



Leicester and Leicestershire Strategic Distribution Study: Update Report

Scope A

*A Technical Report prepared for Harborough
District Council*



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1. INTRODUCTION

MDS Transmodal and *Savills* were commissioned in December 2013 by the *Leicester and Leicestershire Housing Planning and Infrastructure Group (HPIG)* to undertake the *Leicester and Leicestershire Strategic Distribution Study (SDS)*. The main objectives of the study were to enable a better understanding of the strategic distribution sector and objectively determine future need, together with managing change and supporting sustainable economic growth. HPIG represents the county's local planning authorities, *Leicestershire County Council* and the *Leicester and Leicestershire Local Enterprise Partnership (LLEP)* on spatial planning matters.

The study was undertaken in three phases, as follows:

- Part A: Review and Research;
- Part B: Planning for Change and Growth; and
- Part C: Developing a Strategy for the Distribution Sector in Leicestershire¹.

An interim report covering Part A of the study was presented to HPIG in Spring 2014. It essentially presented a 'baseline' position with regards to the distribution sector in Leicestershire. A second interim report covering Part B of the study was presented in early Summer 2014. It concerned planning for change and growth, and included land use forecasts for the strategic distribution sector in Leicestershire and the East Midlands alongside recommended broad areas where future demand would be best located.

A Final report (Part C) was agreed in late 2014, which took into account and was supported by the findings of Parts A and B. It developed a recommended strategy designed to maintain and enhance the county's established competitive advantage and enable growth for the strategic distribution sector in Leicestershire.

Harborough DC is in the process of developing a new local plan, and as part of this process an *Options Consultation Paper (OCP)* was published in September 2015. Referencing the findings of the Leicester and Leicestershire SDS, the OCP presented three potential options with regards to providing additional land for strategic distribution in the district. All three potential options involved sites adjoining or close to the existing Magna Park strategic distribution development. As the OCP states, these were put forward "as these offer a range of potentially deliverable alternatives adjoining this established development. We will consider other opportunities that may come

¹ The main study area, the county of Leicestershire, is the same as that covered by the LLEP. In local Government terms, the study area comprises the City of Leicester unitary authority along with those parts of the county administered by Leicestershire County Council and the seven district councils. As per the initial study reports, for ease and consistency 'Leicestershire' is the term used throughout this document to refer to the LLEP area and these local authorities on a collective basis.

forward during the period this new Local Plan is under preparation. The options reflect those sites for which planning applications have either been submitted or are envisaged” (OCP, Para 132).

Now Planning, acting on behalf of property developer IDI Gazeley (the developer of the Magna Park strategic distribution site), submitted a response to the OCP in October 2015. A number of concerns were raised in the response, including the ongoing absence of a robust assessment of the district’s employment land needs (the SDS was purely focused on the strategic distribution sector) and a lack of collaboration with other authorities under the Duty to Co-operate principle.

Alongside the OCP and to also inform the new Local Plan development, an *interim Sustainability Appraisal (ISA)* was published. This did not specifically include a sustainability assessment of the three afore-mentioned potential options with regards to providing additional land for strategic distribution in the district. At the time, this omission was justified on the basis that it was considered beneficial to gather further evidence to support such an assessment. Subsequently, a second *interim sustainability appraisal report (ISA2)* was published by Harborough DC in February 2016, which aimed to address this omission. ISA2, which supplements the earlier ISA, sets out a discussion of alternatives (including consideration of each option individually and in combinations) followed by a sustainability appraisal. It was intended that the findings of ISA2 would feed into the new draft Local Plan preparation, as well as informing decisions on any subsequent planning applications. The ISA2 also references the findings of the Leicester and Leicestershire SDS.

Harborough DC subsequently undertook a consultation exercise on its ISA2. As part of that exercise, *Now Planning* (again on behalf of property developer IDI Gazeley) submitted a response to Harborough DC in February 2016. In particular, the *Now Planning* response makes a number of observations and comments on the outputs and conclusions contained in the Leicester and Leicestershire SDS reports. It highlights what it regards as weaknesses in the methodology adopted and places a different interpretation of some of the conclusions reached.

Alongside the new Local Plan preparation process, *Harborough District Council (DC)* have received a number of planning applications for large scale B8 development, notably from developers IDI Gazeley, ProLogis and DB Symmetry. Three of these applications essentially reflect the potential options outlined in the OCP. Two of the applications are by IDI Gazeley, and involve what they consider as extensions to the existing Magna Park. The third application (DB Symmetry) is located close to but south of Magna Park.

The combination of the above developments has necessitated an update (re-fresh) of some of the outputs contained in the Leicester and Leicestershire SDS reports, together with a requirement for clarifications on number of the conclusions reached and recommendations. As a result, MDS Transmodal were commissioned in June 2016 by Harborough DC to undertake further consultancy work related to these updates and clarifications. Three separate but inter-linked scopes of work were subsequently drafted by Harborough DC, namely:

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- Scope A: Clarifications on conclusions and recommendations;
 - Scope B: Update and re-fresh of outputs and conclusions; and
 - Scope C: Wider market developments and implications for Leicestershire.

This document forms the formal written report covering Scope A. The Terms of Reference for Scope A are presented in Appendix 1. Separate reports have been prepared covering Scopes B and C respectively, and each document can be considered a 'stand-alone' report. However, all three reports will feed into the new draft Local Plan preparation, as well as informing decisions on subsequent planning applications.

This Scope A report, which should be read in this context, addresses the following issues, namely:

- Clarification on what is meant by 'extension of an existing strategic distribution site';
- Clarification on an issue raised by Now Planning with respect to the land use demand forecasts;
- Describing, in practical terms, what is considered to be a rail-served or rail-connected strategic distribution site; and
- A formal critique and response to a number of points raised in Now Planning's ISA2 response.

2. EXTENSION OF EXISTING SITES

The main aim of this section of the report is to clarify what is meant by an 'extension of an existing strategic distribution site'.

