

**Harborough Local Plan 2011 to 2031: Matters and Issues for Examination
Submission on Behalf of Gazeley
6 September 2018**

5. Meeting Employment Needs

5.2 Part 1: *Is there satisfactory evidence-based justification for the allowance of 700,000 square metres strategic storage and distribution floorspace?*

1. The evidence base for the allowance is principally the Strategic Distribution Sector Study (SDSS – EMP6 and EMP7). Other evidence includes the Sustainability Appraisal (SA) and the Duty to Cooperate (DTC) exercise for the Local Plan.
2. The SDSS was carried out for the Leicestershire authorities by MDS Transmodal and Savills in 2014 and “refreshed” by MDS Transmodal alone in 2016. The SDSS provides a wide-ranging analysis of the logistics sector, quantitative forecasts of the East Midlands region’s needs for large scale distribution floorspace (in units of 9,000 sq m or greater) to 2036, derives a share of that forecast for Leicestershire, and advice on the use of its forecasts and the criteria to be used in choosing sites that will meet the sector’s needs. The forecasting methodology and outcomes were unchanged between the two reports.
3. Having regard to this evidence, our view is that the BE2 allowance of 700,000 square metre (sq m) is justified. Our reasons are:
 - i) As the SDSS counsels, its quantitative forecasts should be treated as minima (e.g., see EMP6a paragraphs 3.13 and 3.19 and EMP7b pages 8-9).
 - ii) The method that the SDSS uses to derive Leicestershire share of its East Midlands regional forecast to 2036 has the effect of limiting the county’s share to below even its share of the region’s actual stock of large scale warehouse floorspace in 2014 (see paragraphs 5-7 below for a fuller explanation). Notwithstanding the authors’ rationale, that limit provides a further reason for treating the Leicestershire forecast as a minimum.
 - iii) The part of Harborough where Magna Park is located (but not the rest of the county) lies within the logistics sector’s location ‘hot spot’ – the so-called ‘small golden triangle’ that is defined by the area within and near to the M1, M69 and M6 triangle (EMP7c, Figure 2.1 and pages 4-10). It is the sector’s hotspot because of the combination of its geography (the centre of the country) and infrastructure (choice of motorways and proximity to strategic rail lines) coupled with, now, the attraction and value of the ‘cluster benefits’ that are generated by the concentration in the area of competing, inter-trading and complementary firms (see paragraphs 13-15 below for a fuller explanation).
 - iv) Because the small golden triangle is one of very few optimal locations, for national distribution centres particularly, a strategy that concentrates future provision in the area stands to generate still further efficiencies – benefiting the industry and its employees, the supply chains the sector serves and, because of the importance of efficient logistics to the performance of the wider economy, national productivity. Thus, in the absence of sound reasons to the contrary, artificially constraining growth in an optimal location for the sector would be contrary to the NPPF (NPPF 2012 paragraphs 17 bullet 3, 20, 21 bullet 3, 28, 160

and 180), the UK Industrial Strategy (e.g., pages 18, 68,84, 137, 188, 224-227 and 236) and to LLEP's Strategic Economic Plan.

- v) The small golden triangle extends into the West Midlands, although the SDSS forecasts are confined to future demand in the East Midlands only. As markets do not observe such boundaries, some 'West Midlands demand' will be met in the East Midlands and vice versa.
 - vi) The SDSS assigns 58% of the forecast floorspace need to rail-served sites only, and just 42% for road-served sites only. There is no more rationale for this division than the fact that in 2014, 58% of the stock of large scale warehouse floorspace in the East Midlands was in units of 25,000 sq m or larger, that more units of this size or larger have been built in recent years at strategic rail freight interchanges, and that improvements in railfreight reliability, economics and capacity indicate strong growth for the sector (from its current market share of c 12%). Thus the 58%:42% division cannot be treated as precise or consistent with supporting competitive markets that benefit the industry and the economy.
 - vii) The SDSS forecasts also do not account for the relationship between road-only and rail-linked sites – and thus the value of proximity between the two. For example, survey conducted at DIRFT by Prologis found that 16% of all trips into and out of DIRFT were accounted by Magna Park.
 - viii) Thus, while proximity to a rail-linked site is an advantage for operators who use railfreight for part only of their supply chain, a rail-connected site for this substantial section of the occupier market is not necessary.
 - ix) Leicestershire's ability to maintain its substantial competitive advantages in the sector depends heavily on maintaining a supply of sites in locations which logistics businesses can operate most efficiently (e.g., EMP6d, paragraph4 and 50; EMP7c, page 73).
 - x) The SA concludes in favour of the 700,000 sq m allowance (SA paragraphs 18.5.1-18.5.3).
4. We deal with points ii) and iii)-iv) in more detail below.

