

Steve Ball
Neath Port Talbot County Borough Council
Development Control Section
The Quays, Brunel Way
Neath
SA11 2HZ

12 January 2021

Our Ref: 19/3660N

Dear Steve,

Aldi Stores Limited

Planning Application for Development of a Class A1 Retail Foodstore, and Associated Access, Car Parking, and Landscaping

Land adjacent to CSN Precision Engineering at Neath Abbey Road, Neath.

Ref: P2019/5304

Introduction

I write in respect of the above planning application, further to your letter dated 21 December 2020, and a follow-up meeting held on 6 January 2021.

The purpose of this final submission is to provide officers with additional information to enable you to present the application positively at Planning Committee.

Following our discussions on 6 January, we agreed that the areas that require clarification are: retail need; retail impact, and; the economic benefits of the proposal. Each issue is discussed below in detail, but in summary, the principal points to note are:

- There is a clear qualitative need for new discount food retailer in the area. This is demonstrated by the current leakage of expenditure from Neath to the Aldi store at Llansamlet, which we consider is significant. A new store at the application site will help to 'clawback' this lost spending, which will have positive impacts in terms of reduction in trip length and increased spending at other stores in Neath. The site is also accessible via a range of travel modes, and will encourage more sustainable travel.
- Following our discussion, I have undertaken a sensitivity analysis of the updated retail impact assessment to demonstrate that there will not be any significant adverse impacts on Neath town centre. The sensitivity analysis increases the amount of trade drawn from stores in Neath and shows a convenience goods impact on the town centre of -5.95%. The impact on the town centre as a whole (i.e. including comparison goods) will be lower.

Directors
Helen Cuthbert | Stuart Slatter | Claire Temple | Alastair Close
Dan Templeton
Associate Directors
Katie Turvey | Heather Vickers | Alan Williams

Consultant
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Associates
Sally Arnold | Rob Scadding | Penny Moss | Sam Deegan | Paul Galgey
Niall Hanrahan | Phil Marsden | Charlotte Perry | Charlotte Hunter

- There is no genuine evidence to indicate that the Morrisons store is vulnerable, and it has been trading successfully at its current level for over seven years.
- The Covid-19 pandemic has clearly had some impact upon town centres across the UK, but it has been focussed on non-food retailers, pubs, restaurants and leisure facilities. Convenience retailers have seen strong demand from shoppers and these destinations have been much more resilient.
- There are other major developments underway in Neath (Neath town centre and Coed Darcy), which demonstrate a clear continuing commercial appetite to invest in the area.
- The application proposal will lead to significant economic benefits for the local area, which should be given increased weight in light of the Covid-19 pandemic.

Retail Need

Waterstone Estates Judgment

Your letter dated 21 December refers to the Waterstone Estates court judgment from 2018. As previously referred to in our March 2020 Retail Addendum, the judgment does not indicate the need test is a 'gateway' test. Paragraph 70 of the judgment states:

"it is not true to say that if an applicant for planning permission for new retail development cannot establish need then that is fatal to the application. National planning policy is of course a material consideration; but a policy is only a policy. If a particular policy requirement is not met, it must be open to the decision maker to grant planning permission if other material considerations outweigh identified planning harm including harm that results from a failure to comply with that requirement. Even proposed development that is contrary to the local development plan, which has the entrenched importance given to it by section 38(6), may be granted permission if other material considerations outweigh that inconsistency." (My emphasis).

In light of the above, and the first sentence in particular, it is confirmed that it is not necessary for retail need to be demonstrated for other factors to be considered. It is therefore not a 'gateway' policy. Furthermore, as discussed on 6 January, Avison Young (AY) has issued its independent advice in respect of retail matters. Paragraph 2.8 of that advice states that AY agree that the lack of demonstrable need is not fatal to the success of a planning application. Any lack of need should be factored into the overall planning balance.

A Legal Opinion from Freeths is included with this submission, which provides further clarity on the judgment. I trust this is useful to you.

