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15 ESSENTIAL QUESTIONS FOR THE LONDON ASSEMBLY TO ASK THE OPDC AND THE MAYOR OF LONDON, MONDAY 1 JULY 2019

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On 4 July 2019 Liz Peace, Chair and David Lunts, Interim CEO of the OPDC are appearing for questioning in front of the London Assembly. This follows their appearance in front of the London Assembly Budget & Performance Committee on 11 June 2019 where the multiple significant difficulties of bringing forward their development strategy started to become clear.

It provides a unique opportunity for the entire London Assembly to question the OPDC on their development strategy, which Car Giant maintains is fundamentally flawed, unviable and undeliverable.

TOPIC 1: The actual cost to deliver 10,000 homes at Old Oak North

1. **Why was the London Assembly and the public informed that the bid for £250 million of Housing Infrastructure Fund (HIF) money was to "*bring forward the delivery of 10,000 homes in the core development area of Old Oak North*" when it has now been confirmed that the actual sum of money required to achieve this is "*around £1 billion*"? What is the actual timescale and cost for the delivery of 10,000 homes at Old Oak North?**

Reason for the question:

- The GLA decision notice, signed by the Mayor on 11 December 2018 (https://www.london.gov.uk/decisions/md2401-funding-opdc-support-housing-infrastructure-fund-bid) which granted £1.5m further contingency funding to the OPDC whilst the HIF funding was being considered, confirmed that the objectives of the HIF Bid were as follows (emphasis added):

  *"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."*

- In February 2019 the Chair of the OPDC also issued a public statement which contained the following (emphasis added):

  *"To secure the delivery at Old Oak, OPDC and the GLA have also submitted a HIF bid to central government to secure £250m of public funding. This finding would be used to start delivery of the first pieces of costly strategic infrastructure and to commence the first large phases of development in Old Oak North. This public-led intervention will give the Mayor and OPDC **the certainty** that up to 10,000 new homes and 5,500 new jobs would be delivered for Londoners by the early 2030s."*

- During the London Assembly meeting on 11 June 2019 the Chair of the OPDC confirmed that the HIF money in fact only part-funds "*Phase 1a*" of development and that significant additional funding would be required in order to deliver all of Old Oak North.

- She volunteered the figure of "*around £1 billion*" in order to unlock Old Oak North before then confirming that this number was an estimate and that the OPDC does not know what the true figure is.

TOPIC 2: Releasing the list of conditions set by MHCLG to access the £250 million HIF money

2. How many and what conditions have been set by the MHCLG in order for the OPDC to draw down the £250 million of HIF money and will the OPDC release the full list of written conditions for scrutiny by the London Assembly?

Reason for the question:

- Although the OPDC has been provisionally allocated £250 million of HIF money they cannot spend any of it until all of the conditions set by the MHCLG for the release of that money have been met.
- The OPDC has confirmed it is in receipt of the list of these conditions but has so far refused to release this list and so it has never been available for scrutiny. The OPDC has also refused to release the HIF bid itself.

TOPIC 3: Funding requirements of the GLA whilst the HIF money remains unavailable

3. When does the OPDC expect to have met all of the conditions set by the MCHLG for the release of the £250 million of HIF money and how much further GLA money does the OPDC require during this period?

Reason for the question:

- Until such time as the HIF money is available to spend, the GLA remains the sole funders of the OPDC.
- Therefore the ability (or otherwise) of the OPDC to meet these conditions has a direct impact on the GLA budget.

TOPIC 4: The risk to the GLA budget of fully underwriting the £250 million

4. What is the risk to the GLA of legally underwriting the full £250 million of HIF money? What are their concerns about doing so? How does the OPDC expect to reduce the risk profile to the GLA so that it feels able to agree to this condition?

Reason for the question:

- The Chair and Interim CEO of the OPDC appeared before the London Assembly Budget & Performance Committee on 11 June 2019 and confirmed that one of the MHCLG conditions for the £250 million of HIF money was that the GLA legally underwrites the entire £250 million.

- The Interim CEO confirmed that this was proving to be highly challenging as the risk profile had significantly increased even since the HIF bid was submitted.