With respect to the identification and allocation of new B8 plots, the Leicester and Leicestershire SDS (Final Report Section 3) concluded the following:

"In order to ensure that there is a sufficient pipeline of strategic distribution sites, new land should be identified and allocated in the following sequential order, namely:

- The extension of existing strategic distribution sites, both rail-served and road-only connected. For existing rail-served sites, this should only be permitted where there is spare capacity available at the existing rail freight terminal or capacity can be enhanced as part of any extension. Likewise, site extensions should only be permitted where there is adequate road capacity serving the site and at adjacent motorway/dual carriageway junctions or capacity can be enhanced as part of any extension;
- In circumstances where rail-served sites cannot be extended, local plans should consider satellite sites (which shall be located close to the existing strategic distribution sites) which meet the site selection criteria and could utilise the existing rail freight infrastructure at the core site. A prerequisite for satellite sites to be considered should be spare rail capacity being available at the core site rail terminal or capacity that can be enhanced as part of any satellite development;
- Identifying suitable new strategic distribution sites on previously developed land which meet the site selection criteria; and
- Identifying suitable new strategic distribution sites on greenfield land which meet the site selection criteria. " (Paragraph 3.15 of Final Report)

Section 4 below addresses satellite sites.

For clarification purposes, the 'extension of an existing strategic distribution site' is defined as follows:

- Where at least one of the proposed new plots directly faces or forms a boundary with the developed and operational plots at the existing strategic distribution site, to the effect that when developed the new plot(s) will extend the officially defined perimeter boundary of the existing development so that it includes the new plot(s);
- The new plot(s) can be accessed via the existing strategic distribution site's connections to the public road network and internal estate roads, albeit that new connections to the public road network could be developed or may be required as part of the site's expansion;

- Where the existing site is rail-served, the new plot(s) are able to access the intermodal terminal by exactly the same means as the existing operational plots and subsequent occupiers of the new plot(s) will be able to gain access to the intermodal terminal on the same non-discriminatory commercial terms as occupiers at the existing operational plots; and
- Where feasible and practical, some or all of the utilities currently connected to and serving the existing strategic distribution site can be extended to serve the new plot(s). Utilities in this case means water/drainage, gas, electricity, telephone and fibre optic broadband connections.

As per the conclusions reached on the Leicester and Leicestershire SDS, the extension of existing strategic distribution sites should only be considered when:

- There is spare capacity available at the existing intermodal terminal or capacity can be enhanced as part of any extension (applies to existing rail-served sites only);
- Where there is adequate road capacity serving the site and at adjacent motorway/dual carriageway junctions or capacity can be enhanced as part of any extension; and
- All existing suitable plots have been taken up.

Likewise, the extension of existing strategic distribution sites should only be considered if they meet in full the recommended criteria in the Leicester and Leicestershire SDD (Paragraph 3.13 of Final Report) for identifying and assessing potential new sites for strategic distribution namely:

- It is appropriately located relative to the markets to be served;
- The new plot(s) are sufficiently large and flexible in configuration so that they can accommodate the size of distribution centre warehouse units now required by the market;
- It is accessible to labour, including the ability to be served by sustainable transport, and located close to areas of employment need; and
- The new plot(s) are located away from incompatible land-uses.

With respect to the requirement for at least one of the new plots to directly face or form a boundary with existing operational plots, this does not necessarily mean that the new boundary fence should directly run alongside the existing one. This requirement should be interpreted flexibly in order to allow for necessary physical design features such as drainage channels, gaps required for fire breaks or landscaping. Likewise, the new plot may be physically separated from an existing plot by an internal estate road. An existing operational plot may also include the intermodal terminal at a rail-served development.

Further, this requirement should also allow for the possibility that the new plot(s) are being developed by a different promoter to that which originally developed the existing strategic distribution site or the current title owner of the existing site or plots if they have changed hands in

the intervening years. For example, Company A may have originally developed the existing site, albeit that some of the plots were subsequently sold to Company B (with the remaining plots and wider estate, roads etc... still being owned by Company A). Meanwhile, Company C owns the land upon which the extension plots are located and will be the developer of those plots.

For the avoidance of doubt, it should be possible to access any new plot(s) at an extended site via the existing strategic distribution site's connections to the public road network and internal estate roads. However, it should also be recognised that new connections to the public road network may be required in order to expand an existing site. For example, forecast traffic to the new plot(s) may result in the existing connection to the public road network exceeding its current design capacity. This could be alleviated through the provision of a new connection at a different location, thereby providing additional capacity for the whole expanded site across two connections with the public road network. Where this occurs, it should therefore be possible to access existing plots via the new road connection and any new internal estate roads, in the same way that the new plots can be accessed via the existing public highway connections and estate roads.

Ideally, the utilities currently connected to and serving the existing strategic distribution site should be capable of being extended to serve the new plot(s). This requirement should however be interpreted flexibly in order to allow for the possibility that the existing utilities are operating at capacity. For example, the electricity sub-station serving the existing development may have no further capacity available to provide for power to the new plot(s).

3. DEMAND FORECASTS: CLARIFICATION OF OUTPUTS

The main aim of this section of the report is to present a clarification on an issue raised by Now Planning with respect to the land use demand forecasts.

The table below reproduces the land use demand forecasts and site supply analysis undertaken for the Leicester and Leicestershire SDS (Part B and Final Report). For completeness, the forecast demand resulted from an exercise which considered the requirement to continually replace existing warehouse capacity as it become physically or functionally obsolete over time together with an estimation of the additional floor space required to handle forecast traffic growth. The supply data was based on an assessment of existing suitable sites with vacant plots which already have B8 consents or those likely to come forward through the planning system up to 2036.

