



28 June 2010

Review of the Retail Planning Guidelines (2005)

Issues Paper

1. Introduction

The Minister for the Environment, Heritage and Local Government, Mr. John Gormley T.D., has decided to initiate a focused review of the retail planning guidelines for planning authorities. The purpose of this paper is to identify key issues for the review and to invite submissions from both stakeholders and the general public prior to the preparation of revised guidelines. Such guidelines will also be issued as a consultation draft to facilitate more detailed observations to be made by interested parties.

2. Background

The Retail Planning Guidelines were first issued in 2001 and were then subject to a limited review (in relation to certain types of large-scale retail warehouses) in 2005. <http://www.environ.ie/en/Publications/DevelopmentandHousing/Planning/FileDownload.1613.en.pdf>

The 2001 Retail Planning Guidelines were intended to provide a comprehensive framework to guide:

- planning authorities in preparing development plans;
- planning authorities and An Bord Pleanála in assessing planning applications / appeals in relation to retail developments; and
- developers in formulating retail development proposals.

The guidelines sought to accommodate and facilitate additional retail development that was projected to be required to meet the needs of an increasing population and a growing economy in a way that is efficient, equitable and sustainable. In particular, they sought to promote the optimal location for new retail development which is accessible to all sections of society and is of a scale which allows the continued prosperity of traditional city / town centres. The guidelines therefore required the preparation of strategic retail policies which could be incorporated into development plans to guide in turn the assessment of retail development proposals.

The guidelines were amended in 2005 to cater for innovative types of large-scale retail warehouses which are capable of displaying a very wide range of goods under one roof, and which require a regional, if not a national, population catchment. The Minister determined that such retail warehouses could be permitted – subject to certain criteria - in those areas which were the subject of Integrated Area Plans under the Urban Renewal Act 1998 in NSS Gateway cities and towns.

3. Recent retail development research reports

Two reports of particular relevance to the retail planning guidelines have been published since 2005:

- The Competition Authority, “The retail planning system as applied to the grocery sector, 2001 to 2007” (Grocery Monitor report no. 3, July 2008 – can be downloaded from http://www.tca.ie/images/uploaded/documents/grocery_monitor_report_3.pdf
- “Sustainable retail development: An evaluation of the effectiveness of the retail planning guidelines”, prepared on behalf of RGDATA¹ by MacCabe Durney and Barnes Consulting (September 2008 – can be downloaded from <http://www.rgdata.ie/images/stories/pdf/srd2008.pdf> -

Both reports documented the significant expansion of the retail sector in Ireland since the publication of the 2001 guidelines. While the RGDATA report concluded that the guidelines had not inhibited such growth, the Competition Authority contended that the planning system could be seen to act as a barrier to competition in grocery retailing, by imposing restrictions on the size and location of new grocery outlets.

4. Guiding principles for the review of the guidelines

The Minister intends that this review of the guidelines should assess what has worked well in applying the current guidelines and how policy and advice can ensure that the planning system facilitates good planning and supports competition in the retail sector to the benefit of the consumer.

The principles to guide the review are that:

- competition to the benefit of the consumer should be maintained and enhanced in accordance with proper planning and sustainable development;

¹ The representative body for family-owned shops in Ireland, representing over 4,000 local retailers.

- existing retail development-type definitions and relevant floorspace limits should be assessed to determine whether they remain appropriate or whether they need to be amended;
- preferred locations for retail development should continue to be guided by considerations of sustainable land use, including access by public transport;
- in particular, new retail development should be encouraged to contribute to the vitality and vibrancy of town and village centres, to ensure that they retain retailing as a core function; and
- realistic, regionally consistent and forward-looking strategies for plan-led retail development should be devised which can give clear guidance to planning authorities, developers and shop owners in formulating development or expansion proposals.

The review will also take account of other key complementary planning and development policies including the National Spatial Strategy and Regional Planning Guidelines, along with more recently published Planning Guidelines on Development Plans (2007), Development Management (2007) and on Sustainable Residential Development in Urban Areas (Cities, Towns and Villages)(2008).

5. Trends in retail development since 2001

(i) RGDATA report (2008):

According to the RGDATA report, there has been a rapid expansion in the amount of retail development since 2001. Nationally, shopping centre floorspace more than trebled from 400,000 sq m in 2001 to 1.5 million sq m by 2006, whilst floorspace in the retail warehouse / park sector more than quadrupled from 185,000 sq m to 800,000 sq m over the same period.

The RGDATA report concluded that virtually all major shopping centres proposed or constructed since the advent of the retail planning guidelines in 2001 have been located on appropriately identified sites, generally in town centres or on the edge of centres. However, the report also noted that there had been only mixed success in the preparation of joint retail strategies for urban areas, and that there was a need to undertake regular monitoring of retail trends to ensure that development plans continued to provide a sound basis for assessing retail proposals.

