

London Plan Examination in Public – Written Statement

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Land for Industry, Logistics and Services to Support London’s Economic Function

M62. Are policies E4, E5, E6 and E7 consistent with national policy and would they be effective in helping to ensure that sufficient suitable land and premises are available to meet the quantitative and qualitative needs for all foreseeable types of industrial activity over the plan period? In particular:

a) Are the industrial job growth projections and associated estimates of land and floorspace requirements justified?

Previous London Plans have detailed projections for jobs by borough over the relevant Plan period. The Draft London Plan explicitly does not (job projections are set out in a range of supplementary documents), and simply sets out estimates for land requirements, with no attempt to project likely types and numbers of jobs. This may be an error or simply reflects the approach on concentrating on intensification, co-location and substitution of employment land use.

The Draft London Plan suggests that there will be positive net demand for industrial land in London over the period 2016 to 2041. However, the Plan still suggests there is scope for further release of 233 hectares of such land over the same period.¹ Again, the Assembly is concerned about a lack of evidence that this approach will ensure the number and type of jobs that will be required can be accommodated.

It seems logical to assume that the only way increased demand can be reconciled with reduced land supply is if the intensification and co-location approaches work.²

There is no definitive guidance as to what is “the right amount of industrial land”. As London continues to grow there are increasing pressures on all forms of land use activity to demonstrate that they are contributing efficiently to London’s needs. Industrial land in London is under particular pressure given the high demand for housing land and the much higher land values that residential development commands, compared to industrial.

¹ Draft London Plan, December 2017, paragraph 6.4.4

² Draft London Plan, December 2017, paragraph 6.7.1

Structural change in the London economy over recent decades has led to a shift in employment away from traditional manufacturing industries and into the service sector. Over the past three decades, London's employment in manufacturing has declined from over 1 million in 1971³ to just 128,000 in 2015.⁴ The sector is now small and accounts for just 2.3 per cent of London's jobs and 2.6 per cent of its economic output.⁵ Yet this is only one part of the industrial economy, the part that has experienced the most notable decline.

The current London Plan's definition of industrial activity is wider than just 'industrial' and 'manufacturing'. It includes 'services for the service sector', manufacturing and maintenance, waste management and recycling, wholesale and logistics – in recognition that even an increasingly service-based economy needs space for less high-value activities crucial to sustaining the city's metabolism. Taken together, utilities, manufacturing, motor trades, wholesale, transport and storage accounted for 11.6 per cent of London's employment in 2014.⁶ Sufficient space to accommodate demand for workspace suitable for SMEs and for new and emerging industries is also required including for the needs of micro-firms.⁷

The Assembly would wish to highlight a number of conclusions from the London Industrial Land Demand Study that highlight concerns that policies E4 through to E7 may not be effective in helping to ensure sufficient land and premises will be available to meet foreseeable industrial activity over the Plan period:

- There will be a growing need for warehousing and logistics space: Park Royal, for example, is being Park Royal and associated corridors around the A40 are now driven by warehousing and logistics activities and small-scale manufacturing / quasi service activities;⁸
- There will be a continuing, and possible increasing, need for business that serve and maintain other businesses in the central area. For example, the Central Services area, which is dominated by businesses servicing the West End and City / Docklands office, retail and leisure economies. Typically, demand in this area is driven by companies which must be near their customers.⁹

The Assembly is further concerned about the impact of the extension of permitted development rights that will inevitably impact on industrial land and buildings.

b) Is the aim of ensuring no overall net loss of (i) industrial floorspace capacity and (ii) operational yard space capacity across London in designated Strategic Industrial Locations (SIL) and Locally Significant Industrial Sites (LSIS) justified and realistic, and would achieving that objective ensure the availability of a sufficient quantity of land and premises for industrial uses?

³ Land for Industry and Transport, SPG, September 2012 4

⁴ Working Paper 85: A description of London's economy, GLA Economics, March 2017, page 4

⁵ London Industrial Land Demand Study, GLA, June 2017, page 8

⁶ Derived from Business register and employment survey employment (workplace) by industry, ONS, 2019-2014

⁷ London Plan, March 2016, paragraph 4.14

⁸ London Industrial Land Demand Study, GLA, June 2017, page 8

⁹ Ibid

The Assembly notes the Mayor's London Industrial Land Demand Study that states that there are approximately 7,000 hectares of industrial land in London. In the period 2010-15 the stock of industrial land in London fell by over 500 ha, at an annual rate of 106 ha per annum. This compares to a release benchmark of 37 ha per annum in the current (2016) London Plan based on recommendations in the 2011 Industrial Land Demand and Release Benchmarks in London report.

