MAYOR OF LONDON

London Wholesale Markets Review

June 2007

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Prepared for the Greater London Authority
by URS Corporation Limited

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Abbreviations

AAP	Area Action Plan
BAME	Black and Minority Ethnic
CAZ	Central Activities Zone
CGMA	Covent Garden Market Authority
COICOPS	Classification of Individual Consumption by Purpose
CoL	City of London
DCLG	Department for Communities and Local Government
DEFRA	Department for Environment, Food and Rural Affairs
EU	European Union
FAO	Food and Agriculture Organisation
GLA	Greater London Authority
IGD	Institute of Grocery Distribution
LB	London Borough
LBTH	London Borough of Tower Hamlets
LDA	London Development Agency
LDF	Local Development Framework
OAF	Opportunity Area Framework
ONS	Office for National Statistics
PWC	PriceWaterhouseCoopers
SEL	Strategic Employment Location
SIL	Strategic Industrial Location
SME	Small and Medium Sized Enterprise
SPG	Supplementary Planning Guidance
SRDF	Sub Regional Development Framework
SRFI	Strategic Rail Freight Interchange
TfL	Transport for London
UN	United Nations
UDP	Unitary Development Plan

EXECUTIVE SUMMARY

Context and Brief

London has five principal wholesale food and flower markets. The share of these markets in the wider wholesale sector has declined significantly in recently decades and there is concern over the long-term viability of the markets in their current form. The location and status of the markets is a consequence of historic practice and protective legislation no longer in line with the general principles of central government's competitiveness agenda. However the wholesale markets continue to play a valuable role in London and the wider region. They have responded to their changing circumstances and now offer new products and services.

The GLA commissioned URS together with Promar and Experian Business Strategies to provide a robust analysis on which members of the GLA group could base an integrated strategic decision on the future of London's wholesale markets. This is in the light of a wider review of industrial land in London including the Revised Industrial Land Demand and Release Benchmarks study and other studies on logistics, waste apportionment and the North East and South East London industrial land baseline survey. The work will inform the Examination in Public into the Draft Further Alterations to the London Plan. It will also inform the finalisation of the Mayor's Supplementary Planning Guidance (SPG) on Industrial Capacity. The LDA has recently undertaken a study into the feasibility of a Food Hub for London as a means to develop the market for local and sustainable food. The Food Hub is a key proposal in the Mayor's Food Strategy (2006) and the initiative will tie in closely with the future of London's wholesale markets.

This report assesses options for the reconfiguration of London's wholesale markets. It looks at ways to secure their future, optimise their viability and ensure they play a valuable role in meeting relevant strategic and local policy objectives. A parallel report was commissioned by Transport for London (TfL) to map trips to and from the wholesale markets.

Approach

The study covered the following stages:

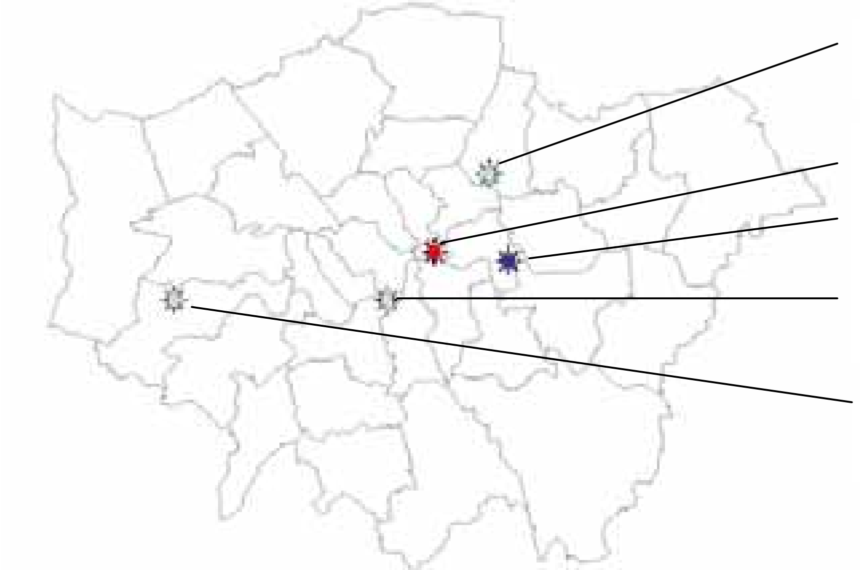
- Gathering of up-to-date information on the operation and status of the markets, including site visits and consultation with relevant stakeholders.
- Review of relevant policy and literature and consideration of the implications of the current policy context for the future of the markets.
- Analysis of trends in relevant sectors of the food industry, drawing on industry data and stakeholder interviews. Our conclusions on likely future developments in the relevant sectors informed our demand forecasts for wholesale activities up to 2026. Our approach to forecasting combined this 'bottom-up' analysis with 'top-down' analysis drawing on expenditure forecasts in order to derive a picture of future potential trends.
- Consideration of TfL's London Wholesale Market Freight Study which collated survey data on origins and destinations of suppliers and customers to the markets, and modelled potential changes in travel miles associated with a change in the location of the markets.

- Findings from these stages of work allowed the development of seven options for the future configuration of London's wholesale markets. A set of appraisal criteria were developed and options tested. A set of recommendations are put forward and steps suggested to achieve implementation of the preferred option.

Stakeholder consultation was an important element of the commission. Consultees in the initial stages of analysis included the market directorates / management, London boroughs where the markets are located tenants associations and other relevant industry organisations and individual market traders. A stakeholder workshop was held at the interim findings stage.

The Markets

London's five principal wholesale markets are shown in the map below.



Policy Context

There have been a number of reports on London's wholesale markets. Probably the most important of these is the Saphir report (2002) which recommends that London should be serviced by three composite markets for meat, fish, fruit and vegetables based at the sites of New Covent Garden, New Spitalfields and Western International.

Relevant planning and transport policy includes the London Plan, the Spatial Development Strategy for London. This indicates that New Covent Garden Market and Billingsgate are located in Opportunity Areas which have great potential for accommodating new jobs and homes. New Covent Garden Market is also a Strategic Employment Location (SEL). Smithfield is grouped in the Central Activities Zone (CAZ) and also located in the Farringdon/Smithfield Area for Intensification. The draft Further Alterations to the London Plan, out for consultation until December 2006, state that, subject to testing, redevelopment of any of the markets should not compromise opportunities to consolidate composite wholesale market functions to meet London's long term wholesaling needs at Western International, New Covent Garden and New Spitalfields or at more sustainable locations.

London policy on food includes the Mayor's Food Strategy: Healthy and Sustainable Food for London (2006). This emphasises the importance of making London's food system healthy and sustainable and the markets potentially fit well with this policy agenda. Proposed actions for promoting the vision of the Mayor's Food Strategy include researching the feasibility of a secondary food hub distribution system operating in parallel to the mainstream distribution network. URS have been commissioned by the LDA to investigate the feasibility of a London Food Hub and detailed options have included consideration of integrating activities with the wholesale markets.

Sector Trends and Implications

Future market drivers and constraints for wholesale market activities have been reviewed to inform the demand forecasting exercise. Customer markets for London's principal wholesalers are divided into four sectors: foodservice, retailers, other wholesalers and food processors.

The growth of restaurants and eating out has created a boom in the foodservice sector, with positive implications for wholesale markets. The trend towards local food and decreasing food miles is a particularly strong opportunity for wholesale markets. However, the foodservice sector is also open to a range of other efficient suppliers varying from major supermarkets and specialist cash and carry operators to delivered foodservice wholesalers. In this environment maintaining the wholesale markets' current share of the foodservice business will be a challenge.

The other three key customer groups are unlikely to provide any growth opportunities for the markets and could easily decline over the next 20 years, leading to the conclusion that the overall future prospects for the wholesale markets could be limited. Survival will depend upon increased innovation, customer focus and flexibility. This offers the possibility for the wholesale markets to consolidate their position and create a sizeable market niche.

In other parts of the world composite markets have been developed selling produce including fruit and vegetables, meat, fish and flowers. Customers benefit from more competitive and dynamic markets and composite markets can promote themselves as one-stop food supply sources. The composite market structure can also facilitate development of food hubs or clusters where a range of related businesses such as laundry, refrigeration, food processing and restaurants were attracted to the site.

Demand Projections

The future turnover of London's five principal wholesale markets is projected to 2026. Our forecasting approach is based on historic data on turnover at the wholesale markets, forecasts of expenditure prepared by Experian Business Services and our review of sector trends. A base case was generated, with an optimistic, a neutral and a pessimistic projection of turnover according to the different scenarios of changing market share.

Change in the total market turnover for all the markets for each of the scenarios over the period of 2006 to 2026 was forecast. The optimistic and neutral scenarios indicate that there is potential for the turnover of the wholesale markets to grow or to stay stable at the current level, if the markets adapt to the changing market and new opportunities. However the projections also demonstrate the possible threats to the future viability of the wholesale markets in London. In order for the wholesale markets to achieve the optimistic scenario long-term strategies are required that will address the fundamental constraints, while taking advantage of the positive drivers. This will depend upon the nature and success of options for possible reconfiguration of the markets.

Options

Seven options were developed, drawing on stakeholder consultation, analysis of future scale and distribution of demand for wholesale activities and data on the current operation and characteristics of the wholesale markets. The options are as follows:

Option 1: Status quo. The five wholesale markets would remain in their current locations.

Option 2: Saphir Consolidation. In line with the recommendations of the Saphir Report wholesale market activities would be consolidated at New Covent Garden, New Spitalfields and Western International Market. Tenants at Smithfield and Billingsgate would relocate to the three other markets. The option envisages that the majority of tenants (65%) would move to New Covent Garden, with the remainder moving to New Spitalfields or Western International. The Smithfield and Billingsgate sites would be released for alternative uses.

Option 3: Consolidation of City of London Sites. Activities at Smithfield and Billingsgate would be relocated to New Spitalfields and the other two sites would be released. New Spitalfields would operate as a composite market.

Option 4: Consolidation to New Covent Garden. Activities at Smithfield and Billingsgate would be relocated to New Covent Garden Market as adjacent markets. The Smithfield and Billingsgate sites would be released for alternative uses.

Option 5: Move Billingsgate. Activities at Billingsgate market would be relocated to either New Covent Garden Market or to New Spitalfields market. The Billingsgate site would be released for other uses. Two scenarios are considered: a move to New Spitalfields and a move to New Covent Garden.

Option 6: One Wholesale Market. Wholesale activities are moved to one composite market located on the outskirts of London. Two potential sites have been highlighted, both of which are currently subject to proposals for rail freight facilities, and the appraisal is conducted on this basis. The first site is Howbury Park at Slade Green in Bexley. The second site is at Dagenham Dock in Barking.

Option 7: No Wholesale Market. Under this option there would be no physical entity called a wholesale market, as they currently exist. Two alternative scenarios are considered: cash and carry operations replace wholesale markets, or a virtual market exists.

Strategic Option Appraisal

The appraisal criteria developed to assess the options encompass high level and more local factors. Each option is ranked for each criteria and a preferred option to be put forward.

Operational viability is assessed first in terms of the potential benefits of consolidation. These benefits include increased consumer choice, fewer trips, reduced delivery and turnaround times and synergies with other activities. Catchment area impacts are also considered, drawing on the TfL London Wholesale Markets Freight Study and Experian data on floorspace of independent retailers and caterers. Options that place wholesale markets further away from their customers are likely to have a negative impact on turnover. Overall we consider Option 4 Consolidation to New Covent Garden to perform best in terms of on-going viability. It offers a good balance of consolidation and catchment area benefits.

The criteria of travel miles links to wider GLA objectives include reducing carbon emissions and vehicle miles, and is similar to our assessment of catchment area. The separate commission surveying origin and destinations of suppliers and customers for the markets considered travel mile impacts of the options and generally found only modest benefits over the current situation. Option 2 Saphir Consolidation and Option 5 Move Billingsgate are ranked more highly and Option 6 - a new market on the outskirts of London, scores least well.

Smithfield and to a lesser extent Billingsgate are the markets sites worst affected by congestion at present. Option 7 No Market is assumed to disperse supply the most and so will minimise congestion impacts. Option 6 One Market is assumed to be linked to appropriate improvement to local site access and thus scores highly also.

Under the heading of local economy and communities we consider local SMEs, current wholesale market workers and Black and Ethnic Minority (BAME) community needs. Useful data sources include information on the location of ethnic minority restaurant floorspace, Saphir's survey of where market workers live, and GLA data on current and future location of London's BAME population. Option 1 Status Quo offers a good fit between the markets and ethnic restaurants, the location of workers and the future location of BAME communities.

Area regeneration and opportunity cost is the next criteria. The opportunity cost of the central London sites, in terms of the value of alternative uses on the land, is considerable. Option 6 One Market and Option 7 No Market rank highly as the markets would in theory continue to serve users while not occupying scarce land resources within the urban area. Option 1 Status Quo is ranked last as there is considerable opportunity cost associated with the current positioning of the markets and some conflict with regeneration objectives.

Under the heading of capacity and layout we consider occupancy rates at the five markets. We also compare plot ratios to give an indication of the capacity of the sites. Option 6 One Market scores highly as a new market on a single site in outer London would probably be a purpose built building which optimises plot ratios. Option 1 Status Quo is also ranked highly as, while some of the current markets appear to be operating beneath capacity, all market activities are comfortably accommodated. Our plot ratio analysis suggests there is ample room on the New Covent Garden site to accommodate Billingsgate (Option 5), though redevelopment of at least some section of the site is implied.

The impacts of wholesale markets on neighbouring uses include noise, dust, litter and vibrations. The central London markets are the market sites where there is at present the most tension between market activities and surrounding uses. Option 7 No Market ranks highest as under the virtual market scenario bad neighbour uses would dissipate between different sites.

We undertake a qualitative assessment of capital receipts of each option in terms of funds which could be potentially raised from the release of current market sites and the potential redevelopment costs incurred by each option. It is not within the scope of this work to gather detailed cost information on the property market value of sites or potential costs of redevelopment. Option 7 No Market ranks highly as all the sites would be sold but no reinvestment is required in a new site. Option 1 Status Quo would incur no immediate costs. However there is considerable opportunity cost associated with the use of the sites for wholesale markets and no funds would be raised for badly needed reinvestment.

Factors considered under the heading timeline and delivery include likely resistance to / support for the different options by different stakeholders, operational practicalities, and legislation. Option 1 Status Quo implies no legislative change, the least political and practical upheaval and financial cost in the short term. Moving any of the City of London markets would require primary legislation, though moving Billingsgate or Smithfield to New Spitalfields may be less unpopular with tenants than a move to New Covent Garden. Both Option 7 No Market and Option 6 One Market would require hybrid and private legislation and political resistance would be expected.

Recommendations and Next Steps

Market trends have placed intense competitive pressure on the wholesale markets in recent years. In the next 15-20 years, the wholesale markets will need to be flexible, innovative and efficient if they are to be commercially viable. Consolidation offers the best opportunity to sustain a wholesale market function to meet anticipated need. There are considerable practical and political difficulties involved in consolidating the markets, with the considerable amount of parliamentary time needed to relocate activities being a major hurdle in addition to the usual issues around development planning and costs. Our understanding though is that some options are less onerous in parliamentary time terms than others[1]. These range of factors suggest that it may be best to approach matters in a phased way and concentrate on initial actions that strike the best balance of addressing need and being deliverable.

The appraisal of options in Chapter 8 is summarised by giving each option a score based on the ranking assigned in the appraisal and the weightings assigned to specific criteria. This scoring process is largely qualitative. It should be considered together with the sector analysis and demand forecasting exercise presented in Sections 4 and 5. However, together with the other elements of our assessment it provides a useful indication of the comparative merits and disadvantages of each option and a tool in considering a forward strategy for the wholesale markets.

In summary, the preferred options rank as follows:

- Option 3 Consolidation to New Spitalfields and Option 4 Consolidation to New Covent Garden (these two options score equally)
- Option 5a Move Billingsgate to New Spitalfields and Option 5b Move Billingsgate to New Covent Garden (these two options score equally)
- Option 2 Saphir Consolidation
- Option 1 Status Quo
- Option 6 One Market
- Option 7 No Market

[1] We have not reviewed the legal framework in detail and are do not have the relevant expertise in our team to do this. Our analysis of the legal context is based upon information in other reports and discussions with key stakeholders.

We recommend pursuing Option 5 Relocate Billingsgate in the short to medium term. While Options 3 and 4 score higher in the appraisal than Option 5, this study has highlighted the merits of a phased approach which maintains flexibility to respond to the many factors influencing the future of the wholesale markets, including economic trends, legislative change, practical constraints and other considerations. Overall a relocation to New Covent Garden would probably be the best move in terms of synergies and opportunities. The site is the largest and potentially has the most flexibility to accommodate a consolidated market. It is well located to serve the promising central London foodservice market and the site scores better than New Spitalfields in terms of maintaining access for SMEs and BAME groups and in terms of transport and sustainability impacts.

However practical constraints may mean that it is easier for Billingsgate to relocate to New Spitalfields. The advantages of consolidation to New Spitalfields include the site is large and on simple plot ratio calculations it appears to have potential to expand. New Spitalfields, Billingsgate and Smithfield are all controlled by the City of London and so consolidation is likely to be easier to manage. Informal feedback so far also suggests the tenants would be more likely to support this move than relocating to New Covent Garden. Consolidation to New Spitalfields could offer the opportunity to free up some of New Covent Garden, which has greater regeneration potential than the New Spitalfields site.

In the longer term we recommend that if Billingsgate is successfully relocated then either Option 3 Consolidation to New Spitalfields or Option 4 Consolidation to New Covent Garden can be pursued as the next step. The change in the locations of the markets would also appear to allow the other sites to trade in meat and fish if they wish and if they can raise the finance, as the ‘Six and Two-Thirds’ rule would no longer apply. This in effect moves to Option 2 Saphir Consolidation though does not split Billingsgate or Smithfield.

Focusing the activities of a potential sustainable food hub at one or more of the wholesale markets should help enhance market prospects and critical mass.

These are broad strategic conclusions and we recommend that further work could be carried out to refine them. This would include incorporating further detailed consultation with market owners and operators, more detailed site capacity assessments and masterplanning exercises, an initial financial appraisal based upon masterplan solutions and cost and revenue estimates.

1. INTRODUCTION

1.1. Context

URS were commissioned by the GLA to carry out a detailed review of London's wholesale markets and put forward recommendations on possible future consolidation and/or relocation.

The URS work includes specialist input from:

- Promar, food industry consultants
- Professor David Hughes, Emeritus Professor of Food Marketing at the Centre for Food Chain Research, Imperial College London, and a visiting professor at the UK Royal Agricultural College
- Experian Business Strategies

London has five principal wholesale food and flower markets. The share of these markets in the wider wholesale sector has declined significantly in recently decades, principally as a consequence of competition from the major supermarkets. Such threats are anticipated to continue and there is concern over long-term viability of the markets in their current form. However, while the traditional wholesale functions are currently contracting, new emerging opportunities are emerging, e.g. for foodservice, whole foods, and to meet the specialist dietary preferences of London's Black Asian and Minority Ethnic (BAME) communities. The location and status of the markets also merits question. Their presence is in part the consequence of historic practice and protective legislation no longer in line with the general principles of central government's competitiveness agenda. At a London level the Mayor seeks to retain an efficient wholesale market function to meet London's long-term needs while ensuring that London's overall development capacity is also used efficiently. The draft Further Alterations to the London Plan state that subject to testing redevelopment of any of the markets should not compromise opportunities to consolidate composite wholesale market functions to meet London's long term wholesaling needs at Western International, New Covent Garden and New Spitalfields or at more sustainable locations (para 3.129iii). This project is part of the testing exercise noted in the Alterations.

To varying degrees the markets have responded to their changing circumstances and now offer new products and services and there is some evidence to suggest they have consolidated their position in recent years. They continue to serve a diverse range of clients including small businesses, for example in the independent retail and restaurant sectors. Previous research (Saphir) has made clear that in different ways the markets are effectively subsidised. It is unclear how far this subsidy is justified by the public good they provide in terms of collective services and how much is a reflection of historic factors. Care should be taken in weighing up these services before decisions are taken on the future of the markets.

There has been an awareness of these issues for a number of years and previous studies have been carried out. The most recent of these is Nicholas Saphir's 'Review of London Wholesale Markets' in 2002. While recognised as a valuable piece of work, the conclusions of the Saphir report have not been fully accepted and a need for more detailed research has been highlighted. In addition the GLA wishes to clarify its position on the markets in the light of its wider review of industrial land in London and its evolving policy on key locations in London.

1.2. Scope

This report assesses options for the reconfiguration of London's wholesale markets. It looks at ways to optimise their viability and ensure they play a more constructive, modern role in meeting relevant strategic and local policy objectives. As part of this exercise the report assesses the likely scale and distribution of demand to 2026. It puts forward recommendations to:

- Secure competitive and efficient wholesale food distribution to benefit all Londoners
- Ensure that the sites which the markets occupy are used effectively and contribute to wider strategic objectives, including those for London's sub-regions, Strategic Employment Locations (SELs) and Opportunity Areas (OAs)
- Ensure that transport logistics relating to the markets are carried out in the most sustainable matter, and
- Inform the Examination in Public into the Further Alterations to the London Plan. The report will also inform the finalisation of the Mayor's Supplementary Planning Guidance (SPG) on Industrial Capacity.

A parallel report has been commissioned by Transport for London (TfL) to explore and test the transport implications of various possible configurations for a revised wholesale market network. Results from the transport study have informed this report. This report also takes in to account the London Food Hub project feasibility study being conducted by URS and Promar for the London Development Agency (LDA).

1.3. Approach

The key elements of the approach are as follows.

Demand Forecasting

The work quantifies the scale and nature of likely demand for wholesale market facilities to 2026. A top-down analysis draws on demographic data and demand attributable to different categories of wholesale market customers. This is integrated with a bottom-up analysis, taking historic trading figures for the wholesale markets and adjusting these figures by taking in to account relevant factors influencing future demand. Both the top down and bottom up elements of the forecasting reflected findings of our review of factors influencing demand for the wholesale markets' key customers - retailers, restaurants, other wholesalers and food processors.

Stakeholder Consultation

Stakeholder interviews were held with the London boroughs where the markets are located, the markets directorates/management, tenants associations and other relevant industry organisations and stakeholders. A stakeholder workshop was held at the interim results stage and key stakeholders were asked to comment on the first draft report. Subsequent work by URS on the feasibility of and options for a London Food Hub has also been taken in to account in reviewing the wholesale markets (and visa versa).

Options Appraisal

A series of options were generated for the future configuration of the wholesale markets. These options were appraised against a range of strategic and site specific criteria, resulting in a preferred option and recommendations.

1.4. Report Structure

This report is structured as follows:

- Section 2 describes the five wholesale markets
- Section 3 outlines the strategic context
- Section 4 considers demand drivers
- Section 5 details the demand analysis
- Section 6 presents the options for appraisal
- Section 7 covers the appraisal criteria
- Section 8 appraises the options against the criteria
- Section 9 presents recommendations

2. LONDON'S WHOLESALE MARKETS

This section describes London's five principal wholesale markets. The location and recent history of each market is briefly discussed and current performance and customers summarised. The most important legislation affecting uses of the markets is highlighted and plans for the future development of each market are described.

The location of the five markets is shown in **Figure 2.1**.

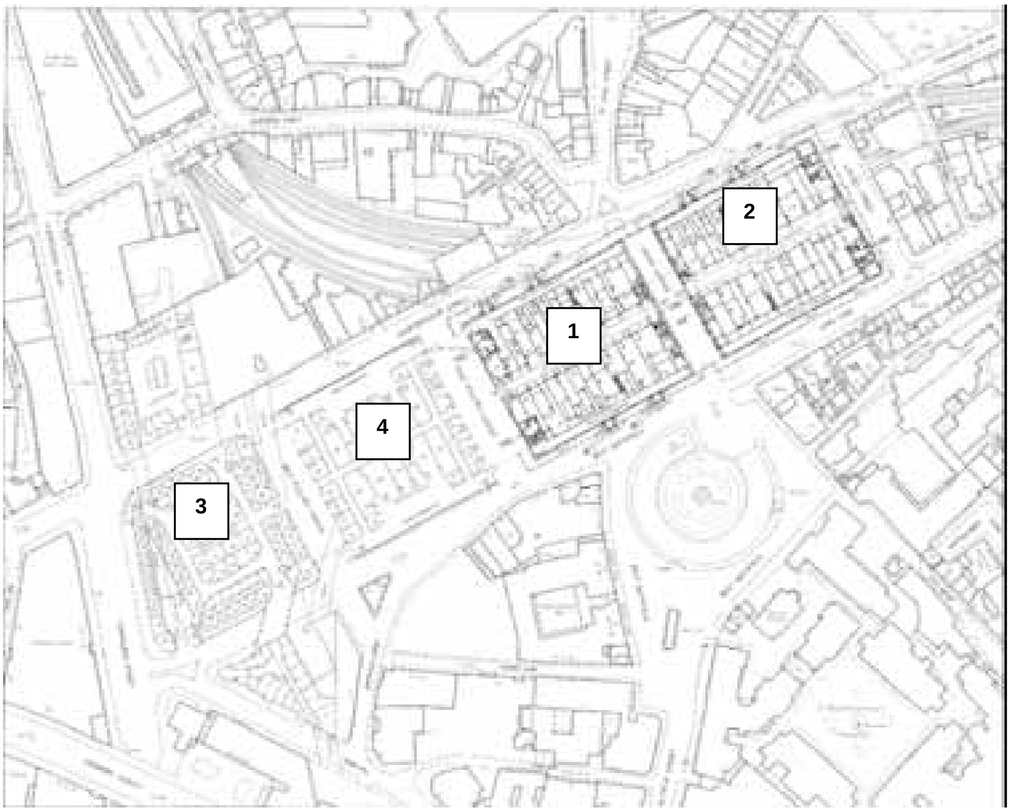
Figure 2.1 Location of London's Five Principal Wholesale Markets

2.1. Smithfield

Smithfield is located within the Central Activities Zones (CAZ) in the north-west of the City of London. It is a meat and poultry market and also sells cheese, pies and other delicatessen goods. Its location is shown in **Figure 2.2** below. The market buildings are divided in to four areas:

- The East and West Markets at the eastern end (1 and 2 on **Figure 2.2**)
- The General Market at the western end (3)
- The poultry market between the East and West Markets and the General Market (4)

Figure 2.2 Map of Smithfield Market



Source: City of London

The City of London refurbished the East and West Markets a decade ago, spending approximately £80 million. The refurbishment brought the market up to date in terms of European meat cutting standards, operational practices and union requirements, so that it now constitutes a modern, temperature controlled environment inside a Grade II listed Victorian building. The General Market at the west end of the site, which was released from market uses as surplus to requirements, is proposed to be redeveloped for retail and office uses by Thornfield Developments Plc.

Key statistics on the active part of the market are summarised in **Table 2.1** below.

Stakeholder consultation and data indicates that trade at the market is currently reasonably stable. The units are all full, though in the last 15 years the number of tenants has declined. There has recently been growth in custom from foodservice customers, as well as from independent retailers. Chefs come into the market to choose produce for their restaurants, and there is walk-in trade from the street.

The area around Smithfield has recently seen many residential and leisure developments, in addition to increasing office space. Congestion caused by the market is an issue for those using the market, for pedestrians using nearby offices and dwellings, and for vehicles passing close to the site.

Table 2.1 Smithfield Market

Total site area	2.4 ha
Total floorspace	25,685 sq.m
Plot ratio[2]	0.8
Number of units	133
Turnover	£300 million in 2002[3]

Source: City of London

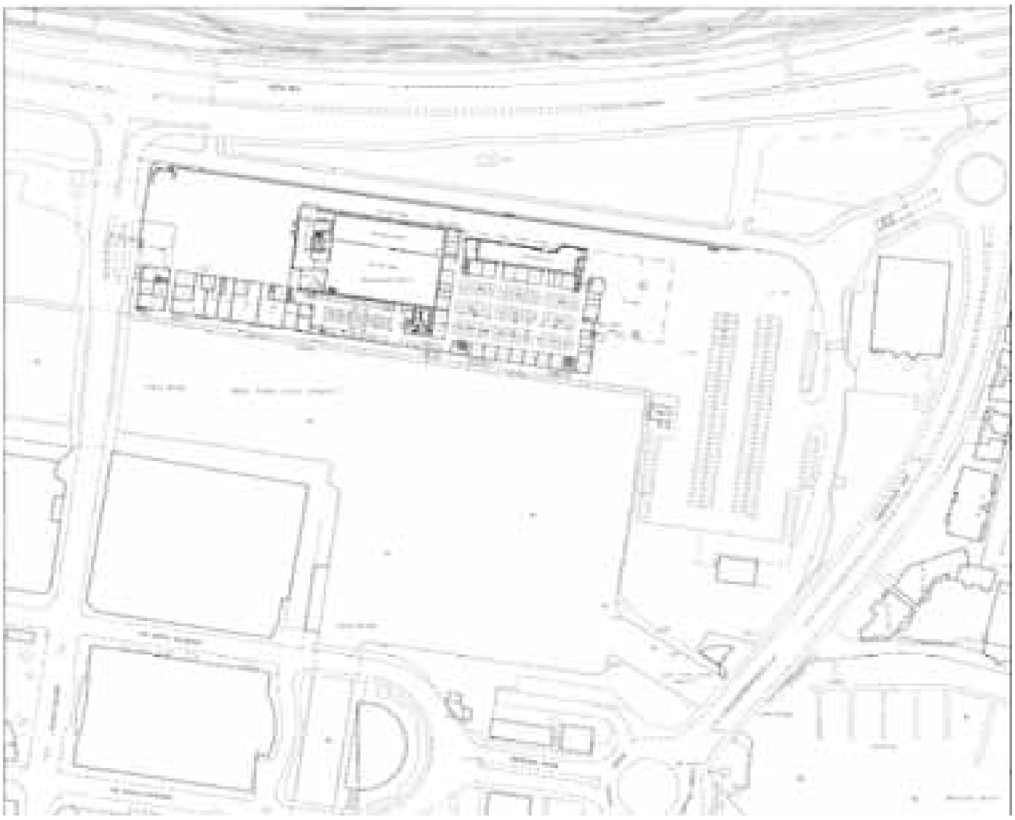
The present Smithfield meat market was established when the City of London purchased the land and buildings following the Metropolitan Meat and Poultry Market Act in 1860. There is a variety of Acts of Parliament relevant to Smithfield and our understanding is that new legislation would be required to relocate the market and/or allow other markets within six and two-thirds of a mile of Smithfield market to carry out significant wholesale meat and poultry trade[4].

2.2. Billingsgate

Billingsgate has been exclusively a fish market since the sixteenth century. It has the largest selection of fish for sale in the UK. The City of London Act 1973 provided for the removal of the market from its historical site to a new site in Tower Hamlets. Billingstate is now located in the north-east of the Isle of Dogs, near to Canary Wharf, Poplar DLR station and the proposed location for a new Crossrail station. Its location is shown in **Figure 2.3**. Though not within the Central Activities Area (CAZ), the northern part of the Isle of Dogs Opportunity Area, which includes Billingsgate, is considered to be functionally within the CAZ for startegic planning purposes (see for example London Plan Objective 3, Policy 3B.4 and Policy 5G.3).

[2] Plot ratio has been calculated as building footprint / developable area. Areas were calculated electronically from aerial photographs (www.acme.com/planimeter). See **Section 8.7** for details. For Western International plot ratio has been estimated from plans of the new market site supplied by Western International.
[3] Saphir estimate 2002, based on volume of meat turnover in the absence of alternative information
[4] The URS team does not include lawyers and our brief does not cover a review of relevant legislation. Consequently all statements in our report on relevant legislation summarise information from other secondary sources, such as the Saphir report. We have not assessed the accuracy or reliability of this information.

Figure 2.3 Map of Billingsgate Market



Source: City of London

The City of London owns the freehold of the land, but there is a 999-year lease held by LB Tower Hamlets, who in turn have granted a 99-year lease to the City commencing in 1982.

Key statistics on the market are summarised in **Table 2.2** below.

Table 2.2 Billingsgate Market

Total site area	5.5 ha
Total floorspace	6,381 sq.m
Plot ratio	0.2
Number of units	218
Turnover	£230 million in 2001[5]

Source: City of London

[5] City of London estimate from Saphir 2002

Nearly £12 million was spent on the new market in 1982 and a further £4.5 million has been spent on improvements since. However the market is in need of considerable further investment to bring it up to anticipated future European Union required standards – in particular, temperature control is currently insufficient, especially in loading / unloading areas of the market.

All the legislation that had applied to the former site remains applicable to the new site, with the City able to enact bylaws, rules, orders and regulation to maintain and control the market. As with the City of London other markets, our understanding is that legislation would be required to move Billingsgate from its current location.

2.3. New Spitalfields

Spitalfields market was established in 1682. The City of London (CoL) took over ownership in 1902. In 1991 the market consolidated with Stratford fruit and vegetable market and moved to a purpose built site in the London Borough of Waltham Forest, as traffic congestion, lack of space for parking lorries and out-of-date buildings and public roadways were contraining the growth of the market in its original site. Its location is shown in **Figure 2.4**. It is within the Lower Lea Valley Opportunity Area as outlined in the East London Sub-Regional Development Framework.

Figure 2.4 Map of New Spitalfields Market

Source: City of London

Today the market is made up of four buildings providing modern self contained units for catering supply companies, office space and ancillary accommodation units with cafes, toilets and maintenance facilities. Road access to the site is good. The market is bound by the A1006 to the north and east and by playing fields to the south and west, both of which would restrict expansion of the site.

Key statistics on the market are summarised in **Table 2.3** below.

Table 2.3 New Spitalfields Market

Total site area	13 ha
Total floorspace	24,202 sq.m
Plot ratio	0.3
Number of units	152
Turnover	£400 million in 1999[6]

Source: City of London

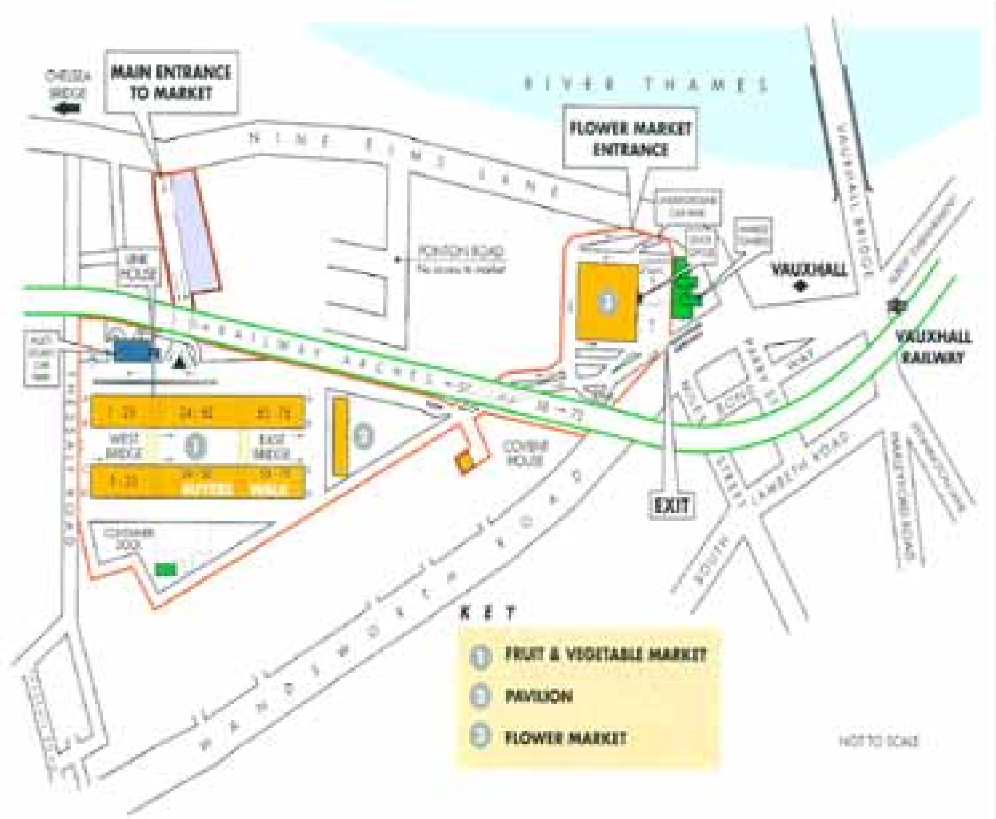
As noted in the Saphir Report, Spitalfields is an important supplier for independent retailers and a large proportionate of customers are Chinese, Turkish, Asian or other ethnic minorities groups buying fruit and vegetables for their shops and restaurants[7]. The foodservice trade is also increasingly significant. Though there was a comparative lull in trade after movement to the current site, the market is now full.

2.4. New Covent Garden

Covent Garden Market used to be based in central London but since 1974 it has been located in the London Borough of Wandsworth and the London Borough of Lambeth. It primarily sells fruit, vegetables, flowers and plants. It also sells other fresh produce such as cheese and gourmet ingredients. Its location and general layout is shown in **Figure 2.5** below. There is no direct access to Wandsworth Road to the south. The main entrance is off Nine Elms Road, to the north of the site, and runs under a railway bridge. New Covent Garden is within the CAZ and the Vauxhall / Nine Elms / Battersea Opportunity Area. New Covent Garden is designated as a Strategic Employment Location (SEL) in the London Plan but the Draft Further Alterations to the London Plan propose the de-designation of this SEL. This reflects that in general terms the London Plan does not view low-density activities as appropriate for the CAZ.

[6] Saphir 2002
[7] The Chairman of the Tenants Association estimated that over 50% of the traders are from ethnic minorities (September 2006).

Figure 2.5 Map of New Covent Garden Market



Source: CGMA

The Department for the Environment, Food and Rural Affairs (Defra) own the market site. In 1961 the market was nationalised and in 1966 the Covent Garden Market Authority (sponsored by Defra) was given power to acquire the Nine Elms site. The market has been established on the present site since 1974. CGMA is bound to operate a wholesale horticultural market in Nine Elms. It has the power within the existing legislation to develop the market, including disposing of any assets with Minister's approval should that be required, building any structures necessary, levying tolls and other charges on those who use the site and enacting bylaws. CGMA also hold the freehold for the market, and a 99-year lease from Network Rail over the railway arches. Market Towers, an office block that was originally part of the new site, has now been sold to a third party.

Key statistics on the market are summarised in **Table 2.4** below.

Table 2.4 New Covent Gardens Market

Total site area	22.7 ha
Total floorspace	47,197 sq.m (excluding apron area)
Plot ratio	0.38
Number of units (excluding offices and services such as cafes, banks etc)	625
Turnover	£415 million in 2005[8]

Source: CGMA

Stakeholder consultation and data on the market indicates that there was a considerable decline in the market's fortunes in recent decades. Of the original six blocks used for wholesaling, only two are used for the original purpose. The remaining space is now taken up with catering distributors, with demand for space exceeding supply of this type of unit. As a consequence, market turnover is growing, with 94% of the total trading space units occupied. Much of the produce is delivered to the customer. The market is geared towards servicing the central London hospitality industry. CGMA state that about 50-80% of wholesalers' business is to the catering industry and estimate that around 40% of all fresh produce served in foodservice outlets in London is sourced via New Covent Garden Market.

The flower market has been adversely affected by competition from direct imports from the Netherlands (the so-called 'flying Dutchmen'), supermarkets and other suppliers who deliver direct to the customer, in the same way that fruit and vegetables were hit in the past by the growth in supermarkets. 92% of the flower market is occupied. Plans for the comprehensive redevelopment of the site are currently being formulated. The CGMA's Report and Accounts for 2005-6 indicate that the site will be maintained to acceptable standards whilst the redevelopment project is formulated.

