cargiant | giant choice giant savings

44 Hythe Road, Willesden,
London, NW10 6RS
020 8969 5511
www.cargiant.co.uk

OPDC Board
City Hall
The Queen's Walk
More London Riverside
London
SE1 2AA

7th February 2019

Dear Sir/Madam,

I am writing to you as Board Members of the OPDC to inform you that we have today issued a press notice formally calling for:

1. An immediate halt to all further spending and consultant appointments;
2. An immediate halt to the CPO process which will see 150 business and over 1,000 jobs lost from the area; and
3. A full inquiry into the spending and strategy of the OPDC, including the open publication of the bid for £250 million of Housing Infrastructure Fund (HIF) money so this can be properly scrutinised to see if it represents value for money.

I enclose a copy of the press release for your information and also a copy of the letter which was sent to Simon Ridley from the MHCLG on Monday 4 February 2019. This letter restates our continued opposition to the OPDC's HIF bid which we believe to be fatally flawed and incapable of delivering the housing numbers which are claimed.

We are beyond frustrated to be in this position, especially having spent four years and £8.5 million working up detailed plans for our land, including under a formal PPA with the OPDC. These plans were designed to avoid the closure of Cargiant, be able to fund its relocation and kick-start the regeneration of the area (www.oldoakpark.co.uk). As you are aware, we were informed in late 2017 that the OPDC considered that these plans were not viable.

Since these plans were abandoned, the cost of industrial land has dramatically increased, partly because so much has already been lost to residential development. The window for development of our site to pay for the acquisition of 40 plus contiguous acres of land for our relocation, fund the move and fund both new infrastructure and affordable housing has closed.

The OPDC has also confirmed in writing to Cargiant that there has been no assessment of the impact on the Cargiant business of the proposed land-take of Cargiant land, despite such land being contained within the HIF bid with funds sought for a CPO. Likewise, there has been no progress on relocating the other 150 businesses that would be also affected. Given these two factors alone it is quite wrong for the CPO to progress.

The OPDC has already spent over £29 million of public money and we passionately believe that the route being followed is doomed to failure, will waste vast further sums of taxpayer's money and result in the loss of jobs and businesses without bringing forward the delivery of the homes that London needs.

44 Hythe Road, Willesden,
London, NW10 6RS
020 8969 5511
www.cargiant.co.uk

Cargiant remains ready to engage in meaningful dialogue about a way forward, as we always have, but we felt it important to bring this to your attention directly.

Yours Sincerely

Geoffrey Warren
Owner, Cargiant

44 Hythe Road, Willesden,
London, NW10 6RS
020 8969 5511
www.cargiant.co.uk

Simon Ridley
Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF

4th February 2019

Dear Mr Ridley,

Re: OPDC HIF Bid

I am following up our letters of 4 December 2018 and 21 December 2018 to confirm that, despite further meetings with the OPDC, we are still at an impasse. Consequently, our fundamental objection to the OPDC's HIF bid remains.

As we have already stated we do not believe the bid, as submitted, meets the stated requirements for successful funding and nor would it be possible for the money to be spent within the prescribed timetable. It would surely not be legally sustainable and furthermore, in view of the consequences for Cargiant, we would have no option but to challenge the process being undertaken by OPDC to deliver these plans, and seek to hold it transparently to account, at every legitimate stage

The OPDC's HIF bid submission relies upon significant parts of Cargiant land in constant and essential use for the running of the business. Despite repeated assurances over many years that the OPDC had no intention to CPO Cargiant land, they have now admitted they are intending to CPO significant and strategically important parts that we have always stated are essential to the Cargiant business operations.

I can also confirm that in writing to us on 22 January 2019, the OPDC has formally admitted that no assessment of the impact of this land-take on Cargiant business has even been undertaken.

It cannot be right that such an important and long-standing major business – built-up over 40 years and directly employing over 700 local skilled workers – faces potential closure when a basic and fundamental assessment of the impacts of the proposals has not taken place.

Such an assessment should have taken place with informed talks with Cargiant when the original bid was contemplated, especially as we gave the OPDC a document outlining the operations and importance of those specific parts of our land in November 2017.

The HIF bid seeks to deliver a new road and other infrastructure but it does not have to be done in the way the OPDC is proposing. We have also provided to the OPDC an alternative road alignment, designed by Arup engineers, which would enable the successful delivery of early infrastructure without significant impact on our business operations.

Adopting such an approach is entirely possible, as we have repeatedly told the OPDC, but clearly this would require a fresh bid submission based on new plans and a new business case, worked up in partnership with ourselves as the key landowner.

44 Hythe Road, Willesden,
London, NW10 6RS
020 8969 5511
www.cargiant.co.uk

This realignment and consequential lower land take would not deliver quite as many homes but would no doubt also require significantly less public funding and would actually be deliverable in the near future.

