

Land Economy

How a rethink of our planning policy will benefit Britain

**By
Mischa Balen**

Adam Smith Institute
London
2006

Bibliographical information

The Adam Smith Institute has an open access policy.

Copyright remains with the copyright holder, but users may download, save, and distribute this work in any format provided (1) that the Adam Smith Institute is cited; (2) that the web address www.adamsmith.org is published together with a prominent copy of this notice; (3) the text is used in full without amendment [extracts may be used for criticism or review]; (4) the work is not re-sold; (5) the link for any online use is sent to copyright@adamsmith.org.

The views expressed in this report are those of the author and do not necessarily reflect any views held by the publisher or copyright owner. They are published as a contribution to public debate.

Published by ASI (Research) Ltd. © Adam Smith Research Trust 2006.
Some rights reserved
Printed in England

ISBN: 1-902737-51-2

Contents

Executive Summary	4
1) Introduction	5
<i>What is wrong with the countryside?</i>	
<i>The state of the countryside today</i>	
2) Planning Law in Britain today	8
<i>Why planning needs to change</i>	
<i>Inflexible</i>	
<i>Restrictive Covenants</i>	
<i>Nuisance Law</i>	
<i>Protection of Heritage Sites</i>	
3) A Fair Environmental Policy	18
<i>A Common Myth: The Lack of Available Land</i>	
<i>Biodiversity</i>	
<i>Conservation Areas</i>	
<i>A Fair Proposal: The Cultivation of Woodland</i>	
4) A Fair Social Policy	24
<i>Rising Housing Demand</i>	
<i>Demand for Housing in the Southeast</i>	
<i>London: High density living</i>	
<i>Social Decline in the Green Belt Area</i>	
5) A Fair Economic Policy	32
<i>House Prices Out of Control</i>	
<i>Planned Developments</i>	
<i>Farm Diversification</i>	
<i>How might an intensive farm be redeveloped?</i>	
<i>A Fair Proposal: Sympathetic Development</i>	
6) Conclusion	39

Executive Summary

- Planning policy in Britain is out of date. It is overly bureaucratic and too unwieldy to deliver efficient results, it is too prone to politicization, and it serves to protect the countryside at the expense of development.
- The countryside is not the beautiful and tranquil place it used to be; all too often, it is a monoculture of intensively farmed crops, which harms biodiversity and employs relatively few people. Rather than buying expensive, taxpayer subsidised food from our own farmers, we should help developing nations by buying theirs.
- Planting woodland in certain areas of the UK would significantly improve biodiversity and would help to regreen England. In addition, it would create jobs and attract tourists to the countryside. If we converted 3 percent of our farms by planting woodland over 90% of their land, then we would increase woodland cover by 11%.
- London is becoming densely populated to an unsustainable level. Expanding housing around the capital would ease this pressure, and the economic stimulation in other parts of the country which development would bring would also help to create a more sustainable Britain. Converting just 3% of our farms by building houses on 5% of their land would create almost a million new homes over 10 years.
- Sympathetic development would create jobs and opportunities in rural areas, and by increasing supply would help to lower house prices, thereby ensuring that everyone can afford to become a stakeholder. At present, the young and low waged find it difficult to afford housing.

1. Introduction

What is wrong with the countryside?

The case for competition is now accepted in most areas of life. Yet the government monopoly on planning permission continues to exist despite the fact that it is stunting economic growth, creating unfair social imbalances and eroding the environment. Planning permission needs to be reformed to promote sympathetic development combined with sustainable environmental targets.

In Britain, 90% of the population live in urban areas amounting to no more than 8% of total land space.¹ At the same time, ecologists and planners tell us that there is simply no room to expand our bursting cities. It seems antiquated for us, the fifth largest economy in the world, to remain so attached to our countryside. Our land use policy is not a reflection of a modern, service-based economy: it is out of date and it does not match supply and demand, leaving our economy sub-optimal.

We do not have enough houses, and our present housing developments are inefficient and wasteful. We continue to protect a degraded countryside which benefits comparatively few people in a way that prevents thousands from getting onto the housing ladder. For an economic power such as the United Kingdom, businesses and houses are more important to ordinary citizens than the countryside, and our planning policy should reflect this: we could put our land to much more beneficial use.

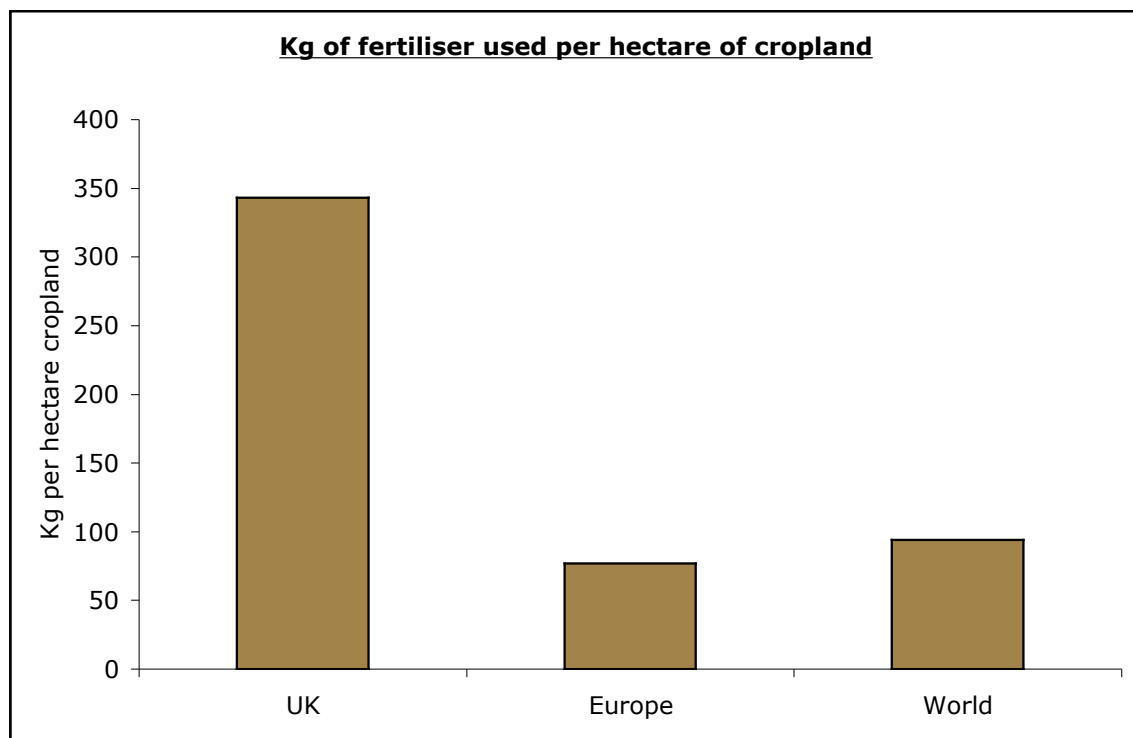
¹ Office of the Deputy Prime Minister

The state of the countryside today

The United Kingdom's agricultural sector concentrates primarily on oilseed and cereals, producing 100,000 metric tons of cereal a year², and over 14 million tons of wheat³. These are not the most aesthetically pleasing or biodiverse crops. Moreover, they are grown at highly intensive levels (indeed, the UK has the highest yield of oilseed and wheat in the world).⁴ The result is less the idyllic picture of the countryside so often advanced by pressure groups, and more a swathe of uniform crops as far as the eye can see.

This intensive agriculture makes use of intensive pesticides, but that in turn can disrupt the entire food chain of a given area. Toxins leach into the environment, some of whose long term effects are not fully taken into account. Intensive agriculture uses an astonishing amount of fertiliser, which also releases chemicals into the environment.

Figure 1



Source: World Resources Institute

² Food and Agricultural Organization (1998)

³ Production Estimates and Crop Assessment Division, FAS, USDA

⁴ *Ibid*

It means that much of the countryside is no-go for tourists: indeed, comparatively little of our countryside is available for recreation.

We need a radical rethink of our attitude to the countryside if we are to achieve a better environment and economic. A rethink is both necessary and desirable: a rethink which allows sympathetic development to take place in the countryside and promotes environmental sustainability through economic incentives.

In addition, rather than continuing to produce food for ourselves, we should be prepared to buy foodstuffs from other countries. We would benefit from lower food prices as a result of lower labour costs in these nations, and they would benefit from receiving our money in exchange for their produce.

2. Planning Law in Britain Today

These ambitious goals to reform our countryside can be met very simply. But the government needs to reform planning law to allow sympathetic development where there is a demand for it.

Of course, there needs to be limits on this freedom. But there is no reason to suppose that a bureaucratic planning system will do a better job than the private market when it comes to combining sensible development with sustainable environmental goals, or the protection of culturally valuable sites.

Why planning needs to change

Obtaining planning permission has always been a lengthy and bureaucratic process. And the bureaucracy is increasing. The Institute of Economic Affairs argued in its publication, *The New Rural Economy* that quangos, strategy units and other assorted programmes have taken billions of pounds out of the Deputy Prime Minister's Communities Plan budget already. The report goes on to note, correctly, that the sheer number of such organizations will only duplicate bureaucracy and leave people unclear as to what their roles should be in the planning process.