TOPIC 5: Changes in land values affecting viability

5. Given that the OPDC's HIF bid was submitted almost a year ago, and the earliest the money could be available is 2020, how sensitive are the OPDC's plans to the recent and future changes in the industrial and residential land values?

Reason for the question:

- Since the OPDC's initial viability assessments were undertaken in 2017, industrial land values in Park Royal have increased by 30% while residential land values have fallen as a result of Brexit and other market forces.

- At the 11 June London Assembly meeting, Liz Peace stated that the OPDC "*accept that over the whole site, especially given what has happened in terms of industrial values going up and residential values going down […] yes indeed, I think there is a question about viability in terms of it being able to wash its own face*."

- The Inspector conducting the Examination in Public (EiP) of their Draft Local Plan, in a highly unusual move, requested the OPDC undertake a site specific viability assessment of the Car Giant site. This document demonstrates that their assumed land values may be as low as 50% of current market value.

- For example, the OPDC's 'Whole Plan Viability Study' assumed that the rental value of Car Giant land would only be between £8 and £9 per sq ft and have valued the land on that basis. In fact current actual rents being paid by businesses right now on Car Giant land are up to £22 per sq ft at the Triangle Estate, up to £17 per sq ft at the Gateway Estate and up to £31 per sq ft at Cumberland Business Park, which is significantly above the OPDC's estimates.

- These reports are publicly available at https://www.london.gov.uk/about-us/organisations-we-work/old-oak-and-park-royal-development-corporation-opdc/get-involved-opdc/opdc-local-plan/submission-and-examination/examination-documents.

TOPIC 6: The land-take of Car Giant land for Phase 1a of development

6. **How much Car Giant land is required in order for the OPDC to deliver its "*Phase 1a development plan*"? How many homes does this deliver for a cost of £250 million? Why did the Chair of the OPDC tell the London Assembly on 11 June 2019 that early development can happen "*provided we can crack on and work around the Car Giant land ownership*" when in fact the OPDC has already started a CPO process encompassing more than 25% of land owned by Car Giant?**

Reason for the question:

- The HIF money, if secured, is designed only to bring forward a first phase of development, known as Phase 1a, although at the 11 June Committee meeting David Lunts confirmed that even this phase had "*significant viability challenges*" with a funding gap that is as yet unmet.

- The OPDC refused to release any details of their Phase 1a development plan to either Car Giant or the local community groups and Neighbourhood Forum, claiming that it had yet to be finalised despite it forming the basis of the HIF Bid and the business case which supported the bid.

- The OPDC similarly refused to release details to the Inspector conducting the Examination in Public (EiP) of their Draft Local Plan and were forced to do so only on 3 June 2019 when the Inspector insisted on its release and, in a highly unusual move, set special additional dates for the continuation of the EiP because he was so dissatisfied with the quality of information presented by the OPDC.

- The information released by the OPDC in fact confirms that it seeks to take 25% of Car Giant land which include major areas in essential use as part of Car Giant's car processing plant and test driving areas without which the business cannot function.

TOPIC 7: The chances of success of winning a CPO against Car Giant

7. Given that Car Giant can demonstrate its land is in essential use for its business operations, what happens if the OPDC is unable to win a CPO, or is legally compelled to purchase the entire site or none of it?

Reason for the question:

- Only one third of the Car Giant site is the retail area with 1,800 cars on display for customers and where the sales operation takes place.
- Fully two-thirds of the land is used as a car processing plant with multiple industrial processes and where the vast majority of the approx. 800 full time staff work.
- If land critical to the operation is taken away from Car Giant then the impact would be to seriously undermine Car Giant's ability to remain a profitable business and may result in the extinguishment of the business.
- Under such a CPO Car Giant can legally enforce the OPDC to acquire the entirety of the site as the viability of continuing operations without these areas would be seriously questionable.
- At the 11 June London Assembly meeting the OPDC confirmed that it does not have the money to do that, despite the fact that the first phase of the CPO process – the land referencing – has already been completed.