Table 3.1: Forecast Demand and Supply to 2036 for Leicestershire

Year	ha			
	2021	2026	2031	2036
Rail Served Leicestershire				
Supply - Land planned for rail-served sites	159	159	159	159
Forecast demand - high	111	150	209	274
Shortfall - high	48	9	-50	-115

Year	ha			
	2021	2026	2031	2036
Non Rail Served Leicestershire				
Total Supply - Available at current sites	45	45	45	45
Forecast Demand - high	80	109	152	198
Shortfall – high	-35	-64	-107	-153

Source: Leicester and Leicestershire SDS (MDST and Savills 2014)

Two further conclusions contained in the Leicester and Leicestershire SDS (Final Report) are also relevant and relate to the demand-supply analysis to the above tables, namely:

“The conclusions within this study (Part B) relating the quantum of land required for strategic distribution up to 2036 should be considered central to the drafting of local plan policy”. (Paragraph 3.13 Final Report).

and

“In order to maintain and enhance the competitive position currently enjoyed by the region/sub-region, it is vitally important that the market in future is offered a geographical spread of commercially attractive sites available to satisfy individual operator locational requirements. For road-only sites and taking into account the policy advice outlined above, it is vitally important that a strategy for the strategic logistics sector brings forward new sites within at least two of the key areas of opportunity simultaneously i.e. not one after the other. As noted above, flexibility in policy development should ensure that suitable strategic sites in the ‘Good’ locations can come forward ahead of new sites within the ‘Best’ locations in order to maintain a geographic choice at anyone time.” (Paragraph 3.19 Final Report)

Taking the above analysis and conclusions together, when preparing Local Plans and policies the demand forecast figures should be viewed as minimum requirements going forward in order that a geographical spread of commercially attractive sites is always available. In practical terms, the quantum of land allocated to strategic distribution should always exceed expected demand in order to maintain a competitive market; multiple strategic sites with vacant plots at different geographic locations should always be available. The demand figures should not be viewed as ‘targets’ or maximum levels of provision which should not be exceeded.

4. RAIL-SERVED SITES

In practical terms, there are two possible means by which strategic distribution/logistics sites are 'rail-served' or 'rail-connected' (inter-changeable terms but meaning the same). This applies to both large schemes greater than 60ha (so called *Strategic Rail Freight Interchanges (SRFIs)* and therefore classed as nationally significant infrastructure projects), or smaller scale developments, including individual warehouses (which gain planning consent via the Town and Country Planning Act procedures).

Firstly, being rail-served by installing railway sidings alongside one of more of the warehouse units (normally along one of the long sides). A 'platform' area is normally provided between the sidings and the warehouse units permitting access from the warehousing's storage areas to the sidings by mobile lifting equipment e.g. a folk-lift truck. Goods conveyed in conventional railway *box wagons*² can then be discharged directly into the warehousing using the mobile lifting equipment.

Picture 1 below shows a typical warehouse with a siding alongside. Further below, Picture 2 illustrates a conventional box wagon while Picture 3 shows goods being discharged from a box wagon at a rail-served warehouse using a folk-lift truck.

Picture 1: Warehouse and Rail Siding Alongside



² A 'box' with side doors or shutters permanently fixed to railway bogies or axles. They can be used to convey palletised cargo, white goods and semi-bulk products such as steel and forest products.

Picture 2: Conventional Box Wagons



Picture 3: Palletised Cargo Discharge from Box Wagons



The second means of rail-serving a strategic distribution/logistics development is through the provision of an intermodal terminal located within the same site as the warehousing units. This would be within the officially defined boundary of the development (which may be delimited on the ground by means of fences, security gates etc..) and where access between the intermodal terminal and the development's warehousing units is entirely via internal private haul roads or where the public road distance is less than 1km. Intermodal container units arriving by train are transferred between the intermodal terminal and the warehousing units by means of the yard tractors hauling skeletal semi-trailers.

In this case, private haul road includes the internal estate roads of a strategic distribution/logistics development which were originally built by the developer and are maintained on an ongoing basis by the current private sector site owner. They are therefore used by a variety of vehicles, including delivering/collecting HGVs and employee cars. Public roads are defined as those maintained by the public sector e.g. local highway authority, albeit they may have originally been built by the site developer and subsequently adopted. Vehicle and fuel duty regulations permits so called 'works trucks' (in this case yard tractors) running on rebated diesel to use public (adopted) roads between private premises where the distance is less than 1km.

Picture 4 below shows a typical intermodal terminal; in this case Freightliner's Trafford Park terminal, where containers are lifted to/from trains by means of overhead gantry cranes. Further below, Picture 5 illustrates a yard tractor (works truck) hauling container units on a private haul road.

Picture 4: Freightliner Intermodal Terminal Trafford Park



Picture 5: Yard Tractor/Skeletal Semi-trailer Moving Containers on Private Haul Road

A rail-served strategic distribution development may therefore consist of an intermodal terminal only, directly connected warehousing as described only, or both an intermodal terminal and connected warehousing. To consider what the minimum requirement is in planning terms, it is worth examining two recent Government documents, namely:

- The National Policy Statement for National Networks (NPSNN); and
- The Secretary of State's decision letter granting a Development Consent Order for Roxhill's East Midlands Gateway Rail Freight Interchange (EMGRFI) near Kegworth.

Essentially, the NPSNN sets out the Government's current policy with respect to the need for and the scale and design of SRFIs, while the decision letter contains the Secretary of State's current interpretation of the policy when applied to an actual SRFI scheme.

The NPSNN is the primary basis for making Development Consent Order (DCO) decisions with respect to large rail-served strategic distribution developments over 60ha in size (SRFIs), and it also provides planning guidance for the promoters of such projects. However, paragraph 1.4 of the NPSNN states:

"In England, this NPS may also be a material consideration in decision making on applications that fall under the Town and Country Planning Act 1990".

Given this position and in the absence of any separate and specific policy guidance with respect to similar rail-served schemes below the 60ha threshold, it is reasonable to conclude that the NPSNN can be considered to be the principal policy document guiding the development of all strategic rail-

served strategic distribution developments. The relevant paragraph from the NPS with respect to rail-connectivity is quoted below.