The 'Six and Two-Third Rule', which derives from the common law[9], dictates that New Covent Garden and New Spitalfields cannot sell meat and fish face-to-face in sufficient quantities to constitute rival markets to Smithfield and Billingsgate. However, a recent House of Lords ruling has enabled New Covent Garden to sell limited quantities of meat and fish as supplementary wholesale activity to the focus on fruit and vegetables.

2.5. Western International

Hounslow Council own and operate Western International Market. Since 1974 the market has been located near Southall, just off Junction 3 of the M4 and north of an area of Green Belt. Heathrow Airport lies approximately 4km to the south west. The existing fresh

[8] This figure is from the CGMA Accounts 2005-6 and does not include turnover of importers and agents working in the fresh produce trade whose produce does not physically pass through the market

fruit, vegetable and flower market is accommodated within two low-rise buildings connected by a central link building used for office and ancillary purposes. The built-up portion of the market occupies more than 12 hectares. The market is located within the Heathrow Opportunity Area, as proposed in the Draft Further Alterations to the London Plan[10].

Construction of a new market is underway. A five hectare section of the original site has been sold to Kier Developments and a new building for uses within classes B1, B2 and B8 with associated car parking, loading and access arrangements is to be constructed (labelled 2 on **Figure 2.6** below). Kier are constructing the new wholesale horticultural market, which will comprise offices, food wholesale facilities, loading bays, storage areas, associated buildings, ancillary facilities and surface car parking space (labelled 1 on Figure 2.6 below). The proposals will result in an initial loss of 3.5 hectares of open space but there will be a net gain of 0.3 hectares on completion of the development. There is an overall reduction in the size of the market trading space, and the number of tenants is to be reduced. However LB Hounslow assert that many of the tenants in the current market were in any case there illegally and not trading in fruit, vegetables or flowers.

[9] Halsbury's Laws, as quoted in Saphir 2002 p32, says that: 'A franchise of market of fair carries with it a right to be protected from disturbance by a rival market or fair levied within the common law distance of seven miles, or more strictly six and two-third miles, of the place where the market is held'.

[10] The proposed Heathrow Opportunity Area is made up of two merged London Plan Opportunity Areas: Hayes/West Drayton/Southall and Heathrow/Feltham/Bedfont Lakes. A map is available in the West London SRDF pA19.

Figure 2.6 Western International (New Market)

Source: Western Internation Market

Key statistics on the new market are summarised in **Table 2.5** below.

Table 2.5 Western International (New Market)

Total site area	7.2 ha
Total floorspace	17,431 sq.m
Plot ratio	0.53[11]
Number of units	101

Source: Western International Market

Stakeholders report that the current market is full. Though there has been a loss of retail market share in recent years, independent retailers (especially ethnic minority groups) and caterers have become important customer groups. About 90% of produce is picked up by the customer, though discussions with stakeholders suggests that customers

[11] Plot ratio has been estimated from plans of the new market site supplied by Western International.

increasingly require wholesalers to deliver goods. It is estimated that between 20% and 30% of produce is imported by air freight, reflecting the proximity of Heathrow and implying a national role for Western International in the UK's wholesale food sector.

2.6. Summary

The key characteristics of London's principal wholesale markets are summarised in **Table 2.6** below. Additional data is presented in **Appendix A**. Information on a new market currently being constructed in Melbourne, Australia, is included for purposes of comparison.

It can be seen that New Covent Garden is the largest market site with the most selling space. However the existing market at Western International has more parking. New Covent Garden has the most tenants (250) while Smithfield and Billingsgate have only 59 and 57 respectively. Occupancy rates also vary, with New Covent Garden and Billingsgate slightly under capacity while the rest of the markets are reported as full. There is about the same amount of selling space at the old market at Western International as at the new market, but this selling space comprises a greater proportion of the total floorspace at the new market that at the old market (19% compared to 10%).

Table 2.6 Key Data on London Wholesale Markets

	Site area (ha)	*Selling space (sq. m)*	*Total parking spaces*	*Tenants*	*Occupancy rate*	*Plot Ratio*
Smithfield	2.4	11,915	525	59	Full	0.79[12]
Billingsgate	5.5	3,289	382	57	80%	0.20
New Covent Garden	22.7	47,197	1,000	250*	94% overall, 92% flower market	0.37
New Spitalfields	13.0	22,024	950	153	Full	0.30
Western International (current)	13.0	12,932	1,200	82	Full	
Western International (new)	7.2	13,322	731[13]	65	Full	0.53
Melbourne	*47.0*[14]	*10,000*	*2,500*			*0.21*[15]

*Of which 180 are located in the selling area

Source: City of London, CGMA, Western International, URS

[12] In fact at Smithfield the highway around the market buildings is effectively used for circulation. If the highways were included within the calculation, plot ratio would be lower.
[13] 560 car parking spaces plus 5,150 sq.m for customer vehicles, for which number of spaces has been calculated using an average of 30 sq. m. per space.
[14] Complementary uses (other warehousing and a broader market precinct) will take up an additional 60 hectares on the same site. With environmental infrastructure such as storm water drains, total site area is 133 hectares.
[15] However plot ratio is probably higher as the 47 hectares will also house a national flower centre and warehousing.

Plot ratio has been calculated by plotting the footprint of the market buildings with the site area[16]. The method and results are discussed further in Section 8.7 and **Appendix G**. Clearly not all market related activities are housed within the market halls. Space for parking, circulation, loading and various other activities is crucial for effective operation of the markets. However, the ratio of building footprint to site area gives a broad indication of how intensively the site is being used. It can be seen that plot ratio varies greatly among the existing markets, from 0.2 at Billingsgate to 0.8 at Smithfield. The plot ratio of the new market at Western International is greater than that at New Covent Garden (0.38) and New Spitalfields (0.30). This can be compared with a new market planned at Melbourne, Australia, which is set to have 10 hectares of trading floor under one roof on a 47 ha site, giving a plot ratio of 0.21. However plot ratio is probably higher as the 47 hectares will also house a national flower centre and warehousing.

[16] Site area is here defined as area which could potentially be developed. Areas within the site boundary which would not be suitable for development, for example due to their proximity to a railway siding or bridge, have been excluded.

3. CONTEXT

3.1. Introduction

This section draws together background information relevant to London's wholesale markets, their evolution and their future. Previous reports on the markets are reviewed. The notion of wholesale markets as a public good is discussed, as is the concept of composite markets which is currently a key model for wholesale markets across the world. Sub-regional and local planning policy is also reviewed.

3.2. Previous Reports on London's Wholesale Markets

The Strathclyde Report, 1994

A study of wholesale markets in the UK published by the University of Strathclyde in 1994 concluded that 'there are too many markets' in the UK and questioned in particular 'whether London needs so many markets'.

The Strathclyde Report cautioned that the economics of combining two or more markets together on a new, single site were unfavourable and instead preferred rationalisation by combining existing sites. The report's favoured solution was rationalisation by combining existing sites and it regretted that such an opportunity was lost when Spitalfields Market moved to Leyton in East London rather than to New Covent Garden in 1991.

Review of London Wholesale Markets, Saphir 2002

In 2002 Lord Whitty, Minister for Farming, Food and Sustainable Energy appointed Nicholas Saphir to carry out a review of all the London wholesale markets. The objectives of the study were to:

- Review consumer demand shifts and the effect on markets
- Examine current legislation and regulations and consider if any should be amended or rescinded.
- Review prospects for potential diversification, in order to forecast future composition of markets, with recommendations for their function and location.
- Consider possible models for the practical implementation of the report's scenarios.

The report estimates that London's wholesale markets have a combined turnover of about £1.6 billion and represent 20% of fresh meat, fish, fruit and vegetable supplies to London and the South East. It details the decline in market share of the wholesale markets with increased competition from the supermarkets. In response to this competition the wholesale markets have increasingly turned to catering operations, becoming more customer-orientated and supplying direct to customers via the internet or phone rather than customers coming to the markets to buy produce.

Saphir argues that the legislation governing London's wholesale markets protects some existing wholesaler activities at the expense of the future prosperity of markets, creating inefficiency, uneconomic distribution and waste. He recommends that such legislation should be removed to allow competitive dynamics to produce a more effective supply chain.

He continues to argue that if London's wholesale markets are to survive they will have to be more responsive and offer a wider, more integrated range of services. Saphir recommends that markets should consolidate to composite sites to provide all the services customers are looking for. London should be serviced by three composite markets for meat, fish, fruit and vegetables based on Nine Elms, Spitalfields and Western International.

New Covent Garden Market Report, PricewaterhouseCoopers 2004

This report was commissioned by Defra and produced by PriceWaterhouseCoopers (PWC). The consultants were asked to consider a range of options for disposal of the market and the adjacent site and recommend a way forward to Government. Only the executive summary has been published.

The summary of the report concludes that the market is not operating on a long-term commercially viable basis. Low returns constrain the authority's ability to redevelop the market. In its current form it is unlikely that the market would be considered as an attractive or commercially viable business proposition by a private sector investor. The market does have valuable core assets such as its property base, established network of suppliers and clients and its brand name/reputation, which can generate commercial value in the long-term. Developing a strategic vision of the market for the next thirty years and beyond is the key to turning around the business proposition. In addition, the market should undertake master planning prior to agreeing a strategic brief with the planning authorities and before taking the site to market.

3.3. Planning and Transport Policy

Relevant planning and transport policy includes:

- PPG13 Transport
- The London Plan
- Draft Further Alterations to the London Plan
- The Mayor's Transport Strategy
- TfL Freight Plan
- Sub-Regional Development Frameworks
- Heathrow Opportunity Areas
- Vision for Vauxhall-Battersea (Cross River Partnership 2003)

- City of London Unitary Development Plan (UDP) and emerging LDF
- LB Hounslow UDP and emerging LDF
- LB Tower Hamlets UDP and emerging LDF
- LB Waltham Forest UDP and emerging LDF
- LB Wandsworth UDP and emerging LDF
- LB Lambeth UDP and emerging LDF

The London Plan and the draft Further Alterations to the London Plan are considered in this section and relevant parts of the other documents are summarised in **Appendix B**.

London Plan, 2004

The London Plan is the Spatial Development Strategy for London. It sets out an integrated social, economic and environmental framework for the future development of London looking forward 15-20 years. The Plan has three principal themes - growth, equity and sustainable development.

The London Plan includes six major objectives for London to be promoted through planning regulations:

- To accommodate London's growth within its boundaries without encroaching on open space
- To make London a better city for people to live in
- To make London a more prosperous city with strong and diverse economic growth
- To promote social inclusion and tackling deprivation and discrimination
- To improve London's accessibility
- To make London a more attractive, well-designed and green city

The London Plan lays out priority spatial areas for action. New Covent Garden Market is located in the Vauxhall/Nine Elms/Battersea Opportunity Area, capable of accommodating substantial new jobs and homes. The London Plan outlines indicative estimates of growth for the area that includes 7,600 new jobs and 1,500 new homes by 2016, taking advantage of good public transport, carrying out environmental improvement and taking advantage of scope for intensification to increase capacity. In the 2004 London Plan, Nine Elms was also identified as a Strategic Employment Location (SEL), appropriate for meeting the needs of general business, industrial and warehousing sectors. The Plan states that a wider appraisal of Central London wholesale markets should inform the potential for comprehensive renewal and intensification on and around Nine Elms.

New Covent Garden is also in the CAZ, which covers both the East London and the Central London sub-regions. Within the CAZ boroughs should accommodate commercial development associated with business, tourism and retail, subject to the protection of housing and identified special policy areas.

Billingsgate is situated in the East London sub-region (now the North East London sub-region). This area is the Mayor's priority area for development. The market is located in the Isle of Dogs opportunity area, with the assessed ability to accommodate at least 100,000 new jobs and 3,500 new homes up to 2016.

Smithfield is located in the CAZ as well as in the Farringdon/Smithfield Area for Intensification. The Plan states that development at Farringdon should be set in the context of the proposed review of London's wholesale markets to ensure integration with any potential increment to development capacity associated with nearby Smithfield.

New Spitalfields is located within the Lower Lea Valley Opportunity Area, which the London Plan states should accommodate 8,500 new jobs and 6,000 new homes by 2016. The site is surrounded on three sides by Metropolitan Open Land. It is also located to the north of the Olympics masterplan area.

The London Plan lays out two Opportunity Areas near Heathrow: Hayes/West Drayton/Southall and Heathrow/Feltham/Bedfont Lakes. Western International is located within the former, which is allocated 35,000 new jobs and 5,800 new homes to 2016. The Draft Further Alterations to the London Plan and the West London SRDF propose merging the two Opportunity Areas.

Further Alterations to the London Plan, 2006

The draft Further Alterations to the London Plan were published in September 2006.

The Alterations recognise that 'the roles of London's five wholesale markets are changing. While their traditional wholesale functions are contracting, new opportunities are emerging e.g. for 'whole-foods', the catering industry and to meet the specialist dietary preferences of London's BAME communities. The documents states that the Mayor seeks to retain an efficient wholesale market function to meet London's long-term needs while ensuring that London's overall development capacity is also used efficiently.

It goes on to state that, 'subject to testing, redevelopment of any of the markets should not compromise opportunities to consolidate composite wholesale market functions to meet London's long term wholesaling needs at Western International, New Covent Garden and New Spitalfields or at more sustainable locations. A wider appraisal of London's wholesale markets should inform the potential for comprehensive renewal and intensification of this area.'

3.4. London Food Policy

LDA Food Strategy, 2006

The London Food Strategy's overall objective is to ensure London has a food system that is consistent with the Mayor's objective that London should be a world-class, sustainable city. This requires focusing on the five themes of health, environment, economy, society/culture and security. These themes capture the breadth of issues relevant to food and incorporate the Mayor's cross-cutting themes of health, equality and sustainability.

The food strategy identifies food markets as having a significant role to play in London. The wholesale markets are primarily connected with stages three and four of the food chain outlined in the strategy, which relate to transport, storage and distribution, and to food retail. These two stages of the food chain incorporate both supply and demand.

The report identifies a vision for these stages and the appropriate actions that will be needed. The visions for transport, storage and distribution that relate to wholesale market specifically include:

- by 2016 the overall negative environmental impact of the food distribution system in London and surrounding regions will have been reduced, and
- more effective and affordable distribution channels will be available to producers/ processors of all sizes and ownership structures in London.

Relevant visions for the food retail and wholesale markets include:

- there will be a robust, balanced and healthy diversity of food retailing, in terms of both size and type of ownership
- good employment and operational conditions will prevail throughout the food retail and catering sectors in London.
- the economic importance of the food retail sector in London will be recognised and supported, and
- food and drink retailers will use their best endeavours continuously to improve the quality of the products they sell, including an increase in the proportion of food sold that is healthy, culturally appropriate, ethical and environmentally beneficial.

Capital Eats, 2004

In May 2004 the LDA and London Food Link commissioned a study on London's food economy. The paper identifies the contributions individual elements of the food sectors make to the London economy. These included farming, food manufacturing, retailing, restaurants and catering, farmers markets and social food projects.

The study identifies the objectives and actions required to ensure the stability of London's food economy. Objectives relating to wholesale markets in London include:

- Improving infrastructure for the sustainable food supply chain
- Developing specialist food sector support networks
- Co-ordination of food business and worker interests within what is a dynamic and volatile public and private sector industry
- Developing planning guidance on food access, and
- Commissioning research into tracing the origin of food available in a number of high streets.

London Sustainable Food Hub: Opportunities for a Sustainable Food Logistics Centre in London, 2005

This study commissioned by the Mayor of London, LDA and London Food explores the potential for a London Sustainable Food Hub - a new centre to facilitate a more sustainable food supply for London. It identifies the economic, environmental and social impacts of the food industry in the UK.

The document focuses on why parts of London are considered to be ‘food deserts’, in contrast with other international cities. It asserts that local food systems are fragile and investigates the idea that market forces, insufficiently constrained by the planning system, discourage independent retailers and caterers and encourage large supermarkets and shopping malls. The potential for increasing organic, local food availability is limited by a poor quality logistics system in an uncoordinated supply and information chain. The lack of physical infrastructure and an uncoordinated supply and information chain validates the need for a London Sustainable Food Hub. This will be dedicated to replicating and improving on the success of regional distribution centres in the world of supermarkets. This new facility could be linked to regeneration efforts in East London boroughs (e.g. Barking and Dagenham) and to the availability of grant assistance in those areas.

Local Food Infrastructure – Feasibility Study for a Local Food ‘Hub’ in London, 2007

To clarify and ensure the findings of the 2005 report are robust, the LDA have commissioned URS to investigate the feasibility of a London sustainable food ‘hub’. The report is due to be published mid-2007.

Stage 1 of the study involved investigating the rationale for public sector intervention in London’s food market, in terms of market failure, and gathers evidence on the costs and benefits of sustainable food.

Stage 2 goes on to formulate options for intervention in the market, and to strategically appraise these options in order to recommend actions for the LDA. The study deconstructs the term food ‘hub’, which means different things to different parties, and considers the definition of sustainable food and potential locational, financial and operational aspects. One of the detailed options considered is to work closely with the wholesale markets to promote and deliver sustainable food.

3.5. Conclusion

London's wholesale markets have been a policy issue for a number of years but as yet no firm agenda for change has been adopted.

A review of London's planning policy makes it clear why the markets are important in this context. The redevelopment opportunities for the sites which the markets occupy are significant. The Billingsgate site has considerable development potential, being located on the edge on Canary Wharf, adjacent to a planned new Crossrail station and in close proximity to significant mixed-use development proposals such as Wood Wharf. Smithfield is also in a valuable location though the site's redevelopment potential is constrained by the market's listed building status, high building regulations and underground infrastructure. New Covent Garden occupies a key central London location and is in close proximity to residential uses and the Central Activities Zone. Western International and New Spitalfields occupy less central locations.

Emerging London policy on food emphasises the importance of promoting a healthy, sustainable food system eating agenda and the markets potentially fit well with these priorities. One of the options considered in detail in the Food Hub feasibility study is to work closely with the wholesale markets to promote and deliver sustainable food.

The markets differ in their size, layout and location and identifying a path for their future is complicated by their long history and the specific political and legislative context in which they have evolved.

4. SECTOR TRENDS AND IMPLICATIONS

4.1. Introduction

This section details an analysis of future market drivers and constraints. These are taken in to account in the forecasting exercise in the subsequent section.

4.2. Overview

In the past wholesale markets were an integral part of most supply chains for fresh fruit, vegetables, meat and seafood. These supply chains were based on farmers supplying wholesale markets which in-turn supplied a range of independent retail outlets, catering establishments and food processors. In many cases the wholesale markets were supported by a number of secondary and even tertiary wholesalers that distributed products to the range of customers.

However, the development of supermarket chains, more efficient transport systems and a range of other changes have altered the UK food distribution system over the last 25 years. Today the role of the wholesale markets in the UK food supply chain is greatly reduced.

On a positive note, the growth of restaurants and eating out has created a boom in the catering or foodservice sector. Wholesale markets have captured a significant share of the growing foodservice market either through direct supply or via food distributors based in wholesale markets.

Customer markets for London’s principal wholesalers can be divided in to four sectors (**Table 4.1**).

Table 4.1 Customer Markets for London's Principal Wholesalers

Sector	*Description*
Foodservice	Foodservice or catering is the term used to describe the part of the food industry whose primary function is to provide meals for sale for consumption away from home. The foodservice market is generally considered to have two sectors. The 'Cost Sector' includes schools, hospital, prisons and specialist care homes etc, while the 'Profit Sector' covers restaurants, fast food outlets, pubs, hotels and leisure venues.
Retailers	The UK food market is made up of a number of different types of grocery retailers. The IGD[17] identifies 4 main groups, which are described as follows: Supermarkets & superstores: e.g. Tesco, Sainsbury's and Asda. Convenience stores: e.g. SPAR, Co-operative Group and Londis. Traditional retail and developing convenience stores: such as newsagents, grocers, off-licences, & some forecourts. Alternative channels: e.g. kiosks, markets, post offices, doorstep delivery, vending and home-shopping.
Other wholesalers	The role of wholesaling is to supply goods to trade and business customers for whom dealing directly with suppliers is not feasible and/or practical. Wholesalers include general grocery wholesalers as well as businesses specialising in particular food products such as fruit and vegetable, meat & poultry and fish wholesalers.
Food processors	The food processing industry prepares food and drink products for sale and consumption. This involves sourcing of ingredients, processing, preservation and packaging. Food processing is the largest manufacturing sector in the UK and includes a vast range of foods from chocolate to frozen vegetables; breakfast cereals to shellfish; pickles and sauces to organic baby food.

An analysis of each of the four sectors is set out below. For each sector the report provides a definition of the sector, a summary of market share and growth rates as well as a brief discussion of current and future operational practices.

4.3. Foodservice Sector

Sector Description

The foodservice sector includes a wide range of businesses that provide prepared and semi prepared food and beverages to consumers. The largest (in value terms) and most

[17] Institute of Grocery Distribution (IGD) 2007, UK Grocery Retailing Factsheet

recognised segments of the sector tend to be restaurants and quick service or fast food operators (McDonalds, KFC etc.) However, the foodservice sector also includes catering for offices, schools, prisons, hospitals, hotels and sporting events.

Sector Segmentation

While is no official classification system to describe sub-sectors within the foodservice sector, industry analysts typically group businesses together based on criteria such as service level, outlet type and profit objective. For this analysis we have used data from a large UK-based foodservice analysis organisation, Horizons for Success. Based on Horizons data, the largest segments in the foodservice sector by sales value are Quick Service and Restaurants followed by Hotels and Pubs. Collectively these four segments account for almost 80% of all foodservice sales in the UK. This is shown in more detail in **Table 4.2** below.

Table 4.2 Foodservice Sector Market Share by Food and Drink Sales Value 2005

Sector	*Comment*	*Share of Foodservice Sector*	*Per Annum Growth, 2001-2005*
Quick Service	Quick service outlets are fast food restaurants. Food is usually packaged, rather than served on a plate and is paid for as soon as it is received. There are many independent outlets as well as a number of well-known international chains. Main players include: McDonald's, Burger King, Domino's Pizza, KFC, Pret a Manger etc.	25%	0.60%
Restaurants	Usually waiter service with payment after the meal. Often split up into national cuisines. Prestigious London chains include: Groupe Chez Gerard, The Red Pepper Group, Conran. Large chains include: Whitbread, Strada, Pizza Express, Garfunkels, Est Est Est and La Tasca.	21%	1.30%
Hotels	Serving breakfast, lunch and dinner through various cafes, restaurants and room service as well as conference and banqueting facilities.	18%	-0.20%
Pubs	Usually owned by breweries or pub companies though some are independent freehouses. Also includes nightclubs and bars.	15%	0.90%
Leisure	Outlets in theatres, cinemas, casinos, sports grounds, museums, galleries, zoos, sports and social clubs and on-board travel in trains, aeroplanes and coaches.	8%	0.40%
Staff Catering	Canteens in large offices, government buildings and local authorities and off-shore catering.	7%	-0.10%
Education	Foodserved at schools, Further Education and Higher Education colleges and universities.	3%	-0.70%
Health Care	Food in the healthcare sector including those served to patients, staff and visitors.	2%	0.40%

Sector	*Comment*	*Share of Foodservice Sector*	*Per Annum Growth, 2001-2005*
Services	Governmental services like police stations, fire stations, the army, prisons and welfare services like meals on wheels, luncheon clubs and charity services.	1%	1.50%
Total		**100%**	**0.50%**

Source: Horizons for Success Limited, 2005

Overall Sector Growth

UK food and drink sales in the foodservice sector were £35.8 billion in 2005, up from £35.3 billion in 2001[18]. Over the four-year period the industry has shown an average real growth rate of 0.5% per annum. Although the overall industry has grown in the past few years, not all sectors have shown positive growth. Education, hotels and catering have shown slight declines in sales while the restaurant sub-sector has outperformed the average with a real growth rate of over 1.5% per annum.

The actual amount of food and drink purchased by the foodservice sector is estimated at around £9 billion in 2005 (i.e. approximately 25% of sales).

Foodservice in London

London is a major market for both food and drink consumption. Londoners spend 35% more on meals in restaurants and cafes and 26% more on foodservice overall than the national average[19].

Overall, the foodservice market in London is valued at almost £6.0 billion[20]. There are over 6,000 restaurants in London, which account for 22% of all restaurants in Britain. London has a higher proportion of ethnic restaurants than the rest of Britain with an estimated market value of almost £1.2 billion or nearly 20% of total foodservice sales.[21] Niche markets such as ethical, gourmet and ethnic products are also seen as important drivers for the London restaurant sector. The major growth drivers and constraints/threats are displayed in **Table 4.3** below.

18 Horizons For Success Limited 2005, Selected Extracts from Horizons Database data
19 Office of National Statistics 2005, Family Spending 2004-2005
20 Horizons For Success Limited 2005, www.horizonsforsuccess.com – Latest News
21 GLA Economics 2003, Spending Time London’s Leisure Economy

Table 4.3 Foodservice Sector Major Growth Drivers and Constraints/Threats

Drivers	*Constraints/Threats*
Increasing time pressure on consumers driven by work commitments but also changes in demographics, including growth of working mothers, single person households, ageing population etc.	Increasing competition from retailers and a blurring of the boundary between retail and foodservice (i.e. buying a sandwich from a supermarket Vs a coffee shop).
UK population continues to increase in size and ethnic diversity.	Cost pressure from competition within the sector and with the retail sector driving down operators' margins.
Increasing cosmopolitan lifestyles, international travel and consumers view of food as 'eat-ertainment'. Lowering of overall prices for foodservice products with an increasing range of options available to all consumers. Increasingly demanding foodservice customers looking for price, quality and other benefits.	Overall economic growth – foodservice, particularly high-end operators are susceptible to changes in economic situation more than the less value-added retail sector.
Consolidation across all sectors of the foodservice market and increasing centralisation of functions.	
Increasing demand for prepared foods as consumers' willingness and technical ability to prepare meals from basic ingredients declines.	

Future Growth Expectations

The overall foodservice market is expected to continue to show real growth of around 1.4% per annum[22]. One of the major foodservice sector analysts in the UK, Horizon, suggests that the restaurant sector has experienced steady growth since 2002, and shows no sign of faltering.

The growing popularity of eating out and increasing diversity of ethnic mix should serve to increase the number and range of restaurants operating in London and the UK.

One of the major growth areas in the foodservice sector for the future is the so-called fast casual or leisure dining segment. This segment falls between the typical quick service outlet and a restaurant. Current UK examples include la Tasca, Prezzo, Wagamama and Strada.

Although this segment of the market is small, it is predicted to be a major growth area over the next 10 years. In the United States, the global leader for foodservice trends, the fast casual dining segment is predicted to account for up to 50% of total foodservice sector growth to 2010.[23] In the UK, the fast casual segment is driven by consumer demand combined with relatively large volumes of private equity funding looking to develop and roll out large-scale casual dining brands.

[22] Institute of Grocery Distribution (IGD) 2004, UK Foodservice Market Overview
[23] McKinsey & Co, 2003, McKinsey Quarterly - Fast Food Fight

Growth in the foodservice sector can be linked to projected population increase and visitor numbers in London. Greater London's population is forecast to grow from 7.57 million in 2006 to 8.71 million in 2026, with the non-white population growing from 2.46 million to 3.42 million[24]. The GLA's Hotel Demand Study (2006) identifies that the total number of international tourists to London is expected to grow from 90 million in 2004 to 155 million by 2026. This equates to growth of around 3.2% per annum over the 2007-2016 period and slower growth of 1.7% per annum over the following decade.

Purchasing Behaviour and Trends

Purchasing behaviour in the foodservice sector varies widely and tends to depend on a range of factors including size of the business, ownership of the business, target market, and technical issues such as availability of storage facilities etc. Purchasing channels also vary widely often depending on the type of business and the nature of the products being purchased (chilled, frozen or fresh).

Quick service restaurants tend to rely on large delivered wholesalers (wholesalers that deliver products directly to their customers) with national distribution capability, such as Brakes or 3663, to supply all their restaurants with raw materials. Owner operated restaurants will often have a specific relationships with three to four specialist wholesalers to provide them with the meat, seafood, fruit and vegetables and dry goods they require.

Overall, more than 50% of foodservice supplies are provided by delivered wholesalers, contract distributors make up a further 16%, with retailers / others and cash and carry operators accounting for around 18% and 13% respectively[25].

For the restaurant sub-sector delivered wholesalers, including specialist catering suppliers, are the most important suppliers, with over 50% market share, followed by retail / others, with 21% share and cash and carry retailers with18% share[26].

Most foodservice operators require products to be delivered to their businesses on a daily basis (certain operators such as premium (white tablecloth) restaurants expect even more frequent deliveries with top-ups provided as needed during the day). Compared with retailers, deliveries to foodservice business are typified by low volume high frequency deliveries.

Due to the sector's preference for direct supply, a significant amount of products supplied by the wholesale markets to the foodservice sector are via specialist catering suppliers. In many cases these catering suppliers are businesses located within the wholesale market. This is particularly true for New Covent Garden Market where around 34% of the market's turnover is accounted for by catering distributors[27]. The number of dedicated catering distributors in markets such as New Spitalfields and Western International is much lower, however, interviews with market traders' associations suggest that this is a growing part

[24] GLA 2006 Round Ethnic Group Projections - RLP High
[25] Horizons FS Limited, 2005, Selected Extracts from Horizons Database data
[26] Horizons FS Limited, 2005, Selected Extracts from Horizons Database data
[27] Covent Garden Market Authority, 45th Report & Accounts 2005/2006.

of the market. Across all London markets there is a growing trend for wholesalers to develop delivery capacity to provide products directly to the foodservice sector.

Due to the preference for direct supply, the majority of products supplied by the wholesale markets to the foodservice sector are via specialist catering suppliers. In many cases the catering supplier businesses are located within the wholesale market. A number of wholesale market operators have also modified their business format and developed the capacity to deliver products directly to the foodservice sector.

While wholesale markets are able to supply a range of foodservice business types, there are a number of factors that currently limit their ability to service large size or chain foodservice businesses. Foodservice chains such as Pret a Manger, Ask, Eat, McDonald's, and KFC have generally adopted similar procurement practices to those used by the multiple retailers (centralised buying and distribution). To ensure their needs are met these chains typically work with large, delivered wholesalers to manage their raw material needs.

Product traceability, national distribution capability, product development support and professional account management are some of the key factors that the larger chains require from their suppliers. Many Institutional foodservice suppliers such as schools, hospitals and aged care facilities have also by-passed the markets and focus on delivered wholesalers to provide their raw material requirements.

Feedback from markets, particularly New Covent Garden, indicates that they are strongest in supplying catering distributors who are focussed on the restaurant and hotels sub-sectors. Feedback from other London markets suggests that the wholesale markets' current strengths are in servicing smaller businesses in the market – independent / family owned restaurants and quick service outlets etc.

Future Supplier Requirements

While the large chains currently tend to have a wider range of demands than other parts of the foodservice sector, the overall trend is towards suppliers providing a range of services in addition to the supply of physical products. Foodservice operators and in particular restaurants are likely to seek:

- A wide range of high quality, fresh products from responsive suppliers
- Increased quality assurance, food safety and traceability
- Products with layers of attributes, both tangible and intangible, i.e. size, quality and freshness as well as provenance, production methods etc.
- Increasing competitive pricing and levels of service (for example, deliveries, sourcing specific products, providing training, product knowledge and usage ideas)

- Increasing levels of value added products, particularly semi-prepared (mise en place[28]) products such as peeled, sliced and diced fruit and vegetables).

Opportunities for Wholesale Markets

The overall foodservice sector is expected to show continued growth. However, continued foodservice sector growth does not automatically imply growth for the wholesale markets. The fastest growing segments of the foodservice market, such as fast-casual dining, typically do not use the wholesale markets as a supply source.

Increasing innovation and enhanced service provision from existing and new businesses within the wholesale markets also provides opportunities for future growth and securing the wholesale markets' share of the foodservice sector.

Companies such as Chef's Connection and Prestige Primeurs from New Covent Garden Market have long established reputations for levels of service and product quality amongst top restaurants in London. Specialist niche suppliers such as Langridge Organics have also grown rapidly based on a reputation for supplying high quality organic fruit and vegetables to specialist foodservice outlets and schools etc. Innovative new companies such as the Pure Package, which supplies nutritionally balanced meals to busy London professionals, have also added to the growth by locating their businesses at the wholesale markets.

Increasing consumer awareness and preference for local / sustainable food is another key driver that provides opportunities for the wholesale markets. IGD research suggests that 70% of consumers want to buy local food and 49% want to buy more than they do at the moment.[29] Anecdotal evidence suggests that many foodservice chefs are equally interested in sourcing local products, not only to meet consumer demand, but also as a means of differentiating their product offering from other providers.

The wholesale markets are in a position to create efficient links between producers in the South East and South West counties and the large numbers of foodservice providers in London, again this is particularly true for New Covent Garden Market with its large concentration of catering distributors. Companies such as H&B Hawkes from New Covent Garden Market, have already started to capitalise on the increasing demand for local food by appointing specialist staff to source and sell local food products.

However, the wholesale markets are only one of a number of channels that provide inputs to the foodservice sector. While the wholesale markets have established themselves as key suppliers to date, there is likely to be intense competition for future sales into the foodservice sector.

In the past the large delivered wholesalers have focussed on serving large multi-outlet operators in the staff catering, chain restaurants and quick service segments. However,

[28] Mise en place is a French term, which refers to having the ingredients necessary for a dish prepared and ready to combine up to the point of cooking.
[29] IGD / IFE 2005, The Local and Regional Food Opportunity

as the foodservice sector matures and margins come under increasing pressure these wholesalers will increasingly target the smaller, high value operators in the market such as the premium restaurants. (Currently a key customer group for the wholesale markets and particularly New Covent Garden).

Consolidation in the foodservice sector and the growth of chain restaurants such as Wagamama and Est Est Est will also provide opportunities for the large delivered wholesalers. The professional management structures of the delivered wholesalers are well suited to working with centralised foodservice buyers to ensure traceability, product development and account management support as well as consistently meeting detailed product specifications. The service capabilities of delivered wholesalers will place traditional market wholesalers under increasing pressure unless they are able to develop similar services levels or find other ways to compete.

At the low-cost end of the foodservice sector, wholesale markets are likely to come under increasing pressure from the major multiples as well as discount stores such as Aldi. With a saturated consumer market, UK retailers are increasingly looking to all segments of the UK food market for growth.

Through highly competitive pricing, convenient locations and long opening hours, stores such as Aldi and Tesco have already established themselves as pseudo-wholesalers of dry goods to independent foodservice operators and retailers. There is potential for this offering to be extended to products typically sold in the wholesale markets - fruit, vegetables, meat and seafood.

The growth of specialist cash and carry wholesalers such as Metro and Makro provides similar challenges for the wholesale markets. Cash and carry stores' offer of one-stop shopping, convenient locations, low prices and high quality fresh food provide more choice for buyers and greater competition for the wholesale markets.

While many foodservice operators point out the differences between the retail and foodservice sectors, there is long-term potential for the major UK retailers to develop their own specialist foodservice supply businesses. Retailers' product knowledge and expertise in customer and supply chain management could allow them to become highly competitive foodservice suppliers. Any move by the major retailers into the foodservice supply sector would place additional pressure on the wholesale markets.

Summary

Although the foodservice market is growing, the wholesale markets share of that sector is by no means guaranteed. The potential for the wholesale markets to be squeezed out of the foodservice market, as they were from the retail market 15 - 20 years ago, remains a possibility.

While there are increasing numbers of innovative and forward-looking companies in the wholesale markets, such as Langridge Organics, Chefs Connection etc, London's wholesale markets are still dominated by traditional style wholesaling businesses.

To ensure the wholesale markets' share of the foodservice sector is maintained, market management and the market tenants will have to innovate and respond to the rapidly changing customer demands as well as the changing product / service offerings of competitor suppliers (delivered wholesalers, cash n carry operators and retailers etc).

4.4. Retailers

Sector Description

The retail market is the largest market for food and beverage (grocery) products in the UK. Since the 1970s supermarkets have developed rapidly and now dominate the UK grocery market. In 2005 supermarkets and superstores accounted for 73% of total grocery sales[30].

Supermarket formats have continued to grow and occupy all sectors of the UK market. These range from large out-of-centre hypermarkets selling grocery and non-grocery items to specialist mini-supermarkets located in the high street to capture the convenience trade.

Sector Segmentation

The UK retail sector is dominated by a small number of large chains (multiple supermarkets). The retail market segmentation is shown in more detail in **Table 4.4** below.

Table 4.4 Retail Market Segmentation

Sub-sector	*Description*	*Market share*
Supermarket & superstores	Supermarkets have a sales area of 300-2,500 sq.m while superstores or hypermarkets are often defined as having a sales area above 2,500 sq.m. Both outlets sell a broad range of mainly grocery items but also non-food household items. The major players are the big four: Tesco, Asda (Wal Mart), J Sainsbury and WM Morrison. Other large multiples include Somerfield, Waitrose and Iceland.	73%
Convenience	Typically defined as stores with sales area of less than 300 sq.m. Open for long hours and selling products from at least eight different grocery categories. Major players include: Nisa Today's, Costcutter, Londis, Spar, Tesco Metro and Sainsbury's Local.	20%
Traditional retailers	Typically have sales area of less than 300 sq.m and fulfilling traditional retail functions like grocers, butchers, bakeries off-licences etc.	7%
Alternative channels	For example: kiosks, fresh produce markets, post offices, doorstep delivery, vending machines, home-shopping.	NA

Source: IGD, UK Grocery Retailing

30 IGD, 2006, UK Grocery Retailing Factsheet

Overall Sector Growth

The overall UK grocery market has grown at an average of 4.2% per annum for the last five years. In 2006, the market was worth £124 billion, which represents a £27 billion increase over the £97 billion sales in 2000.[31]. The major growth drivers in the retail sector are displayed in **Table 4.5** below.

Table 4.5 Retail Sector Major Growth Drivers and Constraints/Threats

Drivers/Opportunities	*Constraints/Threats*
Expansion of the major multiples into new store formats – convenience, forecourts etc.	Overall slow growth in the UK population and overall demand for food and beverage.
Growing consumer awareness of health and interest in food as a lifestyle.	Increasing growth of foodservice and out of home food consumption.
Increasing demand for convenience products such as home meal replacement foods and snack style products. Innovation in food products and a shift to fresh and chilled food retailing.	Increasing public debate centred on food, incorporating safety, environmental, ethical, social and economic issues.
Consumers' increasing demands for value-added, luxury, ethical (i.e free range eggs, outdoor pork, dolphin friendly tuna), locally produced and ethnic food products.	

Future Growth Expectations

Based on IGD data, the overall retail market is expected to grow at an annual average of 2.9%[32] over the next five years. However, after adjusting for inflation, the IGD does not expect the overall grocery market to exhibit any significant growth.

Hypermarkets and convenience retailers are expected to show the fastest growth in the short to medium term.

The independent or specialist grocery sector has seen significant decreases in size over the last 45 years. In 1960, independent retailers (a retailer with a single store or chains with less than 10 stores) accounted for almost 60% of UK grocery sales. By 1980, this figure had declined to around 25% and by 2006 independent retailers accounted for just 7% of the UK's grocery market.[33]

[31] IGD, 2006, UK Grocery Retailing Factsheet
[32] IGD 2006, UK Grocery Retailing Factsheet
[33] IGD, 2004, Grocery Retailing 2004

Between 2000 and 2005 the number of specialist grocery stores in the UK declined by 7% from 40,300 to 37,500 stores.[34] Reports such as High Street Britain 2015[35] predict the demise of the independent retailer in the next 10 years.

