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Freight and distribution logistics depots are losing out to affordable homes

Planners face pressure to make land available for residential use, while delivery companies are finding themselves on the periphery, reports Mark Smulian

Where are you now Mothercare, Thomas Cook and Bathstore? These are just a few of the high street staples to have vanished in 2019 leaving more empty shops at the end of what the British Retail Consortium has called “the worst year on record for retail”.

It said sales for 2019 were down by 0.1%, compared with 1.2% growth in 2018.

But it was only brick and mortar retailers who suffered such misfortunes. There was better news for online traders according to the Office of National Statistics. It said internet sales increased by 12.7% for the amount spent in July 2019 when compared with July 2018.

Everything sold online has to make its way to the customer and that means an increase in road traffic as vehicles ranging from heavy lorries to electric bicycles carry goods both from warehouses to local consolidation centres and then on the ‘last mile’ to customers.

Online retailers’ warehouses have tended to cluster on business parks in the midlands, from which most of the UK is easily accessible.

Heavy goods vehicles from these must though then go somewhere so that loads can be broken for final deliveries.

Where though are such ‘somewheres’ - the urban logistics depots - to be sited? Put them on the periphery of an urban area and they generate increased delivery traffic across the urban core - put them in the inner city and heavy lorries have to travel through towns.

There is an emerging role for small electric vans and even bicycles for ‘last mile’ deliveries but while these might be desirable for reducing pollution they congest the roads as much as any kind of vehicle.

Since online retailers compete on how fast they can make deliveries to customers’ homes or business premises, the siting of an urban logistics depot and the kind of vehicles that can operate from it become crucial.

Finding suitable sites within urban areas is though difficult. Space used for logistics - or any industrial use - will almost never be as valuable as for residential.

With councils and their planners under pressure from the government to provide more homes they will always be tempted to designate sites for residential rather than industrial use, thus driving logistics depots further from those they serve and generating longer road journeys.

Councils will usually have a policy to reduce road congestion and air pollution too, and reconciling these while dealing with exponential growth in online retailing will not be easy.

Property firm Cushman & Wakefield has calculated that in London alone the demand for urban logistics space will increase from 870,000 to 1.24m square metres between 2017-21. Its research also suggests that the 'last mile' delivery accounts for half of supply chain costs.

Since consumers have become accustomed to purchasing online and prefer home delivery, their expectations on delivery service and speed have increased, meaning delivery firms must make more and faster journeys within tight timeframes.

Cushman & Wakefield has argued that because transport costs vastly outweigh property costs for last links, delivery firms might want to setup numerous depots to give a 30 minutes travel time to all parts of an urban area. That though brings them straight into competition with residential developers for land.

Richard Evans, Cushman & Wakefield's head of UK logistics and industrial, says: "We have seen vast swathes of the industrial landscape disappear in the past 10 years and not be replaced and we need space for deliveries because of the exponential growth in dotcom shopping and that is not about to change; we think dotcom shopping could be 30% of the total over a 5-10 year period.

"Planners are under a lot of pressure to provide residential and there is greater political pressure for that than for logistics - which does not resonate politically - and so there is a lack of co-ordination between providing residential and the services the people living there will need. The planning system should allow for goods and services as we need the real estate to get stuff to people."

He notes that delivery firm DPD looked for years for sites in London and eventually settled on peripheral Enfield and Barking with 2.790 square metres of sites with HGVs arriving in one end and vans leaving the other.

"But that took them five or six years and I think they'd have liked something more central," he says.

Cushman & Wakefield's head of research logistics Lisa Graham, thinks the resistance among planners to allowing space for logistics depots comes from "negative perceptions, not only pressure from residential but that logistics is seen as associated with noise and air pollution.

"More companies are using clean options like electric vehicles and bicycles in inner cities, but that does not always change perceptions."

Most logistics locations are though not in the inner city, and Ms Graham points out "electric bicycles are not suitable for coming in from outskirts".

She says: "When I speak to developers of industrial real estate in different cities they stay on the outskirts because nine times out of 10 they lose the battle for planning permission [further into the urban area].

"But staying on the outskirts generate traffic. They will have multiple depots but it might be a 30 minutes drive to customers and they'll still use a van as its further than an electric bike can go."

From a delivery firm's perspective, Trevor Hoyle, senior vice-president for ground operations Europe at Fedex, wants to see a change of attitude among planners.

"We need to talk about how to design logistics into planning at an early stage, at the moment it seems more an afterthought," he says.

"Logistics does not seem to be central to planning. You need logistics hubs located where electric vehicles can serve customers if we are supposed to go green, but sites then get located too far away."

He cites Fedex's experience with having a purpose-built depot compulsorily purchased for the London 2012 Olympic Games.

