G. Lyon,
North Norfolk District Council,
Holt Road,
Cromer,
Norfolk, NR27 9EJ.

25th September 2009.

Dear Mr Lyon,

PLA 20090818. Erection of a Class A1 retail food store, 5 Class A1/A2/A3 Retail Units, 2 Class C3 Residential Flats, and a ClassD1/D2 Community Space at Cromer Road, Sheringham.

CPRE Norfolk object to the application on the grounds that the store is not of an appropriate size and scale; that it does not meet the requirements of PPS 6; and that it would have an unacceptable adverse impact on the viability and vitality of Sheringham town centre, and the character of the town.

There are seven main issues around 'impact' that we summarise first; then give further detail and discussion of these in turn; and finally set out conclusions on 'impact' reasons for objection.

MAIN ISSUES

Issue 1. The size of the store.

The application shows only a very modest reduction (14.6%) in convenience foods sales floorspace from that refused by the Council on 22nd November 2007; that is from 1,200sqm then to 1,025sqm now. The refusal was upheld following the appeal by Tesco and the Inquiry held in July 2008.

At 1025sqm it is well above the upper indicative figure of 750sqm for convenience goods in a Small Town Centre in the LDF Core Strategy (plus 36.7%), adopted in September 2008.

No convincing reasons are given to reverse the decision of the Inspectorate on the conclusion on retail issues that there would be an unacceptable impact on the retail function, and the vitality and viability of Sheringham town centre; and it that it would conflict with Policy EC 5 in the (then) emerging Core Strategy and PPS 6.

Issue 2. A competing focus to the town centre.

The proposed four independent retail units close to the entrance to the supermarket and a fifth adjacent to the Community Space facing the Cromer Road have a combined sales floorspace it seems of about 300sqm. While independently managed, Tesco would presumably have control of what the units would sell; for example comparison goods in at least some of the group of four, or a café in the unit next to the community space.

As such, sitting alongside a supermarket with a sales floor space of 1,175sqm, they would exert a powerful influence. They would act as a rival ‘centre of focus’ to the town centre shops and ‘footfall’ within the town centre, particularly given the 143 spaces car park which sits alongside the complex.

Issue 3. The mezzanine floor as a design feature.

The mezzanine floor above the sales space is left as a void, while other parts are brought into use. It has the potential to double the sales area through one or more future planning applications. The retail assessment clearly signals the interest in the estimated growth and future capacity for comparison goods in Sheringham, while the comparison goods space in this application would be ‘no more’ than 150sqm in the 1175sqm total.

We move on to four specific issues where we challenge the conclusions of the applicant. These are as follows.

Issue 4. ‘Claw-back’.

The weighting on ‘claw-back’ by the store from estimated increases of foods expenditure retained in the Sector 1, designated by Tesco. This comes into the PPS 6 judgement to be struck as regards the environmental benefits brought about by a reduction in travel for residents doing a main shop, and the adverse impact the proposal would have on the vibrancy and character of the town.

Issue 5. Diversion of sales from Town Centre Stores and Shops.

Tesco argue that following the adverse impact by the coming Sainsbury’s Local on the two convenience stores and the independent small specialist shops, the arrival of the Tesco store would not have a further significant effect. In effect, the damage to the town centre small shops would have already been done, and there would be little in the way of further impact from Tesco. We use Tesco data to show that Budgens and the Co-op would be affected by both, but that it is a Tesco intervention that would damage the small specialist shops.

Issue 6. The recession.

The combination of the arrival of Sainsbury’s Local and Tesco, the recession, and the interactions between them, are not properly addressed. However, an example of the impact of the recession is illustrated by comparison of the Tesco 2008 Inquiry estimates of their diversion of sales from Morrisons in Cromer to a new Tesco store in

Sheringham compared with those now presented. It has dropped by £3.54m (42%) on £8.34m; and from Morrisons in Fakenham by £0.257m (21%). The corresponding reduction in diversion of sales from Sainsbury in North Walsham is £0.3m less than the previous application. This is indicative of the competitive pressures in the retail trade resulting from increasingly cost conscious consumers.

