



Spatial Economics Research Centre

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The Portas Review

The Portas review has published its [28 recommendations for saving the high street](#). The report's a mixed bag - some of it innovative, some of it margin and some of it (a couple of great big sticks aimed at out of town developments) pretty depressing.

There is a serious issue to consider here - arguably high streets generate 'externalities' that individual shoppers do not take in to account when making their decisions. Some of these externalities are positive (e.g. the sense of community generated) while some are negative (e.g. extra congestion from having people drive in to the centre of town). Market forces don't deal well with externalities so it's possible that policy makers should intervene. A number of Portas' recommendations - e.g. town teams and business improvement districts - are about managing those externalities.

Part of the problem, of course, is that managing these externalities is difficult. Indeed, high streets are already highly regulated. In fact, the Portas review suggests that in some areas they are over-regulated - hence the call for the removal of unnecessary regulation, for the reform of the use class system (which governs change of use) and for the freeing up of redtape. But at the same time the review also calls for the introduction of a whole lot of new red tape - betting shops in their own use class, large retailers forced to support local businesses and report on their activities, landlords to have new responsibilities for contract of care, new restrictions on vacant units, banks forced to sell assets, a public register of high street landlords. It's hard to see whether this leaves the high street more or less regulated. I guess one could argue that this would leave the high street *better* regulated, but you'll have to forgive me some scepticism on this (given the speed with which the report has been pulled together).

Finally, of course, we come to the policy recommendation which is most likely to have real bite - the NPPF to make explicit the presumption in favour of town centre first policy and the need for the secretary of state to sign off *all* new out-of-town developments. I struggle to express how depressed this makes me, so [let me simply repeat my arguments from May this year](#):

"What worries me, however, is how incredibly one sided debates about this issue have become. Reading much of the commentary you would think that intervening was essentially costless and that everyone agrees that out of town shopping and clone towns are bad.

Clearly, however, this is not the case and there will be substantial costs to pay to further support the high street. Supermarkets [and out of town developments more generally] offer cheaper prices, more diversity and convenience. So regulating them further will increase costs of living and reduce choice. Indeed, [SERC research](#) estimates that *existing* planning restrictions may already reduce supermarket productivity by 20%. If saving the high street requires further restrictions these costs will rise. High grocery prices hit the poor harder than the rich so the impact of this may also be regressive. Tax subsidies to support the high street (as proposed by some [including Portas]) are not costless either. What expenditure should we cut (or which tax raise) to fund this? If the proposal is to somehow pass these costs on to supermarkets then that raises prices with the regressive impact just highlighted.

These costs may be worth paying. But the public debate too often ignores them. I am no media expert, but my major worry is that the commentary around this issue mainly reflects the concerns of the better off who have strong preferences for independent retailers (and disposable income to take advantage of them). Let's hope the review takes a more balanced approach to identifying the costs and benefits so that we can properly decide whether the latter outweigh the former."

With the report in front of us, it appears that my final piece of optimism was, as usual, misplaced. I am still hopeful, however, that the government will see how massively these two recommendations conflict with their localism agenda. Much better, for many reasons, [to allow local authorities to decide on their own priorities for town centres](#). First, we would get more experimentation and a better idea of what works. Second, we would hopefully find out whether local communities think the costs of these policies (assuming they actually work) are worth paying for the benefits of livelier high streets.

Read more:

- [Protectionism and the high street](#) (why existing retailers like to restrict entry)
- [Be careful what you wish for](#) (why town centre first policies might have *hurt* independent retailers)
- [More supermarket bashing](#) (on the costs and benefits of further restrictions on supermarkets)

Posted by Prof Henry G. Overman on [Tuesday, December 13, 2011](#)

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