

High Priority

The problems facing our high streets and what can be done to save them

One in seven retail outlets on the high street is now boarded up and a total of 10,000 shops are expected to close this year. This is bad news for the post office network, which relies on thriving town centres and neighbourhood shops to attract customers. In turn post offices bring people into high streets, providing them with reasons to visit and, often, cash to spend there.

Small independent retailers are forecast to be the most vulnerable, and commercial property experts Colliers has warned some of the UK's high streets and shopping centres are "in danger of terminal decline".

The problem is so serious the government has asked retail guru Mary Portas to draw up a plan to rejuvenate our high streets. But the underlying causes are deep-rooted and it's clear that radical solutions are required.

Causes

The state of the UK economy is one of the major factors affecting the health of the high street. In real terms wages are decreasing and annual disposable household income dropped in 2010 for the first time in 30 years. Consumer spending is falling and retailers are facing further financial pressures from rises in business rates, rents, utilities and the lack of bank lending.

More and more people are doing their shopping online and this is a major challenge for high street retailers. Last year internet shopping made up 11% of total retail spending in the UK, and it is expected to almost double by 2015.

Town centre retailing has been steadily declining while out-of-town retailing has been rising. Today one-third of retail turnover is taken by out-of-town centres and more than 80% of new retail developments in the pipeline are for out-of-town locations.

But perhaps the biggest threat to the high street is the dramatic rise of the supermarket. While in 1971 only 44% of groceries were sold by large or regional grocery retailers, today supermarkets account for 97% of all grocery sales. One pound in every seven spent in UK retailers is now spent in Tesco.

However, the dominance of the supermarket looks set to increase even further. With the supermarkets' expansion into the convenience store sector these retail giants are now taking small retailers head-on. Tesco now has over 1,280 Tesco Express stores, and Sainsbury's plans to open one or two Sainsbury's Locals a week.

Why it matters

People using independent shops generally receive a more friendly and personal service. Many independent retailers are passionate and

knowledgeable about the goods they sell. Subpostmasters, for example, are renowned for their expertise and the attention and care they pay to their customers. Many groups in society, especially older people, rely on small shops to provide somewhere to interact with others.

The relocation of shops that sell fresh, wholesome and affordable food away from high streets to out-of-town centres can cause major problems for people who can't reach them easily. As well as inconvenience and increased travelling costs, it has a knock-on impact on health as poor diet is a major cause of health problems.

Critically, independent shops keep local economies going. Over 50% of the turnover of independent retailers goes back into the local community, compared with just 5% from supermarkets. Smaller businesses tend to use suppliers, producers, accountants and other services from the local area. Small businesses also usually employ more staff per sale and the owners of the business are far more likely to spend any profits in the local area. Various studies show supermarket claims that new stores create net additional jobs for local people are simply false.

Supermarkets also have a major impact on climate changing emissions. They import a high proportion of the food they sell, transport foodstuff large distances around the country and are housed in large, energy inefficient buildings. The fact that most people travel to the supermarket and out-of-town shopping centres by car has public health implications as well as an environmental impact.

What should be done?

If we really want diverse and vibrant local shopping centres, both central and local government need to take decisive action on the problems facing our high street.

Good planning is essential to developing thriving high streets and the government needs to introduce major reforms to the way planning decisions are made. At the moment the biggest supermarkets have far too much influence in the planning system, and local authorities find it difficult to turn down their requests.

New requirements should be placed on developers such as large supermarkets, to demonstrate there is a need for the size of proposed additional retail space. Developers should also have to show that their project will not damage local small businesses or the character of the surrounding area. National planning regulations should be changed to ensure there is a mix of outlets on the high street. Local authorities also need to make sure their planning policies specifically support small shops and neighbourhood shopping centres.

National and local authorities must deal with transport planning to ensure that high streets are well served by public transport and offer appropriate parking.

This could involve taxing supermarket and out-of-town retail centre car parks and using revenues to fund high street development.

Local authorities need powers to ensure large retailers do not set up local monopolies, such as the six Tesco branches in Bicester, a town with a population of 30,000. The big supermarkets' expansion into the convenience stores sector needs to be limited.

The government must tackle the pricing behaviour of large retailers. Problems include 'below-cost selling', in which large retailers lower prices and absorb the loss, leaving smaller retailers only able to compete at a loss. Such practices should be banned, as they are in several European countries including France and Germany.

The NFSP would like to see a levy or charge imposed on large retailers and ring-fenced for high street development and support for small retailers. Many local high streets are in a poor state of repair and their viability could be helped by improvements.

For the average small business, business rates are the third largest overhead after rent and wages. Small shops suffer most because shops generally have much higher rates than other business properties. Small shops are also disadvantaged because they pay far higher business rates per square metre than supermarkets. The NFSP is calling for an equalisation of rates to remove this difference, so that out-of-town stores pay the same rate per square foot as smaller shops. On top of this the NFSP would like to see a 100% reduction from the full rates bill for all essential outlets such as post offices.

Funds made available through a large retailers levy and the equalisation of business rates should be used to provide grants for shops deemed key for the survival of the high street. Grants could be used for shop refurbishment, equipment, security, training and business support.

Traditionally grants and spending on maintenance and improvements to local high streets have been administered by local authorities and devolved and central government. The NFSP suggests it could be worth investigating other models, such as the administration of funding by a 'mutual' organisation representing neighbourhood shops.

NFSP General Secretary George Thomson concludes: "Demand is finite and the continual expansion of out-of-town shopping will inevitably lead to the decline of the high street. The decisions that government, local authorities and businesses make about the high street will determine not only the kinds of shops, goods and services that are available to people, but ultimately the nature of the very places in which we live."

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