(ii) Competition Authority report (2008):

The Competition Authority report focused on the retail grocery sector, identifying three classes of retailer for the purposes of its analysis:

- a) **Vertically-integrated retailers**, who self-supply or internalise the wholesale function by procuring grocery goods directly from suppliers for resale to consumers (e.g. Aldi, Dunnes Stores);
- b) **Affiliated retailers**, who have aligned themselves with a wholesaler-franchisor by contract (e.g. SuperValu retailers to the Musgrave Group); and
- c) **Independent retailers**, who procure grocery goods from suppliers or wholesalers for resale to consumers, but who have not affiliated themselves with a wholesaler-franchisor.

Table 1: Change in the number of grocery retail outlets 2001 – 2006:

	2001	2006	Change	%
Vertically-integrated retailers	204	337	133	65%
Affiliated retailers	1,549	2,569	1,020	66%
Independent retailers	6,952	3,498	- 3,454	- 50%
Total	8,705	6,404	- 2,301	- 26%

Table 1 shows that the substantial increase in the number of outlets by the vertically-integrated and affiliated retailers was not sufficient to offset a decrease in the number of independent outlets. This decrease appears to reflect a long-term trend towards consolidation in the structure of the retail market. The growth of the vertically-integrated and affiliated retailers has been driven by the pursuit of cost efficiencies associated with scale and relies fundamentally on population density. SuperValu, Dunnes Stores and Tesco have the widest geographical distribution of retail outlets and can truly be regarded as having a national presence, although the SuperValu outlets are not predominantly located in the more urban areas. Lidl and Aldi have a growing national presence, whereas Superquinn and Marks & Spencer have a more limited distribution.

Aldi (+592%), Marks & Spencer (+525%) and Lidl (+325%) showed the greatest growth rates in terms of the number of new retail outlets, albeit from a very low base (e.g. Aldi had only 8 outlets in 2000).

Table 2: Change in net sales area (sq m) for grocery goods 2001 – 2006:

	2001	2006	Change	%
Vertically-integrated retailers	273,926	442,815	168,889	62%
Affiliated retailers	448,022	651,432	203,410	45%
Independent retailers	347,600	174,900	- 172,700	- 50%
Total	1,069,548	1,269,147	199,599	19%

Table 2 shows that the total amount of grocery floorspace increased by almost a fifth since 2001, despite the decrease in the number of outlets. There are several reasons for this increase: many of the outlets belonging to independent retailers which closed were relatively small, whereas some of the vertically-integrated retailers opened some very large stores such as the Tesco stores at Clare Hall and Maynooth (where in both cases the net grocery floorspace reached the cap of 3,500 sq m). The average floor area of units opened since 2001 increased marginally – from 1,461 sq m to 1,529 sq m – compared with those trading before then. However, this is largely due to the fact that most of the new Aldi and Lidl stores were relatively small – the average Aldi unit was 918 sq m and the average Lidl unit was 1,162 sq m.

Larger stores carry a wide range of grocery products, and are aimed primarily at the one-stop shopper, whereas the affiliated retailers (with the exception of SuperValu) satisfy top-up or convenience requirements. The Competition Authority estimates that the vertically-integrated retailers, which control only 5% of the total number of the grocery outlets in the State, accounted for 46% of grocery retail turnover in 2006. Between 2001 and 2006, the relative market positions of the major retailing firms remained unchanged, although all lost some share to the recent entrants Aldi and Lidl.

6. Implementation of the Retail Planning Guidelines

The Planning and Development Act 2000 introduced a more plan-led process, with a greater emphasis on the role of development plans within a national and regional policy context. The 2001 Retail Planning Guidelines complemented this role by requiring development plans for the major cities and towns to incorporate retail strategies, usually on a joint city / county basis. Such strategies were designed to set out the retail hierarchy in those urban areas, contained a broad assessment of the need for additional retail floorspace over the life of the plan, provided strategic guidance on the location and scale of new retail development, and set out policies to improve the vitality of city / town centres. Retail policies contained in all city and county development plans since 2001 have guided the assessment of proposals for new retail floorspace; as indicated above, there has been a very substantial increase

in the amount of such floorspace, reflecting the growth in population and (until relatively recently) an increase in disposable incomes over the period.

According to the report from the Competition Authority, the location of new grocery retail units between 2001 and 2007 was as follows:

- Town / city centre: 28% (average size: 1,621 sq m)
- Edge of centre: 31% (average size: 1,457 sq m)
- Out-of-centre: 24% (average size: 1,224 sq m)
- Out of town: 17% (average size: 1,864 sq m)

There have been many new entrants to the Irish retail market since 2001; within the grocery sector, Aldi and Lidl have each greatly expanded the number of their outlets. To that extent, the guidelines have not acted to inhibit competition between retailers.

The guidelines were amended in 2005 to enable permission to be granted for a scale of large retail warehouse outlet which requires a regional, if not a national, population catchment. Permission was subsequently granted for an IKEA retail warehouse at Ballymun, which opened in 2009.

7. Policy and implementation issues

Studies of the impact of the implementation of the retail planning guidelines, such as those by the Competition Authority and RGDATA, together with some feedback from individual planning authorities, have identified a number of issues which merit consideration in the context of this review of the Guidelines.

