does the CBI have any comment on what the TUC has submitted in terms of what they see as a lack of influence?

(*Mr Roberts*) The one point I would make is the need to draw a distinction between whether there is a relationship generally between planning and some of these key factors which have just been mentioned on

the one hand and on the other hand the size and scale of that particular relationship. I think in principle we would say that there is a link, what is extremely difficult to do is to establish how significant that link is. Our memorandum did indicate that, for example, with regard to the functioning of the labour market, with regard to promoting, for example, some of the newer industries which in some cases are characterised by smaller firms, property, and by extrapolation the planning system, has a knock-on effect on these things. There is a linkage, at least in principle, it is difficult to establish how large that linkage is.

Dr Pugh

209. Can I just take you back a bit. In an earlier question you were asked to respond to the claim made by the Director-General of the CBI. It goes like this: "In every respect, every survey, we conduct, every business we talk to . . . planning is always at the top of the agenda as a fetter on the productivity enhancement". When asked to produce a survey today you talked about a survey conducted after the event whereas you could have produced, on the basis of this remark, almost any survey because all the surveys of the CBI, apparently, allegedly, show that. You have shown that 65% of businesses raise it somewhere but not at the top of the agenda. Would it be fair to say that the Director-General's remarks are more saloon bar talk than evidence based information?

(*Mr Roberts*) I thought the Committee would welcome reference to a rather recent and, therefore, topical and timely survey. Our Director-General is extremely assiduous at going around the country and talking directly to businesses both inside and outside—

210. What surveys was he talking about then?

(*Mr Roberts*) I could not recall any particular survey that he had in mind.

211. He said "every survey", there must be hundreds of them in the CBI, surely?

(*Mr Roberts*) Not every survey is specifically asking a question about, for example, the impact of regulation, of which planning is one form, not all of our surveys refer to that. I think you are at danger, if I may suggest, of taking his words a little too literally in that respect.

212. You are saying something different, that is clear, is it not? You are saying something different from what the Director-General said?

(*Mr Roberts*) What are you saying that I am saying?

213. I am saying that you are not saying in your evidence here that every survey you conduct, every business you talk to says that planning is always at the top of the agenda as a fetter on productivity, you are not saying that?

(*Mr Roberts*) What I have sought to do is to provide you with at least some evidence, albeit through a survey—

214. But you are not saying that.

(*Mr Roberts*)—of the importance of planning to the interests of our members.

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[Continued

[Dr Pugh Cont]

215. Okay. Could it be though that there is a problem with the planning process because businesses are basically entrepreneurial, they are do it and go kind of enterprises. If they come up against a democratic body which has to make a planning decision, and is not able to do it straight away, do they have unrealistic expectations of the planning system?

(*Mr Roberts*) I think there are differences of culture, clearly, between businesses generally and the local planning authority generally. I think what is an issue of concern to them is not necessarily that decisions more often than not go against them, in fact there is a very high rate of success in approving planning permissions, particularly for commercial applications. The concern is what they perceive to be the unnecessary time that it takes to reach some of those decisions. To give you one specific instance to explain the generic: 30% of all commercial planning applications which are refused by local authorities are overturned subsequently on appeal. That seems to be a pretty high proportion and it is the sort of issue which suggests to our members that perhaps there should be a better way by which, in the first instance, a local authority will come to the "right judgment".

216. Does the difference in culture explain some of the gripes?

(*Mr Roberts*) I think there is a high level of expectation and that is driven by organisations whose culture is to respond to customer need in many respects and to organisations where perhaps they are conscious of the way in which their competitors seek to respond to their customer needs. It is driven by an expectation of service and a delivery and I think there is a difference of approach there.

Christine Russell

217. Can I ask you about public consultation. Do you agree that one of the reasons why the planning process can take a long time is because of the extent that planning authorities go to, to consult local people who will be affected by developments? What is the view of the CBI? Do you feel that the degree of public consultation should be reduced?

(*Mr Roberts*) Certainly we are not advocating that there should be public consultation and that it should be full. I have not got a particular view on whether in aggregate the level of public involvement is too high at the moment and in some sense it should be reduced. I think the advertisers make sure that the public involvement is engaged as effectively as possible.

218. What role do you feel that the applicant should have in the way of doing public consultation? Do you see that would be a helpful move?

(*Mr Roberts*) In principle, yes, I think it would be helpful for applicants to consider what the interests of the local community might be in pursuing the particular development. I think the issue at stake here is what may be required formally by way of community involvement. The concern would be that the requirements for a large development or the

requirements on larger firms may be fine for them but may not be appropriate for smaller firms pursuing the one-off application for planning permission.

Chris Mole

219. Would you agree that it is better, perhaps, for the consultation to be got out of the way on the local plan or the local development framework so that the consultation with individual applications can be scaled down? Is that perhaps a benefit of the Bill that is before us today?

(*Mr Roberts*) Again, subject to the point I made about lack of detail about what exactly the local development schemes will involve.

220. But, as a principle, if that consultation could be done on the framework rather than on the individual applications, would that be an improvement?

(*Mr Roberts*) Yes. There is potentially a danger of confusing two things here. I think from the perspective of our membership, local development schemes, or frameworks as they were known before the Bill was published, really should be about establishing the key strategic objectives for spatial development in the local area. They are not about determining in a plan whether or not you would approve this application or that application for permission to develop, clearly that has to follow subsequently. It may be that on individual applications there are significant issues for the local community and in those circumstances it would be good practice, clearly, for a developer to take soundings as to likely issues for the community. That should be done within, hopefully, a context whereby the principles for development within an area have been established through an effective process of involving the community in the establishment of the local development scheme.

Mr O'Brien

221. Section 106 agreements, we are advised that it is costing businesses £2 billion a year. How much do you think of that £2 billion is to enable developments to go ahead and improve the planning applications or how much is just a commercial or a profit made by local authorities. Have you a view?

(*Mr Roberts*) I have not got a view on the precise number. I can only report that anecdotally there is a concern that in some cases there may be an element of the practice that you indicate. I cannot be more specific than that.

222. Let me put another view to you. How much of the £2 billion is actually passed on to the business end users, the customers, and how much is absorbed by the reduction of land value?

(*Mr Roberts*) I cannot answer that question. The £2 billion figure that you cite is one that we developed on the back of some work that was done by the RICS on the incidence of planning gain. I could not really give you the sort of detail that you seek.

223. Does the TUC have a view on section 106 agreements?

(*Mr Coats*) Planning gain, we do not have a formal view, no.

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[Continued

[Mr O'Brien Cont]

224. Can I move on then. Does not the cost of section 106 agreements reflect the ability of developments to bear the cost? How can they be a real problem? If there is this fluctuation of land values, if there are benefits to the businesses, should they not be able to absorb the cost?

(Mr Roberts) I think we accept the principle that where a development has a significant impact on the local community then the developer in some way should recompense the community for that impact. What I think gives us concern is the extent to which that opens up the opportunity for negotiations to secure gain over and beyond the extent of that impact on the local community.

225. What does the CBI think of the alternatives to the 106 agreement? Have they a view?

(Mr Roberts) We have not proposed an alternative to section 106.

226. Would you prefer fixed impact fees instead of the section 106 agreement?

(Mr Roberts) No. Our preference is for section 106 to be operated in a more transparent way through the implementation of best practice grants.

227. Are you saying it is not transparent at the moment?

(Mr Roberts) I think there is a view amongst our members that it is not always transparent and that there are differences in practice between local authorities.

228. Is that flagged up anywhere? If there is this question of mystery or a shroud over the agreement, is that presented anywhere?

(Mr Roberts) We have not given evidence of that in our memorandum.

229. Why not?

(Mr Roberts) Being honest, because it is quite difficult to establish that for the simple reason that in some cases developers have secured permission. Clearly they do not wish to upset the relationship they have with the local authorities where they have succeeded in getting that permission.

230. Whistleblowers are now independent. Is there a reason why your members do not blow the whistle if there is some mystery there?

(Mr Roberts) I am not sure if the protection extends to them.

Dr Pugh

231. House prices have clearly risen considerably in recent years especially in the South East. To what extent do you consider this to be due to planning constraints on new development? That question is to both of you.

(Mr Brinkley) The short answer is we do not know, but we think someone ought to find out. It could have two possible effects: one is on destabilising the macro-economy by pushing up house prices and at the moment we are in a house prime boom; the second is it does price workers out of high property areas and that is a particular problem with the public sector. So although we do not have the answer, if you were going to follow this up by suggesting new research or a new investigation, certainly we would like to see the Treasury and the Office of the Deputy

Prime Minister look at what the structural causes of house price inflation are and what role the planning system plays in that because at the moment we do not know and I am not convinced many other people do.

