

London Assembly Budget and Performance Committee
Post Point 5A
City Hall. The Queen's Walk
London,
SE1 2AA

14th June 2019

Dear Sir/Madam,

Re: OPDC appearance in front of the Budget & Performance Committee, 11 June 2019

I am writing from Car Giant following the appearance by senior OPDC officials in front of the Budget & Performance Committee on 11 June 2019.

I felt it important to set out a response to what we consider to be some misleading statements provided by both Liz Peace, Chair and David Lunts, Interim CEO, to the Committee as well to clarify the Car Giant position.

I also wanted to formally request if Car Giant could be called in front of the Committee at your next meeting on 11 July 2019, even if that were for only 30 minutes rather than taking up the entire time allocated for the meeting (although we are happy to stay as long as needed). In addition, I am happy to extend an invitation to Members of the Committee to attend a site visit at Car Giant to understand more about our car retail business and processing plant and why our relocation has become impossible to achieve.

I would be most grateful if the clerk of the Committee could let me know if either or both offers are welcome but I really do feel it is essential that the Committee is given the opportunity to hear directly from Car Giant.

I would now briefly like to address six key issues which were raised as it essential that Assembly Members have a proper understanding of the facts in order for you to continue to play an effective scrutiny role. These are:

1. **The HIF conditions set by MHCLG** – because until these are met in full the GLA needs to continue to fund OPDC activities.
2. **The impact of 'Phase 1a' of development on Car Giant** – as this first development phase proposes to use 25% of Car Giant land and does not 'work around' us as was suggested to the Committee.
3. **The extent of development funded by the HIF bid** – which we now know is very much lower than was communicated to the London Assembly at the time of the bid submission.
4. **Car Giant's 'support' for the HIF Bid** – as it is factually incorrect to state that we were supportive of the bid being submitted.
5. **'Compromise should be possible'** – as the OPDC appear to have based their development strategy on a complete lack of understanding of the Car Giant business and how we occupy the site.
6. **The relocation of Cargiant** – so that the Committee understands what is actually involved in seeking to move Car Giant to an alternative site.



The issues we raise in this letter go to the very heart of the OPDC's approach to unlocking development at Old Oak Common which we believe to be fundamentally flawed and incapable of being delivered.

1. The HIF conditions set by MHCLG

Clearly the potential regeneration of the Old Oak Common area is of huge interest to the London Assembly, especially given that the GLA is required to continue to fund the OPDC until such time as HIF or other monies becomes available.

You heard David Lunts confirm that conditions are being set by MHCLG before the OPDC can draw down any money. Two of those conditions were confirmed – the adoption of the local plan and the GLA agreeing to underwrite the full £250 million.

David Lunts confirmed that the former will not be complete until the end of 2019 and that it is highly possible that the Inspector may find the plan to be un-sound. We are challenging this process and the Inspector has raised serious concerns about the OPDC's sustainability appraisal in addition to the major viability issues and he had to insist on two further hearings after the original EiP was supposed to have completed because of the poor quality and, in some cases, complete lack of information provided by the OPDC.

On the latter point, David Lunts also confirmed that the GLA is far from agreeing to underwrite the £250 million due to the risk profile it would be incurring and that significantly more work is required on both viability and risk.

It is our understanding that there are also a number of additional conditions which have been set by MHCLG in addition to these two. Until each and every condition is met, none of the HIF money is available to spend.

Given this serious and ongoing impact on the GLA budget, I would respectfully suggest that the London Assembly requests a copy of the MHCLG conditions so that it can effectively scrutinise the risk profile to the GLA of the OPDC failing to meet these conditions – which we believe will be the case.

The published accounts of the OPDC show that in the four years of its existence (up to March 2019), the GLA funding for the OPDC had reached £29,417,000 and this is now set to rise considerably further.

We have repeatedly and publicly warned that the strategy being pursued by the OPDC can only lead to failure at enormous further cost to the public sector, and we fear that this is already now being borne out as was clearly evident from the numerous ongoing difficulties explained by both Liz Peace and David Lunts.