Planning has three hierarchical structures: at the national level, central government makes Planning Policy Statements. These are then reflected at a regional level in Regional Spatial Strategies, which estimate the changing land uses over a ten-to-fifteen year period. Finally, there is the local level, where local authorities draw up local development frameworks, which "will include a Local Development Scheme, Local Development Documents, and a Statement of Community Involvement."⁵

⁵ The Planning System: General Principles, Office of the Deputy Prime Minister

It is the 'Development Plan' that forms the basis of all planning decisions.

This plan consists of:

- Regional Spatial Strategies
- Development Plan Documents prepared by district councils, unitary authorities, Broads Authority and National Park authorities, and Minerals and Waste Development Plan Documents prepared by county councils⁶

So in order to obtain planning permission, any development has to be consistent with national, regional and local development goals and has to be inside the limits of 'documents' prepared by local quangos.

The Institute of Economic Affairs report also draws attention to the politicized nature of planning. Unelected quangos like English Heritage have been able to prevent planning permission in London because new buildings might obstruct the view of St Paul's cathedral. While this may be a worthy objective for many people, it seems bizarre that an unelected body should have such power over the freedom of the market in making what are essentially subjective decisions.

A typical planning application might proceed along the following convoluted timetable.⁷ The town in question here is Reading, which is supposed to have improved its performance over the past few years. Even so, it is still a long-winded process to obtain planning permission:

⁶ The Planning System: General Principles, Office of the Deputy Prime Minister

⁷ Reading: Improving the process of dealing with major applications, Planning Advisory Service

Figure 2

Days elapsed	Milestones
0	Valid application submission with heads of terms of legal agreement under s106*
5	21-day consultation period commences Legal Services instructed to prepare draft (s106)
14	Letter to applicant identifying any outstanding issues (14 calendar days to submit further information)
26	End of statutory consultation period
28	Date for first submission of outstanding information by applicant
33	Further letter to applicant detailing any minor amendments/ further information required in response to consultations/ appraisal and additional information (five working days to submit)
40	Date for submission of any minor amendments/ further supporting information
42	Carry out re-consultations considered necessary as a result of any minor amendments further information (14 days)
54	Finalise recommendation for Planning Committee on day 77 (All issues including heads of terms of s106 with conditions to have been resolved/ agreed)
56	Date for any final consultation responses
61	Committee report finalised: Recommendation either to (i) approve subject to completion of (s106) agreement by day 90 (with delegated authority to refuse if s106 agreement is not completed by day 90) or (ii) to refuse
77	Planning Committee consider application with officer update report if necessary
78–90	If application is approved subject to completion of s106 agreement, complete agreement and prepare decision notice OR If application refused, issue decision as soon as possible
90	Last date for completion of s106 agreement
91	13-week deadline. Last date for issue of decision notice

* Note: s106 refers to the legal agreement process for planning applications.

Inflexible

The table above demonstrates that planning processes are time consuming and involve vast amounts of money, effort and information.

Inevitably, this bureaucratic process is too inflexible to respond to changing economic circumstances in the way that the market can. Planners themselves do not have the requisite knowledge to take into account every change in the economy, yet their decisions affect every part of it. Supply and demand are far better indicators of consumer needs than centralised planning systems.

The government's guidelines point out that any planning decision will have to take into account, "the number, size, layout, siting, design and external appearance of buildings and the proposed means of access, together with landscaping, impact on the neighbourhood and the availability of infrastructure."⁸ Even without the documents that are prepared by local quangos as part of the 'Development Plan' that applications must satisfy, vast amounts of data must be produced. Sometimes, shortcomings in planning offices themselves make it harder for people to submit applications that are likely to be successful. The planning authority in Swindon employs 70 staff, who make 2500 decisions a year (less than one per week each), on a budget of £4.9 million, and yet the Audit Commission rates it as a two stars ('good') service.⁹

Moreover, planners face all manner of competing demands when they are considering applications. The statistical data, ranging from impacts on traffic flows, to wildlife, to business, to light pollution, to aesthetics, are simply too diverse to generate a satisfactory, coherent policy. As the Audit Commission notes, "Planners need to assess social impact: where will the people shop? Who will look after them when they are ill? Where will the children go to school?"¹⁰

⁸ The Planning System: General Principles, Office of the Deputy Prime Minister

⁹ Audit Commission Press Release, January 2006

¹⁰ The Planning System: Matching expectations and capacity, Audit Commission

The Audit Commission also found that government targets were delaying the process even further. In order to meet Whitehall directives to process a certain number of applications within thirteen weeks, many councils now refuse applications where previously they might have entered negotiations, or they might ask the applicant to withdraw from the process if it is unlikely that their request will be dealt with within the deadline. The proportion of refused applications increased by 14% between 2003 and 2005, and the percentage withdrawn by 16%.¹¹

Yet this process, which stifles economic growth, is largely unaccountable. If there is local market demand for a cinema, but the council decides not to let one be built, this does not strengthen local democracy. It simply serves to alienate people from their environments. The market is much better at determining what people really want: a trader will not open a store or a service unless he or she knows that there will be demand for that service. And thus, local high streets begin to reflect the interests and demands of the local residents.

In contrast, by determining and defining which areas can be used for certain developments, planning prevents suppliers from responding to local consumer demand and inhibits the flexibility that a major city needs to be able to respond to the demands of their consumers. And the process is too often prone to politicization, with pressure groups exerting power disproportionate to their status. (English Heritage, for instance, has consistently been able to block plans to redevelop South Kensington tube station.)¹²

With movement between the European Union countries so easy, we now live in a people economy. Many companies are no longer tied to a physical location as the old manufacturing sector used to be. Those that cannot obtain planning permission can easily locate in other countries which means that the UK loses out on investment and jobs.

¹¹ The Planning System: Matching expectations and capacity, Audit Commission

¹² *The New Rural Economy*, Institute of Economic Affairs, 2005

Finally, when local planning authorities – or, indeed, national ones – change policy direction, the market is radically altered. This makes it unpredictable: developers and their customers are unable to make provisions for their future because they are operating in an unstable decision making environment and cannot make future budget projections. The government is supposed to provide the stable environment necessary for sustained economic growth; it is clearly failing in this respect.

Replacing Planning

We are too frightened of what an unplanned, market-order would produce. But in the absence of planning laws, supermarkets would still locate near busy roads with a large car parking space, not in rural hamlets, just as newsagents would spring up on street corners. Chemical plants would not appear in a back garden but near the natural resources and transport links necessary for their economic survival. Similarly, housing would tend to appear near existing housing – because people prefer to have facilities nearby. Ordinary citizens would therefore find their local communities and cities a lot more responsive to their needs under a more market-oriented system.

There is a strong case for the planning process to be abolished, and the useful functions it performs replaced by an increased reliance on Restrictive Covenants and Nuisance law. This would ensure that residents remain protected from disruptive developments while at the same time cutting out the red tape and bureaucracy of planning.

Restrictive Covenants

In Houston, Texas there are few planning requirements or processes for developers to meet or go through. Instead, purchasers of land often sign restrictive covenants with the previous owners which limit the types of activity which can take place on the land. So the government can stipulate conditions for the sale of its land to businesses, and can, for example, stipulate

certain environmental conditions. Likewise individuals can sign covenants protecting their houses after sale, thereby ensuring that neighbourhoods will be free from unwanted development. Communities realise that they had a common interest in doing this: if a neighbour sold their house to an unfriendly developer then nearby residents would have to bear the costs, so it would make sense to come to a collective arrangement. Much of the elegant Georgian townscape of Edinburgh, and the handsome Princes Street Gardens, we owe not to official planning but to the power of restrictive covenants.

Nuisance Law

Robert Jones in the Adam Smith Institute paper, *Town & Country Chaos* argued that, “the concern of the law should be to protect from nuisance.”¹³ Essentially, the law should protect individuals from unwarranted annoyances; so just as you can complain if your next-door neighbours are having a loud party late at night, so you could complain if a local firm were polluting or generating excess noise. Jones argues that the government should issue guidelines to help ensure that companies and developers would meet satisfactory standards: if they did not they could be taken to court and fined, so they would have a clear economic incentive to keep within the limits of the nuisance law.

Nuisance law gives protection against harm to a property even if it cannot be objectively measured, such as if the smell from a nearby chemical plant wafts into a dining room. It would also be a fairly simple process extend such principles to disturbances to the countryside. The threat of being taken to court and potentially having to remove an offensive building in which a company had invested a considerable amount of time, money and effort would mean that any developments would have to be thoroughly researched to make sure the local residents would not have their property rights infringed. Similarly, the locals would be wary of suing the developers in case they lost and had to pay costs, so the two sides would have clear incentives to avoid the court system. They would have an incentive to come to a mutually

¹³ *Town & Country Chaos*, Robert Jones, Adam Smith Institute, 1982

beneficial agreement before development, removing the red tape and bureaucracy of planning authorities while at the same time making new developments more accountable.

Development finance would be hard to fund if it were likely that a development would be challenged in the courts, either under the Nuisance Act where there could be significant opposition from the public. The free market would therefore act as an effective guard against unsuitable developments.

