

Dacorum Borough Council Core Strategy Examination in Public 2012

AMEC on behalf of The Crown Estate (ID: 211068)

Hearing Session: Wednesday 10th October 2012

Issue 5 Strengthening Economic Prosperity

Question 5.1 (part). Does the Core Strategy provide sound guidance for economic growth in the borough relative to its needs?

1. We do not consider that the Core Strategy provides sound guidance for economic growth in the Borough because there is no effective mechanism or sound policy base in place to deliver economic development opportunities in the area between Hemel Hempstead and the M1 in St Albans District. Furthermore as a result of this the CS does not meet the objectively assessed needs for development.
2. Dacorum has recognised the importance of this land to the future economy of the Borough which was one of the principal reasons for the Core Strategy identifying the need for an AAP to be progressed jointly with St Albans. We do not believe that the policy approach and the approach to the AAP being now taken by Dacorum in the Core Strategy will be effective in delivery and hence we believe the plan to be unsound.
3. This lack of an effective policy approach for the EHHAAP is not just a concern for Hemel Hempstead, but it will have an adverse impact on the whole of the Borough (and beyond).

The importance of employment land at East HH

4. The importance of the EHHAAP to the economy of Hemel Hempstead and the wider Borough is specifically recognised in the Council's own consultation on the AAP Issues and Options (ref AA 4).

*“East Hemel Hempstead is the focus of the town **and Borough’s** economic activity and as such it is logical that future employment provision is concentrated on this side of town.” (page 5, emphasis added)*

5. Furthermore in considering a ‘do nothing’ approach, (i.e. by not having an AAP) the consultation document states:

“...this (approach) would fail to provide the much needed stimulus to transform East Hemel Hempstead and would likely result in the continued under achievement of the area.” (page 5)

6. The consultation specifically acknowledges the suitability of land between Maylands and the M1 for employment:

“The land adjoining this [i.e. Maylands] next to the M1 (which is in St Albans District) would be a suitable reserve area for further employment expansion, enlarging the Maylands business neighbourhood, and for relocating uses from the existing urban area.” (page 17)

7. Also not only does Dacorum see the area between Maylands and the M1 in St Albans as suitable for development, but the Council also identify how “critical” it is to the vision of Maylands:

*“The possible expansion of the employment areas to the east is **critical** to the vision of Maylands as a prosperous and green business park.” (page 17, emphasis added)*

8. It is appropriate to add that the scale and location of the potential employment land available in East Hemel Hempstead is also of regional and indeed national significance to the B8 logistics industry as demonstrated by the significant market interest in the site from B8 users including most notably from DHL (see below).
9. The importance of the area between Maylands and the M1 in St Albans led to this area being identified as being within the EHHAAP plan boundary. Thus this area was included in the Issues and Options consultation (Doc AA4 figure1) and also originally in the CS at figure 22 (this was subsequently changed to remove land in St Albans – see below for further comment on this aspect).
10. The Council’s Consultation on the EHHAAP (Doc AA4) reveals the wide support that development between Maylands and the M1 has. For example in response to the question “Do you support the Maylands Business area extending eastwards towards the M1?” 78% were in favour (64 responses out of 82)
11. It is recognised that the Employment Land Update report (ED12) states that greenfield land to the east of Maylands within St Albans will not be required to meet the currently jobs growth target. However the report goes on to advise that the target should be revised in ‘five years or so’. Given that the plan covers the period through to 2031 it is appropriate to identify this area of land as a location for employment over the life of the plan, notwithstanding that the Employment Land Update Report states that it will not be required over the next 5 years.
12. The Employment land Update Report (ED12) also addresses the Council’s land provision targets. It states that Dacorum has sufficient land to meet its forecast local demand but that it has not considered Dacorum’s aspirations for the Maylands Business Park and role in the wider Hertfordshire economy. The report goes on to state that:
13. “If there are signs that the identified supply is insufficient, the Council will have ample time to reconsider the position and identify additional land as required.” (ED12 page 25)
14. As previously stated, given that the Plan covers the period through to 2031 it is important to identify appropriate employment land now. The land between Maylands and the M1, for reasons already stated, is ‘critical’ to Maylands and it should therefore be brought forward through the EHH AAP process.
15. This area between Hemel Hempstead and the M1 has long been seen as offering potential for employment uses. For example at one stage it was identified as a location for employment development in the Draft Hertfordshire Structure Plan. The land is also an important component of the Gorhambury Concept which includes employment development here as an

integral component of a sustainable expansion of Hemel Hempstead (see Appendix to Crown Estate representations on Issue 1 and also a fuller technical review in OT 10).

16. The Council's objectives for a vibrant and prosperous economy are in line with the Government's commitment to securing economic growth to create jobs and prosperity. The Government's approach is set out in the NPPF which states that:
17. "...local planning authorities should plan proactively to meet the development needs of business and support an economy fit for the 21st century" (para 20)

Opportunities for large scale B8/ logistics uses

18. The area between Hemel Hempstead and the M1 provides potential for a range of employment uses. However the specific attributes of the site being close the M1 provide a unique opportunity for large scale B8/logistics uses that would provide a substantial contribution to the local economy. The NPPF states that in drawing up local plans, local planning authorities should:

"support existing business sectors, taking account of whether they are expanding or contracting and, where possible, identify and plan for new or emerging sectors likely to locate in their area." (para 21)