This had operated only electric or LPG-powered vehicles but when Fedex had to move it found nothing else so near central London and moved to Leyton and Beckton.

"We were pushed further from our centres of gravity in the City and Canary Wharf and we had to put twice as many vehicles on the road - as we are bound by time guarantees to customers - and the electric vehicles could not cover the distance from the new depots so we had to use conventional ones," he says.

"Something similar has happened to us in Birmingham with HS2, where we have been pushed further away from the centre."

Mr Hoyle says the solution is to plan for new businesses and homes to have access to goods and services with space provided.

“You have to take a holistic view, but the planning system seems to regard logistics sites as non-critical,” he says.

“If you build an office or residential block that itself generates a demand for logistics, but you can design in both with a logistics hub to serve new developments.

“If you want electric vehicles you need charging points where they park and possibly exemptions from some parking restrictions.”

He would also like to see more standardisation between local authorities of the kinds of delivery vehicles permitted to operate in urban areas and contrasts the difficulty caused by multiple rules to Fedex’s experience with its air fleet.

“We have spent billions on replacing our air cargo fleet with aircraft that are faster, have a bigger payload and are more fuel efficient and we can do that because there are clear international regulations for aviation,” he says.

“We’d love to be able to do that with our surface fleets but you can’t when planning is disjointed across the country.

“Logistics are the artery of trade and if arteries get clogged you have a problem.”

Natalie Chapman, head of logistics policy at the Freight Transport Association, says local authority land use plans should set aside space for commercial uses because at present too few sites suitable for logistics are specifically earmarked for that, meaning they can be lost to more lucrative uses.

“A lot of small logistics parks have no specific planning designation so they can be used for other things and once they’re gone, they’re gone,” she says.

“We need planning legislation to put logistics on a par with infrastructure. New communities need logistics space for deliveries as part of their infrastructure but are still being planned for things as they used to be, with people living in one area and driving to shops, when instead people will use public transport and home deliveries.”

Ms Chapman praises the London Plan as a rare example of a planning policy that, “broadly gets it right, it talks about no net loss of infrastructure and logistics floor space”. The plan has been agreed by London mayor Sadiq Khan but is awaiting government approval.

If it secures this logistics may be on firmer ground in the capital but Ms Chapman says that if planning authorities want reduced congestion and greater use of electric

vehicles they cannot continue to allow residential uses to swallow up space in inner urban areas and push logistics to the periphery.

One example of this being resolved is DPD's all-electric parcel depot in Westminster; it plans seven similar facilities around London.

The new 464 square metres facility on Vandon Street can deliver 2,000 parcels a day and uses electric vehicles for both inward and last mile deliveries. It said this gave an annual reduction of 45 tonnes of CO2 compared with conventional vehicles.

For deliveries it uses 10 Nissan eNV200 electric vans capable of making 120 stops a day, and has eight micro-vehicles from Norwegian manufacturer Paxster to serve the immediate area around the depot, which are expected to operate 60 stops on one charge per day. The facility also serves as a pick-up for customers calling in person.

DPD was fortunate to secure this site, and its experience is not typical. Ms Chapman says: "One of the big challenges is land values as the pressure for housing, in particular affordable housing, means available land goes to that and we lose logistics parks, which are pushed further out of cities as you can always get higher values for land as residential than as commercial. That brings a risk of increased mileage by delivery vehicles and so of congestion."

James Harris, policy manager at the Royal Town Planning Institute, admits that urban logistics is yet to command full attention in the profession but that this is changing with the plainly evident switch from high streets to online for retail.

"The main issue is that local plans should safeguard sites for logistics so you can have multi-modal hubs where goods can be moved from larger to smaller vehicles," he says.

"There may be a trend, though there is not much evidence yet, towards new housing estates having local delivery points, since people get few letters nowadays but they will get small parcels of things they have bought online."

Mr Harris warns though the government's pressure for more homes had made things worse for logistics in one significant way.

Not only is residential usually a more profitable use of sites - brownfield or greenfield - but also of existing buildings.

One possible solution is that the shops left empty on high streets as conventional retail retreats could be converted into logistics centres, since they tend to be in locations that are conveniently near to local residents.

But changes since the mid-2010s to permitted development rights have allowed office and retail premises to be converted to residential without the need for full planning

consent. While this may have helped alleviate the housing shortage, it hampers the logistics industry.

“Redundant retail sites could be used for logistics hubs but the major problem there is the financial pressure to turn anything available into housing, and that has become easier through permitted development rights,” Mr Harris says.

“By taking this change-of-use out of planning control it makes it difficult to re-use sites as anything but residential.”