“Applications for a proposed SRFI should provide for a number of rail connected or rail accessible buildings for initial take up, plus rail infrastructure to allow more extensive rail connection within the site in the longer term. The initial stages of the development must provide an operational rail network connection and areas for intermodal handling and container storage. It is not essential for all buildings on the site to be rail connected from the outset, but a significant element should be”. (NPSNN Paragraph 4.88)

The Planning Inspectorate (PINS) tested the EMGRFI DCO application against Paragraph 4.88 of the NPSNN during examination. At EMGRFI, the proposed means of rail-connection is an intermodal terminal only within the same site as the warehousing units i.e. the second means of rail connection described above, with none of the warehouse units planned to have rail-sidings alongside. PINS considered that this did not meet the requirements of the NPSNN Paragraph 4.88, and subsequently recommended that the DCO application be rejected (along with another reason concerning the phasing of the rail connections).

However, the Secretary of State disagreed with PINS assessment, and considered the provision an intermodal terminal only within the same site as the warehousing units to be sufficient to meet the requirements of the NPSNN Paragraph 4.88. He subsequently overturned PINS’ recommendation and granted the DCO. The relevant Paragraphs from the Secretary of State’s Decision Letter are quoted below.

“The Examining Authority’s second concern was that the SRFI would not meet the requirement in the last sentence of paragraph 4.88 of the NPSNN, namely that “it is not essential for all buildings on the site to be rail connected from the outset, but a significant element should be’. The Examining Authority considered that, because none of the proposed warehousing would be directly rail-connected (according to the applicant’s Works Plan and Illustrative Masterplan), the proposals in the application would fail to meet this requirement, both at the outset and when the development was fully completed”. (Paragraph 17)

“The Secretary of State notes that the proposed arrangement at the SRFI is that rail-borne freight would be transported between the terminal and individual warehouses by road-based tractors. He considers that this would, at the least, mean that the warehouses would be “rail accessible” or “rail served”, even if not directly connected in terms of rail sidings being physically located in close proximity to warehousing units. He considers that the proposed form of connection between warehouses and the rail freight terminal is sufficient to satisfy the objective of this part of the NPSNN, namely to facilitate and encourage the transport of freight by rail”. (Paragraph 18)

In planning terms, therefore, taking the relevant section of the NPSNN together with the Secretary of State's conclusions with respect to the EMGRFI (the most recent interpretation of his own policy when applied to an actual SRFI scheme) we can conclude that, as a minimum requirement, strategic distribution developments must be rail-connected by means of an intermodal terminal located within the same site.

With respect to what the logistics market requires, however, the provision of an intermodal terminal within the same site is by far the more important form of rail connectivity. This is for two main reasons, namely:

- Conventional box wagon rail services are operationally inflexible and not cost competitive when compared with road transport, except under limited niche circumstances; and
- Strategic distribution buildings handle significant quantities of imported containerised cargo.

Conventional box wagons are restricted to operating between rail connected facilities at both ends of the journey, meaning they are operationally inflexible. The operator is also unlikely to find backloads, meaning the wagons are usually repositioned empty back to their origin at the expense of the shipper. Finally, to operate box wagons economically, they need to be run in full train lengths. Consequently their use is fairly niche in nature, and generally only suitable for shippers despatching large volumes from one origin to one destination. In the retail sector, suitable cargoes are essentially limited to 'bulky' commodities moved in large quantities, such as bottled mineral water.

These disadvantages are overcome with intermodal rail freight. It allows non rail connected shippers to utilise rail freight as a transport mode for undertaking long distance trunk hauls i.e. initial collection can be undertaken by road transport. As intermodal units are designed for general cargo, the transport operator has the ability to reposition the empty intermodal unit after delivery and seek a return load. Consequently the shipper has to pay one way only and utilisation is significantly better than conventional rail freight. In addition, intermodal rail freight allows multiple shippers despatching smaller volumes on a frequent basis to combine their flows and form a full-length train e.g. intermodal services from the deep-sea ports will generally be conveying containers on behalf of a number of shipping lines. Related to this, strategic distribution buildings now handle significant quantities of imported containerised cargo, which naturally lends itself to intermodal rail operations.

It is therefore vital from a logistics market perspective that rail-served strategic distribution sites, as an absolute minimum, are provided with an intermodal terminal located within the same site as the warehousing units. This position is reflected in the design and layout of rail-served strategic distribution sites which have either been developed over the past 10-15 years, are currently being considered by the planning system or have recently been granted consent, as follows:

- Hams Hall SRFI – intermodal terminal only;

- Birch Coppice SRFI – originally developed with rail sidings alongside one of the warehousing units. However, no rail traffic ever materialised. It was only after an on-site intermodal terminal was subsequently built that the SRFI began to handle rail freight traffic;
- DIRFT SRFI – an on-site intermodal terminal, however only two of the warehousing units have been developed with rail sidings alongside. All current rail traffic is intermodal;
- EMGRFI – DCO granted for a development with intermodal terminal only (see above);
- East Midlands Intermodal Park (Etwall, Derby) – master plan options indicate an intermodal terminal and only one or two of the warehousing units planned to have rail sidings alongside and
- Rail Central (Northampton) – master plan indicates an intermodal terminal and only two of the warehousing units planned to have rail sidings alongside.

It should also be noted that at ProLogis Park in Coventry, has not been provided with an intermodal terminal but the warehouses were constructed with sidings alongside for conventional box wagon traffics. However no train services have ever operated to or from the site.

On-site Intermodal Terminal – Key Benefit

The key benefit of a strategic distribution facility having an intermodal terminal located within the same site as the warehousing units is that it significantly reduces the cost of transferring cargo from rail to the warehousing's storage. This renders rail freight more cost competitive and as a consequence it is able to gain traffic and market share, in addition to providing shippers with a more cost efficient transport option. Also, modal shift is acknowledged to generate wider societal and environmental benefits.