TOPIC 8: The lack of any assessments of Car Giant's business

8. Why has the OPDC failed to undertake any assessment of the Car Giant business operation and how it utilises its land, despite bringing forward proposals that envisage using a CPO process to take 25% of their land? Without such an assessment how can the HIF bid have been properly assessed and on what basis therefore has the OPDC formed the view that "*compromise should be possible*" with Car Giant? Will the OPDC urgently agree to commission such an assessment?

Reason for the question:

- On 22 January 2019, Car Giant received written confirmation from lawyers acting for the OPDC that the "*OPDC has not yet undertaken a detailed assessment of your client's [Car Giant] operations".*

- This was despite the fact that the HIF bid and business plan were formally submitted to MHCLG in September 2018, based on using substantial portions of land owned by Car Giant and in essential use for their business operations.

- During the 11 June London Assembly meeting and when asked about Car Giant, Liz Peace stated that "*compromise should be possible*" on the apparent basis that "*Car Giant own a lot of land*". It was also suggested that Car Giant grew through "*opportunistic*" land purchases and that "*if you were starting again*" a different layout would be achieved.

- Such statements have no basis in truth. Car Giant utilises every part of the land that it owns. Over a 34 year period the company has carefully planned and expanded the business to configure it in a way which achieves a level of efficiency unseen in the industry.

- It is simply not the case that if there was some magic 'start again' button Car Giant would be able to free up land for development which would become immediately clear were the OPDC to actually seek to understand how the business operates.

- If any impact assessments have been carried out by the OPDC since the written confirmation on 22 January 2019 that no assessments had been conducted, they have not relied on any input from Car Giant as no questions have been asked of the Car Giant team the OPDC.

- If any impact assessments have been carried out by the OPDC, either before or after 22 January 2019, they have not been shared with Car Giant and therefore Car Giant has been completely unable to ensure that any such work is accurate.

- It would also appear that this person has no experience in large-scale car processing plants, with a background instead of running a number of small franchise outlets which would make him unqualified to assess a company of the size and complexity of Car Giant.

- Without a proper understanding of our business, a future Compulsory Purchase would be seriously flawed.

TOPIC 9: A lack of availability of a relocation site for Car Giant

9. Has the OPDC identified any site options where Car Giant could relocate to and what is the estimated cost of funding their relocation?

Reason for the question:

- Car Giant owns and occupies the largest site within Old Oak North, covering 45 acres, and for the area to be developed Car Giant would need to relocate.

- To do so Car Giant would require a 45-50 acre single site within the West London area so that the business can maintain its staff and customer base that it has taken 40 years to achieve.

- Were such a site to be identified, it would then need to be purchased from multiple owners, with significant premiums paid to persuade them to sell. This has become far harder to achieve with the large rise in both industrial land values and rental levels due to the loss of local industrial land to residential development and HS2, with the remaining industrial land held by institutional holders or individuals who operate very successful businesses and who do not want to sell.

- Even assuming this could be completed successfully (and this may require a CPO process itself were some owners simply unwilling to sell for any price), the occupiers of that land would then need their leases purchased in order to achieve vacant possession of the land. That would be a significant additional cost and in many cases may result in those affected businesses closing down.

- Once a vacant site had been achieved, the existing buildings would need to be demolished and the site made as one. The new factories for the car processing plant would need to be built and fitted out with tens of millions of pounds of specialist equipment and the site made ready for Car Giant to occupy.

- All of this would have to be funded up-front, before the Car Giant site was available for development and so multiple years before any revenue was generated from such development. This would therefore entail substantial forward funding and borrowing costs.

- Currently the OPDC have communicated nothing to Car Giant about a relocation site and Car Giant is unaware of any such site where the business could move to in the future.

- When it was suggested to Liz Piece on the 11 June London Assembly meeting the cost of relocating Car Giant was in the order of £600 million Liz Peace replied that such figures "*are probably accurate*".

TOPIC 10: The cost of relocating Car Giant

10. Given the significant financial requirements for transport infrastructure, utilities and energy, decontamination, affordable housing, parklands and social infrastructure, how does the OPDC expect that the cost of relocating Car Giant would be funded?

Reason for the question:

- Car Giant believes that it is in exactly the same situation as the Crossrail Depot to the South of the rail lines which the OPDC had hoped would move to free up land for development but which is now not moving because the costs of doing to are prohibitive (estimated at £1bn).