Darren Shirley, chief executive of the Campaign for Better Transport, says the problem of lack of logistics space in the right places arises from “local authorities not thinking about transport and planning together in their development policies.

“They must plan for freight as part of new developments but we still get new settlements planned without this sort of infrastructure and the industry needs sites for its depots so it can function efficiently.”

Mr Shirley points to one example where this might be resolved at British Land’s development at Canada Water, in London Docklands, where it plans a car-free ‘new town’ with space and charging points for electric delivery vehicles.

He says that if the trend towards car-free developments continues “there is more need for logistics firms to be able to serve them”.

British Land though is rather more cautious about what can be achieved. Joint head of its Canada Water development Roger Madelin says there will be 3,000 homes and employment space for 25,000 people in “London’s first new town/urban centre for some time”.

He adds: “Last mile deliveries is of course something that we have been thinking about and discussing with Southwark Council and Transport for London. We are also having conversations with logistic companies.

“I am afraid at this stage we don’t have, and as far as I know no one has, a real pragmatic plan as to how to make it all work better [and] more sustainably.”

In its 2018 report *Going the Last Mile*, planning consultancy Lichfields said the planning process had been slow to react to the shifts from shops to logistics.

It said 58% of local authorities cited the absence of an up-to-date local plan as a key barrier to planning effectively for last mile logistics growth, which had emerged sufficiently recently for older local plans to be unable to anticipate and respond to it.

The National Planning Policy Framework does require local plans to provide the flexibility to accommodate changing circumstances.

But Lichfields says its research “appears to suggest that this is not always being achieved, with the slow progress of local plans seemingly part of the issue.

“It may also be the case that the definitional ambiguity and difficulties in obtaining sufficiently granular...could be constraining authorities in their efforts to fully understand and evidence the needs of the last mile logistics sector.”

Logistics is caught between conflicting public policies. Governments local and national want less traffic congestion and pollution, but land values and demand for new homes drive logistics sites so far from customers that more vehicles - and not always green ones - must be used.

[Box]

Future possibilities

There are some more speculative solutions around to the urban logistics conundrum.

Cushman & Wakefield's head of UK logistics and industrial Richard Evans says that since residential is the main driver of land values “some people have suggested that residential could be built on top of logistics depots”.

The problem with this is that no developer could allow the residential dog to be wagged by the logistics tail and so “there is a danger that it is designed around residential rather than the needs of logistics and so it becomes unworkable”.

Mr Evans can think of only one successful example, a depot for building supplier Travis Perkins at London's King's Cross where it designed its own building and put student housing on top.

SEGRO, which had developed a number of logistics parks around London, has in Paris made more intense use of land with an unusual two-storey one.

The 63,000 square metres Paris Air2 Logistique has 48 lorry docks on the ground floor and 25 on the first floor linked by a 10 metre wide ramp that allows vehicles to pass both ways, and has 85 charging points for electric vehicles. The facility is connected to arterial roads and allows for distribution of goods via the River Seine.

Andy Gulliford, chief operations officer, says: “The approach in Paris provides a template we can follow in London, where the shortage of industrial land coupled with a growing population and increase in e-commerce, makes a compelling case for multi-storey warehousing.”

Electric lorries - not just vans - might offer a longer-term opportunity of long but cleaner journeys. Natalie Chapman, head of logistics policy at the Freight Transport Association, says: “They are way off because the batteries would be so large that there would not be enough payload left, though battery companies are working on that.”

Drones have been suggested as an alternative to road deliveries but Cushman & Wakefield’s head of research logistics Lisa Graham says: “Drones are not permitted even for testing over cities and even if they were where would you land them?”

“They might be able to land in a suburban garden but in an inner city where people live in flats that can’t be done.”

Trevor Hoyle, senior vice-president for ground operations Europe at Fedex, notes: “If you tried to replace all the parcels carried with drones there would be air traffic control problems as there would be swarms of them!”

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A council-backed local consolidation centre

Bristol Freight Consolidation Centre was set up as a pilot with European Union funding in 2004 to help to alleviate freight traffic issues in the Broadmead area. It later extended to be used by retailers in other parts of the city centre.

The centre was operated by DHL under contracts procured by Bristol City Council until 2018, since when DHL has run it a purely commercial venture with both Bristol and Bath & North East Somerset Council - which joined the project between 2011-16 - having pulled out of subsidising it.

Bristol said in a statement that freight consolidation had helped to remove freight related vehicles from its roads, “helping to reduce the negative impacts associated with road freight, which are often experienced most by people living in areas of deprivation and [this] also supports the council’s policies”.

It said that at the centre’s peak, a 70%-80% reduction in the number of onward trips was seen, which meant that for every 10 vehicles that made a delivery to the consolidation centre, just two or three onward journeys to the central area were made.