19. The land between Hemel Hempstead and the M1 has been recognised by the logistics sector in particular as a unique and attractive location for distribution development. There has been significant market interest in the site reflecting its excellent communications being adjacent to the M1 and close M25 providing access to the national motorway network and main UK ports (approx equidistant to Felixstowe and Southampton being the two largest ports in the UK handling 70-% of all containerised traffic).
20. The SW Hertfordshire Employment Land Update Final report (June 2012) notes the significant demand for larger units
"One market sector where supply falls short of Market demand, even in the recession, is larger quality units above 20,000 sq m or so. Nor are there any available sites on which such larger units could be built. One area which could accommodate them in future is the land between Buncefield and the M1, which would form a natural extension to the Maylands employment area". (para 3.22)
21. The location also benefits from a good supply of labour and being within an already strong established distribution sector at Hemel Hempstead.
22. The site is unique as there are only a very limited number of sites in the wider areas that could provide opportunities for large scale logistics uses. Such uses would complement uses elsewhere in Maylands. Also, if not located here companies with large scale business requirements could be forced to locate in less efficient logistics locations resulting in significant additional lorry miles and substantial higher carbon emissions.
23. Evidence of the attractiveness of the site for large scale logistics uses is shown by DHL who have expressed their interest in the site as a location for a major logistics centre of over 2m sq ft. providing potential for some 2000 - 3000 jobs. DHL is the global market leader in the logistics industry and considers the Hemel Hempstead site as an excellent location for a cross dock facility (Felixstowe / Southampton) to service greater London and the south east as well as further afield. The interest from DHL is backed up by research undertaken by Jones Lang Lasalle which confirms the strong market potential of the site for large scale

logistics uses and demonstrates that there are only very few alternative locations available for this type of use. See Appendix 1 for details of DHL's interest and the research by Jones Lang Lasalle.

East HH AAP Approach

24. The land between Hemel Hempstead and the M1 has been identified as being of importance to the economic growth of the Borough. However the delivery of this growth is dependent on the implementation of the EHH AAP. We do not consider that the CS and the approach being taken by Dacorum and St Albans provides an effective framework for the progression of the AAP and thus (to answer the Inspector's question) we do not believe that the CS provides sound guidance for economic growth in the Borough.
25. The EHHAAP requires an agreed joint approach by Dacorum and St Albans. Although both Councils support the idea of the AAP in principle, it is perfectly clear that the two Councils are not effectively working together to prepare and implement the AAP. In short the Councils are not fulfilling the duty to cooperate.
26. The Council's statement of compliance with the Duty to cooperate (SUB 8) identifies the history of liaison with St Albans over the growth of Hemel Hempstead, the role of Maylands and extension of the town eastwards (SUB 8, para 4.16d). There was significant liaison between the two authorities up until the quashing of policies in the RSS but since then there has been little or no joint working.
27. Since 2009 the only liaison appears to have been a joint member /officer meeting on the 27 October 2011 (although it is not clear whether this was a joint meeting between Dacorum and St Albans) and a meeting between Manpreet Kanda (policy officer) of St Albans and Richard Blackburn of Dacorum on 29 November 2011.
28. St Albans response to the consultation on the submitted draft CS and its views on the EHHAAP were presented in a letter dated 6 December 2011 (See Appendix 2). St Albans requested that the text relating to the EHAAP and figure 22 be changed to refer to 'an indicative study area'. Also, St Albans state that "the precisely defined EHHAAP boundary, appropriate uses and their locations will be agreed through continued joint working". Thus after a period of over 3 years there is still no agreement over even a study area. Also, although there is reference to 'continued joint working' it is clear that there has been no effective joint working since 2009 at the latest.
29. The recently published St Albans Draft Strategic Local Plan (PSLP) (REG 19) acknowledges the EHAAP as follows:

"Joint working with Dacorum BC on the East Hemel Hempstead Area Action Plan (AAP) has been initiated and is fully supported by this Council. Both Councils will continue to discuss the most appropriate AAP boundary and the range of and scale of uses to be provided within the AAP." (para 4.18)
30. However as indicated above there is no evidence of effective joint working between the two Councils. Also the St Albans SLP makes no additional reference to the AAP and no mention is made of a Green Belt review to accommodate development as may be identified in the AAP. Furthermore the SLP at figure 13 presents the St Albans Green Infrastructure Plan which shows the area between the M1 and Dacorum as being a "woodland enhancement / creation zone" which would clearly be incompatible with substantive eastern expansion of Hemel Hempstead including employment development.

31. The NPPF states that “planning authorities will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross boundary impacts when their local plans are submitted for examination” (para 180). It goes on to give examples of such joint working e.g. joint committee, MoU, or jointly prepared strategy – none of these are in place between Dacorum and St Albans. Also the NPPF states that “cooperation should be a continuous process of engagement from initial thinking through to implementation” - the evidence submitted by Dacorum in its statement of compliance with the Duty to cooperate (SUB 8) shows that since 2009 there has been no effective joint working.
32. Without an effective approach to joint working the CS and related AAP will not be deliverable. The CS therefore fails the soundness test of ‘Effectiveness’.

Question 5.1 (part). Is Policy CS14 sufficiently detailed, flexible and clear?

33. Given the importance of the land between Hemel Hempstead and the M1 subject of the EHH AAP there should be direct reference to this area in Policy C14. The EHHAAP is referenced in the supporting text but this also needs to be referred to directly in the policy as well.
34. The following text amendment is suggested (additional text underlined);

“Most employment generating development will be located in town and local centres and General Employment Areas in accordance with Policies CS1 and CS4. In addition, through joint working and cooperation with the City and District of St Albans, land between Hemel Hempstead and the M1 shall be identified in the EHHAAP for employment generating uses to include B8 and logistics.”