There are four main categories of issues:

- (i) Competition policy issues,
- (ii) Sustainable land use planning issues,
- (iii) Travel and parking policy issues, and
- (iv) Issues relating to how the guidelines have been implemented.

(i) Competition policy issues

- The quantitative method for assessing future retail capacity needs (as part of retail planning strategies) depends on data² which is not readily available in Ireland, and the estimates are highly dependent on various assumptions made. Moreover, if the results are interpreted too rigidly, they can act as a barrier to new entrants to the retail sector.

² Such as turnover rates, which are not published.

- There may have been over-emphasis placed by some planning authorities on the impact of proposed new or expanded shopping centres on existing outlets, which may not offer consumers competitive prices and / or a wide range of products.
- (ii) Sustainable land use planning issues
- While the Guidelines set out a sequential approach in order to reinforce the role of city/ town centres, to support public transport usage and to contribute towards urban regeneration, changed economic circumstances and trends in retail formats encourage developers to seek more cost-efficient edge-of-town or out-of-town location. This has resulted in greater town centre vacancy undermining the vitality and vibrancy of town centres and sustainable land-use planning objectives.
- (iii) Travel and parking policy issues
- The typical location of retail parks and factory outlets may not make sufficient allowance for access by public transport.
 - Should edge-of-centre and out-of-town retail outlets be required to charge for on-site parking? If so, how should the revenue be used (e.g. to cross-subsidise public transport, to offset town centre parking costs)?
 - Impact of new motorway network on retail trends.
- (iv) Issues relating to how the guidelines have been implemented
- The preparation of joint detailed retail strategies has not been achieved in respect of all the centres identified on page 14 of the guidelines. In addition, the list of centres would need to be updated to take account of the National Spatial Strategy.
 - Most planning authorities not covered by the above prepare detailed retail strategies as opposed to the recommendation for more general strategies, raising the issues as to whether the distinction between detailed and general retail strategies is valid any longer and the measures required to ensure a coherent approach in estimating future retail floorspace requirements at a regional level.
 - In implementing the sequential test, practical difficulties have arisen in relation to some of the terms used in the guidelines, such as “district centre” and “edge-of-centre”, as well as definitions of specific categories of

retail units and floorspace. Greater clarity of such definitions has been recommended by practitioners.

- In some retail warehouse parks, outlets (such as fashion stores) have been permitted even though they do not sell bulky goods. This may undermine the rationale for such parks, and may have the potential to damage the vitality of city and town centres. Greater clarity of policy may be appropriate or clarity on why such permissions were granted contrary to guidelines.

8. Public consultation prior to review of the guidelines

Stakeholders and members of the general public are invited to submit their views on the issues to be taken into account during the forthcoming review of the guidelines. To assist in defining the scope for and focussing attention on key aspects of this review, please fill in the attached short questionnaire.

Submissions should be sent no later than **30 July 2010**:

a) by post to: Ms. Finola McDonald
Planning System and Spatial Policy
Dept of the Environment, Heritage and Local Government
Custom House
Dublin 1

Or

b) by email to: finola.mcdonald@environ.ie

Please note that submissions may be made publicly available under Freedom of Information legislation, unless the sender indicates that certain specified information is commercially sensitive, and should not be generally released.

Questionnaire to Inform Review of the Retail Planning Guidelines

Q.1 In general, do you think that the retail planning guidelines have struck the right balance in accommodating new retail development that is projected to be required in a way which is efficient, equitable and sustainable?

Yes No

If no, why not?

Q.2 Should the retail floorspace caps be retained:

a) for convenience goods (see para. 75)?

Yes No

Yes, but changed to: sq m

If no, why not?

b) for retail warehouses (see paras. 82 and 84d)?

Yes No

Yes, but changed to: sq m

If no, why not?

Q.3 The sequential approach (see paras. 58 – 63) aims to protect the vitality of city and town centres. Do you think that this approach should be:

a) retained? Yes No

b) modified? If so, in what way?

Q.4 Has the application of the guidelines discriminated against discount grocery retailers such as Aldi and Lidl in terms of floorspace and / or site location?

Yes No

If yes, in what way?

Q.5 Should the quantitative method for estimating future retail capacity needs continue to be used, given the drawbacks such as the lack of certain key data? If yes, what safeguards would you suggest?

Yes No

If yes, what safeguards would you suggest?

Q.6 Has there been over-emphasis placed by some planning authorities on the impact of proposed new or expanded shopping centres on existing outlets?

Yes No

If yes, how could this be counteracted?

Q.7 Should edge-of-centre and out-of-town retail outlets be required to charge for on-site parking?

Yes No

If yes, how should the revenue be used (e.g. to cross-subsidise public transport)?

Q.8 Should the range of goods permitted to be sold in retail parks be more tightly controlled?

Yes No

If yes, in what way?

Any other comments or suggestions you wish to make?

Name: _____

Organisation: _____

Address: _____
