

**Barker Review of Land Use Planning  
CBI Submission**

**Introduction**

1. The CBI represents companies of all sizes and from all sectors of the economy. With a direct membership accounting for 4 million employees and a trade association membership accounting for 6 million employees it speaks for companies that account for 40% of the private sector workforce.
2. The CBI believes that improving the performance of the land-use planning system is one of the key challenges to be faced in attempting to improve the UK's productivity and competitiveness.
3. Shortcomings in the planning system affect not just those businesses applying for planning permission, but damage the economy and prosperity as a whole. Planning plays a vital role in business life and is core to achieving a range of objectives. It can impact on business, both directly and indirectly. There are a number of issues to consider:
  - national planning policy (either explicitly or implicitly) helps to strike the balance between different strategic objectives – economic, environmental and social – and sets the context for regional and local plans
  - at the regional and local plan level, the allocation and type of land available for economic activity is determined
  - the development control process deals with individual applications for business expansion or development – and impacts on the ability to take schemes forward as well as the timescales and costs involved
  - companies' perceptions about the planning system can even impact on whether they seek to invest in the UK
  - the planning system impacts on the timely provision of infrastructure needed to serve development and underpin the UK's competitiveness eg quality and capacity of transport networks
  - the provision of housing can support labour markets and flexibility
  - planning can also contribute to the attraction of the UK as a place in which to do business, by protecting and enhancing the urban and rural environments.
4. There are costs associated with the control of supply of land. In addition to the administrative cost of running the land use planning system, planning also contributes to the inherent scarcity value of land implied by natural geography. The CBI fully accepts that these are legitimate costs of doing business in a modern democratic economy, located on a (generally) densely-populated island.
5. Our concern is the extent to which shortcomings in the system and its operation add otherwise avoidable costs and time to the provision of property and infrastructure, and consequently to business. An effective and efficient planning system is therefore vital.

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6. The CBI supports the Barker Review of Land-Use Planning. This is an important opportunity to address long-held business concerns that the planning system – recently subject to a major reform – is holding back the UK economy. The Review must be more than an academic exercise and needs to take the opportunity to improve the system so that it better serves the needs of the economy and society. But it is important that the Review does not seek to “reinvent the wheel”. There are already many ideas for process improvements (a range of recommendations were set out in our recent Planning Brief) and there are some proposals which are currently being developed or piloted (eg Planning Delivery Agreements). The Review must not distract attention from getting on with these and other areas where we have identified the need for urgent action.
7. We believe not only that processes and day-to-day decision-making on the ground could be significantly improved, but that the strategic policy choices the system is required to make could be more responsive to business needs and economic drivers (balanced with the broader social and environmental objectives of the system). But we need to be careful to balance necessary improvement versus upheaval of too much more reform. The new system is still, to some extent, bedding down and we need to ensure that (potentially disruptive) further changes will be effective.

### **Planning Matters to Business**

8. The January 2006 CBI Public Services survey again highlighted the importance of planning (in terms of public services) for business. 79% of respondents believed that planning was important to supporting the competitiveness of their business. The importance of planning increased further for larger businesses, with 86% of respondents with over 5,000 employees and 93% with 2,000-5,000 employees citing it as important. Overall, only 5% of respondents said that it was not important. Meanwhile, 69% were dissatisfied or very dissatisfied with the record of local government in improving the system. In the CBI London survey due to be published next month, half of businesses say that planning regulations are restrictive, with more than a quarter saying they are very restrictive (more than for employment and financial regulation).

### **The Business Agenda**

9. It is vital that we recognise the role that business plays - it is business that creates wealth and jobs and helps to regenerate local areas. Building a society that values wealth creation and entrepreneurship is crucial if we are to see sustainable jobs being created and tax revenues generated to pay for schools, hospitals and public service improvements.
10. But business can only succeed if government supports these values and helps to create the conditions in which UK businesses can flourish. In March 2005 the CBI published its *Business Agenda* and the key theme underpinning our recommendations was the need for government to ensure that the UK is ‘fighting fit’ to meet the challenges of globalisation in the UK and beyond.
11. It is therefore right that this review should be set within the context of globalisation. The global economic landscape has changed dramatically over the last century, and especially

in the last decade. Globalisation has become the defining feature of our times and is increasingly becoming the key driver for change in economic and social life.