There is also the Environmental Protection Act 1990, which deals with, amongst other things, noise pollution. If a resident complains about excessive noise, their local authority typically sends them a diary¹⁴ in which they record the nuisance, and Enforcement Officers then make a judgment as to whether or not the noise is likely to constitute a statutory nuisance. Once a reasonable warning has been given, if the noise continues then the council can serve those responsible a legal notice. Noise nuisance in the countryside can be acted on in just the same way.

The Act defines nuisances as:

- *any premises in such a state as to be prejudicial to health or a nuisance;*
- *smoke emitted from premises so as to be prejudicial to health or a nuisance;*
- *fumes or gases emitted from premises so as to be prejudicial to health or a nuisance;*
- *any dust, steam, smell or other effluvia arising on industrial, trade or business premises and being prejudicial to health or a nuisance;*
- *any accumulation or deposit which is prejudicial to health or a nuisance;*
- *any animal kept in such a place or manner as to be prejudicial to health or a nuisance;*
- *noise emitted from premises so as to be prejudicial to health or a nuisance;*
- *any other matter declared by any enactment to be a statutory nuisance;*¹⁵

¹⁴ As in the case of Croydon Council

¹⁵ Office of Public Sector Information

The protection of the environment is therefore already enshrined in law; as a result, the planning process is superfluous in terms of protecting residents against unwanted nuisances. Of particular note is: "any dust, steam, smell or other effluvia arising on industrial, trade or business premises and being prejudicial to health or a nuisance": this provides clear protection for residents from the development of industry near to where they live. The provision against noise, mentioned above, would protect rural residents from large scale housing developments in previously quiet areas.

Protection for Heritage Sites

Some buildings and sites do of course need to be protected. They may have unquantifiable cultural value, and as such would be popular as a tourist attraction; they may be areas of outstanding natural beauty or sites of special scientific interest, or they may contain listed buildings. If this is the case then the government can intervene in order to protect them.

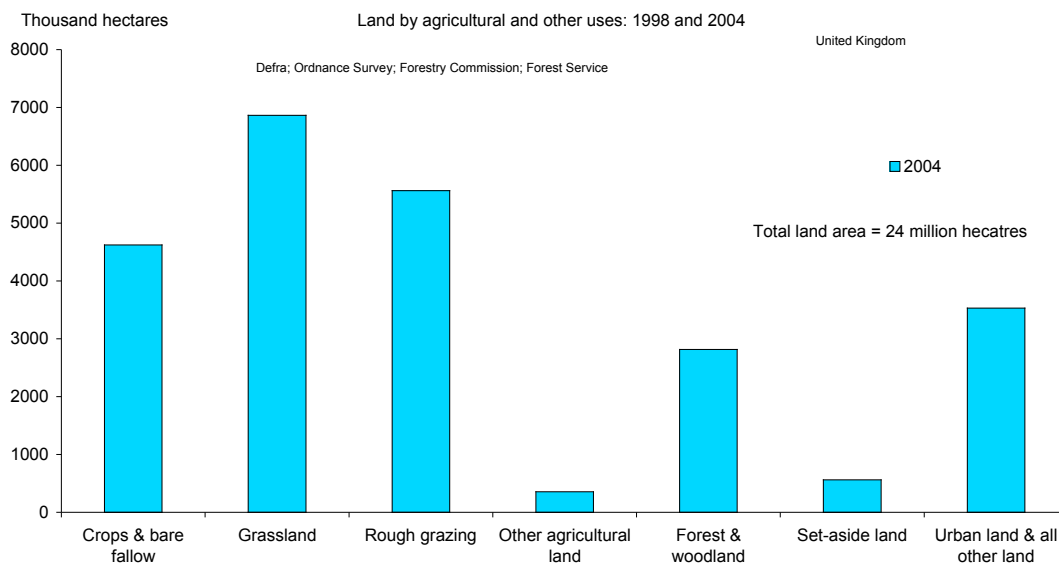
It is unreasonable, however, to suppose that the majority of the countryside, which covers 90% of all the land in Britain yet is home to only around 10% of its population, can be left undeveloped. There is little environmental gain to be had out of supporting monoculture farms, and, as a result, it would be more sensible to pursue a strategy of sympathetic development and environmental preservation in areas which have true ecological value.

A market focussed planning system will not mean the end of areas of outstanding natural beauty. It is precisely those areas which will take on more value, because they will be the sections of the natural heritage worth preserving: and if developments are allowed on unattractive or marginal agricultural land then there will be less pressure to develop areas that are worth protecting. But of course, it is always possible to give specific protection to particular sites of scientific or cultural interest.

Even if there is pressure to develop land which carries significant cultural value — Stonehenge or ancient battle scenes for example — the Government could decide that the cultural value outweighs any economic gain. Neither farmland nor grassland would fit this criterion.

As the graph below demonstrates, cropland, rough grazing and grassland account for the vast majority of the countryside: land which is not particularly worth protecting.

Figure 3



Source: Department for Environment, Food and Rural Affairs

3. A Fair Environmental Policy

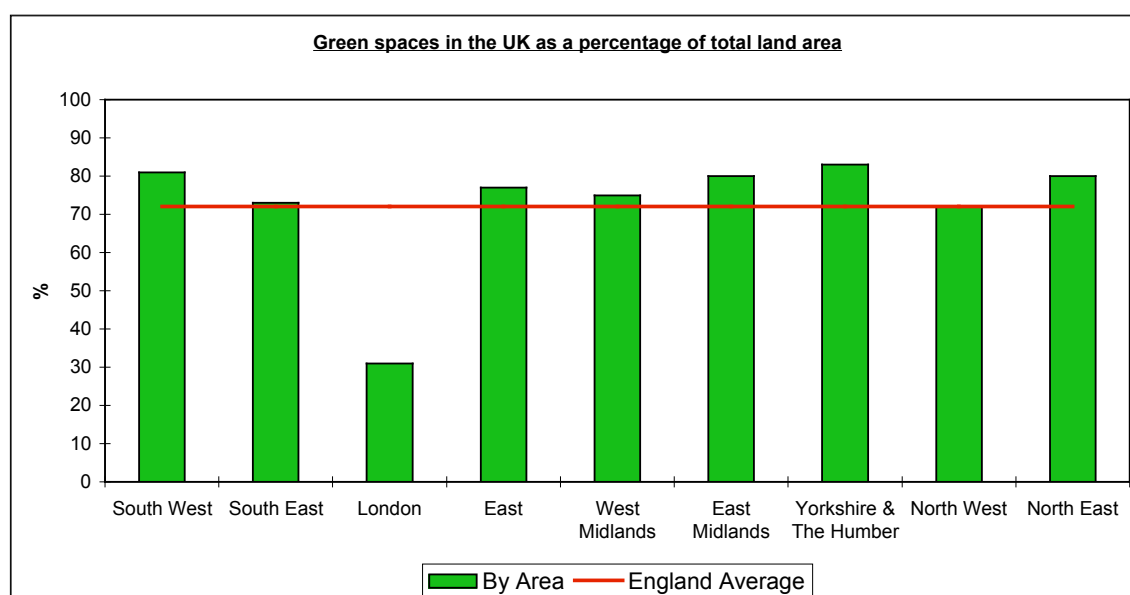
The areas of countryside currently protected from development are often areas with little environmental value. A more targeted environmental policy, which recognises the true environmental value, would increase sustainability. A market based system would do just that.

A Common Myth: The Lack of Available Land

A common myth in Britain tells us that there is very little land on which we could build and that as a result our precious countryside needs protecting. On closer inspection, however, this is simply not the case.

According to Office for National Statistics, 72% of England is classified as 'green space': in other words, almost three-quarters of England is open land. There is clearly more than enough space for developers in Britain to allow more development while still preserving enough countryside for recreation and for environmental reasons, and to ensure the protection of culturally valuable locations. Even one third of the Greater London area is covered by green space. Space itself is not a problem, and yet as the Office of the Deputy Prime Minister notes, 90% of Britons live in just 8% of the available land.

Figure 4



Source: Census 2001 Data, Office for National Statistics

Market based planning would not result in the complete loss of our countryside — there is simply too much of it for that to be possible and not enough economic demand to do so. It would, rather, enable communities to expand to cater for the increased demand for local services and houses.

Yet between 1994 and 2003, the amount of land changing to residential development has actually fallen, from 6,230 hectares in 1994 to 4,630 in 2003.¹⁶ As we shall see, demand for housing is rising and it therefore seems perverse that less land should be changing to residential use.

Biodiversity

Green belts are not rich in wildlife; indeed, a more accurate term for them might well be 'green deserts'. Farming in Britain is pesticide intensive, which limits the number of insects (and, by extension, animals) which can live off green belt land.