Qualitative Need

In respect of need, paragraph 4.3.15 of Planning Policy Wales (PPW) Edition 10 states:

'Need may be quantitative, to address a quantifiable unmet demand for the provision concerned, or qualitative. Precedence should be given to establishing quantitative need before qualitative need is considered for both convenience and comparison floorspace, particularly as a basis for development plan allocations.'

The above paragraph is clear that quantitative need should be considered first, but it is important to note that it does not state that if quantitative need cannot be demonstrated, then the retail need test fails.

Paragraph 4.3.16 continues to set out circumstances where qualitative benefits may become an important consideration. It states:

'Qualitative assessment should cover both positive and negative aspects and may become an important consideration where it:

- supports the objectives and retail strategy of an adopted development plan or the policies in this guidance;*
- is highly accessible by walking, cycling or public transport;*
- contributes to a substantial reduction in car journeys;*
- contributes to the co-location of facilities in existing retail and commercial centres;*
- significantly contributes to the vibrancy, attractiveness and viability of such a centre;*
- assists in the alleviation of over-trading of, or traffic congestion surrounding, existing local comparable stores;*
- addresses locally defined deficiencies in provision in terms of quality and quantity, including that which would serve new residential developments; or where it*
- alleviates a lack of convenience goods provision in a disadvantaged area.*

As previously explained, the proposed development will help address a qualitative need for new discount convenience floorspace in the area. The key benefits of the proposal, taking into consideration the factors in paragraph 4.3.16 of PPW are:

- The proposed development site is accessible by walking, cycling and public transport. Bus stops are located on Neath Abbey Road, within easy walking distance of the site, which provide regular links to Neath town centre, and locations further afield including Llandarcy, Aberdulais and Seven Sisters.
- The development will contribute to a substantial reduction in car journeys, particularly those associated with expenditure 'leaking' from the Neath area to alternative facilities in the east of Swansea (particularly the existing Aldi store at Llansamlet). This 'clawback' of expenditure will have knock on benefits for Neath town centre (as discussed further below).
- The store will assist in alleviating 'over-trading' at the Tesco Neath Abbey Road store, and will help to reduce traffic congestion associated with shoppers accessing the Tesco store via the Neath Abbey Road/A474 roundabout. The RIA shows the proposed development will divert 30% (£3.55m) of its convenience trade from Tesco Neath Abbey Road. This equates to a convenience impact of -10.65% on the store. This reduction in trade at the store will help to address problems associated with overtrading (such as longer queues, crowded stores and lower stock levels).
- The store will help to address the deficiency in Aldi store provision in the Neath area, highlighted by the high level of expenditure being drawn to Aldi's store at Llansamlet. Furthermore, work has now started at the Coed Darcy development in Llandarcy, which could provide up to 4,000 new homes in Neath. This will generate an increased demand in the medium term for convenience shopping facilities, which the proposal will be well placed to serve.

Clawback of Leakage to Aldi Llansamlet

As set out above, the updated retail impact assessment submitted in March 2020 shows significant levels of leakage from Zone 1 (i.e. Neath) to the Aldi store in Llansamlet. By 2024 the assessment shows £4.88m of convenience expenditure from Zone 1 residents will be spent at the Aldi in Llansamlet. A new Aldi store in Neath would help to retain a significant proportion of this expenditure locally.

Although I accept that a new Aldi store would not claw back all of this lost expenditure (as some people may undertake shopping trips linked with their commute or other activities), it is reasonable to assume approximately 50% of this could be retained in Zone 1 as a result of the opening of the proposed store. This is broadly consistent with the findings in Table 11 of the March 2020 RIA, which showed there would be £2.96m of clawback to Zone 1, and the January 2021 sensitivity analysis now provided, which shows (£2.37m).

Using the figure from the 2021 sensitivity analysis, the retention of convenience expenditure currently lost to stores in Swansea, in addition to clawback from the Lidl, Asda and Tesco in Llansamlet totals £4.86m.

This 'clawback' of expenditure will have additional benefits for Neath town centre. Within the household survey that informed the updated RIA, respondents were asked '*When your household undertakes its main food shopping trip, does it also normally visit other shops, leisure or services on the same shopping trip?*'. After reviewing the results of the household survey it is clear that 38.5% of respondents from Zone 1 who undertook their main food shopping trip at Aldi Llansamlet, also linked it with another destination.