12. The growing economic interdependence of countries world-wide – through the increasing volume and variety of cross-border transactions in goods and services, of international capital flows and through the widespread diffusion of technology – is here to stay.
13. Sustained economic growth and rising living standards are dependent on the UK's ability to harness the potential opportunities of globalisation. The UK should be well placed to take advantage of these opportunities, having enjoyed a long period of macro economic stability. But the CBI believes that the priority is to build on these strengths and tackle the underlying weaknesses that are holding us back.
14. A key challenge relates to productivity. To ensure future prosperity the UK needs to aim to increase the 2.5-2.75% trend rate of growth over the longer term by increasing the productive capacity of the economy. To deliver such growth we will require:
  - our productivity to rise relative to our key international competitors, in order to close the productivity gap with France, Germany and the US
  - an increase in our innovative capacity, with expenditure on research and development rising to 2.5% of GDP
  - a growth in entrepreneurial businesses
  - the UK to maintain its share of world exports at 5.3% average seen over the past 12 years
  - the UK to maintain its share of world Foreign Direct Investment at the 6.8% share of inflows and 11.7% share of outflows averaged over the past 12 years.
15. The CBI believes that the government has a crucial role to play helping business to deliver this strong economic performance. A priority must be to address the barriers to economic success – inhibitors that prevent or constrain wealth creation and entrepreneurship.
16. Concern among companies about unnecessary or unwieldy constraints on their activities has grown in recent years, and planning is no exception. The Barker Review of Land Use Planning is therefore a vital and timely opportunity to address these concerns.

### **The Impact of Planning on the UK economy**

17. Business believes that, currently, the planning system too often acts as an inhibitor to wealth creation and business flexibility. We need the system to be part of the solution, helping to promote enterprise and growth rather than part of the problem, delaying and frustrating investment. Improving the system and its operation could contribute significantly towards delivering a more productive and competitive economy.
18. Indeed, the recent *Going for Growth* report by the OECD highlighted the UK's continuing productivity gap with the leading OECD economies and planning was identified as a key policy priority. It called on the UK to give greater weight to economic considerations in planning decisions, to speed up the system, and to reduce the layers of decision-making involved.

19. Shortcomings in the planning system impact on the UK's economic performance. The precise effects of planning on business competitiveness is extremely difficult to quantify. But through its relationship with business productivity and costs it is possible to highlight some of the ways in which the system - and the way it is implemented - impacts on the UK economy.
20. The Treasury has highlighted key factors driving productivity, including skills, investment, enterprise and innovation, and competition. Planning can influence all of these areas, either directly or indirectly:

### ***Enterprise and innovation***

21. Enterprise and innovation drives technological and structural change, leading to new products, services, processes and market opportunities. Improving business start-up rates and, for example, developing the commercial potential of R&D carried out at universities and other centres of learning are key aims.
22. The success of the approach to enterprise and innovation in part depends on the ability of the planning system to support the provision, in the right location and at the right time, of particular developments. These might include business incubators that serve the needs of SMEs, science parks, or a range of property types which foster clustering (whether at a local, sub-regional or regional level) between inter-related businesses and organisations. Planning has a role in relation to the increasing driver of agglomeration, and the economic benefits this can bring.
23. The UK economy increasingly needs to compete on a value added basis, and attracting investment in R&D and hi-tech industries is vital. While there may be a relatively small number of large-scale developments of this nature, they can be disproportionately important in economic terms. Such investment is highly mobile internationally and can act as a significant catalyst for economic growth and investment more widely. It is therefore critical that the planning system can respond effectively to the needs of such businesses. The identification and provision of (suitable) strategic sites for commercial development can also be essential in attracting inward investors more widely, who often bring innovative operational and management practices to the UK.
24. Property is also an important support to the operational business. Investment in new and redeveloped property can help drive productivity returns by enabling the broader take-up of new technologies, facilitating changing business and production processes, underpinning flexibility and supporting enhanced work environments.
25. Firms need to be able to access suitable properties in the right location, and redevelopment of property or relocation are key for some businesses. There are examples where businesses have been based in areas or premises that are no longer appropriate and are constraining their ability to compete eg because they cannot implement new production processes. To enable them to adapt they need to be able to develop or acquire new premises (but also to redevelop existing premises to fund such business growth).
26. Moreover, associated planning policies such as car parking regulations can impact on business operations and in some cases have hindered the introduction of more flexible working. There are also examples of where planning conditions, change of use

requirements or aims such as mixed-use development can constrain business operations in practice.

27. Innovation is also important within the property industry itself, enabling it to respond to rapidly changing customer requirements. Over restrictive planning regulations, however, can hinder the industry in meeting the requirements of business in the 21st century.