¹⁶ Office of the Deputy Prime Minister

The intensity with which pesticide is applied in the green belt area has had an effect on the animal population. Pesticide is now the primary cause of death in 32% of cases investigated where poisoning is thought to be involved. The Department for the Environment, Food and Rural Affairs has commented: “Most incidents in the 1990s were caused by the illegal use of pesticides, unlike in earlier decades when most incidents were attributable to the approved use of pesticides. For vertebrate wildlife and for cats and dogs, the most frequent causes of mortality were the deliberate abuse of pesticides in attempts to kill predators of game or livestock, and disputes between neighbours. In contrast, most incidents involving honeybees arose from careless misuse or from approved use of pesticides.”¹⁷

Green belt land is now simply too toxic to be able to support a variety of creatures. Indeed, Dr Keith Porter of English Nature remarked that low-density developments with gardens and public open spaces would provide more favourable habitats for species than the giant pesticide-treated cereal fields that dominate much of the countryside now. The different plant species grown in a typical garden enable a wide variety of insects to flourish. In turn, this supports a complex network of birds and other small animals. So housing development can actually promote biodiversity; development on green belt land would have at worst a neutral impact on levels of biodiversity.

Alan Evans and Oliver Hartwich in *Unaffordable Housing* highlight a German study into biodiversity in urban and rural areas. The study, by Professor Josef Reichholf, found that, “agricultural areas had fewer than 10 per cent of the [butterfly and moth] species that were found in low-density ‘sprawl’ areas, and even the city centre itself had greater biodiversity than the agricultural areas.”¹⁸ One of the most biodiverse places in Frankfurt am Main, an area with 102 bird species and 2000 beetle species, was a used car market.¹⁹

Promoting biodiversity beyond the back garden brings further benefits too. Biodiverse countrysides are much more attractive to tourists. Together with farm diversification into cheap hostels, bed & breakfasts, organic farm shops

¹⁷ Department for the Environment, Food and Rural Affairs

¹⁸ *Unaffordable Housing*, Evans and Hartwich, Policy Exchange, 2005

¹⁹ *Ibid*

and restaurants, these rural areas would prove much more attractive to tourists. Many different crops have a useful role to play in industry – oils, fragrances, paper, wax, rubber, dye, resin and cork can all be derived from plants – making diversification more worthwhile. In addition, scientists now reckon that diverse ecosystems have a much stronger chance of being able to respond to environmental stress and change: this is because, in the event of such a change, there will be more species capable of adjusting to the new environment. Finally, a diverse ecosystem is useful for the environmental services it provides: storing energy, purifying air and water and helping to regulate the climate.

Conservation Areas

Under private management, those areas that are truly worth conserving would be conserved. Conservation groups like the Royal Society for the Protection of Birds (RSPB) and the National Trust would be entitled to buy up land that they wanted to preserve from developing, both for the protection of landscapes, wildlife and for the enjoyment of visitors.

The RSPB has over one million UK members, all of whom pay fees to the organization. With 168 reserves across Britain, covering over 1000 square kilometres, the RSPB does an excellent job of managing its land. But its work also benefits the local economy of the areas it protects; visitors spend over £11 million each year, creating employment and boosting local business.

Other tracts of the countryside, however, which did not have significant environmental value — such as the unattractive ‘brown’ areas of the ‘green’ belt — could be developed as few people would be interested in ensuring their preservation on environmental grounds. Of course, government could protect areas that did have cultural value. This may be unnecessary, however; because liberalizing the planning laws would open up new development land, so there would be less pressure to try to build on more sensitive areas.

A Fair Proposal: The Cultivation of Woodland

Rather than continuing to subsidize agricultural products that we can import more cheaply from elsewhere, on farms that add no beauty to the landscape nor support much wildlife, we should instead promote the growth and cultivation of woodland. There is considerably less forestry now than twenty or thirty years ago — precisely because subsidies make farming more profitable than planting woodland.

This need not be inconsistent with a free market planning policy. We can simply earmark certain suitable sites for woodland — sites of low development value. Alternatively, private landowners could be given incentives to plant trees, creating a new generation of rural improvers who would be keen to cater to public demand. For example, the majority of the forest in Marston Vale, which covers 158 square kilometres, is under private ownership: but economic incentives encourage the landowners to plant trees. The forest has its own visitor centre and attracts over a quarter of a million visitors each year, helping to sustain a vibrant local economy. Meanwhile, the National Forest Company is attempting to plant 30 million new trees in the National Forest of Leicestershire, Derbyshire and Staffordshire, which covers over 135 square kilometres. In order to increase jobs and tourism in the area. By 2003, five million trees had already been planted. Local Forest Partnerships planted 530 hectares of woodland in 2004-5, created or enhanced 377 kilometres of footpaths and bridleways, and secured £21 million worth of investment in woodland activities.²⁰

The private forestry sector can also drive the process. In New Zealand, afforestation levels under the private sector grew to around 95,000 hectares in the mid-1990s, compared to 15,000 under the public sector in 1989.²¹ The private sector has a clear incentive to harvest and sell timber for a profit, but for the sake of its own future it needs to ensure that the woodlands are well managed.

²⁰ England's Community Forests: 2005 Review

²¹ The New Rural Economy, Institute of Economic Affairs, 2005

The benefits of targeted woodland planting are numerous. As one of the key components of the earth's biosphere, forests act as habitat for hundreds of thousands of animal, insect and plant species. It helps regulate the climate and mitigate the effects of global warming by recycling carbon dioxide, and trees trap rain and snow, protecting against flooding.

Moreover, tourists are attracted by the varied wildlife, the opportunities for cycling and other forms of recreation. Woodland also looks far more appealing than a field of wheat, oilseed rape or barley. Its products can be used for many industrial processes either here or abroad: sawdust, bark and paper are just three useful products associated with it. No wonder that over £1.5 million worth of investment has been pumped into The Trees Forest in the North East.²²

The Government has been supporting the Millennium Forest in The West Midlands, helping areas which have been especially blighted by industrialization. The £7m project is an example of just how woodlands can help to make a derelict area more attractive, more biodiverse and more competitive economically. The programme supported woodland-based businesses and helped to involve the entire community through communal events. Meanwhile, HSBC financed the planting of 14,000 trees in the forest of Marston Vale; last year volunteers gave over 3000 hours of their time to the development and the visitor centre received 113,000 visitors.²³

At present, just 11.6% of the UK is forested; in the United States the figure is 25%. On the one hand, we have busy, industrial, polluting cities: on the other, we have visually unattractive and environmentally unfriendly farms. In order to redress the imbalance and promote a sustainable environment for us all to enjoy, we need more, and better managed woodland.

If we can arrest the decline of biodiversity at the same time as rejuvenating local areas, as targeted woodland programmes have done in the past, then so much the better.

²² England's Community Forests: 2005 Review

²³ *Ibid*

4. A Fair Social Policy

Market reforms to our planning process are not only beneficial to the environment but could also have socially desirable consequences. Indeed, they are the only way to ameliorate the social problems that our planning laws have caused.

Rising Housing Demand

One challenge facing Britain is how to respond to rising demand for houses, now outstripping supply by such an extent that many low earners are struggling to get onto the market. Ordinarily, a market could resolve this, but supply is being artificially restricted.

A rising population would be enough on its own to fuel more demand for houses; but other social changes have exacerbated the problem. Rising levels of income have meant that more young people want to live on their own rather than flat-share or live at home. In addition, life expectancy is increasing and older people are more likely to live on their own: so there is increased demand for housing from that end of the age spectrum too.

Between 1992 and 2002, the average age at marriage for men increased from 32 years 0 months to 35 years 4 months. The average age for women increased from 29 years 6 months to 32 years 6 months.²⁴ In addition, marriage rates have been falling. The marriage rate fell from 12.2 per 1000 population in 1992 to 10.6 in 1997, to 9.7 by 2002.²⁵ And divorce has become more common: so more people are living by themselves, which of course contributes towards an increased demand for housing.

²⁴ National Statistics, 2002

²⁵ *Ibid*

Immigration is boosting the UK's total population, but household size in the UK is falling, and is projected to fall further beyond 2006. The average house had 2.47 inhabitants in 1991, 2.40 in 1996, 2.34 in 2001 and is set to decline further to 2.15 by 2021.²⁶ Given all these trends, demand for housing shows no sign of letting up.

Whatever the causes, there is only one outcome: demand for houses is rising. The government has at least recognized this problem, publishing a report in 1995 in which it was estimated that 4.4 million new homes would be needed in England by 2016. This works out at around 176,000 extra homes a year. But the government's involvement highlights the inadequacy of trying to plan a market in this way: the figure was revised down to 150,000 extra homes a year, because the Government Actuary's Department recalculated the number of married couples, while the Foreign Office's projection of immigration from Eastern Europe has fallen well short of the mark.

Nevertheless, as Gavin Cameron, Economics lecturer at the University of Oxford, notes, "in 1988 175,000 private dwellings were built in England, whereas in 2002, only 125,000 were completed,"²⁷ despite the fact of rising demand for housing. Developers' inability to obtain planning permission is hindering the government's attempts to meet its own housing targets.

In a free market, by contrast, demand for goods generates the supply. The number of people looking to buy on the property market will be matched by property developers eager to cater to market demand, because they profit by doing so. This incentive is absent in state planning bureaucracies.