The OPDC has, however, told the Cargiant professional team in a meeting held last week that they will not consider a lower land take as it would affect their business case and intend to continue seeking this HIF bid money irrespective of the effects on Cargiant operations.

As a result, I felt it important to re-state our objection again.

We will also be making the position abundantly clear to the inspector who is shortly to examine the OPDC Draft Local Plan.

Even if the delivery of Park Road were to be facilitated through joint working with Cargiant, we believe the costs of developing the Cargiant land itself to be prohibitive and that such development is extremely unlikely to be capable of being delivered without enormous further public subsidies that simply cannot be justified.

In such a scenario it is wrong to lose further important local industrial land, especially when so much has already been lost to residential development causing unprecedented price rises in both land and rents.

The designation of our site as a 'regeneration area' has already stopped the significant intensification of our land as we had planned to further invest in new facilities to enable 24-hour working and create many hundreds more jobs. Clearly those plans were put on hold when it seemed we would have to relocate the business. Relocation is now neither viable nor is land available to do so.

This industrial land at Old Oak Common is highly unusual in London in that it is not compromised by local residential neighbours and is ideal to build the multi-story industrial buildings that London needs to intensify industrial usage and create jobs lost through residential development elsewhere. This can provide essential employment for the workforce of Northwest London.

Utilised in this way, our land would require no further infrastructure investment or additional costs to the public purse and we would be ready to being this process of intensification ourselves immediately.

We are also conscious that the OPDC's plans to intensify other industrial areas of Park Royal, partly to offset the proposed land late at Old Oak Common, are extremely unlikely to happen. The land at Park Royal is in fragmented ownership and fully occupied with businesses that cannot close down for years while the land is developed and have no commercial interest to do so.

Seven acres of Network Rail industrial land at Old Oak Common could also be sold for circa £40 million for industrial intensification rather than residential use. This intensification would be at no cost to the public purse whereas the current plans are to spend hundreds of millions of pounds to access it. The land is contaminated, extremely inaccessible and would require complete new services to facilitate such development. Selling this industrial land would also bring in money that Network Rail desperately needs. Such a sale could take place quickly with works started either when the current lease expires or if an early termination is negotiated.

If further industrial land is to be lost for residential development then there are far more compelling bids for HIF money which demonstrate a far greater return on investment and which enjoy the support of local landowners and other stakeholders.

44 Hythe Road, Willesden,
London, NW10 6RS
020 8969 5511
www.cargiant.co.uk

We believe it is time for common sense to prevail and we urge the MHCLG to reject the OPDC HIF bid in its current form.

Finally, given the current situation and the length of time which has passed since our formal objection was first lodged without any progress being made, I wanted to inform you that we feel we have no option but to now put this issue fully into the public domain, including information demonstrating the substantial waste of public money overseen by the OPDC and the significant risk to jobs and business for no apparent benefit.

Yours Sincerely

Geoffrey Warren
Owner, Cargiant

cargiant giant choice giant savings

44 Hythe Road, Willesden,
London, NW10 6RS
020 8969 5511
www.cargiant.co.uk

PRESS NOTICE, 1 FEBRUARY 2020. **STRICT EMBARGO 11am FRIDAY 8 FEBRUARY 2019**
Contact: Jonny Popper, London Communications Agency, 020 7612 8480, 07771-735000
jp@londoncommunications.co.uk

OLD OAK COCK-UP

- **The largest private sector landowner (Cargiant) in London's largest regeneration area (Old Oak Common) speaks out for the first time.**
- **£30 million of public money already wasted; a staggering £250 million more about to be.**
- **Comprehensive development plans for large numbers of new homes "*unviable, unaffordable and undeliverable*".**
- **Call for a full inquiry to ascertain if the spending of a further £250m represents value for money for the taxpayer and if the Old Oak & Park Royal Development Corporation (OPDC) is an organisation fit to oversee this.**
- **OPDC currently seeking its third Chief Executive in less than one year.**

The largest private sector landowner in London's largest regeneration area today launched a blistering attack on the agency supposedly leading the regeneration of the area and the unprecedented waste of public money they are overseeing.

The Old Oak & Park Royal Development Corporation (OPDC) was established by the Greater London Authority in April 2015 by the then Mayor Boris Johnson with a grand plan to deliver 25,500 new homes for London and the creation of 65,000 new jobs.

The OPDC has already had to massively scale back that ambition after they accepted that development at 'Old Oak South' could not happen because the Crossrail Depot was built in the wrong place and no-one was prepared to put up the estimated £1 billion it would cost to move it and prepare the site for development. Old Oak South was supposed to accommodate 6,200 homes and 46,000 jobs of the OPDC's overall target in a major new commercial district for London. In March 2016 Sir Terry Farrell described this as London's "*worst cock-up in 50 years*".

