Major Projects Association

Canary Wharf. An MPA seminar held at the Four Seasons Hotel, Canary Wharf, London on 7 November 2001

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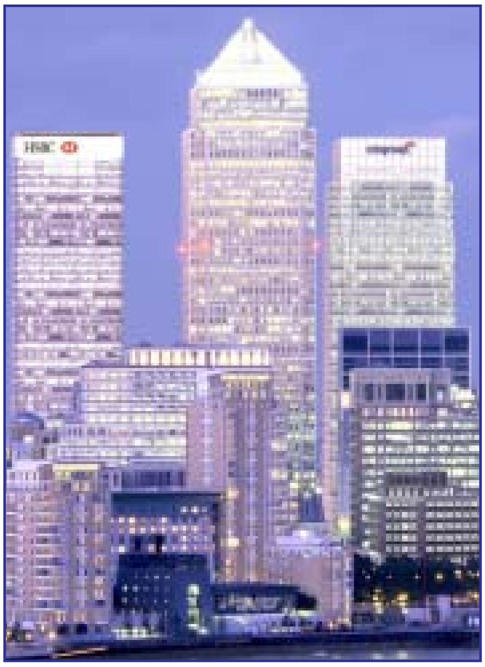
Participants

More than 40 participants attended the seminar and the following organizations were represented:

BAA plc, BMCE Bank, Bovis Lend Lease, British Energy, Brown & Root, Citigroup, CMS Cameron McKenna, Denton Wilde Sapte, Freshfields Bruckhaus Deringer, Halcrow Group Ltd, Herbert Smith, High-Point Rendel, HSBC Holdings Ltd, Linklaters & Alliance, Morgan Est, Ove Arup & Partners, PA Consulting Group, Risk Solutions, Rowe & Maw, Sir Robert McAlpine, The Movement for Innovation, Tower Hamlets Housing Action Trust, Trade Partners UK, Willis Group Ltd, Willis Construction Risks, WS Atkins



Canary Wharf (CW) was once a wharf and a cargo warehouse at the centre of the West India Docks. London's docks reached their peak 1961, but declined swiftly thereafter, unable to keep up with the new technology and containerization.

The whole Docklands area was clearly a candidate for regeneration, but the CW project itself was driven first by the vision of G Ware Travelstead, chairman of First Boston Real Estate, and subsequently by developer Paul Reichmann of Olympia & York who took the idea forward. The MPA Canary Wharf seminar looked at the progress and ultimate success of the project, with its lessons for developers, project clients and contractors everywhere.

On major urban redevelopment

A number of key factors stimulated regeneration in Docklands and in particular allowed the CW scheme to move ahead:

- two enabling tools were put in place in the early 1980s: the creation of the London Docklands Development Corporation and designation of the area as an enterprise zone.
- expansion of financial services after the Big Bang triggered the need for more office space.
- visionary leadership, backed by meticulous research showing that 80 per cent of London office space was technically obsolete.
- government commitment to improving transport was required.
- government commitment *was* secured for the Jubilee Line Extension, but was slow to crystallize so that actual completion was 1999 (not 1994 as once envisaged).
- winning the hearts and minds of prospective end-users and the local community.

On constructing Canary Wharf

From the outset, CW was special, and it also proved to be especially challenging:

- CW is a development of the highest quality, with superb detailing and landscaping.
- a dynamic Anglo-American project team was appointed, under the banner of LMI (the US/UK managment arm of Bovis).
- the "terrain" was difficult, as much of the construction was over water.
- logistics was another problem and building material was brought in by river—an ex-army colonel, with logistics experience in the Falklands, masterminded the exercise.

Transport issues: 1
Can we use the river for transport?

Using the river as a medium for transport has popular appeal—and new ministers coming in often say "let's use the river more"—but the river is not in practice an economic way of providing transport:

- it costs £1,000 to "create" a seat on a land bus
- it costs £7,000 to "create" a seat on a water bus
- capacity of river buses is small, compared to road or rail transport
- to be economic, water buses would have to charge taxi prices, not bus prices
- the river is not an easy medium: it has tides and meanders

Transport issues: 2
JLE—the lifeline

Transport can make or break property development. CW therefore decided to make a £400 million contribution to JLE (reduced through discounting). The contribution by a private company to public transport infrastructure was ground-breaking. The precedent might be followed elsewhere, although a code of conduct and an equitable way of calculating contributions would have to be agreed. (See also MPA seminar, the Jubilee Line Extension; summary on MPA website.)

- local labour was sought, though construction workers were thin on the ground locally, and a local training centre was set up.
- construction techniques were a mix of old and new; innovations (in the UK) included flat slabs using permanent slabwork and foamed concrete to carry the utilities.

On transport infrastructure

Good transport links were essential if companies were to relocate. The transport infrastructure had three elements:

- the road network, improved by the four-lane Limehouse Link.
- an expanded and upgraded Docklands Light Railway.
- the Jubilee Line Extension (JLE), the most important element, with its vital rail interchanges (see Transport issues 2).

The most innovative feature of the transport infrastructure was the £400 million contribution of the CW Group to JLE.

On the financial side

CW has had its share of troubles but they are now in the past:

- in 1992 developers Olympia & York went into administration.
- in 1993 the project was brought out of administration by a consortium of US, Canadian and UK banks.
- the group went public in 1999.
- each stage is funded more by debt than equity, with equity rolled into the next project in the CW programme.
- securitization—a form of long-dated debt in the capital market—has been an important part of the financing strategy.
- in 1995 the leasing of offices began; long leases are let to carefully targeted tenants.
- the high-quality of CW offices has led to a steady rate of leasing deals.
- an unusual feature is the leasing of "virtual space", i.e. surplus-to-requirements office space can be leased back to CW; this system helps maintain a steady flow of leasing business.

On the benefits of success

A successful regeneration project brings benefits to everyone:

- high-quality offices adjacent to the City have allowed London to maintain its competitive position in financial services.
- there is a ripple effect, and the whole economy of the south-east has benefited.
- impressive new standards have been set in office building and landscaping.
- the success of CW raises the possibility of further development on land lying to the east.
- when completed, CW will offer 25 per cent of grade A office space in London and investors coming in in 1995 have made five times their money.