

**Localism Act 2011**

**Acquisition of Land Act 1981**

**Inquiry into:**

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

**Rebuttal Proof of Evidence**

**of**

**Guy Gilfillan**

**On behalf of the South Tees Development Corporation**

**In response to the proofs of evidence submitted on behalf of:**

**Sahaviriya Steel Industries, Tisco Bank, Krung Thai Bank, and Siam Commercial Bank whose  
interests extend to the SSI (in liquidation)**

## **CONTENTS**

1. INTRODUCTION
2. REBUTTAL OF THE EVIDENCE OF MR DUNCAN PARR
3. REBUTTAL OF THE EVIDENCE OF MR PETER ROBERTS
4. REBUTTAL OF THE EVIDENCE OF MR SIMON MELHUISH-HANCOCK

1. **INTRODUCTION**

1.1 I am Guy Gilfillan. I am a Director of Colliers International. Further details of my qualifications and experience are set out in my main proof of evidence (Ref.STDC5/2).

1.2 This rebuttal proof of evidence ("Rebuttal") has been prepared to respond to the evidence submitted by witnesses on behalf of:

(a) Tisco Bank, Krung Thai Bank, and Siam Commercial Bank ("the Thai Banks"), and

(b) Sahaviriya Steel Industries ("SSI")

(referred to together as SSI in my proof of evidence) and whose interests extend to the SSI (in liquidation) ("SSI-IL") in respect of The South Tees Development Corporation (Land at the former Redcar Steelworks, Redcar) Compulsory Purchase Order 2019 ("the CPO").

1.3 In particular, I focus upon aspects of evidence on behalf of, land given by the following witnesses:

1) Mr Duncan Neil Parr of Rapley's LLP [DP] in relation to planning matters and, in particular, his alternative proposals (Schemes A & B).

2) Mr Peter Roberts FRICS CENV [PR], in particular in relation to his assessment of STDC's proposals for the SSI land and his assessment of the Thai Bank's proposals.

3) Mr Simon Melhuish-Hancock [SMH] in relation to the dealings with the SSI land since liquidation and the joint workings with Jingye.

1.4 This rebuttal is not intended to be an exhaustive rebuttal of the contentions made in the evidence submitted by the objectors to the CPO. This document only deals with certain points where it is considered appropriate and helpful to respond in writing. Where specific points have not been dealt with, this does not mean that those points are accepted and they may be dealt with further at the Inquiry and/or in writing.

1.5 Where defined terms are used in this rebuttal, I have adopted the same meaning for those defined terms as used in my proof of evidence [Ref. STDC5/2].

1.6 This rebuttal should be read in conjunction with all of the evidence and rebuttal statements submitted on behalf of STDC.

**2. Rebuttal of the Evidence of Mr Duncan Parr**

**2.1 Schemes A & B proposed for the Northern Industrial Zone ("NIZ")**

2.2 In Mr Parr's Proof of Evidence [Ref. DP/19-02021 sections 6 to 12], he describes potential alternative schemes of development for the Order land (Schemes A & B) which can be delivered without the CPO.

2.3 Scheme A involves expansion of the Redcar Bulk Terminal ("RBT") (described in paragraphs 6.4 – 6.7) by amalgamating it with Plots 1, 2 and 3 of the SSI Land. Scheme B proposes the reintroduction of iron and steelmaking using existing infrastructure. Mr Parr describes the land required for the Scheme B proposal as "all the land required for iron and steelmaking".

2.4 It is unclear as to the extent of Scheme A as Mr Parr states that RBT will expand into Plots 1, 2 and 3, whereas Mr Peter Roberts in his evidence says it will expand only into Plot 1.

2.5 Scheme B is not defined, geographically, by reference to the plots in the Order land. Mr Parr does not clarify whether, in addition to the Redcar Ironmaking complex (plots 1, 2 and 3) and the Lackenby Steelmaking complex (plot 81), areas such as the South Bank Coke Ovens (plot 166), the former SSI High Tip facility ("High Tip") (plot 157), the Solid Liquid Environmental Management System ("SLEMS") facility (plot 145) and the Torpedo Ladle workshop (plots 107 and 108) are all necessary for the proposal to restart iron and steelmaking.

