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## Competition Commission's final decision on the Competitiveness of the Grocery Retailing

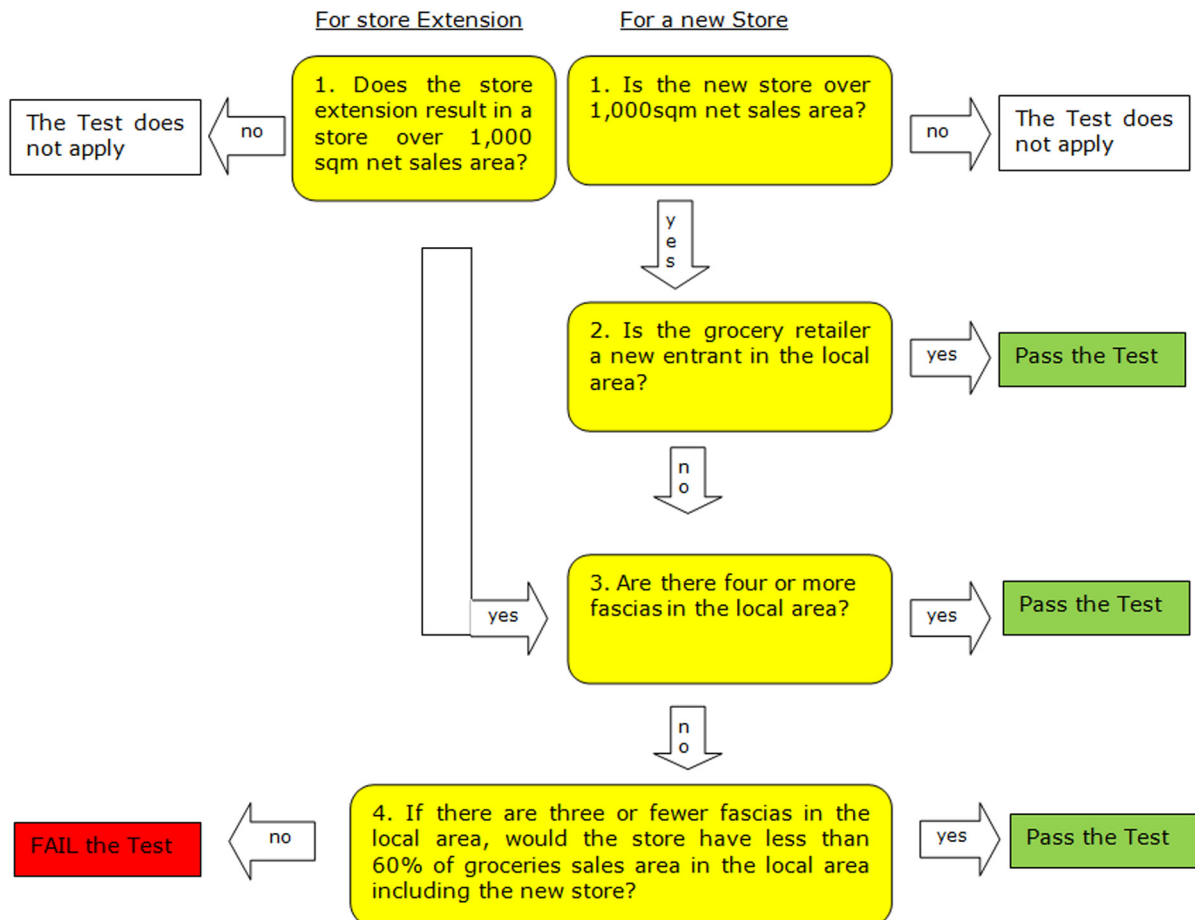
The Competition Commission (CC) has formally recommended to the Department of Communities and Local Government (CLG) - and the devolved administrations in Scotland, Wales and Northern Ireland - that they take the necessary steps to introduce a competition test in planning decisions on larger grocery stores.

Peter Freeman, Chairman of the CC and Chairman of the Groceries Inquiry Group said:

*"We expect that the competition test will have the effect we intend by helping to bring in competition where it is lacking and to stop individual retailers consolidating strong positions in local areas to the detriment of consumers."*

In response to the July consultation, the CC modified the Test to allow all retailers to make small groceries extensions to existing stores up to 300sqm provided that the store in question has not been extended over the past 5 years.

The Office of Fair Trading would be made statutory consultee to the LPA and advise whether a planning application passed or failed the Test. The Test would be carried out based on a 10 minutes drive time isochrone area and has the following features:



The government is now due to respond to the CC by the end of this year (a 90 days period).

## Commentary

The proposed competition test has been carefully designed but we have reservations about the way it will operate. The definition of drive time isochrone and rural/urban area is rigid and may neglect other local factors which reflect the real marketshare of local stores.

The competition test would be an added complication in obtaining permission for a new food store or a store extension.

It does not sit very comfortably with established planning guidance and practice which generally does not take into account the identity of the occupier.

For speculative applications where no occupier is named, the CC will advise the LPA which retailers would be unacceptable.

It may increase the importance of small supermarkets and convenience stores for the big grocers. Additional or enlarged small stores (below the 1,000 sq.m threshold) may be a way of maintaining market share in a local market.

With the suggested proposal of including the OFT as a statutory consultee to the LPA, it could lengthen the planning application process for large grocery store developments especially if local communities challenge the OFT assessment.

It appears Councils may still be able to grant permission, even if the development fails the competition test if the planning considerations carry more weight although this is likely to be rare.

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