However, there are also signs that the multiple supermarkets can only grow so much and that fragmenting consumer demands means that there will always be a opportunities for specialist / independent retailers in the market. The growth in specialist organic retailers such as Fresh n Wild and Wholefoods are two examples of this trend. The suppliers to these new retail formats are often distributors or wholesalers based at wholesale markets. For example, Langridge Organics from New Covent Garden is one of the key suppliers to London's independent organic retailers.

The continued presence of independent food retailers is likely to ensure an on-going level of demand for an efficient food distribution system such as the wholesale markets.

Purchasing Behaviour

Part of the success of the multiple supermarkets in the UK has been driven by their development of highly efficient supply chains. A typical supply chain is based on dedicated product suppliers and direct sourcing from producers. In many instances the supermarkets appoint selected suppliers, or category managers, to organise the purchasing of a particular range of products. Although retailers do not source products from the wholesale markets, the markets are used by suppliers or category managers as an outlet for products that are surplus to requirements or do not meet supermarket specifications.

The use of the wholesale markets as an outlet for excess or out-of-spec products varies according to product and supplier type. Feedback from large, efficient fruit producers in Southern England indicates that around 1-2% of their production may be sent to the wholesale markets due to excess volumes or product not meeting supermarket specifications. These producers also indicate that their need for the wholesale markets to balance supply and demand has decreased over recent years as they have developed better production management and sales forecasting systems. Less well-organised producers and large importers are likely to make greater use of the markets as a buffer between supply and multiple supermarket demand.

Convenience stores are also limited users of wholesale markets as a supply source. Many convenience stores belong to centralised buying groups, which purchase their products through specialist delivered wholesalers.

The key retail customers of the wholesale markets tend to be small independent retailers and street stall owners. In many parts of London these outlets are focussed on supplying the low-cost end of the market and are often dominated by traditional style ethnic retailers and street markets. These businesses will typically travel to the market a number of times per week to purchase and collect the products they need.

[34] Competition Commission, 2007, Groceries Market Investigation, Emerging Thinking
[35] House of Commons All Party Parliamentary Small Shops Group 2006, High Street Britain: 2015

In some situations, particularly for fruit and vegetables, the dynamic pricing available through the wholesale markets means the markets are able to sell products that are too mature or ripe for a typical supermarket specification. By selling competitively priced, ready to eat products wholesale markets, and the outlets they supply, are able to build on existing consumer perceptions that market fresh products are best.

The majority of retailers that use the markets as supply sources tend to use their own transport to collect the goods they require.

Supplier Requirements

For the majority of ethnic retailers and street markets price and quality are the key drivers and are likely to remain key issues into the future.

Opportunities for Wholesale Markets

Future opportunities for the wholesale markets to supply the retail sector should remain low. The majority of growth in the retail sector is expected to come from convenience stores and hypermarkets, both of which are dominated by the multiple supermarkets. However, niche opportunities should continue to exist for wholesalers supplying independent retailers, particularly in ethnic markets and for wholesalers that are able to provide specialist products to niche retailers.

Interview feedback from the wholesale markets traders' associations indicate that increasing numbers of BAME customers have been a major growth driver of the markets in recent years and particularly for Western International, Smithfield and New Spitalfields.

GLA Statistics which indicate that London's BAME population increased by from 2.1 mn in 2001 to over 2.4 mn in 2006 support the wholesale markets' observations of increasing BAME demand[36].

Anecdotal evidence also suggests that markets such as Western International and New Spitalfields have also experienced increasing numbers of BAME owned businesses operating in the markets over recent years.

London's growing BAME population should provide an ongoing and potentially growing customer base for the wholesale markets. Between 2006 and 2026, London's non-white population is expected to grow by over 950,000 people.

4.5. Other Wholesalers

Sector Description

The wholesale sector covers a wide range of businesses that act as middlemen between suppliers and retailers or foodservice operators. Wholesale markets are a specific type of wholesaler and are often referred to as primary wholesalers. A large part of the traditional market business has included selling to other wholesalers (secondary) wholesalers who then on-sell products to retailers, foodservice operators or even other (tertiary) wholesalers.

Sector Segmentation

Over the last 30 years there has been considerable consolidation in the other wholesaler category. An indication of this consolidation is demonstrated by the fact that in 1994 the 16 largest wholesalers accounted for 56% of total sector sales and by 2004 this figure had increased to 79%[37]. The sector now tends to be dominated by two main types of wholesalers:

- general grocery wholesalers, and
- specialist wholesalers.

General grocery wholesalers, can be further split into two groups - delivered wholesalers and cash and carry wholesalers.

Delivered wholesalers distribute grocery products to businesses all over the UK. Some delivered wholesalers focus on specific regional areas while others provide national coverage. Most are based on strategically placed depots or distribution hubs. Major companies include P & H McLane, Londis, Woodwards foodservice, Brakes and 3663.

Cash and carry wholesalers are businesses where customers have to visit the wholesaler, select the products they require, pay and leave. Many operate as supermarkets for businesses. Major companies include Booker, Bestway, Makro, Costco, Blakemore, Parfetts, Dhamecha, CJ Lang and TRS.

The second type of wholesalers are specialist wholesalers who sell fish, meat, fruit and vegetables. These focus on a specific range of products. For example, fresh fish, fruit and vegetables, meat and poultry. Some wholesalers also specialise in importing and redistributing goods from a specific country or region and others aim at luxury or rare items.

Sector Growth

The overall grocery wholesale market was valued at £16.8 billion in 2005[38]. The market has grown at an average rate of over 1.5% pa between 2000 and 2005[39]. The IGD suggests that the wholesale sector will continue to grow to reach sales of £18.4 billion by 2010. This figure would represent an average growth rate of 1.6% pa and is optimistic according to many wholesalers[40]

[36] GLA DMAG Briefing 2005/17 and GLA 2006 Round Ethnic Group Projections - RLP High
[37] Competition Commission, 2007, Groceries Market Investigation, Accompanying Paper - Wholesalers
[38] IGD 2006, UK Grocery Wholesale Market Overview
[39] IGD 2006, UK Grocery Wholesale Market Overview
[40] Competition Commission, 2007, Groceries Market Investigation, Accompanying Paper - Wholesalers

While the current forecasts show modest growth, the market has shrunk significantly over the last 30 years. In the past the large numbers of fragmented, independent retailers were major customers of general wholesalers. The growth of supermarkets with their own independent supply chains has meant that a large portion of the retail business has been taken from the general wholesalers.

Those wholesalers that remain today are limited to supplying the declining number of independent retailers and growing numbers of restaurants. The sector remains under pressure as its core customers (independent retailers) have declined. Data from the New Economics Foundation states that over the past 10 years the UK has lost nearly 30,000 independent food, beverage and tobacco retailers[41]. The major growth drivers and constraints / threats to the wholesale sector are displayed in **Table 4.6** below.

Future Growth Expectations

Even if the numbers of independent retailers stabilised, the market is likely to become increasingly competitive. Competition from the multiple supermarket sector and increasing demands from consumers are likely to continue to drive consolidation and rationalisation in the wholesale sector.

Purchasing Behaviour and Trends

The increased size and competition amongst wholesalers is leading to greater internal cost cutting and pressure on suppliers. Wholesalers are increasingly adopting multiple retailer tactics such as centralised buying, direct purchasing and tough price negotiations to remain competitive. Drivers and constraints are shown in **Table 4.6** below.

[41] New Economics Foundation 2005, Ghost Town Britain II, Death on the High Street

Table 4.6 Other Wholesalers Major Growth Drivers and Constraints

Drivers	*Constraints*
Increasing consolidation and mergers as existing companies attempt to increase profitability in a declining market.	Decreasing numbers of independent retailers.
Increased focus on foodservice to offset decreased retail business.	Continued strong price and range competition from multiple retailers on independent retailers
Increasing fragmentation of consumer needs and growth of alternative channels such organics, free-from (i.e. products which cater to specific consumer health needs such as wheat-free or nut-free products) and local food, provide opportunities to supply specialist niche markets.	Increasing competition from specialist catering wholesalers for share of the foodservice sector.
Wholesalers are increasingly adopting closer relationships with independent retailers to protect their customer base. e.g. Booker has recruited almost 2,000 store owners to its Premier fascia.	Increasing competition from supermarkets for share of the independent retail market.
	Increasing costs and time requirements to comply with changing food safety and hygiene regulations.
	The overall decline in the sector has created uncertainty and limited investment in new equipment and processes.

Future Supplier Requirements

Wholesalers will increasingly look for the following from their suppliers:

- Low cost / highly competitive pricing
- Delivery and provision of other value added services
- Traceability / quality assurance
- Unique / differentiated products

Opportunities for Wholesale Markets

Opportunities for wholesale markets in this sector are considered low. The limited growth potential for the segment effectively caps the size of future opportunities. Increased competition from other supply channels is likely to place continued pressure on the wholesale markets’ share of this segment. The challenge for wholesale markets is to continue to understand changes in the demands of the wholesale customers and to provide a better package of services and value than other supply channels such as purchasing direct or deliveries from suppliers.

4.6. Food Processors

Sector Description

Food processing is a large and diverse industry sector. At the most basic level are the companies that are involved in basic or primary processing of food, such as pasteurisation and packing of milk and harvesting and packing of fruit and vegetables. The industry is also made up of companies that produce a wide range of more elaborately processed and often branded products varying from bread to chocolate bars. In recent years the demand for convenience foods has created demand for processed foods ranging from packed salads to prepared chilled meals.

Sector Segmentation

The food and drink manufacturing industry accounts for 15% of the UK's total manufacturing sector. It buys around two-thirds of all the UK's agricultural produce. The total UK market for food, beverage and tobacco manufacturing includes 8,124 businesses has annual sales of £71 billion and employs 541,000 people. Exports in 2005 totalled £9.9 billion whilst total imports were £23.3 billion. The breakdown of the food processing industry is shown in **Table 4.7** below.

Table 4.7 Key Sub-sectors of the Food Processing Industry in the UK

Segment	*Businesses (number)*	*Sales (£m)*	*Employment (000)*
Meat Processing	1,248	11,123	124
Fish Processing	391	1,714	22
Fruit and Vegetables	617	3,729	35
TOTAL	**2,256**	**16,566**	**181**

Source: IGD 2004

Overall Sector Growth

The UK food-processing sector has undergone considerable consolidation and rationalisation in the past 10 years. Overall food consumption growth in the UK is slow and increasing competition from globalising markets has forced many of the larger food manufacturers to consolidate and rationalise their production. Growth in the sector has tended to come from innovative niche manufacturers that provide products for specific segments of the market. The major growth drivers and constraints are shown in **Table 4.8** below.

Table 4.8 Food Processing Major Growth Drivers and Constraints

Drivers	*Constraints*
Consolidation and rationalisation amongst the larger branded food manufacturers to achieve lower costs and greater efficiency.	Maturing UK consumer market with a massive choice of low cost and high quality processed and fresh food choices.
Consumers' demand for convenience foods and for foods with added nutritional benefits – cholesterol lowering fats etc. Increased demand for packaged and processed foods like prepared, frozen meals.	Strong retailer and consumer focus on price has put pressure on profits in the food-manufacturing sector.
Growing consumer interest in food as a fashion item has also driven growth in ethnic based and other innovative products.	Retailers' moves to own-label packaging has created some opportunities for low-cost manufacturers. However it has also placed huge pressure on branded food manufacturers.
Consumers' interests in health has prompted a large increase of supposedly healthier fresh and chilled products, as well as products that are free from salt, sugar, fat etc.	Increasing costs for inputs such as energy, labour etc.
The UK's fragmenting consumer base has provided opportunities for a range of niche food manufacturers.	
Foodservice market growth has provided an additional channel for food manufacturers.	

Geographic Distribution

Traditionally food processors have been located near a source of raw material supply or close to the consumer markets they serve. However, large-scale food processors are increasingly building factories where the combination of resources, labour and transport links to markets provides the lowest overall costs. In many cases this includes offshore production. Smaller niche manufacturers tend to be driven by the differentiators of their business, i.e. provenance, regional focus and the ability to be close to transport links to get their products to their markets.

Opportunities for Wholesale Markets

Opportunities for the wholesale markets from this sector are considered low. While there is a growing trend for wholesalers and catering suppliers to carry out pre-preparation of fruit and vegetables for restaurants (slicing, dicing etc) this is considered to be a foodservice opportunity rather than a food processing one.

The majority of existing food-processing businesses do not source large volumes of raw materials through wholesale markets. Although segments of the food-processing sector are growing, this growth is likely to provide limited opportunities for wholesale markets.

Cost pressures within the sector mean that direct supply from producers is the preferred supply chain. Food processing is also an increasingly demanding industry with manufacturers facing growing levels of government and consumer scrutiny. As well as low cost, processors increasingly require high levels of traceability, product development and service from their suppliers.

To supply food-processing companies successfully, wholesale market tenants would need to have a detailed understanding of customer needs and add considerable value to the supply chain.

4.7. Conclusion and Rationale for Composite Markets

Sector Trends Conclusion

The overall future prospects for the wholesale markets are limited. Three out of four key customer groups are unlikely to provide any growth opportunities for the markets and could easily decline over the next 20 years.

The multiple retail chains have largely superseded independent retailers and the secondary or tertiary wholesalers that supply them. While a number of independent retailers still exist in the market, any future growth is likely to come from a small number of high-value niche specialists, or from ethnic retailers largely servicing London's growing BAME communities.

The food-processing sector has typically been a small market for the wholesale markets. Increasing costs pressures in food manufacturing, along with improvements in transport efficiency and demand for traceability, means that they are unlikely to provide significant opportunities in the future.

The foodservice sector, with its continued positive growth, shows the greatest potential for the wholesale markets. The trend towards local food and decreasing food miles is a particularly strong opportunity for wholesale markets. However, the foodservice sector is also open to a range of other efficient suppliers varying from major supermarkets and specialist cash and carry operators to delivered foodservice wholesalers. In this environment maintaining the wholesale markets' current share of the foodservice business will be a challenge.

The development of the wholesale markets over the next 20 years will be dependent on a number of external factors. The responses of the individual and collective operators in the markets to these external factors will also be a major driver. Increased innovation, focus on growth customers and flexibility could see the wholesale markets consolidating their current position and creating a sizeable market niche. Failing to understand and respond to market needs could see the markets' continued decline. Even taking the most optimistic view of the future, it is highly unlikely that there will be a need for more markets to be developed or for a greater total area to be allocated to London's wholesale markets.

What is likely to be required is that existing markets will need the flexibility to change and evolve to ensure they meet changing customer requirements and remain competitive relative to other supply channels. To achieve this the markets need to be sited and structured to provide the maximum efficiency to the businesses operating in them and most importantly to the customers that use them.

Implications for Composite Markets

In considering London's wholesale markets this report starts from an economic standpoint. The wholesale markets have historically been protected. The markets dominated the supply chain from farmer to consumer, balanced supply and demand to set the price, acted as clearing houses for fluctuating supply and demand and thus were an important element of ensuring fair trade and safe public provision. The legislation that was relevant in the past now arguably prevents the wholesale markets changing in response to market trends and thus causes rather than corrects market failure.

The 'economic ideal' for wholesale markets, as for other commercial activities, is that the free market dictates an optimal location, minimal costs and maximum efficiency. It can certainly be argued that the wholesale markets still have public benefits and are therefore worthy of public subsidy. For example, the wholesale markets are an important supply link for SMEs and especially for ethnic groups (see appraisal sections below). They also often play an incubator role – there was anecdotal evidence in London's wholesale markets of operators who had started out on a small scale at the market and eventually grown sufficiently to move out of the market and supply directly to the customer. While these public benefits are valid, recent decades have demonstrated that the wholesale markets in London must be commercially viable in their own right if they are to survive and grow.

Market and operational trends have in other parts of the world led to diversification and the development of composite markets and this route is one potential option for London's markets. Saphir (2002) argued that in order to maintain and upgrade the services provided, the markets needed to operate from a limited number of sites and as composite markets – that is, all perishable food products and related services should be available on one site.

One of the more widely cited models of a successful composite market is Rungis market in Paris. Rungis serves 18 million European consumers including 12 million within a radius of 150 km around Paris[42]. Rungis also acts as a distribution hub for other wholesale markets around France. Around 1.5 million tonnes of food pass through Rungis each year and the total market turnover is estimated to be 7.1 billion euro or almost £4.8 billion. The Rungis market occupies a 232 ha site and is a series of smaller markets side by side. As for most composite markets, the model is one of synergy and specialisation (health and safety standards, as well as practical issues, require physical separation). Rungis sells seasonal and regional produce, drawing customers through the high quality of its produce in contrast to most of London's markets where low price is a key offer. The Rungis customer base includes independent retailers and caterers but also supermarkets and hypermarkets.

In France and other parts of the world where composite markets operate, the major beneficiaries of the composite format are regarded to be foodservice suppliers. In London, the small foodservice operators that currently purchase their raw materials from

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[42] Rungis Website 2007, www.rungisinternational.com

the markets on a cash and carry basis would clearly benefit from a composite market. A single site market would allow these companies to visit one site only to collect all their fresh food requirements, as opposed to travelling to different markets on the same day or scheduling alternate days to visit markets.

A composite market would form an effective competitor to the cash and carry warehouse model operated by companies such as Germany's Metro and the Dutch Makro group, due to the wide variety of food offered and the single site location. Foodservice distributors based in wholesale markets would benefit from synergies and efficiencies that have developed between traditional fruit and vegetable wholesalers and foodservice distributors at markets like New Covent Garden. These could be expanded to cover meat and fish / seafood products as well. A composite market would effectively provide foodservice distributors with ready access to a large, dynamic range of products. The composite market would also attract other foodservice distributors, which would expand the customer base for the wholesalers in the market.

While foodservice companies are generally acknowledged as the major beneficiaries of composite markets, all customers would benefit from more competitive and dynamic markets. There are also a number of benefits to market traders and management from having composite markets. New Covent Garden is already promoting itself as the 'larder of London'. A full composite market would allow New Covent Garden and any other composite markets to promote themselves as one-stop food supply sources.

The composite market structure would also facilitate development of food hubs or clusters where a range of related businesses such as laundry, refrigeration, food processing and restaurants were attracted to the site, possibly together with trading and business support services. Rungis in Paris is well known for its restaurants, which leverage off the wide range of fresh produce available on site. Composite markets could also decrease the number of customer trips to markets and supplier trips to customers and therefore lower pollution emissions and traffic congestion.

One of the fundamental challenges to setting up composite markets in London is ensuring that a competitive environment is created in all product categories offered by the market. Brand name retailers or cash and carry wholesalers such as Tesco and Metro rely on efficient supply chains and huge purchasing power to guarantee low prices to their customers. Wholesale markets rely on large numbers of traders of the same product to provide their customers with the assurance of a competitive market and therefore competitive prices. To be successful, composite markets would require a critical mass of traders in each product category. Tenants in the Billingsgate and Smithfield markets have real concerns that if they were split into various composite markets across London there would be insufficient meat or seafood traders in each market to create a truly competitive environment.

Development of composite markets in London would require significant legal, planning, logistical and financial issues to be overcome. Development would require support for the changes amongst tenants in each of the markets. A survey by a 2004 World Union of Wholesale Markets found the majority of wholesalers to be in favour of diversification. Feedback from the interviews conducted as part of this project also suggested that the fruit and vegetable focussed markets at least were generally in favour of developing composite markets.

This study considers the opportunities presented by diversification and composite markets as part of the appraisal of options for the future of London's wholesale markets. London's markets are unique in terms of their planning framework and historical evolution. The benefits of consolidation must be balanced against political, cost and time factors and other issues which arise in the London context.

5. DEMAND PROJECTIONS

5.1. Overview

This section projects future turnover of London's five principal wholesale markets to 2026. The analysis draws upon:

- Historic data on turnover at the wholesale markets
- Projections of expenditure in the independent retail and foodservice sectors prepared by Experian Business Services
- Our review of sector trends in the previous section.

Projections are prepared by aggregating demand from the following sectors:

- Catering
- Retail
- Wholesale
- Processors
- Other (e.g. flowers).

Wholesalers and processors market sector expenditure figures are not directly available and are estimated via forecasts of retail and catering market sector expenditure.

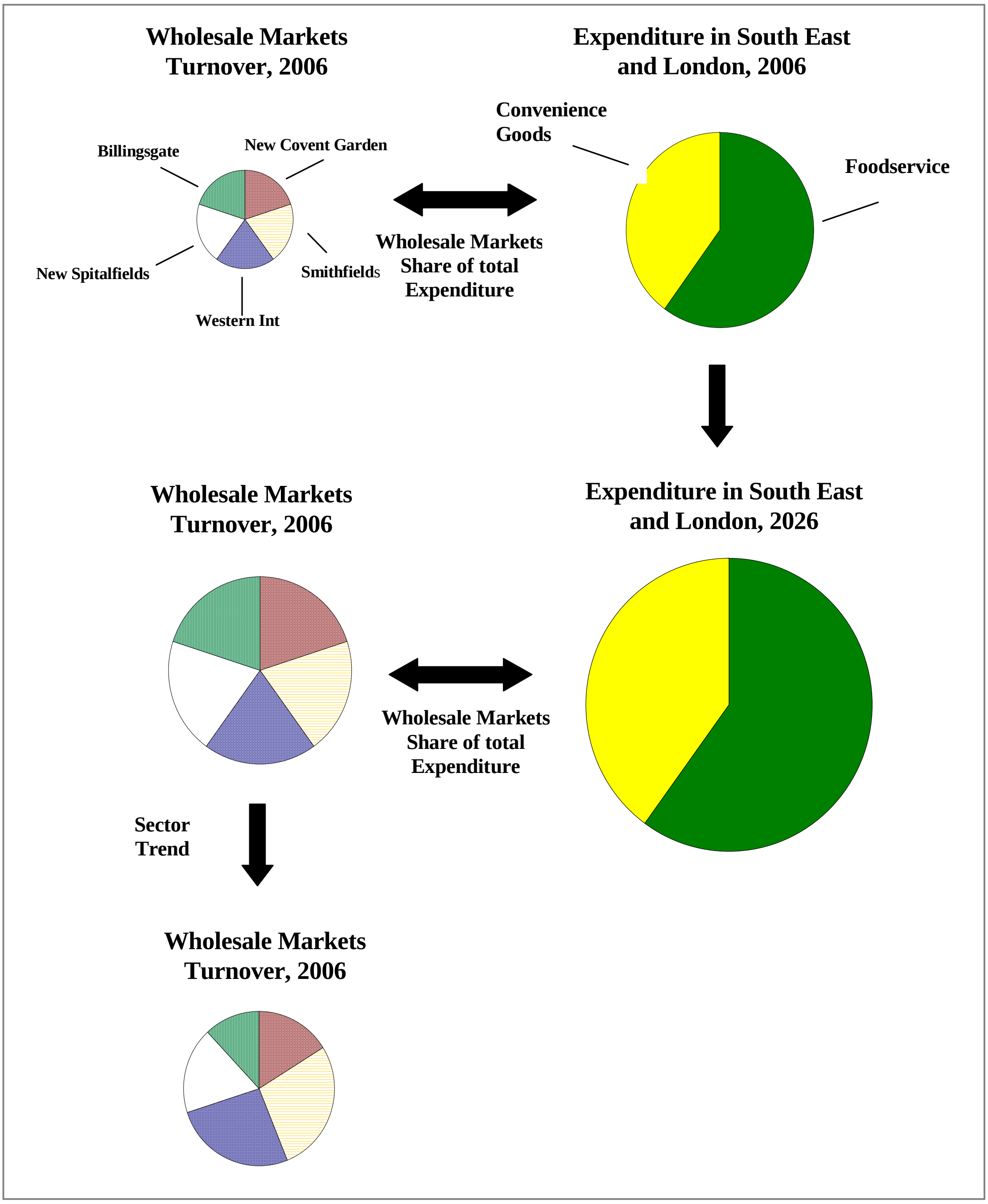
5.2. Projections Methodology

Our approach to projecting future turnover at each London wholesale market is based on a framework drawing on expenditure forecasts, catchment areas and sector analysis.

We look at projections of total expenditure in London and the South East for the convenience goods and the leisure services sector. We estimate the catchment area and market share of the wholesale markets for each of these sectors based on the London Wholesale Markets Freight Study, TfL, 2007 (see Section 5.5).

The convenience and foodservice expenditure projections are broken down further to those products that are sold at the wholesale markets in 2006. The estimated turnover of each wholesale market in 2006 is then compared with the expenditure in each wholesale market's catchment area to derive a total market share for each wholesale market. The wholesale market's share of its catchment area is then projected forward to 2026 as a percentage of the total expenditure forecasts for 2026 to derive the future estimated turnover. The process is graphically represented in **Figure 5.1**.

Figure 5.1 Projections Methodology: Flow Diagram



Source: URS 2007

The expenditure projections are established using Experian's consumer spending projections, as outlined in their Retail Planner 3.0. They are based on 2006 prices and exclude inflation. They are adjusted according to the GLA's 2005 Round of Demographic

Projections - Scenario 8.07[43]. Each wholesale market's share of expenditure in its catchment area in 2006 is then applied every five years until 2026 to establish future turnover.

The exercise gives a linear projection of the baseline turnover for each market. This baseline projection is then adjusted according to the drivers and constraints affecting the wholesale markets outlined in Section 4, providing a sensitivity test of the baseline. The three scenarios are shown in Section 5.6.

All the projections have been prepared based upon limited information (particularly lack of reliable historic and even current trading data). They should thus be treated as indicative and illustrative of the impacts of likely trends. They are not intended to form the basis of detailed business planning but rather are a way of illustrating broad strategic impacts and issues.

5.3. Historic Turnover

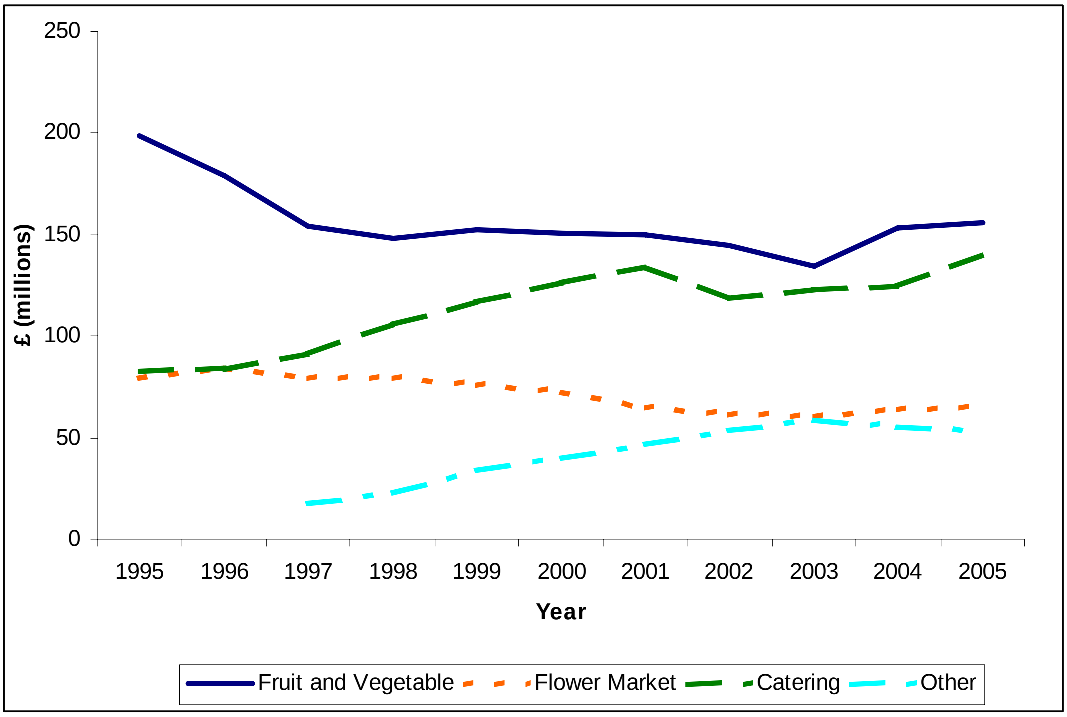
This section presents information on historic turnover, which feeds into the projections. The lack of historic data on market turnover makes comparison and analysis between markets difficult. It appears that across the London wholesale markets, turnover has risen slightly in recent years, after a period of decline. This is largely due to the growth in the foodservice market. The historic turnover figures in this section are inflation adjusted.

New Covent Garden

In the Saphir London Wholesale Market Review[44] turnover for New Covent Garden is shown to have declined from £405 million in 1991 to £391m in 2000. Since 2000 turnover has grown from £391m to £415m in 2005[45]. However an individual sector breakdown of this turnover, as shown in **Figure 5.1**, demonstrates that both the foodservice (or 'catering distribution') and other sectors[46] have continued to grow.

[43] These have since been updated with revised projections: Round of Demographic Projections, Review of the London Plan (RLP) high, DMAG (2006)
[44] Review of London Wholesale Markets, Saphir 2002
[45] Covent Garden Market Authority, Accounts 2004/05
[46] The Covent Garden Market Authority divides market activity into Fruit and Vegetable Market, Flower Market, Catering Distribution (Foodservice) and Other (Ice, Lobsters)

Figure 5.1 New Covent Garden Market Turnover by Sector (£m)



Source: CGMA, Accounts 04/05

New Spitalfields Market

New Spitalfields tenants are not required to supply turnover or tonnage to the City of London. Previous estimates of turnover as used within the London Wholesale Markets Review[47] are:

- 1991 - £350 million
- 1999 - £400 million

The turnover of £400 million is used in the projections.

Western International

No values for turnover in tonnage or value have been provided by Western International. Consultation with Western International and the tenants association suggests that turnover has risen from the 1999 value of £300 million to approximately £350 million in 2006. This estimate has been adopted in the projections.

Smithfield

[47] Review of London Wholesale Markets, Saphir 2002

Smithfield market is not required to provide turnover values and therefore the estimate of £300 million as used in the Saphir London Wholesale Markets Review has been adopted. Consultation with the City of London has identified that turnover in tonnes has remained relatively constant over the last 10 years. Meat and poultry annual average throughput is 106,389 tonnes[48].

Billingsgate

Turnover in tonnes in the past five years has remained constant at 20,281 tonnes in 2001 and 20,212 tonnes in 2005. The London Wholesale Markets Review value of £230 million is used in the projections for the present study.

Summary

The total estimated turnover for the five markets is £1,695 million for forecasting purposes in 2006. This is split as follows:

- New Covent Garden - £415 million
- New Spitalfields Market - £400 million
- Western International - £350 million
- Smithfield - £300 million
- Billingsgate - £230 million

This could be an under-estimate as not all the estimates of turnover cover possible recent growth in turnover arising from growth in the foodservice sector.

5.4. Retail and Restaurant Expenditure

This section presents forecasts of growth in the independent retail and restaurant and related sectors. This information informs projections of wholesale market turnover.

Consumer Expenditure

Experian's Retail Planner forecasts of consumer expenditure have been used to measure how convenience goods spend and leisure spend (restaurants and cafes) is expected to change. These forecasts use Experian's latest consumer spending projections (June 2006) and have been modified to take account of population forecasts from the GLA's 2005 Round of Demographic Projections - Scenario 8.07[49]. Experian's Retail Planner[50] uses a model of disaggregated consumer spending. This takes a number of macro-economic forecasts (chiefly consumer spending, incomes and inflation) and uses these to forecast disaggregated consumer spending in terms of volume, price and value.

[48] City of London, Wholesale Department.

[49] These have since been updated with revised projections: Round OF Demographic Projections, Review of the London Plan (RLP) high, DMAG (2006)

The estimates and forecasts of spend are real value (excluding inflation) at 2004 prices and include VAT.

Estimates of consumer spending on retail items are taken from estimates of household spending in the ONS publication Consumer Trends (June 2005)[51]. This breaks total household spending down by category according to the internationally recognised COICOPS (Classification of Individual Consumption by Purpose). This is consistent with the definitions used in the ONS National Accounts (Blue Book) publication. Note that these estimates are based on surveys of consumers and are not the same as the ONS estimates of retail sales, which are based on surveys of businesses. Estimates of spending on leisure services are based on the same sources and methods as the estimates of spending on retail goods.

A detailed forecast methodology and the forecast results are contained within **Appendix E**.

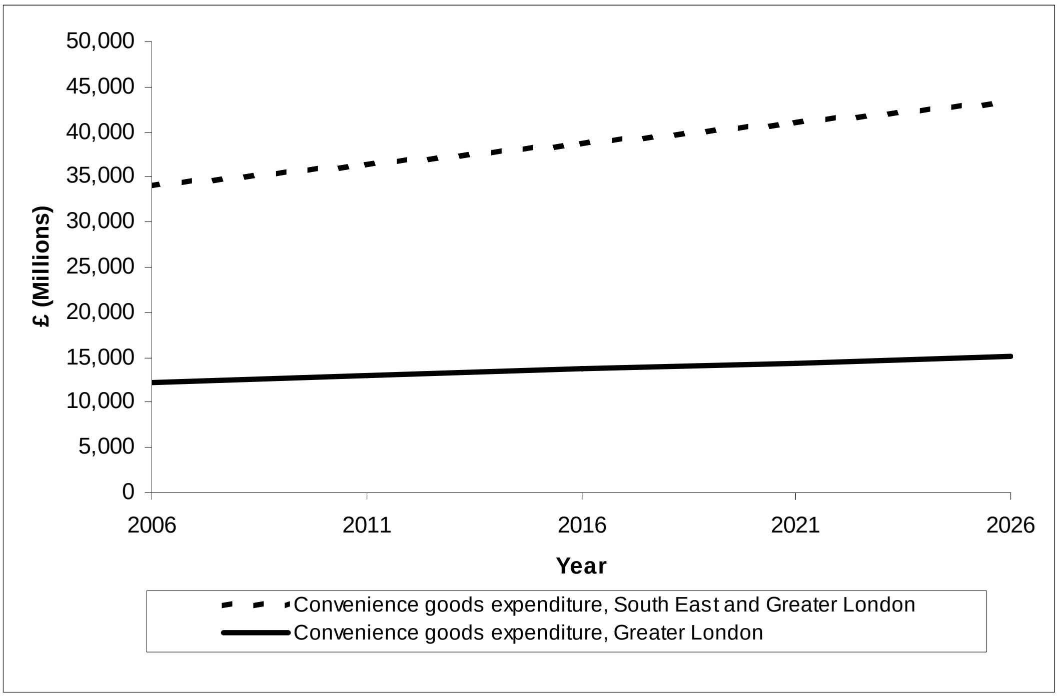
Convenience Goods

Convenience goods cover low-cost, everyday items for which consumers are unlikely to travel far to make purchases. Expenditure on convenience goods has been disaggregated to identify convenience expenditure on fresh food. The breakdown is based on Experian data and is assumed to remain constant over the forecast period.

Forecast total convenience good expenditure between 2006 and 2026 is shown in **Table 5.1.**

[50] Retail Planner, Experian, 2006
[51] The ONS Consumer Trends publication is now available for the fourth quarter of 2006.

Table 5.1 Projected Convenience Goods Expenditure in London to 2026 (2006 prices)



Source: URS Analysis and Experian, 2007

Total retail convenience expenditure is expected to grow over the period as a result of population growth. Retail expenditure between 2006 and 2026 is forecast to grow by 26.0% in the South East (including London) or 1.2% annually and 23.5% in London or 1.1% annually.

Historic data for convenience goods expenditure is limited, but the GLA Convenience Goods Floorspace Study[52] indicated that total expenditure on convenience goods in London is forecast to grow by 2.0% between 2001 and 2016. The historic growth rate between 1991 and 2001 was 1.2%. The GLA Convenience Goods Floorspace Study was produced in 2005 using Experian forecasts. These have since been updated.

Forecast change and historic annual change in convenience good expenditure is greater than the 1.1% growth in London, but this is due to the Experian forecasts incorporating cyclical changes and other macro economic indicators (refer to **Appendix E**).

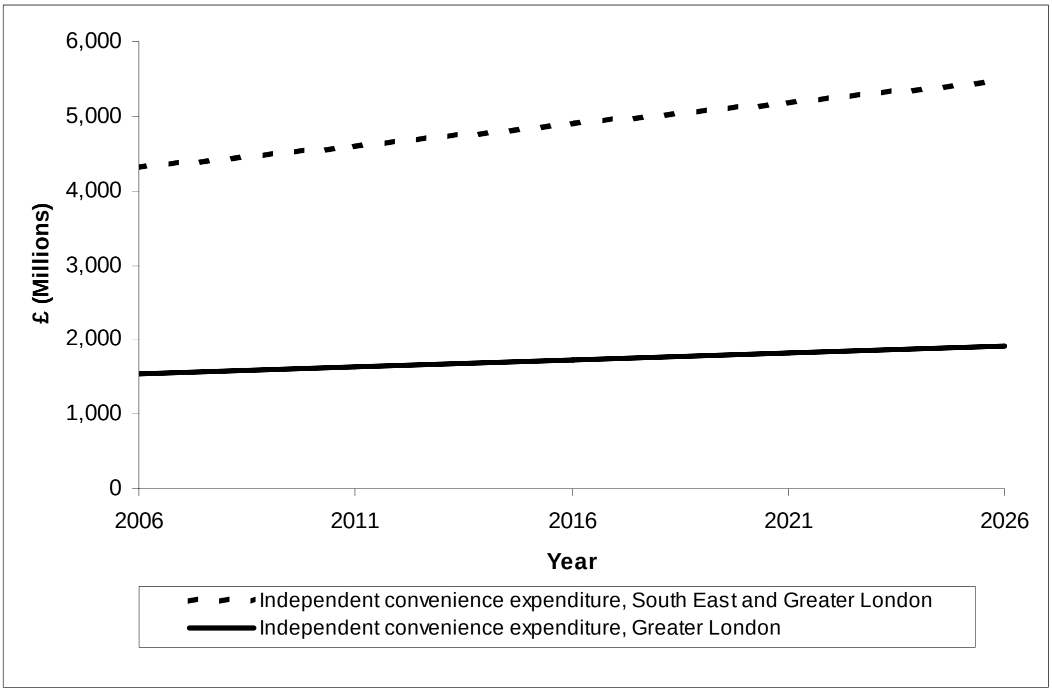
[52]London Town Centre Assessment, Convenience Goods Floorspace Need, May 2005.

Independent Retailers

Experian have separated out forecast independent retailer turnover from turnover for all convenience goods. They estimate that 12% of convenience expenditure in London is spent at identified independent retailers and additionally 1% of expenditure is spent at independent retailers not recorded by their convenience store database.

Experian data shows that independent retail expenditure totalled £4.3 billion in 2006. Experian forecasts for independent convenience goods are not available and therefore the Experian growth forecasts for all convenience goods (1.1%) is applied to independent convenience goods. However, the historic decline in independent retailers and loss of market share to supermarkets and other multiple convenience stores is reflected through the adjustment for sector trends described in Section 5.6. Forecasts are shown in **Figure 5.2** below.

