



27 MAR 2006

Date: 25 March 2006

Kate Barker  
Barker Review Team  
4/E1, 1 Horseguards Road  
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Dear Ms Barker

### LAND USE PLANNING REVIEW

Thank you for inviting IKEA to contribute to your call for evidence.

You will appreciate that we are primarily concerned with how the planning system in England impacts upon the retail sector, and our response reflects this.

IKEA have a pressing need to substantially increase the number of stores we have in England in order to reduce the intense pressure on our existing outlets, and also to make our very popular offer much more accessible to the general population. We currently have 12 stores in England, with a further two under construction. Our expansion strategy calls for a total of 28 stores in England by 2010. We believe that realisation of this programme would contribute significantly to national productivity, thanks to our efficient retailing methods. They also contribute to high employment, due principally to the 500 jobs which would be provided in each store, and the knock-on effects elsewhere in the economy. We also contribute to downward pressures on inflation by driving down prices on many of our articles year on year. Unfortunately, it seems that there are significant obstacles created by the current planning system to our ambitions being realised. This is because our form of retailing does not find favour with national retail policy in England.

The entire IKEA concept is predicated upon securing low prices by ordering from suppliers in very large volumes, and then being able to quickly transfer these mega volumes all the way through our supply chain to our customers' homes. Very large stores which customers can easily access are essential to this process. Consequently, our preferred sites for new stores are in non-congested areas where we can build the large floorplates upon which our concept depends – such sites are typically found out-of-town. We have used this model successfully around the globe. National retail policy in England now makes it extremely difficult to obtain planning consent for such sites.

However, because IKEA needs to expand, and given the outcome of the recent review of PPS6, we took a commercial decision to bend with the policy wind and modify our

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modify our concept in order to find the town and edge of centre sites which policy demands. These compromises involve stacking our large retail and parking floorplates in order to fit our stores onto the very much smaller sites which represent the only available land in England's congested town centres. These compromises result in very much higher build costs and lower unit profitability. These are sacrifices we are prepared to make in return for new stores, but they come at a cost to IKEA and, we believe, to the UK economy.

Unfortunately, town and edge of centre sites are extremely scarce. We have so far only been able to secure one such site (in Coventry), despite a huge amount of effort which requires all of our site searches to begin with a town centre. This is because England's town and city centres are already intensively developed, because many other developers and retailers are competing for the small amount of available sites, and because many local authorities and stakeholders would actually prefer our operation, and its associated traffic, to be located outwith their town centres.

If IKEA's potential to contribute significantly to national productivity, employment and low inflation is to be realised there has to be a shift away from the current "town centre cramming" policy position.

I now set out IKEA's answers to each of the questions posed in your call for evidence.

1. The planning system is extremely inflexible and unresponsive in relation to changing economic circumstances. This is because of the "top-down" system whereby local decisions must accord with the national policy position set out in the suite of Planning Policy Statements. These Statements are now extremely prescriptive documents which provide little or no latitude for deviation from the policy position which they set out. If increased flexibility and responsiveness is required from the planning system the current highly prescriptive top-down approach should be replaced by much more simple statements of national policy guidance which set out basic policy principles, and which allow local decision makers a far higher degree of freedom and latitude than at present. Reviews of the national policy statements should be capable of being undertaken very swiftly, instead of the 12 to 18 month timescales which are currently the norm.
2. The current statement of national retail policy, PPS6, establishes various criteria against which applications for new retail development will be judged. Chief amongst these criteria is the need to demonstrate that sufficient expenditure is available to support any out-of-centre floorspace which is being proposed (schemes within town centres are exempted from this test). However, some of the new Regional Spatial

Strategies are effectively placing an embargo on out-of-centre retailing by declaring on the basis of regional expenditure assessments that expenditure capacity is too constrained to permit consideration of such schemes. The regional studies upon which such statements have been founded are far too coarse grained to make such blanket policy presumptions – expenditure availability can vary widely across different sub-regions within the overall regional study area. It is recommended that Regional Spatial Strategies should not take up policy positions on the basis of such studies, but should instead simply leave the assessment of expenditure capacity to be decided on a case by case basis. As set out above, the current system is dominated by central direction.

3. PPS6 identifies regeneration as a factor in decision making. The reality is that only where the regeneration benefits of an out-of-centre scheme are exceptional will they lend the scheme any chance of overcoming the policy presumption against out-of-centre locations. It is recommended that regeneration benefits be given much greater weight within national policy.
4. IKEA have experience of the different planning regimes across many countries throughout the world. The English system is unique amongst all of nations in which we operate because of the very high level of central government intervention. In our view, this intervention, allied to the top-down approach to planning in England, results in planning timescales being far longer here than in any other country in which we operate.
5. The recent reforms to the English system have not really begun to bite. None of the local authorities we are dealing with have made much progress with the new Local Development Frameworks. It is therefore not possible for us to say if these new style plans will increase transparency and certainty for business. What we can say is that there needs to be far greater transparency at central government level. Once an application has been considered at Inquiry the process for its subsequent determination by central government is shrouded in mystery. If a transparent process were established, with clear targets for each step in the process, this would be a major step forward. Given the high level of intervention by central government in the planning process it is effectively acting as another planning authority. However, unlike normal planning authorities central government will not engage in meaningful dialogue with applicants on specific schemes. IKEA believes that if central government continues to involve itself so heavily in the planning process it should engage more with the users of the system. Alternatively, if central government is unwilling to engage with these users it should not involve itself so

heavily in the process, and should leave more decision making to local authorities.