Demand for Housing in the Southeast

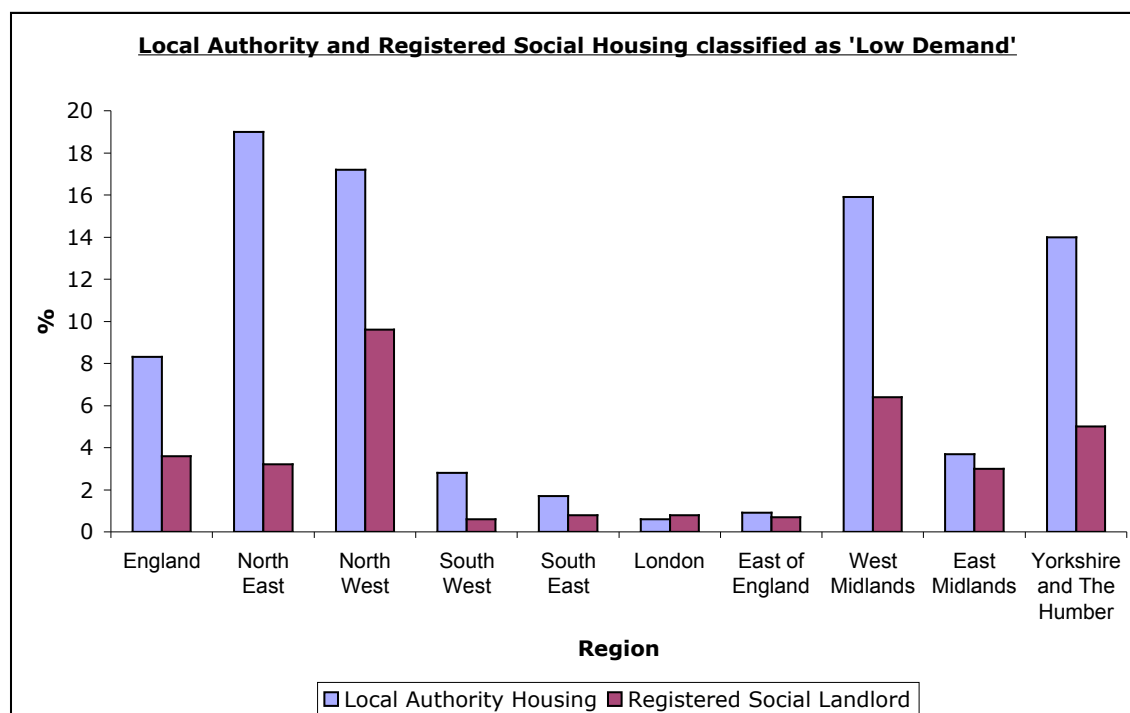
The National Housing Federation has argued that in order for planners to meet housing demand, we would need to abandon the green belt. London, (which accounts for 17% of the UK's GDP), and the Southeast are the areas most desperately in need of new housing.

²⁶ Department of Environment, Transport and the Regions, 1999

²⁷ The UK Housing Market Economic Review, Gavin Cameron, April 2005

As an indicator of this, from the following graph, we can see that the percentage of local authority and social landlord housing classified as in 'low demand' is less than one percent in London and 1.7% and 0.8% respectively in the Southeast. The average for England as a whole is 8.3% and 3.6%. So demand for housing in London and the Southeast is demonstrably higher than the average across England.

Figure 5



Source: 2001 Census, Office for National Statistics²⁸

The existence of the green belt and restrictive planning policies mean that this demand for extra housing in the Southeast — however inaccurately it may be predicted by central government — cannot be met. With a restricted supply of land but rising demand, prices inevitably rise.

When prices rise, the key workers that the government has pledged to help find a home, cannot often afford to live in expensive areas like London and the Southeast: the average price of a house in London in 2005 was £247,419 and £217,963 in the Southeast²⁹, well beyond the means of a recently qualified nurse or teacher.

²⁸ Data supplied by the Office for National Statistics are used extensively throughout this publication. Data can be browsed, manipulated and downloaded via their website, <http://www.statistics.gov.uk/>

²⁹ Halifax Price Index

Nine of the ten least affordable areas to buy housing are located in the Southeast or Greater London.³⁰ The table below lists these areas along with the average house price value divided by average income (P/I ratio):

Figure 6

Post Town/London Borough	Region	2005 P/I Ratio
Gerrards Cross	Southeast	17.75
Weybridge	Southeast	15.33
Kensington And Chelsea	Greater London	14.92
Henley On Thames	Southeast	14.10
Richmond (Surrey)	Southeast	13.73
Sevenoaks	Southeast	12.37
Westminster	Greater London	12.26
Ascot	Southeast	11.94
Leatherhead	Southeast	11.67
Altrincham	North West	11.38

Source: Halifax & CML

In 2005, teachers started work with an average salary of £18,558 across England (£22,059 in inner London),³¹ and nurses started on £18,698³². But the average house price in Britain in 2005 was £165,807. So a newly qualified nurse or teacher would need to obtain a mortgage nine times the size of their salary to get onto the property ladder. In London the figure for teachers rises to eleven times. Yet “the vast majority of lenders offer lone borrowers a mortgage of around 3.5 times their salary,” say Channel 4 researchers. The highest loan that anyone on a nurse’s or teacher’s salary would be just under £75,000, not enough to buy a property at today’s prices.³³ This is a disincentive for young students to choose that career path in the future.

Those who own a house have a direct stake in society. They have property rights; they are more secure and settled, and because they have a stake hold in society they are more likely to benefit the country both economically and

³⁰ Halifax First Time Buyers Annual Survey 2006

³¹ Training and Development Agency for Schools

³² Department of Health: 2005-6 rates

³³ Channel 4 Website: <http://www.channel4.com/4money//mortgages/>

socially. They also have an asset to borrow against. But planning policy is preventing key workers from becoming stakeholders in a property-owning democracy.

London: High Density Living

Soaring house prices in London cause Londoners to live at higher densities: space is at a premium so many live in flats or high-rise blocks. Nationally, just 2% of households average more than one person to a room, but in London that figure is 5%. Across England as a whole 71% of households average less than 0.5 people per room; but in London that figure is considerably lower at 63%³⁴. England's rooms average 15.8 metres squared; Germany's average 21.4 metres squared.³⁵ Yet London and the wider Southeast now boast an incredible 601,410 hectares of green belt land at a time when there is an unprecedented strain on housing.³⁶ Between 2003 and 2004 London actually gained an additional 1,010 hectares in green belt land.³⁷

Indeed, the density of new buildings in the Capital has greatly increased over the past ten years. In 1994, new developments averaged 44 dwellings per hectare but this had risen to 73 by the end of 2004.³⁸

A poll carried out by MORI for the Commission for Architecture and the Built Environment, highlighted by Alan Evans and Oliver Hartwich³⁹ found that more than half of the respondents desired a detached house; just 3% wanted a flat. Tight planning controls, however, have meant that whilst in 1990 apartments represented 12.5% of new housing, in 2004 they were almost 50%.⁴⁰ Planning controls are denying consumers free choice in the marketplace.

³⁴ 2001 Census

³⁵ European Union Housing Statistics

³⁶ *Ibid*

³⁷ Office of the Deputy Prime Minister

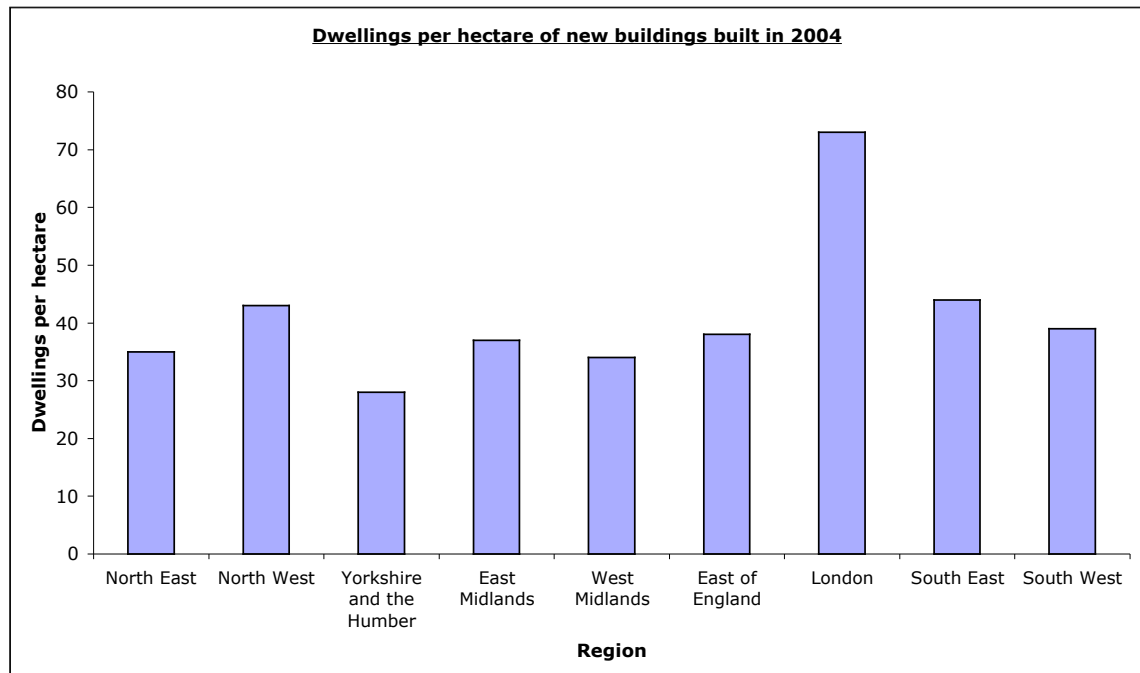
³⁸ *Ibid*

³⁹ *Unaffordable Housing*, Evans and Hartwich, Policy Exchange, 2005

⁴⁰ National House Building Council, *New House Building Statistics*

Instead of continuing to force Londoners to live at such high densities, it seems sensible that sympathetic, low-density development should be permitted on unattractive green belt areas:

Figure 7



Source: Office of the Deputy Prime Minister

In other words, London is being allowed to become denser at an alarming rate, whilst at the same time land outside the Capital is left untouched. This has an adverse impact on Londoners' quality of life.