### ***Competition***

28. The right planning framework can also help to stimulate competition. Where planning enables the development of, for example, transport infrastructure, this can open access to product and labour markets (by reducing transport costs) and thus encourage competition, as indicated in the 1999 SACTRA report on transport and the economy.
29. Moreover, a study by the McKinsey Institute in 1998 found that by allowing the most productive companies to develop or expand, and by encouraging prospective new competitors to enter the market, the planning system could stimulate competitive intensity. In the retail sector, for example, the ability of operators to modernise buildings, to improve customer service, or to expand premises to optimise productive potential could also enhance competition.
30. It is important that the implementation and enforcement of planning regulations (including those that have been incorporated from European legislation) are consistent and applied in a manner that does not disadvantage the UK compared to our international competitors. We hope that the Davidson Review helps to address this.

### ***Labour market flexibility***

31. According to the 2003 CBI / MORI survey, labour market flexibility is the single most important factor in determining where globally mobile companies locate, with 90% of business leaders believing it to be influential. It is critical to enable employers and individuals to organise work patterns in a way that meets their needs. It is particularly important for business because it allows employers to manage resources efficiently, improve productivity and competitiveness, create jobs, and adapt to changing market conditions and fluctuating demand.
32. Where the planning system contributes to house market inflexibilities, resulting in higher prices, the impact on labour mobility can undermine the efficient working of the labour market. The CBI report *Shaping the Nation* published in 1992 estimated the annual cost to business of the impact of constrained land supply on house prices to be approximately £4.68 billion. The Barker Review of Housing Supply published in March 2004 addressed these issues in significant detail.

### ***Investment***

#### **Infrastructure**

33. The delivery of good quality infrastructure is critical to the functioning of a modern economy, as well as our ability to achieve a range of social and environmental objectives. With total investment in power, water, transport and communications infrastructure

exceeding £27 billion\* in 2003 and with over £10 billion<sup>♦</sup> invested directly in the construction – the majority of which may reasonably be assumed to require planning permission – it is vital that the planning system works effectively.

34. Looking forward, the UK needs to deliver major utility investment (across transport, energy, waste and water) to underpin our economic growth, but also to meet a range of environmental and other objectives.
35. Yet difficulties and delays associated with the delivery of essential infrastructure is a source of immense frustration to the business community. The 1992 *Shaping the Nation* report estimated that the time taken to approve such projects cost the UK £1.47 billion annually, in terms of the deferred benefits of infrastructure investment. Given factors such as the increased volume of investment, economic growth and timescales, this figure is likely to significantly higher today.
36. According to a 2003 CBI / MORI survey the quality of the UK's transport infrastructure in particular was seen as a key factor influencing where businesses invest. A long-standing business concern is the cost of congestion to the UK, first estimated by the CBI in 1989 at £15 billion. Other attempts since then to estimate the cost have produced larger and smaller figures, but all are of the order of several billion pounds. While there are many reasons why the cost of congestion in the UK is larger than it should be (such as long-term under-investment), delays in the planning system are a contributory factor. A planning system which enables infrastructure to be provided where and when it is needed, as part of a broader package of measures, can help to reduce such costs.

#### Commercial investment and business development

37. In 2004 private sector investment in UK property totalled some £35 billion<sup>√</sup> while investment in real estate construction topped £10bn in 2005<sup>∇</sup>. UK commercial property represents about 35% of the productive assets of the economy.
38. The availability of suitable commercial property or opportunities for development play an important role in attracting FDI and also enabling business expansion and growth more widely. Property is a key factor of production – the availability of the right property at the right time, in the right location and at the right price is key to the attractiveness of the UK as a place to invest and do business.
39. Business, however, has long been concerned that the quality of planning decisions in relation to commercial projects, and the time taken to reach them, together have a significant impact of the efficient running of the economy and consequently on business competitiveness, through increased costs, delays and restricted investment opportunities.

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\* The Blue Book, 2005 Edition