232. What about high incomes and low interest rates, are they responsible?

(Mr Brinkley) Certainly these must all be part of it. We have seen a very strong wage growth and we have seen low unemployment so people feel secure in their job, but there is clearly a puzzle going on there. Although the markets send the strongest possible signals, new build in private housing has not gone up, it has gone down a little bit in the private sector and that does suggest there is something not quite right there which is stopping the market from responding to this very clear price signal.

233. The primary puzzle for most of us is trying to figure out why very high prices in the South East have not encouraged more businesses to locate elsewhere. What is your explanation of that?

(Mr Brinkley) It may have to some extent in that some of the inward investment projects have been encouraged towards the Midlands and the north rather than the south, but in the south you have a lot of demand for the high-tech industries in particular, it is a prime location, you can sell your goods very easily, it is close to the Continent so you can get your goods across to Europe and by and large you do not tend to see an awful lot of business mobility across regions and that is why I think the Government is probably right in putting much more emphasis on encouraging indigenous growth within regions rather than going back to the old policy of trying to shift industry out of the South East to the north because in the past that has not been terribly successful.

Chris Mole

234. We heard from earlier witnesses how difficult it is to compare the situation in the UK with that in the US because of different densities of population etcetera. Does that suggest that the McKinsey Report in 1998 is not really a terribly reliable source of opinion in these matters?

(Mr Coats) That is a fair summary of the view we took in 1998. The TUC produced a fairly lengthy response to the Report which we can let you have, Chairman, you might find it interesting. We felt that McKinsey was ignoring those core productivity drivers that I referred to earlier and by focussing on the planning system they were really mis-diagnosing the UK's problem and the idea that you could boost productivity dramatically by deregulating product markets which we think are pretty open and competitive at the moment or by dismantling the planning system with a recipe for no significant change in productivity and potentially big environmental dis-benefits. So we were never convinced by the diagnosis that they proposed in 1998.

235. And the CBI?

(Mr Roberts) I think one of the challenges in the analysis, particularly with regard to the link between planning and productivity in the McKinsey Report, is that clearly they are comparing two very different

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[Continued

[Chris Mole Cont]

countries in terms of density. However, what I think is useful is the fact that it signals in those areas such as retail where the size of outlet is a significant issue that that potentially could be a significant contributor to that particular sector's productivity. I think the danger is in comparing apples with pears in terms of type of geography.

(*Mr Coats*) The TUC assessment was that McKinsey had failed to understand the kind of social and environmental trade-offs which in a small and densely populated country like the UK we have to make. It is entirely legitimate that you want to preserve shopping in a downtown area rather than shift it all out to large superstores on the periphery for all sorts of good social and economic reasons. We also felt McKinsey failed to understand completely that whereas land is readily available in the US, it is not in the UK and while their Report may have been interesting and certainly it was fun to write our response, I am not certain it contributed to the sum of human knowledge all that much.

Chairman

236. You could say the 1947 Town and Country Planning Act in this country was a jewel in the crown, could you not, and that really for the last 50 years we

have had a planning system in this country which has actually made the country much more attractive to live in? Would you agree with that?

(*Mr Coats*) I would agree with that, Chairman, yes.

(*Mr Roberts*) It has clearly been one of the factors. I think the interesting point for the planning system is that the context within which that Act was initiated is in many respects very different from the context within which we find ourselves now, a difference between a period of reconstruction to a period of our modern Western economy seeking to retain its position in a global environment.

237. Do you not think one of the key things in retaining its position in a global environment is the quality of the environment as opposed to encouraging people merely to develop?

(*Mr Roberts*) Yes, and that is the quality of the build as well as the rural environment and it is a point we make quite explicitly in our memorandum.

Chairman: On that note, can I thank you very much for your evidence.

Examination of Witnesses

MR TONY McNULTY, a Member of the House, Parliamentary Under Secretary of State, MR MICHAEL BACH, Principal Planner, PDI, Office of the Deputy Prime Minister, examined.

Chairman

238. Can I welcome you to the second session this morning into the inquiry into planning, competitiveness and productivity. Can I commiserate with you on what is a busy day, both coming before us and then dealing with the Bill this afternoon. Can I ask you to identify yourself and your colleague for the record, please?

(*Mr McNulty*) Tony McNulty, Parliamentary Under Secretary of State to the Office of the Deputy Prime Minister with responsibility for housing, planning, regeneration and the Minister for London. To my left is Michael Bach, a planning official.

239. Do you want to say anything by way of introduction or are you happy for us to go straight into the questioning?

(*Mr McNulty*) I am happy to go straight into questions and answers.

240. Your memorandum gave us a long list of examples where the planning system is of little consequence to productivity or competitiveness. So what is the problem?

(*Mr McNulty*) The research showed that whilst the Planning Committee was not unfriendly to business, which I know is the core thrust of your inquiry, if you turn that round, it does not actively help economic development even of the right type and in the right place. As I think was said once in a song *Things can only get better*. We are not complacent. The planning system always needs tweaking. It is clear from our

proposals that we will come on to subsequently in the Planning Bill in the House this afternoon, which I think the Committee largely approves, that there are still a number of significant improvements to be made. Whilst we welcome the Committee's research and its deliberations which go with the grain of our view that planning is not, as was suggested anecdotally, a hindrance to business or economic developments, we feel it can be far more active in securing the balance between looking after the interests of development control and land use, looking after the interests of communities and actively and pro-actively assisting economic and business development in areas.

Sir Paul Beresford

241. Some of our witnesses this morning said they could not really assess the Bill because so much of the legislation was going to be secondary legislation and they expressed sympathy for the Standing Committee that you will be speaking to as the Bill progresses. Will the Committee have the secondary legislation so it can judge the Bill?

(*Mr McNulty*) The plan is, hopefully, that as and when the Committee is discussing things that will be further deliberated on in detail at a secondary stage and they will have that detail as and when it is going through Committee, yes.

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[Continued

[Sir Paul Beresford Cont]

242. And if the plan fails will we be able to adjust the timetable so that the secondary legislation can be before them?

(*Mr McNulty*) As an ex-Whip I am bound to say that that is a matter for others and business managers and not for me. I am not going to sit here when the programme motion is before the House today and suggest it should be amended.

Chairman

243. But you can confirm that you and your colleagues are going to use your best endeavours to make sure that there are draft regulations available for the Committee to look at when they are considering the Bill?

(*Mr McNulty*) That is certainly what we anticipate. When we talk about the planning reform package of the Government it is not just the Bill we are talking about, there are a whole range of other ways to improve upon the whole planning regime or framework in the country, not least through some elements of secondary legislation, not least through a review of circulars and not least through a review of PPGs and PPSs.

244. The cynic in me would suggest that the most successful ministers are the ones who need least legislation and actually get on with making the present legislation work. Would that be a fair comment?

(*Mr McNulty*) The Euro cynic? As I said at the beginning, the planning system does need updating, modernizing and to be far more responsive for those three elements and that is what drives us: the interests of the community it serves, the interests of economic and business development, the overall sustainability and well-being of that community and the land use and development control framework. To the extent that we need to improve upon it through primary legislation, that is clearly set out in the Bill. To the extent it can be done via secondary or other routes, that is the way we will do it too. I do not anticipate, whether a success or otherwise, coming back to the House with a Planning Bill every six months.

245. If you are right and that really is much more about organic change, do you not slightly undermine that argument with clause 39, with the Local Development Orders, which is almost suggesting that some places should not have planning at all?

(*Mr McNulty*) Rather than suggesting that, it is saying if we are getting to a stage where the planning system is as flexible and responsive to local conditions as possible then the scope for LDOs will be right and proper, which is essentially just the relaxation of permitted development rights in some cases and the planning area in other cases. None of the things foreseen in the Bill is about tearing down the regulatory framework for planning or insisting on a planning free-for-all. I think it will have to be organic and responsive to local conditions and local circumstances.

Mr O'Brien

246. Minister, could I draw attention to the relationship between your Department and the Treasury because we have received a letter from the Treasury saying they have not undertaken any research into the links between planning and competitiveness. What is the basis for their interest in relaxing planning controls?

(*Mr McNulty*) I think you will find the Treasury is interested in everything that we do as a Government and rightly so. It is not for me to speak for the Treasury, but I think their interest is partly borne—which I am grateful that this inquiry is demolishing a good part of—from this wide anecdotal body of “evidence” out there and the view that somehow the planning system has been this massive impediment to economic growth, productivity and economic development generally. If that anecdote has taken root then it is more appropriate that the Treasury should be concerned. The Treasury are, as ever, with us on the Bill and our overall thrust of the planning reform. The memorandum is cleared by a range of departments including the Treasury, so I think you would be hard pushed to find much that divides the Treasury and the ODPM on any matter at all.

