

MARKET STALLED

ENSURING LONDON'S MARKETS
CAN SURVIVE AND THRIVE



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EXECUTIVE SUMMARY

London's markets are a vital part of the capital's social, economic and cultural fabric. Well-known markets such as Borough, Covent Garden and Smithfield have been integral parts of their communities for centuries, and are an important part of what makes these areas so attractive to businesses, shoppers and tourists. But many of London's markets are in economic decline and some are even in danger of shutting up shop.

The rise of out of town shopping centres, an increase in online retail sales, and a lack of investment from some local authorities have all ensured that market traders struggle to succeed. This is all worrying given that most markets are located in deprived areas and bestow significant benefits to their local communities. Given their plight, this report argues that national, regional and local government must make it a priority to ensure that London's markets do not experience permanent decline.

Calculations made in this report indicate that if the current trend of market closure continues, it is highly possible that as many as one in five council-run markets in inner London could simply cease to exist within the next 18 years unless urgent action is taken. The report estimates that if these markets were instead to remain open, they could generate an additional £44m per annum for the Capital and £792m over the same time period. When taking into consideration the wider economic benefit to local businesses and communities, these markets could generate an additional £1.4bn for London by 2032.

To combat this decline, safeguard the economic future of many deprived communities and maximise the economic return for London as a whole, this report makes five recommendations that would ease the pressures felt by market managers and traders.

1. **Introduce a 'Markets First' approach to high street regeneration:** Street, farmers' and food markets generate substantial economic benefits for their respective communities. Because of this, this report recommends that the Mayor and the GLA adopt a 'Markets First' approach to high street regeneration. In areas where a market exists, high street regeneration projects that support the expansion of markets should be prioritised over regeneration

projects those that do not. This is due to the greatly enhanced return on investment that markets produce in relation to orthodox high street regeneration projects. This policy should be implemented in time for the allocation of the High Street Fund in early 2015.

2. **Transfer all failing council markets to private control:** Recent analysis shows that privately-owned and -run markets significantly outperform those that are managed by the council. Indeed, by far the majority of those that are in danger are under local authority control. Given that markets are so integral to the long-term flourishing of local communities, this report recommends that all council markets that are considered to be in decline be transferred to private control – either to a private firm or to a trader association. Further, this report recommends that the Mayor withhold high street funds in cases where councils fail to improve their markets.
3. **Run a pilot scheme for market-led regeneration:** Evidence in this report and in others clearly indicates that markets give a good return on investment for the taxpayer. As such, this report would recommends that a pilot study of three to five markets be commissioned as part of the High Street Fund. This would be a perfect opportunity to trial the ‘Markets First’ approach; boost the local economies of the respective areas beyond what is ordinary; and increase the levels of data available to the GLA for future investment decisions.
4. **Boost levels of entrepreneurship in markets:** Many of the capital’s most famous and successful business leaders began their careers as market traders, and London’s markets are perfect incubators for young and budding entrepreneurs. As such, councils and market managers should make more use of this local resource. To do this, markets should become the centre-piece for enterprise in communities and we a London-wide scheme that mirrors the NMTF ‘First Pitch’ initiative should be introduced. Under this, young entrepreneurs would be allowed to test-trade at a market for free over a working week. Continued support and advice would then also be given to help these enterprising youngsters develop into successful business leaders.
5. **Deregulate London’s markets to boost investment:** A constant barrier to the growth and development of London markets are the burdensome provisions of the London Local Authority Act (LLA) that regulate markets management. These curtail the freedoms of market managers and prevent either the council or private firms from making any sizeable return from the markets they manage. In order to deregulate council markets and free market managers from the trammels of the LLA, this report recommends that all London councils follow the lead of Southwark and regulate their markets under the Food Act, which is far less burdensome. The Mayor should in-turn do all that he can, through his strategies and plans, to deliver such a change for London.

The research in this report clearly highlights that London’s markets must be maintained and nurtured if the capital is to prosper. By adopting the five recommendations detailed in this report, these valuable economic, cultural and social assets will not only survive, but thrive. This report argues for London’s market’s to be given the priority they deserve.

INTRODUCTION

Despite its obvious size, London is in essence a market town. Ever since the establishment of a market forum in the Leadenhall area by the Romans almost two-thousand years ago, the capital has had a thriving market industry. Billingsgate has been a functioning market since before the Battle of Hastings, Surrey Street Market in Croydon has been in existence since the 13th Century,

and Borough and Smithfield markets have both been operational since the 12th Century. One could even say the history of London is the history of its markets, with areas such as Brixton, Spitalfield and Cheapside all developing around their markets (the word 'cheap' actually comes from the Saxon 'ceap', meaning market).

The arrival of several waves of immigrants in the post-war era led to the revival and creation of many street markets in London's most deprived areas. New markets emerged in South London and in the East End that catered to the needs of these new arrivals, all of which greatly added to the economic and cultural characteristics of their local areas and London as a whole.

