

THE SOUTH TEES DEVELOPMENT CORPORATION  
(LAND AT THE FORMER REDCAR STEELWORKS, REDCAR)  
COMPULSORY PURCHASE ORDER 2019

Second Witness Statement of Simon Melhuish-Hancock

**Appendix 14:**            **Addleshaw Goddard letter to Mishcon de  
Reya dated 3rd May 2019**





Your reference AMR/EVC/56967.1

Our reference MGO/CORRC/362783-1

3 May 2019

**BY EMAIL ONLY**

Anita Rivera  
Partner  
Mishcon de Reya  
Africa House  
70 Kingsway  
London  
WC2B 6AH

Dear Anita

**Tees Valley - SSI – Thai Banks**

Thank you for your letter of 9th April. Since the date of your letter you will have received the notification of the CPO and the supporting paperwork.

I think we have to put a number of matters on record about the valuation process.

STDC does not understand what grounds you have for saying that the Banks did not agree to produce their own valuation.

At the meeting in the British Embassy in Thailand STDC tabled an offer for the assets. The offer was reluctantly accepted by the Banks but the Banks indicated that they wished to carry out their own third party independent valuation of the assets. STDC reluctantly accepted this position despite the fact that they had been asked by the Banks to carry out an independent valuation exercise a year earlier. It was also agreed that this process would only take a matter of weeks.

It is clearly stated in paragraph 6a of the Letter of Intention (LOI):

*"acceptance of the offer...will need to be conditional upon: (a) the Lenders receiving, to their satisfaction, an independent third party valuation report (with assistance, including any site access as necessary from GVA and STDC);"*

Indeed all of the correspondence between us is peppered with references to the valuation being carried out by your clients.

Some examples are:

1. Your email to me of 29th November 2018 15.47 clearly states:

*"As set out very clearly in the LOI, and indeed in KPMG's hold harmless letter and GVA's report, it is up to the Banks to satisfy themselves that the information provided to the Banks represents a true and accurate position and valuation of the assets. This includes the need to obtain an independent third party valuation report. The KPMG and GVA reports are clear that these reports were undertaken for the only for the benefit of their client, STDC and the TVCA" and*

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3 May 2019

*"For the sake of clarity and transparency the following consultants have been engaged to assess the offer made by STDC for the acquisition of the charged assets:*

1. *DWD has been engaged to carry out a valuation of the land;*
2. *D&P have been engaged to carry out a desk top review of valuation information provided by STDC. Although they were not originally instructed to carry out a an evaluation of plant and machinery they are now;*
3. *A Consulting firm will be engaged to carry out a valuation of the 50% shareholding of RBT;*
4. *A firm of quantity surveyors (TBD) will be engaged to assess the size and value of buildings on the site;*
5. *CERI, a firm of engineers has been engaged to assess the condition and value of the plant, including control equipment"*

2 Your emailed letter of 15 February 2019 to me clearly states:

*"One of the key outcomes of that meeting was an undertaking by your client to provide the underlying technical information necessary for my clients to carry out an appropriate valuation and due diligence on your clients offer".*

Furthermore Mr Melhuish-Hancock of SSI made it clear on repeated occasions during the meeting on 7 January 2019 that the STDC reports were "buyers reports" and that your clients would be preparing "sellers reports".

Despite the promise of the valuation process taking weeks, many months passed before Duff and Phelps (D&P) were appointed to carry out any form of valuation. Only after much prompting from the UK Government did D&P indicate that they had finally been commissioned to carry out the valuation. In addition D&P indicated to STDC and BEIS that they had all of the information that they need to carry out the exercise. After that nothing happened until a request for a site visit was made at the meeting of 7 January 2019.

It has taken far too long for the steps which were eventually carried out in January 2019 to take place especially given the terms of the LOI and previous promises.

I am afraid that I cannot see any expressions of doubt (you have made mention of) in your letter of 12 March. Rather you seem to me to have been attempting to run an argument that STDC should carry out further valuation work and defer the meeting. STDC was never going to do that. STDC did have a legitimate expectation it was going to receive a firm counter offer and a basis for that offer at the meeting. After these values had been shared it would have then been appropriate to discuss the merits of both sides in an attempt to reach an amicable settlement. In STDC's view, this is how amicable negotiations are carried out. It was for this reason that I suggested meeting over a period of two days to allow some time for reflection and for the parties to come together again. This was turned down on the basis that the Banks were not staying in London. The reaction of STDC to your proposed agenda came about because instead, STDC was told that the Banks / SSI wished to find flaws and faults in the STDC valuation without giving any indication of their own position.

Moving on, thank you for confirming that your clients acknowledge that STDC must make progress. STDC remains of the view that the GVA valuation was prepared on a fair basis which is fit for the purpose of a CPO. It was an independent valuation. I do not however understand why reference is continuing to be made to RBT as STDC have been very clear that the RBT assets and shares would not be part of the CPO process. It stands to reason therefore that the value attributed to the RBT shares by STDC in the LOI will not form part of any CPO compensation.

STDC has not refused to engage in dialogue but it is unwilling to participate in a discussion where no counter valuation has been produced and, as I said in my last email, where it looks like the Banks have a view that their valuation is considerably different from the STDC valuation but the Banks are not

3 May 2019

prepared to disclose it. I cannot understand why that could ever be seen to be helping the process or in pursuance of the LOI.

You will recall that STDC could not understand why SSI was at the negotiating table. This is particularly the case as the LOI refers to a number of conditions on which the Banks stated that they had to satisfy themselves. However none of those conditions refers to gaining the approval of SSI. STDC understands that SSI has now returned to profit making. STDC is therefore left to conjecture that as the Banks own 92% of SSI they are allowing time to pass at the cost of the UK tax payer so that the restructured SSI will repay them in full and/or SSI will significantly reduce its debt obligations by attempting to drive up the price for the assets by delaying matters.

I am afraid I cannot comment on press reporting other than to reiterate what has said before about the high levels of frustration that exist on Teesside about the failure of the steel plant and lack of progress to reach a resolution.

Notwithstanding this STDC wants to move forward using the process that exists under CPO procedures whereby the parties should attempt to agree a valuation on a non-binding basis before the matter is referred to the Lands Tribunal.

STDC has been clear that it is willing to pursue this approach and I should be grateful if you could please confirm that the Banks will agree to this approach and if so whether without prejudice discussions can take place for a period of time to explore how this procedure might operate as soon as practically possible.

I look forward to hearing from you in due course.

Kind regards.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike', with a long, sweeping horizontal line extending to the right.

**Michael O'Connor**  
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for Addleshaw Goddard LLP

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