247. Was there any consultation with your Department when the Treasury said we will give planning authorities powers to create Business Planning Zones that cut red tape for growing businesses by removing the need to apply for planning permission?

(*Mr McNulty*) As I understand it the whole notion of Business Planning Zones and updating the largely unsuccessful notion of Simplified Planning Zones in the 1980s emanated first of all from ODPM. As to the relationship between that and the enterprise areas that the Chancellor announced, again there were discussions on those at official level and beyond from the summer onwards.

Chairman

248. You say it came from your Department historically in different names. What you are really saying is Nicholas Ridley thought it was a good idea..

(*Mr McNulty*) In terms of Simplified Planning Zones?

249. Yes.

(*Mr McNulty*) Yes. I do not know the history of the 1979–97 period, but I am sure Mr Ridley had something to do with it.

Mr O'Brien

250. What is the link between Business Planning Zones and Enterprise Areas in view of what you have said?

(*Mr McNulty*) The Business Planning Zones, which are about identifying areas where there can be some high-tech, low impact industrial development in particular areas—it is not envisaged there will be more than a handful, one or two perhaps in each region—are precisely that, a planning and development control tool for areas where that is deemed appropriate. It differs from the Simplified Planning Zones in the sense that I do not think it is

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[Continued

[Mr O'Brien Cont]

unfair to characterise Simplified Planning Zones as a kind of free-for-all, where if somebody fancied an SPZ somewhere they got it. The entire development local plan has to be in the overall strategy of an area and rooted in the wider planning and economic development framework. They differ from Enterprise Areas in the sense that Enterprise Areas are about focussing on the 2,000 most deprived wards in the country and, by using a mixture of fiscal and other tools, trying to get more inward investment and more economic development in those areas. The two may coincide, they may be contiguous, who knows? In the first instance that is really a matter for the regions as they develop their regional spacial strategies and the local development bodies as they develop the local development framework. So one is essentially a development control tool, the other is a fiscal intervention tool.

251. Who makes the decisions, you or Treasury?

(*Mr McNulty*) In terms of PPZs, ultimately the local planning authorities make the decisions as they are drawing their plans up, not us. In terms of the Enterprise Areas, as I understand it—and it is not for me to elaborate on Treasury policy—they have almost started to define the criteria by focussing on the 2,000 least deprived wards in England. So they have started with their template in terms of criteria. I do not know what mechanism they then put in place to determine the decision-making process.

(*Mr Bach*) The idea is that within England it is the 1,260 worst off wards that will get the benefits. It is then up to people to come forward with proposals for developing sites and they will get those benefits.

Mr O'Brien

252. There has been mention of the fact that the Treasury has had meetings with the British Retail Consortium and reports of the Treasury commissioning research into planning and competitiveness. If they are active in that then the question is who plans planning, the Treasury or the planning department?

(*Mr McNulty*) I would say it is entirely appropriate for the Treasury, ODPM or DTI to look into various aspects of impediments to the development of economic activity, productivity and economic efficiency. If they are doing it in the context of the planning system then that is entirely feasible too. As to who runs planning, we do.

Chairman

253. Are they actually doing it or was this a mistake by *Property Week* when they reported it?

(*Mr McNulty*) I have no idea. I have learned over the last six months that I comment less on *Property Week*, *Horticultural Weekly* and *Planning* and all the other spaces I deal with now as much as I did previously with *The Guardian*, the *Observer* and the *Sunday Times*.

Mr O'Brien

254. Is there any knowledge of research being undertaken at any Government level in planning and competitiveness? Is that taking place?

(*Mr McNulty*) The only thing that I am aware of is what you say about *Property Week*. I would be astonished if the Treasury were not at least looking at it, not least prompted by your activities. I would be astonished too if any Government department was not taking very very seriously the research you have already commissioned which I would suggest highlights the route map in terms of any conclusion on the relationship between planning and effectiveness and it is a very helpful contribution to the debate.

Mr Clelland

255. Minister, for the past 18 months your Department has been emphasising the costs to business of the planning system yet we have heard from expert witnesses just this morning that those costs are very difficult to define. Can you tell the Committee what your evidence is for the fact that this is a problem, and can you tell us whether you have actually weighed the costs of the planning system against the benefits to business and the wider community?

(*Mr McNulty*) If by the last 18 months you mean the whole process from the Green Paper first coming out and all the way through the process, the only certainty is that the more there is a lack of clarity in the planning system, a lack of speed and responsiveness in those three crucial areas that I talked about the more it is an impediment and it will be a cost rather than a benefit to society as a whole. As I have said before, the anecdotes that have been out there in terms of this huge impediment, that is the planning system, to business economic development is, thanks not least in part to your inquiry, not as substantive a point now as it was a couple of weeks ago before your inquiry started. Nonetheless, it would be wrong to jump from that to a conclusion that says there is nothing wrong with the planning system so leave it alone and that is what the whole process of the Planning Green Paper, the consultation, the response to your Committee's report and the subsequent responses from the consultees has all been about. In part, at least, we got wrapped up in some very serious, very contentious and very long-winded inquiries and I am not just talking about the T5 but some very significant developments in every region in terms of size and scale and taking far too much time to go through the entire process, and people are drawing conclusions from those for the entire planning system and those were clearly conclusions that were iffy at best.

256. Are you saying that we started the whole thing on the wrong premise, that in fact this was not as big a problem as we thought when we started the whole process?

(*Mr McNulty*) I do not think so. There are still difficulties in some of those larger scale schemes and I do not mean just the T5 stuff. You will know that we went through a process of trying to improve significantly the major infrastructure project process.

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[Continued

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We determined not to go through the legislative route on that necessarily in terms of changing it drastically to a parliamentary-type process but simply to reform and update the existing process by concurrent inquiries and all that sort of thing which should assist the process. Underlying that there are many many examples of very large and significant planning applications having taken a good deal of time to get through the process, whether it is the tail end of section 106 and the planning obligation dimension that has held the thing up or the bigger schemes not a million miles away from here where that is the case and again we have decided to look at that. Simply because the anecdotal evidence has not proved substantive in terms of real evidence does not mean that there are not various parts and stages in the whole planning process that need looking at and reviewing which is what we are doing with this overall package and not simply the Bill.

257. But it also presumes that if there are problems there are also advantages in the system and there does not seem to have been much work done on weighing up the advantages against the problems. You quoted the song earlier *Things can only get better*, but not necessarily. For instance, if you have not weighed up what the benefits of the system are as against the costs how can we be sure that the new Planning and Compulsory Purchase Bill will not actually create problems as a result?

(Mr McNulty) In terms of the inefficiencies in the current system, many of those which the Bill deals with are rooted in a lack of clarity in part, a lack of responsiveness and in some cases a tardiness in terms of the development of plans. Already people are starting to look at the UDP regime through rose tinted glasses, but it cannot be right that a major northern metropolis is 10 years down the line and only just about depositing its first UDP. That cannot be good for any of the three key elements, a proper development control and land use system, a proper interest in regard to local communities who have to live with the consequences of a planning system, or a proper regard for economic development and activity. So trying to get the local development frameworks far more responsive but maintaining the quality of the decisions they make is a key element of the Bill, shifting the emphasis away from county structure level 2, which is just a reflection of the complexities of our regionally-based economy, that regional dimension we think is right as well. We think it has been relatively successful in the London context where there has been a spacial strategy in place and just going through its deposit and examination in public. The cumulative dimension to all that we do in the Bill is far more than simply tweaking. It is based on a body of evidence and experience not just gained through the Planning Green Paper process but prior to it, about how effective or otherwise the system works now and there are shortcomings and we are seeking to overcome them.

258. You mentioned earlier that people often have to live with the consequences of planning and that is an extremely important consideration. If the presumption is that we need to speed up the system is there not a danger that that is going to compromise on quality?

(Mr McNulty) That is certainly not the intention. The fact that the whole process needs speeding up is clearly right and appropriate, but that means speeding up the process in terms of clarity of local development plans so that everyone knows what is going on in a particular area. I do not think you can speed up much more than beyond the eight week nominal turn around there is supposed to be already for planning applications. It is not that economic in terms of the applications themselves and other consequences like planning obligations, section 106s and all those dimensions. It is getting to a stage where anyone, whether someone living in a community or someone who wants to develop in the community, knows what the ground is, knows what the strategic framework is, knows what the dos and don'ts are for that particular area and that is the area that needs speeding up far more readily. As I have said in passing, which is not terribly appropriate for today, with my Minister for London hat on I would say that under the UDP regime London boroughs have been way ahead of the field because of their unitary status and no messing about with their boundaries as readily as some other local authorities over the last 10 years have done. The London model is probably an area where the UDP deposits to review and everything else have worked far better than perhaps elsewhere in the country, but it has not had that dislocation of boundaries, but even that needs significant improvement.