As described above, yard tractors and skeletal semi-trailers are utilised to transfer container units between the intermodal terminal and on-site warehousing (i.e. via internal private haul roads or where the public road distance is less than 1km). The fixed costs plus overheads for a yard tractor and semi-trailer combination (including 2 x drivers wages and employment costs so that it can be operated 24 hours per day) amount to around £110,000 per annum. This equates to £440 per day assuming 250 operating days per annum.

Rebated diesel fuel³ currently costs around £0.40 per litre (before VAT on the basis that this can be reclaimed by operators). Assuming a yard tractor/semi-trailer combination at a strategic distribution site covers around 80km each day and it consumes around 0.5 litres of diesel fuel per km, its fuel costs will equate to around £16 per day (80km x 0.5litres/km x £0.40 per litre). Accounting for other variable expenses, total running costs for a yard tractor/semi-trailer combination would equate to

³ Also known as 'red diesel'. Diesel fuel which attracts a minimal rate of fuel duty (when compared with that charged on road vehicles), and is specifically for use by off-road equipment such as farm and forestry vehicles, fork-lift trucks and yard tractors operated in ports and terminals.

around £19 per operating day. Total operating costs for the yard tractor/semi-trailer combination would therefore equate to just under £460 per day.

In terms of productivity, it is reasonable to assume that each yard tractor/semi-trailer combination could deliver 30 containers from the intermodal terminal to the strategic distribution site's on-site warehousing during a 24 hour period. On that basis, operating costs per container would consequently equate to just over £15 per unit (i.e. £460/30 containers). Operating margins and financial returns for the terminal operator and site developer would add a further £5 per unit to this operating costs. Internal shunt charges at a SRFI are understood to be around £20 per container.

Alternatively, consider a non rail-served strategic distribution site located 10km from another strategic distribution site which is provided with an intermodal terminal (open access and therefore also able to serve off-site shippers/distributors). Container units could be transferred between the two sites by means of a dedicated shuttle service operated by standard road-legal tractor units and skeletal semi-trailers. Fixed costs for such a combination would amount to around £150,000 per annum, again including 2 x drivers wages and employment costs so that it can be operated 24 hours per day. This equates to £600 per day assuming 250 operating days per annum.

Running costs for a road-legal tractor unit and skeletal semi-trailer combination are around £0.35 per km (full duty-paid diesel). Assuming the combination covers around 160km each day (8 x round trips between terminal and non rail-served site), running costs would therefore equate to around £70 per day. Total operating costs for the tractor/semi-trailer combination would therefore equate to approximately £670 per day. In terms of productivity, it is reasonable to assume that each tractor/semi-trailer combination could deliver 8 containers to the non rail-served warehousing from the intermodal terminal during a 24 hour period. Consequently, operating costs per container would equate to just over £83 per unit. Accounting for operating margins and financial returns for the terminal operator and site developer, a dedicated shuttle service would cost in the region of £90 per container delivered.

Distributors at a this particular non rail-served strategic distribution would therefore incur a penalty of around £70 per container received when using rail, compared with being located on the rail-served site itself. However, it is important to note that this does not necessarily mean that the total transport costs to the warehouse would be more expensive when compared with road transport direct from the origin. For medium/long distance flows, particularly when the origin is also rail-served e.g. deep-sea port, the total door-to-door cost by rail, including the dedicated road shuttle, is still likely to be more cost competitive when compared with road transport direct from the origin.

Satellite Sites

In terms of the sequential identification and allocation of new sites for strategic distribution warehousing, the Leicester and Leicestershire SDS (Section 3) concluded the following:

“In circumstances where rail-served sites cannot be extended, local plans should consider satellite sites (which shall be located close to the existing strategic distribution sites) which meet the site selection criteria and could utilise the existing rail freight infrastructure at the core site. A prerequisite for satellite sites to be considered should be spare rail capacity being available at the core site rail terminal or capacity that can be enhanced as part of any satellite development.” (Paragraph 3.15)

Given the above but also taking into account the other conclusions contained in the Leicester and Leicestershire SDS with respect to sites considered to be appropriate for hosting strategic distribution, the following clarifies what should be regarded as a satellite site.

A satellite site is a development capable of accommodating large scale strategic distribution warehousing (individual units at least 9,000 square metres gross internal floor area), separate from but located close to an existing rail-served strategic distribution site, and is able to access the intermodal rail terminal facilities at the existing site via private haul roads or where the public road distance is less than 1km.

As per the conclusions contained in the Leicester and Leicestershire SDS, when considering the development of satellite sites it should be a prerequisite that all existing suitable plots have been taken up (Paragraph 3.16 of the Final Report). Likewise, satellite sites should also meet in full the following recommended criteria from the SDS:

- A prerequisite for satellite sites to be considered should be spare rail capacity being available at the existing strategic distribution site rail terminal or capacity that can be enhanced as part of any satellite development;
- Good connections with the strategic highway network – close to a junction with the motorway network or long distance dual carriageway. Motorway/dual carriageway junctions and the approach routes should have sufficient network capacity;
- Appropriately located relative to the markets to be served;
- Is sufficiently large and flexible in its configuration so that it can accommodate the size of distribution centre warehouse units now required by the market;
- Is accessible to labour, including the ability to be served by sustainable transport, and located close to areas of employment need; and
- Is located away from incompatible land-uses.

For avoidance of doubt:

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- Plots at satellite sites will not be located within the officially defined boundary of the existing rail-served strategic distribution site (which may be delimited on the ground by means of fences, security gates etc.). Some form of physical feature, such as highway infrastructure, a railway line, a river, another type of building(s) or open space will physically separate the existing site from the satellite site. As an example, a satellite site could simply be located on the opposite side of a road or railway line from the existing rail-served site, but where some form of private haul road or public road less than 1km is able to connect the two sites;
 - A private haul road is one which has been financed by and is maintained on an ongoing basis by the private sector. Such roads may be restricted to goods vehicles serving the strategic distribution/logistics developments, though they can also be internal estate roads open to all vehicle types. It therefore includes roads which the general public can access and essentially look like a normal public highway; and
 - Public roads are defined as those maintained by the public sector e.g. local highway authority, albeit they may have originally been built by the site developer and subsequently adopted.