Figure 5.2 Projected Independent Retailer Trade Expenditure in London to 2026 (2006 prices)



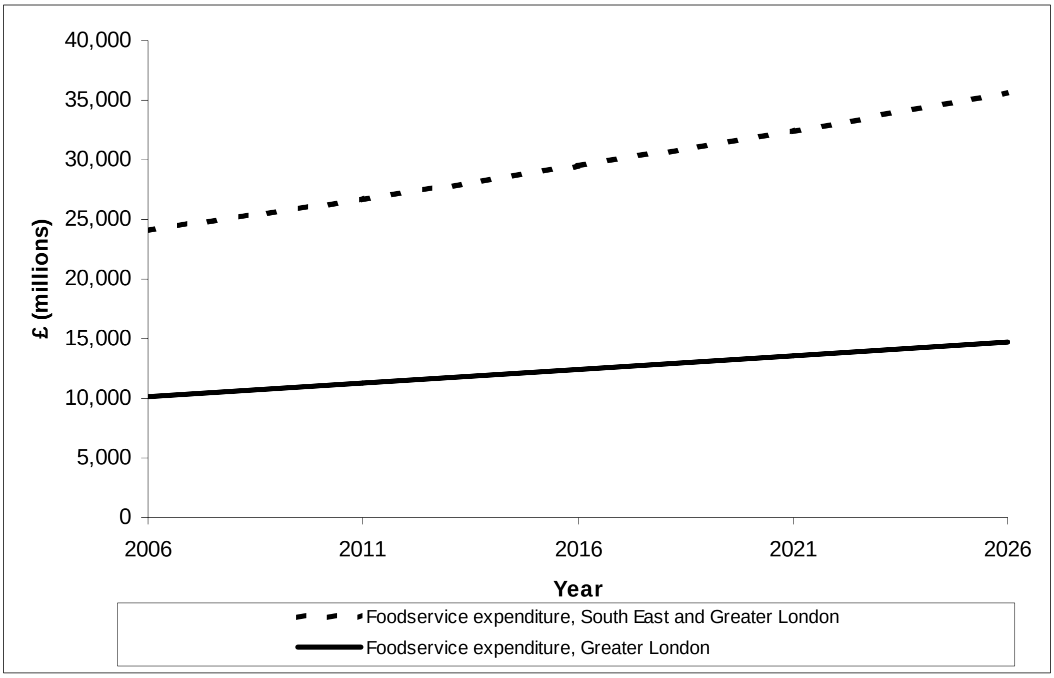
Source: URS Analysis and Experian, 2007

Because the growth rate for all convenience goods is applied to independent convenience goods, forecast growth shown in **Figure 5.2** is the same as that shown in **Figure 5.1**. Total independent retail expenditure is forecast to grow over the period as a result of population growth. Independent retail expenditure between 2006 and 2026 is forecast to grow by 26% in the South East (including London) or 1.2% annually and 23.5% in London or 1.1% annually.

Restaurants, Cafés, Bars and Quick Service

Experian forecasts show that the foodservice sector (comprising restaurants, cafes, bars and quick service) was worth £24 billion in 2006. Projected growth is shown in **Figure 5.3** below.

Figure 5.3 Projected Foodservice Expenditure in London to 2026 (2006 prices)



Source: URS Analysis and Experian, 2007

Foodservice expenditure is forecast to grow by 48% or 2.0% per annum nationally and by 45% or 1.9% per annum in London between 2006 and 2026.

The tourism industry will have a significant bearing on future growth in the foodservice sector and to a lesser degree in the convenience goods sector. While specific data on foodservice by foreign visitors is unavailable, the GLA's Hotel Demand Study (2006) identifies that the total number of international tourists to London is expected to grow from 90 million in 2004 to 155 million by 2026. This equates to growth of around 3.2% per annum over the 2007-2016 period and slower growth of 1.7% per annum over the following decade. This will increase the demand on the foodservice sector and particularly within central London. New Covent Garden, Billingsgate and Smithfield are likely to benefit the most due to their locational advantage and strong association with the foodservice sector.

Summary

The convenience and foodservice projections use the forecast growth rates provided by Experian, incorporating population forecasts from the GLA. The resultant average annual growth rates are:

- Foodservice - 2.0% in the South East (including London) and 1.9% in London
- Independent Convenience - 1.2% in the South East (including London) and 1.1% in London. This mirrors the growth rate for all convenience retail in the absence of separate growth rates for independent retailers. However, this growth rate is adjusted downwards to reflect current sector trends when the scenarios for forecasting are formulated (see Section 5.6).

In summary, the expenditure forecast growth rate in the South East and London is the greatest in the foodservice sector with the convenience and independent retailer sectors growing at a slower rate. While it is not possible to obtain separate growth rates for the convenience and independent expenditure the analysis in Section 5.6 acknowledges that the expenditure growth at independent retailers is assumed to be lower than that of the convenience goods market.

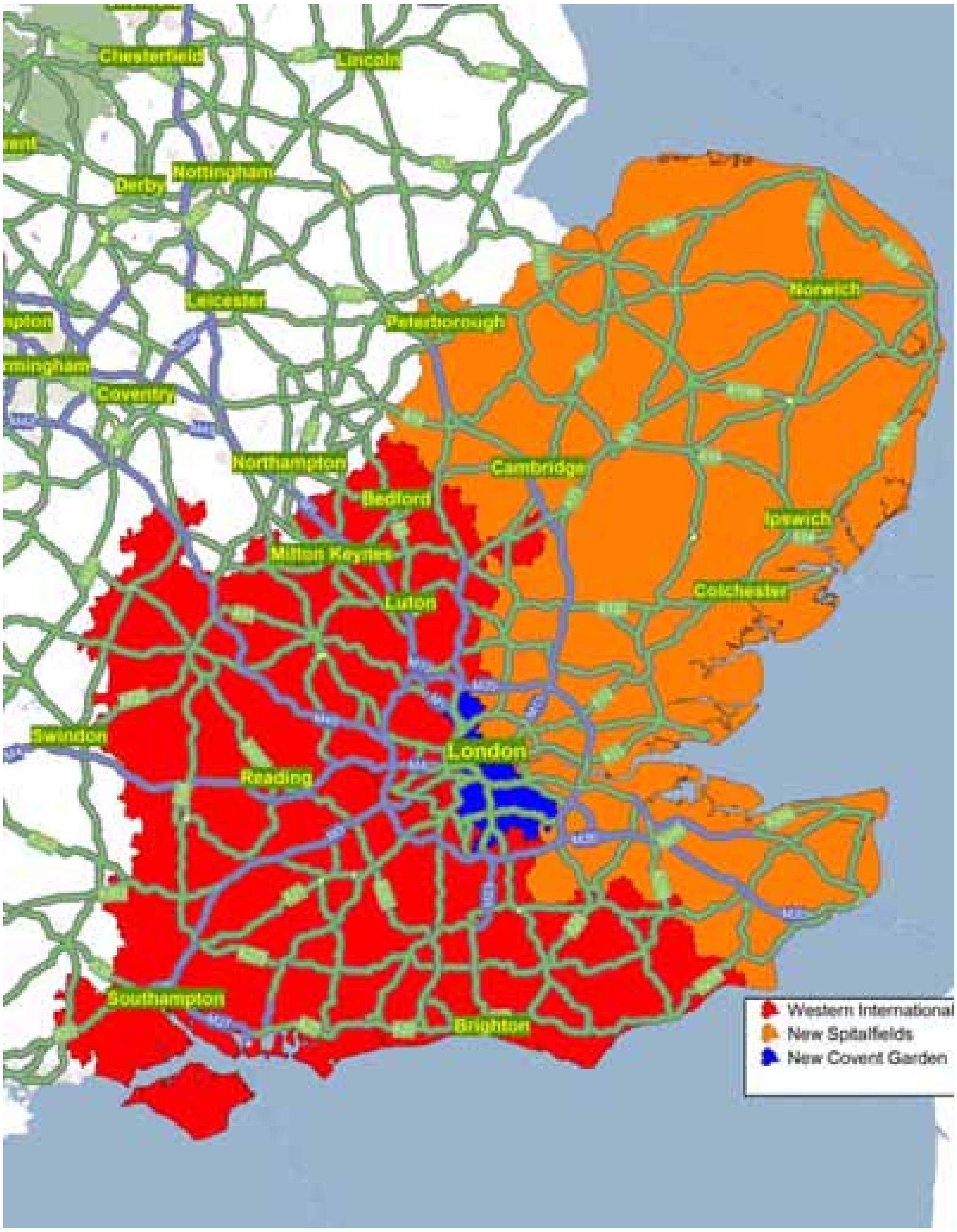
The projected expenditure rates inform our projections of future wholesale markets turnovers, with each wholesale market being assigned a catchment area.

5.5. Wholesale Market Catchment and Market Share

Expenditure projections for purchases of wholesale goods have been produced for each local authority in Greater London, the South East and the East of England. The spend projections have then been aggregated according to areas that represent the source of demand for the wholesale markets in London. Each local authority area is allocated to a wholesale market based on which is closest according to drive time estimates, consultation with tenants and the London Wholesale Markets Freight Study (TfL, 2007). Catchment areas are shown in **Figure 5.4** below.

Assigning a catchment area to each wholesale market provides greater accuracy in projecting the future turnover of each wholesale market by creating a defined market share. The detailed geographical pattern of customer and supplier density is shown in **Figure 8.3** and **Figure 8.4**. While it is an over-simplication to divide the market areas as in **Figure 5.4** below, **Figure 8.3** and **Figure 8.4** indicate that overall expenditure is focused on the South East. In this respect the findings of the TfL Freight Study are in line with Figure 5.4.

Figure 5.4 Broad Wholesale Market Catchment Areas in London and the South East



Source: URS, 2007

Individual wholesale market turnover has been obtained for 2006 through public accounts (New Covent Garden) and consultation with owners and tenants and the Wholesale Market Review[53] (all others) (see Section 5.2 above). The turnover in 2006 for each market is divided according to the customer type (retail, foodservice, processors, wholesalers and other), using analysis in the pre-mentioned reports and consultation with tenants and their respected associations. These values form the base case to establish turnover as a percentage of total expenditure within the catchment areas in 2006.

The London Wholesale Market Review[54] identified that the five wholesale markets account for 21% of total expenditure on independent convenience and foodservice goods in London and South East. In the absence of more up-to-date turnover information, this 21% market share has been applied to each local authority in London and the South East.

The total expenditure in each wholesale market catchment area is compared to the individual market turnover in that customer sector. The wholesale market turnover equates to a market share of the total expenditure in that authority. We have assumed that one local authority area and its expenditure can be attributed to the catchment area of only one of New Spitalfields, Western International or New Covent Garden as these are the primary markets for fruit and vegetables. Billingsgate and Smithfields primarily provide meat and fish and therefore their catchments overlap and all the local authorities are placed within the catchment area of Billingsgate and Smithfields as there is no competition from other wholesale markets.

In estimating the market share and expenditure for the food processing sector the growth projection for the foodservice sector was applied. This is due to both sectors operating in a shared market for their output with comparable characteristics. Other wholesale activity is expected to grow at a rate equal to an average of foodservice and retail as both markets will be served by these sectors. Growth in the flower sector is based on projecting current demand forward using the New Covent Garden accounts. The flower market turnover is expected to continue to decrease until 2016, after which it begins to level off. The historical trend in the flower sector is shown in **Figure 5.1**.

5.6. Impact of Sector Trends

The market share of the wholesale markets is initially assumed to remain constant in order to forecast future turnover as a percentage of forecast expenditure in 2011, 2016, 2021 and 2026.

The market share of each wholesale market is adjusted in light of the market drivers and constraints outlined in Section 4 for each of the different sectors. This gives a future turnover estimate based upon qualitative data achieved through consultation and research.

[53] Review of London Wholesale Markets, Saphir 2002.
[54] Review of London Wholesale Markets, Saphir 2002, Appendix 4.

The sensitivity testing shows the likely impact of changes to the expected market share for each wholesale market, based upon the qualitative sector analysis. The impact has been forecast in terms of changes in market turnover. The scenarios are referred to as ‘optimistic’, ‘neutral’ and ‘pessimistic’. These names represent an indicative expectation for the projected change in market growth.

Table 5.1 provides the different annual average growth assumptions under each of the scenarios based upon the information provided in **Section 4**.

Table 5.1 Annual Average Market Growth Sensitivity Testing Assumptions

	Per Annum Percentage Deviation in Wholesale Markets Growth Rate from Sector Projections				
Scenario	*Foodservice*	*Retail*	*Processors*	*Wholesalers*	*Others*
Optimistic	-1.00%	-1.00%	-1.00%	-1.00%	-2%
Neutral	-4.00%	-2.50%	-4.00%	-3.30%	-3%
Pessimistic	-6.50%	-5.00%	-6.50%	-5.80%	-4%

Source: URS/Promar Analysis

It is assumed that there is decline in market share under all the scenarios, but the degree to which market share declines varies. The varying decline in market share is based on the constraints and drivers laid out in Section 4 and how the markets react to these. The assumptions reflect the likely continued reduction in market share of independent retailers.

Expenditure is forecast to grow in all sectors, due in part to the GLA population forecasts and higher aggregate demand and expenditure. This partially offsets the decline in market share.

The figures in **Table 5.1** are considered in the context of the wider market for each sector, with the assumption that alternative routes along the supply chain and therefore competition exists. In this context we believe the wholesale market share of the total market will decrease, but the degree to which the wholesale markets adapt and innovate will have a significant impact on their turnover.

The optimistic scenario assumes that the wholesale markets will adapt and respond to the changing market environment and therefore limit any loss in market share. The pessimistic scenario assumes that the markets will not be good at adapting to changing market requirements or opportunities and as a result lose market share to their competitors. The neutral scenario assumes that market activities will continue as they are currently.

5.7. Forecast Results

Optimistic Scenario

In the optimistic scenario it is assumed that the wholesale market share of the total foodservice and convenience sectors markets will decline, but at a slow rate. The decline will be a consequence of growth in supermarkets and fast-casual dining for which wholesale markets are not the primary market for purchasing goods. However, wholesale markets will continue to adapt to the market and new opportunities in order to limit this loss. This will include ensuring that the wholesale market provides a unique service, by offering traceability, specialisation and strengthening a relationship with the client to understand their needs. The growth assumptions under the optimistic scenario are:

- Wholesale market share of the foodservice market declines at 1% per annum
- Wholesale market share of the retail market declines at 1% per annum
- Wholesale market share of the processors market declines at 1% per annum
- Wholesale market share of the wholesalers market declines at 1% per annum
- Wholesale market share of the others market declines at 2% per annum

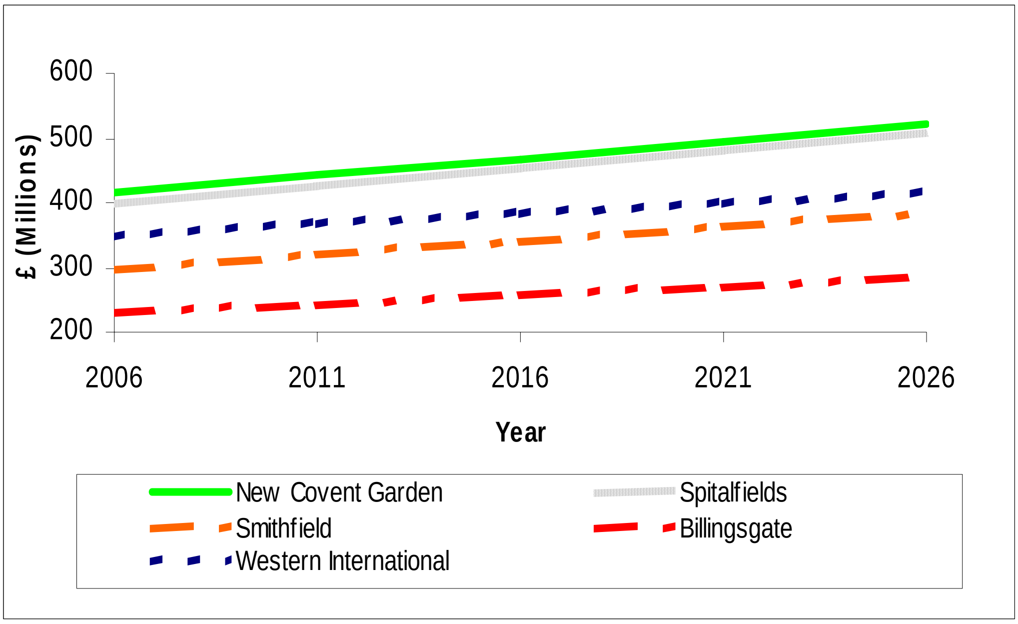
Table 5.2 and **Figure 5.5** provide the turnover forecasts for each market and total based upon the optimistic assumptions for market share. Total turnover is expected to grow from around £1.7 billion in 2006 to £2.1 billion in 2026.

Table 5.2 Optimistic Scenario Turnover Forecast (£ million, 2004 prices)

Optimistic	*2006*	*2011*	*2016*	*2021*	*2026*
New Covent Garden	415	442	468	495	521
Spitalfields	400	427	455	482	510
Smithfield	300	321	343	364	385
Billingsgate	230	244	258	272	286
Western International	350	367	384	401	416
Total Turnover	**1,695**	**1,801**	**1,908**	**2,014**	**2,119**

Source: URS/Promar Analysis

Figure 5.5 Optimistic Scenario Projected Market Turnover



Source: URS Analysis, 2007

Both the table and figure illustrate that under the optimistic scenario all the wholesale markets see a continued growth in turnover. The total turnover of all the markets is forecast to grow by 25% between 2006 and 2026 or 1.3% annually.

Neutral Scenario

In the neutral scenario it is assumed the wholesale markets' share of the total market for foodservice and convenience sectors will decline at rate reflecting some degree of adaptation to market forces. The continued decline in the wholesale market share reflects the wider demise of the small independent retailer and the growth in non-wholesale supply to foodservice businesses. The growth assumptions under the neutral scenario are:

- Wholesale market share of the foodservice market declines at 4% per annum
- Wholesale market share of the retail market declines at 2.5% per annum
- Wholesale market share of the processors market declines at 4% per annum
- Wholesale market share of the wholesalers market declines at 3.3% per annum
- Wholesale market share of the others market declines at 3% per annum

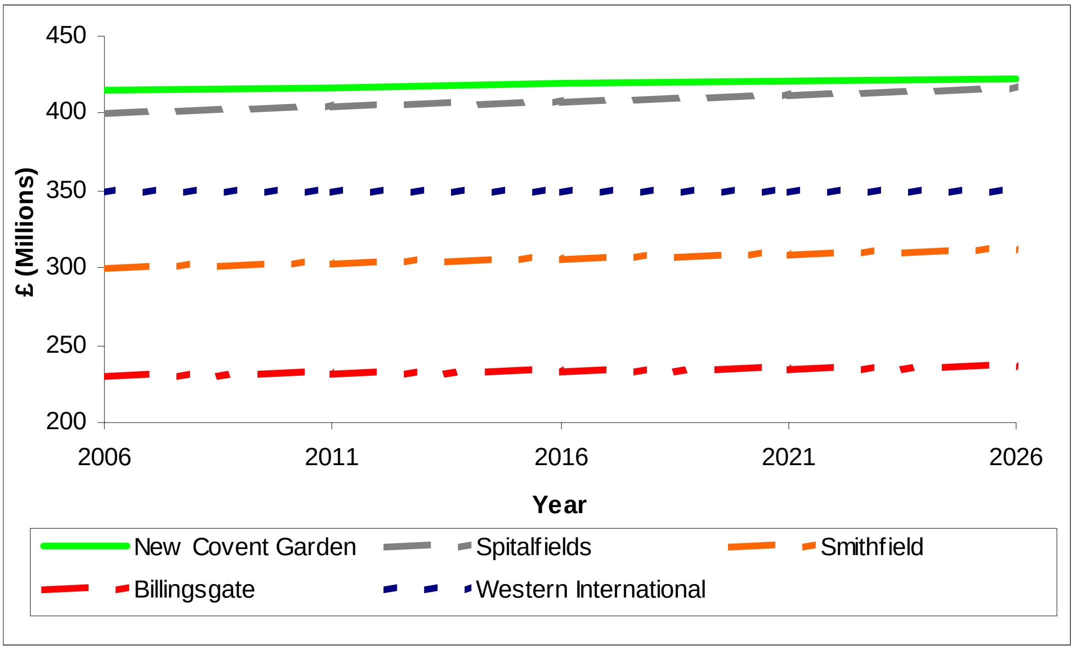
Table 5.3 and **Figure 5.6** provide the turnover forecasts for each market and total based upon the neutral assumptions for market share. Turnover is expected to rise slightly to £1.75 billion through to 2026.

Table 5.3 Neutral Scenario Turnover Projections (£ million, 2004 prices)

Neutral	*2006*	*2011*	*2016*	*2021*	*2026*
New Covent Garden	415	417	419	421	423
Spitalfields	400	404	408	412	417
Smithfield	300	303	306	310	313
Billingsgate	230	232	233	235	236
Western International	350	350	351	351	350
Total Turnover	**1,695**	**1,706**	**1,718**	**1,729**	**1,739**

Source: URS Analysis, 2007

Figure 5.6 Neutral Scenario Market Turnover



Source: URS Analysis, 2007

The table and figure demonstrate minimal growth in turnover of all the markets, except that of Western International which remains almost consistent over the period. The total turnover of all the markets is forecast to grow by 2.6% between 2006 and 2026 or 0.1% annually.

Pessimistic Scenario

In the pessimistic scenario it is assumed that the wholesale markets' share of the total foodservice and convenience sectors will decline at a greater rate than at present. The wholesale markets would not respond adequately to opportunities and the need to change to meet the customers changing demands. This could be the result for example of failing to identify new opportunities in fast-casual dining, or not meeting public environmental concerns or health and safety standards and therefore losing business to competitors. The growth assumptions under the neutral scenario are:

- Wholesale market share of the foodservice market declines at 6.5% per annum
- Wholesale market share of the retail market declines at 5% per annum
- Wholesale market share of the processors market declines at 6.5% per annum
- Wholesale market share of the wholesalers market declines at 5.8% per annum
- Wholesale market share of the others market declines at 4% per annum

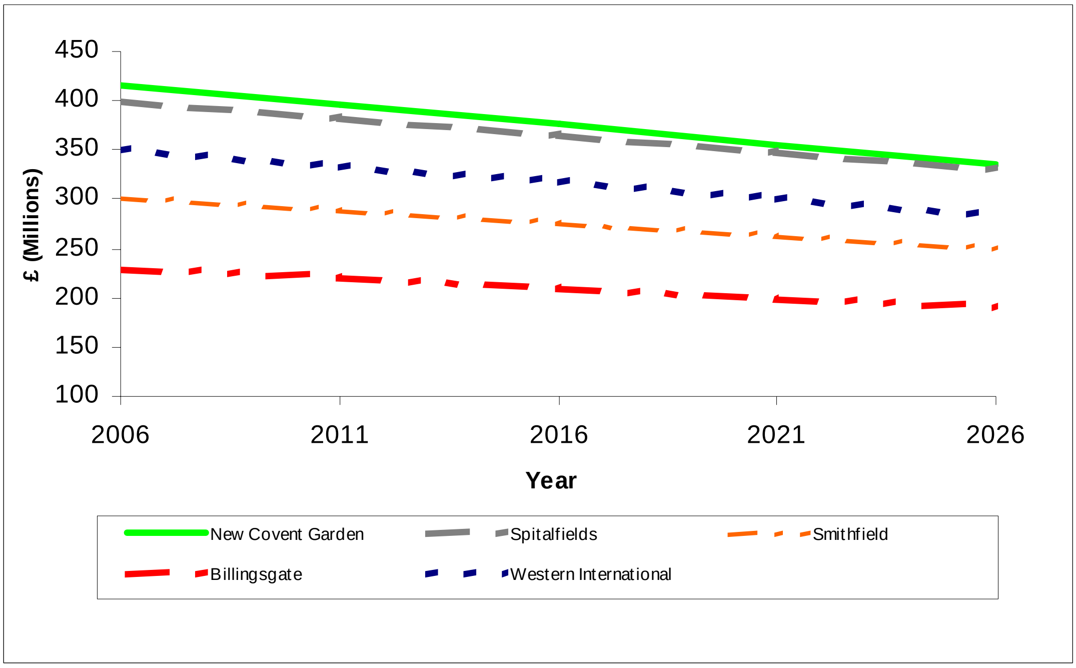
Table 5.4 and **Figure 5.7** provide the turnover forecasts for each market and total based upon the pessimistic assumptions for market share. Turnover is expected to decline from around £1.7 billion in 2006 to £1.4 billion in 2026.

Table 5.4 Pessimistic Scenario Turnover Projections (£ million, 2004 prices)

Pessimistic	*2006*	*2011*	*2016*	*2021*	*2026*
New Covent Garden	415	395	375	356	336
Spitalfields	400	383	366	348	332
Smithfield	300	287	274	261	248
Billingsgate	230	220	210	200	190
Western International	350	334	318	302	285
Total Turnover	**1,695**	**1,619**	**1,544**	**1,468**	**1,391**

Source: URS Analysis, 2007

Figure 5.7 Pessimistic Scenario Market Turnover



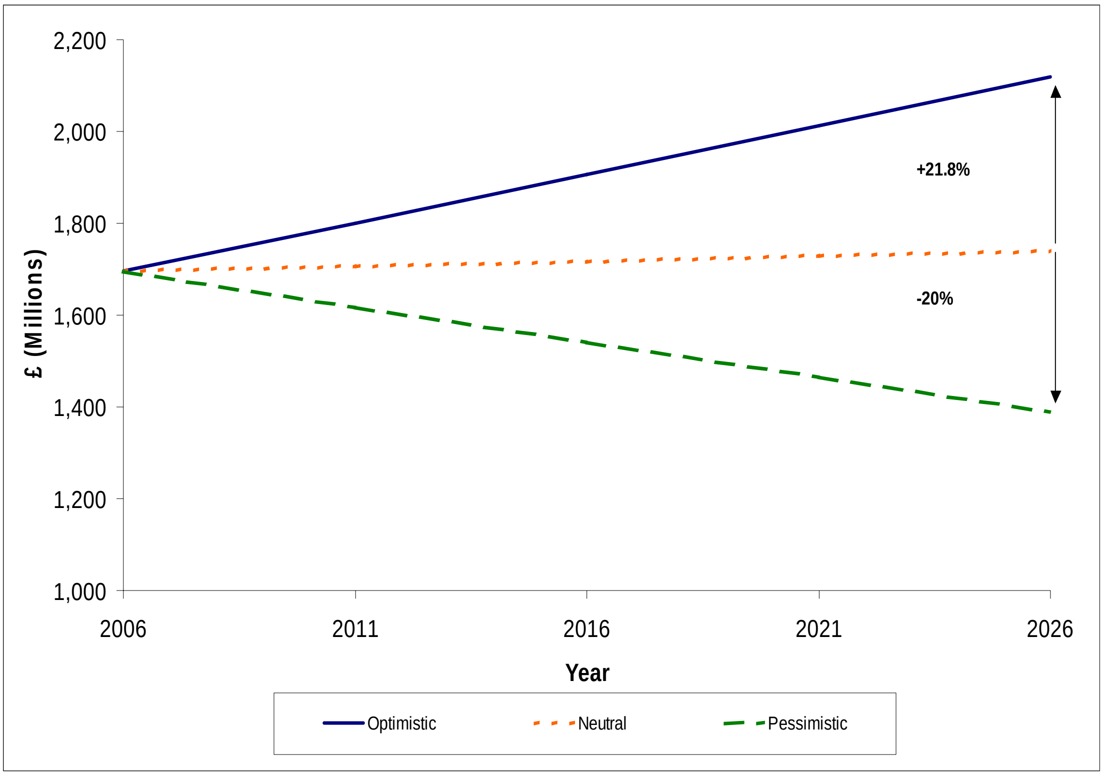
Source: URS Analysis, 2007

All the markets experience a declining turnover. The total turnover of all the markets is forecast to decline by 18% between 2006 and 2026 or -0.9% annually.

Summary

Figure 5.8 illustrates the change in the total market turnover for all the markets for each of the scenarios over the forecast period of 2006 to 2026.

Figure 5.8 Total Turnover of all Markets under each Scenario



Source: URS Analysis, 2007

The scenarios demonstrate the possible threats for the future viability of the wholesale markets in London. In order for the wholesale markets to achieve the optimistic scenario, long-term strategies are required that will address the fundamental constraints, while taking advantage of the positive drivers. This will depend upon the nature and success of options for possible reconfiguration of the markets, which are considered in the next section.

6. OPTIONS

6.1. Introduction

This section lays out the options for London's wholesale markets. Six options have been drawn up. The options were developed on the basis of the analysis presented in sections 1 – 5 of this report, drawing on stakeholder consultation, analysis of future scale and distribution of demand for wholesale activities and data on the current operation and characteristics of the wholesale markets.

The options are as follows:

- Option 1: Status Quo
- Option 2: Saphir Consolidation
- Option 3: Consolidation of City of London Sites
- Option 4: Consolidation to New Covent Garden
- Option 5: Move Billingsgate
- Option 6: One Wholesale Market
- Option 7: No Wholesale Market

These options aim to represent an appropriate range of approaches over the medium term (10-15 years) to the long term (15-20 years). Some of the options involve partial change but are put forward in recognition of the complexities and difficulties involved in achieving the more radical options.

6.2. Option 1: Status Quo

The five wholesale markets would remain in their current locations. This option is shown in **Figure 2.6**.

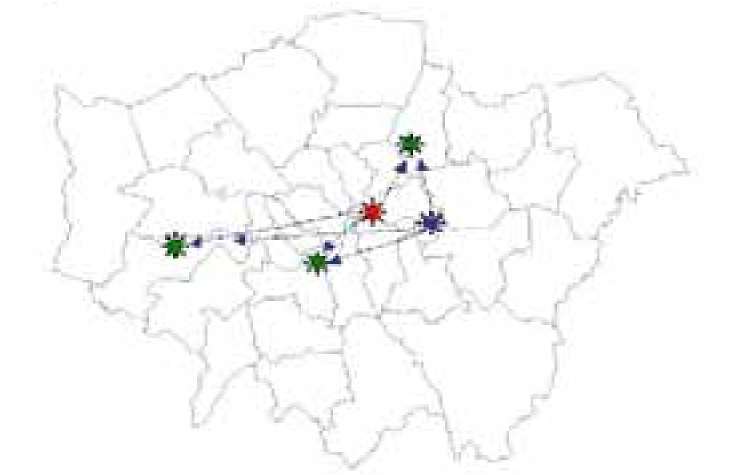
This option assumes that existing legislation affecting operation of the markets will remain. In particular the Six and Two-Third Mile Rule, which derives from the common law, dictates that New Covent Garden and New Spitalfields cannot sell meat and fish face-to-face in sufficient quantities to constitute rival markets to Smithfield and Billingsgate. (Further details of the legislation as outlined in Section 8.10).

Partial or comprehensive mixed-use redevelopment – that is, the location of alternative land uses on the site with or in place of wholesale market activities - is not however precluded on any of the sites under this option. This could be a mechanism to raise finance for replacing old infrastructure with new, for example to cover depreciation and to meet latest standards and requirements. This is particularly relevant for New Covent Garden.

6.3. Option 2: Saphir Consolidation

In line with the recommendations of the Saphir Report wholesale market activities would be consolidated at New Covent Garden, New Spitalfields and Western International Market. This option is shown in **Figure 6.1** below.

Figure 6.1 Saphir Consolidation



As assumed in the Saphir report, tenants at Smithfield and Billingsgate would relocate to the three other markets. It is envisaged that the majority of tenants (65%)[55] would move to New Covent Garden, with the remainder moving to New Spitalfields or Western International. The Smithfield and Billingsgate sites would be released for alternative uses.

6.4. Option 3: Consolidation of City of London Sites

All activities at Smithfield and Billingsgate would be relocated to New Spitalfields and the sites released. New Spitalfields would operate as a composite market. This would probably require redevelopment, possibly on more than one level[56]. This option is shown in **Figure 6.2** below.

Our understanding of the legislation affecting the markets is that if Smithfield and Billingsgate moved to New Spitalfields then New Covent Garden would no longer be bound by the 'Six and Two Third Rule' and could trade in meat and fish. If this were to occur then Option 3 would be similar to Option 2. Given that there are other constraints on such trading, including the need for specialist infrastructure, our appraisal assumes that Option 3 will not, at least in the medium term, involve meat and fish trading at New Covent Garden.

[55] This is examined in Section 5.

[56] New Spitalfields lies to north east of the Olympic site. There is currently designated Metropolitan Open Land (MOL) to the south and east which will be used for parking during the Olympics. After the Olympics the MOL will revert to its original status and therefore the Olympics plans do not imply any extension of the wholesale market site or movement of the wholesale market operations. This assessment thus assumes that current constraints on the New Spitalfields site will continue to prevent expansion of the market.

Figure 6.2 City of London Sites Consolidation

6.5. Option 4: Consolidation to New Covent Garden

All activities at Smithfield and Billingsgate would be relocated to New Covent Garden Market. The markets would be located adjacent to one another and horticultural, fish and meat wholesaling activities would take place on one site. The Smithfield and Billingsgate sites would be released for alternative uses. This option is shown in **Figure 6.3** below.

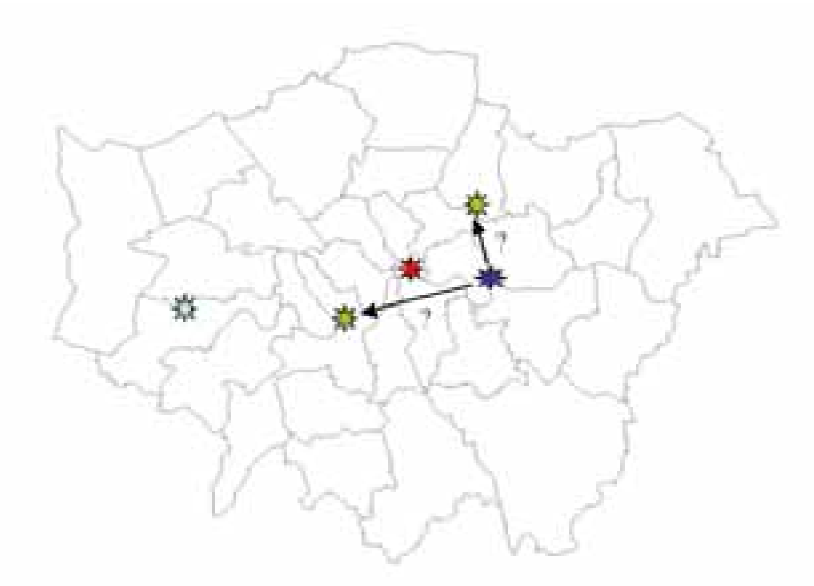
Figure 6.3 Consolidation to New Covent Garden

The same logic applies as for Option 3 and this option would appear to allow meat and fish trading at New Spitalfields as the site would no longer be constrained by the 'Six and Two Third Rule', though again our appraisal assumes that Option 4 will not, at least in the medium term, involve meat and fish trading at New Spitalfields.

6.6. Option 5: Move Billingsgate

Activities at Billingsgate market would be relocated to either New Covent Garden Market or to New Spitalfields market. The Billingsgate site would be released for other uses. This option is shown in **Figure 6.4** below. Two scenarios are considered: a move to New Spitalfields and a move to New Covent Garden.

Figure 6.4 Consolidate Billingsgate Option



6.7. Option 6: One Wholesale Market

Wholesale activities are moved to one composite market located on the outskirts of London. Two potential sites have been considered, both of which are currently subject to proposals for rail freight facilities and the appraisal is conducted on this basis.

The first site is Howbury Park at Slade Green in Bexley. This 64 ha site is subject to development proposals put forward by Prologis. It is owned by Russell Stoneham Estate. The application site is in the Metropolitan Green Belt and occupies part of a borough Grade 2 Site of Importance for Nature Conservation (SINC) known as Crayford Landfill Area & Howbury Grange. The northern boundary of the application site abuts a second Metropolitan SINC, Crayford Marshes, which is currently under consideration for designation as Site of Special Scientific Interest (SSSI). However, the site is also adjacent to the Slade Green rail terminal (which is in the Thames Road Industrial Area Strategic Employment Location) and the Grosvenor waste depot. If approved, the site of the present proposal should be integrated with the nearby Thames Industrial Area SEL[57].

[57] planning report PDU/0940/01, 5 July 2006: Howbury Marshes, Slade Green in the London Borough of Bexley

The second site is at Dagenham Dock in Barking. It is 78 ha in area. The land is owned by Network Rail and the existing rail depot is owned by Freightliner and leased by P&O. Proposals for a rail freight facility may also utilise land beyond the railway which is a complex land holding of third parties.

This option is shown in **Figure 6.5** below.

Figure 6.5 One Wholesale Market

6.8. Option 7: No Wholesale Market

Under this option there would be no physical entity called a wholesale market, as they currently exist. Two alternative scenarios are considered:

- Cash and carry operations
- Virtual market

First, it is possible that the remaining market share of the wholesale markets will be taken by other more direct suppliers, predominantly large cash and carry warehouses. Such stores, like those operated by Metro and Swithenbank, offer a wide range of food products in one location and have highly efficient (supermarket style) supply chains.

The cash and carry retailers would set up multiple, large warehouse stores around London near target customer groups. Customers drive to the store and select the goods they want, pay cash and then transport the goods back (although some cash and carry stores now also offer delivery services as well).

Cash and Carry stores offer a wide range of food products in one location, as well as non-food items. Existing cash and carry centres offer 20,000+ food items. Metro, the global leader in self-service wholesale, has 554 stores in 28 countries (not including the UK). The customer benefits from low prices which are achieved through a highly efficient (supermarket style) supply chain. Supply chains are traceable, with retailers' brands effectively providing confidence of quality and low prices. Opening hours are customer friendly (often 24 hours). Stores can be located near specific customer groups, serving for example the dietary preferences of BAME groups.

A second scenario is that current tenants continue to trade but through the use of communication technologies such as the internet and telephone. The markets would become virtual addresses on the internet and trading of products would occur via a web portal. Tenants could be located at commercial premises anywhere they chose to set-up their business, which would have significant implications on planning.

7. APPRAISAL CRITERIA

7.1. Introduction

This section outlines the criteria against which the options outlined in Section 6 are appraised. The weighting given to each criteria when the scores are ranked in the appraisal is shown in a summary table (**Table 7.1**).

7.2. Operational Viability

A viable market is taken to be one that is able to fund itself and its on-going development from its existing assets. This implies that the market covers its costs, generates sufficient surplus to allow for reinvestment and does not require subsidy from the public sector. This has become increasingly difficult for the wholesale markets to do in recent years due to their loss of market share.

Viability includes remaining competitive in a changing market environment. In the past wholesale markets have been protected from the market as it has changed over time, and subsidised with public funds. However this appraisal starts from the viewpoint that, as recent years have demonstrated, today this situation causes rather than corrects market failure and the economic ideal for wholesale markets is that they are commercially viable in their own right (see Section 4.7).

Viability impacts are considered under two headings. First, the specific impacts associated with consolidation are considered, in terms both of increased market viability (for example increased consumer and fewer trips for customers) as well as potential dis-benefits (for example those associated with splitting up currently co-located tenants).

7.3. Travel Miles

Comment on the travel miles associated with each option is made. This links to sustainability objectives such as reducing carbon emissions and reflects objectives laid out in paragraph 3.163 in the Draft Further Alterations to the London Plan. This highlights that surface transport is responsible for a growing percentage of the emissions that contribute to climate change. Results from the London Wholesale Market Freight Study (TfL 2007)[58] are used to assess the total reduction or increase in food miles resulting from each option.

7.4. Congestion Impacts

A qualitative assessment of potential changes in congestion levels is made resulting from the London Wholesale Markets Freight Study.

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[58] Two transport surveys were conducted in late 2006 and early 2007. The full report of the Freight Study is due for publication Summer 2007.

Each option is considered in terms of current access to the site and the potential local congestion impacts.

7.5. Local SMEs, BAME Communities and Workers

A series of factors relating to the local economic and social impacts of each option are considered.