Question 5.1 (part). Is the Strategy for the Borough as a whole sufficiently clear and flexible enough to allow for a rapid response to changes in economic circumstances?

35. For reasons given above, land between Hemel Hempstead and the M1 in St Albans has a critical role in helping provide for the economic growth of the Borough. This land has potential for a range of uses including large scale B8 and logistics uses as identified above and could help provide additional employment development opportunities to help respond to economic changes.
36. To be able to allow a rapid response to changes in economic circumstances the EHHAAP needs to be produced through effective joint working with St Albans. At present such joint working is not happening and thus the strategy without an effective delivery mechanism will not be able to adequately respond to rapid changes.

Conclusions on Issue 5

37. For the above reasons we do not consider that the CS provides sound guidance for economic growth in the Borough because there is no effective mechanism in place to deliver economic development opportunities in that part of east Hemel Hempstead which is located in St Albans between Hemel Hempstead and the M1. The EHHAAP has been identified as the mechanism for the planning and delivery of development in this location. However Dacorum and St Albans are failing to comply with the Duty to Cooperate on this issue. The extent of cooperation over the past 3 year appears to have been two meetings at best, and so far there is not even any agreement over the boundary of the AAP.
38. The land between Maylands and the M1 is, by the Council’s own definition ‘critical’ to the regeneration of Maylands and as demonstrated in this statement there is significant interest in bringing forward land between Hemel Hempstead and the M1 for employment development

including development by DHL for strategic logistics uses with significant benefits for jobs and the local economy. However without an effective planning approach to this area economic growth will be held back and, as recognised by the Council, in the absence of the AAP the area will continue to under perform.

Which test of soundness it fails

39.The plan fails the test of Effectiveness. The plan will not be deliverable because of lack of an effective mechanism for delivering EHHAAP

Why it fails

40.The Duty to cooperate is not being implemented effectively with St Albans.

The Precise change and/or wording sought

41.See above – amendment proposed to Policy C14

Word Count 2,790

Appendix A

DHL Logistics Facility Report



PROJECT WHITE HART

DHL LOGISTICS PARK

**CROWN ESTATE LAND
EAST HEMEL HEMPSTEAD
M1 JUNCTION 8**

ANCER SPA Town Planning & Development Consultants

for

The DHL LYNTON DEVELOPMENTS Partnership

SEPTEMBER 2012



ANCER SPA

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- 2. Jones Lang Lasalle Supply & Demand Report (Sept 2012)**

1. Introduction

- 1.1 This paper relates to the proposed development of a 2 million sq ft logistics park (B8 and related ancillary accommodation) by the development partnership between DHL and Lynton Developments (The Partnership) on Green Belt designated land in the ownership of the Crown Estate to the west of the M1 motorway at Junction 8 in Hemel Hempstead (see Appendix 1). The Land is within St Albans City & District Council's area.
- 1.2 The central area of the Logistics Park is intended to meet a major B8 logistics development requirement of DHL itself. This requirement comprises some 1.32million sq ft in 3 units.

2. The DHL Requirement

- 2.1 The development partnership between The Partnership has been invited by the Crown Estate to present a development proposal on Crown Estate land located in Hemel Hempstead.

DHL

- 2.2 DHL is the global market leader in the logistics industry operating in more than 220 countries and territories and employing 275,000 employees worldwide. DHL's activity extends to international express, air and ocean freight, road and rail transportation, contract logistics and international mail services. DHL is part of Deutsche Post DHL. The Group generated revenue of more than 53 billion Euros in 2011.

The Partnership

- 2.4 There is a long history of successful co-operation between DHL and Lynton Developments Ltd (LDL), both being active in the UK industrial real estate market. The Partnership has been established to identify and promote strategic development opportunities to meet DHL's ambitious growth plans and share in development profit generated. The Partnership is a complementary fit with DHL generating demand, leveraging its covenant to promote land through the planning process and providing development finance whilst LDL brings planning, construction and development expertise.

The DHL Site

- 2.5 The DHL Site comprising 30.24 ha (74.73 acres) is located immediately north of J8, M1 extending along the west side of the motorway. The Site is located within St Albans City & District Council, although it is contiguous with the established Maylands industrial estate.

Proximity to Buncefield

- 2.6 It is appreciated that the Partnership's proposals include part of the Buncefield DPZ (Development Proximity Zone). The Partnership accepts that the design and configuration of the warehouse units proposed will need to be undertaken using advice from specialist consultants versed in all aspects of the HSE's concerns and requirements. The HSE will be a statutory consultee to any planning application.

- 2.7 Given the sensitivity of Buncfield it is worth noting that its owners Total UK have announced a significant change to the storage at the facility. This will involve the storage and distribution of less volatile fuel. The key implication of this from our development perspective is that there will be significantly more scope for and flexibility with the type and scale of B8 uses envisaged. The following statement summarises the changed fuel storage situation:

'Mike Penning welcomes Total UK decision to limit Buncfield to aviation fuel

By Admin

Created 06/29/2012 - 16:25

Mike Penning, Member of Parliament for Hemel Hempstead, has welcomed a decision by Total UK not to reinstate petrol storage at Buncfield Depot following the devastating explosion of 2005.

Total UK have decided that they will restrict the use of their part of the site – the larger part – to the storage of aviation fuel.