Now it has become clear that development of their only other major housing site, 'Old Oak North', can't be delivered either because the enormous costs of undertaking the development simply cannot be afforded.

Despite this, the OPDC are pressing on with a bid for £250 million of Government money (through the Housing Infrastructure Fund) to pay for early infrastructure works, even though these works would deliver only a small number of the homes promised and that this money could be far more effectively spent on other projects. This sum is on top of the money already spent or committed to by the OPDC, totaling £29,147,000 by the end of this financial year (ending 31 March 2019).

Tony Mendes, Managing Director of Cargiant, said:

"This is an absolute scandal and Old Oak Common is fast becoming known as Old Oak Cock-Up.

"The area was supposed to help meet the housing crisis in London with 25,500 new homes but it is going to fail to deliver all but a fraction of that number and at an outrageously high cost to the public purse.

"In just four years the Old Oak & Park Royal Development Corporation has already spent £30 million of public money and we are gravely concerned that they are now seeking £250 million more, even though the comprehensive development of the area is unviable, unaffordable and undeliverable.

"Last year alone the OPDC spent a staggering £4 million employing 31 different sets of consultants and they are currently tendering to appoint six more. They must be one of the most advised organisations in the world and yet they have utterly failed to bring forward development or demonstrate how large numbers of new homes can be afforded. Their sums just don't add up.

"We are today calling for an immediate pause on further spending and consultant appointments, for the OPDC to make public their bid for £250 million of Government money so this can be properly scrutinised by the London Assembly and MPs, and for a full inquiry into this matter with two objectives.

"The first is to ascertain how many homes can actually be delivered by spending another £250 million, how much additional public money would still be needed to bring forward the homes OPDC is claiming and to test if this actually represents value for money for the taxpayer.

"The second is to examine if the OPDC as an organisation is fit to oversee the spending of such a huge sum, given their track record of appalling waste and failure and that it is currently seeking its third Chief Executive in less than a year."

NOTES TO EDITORS

Media contact for enquiries:

- Jonny Popper, London Communications Agency
- 020 7612 8480, 07771-735000, jp@londoncommunications.co.uk

1. About the OPDC bid for £250 million of Government money

The OPDC is bidding for £250 million from the Government's Housing Infrastructure Fund with the intention that it unlocks 10,000 homes within Old Oak North – mostly in and around the 45-acre site occupied by Cargiant – and a further 3,000 homes nearby. The decision notice of the Greater London Authority to back the bid (11 December 2018) stated the following:

"The overall objective is to address a market failure by installing strategic infrastructure that will bring forward delivery of 10,000 homes in the core development area of Old Oak North and a further 3,000 homes in the immediately surrounding area. The expenditure proposed in this Form is designed to bring forward these homes faster than if it were not provided."

The Government was expected to have decided whether or not to grant this money weeks ago but is delaying making its decision.

44 Hythe Road, Willesden,
London, NW10 6RS
020 8969 5511
www.cargiant.co.uk

The OPDC's bid also fails to meet the basic bid requirements of demonstrating the support of key stakeholders and, crucially, being able to spend the money before the end of 2022. There are no planning consents in place for any of the OPDC proposals, there is no development partner in place and the OPDC hasn't even had the necessary technical discussions in relation to road and rail engineering and for the provision of utilities, including the necessary Network Rail processes.

2. The reasons why comprehensive development cannot be afforded, even with £250 million

Whilst small-scale development on the fringes of the area would be possible – although at great cost – a comprehensive scheme for the area cannot be delivered and only a small fraction of the promised 13,000 homes could be delivered.

This is because any major development of the area needs to fund three things.

- Firstly, development on Cargiant Land would need to pay for Cargiant to be moved (meaning a new site would have to be found, purchased and made ready) or would need to pay to close down the business (extinguishment) as part of a Compulsory Purchase Order (CPO). Cargiant is the largest independent car processing and retailing plant in the world and a hugely successful and valuable business, employing over 800 people directly with many hundreds more reliant on Cargiant's supply chain. The cost of either option is estimated at in excess of £600 million.

- Secondly, there is a need for a huge amount of new infrastructure before development can happen, including new roads and bridges to connect the site and all the cabling and pipes for water and energy supplies. The OPDC's own 2016 'Development Infrastructure Funding Study' estimated the infrastructure costs for Old Oak North £532 million – £399 million for roads, bridges and crossings plus a further £133 million towards utilities, schools and public services. This is as a result of the area being extremely challenging to bring forward. The Cargiant site is bounded on three sides by railways and a canal and dissected by a high railway embankment running through it. The land is undulating, making bridge building technically challenging and contaminated due to years of heavy industrial use, with no services capable of supplying large numbers of homes.