At paragraph 3.11 of their April 2020 advice, Avison Young note that there will also be linked trips to the town centre associated with the proposed Aldi store. Indeed, on the basis that 38.5% of shoppers that currently visit the Aldi at Llansamlet continue to link their shopping trip with another destination, and that 74%¹ of these shoppers are likely to link their trip with a trip to the town centre, this will mean that 28% of shopping trips drawn to the new store will also undertake a linked trip to the town centre. These trips will contribute positively to footfall, trade and vitality and viability in the town centre.

Reduction in Vehicle Trips

The retention of expenditure lost to Aldi Llansamlet (in addition to other stores) will also reduce the length of vehicular journeys or remove the need to travel by car completely. The household survey shows that 6.8% of Zone 1 residents undertake their main food shopping trip at Aldi in Llansamlet. This equates to 3,824 shoppers.

To provide a broad approximation of the reduction in trip lengths that the new store would lead to, I have taken a point in the centre of Zone 1 to represent an 'average' location (offset to the south west to account for the very low population density in the north east of the Zone). This is the roundabout junction of Briton Ferry Road/Lewis Road/Windsor Road/Eastland Road, adjacent to Neath Methodist Church.

The driving distance from this point to Aldi Llansamlet is 8.4km. The distance from this same point to the application site is 1.8km. Applying these distances to the number of shopping trips results in a total distance of 64,244km for journeys to Aldi Llansamlet, compared with 13,766km for journeys to the application site (including a return journey).

Although this can only be a broad approximation, it represents a reduction of 50,478km in vehicle journeys associated with the store proposal. Assuming main food shopping trips are undertaken once a week, this represents a potential annual reduction of approximately 2.5 million vehicle kilometres – a clear qualitative benefit.

Finally, as referred to in previous correspondence, an Aldi store is a limited assortment discount retailer. It stocks approximately 1,500 product lines, which compares with a large supermarket's 20,000 – 40,000. An Aldi also does not have other in-store services such as a Post Office, shoe repair, National Lottery kiosk, dry cleaning, or a café. This means it is not a 'one stop shop', and so shoppers will have to go to other locations to visit (for example) a Post Office, go to a café, or to do their dry cleaning. This therefore encourages linked trips, and lessens potential impact upon existing town centres.

¹ This represents the average of town centre linked trips using Tesco, Neath Abbey Road, Lidl Vale of Neath RP and Briton Ferry Road as a proxy– see AY para. 3.10

Retail Impact

Your letter dated 21 December refers to various points in respect of retail impact, but it should be noted that the LPA's independent advisor, Avison Young, confirms in its final advice that *"the vitality and viability of the town centre will not be materially undermined"* and that the level of retail impact does not represent a conflict in terms of Policy R3 (AY paragraph 3.15).

Trade Diversion

Your letter identifies a particular concern regarding the *'potential fragility of the Morrisons store and wider town centre'*. In this context, I understand that it is the LPA's view that much less trade will be diverted to the proposed Aldi from stores outside of Neath, and there will be a 'slightly higher' amount of trade diverted from the Morrisons in the town centre.

Although I do not agree with this concern, to assist the LPA I have undertaken a further 'sensitivity assessment', which is now provided and discussed below.

In Table 11 of the sensitivity assessment, I have increased the trade diversion to the Aldi store from the Morrisons from 10% to 15%, and added a small amount of diversion from 'Local Shops in Neath Town Centre' (1%). I have also decreased the trade diversion from stores outside of Neath, by adjusting the diversion from Aldi Llansamlet from 25% to 20%, and reducing diversion from 'Other Swansea Stores'.

Even following this sensitivity assessment, the consequences for the town centre is a convenience goods retail impact of - 5.95%, which I consider is a low level of retail impact that should not be deemed 'significantly adverse'.

It is important to note, however, that the assessment only considers convenience floorspace. It does not take comparison floorspace, services or leisure uses into account. If comparison floorspace is taken into account, as well as services and leisure, the actual level of impact would be much lower. As you will know, paragraph 4.3.25 of PPW Edition 10, confirms that retail impact is concerned with the centre as a whole, not on a particular sector.