Mike said:

"Aviation fuel – paraffin – is much less volatile and this is a very welcome and sensible decision. The Buncfield depot is too close to residential and business areas to safely store petrol. We were very lucky in 2005 that no one was killed and, I think, all local residents will welcome this decision.

"Aviation fuel is a much more stable fuel and is actually quite difficult to get to burn. Total's decision is good news for Hemel Hempstead."

The DHL Requirement

- 2.8 The current DHL element of the Development masterplan (see Appendix 1) shows a multi-unit development consisting of three units as follows:-

Unit 1 – 650,000 sq ft (60,386 sq m)

Unit 2 – 343,000 sq ft (31,865 sq m)

Unit 3 – 322,000 sq ft (29,915 sq m)

While the masterplan is evolving, at this stage the overall scale and mix of units is a direct reflection of DHL's anticipated market requirements emerging out of assessment of their current customer base.

- 2.9 Compared to alternative sites this location will significantly reduce HGV road miles and carbon emissions as a result of greater efficiencies in the DHL logistics network.
- 2.10 The B8 logistics development will be entirely complementary to the proposed expansion of the Maylands Business Park being promoted in the East Hemel Action Area Plan by Dacorum.
- 2.11 Lynton Developments envisage that the overall 2 million sq ft development could generate between 2,000 and 3,000 jobs. The general trend towards use of the internet, for example, is driving greater employment densities. For example the Amazon B8 facility in Hemel Hempstead (465,000sq ft unit) opened on 6th September 2012 and it is reported as creating some 600 jobs. Amazon quoted on their website (26 October 2011) that it estimated some 1000 permanent and temporary workers would be on site during the Christmas 2012 period.

- 2.12 The Crown Estate land has been chosen, notwithstanding its present Green Belt designation, because its scale and location make it unique in the South East of England in relation to DHL's and the Partnership's requirements.

Site Availability

- 2.13 Jones Lang LaSalle (JLL) has produced a report on modern warehouse availability in excess of 250,000 sq ft (23,226 sq m) on the northern M25 and surrounds (Appendix 2). JLL reports that there is no modern existing stock available of this size range and only two consented schemes within the search area. In addition, JLL reports strong latent demand. The Crown land would be well placed to exploit this supply/demand imbalance.

Site Location Benefits

- 2.14 The site is in a prime, established South East logistics location. It benefits from excellent communications being adjacent to J8, M1 and close to the intersection of the M1/M25 providing onward access to the national motorway network and main UK ports.
- 2.15 Historically, manufacturers and distributors have focussed on outbound transport and sought to locate in the Golden Triangle bounded by Northampton, Birmingham and Leicester due to its proximity to customers.
- 2.16 With an increasing reliance on imports, either containerised through ports or directly road hauled into the UK from the continent, more emphasis is placed on inbound transport when selecting a location.
- 2.17 The Site is excellently located from this perspective, being 100 miles from Felixstowe and 89 miles from Southampton, these two ports being the largest in the UK and combined handling 70% of all containerised transport. Locating a warehouse at the proposed development site instead of Magna Park in the Golden Triangle would save an average of 102 miles per container. Dover, the primary port of entrance for road hauled imports from the continent is 108 miles away. This would save on average 130 miles per road haul round trip.
- 2.18 The logistics sector is also seeking to reduce secondary outbound transport costs, locating closer to population centres particularly in the South East of the country.

Evolution of Logistics Sector

- 2.19 The UK logistics sector is evolving due to changes in the behaviour of consumers and consumer manufacturers, and increasing road transport costs.
- 2.20 Consumers are increasingly purchasing products and services via the internet which will have a significant impact upon the logistics landscape. Warehouses are being developed to accommodate this demand with distribution direct to consumers via cross dock facilities and parcel networks. It is anticipated that there will be an increase in demand for cross dock facilities on the periphery of large conurbations where deliveries can be consolidated into fewer journeys, reducing cost, congestion and pollution.

- 2.21 East Hemel Hempstead would be a prime location for a cross dock facility to service Greater London and the wider South East.
- 2.22 DHL customers are rationalising their supply chains and consolidating into fewer, larger regional distribution centres (RDC's). The typical size of an RDC has expanded from 300,000 sq ft (27,870 sq m) prevalent in the 1980's up to the 1,000,000 sq ft (92,902 sq m) common today. The increase in warehouse footprint reduces cost through economies of scale with increased productive efficiencies and lower overhead costs.
- 2.23 Third party logistics operators (3PL's), such as DHL Supply Chain, both follow and drive rationalisation within their customer's supply chains. 3PL's seek to capture additional synergies through locating various customers in campus locations. These campus locations require a minimum 50 acres and should be capable of accommodating up to 1,000,000 sq ft (92,902 sq m). JLL report (see Appendix 2) that there are only four consented sites, capable of accommodating 1m sq ft (92,902 sq m) in the South East.

Employment

- 2.24 The indicative development masterplan would generate employment for approximately 2,000 to 3,000 people. Employment generated would depend on the nature of the occupier.
- 2.25 A 538,200 sq ft (50,000 sq m) warehouse for a consumer manufacturer would employ approximately 440 people. The same warehouse for a composite customer (food & non-food storage) may employ approximately 880 people.
- 2.26 DHL currently employs circa 48,000 people in the UK. The Company has an excellent industrial relations record and work with a range of Trades Unions.
- 2.27 The range of jobs DHL could generate would include: finance, IT, human resources, operational and other general management roles. These typically represent 15% of site employment.
- 2.28 Semi-skilled employees such as LGV, MHE drivers and IT literate warehouse staff would represent 80% of the workforce with 5% of the staff being limited skills based. It would be expected that 95% of staff would be drawn from the St. Albans and Hemel Hempstead constituencies.