ii) The SDSS derivation of the Leicestershire share of the East Midlands forecast

- 5. The SDSS forecasts are for the region – a spatial scale that is large enough for the forecasts to be reliable. The study's authors therefore had to come up with a means for deriving a share for Leicestershire. The SDSS did that by assuming: i) Leicestershire's share of the 'replacement build' component of the regional forecast would be 27.9% over the whole of the forecasting period – Leicestershire's percentage in 2014 of the region's total stock of large scale warehouse floorspace; and ii) Leicestershire's share of the 'growth build' component would be 25.7% based on the outcome of the MDS Transmodal GB Freight Model.
- 6. The 'replacement build' in the SDSS regional forecast, however, accounts for 81% of the whole of region's total forecast requirement, but because of the methodology the SDSS adopts, a full 87% of Leicestershire's (EMP6a, Table 2.6 and EMP7b pages 22-23).
- 7. The consequence is a greater margin of error for this derived 'forecast' of the county's floorspace needs than there is for the actual forecast for the East Midlands. Given the rest of the evidence (e.g., that outlined here), the great likelihood is that the method underestimates the quantum of need in the county. It follows that this is another reason to treat the SDSS forecasts for the county as minima.

iii) The 'small golden triangle' is a hot spot for logistics for economic efficiency reasons

8. There are advantages – for the logistics industry and their employees, for the sector's customers (for every sector of the economy that depends for part of its supply chain on the logistics sector as well as for consumers who shop on line) and for the environment – of concentrating land to meet the need in the 'small golden triangle', and more specifically in Harborough, as BE2 proposes.
9. The small golden triangle includes parts both of the West Midlands (see EMP7c Figure 2.1, Table 2.4 and pages 7-8) and the northern East Midlands (particularly Northamptonshire). Nonetheless, the small part of Leicestershire that lies within it accounted for 64% of its total stock of large scale warehouses in 2015, while the adjacent West Midlands accounted for 18% and the northern East Midlands for the remainder.
10. Even in the 'wider golden triangle' considered by the SDSS (EMP7c, Table 2.6 and Figure 3.1), the small golden triangle remains pre-eminent, accounting in 2015 for 30% of the much wider area's stock of large warehouses.
11. Further evidence of demand pressures in the golden triangle, however defined, is provided by rental growth rates. Prime rents for large scale warehouses in Leicestershire increased by 39% between 2012 and 2016 – against 26% in the East Midlands and 20% nationally (EMP7c, pages 21-23). Trends in secondary rents (non-prime large warehouses) follow a similar pattern: a 31% increase in Leicestershire compared to 22% in the East Midlands (EMP7c, page 23). Vacancy rates, similarly, are also well below regional and national averages. The most recent 5 year average vacancy rate at Magna Park is 3.4% against the 5% vacancy rate for Grade A units alone (JLL, The UK Big Box Industrial and Logistics Report, January 2017).
12. The relative strength of Leicestershire is closely related to relative strengths of demand for sites and premises in the small golden triangle – against the constrained supply. At the end of 2016, for example, available Grade A units accounted for just 3% of available supply in the wider Golden Triangle – less than a month's supply – and less still in the small golden triangle (EMP7c page 30). Similarly, in the small golden triangle, there was just 2.33 years' supply of units larger than 100,000 sq m and just 4.3 years supply of units between 9,000 and 50,000 sq m (EMP7c Table 3.3)
13. The strength of the small golden triangle is partly due to its geography and infrastructure endowment which combine to reduce firms' transport costs – a major consideration in the sector. But it is also to do with the other advantages. There is now also a concentration of suitably skilled and available labour and a strong base of specialist supplier firms. Competition for customers helps, coupled with the opportunity to learn from competitors, help to encourage investment in R&D, drive up innovation and skills, reduce costs, improve productivity and reduce the sector's environmental footprint (see EMP7c page 66).
14. There are also a range of other benefits: job security because the logistics sector's risks are spread across a wide spectrum of the economy; job ladder benefits, within a relatively small geographical area, that give employees a wide choice of jobs and promotion opportunities in a rapidly upskilling sector that tends to promote from its ranks; opportunities for using fewer