Indeed, almost across the board, street, food and farmers' markets are invaluable assets to their communities. Markets provide employment opportunities to local people; they bring additional revenues to the surrounding area; they provide a fulcrum for social or community activities; and they add to the cultural heritage of a neighbourhood. All in all, London's markets are completely integral to its continued success.

But many of London's markets are in real danger, and the reasons for their plight are varied and complex. The rise of shopping centres, often out of town, has ensured that footfall in many markets has been significantly reduced. The high street dominance of the supermarkets ensures that many local customers will avoid shopping in the market for reasons of convenience. The planning and regulatory regime does not promote the expansion or establishment of markets. Many local authorities do not prioritise markets in their operations or manage their markets well. High land values in the capital have ensured that it is difficult for new markets to be established, as many property developers often prefer to maximise their returns through the creation of new commercial or residential property.

It is a sad fact that, where markets were once bustling hives of activity, many are now struggling to survive in harsh business environments. Given that most markets are located in deprived areas, this situation is particularly worrying. It is, therefore, highly likely that the failure, and subsequent closure, of these markets would have considerable consequences for Londoners. Local businesses and high streets would suffer from the lack of custom, and the respective communities would be socially and culturally diminished. National and London government must, as a result, view markets as integral to the flourishing of local communities, and should endeavour to ensure that these valuable economic assets not only survive but thrive.

This report will detail the economic and social benefits of markets to London, and discuss how the plight of local markets presents a threat to the overall wellbeing of Londoners, particularly those on lower incomes. As part of this report, recommendations will also be made to national, local and London-wide government on how policy could be adapted to help our struggling local markets.

THE ECONOMIC, SOCIAL AND CULTURAL BENEFITS OF MARKETS

London is home to a wide variety of markets, but there are a number of categories that most fall into. As a rough breakdown, 50 per cent of London's markets can be classified as street markets; 10 per cent as specialist markets; 10 per cent as farmers' markets; 9 per cent as specialist food markets; and 14 per cent as covered markets.¹ With these figures there is obviously a lot of variability, with many markets offering a variety of different products, but as a snap shot such a breakdown works. In terms of ownership, 49 per cent are owned by local councils, 49 per cent are

1. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.16

privately owned, with the remainder jointly owned or managed in some hybrid fashion.²

This paper will primarily focus on street markets, farmers' markets, and those specialist food markets that sell hot food (as these often cross-over with farmers' markets). This is simply because these together make up the bulk of functional markets and offer the greatest growth prospects for market traders and the communities they operate within.

As has been previously stated, the main focus of this report will be on the plight of street markets and farmers' markets. The latter are markets in which farmers, growers or food producers from a defined local area sell their own produce directly to the public. These are a relatively recent phenomenon, and under rules established by the standards and trade body that represents farmers' markets, all products sold at these markets must have been grown, reared, caught, brewed, pickled, baked, smoked or processed by the stallholder.³ This can be seen in the practices of London Farmers' Markets. They insist that all produce sold at their markets must come from within 100 miles of the M25.⁴ Because of the types of produce sold, there is an unavoidable overlap between farmers' markets and more specialist food markets that serve hot food. Often the two types of market will operate jointly to maximise revenues.

Street markets, on the other hand, represent a more traditional aspect of London's culture and have often been operational for decades, if not centuries. Many street markets operate for six days per week (farmers' and food markets are usually open for shorter durations) and offer a variety of retail products. Overall, and probably because of their permanence and wider product offers, street markets have a greater effect on local employment than farmers' markets.⁵ They also generate approximately twice as much income and, therefore, have a greater multiplier effect on the money spent in shops in the surrounding area.

Markets are a vital component of the communities they reside in, and often provide the fulcrum around which the community revolves. The benefits of street, farmers', specialist and traditional markets bring to their areas are varied, but it has long been recognised that they contribute significantly to the social, environmental and economic wellbeing of the nation.⁶ As a key part of London's social and cultural tradition, markets can brighten-up an area and provide a sense of place and pride to local residents. In economic terms, they also form the core of local economies, encourage local jobs-growth and incentivise entrepreneurship.⁷

It has been estimated that 46,000 market traders provide 96,000 jobs across the UK – generating £3bn every year.⁸ Farmers' markets alone contribute some £250 million to local economies every year,⁹ with an additional benefit being the new custom such markets can bring to an area and the additional jobs this can create. Street markets, which are largely retail-based, also bring substantial benefits to their local areas. Research conducted by the GLA demonstrates that shoppers at street markets spend in total between £3,000-£15,000 every market day in nearby shops and local businesses.¹⁰

In London, data suggests that total yearly customer spend amounts to approximately £430 million,

2. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.17: it is likely that this has changed somewhat since this data was harvested in 2010. The last four years has seen a dramatic increase in the number of private sector markets. This is evidence in the Cross River Partnership report on markets in London (still in draft form at time of publication).