5. CRITIQUE OF NOW PLANNING'S SUBMISSION

As noted above, Harborough DC undertook a consultation exercise during February 2016 on its *second interim sustainability appraisal report (ISA2)*. As part of that exercise, Now Planning submitted a response on behalf of property developer IDI Gazeley in February 2016. This section of the report responds to a number of points and conclusions contained in Now Planning's response. The relevant points and conclusions by paragraph are re-produced below, followed by a response or clarification.

Paragraph 4.3:

ISA2 is incorrect to treat the SDSS forecasts as if they were precise statements of fact: that is, to consider the 107 ha need (see below for its derivation in the SDSS) as a precise quantum and upper limit to the contribution needed in Leicestershire to meet the needs of business for non-rail connected strategic distribution land. ISA2's error in the use of the SDSS forecasts follows a similar approach originally taken by HDC in the September Options Consultation Paper.

This issue has been addressed in Section 3 above.

Paragraph 4.4:

SA2 fails to appreciate that no forecasts can be treated as precise facts. SDSS cautions that its "replacement demand" assumption (which accounts for more than 80% of the forecast quantitative need) requires more research before it can be relied upon. Compounding the caution required for that assumption, the SDSS's derivation of the Leicestershire share of the SDSS's regional forecast and the share for rail-connected land are also subject to wide margins of uncertainty.

This is an incorrect conclusion to draw from the SDS Reports; it does not state that the 'replacement demand' element need further research. What has been acknowledged (e.g. Part B Report Paragraphs 5.22 to 5.27) is that the current amount of B8 land that could be potentially 'recycled' for new strategic distribution units will require further research (via a separate commission.)

Paragraph 4.6 (i):

"The concept of "replacement demand", which assumes, regardless of size and location, that 70% of all existing warehousing stock \geq 9,000 sq m will need to be replaced over the forecast period. While not an unreasonable working assumption, it does not account for the trends towards larger units and the concentration of supply in the best locations (southern East Midlands, including the Magna Park area) nor for the loss of industrial land to other uses especially housing. Given that the net change in the stock of warehousing in the East

Midlands grew by 4,923,000 sq m between 1998 and 2008 (492,000 sq m p.a. on average), the SDSS regional forecast would appear, if anything, on the low side. If need followed the long term trend, the 15 years between 2016 and 2031 would generate a need for an additional 7.38m sq m by 2031, instead of the 5.57 sq m forecast by the SDSS.”

To clarify, the Leicester and Leicestershire SDS forecasts for future B8 land-use requirements took into account the fact that demand for new-build warehousing is a combination of two factors, namely:

- The requirement to continually replace existing warehouse capacity which is 'life expired' (replacement build); and
- The need for additional floor space to handle long-term growth in traffic volumes (growth build).

Paragraph 4.6 (i) asserts that the land-use forecasts produced for the SDS 'do not account for the trends towards larger units and the concentration of supply in the best locations.' This assertion is incorrect; the *Part B Report* (Paragraphs 4.4 to 4.7), which clearly describes the forecast methodology adopted, explains that the 'replacement build' element of the total gross new-build forecasts accounts for the following:

- The need to continually replace existing warehouse capacity which has become physically or functionally obsolete;
- The trend towards distributors occupying larger units to gain economies of scale; and
- Changes in market conditions over time, which means occupiers will seek new facilities in 'the best locations' in order to enhance competitiveness e.g. re-locating to rail-served sites.

The forecasts assumed that 73% of the existing warehouse stock in the East Midlands (and by extension Leicestershire) will be 'replaced' due to one of more of these reasons by 2036. This figure took into account the current time-frame (25-30 years) over which the major developers are known to depreciate their warehouse assets (Paragraph 4.4 of Part B Report). However, the report also acknowledges that existing buildings beyond this point in time may often be re-furnished and then re-let follow the existing occupier departing for a replacement new-build unit (rather than being demolished).

For clarification purposes, the SDS (Part B) was attempting to forecast the quantum of new large scale warehouse buildings which are likely to be built across the East Midlands and Leicestershire up to 2036. As noted in paragraph 4.1 of the Part B Report, the output of the exercise 'is an estimate of the total gross warehouse new-build which can be expected up to 2036'. Subsequent analysis sought to identify the amount of new land that would need to be brought forward to accommodate the new-build forecast.

However, Now Planning quotes 'net change in stock' figures to suggest the forecasts were 'on the low side'. Net change in stock is defined as follows:

$$\text{Net change in stock} = \text{New-build} - \text{Buildings Demolished}$$

For example, if 500,000 square metres of new floor space is developed and the net change in stock is 400,000 square metres, then 100,000 square metres of existing capacity will have subsequently been demolished. However, it is noted above that existing building may often be re-furbished and then re-let. On that basis, if the 100,000 square of existing capacity is re-let (following refurbishment), then the net change will be 500,000 square metres.

Paragraph 4.10 of the Part B Report states clearly 'Unless otherwise specified, the analysis below considers gross new-build along with the amount of land required to accommodate that gross new-build, and not the 'net change' in the region's/sub-region's floor space.'

New-build (SDS forecasts) and net change in stock (Now Planning) are therefore different metrics which are not directly comparable. The SDS forecasts were simply forecasting new-build and was not accounting for what happened to the existing stock once replacement floor space was built. Now Planning's net change figures cannot therefore be used to suggest that the new-build forecasts 'are on the low side'.

