

**RTPI**

mediation of space - making of place

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Patron HRH The Prince of Wales KG KT PC GCB

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Email response sent to: c.webber@centreforcities.org

Dear Sir/Madam

RESPONSE TO ALL PARTY URBAN DEVELOPMENT GROUP CALL FOR EVIDENCE: MINIMISING TRANSACTION COSTS IN URBAN DEVELOPMENT

Thank you for the opportunity to respond to the above inquiry. The Royal Town Planning Institute (RTPI) is a membership organisation representing over 22,000 spatial planners. It exists to advance the science and art of town planning for the benefit of the public.

This submission responds to the All Party Urban Development Group Call for Evidence: Minimising Transaction Costs in Urban Development and has been formed drawing from the views of the RTPI membership.

Planning has a key role to play in contributing to the achievement of economic growth and prosperity. The RTPI is concerned that the inquiry appears to be focusing solely on the costs and not on the benefits of having a planning system in place that not only promotes economic growth, but which seeks to balance this with environmental and social needs. Spatial planning is responsible for setting the vision for an area to enable sustainable development to take place in line with community aspirations. There are many significant issues that planning can promote, including the mitigation and adaption of climate change, containing urban sprawl, integrated transport, all of which contribute to place-shaping.

Planning is an enabling system in which the cost of system engagement should be proportional to the social, economic and environmental costs and benefits of the policies and the proposals that are being assessed within it. Although the profession seeks greater system efficiency, there are a number of processes that inevitably incur costs, for example environmental impact assessments, community involvement, and requests for further information, all of which lead to longer term benefits. There is a great danger that reducing some immediate transaction costs may create some savings in the short term, but lead to greater costs (to the wider community) in the longer term. Poor decisions cost us all. The RTPI proposes that the All Party Urban Development Group should view transaction costs incurred from the planning system as investment in good decisions.

Indeed the 1998 Department of Environment Transport and Regions report *The Economic Consequences of Planning to the Business Sector* concluded that it was not possible to quantify all the costs and benefits of the planning system for businesses. The British Retail Consortium surmised that there are costs that are relatively simple to identify, such as planning fees paid by retailers, but many costs are hard to calculate, and they felt that it might be more productive to assess any possible benefits of the system. The RTPI supports this view.

The RTPI would also add that a key issue is to ensure that the short term costs, in terms of time spent, fees, interest paid and profit foregone during the application period are outweighed by the longer term financial benefit of increased return on investment over time. The increase in portfolio values together with the overall economic, social and environmental benefits accruing to the locality and to the nation that are derived from a spatial planning system also benefit the wider community.

The RTPI's view is that to reduce transaction costs, developers should engage with planning authorities prior to submitting a planning application, and preferably prior to making initial investment decisions. This process can help reduce the time spent on preparing an application as it provides an opportunity for informal discussions with developers and their consultants, planning officers and political leaders. If the proposal is significant or likely to have an impact on the community, developers should engage with the community through a range of consultation mechanisms to ensure issues can be mitigated at an early stage. In addition to pre-application discussions, developers should ensure the type, size and design of their proposal contributes to the vision set out in spatial plans. The application should contain all the relevant information (for example plans and elevations, a design and access statement, relevant studies, etc) that the decision maker requires to make an informed assessment against a plan. By front loading the planning process, transaction costs can be significantly reduced.

In responding to the Killian Pretty review, the RTPI made clear that whilst it is important that planning decisions are made promptly, the planning system should be judged by the quality of its outcomes, not just the speed with which those outcomes are delivered. The products of planning decisions, places and spaces, and the buildings and landscapes that form them typically last for generations.

In the RTPI's response to the Barker Review, we recognised that the planning system does comprise costs for businesses. A study for the then Office of the Deputy Prime Minister and others makes this clear: 'The planning system can also generate costs. These can come from two sources: effectiveness (the system may get the allocation of land wrong) and efficiency (the system may impose costs if it is slow or lacks transparency). If the system results in too little land being developed, then the price of available land and the price of developed land may rise excessively. Also, high prices might in turn cause an outflow of labour or investment, and consequently, a fall in economic performance in the area, leading to lower rates of economic activity and development. A key issue for regional economic performance, therefore, is ensuring the planning system is getting the balance right between development and constraint'.

The RTPI's responses to the [Killian Pretty Review](#) and the [Barker Report](#) are attached for your information.

If you would like to discuss our submission or our previous submissions to the Killian Pretty or Barker reviews, please contact Rebecca Coates, Planning Policy officer on 0207 929 9466 or email rebecca.coates@rtpi.org.uk.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Matt', enclosed in a thin black rectangular border.

Matt Thomson
Acting Director Policy and Partnerships