2.6 In Mr Parr's description of the alternative Scheme A, he makes no mention of how it is capable of delivering the quality of development necessary to provide the quantity of skilled jobs aspired to by the Master Plan.

2.7 There is also no reference by Mr Parr as to how the complexities and significant risks associated with isolating the SSI land from the rest of the STDC Area would be dealt with. Given the scale of the decontamination, demolition of redundant plant, resolution of safety issues and the length of time likely to be taken to complete these works, it is my opinion that no developers or investors would wish to progress Scheme A or Scheme B independently.

2.8 There is no indication in Mr Parr's evidence as to the impact the proposed development of either Scheme A or B would have on the development of the balance of the STDC Area. I would have expected him to address this as part of his planning evidence given that it raises an issue as to whether either scheme would adversely affect the delivery of the remainder of the Master Plan.

**3. Rebuttal of the Evidence of Mr Peter Roberts**

**3.1 Enquiries Received by STDC**

3.2 At various points in Mr Roberts' evidence, he suggests that parties who have been in discussions with STDC regarding elements of the NIZ would have been better contacting the Thai Banks. This includes his reference to Portnex at para.6.3, Petcol at para 7.56 and Phoenix Services at para 7.56 of his evidence.

3.3 In a similar manner, Mr Roberts acknowledges that the requirement by Net Zero Teesside (para. 8.18-8.19 in his evidence) has been led by STDC to an advanced stage of negotiation and that the end-user has not approached the Thai Banks at all regarding the matter.

3.4 To clarify, from my experience advising similar occupiers, the reason why the approaches of the end users were to STDC rather than the Thai Banks would be because:

- 1) They were attracted to the site because of the comprehensive regeneration proposal in respect of the entire STDC Area.
- 2) The publication of STDC's plans to transform the working environment across the entire STDC Area drew their attention to the opportunity.
- 3) The scale of the entire STDC Area opportunity is unique and will have appealed to end-users requiring a range and choice of large sites both for themselves and for industrial partners with whom they may wish to cluster.
- 4) On reviewing both the STDC and Thai Banks options, they had greater confidence in STDC's strategy for developing the site and the funding mechanisms STDC have put in place for removing the various barriers to development of this very complex site.
- 5) They are less likely to be aware of the Thai Banks proposals because, other than the STDC Master Plan, I am not aware that these proposals for the SSI Land have been marketed or promoted by the Thai Banks over the period since the appointment of the Official Receiver in 2015.
- 6) On investigation, they would have been aware there was no delivery or funding mechanism relating to the proposals for the SSI Land and that its development in isolation would not be guaranteed to resolve the serious issues affecting the balance of the STDC Area.

3.5 Mr Roberts also comments on a number of enquiries received by STDC in para 7.54 of his proof, later commenting (para 7.57) to the effect that STDC have had limited success with these enquiries other than with Able UK.

3.6 It does not surprise me that the enquiries have not been translated into firm deals. If I were advising the interested parties, I would certainly caution them against progressing negotiations to a firm conclusion given that:

- 1) Delivery of the regeneration strategy and the phased transformation across the whole site is dependent on confirmation of the CPO.
  - 2) Resolution of many of the barriers to development (including decontamination, major safety issues and common infrastructure) is dependent on the regeneration of the entire STDC Area in line with the strategy and guidelines set out in the Master Plan.
- 3.7 I highlighted the enquiries received by STDC to date in section 6 of my proof of evidence as evidence of the depth and range of potential demand for the site, not to suggest that they represent transactions completed or about to complete unconditionally.
- 3.8 Conclusion in relation to Mr Roberts' comments on the enquiries received by STDC
- 3.9 In my view, Mr Roberts' comments support the delivery of the Master Plan proposals across the STDC Area in that potential end users have been attracted by the STDC proposition and not by approaches to individual landowners.
- 3.10 I suspect that those enquirers who will have investigated the SSI land in isolation will have had concerns as to its deliverability, funding and the length of time there has been no movement with regards to the development of the site. In particular, the development of the SSI land alone has not been shown to have resolved the barriers to development running across the STDC Area, which the Master Plan does.
- 3.11 Proposal to Expand RBT
- 3.12 With regard to the Thai Banks and SSI's proposal to expand the RBT into the SSI land (section 8 of Mr Roberts' evidence), there have been no end-user transactions to date.
- 3.13 The transactions referred to, namely the lease to York Potash/Sirius Minerals (para 8.9 of Mr Roberts' proof) and the two option agreements with PMA Consultancy and DCS Industrial (para 8.9 and 8.10 of Mr Roberts' proof) are on the existing RBT land, not the SSI land.
- 3.14 It is not made clear why the PMA Consultancy and DCS Industrial transactions are by way of Option Agreements rather than leases. However it cannot be assumed they will result in take up of land until (and if) the option is exercised.
- 3.15 The York Potash/Sirius Minerals lease is part of this company's growing operations in the Tees Valley involving the Wilton Centre and also the agreement between STDC and the company highlighted in my evidence (para 6.43, page 18) relating to 40 acres of land within the STDC Area. As such, Sirius Minerals' agreement with RBT is an integral part of its involvement with the STDC Area, creating between 100 and 150 jobs on both the RBT and STDC landholdings.
- 3.16 In relation to the RBT expansion proposal, I see no evidence regarding the actual delivery of the scheme or its funding. Of less importance, but none the less of note, as at the date of writing the Thai Banks and SSI have not yet secured the necessary control of all the RBT shareholding as a prerequisite to progressing the proposal.

- 3.17 Mr Roberts also does not detail how the barriers to the development of the STDC Area (including the NIZ) will be addressed. These barriers to development include:
- 1) A heavy reliance on shared and declining infrastructure across the site
  - 2) Adjacent land holdings which, without being developed in accordance with the Master Plan principles for the entire STDC Area, will remain dominated by large scale industrial plant and facilities which are in declining repair and poor structural condition.
  - 3) Health and safety hazards across the STDC Area but in particular the COMAH (Control of Major Accident Hazards) status of the former SSI estate.
- 3.18 There is no explanation by Mr Roberts of the proposed uses and the nature of the jobs the Banks' proposal will create and hence it is not clear whether the redevelopment will align with the aspirations of the Master Plan in this regard.
- 3.19 There is the same confusion with regards the areas of land intended to be included in the RBT expansion proposal as highlighted in my rebuttal of Mr Parr's evidence in para 2.3-2.5 above.
- 3.20 From a market perspective, my opinion is that the proposed RBT expansion will not attract end-users who will create the quantity or quality of jobs envisaged by the Master Plan without the NIZ being an integral part of the overall STDC Area. Furthermore, the development of the RBT expansion proposal in isolation will reduce the scale and range of uses able to be attracted to the wider STDC Area, seriously impacting on the regeneration of the site as a whole .
- 3.21 The RBT expansion proposal, developed in isolation, is only likely to be of interest to low grade operations such as bulk materials storage (at which it appears to be principally aimed). As a result, the proposed scheme is, in the absence of evidence to the contrary, likely to remain a visual and environmental blight on the development of the balance of the STDC Area in accordance with the Master Plan principles.
- 3.22 I note that SSI is also considering an offer from a private sector developer as part of their proposed Redevelopment option (para 8.28 of Mr Roberts' evidence). This suggests to me that the delivery of the RBT expansion project is by no means certain and emphasises the lack of an effective delivery partner for the SSI land currently.
- 3.23 Proposal to Restart Steelmaking on the SSI Land
- 3.24 From a market demand perspective, the uncertainty of the proposal coupled with the balance of risk of harming future regeneration through (a) bad neighbour use, (b) affecting the ability to use the site as part of a planned site and (c) provision of infrastructure for the new site, means that the risks to the development of the entire STDC Area are simply too great.
- 3.25 Mr Roberts comments in para 8.20 that the proposal will reuse the 'existing facilities'. I have seen no scheme drawings or images but fully expect that this proposal would significantly damage the prospects for the balance of the STDC Area. Without major modifications, the existing plant in terms of its design, appearance and contamination

risk, it would have a significant impact on the marketability of the balance of the STDC Area.