Chairman

259. What you are telling us is that the UDP system works where you have good local authorities and where you gave us this example from the north where one was very slow at doing it, surely it is a question of tackling that local authority rather than changing the system?

(Mr McNulty) What the London experience teaches us is that that regional spacial dimension is far more important than it was 10 or 20 years ago in terms of planning and in terms of other key elements of public policy, not least the ones I deal with like housing and other elements.

Sir Paul Beresford

260. One of the problems with what you are saying is that it is all about saying that London is not England. You are applying everything to the South East, for example, as we go from Milton Keynes, scope round the M25 and pick up the Isle of Wight and clip Kent onto it. You say that that is going to be able to reflect the local issues and local people's problems in such a huge area done by a few people, some of whom are not elected.

(Mr McNulty) In terms of the balance between the local development framework and the regional spacial strategy we do believe that to be the case, yes. If there are difficulties with that approach then it is at the margins between how London impacts on the South East and the balance between those two or even elsewhere, how the north-west and the north-east interact. Certainly if you take a step outside planning and look at other areas that I have responsibility for like housing, the multiplicity of

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complex layers of housing markets in any part of the country is such that you have to take a step out and look at the regional basis. For example, Rochdale can look over the motorway at Oldham and see its future if it does not take a whole range of preventative measures.

Chairman

261. That is the past.

(*Mr McNulty*) It is the future in terms of low demand and in terms of difficulties with a dysfunctional housing market. Even when I am in the middle of the worst areas of Oldham I can look up one way and see the Moors in all their glory and I can go a quarter of a mile down the road and see £150,000–£200,000 houses in a flourishing market. If you are looking at the north-west, you take Kensington and Liverpool or Chester as the exemplar of the housing market in the north-west.

262. Just be careful, you are going to provoke the Committee.

(*Mr McNulty*) I was just coming round to the north-east and Ipswich and Normanton.

Chris Mole

263. Minister, some of the direct costs to businesses are things like application fees. You are telling us you are concerned about the costs to business yet you are going to allow those to go up by 14%.

(*Mr McNulty*) We already have done. I do not start from the premise necessarily that the cost element of the planning system to business is prohibited in terms of them making good development decisions and good business economic decisions for their corporate futures. If there are difficulties in the process it is about log jams, it is about the planning obligation system and it is about clarity in terms of the planning process rather than the planning process.

264. You have told us the Government's concern there, but you are proposing tariffs rather than the current planning gain system. Would that not have been more expensive for business?

(*Mr McNulty*) Happily, in terms of this Committee's response to the Planning Green Paper, we are not proposing tariffs. We will be looking in some detail at the planning obligations circular and trying to sort out in a far more efficient fashion how to take section 106 and the whole planning obligations process forward, but we are determined we can do that through circular and guidance rather than through legislation.

265. The evidence we have had so far seems to suggest that businesses do accept that there have to be some costs borne to them from within the planning system, whether it is fees, the agreements or even some of the delay. What do you think the Bill is going to do about some of these areas?

(*Mr McNulty*) If we are talking about a plan-led system, which we clearly are and I do not think there is any dissent from that being the way forward, then you do need robust and responsive plans at the local and regional level that respond not just to the

business sector but also the communities and the country's need for a land use and development control system and anything that makes that entire process more efficient in all three regards must be advantageous and I am sure it will be as advantageous to business as it will to the wider community and our need for a land use and development control framework.

Chairman

266. You just said that we are going to have this circular on the 106 agreement. When will we get it?

(*Mr McNulty*) We are going to start the review of the key elements of the circular and guidance that we need to do as soon into the new year as we can.

267. So a timetable for getting it out?

(*Mr McNulty*) The end of the year if you take concentration periods and everything else into account. We do want it to be an iterative process. We would hope that by the time the Bill secures Royal Assent everyone will know the thrust at least, if not the detail, of what is going on in it in terms of these key circulars such as planning obligations.

268. So you think it is not just that but there could be several other circulars and it will take 12 months to produce?

(*Mr McNulty*) There will be but not all necessarily absolutely dependent on or as a consequence of the Bill because our planning reform package is far wider than the Bill.

269. I am just trying to pursue the circular point. I am trying to see in my own mind how this whole idea about wanting to speed the process up will work and yet it will take 12 months to produce the circular.

(*Mr McNulty*) There is going to be a transitory period. Do not pursue me on absolutely when, but as soon as possible into 2003 the circular process will be finished. We would aim to publish the circular on planning obligations as soon into the new year as possible. I do not even think we are going to start work on it until the new year. We would hope to publish it and see through the consultation process. If I had to be pushed on an outcome then I would hope to have done it at the latest by August/September.

Chairman: Thank you very much.

Mr O'Brien

270. As you will appreciate, Minister, there is a great deal of interest in this legislation from all sectors and last week we had the Oxfordshire County Council before us and they maintain that a factor that has led to the county's economic success has been the link between planning, transport and economic development functions. They said they are deeply concerned that this link between planning and economic development and transport will be abolished under the new system thereby impacting upon their continuing economic success. Can you respond to that kind of comment?

(*Mr McNulty*) I would respond by saying as politely as I could that that is a woefully pessimistic view of the future. There are still substantial roles in planning not least in terms of waste materials,

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transport and other areas for counties to pursue. In most parts of the counties they have a body of expertise on planning that I would anticipate provision is made for in the Bill and both at local planning authority level and regional level authorities will tap into that. These counties, not least because of their own responsibilities but for things to work well, should really be holding hands with both the local planning authorities and the regions. I am sure the RDAs will sit before you—I am not sure that they did say this—and say that economic development in any part of the country has been absolutely down to RDAs and not to the counties at all. Firstly, I do not accept that they have no future in terms of planning functions because they do, not least in terms of their own retained statutory powers but also effectively, if things are working well, with the LPA and the regions, working very very closely with them. In any number of the regions it is the key players in the county planning families who are running the show at regional level. The chair of Kent County Council will be the chair of the next regional planning body. So there are all sorts of overlaps and interlinks that mean the counties still have a significant role to play. We are saying that in terms of an increasingly complex society and the interplay across the piste in terms of regional spacial strategies and regional views and linking that in with the local planning authority. That is a far better way to go forward than having a mutual discussion.

Chris Mole

271. I want to press you on that key issue of staff. Why would the counties retain the key staff if they are losing that strategic planning function they have now?

(*Mr McNulty*) In the best of circumstances—and the vehicles are outlined in the Bill within which they can do it—I would imagine that the RSS and the LPA/LDFs will both have significant inputs from the county level and I would have thought it would be in the interests of responsible councils to have as great an influence at both the local level and the regional level as possible and they still have a significant amount of work to do on waste and transport and huge county specific strategic issues.

Mr O'Brien

272. I think you are right that at the regional development level and in the operation of the local authorities there is some cohesion there, but they did say to us that a lot of their strategic influence could have crossed district boundaries, the lower tier and these are issues that they suggested cannot be dealt with as efficiently under the new system. What is your response to that view?

(*Mr McNulty*) As I have said already, there are the vehicles set out in the Bill and I think just political reality will dictate that the counties still have a significant element to play with the local planning authority as do local planning authorities that sit next to each other. The notion that any county or planning authority or region are somehow islands and do not need to talk to the people next door is a nonsense. I would hope there would be as much

lateral consultation and discussion as possible. Under the previous system there has been that and there is nothing in the Bill, enthusiastic or otherwise, that precludes that or encourages people not to have that degree of collaboration both laterally at the district or borough or unitary level or at the county level vertically or at the regional level.

Chris Mole

273. That is a tad optimistic, is it not?

(*Mr McNulty*) I am a born optimist. It is not terribly optimistic because in the end I think economic, social and broader political realities reinforce that kind of inter-connectivity now that there is in all areas of our society, not just in the private system.

274. But the reality is that we do have some islands. If you have an urban area perhaps with some more rural districts around it and the urban area needs to get rid of its waste but the districts do not want to take it then you have got a conflict and it is usually the counties that hold the reins and they are the honest brokers in these situations to find solutions.

(*Mr McNulty*) And in terms of waste strategies still do.

Chris Mole: Housing then!