Issue 7. The Aylsham comparison

The Tesco supermarket operating since July 2008 in Aylsham does not serve as a good model to assess what might happen in Sheringham. While the two Tesco stores have similar edge of centre locations and very similar sales floorspace (at Aylsham it also approaches 1,200sqm) they are set in very different towns. Sheringham is both a market town and a coastal resort; it has many more small shops than Aylsham. The number and variety of the Sheringham shops is a defining feature of the town character. It is estimated that about 18% of annual convenience foods spend in Sheringham is derived from people on holiday; and it is clear that the small shop character is a very important part of the tourism attraction.

FLOOR SPACE AND RELATED. Further discussion on Issues 1-3, 7

It is useful to make direct comparison with the new Tesco application III and the previously refused application II; and the existing Fakenham and Aylsham stores.

TABLE. Comparison of floorspace in Tesco supermarkets

	S'ham III	S'ham II	Fakenham	Aylsham
Gross floor space	2,100sqm	2,760sqm	3,644sqm	2,088sqm
Sales space – convenience (1)	1,025sqm	1,200sqm	1520sqm	1165sqm
Sales space – comparison (1)	150sqm	300sqm	380sqm	inc. above
Public ancillary space (2)	235sqm	300sqm	385sqm	235sqm
Net floor space (3)	1,410sqm	1,800sqm	2,285sqm	1,400sqm
Proportion net to gross (4)	67.1%	65.5%	63%	67%

Notes

1. In addition the five retail units have a sales space area of about 300sqm; and the mezzanine has potential to double the ground floor sales space.
2. From data presented at the Inquiry it can be deduced that Tesco public ancillary space is an 'add-on' of about 20% of the sales space. The ancillary space includes check-out counters and circulating area, toilets, etc.
3. Tesco defines net floorspace as the sum of sales space (convenience plus that for comparison) and the public ancillary space.
4. Data presented at the Inquiry showed that for nine Tesco stores in the above size spectrum the average proportion of net floor space to gross was 66.5%.

The turnover of a new store from convenience products is derived from diversions from existing stores as the market is saturated and there is no ‘new growth’. This is in contrast with comparison products, where turnover might be derived both from diversion, and market growth.

The total of sales diversions (and hence turnover) from convenience goods to the current Tesco application is £12.866m. From 1,025sqm of sales floorspace this would represent a sales density of £12,550, the amount generated in a year for each sqm of sales space. The reduction in convenience foods turnover from the estimated £16.4m for the application that went to Inquiry is **not** due to the marginal reduction in sales floorspace in this application, but the reduction in sales density from about £13,700 of July 2008 due to the additional competition in the market induced by the recession (see the points made about diversions from Morrisons and Sainsbury above).

Comparison goods sales density for Tesco average at £6,700 per sqm/pa as revealed at page 41 of the Retail Assessment. This was the figure estimated by CPRE at the Inquiry, and with some inherent growth in the sector it is likely to have maintained its level in the recession. A figure of 150sqm of comparison goods sales space would yield £1.00m for annual turnover, and be in line with the statement at paragraph 6.44 that the turnover from 130 to 150sqm of comparison space would be no more than that sum.

With a figure of 300sqm for comparison space in the previous application it would have earned £2m.

In the current application, whether run by Tesco or not, there is an issue of what the 300sqm would be used for. If it all went to comparison goods, then from the site there would be sales of £1m from the main store and £3m from the retail units, which would double that from the previous application, and have implications for the diversion of sales from the town centre shops selling these goods.

Tesco clearly see comparison goods as a major opportunity for Sheringham. On page 43 of the retail assessment they acknowledge the loss of Woolworths in this respect; and add that on convenience goods Budgens and more probably the Co-op would be the most vulnerable to closure, ‘itself beneficial to Sheringham as there is already a pent-up need for additional comparison goods floorspace’.

In total the 300sqm of ‘disaggregated’ retail units, combined with the main store sales floorspace of 1175sqm, gives a ‘site’ total of 1475sqm; and this ‘smaller’ store comes back to the 1,500sqm of the application refused at the Inquiry.

The mezzanine floor in the plan has some use in the design plan. In the west area it is used for services (water storage, boiler plant, main AHU plant area, etc). In the south east corner there is a condenser plant area, and the two flats which form part of the application. There is a void over the main store area. If it is feasible in design terms, and future planning applications were submitted, there is a potential for converting some or all of this to sales floorspace, up to a level of doubling to 2,350sqm.