The above levels of impact are not considered to be significant, and this is confirmed by relevant appeal decisions. These include an Inspector's decision relating to an Aldi store in Gillingham, Dorset (ref. APP/J3720/A/13/2194850). In that case, the Inspector concluded that impact levels of -7.67% and -5.81% (on the town centre as a whole) were not considered significant, and that a convenience goods impact of -8.72% is not significantly adverse. The same conclusion should be reached in this case.

Fragility of Morrisons

Although I note your concern regarding the 'fragility of Morrisons', these comments are originally made in objections submitted on their behalf. These comments suggest that the store currently trades at 58% of its convenience benchmark.

It is, however, important to note that just because a store is trading below its company average, it does not mean it is not profitable. Every store across a company's portfolio will be different in terms of its running costs, and there are many variables including ownership (some stores will be owned freehold whilst others will be leasehold), staff costs, building maintenance costs, and there could be localised differences in costs involved with sourcing produce.

In any event, it is clear that the turnover of Morrisons has remained broadly consistent from the evidence set out in the 2013 Retail Study and that provided as part of this application (see AY para. 3.7).

This demonstrates that the performance of the store has remained constant for at least the past seven years and there is no evidence to suggest that it is not a viable store or that it is vulnerable to closure.

In addition, you will be aware that Morrisons has recently released its sales figures for the three weeks to 3 January 2021. The figures were almost 10% higher than the same period last year. It is therefore clear that the company as a whole is performing well, and there has been no suggestion that store closures are expected.

There is no evidence that the proposed Aldi store would lead to the closure of the Morrisons store, and I am not aware of any proposal for a discount food retailer leading to the closure of a much larger supermarket. In light of the above, the assertion by Peacock and Smith that the Morrisons store is fragile is not supported by any genuine evidence.

Impact of Covid-19

Your letter refers to the potential effects of the Covid-19 pandemic on town centres. Whilst I agree that the pandemic will lead to some impacts on town centres, it is important to note that it will have effects on all town centres, not just Neath. The major retailers that have been most affected by Covid-19 are non-food traders that have been required to close, including Debenhams, Arcadia Group, Edinburgh Woollen Mill and TM Lewin. Only Burton and Dorothy Perkins (part of Arcadia) had stores in Neath town centre.

The vast majority of adverse impacts caused by Covid-19 have been on comparison (i.e. non-food) retailers, pubs, restaurants, and leisure uses. Convenience retailers have not been affected, have remained open and have actually increased sales over the past 12 months. As a result, it is clear that an Aldi store will not have any adverse impacts upon the currently vulnerable sectors. It will only cause modest impacts on convenience retailers, which have benefitted from strong demand and are therefore more resilient.

Furthermore, retail impact should be assessed over a five-year period and should not focus on short term impacts. Given two separate vaccines are now being used across the UK (and a third has been approved), it is expected that normal footfall levels within town centres will return to a more normal level within the next 12 to 24 months. The short-term impact of the pandemic should not therefore result in the refusal of other beneficial investment that is capable of being brought forward now.

Other Investment in Neath

Construction work commenced in late 2020 on the Neath Town Centre regeneration scheme. This is scheduled to complete by mid 2022 and includes a leisure centre, library, commercial units and enhanced public open space.

This development is part of the 'Transforming Towns' agenda, and seeks to encourage activity and visitor levels to town centres across Wales. The proposal will introduce a range of new uses to the town centre (leisure centre with swimming pool, and library) in addition to commercial space and public realm improvements. This mix of uses is important in line with how town centres have been evolving in recent years. Due to recent structural changes in the retail sector, town centres can no longer just rely on retail floorspace to support vital and viable places. Leisure and entertainment uses, educational facilities, residential units, and business space must be seen as important contributors to the overall success of a town centre.

In light of the above, the regeneration scheme is an important development that will create new uses in Neath town centre, creating a destination that will encourage higher footfall in the town, increase dwell time in the centre, improve the physical environment, and help to complement and increase trade in existing retail units. It could also act as a catalyst for further development in the town centre, as it is a 'vote of confidence' in the town. There is no suggestion that the Aldi proposal will have any material impact on this investment.