Dr Pugh

275. In terms of dilemmas for local authorities, one of the worst ones they can face is when they have a promising project which will create employment but may do environmental damage and may not be in the long-term interest of the area. Is that just the way of the world—it has always been easier to open a canning factory in Burnley than in Maidenhead—or is it something the planning process can do something about?

(*Mr McNulty*) It is something the process can do something about only thus far and that is in terms of an identification, whether in Burnley or Maidenhead, of what areas or parcels of land would be appropriate for that sort of business activity and which ones would not be. In the context of getting the plan-led system, as I have said previously, that is all the more responsive to the changing needs of its area than a plan-led system can do something about that. I do take the point behind your question, to some extent it is the way of the world and can be controlled but not eradicated at all.

276. Do Business Planning Zones not just encourage that tendency and encourage an “anything goes” attitude?

(*Mr McNulty*) No, absolutely not. They would have to be rooted in the strategic plans. They are all about high-tech, low impact business development and activity and not the kind of fish factories and canning factories which by any dimension I do not think would be low impact. It is not Nick Ridley’s planning free zones and free-for-all “Come on lads, let the market rip in this particular area”, it is not that at all. They have to be very focused and in the body of the plans, so I do not think they do.

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277. How would you respond to the claim made by the Council for the Protection of Rural England that in fact business now looks for a nice environment, good housing around the area, green space and stuff like that and to reduce planning constraints or standards in an area like the Business Planning Zone will not attract the modern business?

(*Mr McNulty*) I would counter absolutely the notion that even these strategically focused Business Plan Zones do anything to lower standards because they do not. It is high-tech, low impact. Taking fully on board all the concerns which you have expressed, I would say to the CPRE that it was very very kind of them, albeit in line 26 of a 30 line press release, to welcome the Bill and all that was in it. It is just a shame it took them 25 lines to get there. We take seriously their view, but I think on this one, as with many other critiques, they are wrong because they are looking at the ghost of Ridley past and assuming that is what is in the Bill and it is not.

278. If Business Planning Zones have all these planning restraints still left in them what is the point of having them?

(*Mr McNulty*) They do not have the constraints. What they have is a framework clearly established as to what is acceptable and what is not in the areas and the bonus they have over SPZs is that rather than just appear in a puff of smoke, they must be rooted in the plan-led process and that is a far more robust system in terms of defence of the sort of let rip and free-for-all that you are talking about than previously was the case.

279. The only thing you seem to be saying is that it is a planned free-for-all and not just a free-for-all.

(*Mr McNulty*) Not necessarily. Far more than the prior system they will be rooted into the strategy, the land use forecasts and everything else that comes in the body of a plan. They will not get to a stage where all of a sudden you wake up and your lovely Maidenhead landscape has a huge big canning factory in the middle of it. That sort of system will not prevail in the body of the system.

Chairman

280. I thought we had run out of fish for these canning factories! What worries me is you get the planning zone, you get the land owner and he gets four people on to the site and then he finds it very difficult to get the fifth one on and there is the temptation for him to let the standards slip. It may not be that it slips as far as an animal by-product, which is my example, but it still slips to something that the other people on the site are not very happy with.

(*Mr McNulty*) There will be a very, very strong framework, almost a master plan, for each of the business planning zones rooted in the strategic plan and the view is that it is about high tech/low impact. I would not foresee a canning factory or an animal by-products, or otherwise, being involved too.

(*Mr Bach*) The idea is that each Business Planning Zone should have a very clear planning scheme which says what is permitted and what is not permitted. With the example you have given, somebody coming along and it is outside the

framework they will need planning permission for that. If it is within the framework and it complies then it will not need permission. The planning scheming will make quite clear what is allowable.

Dr Pugh

281. Nobody decides!

(*Mr Bach*) It will be agreed as part of the scheme when the scheme is agreed at the beginning. When the zone is declared it will be declared with its planning scheme.

282. What if it is contentious? What is the issue is, does this fit in the scheme or does it not, who then decides?

(*Mr Bach*) The planning authority

Sir Paul Beresford: It is freedom, but actually there is not any freedom.

Chairman: Let us keep to the questions.

Christine Russell

283. Minister, how do you answer your critics like, for instance, the county surveyors who claim that the wholesale reform of the system that you are proposing will lead to uncertainty which then will inevitably harm business competitiveness?

(*Mr McNulty*) I do not accept that at all. One of the clear thrusts of the Bill and the extensive consultation process from Green Paper all of the way through has had its root in clarity and responsiveness, and that is what has driven most of the Bill. I do not accept that at all from county surveyors or anybody else.

284. Can we move on then to the Planning Delivery Grant, when is that likely to be announced? Secondly, when Lord Rooker gave evidence to the Committee before he said that the grant is not going to be ring-fenced. If it is not ring-fenced how are you going to ensure that local authorities are not going to use the additional resource for some other project or use it for keeping council tax down, or whatever?

(*Mr McNulty*) You will know that the total plan delivery grant is £350 million. We have announced in a headline way more than anything else at the moment that £50 million of that will be spent in the first year and the rest subsequently. When the Deputy Prime Minister makes his announcement on resources, as much trailed, in January he will be going into greater details on it.

285. How are you going to—

(*Mr McNulty*) Do you want me to do the ring-fenced bit?

286. Yes.

(*Mr McNulty*) I think in the broadest sense the relationship between central and local government is changing. We are saying to local government we trust you—I know you are laughing because you are an ex Local Government minister.

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[Continued

Sir Paul Beresford

287. That must be one of the biggest errors of statement you have made for a long time.

(*Mr McNulty*) Errors! We are moving more and more away from ring-fencing, across the piece at ring-fencing. Local Government is under no illusions about the responsiveness and responsibilities that come with the Bill and are also increasingly—I have certainly told them—under no illusion they cannot spend this money on anything but getting their planning departments up to speed, it will be performance related, and then come back asking for money more, because there will not be any.

Chairman

288. You have had a chance to look at the transcript when Lord Rooker was answering questions on this. He was very insistent that it was not ring-fencing but it would work as if it was ring-fenced. Is that right?

(*Mr McNulty*) That is what we would certainly hope to be the case. Mr Beresford may laugh but it is about saying to local government, you have rights and responsibilities, we are not ring-fencing every single penny you get any more, we are not ring-fencing it in this area we are responding to a need and desire from local government to boost up their resources in terms of what they can spend on planning departments and it is up to them whether they do or not. Sadly much of the early reports, I stress they are early reports, about what has happened on much of the spend in terms of the 14% increase on planning fees this year is that not a whole lot of it has gone into planning.

Sir Paul Beresford

289. Because you deprived them in other areas and felt they were going to resist you.

(*Mr McNulty*) Which is why the relationship is changing across the piece. We are seeking to get less and less ring-fencing across the piece.

Christine Russell

290. How are you going to ensure this additional money is used to improve a whole range of planning services, whether it is to local residents or applicants, rather than just speed up the performance. Is the speed going to be the only criteria that you are going to assess?

(*Mr McNulty*) In January the details of the criteria against which the Planning Delivery Grant will be judged will come into place. We have already said there will be a performance element and subsequent grants after year 1, this coming year, will be based essentially on the quantum of improvements, not just the speed, the quantum, where they start from and where they are getting to. It is not just about saying to those who are right up the top, if you increase by a few points you are going to get a whole lot more of the grant, it is about the quantum from where the local planning authority starts to where they get to. It is about quality improvement across a range of essentially the best value plan and indicators.

291. How confident are you that the performance will improve quickly enough to justify the big hike in planning fees?

(*Mr McNulty*) As I said before, crucially it is the overall efficiencies of the planning system that need improvement, not necessarily just the turnover of decisions. We are, not just through the Planning Delivery Grant, in a wider sense working with a whole range of professional bodies to try and increase, which is absolutely necessary, the skills base and attractiveness of town planning or planning generally as a career. We are under no illusions that the PDG—which happily it is called now, it was going to be called Planning Improvement Grants, so we would be talking about PIGs all day—is going to increase performance but we need to do a lot more to change the overall culture, up the skills base and a whole range of other things. We are trying to do that with the Planning Inspector, with RTPI and a whole range of other bodies. We are getting to a stage now, talking to those bodies, planning officers' societies and others where there is a real sea-change that says that plans are important, how they link with economic development and a whole range of other things that sustain our communities are all important, rather than simply the planning decision process.

292. How are you going to improve the dialogue between planners and architects? You talked about the role the RTPI, what about RIBA too?

(*Mr McNulty*) Across the professions involved in these areas we are seeking to have far, far stronger dialogue encapsulating all of these areas. I am not offending RIBA, I cannot remember who said it, but somebody said to me over the summer that for every one town planner that our education system produced it produces twenty architects. There is something wrong with that balance in terms of people's actual functions and contributions out in the field. That is not attacking RIBA it is just a matter of fact.