Finally as regards Aylsham, there was confusion around the floor space details at the Inquiry which continues. The Tesco Supplementary Retail Assessment May 2008 gave the gross floorspace figure as 2135sqm gross and 1445sqm net. Appendix B Table 1 of the current retail assessment give a gross floorspace of 2088sqm gross, and 1165sqm **net**, which would mean a low net to gross proportion. In our Table we have constructed as a best guess a gross of 2088sqm, and a sales floorspace of 1165sqm, with ancillary floorspace at 235sqm, and a gross net floorspace of 1400sqm. The sales floorspace is described in the text of the current retail assessment as about 1200 sqm (page 64, paragraph 7.63, in line with our Table). Further, let us assume the sales space is split as 1,025sqm as convenience goods and 140 sqm as comparison.

On that basis, we have a very similar Aylsham turnover to that of Sheringham; the convenience goods the same, and the comparison goods about £67,000 less.

We have already pointed to major differences between Sheringham and Aylsham as towns. To this we add that Aylsham is a 'split' town, half old Norfolk market town and Citti-Slow, and half Norwich commuter belt. The store opened in July 2008, but only retains some 45% of the total convenience expenditure in its home catchment (page 64, Retail Assessment). This is probably because the commuter population tend to main shop in Norwich. But why expect 70% retention in Sheringham with a Tesco store when a Morrisons in Cromer is within a ten minute drive?

Other points we note about Aylsham Tesco is that one in three of new customers come from Morrisons in Cromer; and that diversions to Tesco Sheringham would include £0.648m from Tesco Aylsham. The Budgens and Co-op in Sheringham are mirrored by a Budgens and Gateway in Aylsham. The Budgens in Aylsham is considerably bigger than Sheringham (180sqm), and is about 650sqm (paragraph 7.63) or 566sqm (Table 1, Appendix B). It adds a further 10% to retention of expenditure in the Aylsham catchment. The Gateway at 186sqm compares closely with the Sheringham Co-op (175sqm) and the Budgen.

'CLAW-BACK'. Further discussion on issue 4

The 'claw-back' argument rests on the assumption that the proportion of the expenditure spent on convenience goods by the residents of a defined Sector (such as Sheringham, Holt or Cromer) within their Sector can be taken as a measurement of sustainability and reducing the need to travel; and the potential for improving the viability of a town centre by making more linked trips through the addition of a supermarket in or close to the town centre.

The other side of the coin and dilemma in planning policies is when does the size of the supermarket become such that it overwhelms the town centre, with a loss of vitality and viability, and loss of character and local distinctiveness, choice, etc; and linked trips have little relevance. The size implications however have the over-riding importance, as illustrated by the Inspector in upholding the refusal of the Council on the previous application II.

The retention of Sector expenditure is heavily influenced on where consumers chose to do their 'main shop', typically done on a weekly or other regular basis. For Sheringham the £19.32m estimated annual spend on convenience goods is split £15.45m for main shop, and £3.86 for top-up shop. Some 18% (£3.48m) of this £19.32m is estimated to come from tourists.

We have criticisms of the concept of ‘claw-back’ and the way it is interpreted as a measure of self-containment and sustainability, namely:

1. All main shops are conducted by car, and the mileage savings are liable to be very little of the annual mileage of the car owner; the visit to the supermarket may well be combined with other necessary domestic business, or job location; and it sits ill with climate change claims as so much of the foodstuffs in a supermarket comes with the baggage of high sourcing and distribution mileage. In addition it may well be from an intense farming operation, and heavily packaged.

2. The ‘claw-back’ into the Sector is dependent on how the retail consultant draws up the geographical coverage. In this case, Morrisons in Cromer is within the ten minute drive time for the Core Strategy EC5 for the location of retail development with regard to a Small Town Centre. This should greatly dilute the ‘claw-back’ weighting.

3. In the case of Sheringham, some 18% of estimated convenience food expenditure is derived from tourists, who are inherently more ‘mobile’ on holiday than residents.

So in the case of Sheringham the ‘claw-back’ factor should be given little weight as compared with any adverse impact on the viability of local shops and the character of the town in assessing the balance to be struck in terms of PPS 6.