2. The impact of 'Phase 1a' of development on Car Giant

During the Committee meeting the OPDC made repeated statements that the HIF money would only fund the initial infrastructure and 'Phase 1a' of development, although David Lunts also clarified that even this phase has "*a substantial gap*" in funding and significant viability challenges.

Even regardless of these series issues, the clear impression that they gave to Assembly Members was that they were seeking to leave Car Giant largely alone for Phase 1a and would "*wait it out*" to deliver further phases which cover the Car Giant land.

Liz Peace in fact stated that early development can happen "*provided we can crack on and work around the Car Giant land ownership*". Similarly, David Lunts said that "*none of us want to see a large scale business extinguished*".



I feel it is essential therefore to point out that the OPDC has confirmed to the Planning Inspector as part of Examination in Public of their Draft Local Plan that its Phase 1a development plan is in fact dependent on utilising 25% of Car Giant land ownership. They withheld this information from Car Giant (and also from local community groups who had wanted to understand what early development was being planned) but it was insisted upon by the Inspector and only released on 3 June 2019.

We are not being left alone in Phase 1a and the OPDC is not 'working around' Car Giant at all. It is actively seeking to CPO land which is in essential and day to day use for our car processing facility and without which we cannot function as a business.

You are probably unaware that only one third of our land is the retail area with 2,000 cars on display for customers and where our sales operation takes place. Fully two-thirds of our land is a car processing plant with multiple industrial processes and where the vast majority of our approx. 800 full time staff work.

If land critical to our operation is taken away from us – and we can explain exactly the areas they are seeking to take from us in Phase 1a – then the impact would be to seriously undermine Car Giant's ability to remain a profitable business and may even result in the extinguishment of our business. Under such a CPO we can legally enforce the OPDC to acquire the entirety of our site as the viability of continuing operations without these areas would be seriously questionable. The OPDC has already confirmed to the Committee 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.

It would be helpful for the Assembly to request more information about its Phase 1a development and the extent of Car Giant's land ownership it is seeking as I believe you will find that this to be inconsistent with the representations made to the Committee.

We would also suggest asking how many homes are actually delivered in Phase 1a, for the cost of £250 million (plus additional funding to meet the viability gap) even were it to be deliverable, as it is a small portion of that which was promised (see next point below) and many of those are not even reliant on the new infrastructure being provided, as Liz Peace confirmed at the meeting.

Indeed, along Scrubs Lane alone it is estimated that 1,164 homes could be brought forward without requiring infrastructure intervention, with an additional 300 in the area referred to as 'Oaklands North'. The Committee might be interested to note that 496 of these homes have already been granted planning permission over the last 12-18 months, but construction is yet to start on a single one.

3. The extent of development funded by the HIF bid

During the hearing you had it confirmed by Liz Peace that significant additional funding would be required in order to deliver Old Oak North (where Car Giant is located) and she volunteered the figure of £1bn. We subsequently also learned that even were the £250 million HIF money to be secured, there is still "a *substantial gap*" to deliver even Phase 1a.

This is a direct contradiction to what Assembly Members and the public were told at the time of the HIF submission. Specifically I would refer you to 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. This document said that the objectives of the HIF Bid were as follows:

"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."

Further public statements were also made at the time confirming that the HIF Bid was designed to 'bring forward 10,000 homes' at Old Oak North.

We now know that not only would this funding not even be sufficient to deliver Phase 1a, but that actually around £1bn of funding is required in order to install 'strategic infrastructure that will bring forward delivery of 10,000 homes in the development area'.

As you probably know, 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 its plans were unviable and undeliverable. The Mayor of London responded to our concerns at the time with the statement that they "*were barely worth the paper they were written on*".

You have now heard directly from the Chair and Interim CEO of the OPDC that, more than four years after they were established and having spent £29,417,000 up to 31 March 2019, they still have no idea how much money is in fact required and no idea how even the first phases of development will come forward – let alone future phases of development.