DHL Pipeline Demand

- 2.29 By way of example, at the time of writing, DHL is in discussions with a current customer located in the Midlands who is seeking to relocate closer to London, the destination of the majority of its outbound transport. The Customer would require a new facility of 350,000 sq ft (32,516 sq m).
- 2.30 It is estimated this facility would generate a total of 400 jobs, 250 of which would be semi-skilled and warehouse colleagues.
- 2.31 Locating in Hemel Hempstead would save 168 mile per round trip with an average of 10 round trips per day.

2.32 Whilst the client's timing is flexible, there are no existing buildings or sites immediately available capable of accommodating the requirement and providing easy access to Central London.

Sustainability

2.33 DHL places high priority on the need to reduce its operational impact on the natural environment. In accordance with DHL's stated carbon reduction objectives, all new buildings are designed to sustainable standards. Building finished design is expected to meet BREEAM European standard "Very Good" and incorporate specific carbon reductions features.

3. Conclusions

- 3.1 This paper has set out the DHL and the Partnership's requirement for the Crown Estate land in question. Lynton Developments as DHL's commercial development partner will take the project through the planning phase and then project manage the construction of the facilities.
- 3.2 The Partnership is satisfied that there is a very strong town planning case being made to secure the release of the site from the Green Belt and its allocation as a major B8 logistics site.
- 3.3 Through the Dacorum Core Strategy examination and subsequently through the Area Action Plan process recognition is being sought from the Inspector and Dacorum that the Crown land is of critical importance to Dacorum and East Hemel Hempstead. A recommendation is sought that will effectively pave the way for the land being removed from the Green Belt and identified for strategic B8 logistics development. The Inspectorate's examination of the Dacorum Core Strategy presents a 'Golden Opportunity' to help secure the release of the site from the Green Belt and a B8 employment allocation in time to meet DHL's development programme.

ANCER SPA Town Planning & Development Consultants
For and on behalf of
The DHL Lynton Developments Partnership
SEPTEMBER 19, 2012

APPENDICES

1. Project White Hart Development Masterplan

2. Jones Lang Lasalle Supply & Demand Report (Sept 2012)

APPENDIX 1

Project White Hart Development Masterplan

J8 SOUTH

NORTH M1



LYNTON DEVELOPMENTS

For enquiries
The Bell
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PROPOSED DEVELOPMENT
PLOTS 12, 13 & 14
THE CROWN ESTATE LAND
HARVEY HEMPSTEAD

DRAWING TITLE
MASTER PLAN

Scale	1:2500 @ A1
Draw No	10032 : 006
Date	24/06/2011

APPENDIX 2

Jones Lang Lasalle Supply & Demand Report (Sept 2012)

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10 September 2012

Dear Mr Sanders

Proposed Development Site at Hemel Hempstead, St Albans City & District Council

This letter has been prepared following our meeting of 20 August 2012 and your request for a concise assessment of the opportunity provided by your proposed development of a strategic distribution park off junction 8 of the M1.

We have structured our assessment as follows:

- Section 1 provides a concise overview of the site in terms of its key location attributes and your proposals;
- Section 2 provides a high level assessment of market demand and need for large distribution facilities;
- Section 3 provides a review of existing buildings and potentially deliverable sites that might be considered competitive to your proposals;
- Section 4 sets out our key conclusions.

1 Site location, proposed development and location attributes

The proposed development site is located immediately off junction 8 of the M1 on the west side of the motorway. The site is situated north of the A414 Breakspear Way and east of Green Lane.

The site is located within St Albans City & District Council, although it is contiguous with the Maylands employment area of Hemel Hempstead, one of the key employment areas in Dacorum Borough Council. The site is within the Green Belt.

The site totals approximately 74.73 acres and the proposed development is for a strategic distribution park with potential for around 1.3 million sq ft consisting of three units as follows:

- Unit 1: 650,000 sq ft in total, including 40,000 sq ft of offices, on 38.60 acres;
- Unit 2: 343,000 sq ft in total, including 15,000 sq ft of offices, on 18.65 acres;
- Unit 3: 322,000 sq ft in total, including 15,000 sq ft of offices, on 17.48 acres.

In the current site development plan, Unit 1 is a cross docking facility with loading docks on both of its long side elevations. Units 2 and 3 both have loading docks on a single elevation.

In our assessment, this location has a number of strong attributes as a strategic distribution location. In particular, we would highlight the substantial market area that could be serviced from this site, the site's proximity to the national motorway network, the labour supply accessible from the site, and the location's established nature as a significant distribution cluster.

Substantial market area. The site is extremely well located to service a large market area. The ability to service a large market area is a key location consideration for companies seeking to establish a new strategic distribution facility. Based on a HGV drive time analysis, some 19.6 million people live within a 2-hour HGV drive-time of the site, 34.4 million live with a 3-hour drive and 50.2 million live within a 4.5 hour drive, the maximum drive time permitted before a driver must take a mandatory break. The map in **Appendix 1** shows the market area that could be serviced from this location within a 2-hour, 3-hour and 4.5-hour HGV drive time.

Table 1 provides a summary profile of the market area that could be serviced from this site in terms of households, population and expenditure. As this shows, 81.2% of all GB households can be reached from the site within a 4.5 hour HGV drive and 82.0% of GB's total population. This area also accounts for some 82.4% of total GB household weekly expenditure.