First, implications for SMEs using the markets are considered for each of the options, in terms of travel times and costs and the location of labour. We draw on our analysis of the current geographical location of different customers and how this may change in the future. Particular emphasis is given to the operation of BAME groups' preferences and enterprises.

Second, each option is assessed in the light of labour market factors. We have not considered overall effects on employment in terms of likely net increase or decrease in jobs, or the correlation between location of the wholesale markets and local pools of labour, as the options are not sufficiently developed to make any such assessment meaningful. In general, if London's labour market retains its current buoyancy, it is unlikely that there would be a shortage of workers to take up jobs at the wholesale market(s). Our assessment therefore considers labour factors in terms of proximity to the homes of current workers and how easily current workers could access the wholesale market in which they work if that wholesale market moves location.

Finally, the impact of each option on the local community and specifically local BAME groups is considered. These groups are key users of the market and are likely to become more significant in light of anticipated migration trends (though it should be noted that it is difficult to predict the nationality of future immigrants.

There is considerable overlap between these factors and so their effect is assessed in Section 8 on an aggregate level. However, in the scoring framework laid out in **Appendix I**, two separate scores are given for SME / BAME community impacts and worker impacts, to reflect that in practice the two former factors are likely to be more closely linked.

7.6. Area Regeneration and Opportunity Cost

The fit of each of the options with current and planned regeneration initiatives and planning policy in the locality and region is assessed. We draw on our review of current planning and regeneration policy and stakeholder consultation. We recognise that economic value of land is not the only basis on which the optimal use of land is determined. However when considered with the other criteria listed here, opportunity cost is a useful concept in considering optimal use of a site.

7.7. Capacity and Layout Impacts

Each option is appraised according to the potential for activities to be accommodated on the site, given its size and current layout.

7.8. Neighbouring Uses

The impact of each option is considered in terms of impact on and compatibility with neighbouring uses. Wholesale markets are potential bad neighbours with issues including noise, dust, litter, vibrations and night time activities.

7.9. Balance of Capital Receipt / Redevelopment Costs

While data on development costs is not available at this stage the financial implications of each option are considered. This is in terms of a broad-brush review of the capital costs of implementation (for example relocation) compared with the financial benefits (for example revenue raised through sale of released sites).

7.10. Timeline and Deliverability

Constraints on the deliverability of each option include the legislation to which the markets and their sites are subject. While it is beyond our brief and professional competencies to conduct a detailed analysis of this legislation, we draw out the principal implications based on our understanding of the legislation and a risk assessment of timelines of legislative change is undertaken[59].

Timeline and deliverability considerations include likely resistance to/support for the options by stakeholders and operational practicalities.

7.11. Criteria Weighting and Rationale

Table 7.1 shows the weighting given to each criteria in the option appraisal, and the rationale for the weighting. The results of the option appraisal are summarised in Section 9 and given in full in **Appendix I**. It should be noted that this scoring process is largely qualitative and is indicative only. It should be considered together with the sector analysis and demand forecasting exercise presented in Sections 4 and 5.

[59] Please note that this assessment is based on second hand information and is subject to a degree of uncertainty. It does not constitute legal advice. We recommend that a suitably qualified legal practice is engaged to give advice if the GLA wishes this issue to be considered in more detail and/or our assessment verified, clarified or corrected.

Table 7.1 Criteria Weighting

Criteria	***Weighting***	***Rationale***
Operational Viability		
Consolidation Benefits	15	Potential benefits from consolidation are highly significant given current sector trends, and could greatly influence the wholesale markets' on-going viability and development.
Catchment Benefits	15	Proximity to customers and suppliers is fundamental to the wholesale markets retaining and expanding their role in London's food economy.
Travel Impacts		
Travel Miles	10	Travel miles are a useful tool in considering economic, environmental and social impacts of transporting food, and are an important element of long term sustainability.
Congestion Impact	5	Congestion impacts can be effectively dealt with through local transport planning and their significance is relatively limited for a high level strategic study such as this. This factor also overlaps with travel miles.
Local SMEs, BAME Communities and Workers		
Local SMEs and BAME Communities	10	Local SMEs and BAME communities are important as suppliers, customers and tenants at the wholesale markets.
Current Workers at Wholesale Markets	5	Fit with the location of the wholesale markets yields benefits though this factor would not greatly impact on the long-term feasibility of the markets.
Redevelopment Opportunities		
Area Regeneration and Opportunity Cost	10	In a world city such as London where land is scarce, this criteria has important social, economic and environmental implications.
Capacity and Layout	10	These practical considerations are important in considering whether each option is realistic.
Neighbouring Uses	5	Fit with neighbouring uses is important at and best managed at the local level, and therefore given less weight in this strategic level study.
Delivery		
Balance of Capital Receipt / Redevelopment Costs	10	The costs of redevelopment are likely to be substantial and the distribution of financial burdens / gains will be important in dictating a feasible forward strategy.
Timeline and Delivery	5	Factors such as legislation and the buy-in of market owners and management have implications for the ease with which any programme of change can be implemented.

8. STRATEGIC OPTION APPRAISAL

8.1. Introduction

The options are appraised against each of the appraisal criteria. They are ranked from best to worst outcome for each of the criteria. Where possible, likely changes over time in the variables being considered have been taken into account.

8.2. Operational Viability

The key influences expected to distinguish the on-going viability of the options are:

- Benefits of consolidation
- Catchment areas

These are considered in turn. Given the unique characteristics of the Option 7 No Market this is also considered separately in **Appendix C**. Conclusions on the on-going viability of the options are drawn.

Consolidation

The benefits of consolidation are detailed in Section 4.7 and include for example increased consumer choice, fewer trips, reduced delivery and turnaround times and synergies with other activities such as training, waste management and associated foodservice activities.

However there are a number of factors which suggest that some of the consolidation options may have drawbacks. It was argued by tenants at Smithfield and Billingsgate that there are economic benefits derived from traders locating together on one site and that if traders were located in different parts of London the benefits of having a critical mass of traders in one location would be lost. Meat and fish traders do require specialised and expensive equipment and infrastructure and sharing these facilities and costs between traders on a single site provides economies of scale. In addition, customers making one visit to one market could buy from a number of different vendors but might not buy from all these vendors if they had to go to a number of different sites.

These factors suggest that consolidation is preferable but that options that move Smithfield and Billingsgate meat and fish operations to one market are particularly preferable for operators, compared with ones that split the Smithfield and Billingsgate operations across more than one market.

If the markets were consolidated in line with any of the options described above, the ‘Six and two-thirds’ rule would no longer exist and there could be fragmentation of the market for wholesale meat, fish and horticultural produce over time. This implies that, whichever strategy for consolidation is pursued, a long term phasing strategy could be helpful whereby the impacts of such processes of fragmentation and specialisation are managed to maximise benefits and minimise adverse impacts.

Our ranking of options, from most to least viable, in terms of consolidation benefits, is as follows:

- Option 6 One Market is clearly the best consolidation option as all activities are in one place.
- Option 4 Consolidation to New Covent Garden and Option 3 Consolidation to New Spitalfields are ranked second as they move Smithfield and Billingsgate operations to one market.
- Option 2 Saphir Consolidation proposes consolidation but divides operations so does not score as highly as Options 3 and 4.
- Option 5 Move Billingsgate is ranked next as it only offers partial consolidation.
- Option 1 Status Quo offers no consolidation.
- Option 7 No Market will probably result in less consolidation than at present and so is ranked last.

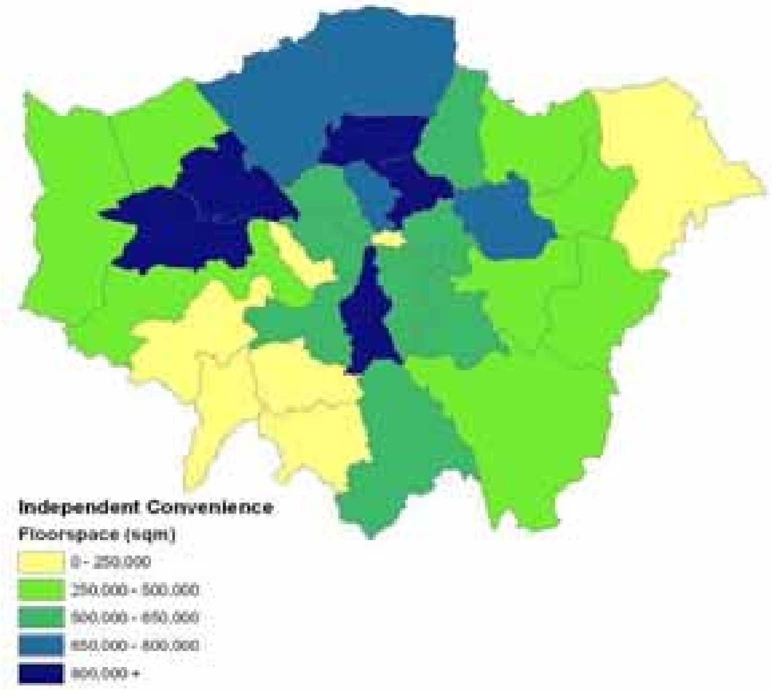
Catchment Area Impacts

Information on the distribution of independent retailers and independent catering operations around London is shown below. Data is taken from the Experian Shop Point database, which gives floorspace by geographical area for various activities and which defines ‘independent’ as one outlet, as opposed to a chain which has more than one.

Figure 8.1 illustrates that independent convenience stores within Greater London are located primarily in the North and North West, which would place these markets in close proximity to Western International and New Spitalfields market. In contrast **Figure 8.2** illustrates that the greatest independent catering floorspace is located in central London, which places New Covent Garden and Smithfield in close proximity.

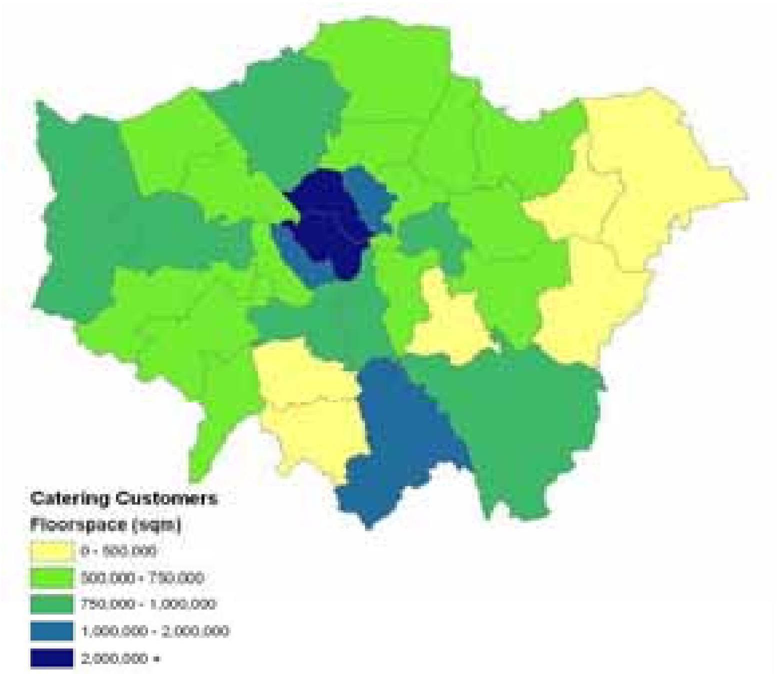
Future projections of floorspace are not available. However independent retail and independent catering are dynamic sectors of the food system, as described in Section 4.

Figure 8.1 London Independent Convenience Retail Floorspace 2006



Source: Experian Shop Point 2006 and URS Analysis

Figure 8.2 London Independent Catering Floorspace 2006



Source: Experian Shop Point 2006 and URS Analysis

In addition to the floorspace for independent catering and convenience figures for Greater London, the London Wholesale Markets Freight Study identifies the customer and supplier density within Greater London and the UK. **Figure 8.3** and **8.4** show density of delivered produce by suppliers to all the wholesale markets and to the customer for all wholesale markets.

Figure 8.3 shows that while the produce delivered to all the London wholesale markets originates from across the United Kingdom, the greatest quantity originates from the East Midlands, the East of England and the South West and to a lesser degree from the South East outskirts of Greater London. In comparison, the quantity delivered to customers is concentrated in the South of England, with the greatest quantity delivered being in central London and on the North East and South West outskirts of Greater London.

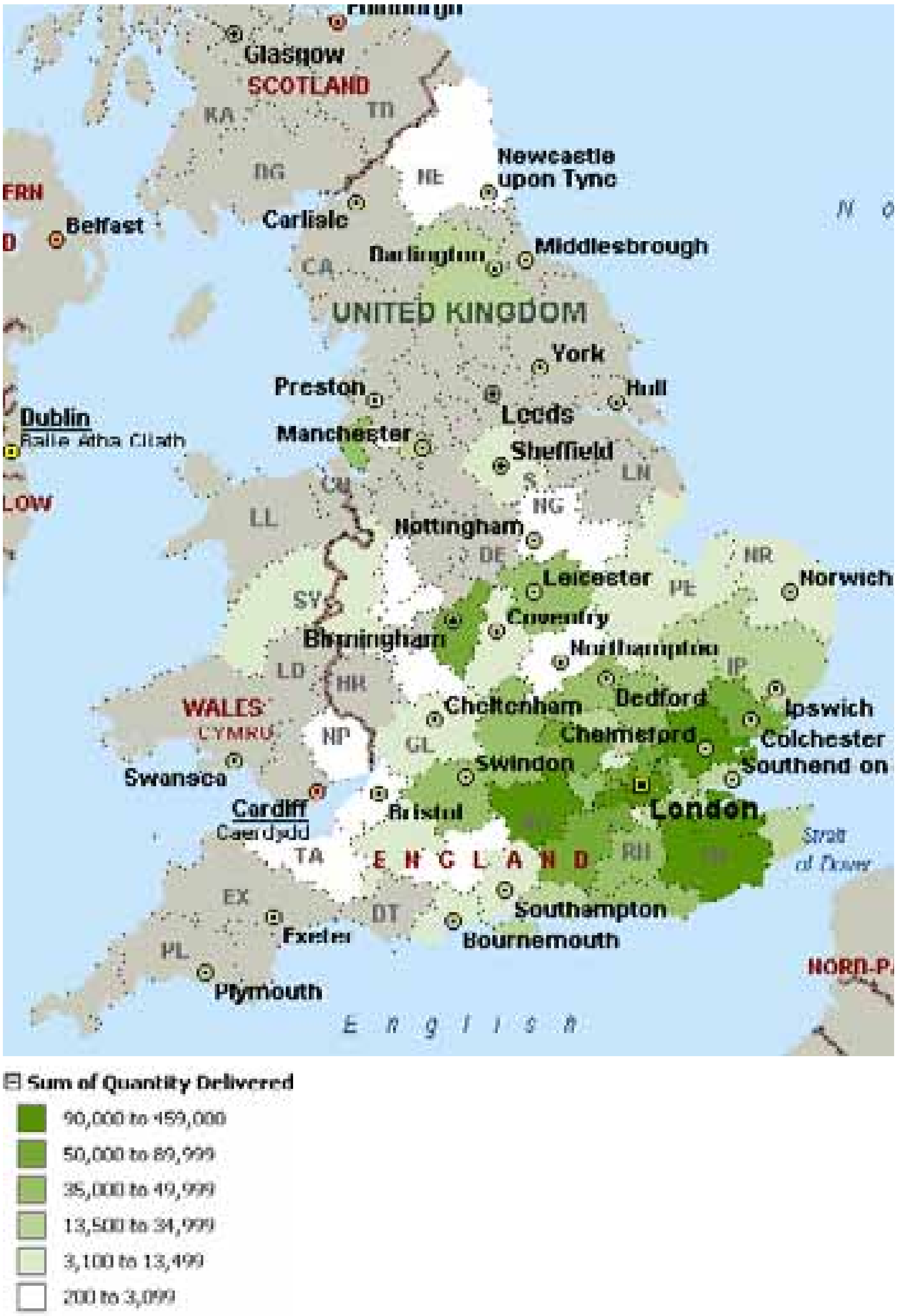
Within Greater London the quantity of delivered and supplied produce is shown in more detail for each wholesale market in **Appendix H.**

Figure 8.3 Density of Supplier Quantity for all Wholesale Markets[60]

Source: TfL

60 These results are an amalgamation of the results from Survey 1 and Survey 2.

Figure 8.4 Density of Delivered Quantity for all Wholesale Markets



Source: TfL

Options that place wholesale markets further away from their customers are likely to have a negative impact on turnover as customers will be more likely to cease buying from the wholesale markets. Such options also imply higher transport costs for customers and greater negative environmental impacts associated with emissions from traffic and congestion (see Section 8.3). Consequently our ranking of options, from most to least viable, in terms of catchment area benefits, is as follows:

- Option 2 Saphir Consolidation is the best catchment outcome as fruit and vegetables, meat and fish are offered in the west, south and north east of London.
- Option 4 Consolidation to New Covent Garden is ranked second as Smithfield and Billingsgate operations remain centrally located and close to their foodservice customers in central London.
- Option 1 Status Quo offers a good distribution of markets in relation to their customers.
- Option 5 Move Billingsgate is ranked next, with a relocation to New Covent Garden preferred as available information suggests their customer base is concentrated closer to New Covent Garden than to New Spitalfields.
- Option 3 Consolidation to New Spitalfields is less preferable than consolidation to New Covent Garden as this is further away from central London foodservice customers.
- Option 7 No Market will result in a physical fragmentation of market operations. While it is difficult to predict exactly how this will manifest itself it is likely to at least make serving the central London foodservice sector more difficult.
- Option 6 One Market is expected to have the most negative impacts, particularly for west London customers (e.g. the high concentration of independent retailers), as both the sites considered are located in outer east London.

A more detailed consideration of the viability of the no market option is given in **Appendix C**.

Viability Conclusions

Overall we consider Option 4 Consolidation to New Covent Garden to perform best in terms of on-going viability. It offers a good balance of consolidation and catchment area benefits. Although Option 7 No Market does not rank well in terms of consolidation and catchment area ranking it does almost by definition offer a viable outcome because it is the option in which the market is allowed to operate freely.

We have also projected changes in market revenue for each of the options and in comparison with the base case presented in Section 5. Given the considerable uncertainties over these forecasts we do not present this analysis here but it is given in **Appendix D**.

8.3. Travel Impacts

Travel Miles

Wider GLA objectives include reducing carbon emissions and vehicle miles. The London Wholesale Market Freight Study indicates potential change in travel miles under each option, based on the location of suppliers and customers. Results are presented in **Table 8.1** below.

Two of the options result in a reduction in travel miles from the current situation. These are Option 2 Saphir Consolidation (reduction of 1.69%) and Option 5 Move Billingsgate with a relocation to New Covent Garden (reduction of 0.29%). However the percentage change is too small to be statistically significant. The only options where significant changes in travel miles result are Option 6 One Market at Howbury Park, Slade Green (increase of 34.5%) and Option 6 One Market at Dagenham Dock, Barking (increase of 21.41%). It appears therefore that consolidation to one market at either of these sites would have dis-benefits in terms of travel miles.

It is not possible to establish the effect on travel miles of the no market option. This option was not modelled in the London Wholesale Markets Freight Study. Generally speaking the nearer the supplier is to the customer the lower the travel miles will be, and therefore in some instances where suppliers deliver direct to customers travel miles might be reduced. However in other instances travel miles might increase if suppliers delivered direct to customers without any consolidation of goods at a wholesale market or other centre. The impact on travel miles of the no market option would depend on how the functions currently carried out by the wholesale markets were divided up between cash and carry stores, other wholesale outlets and direct trade between supplier and customer and the degree to which current wholesale market activities are subsumed into existing outlets. We have therefore given the no market option a score which places it in the middle of the rankings, to reflect that a positive or a negative travel miles impact could result.

Over time, there may be increased opportunity for electric or otherwise green vehicles to play an increasing role in transporting wholesale goods. This will reduce emissions and the environmental significance of travel miles.

Table 8.1 Potential Change in Travel Miles for all Options[61]

Options	% Change in Travel Miles
1 Status Quo	0
2 Saphir Consolidation	-1.69
3 Consolidation to New Spitalfields	0.06
4 Consolidation to New Covent Garden	0.16
5 Move Billingsgate, with a relocation to New Spitalfields	0.08
5 Move Billingsgate, with a relocation to New Covent Garden	-0.29
6 One Market at Howbury Park, Slade Green	34.05
6 One Market at Dagenham Dock, Barking	21.41

Source: TfL

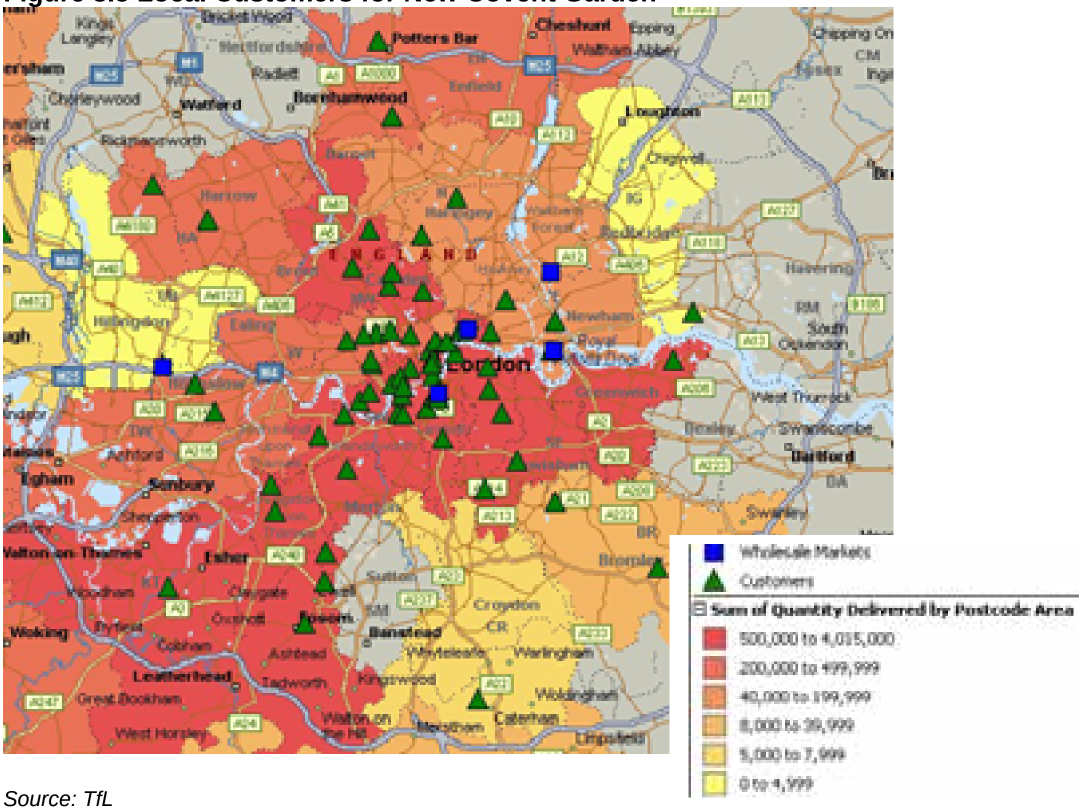
Based on this assessment, our ranking, from most to least travel miles benefits, is:

- Option 2 Saphir Consolidation
- Option 5 Move Billingsgate with relocation to New Covent Garden
- Option 1 Status Quo
- Option 7 No market
- Option 3 Consolidation to New Spitalfields
- Option 5 Move Billingsgate, with a relocation to New Spitalfields
- Option 4 Consolidation to New Covent Garden
- Option 6 One Market at Dagenham Dock, Barking
- Option 6 One Market at Howbury Park, Slade Green

The London Wholesale Markets Freight Study identifies that deliveries from the wholesale market to the customer are not based on proximity only. The relationship between the location of customers and their wholesale market is demonstrated in **Figures 8.5** to **8.7** below. The personal relationships with the wholesaler, visits related to the services provided or product differentiation all contribute toward the varying travel miles and the relatively sporadic distribution of delivery to customers across Greater London. Any change in the location of a wholesale market may result in customers switching supplier if the benefits of the new location exceed the factors mentioned above.[62]

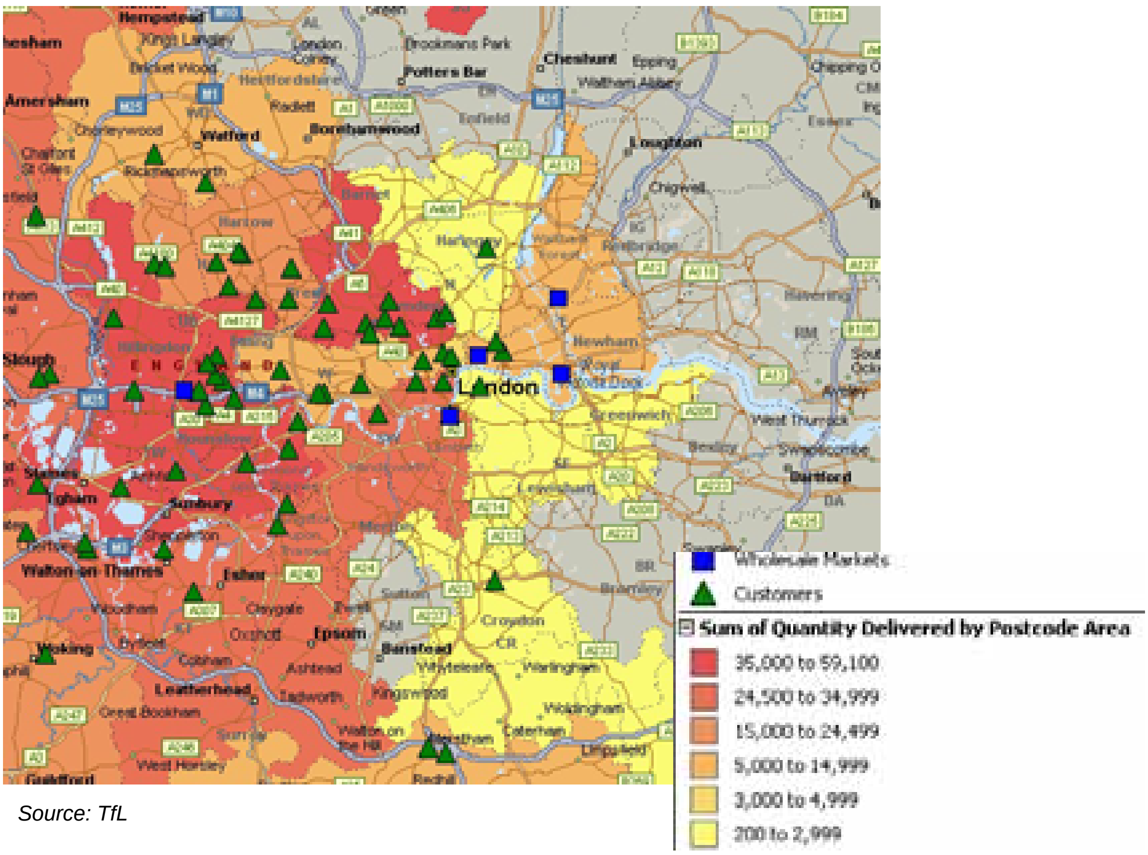
[61] These results are from the first of the two surveys conducted as part of the London Wholesale Markets Freight Study. The second survey yielded results which were not significantly different.
[62] However, it is likely that customers get charged a set fee for delivery within London, so any decision to change the locations of the wholesale markets may not trigger a change in suppliers. The change in travel miles is consequently expected to be reasonably accurate.

Figure 8.5 Local Customers for New Covent Garden



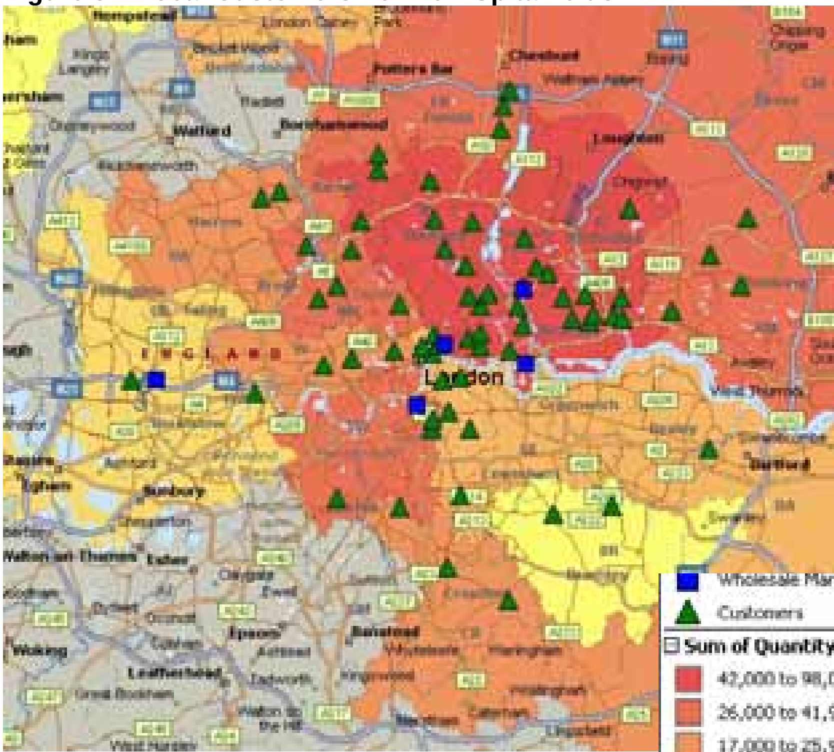
Source: TfL

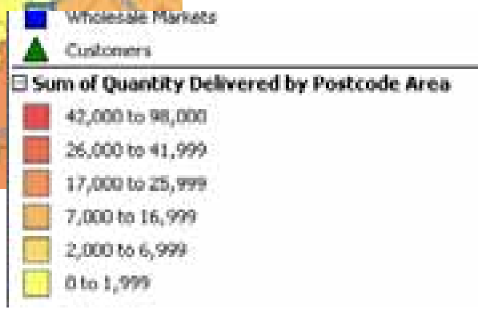
Figure 8.6 Local Customers for Western International



Source: TfL

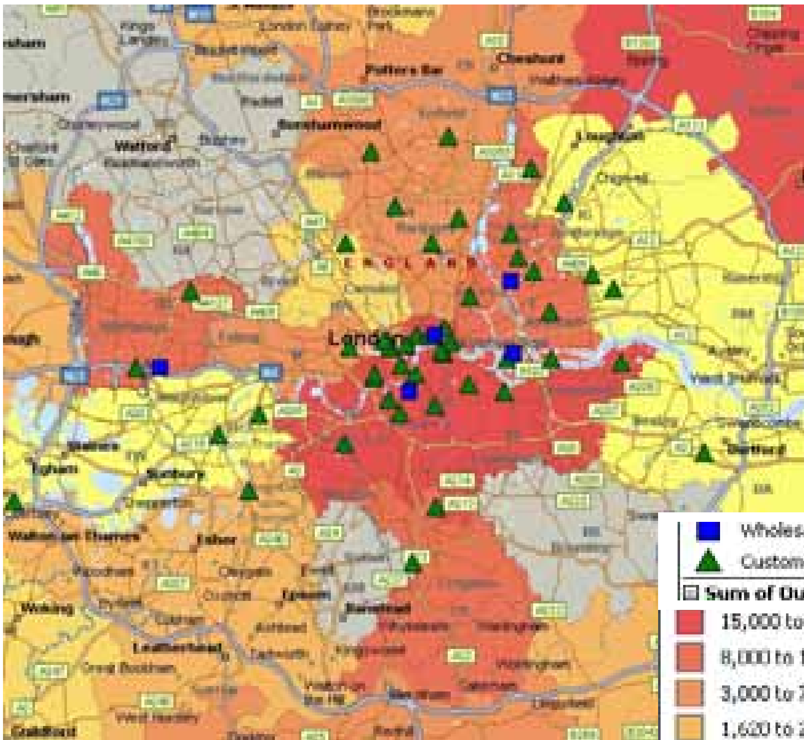
Figure 8.7 Local Customers for New Spitalfields

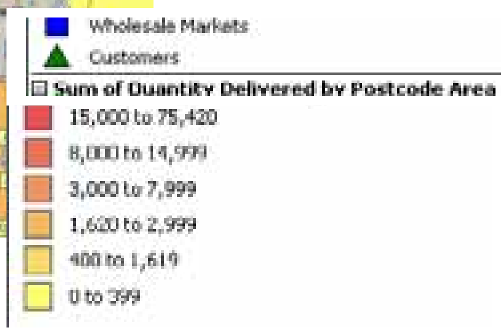




Source: TfL

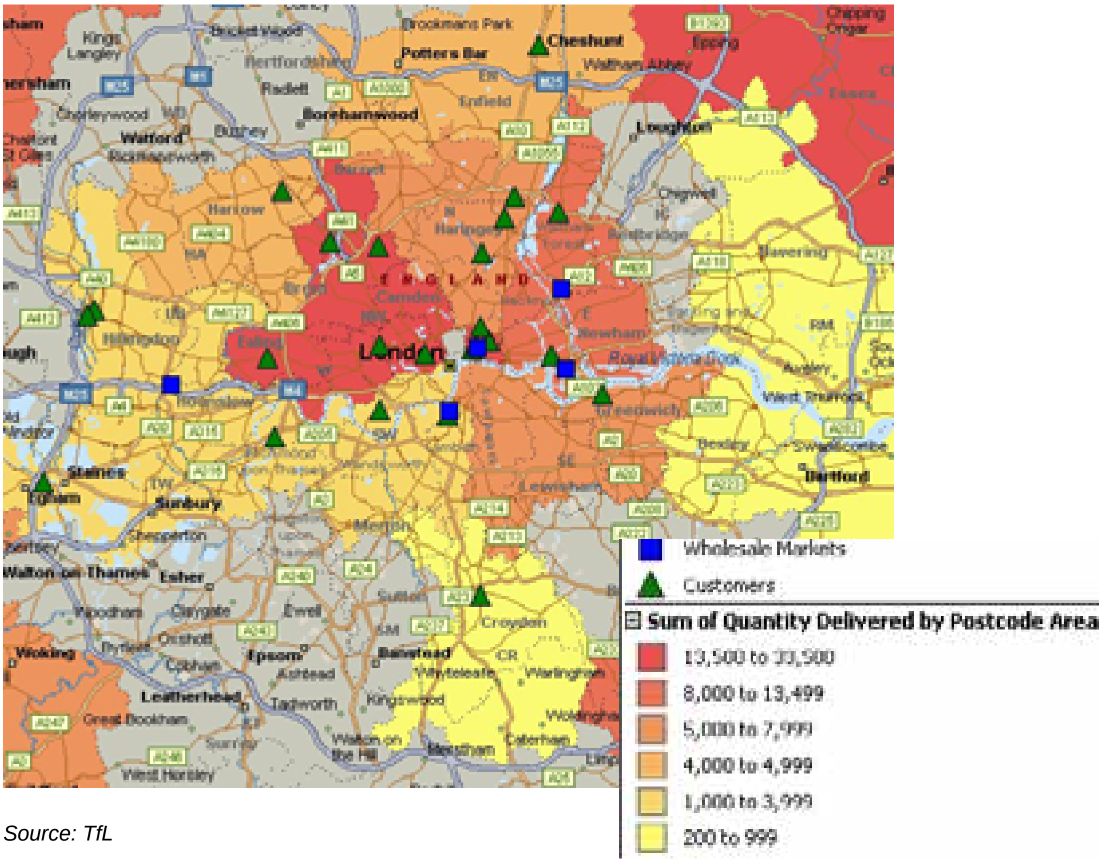
Figure 8.8 Local Customers for Billingsgate





Source: TfL

Figure 8.9 Local Customers for Smithfields



Source: TfL

Further details on the rail freight potential of the One Market option is given in **Appendix F**.

8.4. Congestion Impacts

Smithfield market is located in a constricted central London location near residential, office and leisure activities and therefore experiences congestion impacts. This can be further exacerbated by vehicles redistributing their loads on the pavements around the market. The other markets are serviced by larger roads, although access roads to Billingsgate and New Covent Garden are reported to be frequently congested. The wholesale markets open in the night when there is less traffic on the roads. However, later in the morning when the traffic is at rush hour (when some of the produce is being moved from the wholesale markets to the customer) traffic associated with the wholesale markets can add to congestion.

Consolidation implies a range of products could be picked up or dropped off from one location. Although a composite market could reduce overall travel miles (see above), they would be the focus of more traffic. Some of the current sites are potentially better able to accommodate and increase in traffic than others.

Access to New Covent Garden is currently constricted and the transfer of traffic to this site could exacerbate existing congestion there. There is no direct access to Wandsworth Road to the south. The main entrance is off Battersea Park Road, to the north of the site. This route is not likely to be suitable for greatly increased volumes of traffic, though access routes could be reconfigured as part of redevelopment. New Spitalfields is better placed to cope with additional traffic. It is located close to the M11, and is well-served by roads from the east (A12, A13, A127) and the south (Blackwall Tunnel, A2 and A21). Nearby roads are designed to carry high volumes of traffic. Western International is also comparatively well-placed to manage increased volumes of traffic.

Congestion associated with the centrally located markets at New Covent Garden, Smithfield and Billingsgate would be relieved by a move to an out-of-centre site. Both the Howbury Park site and the Barking sites, which have been suggested for a single market locations, have good access to the M25 although may be affected by motorway congestion.

Under Option 7 No Market, congestion associated with traffic accessing the current market sites would be alleviated. Cash and carry stores, or alternatively tenants in the 'virtual market', would consider congestion impacts in establishing their location and facilities. Impacts on local congestion would be dependant on how wholesale businesses operate. however, in general, because traffic movements would be less restricted to a particular site and certain times of day it is considered that there would be less congestion associated with both models.

The size of the vehicles being used at different times is also an important factor that relates to both the congestion and impact on travel miles, with smaller vehicles causing greater congestion problems in Greater London. The London Wholesale Markets Freight Study counted the number of vehicles on site throughout the day. In all the markets, the number of Heavy Goods Vehicles (HGV) tends to increase during the initial hours of the assessment as deliveries are consolidated outside London and then delivered to the wholesale markets. This total number of HGVs on site begins to decrease at approximately 2:00am to 3:00am after these vehicles have delivered their loads and left. In contrast the number of Light Goods Vehicles (LGV) on site increases during the period 2:00am to 3:00am as they arrive to collect and distribute the produce to the convenience and foodservice customers.

Congestion local to the wholesale markets is therefore likely to be worst over the short period when HGVs leave and LGVs arrive. All the options that incorporate reconfiguration of the wholesale market will need to ensure that suitable on site space is available to accommodate traffic at peak times.

Over time, congestion levels will be influenced by local transport planning policy as well as London-wide economic trends. Central sites such as Smithfield are most likely to be affected by congestion, though congestion charging may help to limit pressures on these areas.

Our ranking of options, from least to most congestion impacts, is as follows:

- Option 7 No Market is assumed to disperse supply the most and so will minimise congestion impacts at a particular location and time.
- Option 6 One Market is assumed to be linked to appropriate improvement to local site access. Vehicles are assumed to be able to disperse on different roads on leaving the site.
- Option 5 Move Billingsgate is ranked next, with a relocation to New Spitalfields preferred over relocation to New Covent Garden on the assessment that congestion impacts of increased operations on the roads around New Spitalfields would be less than around New Covent Garden.
- Option 2 Saphir Consolidation will relieve congestion at Smithfield and Billingsgate. Any increase in congestion will be spread across New Covent Garden, New Spitalfields and Western International. Consolidation will mitigate the gross increase in vehicles.
- Option 1 Status Quo limits congestion in that operations are spread across the five sites.
- Option 3 Consolidation to New Spitalfields is favoured over consolidation to New Covent Garden as congestion impacts of increased operations on the roads around New Spitalfields would be less than around New Covent Garden.
- Option 4 Consolidation to New Covent Garden.