Likewise, we also note that there has been no further progress on the MoU with public sector landowners, despite that MoU being entered into under the previous administration of Boris Johnson over three years ago (published on 16 March 2016).

We would urge Assembly Members to continue to look into this issue and believe it to be essential to understand just how much money is actually required to bring forward Old Oak North before possibly hundreds of millions of pounds of further public money are wasted.

4. Car Giant's 'support' for the HIF Bid

During the meeting Liz Peace stated to Committee members that "*at the point we put the HIF bid in the proprietor if Car Giant was a willing supporter*". Further statements were made suggesting that our view had simply changed and Liz Peace said about me that "*he no longer wants to relocate and would rather just sit tight and run his business*".

These are factually incorrect statements.

At the time that the HIF bid was submitted, in September 2018, we had long before confirmed both verbally and in writing to the OPDC that we would bitterly oppose any bid which was dependent on using Car Giant land in essential and daily use for our business operations. We then wrote to MHCLG formally objecting to the bid itself. We have been entirely and forcefully consistent in that approach.

The only point at which we were supportive in principle of a future HIF bid was prior to 16 October 2017, before even the initial HIF submission was made, when the OPDC told us repeatedly that it did not utilise any Car Giant land. This turned out to be a completely false statement and as soon as we realised that the OPDC intended to seek HIF money for 'land assembly' of Car Giant land, we informed them of our immovable opposition.

We are very happy to share with the Assembly copies of the relevant letters which confirm this sequence of events – please do let me know if you would like to see these as it simply cannot truthfully be stated that we were supportive of the HIF bid when it was made.



Assembly Members might also like to know that the HIF bid was developed in secret from Car Giant and that even today we have still never seen its contents.

We maintain that the assumptions made within that bid were seriously flawed, which seems to have been confirmed by David Lunts in front of the Committee when he stated that all assumptions and viability information were now being reviewed and that they are “*still analysing property benchmark figures*”, despite the HIF money having been provisionally allocated. David Lunts also confirmed that the risk profile associated with the HIF bid had risen since the bid was made and that the OPDC Board is facing the challenge of trying to reduce this risk profile, which will be essential for the GLA to agree to underwrite the £250 million.

5. ‘Compromise should be possible’

During the meeting and when asked again 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 and the development of an entire regeneration strategy, at the cost of around £30 million to date, should be based on a proper understanding of how users utilise the site and not such generic assumptions.

Assembly Members might be shocked to note that the OPDC has still yet to undertake an assessment of our business operations. And yet they have proposed to utilise 25% of our landholding and have spent 18 months on a HIF bid process with a business case that is based very significantly on development plots on our land.

We utilise every part of the land that we own. Over a 34 year period we have carefully planned and expanded the business to configure it in a way which achieves a level of efficiency unseen in our industry and which is critical to our business success. It is simply not the case that if there was some magic ‘start again’ button we would be able to free up land for development. In fact, we wish to expand our site and intensify our car processing plant as the site is already too tight for the size of operation we are managing.

Car Giant has no wish to be obstructive and indeed we spent several years and many millions of pounds trying to seek a solution which would enable our land to be developed, so that the relocation of our business could be afforded.

It was always previously understood that the entirety of the Car Giant site needed to come forward for development in order to fund our relocation. That was the path we were seeking with our now abandoned Old Oak Park plans (www.oldoakpark.co.uk) which were considerably advanced.

Car Giant’s change of position was not of our choosing.

It came about as a result of the OPDC being unable to confirm the location of connections and infrastructure (clearly our Masterplan needed to fit into the wider context) and then informing Car Giant that our development plans had been assessed for viability and found to be unviable. This was based on a GL Hearn viability report which first reported to the OPDC in August 2017, with a final report issued in February 2018 (but only shared with Car Giant in July 2018).

Given the impossibility of securing a planning consent Car Giant was unable to progress assembling a relocation site.