Table 1: Market area profile based on HGV drive times from the proposed development

	HGV drive time from site			GB
	2 hour	3 hour	4.5 hour	
Number of households	8,233,000	14,573,000	21,423,000	26,390,000
Households, % of UK	31.2	55.2	81.2	100.0
Population	19,623,000	34,426,000	50,252,000	61,291,000
Population, % of UK	32.0	56.2	82.0	100.0
Total household weekly expenditure (£000s)	4,125,473	7,030,354	10,041,138	12,179,888
Expenditure, % of UK	33.9	57.7	82.4	100.0
Total weekly expenditure per household (£)	501	482	469	462
Total weekly expenditure per capita	210	204	200	198.72

Source: CACI (2012)

This analysis suggests that the location is a very strong one for accessing major markets including, most obviously, the London and greater South East markets, which include many of the UK's most affluent areas and a high concentration of retail stores. As such it is well suited to meet requirements for distribution facilities to service London and the greater South East, or southern England more widely.

Motorway proximity. Motorway proximity is a key location factor considered by companies seeking a strategic distribution site. This reflects the fact that road is by far the most important mode for transporting freight within GB, with the motorway network responsible for some two fifths of all HGV traffic although it accounts for only 1% of the total road network. This site has immediate access onto the M1 motorway and good access to the M25. Both the M1 and M25 are recognised as Strategic National Corridors (SNCs). The SNCs were established in 2009 to define the network over which the largest proportion of strategic traffic – that is traffic travelling between the ten largest urban areas, ten busiest ports and seven busiest airports in England – is transported.

Large and appropriate labour supply. Access to a large and appropriately skilled labour supply is an important location factor for companies seeking to establish a new distribution facility because these facilities often generate a large number of jobs and, therefore, make a significant demand on local labour markets. For example, existing survey-based research suggests that large distribution facilities typically employ between 1 person per 77 sq m (829 sq ft) to 95 sq m (1,023 sq ft) of developed floorspace. Given the proposed development of 1,315,000 sq ft (122,164 sq m) this would imply a total labour demand of between 1,300 to 1,600 workers (more precisely 1,286 to 1,587).

In addition to generating a large number of jobs, existing research also highlights that large distribution centres typically provide a broad range of employment opportunities at different levels of skills. In addition to warehouse workers and drivers, these opportunities typically include administrative /support positions including IT staff, and managerial positions covering various roles such as transport scheduling and planning and overall warehouse management.

Our analysis, based on Experian data, shows that some 717,400 people live within a 30-minute drive of this site, with some 517,300 aged between 16 and 74. Within the latter, some 358,600 are classified as economically active, which covers people in employment, unemployed and full-time students. Within this area some 327,200 people are in employment, whilst some 16,100 are unemployed. The number of people unemployed provides an indication of the immediately available labour supply. Among those people in employment some 18,900 people work in process, plant and machine operative occupations with an additional 28,300 people employed in elementary occupations. Whilst distribution warehouses provide a variety of employment opportunities, many of the more standard warehouse jobs fall within these two broad Standard Occupational Classifications (SOCs).

Table 2 provides a summary demographic and labour market profile for three areas respectively defined by a 10-minute, 20-minute and 30-minute rush hour drive time of the site.

Table 2: Demographic and labour market profile for car-based travel to work areas

	Rush hour car drive times		
	10 minutes	20 minutes	30 minutes
Population estimate, 2011	28,122	232,403	717,437
All people aged 16-74	20,354	168,092	517,261
All people aged 16-74 economically active	13,846	118,851	358,564
- In employment	12,768	110,969	327,186
- Unemployed	611	3,985	16,102
In employment in process plant and machine operative occupations	775	5,294	18,939
In employment in elementary occupations	1,373	9,334	28,276

Source: Experian (2012)

Established distribution location. Whilst classified as Green Belt, the site is contiguous to a major employment area which has attracted a number of sizeable distribution users including Amazon the internet retailer (465,000 sq ft), the Royal Mail (260,000 sq ft) and Gist, the logistics company (238,000 sq ft), plus other smaller occupiers, such as Next (170,000 sq ft) and Palmer & Harvey (170,000 sq ft). The presence of these, and other, major companies, highlights the location's proven potential as a distribution location. This status as an established area can help to attract demand from other companies, as they might perceive the area to involve less risk than one where other major distribution operators are not already established. In addition, the established nature of a location is often a key consideration for investors deciding whether to fund new development in an area.

2 Market demand and need

Over the past 20 years or so there has been significant demand for large-scale distribution facilities particularly from major retailers, manufacturers and logistics service companies that often manage and operate warehouses on behalf of retailers and manufacturers. It is now common for retail driven requirements to focus on warehouses in excess of 500,000 sq ft, and more recently in the region of 1 million sq ft – as evidenced by warehouses built for M&S (Bradford and Castle Donnington); Tesco (Reading, Daventry and Dagenham); John Lewis (Milton Keynes); Morrisons (Sittingbourne and Bridgewater); Constellation (Bristol); B&Q (Swindon); Sainsburys (Dartford, Basingstoke and Exeter); and River Island (Milton Keynes).

This demand has been driven by the growth and restructuring of the UK economy, including the expansion of service activities. However, more specific drivers have been important.