resources more efficiently (e.g., fewer HGVs with fuller loads resulting in fewer as well as shorter trips from optimal locations); and opportunities to share infrastructure that is optimal for its purpose (e.g., the strategic highway network, HGV parks, training and education resources)

15. These agglomeration economies, however, are limited to the UK's few optimal locations. The south west part of Harborough district is one as is the rest of the small golden triangle.
16. However, whether individual logistics operators can take advantage of the cluster efficiencies depends on supply sites and premises in the limited number of optimal locations where the industry has already concentrated. Whether operators can meet their needs in these optimal locations will, in turn, be a major determinant of the whole of the sector's productivity (competitiveness), the costs to customers and, ultimately, the contribution logistics can make to the productivity of the wider UK economy.
17. Yet, the shortage of optimally located sites and appropriately specified, especially Grade A, premises is a well-documented threat to the sector's prospects. Where local economies, like Harborough, owe much of their prosperity to the competitive advantages they offer the sector, then that prosperity too is put at risk.
18. Finally, the SDSS concludes that the additional sites the sector needs should, ideally, be located adjacent to existing sites for 'agglomeration purposes' (EMP7c page 70). BE2 promotes exactly that.
19. For all these reasons, we conclude that the 700,000 sq m allowance put forward by BE2 is justified.

5.2 Part 2: Is there sufficient headroom in demand to enable this amount of development without compromising the employment strategies of other local authorities?

20. All of the evidence indicates that the 700,000 sq m allowance leaves adequate headroom for the employment strategies that other local authorities will advance over the period to 2031. As the SDSS stresses, operators need a choice of sites, particularly choices in optimal locations, if the sector is to prosper and maintain the county's competitive advantages. We reach this view on the basis of the following:
 - i) The SDSS assigns just 42% of the need for road-based distribution space over the period to 2036 to road-connected sites. The remaining 58% of the forecast need is allocated to rail-linked sites.
 - ii) The rail sector's share of the distribution market, however, is c 12% (2016). While growing rapidly (c +3.3% a year cf a slight decline of 0.5% in the road-based share), rail-based sites will continue to account for a minority share of the sector's needs for a very long time (well beyond 2031).
 - iii) If it were the case that road-based sites enjoy an unfair competitive advantage over rail-connected sites, government could – under HM Treasury "market failure" rules – subsidise the costs of financing the rail infrastructure. Government has not elected to do so – presumably because the balance of advantage is in favour of a competitive market for the supply of distribution floorspace.
 - iv) Businesses in the sector need a choice of locations and sites, and competition for occupiers is an effective mechanism for ensuring that provision meets the sector's needs. While the

SDSS 2016 reports updated the then current supply of alternative sites and premises in the county, it was critical of it, especially the limited supply of large and flexibly arranged sites.

- v) No local authority in Leicestershire has objected to the 700,000 sq m allowance. While Daventry DC has voiced a concern, that is raised in respect to DIRFT in which case the comments above at both at 3.vii) and 20.ii)-20.iii) apply.

5.3 What is the latest position regarding the planning applications for strategic distribution?

- 21. There are planning consents for an extension to Magna Park to the north west (a 100,844 sq m building that will start on site in September or early October 2018 - LPA Ref 15/00919/FUL), and for a second distribution park to the south of the A4303 (278,709 sq m – LPA Ref 15/00865/OUT) that adjoins the site of Magna Park's Asda George headquarters. The former is Gazeley's and the latter is db symmetry's.
- 22. Gazeley is appealing the refusal of planning permission for its 'Hybrid Application' (LPA Ref 15/01531/OUT; Appeal Ref APP/F2415/W/18/3206289). The Hybrid Application is for 419,800 sq m of strategic distribution floorspace including the permitted 100,844 sq m building (a net increase of 319,956 sq m).

