

## MERTON STIES & POLICIES PREFERRED OPTIONS DPD – JANUARY 2012

### **Costco Wholesale**

This representation is submitted on behalf of Costco Wholesale UK Ltd (Costco) who operate a number of wholesale warehouse clubs throughout the country, typically located on employment/industrial land. Costco operate sui generis membership warehouses which serve the wholesaling needs of the small to medium sized business owner. At Costco, businesses can purchase products at wholesale prices, which are significantly lower than those of traditional sources of distribution. Businesses can obtain most of their inventory needs from under one roof. Each warehouse sells a wide range of products, although the variety within each product range is limited. This enables Costco Wholesale to serve a wide range of businesses, providing a core range of products at low prices.

Costco is a reputable employer and would assist Merton in achieving their economic objectives. The level of jobs provided by Costco compares favourably in employment density levels to traditional B Class Uses. The company provides local people with a broad range of quality jobs that reflect the unique nature of Costco's operations. In addition there would be indirect job creation through the support given to local businesses.

Overall in the UK, over 90% of the jobs created by a new Costco are filled by locally recruited staff. Throughout the company, staff are encouraged to undertake training and to improve their positions. 85% of Costco's current managers are home grown having worked their way up from hourly paid positions. Positions range from craft and operative jobs for which specialist training is given, to managerial and supervisory jobs and unskilled jobs, which provide a point of entry for those who have little or no qualifications or training.

The benefits of a warehouse club such as Costco are that the positive impacts spread throughout the local economy. Costco's target customer is small and medium sized businesses and many of these can be found in town centres. Costco's target customers include:

- Independent Retailers
- Food and drink outlets such as restaurants and sandwich shops
- Service outlets such as small estate agents, accountants, garages and professional firms
- Independently owned hotels, guest houses etc

Costco can therefore make a significant contribution to the health of the local economy and, particularly to businesses that are otherwise forced to pay a premium for small purchases from traditional wholesale sources. Costco's prices and its range of products are unique in this respect.

The potential positive benefits of a Costco were the subject of an independent report by CBRE in May 2011 – 'Costco Warehouse Clubs - An Assessment of Economic Impacts'. This report updates the work that CB Hillier Parker undertook in October 2000. The report confirmed the substantial cost savings potentially available to local businesses as well as the

significant penetration which Costco achieves of local business memberships. 73% of members questioned in the study agreed that Costco's low prices help them retain competitive and the study drew the conclusion that: -

**“Overall Costco provides significant positive benefits to members and local businesses in areas where Costco warehouse clubs are located. (Para. 6.73)”**

The construction of a Costco in Merton would bring a number of benefits to small businesses and the wider economy in terms of employment generation for both a skilled and unskilled workforce as outlined below;

### **Promoting Economic Growth**

The recently published Draft NPPF (25 July 2011) continues the general thrust of the 'Planning for Growth' Ministerial Statement (23 March 2011); that thrust being that the planning system should promote sustainable economic growth.

#### **“The presumption in favour of sustainable development**

**(NPPF Para 13) – The Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth. A positive planning system is essential because, without growth, a sustainable future cannot be achieved. Planning must operate to encourage growth and not act as an impediment. Therefore significant weight should be placed on the need to support economic growth through the planning system.**

**(NPPF Para 14) – At the heart of the planning system is a presumption in favour of sustainable development, which should be seen as a golden thread running through both plan making and decision taking. Local planning authorities should plan positively for new development, and approve all individual proposals wherever possible. Local planning authorities should:**

- **prepare Local Plans on the basis that objectively assessed development needs should be met, and with sufficient flexibility to respond to rapid shifts in demand or other economic changes.” (our emphasis)**

There is a clear emphasis in existing and emerging Government guidance that authorities should not be overly prescriptive regarding specific uses and should be seeking to positively promote economic growth. It is important for authorities to provide sufficient flexibility in policies to promote a prosperous economy able to accommodate changing business needs. Markets and economies evolve and not all new businesses fit within traditional use class definitions. Specialist operations have an important role to play in the economy and it is helpful for authorities to recognise those uses that are appropriate on employment land within the relevant planning policy framework. Documents should provide clear guidance to operators and developers thus encouraging development.

The draft National Planning Policy Framework as highlighted above also promotes flexibility. It emphasises at paragraph 75 that:

**“Planning policies should avoid the long term protection of employment land or floorspace, and applications for alternative uses or designated land or buildings should be treated on their merits having regards to market signals and the relative need for different land uses.”**

### **DME1: Employment areas in Merton**

Policy E1 seeks to retain existing employment land and floorspace for B1b, B1c, B2 and B8 in designated industrial areas; strategic industrial locations and locally significant industrial sites. This does not reflect the London Plan Industrial Capacity SPG (2008) definition of appropriate employment uses which recognises at paragraph 1.9 that potential users of industrial land may include use classes other than B1 (b), B1(c), B2 and B8, such as sui generis uses.

Costco has been found to be appropriate for Strategic Industrial Locations, the highest level of employment land protection.

### **Site Proposal 48 – Land and Bushy Road**

The site is allocated as a Locally Significant Industrial Site. As such, the site should be protected for uses as defined above and in the Mayor’s SPG. The Core Strategy states that ‘other uses’ may be considered, but only where delivering the employment requirements of Policy CS12.

Therefore, in accordance with the London Plan and the adopted Core Strategy, it is considered that priority should be given to employment uses as defined by the Mayor’s SPG i.e. B1, B2, B8 and sui generis uses.

Other uses such as bulky goods retail (A1), residential (C3) and schools (D1) should only be considered acceptable where it is demonstrated that there is no demand on the site for the uses defined within the London Plan and the Core Strategy as set out above.

### **Proposed Amendments**

1) Policy E1(a) should remove reference to B use class or include reference to sui generis employment uses in accordance with the Mayor’s SPG on industrial land.

2) Policy E1 (f) should reflect the Mayor’s SPG on Industrial Capacity and should state;

**“Provide research and development (B1(b) Use Class), light industrial (B1(c) Use Class), general industrial (B2 Use Class) and storage and distribution (B8 Use Class) and closely related uses not falling within a use class i.e. sui generis uses in the designated industrial areas; Strategic Industrial Locations and Locally Significant Industrial Sites”.**

3) Site Proposal 48 - The site as a Locally Significant Industrial Site is allocated for B1b, B1c, B2, B8 and employment generating sui generis uses.

Where it can be demonstrated that there is no demand for these uses, other uses such as bulky goods retail (A1), residential (C3) and school (D1) may be considered.