8.5. Local SMEs, BAME Communities and Workers

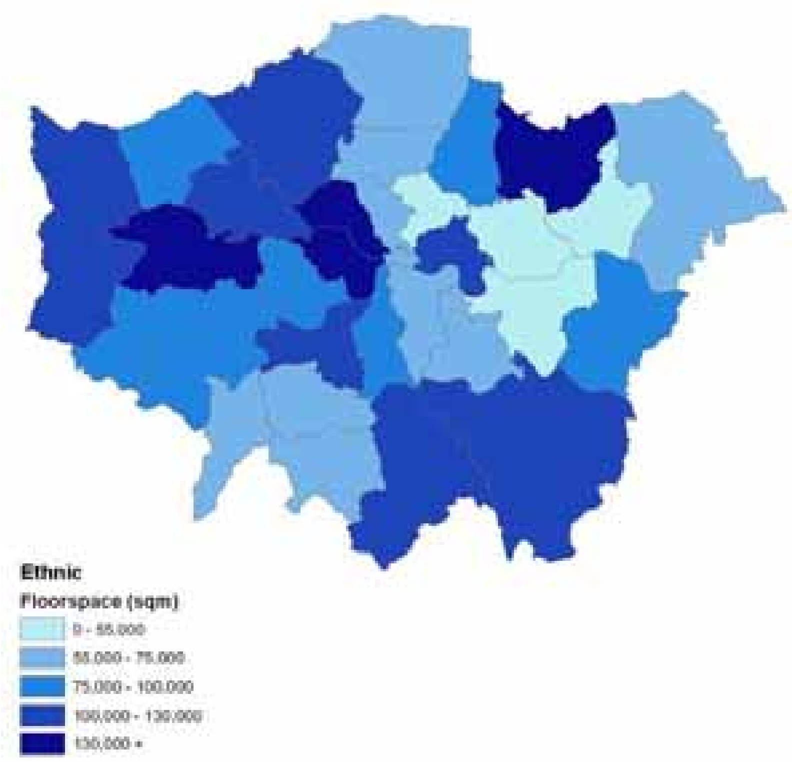
Under this heading we consider a number of factors including local SMEs, local BAME communities and current wholesale market employees.

Local SMEs

Given that a large proportion of wholesale market customers and tenants are SMEs, benefits to SMEs will be closely related to catchment area benefits and to travel times and costs. The current arrangement whereby customers requiring fruit and vegetables, meat and fish have to purchase from different markets implies a greater number of journeys and therefore greater costs for the customer than if one trip could be made to or from a market selling all these products.

A specific example of SME impacts is ethnic minority restaurants. These restaurants are almost all SMEs and many are potential customers for the principal wholesale markets or other wholesale markets or independent retailers buying from the main markets. The distribution of ethnic minority restaurant floorspace in London is shown in **Figure 8.10**. Ethnic restaurants are less concentrated in central London than the overall pattern for restaurants, but still relatively well located in relation to the wholesale markets. For example, Ealing and Redbridge both have over 130,000 sq.m of ethnic caterer floorspace, and these Boroughs are conveniently served by Western International and New Spitalfields respectively. Ethnic caterers would therefore be less adversely affected by the movement of activities from Billingsgate and Smithfield to other markets. Relocation of meat and fish wholesaling to New Covent Garden, New Spitalfields and Western International would help to ensure that ethnic caterers are better served. The relocation of Billingsgate and Smithfield to New Covent Garden would benefit ethnic caterers in the south and the west while disadvantaging those to the north. Conversely a move to New Spitalfields would benefit independent retailers in the east and north. Floorspace projections are not available but the location of ethnic restaurants is likely to be dynamic over time, reflecting for example the changing location of BAME communities (see Figures 8.4 and 8.5).

Figure 8.10 Ethnic Minority Restaurant Floorspace London 2006



Source: Experian Shop Point and URS Analysis

Under Option 6 One Market the increased distance to the market may affect independent retailers disproportionately (and the BAME groups who tend to be well-represented in this category). In particular, the many SMEs based in the west would be disadvantaged. With cash and carry model as part of Option 7 No Market stores could stock produce suitable to meet the needs of the independent retailers supplying the local population. However SMEs may be disadvantaged if the physical fragmentation of wholesale activities increases journey times.

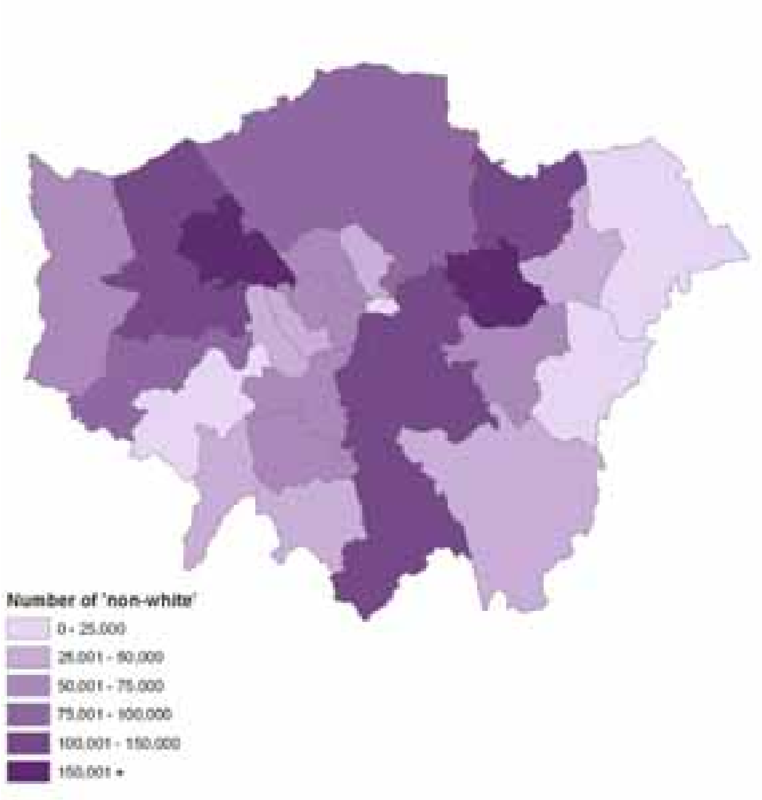
Local BAME Communities

Figures 8.11 and **8.12** shows the estimated distribution of London's BAME population in 2006 and 2026. Wholesale markets benefit BAME residents because local independent retailers and caterers use the markets and cater to their dietary preferences.

The current and future location of BAME populations fits well with the current location of London's wholesale markets. There is predicted to be and increasing density of BAME residents in the north and east of London (Tower Hamlets, Newham, Waltham Forest and Redbridge) and also in the west (Ealing and Brent). Similarly, a high density of non-white residents is predicted in Croydon, with a reasonably high density in the boroughs to the south and west of the River Thames, to the west in Hounslow and in the northern boroughs.

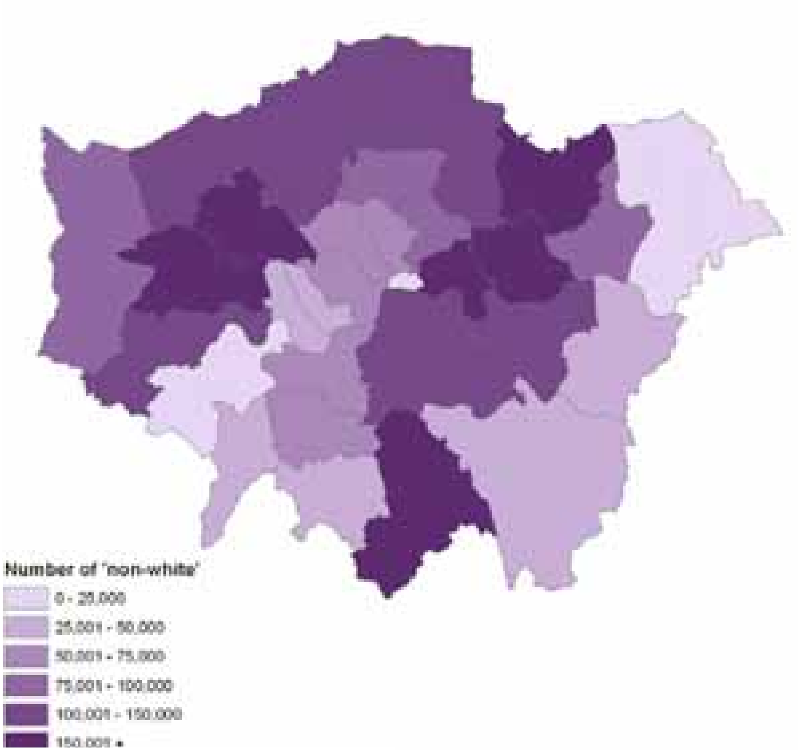
Option 2 Saphir Consolidation assumes an expansion of the existing horticultural markets which would fit well with the predicted location of BAME communities. A move to a single site would imply greater distances between the market and many boroughs with high ethnic populations, especially those boroughs in the west and north.

Figure 8.11 Estimated Distribution of London's BAME Population in 2006



Source: GLA / URS

Figure 8.12 Estimated Distribution of London's BAME Population in 2026



Source: GLA / URS

Current Wholesale Market Employees

Anecdotal evidence and the survey conducted by Saphir as part of his 2002 study indicates that workers tend to live near their markets. For example, 54% of Billingsgate workers live in east London, 41% of New Covent Garden workers live in south London, and 59% of Western International workers live in West London. The pattern is not always straight forward though; for example, 23% of Smithfield workers live in east London with a slightly greater proportion (26%) living in south London and the greatest proportion (47%) living outside the M25. In general, maintaining the status quo as under Option 1 would be least disruptive in terms of the supply of existing labour to the markets.

Interviews with market operators and survey information suggests that a move from either Billingsgate or Smithfield to New Spitalfields would be less unpopular with tenants and staff than a move to New Covent Garden. Further work including consultation with markets operators will be required to explore this factor further.

Assuming workers tend to live near their place of work, a single market in outer London (Option 6) would imply longer journey times for many though a good proportion of market workers live outside the M25 and would not have to travel through the centre of London to reach the market. Howbury Park would be most accessible to current Smithfield, Billingsgate and New Covent Garden workers, while the Barking site is thought to be the most accessible to current New Spitalfields, Smithfield and Billingsgate workers.·

All the current markets are easily accessible by public transport, though Western International and New Spitalfields are furthest away from underground/DLR lines. Though the markets mostly start too early for access to daytime public transport services (particularly by rail/underground), workers would be less able to use public transport on the journey home if the market is based In one of the proposed locations in Option 6.

These factors lead us to rank the options as follows with regard to benefits for local SMEs, local community and current wholesale market workers:

- Option 1 Status Quo offers the best fit between the markets and ethnic restaurants, the location of workers and the future location of BAME communities. This option is likely to be most popular with tenants and workers.

- Option 5 Relocate Billingsgate is ranked next. This option offers savings in terms of travel miles for SMEs. A move to New Covent Garden would fit slightly better with the location of ethnic restaurants though it is likely that a move to New Spitalfields would probably be less unpopular with tenants.

- Option 2 Saphir Consolidation yields travel miles savings and implies that horticultural goods, meat and fish would be available at a number of locations, However splitting up and moving Billingsgate and Smithfield is likely to be unpopular with the tenants there.

- Option 3 and Option 4 Consolidation to New Spitalfields or New Covent Garden. Neither of these options would result in an overall reduction in travel miles, though both options fit reasonably well with the distribution of existing ethnic communities and restaurants in London.

- Option 7 No Market is ranked sixth. The physical fragmentation of wholesale market activities may increase costs to SMEs.
- Option 6 One Market is ranked last. A single market in an outer London location would imply increased costs for SMEs and increased travel distance and/or costs for BAME communities.

These rankings are a summary assessment which takes all three factors examined above (local SMEs, local BAME community and current wholesale market workers) into account. In practice, impacts on local SMEs and BAME groups are probably more closely linked to each other than they are to impacts on current wholesale market workers. This is reflected in the flexible scoring system as described in **Appendix I** which gives one score for SME / BAME community impacts and another score for impacts on wholesale market workers. For example, the scoring system used in **Appendix I** takes into account that Option 2 Saphir Consolidation is likely to be unpopular with current wholesale market workers despite the fact that SME / BAME Community benefits would result.

8.6. Area Regeneration and Opportunity Cost

Emerging planning policy highlights the fact that the wholesale market sites have a considerable opportunity cost in terms of the value of alternative uses on the land. Relevant local planning policy and further details of the local planning policy context for the sites is given at **Appendix B**.

The optimal land use for a site is not necessarily that use which has the most monetary value. In addition, it is not at this stage clear in each case who will benefit financially from a change in land use and who would pay for redevelopment / consolidation of the wholesale market sites. This assessment has assumed that generally speaking sites should be used for development that optimises their economic efficiency unless there are good land use and other arguments in favour of retaining the existing uses and/or seeking a mix of uses with different values. In each case however there are site specific factors which influence what the optimal use of the site would be. Our assessment of potential alternative uses for the sites is set out below.

New Covent Garden is within the CAZ and the Vauxhall / Nine Elms / Battersea Opportunity Area. New Covent Garden is designated as a Strategic Employment Location (SEL) in the London Plan but the Draft Further Alterations to the London Plan propose the de-designation of this SEL. This reflects that in general terms the London Plan does not view low-density activities as appropriate for the CAZ. For CGMA the release of land value, and maintaining maximum flexibility on land use, is critical to the long term financial viability of the market and to funding the redevelopment of the New Covent Garden site.

New Covent Garden has substantial alternative use potential, particularly as part of a comprehensive strategy for the wider Vauxhall / Nine Elms area. Developments at

Vauxhall Cross such as the landmark Vauxhall bus station and high profile apartments St George's Wharf apartments are already changing the characteristics of the area. The proposed development of the Battersea Power Station site is expected to have an even greater impact on the potential of the rest of the Nine Elms / Vauxhall area. Highest land values would probably come from residential-led or mixed-use redevelopment of the New Covent Garden site.

The Billingsgate market site appears to have considerable potential for high value alternative use. It is located close to Canary Wharf and high-density development proposals are being progressed at adjacent sites including Wood Wharf and North Quay. In addition the proposed location of the Canary Wharf Crossrail station is close to the western side of the site and proximity to this station would be commercially attractive. All these factors suggest that the site could be redeveloped for high-density office and/or residential uses, possibly including an element of leisure and retail. At least one high rise building could form part of a site masterplan.

Such development would also fit well with the wider policy aspirations for the north of the Isle of Dogs. Though not within the CAZ, the northern part of the Isle of Dogs Opportunity Area (which includes Billingsgate) is considered to be functionally within the zone for strategic planning purposes. The East London Sub-Regional Development Framework aims to increase the density of development, to complement the international offer of the CAZ and to increase density in the Isle of Dogs. Moreover, the Isle of Dogs Area Action Plan (AAP) indicates that preferred uses for the Billingsgate site are residential, employment, retail and leisure.

The Smithfield site is also in the CAZ and is a desirable, high value central location. However its potential is limited by its listed building status, location in a London Plan viewing corridor and underground infrastructure. There are already office units above the market floors at Smithfield and office or leisure uses could replace market activity on the ground floors. This would potentially be consistent with the principles of local planning policy including the Farringdon/Smithfield Area for Intensification.

New Spitalfields also has alternative use potential in the context of the Olympics Legacy masterplan for the Lower Lea. It is located to the north of the Olympics masterplan area and within the Lower Lea Valley Opportunity Area as outlined in the East London Sub-Regional Development Framework. These plans do not propose any alternative use for the site, particularly as there are no plans to move the wholesale market operations. The potential for alternative uses is though constrained. The site is surrounded on three sides by Metropolitan Open Land and bounded by the busy A106 to its south and so does not have good synergies with existing and proposed future land uses.

Western International is a lower potential value site in a less central location than the other markets. The site is highly accessible from the M4 and in close proximity to Heathrow. The market is located within the Heathrow Opportunity Area, the strategic objectives for which are stated in the Draft Further Alterations to the London Plan and the

West London SRDF. These include intensification of use and bringing forward further housing capacity[63].

Our ranking of options, from least to most benefits in terms of realised economic potential of the redeveloped market sites, is as follows:

- Option 7 No Market is the best outcome as the markets would in theory continue to serve users while allowing greater use of those opportunity areas in which some of the current markets are located.
- Option 6 One Market is ranked second as an out-of-town site would enable the current market sites to be used for higher value uses.
- Option 3 Consolidation to New Spitalfields is ranked third as this would release the two most valuable sites for redevelopment and intensify wholesale market activities on a site less pressurised for alternative uses. New Covent Garden could be redeveloped to realise some of the site's potential.
- Option 2 Saphir Consolidation is ranked next. This option would release the two most valuable sites but would place greater limits on alternative development of the valuable New Covent Garden site.
- Option 4 Consolidation to New Covent Garden. This would be in line with current regional and local industrial land policy but would limit development of the New Covent Garden site for alternative uses.
- Option 5 Move Billingsgate to New Spitalfields is ranked next as this would see one of the highest value sites.
- Option 5 Move Billingsgate to New Covent Garden.
- Option 1 Status Quo is ranked last as there is considerable opportunity cost associated with the current positioning of the markets and some conflict with regeneration objectives.

8.7. Capacity and Layout

Occupancy rates at the five markets vary. New Covent Garden has 94% of the units occupied while at Billingsgate 80% of warehouses are occupied. Conversely New Spitalfields and Smithfield have no vacant units and at Western International not all tenants have been able to move to the new market. New Covent Garden and Billingsgate could potentially take additional tenants without the need for comprehensive redevelopment. Occupancy rates have changed in recent years[64] and will continue to be

[63] The Heathrow Opportunity Area is made up of two merged London Plan Opportunity Areas: Hayes/West Drayton/Southall and Heathrow/Feltham/Bedfont Lakes. A map is available in the West London SRDF pA19.
[64] For example, the overall occupancy of warehouse and trading space in New Covent Garden market has risen since 2004-05 when it was 91%.

dynamic. It will be important to monitor occupancy levels over time in order to ensure the most appropriate forward strategy is adopted.

While an expansion of current activities would be possible in the current buildings, new structures would be required if meat and fish markets were to be set up at the existing horticultural markets. The most probable model is the location of meat and fish halls adjacent to halls where horticultural goods are sold.

In considering the potential for the redevelopment of the market sites we have compared the footprint of the market buildings and the site area to give plot ratios. Site area is here defined as area which could potentially be developed. (Areas within the site boundary which would not be suitable for development, for example due to their proximity to a railway siding or bridge, have been excluded). Not all market related activities are housed within the market halls. Space for parking, circulation, loading and various other activities is crucial for effective operation of the markets. However, the ratio of building footprint to site area gives a broad indication of how intensively the site is being used and the potential for accommodating each of the options if floorspace was transferred to other sites[65].

The analysis below is indicative. Detailed needs analysis, site masterplanning and transport planning work would be needed to draw final conclusions on the capacity of the sites.

Table 8.2 presents estimates of existing market building footprints, site areas and plot ratios. It also estimates plot ratios for each of the options assuming that the same footprints of buildings will be needed. As listed below, the proportion of the sites currently occupied by the market buildings varies significantly from 0.79 to 0.20.

- Smithfield 0.79
- Western International 0.53
- New Covent Garden 0.37
- New Spitalfields 0.30
- Billingsgate 0.20
- Rungis 0.23

The higher the plot ratio, the greater the intensity of land use. As highlighted in Section 8.6, London is a world city in which competition for land is strong. The wholesale markets currently occupy central, high value sites. Principles of sustainable development imply that such sites should accommodate space-intensive activities in order to optimise their usage and maximise their land value.

[65] Building footprint and developable area was calculated electronically from aerial photographs (www.acme.com/planimeter). The areas plotted can be seen in **Appendix F**. For Western International, plot ratio has been estimated from plans of the new market site supplied by Western International.

An indication of benchmark plot ratios is given in guidance issued by the United Nations (UN)'s Food and Agriculture Organisation (FAO)[66]. This indicates that for wholesale markets the overall site area required to accommodate the covered space should have a plot ratio of between 0.25 and 0.33. This figure seems low when applied to a city such as London where land is scarce and of high value. It should also be noted that the FAO guidance is for generic application to markets all over the world and not just to wholesale markets but also to assembly markets, retail markets and rural primary markets.

The new wholesale market being planned for Melbourne (see Section 2) is set to have 10 hectares of trading floor under one roof on a 47 ha site, giving a plot ratio of 0.21. However the plot ratio is probably higher as the 47 hectares will also house a national flower centre and warehousing.

Table 8.2 Options and Plot Ratios

	Market Building Footprint (ha)*	*Site Area (ha)*	*Plot Ratio (ha)*
Option 1 - Status Quo			
Billingsgate	1.1	5.6	0.20
Smithfield	2.0	2.5	0.79
New Covent Garden	6.6	17.9	0.37
New Spitalfields	3.2	10.6	0.30
Western International	3.6	6.8	0.53
Option 2 - Saphir Consolidation			
New Covent Garden	8.6	17.9	0.48
New Spitalfields	3.8	10.6	0.36
Western International	4.1	6.8	0.59
Option 3 - Consolidation to New Spitalfields			
New Covent Garden	6.6	17.9	0.37
New Spitalfields	6.3	10.6	0.59
Western International	3.6	6.8	0.53
Option 4 - Consolidation to New Covent Garden			
New Covent Garden	9.7	17.9	0.54
New Spitalfields	3.2	10.6	0.30
Western International	3.6	6.8	0.53
Option 5a - Billingsgate moves to New Spitalfields			
Smithfield	2.0	2.5	0.79
New Covent Garden	6.6	17.9	0.37

[66] John Tracey-White, FAO Agricultural Services Market Infrastructure Bulletin 1999, *Planning: a Guide for Decision Makers*

	Market Building Footprint* (ha)	Site Area (ha)	Plot Ratio (ha)
New Spitalfields	4.3	10.6	0.41
Western International	3.6	6.8	0.53
Option 5 - Billingsgate moves to New Covent Garden			
Smithfield	2.0	2.5	0.79
New Covent Garden	7.8	17.9	0.43
New Spitalfields	3.2	10.6	0.30
Western International	3.6	6.8	0.53
Option 6 -One market			
	16.5		

*Source: www.acme.com/planimeter. See **Appendix G** for areas plotted.*

**Assuming single storey buildings*

The plot ratio at the new market at Western International, which has just been redeveloped to modern standards, is 0.53. New Covent Garden has a lower plot ratio (0.38) than these examples would suggest is ideal and anecdotal evidence suggests that New Covent Garden market at least is not using its entire site efficiently. Only New Spitalfields Market is within the recommended plot ratio range of 0.25 and 0.33.

The plot ratios shown for the different options in Table 8.1 are based on the footprints of the existing buildings. However if the market sites were redeveloped it is possible that new buildings could be designed in a way which accommodates market uses fully and effectively while using less space. This would result in a greater intensity of use and a higher plot ratio, freeing up some of the existing site.

While redevelopment would be required for expansion of market activities on some sites alternative strategies for expansion would include the acquisition of land and / or intensification on multiple levels. Though both Western International and New Spitalfields are near areas of open space, planning policy would not allow the markets to expand onto this space. We are not aware of any examples of wholesale markets which operate on more than one level. However advances in technology and operational changes may mean that in time a multistorey wholesale market becomes more feasible.

Option 6 One Market involves relocating all the markets – which currently occupy a total of 57 hectares of land – to a different site. Given that Howbury Park and the Barking site are 64 hectares and 78 hectares respectively and that our understanding is that a significant proportion of these sites is planned for other uses, this might imply some scaling down of wholesale activities. However, developing a new wholesale market on a single site would allow it to be designed to be 'fit for purpose' and high plot ratios.

Our ranking of options, from least to most difficulty in terms of accommodating market uses on the sites, is as follows:

- Option 6 One Market is ranked first. While it is not yet clear how much space would be available at the relevant site building, it would be expected that a new market on a single site in outer London would enable a purpose built building to maximise plot ratios.
- Option 1 Status Quo. While some of the current markets appear to be operating beneath capacity, all market activities are comfortably accommodated.
- Option 5 Move Billingsgate to New Covent Garden. Our plot ratio analysis suggests there is room on the New Covent Garden site to accommodate Billingsgate, though redevelopment of at least some section of the site is implied.
- Option 5 Move Billingsgate to New Spitalfields. This option could be achievable if New Spitalfields was redeveloped to a greater intensity.
- Option 4 Consolidation to New Covent Garden might be feasible, though this would require comprehensive redevelopment of the site.
- Option 2 Saphir Consolidation. This would require redevelopment or land acquisition and this is especially problematic at Western International.
- Option 3 Consolidation to New Spitalfields. This is anticipated to require redevelopment if all existing uses were to be accommodated.
- Option 7 No Market is not directly comparable to the other options. A complete change in operational practices is implied. It has not been within the scope of this study to gather data on plot ratios associated with other wholesaling methods.

8.8. Impacts on Neighbouring Uses

The central London markets are those where there is at present the most tension between market activities and surrounding uses. Smithfield is in an area of residential, office and leisure uses and the General Market at the west end of the site may soon be redeveloped for further retail and office uses. New Covent Garden has residential uses to the south, while Billingsgate's activities have the potential to adversely affect adjacent office activities. Moving the markets from these locations implies alleviation of these tensions. Option 1 Status Quo implies no such resolution, though as all the markets have been in their current location for some time it can be assumed that their neighbours have, to some degree at least, got used to co-existing with them.

The fit of market activities with neighbouring uses is important in considering the potential for mixed-use development on the market sites, although transportation planning can limit the impact of activity on neighbourhoods[67]. The markets are busy in the night and early morning and are not operational for much of the working day. With the possible exception of odour (particularly from seafood) their impact on office and leisure uses is limited.

[67] In the case of New Covent Garden, currently, vehicle access to the wholesale market is to the north of the site only from Nine Elms Lane and the residential area is located around Wandsworth Road.

Night time activities could disturb residents and locating homes on or near the market site is potentially problematic and would probably require expensive design and engineering solutions.

In terms of an expansion of uses (and a potential increase in bad neighbour effects), New Spitalfields is better placed than New Covent Garden for an expansion of market activities, as it is surrounded by playing fields and a main road.

Under Option 6 One Market, while the potential impact of a much larger market on one site would be considerable, an out-of-town site is less likely to be adjacent to dense residential or office uses. Assuming layout and access to the market is well planned, a wholesale market would fit well into a retail or logistics park.

In a Option 7 No Market there would be no one site where wholesale market activities would be concentrated and so associated bad neighbour uses would be avoided or spread more widely.

Our ranking of the options in terms of impact on neighbouring uses is as follows:

- Option 7 No Market. Under the virtual market scenario bad neighbour uses would dissipate between different sites. Where new stores replace the wholesale markets there might be neighbourhood impacts such as traffic, but this would depend on what existing neighbouring uses were.
- Option 5 Move Billingsgate to New Spitalfields is ranked second. Tensions between market activities and other land uses would be resolved at Billingsgate, and as New Spitalfields is surrounded by open space and a main road it is better placed to accommodate increased market activities than other sites.
- Option 5 Move Billingsgate to New Covent Garden. Tensions between market activities and other land uses would be resolved at Billingsgate, and without good planning the scale of the increase in activity at New Covent Garden would probably not be sufficient to generate significant additional negative impacts on neighbours.
- Option 3 Consolidation to New Spitalfields. Bad neighbour impacts around the Billingsgate and Smithfield sites would be reduced.
- Option 4 Consolidation to New Covent Garden is ranked next.
- Option 2 Saphir Consolidation is ranked next as increased activity at the three composite markets would increase bad neighbour uses at all these sites.
- Option 6 One Market. It may be problematic to find a site where wholesale market activities can be easily absorbed into the neighbourhood. However, an out-of-town location is less likely to be surrounded by incompatible neighbouring activities such as residential and office. Dependent on location, a purpose-built wholesale market could be constructed to minimise impacts on neighbouring uses.

- Option 1 Status Quo. At present there are five sites and neighbours to all these sites are adversely affected by market activities. The alleviation of these impacts is particularly pressing in the central London sites.

8.9. Balance of Capital Receipt / Redevelopment Costs

This section considers funds which could be potentially raised from the release of current market sites and the potential redevelopment costs incurred by each option. It ranks the options according to how these two factors balance. It is not within our current scope to gather detailed cost information on the property market value of sites or potential costs of redevelopment and there are a number of financial models by which the options could be implemented. This assessment is therefore qualitative only.

Income from Sale of Existing Sites

Each wholesale market has drivers and constraints in relation to alternative uses. The precise value of the sites is not known and the value of any change in use would vary significantly depending on geographical location and when redevelopment came forward. Moreover, it is not necessarily clear who the beneficiaries of capital gain would be in each case. Data from the Value Office Agency (VOA) gives some indication of how land values might change with a change of use[68]. For example, potentially relevant land values[69] for the nearest VOA locations include:

- Industrial land in Hayes is valued at £2.3 – £2.8m per ha. B1 Office space in London ranges in value from £1.0m to £5.2m, and the proximity of the Western International site to Heathrow implies B1 office space would be relatively high value here. Residential land in nearby Ealing in valued at £8.4m to £10.85m.

- Industrial land in Walthamstow, near New Spitalfields market, is valued at £0.9 – £1.4m per ha. B1 office space would probably be relatively low value here, but residential land in nearby Redbridge is valued at £5.22m to £6.72m.

- Land values in Southwark are the closet available proxy for Wandsworth, where New Covent Garden market is located. Industrial land in Southwark is valued at £1.5 – £2.5m per ha. We would expect B1 office space to be of relatively high value here, especially in the north of the borough nearing the River Thames. Residential land is valued at £13.5m to £16.0m.

In general, a significant uplift in land value could be expected if the current wholesale market sites were used for alternative activities. The redevelopment of all the sites would generate considerable funds which might cover the costs of acquiring new land, relocating tenants and moving or updating physical infrastructure.

Billingsgate is probably the most valuable site in relation to its size, due to its location adjacent to high density buildings and high land values at the Canary Wharf complex. As

[68] Value Office Agency, Property Market Report, January 2006
[69] The data is presented prior to the consideration of potential planning restrictions on permitable land uses.

a point of reference, the planned development on the 3.1 ha North Quay site, adjacent to Billingsgate (5.6 ha), will provide 372,660 square metres of office floorspace and 5,324 square metres of retail floorspace[70]. On this basis it is possible that 400,000 sq m or more of office floorspace could be provided on the Billingsgate site. North Quay was purchased in November 2000 by the Canary Wharf Group for £57.9 million, including stamp duty and other acquisition costs[71].

Smithfield market is also in a valuable location though its potential for redevelopment is limited by the listed buildings, viewing corridor and underground infrastructure.

There is potential for mixed-use development to raise funds for reinvestment. This is particularly relevant at New Covent Garden. The eastern and northern sides of the site would be particularly high value due to their proximity to the transport and office hub at Vauxhall and to the River Thames respectively. The flower market forms a discrete parcel of land to the north of the railway lines and is one of the sections of the market which has done less well in recent years.

Redevelopment Costs

Section 8.5 indicates that there may be space for more intense use of some of the markets sites. New food halls would be required where fish and meat wholesaling are relocated. New Covent Garden and Billingsgate are also in need of investment. The other markets are likely to require renewal and updating of their physical infrastructure also, in due course.

Saphir estimated capital costs for redeveloping New Covent Garden to house 65% of Smithfield and Billingsgate tenants as £80 million for phase one development and repairs at 2002 prices. New Covent Garden could for example possibly accommodate Billingsgate on the current flower market site, with the main section of the site reconfigured to accommodate flower market activities. New Spitalfields may be able to accommodate Billingsgate without reconfiguration of existing buildings provided it was possible to use hard standing areas more efficiently.

Our cost information is not sufficiently detailed to allow comparison of the costs of redeveloping the existing markets with cost of providing a new market on a site on the outskirts of London. For this assessment we assume that provision of a brand new market built to the highest standards would be more expensive than the upgrading of existing facilities. There has recently been investment in improvement of facilities at Western International and Smithfield and so these two markets are unlikely to need comprehensive redevelopment in the near future.

70 Planning report PDU/0661/03, 21 June 2006, North Quay (Shed 35), Canary Wharf, http://www.london.gov.uk/mayor/planning_decisions/strategic_dev/2006/20060621/north_quay_report.pdf

71 Source: Canary Wharf Group Plc, Recommended proposal for the introduction of a new holding company, October 2001, http://www.canarywharfinvestorrelations.com/financialrepo/circulars/reports/2001/downloads/Restruc_circ2001.pdf

Our ranking of options, from greatest to least advantageous in terms of raising finance and spend on likely capital works, is as follows:

- Option 7 No Market implies all the sites are sold but no reinvestment is required in a new site.
- Option 6 One Market. Although provision of a new market is likely to be expensive, this option would release all the current sites, raising considerable funds to allow the relocation of the markets and the development of a new site with the most up to date infrastructure and technology.
- Option 3 Consolidation to New Spitalfields would release the two most valuable sites, funding redevelopment of the site, while leaving potential for part of New Covent Garden to be developed for alternative uses.
- Option 4 Consolidation to New Covent Garden would release the two most valuable sites but leave least potential for redevelopment for alternative uses at New Covent Garden.
- Option 5 Move Billingsgate to New Spitalfields would release the most valuable site, raising funds for redevelopment if required and leave potential for part or all of New Covent Garden to be developed for alternative uses.
- Option 5 Move Billingsgate to New Covent Garden would release the most valuable site and could be achieved with relatively little reconfiguration at the New Covent Garden site, while still allowing potential redevelopment of some of the New Covent Garden site.
- Option 2 Saphir Consolidation would release the two most valuable sites but incur redevelopment costs at New Covent Garden, Western International and New Spitalfields.
- Option 1 Status Quo would incur no immediate costs. However there is considerable opportunity cost associated with the use of the sites for wholesale markets and no funds would be raised for badly needed reinvestment. This option does not preclude some mixed development, which would raise some funds while allowing market activities to continue at their current locations.

8.10. Timeline and Delivery

Factors considered under this heading include:

- likely resistance to / support for the different options by different stakeholders
- operational practicalities, and
- legislation.

Below we summarise some of the relevant legislation which is key to the future of the wholesale markets, before discussing the implications of this and other factors for the different options.

Summary of Relevant Legislation[72]

Billingsgate and Smithfield are protected by common law which prohibits the establishment of a rival market within the six and two-third miles of the market[73]. This prevents New Spitalfields and New Covent Garden selling meat and fish on a scale constituting a rival market, at least in their current locations.

Primary legislation would need to be passed for the City of London to move any of its markets from their existing sites. Legislation to move New Spitalfields Market to its new location in the 1980s required around five years to be completed, but could have taken much longer had the occupants of the market not been mostly in favour of the move.

In 1961 an Act of Parliament established the Covent Garden Market Authority (CGMA) and bound it to provide market facilities within the area comprising the Nine Elms lands. It also gave CGMA the power to carry on any activity and enter into any transaction it considered necessary or convenient to carrying out its duties or with a view to making the best use of its assets. This means for example that the authority is entitled to build new structures on the current site or to acquire new or sell part of the existing land. Defra owns the New Covent Garden site and we understand that the sale of the whole site is not within the scope of the existing Acts. To change this would require hybrid legislation which we understand would be difficult and time consuming, requiring significant parliamentary time.

Option Appraisal

Option 1 Status Quo involves no practical and political upheaval or financial cost in the short term. Legislation would not prevent mixed-use redevelopment on any of the current market sites.

Primary legislation would be needed to move Smithfield and Billingsgate. This is likely to be a time consuming process as relocation of activities at Billingsgate and in particular at Smithfield could meet with considerable resistance. In addition the land ownership arrangement at Billingsgate is not straightforward. The need to involve LB Tower Hamlets may add complications and delays[74]. However Billingsgate is in need of substantial

[72] The URS team does not include lawyers and our brief does not cover a review of relevant legislation. Consequently all statements in our report on relevant legislation summarise information from other secondary sources, such as the Saphir report. We have not assessed the accuracy or reliability of this information.
[73] Halsbury's Laws, as quoted in Saphir 2002 p32, says that: 'A franchise or market or fair carries with it a right to be protected from disturbance by a rival market or fair levied within the common law distance of seven miles, or more strictly six and two-third miles, of the place where the market is held'.
[74] The freehold of Billingsgate Market is owned by the City Corporation. Part is subject to a 999 year headlease to the London Borough of Tower Hamlets and sublet back to the City Corporation for 99 years from September 1981. Any redevelopment of the Billingsgate site as a whole would have to be in partnership with the London Borough of Tower Hamlets.

reinvestment and relocation could provide a means of raising funds for this. Stakeholders have indicated that a move to New Covent Garden would be more unpopular amongst tenants and workers than a move to New Spitalfields.

In the long term it is assumed that sale of the New Covent Garden site is probable as Defra wishes to disengage from the management of the market and dispose of the site, once a forward strategy has been identified to ensure the viability of the market[75]. However sale of the New Covent Garden site would require hybrid legislation, which is likely to be a considerable obstacle and delay to implementation.

There are likely to be considerable planning issues to be addressed at any new site. This would certainly be the case for the two indicative sites at Howbury Park and Barking before the proposed rail interchanges could be put in place. For example, Howbury Park is located in Crayford Marshes, designated as Metropolitan Open Land.

Our ranking of options, from the least to the most difficult in securing relevant change to legislation and addressing other policy and stakeholder issues, is as follows:

- Option 1 Status Quo implies no legislative change and the least political and practical upheaval and financial cost in the short term. This option does not preclude mixed-use development.
- Option 5 Move Billingsgate to New Spitalfields would require primary legislation but is expected to be less unpopular with tenants than a move to New Covent Garden, as well as having the advantage of both sites being in City of London ownership.
- Option 3 Consolidation to New Spitalfields. Because the sites are to a degree under one ownership (the City of London), formulating and implementing a co-ordinated strategy for relocation of Billingsgate and Smithfield to New Spitalfields is expected to be more straight-forward than a move to New Covent Garden.
- Option 5 Move Billingsgate to New Covent Garden. Fish wholesaling could take place on part of the New Covent Garden site. Anecdotal evidence indicates however that a move to New Covent Garden could be unpopular with tenants.
- Option 4 Consolidation to New Covent Garden. Consolidation could be achieved without the sale of the site. Anecdotal evidence indicates however that a move to New Covent Garden would be unpopular with tenants.
- Option 2 Saphir Consolidation. Legislation would be needed to move Smithfield and Billingsgate. Splitting up the tenants at Billingsgate and Smithfield would be unpopular with the current workers.

[75] See Executive Summary of the New Covent Garden Market report by PricewaterhouseCoopers, at http://www.cgma.gov.uk/Executive%20Summary%20New Covent Garden Market.pdf. DEFRA's approach was confirmed through stakeholder interviews with DEFRA and CGMA.

- Option 7 No Market. Legislation would be required to sell the sites and political resistance would be expected.
- Option 6 One Market. Legislation would be required to close the existing markets and there may be issues associated with proposal for an Strategic Rail Freight Interchange at Howbury Park / Barking.