The Assembly notes the Mayor's London Industrial Land Demand Study that states "Industrial land release in London is currently running at around 100 ha a year, well above the benchmark release figure of 37 ha a year set out in the London Plan and Land for Industry and Transport SPG. Our new projection suggests the release figure should be revised down to just 9 ha a year."

Evidence to the Assembly's Planning Committee suggests, however, that any approach to the release of industrial land should be cautious because of steady demand for industrial land and reducing supply through accelerated land release resulting in lower vacancy rates and resultant increasing rents. At its meeting on 7 September 2017¹⁰ the Committee heard:

- "We are seeing rent levels also increasing because of this demand. This is due to the industrial stock in London being released at a fairly high rate. We have seen lots of manufacturing businesses who have had the ability to move out of their current locations due to not having a requirement to work, necessarily, in central London, who have done so already."
- "Vacancy rates (for industrial property) have been declining significantly. Back in 2001 we were looking at a vacancy rate in London of around 16%. That dropped to 12% in 2010 and 11% in 2015...we are seeing, in response to demand, that vacancy rates in many boroughs in London are less than 5%. It is showing healthy demand for those types of functions. "
- "Take the last London Plan in 2011. The benchmark release was 37 hectares per annum and it has been about seven times that rate in central London and about three times that rate overall in the capital. The demand study indicates that in this Plan we should be looking to lower that dramatically from 37 to nine hectares a year as a benchmark of expected release. However, when you look at that trend and when you look at the fact that there are several hundred hectares already in the pipeline for release that have been permissioned, and then there are even probably 700 to 800 further hectares that people have earmarked for release, that suggests that we should be discouraging any further active release of industrial land."

¹⁰ Planning Committee, 7 September 2017
<https://www.london.gov.uk/moderngov/documents/s65741/Minutes%20-%20Appendix%201%20-%20Transcript%20of%20Industrial%20Land%20in%20London.pdf>

Loss of Locally Significant Industrial land has been considerable: The Industrial Land Demand Study notes a 25.3% reduction in the 2010-15 period.¹¹ This must, inevitably, put increasing pressure on Strategic Industrial Land.

The Assembly's position remains that, given these factors, the Assembly would wish to see protection for all forms of industrial land remain until a more rigorous assessment of demand is made.

c) Are the borough-level capacity categorisations (“retain”, “provide”, or “limited release”) set out in Table 6.2 justified, and would the proposed approach ensure a sufficient quantity of land and premises in different industrial property market areas?

Industrial floor space stock has steadily declined from around 25.8 million square metres in London in 2001 to around 20.8 million square metres in 2016, a loss of around 20 per cent - a rate four times faster than England and Wales. The year 2008-09 saw a particularly sharp fall in industrial stock in London, probably due to a number of more marginal firms being squeezed out of business as finance dried up during the recession.¹² SIL, which has the most protection under the existing London Plan, is still being lost at a faster rate than envisaged through the managed release approach.

The rate of the loss of industrial land has been uneven across London. East London has seen a 15 per cent loss of industrial land since 2006. West London saw a decline of nearly 9 per cent in its industrial land stock. Deputy Mayor Jules Pipe has argued that “it is of great concern in London that we are losing industrial land across London at three times the rate that was anticipated in the previous London Plan. Actually, it is far worse in the centre and the east, where we are losing it at about seven times the rate that was anticipated”.¹³

The loss of industrial land should be seen in the context of demand. Although demand for general and light industrial land is projected to decline by 167 ha between 2016 and 2041, alongside declines in waste and utilities demand, demand for warehouse space is projected to increase by 280 ha over the same period. In addition, many boroughs have very low industrial land vacancy rates, including in the Park Royal SIL boroughs of Ealing and Brent.¹⁴ As such, with this demand the Industrial Land Demand Study suggests that only around 233 ha of space can feasibly be released over the period to 2041.¹⁵

As referenced in the written statement in answer to question b) above, the Deputy Mayor for Planning told the Committee that rates of release were running considerably above the benchmark figure and [the release rate above benchmark] is running “about seven times that rate in central London”.