Social Decline in the Green Belt Area

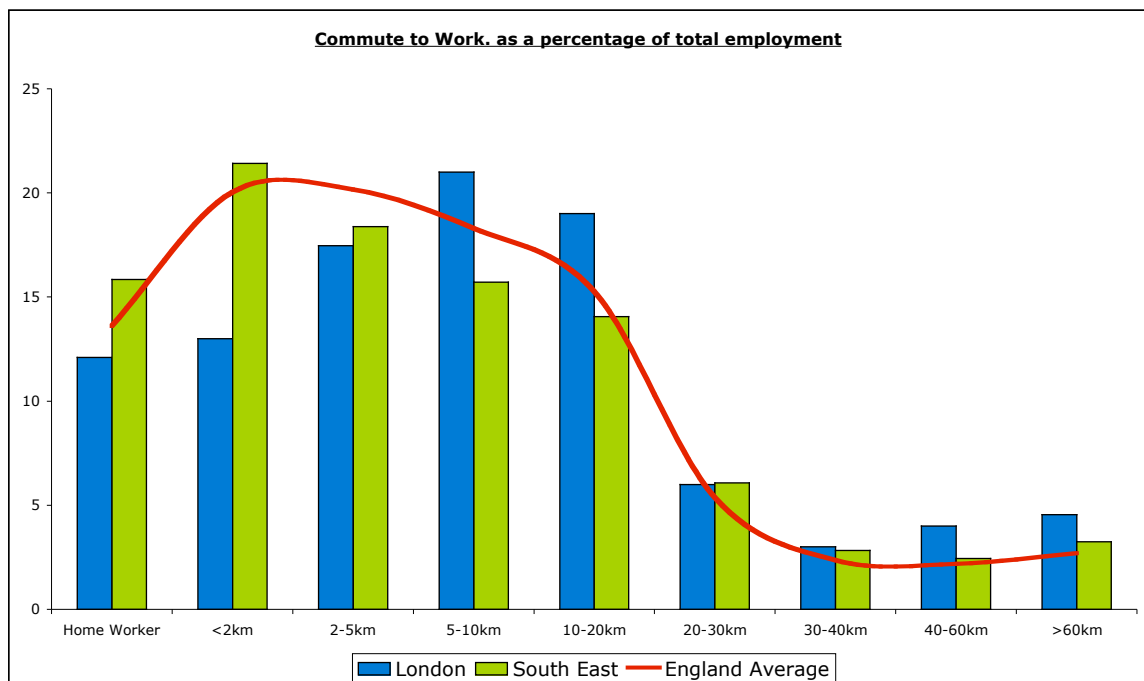
But the damage goes further. Small communities located within and around the green belt are going into decline, because they are not allowed to expand. Businesses have difficulty starting up there and jobs for local residents are therefore few and far between.

As a result, workers cannot rely on jobs in the vicinity and they therefore have to commute, typically to central London. This is expensive and damaging to the environment, as their train and car journeys cause considerable pollution.

The road and rail networks cut through the green belt. Moreover, it puts a strain on family life, as workers spend between 2 and 3 hours a day commuting across the green belt. Workers in London and the Southeast face a longer commute into work than in England as a whole. Only 13% of Londoners have a commute of less than 2 kilometres, compared to 20% of the country as a whole; while 19% have to travel between 10 and 20 kilometres compared to 15% across England.

Almost five percent of the working population of London commute more than 60 kilometres to the city centre. If more development were allowed around the present city, it is clear that the strain on London’s workers would be reduced.

Figure 8



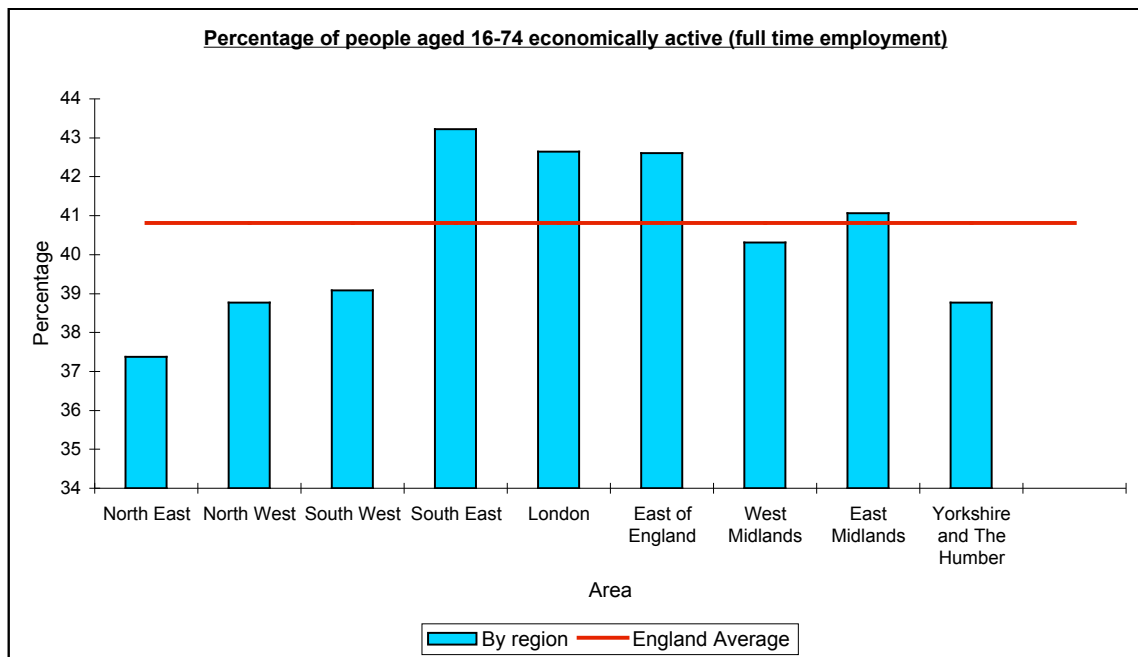
Source: 2001 Census, Office for National Statistics

As city dwellers struggle to escape overcrowding, more people purchase second homes, thereby driving up demand and prices. Some 77% of people are now concerned that, “people increasingly have to move away from where they grew up because they can't afford to rent or buy in their local area.”⁴¹

⁴¹ MORI Opinion Poll

At the moment we are caught in a vicious circle: frustrated by the lack of opportunities and housing in rural areas, the economically active flock to London and other cities driving up house prices there too. If we liberalized our planning laws, areas which had previously fallen into decline could be stimulated economically. With more jobs (and houses) available in the regions, London would appear relatively less attractive. Regional regeneration could go hand in hand with sustainability in the cities.

Figure 9



Source: Census 2001 Data, Office for National Statistics

Today, however, without new houses and inhabitants to stimulate the demand for shops, schools and transport, rural areas often go into decline. They become caught in a downwards spiral, with the lack of services and jobs creating less demand to move there and more reasons for young people to leave. The decline of these areas places more pressure on cities.