With a planning process completely stalled and no relocation site available, we simply had no option but to inform the OPDC that we had abandoned our plans until such time as the OPDC could demonstrate how the development of our land could be made viable and what site could be identified for us to relocate to.

This was not a decision that was taken lightly and we had spent over two years working closely with the OPDC, including under the auspices of a formal Planning Performance Agreement (PPA) between us. We were then faced with the refusal by the OPDC to collaborate with Car Giant on the HIF bid or even to disclose their plans and, as already stated, for much of this time we were misled by being told the HIF Bid did not involve a CPO of Car Giant land.

6. The relocation of Cargiant

I believe it would be helpful for the Committee to understand what is involved in our relocation.

We would require a 45-50 acre single site within the West London area so that we can maintain our staff and customer base that it has taken us 40 years to achieve.

Clearly no such land of this scale is available for industrial use in this area, and if it was, such a site would probably be in multiple land-ownerships, occupied by multiple tenants all with different lease terms.

Were such a site to be identified (which it hasn't been currently), it would then need to be purchased from multiple owners, with a significant premium paid to persuade them to sell. This has become even harder to achieve with the significant rise in both industrial land values and rental levels, with much industrial land now held by institutional holders who do not want to sell and who use the rental income as part of their fund management portfolios.

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 some 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 our 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 Cargiant to occupy.

We would then move from the current site in one go, leaving behind us 45 acres of land. That is far too large a site to develop at once and so any new developer coming on board would have huge land purchase and holding costs while the 20 year regeneration takes shape.

It is no exaggeration to say that these costs run into many hundreds of millions of pounds.

You heard at the Committee meeting David Lunts confirm that, despite all of the work which the OPDC has been doing, it remains the case that no relocation site has been identified for us to move to. It also appears that the OPDC have done no work to assess the cost of relocating Cargiant, as the OPDC has asked Cargiant to provide an estimate of these costs to them – a request only made for the first time on 28 May 2019.

We believe we are in exactly the same situation as the Crossrail Depot to the South of the rail lines. Assembly Members will be aware that 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. It is estimated to cost around £1bn to move it and as a result the OPDC has accepted that this is too expensive to fund and that it will remain in place.



With our relocation or extinguishment costs in excess of £650 million – before any money is spent on remediation, infrastructure, affordable housing and any other critical requirement – we are also too expensive to move. Liz Peace confirmed to the Committee that such figures “*are probably accurate*”.

The reality is that we are on site running a hugely successful business. We are a key part of the UK car industry and we directly employ up to 800 people, many in highly skilled jobs, with a total of over 2,000 jobs dependent on Cargiant through the supply chain. We cannot relocate for the reasons explained and our business cannot continue to function if land is taken from us, which would result in the loss of those jobs and a huge engine of the West London economy removed.

The OPDC appears to have no answers to these issues.

Given the seeming impossibility of unlocking Old Oak North for development, all we are asking for is that the OPDC to allow our business to continue to thrive. Any attempt by them to seek to force development on land which we can clearly demonstrate is in essential operational use will fail.

I hope this information has been helpful and I could also have addressed multiple other issues – including in relation to the uncertainties surrounding HS2 and the fact that neither of the TfL stations envisaged are now expected to be delivered – but I wanted to keep this letter to the issues of direct relevance to Car Giant.

I do very much hope you will seek our appearance in front of the Committee and possibly also on a site visit as I believe once you gain an understanding of our business operations and how our land is utilised it will become immediately clear that the strategy being adopted by the OPDC is fundamentally flawed and that the HIF conditions can never be met, leaving the GLA footing the bill for the OPDC for little discernible benefit.

Finally, I do also hope you will request the information we are suggesting so that you can continue to properly scrutinise this hugely important issue.

If you would like to discuss this further or to make arrangements for a site visit or to confirm our appearance on 11 July, please do contact Benedict Townsend (benedict@cargiant.co.uk) on 0208 964 7532.

Yours faithfully,



Geoffrey Warren
Owner, Car Giant