Paragraph 4.6 (ii):

The SDSS assumes, to create a Leicestershire share of the East Midlands forecast, that Leicestershire will need to supply the same share of the region's future stock – over the whole of the 2036 forecasting period – that it did in 2014. The SDSS estimates, using the VOA's rating data (i.e., built units that pay business rates), that share to be 25.9%. The 25.9% is the average of the county's estimated 27.9% share in 2014 of units >9,000 sq m and its 17.4% share of units greater than $\geq 25,000$ sq;

The above paragraph has also incorrectly interpreted the forecast methodology. To clarify, Table 4.2 in the *Part A Report* shows that 27.9% of the East Midlands' current warehouse capacity is located in Leicestershire (2,250,000 square metres in Leicestershire, and 8,056,000 square metres in the East Midlands region). This was indeed sourced from VOA ratings list data.

Paragraph 4.10 of the Part B report states 'The forecasts have been undertaken on the basis that existing distribution centre occupiers in Leicestershire and the wider East Midlands will commission their new warehouse facilities in broadly the same location as their redundant building i.e. they do not re-locate to the competing regions or ports'. On that basis, the 'replacement build' element for the East Midlands was estimated (73% of existing capacity to 2036, as described above), with the 'replacement build' element for Leicestershire being the same percentage as its current share of regional capacity i.e. 27.9% of the region's 'replacement build' element will be in Leicestershire.

Table 4.3 from the Part B Report shows that 25.9% of the region's future gross new-build to 2036 is forecast to be in Leicestershire (1,886,000 square metres in Leicestershire, and 7,286,000 square metres in the East Midlands region). This can be explained by the method used to estimate the 'growth build' element of the forecasts. Existing freight traffic delivered to both Leicestershire and East Midlands distribution centres was estimated using the MDS Transmodal GB Freight Model. Likewise, future traffic flows to both Leicestershire and East Midlands distribution centres was estimated using the MDS Transmodal GB Freight Model. The growth in traffic to both Leicestershire and East Midlands distribution centres was subsequently converted into floor space using generally accepted factors which relates tonnes to square metres (the 'growth build' element). This was then added to the respective 'replacement build' elements to calculate total gross new-build for both Leicestershire and the East Midlands. The slightly lower traffic growth forecast for Leicestershire when compared to the East Midlands as a whole consequently is reflected in a slightly lower growth build rate for Leicestershire. As a result, the amount of new-build forecast for Leicestershire (as a percentage of the East Midlands total) is slightly below its market share for existing warehouse capacity.

Paragraph 4.6 (iii):

The need for 58% of the forecast need to be rail connected, a share that has no particular evidential basis. The 58% is the estimated share of the warehouse stock in the East Midlands that was, in 2014, in units $\geq 25,000$ sq m. The 58% share is also held constant over the forecasting period, starting in 2021. That is despite the fact that achieving a 58% share, including in 2021, would require a nine-fold increase in rail freight's 2011 market share (based on data provided both by the SDSS and by the National Policy Statement for National Networks).

The Leicester and Leicestershire SDS needed to estimate the proportion of the future new-build demand which could be expected to locate at a rail-served site (SRFIs). It noted that only around 6.5% of existing regional capacity was currently located at a rail-served site (Paragraph 5.7 of Part B Report), but that this was likely to increase significantly due to a combination of the following factors (Paragraph 5.8 of Part B Report):

- National planning policy which promotes large scale freight generating activities locating at rail-served sites;
- The large growth rates recorded since 2004 by the intermodal rail freight sector;
- The Government's own rail freight forecasts which indicate a continuation of the intermodal growth rates;
- The significant financial benefits which can be gained when moving goods to rail-served sites by rail; and
- The need to maintain and enhance the region's competitive position.

The rationale or evidence to support these factors was presented at various stages in the SDS, either in the Part A Report or Part B Report. The Part A Report considered planning policy and recent trends for intermodal rail freight. Part B demonstrated the financial benefits which accrue when locating at a rail-served site (and by extension how this enhances the region's competitiveness) and presented the Government's intermodal rail forecasts.

We concluded in the forecasting exercise that it will be warehousing units above 25,000 square metres that will benefit from or be of a nature to be attracted to sites with rail terminal facilities. This conclusion took into account the size of warehouse units currently located at the existing rail-served strategic distribution site in the East Midlands (DIRFT) and other similar strategic developments elsewhere (e.g. Hams Hall) and the size of units being suggested by the developers of the planned for SRFIs in the region. The table below shows the size of the units being planned for the three new SRFIs currently proposed for the East Midlands region (East Midlands Intermodal Park, East Midlands Gateway and Rail Central) and the expanded DIRFT SRFI (DIRFT Phase III). With one or two exceptions, all of the units planned are greater than 25,000 square metres.

Table 5.1: Planned Unit Size at SRFIs in East Midlands

Scheme and Plot/Zone	Approx Proposed Floor Space (sq m)
<i>East Midlands Intermodal Park - Etwell</i>	
Plot 100	93,000
Plot 101	22,000
Plot 102	22,000
Plot 103	22,000
Plot 104	63,000
Plot 105	63,000
Plot 200	33,000
Plot 201	23,000
Plot 202	36,000
Plot 203	35,000
Plot 300	93,000
Plot 301	45,000
<i>East Midlands Gateway - Kegworth</i>	
Zone 1 (up to 2 units)	108,000
Zone 2 (up to 2 units)	98,000
Zone 3 (up to 2 units)	54,000
Zone 4 (up to 2 units)	70,000
Zone 5 (up to 4 units)	112,000
Zone 6 (up to 5 units)	147,000

<i>DIRFT III</i>	
Zone A	35,000
Zone B (1)	34,000
Zone B (2)	34,000
Zone B (3)	40,000
Zone B (4)	26,000
Zone B (5)	23,000
Zone B (6)	76,000
Zone B (7)	71,000
Zone C	17,000
Zone E	43,000
Zone G (1)	62,000
Zone G (2)	85,000
Zone F (1)	75,000
Zone F (2)	25,000
<i>Rail Central – Northampton</i>	
Plot 1	55,000
Plot 2	71,000
Plot 3	59,000
Plot 4	67,000
Plot 5	85,000
Plot 6	72,000
Plot 7	53,000
Plot 8	28,000
Plot 9	57,000
Plot 10	39,000
Plot 11	41,000
Plot 12	27,000
Plot 13	24,000

Source (East Midlands Gateway and DIRFT): Master Plan submissions to PINS

Source (East Midlands Intermodal Park and Rail Central): Consultation website

On that basis, we consequently considered the proportion of the current regional total floor space capacity which is in units greater than 25,000 square metres. Analysis of MDS Transmodal warehouse database for the East Midlands (sourced from VOA records – see Part A report) suggests that around 4.7 million square metres of the region’s floor space capacity is in units greater than 25,000 square metres, and that this equates to 58% of the regional total. We therefore applied this figure to the forecast demand going forward i.e. 58% of future forecast demand locating at a rail-served site.