- 3.26 It is not made clear by Mr Roberts in his evidence how the proposal to restart steelmaking would deal with the development constraints affecting the STDC Area as a whole or its impact on STDC's plans to remove the COMAH health and safety regime as currently implemented across the site.
- 3.27 If the resumption of steelmaking were to take place as proposed, utilising decaying, outdated and visually intrusive existing plant I believe the prospects for the balance of the STDC Area will suffer significant harm. Rather than being regenerated it would in all likelihood remain undeveloped or at best be sparsely occupied by low grade users which, in turn, would not generate the revenues to upgrade and renew the site infrastructure and services, making the land even less attractive to end-users.
- 3.28 Redevelopment Option
- 3.29 The third and final of the Thai Banks proposals for the SSI Land is for redevelopment (para 8.28 of Mr Roberts' evidence).
- 3.30 Mr Roberts's evidence provides very little detail of the offer from the private sector developer wishing to bring offshore wind farm development across the entirety of the SSI Land and RBT Ltd holding (although more detail is provided in Mr Melhuish-Hamilton's evidence). However, given the level of the offer which is 'significantly ahead of that offered by the Development Corporation' I'm unsure as to why it hasn't been accepted. I suspect, like any other interest likely to be received at the current time, it will either be highly conditional given the complexity of and interdependency of the various elements of the STDC area, or will be an initial expression of interest, perhaps made without understanding the overall site and the barriers to development.
- 3.31 The private sector partner's plans are not made clear at all and it is uncertain whether their proposal is viable, fundable or deliverable. Without further information I am unable to comment further.
- 3.32 Conclusion in relation to SSI/ Thai Banks' Proposals
- 3.33 In conclusion, based on the information provided by Mr Roberts, I see nothing to substantiate the likelihood that the RBT expansion proposal, the steel-making re-start proposal, or the wind farm redevelopment proposal will deliver substantial re-use or regeneration of the SSI Land in a way likely to meet the aspirations of the Master Plan.
- 3.34 Instead, based on the limited information available I am of the opinion that all proposals could, if they were able to be delivered, damage any potential the balance of the STDC Area may have to deliver the quantity and quality of jobs aspired to in the Master Plan.
- 3.35 The proposed schemes must presumably rely on the STDC proposals being carried out on the balance of the site or at least the public sector removing the barriers to development independently of the Master Plan proposal. Otherwise, I suspect the



market demand for the SSI land would be greatly restricted assuming the site was to be developable at all.

- 3.36 The lack of detail supporting RBT expansion and redevelopment proposals, together with the fact that they appear not to have been marketed, suggest to me that they are at an early stage of development. There is insufficient information provided to be able to judge whether they are deliverable or what their impact would be on STDC's Master Plan ambitions for the wider STDC Area.