- London Assembly Members will be aware that depot this was built without the provision for being able to deck above (something Sir Terry Farrell described as "*the worst cock-up in 50 years*") and it is now operational and therefore too expensive to move.

- With costs to deliver Old Oak North in excess of £1bn, Car Giant maintains that it is simply unviable to deliver without disproportionate amounts of public funding which will not be forthcoming because that same money could be far better spent elsewhere to deliver more homes than can be achieved at Old Oak Common.

TOPIC 11: The OPDC's 'Plan B' if the HIF money is unavailable or the OPDC's delivery strategy is undeliverable

11. What is the OPDC's 'Plan B' it is unable to meet the conditions set to draw down the £250 million of HIF money, or unable to successfully CPO Car Giant land for Phase 1a, or is unable to bridge the current viability gap to deliver Phase 1a?

Reason for the question:

- Car Giant maintain that the entire development strategy set forward by the OPDC is fundamentally flawed, unviable and unable to be delivered.

- The Chair and Interim CEO of the OPDC appeared before the Budget & Performance Committee on 11 June 2019 and confirmed the vast number of difficulties involved.

TOPIC 12: The lack of a permanent CEO for the OPDC

12. How long does the OPDC expect to continue without a permanent CEO?

Reason for the question:

- The OPDC has been without a permanent CEO since April 2018, when Victoria Hills left.
- Mick Mulhern then acted in an interim capacity but left the organisation in March 2019.
- David Lunts is now job sharing this role with his substantial other duties as Executive Director of Housing and Land at the GLA, but has stated that this is a temporary arrangement.
- At the London Assembly meeting on 11 June, the Chair of the OPDC confirmed that it would be unable to attract a high caliber CEO until the HIF money was secured and its future was more secure.
- At that same meeting the Interim CEO of the OPDC also confirmed that the Local Plan process would not complete until the end of 2019 and that an adopted local plan is one of the MHCLG conditions of the HIF money.

TOPIC 13: The achievements of the OPDC for £30 million of GLA funding

13. Why has so little been achieved when the OPDC is now over four years old and has already spent £30 million of public money?

Reason for the question:

- 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 contingency GLA funding
  Total up to end March 2019: £29,417,000.

- Figures from the OPDC also confirm that a further £38,400,000 is budgeted by the GLA to fund the OPDC in the years 2019/20 to 2022/23 as set out below.

Budget	2019/20	2020/21	2021/22	2022/23
	Budget	Plan	Plan	Plan
	£m	£m	£m	£m
Base budget	9.5	9.6	9.6	9.7

TOPIC 14: The efforts of the Interim CEO to prevent engagement between Car Giant and the OPDC Board

14. Why has the Interim CEO of the OPDC advised the Chair of the OPDC that the Board of the OPDC should not even be given the option of meeting with the owner of Car Giant without officers being present? Why does he consider that doing so would "*cross a red line*" that could "*drive a wedge between non-execs and execs*"? What is it that he does not want the board to be informed of?

Reason for the question:

- On Tuesday 25 June 2019 the owner of Car Giant, Geoff Warren, was copied into an email sent by David Lunts to Liz Peace. Below is a copy of that email.

  From: *David Lunts <David.Lunts@london.gov.uk>*
  Date: *25 June 2019 at 19:45:03 CEST*
  To: *Liz Peace <liz@lizpeace.co.uk>, Geoff Warren <gwarren@cargiant.co.uk>*
  Cc: *Michaela Collins <Michaela.Collins@opdc.london.gov.uk>*
  Subject: Re: Car Giant - Invitation to the OPDC Board

  Liz.

  Let's discuss tomorrow but I hope you don't mind me being direct if I say that for me a board-only visit would cross a red line and I strongly advise that GW is given no quarter on this (including giving the board this as an option). It is a fundamental point of principle that OPDC's exec must be present and GW must not be allowed to drive a wedge between non-execs and execs - a position which I know my team shares equally strongly.

  Can we also agree that there should be no further written comms with CG without prior discussion as I'm anxious that we don't inadvertently prejudice our position.