Retailer requirements for large distribution warehouses have typically been driven by a range of factors including:

- A growth in total retail sales and a growth in the range of products sold (which need to be kept in stock);

- An increase in the proportion of supplies channelled through retailer-controlled distribution centres, as opposed to being delivered direct to retail stores by suppliers as was more common 20 years ago;
- The geographical expansion of retail store networks creating a need for new regional distribution centres;
- The restructuring of distribution networks including the centralisation of inventory into larger facilities creating a demand for large warehouses;
- The reconfiguration of the inbound supply chains in response to the growth in international sourcing and the associated growth in imports;
- The development of distribution facilities to service new channels to markets, most notably requirements related to the growth of internet retail sales.

Manufacturers generate requirements for warehousing at various stages along their supply chains including to manage the inbound flows of materials, supplies and sub-assemblies; to hold stock and work in progress; and to manage the outbound flow of finished goods. In some industries where Just in Time (JIT) supply is common (eg the automotive sector), the primary manufacturing activity generates requirements from suppliers for warehousing near the main factory plant.

Over the past 20 to 30 years there has been a significant shift of industrial capacity from the UK, and other developed economies, to relatively low labour cost countries in Asia Pacific and Central and Eastern Europe (CEE). Clearly when a manufacturing plant moves to another country then the upstream supply chain which formerly serviced it also moves off-shore. However, the reduction in warehouse demand resulting from this shift may be off-set by growing demand for warehousing to handle the rise in imports of finished or part finished goods. For example, finished goods from Asia Pacific typically arrive through the UK's major container ports, such as Felixstowe and Southampton, and are sometimes channelled through large imports centres (warehouses) at sea ports or inland distribution centres. In addition, because international sourcing results in longer supply chains it may generate additional demand for warehousing in the UK to hold stock to balance the extended lead time of supply (which may be 4 to 6 weeks from Asia Pacific via deep sea container ship) with customer order lead times, which are often less than one week.

The demand for warehousing from logistics companies is nearly always contract-led as these companies require warehousing to service logistics contracts typically secured from retailers or manufacturers. That said, logistics companies may sometimes acquire warehousing without a specific contract in place where they believe that a location is strategic and is capable of meeting current and future contract requirements. The demand from logistics companies tends to fluctuate with trends in outsourcing and in-sourcing.

Aside from logistics companies engaged in contract logistics other type of logistics operators clearly have requirements for warehouse and distribution facilities which are not related to specific contracts. For example, over recent years there has been a growth in pallet network companies, which typically have large national distribution hubs and local/regional hubs.

In addition, parcel network operators (such as Hermes or UK Mail) have been a growing source of demand over recent years, largely due to the growth in internet retail sales as these purchases are often distributed via parcel network operators. These companies typically operate hub and spoke networks involving a national hub and local/regional spokes.

Over the past 10 years (2002-2011 inclusive) our data show that some 113.8 million sq ft of new distribution warehouse space was taken up across GB involving new units of 100,000 sq ft and over, which equates to an annual average of 11.4 million sq ft. Although this demand tends to vary with the economic cycle, with below average take-up in 2009 and 2011, for example, due to the impact of the 'double dip' recession, there are a number of large outstanding requirements for large-scale distribution facilities in the South East (in excess of 250,000 sq ft) which demonstrate on-going demand and need. These requirements include:

- M&S 900,000 – 1,000,000 sq ft
- Decathlon 250,000 sq ft
- Costco 500 - 700,000 sq ft
- Carlsberg 250 - 300,000 sq ft
- Anixter 300,000 sq ft
- Super Group 400 - 500,000 sq ft
- Dachser 300,000 sq ft
- Polestar 500,000 sq ft
- Poundland 300 - 400,000 sq ft
- Nobia 400,000 sq ft
- Amazon 1,000,000 sq ft
- Kuehne & Nagel 300,000 sq ft
- Arcadia 400 - 600,000 sq ft
- Michelin 450,000 sq ft
- Travis Perkins 500,000 sq ft
- H&M 250 – 400,000 sq ft
- B&Q 250 – 300,000 sq ft
- Lidl 400,000 sq ft
- DSV 300 - 350,000 sq ft
- Kelloggs 400,000 sq ft
- New Store Europe 300,000 sq ft
- Uniserve 1,000,000 sq ft
- Ocado 300 – 400,000 sq ft
- Tesco 1,000,000 sq ft
- Sainsbury's 900,000 – 1,000,000 sq ft
- Wolseley 300,000 sq ft
- Co-Op 400,000 sq ft

3 Competitive buildings and sites

Having regard to the scale and nature of the proposed development and our assessment of the geography of market demand in the distribution sector, our analysis of competitive buildings and sites is based on the following:

- **Market area.** The market area we have examined is broadly defined by a hypothetical ring running beyond the M25 motorway from Slough on the M4 in the west to Harlow on the M11 to the east. The northern boundary extends as far as Houghton Regis, Dunstable and Luton. The southern boundary is defined by the River Thames. Although property market areas are not objectively defined - in the way that the boundaries of geographical entities such as local authorities or regions are - in our assessment this area accords with a typical area of search for a company seeking to set up a new strategic distribution facility on the north side of London to service the Greater London and wider South East/southern England market.
- **Size.** We have considered sites and buildings capable of meeting a requirement of 250,000 sq ft and over.

There are currently no existing Grade A buildings¹ of 250,000 sq ft and over within our defined market area available on the market.

There are very few sites that might be considered competitive to the proposed development. We would highlight the following as potentially competitive based on a two-fold division – those with planning consent and those being promoted or to be promoted through planning.