¹¹ London Industrial Land Demand Study, GLA, June 2017, page 34

¹² London Industrial Land Demand Study, GLA, June 2017, page 32

¹³ Jules Pipe, London Assembly Planning Committee transcript, November 2016, page 18

¹⁴ London Industrial Land Demand Study, GLA, June 2017, page 214

¹⁵ London Industrial Land Demand Study, GLA, June 2017, pages 210-211

As a consequence, the Committee refers the Panel to its comments in the response the Draft London Plan consultation:

“The Assembly believes it would be an error to adopt the policy approaches set out in E4-E7 without a more rigorous assessment of demand, including that coming from new and emerging industrial sectors is made.” Further guidance on appropriate ‘blending’ of uses in mixed developments and hybrid buildings would be appropriate.

f) Is the approach set out in Policy E7D towards “non-designated industrial sites” (36% of total amount of industrial land) justified and consistent with national policy?

As the Panel rightly recognises, non-designated industrial sites represent 36% of London’s industrial land. These are the sites that are most vulnerable to loss – especially through the new Permitted Development rights. As the Committee heard at its meeting on 7 September 2017¹⁶, these changes have undermined the sustainability of some industrial areas”. The Industrial Land Demand Study also came to the same conclusion “[permitted development rights could] potentially worsen the supply shortfall in certain areas when the tightening supply of light industrial units in London is already forcing businesses to move outside of the city.”¹⁷

Non designated land is largely made up of the “makers and mechanics”, often behind established high streets, and is absolutely crucial to the footfall of London’s small town centres and their local employment.

The Committee believes the Draft Plan is in error in not anticipating demand from new and emerging industrial sectors that might contribute to London’s employment. that demand for industrial land will in future also come from emerging industrial sectors.

There are a number of emerging activities, or sectors, that make demands on industrial land. For example, renewable energy generation, data centres, life sciences, clean technology and low carbon activities. Such activities tend towards lower density land use and are more likely to be located in Outer London locations.

The potential for industrial land to accommodate new uses is demonstrated by the Mayor’s announcement of a feasibility study (to be undertaken by Film London, London Local Enterprise Panel and London Borough of Barking and Dagenham) into the creation of a major new film studio on a seven-hectare industrial site in Dagenham East.

Not only are new employment sectors emerging, existing sectors are using land and buildings in new ways. The Mayor’s Industrial Land Demand Study notes: “Some activities that might be considered as traditional activities have themselves undergone dramatic change, often involving a switch from mass production to niche

¹⁶ Planning Committee, 7 September 2017

<https://www.london.gov.uk/moderngov/documents/s65741/Minutes%20-%20Appendix%201%20-%20Transcript%20of%20Industrial%20Land%20in%20London.pdf>

¹⁷ Industrial Land Demand Study, GLA, June 2017, page 139

production. For example, printing no longer involves vats of ink and large mechanical printing presses: it is now digitised. Similarly, in the food and drinks sector: while very large manufacturers of very high volume foodstuffs have largely relocated away from London, much activity in this sector is now driven by SMEs making and selling specific and more customised products. The same dynamics hold in the clothing and furniture sectors, where ‘artisan’ and small-scale manufacturers are increasingly common.”

The Study highlights a range of emerging sectors: “there are a number of emerging activities, or sectors, that also make demands on industrial land. For example, renewable energy generation, data centres, life sciences, clean technology and low carbon activities. Such activities tend towards lower density land use and are more likely to be located in Outer London locations....The very wide variety of businesses and activities described here suggests that the conventional understanding of ‘industrial’ property needs to be expanded, in order that spatial policy can be more sensitive to the dynamics of demand in industrial areas. In particular, there is a need to recognise the important role of hybrid buildings in accommodating activities that are vitally important to London’s economy.”¹⁸

The study further highlights the need to frame policy in the light of these changes, their implications for new forms of accommodation and the blending of uses in mixed developments and ‘hybrid’ buildings.

“The general trend is towards smaller, manageable, clean, well-organised, highly flexible factories that contain updated but traditional technologies that can be quickly ramped up to meet volume and deliver ‘highest quality’ to changing customer and market requirements”.

The Committee has heard the immense possibilities that new industries may have for London and the potential for London manufacturing ¹⁹:

“The key thing is that we try to manufacture in future factories locally where people actually need the goods so you are not transporting these goods long distance, you are actually transporting the goods locally... Obviously, people need space and support. We need to redesign the city in a way that supports these people and effectively I think we need to act quickly.”

¹⁸ Industrial Land Demand Study, GLA, June 2017, pages 77 - 78

¹⁹ Planning Committee, 7 September 2017

<https://www.london.gov.uk/moderngov/documents/s65741/Minutes%20-%20Appendix%201%20-%20Transcript%20of%20Industrial%20Land%20in%20London.pdf>