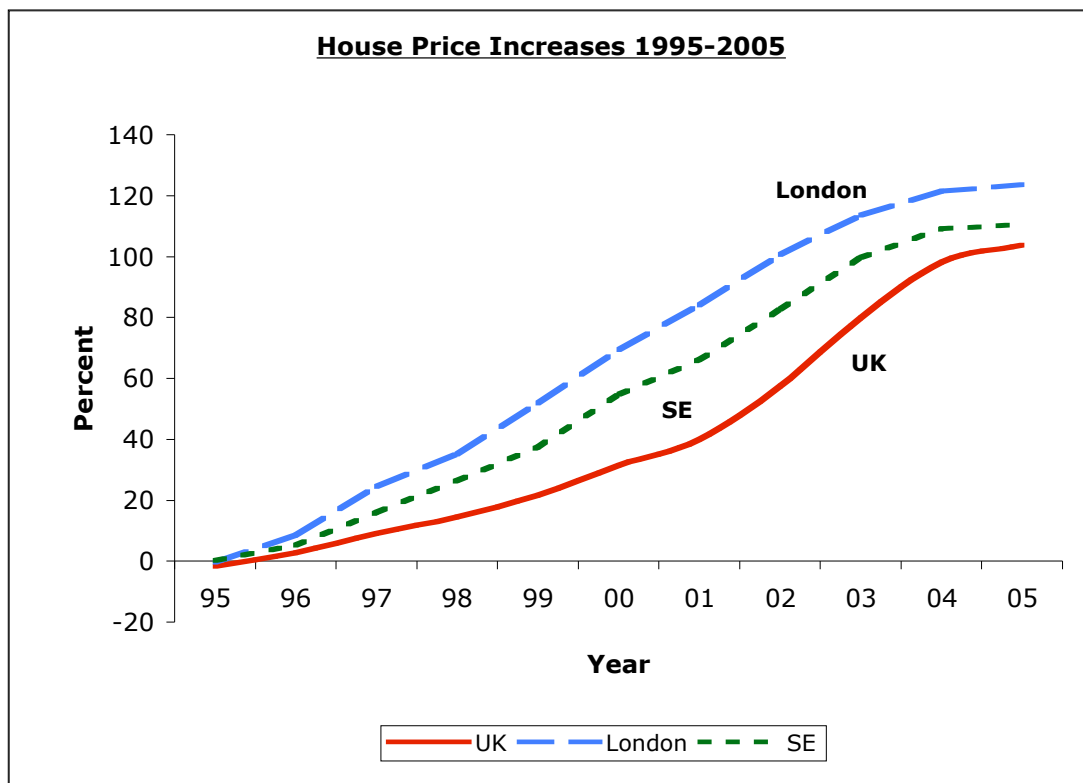
5. A Fair Economic Policy

Planning law reform could benefit Britain economically, as well as environmentally and socially, too. Changing our planning laws to make them more sympathetic to sensible development makes economic sense, in terms both of promoting enterprise and giving people a step up on the housing ladder.

House Prices Out of Control

House prices rose over 100% in the UK as a whole between 1995 and 2005 but rose by over 110% in the Southeast and over 120% in London.

Figure 10



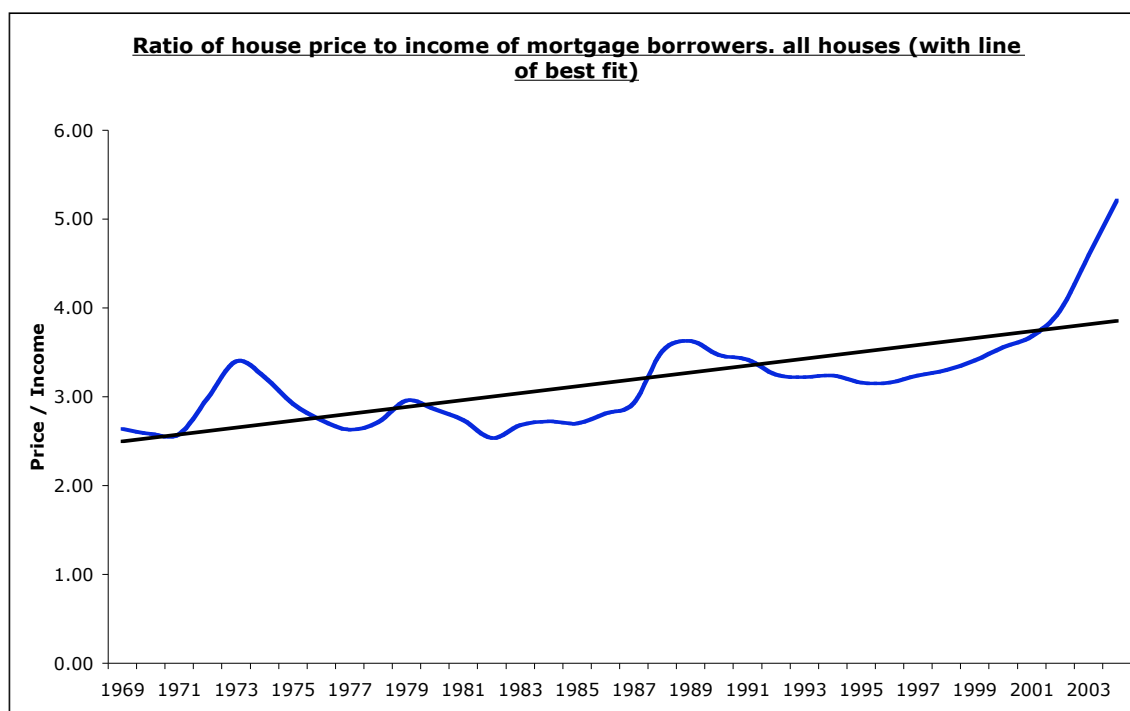
Source: Halifax Price Index

But the restriction on supply of land is feeding house price rises. Restriction in supply without a subsequent reduction in demand has meant that the price of the average home in Britain has continued to rise. The way to redress the supply–demand imbalance is to remove the artificial restrictions on supply.

House prices are now higher than ever, relative to a person’s income. Indeed, the ratio rose from 3.47 in 1990 to 5.21 in 2004.

“Broadly, in the three decades since 1970 median earnings have just about kept up with house prices. But the earnings of poorer households increased at an annual rate well below the long run average rise in house prices, especially in the Southeast. To afford a dwelling costing £106,000 (the average for England and Wales) you would need a household income of about £34,000, well above the average.”⁴²

Figure 11



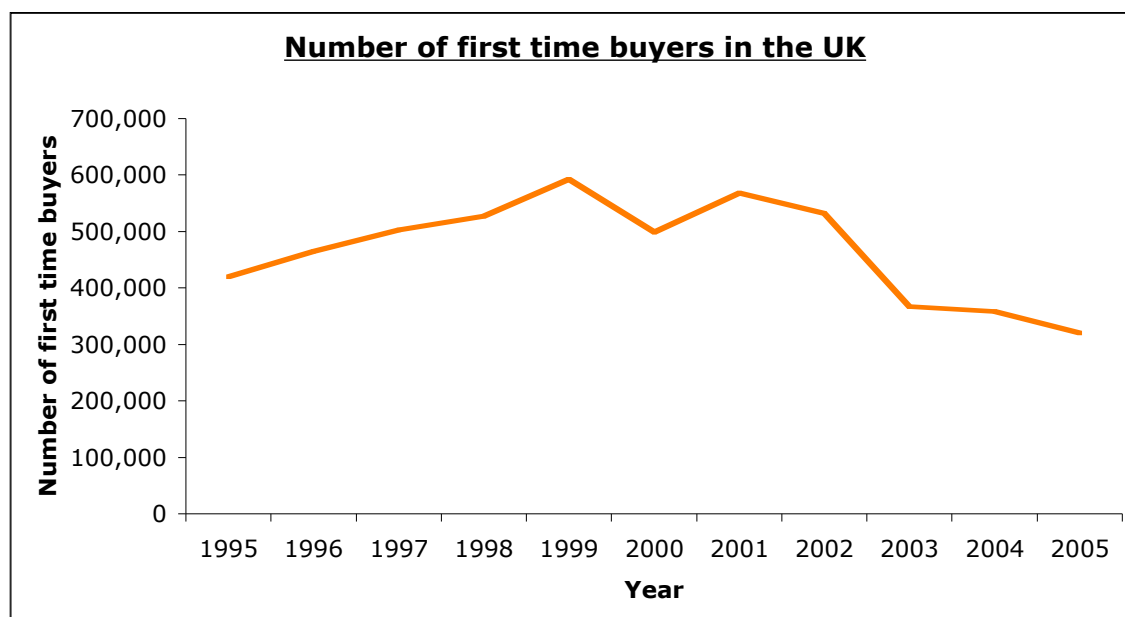
Source: Office of the Deputy Prime Minister and Survey of Mortgage Lenders

Research by Halifax has also corroborated the theory that it is becoming increasingly more difficult for first-time buyers to get onto the housing ladder: “Since 2000, the deposit first-time buyers put down has also

⁴² House Calls, *Society Guardian*, 8th March 2001

significantly increased. Five years ago, the typical deposit was £9,894, equivalent to 42% of the average earnings. The typical deposit is now £23,967, equivalent to 76% of the average earnings of £31,485.”⁴³ Indeed, the number of first-time buyers has fallen by 40% since 2002, to an estimated 320,000. The stress was greatest in the Greater London area, where first-time buyers put down an average deposit worth 20% of their property, compared with the country generally where the figure was 17%.

Figure 12



Source: Halifax First Time Buyers Annual Review 2006 (2005 figure is an estimate)

Increasing the supply of land available for homes, more in line with demand, would help to curtail soaring property values, and give more people a chance to get a foot onto the property ladder.

A MORI opinion poll found that 83% of respondents agreed that future generations would find it difficult to afford their own home. As Halifax notes, “The average age of a first time buyer [in 2005 was] 33 years, up from an average age of 31 years in 1995”. Suggesting that it is increasingly more difficult to get on to the housing ladder.

⁴³ Halifax First Time Buyer Annual Review 2006: Press Release

Planned Developments

Supporters of planning often argue that it is the only means to prevent the disarray the free market would engender. But the market would in fact be better placed to achieve efficiency in the design of cities and countryside. Buildings would spring up precisely where there was demand for them – petrol stations by the side of main roads, cinemas and shopping centres near consumers, housing near to housing, and industry near to industry.