Following the line of the Tesco argument on ‘claw-back’ leads to the conclusion that Holt also needs a substantial supermarket to anchor the Holt Sector expenditure in the town, and prevent ‘leakage’ to other sectors and improve ‘sustainability’.

Returning to point 2 above, and the Morrisons factor in estimated ‘out-flow’ figures for the Sheringham Sector 1, the Table below shows how much of this ‘claw-back’ relates to this one store. It compares the year 2008 baseline, 2009 with Sainsbury’s Local, and 2012 with the addition of a Tesco. The data is derived from Tables 3, 4 and 5 of Appendix B of the Retail Assessment.

TABLE. ‘Outflow’ in £m from Sheringham Sector 1

	2008 Table3	2009 Table4	2012 Table5
Total Outflow	11.843	10.502	4.798
Sector 1 Morrisons expenditure	7.121	7.121	3.460
Outflow less Morrisons Cromer	4.722	3.381	1.338

The Morrisons outflow difference between the 2008 and 2012 figures is £3.384m. This figure is close to the difference between the Tesco estimates for diversion of sales of £8.335m for Application II and £4.798m for Application III (see page 40 of the Retail Assessment). This difference of £3.537m is a reflection of the effects of the recession, and the attraction of the ‘lower cost’ Morrisons brand.

The outflows for top-up shopping are low. The estimates are £0.437m (11.5%) for 2008; £0.381m (10%) for 2009; and £0.220m for 2012 (5.7%) for 2012. It is worth noting that there are likely to be many more individual top-up trips than there are main shop trips, and this will further skew the 'sustainability' argument which is based on high main food expenditure on a single trip.

DIVERSIONS OF SALES AND IMPACT ON TURNOVER ON SHERINGHAM TOWN CENTRE SMALL SHOPS AND FOOD STORES.
Further discussion on issues 5,6.

It is important to look at the estimated diversions of sales from Budgens, the Co-op and 'Other Town Centre'. It is the latter, the range of independent small shops, which are so important to defining the retail function of the town centre, and the character of the town. To quote overall figures for the two stores and the collective small shops leads to some misleading conclusions on causes and degree of diversion impacts.

The Tesco retail analysis (page 37, para 6.26) makes the point that the Appeal Inspector (July 2008) was concerned about an estimated trade diversion of 14.7%. In fact a particular concern of the Inspector, the Council and the third party objectors, was the fate of the specialist small shops, not just because of their share of total convenience foods turnover in Sheringham, but because of the number and variety extends beyond their retail function to defining the 'small shop' character of the town; the individuality and local distinctiveness of the town; the sense of vibrancy and vitality in the town centre; and the attraction of this feature for visitors to the town.

On the latter point, tourism is the highest source of income to North Norfolk, and the 2003 estimate of £357m pa at the Inquiry has been now put closer to £500m.

Tesco in essence argue that the arrival of Sainsbury's Local will inflict substantial damage on the existing stores and shops, to the extent that there will be little further potential for a further significant diversion with the arrival of the Tesco store in the design year 2012. This argument is developed in paragraphs 6.40 and 6.41 of the Retail Assessment, but is made on the basis of overall figures for the town centre, rather than the separate estimates from Budgen, the Co-op and 'Others'. It should not hang on the 18.8% diversion estimate from 'existing conveniences shops and stores' (see paragraphs 6.26 and 6.27), which is an average over two different situations.

Intuitively it would be expected that Budgens and the Co-op will be most affected by the Sainsbury's Local. Sainsbury 255sqm sales space is not that much bigger (29%) than Budgens at 180sqm and the Co-op at 175sqm. However it carries a strong high street 'name', and will in size and range of goods be primarily focussed on the top-up sector. It will be head-on competition to the two existing convenience foods stores.

However we expect Sainsbury's Local to be in much less direct competition with specialist small shops, which between them carry a much wider range and choice of foods (bakery, greengrocer, meat, fish,etc); and even less with non-food shops.

Accordingly we have re-worked the Tesco data using their Tables 3, 4 and 5 to give out Table below.

TABLE. The impact of Sainsbury's Local, and cumulative with Tesco III.