Mr O'Brien

293. Both the Regional Development Agencies and the British Retail Consortium have called for a planning system that encourages economic development in a proactive way, what are you going to do to bring this about?

(*Mr McNulty*) In essence that is really right where we started from, where, as I say, much of the evidence that the Committee has taken and the pieces of evidence produced show that the system was not an impediment to business activity or economic development. I say that is simply not good enough. We want to move from that to being far, far more proactive. Business planning zones and things that like are part of it. I think crucially moving the focal point up to a regional level, where there can be much more interplay between RDAs and regional economic development focus, is part of that. More mundane things, like the review of the planning obligation circular, like a review of all of our PPGs and Planning Policy Statements will all help in that process, not simply in terms of that being the only thrust of what we do. As I say, I return to those three key interlinking elements, yes, the country needs a

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[Continued

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land use and development control framework; it needs a private system that is responsive to the communities it serves and who live with the consequences and it needs a proactive planning system that responds to the business community and economic development. At a local and regional level it is always about the balance of those three. They are asking me to let rip. Proactive is code for let them do what they want in terms of out-of-town retail or whatever else and that ain't going to happen.

294. On the question of economic development, we have economic development teams and development control teams all working within local authorities, the question is coordination. What are you doing to encourage the joint working of these groups? These are the stakeholders and it is important that we work together, what are you doing about that?

(Mr McNulty) More and more at council level, certainly when I go round to see local government that is happening already. The notion that there is a separate economic development unit that never spoke to the planners or the strategic people has almost become a thing of the past. Certainly I think that is more and more the case at the regional level, not least because of the impetus and the focus on economic development from the best of the RDAs.

295. The Prime Minister set up a strategic unit to look at ways to measure control. One of the items in their report is that the planning system causes delay on all waste facilities. If we are going to allow a proactive system how can you address that reference in the strategic report that the planning system delays all waste facilities?

(Mr McNulty) It is fair point. You can almost turn it round and it is about the balance I was talking about, much of that delay is caused by the community reflecting on and not necessarily always liking every significant application for waste facilities. Should that be done more speedily? Yes, it should. We are trying to do what we are doing in terms of the informalised parts of the inquiry process. If they are major then it is through the concurrent running of various aspects of the major infrastructure project inquiry. That is happening. It is about balance.

296. It needs cooperation too. The initiative has to come from somewhere, I would suggest planning.

(Mr McNulty) If things are working with the counties where they are very, very explicit as to what that future waste strategy is and that is reflected at least in part in the regional spacial strategy and where appropriately the local development framework then between them they should be able to resolve that and get to a situation where they are not having massive enquiries and delays every time they come up with an application for waste facilities because much of those arguments have been rehearsed previously during the plan process rather than the planning process.

Mr Mole

297. Mr O'Brien was talking about the ways in which authorities can have a more enabling approach. The Corporation of London talked us to about hand-holding through the process and in that pre-application stage. What do you think of those

sort of approaches and are you not concerned that, (a) pre-application discussions like transparency, and (b) the council can be seen as being torn between helping an applicant and its quasi judicial role.

(Mr McNulty) We are trying to almost formalise that process by making provision for a statement of intent, which is not a different version to outlined planning permission but it is about saying at the very least that at the conclusion of those early pre-application stages here is roughly what a developer wants to do. Broadly if he has come to agreement with the local planning authority on that the details are all consequent to that. Here is broadly a statement of principle for development that the local planning authority agrees to. I think the more we can encourage transparency in pre-application processes the better, that means responsibilities on all sides. I do share in part—not least after 11 years on a planning committee myself, not always privy to the pre-application discussion—some concerns about the lack of transparency. As Mr O'Brien was saying, the more open at the strategic stage in terms of the plans and how they relate to the regional spacial strategies and subsequent interpretations of those by councils as more applications come in the more open that process is the more you will take the community with you. What communities do not like is surprises.

Dr Pugh

298. The RDAs are charged with developing economy, sustainable development, and so on. The Government grants are a little bit anti-planning, does that worry you?

(Mr McNulty) It does not unduly worry me, it leaves opportunities for all sorts of arguments to put their views forward.

299. You recognise a tension there, do you?

(Mr McNulty) I do recognise a tension. In part we are moving to a system where most of the key players at the regional level, including the regional planning bodies, when they come into being, will have to work to measure far, far more than they have done thus far. Rather like central government and local government the notion of having little silos and ticking boxes and who has responsibility for what is probably increasingly a thing of the past. The thrust and nature of some of the things the RDA were saying did not surprise me unduly but I thought they had missed an opportunity rather than took full use of it.

Chairman

300. It disappointed you.

(Mr McNulty) Yes, that is exactly the word.

Dr Pugh

301. Do you have any evidence of regional planning influencing the development of clusters?

(Mr McNulty) The evidence is patchy thus far. The notion of further development of clusters is an area that we would actively encourage, not just in the Bill but subsequently.

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[Continued

[Dr Pugh Cont]

(*Mr Bach*) If I can give you some of the evidence from our research. Planning was not an impediment to clusters but it did not actually actively help them. Other issues other than planning were much more important, like the availability of skilled labour. The planning system has not been unresponsive but what it has not done is positively promote those clusters. Things like business planning zones will be an opportunity for doing that.

302. Inward investment, has that been decisively effected by planning, do you have any evidence to that effect or does it happen anyway when it is going to happen due to market tendencies?

(*Mr McNulty*) Part of the complexity of all this is almost unpeeling the onion and seeing where the planning process impedes or assists and where it is down to an enlightened RDA chair or an enlightened county council leader. In terms of substantive evidence I would have thought in one sense that the planning process is the second stage on from what initially attracts people to invest in a particular area.

303. Have you not attracted occasions where some policy has been revised and almost immediately there has been a flood of inward investment bottled up waiting to get in there?

(*Mr McNulty*) I can think of such examples but they are not terribly useful ones. My background is overwhelmingly Irish and every now and then I go over to Ireland and see empty IDA sheds all over the place as a consequence of fiscal breaks and rapid changes to the planning process to assist this inward investment that disappear like grains of sand five years later when the tax regime runs out. The interaction between what the RDAs do in economic development, the regional planning framework, the regional political leadership and the regional economic activity are all crucially important. How to unpick them and how useful that is I am not sure.

304. Would it be fair to say that it is easier to track some of the negative effects of planning, keeping development out rather than planning bringing development in?

(*Mr McNulty*) As Michael has said, we have fairly significant evidence from the trawl we have done. At best the plan is not an impediment but at worst it is fairly neutral. Back to Mr O'Brien's point about, yes moving forward in terms of being proactive and working with the RDAs in economic development to assist inward investment and all those elements while still holding the ring in terms of a balance between a fair land use of development control system, the communities, the consequences for them and the attraction of economic activity and everything else.

Mr Clelland

305. What has been done about the problem of regions and local authorities competing with each other for new business investment in their area and all the dangers of driving down standards?

(*Mr McNulty*) Part of that process with the new Bill is the Regional Spatial Strategy, which I know is a clumsy title but it is meant to be all embracing in terms of picking up and identifying far more than simply land use and development control but about infrastructure and so much more which will almost

predefine and compliment the local development frameworks from the other end of the process and where key aspects of development should be in any particular region. That is not going to pre-empt or stop in the end that almost mutually assured destructive nature of some of the intense competition but it will assist the process and get us to a stage where people are not taking a step back and taking that broader regional view. That needs to be seen in the context of a lot of the other development will happen at a local level. It sounds mundane but the development and the review of much of what we are doing on the planning policy guidance will work with that process, not least in terms of where some of the things I have seen, where there is this kind of cut-throat competition for things like out of town retail, near out of town or the next town, or whatever else. The assorted PPGs will deal with that as readily as the RSSs

306. You mention the RSSs, in the Committee on Planning Green Paper we recommended that RSSs should take precedent over all other regional strategies. In its response the Government did not seem to go along with that, why was that?

(*Mr McNulty*) I think we need to get them in place first. I think a question from Dr Pugh earlier, ultimately—and it is not for me to rewrite the Bill on the day of the second reading—these things are organic and I would suspect not too long down the line not only will all of these regional activities be interwoven and interacted but I think the RSSs will end up predominating and getting broader in terms of what they do. They are intended to be fairly all incumbent and far more than simply local plans. They are pretty all-incumbent documents already and they will lead the process. The RPPs will work very closely with the RDAs and other regional authorities, some elected and some not subsequently, to drive the process forward in terms of a planning regime, an economic development regime and broader strategies for each week.