  Thanks

  D

  David Lunts
  Executive Director, Housing & Land
  Interim Chief Executive, OPDC

- This email followed an email exchange between Geoff Warren and Liz Peace after Geoff Warren issued an open invitation to the entire Board of the OPDC on 7 June to attend a site visit and hear a presentation from Car Giant so that they could be properly informed about how Car Giant uses its land and the impact of the proposed land-take on their business.

- Given that the impossibility of developing on Car Giant land is probably the single most important challenge the OPDC is facing, Car Giant had expected this offer to be both welcomed and taken advantage of.

- Two weeks after the invite was issued to each and every Board Member individually, Liz Peace replied suggesting that she would attend with only a single Board Member but with the executive team actively dealing with the CPO of Car Giant land.

- Geoff Warren explained that the Board of the OPDC has already had multiple presentations from officers of the OPDC over many years and the suggested purpose of the meeting was to allow the Board to hear directly from Car Giant so that Board Members could better play their role of scrutinising officers and making key decisions.

- Geoff Warren has also agreed to meet with OPDC officers once they provide to Car Giant basic information which has been requested, but so far the OPDC has refused to do so.

TOPIC 15: The comments of the Mayor of London that Car Giant's concerns "*are barely worth the paper they are written on*"

15. Do you now believe that it is possible that the warnings of Car Giant in February 2019 that the regeneration of the Old Oak Common area was "*unviable and undeliverable*" are in fact true and not, as the Mayor of London stated at the time, "*barely worth the paper they were written on*".

Reason for the question:

- Car Giant issued a press notice on 7 February 2019 ('Old Oak Cock-Up') which clearly set out that the HIF money was only a small fraction of what was in fact actually needed and that the OPDC's development plans were unviable and undeliverable.

- The official response from the Mayor of London to these concerns was a public statement that they "*were barely worth the paper they were written on*".

- Since that time it has emerged that:

  - No progress has been made on the Memorandum of Understanding with other public sector landowners for the transfer of public land into the OPDC, despite that agreement having been entered into under the previous administration of Boris Johnson (published on 16 March 2016).

  - The OPDC's Draft Local Plan may be thrown out by the Inspector.

  - It is highly likely that the £250 million HIF money will never be made available to the OPDC as they cannot meet the conditions associated with its release.

  - The delivery of Phase 1a, has "*significant viability challenges*", even assuming the £250 million HIF money becomes available.

  - The GLA is unwilling to legally underwrite the £250 million.

- Neither of the TfL stations envisaged by the OPDC will be delivered as TfL does not have the funding to deliver them any they fail to meet business case tests (confirmed by Liz Peace at the 11 June Committee).

- No relocation site for Cargiant has even been identified, let alone costed.

- The cost of actually delivering Old Oak North still remains unknown.

- The sources of funding required to deliver Old Oak North remain unknown.

- High and rising land values for industrial land mean that the development of the Car Giant site is unviable (confirmed by Liz Peace and David Lunts at the 11 June Committee).

- The exact location of the road to be delivered by the £250 million HIF money has still to be decided (confirmed by David Lunts at the 11 June Committee).

- The OPDC do not yet know how much land-take is required for the delivery of the road and the first development plots in Phase 1a.

- The future of HS2 itself remains uncertain.

ABOUT CARGIANT BRIEFING SHEET, JUNE 2019

1. Cargiant was established in 1978.

2. Car Giant has acquired their 47 acre site at Old Oak Common over 34 years for the establishment of their car plant.

3. The success of the Car Giant business is to have all its various factories – which range in size between 10,000 and 120,000 square feet – located together on one site as all the different processes are interlinked and reliant on each other. If Car Giant fragments its operations it will become unprofitable.

4. The factories range from paint shops to tyre shops, panel beaters, exhausts, windscreens, valet bays, light and heavy engineering, auto electricians, photo studio, plus many more, smaller process departments. There are two sources below which explain more about Car Giant:

   - The Car Giant Book (Car Giant Book.pdf)
   - The Car Giant 'bind the scenes' video (https://www.youtube.com/watch?v=oE8II9OmilA)

5. The scale of the Car Giant business is unprecedented and it plays a vital part of the UK Car Industry:

   - **Car Giant employs approx. 800 people on site** – with a further 1,000 jobs off site reliant on the business through its supply chain**.**

   - **Only 160 are dedicated sales staff** – the majority of the rest work in the car processing areas.