	2008 Turnover	2009 Loss £m	2012 Loss £m
Budgens	2.163	0.690 (31.9%)	0.923 (42.7%)
Co-op	1.346	0.303 (22.5%)	0.411 (30.5%)
Other town centre	3.218	0.270 (8.4%)	0.606 (18.8%)
Total existing t.c.	6.727	1.263 (**18.8%**)	1.94 (28.8%)

The points we make on this table are:

1. It reflects in general the pattern of diversion that would be expected from the Sainsbury impact (year 2009). Clearly the losses of Budgens and the Co-op are high.

2. Given the nature of the very much lower degree of overlap and competition of Sainsbury with the specialist shops, we consider that the estimate of an 8.4% 'hit' on 'other town centre' is too high.

3. The cumulative figure of 18.8% at 2012 for 'other town centre' may well be of the right order; **but also that the bulk of this would come direct from the Tesco intervention**. The scale and range of goods sold in the Tesco store would mean that they are in direct competition with both the convenience small stores and the specialist shops. The effect of these two interventions is that Budgens and the Co-op get hit twice, and the specialist shops once, but a severe blow.

4. The larger part of the debate at the Inquiry was on the data presented on diversion to Tesco from the 'other town centre'. At 10% this was considered (pre-recession) to take many shops from a marginal viability into a loss situation, and a progressive disintegration of the small shop sector. Further there must be large margins of error in estimating what are very small sums for a Tesco diversion, but they are crucial to the continued existence of small shops. We have a business rather than impact model.

There are further points to be made in looking back at the Tesco data in their Supplementary Retail Assessment (SRA) presented to the Inquiry. Using a design year of 2010, the figures in SRA Table 4 give estimates for the diversions of turnover to Tesco for the existing Sheringham town centre shops and stores. We have:

TABLE. Sheringham Town Centre: Diversions of turnover to Tesco II.

	Turnover, £m	Diversion to Tesco, £m
Budgens	2.135	0.460 (21.5%)
Co-op	1.328	0.199 (15.0%)
Other town centre	2.906	0.280 (9.6%)
Total	6.369	0.939 (14.7%)

The points we note are:

1. The turnovers from the Inquiry and current data show a significant variance for the 'other shops', this being £312,000 (10%) higher than in the current figures (the corresponding increases of £28,000 for Budgens and £18,000 for the Co-op are relatively much smaller). This 10% difference should be noted in the context of point 4 above.

2. The much greater levels of diversion shown by the current data for Budgens and the Co-op compared to the Inquiry is due to the intervention of Sainsbury and the recession as well as Tesco.

CONCLUSIONS.

We conclude that this application is in effect close in sales space to the application previously refused by the Council and Inspector. The level of diversion of sales from existing shops to Tesco would be very similar in the impact on the small shops, and could be higher depending on how the five retail units are used, and again for any further future expansion that may arise from the new design. The intervention of the Sainsbury's Local places two sources of pressure on the two existing convenience food stores; and the recession and yet further intense competition in the retail sector will bear down on all parties, including Tesco.

On the impact of the Tesco store our views are essentially unchanged from those given in our Closing Statement to the July 2008 Inquiry.

The greatest single issue remains the size of the store in relation to the town centre as regards both the retail function of the town, and the small shop character of the town.

Both local and national experience show that this application would have a devastating impact on the independent small shops of Sheringham, leading to closures, which over a period of time would have a major adverse impact on:

- the vitality and viability of the town centre
- the character of the town, so much influenced by the individual small shops
- the wider local economy; if small shops close, then there is a contraction for the suppliers and trades who service them
- a loss of local skills, experience and innovation in the local economy
- the progressive loss of opportunity to start small and grow a business
- a major loss of money circulating in local economy
- the loss of shops where the consumer can get knowledgeable advice on the product that they wish to purchase
- the loss of consumer choice when there are few small shops remaining
- a loss of social interaction induced by movement of people around the centre
- a fall in the value of the tourist revenue, and in return pressure on retail, cultural and service attractions kept viable by their expenditure
- a decline in both market town and coastal resort functions, engendering a feedback effect, and continuing spiral of decline in the local economy.

Ian Shepherd, Policy Co-ordinator, CPRE Norfolk.