Additional major residential development is now underway at Coed Darcy in Llandarcy, which could create up to 4,000 new homes with schools and other community facilities. These new residents will also have a positive impact upon Neath town centre in the medium to long term due to increased visitor numbers and spending in the centre.

Economic Benefits

Finally, your letter requests further information in relation to the economic benefits of the proposal. As previously set out, the proposal will create 27 FTE job positions, or 40 positions in total (full and part time). An Aldi store creates a wide range of jobs at various levels and pay grades. The minimum wage per hour that staff would earn is £9.30, which is in excess of the UK Living Wage. Store managers can earn over £50,000 per annum, and data from Aldi shows that the total wages generated by the store employees will be approximately £640,000 per annum. These additional earnings will have positive impacts upon other local businesses, including those in Neath town centre, due to increased spending power.

Job opportunities will also be created during the construction period. The total cost of construction (excluding land value) is approximately £4.13m. According to the ONS Annual Business Survey, for construction projects, there will be one employee for every £269,000 of turnover per annum. For this development this equates to 15 person years of employment. When the average annual wages for construction sector employees is applied to this (£35,000), that equates to £525,000 in additional earnings over the construction period, which is directly related to the store construction.

It is also possible to calculate the gross value added ('GVA') by the proposal using data from the Annual Business Survey. GVA is a measurement of the financial contribution made to the economy by a company, industry, or a specific development. In 2018, the GVA per worker for construction projects was £86,000. The total GVA generated by the construction phase is therefore £1.29m (a one-off impact). It is estimated that approximately 50% of the construction contracts will be awarded to local firms. Once the store is open, the GVA per employee for retail (£28,000 in 2018) equates to £1.1m annually.

The opening of a new store could also create additional jobs at the Aldi Regional Distribution Centre at Wentloog Avenue in Cardiff, so the proposal will have positive benefits for the wider region in terms of new jobs and GVA increases.

Additionally, the new jobs will help to replace jobs that might have been lost during the Covid-19 pandemic. Without the proposal, these new jobs would not be created. In my opinion, the economic benefits associated with the proposal are therefore significant, and should be given weight in the determination of the application.

Summary

This submission provides additional information in respect of qualitative need, retail impact, and the economic benefits of the proposal. In summary:

- There is a clear qualitative need for new discount food retailer in the area. This is demonstrated by the current leakage of expenditure from Neath to the Aldi store at Llansamlet. The proposal accords with paragraph 4.3.16 of PPW because it is located in an accessible location; it will help to clawback lost expenditure and reduce trip lengths; it will help alleviate over-trading of nearby convenience stores; and it will address the deficiency in Aldi store provision in the Neath area.
- The sensitivity analysis now presented demonstrates that there will not be any significant adverse impacts on Neath town centre. The analysis shows a convenience goods impact of -5.95%. The impact on the town centre as a whole will be lower. This level of impact cannot be considered to be significantly adverse.
- There is no evidence presented to show that the Morrisons store is vulnerable, and it has been trading at its current levels for over seven years.
- Covid-19 has had an impact upon town centres across the UK, but it has been focussed on non-food retailers, pubs, restaurants and leisure facilities. Any impact from the proposal will be upon convenience retailers, which are more resilient due to strong demand from shoppers.

- The proposal will lead to significant economic benefits for the local area in terms of new jobs, increased spending power, and increased GVA. In the light of the Covid-19 pandemic, these factors should be given significant weight in the determination of the application.

On the basis of the further information set out above (and enclosed), I consider that there is a clear qualitative need for this application, that the impact on the town centre will not be significantly adverse, and that the requirements of PPW and Policy R3 are met.

There is, therefore, no retail policy basis on which to oppose the application, and there are significant material benefits that will arise that are more than sufficient to support granting planning permission. I therefore consider that the Council now has sufficient information to make a positive recommendation to the Planning Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Phil Marsden', with a stylized, cursive script.

Phil Marsden

Associate

Planning Potential

Bristol

Enc.