5.4 Is Policy BE2 an adequate means of controlling and mitigating the impact of this amount of strategic storage and distribution?

- 23. We have three concerns – all with BE2.f:
 - i) It is not clear what is meant by “unacceptable”;
 - ii) The conjunction of 24 hour working – suggesting it has the causal role – with “environmental, community or landscape” impacts is unclear;
 - iii) It is unclear what is meant by the “immediate and wider surrounding area”.
- 24. We suggest a better approach would be to:
 - a) avoid these areas of equivocation so that developers are clear as to what is expected and, in addition;
 - b) acknowledge the part to be played by mitigation; and
 - c) to oblige developers to seize opportunities not just to mitigate adverse effects but to deliver net environmental, social and environmental gains where these are possible.
- 25. While BE2.c and BE2.d aim to increase the local value of employment and training opportunities, no other part of BE2 seeks to capture the wider range of sustainability benefits that very large scale developments should be capable of delivering.
- 26. We also note that the Sustainability Appraisal considered the strategic options for accommodating this scale of development and concluded that BE2 is a sustainable policy. The SA, therefore, had to consider a full range of sustainability criteria and these need better to be reflected in BE2.
- 27. We suggest two changes to changes to deal with these points. The aim is both to improve the effectiveness of the policy in guiding, controlling and mitigating this much development and to capture a greater range of benefits that are feasible for the large allowance of development to deliver.

28. Thus we suggest amendments to the wording of BE2.f and the addition of a new BE2.g:

“f. the effects of the development and its operation on the environment and landscape would be acceptable, including the effects on;

- i) the character of the immediate and wider landscape
- ii) visual amenity
- iii) residences and communities, including from noise and light
- iv) the users of the site’s footpaths and bridleways where these exist
- v) biodiversity and ecology
- vi) air quality
- vii) heritage assets
- viii) carbon generation and capture.”

“g. appropriate opportunities have been taken where possible to:

- i) avoid significant adverse landscape and environmental impacts;
- ii) mitigate such effects; and
- iii) deliver net gains across all three dimensions – economic, social and environmental – of sustainability.

29. The BE2 written explanation would also need to be amended to explain the opportunities for the developments additionally to deliver environmental gains – including through tree planting and wetlands for carbon sequestration, green infrastructure and enriched habitat and biodiversity, and where possible additions to the public footpath network.

5.5 Given the significance of strategic distribution to the plan, should not the relevant land be identified as an allocation?

30. Our view is that the absence of site allocations for BE2 is seriously problematic, most particularly given the shortcomings in the drafting of the BE2 criteria, the importance of strategic distribution to the district and the objectives the Local Plan sets for the economy’s growth, protecting Magna Park’s pre-eminence, increasing local job opportunities, reducing out-commuting and protecting the countryside.

31. Our reasons are these:

- i) BE2 already, for sound evidential reasons, confines development that would deliver the 700,000 sq m allowance to sites that would extend or adjoin Magna. The choice of options that can meet this basic location criterion and also get near to the 700,000 sq m allowance is already limited. Indeed it is confined to the land to the north west of Magna Park across Mere Lane and to the south of the A4303. Land to the east is a strategic gap.
- ii) BE2 is not what could be called a ‘broad location’ policy. BE2 specifies exactly where the 700,000 sq m floorspace allowance should be met, subject to satisfying criteria – as is the case for all the site allocations.

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- iii) Two sites considered by the SA have been granted planning permission (absorbing 379,553 sq m of the 700,000 sq m allowance).
- iv) All other equivalent policies in Local Plan have a site allocation and it is inconsistent not to make such allocation for BE2.
- v) The logistics industry – as well as other local authorities and site developers – deserve certainty that the plan genuinely provides a clear strategy for bringing forward for development to deliver the objectively assessed need that BE2 is aimed at meeting. subject to the criteria that BE2 sets out (if amended as we suggest).
- vi) The absence of site allocations both militates against the sector's certainty and clouds what would otherwise be a clear strategy for meeting the sector's evidenced needs. That is especially the case given the Council's refusal of Gazeley's Hybrid Application contrary to officers' recommendation.
- vii) Site allocations with an appropriate criteria-based policy do not preclude the refusal of applications that fail to meet the criteria.