3. http://b.3cdn.net/nefoundation/65304e46a1279616ad_9hm6b8p2i.pdf - p6

4. <http://www.lfm.org.uk/about-us/>

5. http://b.3cdn.net/nefoundation/65304e46a1279616ad_9hm6b8p2i.pdf - p7

6. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.18

7. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.18

8. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.19

9. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.28

10. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.28

of which £309 million is non-food and £121 million is food.¹¹ In the same study, of the customers surveyed, almost two-thirds of those who shopped at the markets also spent money in other shops in the area.¹² Of the back of the money spent in London markets, an additional £752m is spent in shops in the local area, which give markets a significant local economic multiplier effect of 1.75.¹³ On top of the headline economic benefits, markets obviously contribute significantly to the London jobs market. It has been estimated that they create almost 7,400 Full-Time Equivalent jobs, a figure that excludes other indirect effects on employment brought about from the multiplier effect.¹⁴

In the same study, a survey found that 42 per cent of customers would not visit the area if the market was not present, which illustrates that many customers see the presence of markets as a key deciding factor in whether or not they shop in a certain area.¹⁵

The largest direct impact from market trade is the revenue generated by local retailers. In customer surveys, businesses demonstrate highly positive attitudes towards markets and believe that they are good for business. Indeed, in most cases, the market has been in existence longer than most local retailers, so the decision to locate in that area was in large part derived from the benefits that being close to such a market would bring. In terms of clientele, most stallholders have regular customers and have been at the market for many years. Some surveys indicate that the elderly benefit the most from such an arrangement.¹⁶ In addition to this, many market traders are themselves local residents.¹⁷

In addition to the economic benefits, tourists will often cite markets as a key reason for travelling to an area, with a fifth of visitors stating that this is so.¹⁸ Large and famous markets such as Portobello, Camden and Borough have been attracting visitors for decades, and tourists seem increasingly interested in newer or smaller markets, particular those that sell food.¹⁹ This clearly demonstrates that London's markets are a key aspect of its international appeal.

Alongside these economic benefits of markets to London, there are clear social benefits to having a market operate within an area. Markets are important sites for social interaction between local residents, particularly for women and older people. Weekday street markets often provide a focal-point for mothers with young children and for families in general on the weekend. As such, markets are an integral component of the social fabric of communities and add to the social capital of local residents.²⁰

This is all particularly important given that many of these markets are located in more deprived areas.²¹ Clearly, local markets are a valuable source of jobs and growth for London's poorest areas. It is for this reason that the regeneration of markets presents an ideal way of rejuvenating deprived areas.

11. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.39

12. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.39

13. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.39

14. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.41

15. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf%20p.50>

16. http://b.3cdn.net/nefoundation/65304e46a1279616ad_9hm6b8p2i.pdf - p49

17. http://b.3cdn.net/nefoundation/65304e46a1279616ad_9hm6b8p2i.pdf - p34

18. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.7

19. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.7

20. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.8

21. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.21

WHY ARE SO MANY OF LONDON'S MARKETS STRUGGLING?

It is a disconcerting fact that many of Britain's markets are in decline. The Rhodes report, which looked at the state of the UK's markets, found that a declining number of high street shoppers, decreasing stall occupancy rates, and a decline in overall market turnovers all demonstrate the tough environment that our markets operate within.²² In London, where pitch fees are higher than the national average and shopping is generally more competitive, the business environment is even more difficult.

In the light of such operating conditions, it is understandable that some markets have struggled or declined. There are various contributing factors to this decline, but increased competition from supermarkets, alternative cheap retail outlets and the rise of online shopping have all put the squeeze on London's markets, especially street markets.²³

In particular, markets stalls that sell preserves, dry goods and other tinned good are simply no longer competitive as supermarkets regularly undercut market traders on these products. The result of high street consolidation and retail competition has been to force many traders out of the industry and significantly limit the range of products available to local consumers.²⁴

There is little that policy makers or the industry can do to combat economic issues that are often global in their origin, but there are other, more avoidable reasons for market decline that could be effectively countered with sufficient political will.

Another important contributing factor to the decline of some markets is the neglect many local authorities demonstrate towards their markets. This is evidenced most starkly by the lack of investment that many markets fail to receive from their respective councils, which is often combined with a lack of internal expertise in the business of market management.²⁵ Ann Coffey MP, Chair of the All Party Group on Markets, has remarked that "local authorities have had higher priorities for investment, and often they have approached market management in a regulatory way. They have not seen it as investment for the future".²⁶ Such a complacent attitude towards market investment and management undermines these valuable community assets.

Common complaints from market traders regarding local authorities often suggest that council market management is usually overly-bureaucratic and lacking in the will to ensure that local markets flourish. In many local authorities, councils are often unwilling to make the required commitment to their markets due to the diverse portfolio of property and commercial interests that they own or manage. They will often only intervene once the decline of a market is at crisis point.²⁷ London markets need effective pro-active and care-driven management, not mediocre crisis avoidance.