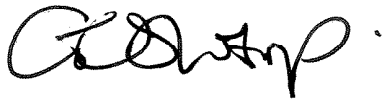
6. IKEA do not believe that the planning system is particularly well "joined-up" with other related aspects of government policy. We have been involved with the ODPM's Underserved Markets Initiative which seeks to promote retail development in areas which require economic regeneration. In the areas we have examined the only prospect for IKEA to be represented involves out-of-centre sites. We had hoped that the Underserved Markets Initiative, having been promoted by ODPM, would have involved some joined up thinking to deal with the instances where the aims of the Initiative conflict with the town centre emphasis of national retail policy. In our experience this is not the case. Similarly, we have been involved with a Regional Development Agency which is very keen to accommodate us on an out-of-centre site because the jobs we would provide would be particularly welcome in an area which has experienced severe economic setback. The severity of this blow to the local economy is such that one might have expected ODPM to at least engage in a debate about whether it might be possible for regeneration considerations to outweigh the policy presumption against put-of-centre retailing in this instance, but this has not happened, despite the best efforts of the RDA.
7. Central government places great pressure on local authorities to determine major applications within 13 weeks, with the carrot being increased Planning Delivery Grant. A downside of this pressure is that some local authorities can view a quick refusal as the easy option in order to improve their determination figures and PDG, rather than investing additional time to fully explore and perhaps resolve key issues with applicants which would instead allow them to view the scheme favourably. Central government has targets for taking decisions on whether to call-in applications which are referred by local authorities, and for issuing the final decision on called-in applications which the First Secretary has recovered for his own determination. In IKEA's experience it is extremely rare for central government to meet these targets. This slowness of decision making within central government is a major problem for businesses.
8. The costs involved in making and progressing a planning application for a major scheme such as one of our stores are now significantly higher in England than for any of the other countries in which we operate. This is because of the exhaustive series of tests which the criteria-based policies in PPS6 demand. We are concerned that this situation looks set to become even worse, due to the imminent publication by ODPM of a "best practice" guide on assessing retail capacity and impact. Despite PPS6 advocating a "broad brush"

approach to this issue, the draft best practice document is highly prescriptive and involves a detailed checklist of tasks. This will make it difficult for decision makers to issue consents without being convinced that all of these new boxes have been ticked.

9. In our view high occupation costs in England are primarily due to planning constraints. The market recognises that very few out-of-centre consents are now being issued, and because supply is now so constrained premium rentals can be demanded for out-of-centre opportunities. Town centre occupation costs are also under pressure, because retailers are realising that their best hope of increasing market share is to take town centre units, so increasing competition for these premises. Higher occupation costs adversely affect retailers' profits, and this affects productivity primarily through staffing cutbacks.
10. National retail policy supposedly has a key objective of promoting competition and innovation. However, an inevitable consequence of the "town centres first" theme which dominates retail policy is that the supply of sites is artificially constrained. Competition and innovation therefore suffer because the reduced supply of opportunities for retailers means that some are unable to penetrate the market to anything like their full potential, while some have to compromise their formats to the extent that the innovation of their offer is reduced. The goal which lies behind the current policy presumption against out-of-centre retailing is the protection of existing town centres, in order to prevent the "doughnut effect" which affected a number of American towns as a result of very loose retail policy. However, IKEA argue that the pendulum has swung too far in England towards the restrictive side of retail policy, and that a more balanced policy approach could increase the supply of retail opportunities by freeing up more out-of-centre sites without adversely affecting existing town centres. This more balanced approach prevailed for much of the 1990's, and no firm evidence exists that town centres were damaged during this time by allowing out-of-centre retailing a fair crack of the whip.
11. As stated above, national retail policy is forcing retail development into existing centres, and starving opportunities for out-of-centre development. This prevents the formation of new retail clusters, and as outlined above, has an adverse effect on innovation.
12. Many planning authorities have problems with skills and resources. This is due to the problems experienced in recent years in attracting new entrants to the planning profession. Efforts are being made to remedy this issue, but these will take time to take effect. In the interim greater use of outsourcing would seem the obvious measure to increase efficiency of process.

13. IKEA consider that the new arrangements for stakeholder engagement in the plan-making process are satisfactory.
14. Planning decisions taken by local authorities are sometimes too heavily influenced by local political considerations, which can result in the interests of the wider community being given less weight than narrow local interests. A key factor here is the high frequency of local authority elections. If all councillors were to be elected to serve the same five year term there would not be the same potential for their decisions to be influenced by local political considerations.
15. If national retail policy were revised to provide a more balanced approach to the location of new retail development IKEA believe that economic performance could be strengthened at all levels.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Sharp', with a small dot at the end.

Graham Sharp  
IKEA UK Town Planning Manager