9. RECOMMENDATIONS AND NEXT STEPS

9.1. The Preferred Approach

As is clear from the above appraisal there are many factors to weigh up in assessing options for the future of the wholesale markets. None of the options are clearly favoured against all of the criteria. Several of the options are closely matched in terms of the balance of their advantages and drawbacks. Our key conclusions are that:

- The wholesale markets current operate on high value sites and there is a significant opportunity cost associated with this.
- Market trends have placed intense competitive pressure on the wholesale markets in recent years. In the next 15-20 years, the wholesale markets will need to be flexible, innovative and efficient if they are to be commercially viable.
- Consolidation offers the best opportunity to sustain the future of the markets
- Expected travel miles suggest some modest savings for the three composite markets options at New Covent Garden, New Spitalfields and Western International sites. A single site located in Howbury Park, Dagenham Dock or any other site on the edge of London would generate significant additional travel miles.
- Option 4 Consolidation to New Covent Garden, Option 3 Consolidation to New Spitalfields, and Option 2 Saphir Consolidation (i.e. consolidation of Smithfield and Billingsgate to the three other markets) all offer the opportunity of sustainability in the longer-term (that is, the next 15 – 20 years).
- There are considerable practical and political difficulties involved in any consolidation of the markets. A considerable amount of parliamentary time would be needed in addition to the usual issues around development planning and costs. However our understanding is that some options are less onerous in parliamentary time terms than others. This range of factors suggests that it may be best to approach matters in a phased way and concentrate on initial actions that strike the best balance of addressing need and being deliverable.

9.2. Preferred Options

The appraisal of options in Chapter 8 has been summarised in **Appendix I**. Each option is given a score based on the ranking assigned in the appraisal and the weightings assigned to specific criteria. In summary, the preferred options rank as follows:

- Option 3 Consolidation to New Spitalfields and Option 4 Consolidation to New Covent Garden (these two options score equally)
- Option 5a Move Billingsgate to New Spitalfields and Option 5b Move Billingsgate to New Covent Garden (these two options score equally)

- Option 2 Saphir Consolidation
- Option 1 Status Quo
- Option 6 One Market
- Option 7 No Market

This scoring process is largely qualitative. It should be considered together with the sector analysis and demand forecasting exercise presented in Sections 4 and 5. However, together with the other elements of our assessment it provides a useful indication of the comparative merits and disadvantages of each option and a tool in considering a forward strategy for the wholesale markets.

We therefore recommend that either Option 3 Consolidation to New Spitalfields or Option 4 Consolidation to New Covent Garden is pursued, with Option 5 Move Billingsgate as the first step towards this consolidation. While Options 3 and 4 score higher in the appraisal than Option 5, this study has highlighted the merits of a phased approach focusing first on shorter term deliverables. Such an approach reflects the need to maintain flexibility to respond to the many factors influencing the future of the wholesale markets, including economic trends, legislative change, practical constraints and other considerations.

We recommend pursuing Option 5 Relocate Billingsgate in the short to medium term (that is, over the next 5 – 10 or 10 – 15 years). Relocation to either New Covent Garden or New Spitalfields could yield advantages and we outline these advantages below. A relocation of Billingsgate to New Covent Garden would probably be the best move in terms of synergies and opportunities. However practical constraints may mean that it is easier for Billingsgate to relocate to New Spitalfields.

The advantages of consolidation to New Covent Garden include:

- If the site is redeveloped, and subject to significant intensification, it should be able to provide more capacity for wholesale market functions.
- The site is well located to serve the central London foodservice market and this sector is anticipated to be the most promising growth area for market revenues.

The advantages of consolidation to New Spitalfields include:

- The site is large and our plot ratio calculations and comparisons suggest it has potential to expand.
- New Spitalfields, Billingsgate and Smithfield are all controlled by the City of London and so consolidation is likely to be easier to manage. Informal feedback so far also suggests the Billingsgate tenants would be more likely to support this move than relocating to New Covent Garden.
- Consolidation to New Spitalfields could offer the opportunity to free up some of New Covent Garden, which has greater regeneration potential for a broader mix of uses than the New Spitalfields site.

In the longer term (that is the next 15 – 20 years) we recommend that if Billingsgate is successfully relocated then either Option 3 Consolidation to New Spitalfields or Option 4 Consolidation to New Covent Garden can be pursued as the next step. Subject to site masterplanning and costing we would recommend that Smithfield moves to the same site as Billingsgate. With either the consolidation to New Covent Garden or New Spitalfields in place the change in the locations of the markets appears to legally allow the other sites to trade in meat and fish if they wish and if they can raise the finance. This in effect moves to Option 2 Saphir Consolidation though does not split Billingsgate or Smithfield.

The potential for Smithfield to be relocated to the same site as Billingsgate will depend on the outcome of the first stage of consolidation. While it is not possible to comment in detail at this stage on how a phased approach would work, plans for the relocation of Smithfield will need to be regularly reviewed in the light of how the first phase of consolidation progresses.

If the LDA decides to pursue proposals for focusing a London Food Hub at one or more of the wholesale markets this should help enhance prospects and critical mass.

9.3. Next Steps

These are broad strategic conclusions. Consequently we recommend that further work could be carried out to refine them. This includes:

- Consult in more detail in particular with market owners and operators.
- Carry out more detailed site capacity assessments and masterplanning exercises to see to what degree markets could be consolidated at either New Covent Garden[76] or New Spitalfields.
- Review the legal context and requirements for parliamentary time for the preferred options.
- Carry out an initial financial appraisal based upon masterplan solutions and cost and revenue estimates to see whether revenues from sale of surplus sites and/or mixed-use development could fund new investment in market consolidation and renewal.
- Draw up a programme of further steps leading to the end delivery of the preferred strategy.

[76] New Covent Garden is in the early stages of a masterplanning programme.

Appendices

APPENDIX A: DATA ON LONDON WHOLESALE MARKETS

New Covent Garden

Address	New Covent Garden Market, London, SW8 5NX
Tel	Tel: 020 7720 2211
Fax	Fax: 020 7622 5307
Website	http://www.cgma.gov.uk
London Borough/Council	Wandsworth
Creation date	Original market established in 1670. In 1974, the market moved to the Nine Elms site at Vauxhall.
Product/business specialisation	Horticultural (fruits & vegetables, flowers & plants) wholesale, but also caterers.
Target customers	Top-end hotels and restaurants, as well as schools, hospitals and prisons. Contract florists and high street florists
Ownership	Covent Garden Market Authority
Annual turnover	£519 million Fruit & Veg - £156 million, Flower & Plant - £65 million, catering Distribution - £140m, Non-horticultural food activity - £54million, Importers & Agents £105m
Total size (ha/acres)	22.7 ha / 56 acres
Overall occupancy of trading space	91%
Selling area (sq ft)	508,025 sq ft (plus 250,000 apron area)
Sales per square foot	£1022 per sq ft
Number of tenants	250
Number of employees	2,500
Opening hours	Monday to Friday 03.00-11.00, Saturdays 04.00-10.00
Rent levels	£6.50
Area of custom	The West End, the centre of London, the South-East and beyond.
Presence of catering customers	39%
Distance to central London (WC1)	3.8 miles
Distance to Port of Sheerness, Kent, ME12 1RS	54 miles
Distance to Port of Southampton, Hampshire, SO14 3TJ	83 miles
Distance to Port of Dover, Kent, CT16 1JA	79 miles
Recent investments	None.
Future plans	To create a redeveloped market in partnership with the private sector to meet modern day and identified business requirements and long term financial sustainability.
Key selling points	Purpose: providing fresh produce and flowers for hospitality in London Key Feature: location - proximity to central London Key Benefits: service, quality and choice
Drawbacks	Poor infrastructure Planned extension of London's traffic congestion charge.

Spitalfields

Address	ı, London, E10 5SQ
Tel	020 8518 7670
Fax	020 8518 7449
Website	http://www.cityoflondon.gov.uk/Corporation/our_services/markets/spitalfields/
London Borough/Council	Waltham Forest
Creation date	Original market established in 1682. The Stratford and Spitalfields markets merged at the Leyton site in the early 1990s to become the New Spitalfields market.
Product/business specialisation	Horticultural (fruits & vegetables, flowers & plants) wholesale, but also caterers. Specialisation in exotic fruits & vegetables.
Target customers	
Ownership	City of London
Annual turnover	£400 million
Total size (ha)	13 ha / 32 acres
Overall occupancy of trading space	100% (there is a waiting list with companies prepared to pay a premium)
Selling area (sq.ft)	237,075 sq ft
Sales per square foot	£1,687per sq ft
Number of tenants	116 trading units for wholesalers dealing in fruit, vegetables, flowers and plants and 9 for caterers
Number of employees	
Opening hours	Monday to Friday midnight - 1.00pm Saturday midnight - 11.00am
Rent levels	
Area of custom	City of London, Home Counties, M11 corridor
Presence of catering customers	42%
Distance to central London (WC1)	7.9 miles
Distance to Port of Sheerness, Kent, ME12 1RS	51 miles
Distance to Port of Southampton, Hampshire, SO14 3TJ	104 miles
Distance to Port of Dover, Kent, CT16 1JA	78 miles
Recent investments	None.
Future plans	
Key selling points	Specialisation in exotic fruits & vegetables. Organic foods offering at weekends. A social and entertainment venue as well as a place to find the best in farm-raised foods and artisanal products. Added retail component filled with speciality stores and a festival atmosphere. Located on the edge of the planned site for the London 2012 Olympics. The regeneration of the area is expected to enhance and expand business. Extensive parking facilities.

Smithfield

Address	225 London Central Markets, London, EC1A 9LH
Tel	020 7248 3151
Fax	None
Website	http://www.cityoflondon.gov.uk/Corporation/our_services/markets/smithfield_meat_market.htm
London Borough/Council	Islington
Creation date	Meat has been bought and sold at Smithfield for over 800 years, making it one of the oldest markets in London. A livestock market occupied the site as early as the 10th century.
Product/business specialisation	Meat and poultry wholesaling.
Target customers	Butchers, restaurateurs and caterers.
Ownership	City of London
Annual turnover	£300 milliom
Total size (ha)	2.35 ha / 6 acres
Overall occupancy of trading space	
Selling area (sq.ft)	128,256 sq ft
Sales per square foot	£2,339 per sq ft
Number of tenants	41 tenants
Number of employees	
Opening hours	Mon-Fri: 04:00-8.30
Rent levels	
Area of custom	London, the Home Counties and beyond.
Presence of catering customers	41%
Distance to central London (WC1)	1.2 miles
Distance to Port of Sheerness, Kent, ME12 1RS	53 miles
Distance to Port of Southampton, Hampshire, SO14 3TJ	86 miles
Distance to Port of Dover, Kent, CT16 1JA	80 miles
Recent investments	The market has recently undergone a £70 million refurbishment to equip it for the future and enable it to comply with modern hygiene standards.
Future plans	
Key selling points	The most modern meat market in Europe, possibly even the world

Billingsgate

Address	Trafalgar Way, Isle of Dogs, London, E14 5ST
Tel	020 7987 1118
Fax	020 7987 0258
Website	http://www.cityoflondon.gov.uk/corporation/our_services/markets/billingsgate/
London Borough/Council	Tower Hamlets
Creation date	The original market traded in Lower Thames Street for 900 years, between Tower Bridge and London Bridge. It was originally a general market for corn, coal, iron, wine, salt, pottery, fish and miscellaneous goods, but became associated exclusively with the fish trade in the sixteenth century. In January 1982, the market moved to a renovated warehouse in the West India Docks and opened to the public.
Product/business specialisation	Fish wholesaling. The market also has tenants dealing in poultry, cooking oils, potatoes, trade sundries and specialist restaurant and catering supplies.
Target customers	
Ownership	City of London
Annual turnover	£200 million
Total size (ha)	5.5 ha/ 13 acres
Overall occupancy of trading space	
Selling area (sq ft)	35403 sq ft
Sales per square foot	£5649 per sq ft
Number of tenants	54 trading merchants/ 62 tenants
Number of employees	
Opening hours	Tuesday to Saturday from 5am until 8.30am. Sunday from 6am until 8am (Shellfish market only - Only John Stockwell Ltd trading) Closed Monday
Rent levels	
Area of custom	London, the Home Counties and beyond.
Presence of catering customers	29%
Distance to central London (WC1)	5.3 miles
Distance to Port of Sheerness, Kent, ME12 1RS	49 miles
Distance to Port of Southampton, Hampshire, SO14 3TJ	96 miles
Distance to Port of Dover, Kent, CT16 1JA	75 miles
Recent investments	None.
Future plans	
Key selling points	UK's largest inland fish market.

Western International

Address	Hayes Road, Southall, Middlesex, UB2 5XJ
Tel	020 8573 3536
Fax	0181 569 1095
Website	None
London Borough/Council	Hounslow
Creation date	Jun-74
Product/business specialisation	Horticultural (fruits & vegetables, flowers & plants) wholesale, but also caterers.
Target customers	Public contracts (schools, hospitals, prisons,etc)
Ownership	Hounslow Borough Council
Annual turnover	£400 million
Total size (ha)	13 ha / 32 acres
Overall occupancy of trading space	100%
Selling area (sq ft)	139,200 sq ft
Sales per square foot	£2,874 per sq ft
Number of tenants	86
Number of employees	Over 1,000
Opening hours	Mon-Sat 3am-10am
Rent levels	£6.50 per sq ft
Area of custom	London and western area, along the M4 corridor to Bristol.
Presence of catering customers	14%
Distance to central London (WC1)	15.1 miles
Distance to Port of Sheerness, Kent, ME12 1RS	68 miles
Distance to Port of Southampton, Hampshire, SO14 3TJ	73 miles
Distance to Port of Dover, Kent, CT16 1JA	107 miles
Recent investments	March 2006: start of the redevelopment project to resite the market at nearby Heston. It should take 18 months. The new site will house a 312,000 sq ft distribution depot for general goods. It will mean that the site will contract from 32 to 19 acres. The building will comprise 2 adjacent blocks, one for fruit & veg and the other one for a flower market and an area for foodservice companies. Rent will increase to £8.50 per sq ft (still only 77% of the commercial figure for warehousing in the area).
Future plans	To move into its new premises in autumn 2007.
Key selling points	Location: right next to the M3, M4 and Heathrow, providing connections to the west of the country where a lot of home-grown products come from and Heathrow for the imported produce. Many wholesalers are also importers, adding to the reputation of the market for tropical exotics. Capacity for future expansion if Green Belt constraints could be overcome. The market is attracting ethnic minority traders, such as Asian merchants. High sales per square foot. Car parking facilities.

APPENDIX B: PLANNING AND TRANSPORT POLICY

Transport Policy

Planning Policy Guidance 13 - Transport

Planning Policy Guidance 13's (PPG13) objectives are to integrate planning and transport at the national, regional, strategic and local level and to promote more sustainable transport choices both for carrying people and for moving freight.

Those objectives that relate to the wholesale markets include:

- promote more sustainable transport choices for both people and for moving freight;
- promote accessibility to jobs, shopping, leisure facilities and services by public transport, walking and cycling, and
- reduce the need to travel, especially by car.

The relationship between transport and planning is repeated throughout the document, but specifically states that Local authorities should seek to ensure that strategies in the development plan and the local transport plan are complementary: consideration of development plan allocations and local transport priorities and investment should be closely linked.

In relation to freight the guidance states that 'while road transport is likely to remain the main mode for many freight movements, land use planning can help to promote sustainable distribution, including where feasible, the movement of freight by rail and water.' In determining planning applications, local authorities should:

- identify and, where appropriate, protect sites and routes, both existing and potential, which could be critical in developing infrastructure for the movement of freight (such as major freight interchanges including facilities allowing road to rail transfer or for water transport) and ensure that any such disused transport sites and routes are not unnecessarily severed by new developments or transport infrastructure.
- where possible, locate developments generating substantial freight movements such as distribution and warehousing, particularly of bulk goods, away from congested central areas and residential areas, and ensure adequate access to trunk roads, and
- promote opportunities for freight generating development to be served by rail or waterways by influencing the location of development and by identifying and where appropriate protecting realistic opportunities for rail or waterway connections to existing manufacturing, distribution and warehousing sites adjacent or close to the rail network, waterways or coastal/estuarial ports.

The Major's Transport Strategy, 2001

The Mayor's Transport Strategy sets the policy framework for transport in London. Its integrated policies and proposals have a broad horizon of the next ten years, and more for some major projects, covering all means of transport and the management of the capital's road system.

Chapter 4 of the strategy identifies the strategic policies for freight, delivery and servicing. The section builds upon the Government's Sustainable Distribution Strategy, emphasising the twin goals of increased efficiency and reduced environmental impacts.

Policy 4K.1 indicates that the Major and Transport for London (TfL) will work with the London boroughs, business and the freight, distribution and servicing industries, and other relevant organisations to ensure the needs of business and Londoners for the movement of goods (including waste) and services are met, whilst minimising congestion and environmental impacts. In respect to distribution and servicing the Transport Strategy seeks to:

1. Ensure that London's transport networks allow for efficient and reliable handling and distribution of freight in order to support London's economy;
2. Minimise the impact of congestion on the carriage of goods and provision of servicing;
3. Minimise the impact of congestion on the carriage of goods and provision of servicing
4. Foster a progressive shift of freight from road to more sustainable modes such as rail and water, where this is economical and practical.'

Draft Freight Plan, TfL, 2006

The Draft London Freight Plan for published for consultation in 2006 and is now being revised to take account of consultee responses. This Plan is being formulated by Transport for London (TfL) and members of the London Sustainable Distribution Partnership (LSDP), a large number of businesses, freight operators, bodies and associations.

The Draft London Freight Plan recognises the vital role that freight plays in maintaining London as a world-class city, and aims to identify and begin to address the challenge of delivering freight sustainability in the capital now and during its planned growth over the next 20 years.

Key to the Plan's vision, as outlined in the consultation draft, is the safe, reliable and efficient movement of freight and servicing trips to, from, within and, where appropriate, through London to support London's economy, in balance with the needs of other transport users, the environment and Londoners' quality of life.

The Draft London Freight Plan laid out eight policies to address the challenge of delivering freight in London in a more sustainable way, and to improve understanding of the issues around freight to contribute to the longer term process of addressing London's transport needs. The proposals include the promotion of modal shift, consolidation and changes to freight transport specification/fuel through supply chain reconfiguration where economically and environmentally practicable.

The Draft Freight Plan is currently being revised to take account of consultee responses and is currently scheduled for publication in September 2007. The revised Plan is likely to elaborate on how the changes outlined in the eight proposals will be effected by identifying four key projects:

- Freight Information Portal
- Delivery and Servicing Plans
- Construction Logistics Plans
- Freight Operator Recognition Scheme (FORS)

Key to the focus on these projects will be procurement and Corporate Social Responsibility, initially within TfL and then other London public bodies and the private sector.

Three supporting work streams have also been identified:

- Partnership Development (particularly the Freight Quality Partnerships)
- Major Projects
- Data and modelling to support best practice

Sub Regional Planning Policy

Sub-Regional Development Frameworks

All the sub-regional development frameworks (SRDFs) recognise the importance of London's wholesale markets. They indicate that an initial review of wholesale markets has been undertaken (the Saphir report) suggesting that three markets located in East, Central and West London might efficiently meet the capital's needs.

In each of the SRDFs stakeholders are asked for their views on the proposition that, in the medium to long-term, London's wholesale market functions could be consolidated on multipurpose markets located at New Spitalfields, New Covent Garden and Western International.

The East SRDF states that further testing of the Saphir recommendations is required in terms of transportation and the requirements of different groups. The City of London has indicated that it does not anticipate that the meat market at Smithfield would be relocated within the time horizons of the current London Plan (2016).

The West SRDF states that that the wholesale market review must focus on the role of Western International and the areas it might serve in the future, taking into account changing patterns of demand and distribution and new forms of trading and operation.

The Central SRDF indicates that the review will have particular implications for Central London, because Nine Elms falls within the London South Central area, Smithfield is located in the City of London and Billingsgate is on the Isle of Dogs, a CAZ related Opportunity Area. All three are believed to depend significantly on the central London market, serving a key part of London's world city and leisure offer as well as meeting the specialist dietary needs of the sub-region's diverse communities.

Heathrow Opportunity Areas

Western International Market is located between two Opportunity Areas, Heathrow North and Heathrow South. It is now likely that these two areas will be taken forward as part of a wider Heathrow Opportunity Area Framework (OAF). The strategic objectives of the OAF, as stated in the London Plan and the West SRDF, include securing local and sub-regionally important public transport improvements, facilitating commercial site assembly, intensification of use and bringing forward further housing capacity. The framework should also seek better access to the area's opportunities for local excluded communities and build on current strengths, such as Southall's ethnic identity. Western International Market does not relate to aims for regeneration in this locality other than in general terms of working towards strategic aims for the Opportunity Area.

Vision for Vauxhall Battersea, Cross River Partnership 2003

The Vision for Vauxhall Battersea is the first phase in the preparation of a development framework for the Opportunity Area as outlined within London Plan. It was prepared by Urban Initiatives, GVA Grimley and Shared Intelligence on behalf of a client body including Cross River Partnership, LB Lambeth, LB Wandsworth, the GLA, TfL and LDA. The vision set out within the document proposes three Vision Strategies options:

1. Strategy 1 – No intervention. This envisages redevelopment of the area on a site by site basis. Planning policies or development briefs will outline the mix of uses within the area or on the individual sites to be developed for mixed-use.

2. Strategy 2 – Limited intervention. This assumes a more comprehensive framework for development of the Vauxhall-Battersea area, but with the existing infrastructure of the area. The strategy could result in new residential developments of a limited size.

3. Strategy 3 Co-ordinated intervention. This involves a more radical public sector intervention that would be implement in phases of 2007, 2007 – 2012 and 2012 onwards.

The document states that the long term future plans for New Covent Garden Market are a significant element in the 15 year timescale which the study will address, and that the site, together with the Battersea Power Station site, provide potential for strategic scale development. It refers to the possibility of creating market precincts in place of a big market site to introduce a greater range and diversity of land use to the site, while at the same time allowing movement through the site.

Local Planning Policy

The statutory planning guidance of the London boroughs in which the existing wholesale markets are located is reviewed below. This includes the adopted Unitary Development Plans (UDPs) and, where relevant, sections of the Local Development Framework (LDF) which will replace all UDPs in the coming years.

City of London

The UDP for the City of London was adopted in April 2002. It identifies the Smithfield Meat Market as an important local employer which contributes significantly to the diversity and vitality of Smithfield's distinctive identity and character, and recognises the market as a meat distribution centre of strategic importance for central London.

Policy ECON8 aims to ensure that development has due regard to the operational needs of a meat market at Smithfield. Policy TRANS13 highlights the need to reduce the adverse effects of heavy goods vehicles within the City.

The Revised Government system of development will see the UDP replaced by the Local Development Framework. The City of London has produced their LDF issues and options paper, prior to consultation and the creation of the preferred options.

London Borough of Hounslow

The London Borough of Hounslow's UDP was adopted in 2003. Policy IMP1 aims to encourage a pattern of land use and provision of transport which minimises harm to the environment and reduces the need to travel, especially by car, whilst maximising development opportunities in the Borough.

Policy E21 proposes the redevelopment or reuse of land or buildings at Western International Market for range of B1c (office-related research and manufacturing), B2 (industry) and B8 (distribution) use class uses or other appropriate sui generis uses, including the provision of a market. The aim is the rationalisation of the existing market and provision of appropriate new employment uses.

Policy E1 seeks to maintain and enhance the importance of Hounslow as an employment centre which is significant in both the West London and London-wide context; to maintain a robust local economy, with a variety of employment sites and uses; and to encourage economic development which leads to more effective use of land and is compatible with the Council's environmental objectives.

Policy T1 promotes sustainable development within the Borough through integrating transport and land use policies in order to reduce the need to travel, reduce reliance on the private car and promote the use and implementation of environmentally friendly modes and initiatives.

Hounslow Borough Council has submitted a draft Statement of Community Involvement to begin the Local Development Framework scheme.

London Borough of Tower Hamlets

The current approved Unitary Development Plan (1998) confirms the need to facilitate the expansion and diversification of the local economy by encouraging a wide range of economic activities at suitable locations and the availability of a skilled local labour force (Policy ST15). Policy ST18 aims to ensure that economic development is accompanied by the protection and enhancement of the local environment.

The Preferred Options for Tower Hamlets' LDF Core Strategy and Area Action Plans (AAPs) have been published for public consultation. The Core Strategy states that the Council will encourage large office development in areas identified in the Area Action Plans, specifically Canary Wharf (The Canary Wharf estate, Wood Wharf, North Quay and Billingsgate).

The Isle of Dogs Area Action Plan identifies Billingsgate as development site ID2. The site falls into the northern part of the AAP area. Preferred uses for the western part of the site are stated as employment, retail and leisure, and public open space. For the eastern part of the site, preferred uses are residential, employment, and public open space. Under Policy IOD5, two hectares of public open space would be required on the Billingsgate site were it to be developed. A master plan will be drawn up for Aspen Way as a means to improving transport and connectivity.

London Borough of Waltham Forest

The Waltham Forest UDP was adopted in 1996. Policy SP3 states that the Council will promote an integrated transport network which encourages modes of travel and means of carrying freight which cause least damage to the environment and benefits the whole community.

Policy SP6 states that the 'Council will seek to retain land in employment uses in the designated industrial and business zones. Outside the designated zones the Council will seek to retain land in employment use except where continued employment use will cause unacceptable environmental problems, or where redevelopment for employment use is impractical.'

The Sherrin Road site in which New Spitalfields Market is located is in one of the Council's main industrial zones. According to Policy INB1, the Council will generally encourage the following uses in these zones:

i) General industrial uses (B2)

ii) Business uses (B1)

iii) Warehousing (B8)

Waltham Forest Borough Council are currently in the process of formulating their Local Development Framework. No parts of its LDF have to date been published.

London Borough of Wandsworth

The current UDP was adopted in 2003. Policy GEN1 states that the Council will promote sustainable development in the Borough to protect and enhance the quality of life; to improve economic and social opportunities; and to contribute to the Council's Local Agenda 21. EN15 seeks to maximise employment potential of land in the Borough by safeguarding land and buildings for business and industrial use and promoting development for employment purposes in appropriate locations including as part of mixed-use development. Policy GEN28 ensures that the 'Council will support developments that enable bulk freight to be moved by water or rail rather than road'.

Wandsworth has begun formulating its Local Development Framework. The Preferred Option for the Core Strategy and Site Allocations will be put out to consultation in the coming weeks. Committee minutes reviewing the position of the Preferred Option in June 2006 refer to the potential removal of Industrial Employment Area status of New Covent Garden to promote the intensification of use and investment in New Covent Garden Market, and to higher density mixed-use development on the site, particularly at the more accessible eastern end of the area adjoining Vauxhall. The Council will finalise its policy position on the market when the future of the market is clearer. This includes taking into account the findings of this report.

APPENDIX C: VIABILITY OF THE NO MARKET OPTION

Under Option 7 ‘no wholesale market’ market share is taken by a range of other suppliers, such as direct supply from farm, delivered wholesalers and particularly, by large cash and carry warehouses. The cash and carry retailers would set up multiple, large warehouse stores around London near target customer groups.

Cash and carry operators would be commercial operations and would not require subsidy from the state. They would operate so as to maximise profit and to maximise efficiency and therefore viability would be maximised by definition.

However, this model does not allow as much transparency and competition of some other models. Different wholesalers are not located on the same site, so customers cannot compare prices and quality directly. The supermarket-style set-up with a number of major brands competing for the market implies that a similar market structure could emerge for cash and carry as for supermarkets, with a few powerful dominant market leaders. This structure could in the long run restrict competition.

Under the virtual market option, the brand names of the markets would remain but the markets would become virtual addresses on the internet. A key benefit for vendors and customers is that rather than being located at a single site tenants could be located at commercial premises anywhere they chose to set up their business. Maintaining a large number of sellers on the same (virtual) market would assist maintain price competitiveness between tenants - a market price for the products could be established. Competitive pricing and good brand awareness could allow smaller tenants in the market to compete with larger companies in or outside the market. All products could be offered on the same web site or various sections of the same site, and the market would operate 24 hours a day although delivery/collection times would presumably vary. The virtual market system would be relatively cheap to set up and operational costs would be low.

On this basis the virtual wholesale markets could be low cost for vendors and customers and viability would be increased. Set against this is the question of whether virtual market can really work for wholesale produce. Virtual markets like Amazon work well for products that are consistent and can be described accurately, such as CDs and books. However, fresh produce is a highly variable product with accurate product description often difficult, and many customers still prefer to see, smell and touch what they are buying to confirm the quality. Similarly, while virtual markets work well with shelf-stable, high value, low volume items such as CDs and books there is uncertainty on how viable they would be with perishable, bulky, low value to weight ratio items such as fruit, vegetables and meat.

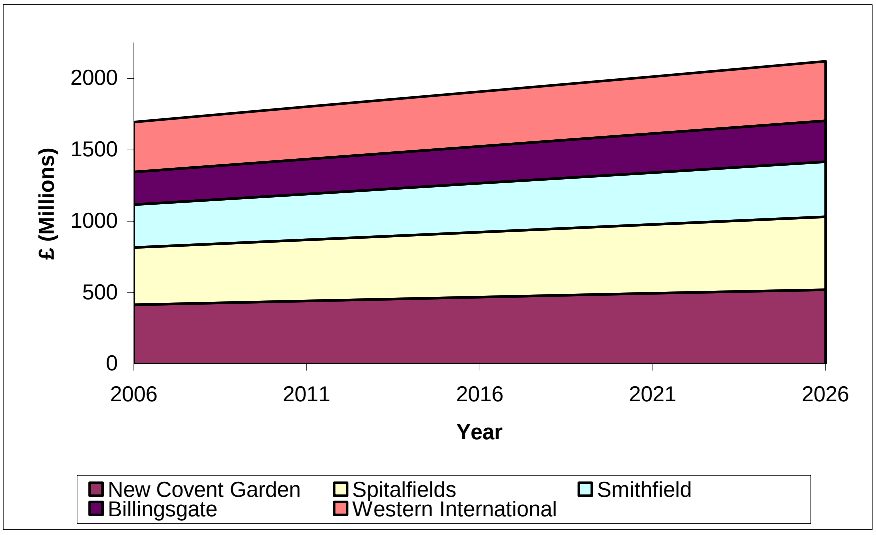
APPENDIX D: OPTIONS REVENUE PROJECTIONS

This appendix expands upon the projection results outlined in Section 5 and the option appraisal in Section 8. A total turnover projection is shown for each wholesale market option. This is compared to the total turnover prior to any change in the structure of wholesale markets to projection the impact the different options will have upon future market viability.

All the projections have been prepared based upon limited information. They should thus be treated as indicative and illustrative of the impacts of likely trends. They are not intended to form the basis of detailed business planning but rather are a way of illustrating broad strategic impacts and issues.

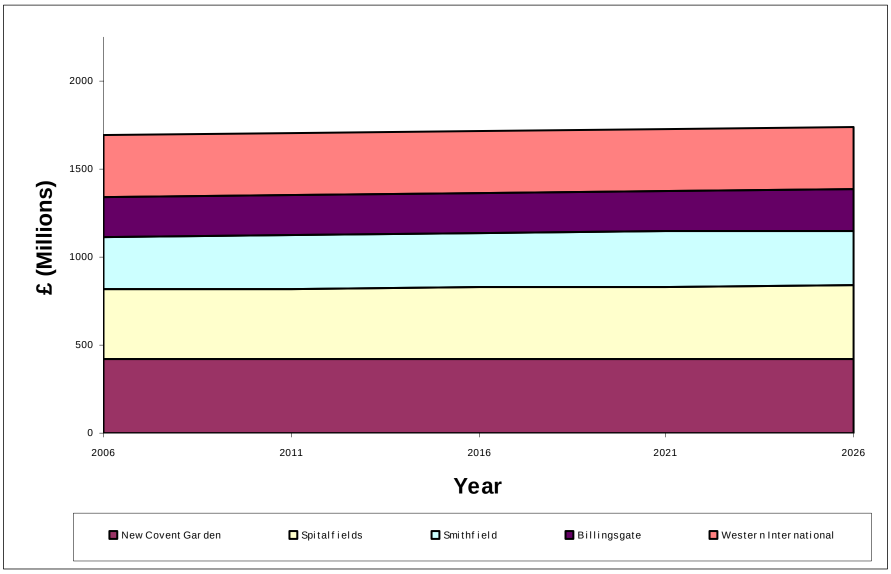
Figures D1 to D3 are the scenario forecasts assuming no change in the structure of the London Wholesale Markets, therefore forming the base case, prior to any scenario.

Figure D1 Optimistic Turnover Projection



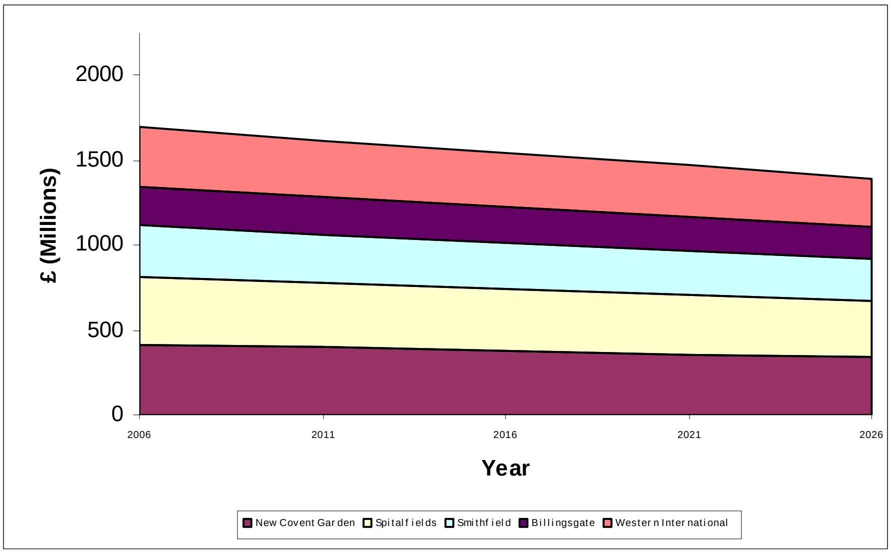
Source: URS Analysis

Figure D2 Neutral Turnover Projection



Source: URS Analysis

Figure D3 Pessimistic Turnover Projection



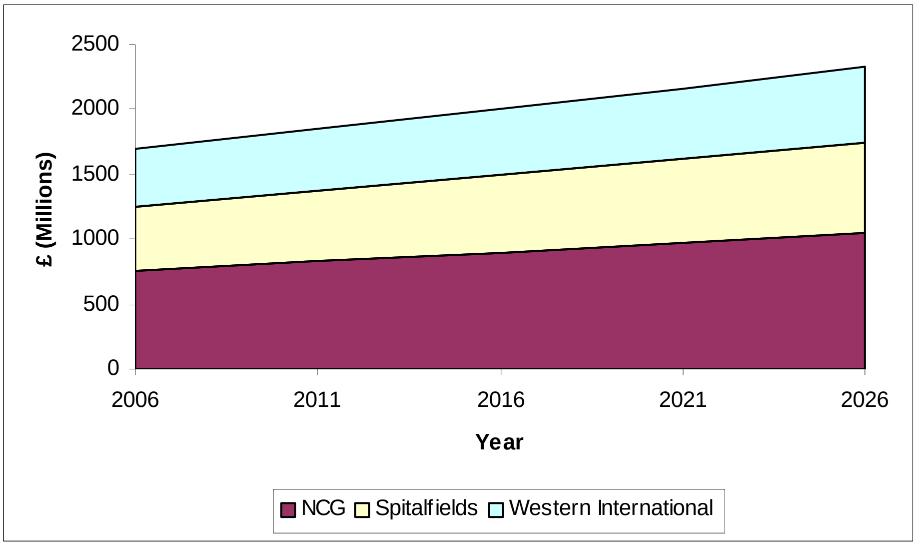
Source: URS Analysis

Option 1 – Status Quo

No change

Option 2 – Saphir Consolidation

Figure D4 Option 2 Saphir Consolidation Optimistic Projection

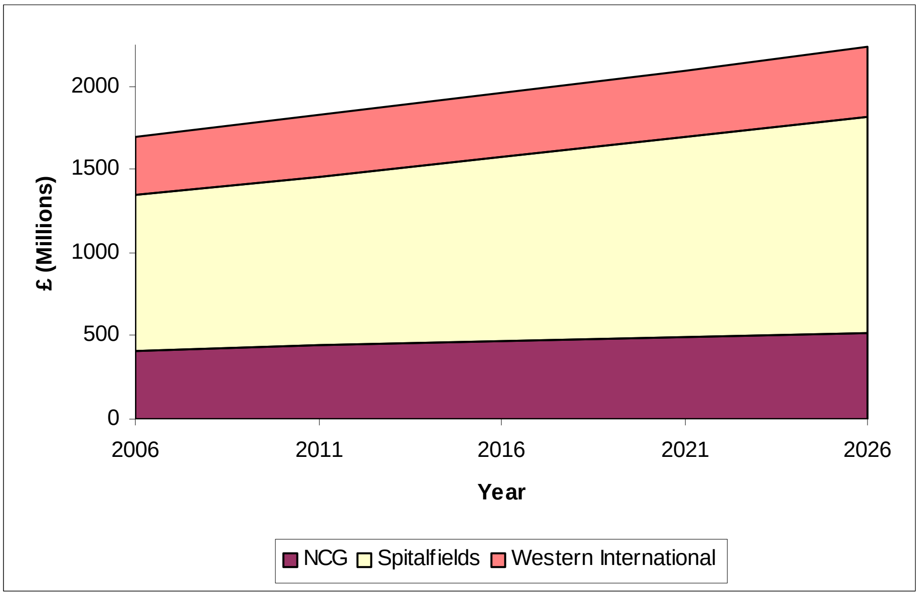


Source: URS Analysis

Option 3 Consolidation to New Spitalfields

Figure D5 shows the projection in turnover assuming consolidation of the City of London sites in the optimistic scenario.

Figure D5 Option 3 Consolidation to New Spitalfields Turnover Projection

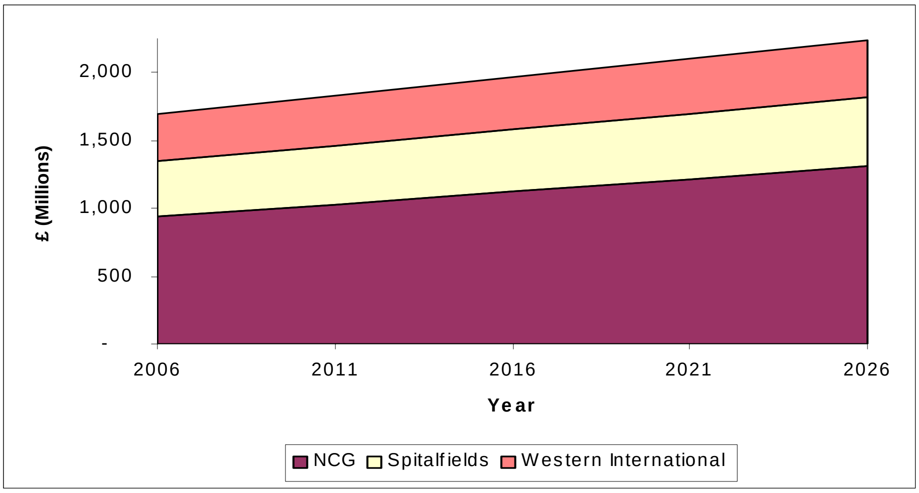


Source: URS Analysis

Option 4 Consolidation to New Covent Garden

Figure D6 shows the projection in turnover assuming consolidation to New Covent Garden in the optimistic scenario.