Sites with Planning Consent

- Origin site, Park Royal, west London. SEGRO is promoting this 24-acre site for build to suit opportunities from 45,000 sq ft up to 350,000 sq ft. The site benefits from detail planning consent for industrial / warehouse use.
- G. Park Dunstable. Gazeley is promoting this 32-acre site with planning for a single unit of 755,000 sq ft.

Sites without Planning Consent

- Former Radlett Aerodrome site. The Helios Group is promoting this site for a Strategic Rail Freight Interchange including some 3.5 million sq ft of distribution warehouse space. The original proposals were rejected by the local authority and subsequently at an inquiry in 2007. A revised application was subsequently made which was the subject of another inquiry in 2009. The Inspector recommended that this application be approved, however the Secretary of State over-ruled the Inspector. Helios launched a judicial challenge and in July 2011 the Court ruled in

¹ By Grade A we mean either a new build or a good quality secondhand building having a specification similar to a new facility in terms of the key attributes of height, loading docks, yard area, etc.

favour of Helios. However, the Secretary of State has still not decided on a way forward for this site. The site is within Green Belt.

- Slough International Freight Exchange, Colnbrook. Goodman is promoting this site for a Strategic Rail Freight Interchange including some 2.1 million sq ft of distribution warehouse floorspace. Goodman submitted a planning application to Slough Borough Council in September 2010 which the Council refused in September 2011. Goodman has appealed against this decision. The site is within the Green Belt.
- Woodside, Dunstable. Canmoor and Harbert are promoting this site of up to 21 acres with potential to provide from 150,000 sq ft to 400,000 sq ft in a single unit, subject to planning.
- Houghton Regis North. AXA is promoting this site of c 50 acres with potential for up to 1 million sq ft.
- Sundon Park, Luton. Prologis is promoting this site as a regional rail freight interchange site but its development is dependent on a new motorway junction on the M1 (junction 11 a). It is capable of accommodating around 1.7 million sq ft in total.
- Century Park, Luton. Prologis is promoting this site of c 100 acres.

In addition to the above it should be noted that the number of sites capable of delivering a warehouse of 1 million sq ft in the South East of England are extremely limited. At present there are only four consented development schemes in the entire South East capable of accommodating a requirement of this scale, two of which are to the south east of London. These are Magna Park, Milton Keynes; London Gateway; Howbury RFI; and Kingsnorth Commercial Park.

4 Conclusions

Our analysis highlights that the proposed development has considerable potential to become a successful strategic distribution park.

- The location has very strong attributes as a strategic distribution location with a substantial market 'reach', the benefit of motorway proximity, a good supply of labour and the benefit of being within a strong established distribution cluster.
- There is on-going demand and need for strategic distribution facilities in this location as evidenced by a number of active large-scale requirements.
- There are no existing Grade A buildings of 250,000 sq ft and over currently available in our market area and only a limited number of sites that are currently being promoted or worked up that could address this demand and need and which might be considered 'competitive' to the proposed development.

- None of the consented development schemes within the defined market area are capable of accommodating a warehouse of 1 million sq ft.

If the proposed development does not proceed then the opportunity to create a significant number of jobs in this area will be lost. In addition, companies with large-scale distribution requirements could be forced to locate to potentially less strong distribution locations to meet their need, potentially resulting in less efficient logistics operations including additional lorry miles and higher carbon emissions.

Finally, we would highlight that the specific proposals for this site from DHL, the world's largest specialist logistics company, would complement, rather than compete with, Dacorum's plans for the regeneration of the Maylands Business Park, which are primarily targeted at securing office schemes and opportunities for smaller occupiers.

I trust that this overview assessment provides you with sufficient information at this stage to understand the potential of the opportunity you are seeking to promote at Hemel Hempstead. We would be pleased to advise you further should you require this.

Yours sincerely

Richard Evans
Director
National Industrial & Logistics

Appendix B
Letter from St Albans to Dacorum BC dated
6 December 2011

Rec'd: 6/12/11

3



Planning and Building Control

My ref: DBC6.12.11
Please ask for: Chris Briggs
Telephone: 01727 866100
Fax: 01727 845658
E-mail: Chris.Briggs@stalbands.gov.uk
Date: 6 December 2011

James Doe
Assistant Director of Planning,
Development and Regeneration
Dacorum Borough Council
Civic Centre
Hemel Hempstead
HP1 1HH

Dear James,

RE: Dacorum's Core Strategy: Pre-Submission Publication

Para 2-3

St Albans City & District Council is pleased to support the thrust of the Dacorum Core Strategy and support the joint working for the East Hemel Hempstead Area Action Plan (EHHAAP). This Council is also pleased that the October 27 Member and officer meeting confirmed the appropriateness of and support for joint working on the EHHAAP, as reflected in the Dacorum Core Strategy.

There is only one aspect of the Pre-submission Core Strategy where specific clarification is considered necessary as it moves to the submission stage. During discussions between Manpreet Kanda of this Council and Richard Blackburn of Dacorum on 29 November, it was agreed that Dacorum would amend the text in the Dacorum submission Core Strategy and Figure 22 to refer to the (currently shown) EHHAAP boundary, where it includes land in this District, as an "indicative study area". The precisely defined EHHAAP boundary, appropriate uses and their locations will be agreed through continued joint working between Dacorum Borough and St Albans City & District Councils and we look forward to participating further in such working in the near future.

Yours sincerely

Chris Briggs
Spatial Planning Manager (Acting)

Treat as support for:-

- ① Para 2-3
- ② Section 1 - summary
- ③ Objection to Figure 22 in Hemel Place Strategy.