Chairman

307. Do you have any comments on the literary review that Roger Tym did for us?

(*Mr McNulty*) I thought it was very good.

308. That is excellent, you do not need to go any further.

(*Mr McNulty*) It sat very readily with much of the research that we had already done. What was most interesting from our point of view was there was nothing stark that stood out from his conclusions that jarred in any sense with our conclusions, not just from the research but from the broad interaction we have had with consultees on the planning Green Paper. It was very useful in that sense.

309. There does seem to be a lack of research on the benefits of planning. Has the Department any plans to do any research in this area?

(*Mr McNulty*) In one sense that is right, but in one sense it is a tad unkind in a sense that every time we review a PPG or a PPS there is in that particular slither of that particular area a goodly body of research underpinning it. I could wax lyrical but shout about the huge body of research that has gone

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MR TONY McNULTY AND MR MICHAEL BACH

[Continued

[Chairman Cont]

into the development of PPG 23 by Lester Hicks on waste, minerals and general extraction. It is a huge and very definitive seminal piece of work in that area, which I will happily send copies of, and the research to the Committee. In terms of the initial development and the subsequent development of PPG 3 on housing and PPG 6 there has been a huge body of research underpinning those that do summarise the benefits, or otherwise, of the prior regime and what may need to change. Taking a step back and saying, in a global sense has that happened? I think one of the things the paper did show was the pro-active, which it clearly showed, as well as the porosity of sustaining

evidence to say that the anecdotal planning is terrible, it is an impediment and we will all be running off into sunny uplands with twice the growth rate we got if it was not for the planning system.

310. We will look forward to that Christmas reading. Meanwhile can we let you escape to go back to the Department to peel the onion? I did not realise it was quite that difficult in your Department.

(Mr McNulty) At least we found the onion!

Chairman: On that note thank you very much indeed

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[Continued

Memorandum by T Martin Blailock (PCP 34)

I note from the Press Notice for the Inquiry into “Planning, Competitiveness and Productivity” that you seek facts rather than opinions.

I have been a consultant and practitioner in infrastructure project finance,—PFI, PPP and the like,—for the last 25 years or more. For the last 15 years PFI/PPP has been the bedrock for many, if not most, major transport infrastructure projects in the UK, and most likely will increasingly be so in the future. However, PFI/PPP projects cannot proceed without the necessary planning approvals. Likewise, without such approvals, no such infrastructure developments will take place.

The current parlous state of UK transport infrastructure has just as much to do, therefore, with the inability of the planning process to support infrastructure development, as finance. The two are inter-dependent.

Additionally, the lack of a continuous policy of upgrading infrastructure and transport, in particular, over the last 30–40 years (under different governments) has left a UK contracting industry diminished in capital strength such that it cannot on its own undertake such necessary (large) projects. It is a fact that a number of such projects have had to be “rescued” by non-UK contracting groups, eg Bechtel for Eurotunnel, JLE Extension, etc.

Others have the precise data supporting these arguments: I have not. The negative impact of inadequate transport infrastructure on the productivity and competitiveness of UK industry, tourism and quality of life, however, can confidently be measured in £ billions.

The facts relating to inadequate planning procedures, which have cost the country dearly in lost opportunity and congestion, include:

1. Channel Tunnel Rail Link: conceived as complementary to the Eurotunnel project in 1986, approvals not given and contracts not awarded until 1996–97. The projects remains incomplete;
2. Manchester Metrolink: commercial/financial viability established in 1983–84, but it did not open for operations until 1991–92;
3. Birmingham North Relief Road: plans and funding ready in 1992: the project remains incomplete today;
4. Terminal 5, Heathrow: 10 years plus(?) in the planning and approval process, and incomplete today;
5. London—M25: there have been no new River Thames vehicular crossings (apart from the odd widening of existing bridges) within the M25 since the invention of the motor car.

There will be others. Is not this ample evidence that the current planning procedures do little to promote the dynamic development of our economy and improve our quality of life? Private PFI/PPP investors will not have the patience to wait so long for projects to be given planning approval.

Memorandum by The National Association of Master Bakers (NAMB) (PCP 35)

The following note is to provide the Select Committee with information relating to the concerns of the baking industry over ODPM proposals to reform the current Use Classes Order.

BACKGROUND

Earlier this year DTLR issued a consultation document relating to the Use Classes Order (responsibility for this work has been assumed by ODPM) which, in terms of its impact on the baking industry will have the effect of reclassifying bakers’ sandwich shops—which now sell hot food as part of a range of lunchtime snacks—as hot food takeaways and therefore subject to much greater and more proscriptive planning regulations. NAMB still believes that such an outcome may not have been the intention of officials drafting the consultation. However, to date, the industry has received no assurances from ODPM that sandwich shops will remain outside A3 use classification (relating to hot food takeaways such as kebab houses, burger bars and fish and chips shops). If sandwich shops were to be reclassified, this will cause immense damage to the traditional baking industry, which is already facing substantial competitive pressures from supermarkets and other larger retail outlets.

The essence of the traditional baker is to provide a local community service, often in either town centres or suburban areas in a parade of shops. In order to cater for more diverse customer demand—and in the face of competition from other food retailer—sandwich shops will often sell a small range of hot foods including pies, pasties and sausage rolls. As a result of this limited diversification, ODPM believes sandwich shops—which provide an exclusively day-time service for office workers and shoppers—should be classified in the same way as hot food takeaways on the grounds of perceived social, environmental and amenity nuisance.

NAMB recognises that substantial problems are caused by hot food takeaways including vandalism, litter, noise, waste and general anti-social behaviour amongst their customers; and supports the view that local authorities should be able to restrict their location, size and type of operation. However, given the wholly

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different nature of a sandwich shop compared with a kebab house, it seems incongruous that the two should be lumped together for the purposes of planning reform. Rather than creating local environmental problems, sandwich shops add to the vibrancy and diversity of high street and shopping arcades. Indeed, many developers actively encourage their involvement as part of “mixed use” retailing solutions.

Furthermore, many sandwich shops run by NAMB members are small businesses, often with just one or two shops. It is these types of businesses which Government policies should be fostering and encouraging.

The NAMB urges the Select Committee to examine the potential problems, which will be caused to our industry as a result of the reform proposals, which could see many small companies going out of business.

Memorandum by the Small Business Council (PCP 36)

The Small Business Council would like to submit the following memorandum in order to aid the Select Committee’s inquiry into planning, competitiveness and productivity. The Small Business Council was set up in May 2000 as a Non-Departmental Public Body that:

- Reports to the Secretary of State for Trade and Industry on the needs of existing and potential small businesses in order to increase their opportunities for success and growth;
- Advises the Chief Executive of the Small Business Service; and
- Advises and reports on the effects on such businesses of the activities and potential activities of government including the Small Business Service itself.

The Chair of the SBC is William Sargent, who took on an enhanced role in February this year as the “independent voice for small firms”. He attends the Ministerial Panel on regulatory accountability and has direct access to the Prime Minister to discuss small firms matters. The Council consists of 23 members. One of our members is Michael Robinson, the proprietor of the Burn How Hotel, Bowness-on-Wideremere, Cumbria LA23 3HH. The attached submission at Annex A is based on feedback Michael has received from local Cumbria businesses.

Dr Marion Carter

Annex A

SMALL BUSINESSES AND THE ENVIRONMENT IN CUMBRIA

The National Park Authority

The Lake District National Park Authority is managed by an unelected body of people who appear to be pre-occupied with environmental issues at the expense of the economic sustainability of the region and welfare of the people who live within the National Park. A recent DEFRA report states that LDNPA’s remit includes sustaining the National Park in economic terms. LDNPA needs to maintain a clear focus on delivering results within the National Park—economic results as well as the protection of the environment.

Employment

Although much of Cumbria is picturesque and has many advantages, it is currently an area of low unemployment, and companies are finding it increasingly difficult to recruit staff. This is partly a legacy of the recent Foot and Mouth disease outbreak where workers left the area and have not returned, but is also exacerbated by low rates of pay—particularly in the farming, hospitality and catering sectors. The low rates of pay are not just a disincentive to employment, but they are creating a widening gap between incomes and housing prices. There is a significant need for more workers in the area and we need to find ways of getting them. We need to consider options such as:

- Bringing in more workers from outside the county.
- Bringing in workers from overseas.

Housing

We need to provide more affordable housing for workers and for young people in general within Cumbria. Affordable housing is required to make sure that local people are encouraged to remain in the area and are not priced out of the housing market by rates of pay that are below the National Average and by the high demand (from people living outside the County) for second homes within the National Park. Acquisition of second or holiday homes is currently encouraged by subsidising Council tax.