   - **Only 36% of the site is the customer retail sales area** – the remaining 64% is covered by the industrial car processing plants occupying over 800,000 square foot of covered space across 25 acres.

   - **Approximately 200 new cars arrive for processing on-site every weekday** – with around 1,000 vehicles sold per week, by far the most successful combined processing and sales operation in the world.

   - **A car spends on average only two weeks in the Cargiant retail area** – half of all the 2,000 cars on customer display are sold every week, which is unprecedented in the motor industry.

   - **Cargiant buys and fits over 440,000 unique car parts per year** – which in itself would make each part of their eight different car processing departments by far the busiest individual business of their kind in the country.

   - **Every day around 1,500 different cars make 3,000 vehicle movements on site between departments** – with a total of 20,000 total vehicle movements per day once you include how the cars move around and within each of the car processing departments.

   - **There is a hugely complex logistical operation to move cars between the eight car processing departments and the dozens of affiliated processes** – and which relies upon a very small parcel land as the transition area while cars await spaces to become free for their next process.

- **The journey of every vehicle is unique making this completely unlike a traditional production line** – with thousands of different makes and models of cars which require entirely different combinations of work depending on their condition, Cargiant must operate a logistically complex processing operation as it is not possible to predict a vehicle's course through the various workshops until the car is inspected upon arrival.

- **Customers only buy a car after a successful test drive and 80,000 test drives take place on the Cargiant site every year** – currently on mainly private roads owned by Cargiant in a safe environment with no impact on the surrounding road network.

6. When the OPDC was first established under the chairmanship of Sir Ed Lister and the then CEO Victoria Hills, Car Giant was informed them that their site was going to be re zoned from industrial to residential and they should find a partner to build it out or Car Giant faced the threat of CPO.

7. Car Giant are not property developers and want to continue their business. They were forced into the position of 'reluctant developers' purely to ensure that any such development was capable of funding the relocation of their business.

8. In 2016 Car Giant employed a professional team lead by London and Regional Properties to bring forward a planning application and the development.

9. The plans which were developed (which can still be viewed at www.oldoakpark.co.uk) received a very positive response from the local community, the GLA and key stakeholders, with regular meetings taking place with the OPDC under the auspices of a formal PPA between the OPDC and Car Giant.

10. Alongside the design of the Old Oak Park masterplan, Cargiant also started acquiring a possible relocation site. This was never completed but some land holdings were acquired.

11. In November 2017 Car Giant was informed that the OPDC had assessed the Old Oak Park plans and found then to be unviable.

12. Prior to this date the OPDC had also appointed their own design team and started working up different development plans in secrecy from Car Giant. The OPDC then later refused to confirm to Car Giant the location of critical infrastructure fixes contained within these plans, preventing the Old Oak Park masterplan from developing any further.

13. With no possibility of securing a planning permission and no relocation site to move to, the planning process was stopped.

14. With no resolution in sight after over a year, land prices had dramatically increased making further relocation site assembly impossible. Furthermore the partially assembled relocation site had to be re-let as it was not financially sustainable to leave empty indefinitely.

15. During this period the OPDC then proceeded with a HIF bid developed in secrecy from Car Giant despite the fact that it was dependent on utlising land owned by Car Giant.

16. The OPDC did all this work without carrying out any assessment of how Car Giant use their land or the impact of this land-take on Car Giant.

17. Since 2017, industrial land prices have risen considerably, making the cost of assembling a relocation site for Car Giant to move to far higher.

18. At the same time residential values have fallen and so the viability challenges have worsened considerably even since the OPDC assessed the Old Oak Park plans as unviable.

19. The cost of a CPO of Car Giant land and the closing of the Car Giant business is estimated as in excess of £600,000,000.

20. Car Giant maintains that the development strategy adopted by the OPDC is doomed to failure on the basis that it is unviable and undeliverable and has consistently been warning the OPDC and other key stakeholders of this position.

END