This negative perception of local authority-run markets is in contrast to the perception of how private markets are run and operated. The general belief is that the private sector is much better at managing markets than the public sector. Private market operators often offer new avenues of investment, more decisive management structures and more innovative business strategies, such as those that factor in social media marketing, food fairs or cultural exhibitions.²⁸ Given that

22. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.8

23. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.27

24. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.12

25. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.14

26. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.39

27. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.40

28. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.42

so many of those London markets that are in decline are council-run, and that so many of those that are growing are in private hands, this common perception is clearly based on the real-life experiences of markets traders. It no surprise that, whereas most farmers' markets are growing, almost half of London's street markets – which are mostly run by councils and not private providers – are in significant decline.²⁹

Many of the issues facing local authorities in London derive from the relevant regulations. Most of London's council-run markets are regulated under the London Local Authority Act 1990 (LLA). Under this act, markets are not technically recognised, but instead provisions exist to regulate what the Act terms 'license streets'. So, instead of the council being able to deal with the market as a single, cohesive entity, the council must organise them as collections of individual pitches – which is unnecessarily complex. Some disadvantages of this scheme include the fact that each trader is allocated a specifically numbered pitch, which stops market managers from moving traders along the line to fill the gaps and make the market seem more vibrant. Further, the level of pitch fees can only be set to cover the costs of administration. And only an individual and not a business can be registered with the council, which prevents successful food market or farmers' market traders from participating in council markets.

Market traders commonly believe that local authorities in London prefer to maximise their immediate returns from their markets, and do not look towards the sustainability or long-term interests of markets.³⁰ This approach comes clearly at the expense of market traders and it makes very little long-term economic sense. By driving up rents and pitch fees local authorities are strangling the traders that make use of markets, which is a folly given that without traders there can be no markets.

Alongside council mismanagement and under investment, over the last few decades an unsympathetic planning regime has been employed by many local authorities in London. Damaging planning decisions made under such regimes include relocating markets outside the town centres; pedestrianising market areas so ensuring fewer customers can access the market via car; and decisions that allow the creation of large, out of town shopping complexes that suck the life out of town centres and their markets.³¹ As the Retail Markets Alliance has observed, many planning decisions to 'modernise' markets have also entombed street markets in concrete bunkers that are unappealing to most shoppers.³² This has undoubtedly put-off the more aspirant consumer crowds that have become increasingly attracted to farmers' and food markets.

The situation is slightly different for private markets. Private markets that are permanently enclosed and more than seven meters from a public highway (as most food and farmers' markets are), are not governed by the LLA, although they must still comply with food safety regulations. For all other private markets and those that are council-owned but privately-run, they are regulated under the LLA. However, as the contractual relationship between a private firm or a traders' organisation is superior to the local authority's claim, private market managers have greater levels of management control. But where the market is council-owned but privately managed, under the LLA these firms are still restricted from making a profit, which hampers investment and financial management. Either way, coming within the remit of local council market managers has more drawbacks than positives. This is why private sector markets have done so well over recent years and local authority markets have not.

The statistics and figures on the state of markets in London do not paint a pretty picture for many council-run markets. A study conducted by Regeneris on behalf of the GLA found that over half of

29. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> p.27

30. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.45

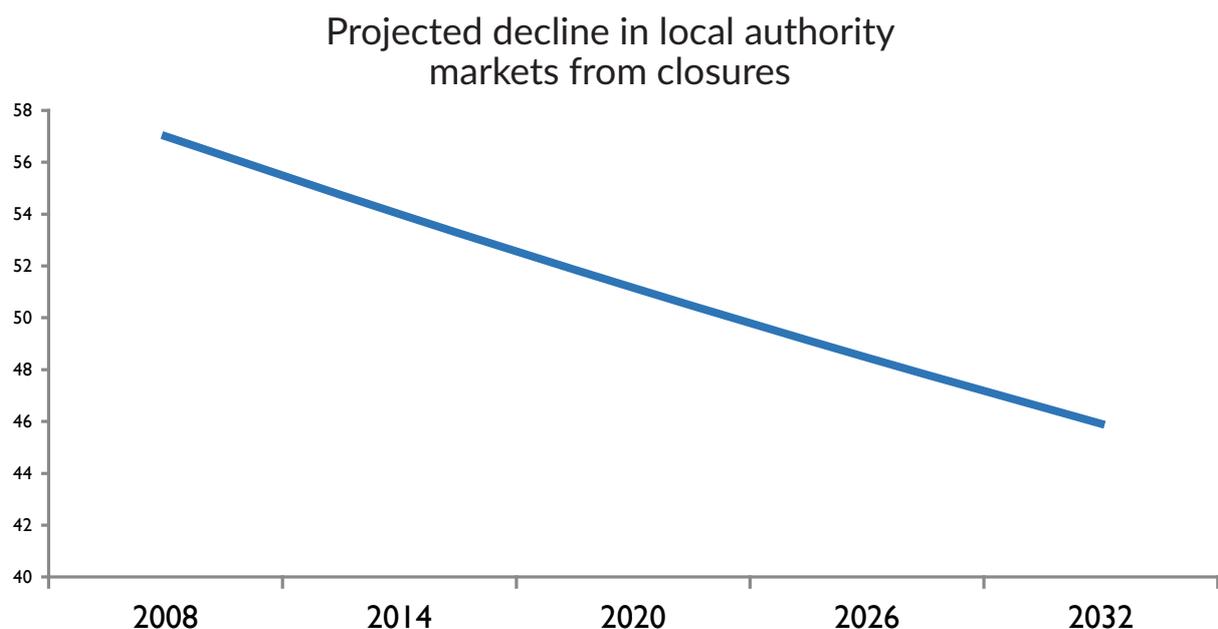
31. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.13

32. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/308/308i.pdf> p.14

all council-run markets in London are in decline, whereas less than 9 per cent of privately-owned or run markets are experiencing decline. In terms of growth, only 20 per cent are report to be expanding, which compares very unfavourably to the private sector that witnessed economic growth in over 70 per cent of its markets. The remainder of markets were reported as being stable.³³

A more recent report conducted by the Cross River Partnership for the EU found that there are 90 markets in inner London. This research found that since 2008, 15 new private sector markets have been created and that there has been a net loss of three council-run markets. This means that, even though some new markets had been created (four), seven had closed over that same period.³⁴ Such a decline mirrors the findings of the earlier Regeneris report and the opinions of those in the industry. Given that that reasons for the decline mentioned above are unlikely to disappear without intervention, it is completely reasonable to assume a similar decline will continue for the long-term (assuming a consistent 5.26% decline). According to the calculations conducted as part of this report, extrapolating such a trend over for just over 18 years results in 11 fewer local authority markets (roughly 1 in 5 of all council-run markets) in inner London than there were in 2008, when data collection commenced.³⁵

Such a decline would be disastrous for the local communities that rely on these markets, would significantly reduce consumer choice and would deal a blow to tourism. This trend can be evidence in the below graph.



The same Cross River Partnership project estimated that the markets included in the study had a turnover of approximately £360m per annum. Given the same study suggests that there are 90 markets in total, this would equate to £4m in turnover per market every year. Multiplying this by 11 (the estimated loss of council markets) generates a figure £44m. So if these markets instead remain open, they have the potential to produce £792m in revenue for London by 2032.³⁶ When taking the 1.75 multiplier into effect, this translates into roughly £1.4bn that could be generated over the same time period for local businesses, such as pubs, coffee shops and restaurants.

But not only are council-run markets at risk of closure, many traders, because of the regulatory

33. <http://www.london.gov.uk/shaping-london/london-plan/docs/london-retail-street-markets-pre-pub-draft.pdf> P.28

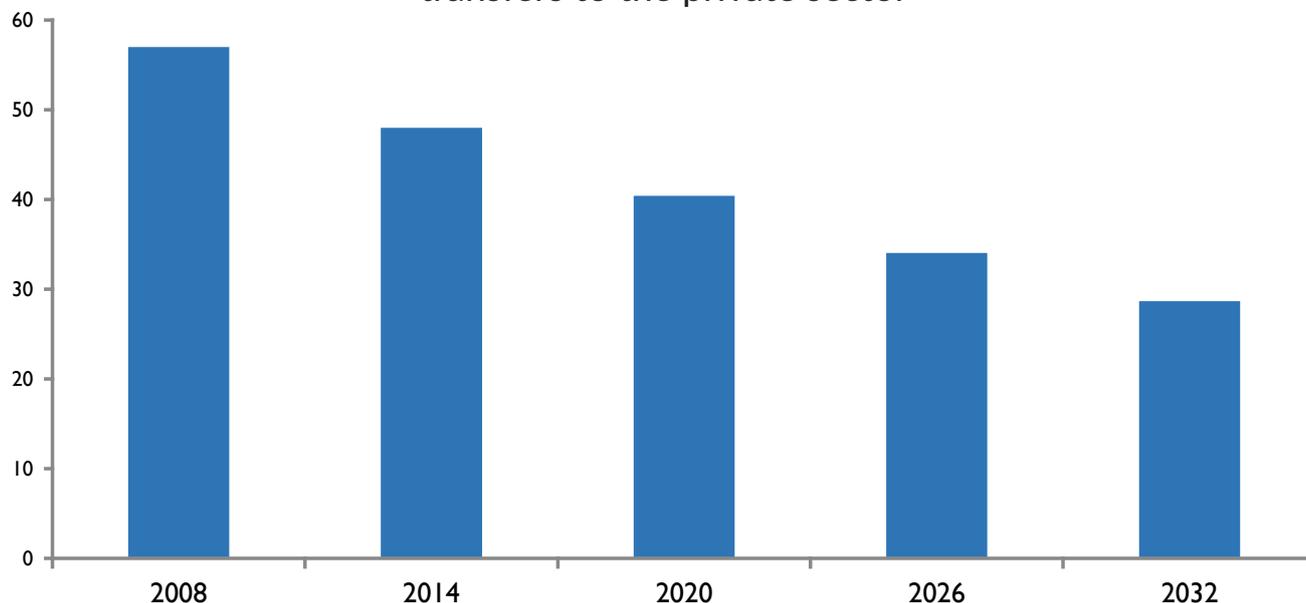
34. Cross River Partnership, 2014, Sustainable Urban Markets for London (Draft)

35. Data supplied by the Cross River Partnership.

36. Sustainable Urban Markets for London, Cross River Partnership, 2014, p.16.

and council management issues detailed above, are deciding to take control of their own markets. Since 2008, six markets in Central London have made the decision to move from council to private control.³⁷ When mapped alongside those markets that have closed, the plight of the local authority market sector can be highlighted below.