- Thirdly, the planning policy of the GLA and the OPDC sets a strategic target across the area of 50% affordable housing, so half of the homes don't contribute any profit at all to all the costs which are needed.

On top of all this, the prices for new homes in London are falling and the price for industrial land (needed to relocate Cargiant) has never been higher, partly because London has lost so much of it already to residential development. So the costs of doing the development are going up all the time while the likely income is going down.

3. Cargiant's attempts to bring forward regeneration

Between 2013 and 2017, Cargiant, faced with the possible closure of its business when the objectives of the OPDC were presented to them, became reluctant developers and spent £8.5 million trying to bring forward a planning application for their land and which could fund their relocation. A formal Planning Performance Agreement (PPA) was in place with the OPDC and fortnightly planning meetings took place over many years.

44 Hythe Road, Willesden,
London, NW10 6RS
020 8969 5511
www.cargiant.co.uk

The scheme, called Old Oak Park, was taken through public consultation and enjoyed the strong support of local people (www.oldoakpark.co.uk). A relocation site for Cargiant was also partly assembled, at great cost, and arrangements were put in place for what would be an extremely complex operation.

However, despite all the joint working, the OPDC concluded that the scheme wasn't viable as it couldn't meet the costs needed for infrastructure and social benefits, leading to the plans being abandoned. As a direct result, the narrow window to relocate Cargiant passed and the land part-assembled for relocation could not be kept idle for years and is no longer available for that purpose.

Since that time the OPDC has also put forward new planning policies that envisages even fewer homes delivered on Cargiant's land than was the case with the Old Oak Park plans. The OPDC Draft Local Plan has allocated 5,300 homes to be delivered on the Cargiant site up to 2038 compared with 6,500 that Cargiant had proposed – with higher levels of affordable homes required.

It is inconceivable that a scheme with fewer homes and high developer contributions could be viable, especially when also considering the rising cost of relocating Cargiant, rising construction costs and flat or falling residential values.

In short, no developer could afford to meet the costs of developing the Cargiant site and the OPDC has failed to put together a development plan that can be made viable.

4. <u>Loss of jobs and businesses</u>

Despite all this uncertainty, the OPDC has already started what will be an extremely difficult, lengthy and costly Compulsory Purchase Order (CPO) process which could see the early removal of up to 150 businesses leading to the loss of over 1,000 local jobs and significantly impact the ability of Cargiant to operate its business.

It would blight a large section of land, much of which would lie empty for years since little or no development would then be delivered, leading to the loss of yet further industrial land for no purpose. Further CPO's could then close Cargiant leading to a further 800 job losses whilst significantly impacting hundreds more in the supply chain.

The spending of £250 million also represents extremely poor value for money when compared with other uses for that money.

For example, in April 2017, the Mayor of London, Sadiq Khan, announced a partnership with one of the capital's largest housing associations, L&Q, in which £400m of public money directly unlocked £8 billion of investment to create 20,000 new homes across London, 12,000 of which would be genuinely affordable. There are bids to the Housing Infrastructure Fund from local authorities and up down the country who can demonstrate a far stronger value for money case than the OPDC.

5. <u>Background information</u>

About Cargiant

- Cargiant is the world's largest independent car processing and retailing plant.
- Cargiant has been in the area since 1985 and is a mainstay of the west London business community and one of west London's largest employers, employing over 800 people directly and supporting many hundreds more jobs in the local area through its supply chain.

44 Hythe Road, Willesden,
London, NW10 6RS
020 8969 5511
www.cargiant.co.uk

- Cargiant's 45 acre site is the largest privately owned landholding in the Old Oak and Park Royal area and is the central development area also connecting to other development plots.

OPDC spend

The public spend and budgets of the OPDC confirm the following:

- 2015/16 spend: £4,108,000
- 2016/17 spend: £6,980,000
- 2017/18 spend: £8,183,000
- 2018/19 budget £7,900,000, plus an additional £2,300,000 of emergency GLA funding
- Total: £29,417,000.

OPDC consultant appointments

The published accounts of the OPDC confirm that in the 2017/18 financial year they spent £3,928,680 on 31 different consultancies, covering advice on masterplanning, infrastructure, commercial real estate, engineering, viability, legal and numerous other services.

In addition to those advisors, the OPDC is currently in the process of procuring consultancy support in the following areas of activity:

- Consultancy support for Land & CPO Advisory.
- Consultancy support for CPO Legal services.
- Consultancy support for Real Estate Advice.
- Consultancy support for Infrastructure services.
- Programme Leadership Support.
- A consultant team to support us in developing our Vision, Mission and Values alongside the preparation of our Corporate Plan.

END