♦ Office for National Statistics, Input-Output Supply and Use Tables 2003

√ The Blue Book, 2005 Edition

∇ Office for National Statistics, Input-Output Supply and Use Tables 2003

40. The importance of planning - and the impact where suitable premises cannot be developed in an acceptable timescale for business - can currently be seen in Team Valley in the North East. There is a range of issues which are causing delay – and the very real effects of this can be seen as international businesses are (or are considering) consolidating their European operations elsewhere. We believe that the Barker team should look at these issues in more detail and we would be happy to provide further information. While it is very difficult to demonstrate systemic issues, such examples reinforce the importance of planning for business and the ‘real world impacts’ of problems.
41. A DETR report published in 1998 (*The Economic Consequences of Planning to the Business Sector*) estimated that planning delays were costing business approximately £600 million per annum. The direct costs of planning applications are also growing. Major applications for infrastructure development such as Dibden Bay cost in excess of £40 million, and large-scale commercial developments can cost millions of pounds to take through planning. Clearly, the costs of most commercial applications will be much smaller – but most businesses report that these are increasing as they are being asked to provide more information and increasingly need to use consultants. There is also the cost of Section 106 - we last estimated that it was in the order of £2 billion per year, but it is likely that this has also increased as pressures have grown across a number of areas such as affordable housing.
42. Moreover, commercial property is often the second largest cost after salaries for many businesses, and optimising the earning potential of this cost can be an important part of a firm’s competitiveness. A planning system which allows businesses to respond to customer needs by enabling an appropriate change in its property – either in terms of scale or changes in use – can help support business competitiveness.
43. Research by the CASS Business School suggested that restrictive planning regimes have a direct economic effect on business. They estimated that if a local authority was to tighten its planning regime by just 10% in relation to industrial property it would reduce local economic activity by 3.8%. The research found that restrictive planning regimes usually result in increased rental costs for businesses. It also highlighted that industrial business was most likely to locate elsewhere if faced with more restrictions, with office based businesses also relatively mobile – and those businesses that did leave were more likely to relocate overseas.
44. The UK is clearly an expensive location to do business relative to many of our competitors. This is as a result of many factors and property taxation in the UK is about the highest of the OECD countries (at 4.5% of national income). The specific impact of planning on property costs is extremely difficult to determine and also to identify whether the costs / what proportion are considered “legitimate”.
45. However, it would be worth analysing such issues in further detail. It is also clearly important to understand the balance of costs and benefits – business values the quality of the environment and other outcomes delivered by planning.

## **CBI review of Planning Reforms**

46. The CBI policy brief *Planning Reform: Delivering for Business?* published in December 2005, provides a comprehensive assessment of the government's planning reform agenda, which began in 2001. It highlights the key problems for business users of the system and sets out the CBI's agenda for improving the performance of the planning service going forward.

## **Other CBI work on Planning**

- **CBI / ODPM Planning Survey:** an online survey of CBI, BPF and HBF members' experiences of local authority planning services in terms of current practice and on how future improvement should be secured. The deadline for responses was 17 March. Consultants are currently collating response data, with publication due in the summer
- **Major Infrastructure and the Planning System:** as referenced in *Planning Reform: Delivering for Business?* the CBI is currently developing a report examining the ability of the planning system to deliver major infrastructure projects in a timely and efficient way
- **Wider work on the Lyons review and developing incentives for local authorities:** we are hoping to work with the LGA to look at how to promote economic development more effectively at the local level. We are also continuing to develop a more detailed business perspective on city-regions.

## **Focus of the Barker Review**

As highlighted we welcome this review (but urge the Government and others to press ahead with key improvements in the interim) and believe that there are a number of important areas to address:

### **1) Improving the process & better practice**

As highlighted in our recent brief ('Planning Reform: Delivering for Business?') improving the operation of the planning system on the ground must be a key focus. There is a range of issues that need to be tackled and we proposed a number of recommendations. These must be pursued as a matter of urgency. A key issue is the impact of current targets – and we are hoping that the survey we are working on with ODPM will provide further information about the problems business is facing.

### **2) Enhancing the resourcing / capacity of the system**

The ability of the system to function effectively is also dependent on the skills and capacity within local authorities and other key organisations. As the CBI, and other bodies eg Audit Commission and Planning Officers' Society, have highlighted this must continue to be a priority if planning is to support business more effectively.

### **3) Ensuring a clear strategic policy framework**

While improving processes, practice and resourcing is critical, it is also important that the review considers the way in which strategic choices about the use of land are effective in managing economic, social and environmental priorities. There must be a focus on key outcomes as well as processes. Development planning, regional spatial plans, national policy

and decisions by Government play a crucial role in setting the framework within which decisions about business activity and its location are made. The Review must consider whether policy is “fit for purpose” in relation to the challenges we face as an economy in an increasingly competitive global market. Within this context, PPS4 must be considered – to ensure that policy better reflects changing needs and drivers such as agglomeration and the international mobility of business.