Total local authority markets after closures and transfers to the private sector



This data, if borne out to 2032, makes it clear that current projections mean that nearly half of all council-run Central London markets could either cease to exist or be transferred to the private sector. Further, because the regulatory and market environment is so similar, this is likely to be reflected in Outer London as well. Indeed, the harsher business conditions present outside of the central London means that the situation is likely to be even worse. Clearly, without drastic change, the days of council-run street, farmers' or food markets are numbered.

HOW CAN LONDON'S MARKETS SURVIVE AND THRIVE?

As has been detailed throughout this report, markets are a key and irreplaceable element of London's social, economic and cultural fabric. Ensuring that markets not only survive, but thrive, must be a key priority for all those involved in London policy-making. Unfortunately, hitherto London's street, farmers' and food markets have often been ignored by policy makers and local government officials. Barring some exceptions, a lack of priority and over-burdensome regulation have forced many street markets into decline, and those markets that are currently experiencing growth are mostly outside the ambit of the local authority. Clearly, more needs to be done to help struggling markets. But what is to be done?

GLA FUNDING FOR TOWN CENTRES AND HIGH STREETS

The GLA and the Mayor have not been idle on the issue of high street regeneration. In 2011 the Outer London Fund (OLF) was launched to strengthen the "vibrancy and growth of London's high streets and town centres".³⁸ Under the Mayor's high street schemes, £50 million has been

37. Data supplied by the Cross River Partnership

38. <http://www.london.gov.uk/priorities/regeneration/high-streets/funding-programmes/outer-london-fund>

made available over three years to deliver economic benefits and enhance place shaping activity. As part of the first round of the OLF, a total of £10 million was allocated to 30 places across London.³⁹ Following this initial phase, a second round of funding was launched in 2012 to further promote high street regeneration. This will offer up £32m to 23 sites. To expend the remainder of the Mayor's high street funding, it was recently announced that an additional £9m will be made available through the High Street Fund.⁴⁰

While such an injection of expertise is to be welcomed, these funds so far have had mixed success with regards the regeneration of local economies and communities. An evaluation conducted for the first round of the OLF suggested that the funds invested had an average return on investment of £0.69.⁴¹ This means that for every £1 invested by the Outer London Fund, an additional £0.69 was generated by the local economy. This compares poorly to markets, which have a return on investment of £1.75.⁴² Clearly, and despite OLF funds having other non-economic or social benefits, in purely economic terms, these funds could have been better allocated towards markets-based projects.

Given the fact that local street, farmers' and food markets generate substantial benefits for their local economy, this report recommends that the GLA and the Mayor ensure that all future funding allocated for high street regeneration adopt a 'Markets First' approach to investment. Under such a policy, projects that support the expansion of markets should be prioritised over those that do not because of the greatly enhanced local economic multiplier effect. This is not to say that other projects should be excluded, but it does mean that markets should receive the greatest priority. So that, if a London borough applies for mayoral regeneration funds in order to rejuvenate its high street, if that borough has a market on or near that high street, then that market should receive priority funding. Such a policy would both support local economies and ensure a better use of taxpayers' money.

With respect to the current High Street Fund that has recently opened (October 2014) and is due to close for applications in December 2014, this report recommends that the GLA take more direct action with regards markets regeneration. This report suggests that the Mayor commission a Pilot Scheme, utilising grants from the High Street Fund, for 3-5 appropriate sites around London that have markets in need of investment. The report suggests that piloting such a scheme would benefit the areas in question due to the aforementioned multiplier effect and would provide a test-case for a future 'Markets First' strategy. Another consequence of a pilot scheme would be that the GLA would then have improved data upon which to base future investment decisions.

THE REGULATION OF STREET MARKETS IN LONDON

As has been mentioned, the regulatory environment for markets, in particular street markets, is not conducive to growth or success. The London Local Authority Act 1990 limits the flexibility of local councils when it comes to managing their markets and strangles traders with bundles of red-tape. However, one London council in particular has had more success in this area. Southwark council, after a lengthy and considered review process, decided in 2012 to shift the regulation of their markets from the Local Authority Act (LLA) to the Food Act 1984. One of the key drivers for this was the need to attract more private operators to manage markets in Southwark. It was reported in a Southwark council consultation that many private operators found the regulatory framework under the 1990 Act too restrictive and were reluctant to apply for new market licenses

39. Regeneris, Outer London Fund Round 1 Evaluation, p11

40. <http://www.london.gov.uk/priorities/regeneration/high-streets/funding-programmes/high-street-fund>

41. Regeneris, Outer London Fund Round 1 Evaluation, p43

42. https://www.london.gov.uk/sites/default/files/GLA_Action%20for%20High%20Streets.pdf p40

unless a shift to the Food Act occurred.⁴³ Southwark then introduced an innovative licencing policy following calls from businesses and private market operators.