**4. Rebuttal of the Evidence of Mr Simon Melhuish-Hancock**

Discussions with Third Parties

- 4.1 In paragraph 7.6 to 7.9 of Mr Melhuish-Hancock's proof of evidence, he details discussions the Thai Banks and SSI have held with various third parties.
- 4.2 These parties include St Modwen PLC, who are one of the UK's leading brownfield land regeneration specialists, and who have allegedly made a strong offer. It isn't clear from the evidence whether the offer was accepted by the Thai Banks and SSI between 3<sup>rd</sup> August 2017 and the date on 25<sup>th</sup> January 2018 when Mr Melhuish-Hancock was informed by St Modwen of their intention to 'back away' from the deal. I am surprised at the amount of time which elapsed between St Modwen's meeting with STDC in "late 2017" and them relaying their decision to back away from the site to Mr Melhuish-Hancock on 25<sup>th</sup> January 2018. I would have expected St Modwen to have contacted Mr Melhuish-Hancock immediately after their meeting with STDC had they been seriously interested in the site.
- 4.3 The discussions with Peel Property Group (para. 7.7.2) were at the behest of the Thai Banks. There is nothing in Mr Melhuish-Hancock's evidence to suggest Peel actively engaged in any serious discussions or negotiations with the Thai Banks and, in my opinion, this contact does not represent an enquiry or expression of interest in the SSI Land.
- 4.4 Mr Helhuish-Hancock's evidence (para. 7.7.3) suggests that Liberty House Group chose to engage with STDC rather more seriously than it did with the Thai Banks and SSI. This comes as no surprise given that they would be likely to see STDC as the party able to deliver their project as part of the regeneration of the STDC Area. I believe it would have become apparent to them at the time that the Thai Banks/SSI land needed to be part of a comprehensive development of the whole site, in order for their proposals to be delivered.
- 4.5 DCS Industrial's interest (para 7.7.4 of Mr Melhuish-Hancocks' evidence) in the site is presumably the same as that identified in para 8.28 of Mr Robert's evidence. My comments (para 3.23-3.25 above) also apply to the evidence set out by Mr Melhuish-Hancock's, with the exception that greater detail is provided in relation to the interested party and the discussions which have taken place.
- 4.6 In the absence of seeing the offer from DCS Industrial, it is difficult to comment further or to understand the extent to which they may have carried out the extensive due diligence required to fully understand the site and its complexities. Given the time period since DCS's first offer on 20<sup>th</sup> December 2019, I suggest they may not have had the time to undertake this work and that their offer will either be heavily conditional or they require an Option initially to allow them to work up the project.
- 4.7 With regards the interest shown by Highfield Environmental (para 7.7.5 in Mr Melhuish-Hancock's evidence), the fact that they weren't in a position to purchase the site suggests their interest was speculative.

- 4.8 It is not clear what became of the interest by Roy Hatfield Ltd (para 7.7.6 in Mr Melhuish-Hancocks evidence) in the SLEMS area.
- 4.9 Conclusion in relation to the Thai Banks discussions with Third Parties
- 4.10 I conclude that none of the discussions with third parties (with the exception of those with DCS Industrial) have progressed. Given the complexity of developing the SSI land within the NIZ in isolation, I am not surprised at this outcome.
- 4.11 In relation to DCS Industrial, this is a very recent expression of interest and the information provided in relation to their proposals for the site is too limited to comment in any detail. However, given the complexity of the site, I would expect it to be many months before DCS Industrial would be in a position to decide whether or not to commit to the proposal unconditionally.
- 4.12 The evidence provided by Mr Melhuish-Hancock ignores the importance of the SSI land to the wider Master Plan proposals for the STDC Area.
- 4.13 Joint Working with Jingye
- 4.14 The joint working proposal with Jingye described by Mr Melhuish-Hancock (section 8 of his proof of evidence) appeared to involve either a restart of steelmaking using the existing assets as per Mr Roberts' evidence (see para 2.13-2.15 above) or, if that was not possible, a joint venture between SSI and Jingye to undertake the RBT expansion development as described by Mr Roberts in section 8 of his evidence.
- 4.15 It is clear that, despite the considerable time and effort which clearly went into these joint working proposals with Jingye, neither option has moved forward and these discussions have effectively come to an end.
- 4.16 From a market demand perspective, Mr Melhuish-Hancok makes no mention of the detrimental impact the alternative proposals would have on the wider STDC Area, significantly reducing its appeal to the type of end-user identified by the Master Plan as being capable of generating the quality and quantity of jobs it aspires to.
- 4.17 Conclusion
- 4.18 From Mr Melhuish-Hancocks evidence, it appears that the interest from DCS Industrial is speculative and that the discussions with Jingye have come to a close. Despite discussions with these and other parties the proposals by the Thai Banks for the SSI land have proved to be unattractive to potential end-users and developers.