To assert, therefore, that the adopted proportion of the forecast future new-build which could be expected to locate at a rail-served site 'has no particular evidential basis' is therefore incorrect. Further, 58% of future new-build warehousing in the region locating at a rail-served site does indeed represent a 9-fold increase on the current proportion of the region's warehouse stock which is rail-served i.e. $6.5\% \times 9 = 59\%$. However, the assertion that this would require a 9-fold increase in rail freight's 2011 market share does not follow.

Paragraph 4.7

- The 107 ha calculation rests on still further assumptions to derive a gross, and then a net, land need:
- forecast need in the East Midlands by 2031 for warehouse floor space $\geq 9,000$ sq m: 5,570,000 sq m;
- Leicestershire's 25.9% share of that need: 1,445,000 sq m
- Leicestershire's road only share of that need (42%); 607,000 sq m
- the land equivalent of the road only share of that need (40% site density): 152 ha
- existing sites in Leicestershire (seven separate sites) = 45 ha
- additional land supply required = 107 ha.

Paragraph 4.8

The existing supply of 45 ha in seven different sites, none of which is an extension to an existing distribution sites, also bears inspection.

Paragraph 4.9

- The SDSS advises a sequential approach to site selection that puts extensions to existing sites (not second distribution parks close to existing parks) at the top of the sequential preference. None, however, of the seven sites that make up the existing supply of 45 ha is an extension to an existing distribution site. Moreover, three of the sites are 3.1 ha or smaller; one of the seven sites is too small to accommodate units within the $\geq 9,000$ sq m size band; and only two sites are larger than 10 ha (12.5 ha and 14.1 ha), but neither is being marketed or can come forward until very significant infrastructure is delivered.

Paragraph 4.10

Thus all seven sites are outside the SDSS's sequential preference for meeting the forecast need that places extensions at the top of the hierarchy.

The above paragraphs have also incorrectly interpreted the demand-supply forecasts with respect to non rail-served sites. The table below summaries these forecasts for Leicestershire.

Table 5.2: Land Required at Non Rail-served Sites, Potential Land Supply and Shortfall to 2036

Year	ha			
	2021	2026	2031	2036
Leicestershire				
Total Supply - Available at current sites	45	45	45	45
Forecast Demand - high	80	109	152	198
Shortfall – high	-35	-64	-107	-153

For clarification, up to 2031 (taking the same example as Now Planning), the forecasts do indicate a gross requirement for 152ha of land for large scale warehousing in Leicestershire. Currently, there is available 45ha of land with existing B8 consents (at 7 sites) in Leicestershire; these plots are therefore able to accommodate part of that future forecast demand. This does indeed leave a requirement to 'find' a further 107ha of land for large scale warehousing. The sequential approach to site selection (Paragraph 3.15 of Final Report, and discussed in Section 2 above) consequently applies to the identification and allocation of new sites to meet the 107ha shortfall, and not to the existing 7 sites (45ha) which already have consent for B8 uses. Paragraph 3.15 of the Final Report clearly states 'In order to ensure that there is a sufficient pipeline of strategic distribution sites, new land should be identified and allocated in the following sequential order' (consultant's emphasis).

Further, Table 5.6 in the Part B report clearly shows that each of the sites available with B8 consents is able to accommodate a warehouse greater than 9,000 square metres.

APPENDIX 1:

SCOPE A TERMS OF REFERENCE

A1. Definition / Clarification of “extension of existing site” issue.

Given that there are two potentially competing sites within the vicinity of Magna Park which could claim to be “extensions”, and in light of the sequential preference within the SDSS of extensions to existing sites, a definition of an “extension of an existing site” in terms of the SDSS would be very beneficial

A2. Emphasis on fact that figures are minimum requirements to meet demand, and explanation that supply should always outstrip demand in order to maintain a healthy market

Public perception, and potentially that of Members, is that the targets provided within the SDSS are maximum levels of provision which should not be exceeded. Given that commitments across the County have now already exceeded the long term target, clarification on this matter would be very beneficial. So, in short clarification of what the SDSS is telling us in terms of the preparation of planning policy in the Local Plan and the processing of current major planning applications for warehousing and distribution regarding the levels of provision required to meet demand (and or need), and how planning policy in the Local Plan should address the issue of current market pressure in terms of ensuring we are planning positively in the Local Plan.

A3. Clarification on requirements / definition of “rail-served” sites

Whilst IDI Gazeley are not currently claiming to be “rail-served”, the presence of the Rail / Freight shuttle terminal as part of the outline application is giving concern to local residents that IDI Gazeley are trying to tap into that element of need rather than just road-served need in order to further bolster their case in support of their planning applications. Clarification on this may help focus public perception and thereby assist in processing the planning application and the resulting balanced recommendation to Committee to be reached.

A4. Critique of para’s 4.3 – 4.19 (and in particular para 4.6) of Now Planning’s submission in response to Harborough Local Plan Options Consultation: Sustainability Appraisal on behalf of IDI Gazeley UK Ltd (see Attachment 3)

APPENDIX 2:

NOW PLANNING RESPONSE TO SECOND SUSTAINABILITY APPRAISAL