#### **4) Balancing different objectives**

The planning system must balance strategic objectives and focus on key priorities. We are concerned that the planning system is being overloaded with different objectives – and trying to tackle an ever-widening range of policy issues. This then tends implicitly to delegate / default what should be strategic decisions about priorities. At the local level there is an increasing range of information sought and issues included in the planning process eg health impact assessments, light pollution, energy efficiency and so forth. While individually they are laudable aims, it is the cumulative impact that concerns business and the growing burden that this places on both applicants and those running the system. This also cuts across the attempts to improve the system as any additional resources / process improvements are offset by the increasing demands. As the Planning Officers’ Society also highlighted, it is sometimes unclear whether all the additional information required from applicants actually impacts significantly on decisions. Looking ahead it will be important to ensure more effective regulatory impact assessment and a clearer focus on the key issues. Otherwise we are in danger of undermining the ability of the system to deliver any of the objectives.

#### **5) More effective joining up of policy & action**

Business continues to be frustrated by the lack of alignment between different policy objectives and strategies - which often impacts directly on the planning process eg transport investment. Land use planning needs to be far more joined up with other policies and there needs to be a more effective and co-ordinated approach across government at all levels. There are increasing examples where the lack (or perceived lack) of capacity on transport networks is undermining the ability to develop (and also enable agglomeration) as local planning authorities or statutory consultees are effectively using this as a Grampian condition. This is a major issue that needs to be resolved. The Barker Review might also consider a “gap-analysis” in relation to the totality of Regional Spatial Strategies - to see whether they add up to a coherent approach for the national economy and identify gaps in the approach eg in relation to infrastructure, policy mechanisms or mismatches with Regional Economic Strategies and objectives.

#### **6) Ensuring structures underpin the delivery of key outcomes**

The Review must also consider the wider context of Lyons and the city region agenda – and the role planning can play in supporting economic growth at the local and sub-regional level. With cities as key economic drivers the Review might consider how planning can best support this. It will be important to ensure that structures are “fit for purpose” and that objectives and responsibilities are properly aligned. In some ways business cares little about specific structures – we just need confidence that the structures and behaviours can deliver the key outcomes effectively.

#### **7) Delivering sufficient and suitable development land**

The system must be able to ensure sufficient development land - of high enough quality and served by vital infrastructure – is available. While business recognises the need to build more

housing - and strongly supports this drive - there have been some concerns that the focus on housing might be at the expense of land for commercial development. There have also been some fears that planning policy has become more targeted towards this agenda and less relevant for different problems faced in different regions.

### **8) Creating more support at the local level**

A key tension within planning is the balance between the impacts of development – which are often localised – and the benefits of development which are often wider. This can mean that there may be little support for development within local communities which can, of course, impact directly on the approach of local politicians towards planning applications. The Review should consider whether there are ways of better aligning objectives and incentives at the local level and balancing impacts and benefits. There is also an issue with the current disjunction between planning and economic development. For many businesses interacting with local authorities, it seems that the approach to planning is as a regulatory exercise rather than being integrated with economic development and wider strategic planning.

### **9) Ensuring business influence in the process**

The ability of business to input to the development of plans at the local and regional levels is a real issue. It is important that business does play a key role – to ensure that the resultant policy properly reflects changing drivers and can help to underpin business competitiveness. Good plan making is vital – in effect it sets the framework for the system and for individual applications. But companies find it very difficult to engage in the processes currently established (in large part due to resources), and there are particular challenges for non-repeat customers. We need to look at more innovative and effective ways of engaging business.

### **10) Delivering major infrastructure more effectively**

Difficulties in delivering major infrastructure across energy, transport, waste and water clearly impact on business and society more widely in a range of ways and have significant consequences for the UK. With security of energy supply (and prices) a major issue and the OECD continuing to highlight our transport system as a key weakness it is vital that the planning system can support delivery. The CBI is currently undertaking a project focused on planning for major infrastructure and will liaise with the Review team as this is progressed.

### **11) Identifying potential future issues**

The Review should also consider emerging or future issues or potential tensions that may impact on the planning system and the ability to deliver key objectives. Air quality is a growing concern and needs to be tackled - but European targets may impact significantly in the medium term on the ability to deliver key infrastructure and development.

### **12) Building the Evidence Base**

There are a number of areas where we hope that the Barker Review will contribute further to the understanding of the impacts of planning. The CBI will continue to input information and examples during the course of the review, but some key issues for the team to address include:

- identifying the quantum of “missed opportunities” and a cost:benefit analysis of the decisions and consideration about the balance of outcomes for the national economy
- an assessment of the needs of key large scale developments – which while relatively small in number have major impacts for the UK economy eg major inward investment, R&D investment, etc

- updating of previous figures on the costs of planning
- case studies of particular issues and their impact eg current difficulties in Team Valley



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brief.pdf