Figure D6 Option 4 Consolidation to New Covent Garden Optimistic Turnover Projection

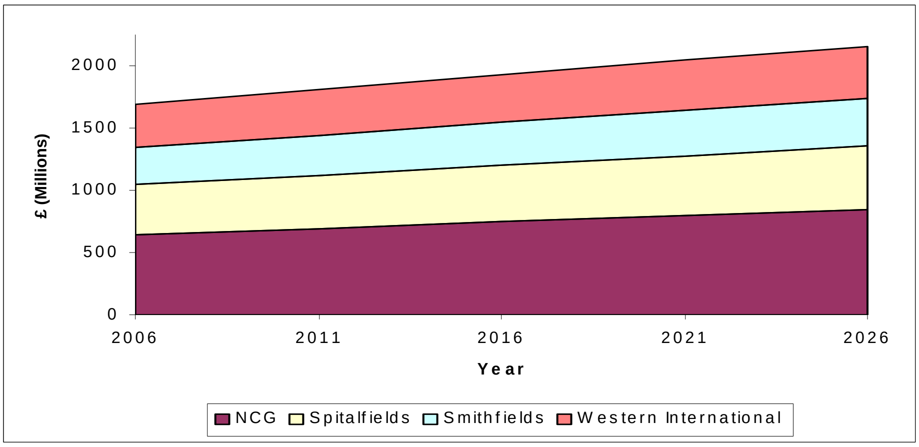


Source: URS Analysis

Option 5 Move Billingsgate

Figure D7 shows the projection in turnover assuming Billingsgate move to New Covent Garden in the optimistic scenario.

Figure D7 Option 5 Move Billingsgate Optimistic Turnover Projection

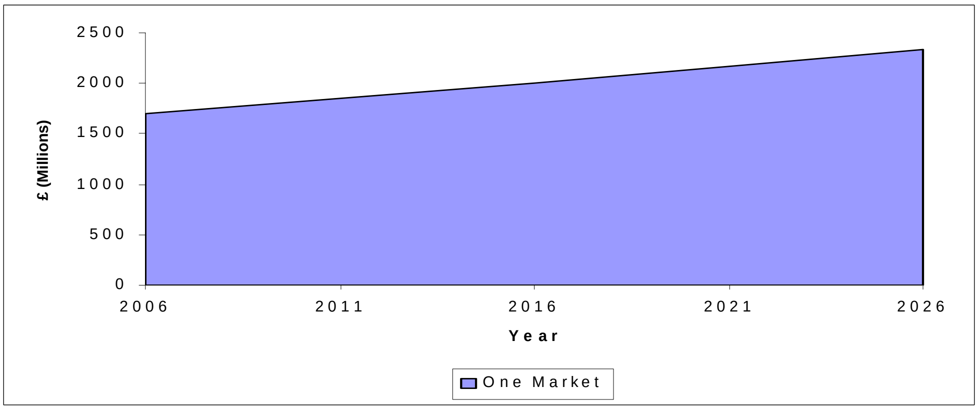


Source: URS Analysis

Option 6 One Market

Figure D8 shows the projection in turnover assuming one in the optimistic scenario.

Figure D8 Option 6 One Market Optimistic Turnover Projection

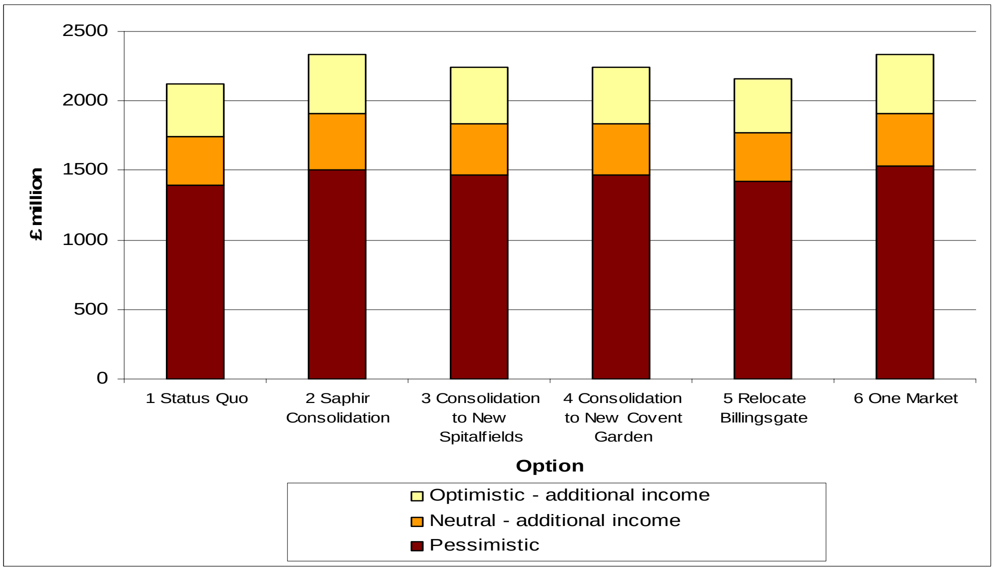


Source: URS Analysis

Summary

Figure D9 contrasts the projections for each option and for the pessimistic, neutral and optimistic scenarios. It shows that Option 2 Saphir Consolidation and Option 6 One Market are projected to have the highest revenues.

Figure D8 Option 6 One Market Optimistic Turnover Projection



Source: URS Analysis

APPENDIX E: RETAIL AND FOODSERVICE FORECASTS

The section outlines the forecasts methodology and results for the retail and foodservice sectors and the data provided by Experian Business Services. The data is based on the forecasts are based on the Retail Planner Briefing Note 3.0. This takes the estimates from the ONS publication Consumer trends (June 2005)[77]. This breaks total household spending down by category according to the internationally recognised COICOPS (Classification of Individual Consumption by Purpose) and is consistent with the definition used in the ONS' National Accounts (Blue Book) publication.

The Experian Business Strategies provided forecasts for convenience expenditure and leisure services, based on their disaggregated consumer spending model. This takes a number of marco-economic forecasts (chiefly consumer spending, incomes and inflation) and uses them to produce forecasts off disaggregated consumer spending volumes, prices and value. The model incorporates assumptions about income and price elasticities. Consequently, the shares of the individual component of consumer spending, not just at levels, will be sensitive to the macro-economic forecast. Forecast growth rates are also sensitive to the position of the base year in the economic cycle. If the base year is considered to be near a cyclical peak, future forecast growth rates will be lower than if the base year is considered to be close to a cyclical trough.

The forecast growth rates for convenience and leisure goods are as follows

- 0.6% for Convenience
- 1.4% for Leisure Services

These growth rates are then have been modified to take account of population forecasts from the GLA's 2005 Round of Demographic Projections - Scenario 8.07[78].

The forecasts for convenience goods, convenience at independent retailers and food at independent retailers are shown in **Table E1**. Convenience at independent retailers is based on the current market share of 12.6% of the total convenience market as provided by Experian[79]. While the individual food categories allowed this to be broken down into those food products relevant to the wholesale markets.

[77] The ONS Consumer Trends publication is now produced for the fourth quarter of 2006.
[78] These have since been updated with revised projections, DMAG (2006)
[79] Refer to the Retail In London: Working Paper C – Grocery Retailing, GLA Economics, October 2005

Table E1 Forecasts Expenditure Independent Retailers

	2006	2011	2016	2021	2026
Convenience	£34,198,085,663	£36,455,936,696	£38,759,612,996	£41,011,000,021	£43,396,059,318
Convenience at Independent	£4,322,958,977	£4,608,372,537	£4,899,578,842	£5,184,175,291	£5,485,669,170
Food at Independent Retailers	£3,026,071,284	£3,225,860,776	£3,429,705,189	£3,628,922,704	£3,839,968,419

Source: URS Analysis and EBS

The Foodservice forecasts are included in **Table E2**. This figures were then broken down into the appropriate foodservice outlets that are serviced by the wholesale markets.

Table E2 Forecasts Expenditure Foodservice

	2006	2011	2016	2021	2026
Foodservice	24,079,808,489	26,698,861,961	29,513,923,909	32,451,014,819	35,691,687,035

Source: URS Analysis and EBS

Therefore in the South East (including London) within the convenience sector between 2006 and 2006 the total expenditure is forecast to grow by 26.9 % or 1.2% annually. In the foodservice within the South East (Including London) sector total expenditure is forecast to grow by 48.2% between 2006 and 2026 or 2.0% annually.

APPENDIX F: THE SCOPE FOR RAIL TRANSPORT UNDER THE ONE MARKET OPTION

Both the Slade Green and Barking sites are subject to proposals for rail freight terminals. Though both sites are accessible by road - Slade Green is just off Junction 1a of the M25, while Barking can be accessed by the A13 - the location of a wholesale market at these sites could be linked with a significant move towards rail freight for transporting wholesale goods. Rail could be an effective way of transporting wholesale goods. Evidence put forward in the Needs Case for the Strategic Rail Freight Interchange (SRFI) study[80] to this effect includes the following:

- It is estimated that since 2002 Asda have shifted 2,000 – 6,000 lorries-worth of produce off the M6 and M74 motorways onto rail.
- The UK, French and Spanish railways have conducted studies with chilled logistics companies towards setting up service from the Franco-Spanish border direct to the UK. Previous attempts have failed in part through a lack of suitably located inter-modal terminal facilities in the South East.
- Rail services could save time on typical road hauls.
- Many fresh fruit retailers' suppliers operate packhouses and consolidation centres in West Kent. Wholesalers located at Howbury Park could easier access this section of the food processing market.

Despite this evidence, past experience is that rail transit is not reliable enough for transporting fresh produce. Moreover a significant extension and improvement in rail infrastructure would be required in order for the network to compete with the current road network. A shift to rail for the transport of wholesale goods is therefore considered a valid but potentially long term option at present. Consequently we assess Option 6 One Market on the assumption that all goods would come to and depart the site by road.

[80] Prologis / Intermodality Transport Strategy and Delivery 2005, *Howbury Park Strategic Rail Freight Interchange: The Need Case*

APPENDIX G: AREA PLOTS

Plot ratio was calculated as the ratio of building footprint to site area. Site area was taken to include those parts of the site could realistically be used for market activities. Only buildings currently being used for market related activities on the site were included. Outlines of site area and building footprint were plotted on aerial photographs and calculated electronically (www.acme.com/planimeter). For Western International, plot ratio was estimated from plans of the new market site supplied by Western International.

Table G1 gives the plot ratios calculated and **Figures G1 – G8** show building footprint and site area plotted for each market. Clearly not all market related activities are housed within the market halls: space for parking, circulation, loading and various other activities is crucial for effective operation of the markets. However, the ratio of building footprint to site area gives a broad indication of how intensively the site is being used. A higher figure plot ratio indicates a higher proportion of the site used for market activities.

Table G1 Options and Plot Ratios

	Market Building Footprint (Ha)	*Site Area (Ha)*	*Plot Ratio*
Billingsgate	1.1	5.6	0.20
Smithfield	2.0	2.5	0.79
New Covent Garden	6.6	17.9	0.37
New Spitalfields	3.2	10.6	0.30
Western International	3.6	6.8	0.53

Figures G1 and G2 show site area and market building footprint for Billingsgate. Site area is 5.6 ha. Market building footprint is 1.1 ha. The resulting plot ratio is 0.2.

Figure G1 Site Area: Billingsgate

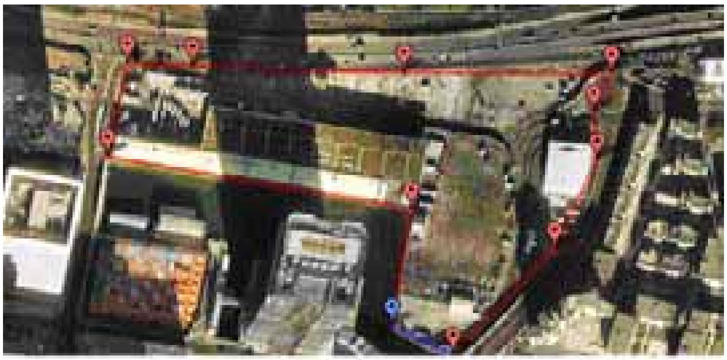


Figure G2 Market Building Footprint: Billingsgate

Figures G3 and G4 show site area and market building footprint for Smithfield. Site area is 2.0 ha. Market building footprint is 2.5 ha. The resulting plot ratio is 0.79.

Figure G3 Site Area: Smithfield

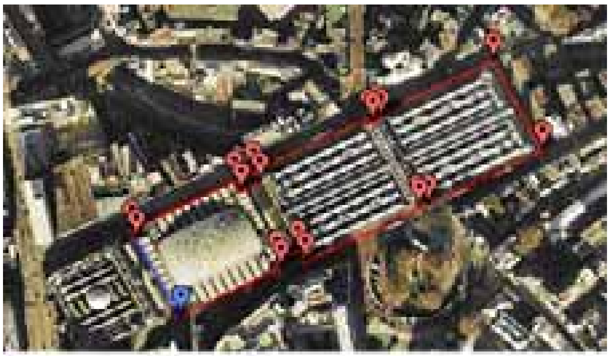


Figure G4 Market Building Footprint: Smithfield

Figures G5 and G6 show site area and market building footprint for New Covent Garden. Site area is 6.6 ha. Market building footprint is 17.9 ha. The resulting plot ratio is 0.37.

Figure G5 Site Area: New Covent Garden

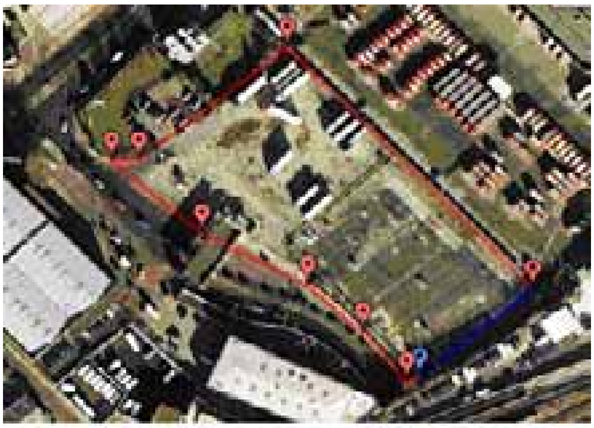


Figure G6 Market Building Footprint: New Covent Garden

Figures G7 and G8 show site area and market building footprint for New Spitalfields. Site area is 3.2 ha. Market building footprint is 10.6 ha. The resulting plot ratio is 0.30.

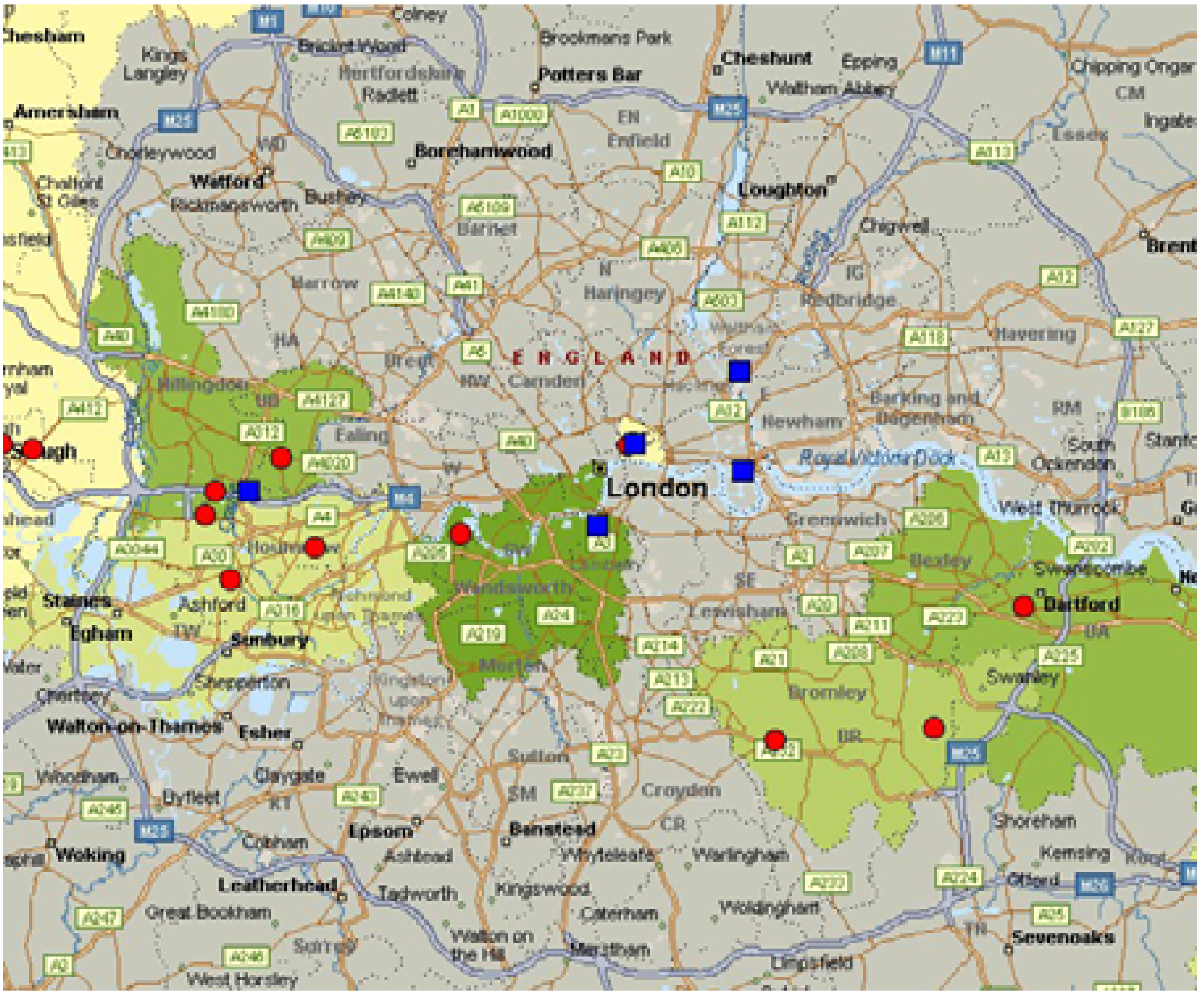
Figure G7 Site Area: New Spitalfields

Figure G8 Market Building Footprint: New Spitalfields

APPENDIX H: DATA FROM FREIGHT STUDY

This appendix contains the information from the TfL London Wholesale Markets Freight Study. Two surveys were undertaken in late 2006 and early 2007. **Figures H1 – H5** show the quantity of produce supplied for each of the wholesale markets. Maps showing the density of customers for each market are included in Section 8.

Figure H1 Western International Supplier Quantity by Postcode



Source: TfL

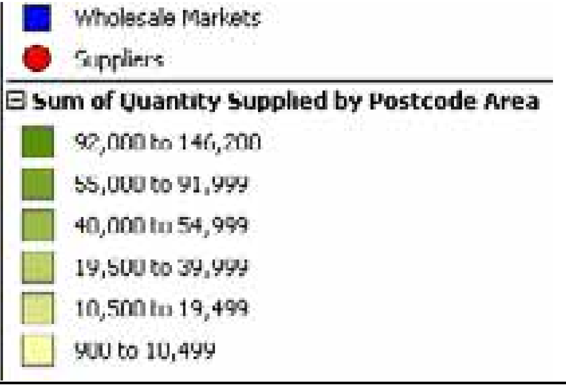
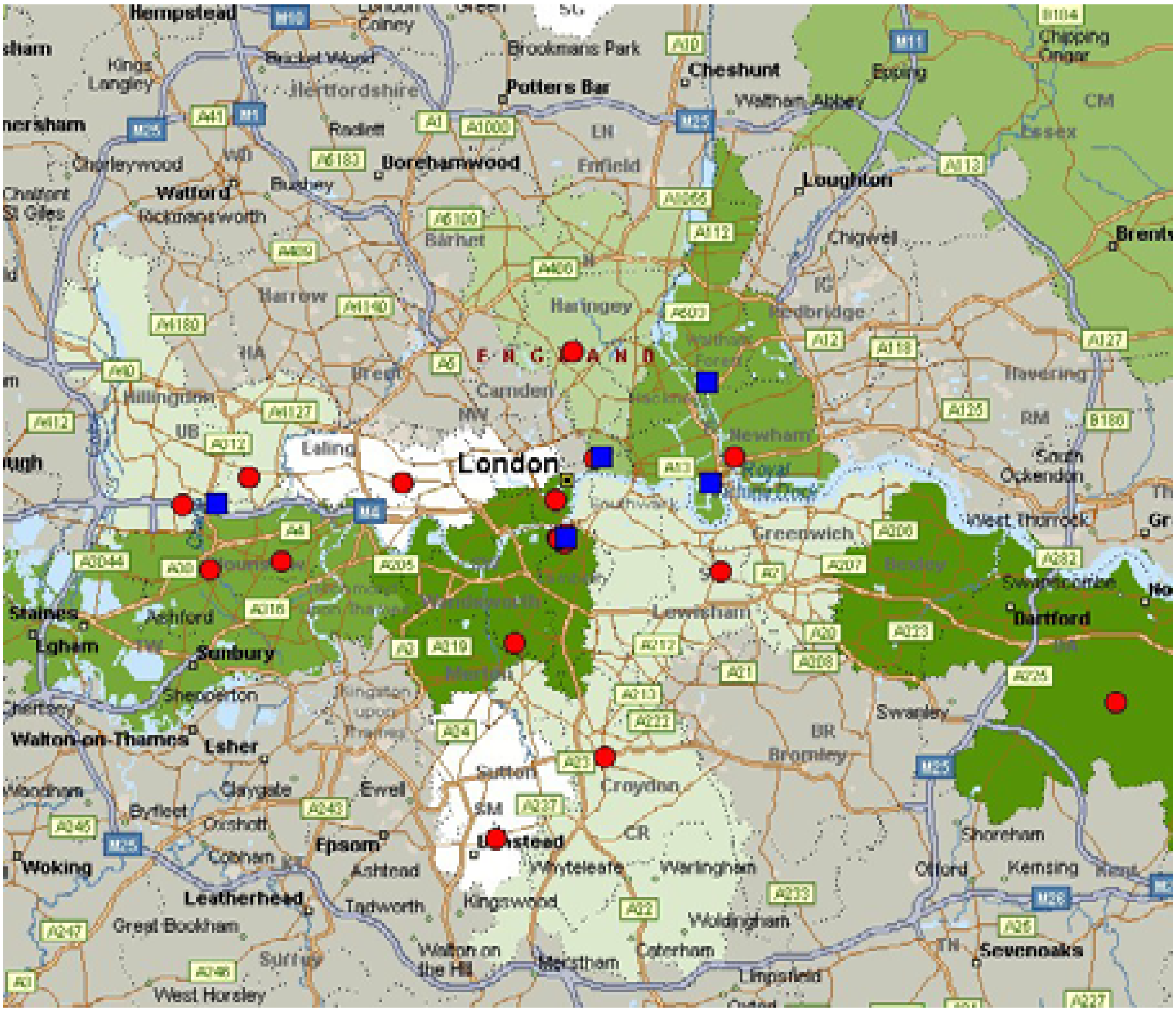


Figure H2 New Covent Garden Supplier Quantity by Postcode



Source: TfL

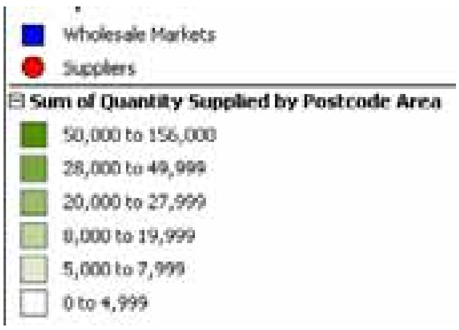
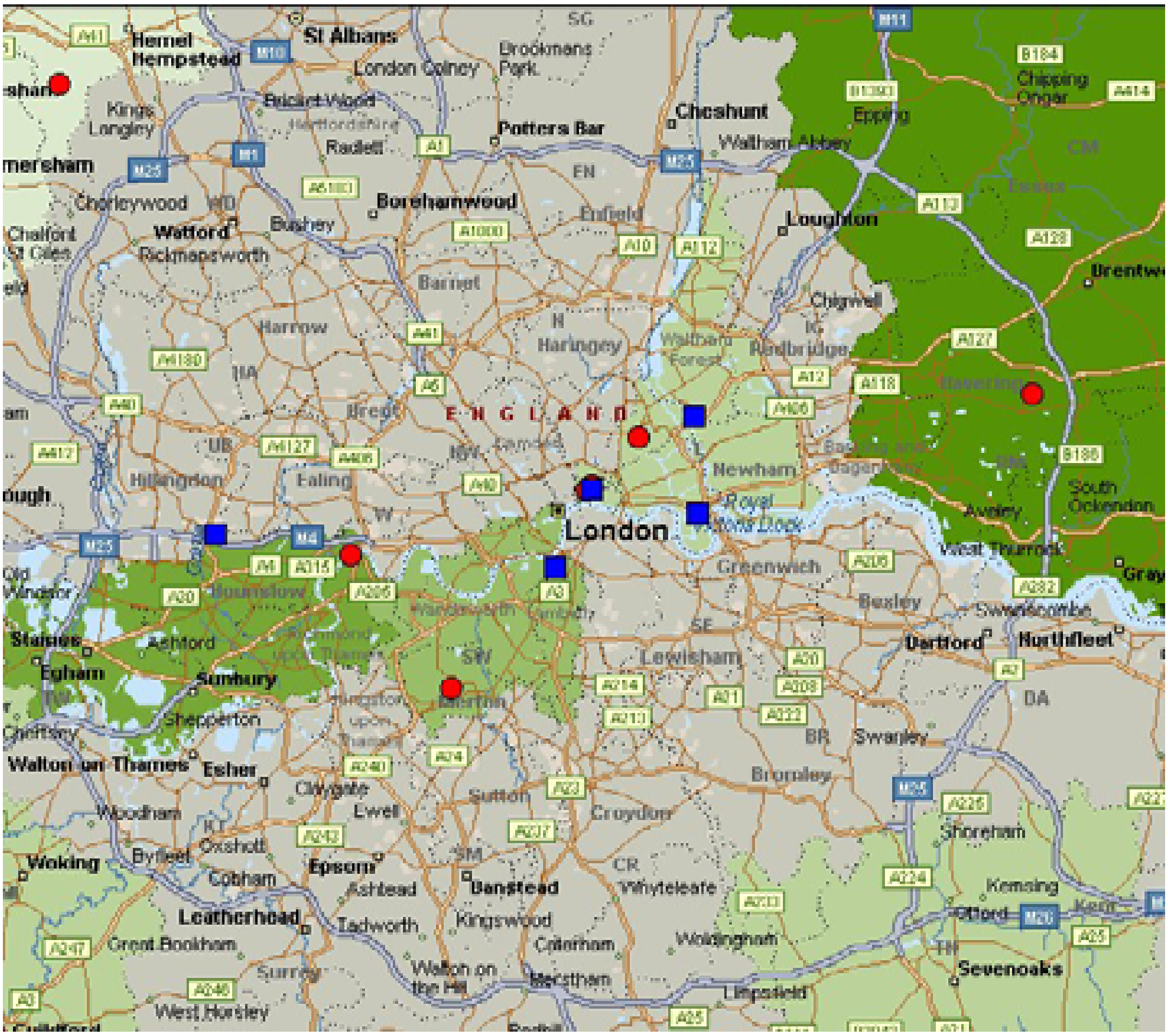


Figure H3 Smithfield Supplier Quantity by Postcode



Source: TfL

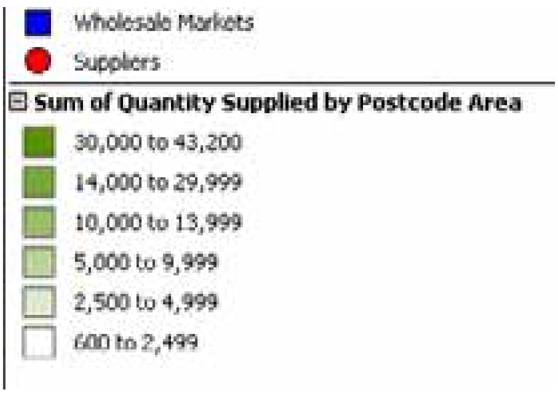


Figure H4 Spitalfields Supplier Quantity by Postcode

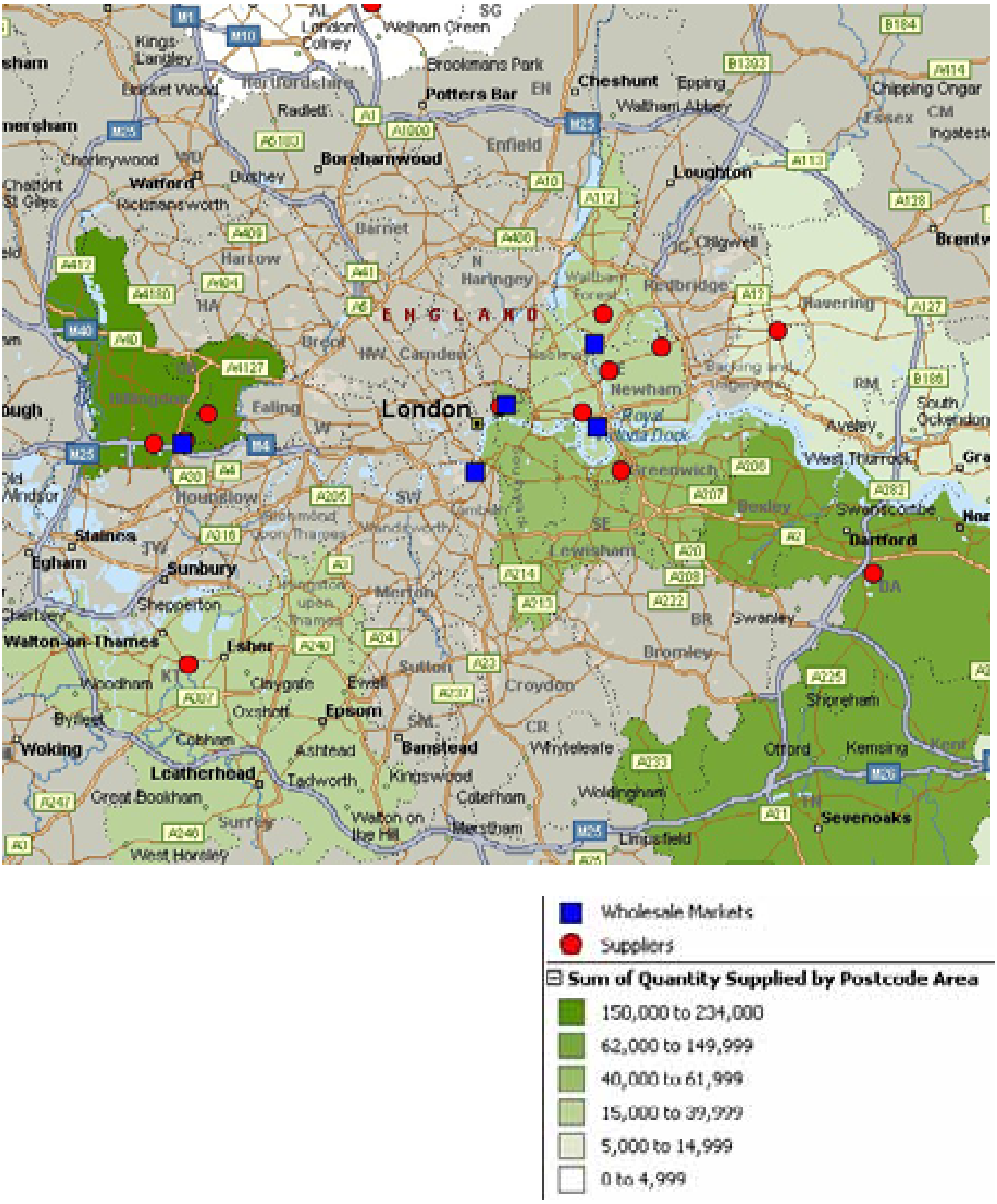
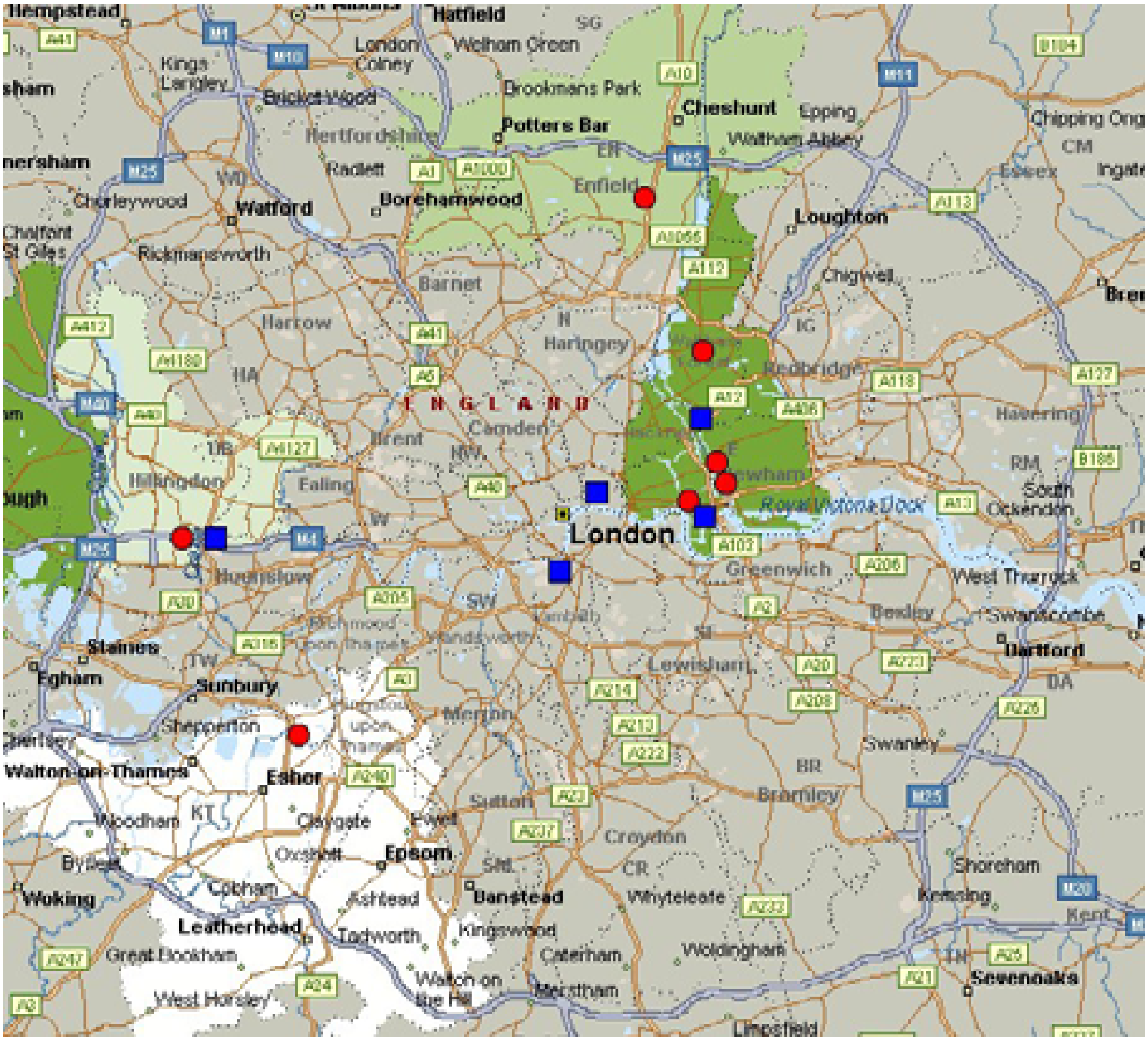
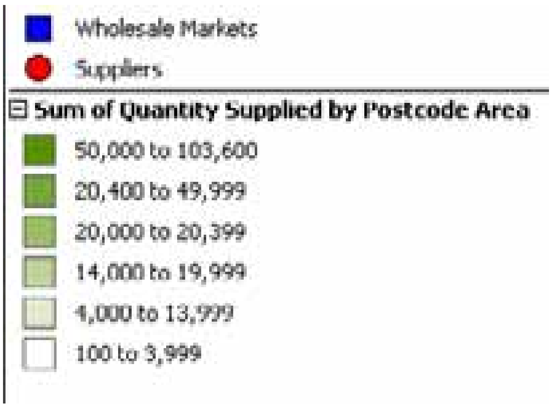


Figure H5 Billingsgate Supplier Quantity by Postcode



Source: TfL



APPENDIX I: OPTION APPRAISAL SCORES

Table I.1 aims to capture the option appraisal analysis in a scoring framework. Each criteria has been weighted according to significance, and a ranking system used to generate a score for each option under each criteria. Though numerical scores have been used these are indicative. The assessment is in many places a qualitative one, based on our judgement of the relative benefits and dis-benefits of each option under each criteria. The scores should be considered together with the sector analysis and demand forecasting exercise presented in Sections 4 and 5.

A linear scoring method whereby the option ranked highest under a given criteria scores the maximum of eight points and the option ranked lowest scores one point was not used here. This was felt to be too simplistic as it does reflect the range of impacts which the options could generate. Instead, scores between one and twelve have been assigned. This allows more sensitivity in terms of assigning a score for a particular ranking.

Table I.1 Option Appraisal Scores

	Operational Viability		*Transport Impacts*		*Local Economy & Communities*		*Redevelopment Opportunities*			*Delivery*		
	Consolidation Benefits	*Catchment Benefits*	*Travel Miles*	*Congestion Impacts*	*SME and BAME Impacts*	*Wholesale Market Workforce*	*Area Regeneration + Opportunity Cost*	*Capacity and Layout*	*Neighbouring Uses*	*Balance of Capital Receipt / Redevelopment Costs*	*Timeline and Delivery*	***Total***
Weighting	**15**	**15**	**10**	**5**	**10**	**5**	**10**	**10**	**5**	**10**	**5**	**100**
Weighted Score												
1 Status quo	30	135	80	25	120	60	10	110	5	10	60	**645**
2 Saphir consolidation	120	180	100	30	80	20	60	40	20	20	10	**680**
3 Billingsgate and Smithfield move to New Spitalfields	165	60	60	20	70	30	100	30	35	100	40	**710**
4 Billingsgate and Smithfield move to New Covent Garden	165	150	40	10	70	25	50	70	30	80	20	**710**
5a Billingsgate moves to New Spitalfields	105	75	50	45	100	50	40	80	50	50	50	**695**
5b Billingsgate moves to New Covent Garden	105	90	90	35	100	40	30	100	40	40	25	**695**
6 One market	180	15	10	55	10	5	110	120	15	110	5	**635**
7 No market	15	30	70	60	30	15	120	10	60	120	10	**540**

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Hindi

यदि आप इस दस्तावेज की प्रति अपनी
भाषा में चाहते हैं, तो कृपया निम्नलिखित
नंबर पर फोन करें अथवा नीचे दिये गये
पते पर संपर्क करें

Vietnamese

Nếu bạn muốn có văn bản tài liệu
này bằng ngôn ngữ của mình, hãy
liên hệ theo số điện thoại hoặc địa
chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি
(কপি) চান, তা হলে নীচের ফোন নম্বরে
বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος
εγγράφου στη δική σας γλώσσα, παρακαλείστε να
επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυ-
δρομικά στην παρακάτω διεύθυνση.

Urdu

اگر آپ اِس دستاویز کی نقل اپنی زبان میں
چاھتے ھیں، تو براہ کرم نیچے دئے گئے نمبر
پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Turkish

Bu belgenin kendi dilinizde
hazırlanmış bir nüshasını
edinmek için, lütfen aşağıdaki
telefon numarasını arayınız
veya adrese başvurunuz.

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى
الاتصال برقم الهاتف أو مراسلة العنوان
أدناه

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ
ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ
ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં
જોઇતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર
ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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