There are a number of benefits to using the Food Act instead of the LLA. Under the 1990 Act, street markets are not formally recognised. Legally, boroughs manage 'license streets' that are merely collections of individual pitches rather than an overall market entity. This limits local authorities. A license for a pitch designated a specific numbered pitch and, as such, the council cannot ask traders to move along to fill gaps in pitches on certain market days. This makes the markets seem disconnected and potentially unattractive to customers.

Another significant drawback of the LLA is that, under this legislation, local authorities are forbidden to make a profit on the management of markets. Moving to the Food Act would permit this and would allow local authorities to make better use of private operators in the management of their markets. Going on the trend data evidenced in this report, such a shift from public to private with aid markets to expand.

Another objection to using the LLA is that only individuals can be licensed under the Act and businesses cannot. This law originates from when almost all traders were individual sole-traders, but with the emergence of food and farmers' markets, such a thing is becoming a thing of the past. Having a strong business presence in markets is essential if they are going to continue to be relevant to shoppers.

Clearly, these outdated provisions significantly hamper a local authorities ability to manage their markets. Moving to a system that avoids these pitfalls can only be a good thing for London. As such, this report recommends that all London boroughs shift, at the earliest possible opportunity, the licensing of their markets from the LLA to the Food Act – if Southwark can do it then so can the other 31 boroughs. If local authorities refuse to act on this and jeopardise the long-term sustainability of London's markets, then the Mayor should do all within his power to ensure that such a transition is delivered through his strategies and plans.

UNDERSTANDING THAT THE PRIVATE SECTOR IS BETTER AT MANAGING MARKETS

As was mentioned above, privately-owned and run markets have witnessed a substantial increase over recent years. Across London from 2008-2010 70 per cent of private sector markets were said to have grown in comparison to 20 per cent of those owned by councils.⁴⁴ Moreover, between 2008 and 2014 private markets in Central London witnessed net growth of 15 new markets.⁴⁵

With privately-owned markets, as the market owners in question have a contractual relationship with their tenants, these firms have a much greater degree of control over the scope and direction of their markets. Even though these markets still have to comply with planning regulations and health and safety law, as local authorities have a limited presence in these markets, the firms that own these markets (and by definition the tenants that work under their auspices) have done significantly better than their council-owned counterparts over recent years.

A similar pattern can be witnessed with those markets that, while still council-owned, are managed by private firms. In Broadway Market, for instance, the local community came together to take over the running of the failing market. Brixton Market also 'spun-out' from council control and is now

43. Southwark Council, 2010, Markets and Street Trading Strategy p.12

44. Regeneris, 2010, London's Retail Street Markets, p28.

45. Cross River Partnership, 2014, Sustainable Urban Markets for London (Draft). Data supplied by Cross River Partnership.

managed by the local traders' federation.

Case Study: Broadway Market

Where once it was a thriving market, Broadway Market fell into steep decline in the late 1970s. Most of the traditional stallholders had left by this stage and many of the high street shops were boarded up. This depressing trend continued for several decades and ensured that the local area remained an unattractive shopping destination for most consumers.

In response, just over a decade ago a group of local businesses and residents formed the Broadway Market Traders and Residents Association (BMTRA). This immediately took up the task of inviting new stallholders to set-up shop in the market and organised a new farmers' market for Saturdays.

The BMTRA also purchased stalls and began renting them out to traders which generated an income to cover the costs of running the market at no extra cost to Hackney Council. The re-invigoration of the market was almost instantaneous. In order to scale-up the operation of the market body, a new Community Interest Company (CIC) was formed. The Broadway Market Projects Community Interest Company (BMPCIC) is a not-for-profit organisation that re-invests any surpluses back into the community. Over the last two and half years, the BMPCIC has donated £38,000 to local community projects and charities.

All this has been achieved without support from the Council, who now earn a profit of £25,000 every year from pitch fees. It has been estimated that the overall economic benefit to the Borough is £6m per year. All of the shops and stalls on Broadway market are occupied and the Saturday Street Market attracts 22,000 people every week.

But such examples are still relatively rare because of the issues surrounding the LLA. Where the markets are privately managed but council owned, because the LLA does not allow for a profit to be made, operating under this legislation can be detrimental to private operators and disincentivises trader associations and community groups from managing council markets. So even though this report argues for a major shift in the ownership and management of London's markets from public to private, pushing local authorities towards adopting licensing regimes under the Food Act still has its advantages.

However, this report asks for more drastic and immediate action to be taken on London's failing council markets. As the data makes very clear, almost all of those markets that are in economic decline are council-run and the vast majority of those that are experiencing growth are privately-run or owned. Bearing this in mind, and the likely long-term economic decline of local authority markets, this report recommends that all councils develop coherent plans for transferring market management from public to private control as speedily as possible. If the council in question is running its market well (as some are), then that market should remain in local authority control. But if that market is failing, then the traders or communities themselves assume control of this vital local economic asset. To do otherwise would be to see the inevitable decline of London's markets. In response to this, the Mayor should also agree to withhold funds for high street or town centre regeneration where the council in question fails to improve its markets.