Government money could then follow, rather than lead, development. Roads, buses and rail links would be needed where new housing was being developed, because this is where the demand for such services would be. In essence, market-driven developments would be more efficient than planning and more responsive to consumer demand. Far from being chaotic, development would be responsive and dynamic, continually adjusting to meet changing demand.

Small rural communities will not be blighted by the sudden development of massive industrial complexes, as some critics suggest. Chemical plants and manufacturing will locate near raw materials, near airports and near main road and rail links so that they can transfer their goods at minimum cost, not in the middle of rural villages.

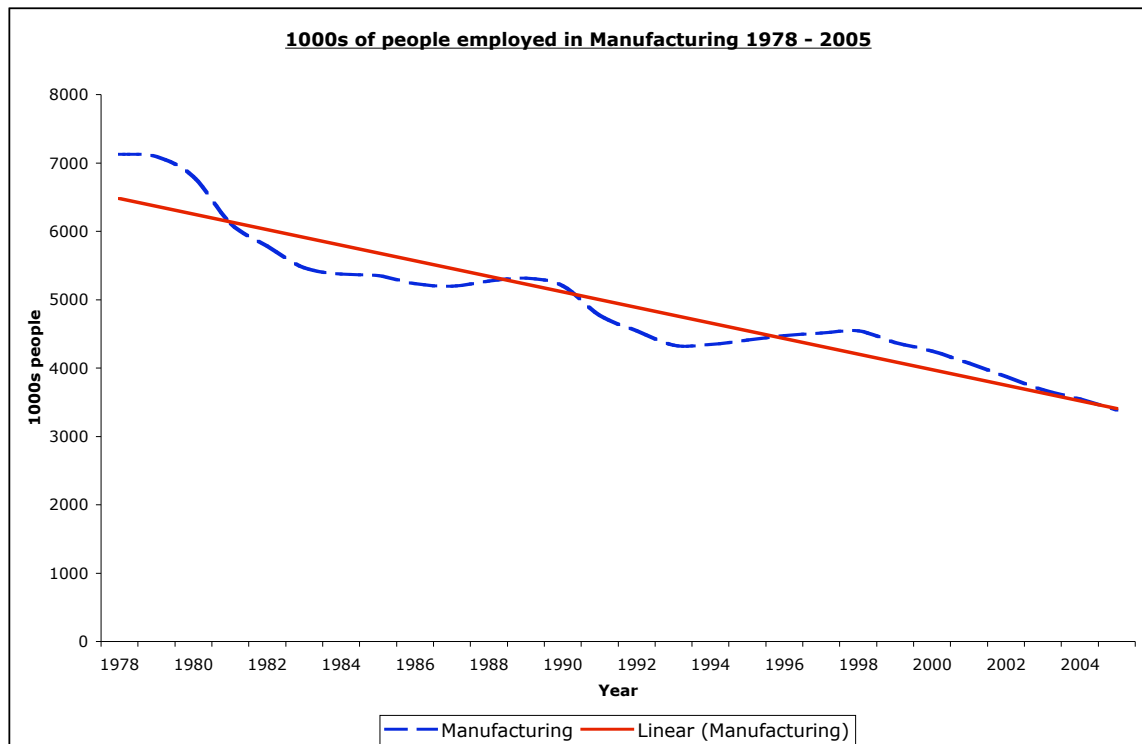
The nuisance law can also be brought into play. This means that businesses will have to locate where they will not cause nuisance to residents. The use of nuisance law instead of planning control will allow businesses to expand and create jobs, while protecting local residents from noisy developments. Both sides will end up as winners.

Over the past twenty years, heavy industry has gone into rapid decline, partly as a result of lower wages in the emerging world economies. As the Office for National Statistics says, “Twenty years ago one in three jobs held by men was in manufacturing. By 2001 this had fallen to about one in five.”⁴⁴

⁴⁴ Office for National Statistics Website: <http://www.statistics.gov.uk/ci/nugget.asp?id=11>

Some 7,094,000 people were employed in the sector in 1978, 5,317,000 in 1988, 4,545,000 in 1998 and 3,383,000 in 2005. Industry now represents 26% of our GDP (services account for 72.6% of GDP), compared to 30.5% in 1998⁴⁵. This is a trend likely to continue in the future.

Figure 13



Source: Office for National Statistics

All of this means that today, there is less chance of unsympathetic, large-scale industrial developments springing up anyway.

Farm Diversification

The Chairman of the Rural Group of Labour MPs, David Drew, argued recently that: “nothing frustrates me more than when a farmer is trying to do something with a barn and the planning committee says ‘it’s a barn, it has to stay a barn’.”⁴⁶

⁴⁵ Office for National Statistics

⁴⁶ Rural planning needs a fresh approach, *Farmers Weekly Interactive*, 26/09/2005

Banning farmers from developing their property as they see fit only serves to increase their reliance on taxpayer subsidies and support for their income. The Institute of Economic Affairs pointed out that 84% of the Government's spending on rural areas was directed at farmers, despite the fact that farming accounts for only 3% of rural employment.⁴⁷ At the same time (2002-3) that the Government was spending £2,622 million a year on agricultural subsidies, just £10 million went towards farm diversification projects.⁴⁸

More flexible planning rules would enable farmers to cater to the local market, offering space for housing, tourists and for offices. This would help to rejuvenate rural economies, attracting tourists to spend money in local shops and on local services, and providing employment for residents.

How might an intensive farm be redeveloped?

The 224,400 agricultural holdings in England and Wales average about 213,080 square metres each.⁴⁹ If some of these were converted to sympathetic development consisting of 90 percent woodland (including small lakes and rivers), and 5 percent each for housing and supporting infrastructure, each farm whose use was changed in this way would yield 191,772 square metres of new woodland, together with 140 average sized new homes.⁵⁰

The proposal is that some 3 percent of farms in England and Wales be thus converted over a 10 year period. This will result in about 950,000 new houses and, importantly, almost 130,000 hectares of new woodland, roughly an 11 percent increase in the wooded cover of England and Wales.⁵¹

⁴⁷ *The New Rural Economy*, Institute of Economic Affairs, 2005

⁴⁸ Department for Environment, Food and Rural Affairs

⁴⁹ England and Wales have a combined area of 151,050 square kilometres. Of this, agricultural land represents 61.96% (ONS). 51.09% of the agricultural land is arable (Defra), making a total of 47,815.247 km² of arable land in England and Wales.

⁵⁰ Demographia International Housing Affordability Survey

⁵¹ Forestry Commission

None of these new homes would be overlooked by existing houses. Rather they would be nestled in among new woodland. Current home owners would not face a view altered by new buildings. On the contrary, they would see the ugly monoculture fields replaced by natural woods, carefully planted to provide a mixture of different types of trees and undergrowth. The fields so barren of insect, bird and animal life, would be replaced by woods rich in biodiversity, and providing a habitat for birds and small mammals.

Farmland would be lost, it is true, but this is farmland intensively cultivated and chemically treated. It would be converted to much more environmentally friendly use, while providing much needed housing for new home-buyers. The agricultural production foregone would easily be made up by importing more foodstuffs from developing countries anxious to sell their produce to help themselves climb the ladder out of poverty.

Such development wins on every count: less chemical pollution, more pleasant to look at, more conducive to bird and animal life, more houses for first time buyers, and a big increase in tree cover to help the nation meet its carbon targets.

A Fair Proposal: Sympathetic Development

The way to improve the countryside is to permit sympathetic development. There are many benefits to farmers being allowed to expand and diversify their buildings in order to attract tourists and small businesses so benefit their region's economy. Allowing the market to help people buy a house is a fair policy: but it does not happen because of a state monopoly on planning. We may not rely on the countryside to produce all our food these days, but rural areas still need to be sustainable, both economically and environmentally.

6. Conclusion

The reform of planning laws to allow sympathetic development in the countryside would improve our social, economic and environmental *milieu*.

Supporters of planning claim that the best way to protect the environment is to limit development through the political process, otherwise vulnerable cultural sites will fall prey to ruthless development. Not so. The majority of demand for development is in the green belt surrounding major cities, an area which is neither biodiverse nor imbued with great cultural value. The monoculture and derelict areas of the greenbelt could actually use sympathetic development.

Instead of relying on local authorities to protect the countryside at the expense of development, diversification and the rural economy, we can rely instead on restrictive covenants and nuisance law to strike a balance between development and decline. The fear of being prosecuted for causing nuisance to local communities would act as a strong financial incentive for individuals and corporations to act with respect towards local people. Development would occur where it was actually wanted, and government infrastructure and spending could follow that demand.

Sympathetic development would alleviate many of the problems associated with the current monopoly on planning permission. Planning bureaucracies, inflexible, and too often biased towards preservation at the expense of sustainable development.

By converting 3 percent of farms to housing and woodland in England and Wales over a ten year period, we would create 950,000 new houses and almost 130,000 hectares of new woodland. This would be a greening of England.

More rural development will not damage cultural and historic sites or blight communities as is commonly claimed. The release of land would encourage aesthetically pleasing, lower-density developments. Farmers who want to diversify, or rural residents who would like to see more services in their local village would no longer be frustrated by the planning laws. Diversification would bring revenue to agricultural workers, reducing their dependence on taxpayers and encourage local economic regeneration.