*17 December 2002]**[Continued*

Tourism and the Rural Economy

Tourism in Cumbria is worth around £1 billion per year to the county's economy. This represents almost a fifth of the county's GDP. Tourism supports almost one quarter of all jobs in Cumbria—90% of all tourism based businesses employ 10 or fewer staff.

Roads & Transport

The rural nature of Cumbria dictates that the transport infrastructure will always be less than ideal. However, considerable investment is necessary to improve the infrastructure from its present level. Road and rail access both need to be improved. The overall capacity of the transport network needs to be increased in order to cope with the desired continued growth in Tourism.

COMMUNICATIONS

Central Lakes = "Broadband Exclusion Zone"—limiting opportunity for many technology based small businesses to compete on a level playing field.

CASE STUDY 1

THE CUMBERLAND PENCIL COMPANY FACTORY DEVELOPMENT PLAN

Background

The Cumberland Pencil Company is an SME located in Keswick, manufacturing and distributing high quality art materials via specialist distributors. 65% of the output is exported to 74 countries around the world.

Production is based in a Victorian 3-storey mill building and a separate single storey unit. There is also a visitor attraction (Pencil Museum) on the 6-acre site.

The company needs a modern single storey-manufacturing unit to house all the production functions, in order to reduce cost, and improve efficiency and competitiveness.

Proposal

In 1999, plans were drawn up to sell the site to a local development/construction company, who would build and lease back a new production facility. The old mill building would be converted into a range of uses, including a retail unit for Lakeland Limited, a new location for the Pencil Museum, various art and craft workshops and galleries, and office space or residential apartments on the top floor.

The total scheme costing in the order of £5 million, would expand the numbers employed on the site from 100 to around 140 initially, and would safeguard the future of the company in Keswick.

Outcome

After much debate and negotiation the scheme was finally refused planning permission in September 1999, on the basis of loss of industrial building, introduction of retail into an industrial estate, and conflict between vehicles and pedestrians.

Repercussions

As a result of this refusal the company was forced to transfer 25% of its production to the Far East in order to reduce costs and over 20 jobs were lost.

The company is still struggling to overcome the disadvantages of the 3 storey, split-location buildings, and is desperately in need of modern facilities.

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CASE STUDY 2

LAKELAND LIMITED—EXTENSION TO THE KENDALL DISTRIBUTION CENTRE

1994 Lakeland obtained planning permission for new 150,000 sq ft Distribution Centre on land at Westmorland Business Park to be constructed in a number of phases.

1995 Phase 1 is completed and occupied

1997 Phase 2 and 3 completed and occupied.

1998 It became obvious to us that growth in the business was exceeding our expectations and that we might continue to grow at 20% per annum as we had done for the last 10 years. Therefore whilst we had planning permission for the next phase of building we needed to purchase more land for further expansion. We therefore acquired options with the adjoining landowner to acquire approximately 10 acres of land subject to planning permission being granted.

We made a planning application, after lengthy consultancy with SLDC, to extend the site onto adjoining land. The planning application was rejected by SLDC because we had requested the closure of Gilthwaiterigg Lane in order to allow us to create a contiguous site. We accepted the view of SLDC—the application was the best option for our Company—however, we appreciate that the closure of the lane is an environmental and historical issue.

We then made a second application for the same sites based on not closing the lane but building a bridge across. This was accepted by SLDC but rejected by Cumbria County Council (CCC). CCC had to be consulted as the land was outside Kendal Town Plan. We held meetings with CCC officers to explain our needs and to understand their concerns. They seemed to have a view that we should be moving into the North and West of the County but the reality was that we should and would have been more likely to move South. We thought we had demonstrated that our growth and commitment to South Lakeland made it essential that we were able to grow the business on site.

A committee of CCC held a meeting and unknown to us our development was added to the agenda. The objections were stated as:

- The car parking was excessive;
- Environmental concerns about building over the flood plain; and
- Impact of the buildings.

The car parking detailed in our application is substantially less than the council guidelines. We also demonstrated that our transport policy included running at least six mini bus journeys to and from the site and providing substantial cycle facilities.

The buildings we requesting planning permission for will not be on or over the “flood plain”. We already had planning permission approval for the building on the flood plain. This building is designed to be built over and above the flood plain and constructed on stilts to allow the floodwaters to flow underneath.

We cannot assess the impact of the scale of the building. What we can say is that almost all of the buildings in the application before CCC were well shielded by other buildings or substantial landscaping projects. This was very clearly demonstrated on plans that were submitted and SLDC had put significant emphasis on this. The previous phases received praise, for the way in which we had assisted in the reduction of the impact of the buildings on the landscape by careful selection of materials.

There was speculation that our business wouldn't be able to create the business growth needed to fulfil our plans. We know our plans were substantial but we had demonstrated our growth history and we had been encouraged by SLDC to submit a long-term vision for the Company. We exceeded our estimated sales target for 2003 in 2001 and recruited in excess of the number of new jobs estimated in the application by 2002.

The application was therefore referred to Government Office for approval. By the time the application had been considered, well outside the stipulated timescale, it was almost two years since our application for planning permission had commenced.

We operate in a commercial world and we have competition. We don't believe that these competitors face such delays; they are usually placed more conveniently to the transport network and in areas of substantial unemployment and lower cost. Our desire was to retain a homegrown Lake District business in the area and to provide continuity of employment for a loyal workforce. As the delays went on we had no choice but to actively pursue other options, which amounted to the relocation of all our distribution to another part of the country. We identified two suitable sites South of Manchester and one just off the M40 that had both adequate buildings and land. We were within a matter of a week of making the decision to move when we were granted planning permission.

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We believe that the decision to reject our application by CCC was politically motivated one. It has soured our loyalty to the area. The delay almost allowed our business to move from the area. We currently turnover almost £100,000,000 and employ over 1,000 people. We invested over £10,000,000 in capital building projects in Cumbria last year. We are the second largest visitor attraction in the Lake District and probably the largest business that is owned and operated from within the adjoining to the National Park.

CASE STUDY 3—W McCLURE LTD

W McClure Ltd is located in Windermere in the heart of the Lake District. It has been operating for almost 60 years. McClure's operates as a regional food wholesaler, serving the catering trade and specialises in regional products. It is small to medium sized business with 75 employees. Turnover has doubled in the last five years and is expected to double again in the next three years. The business is located in a residential area of Windermere. The current site is no longer suitable. The demands from our customers are changing and in order to satisfy these requirements the company needs to operate 24hrs per day. However, because of our town centre location the local authority has imposed severe and restrictive conditions in our Operating Licence, which does not allow a move to 24hr working eg delivery lorries cannot start early in the morning. Therefore, we are looking to further invest in the region by relocating to larger, purpose built premises. Some considerable time has been spent in trying to find a suitable site, but so far without success. There are no sites available that are of an appropriate size.

The local planning authorities and LDNPA appear determined to base their business land development programme around micro businesses at the expense of larger companies. Far too often when a suitable site for business use is found, it is only made available for development into several small units. The policy is driving larger companies outside the area. Planning regulations within LDNP are particularly stringent and this leads to increased costs when building new business premises.

Whilst small businesses are important to the community, the contribution made by larger companies to our rural economy should not be ignored as it is at present. The long-term economic well being of Cumbria (which includes the National Park) depends on finding an appropriate balance between micro/small and larger businesses.

More help is needed from government and from local authorities for larger businesses to help them achieve continued growth—help in the form of grants, investment to promote tourism, policies designed to support local industry etc.

Memorandum by the Office of the Deputy Prime Minister (PCP 29(a))

Further to the Memorandum which was sent to you on 19 November, I have now found another piece of evidence—a report for Invest UK by Arthur Anderson: “High-Tech Industry: Survey of Foreign Investors”, January 2001.

One question posed was “In your view what is the single most important thing that the UK government could do in the short term to ensure that it remains the number one location for business?”. As you will see from the attached extract, the top issues (with their frequency) were:

- Taxation policy (14%);
- Membership of the Euro (10%);
- Economic situation (8%);
- Education (8%);
- Lower costs (8%);
- General infrastructure (6%);
- Labour environment (5%);
- Skills retention (5%);
- Bureaucracy (5%);
- Promote internet (4%);
- Venture Capital Fund (4%);
- Incentives (3%);
- Harmonisation of the EU (3%);
- Innovation (2%);
- Labour availability (2%);
- Planning (2%);
- Aftercare (1%);

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[Continued

- Real estate (1%);
- Telecomms (1%).

Yours sincerely,

Michael Bach

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