PROMOTING ENTERPRISE AND ENTREPRENEURSHIP THROUGH MARKETS

As well as being local economic hotspots, markets provide a fulcrum for many young and budding entrepreneurs. Indeed, many of our most successful and well-known businessmen and women started their careers trading on markets stalls. Ensuring the survival of our markets is, therefore, critical for the development of entrepreneurs in the capital.

In order to fulfil this need, the National Market Traders Federation (NMTF) launched its 'First Pitch' scheme in 2013. This was a market trader start-up scheme supported by market operators all over the UK. It offered entrepreneurs the opportunity to test-trade for up to five days for free in their local market. The NMTF received 350 applications and 250 entrepreneurs test-traded. Over 100 of these new traders received 12 months of additional support, including free membership of the NMTF, mentoring, retail training and discounted rent.⁴⁶

The scheme is perceived by the NMTF and the participating councils to be a success, but there has been no confirmation of whether this will run again. Further, in order to ensure that entrepreneurship is successfully promoted in our markets, greater levels of funding and council involvement would be required.

In response to this, we believe that all local authorities should participate in this scheme or develop similar schemes that promote entrepreneurship in our markets. This will both boost enterprise in the capital and incentivise start-ups. Local councils should make their markets centre-points for enterprise, particularly amongst young people. Alongside action taken by local councils, the Mayor should, through the London Enterprise Panel, direct funds towards the running of such schemes as part of its skills and employment brief.

CONCLUSIONS AND RECOMMENDATIONS

London's history is inescapably intertwined with that of its markets. For centuries, Londoners have profited from the economic, cultural and social benefits that derive from having a market present in their communities. Yet, these fulcra of local economic activity, these centres of cultural heritage, are under serious threat from multiple factors. Over-burdensome regulation, inadequate investment, changing shopping habits, poor planning decisions and a general lack of care have together ensured that many of our markets operate under the threat of extinction.

Indeed, where once our markets were bustling hives of activity, many are now struggling to survive in harsh business environments. Given that most of our markets are situated in London's most deprived areas, this is a fact that should worry all policy makers in the capital. In response, this report argues that the Mayor, the GLA and London's local councils should all amend and improve their approach to markets development.

The five recommendations below indicate how such a change in approach could be developed.

- 1. Introduce a 'Markets First' approach to high street regeneration:** Street, farmers' and food markets generate substantial economic benefits for their respective communities. Because of this, this report recommends that the Mayor and the GLA adopt a 'Markets First' approach to high street regeneration. In areas where a market exists, high street regeneration projects that support the expansion of markets should be prioritised over regeneration projects those that do not. This is due to the greatly enhanced return on investment

46. <http://www.nmtf.co.uk/start-up/first-pitch.html>

that markets produce in relation to orthodox high street regeneration projects. This policy should be implemented in time for the allocation of the High Street Fund in early 2015.

- 2. Transfer all failing council markets to private control:** It is clear from all the data that has been analysed over recent years that privately-owned and -run markets significantly outperform those that are managed by the council. Indeed, by far the majority of those that are in danger are under local authority control. Given that markets are so integral to the long-term flourishing of local communities, this report recommends that all council markets that are considered to be in decline be transferred to private control – either to a private firm or to a trader association. Further, this report recommends that the Mayor withhold high street funds where a council fails to improve its markets.
- 3. Run a pilot scheme for market-led regeneration:** Evidence in this report and in others clearly indicates that markets give a good return on investment for the taxpayer. As such, this report would recommend that a pilot study of 3-5 markets be commissioned as part of the High Street Fund. This would be a perfect opportunity to trial the ‘Markets First’ approach; boost the local economies of the respective areas beyond what is ordinary; and increase the levels of data available to the GLA for future investment decisions.
- 4. Boost levels of entrepreneurship in markets:** Many of the capital’s most famous and successful business leaders began their careers as market traders, and London’s markets are perfect incubators for young and budding entrepreneurs. As such, councils and market managers should make more use of this local resource. To do this, markets should become the centre-piece for enterprise in communities and we a London-wide scheme that mirrors the NMTF ‘First Pitch’ initiative should be introduced. Under this, young entrepreneurs would be allowed to test-trade at a market for free over a working week. Continued support and advice would then also be granted to help these enterprising youngsters develop into successful business leaders.
- 5. Deregulate London’s markets to boost investment:** A constant barrier to the growth and development of London markets are the burdensome provisions of the London Local Authority Act (LLA) that regulate markets management. These curtail the freedoms of market managers and prevent either the council or private firms from making any sizeable return from the markets they manage. In order to deregulate council markets and free market managers from the trammels of the LLA, this report recommends that all London councils follow the lead of Southwark and regulate their markets under the Food Act, which is far less burdensome. The Mayor should in-turn do all that he can, through his strategies and plans, to deliver such a change for London.

Throughout this report it has been made abundantly clear that London’s markets must be maintained and nurtured if the capital is to prosper. By adopting the five recommendations detailed in this report, these valuable economic, cultural and social assets will not only survive, but thrive. Such a goal must be a first priority for London local and regional government.



FEEDBACK

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